

Japan Airlines Company, Ltd.

Consolidated Financial Information

*For the six months ended September 30, 2001 and 2000
and the year ended March 31, 2001*

1. Consolidated Financial Highlights

(As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted.)

(1) Consolidated Operating Results for the Six Months Ended September 30, 2001 and 2000 and the Year Ended March 31, 2001

(Millions of yen except for per share information)

(i) Total operating revenues	FH01	¥ 871,259	(-0.3%)
	FH00	¥ 874,054	(-)
	FY00	¥1,703,773	
(ii) Operating income	FH01	¥ 38,956	(-44.8%)
	FH00	¥ 70,516	(-)
	FY00	¥ 78,639	
(iii) Ordinary income	FH01	¥ 23,874	(-57.2%)
	FH00	¥ 55,758	(-)
	FY00	¥ 53,311	
(iv) Net income	FH01	¥ 16,397	(-61.3%)
	FH00	¥ 42,386	(-)
	FY00	¥ 41,021	
(v) Net income per share	FH01	¥ 9.20	
	FH00	¥ 23.83	
	FY00	¥ 23.06	
(vi) Diluted net income per share	FH01	¥ 9.19	
	FH00	¥ 23.79	
	FY00	¥ 23.02	
(vii) Equity in earnings (losses) of affiliates	FH01	¥ 851	
	FH00	¥ (117)	
	FY00	¥ 258	

Note 1. Number of shares outstanding during the period:

September 30, 2001	1,782,918,587
September 30, 2000	1,778,853,883
March 31, 2001	1,779,192,855

(2) Consolidated Financial Position at September 30, 2001 and 2000 and March 31, 2001

(Millions of yen except for per share information)

(i) Total assets	FH01	¥1,771,035
	FH00	¥1,902,111
	FY00	¥1,801,855
(ii) Total stockholders' equity	FH01	¥ 277,531
	FH00	¥ 259,758
	FY00	¥ 267,654
(ii) Stockholders' equity ratio	FH01	15.7%
	FH00	13.7%
	FY00	14.9%
(ii) Equity per share	FH01	¥ 155.66
	FH00	¥ 146.03
	FY00	¥ 150.12

Note 1. Number of shares outstanding at the end of the period:

September 30, 2001	1,782,922,655
September 30, 2000	1,778,853,906
March 31, 2001	1,782,915,444

(3) Results of Consolidated Cash Flows for the Six Months Ended September 30, 2001 and 2000 and the Year Ended March 31, 2001

(Millions of yen)

(i) Net cash provided by operating activities	FH01	¥ 56,883
	FH00	¥ 76,164
	FY00	¥ 129,098
(ii) Net cash used in investing activities	FH01	¥ (31,659)
	FH00	¥ (33,247)
	FY00	¥ (19,409)
(iii) Net cash used in financing activities	FH01	¥ (51,043)
	FH00	¥ (65,132)
	FY00	¥ (179,012)
(iv) Cash and cash equivalents at end of period	FH01	¥ 97,025
	FH00	¥ 167,407
	FY00	¥ 121,972

(4) Consolidation Policy

See notes to accompanying interim consolidated financial statements.

(5) Changes in Accounting Policy

Not applicable.

2. Consolidated Financial Forecast for the Year Ending March 31, 2002

(Millions of yen except for per share information)

(i) Total operating revenues	¥1,600,000
(ii) Ordinary loss	¥ 50,000
(iii) Net loss	¥ 40,000
(iv) Net loss per share	¥22.44

3. Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

As of September 30, 2001, the number of consolidated subsidiaries was 153, including the following principal subsidiaries:

Japan Asia Airways Co., Ltd.
Japan TransOcean Air Co., Ltd.
JALWAYS Co., Ltd.
JAL Express Co., Ltd.
Airport Ground Service Company, Ltd.
TFK Corporation
Airport Engineering & Service Co., Ltd.
JAL Sales Network Co., Ltd.
Jalpak Co., Ltd.
JAL Hotels Company Ltd.
JAL Leasing Company, Limited
JAL Finance Corporation
JALUX Inc.
JAL Information Technology Co., Ltd.
Axess International Network, Inc.
Global Building Co., Ltd.

As of September 30, 2001, the number of unconsolidated subsidiaries not accounted for by the equity method was 141.

As of September 30, 2001, the number of unconsolidated affiliates was 78 including 23 companies accounted for by the equity method.

Changes in the scope of consolidation are summarized as follows:

Included in consolidation:

(Increase) 10 AGS Air Cargo Service Company, Limited
Narita Dry Ice Co., Ltd.
Nihon Food Service Co., Ltd.
New Tokyo Service Co., Ltd.
TFK Development Co., Ltd.
Yamato Shokuzai Co., Ltd.
JALPAK de Mexico S.A. de C.V.
P.T. Jalpak International Bali
Orient Network Thailand Co., Ltd.
AGS Skysupport Company, Ltd.

(2) - I**Japan Airlines Company, Ltd.****Consolidated Balance Sheets***At September 30 and March 31, 2001 and September 30, 2000*

	2001		2000
	September 30	March 31	September 30
	<i>(Millions of yen)</i>		
Assets			
I. Current assets:			
Cash and time deposits	¥ 76,372	¥ 73,357	¥ 114,790
Notes and accounts receivable	205,537	203,255	202,516
Short-term investments in securities	23,046	48,132	59,329
Supplies	60,845	58,023	59,754
Deferred income taxes	12,660	14,825	8,883
Other current assets	84,364	93,437	145,003
Allowance for bad debts	(3,139)	(3,264)	(2,407)
Total current assets	<u>459,686</u>	<u>487,767</u>	<u>587,870</u>
II. Fixed assets:			
Tangible fixed assets:			
Buildings and structures	217,055	219,078	226,019
Machinery and equipment	33,632	33,399	34,738
Flight equipment	657,520	677,206	691,453
Land	89,590	88,501	92,419
Construction in progress	45,463	28,716	11,698
Other tangible fixed assets	22,742	21,725	23,184
Total tangible fixed assets	<u>1,066,005</u>	<u>1,068,626</u>	<u>1,079,514</u>
Intangible fixed assets:			
Software	25,608	23,400	20,005
Goodwill	706	793	691
Other intangible fixed assets	3,782	3,759	6,005
Total intangible fixed assets	<u>30,097</u>	<u>27,954</u>	<u>26,702</u>
Investments:			
Investments in securities	84,652	88,750	92,553
Long-term loans receivable	35,444	35,351	24,994
Deferred income taxes	27,089	22,550	17,985
Other investments	71,061	73,786	75,427
Allowance for bad debts	(3,020)	(2,972)	(3,044)
Total investments	<u>215,226</u>	<u>217,467</u>	<u>207,915</u>
Total fixed assets	<u>1,311,329</u>	<u>1,314,048</u>	<u>1,314,132</u>
III. Deferred charges:			
Bond issuance expenses	19	39	109
Total deferred charges	<u>19</u>	<u>39</u>	<u>109</u>
Total assets	<u>¥1,771,035</u>	<u>¥1,801,855</u>	<u>¥1,902,111</u>

