JAPAN AIRLINES

[REFERENCE TRANSLATION]
Please note that this translation is to be used solely as reference and the financial statements in this material are unaudited.
In case of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Consolidated Financial Results for the year Ended March 31, 2014 (Japanese GAAP)

Apr 30, 2014

Company name Japan Airlines Co., Ltd
Stock Listing Tokyo Stock Exchange
Code No. 9201 **URL:** http://www.jal.com
Representative Yoshiharu Ueki, President
Contact Kojiro Yamashita, Vice President, Finance **Phone: +81-3-5460-3068**

Scheduled date of Ordinary General Meeting of Shareholders: Jun 18, 2014
Scheduled date of dividend payment: Jun 19, 2014
Scheduled date of filing Financial Report for the Fiscal Year 2013: Jun 19, 2014
Supplementary explanations of Fiscal Year 2013 financial results: Yes
Presentation for the Fiscal Year 2013 financial results: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen unless otherwise indicated)

1. Consolidated Financial Results for the Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Consolidated Operating Results (Cumulative)

(Percentage compared to prior year)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2013 ended March 31 , 2014	1,309,343	5.7	166,792	(14.6)	157,634	(15.2)	166,251	(3.2)
FY2012 ended March 31 , 2013	1,238,839	2.8	195,242	(4.7)	185,863	(6.0)	171,672	(8.0)

* Comprehensive income ; Year ended March 31, 2014: 176,277 million Yen -3.1% Year ended March 31, 2013: 181,857 million Yen -6.9%

	Net income per share	Diluted net Income per share	Return on Equity	Ratio of Ordinary profit To total assets	Operating income margin ratio
	Yen		%	%	%
FY2013 ended March 31 , 2014	916.90	—	26.5	12.3	12.7
FY2012 ended March 31 , 2013	946.71	—	36.0	16.1	15.8

(Reference) Equity in net income of affiliates ; Year ended March 31, 2014: -3,749 million Yen, Year ended March 31, 2013: -2,188 million Yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's equity ratio (%)	Shareholder's equity Per share
	Millions of Yen	Millions of Yen		Yen
FY2013 ended March 31 , 2014	1,340,168	711,064	51.5	3,807.05
FY2012 ended March 31 , 2013	1,216,612	583,189	46.4	3,116.30

(Reference) Shareholder's equity ; Year ended March 31, 2014: 690,288 million Yen, Year ended March 31, 2013: 565,048 million Yen

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
FY2013 ended March 31 , 2014	247,941	(131,237)	(61,912)	155,252
FY2012 ended March 31 , 2013	264,853	(264,436)	(60,643)	99,413

2. Dividends

	Dividends per Share					Total amount of dividend (Annual)	Payout ratio (Consolidated)	Dividend On equity (Consolidated)
	First Quarter End	Second Quarter End	Third Quarter End	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2012	-	-	-	190.00	190.00	32,385	20.1	7.2
FY2013	-	-	-	160.00	160.00	29,016	17.5	4.6
FY2014(Forecast)	-	-	-	-	-		-	

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2015

(Percentage compared to prior year)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Entire Fiscal Year	**1,350,000**	**3.1**	**140,000**	**(16.1)**	**135,000**	**(14.4)**	**115,000**	**(30.8)**	**634.24**

Note: Forecast for the six months ending September 30, 2014 is not made.

Notes

(1) Changes in significant consolidated subsidiaries during the fiscal year ended March 31, 2014: None

(2) Changes in accounting policies, accounting estimates and restatement of corrections

1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes

2) Changes in accounting policies other than : None

3) Changes in accounting estimates: None

4) Restatement of corrections: None

Note:for more details,please refer to “Changes in Accounting Policy and Estimate” in the Attachment.

(4) Number of shares issued (common stock)

(a) Total number of shares issued at the end of the period (including treasury stock)
Year ended March 31, 2014: 181,352,000
Year ended March 31, 2013: 181,352,000

(b) Number of treasury stock at the end of the period
Year ended March 31, 2014: 33,659
Year ended March 31, 2013: 31,950

(c) Average number of shares outstanding
Year ended March 31, 2014: 181,319,890
Year ended March 31, 2013: 181,335,604

(Reference)

1. Non-consolidated Financial Results for the Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Non-consolidated Operating Results (Cumulative)

(Percentage compared to prior year)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
FY2013 ended March 31 , 2014	**1,049,247**	**6.0**	**121,467**	**(10.9)**	**127,770**	**(8.2)**	**144,874**	**(4.9)**
FY2012 ended March 31 , 2013	**989,989**	**2.2**	**136,374**	**(11.3)**	**139,174**	**(4.9)**	**152,374**	**(14.7)**

	Net income per Share	Diluted net Income per share
	Yen	
FY2013 ended March 31 , 2014	**798.86**	—
FY2012 ended March 31 , 2013	**840.21**	—

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Shareholder's equity ratio (%)	Shareholder's equity Per share
	Millions of Yen	Millions of Yen		Yen
FY2013 ended March 31 , 2014	**1,346,372**	**633,653**	**47.1**	**3,494.05**
FY2012 ended March 31 , 2013	**1,230,084**	**516,378**	**42.0**	**2,847.38**

(Reference) Shareholder's equity ; Year ended March 31, 2014: 633,653 million Yen, Year ended March 31, 2013: 516,378 million Yen

2. Non-consolidated Financial Forecast for the Fiscal Year Ending March 31, 2015

(Percentage compared to prior year)

	Operating Revenues		Ordinary Income		Net Income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Entire Fiscal Year	**1,095,000**	**4.4**	**100,000**	**(21.7)**	**100,000**	**(31.0)**	**551.41**

Note: Forecast for the six months ending September 30,2014 is not made.

<u>Indication of audit procedure implementation status</u>

These financial results are not subject to the review requirements as provided in the Financial Instruments and Exchange Act. The review of consolidated financial statements as provided in the Financial Instruments and Exchange Act had not been completed as of the date of these Consolidated Financial Results for the Year Ended March 31, 2014.

<u>Explanation for appropriate use of forecasts and other notes</u>

The forward-looking statements such as operational forecasts contained in this statements summary are based on information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ from such forward-looking statements for a variety of reasons. Please refer to "1.Operating results (1)Analysis of operating results" on page 2 in the Attachment for the assumptions used and other notes.

* The Company holds a presentation for institutional investors and analysts on Apr 30, 2014. Documents distributed at the presentation are scheduled to be posted on our website on the same day.

Attachment

CONTENTS

1. Operating results

(1) Analysis of operating results

During the reporting period of consolidated financial results for the fiscal year ending March 31, 2014 (April 1, 2013 ~ March 31, 2014, hereinafter "reporting period"), Japan's economy was on a moderate recovery track. Households increased their income and investments also increased, supported by a recovery in exports and the development of various government policies. The Japanese consumption tax hike triggered a last-minute rush in demand. On the other hand, the global economic downturn put a downward pressure on domestic business activities.

Under these economic conditions, we strived to provide unparalleled service to our customers with top priority on flight safety and raise staff awareness for profitability and improve efficiency at management by penetrating JAL Philosophy and the Amoeba Management System into organizations in order to achieve the targets in Rolling Plan 2013 of JAL Group's Medium Term Management Plan,

Regarding JAL's Boeing 787 operations which were suspended in January 2013 and caused significant inconvenience to the customers, we implemented all necessary measures to ensure safety and reliability of the aircraft and resumed operations in June 2013.

As a result of the above, during the consolidated fiscal year, consolidated operating revenue was increased on-year by 5.7 % to 1,309.3 billion yen, operating expenses, increased on-year by 9.5% to 1,142.5 billion yen, operating profit, declined on-year by 14.6% to 166.7 billion yen, ordinary profit, declined on-year by 15.2% to 157.6 billion yen, and net income for the full year was declined on-year by 3.2% to 166.2 billion yen.

Financial results of each business segment are described below.

From this fiscal year, we have changed the scope of the companies to be included in the Air Transportation Segment. The comparison and analysis on FY2013 has been done based on the new rule. Please refer its detail in 4.(5) Cosolidated Financial Statements.

<Air transport segment>

During the consolidated fiscal year, the air transport business registered sales of increased on-year by 4.8 % to 1,1166,6 billion yen and operating profit of declined on-year by 16.4% to 149.1 billion yen. (Sales and operating profit amounts represent amounts before elimination of inter-segment transactions, after elimination of intra-air transport segment transactions.)