	2001		2000
	September 30	March 31	September 30
	<i>(Millions of yen)</i>		
Liabilities			
I. Current liabilities:			
Accounts payable – trade	¥ 170,596	¥ 166,650	¥ 164,189
Short- term borrowings	22,381	30,443	34,130
Current portion of bonds payable	60,000	60,000	65,000
Current portion of long-term borrowings	84,588	81,925	104,144
Accrued corporate tax	5,414	6,907	7,728
Deferred income taxes	57	50	60
Other current liabilities	182,280	183,954	189,976
Total current liabilities	525,319	529,931	565,230
II. Non-current liabilities:			
Bonds payable	357,859	357,859	417,859
Long-term borrowings	444,951	480,378	499,626
Accrued pension and severance costs	100,258	102,677	102,648
Deferred income taxes	2,639	2,715	2,378
Other non-current liabilities	36,057	37,893	32,211
Total non-current liabilities	941,765	981,524	1,054,724
Total liabilities	1,467,085	1,511,455	1,619,954
 Minority interests	 26,418	 22,745	 22,399
 Stockholders' equity			
I. Common stock	188,550	188,550	188,323
II. Additional paid-in capital	32,516	32,516	31,808
III. Retained earnings	64,670	53,552	54,916
. Common stock in treasury	(242)	(247)	(46)
V. Net unrealized gain on investments in securities , net of deferred income taxes	169	3,098	1,987
VI. Translation adjustments	(8,133)	(9,816)	(17,232)
Total stockholders' equity	277,531	267,654	259,758
Total liabilities and stockholders' equity	¥1,771,035	¥1,801,855	¥1,902,111

(2) - II**Japan Airlines Company, Ltd.****Consolidated Statements of Income***For the six months ended September 30, 2001 and 2000 and the year ended March 31, 2001*

	Six months ended September 30, 2001	Six months ended September 30, 2000	Year ended March 31 2001
	<i>(Millions of yen)</i>		
Operating revenues	¥871,259	¥874,054	¥1,703,773
Operating expenses:			
Cost of operating revenues	649,593	624,144	1,269,371
Selling, general and administrative expenses	182,709	179,392	355,762
Total operating expenses	832,302	803,537	1,625,133
Operating income	38,956	70,516	78,639
Non-operating income:			
Interest and dividend income	2,084	2,123	4,184
Equity in earnings of affiliates	851	—	258
Exchange gain	—	1,229	6,629
Other income	6,730	5,178	12,837
Total non-operating income	9,666	8,530	23,910
Non-operating expenses:			
Interest expense	15,551	16,919	32,335
Equity in losses of affiliates	—	117	—
Exchange loss	1,616	—	—
Other expenses	7,579	6,252	16,903
Total non-operating expenses	24,748	23,288	49,239
Ordinary income	23,874	55,758	53,311
Extraordinary profit:			
Gain on sales of fixed assets	280	470	669
Gain on sales of investments in securities	1,647	—	2,169
Other extraordinary profit	262	1,643	2,304
Total extraordinary profit	2,189	2,114	5,143
Extraordinary loss:			
Loss on disposal of fixed assets	971	1,823	6,322
Loss on revaluation of investments in securities	1,998	9,594	9,187
Other extraordinary loss	1,336	6,961	11,283
Total extraordinary loss	4,306	18,378	26,793
Income before income taxes and minority interests	21,758	39,494	31,660
Income taxes – current	5,211	7,382	10,873
Income taxes – deferred	(157)	(10,962)	(21,718)
Minority interests	306	687	1,484
Net income	16,397	42,386	41,021
Retained earnings at beginning of period	53,552	17,814	17,814
Increase in retained earnings	1,896	166	167
Decrease in retained earnings	7,176	5,450	5,450
Retained earnings at end of period	¥ 64,670	¥ 54,916	¥ 53,552

(2) - III**Japan Airlines Company, Ltd.****Consolidated Statements of Cash Flows*****For the six months ended September 30, 2001 and 2000 and the year ended March 31, 2001***

	Six months ended September 30, 2001	Six months ended September 30, 2000	Year ended March 31 2001
	<i>(Millions of yen)</i>		
Operating activities			
Income before income taxes and minority interests	¥ 21,758	¥ 39,494	¥ 31,660
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	43,437	43,998	91,834
Gain and loss on sales and disposal and loss on revaluation of marketable securities and investments in securities	357	9,774	7,507
Gain and loss on sales and disposal of flight equipment spare parts, property and equipment	4,301	5,018	13,223
Net provision for accrued pension and severance benefits	(2,495)	1,030	1,183
Interest and dividend income	(2,084)	(2,123)	(4,184)
Interest expense	15,551	16,919	32,335
Exchange loss (gain)	449	(469)	(568)
Equity in (earnings) losses of affiliates	(851)	117	(258)
Increase in notes and accounts receivable	(157)	(30,407)	(29,560)
Increase in supplies	(2,784)	(1,940)	(284)
Increase (decrease) in accounts payable	2,684	(1,511)	(620)
Other	(5,314)	15,094	23,805
Subtotal	74,853	94,995	166,073
Interest and dividends received	2,241	2,410	4,494
Interest paid	(13,668)	(15,829)	(31,680)
Income taxes paid	(6,542)	(5,412)	(9,787)
Net cash provided by operating activities	56,883	76,164	129,098
Investing activities			
Purchases of time deposits	(782)	(22,873)	(24,682)
Proceeds from maturity of time deposits	1,358	3,075	26,823
Purchases of marketable securities	-	(359)	(2,821)
Sales of marketable securities	685	817	6,788
Purchases of fixed assets	(47,086)	(31,151)	(80,271)
Proceeds from sales of fixed assets	8,481	3,326	8,256
Purchases of investment securities	(802)	(2,913)	(7,360)
Proceeds from sales and maturity of investments in securities	347	7,926	18,471
Proceeds from sale of investment in subsidiary	3,280	-	-
Proceeds from sale of consolidated subsidiary	-	-	8,393
Increase of long-term loans receivable	(2,898)	(3,181)	(18,819)
Decrease of long-term loans receivable	3,308	8,304	15,463
Other	2,449	3,782	30,348
Net cash used in investing activities	(31,659)	(33,247)	(19,409)