Financial results of each business segment are described below.

a. International operations

	FY2012 April 1,2012 to March 31,2013	FY2013 April 1,2013 to March 31,2014	% or points compared to prior period
Revenue from passenger operations (millions of Yen)	406,657	437,578	107.6%
Revenue passengers carried (number of passengers)	7,525,038	7,723,293	102.6%
Revenue passenger km (RPK) (1,000 passenger-km)	34,036,119	35,390,384	104.0%
Available seat km (ASK) (thousands-km)	44,745,317	46,235,058	103.3%
Revenue passenger-load factor (L/F) (%)	76.1	76.5	0.5
Revenue from Cargo Operations (millions of Yen)	50,483	54,238	107.4%
Revenue cargo ton-km (RCTK) (thousands-km)	1,378,282	1,512,142	109.7%

In international passenger operations, we strived to maximize revenues by expanding Boeing 787 routes, etc., and improving our products and services such as progressively installing new cabin seats on our aircraft. In route operations, Boeing 787 operations were progressively resumed from June 2013 after their suspension in January 2013. We also fine-tuned supply to balance with demand. For example, to make flexible responce to changes in passenger traffic, flight frequency was temporarily reduced on the Narita=Beijing route, which faced a decline in demand triggered by territorial issues, to improve profitability. On the other hand, the Boeing 767 was progressively replaced with the larger Boeing 777-300ER on routes which saw robust demand such as the Narita=Honolulu route (JL782/JL781), Chubu/Kansai=Honolulu routes, and Haneda=Bangkok route.

In our alliances, the Japanese Ministry of Land, Infrastructure, Transport and Tourism approved antitrust immunity for the inclusion of Finnair in the Siberian joint business between JAL and British Airways. The trilateral joint business will commence in April 2014. We also started code-sharing with oneworld alliance fellow member Qatar Airways. In this way, we will continuously strive to increase the customers' convenience and options by improving our network with other airlines.

In sales, due to the inclusion of Finnair in the Siberian joint business as mentioned above, sales of realigned fares started on February 4, 2014. Customer benefits will include the ability to mix flights on all three carriers for the most convenient scheduling on European routes. To respond to low demand in winter, time-limited fares to Europe and China and Hong Kong were offered.

On the product side, SKY SUITE 777, a fully revamped Boarding 777-300ER with sweeping upgrades in spaciousness, comfort and functionality in every class, was deployed between Narita and London, New York, Paris, Los Angeles and Chicago. Additional SKY SUITE 777 routes will be the Narita=Frankfurt route from April 2014 and the Narita=Jakarta route from June 2014. JAL SKY SUITE 777 and its new Economy Class seat called SKY WIDER, providing passengers with 10cm (max.) more legroom than the previous seat, won Good Design Awards in 2013. In December 2013, SKY SUITE 767, a Boeing 767-300ER installed with fully-flat seats in Business Class providing direct access to the aisle and SKY WIDER seats in Economy Class was rolled out and is currently in operation between Narita and Kuala Lumpur, Singapore (select flights), Hanoi and Dalian. In 2014 SKY SUITE

787, the Boeing 787 installed with fully-flat Business Class seats, will be rolled out to offer more routes that evoke “a class above feel.” JAL SKY Wi-Fi, an inflight Internet service allowing passengers to get online from their seats, was made available on seven routes: between Narita and New York, Chicago, Los Angeles, London, Paris, Frankfurt and Jakarta, and will be installed on the 777-200ER, 767-300ER and 787 in the near future. As for inflight meals, in addition to delicious delights created in collaboration with Japan’s star chefs and served in JAL BEDD-SKY AUBERGE under the concept of JAL’s “exclusive restaurant in the sky” in First Class and Business Class on European and North American routes, we added exquisite menus created by Japanese chefs of the famous restaurants in Paris SOLA and Passage 53 on flights from Paris. Passengers in Economy Class enjoyed a variety of new menus such as our popular AIR series. On Honolulu flights, we served menus in collaboration with Ore no French, a restaurant in Tokyo which is the talk of the town. We will continue to improve our products and services.

As a result, international supply during the reporting period increased by 3.3% year-on-year in terms of available-seat-kilometer (ASK), demand increased by 4.0% year-on-year in terms of revenue-passenger-kilometer (RPK), the load factor (L/F) increased by 0.5 points year-on-year to 76.5%, and international passenger revenue came to 437.5 billion yen, up 7.6% from the year before.

In international cargo operation, in spite of limited chance for the increase in demand in this country ,we have maximized our revenue by extensive revenue control management and catching the demand for the air cargo which passes Japan. In sales, we have refined our commodity line to enhance the new customized service for temperature-controlled transportation and express cargo to meet new demand. Also in possible high demand route, we have carried out transportation by other airlines’ charter flights after careful examination for profitability and feasibility. The volume of international cargo transported during the reporting period increased by 9.7% year-on-year in terms of revenue-cargo-ton-kilometer (RCTK) in spite of very competitive environment and international cargo revenue increased by 7.4% year-on-year to 54.2 billion yen due to intensifying competition. In International mail, we have caught the positive demand for personal mail order and new clients. The volume of international mail increased by 20.9% year-on-year on a revenue-cargo-ton-kilometer basis (RCTK), accordingly the revenue increased by 47.5% to 9.0 billion yen.

b. Domestic operations

	FY2012 April 1,2012 to March 31,2012	FY2013 April 1,2013 to March 31,2014	% or points compared to prior period
Revenues from passenger operations (millions of Yen)	485,214	487,414	100.5%
Revenue passengers carried (number of passengers)	30,020,440	31,218,734	104.0%
Revenue passenger km (RPK) (1,000 passenger-km)	23,012,898	23,745,163	103.2%
Available seat km (ASK) (thousands-km)	36,443,994	37,084,260	101.8%
Revenue passenger-load factor (L/F) (%)	63.1	64.0	0.9
Revenue from Cargo Operations (millions of Yen)	25,083	25,447	101.5%
Revenue cargo ton-km (RCTK) (thousands-km)	360,176	366,989	101.9%

In domestic passenger operations, we implemented measures to boost demand, and adjusted aircraft capacity to meet demand according to demand trends so as to maximize revenue.

In route operations, we endeavored to expand and improve our domestic network following the increase in flight slots at Haneda and Itami airports. We increased Haneda flights, and launched services between Haneda and Chubu to improve connectivity to international flights. At Itami, we resumed scheduled flights to Matsuyama, Hakodate and Misawa, and increased a total of 18 flights on 16 routes. From July 2013, we started joint operations of all flights operated by Hokkaido Air System to increase the customers' convenience and contribute to the regional and economic development of Hokkaido.

In airport services, we renovated lounges to provide greater comfort and convenience for users and improve the quality of lounge services. For example, we installed newly designed original JAL sofas and additional electric outlets in lounges at Itami, Kansai, Hiroshima, Matsuyama, Kumamoto and Kagoshima airports.

In sales activities, we offered fares at more affordable prices through the new Tokubin Discount 21. Flights for Sakitoku discounts and Super Sakitoku were increased during the New Year holidays, and they were in great demand by customers to return home or travel. As an official sponsor since the opening of Tokyo Disney Resort R since its opening in 1983, we conducted a tie-up project to celebrate the 30th anniversary of Disneyland. Six JAL Happiness Express jets painted with Disney character motifs (two Boeing 777-200's and four Boeing 737-800's) plied domestic routes, and were used by many customers. As for online sales channels, we cooperated with Recruit Lifestyle Co, Ltd. which operates Jalan net, one of the largest hotel and ryokan booking sites in Japan, and started sales of JAL Jalan Pack, a Dynamic Package product that allow users to freely assemble a travel package for themselves using JAL domestic flight tickets and domestic accommodation facilities made available on line. From November, reservations could be made on JAL's smartphone site, and in addition to JAL Raku Pack, we expanded and improved sales channels on our website.

Furthermore, to improve smartphone services and cater to the diversifying needs of customers, new functions were added and renewed in various applications, such as JAL Countdown, JAL Sakitoku Calendar and JAL Schedule.

As a result, domestic supply during the reporting period increased by 1.8% year-on year in terms of available-seat-kilometer (ASK), demand increased by 3.2 % year-on-year in terms of revenue-passenger-kilometer (RPK), the load factor (L/F) increased by 0.9 points year-on-year to 64.0%, and domestic passenger revenue came to 487.4 billion yen, up 0.5% from the year before.

In domestic cargo operations, in spite of a sluggish demand for farm products due to unseasonable weather and partial transfer to overland freight, we have tried to maximize our revenue by having the demand for personal WEB order and an additional demand from the current customer. Accordingly Cargo traffic results increased by 1.9% year-on-year in terms of revenue-cargo-ton-kilogram (RCTK), and Domestic cargo revenue increased by 1.5% to 25.4 billion yen.

Fleet as of March 31,2014

Aircraft	Own	Leases	Total
Boeing 787	15	0	15
Boeing 777	46	0	46
Boeing 767	33	14	47
Boeing 737-400	11	2	13
Boeing 737-800	21	29	50
Embraer 170	15	0	15
Bombardier CRJ200	9	0	9
Bombardier DHC-8-400	9	2	11
SAAB340B	10	1	11
Bombardier DHC-8-300	1	0	1
Bombardier DHC-8-100	4	0	4
Total	174	48	222

Note :Aircraft listed on “Leases” are aircraft operated under operating lease scheme in accounting standards.

Components of Revenues from the Air Transportation Segment are as follows.

	FY2012 April 1,2012 to March 31,2013 [Millions of Yen]	% contribution to total	FY2013 April 1,2013 to March 31,2014 [Millions of Yen]	% contribution to total	% compared to prior period
International:					
Passenger operations	406,657	36.5	437,578	37.5	107.6
Cargo operations	50,483	4.5	54,238	4.6	107.4
Mail-service operations	6,124	0.5	9,035	0.8	147.5
Luggage operations	517	0.0	623	0.1	120.4
Sub-total	463,782	41.6	501,476	43.0	108.1
Domestic:					
Passenger operations	485,214	43.6	487,414	41.8	100.5
Cargo operations	25,083	2.3	25,447	2.2	101.5
Mail-service operations	3,154	0.3	3,201	0.3	101.5
Luggage operations	270	0.0	262	0.0	97.0
Sub-total	513,722	46.1	516,326	44.3	100.5
Total revenues from international and domestic operations	977,505	87.8	1,017,802	87.2	104.1
Other revenues	136,199	12.2	148,878	12.8	109.3
Total revenues	1,113,704	100.0	1,166,681	100.0	104.8

Note: 1.Amounts are rounded down to the nearest million yen, percentages are round off to the first decimal place.

2. From this fiscal year, we have changed the scope of the companies to be included in the Air Transportation Segment. The comparison and analysis on FY2012 has been done based on the new rule. Please refer its detail in 4.(5) Consolidated Financial Statements.

3.Incidental business revenues which appeared in the last fiscal year's report has been incorporated into Other revenues from this report.

Consolidated Traffic Results

	FY2012 April 1,2012 to March 31,2013	FY2013 April 1,2013 to March 31,2014	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	7,525,038	7,723,293	102.6%
Revenue passenger km (1,000 passenger-km)	34,036,119	35,390,384	104.6%
Available seat km (thousands-km)	44,745,317	46,235,058	103.3%
Revenue passenger-load factor (%)	76.1	76.5	0.5
Revenue cargo ton-km (thoussands-km)	1,378,282	1,512,142	109.7%
Mail ton-km (thousands-km)	179,529	217,017	120.9%
DOMESTIC			
Revenue passengers carried (number of passengers)	30,020,440	31,218,734	104.0%
Revenue passenger-km (1,000 passenger-km)	23,012,898	23,745,163	103.2%
Available seat km (thousands-km)	36,443,994	37,084,260	101.8%
Revenue passenger-load factor (%)	63.1	64.0	0.9
Revenue cargo ton-km (thousands-km)	360,176	366,989	101.9%
Mail ton-km (thousands-km)	21,298	22,824	107.2%
TOTAL			
Revenue passengers carried (number of passengers)	37,545,478	38,942,027	103.7%
Revenue passenger-km (1,000 passenger-km)	57,049,018	59,135,548	103.7%
Available seat km (thousands-km)	81,189,311	83,319,319	102.6%
Revenue passenger-load factor (%)	70.3	71.0	0.7
Revenue cargo ton-km (thousands-km)	1,738,458	1,879,132	108.1%
Mail ton-km (thousands-km)	200,828	239,842	119.4%

1. Revenue passenger kilometer (RPK) is the number of fare-paying passengers multiplied by the distance flown (km).
   Available seat kilometer (ASK) is the number of available seats multiplied by the distance flown (km).
   Revenue cargo ton kilometer (RCTK) is the amount of cargo (ton) transported multiplied by the distance flown (km).
2. The distance flown between two points, used for calculations of RPK, ASK and RCTK above is based on the great-circle distance and according to statistical data from IATA (International Air Transport Association) and ICAO (International Civil Aviation Organization).
3. FY2013
   International operations: Japan Airlines Co., Ltd, Japan Trans Ocean Air Co., Ltd
   Domestic operations: Japan Airlines Co., Ltd, Japan Trans Ocean Air Co., Ltd, JAL Express Co., Ltd, Japan Air Commuter Co., Ltd, J Air Co., Ltd, Ryukyu Air Commuter Co., Ltd.
   FY2012
   International operations: Japan Airlines Co., Ltd,
   Domestic operations: Japan Airlines Co., Ltd, Japan Trans Ocean Air Co., Ltd, JAL Express Co., Ltd, Japan Air Commuter Co., Ltd, J Air Co., Ltd, Ryukyu Air Commuter Co., Ltd.
4. Figures have been truncated and percentages are rounded off to the first decimal place

<Others>

In “Other businesses,” we strived to maximize JAL Group’s corporate value and improve profit margin. The results of two major companies in this segment are provided below.

JAL PAK Co., Ltd. rolled out timely products, handled more customers in the growing Dynamic Package market, etc., and executed various expenses effectively to maximize revenue.

The number of overseas travelers handled by JAL PAK came to 302,000 persons, down 6.5% from the previous year, due to a decline in demand caused by rising selling prices owing to the weak yen, and unstable conditions in Asia.

The number of domestic travels handled by JAL PAK came to 2,142,000 customers, up 8.6% year-on-year, by attracting customers through attractive products to celebrate the 30th anniversary of Tokyo Disney Resort ® and commemorate the transfer of the Izumo Taisha, and strong sales of JAL Dynamic Package, which allows users to freely combine tickets and accommodation.

As a result, operating revenue during the reporting period increased by 4.0% from the previous year to 168 billion yen (prior to elimination of intra-company transactions).

JAL Card Co., Ltd. proactively conducted activities to increase membership through various campaigns, e.g. JAL CARD 30th Anniversary Celebration Membership Campaign, the online Amazon JAL Card Membership Campaign, and achieved an additional 156,000 members to bring the total to 2.92 million members compared to the end of March 2013. Product wise, in addition to enhancing services of JAL Card navi, a credit card for students, and issuing the new JAL CLUB EST, a high value-added card for members in their 20’s, in March we announced the issuance of a new platinum card JCB Card Platinum, the highest ranking card in the lineup.As a result of efforts to improve services, JAL Card ranked first in the credit card category in three indices; customer expectation, perceivable level of quality and word of mouth, in the 2013 Japan Customer Service Index (CSI) Survey conducted by Service Productivity & Innovation for Growth (SPRING). To promote the use of JAL CARD, AEON Retail Co., Ltd., which operates general merchandise stores, and Family Mart, a national chain of convenience stores, were added as special double-mile partners, and consequently, JAL Card reported a record high number of sales.

As a result, operating revenue during the reporting period increased by 6.7% year-on-year to 18.5 billion yen (prior to elimination of intra-company transactions).

(2) Analysis of financial condition

a. Qualitative Information of Financial Position

Total assets for this consolidated fiscal year increased by 123.5 billion yen year-on-year to 1,340.1 billion yen mainly due to an increase in aircraft number.Debts decreased by 4.3 billion yen year-on-year to 629.1 billion yen , in spite of an increase in sales deposit, which is due to a decline in interest-bearing debt, such as financial obligations and long-term loans

Net assets increased by 127.8 billion yen year-on-year to 711.0 billion yen due to an increase in equity after registering netprofit this fiscal year. The number is after we paid dividend.

As a result of the above, equity was 690.2 billion yen, and the equity ratio increased by 5.1 points from the previous year to 51.5%. For details, please refer to “4. Consolidated Financial Statements (1) Consolidated Balance Sheets” .

b. Cash Flows

Operating Activities

As a result of adding and subtracting the non-cash and cash accounts from Net Income of before Income Taxes and Minority Interests of 160.0 billion yen, the net cash provided by operating activities was 247.9 billion yen decreased by 16.9billion yen year on year.