	Six months ended September 30, 2001	Six months ended September 30, 2000	Year ended March 31 2001
		<i>(Millions of yen)</i>	
Financing activities			
Decrease in short-term loans	¥ (8,097)	¥ (17,181)	¥ (23,466)
Proceeds from long-term loans	5,983	26,492	60,916
Repayment of long-term loans	(41,371)	(66,499)	(143,083)
Redemption of bonds	—	(2,100)	(67,283)
Sales of common stock in treasury	101	259	481
Purchases of common stock in treasury	(95)	(262)	(447)
Dividends paid to stockholders	(7,074)	(5,289)	(5,306)
Dividends paid to minority interests	(307)	(392)	(392)
Other	(181)	(159)	(431)
Net cash used in financing activities	(51,043)	(65,132)	(179,012)
Effect of exchange rate changes on cash and cash equivalents	(216)	(88)	1,583
Net (decrease) increase in cash and cash equivalents	(26,035)	(22,305)	(67,740)
Cash and cash equivalents at beginning of period	121,972	189,715	189,715
Increase in cash and cash equivalents arising from inclusion in consolidation	1,089	81	81
Decrease in cash and cash equivalents arising from exclusion from consolidation	—	(84)	(84)
Cash and cash equivalents at end of period	¥ 97,025	¥167,407	¥121,972
Reconciliation between cash and time deposits and cash and cash equivalents			
Cash and time deposits in balance sheet	¥ 76,372	¥114,790	¥ 73,357
Time deposits with original maturity of more than three months	(2,579)	(24,498)	(2,877)
Marketable securities with original maturity of three months or less	22,796	56,858	47,447
Other current assets with original maturity of more than three months	9,999	27,794	13,996
Current account overdrafts including short-term borrowings	(9,562)	(7,536)	(9,951)
Cash and cash equivalents at end of period	¥ 97,025	¥167,407	¥ 121,972

Japan Airlines Company, Ltd.

Notes to Consolidated Financial Statements

September 30, 2001 and 2000 and March 31, 2001

1. Summary of Significant Accounting Policies

a. Basis of presentation

Japan Airlines Company, Ltd. (the “Company”) and consolidated domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted and applied in Japan, and the consolidated foreign subsidiaries in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside Japan. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

b. Principles of consolidation and accounting for investments in affiliates

The consolidated financial statements include the accounts of the Company and all significant subsidiaries. All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions have been eliminated.

The balance sheet dates of 29 and 2 of the consolidated subsidiaries are June 30, 2001 and July 31, 2001, respectively. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from July 1, 2001 through September 30, 2001 and the period from August 1, 2001 through September 30, 2001, respectively, have been adjusted if necessary.

Investments in certain unconsolidated subsidiaries and significant affiliates are accounted for by the equity method.

The assets and liabilities of newly consolidated subsidiaries are stated at fair value as of their respective acquisition dates. The differences between the cost and the underlying net equity in the net assets at the dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are amortized by the straight-line method over a period of five years.

1. Summary of Significant Accounting Policies (continued)

c. Cash equivalents

The Company and its consolidated subsidiaries define cash equivalents as highly liquid, short-term investments with an original maturity of three months or less.

d. Securities

Investments in marketable securities are stated at fair value and net unrealized gain or loss on such securities is accounted for as a separate component of stockholders' equity. Investments in non-marketable securities are stated at cost based on the moving average method.

e. Derivatives

Derivatives are stated at fair value.

f. Supplies

Supplies are principally stated at cost based on the moving average method.

g. Property and equipment

Tangible fixed assets:

Flight equipment:

Aircraft and spare engines	The straight-line method or declining-balance method based on their estimated useful lives
Spare parts contained in flight equipment	Principally the declining-balance method based on each type of aircraft's or engine's estimated useful life
Ground property and equipment	Principally the straight-line method

Intangible fixed assets:

Software	Computer software intended for internal use is amortized by the straight-line method based on the estimated useful life of the software.
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h. Bond issuance expenses

Bond issuance expenses are principally capitalized and amortized over a period of three years.

1. Summary of Significant Accounting Policies (continued)

i. Accrued severance indemnities

To provide for employees' severance indemnities, net period pension cost (the amount recognized as the cost of a pension plan for a period) is accounted for based on the projected benefit obligation and the pension plan assets.

The cumulative effect of the adoption of a revised accounting standard for pension is being amortized by the straight-line method over a period of fifteen years. Past service cost is principally charged to income in the period when incurred.

j. Allowance for bad debts

The allowance for the bad debts on receivables is provided at an estimate of the individual amounts deemed unrecoverable. The allowance for other receivables is provided based on the actual historical rate of losses on receivables.

k. Leases

As lessee

The Company and its consolidated subsidiaries lease certain equipment under noncancelable lease agreements referred to as capital leases. At the Company and the domestic subsidiaries, capital leases, defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases.

As lessor

Certain consolidated subsidiaries lease certain equipment under noncancelable lease agreements referred to as direct financing leases. Direct financing leases, defined as leases which do not transfer the ownership of the leased property to the lessee, are principally accounted for as operating leases.

l. Hedge accounting

Gain or loss on derivatives designated as hedges is deferred until the loss or gain on the underlying hedged item is recognized.

Foreign receivables and payables are translated at the forward foreign exchange rate, if certain conditions are met.

The related interest differential paid or received under interest rate swaps is recognized over the term of each swap agreement in interest expense if certain conditions are met.

2. Other Information

- a. Accumulated depreciation at September 30, 2001 and 2000 and March 31, 2001 amounted to ¥1,312,492 million, ¥1,261,550 million and ¥1,277,317 million, respectively.
- b. At September 30, 2001 and 2000 and March 31, 2001, contingent liabilities for guarantees amounted to ¥17,819 million, ¥19,577 million and ¥19,271 million, respectively. In addition, at September 30, 2001 and 2000 and March 31, 2001, contingent liabilities for commitments such as guarantees, keep-well agreements and others amounted to ¥3,101 million, ¥3,760 million and ¥3,437 million, respectively.
- c. At September 30, 2001 and 2000 and March 31, 2001, the Company was liable under debt assumption agreements for the in-substance defeasance of certain bonds in aggregate amounts of ¥50,000 million, ¥60,000 million and ¥55,000 million, respectively.
- d. At September 30, 2001 and 2000 and March 31, 2001, common stock in treasury, which is stated at cost, amounted to ¥242 million (550,784 shares), ¥46 million (89,533 shares) and ¥247 million (557,995 shares), respectively.