Investing Activities

Largely due to the purchase of the acquisition of fixed assets, the net cash provided by investing activities was minus 131.2 billion yen decreased by 133.1 billion yen year on year.

Financing Activities

Due to the decrease of long term borrowings and payment for the dividend, the net cash provided by financing activities was minus 61.9 billion yen increased by 1.2 billion yen year on year.

Consequently, the balance of cash and cash equivalent was 155.2 billion yen at the end of the reporting period.

(3) Basic policy on distribution of profits, and dividend for the current and next fiscal years

Passing benefits to our shareholders is one of the most important management goals of the company. It is our basic policy to distribute benefits to our shareholders in the form of dividends, while executing capital expenditures to respond to the change in business environment, and maintain internal reserves for building a strong financial structure.

We had announced our intention to apply about 20% of consolidated net profit as the total amount of dividends to use to pay returns to our shareholders. However, from FY2013, we have changed our policy to apply about 20% of consolidated net profit after deduction of adjusted corporate taxes, etc. from consolidated net profit. This is because a large amount of adjusted corporate taxes, etc. will be reported when closing books at the fiscal year-end, in accordance with Tax Effect Accounting, and significant changes in net profit are expected. Due to the nature of Tax Effect Accounting, accounting work is dependent on forecasts and estimates of future phenomena, and as there may be significant changes in deferred tax assets due to these changes, we have decided not to include them in the calculation of dividends.

With regard to dividends for FY2013, we will pay 160 yen per share, taking into account financial results and financial conditions for the full year, and the future business environment on the whole.

Dividends for the next fiscal year will be disclosed when we get a better picture of business forecasts.

We consider that capital expenditures are vital for corporate growth and for responding to changes in the business environment. Furthermore, as the airline business is volatile to event risks and profits can change substantially, we are aware that accumulation of internal reserves is extremely important. We will proactively consider returns to our shareholders when we have reasonably determined that a firm financial basis has been established.

(4)Business risks

Risks affecting decisions of investors to invest in shares are mentioned below. However, they do not cover all the risks relating to JAL Group, as unforeseen risks excluding those listed here may exist. This section includes forward-looking statements based on judgment as of March 31, 2014. JAL Group is exposed to the following risks, given the group's business operations, primarily scheduled and unscheduled air transport business services.

a. Risks concerning changes in the international situation

JAL Group transports international air passengers and air cargo to mainly North America, Europe, Asia-Oceania and China. Air transport demand can decline significantly due to terrorist attacks, regional conflicts, wars, and outbreaks and transmission of infectious diseases. Especially if recommendations are issued to defer travel to regions of conflict or outbreaks and epidemics of infectious diseases, or if actions to defer nonessential, nonurgent travel due to concerns of the users, etc. become marked, they could have serious negative impacts on demand for JAL Group flights that depart and arrive in those regions.

b. Risks concerning changes in the Japanese and global economy

JAL Group's international and domestic passenger operations depend largely on the Japanese market. Therefore, Japanese economic trends and global economic conditions, or a decline in airline demand of the customer base in Japan, natural disasters or unfavorable weather, etc. could negatively impact JAL Group's business. Our international passenger operations, in particular, are easily affected by economic conditions.

c. Risks concerning our Medium Term Management Plan and Annual Plan

JAL Group establishes a Medium Term Management Plan and Annual Plan, but various internal and external factors pose a risk to the execution of these plans. These management plans are based on many assumptions, but if they do not go as planned, our ability to achieve the revenue targets and profit goals set out in the plans could be negatively affected.

JAL Group's Medium Term Management Plan and Annual Plan are established based on effective accounting and tax systems, processing methods and legal requirements at the time of compilation. If these systems, methods and requirements are changed into the future, financial forecasts announced into the plans could change.

d. Risks concerning our aircraft delivery plans

JAL Group aims to build a fleet centering on new, fuel-efficient, small/mid-size aircraft for its air transport business, and has placed orders with aircraft manufacturers, such as Boeing. If delivery of aircraft is postposed due to technical, financial or other reasons of the aircraft manufacturer, JAL Group's mid/long term business could be affected.

e. Risks concerning alliances

There have been active movements in the airline business to join a global alliance composed of several airlines or starting a joint business with partner airlines transcending national borders on receiving approval of anti-trust immunity (ATI). JAL Group is a member of the oneworld global alliance, alongside American Airlines (AA) and British Airways (BA). We also have a joint business with AA over the transpacific and with BA over European routes.

Our reliance on strategic partners and the oneworld alliance could expose us to a variety of risks which could affect our alliance strategies, such as changes in business conditions of the other party, changes in membership to oneworld, or changes in partnerships with JAL Group.

f. Risks concerning competition

JAL Group faces substantial and intensifying competition in routes, services and fares in both the domestic and international markets.

On domestic routes, we face tough competition with another major Japanese airline, new low cost carriers (LCC), and Shinkansen express train services, and competition with LCCs is also seen to intensify.
On international routes, competition with major Japanese and international airlines is getting increasingly fierce, and the increase in flight slots in Haneda and Narita airports is certain to intensify competition.

We have stakes in Jetstar Japan, which is an LCC established with Jetstar of Australia and another party, and an affiliated company accounted for by the equity-method. At present, impacts of LCCs have been contained within our estimated range. But if competition with Japanese and international LCCs intensify, we will be compelled to reduce our fares. And if a large number of customers shift from JAL Group flights to LCCs including Jetstar Japan, it could negatively affect our LCC strategies, as well as our management and business performance.
If the competitive environment or business environment changes significantly due to this intensifying competition, it could negatively affect management of JAL Group.

g. Risks concerning cost structure
JAL Group has high unit costs (cost per ASK) compared to Asian airlines and LCCs, and as the share of fuel costs, personnel costs, aircraft costs, and taxes in operating cost is high, there is a limit to our freedom to reduce costs based on economic conditions. If demand declines or the price of tickets falls, it could negatively affect our business performance.

h. Risks concerning changes in jet fuel prices
JAL Group's business performance is greatly affected by changes in fuel price. The group's fuel costs in FY2013 were approximately 283 billion yen, which accounts for approximately 25% of consolidated operating expenses in FY2013. Since the summer of 2004, fuel prices rose and negatively affected our business performance. As competition in the airline industry is extremely tough, we have difficulty dealing with price hikes by increasing fares or asking our customers to pay a fuel surcharge for the increased portion of fuel costs. To reduce risks posed by fluctuations in fuel price, we conduct hedging transactions, etc., using commodity derivatives of crude oil or jet fuel. If the price of crude oil or jet fuel suddenly drops in a short period of time, depending on our hedging position, etc., the fall in market conditions might not be reflected in our business performance at once and might not contribute to improving our business performance.

i. Risks concerning fluctuations in foreign exchange rates
JAL Group conducts business extensively in domestic and international markets, and partially receives revenue and partially pays expenses in foreign currencies. Especially, as jet fuel prices, which account for the largest share of our costs, are affected by the US dollar, USD currency volatility has a greater impact on expenses than revenue. To reduce risks to profitability caused by currency volatility, foreign currencies received as revenue are basically used for expenditures in foreign currency. In addition, we conduct hedging transactions using foreign exchange derivatives. However, if foreign exchange fluctuates in the short term, it will not be reflect in our business performance at once, even if the yen gains strength as the dollar weakens, and it might not contribute to improving our business performance.

j. Risks concerning disasters
The majority of JAL Group aircraft passengers use aircraft departing and arriving at Haneda and Narita airports. The positioning of Haneda and Narita airports in the group's air transport business is very important. Our important information system center for aircraft operations, such as operations control and reservation control, is located in the Tokyo area. The Operation Control Center which controls the operation and schedule of all our aircraft operating around the world is also located in the Tokyo area.