3. Fair Value of Marketable Securities

The components of net unrealized gain on investments in marketable securities, which was accounted for as a separate component of stockholders' equity, net of deferred income taxes, at September 30, 2001 and 2000 and March 31, 2001 are summarized as follows:

September 30, 2001			
	Acquisition costs	Carrying value	Net unrealized gain (loss)
	<i>(Millions of yen)</i>		
Stocks	¥21,994	¥22,621	¥ 627
Bonds	8,435	8,506	70
Other	2,223	2,099	(123)
	<u>¥32,653</u>	<u>¥33,228</u>	<u>¥ 574</u>

September 30, 2000			
	Acquisition costs	Carrying value	Net unrealized gain
	<i>(Millions of yen)</i>		
Stocks	¥22,523	¥27,015	¥4,492
Bonds	25,740	25,851	111
Other	1,481	1,518	37
	<u>¥49,744</u>	<u>¥54,385</u>	<u>¥4,640</u>

3. Fair Value of Marketable Securities (continued)

	March 31, 2001		
	Acquisition costs	Carrying value	Net unrealized gain (loss)
	<i>(Millions of yen)</i>		
Stocks	¥22,842	¥28,025	¥5,183
Bonds	8,691	8,628	(63)
Other	2,190	2,165	(25)
	¥33,724	¥38,818	¥5,094

Investments in non-marketable securities at September 30, 2001 and 2000 and March 31, 2001 amounted to ¥43,216 million, ¥68,499 million and ¥68,777 million, respectively.

4. Leases

As lessee

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of September 30, 2001 and 2000 and March 31, 2001, and the related depreciation and interest expense for the six months ended September 30, 2001 and 2000 and the year ended March 31, 2001, which would have been reflected in the balance sheets and the related statements of income if capital lease accounting had been applied to the capital leases currently accounted for as operating leases:

	September 30, 2001		
	Flight equipment	Ground property and equipment	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥406,858	¥16,524	¥423,383
Less accumulated depreciation	224,651	12,219	236,871
Net book value	¥182,206	¥4,305	¥186,511

	September 30, 2000		
	Flight equipment	Ground property and equipment	Total
	<i>(Millions of yen)</i>		
Acquisition costs	¥426,293	¥19,812	¥446,105
Less accumulated depreciation	213,579	13,604	227,184
Net book value	¥212,713	¥6,207	¥218,921

4. Leases (continued)

As lessee (continued)

	March 31, 2001		
	Flight equipment	Ground property and equipment	Total
		(Millions of yen)	
Acquisition costs	¥444,142	¥17,255	¥461,398
Less accumulated depreciation	232,116	12,262	244,379
Net book value	¥212,025	¥ 4,992	¥217,018
	Six months ended September 30, 2001	Six months ended September 30, 2000	Year ended March 31, 2001
		(Millions of yen)	
Depreciation expense	¥19,799	¥20,411	¥42,152
Interest expense	¥ 3,535	¥ 4,588	¥ 9,023

Lease expenses relating to capital leases accounted for as operating leases amounted to ¥23,945 million for the six months ended September 30, 2001, ¥23,531 million for the six months ended September 30, 2000, and ¥49,772 million for the year ended March 31, 2001.

The present value of future rental expenses under capital leases accounted for as operating leases outstanding at September 30, 2001 and 2000 and March 31, 2001 is summarized as follows:

	September 30, 2001	September 30, 2000	March 31, 2001
		(Millions of yen)	
Within 1 year	¥ 39,398	¥ 39,171	¥ 43,077
Over 1 year	162,821	217,268	212,871
	¥202,219	¥256,440	¥255,949

Future rental expenses under operating leases outstanding at September 30, 2001 and 2000 and March 31, 2001 are summarized as follows:

	September 30, 2001	September 30, 2000	March 31, 2001
		(Millions of yen)	
Within 1 year	¥ 16,069	¥13,606	¥ 16,820
Over 1 year	85,132	69,832	91,512
	¥101,202	¥83,438	¥108,332

4. Leases (continued)

As lessor

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of September 30, 2001 and 2000 and March 31, 2001 and the related depreciation and interest revenue for the six months ended September 30, 2001 and 2000 and the year ended March 31, 2001, which would have been reflected in the balance sheets and the related statements of income if direct financing lease accounting had been applied to the capital leases currently accounted for as operating leases:

September 30, 2001			
	Flight equipment	Ground property and equipment <i>(Millions of yen)</i>	Total
Acquisition costs	¥348	¥4,272	¥4,620
Less accumulated depreciation	237	3,083	3,320
Net book value	¥110	¥1,188	¥1,299
September 30, 2000			
	Flight equipment	Ground property and equipment <i>(Millions of yen)</i>	Total
Acquisition costs	¥348	¥5,753	¥6,101
Less accumulated depreciation	203	3,682	3,885
Net book value	¥144	¥2,070	¥2,215
March 31, 2001			
	Flight equipment	Ground property and equipment <i>(Millions of yen)</i>	Total
Acquisition costs	¥348	¥4,827	¥5,175
Less accumulated depreciation	220	3,308	3,528
Net book value	¥127	¥1,519	¥1,647
	Six months ended September 30, 2001	Six months ended September 30, 2000	Year ended March 31, 2001
		<i>(Millions of yen)</i>	
Depreciation expense	¥364	¥479	¥880
Interest expense	¥ 43	¥ 69	¥121

4. Leases (continued)

As lessor (continued)

Lease revenues relating to direct financing leases accounted for as operating leases amounted to ¥437 million for the six months ended September 30, 2001, ¥566 million for the six months ended September 30, 2000, and ¥1,046 million for the year ended March 31, 2001.