Therefore, if this important facility is affected by a large earthquake in the Tokyo area, etc., fire or terrorist attacks, etc., and Haneda and Narita airports are closed or our information systems or operation functions are suspended for a long period of time, it could seriously affect our business.

k. Risks concerning trust in aviation safety

JAL Group implements various measures each day to ensure safety in aircraft operations, but if we should cause a fatal accident due to a plane crash, it could damage the customers' trust in the safety of our operations and our reputation in society, and we would have to compensate, etc. for the death of passengers, etc. Business continuity could even be put at stake. Furthermore, if safety problems occur to an aircraft type operated by JAL Group or a group's code-share flight, it could also damage the customers' trust in the safety of our operations and our reputation in society, and seriously impact the group's business performance. To reduce various damages caused by an aircraft accident and properly compensate for damages incurred by the victims, we have purchased liability insurance within the equivalent amount and range of compensation as current industry standards.

l. Risks concerning legal regulations

JAL Group's business complies with international regulations and regulations at the government and regional government level in conformance to laws, ordinances and regulations. If these regulations are revised, our business could be further regulated, and we might require a large increase in expenditures.

(a) Airworthiness directives, etc.

If technical problems seriously affect safety in aircraft operations, an airworthiness directive, etc., might be issued by the Japanese Minister of Land, Infrastructure, Transport and Tourism in accordance with laws and ordinances, and operations of aircraft might not be approved until safety has been confirmed. Even if an airworthiness directive is not issued under laws and ordinances, we might have to voluntarily suspend operation of aircraft under internal regulations, etc. If this happens to our aircraft, including the Boeing 787 which we are putting into service with priority, operations of our aircraft might be disrupted, which would negatively affect our business performance.

(b) Laws, ordinances, etc. concerning the air transport business

JAL Group as an air transport operator does business according to laws, ordinances, etc. concerning the airline business. On international routes, we are required to conform to conventions including bilateral aviation agreements, and other international rules. Furthermore, in the air transport business, fares and fees are regulated by the anti-trust law and other similar overseas laws and ordinances.

(c) Environmental regulations, etc.

Amid increasing awareness of corporate social responsibility for the global environment, including prevention of global warming, environmental regulations concerning gas emissions, noise, toxic substances, etc., have been heightened. If global gas emission trading increases on the international aviation scene, or environmental regulations, such as fines for global warming gases, etc. are tightened, etc., it could negatively affect our business performance.

(d) Tax and fees, etc.

Taxes and fees, etc. in the airline business refer to landing fees, navigation support facility fees, etc.

Landing fees at some Japanese airports are subject to reduction measures by the Japanese government, but depending on the financial conditions or direction of transport administration of the government of each State, if the reduction of landing fees is abolished or taxes and fees are increased substantially, it could negatively affect our business performance.

m. Risks concerning litigations

JAL Group is currently subject to various litigations concerning business activities, which could affect our business or business performance. We could be sued etc. in the following situations, and depending on the situation, it could negatively affect our business performance due to additional expenditures or need of a reserve fund.

(a) Incidents concerning employment of former employees

In Japan, former employees filed a suit demanding confirmation of status under the labor contract. In March 2011, the plaintiff's claims were dismissed in the Tokyo District Court, but in April 2012, they appealed to the Tokyo High Court, and the case is still pending in court as of March 2014 (The court's decision of the intermediate appeal is scheduled in May and June 2014). Another labor lawsuit is pending in court in Japan, and several lawsuits concerning confirmation of status under the wage/allowance and labor contract have been filed overseas.

(b) Incidents concerning cartels

As regards an alleged air cargo price cartel charged by anti-trust authorities, we filed a suit with European and Korean courts in January 2011, objecting to orders from the European Union and Korean anti-trust authorities to pay a fine. Several airlines including JAL were sued by shippers in a civil suit, claiming they suffered damages by an alleged air cargo cartel. With regard to these incidents, the estimated amount of future losses have been registered in a reserve fund for probable future losses and in amounts that can be estimated in a reasonable manner.

n. Risks concerning our dependence on third parties

JAL Group's business is dependent on services by third parties to a certain extent; e.g. maintenance staff, airport staff, aviation security agents, fuel handling workers, baggage handling staff, private security companies. In addition, we place orders with Boeing and Airbus for the majority of new aircraft which are scheduled to be introduced to our fleet.

Therefore, if Boeing or Airbus cannot fulfill their contract with JAL for financial or other reasons, we will be compelled to change our fleet plan significantly, which may affect our business in the mid/long term.

o. Risks concerning IT (information systems)

JAL Group is dependent on information systems for our business operations. If various problems occur with our information systems caused by computer or program problems, computer viruses, etc., important data could be lost, costs for repairs, etc. could increase, etc., and negatively affect our business. If large scale problems occur with infrastructure, etc., electric power which supports our information systems, etc. could seriously disrupt our business.

p. Risks concerning financing

JAL Group plans to purchase aircraft in order to renew aircraft, revamp cabins and upgrade core systems, and may need to obtain financing from financial institutions or markets to fulfill capital requirements. Our ability or costs to obtain financing may change depending on financial markets, our credibility, etc. If financial markets or our credibility declines, it might be difficult to obtain financing, and we might suffer a decline in outstanding liquid capital or an increase in costs to obtain financing.

q. Risks concerning handling of customer data

If JAL Group experiences information leaks or unlawful access to customer data in its possession, the group might be obliged to compensate or be subjected to administrative measures. If this happens, public trust in our business, systems and brand will be damaged, we will lost the trust of the customers and markets, which could negatively affect our business, financial conditions and business performance.

r. Risks concerning recruitment

We need to secure employees with various qualifications, including national qualifications, and with skills to operate aircraft required under law to conduct our business operations, but it takes considerable time for them to acquire these qualifications and skills. If we are unable to secure the necessary manpower in the required time, it could affect our business operations.

s. Risks concerning labor disputes

Many group employees belong to labor unions. If a labor dispute breaks out, such as a collective strike by our employees, it could negatively affect our aircraft operations.

2.Outline of the Japan Airlines Group

JAL Group (JAL and JAL's subsidiaries) is composed of 95 subsidiaries and 59 affiliated companies, and its business operations are the air transport business and other businesses. The business operations and positions of each business, and the correlation with each segment are as follows.

From this reporting period, the number of companies included in the air transport business segment was changed to 32 companies, composed of six Group operators and air transport related business companies. The content of changes is provided in 4.(5) Consolidated Financial Statements.

(1)Air transport business	Thirty-three subsidiaries and three affiliated companies, a total of 36 companies, are engaged in the air transport business.
①Air transport business	Japan Airlines Co., Ltd, Japan Trans Ocean Air Co., Ltd, JAL Express Co., Ltd, Japan Air Commuter Co., Ltd, J Air Co., Ltd, Ryukyu Air Commuter Co., Ltd.and affiliated companies
②Airport Passenger Service	Subsidiaries such as JAL Sky provide check-in and information services for customers, operational support services and load control services.
③ Ground handling	Subsidiaries such as JAL Ground Service Co., Ltd. provide airport ground services, such as baggage and cargo loading, marshaling, and cleaning services inside and outside aircraft.
④ Maintenance	Subsidiaries such as JAL Engineering perform maintenance of aircraft engines and aircraft parts.
⑤ Cargo	Subsidiaries such as JAL Cargo Service Co., Ltd. and affiliated companies perform cargo and mail handling, warehouse (cargo handling facility) duties, etc.
⑥ Passenger sales	Subsidiaries such as JAL Navi handle reservations and provide information over the phone, etc.
⑦Airport peripheral businesses	Subsidiaries such as JAL Royal Catering Co., Ltd. and affiliated companies produce inflight meals, etc.
(2) Other	Sixty-two companies and 56 affiliated companies, a total of 118 companies, are engaged in travel planning/sales using air transport, sales of aircraft seats, baggage delivery, fueling, system development/operations, provision of reservation/ticketing systems for travel, export/import sales of aircraft parts, the credit card business, etc., such as JAL Pak Co., etc., Ltd. JAL Sales Co., Ltd., JAL Infotech Co., Ltd. AXESS International Network Inc., JAL Aeroparts Co., Ltd., and JAL Card Co., Ltd.

3.Management Policies

(1)Fundamental Policy

a.We will do our best to improve our business performance by maintaining flight safety and providing comfortable services, never forgetting our remorse and regret over our past failure or our gratitude to everyone, and never letting down our guard even when business results are positive.

b.As mentioned in the JAL Group Corporate Policy, we will provide customers with unparalleled service, increase corporate value, and contribute to the betterment of society in various ways.

c.We will thoroughly analyze profitability of each route, and continuously improve our network in order to build a net work that is convenient for the customers.

d.We will continuously pay dividends in order to pass on benefits to shareholders.

【JAL Group Corporate Policy】

The JAL Group will;

Pursue the material and intellectual growth of all our employees;

・Deliver unparalleled service to our customers; and

・Increase corporate value and contribute to the betterment of society.

(2)Targeted Principal Management Indicators

We aim to achieve the following 3 management targets.

a.JAL recognizes that "flight safety" is the basis of the existence of the JAL Group and our social responsibility. As a leading company in safety in the transportation sector, JAL will maintain the highest standards of safety.

b.JAL will provide unparalleled services to continuously deliver a fresh and enjoyable travel experience for customers. We aim to achieve "Customer Satisfaction No. 1" by FY2016.

c.JAL aims to establish sufficient profitability and financial stability levels capable of absorbing the impact of economic fluctuations and risk events by achieving "10% or above operating margin for 5 consecutive years and 50% or above equity ratio in FY2016".

(3)Medium-and Long-Term Management Strategies

On completing the second year of fiscal years 2012 through 2016 of the Mid-Term Management Plan, we have defined the positioning of each fiscal year as below.

■FY2012～2013;A period in which our ability to build a high profitability structure was tested

Reflecting on our past of establishing new plans without executing what we had decided to do or fully analyzing the reason for this, we have put in efforts to show that "JAL Group has changed" and "has become a company that keeps its promises to its stakeholders.

We were faced with a severe business environment in the past two years, such as the suspension of 787 operations and the rapid depreciation of the yen, but we put forth efforts to launch new products, enhance our services, and improve productivity. As a result, we achieved an operating profit margin of over 10%, but as we reported lower earnings on higher revenues, we are aware that responses to the severe business environment is an issue to be addressed.

■FY2014 ; A period to steadily achieve the management objective in the Medium Term Management Plan, and prepare for new growth.

Stiffer competition is seen ahead, driven by the prevailing and expanding tough business environment such as rising fuel prices owing to the weak yen, effects on demand due to the Japanese consumption tax hike, intensifying competition at Tokyo metropolitan airports due to the dramatic increase in international flight slots at Haneda Airport, etc. As a unique factor of JAL Group, we must win the competition despite the fewer-than-expected international flight slots allocated to us at Haneda airport. Practically speaking, we will put in consolidated efforts to achieve profitability on current routes, and provide the finest products and services to deliver a refreshing travel experience on Narita routes where we compete head on with Haneda flights of our competitor.

In this way, FY2014 will be a period to build the business foundation to achieve growth, that is higher revenue and higher earnings.

■FY2015～2016 ;A period to achieve new growth and accomplish the Medium Term Management Plan

The business environment will likely be severe, but we will strive to differentiate ourselves to win the competition based on the three key words; autonomous, challenge and speed, without merely pursuing business expansion. By strengthening our cost competitiveness, we will win the fierce competition, and by enhancing the JAL Brand, and realizing product and service differentiation, we will attract as many JAL users as possible to achieve growth, that is higher revenues and higher earnings.

As a result, we feel that we can contribute to spurring exchanges of people and goods between regional cities in Japan and overseas and between countries transiting Japan.

(4)Issues to be addressed

Flight safety is the foundation and social responsibility of the JAL Group. We will accumulate our safety layers, based on our rich experience nurtured over the years as the pioneer of air transportation in Japan, and provide customers with safe and comfortable flights.

The JAL Group established the JAL Group Mid-Term Management Plan for Fiscal Years 2012-2016-To the Next Growth Stage on Establishing a High Profitability Structure-, with the aim to overcome major changes in the operating environment and future uncertainties, survive future competition, and achieve sustainable growth and development.

We aim to achieve the following 3 management targets, as set out in the Mid-Term Management Plan.

1. JAL recognizes that “flight safety” is the basis of the existence of the JAL Group and our social responsibility. As a leading company in safety in the transportation sector, JAL will maintain the highest standards of safety.
2. JAL will provide unparalleled services to continuously deliver a fresh and enjoyable travel experiences for customers. We aim to achieve “Customer Satisfaction No. 1” by FY2016.
3. JAL aims to establish sufficient profitability and financial stability levels capable of absorbing the impact of economic fluctuations and risk events by achieving “10% or above operating margin for 5 consecutive years and 50% or above equity ratio in FY2016”.

To achieve these targets, we have defined fives areas in which we will put in focused efforts; (a)Safety Initiatives, (b)Route Network, (c)Products and Services (d)Group Management, and (e)Human Resources Development.

To confirm the progress we have made so far, and reconfirm our policy in order to definitely achieve the management objectives in the remaining three years, we announced Medium Term Management Plan, Rolling Plan 2014 on March 26, 2014. We will approach each priority area as follows.

In our safety initiatives, we will carry out activities in three areas; develop human resources to maintain safety, evolve systems to maintain safety, and cultivate a culture to maintain safety, and thus accumulate our safety layers. To develop the necessary human resources, we will complete full staff participation in JAL Group Safety Education in FY2014, and start a group-wide education course on the Safety Management System from FY2015. To evolve systems for safety, we will use the mechanism of sharing the database in which safely-related information is electronically stored and preventive measures throughout JAL Group, improve proactive measures against incidents, and develop Normal Line Operation Monitoring and Safety Performance Monitoring in order to build risk management methods for preventing minor irregularities from developing into serious accidents. To prevent past accidents from fading away from our memory and to hand down JAL Group's austere safety culture to the next generation, we will foster a culture of polishing manuals to understand the essence of our manuals, and thus cultivate a culture of protecting safety, and also penetrate our non-punitive reporting policy and develop reporting systems to nurture a culture of reporting, while receiving advice from the Safety Advisory Group.

Regarding our route network, we will scrutinize profitability generated on each route, and build a highly convenient network bridging cities in Japan and Japan and the world, without merely pursuing business expansion. In international operations, we will continue to converge our resources on medium and long-haul routes (Europe, North American, Southeast Asia). Concretely speaking, we will launch new services and increase flight frequency using the daytime flight slots allocated to us at Haneda, use early morning and midnight flight slots at Haneda, and increase flight frequency on current high profit routes at Narita. We will change aircraft on medium and long-haul routes (Europe, North American, Southeast Asia, Honolulu), and meet the challenge of building a highly convenient and comfortable network, while flexibly adjusting to changes in aircraft conditions. In domestic operations, we will increase flight frequency of flights to/from Haneda which connect to international flights, and increase flights on the Yamagata route, as our joint proposal with Yamagata Prefecture was chosen in the Policy Contest. On regional routes, we resumed six routes from those which were suspended, on discerning routes where route operations would be feasible with regional cooperation. As for business operations of JAL Group airlines, we will converge regional jets on regional network routes to increase the passengers' convenience and seek profitability, and operate turbo-propeller planes to life-oriented, remote islands to contribute to those regions. To increase mobility in balancing supply to demand, and improve human service onboard domestic flights, JAL and JAL Express Co., Ltd. (JEX), a Group operator, will merge in October 2014.

In products and services, we will strive to deliver a refreshing and moving travel experience on every journey. In international operations, we will increase SKY SUITE 777 and SKY SUITE 767 routes in FY2014, primarily on medium- and long-haul routes, and introduce the 787 installed with fully –flat Business Class seat SKY SUITE to provide more routes that evoke "a class above feel." JAL's inflight Internet service will be made available on the Boeing 777-200ER, 767-300ER and 787 to provide a stress-free environment in the air as well as on the ground to as many customers as possible. As for inflight meals, we will improve our course service in Business Class on Southeast Asian routes in order to serve tastier delights to passengers and construct a new catering facility at Haneda to meet the increase of international flights at Haneda, and thus improve the quality of inflight meals. The First Class Lounge at Haneda Airport will be renovated in August 2014. In domestic operations, from FY2014 we will revamp cabin interiors under the theme "Pioneering Standard" of a total of 77 aircraft including the Boeing 777-200/300, 767-300/300ER and 737-800, and progressively roll out JAL SKY NEXT installed with inflight Wi-Fi service. From May, cabin interiors will be revamped. For example, Class J Economy seats will be covered with genuine leather and LED lighting will be used throughout the cabin. Comfort will also be improved by increasing the legroom of Economy seats by 5 cm. (max.) from the previous seat through slimmer seats. Furthermore, from July JAL will be the first airline to offer a Wi-Fi environment on domestic flights, called JAL SKY Wi-Fi service. By using this service, passengers can watch films such as dramas and sports games and search for sightseeing information free of charge on their own smartphone, tablet or other wireless LAN enabled devices. By paying a fee, they can read their emails, access SNS and websites via satellite transmission. In this way, we will offer passengers new ways of spending their time onboard our domestic flights. To expand the popular First Class service currently available on the Boeing 777, we will install First Class on nine Boeing 767 aircraft. Furthermore, we plan to launch new convenient, smooth and stress-free services onboard and at airports as part of JAL Smart Style.