The present value of future rental revenues under direct financing leases accounted for as operating leases outstanding at September 30, 2001 and 2000 and at March 31, 2001 is summarized as follows:

	September 30, 2001	September 30, 2000	March 31, 2001
		(Millions of yen)	
Within 1 year	¥ 637	¥ 891	¥ 766
Over 1 year	776	1,500	1,027
	<u>¥1,414</u>	<u>¥2,392</u>	<u>¥1,794</u>

Future rental revenues under operating leases outstanding at September 30, 2001 and 2000 and March 31, 2001 are summarized as follows:

	September 30, 2001	September 30, 2000	March 31, 2001
		(Millions of yen)	
Within 1 year	¥ 396	¥ 85	¥ 376
Over 1 year	1,572	28	1,624
	<u>¥1,968</u>	<u>¥113</u>	<u>¥2,001</u>

5. Segment Information

The Company and its consolidated subsidiaries conduct worldwide operations in air transportation, travel services, hotel and resort operations, card and lease operations, trading and other airline-related business. This segmentation has been made for internal management purposes. Businesses other than the air transportation business, travel services, and hotel and resort operations are insignificant to the consolidated results of operations of the Company and its consolidated subsidiaries and, accordingly, have been included in "Other."

5. Segment Information (continued)

a. Business segment information

Business segment information of the Company and its consolidated subsidiaries for the six months ended September 30, 2001 and 2000 and the year ended March 31, 2001 is summarized as follows:

Six months ended September 30, 2001							
	Air trans- portation	Travel services	Hotel and resort operations	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>						
Sales to outside parties	¥576,497	¥188,205	¥17,629	¥ 88,926	¥ 871,259	¥ –	¥871,259
Intra-group sales and transfers	97,018	17,962	2,551	125,065	242,596	(242,596)	–
Total	673,515	206,167	20,180	213,991	1,113,855	(242,596)	871,259
Operating expenses	641,122	205,197	19,256	207,876	1,073,452	(241,150)	832,302
Operating income	¥ 32,393	¥ 970	¥ 923	¥ 6,115	¥ 40,403	¥ (1,446)	¥ 38,956
Six months ended September 30, 2000							
	Air trans- portation	Travel services	Hotel and resort operations	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>						
Sales to outside parties	¥587,009	¥187,391	¥17,763	¥ 81,889	¥ 874,054	¥ –	¥874,054
Intra-group sales and transfers	91,810	3,252	2,411	116,990	214,465	(214,465)	–
Total	678,819	190,644	20,175	198,880	1,088,520	(214,465)	874,054
Operating expenses	615,966	188,428	19,499	192,748	1,016,642	(213,104)	803,537
Operating income	¥ 62,853	¥ 2,215	¥ 675	¥ 6,132	¥ 71,877	¥ (1,360)	¥ 70,516
Year ended March 31, 2001							
	Air trans- portation	Travel services	Hotel and resort operations	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	<i>(Millions of yen)</i>						
Sales to outside parties	¥1,130,213	¥360,042	¥37,497	¥176,019	¥1,703,773	¥ –	¥1,703,773
Intra-group sales and transfers	191,683	7,116	5,350	245,316	449,466	(449,466)	–
Total	1,321,896	367,158	42,847	421,336	2,153,239	(449,466)	1,703,773
Operating expenses	1,257,873	365,641	40,433	407,270	2,071,219	(446,085)	1,625,133
Operating income	¥ 64,023	¥ 1,517	¥ 2,413	¥ 14,065	¥ 82,020	¥ (3,380)	¥ 78,639

5. Segment Information (continued)

b. Operating revenues from foreign operations

Operating revenues from foreign operations, which include international passenger and cargo services of the Company and two domestic subsidiaries, export sales of domestic subsidiaries, and sales of subsidiaries outside Japan, for the six months ended September 30 2001 and 2000 and the year ended March 31, 2001 were as follows:

	Six months ended September 30, 2001			
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from foreign operations	¥200,740	¥171,194	¥113,717	¥485,652
Consolidated operating revenues				¥871,259
Operating revenues from foreign operations as a percentage of consolidated operating revenues	23.0%	19.6%	13.1%	55.7%
	Six months ended September 30, 2000			
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from foreign operations	¥199,990	¥173,887	¥107,617	¥481,495
Consolidated operating revenues				¥874,054
Operating revenues from foreign operations as a percentage of consolidated operating revenues	22.9%	19.9%	12.3%	55.1%
	Year ended March 31, 2001			
	Asia and Oceania	North and South America	Europe	Total
	<i>(Millions of yen)</i>			
Operating revenues from foreign operations	¥405,303	¥364,994	¥211,779	¥ 982,076
Consolidated operating revenues				¥1,703,773
Operating revenues from foreign operations as a percentage of consolidated operating revenues	23.8%	21.4%	12.4%	57.6%

c. Geographic information

For the six months ended September 30 2001 and 2000 and the year ended March 31, 2001, operating revenues from operations in Japan represented more than 90% of consolidated operating revenues. As a result, geographic information is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

Components of Revenues in the Air Transportation Segment

	Six months ended September 30, 2001		Six months ended September 30, 2000		Year ended March 31, 2001	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
International:						
Passenger operations	¥354,526	52.6	¥353,988	52.2	¥ 676,104	51.1
Cargo operations	64,864	9.6	73,770	10.9	148,327	11.2
Mail service operations	3,858	0.6	3,466	0.5	7,402	0.6
Luggage operations	1,257	0.2	1,304	0.2	2,547	0.2
Subtotal	<u>424,507</u>	<u>63.0</u>	<u>432,531</u>	<u>63.7</u>	<u>834,381</u>	<u>63.1</u>
Domestic:						
Passenger operations	168,738	25.1	169,748	25.0	329,143	24.9
Cargo operations	10,098	1.5	10,782	1.6	21,693	1.6
Mail-service operations	3,042	0.5	3,199	0.5	6,535	0.5
Luggage operations	<u>67</u>	<u>0.0</u>	<u>79</u>	<u>0.0</u>	<u>138</u>	<u>0.0</u>
Subtotal	<u>181,946</u>	<u>27.0</u>	<u>183,811</u>	<u>27.1</u>	<u>357,510</u>	<u>27.0</u>
Other revenues	17,976	2.7	15,268	2.3	32,469	2.5
Incidental business revenues	<u>49,085</u>	<u>7.3</u>	<u>47,209</u>	<u>7.0</u>	<u>97,535</u>	<u>7.4</u>
Total revenues	<u><u>¥673,515</u></u>	<u><u>100.0</u></u>	<u><u>¥678,819</u></u>	<u><u>100.0</u></u>	<u><u>¥1,321,896</u></u>	<u><u>100.0</u></u>

EXECUTIVE SUMMARY

JAL's basic management policy is to construct a business system earning stable profits and providing appropriate and steady returns to all stakeholders: shareholders, customers and society, employees and the JAL Group as a whole, firmly founded on the principle of strict operational safety and the pursuit of high quality service. Under this policy, JAL established the vision of consolidated management of a healthy and strong JAL Group in the mid-term corporate plan covering the fiscal years 2001-2003 and we have continued with further restructuring of Group management in order to maximise the company's value.