With regard to Group Management, we will hold JAL Philosophy Education classes at the same pace as now to instill common values, introduce/expand the divisional profitability management system to Group companies (7-8 companies a year during the period covered by the Mid-Term Management Plan) to build a firm organizational operating structure for “management by all”, and thereby achieve the JAL Group Corporate Policy and Management Targets.

Finally, with regard to human resources development (HRD), we will conduct unified educational courses across all organizations at JAL Education Center, and by inventorying education and training programs of each company and division, we will share people, goods and know-how relating to HRD and maximize effects. By conducting educational/training courses under a plan from the long term perspective, we aim to develop professionals who can create values in their respective fields using knowledge and capabilities which are acceptable in society at large. JAL Group’s headcount will be maintained our targeted level of 32,000 staff.

JAL Group has provided a wide range of opportunities for staff to play roles regardless of their company or region of employment. In promoting activities by diversified staff, from FY2014 we will promote activities by the women workforce. We will offer various work styles, such as working at home, to increase flexibility in ways of working of both men and women. We will improve HRD of female staff, such as developing training programs to increase motivation and acquire skills. To optimize the effects of these measures, we will promote activities by the women workforce, and develop a climate in workplaces to support them. As a result, we aim to increase the ratio of women in management positions, on the premise of assigning staff based on merit.

JAL Group faces a severe operating environment, such as rising fuel costs due to the weak yen, temporary effects of the Japanese consumption tax hike, a dramatic increase in capacity due to additional international flight slots at Tokyo metropolitan airports and the launching of large aircraft by another Japanese carrier, further expansion of LCCs, development of Shinkansen express rail networks, etc. However, by steadily implementing various measures, launching new routes and services on international routes, etc. to increase the customers’ preference for JAL Group and thus maximize revenue, while deepening measures to reduce unit costs (consolidated operating expenses for air transport per ASK) to achieve greater cost-efficiency, we endeavor to achieve stable earnings in this severe competitive environment, or in fact in any economic condition, so that we may meet the expectations of all stakeholders including our shareholders.

The JAL Group will deliver refreshing and enjoyable travel experience to customers in order to become the world’s mostpreferred airline group. We will accomplish this by putting forth joint efforts to achieve the Management Targets stated in our Mid-Term Management Plan.

4.Consolidated Financial Statements

(1)Consolidated Balance Sheets as of March 31, 2013 and as of March 31, 2014 (Millions of Yen)

Account	FY2012 As of March 31, 2013	FY2013 As of March 31, 2014
(Assets)		
Current assets		
Cash and time deposits	347,986	368,774
Notes and account receivable	121,058	143,807
Short-term investments in securities	7	58
Flight equipment spare parts and supplies	22,277	20,680
Deferred income tax assets	1,055	4,532
Other	59,727	68,082
Allowance for doubtful receivables	(764)	(926)
Total current assets	**551,348**	**605,009**
Fixed assets		
Tangible fixed assets		
Buildings and structure (Net)	34,521	34,710
Machinery, equipment and vehicles (Net)	5,984	8,951
Flight equipment (Net)	385,267	447,021
Land	1,898	1,811
Advances on flight equipment purchases and other	70,425	61,992
Other tangible fixed assets(Net)	6,340	6,788
Total tangible fixed assets	***1 504,438**	***1 561,277**
Intangible assets		
Software	40,991	47,336
Other intangible fixed assets	3,227	2,367
Total intangible assets	**44,219**	**49,703**
Investments		
Investments in securities	***2** 55,826	***2** 64,931
Long-term loans receivable	13,018	10,745
Deferred income tax assets	4,354	10,570
Assets regarding retirement benefit	-	275
Other investments	43,783	38,024
Less:Allowance for doubtful accounts	(376)	(371)
Total investments	**116,606**	**124,177**
Total fixed assets	**665,263**	**735,158**
Total assets	**1,216,612**	**1,340,168**

Account	FY2012 As of March 31, 2013	FY2013 As of March 31, 2014
(Liabilities)		
Current liabilities		
Accounts payable-trade	135,830	148,999
Short-term debt	828	287
Current maturities of long-term debt	9,767	8,062
Lease liabilities	35,801	32,455
Accounts payable-installment purchase	240	196
Sales deposit	55,163	72,830
Deferred income taxes	2,751	122
Reserves for Business restructuring	1,184	332
Asset retirement obligation	-	1,048
Other	71,585	69,931
Total current liabilities	**313,154**	**334,265**
Non-current liabilities		
1Long-term debt	34,517	45,084
2Lease liabilities	77,592	46,996
3Long-term accounts payable-installment purchase	1396	1200
4Deferred income taxes	7,669	91
5Accrued pension and severance costs	154,483	-
6 Reserve for loss on antitrust liabilities	6,466	6,352
7 liabilities regarding retirement benefit	-	166,643
8 Asset retirement obligation	4,271	3,356
9Other	33,871	25,112
Total non-current liabilities	**320,269**	**294,838**
Total liabilities	**633,423**	**629,103**
(Net Assets)		
Stockholders' equity		
Common stock	181,352	181,352
Capital surplus	183,043	183,043
Retained earnings	198,196	332,067
Treasury stock	(122)	(130)
Total stockholders' equity	**562,469**	**696,332**
Accumulated other comprehensive income		
Net unrealized loss on other securities, net of taxes	2,353	6,450
Net unrealized gain or loss on hedging instruments, net of taxes	6,603	6,887
Translation adjustments	(6,378)	(5,187)
Adjustment for retirement benefit	-	-14,193
Total accumulated other comprehensive income	2,578	(6,044)
Minority interests	18,141	20,775
Total net assets	**583,189**	**711,064**
Total liabilities and net assets	**1,216,612**	**1,340,168**

(2)Consolidated Statement of Income and Comprehensive Income-1

(Millions of Yen)

Account	FY2012 (April 1, 2012 – March 31, 2013)	FY2013 (April 1, 2013– March 31, 2014)
Operating revenues	1,238,839	1,309,343
Cost of operating revenues	884,004	970,098
Gross operating profit	**354,834**	**339,244**
Selling, general and administrative expenses		
Sales commissions	21,639	24,137
Provision for credit losses	126	140
Labor costs	55,628	58,986
Retirement benefit expenses	4,538	4,677
Other	77,660	84,510
Total Selling, general and administrative expenses	**159,592**	**172,452**
Operating income	195,242	166,792
Non-operating income		
Interest income	813	784
Dividend income	563	987
Equity in earnings of affiliates	-	1,234
Gain on sale of flight equipment	3,221	1,136
Other	3,511	2,860
Total non-operating income	**8,109**	**7,004**
Non-operating expenses		
Interest expense	3,182	2,078
Loss on sales of flight equipment	3,434	4,716
Equity in loss of affiliates	2,188	3,749
Exchange losses	1,826	-
Value of stocked item	5,107	3,954
Other	1,748	1,663
Total non-operating expenses	**17,488**	**16,162**
Ordinary income	**185,863**	**157,634**
Extraordinary gains		
Gain on compensation	8,674	8,411
Others	1,965	1,091
Total extraordinary gains	**10,640**	**9,502**

(2)Consolidated Statement of Income and Comprehensive Income-2

(Millions of Yen)

Account	FY2012 (April 1, 2012 – March 31, 2013)	FY2013 (April 1, 2013 – March 31, 2014)
Extraordinary losses		
Lease contract cancellation cost	2	4,554
Impairment loss	*1 1,764	*1 1,497
Loss on difference of retirement benefit plan	1,516	-
Loans payable prepayment expenses	1,295	-
Loss on definition of undetermined reorganization claims	628	-
Other	817	1,038
Total extraordinary losses	**6,026**	**7,089**
Income before income taxes and minority interests	190,477	160,047
Income taxes-current	12,882	11,159
Income taxes-deferred	1,047	(21,498)
Total income taxes	13,929	(10,338)
Net income before minority interests	176,547	170,386
Minority interests	4,875	4,134
Net income	171,672	166,251
Minority interests	4,875	4,134
Net income before minority interests	176,547	170,386
Other comprehensive income		
Net unrealized loss on other securities, net of taxes	3,019	4,026
Net unrealized gain on hedging instruments, net of taxes	1,358	280
Translation adjustments	931	1,512
Equivalent interest in equity affiliates	1	71
Total other comprehensive income	5,310	5,891
Comprehensive income	**181,857**	**176,277**
Breakdown		
Comprehensive income attributable to owners of the parent	176,646	171,822
Comprehensive income attributable to minority interests	5,211	4,455