However following the September 11 terrorist attacks in the USA and the subsequent unstable situation that followed, international traffic demand - especially on transpacific routes - declined sharply giving an enormous negative impact to our revenues.

We immediately formed an Emergency Task Force to deal with this situation chaired by president Isao Kaneko and we are taking all the urgent measures we can take to overcome this crisis.

- **IMPROVING SECURITY**

In the wake of the terror attacks we have raised security to the highest level of preparedness and continue to take all measures necessary. From now on we are re-examining all our on-ground security measures which have been applied already. At the same time, we will further enhance security systems and procedures by such measures as reinforcing cockpit doors among others. Total safety is a fundamental in the airline industry and everyone in the JAL Group is making maximum efforts in this regard.

- **CAPACITY AND NETWORK REORGANSIATION**

As a result of the sudden changes in demand we have suspended or reduced many transpacific services between Japan and North and South America and Hawaii. On the other hand we have increased service on our China and Korean routes or changed aircraft types, demonstrating a flexible response in route and frequency changes.

- **SALES IMPROVEMENT**

A special initiative is the introduction of a new range of published discount fares in economy class in the form of our advance purchase fares sold under the brand name of "Super Maeuri Goku", offering discounts of around 70%. We are also stimulating demand through various promotional campaigns from now on.

- **REVENUE AND EXPENSE**

We have adopted a strategy to condense capital outlay and to bring costs down further as a matter of urgency.

- **PERSONNEL**

Adding to our previously announced reduction of personnel by 700 in our current restructuring program we will increase staff reductions by a further 600 to a total of 1300.

Adding to these emergency measures we are taking by ourselves, we are asking the Japanese Government for their support to the same levels as that given by other governments overseas to their airline industries. This is from the viewpoint of maintaining competitive power of Japan's airline industry and also from the viewpoint of an improvement in the system of national security.

The impact of the September 11 attacks is enormous. However, thanks to the restructuring of our organisation already well in hand since the first half of the 1990's, our competitive power and management infrastructure are solidly founded and we are better geared today to respond than we were at the time of the Gulf War.

While we are now taking these urgent and necessary steps to overcome this crisis, should the present influence of the attacks diminish, our performance and our results will recover. We are treating this period as a time of trial. We will continue to drive forward with restructuring and enhancement of our corporate constitution. In relation to corporate governance, we introduced an evaluation system of the performance of

Group companies, so as to focus the aims of each Group company towards the achievement of business targets of the JAL Group as a whole.

From now on we will utilise ERP and will continue to clarify the responsibility of each company and enhance performance monitoring within the Group. From the aspect of unifying Group strategy, we will promote a capital finance policy. Independent subsidiaries are required to make their own financial contribution. Additionally we will increase and improve the scope of our auditing and further advance the enhancement of corporate governance.

This year, the achievement of our corporate aims is difficult. Namely, the ROE of more than 10% on a consolidated basis and by repaying interest-bearing debt within ten years. These features of our midterm corporate plan's objectives are unattainable under the present circumstances. However, we will do our utmost to achieve these aims as soon as possible within or beyond the next fiscal year, when we expect demand to recover.

MANAGEMENT RESULTS

1.General

(1) Overall trends of consolidated results

In the first half of this fiscal year, in addition to the decrease in international cargo revenue attributable to the decline in IT-related industries, the September 11 attacks in the USA had a devastating impact, notably on international passenger demand. Domestic traffic in the period increased due to the greater availability of discount fares and although the terrorist attacks had some influence, revenue was down only slightly on the same period last year. Associated businesses revenues sharply decreased after the attacks. However, we have strengthened our group management where associated businesses are concerned by enriching the consolidated accounting system and by our business evaluation system. As a result consolidated operating revenue was 871,200 million-yen.

On the other hand, we tried to reduce operating expenses as much as possible, re-examining all expense categories but under the influence of the weaker yen expenses were 832,300 million-yen. Operating income was 38,900 million-yen. Ordinary income was 23,800 million-yen. Consolidated net income was 16,300 million-yen.

(2) Results of each business segment (including sales revenue and loss and profit between segments)

Air transport business segment

Operating revenue was 673,500 million-yen. Operating income was 32,300 million-yen.

International Passenger: When we look at each sector, we note that international passenger business was generally good on Europe, Korea and China routes. However, after the terror attacks demand in general sharply declined, especially on transpacific routes to and from North and South America and Hawaii. As a result, international passenger traffic volume fell by 1.9%. International passenger revenue was 354,500 million-yen.

International cargo: Because of the sluggish situation in the IT sector and later by the impact of the September 11 attacks, cargo volume dropped by 13.9% on the year before. Operating revenue was 64,800 million.

Domestic passenger: The Japanese economy was rather weak. We implemented a more efficient network operation and developed a progressive fare policy with special discounts for Internet bookers (JAL "e-wari" fares) and other bargain-type fares, together with a range of sales promotions. Though affected to some extent by the aftermath of September 11, the number of passengers rose by 1.9% on last year. Revenue was 168,700 million-yen.

(Revenue results of the Air Transport business segment are introduced on pages 19)

Air transport related business segment

(This includes airport-related business, credit card and leasing businesses, trading, distribution and others.)

The JALUX Company's business in aircraft parts resulted in a 137% increase compared the same period last year. However, because of the impact of September 11, in-flight goods and airport retail shop sales

dropped and total revenues increased by only 2%. Membership of JAL Card, the JAL Group's credit card, increased by 14% on the same period the previous year.

Operating revenue of the air transport related business segment was 213,900 million-yen. Operating income was 6,100 million-yen.

Travel planning and sales business segment

JAL Sales Network Company developed its operational infrastructure during the period as planned. The operating rights of former sales offices in Tokyo, Osaka and Fukuoka were transferred from JAL to the new company as was the sales and planning department of JAL's Head Office. These moves followed the transfer of Hokkaido and Chubu (Nagoya) area sales last year. JALPAK, the group's international package tour operator, recorded good demand for Oceania and China but in the wake of the September attacks business suffered and there were 9% fewer customers than the previous year.

Operating revenue of this segment was 206,100 million-yen. Operating income was 900 million-yen.

Hotel and Resort segment

Income from hotel management contracts and royalties for JAL Hotels Co. Ltd. was good, particularly in S.E. Asia. We continued with steady cost-cutting and improved management of each hotel operation, aiming at enhanced profitability.

Operating revenue came to 20,100 million yen, with an operating income of 900 million yen.

(3) Cash flow situation

Cash flow by operating activities was 56,800 million yen in cash in-flow. The cash flow by investing activities came to 31,600 million yen out-flow, as a result of our investment in aircraft and facilities and through sales of non-business related assets. We appropriated the difference of 25,200 million-yen free cash flow and part of our cash-in-hand for repaying interest-bearing debt. As the result, the total amount of cash (or cash equivalent) remaining is 90,400 million yen, a decrease of 76,900 million yen on last year.

(4) Distribution of profit

We expect that the severe business environment and the downward revenue trend will continue and we regret that there will be no dividend for FY2001. We will do all we can to respond to the expectation of shareholders and will take all measures necessary to improve our performance to achieve an early return to dividend payments.

2. FORECAST FOR FY2001 - COMPLETE YEAR

As we have repeatedly mentioned, the result of the US terrorist attacks continues to have a major impact on the airline industry and the global economy. In this situation, JAL has to face very considerable red figures and we have already announced a revised forecast in which results have been substantially amended. We now forecast consolidated operating revenue for FY2001 of 1,600,000 million yen; a consolidated operating loss of 50,000 million yen, with a consolidated net loss of 40,000 million yen. There will be no dividend. In our calculations we have applied the dollar/yen exchange rate of 120 yen to the US\$1.00 for the whole period and are assuming that the market price of Singapore kerosene, which is one of the index fuel prices, to be about US\$27.5. The circumstances surrounding our management is expected to be very severe but the whole JAL Group will tackle the problems and issues with a firm resolve and would like to respond to the expectations of shareholders by realising as soon as possible a healthy and strong JAL Group.

The above-mentioned forecast of results and future forecast were judged based on the information we could currently set and includes allowance for risk and uncertainty. Accordingly, we appreciate your understanding that actual results may change from these forecasts for various reasons.

Japan Airlines Company, Ltd.

Non-Consolidated (Interim) Financial Information

*For the six months ended September 30, 2001 and 2000
and the year ended March 31, 2001*

Non-Consolidated Financial Highlights

(As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted.)

1. Non-Consolidated Operating Results

(Millions of yen except for per share information)

(i) Total operating revenues:	FH01	¥ 637,699	(-1.2%)
	FH00	¥ 645,542	(+7.7%)
	FY00	¥1,257,239	
(ii) Operating income:	FH01	¥ 28,032	(-50.5%)
	FH00	¥ 56,666	(+88.4%)
	FY00	¥ 55,938	
(iii) Ordinary income:	FH01	¥ 13,078	(-68.5%)
	FH00	¥ 41,503	(+121.5%)
	FY00	¥ 28,902	
(iv) Net income:	FH01	¥ 12,154	(-68.4%)
	FH00	¥ 38,491	(+504.8%)
	FY00	¥ 28,780	
(v) Net income per share:	FH01	¥ 6.82	
	FH00	¥ 21.64	
	FY00	¥ 16.18	

Note 1. Number of shares outstanding during the period:

September 30, 2001	1,783,473,439
September 30, 2000	1,778,943,439
March 31, 2001	1,779,320,939

2. Dividends

(i) Annual dividend per share:	FH01	—
	FH00	—
	FY00	4.00
(ii) Semiannual dividend per share:	FH01	—
	FH00	—
	FY00	—

3. Non-Consolidated Financial Position

(i) Total assets:	FH01	¥1,435,902 million
	FH00	¥1,520,101 million
	FY00	¥1,454,868 million
(ii) Total stockholders' equity:	FH01	¥ 277,189 million
	FH00	¥ 282,571 million
	FY00	¥ 274,852 million
(iii) Stockholders' equity ratio:	FH01	19.3%
	FH00	18.6%
	FY00	18.9%
(iv) Equity per share:	FH01	¥ 155.42
	FH00	¥ 158.84
	FY00	¥ 154.11

Note 1. Number of shares outstanding at end of the period:

September 30, 2001	1,783,473,439
September 30, 2000	1,778,943,439
March 31, 2001	1,783,473,439

4. Non-Consolidated Financial Forecast for the Year Ending March 31, 2002

(i) Total operating revenues:	¥1,157,000 million
(ii) Ordinary loss:	¥ 50,000 million
(iii) Net loss:	¥ 40,000 million
(iv) Annual dividend per share:	—
(v) Net loss per share:	22.43

Japan Airlines Company, Ltd.

Comparative Non-Consolidated Balance Sheets

	2001		2000
	September 30	March 31	September 30
	<i>(Millions of yen)</i>		
Assets			
I. Current assets:			
Cash and time deposits	¥ 24,341	¥ 19,082	¥ 68,912
Accounts receivable	169,028	164,013	159,274
Short-term investments in securities	19,774	39,627	55,178
Supplies	58,013	55,308	56,947
Prepaid expenses	6,875	5,741	7,433
Deferred income taxes	7,579	10,448	5,101
Other current assets	50,476	57,729	74,562
Allowance for bad debts	(589)	(695)	(455)
Total current assets	335,499	351,255	426,955
II. Fixed assets:			
Tangible fixed assets:			
Buildings	113,602	117,084	119,624
Structures	4,361	4,523	4,703
Machinery and equipment	23,836	24,369	25,693
Flight equipment	594,437	607,523	616,784
Vehicles	1,194	1,358	1,419
Tools and parts	11,549	11,454	11,846
Land	47,267	47,271	48,309
Construction in progress	37,529	20,663	10,742
Total tangible fixed assets	833,777	834,249	839,124
Intangible fixed assets:			
Software	21,650	19,701	17,371
Other intangible fixed assets	906	958	1,015
Total intangible fixed assets	22,556	20,659	18,386
Investments:			
Investments in securities	67,650	72,659	71,178
Investments in subsidiaries	101,191	103,377	104,181
Long-term loans receivable	25,992	25,286	16,648
Long-term prepaid expenses	4,535	5,338	5,817
Deferred income taxes	15,630	10,972	8,059
Other investments	30,449	32,459	31,111
Allowance for bad debts	(1,401)	(1,429)	(1,472)
Total investments	244,048	248,663	235,525
Total fixed assets	1,100,383	1,103,573	1,093,037
III. Deferred charges:			
Bond issuance expenses	19	39	109
Total deferred charges	19	39	109
Total assets	¥ 1,435,902	¥ 1,454,868	¥ 1,520,101

	2001		2000
	September 30	March 31	September 30
	<i>(Millions of yen)</i>		
Liabilities			
I. Current liabilities			
Accounts payable – trade	¥ 163,597	¥ 156,975	¥ 152,987
Current portion of long-term borrowings	39,975	41,601	36,622
Current portion of bonds payable	60,000	60,000	60,000
Accounts payable – other	15,801	17,254	15,102
Accrued corporate taxes	17	120	308
Accrued expenses	37,875	37,860	40,963
Advances received	32,569	31,671	33,575
Deposits received	17,083	19,779	18,938
Air transport deposits	24,748	25,359	26,755
Other current liabilities	7,993	9,708	12,404
Total current liabilities	399,662	400,330	397,658
II. Non-current liabilities			
Bonds payable	357,509	357,509	417,509
Long-term borrowings	252,963	265,082	260,938
Accrued pension and severance benefits	78,828	82,380	82,393
Reserve for loss on investments in subsidiaries and affiliates	4,286	4,384	7,364
Other non-current liabilities	65,462	70,329	71,665
Total non-current liabilities	759,050	779,685	839,871
Total liabilities	1,158,713	1,180,016	1,237,529
 Stockholders' equity			
I. Common stock	188,550	188,550	188,323
II. Statutory reserves:			
Additional paid-in capital	32,516	32,516	31,808
Legal reserve	1,782	1,068	1,068
Total statutory reserves	34,298	33,584	32,876
III. Retained earnings:			
Reserve for special depreciation	6,026	7,141	7,141
Retained earnings brought forward	48,055	42,633	52,344
Total retained earnings	54,082	49,774	59,486
IV. Net unrealized gain on investments in securities, net of deferred income taxes	258	2,942	1,885
Total stockholders' equity	277,189	274,852	282,571
Total liabilities and stockholders' equity	¥ 1,435,902	¥ 1,454,868	¥ 1,520,101

Japan Airlines Company, Ltd.

Comparative Non-Consolidated Statements of Income

	Six months ended September 30, 2001	Six months ended September 30, 2000 <i>(Millions of yen)</i>	Year ended March 31 2001
Operating revenues	¥637,699	¥645,542	¥1,257,239
Operating expenses:			
Cost of operating revenues	491,572	467,338	954,465
Selling, general and administrative expenses	118,094	121,537	246,835
Total operating expenses	<u>609,666</u>	<u>588,876</u>	<u>1,201,301</u>
Operating income	28,032	56,666	55,938
Non-operating income:			
Interest and dividend income	2,481	2,696	4,124
Exchange gain	—	—	2,978
Other income	5,129	3,054	9,277
Total non-operating income	<u>7,610</u>	<u>5,751</u>	<u>16,380</u>
Non-operating expenses:			
Interest expense	13,827	14,382	27,997
Exchange loss	1,533	593	—
Other expenses	7,203	5,938	15,419
Total non-operating expenses	<u>22,564</u>	<u>20,914</u>	<u>43,416</u>
Ordinary income	13,078	41,503	28,902
Extraordinary profit:			
Gain on sales of fixed assets	267	535	538
Gain on sales of investments in securities	1,004	—	—
Total extraordinary profit	<u>1,272</u>	<u>535</u>	<u>538</u>
Extraordinary loss:			
Loss on disposal of fixed assets	401	608	1,897
Special termination benefits	356	156	669
Loss on operations of a subsidiary	—	—	2,300
Loss on revaluation of investments in securities	1,311	8,244	8,028
Loss on revaluation of other investments	—	1,398	1,465
Loss on revaluation of investments in subsidiaries and affiliates	—	—	1,765
Provision for reserve for loss on investments in subsidiaries and affiliates	—	1,598	1,900
Total extraordinary loss	<u>2,069</u>	<u>12,007</u>	<u>18,028</u>
Income before income taxes	12,281	30,031	11,412
Income taxes – current	135	728	305
Income taxes – deferred	(9)	(9,189)	(17,673)
Net income	<u>12,154</u>	<u>38,491</u>	<u>28,780</u>
Retained earnings brought forward	35,900	13,852	13,852
Retained earnings at end of the period	<u>¥ 48,055</u>	<u>¥ 52,344</u>	<u>¥ 42,633</u>

Japan Airlines Company, Ltd.

Notes to Non-Consolidated Financial Statements

September 30 and March 31, 2001 and September 30, 2000

1. Basis of Presentation

The purpose of the non-consolidated interim financial statements as of and for the six months ended September 30, 2001 and 2000 is to provide useful accounting information on Japan Airlines Company, Ltd. (the “Company”) for the semiannual financial period.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying non-consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. Other Information

- (1) At September 30 and March 31, 2001 and September 30, 2000, accumulated depreciation amounted to ¥986,441 million, ¥963,333 million and ¥956,921 million, respectively.
- (2) At September 30 and March 31, 2001 and September 30, 2000, contingent liabilities for guarantees, principally for subsidiaries, affiliates and employees, amounted to ¥16,108 million, ¥17,013 million and ¥15,653 million, respectively. In addition, at September 30 and March 31, 2001 and September 30, 2000 contingent liabilities for commitments such as guarantees, keep-well agreements and other, principally for subsidiaries, affiliates and employees, amounted to ¥38,318 million, ¥43,689 million and ¥46,701 million, respectively.
- (3) At September 30 and March 31, 2001 and September 30, 2000, the Company was liable under debt assumption agreements for in-substance defeasance of certain bonds in aggregate amounts of ¥50,000 million, ¥50,000 million and ¥60,000 million, respectively.
- (4) At September 30 and March 31, 2001 and September 30, 2000, common stock in treasury, which is stated at cost and included in short-term investments in securities, amounted to ¥2 million, ¥7 million and ¥9 million, respectively.
- (5) At September 30, 2001, investments in marketable securities to affiliates are as follows:

<u>Carrying value</u>	<u>Market value</u>
<i>(Millions of yen)</i>	
<u>¥8,411</u>	<u>¥6,985</u>