(3)Consolidated Statements of Changes in Net Assets-1

FY2012(April 1, 2012 – March 31, 2013)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital Surplus	Retained earnings	Common stock in treasury	Total sharholders' equity
Balance at the end of pervious period	181,352	189,901	19,665	–	390,918
Changes during the period					
Net income			171,672		171,672
deficit disposition		△ 6,858	6858		–
Stock repurchase				△ 122	△ 122
Other changess excluding Shareholder's equity					
Total changes during the period	–	△ 6,858	178,530	△ 122	171,550
Balance at the end of the period	181,352	183,043	198,196	△ 122	562,469

	Other accumulated comprehensive income					Minority interest on consolidated subsidiaries	Total net assets
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Foreign currency translation adjustment and others	Accrued pension and serverance cost adjustment	Total valuation, tranlsation adjustment and others		
Balance at the end of pervious period	△ 661	5,343	△ 7,077	–	△ 2,395	25,337	413,861
Changes during the period							
Net income							171,672
deficit disposition							–
Stock repurchase							△ 122
Other changess excluding Shareholder's equity	3,014	1,260	699	–	4,974	△ 7,196	△ 2,222
Total changes during the period	3,014	1,260	699	–	4,974	△ 7,196	169,328
Balance at the end of the period	2,353	6,603	△ 6,378	–	2,580	18,141	583,189

FY2013(April 1, 2013 – March 31, 2014)

	Shareholders' equity				
	Common stock	Capital Surplus	Retained earnings	Common stock in treasury	Total sharholders' equity
Balance at the end of pervious period	181,352	183,043	198,196	△ 122	562,469
Changes during the period					
Dividend			△ 32,379		△ 32,379
Net income			166,251		166,251
Stock repurchase				△ 8	△ 8
Other changess excluding Shareholder's equity					
Total changes during the period	–	–	133,871	△ 8	133,863
Balance at the end of the period	181,352	183,043	332,067	△ 130	696,332

	Other accumulated comprehensive income					Minority interest on consolidated subsidiaries	Total net assets
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Foreign currency translation adjustment and	Accrued pension and serverance cost	Total valuation, tranlsation adjustment and others		
Balance at the end of pervious period	2,353	6,603	△ 6,378	–	2,578	18,141	583,189
Changes during the period							
Dividend					0		△ 32,379
Net income					0		166,251
Own Stock purchase					0		△ 8
Other changess excluding Shareholder's equity	4,097	283	1,190	△ 14,193	△ 8,622	2,634	△ 5,988
Total changes during the period	4,097	283	1,190	△ 14,193	△ 8,622	2,634	127,875
Balance at the end of the period	6,450	6,887	△ 5,187	△ 14,193	△ 6,044	20,775	711,064

(4)Consolidated Statement of Cash flows

(Millions of Yen)

Account	FY2012 (April 1, 2012 – March 31, 2013)	FY2013 (April 1, 2013 – March 31, 2014)
Operating activities:		
Net income before income taxes and minority interests	190,477	160,047
Depreciation and amortization	81,004	82,718
Loss on sales and disposal of fixed assets and loss on impairment of fixed assets, net	3,089	6,875
Net reversal of accrued pension and severance costs	(322)	-
Net reversal of severance benefit	-	(2,129)
Interest and dividend income	(1,376)	(1,772)
Interest expense	3,182	2,078
Exchange profit, net	2,299	652
Equity in earnings of affiliates	2,188	3,749
Decrease (increase) in notes and accounts receivable	(3,777)	(22,131)
Decrease (increase) decrease in supplies	718	380
Increase (decrease) in accounts payable-payable	10,405	12,883
Other	(3,366)	17,194
Subtotal	**284,523**	**260,546**
Interest and dividends income received	1,631	2,303
Interest expenses paid	(3,349)	(2,232)
Income taxes paid	(17,950)	(12,675)
Net cash provided by operating activities	**264,853**	**247,941**
Investing activities:		
Payments into time deposits	(486,697)	(471,404)
Proceeds from withdrawal of time deposits	351,303	506,867
Purchase of non-current assets	(121,894)	(164,590)
Proceeds from sales of non-current assets	10,200	2,893
Purchase of investments in securities	(20,294)	(8,176)
Proceeds from sales and redemption of investment securities	430	1,206
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	145
Payments of loans receivable	(295)	(4,293)
Collection of loans receivable	1,791	6,138
Other	1,019	(24)
Net cash used in investing activities	**(264,436)**	**(131,237)**
Financing activities:		
Net increase in short-term loans payable	266	23
Proceeds from long-term loans payable	11,836	17,880
Repayment of long-term loans payable	(26,599)	(9,833)
Proceeds from stock issuance to minority shareholders	-	(32,283)-
Dividends paid to minority shareholders	(8,177)	(1,929)
Repayment of lease obligations	(36,342)	(36,112)
Other	(1,625)	342()
Net cash provided (used in) financing activities	**(60,643)**	**(61,912)**
Effect of exchange rate changes on cash and cash equivalents	643	1,045
Net increase (decrease) in cash and cash equivalents	(59,582)	55,836
Cash and cash equivalents at the beginning of period	158,995	99,413
Increase in cash and cash equivalents resulting from merger	-	2-
Cash and cash equivalents at end of period	***1 99,413**	***1 155,252**

(5) Notes Consolidated Financial Statements

・Going Concern Assumptions

None

・Base of presentation of the consolidated financial statement

1. Scope of consolidation

Number of consolidated subsidiaries: 60

PT. TAURINA TRAVEL DJAYA, which was an affiliated company accounted for by the equity-method, will be included in the range of consolidated financial statements from FY2013.

JAL Okinawa Co., Ltd. which was a consolidated subsidiary has been excluded from the consolidation scope due to its merger with JTA Sales Co., Ltd. (changed name from JTA Shoji Co., Ltd.) from this consolidated fiscal year.

A total of 35 subsidiaries such as Naha Airport Service Co.,Ltd are not included in the consolidation scope. These non-consolidated subsidiaries are small from the standpoint of importance, and will not significantly affect consolidated financial statements in general.

2. Application of the equity method

Number of non-consolidated affiliated company accounted for by the equity-method : 12

Names of Major non-consolidated affiliated company accounted for by the equity-method JALUX Co., Ltd., Airport Facility Co., Ltd.

PT. TAURINA TRAVEL DJAYA, which was an affiliated company accounted for by the equity-method, will be included in the range of consolidated financial statements from FY2013.

non-consolidated subsidies, such as Naha Airport Service Co.,Ltd, and 47 subsidies, such as Hiroshima Airport Fueling Facility Co., Ltd., are not included in the scope of the equity-method.

Non-consolidated companies and affiliated companies not applicable to the equity-method have been excluded from the scope of the equity-method, as they have very low impact on net loss/profit and retained earnings, as well as consolidated financial statements.

3. Fiscal year of consolidated subsidiaries

The balance sheet dates of 51 the consolidated subsidiaries,including Japan Transocean co.,Ltd. are March 31.

The balance sheet dates of 9 of the consolidated subsidiaries,including JAL HAWAII INCORPORATED, are December 31. Any significant differences arising on intercompany Transactions during the period between these dates and the consolidation date have been adjusted if necessary.

In FY2013, OFC Co., Ltd. changed its date of closing books from February 28 to March 31, which is the same as the date of closing books for consolidated financial statements. As a result, the accounting period of consolidated subsidiaries in FY2013 is 13 months.

4. Summary of significant accounting policies

(1)Valuation of significant assets

a.Securities: Evaluated based on the market price method, etc. according to market price, etc. on the date of financial closing (the difference in market price is reported in as a component of shareholders' equity, and the cost of products sold are mainly calculated by the moving-average method.)

Non-marketable securities classified as other securities are carried at cost.

Cost of securities sold is determined principally by the moving average method.

b.Inventories: Inventories are principally stated at cost based on the moving average method (regarding balance sheet values, however,they are being calculated by a method that reduces book value on the basis of declines in profitability).

c.Derivatives: Derivative positions are stated at fair value.

(2)Depreciation of tangible fixed assets (excluding leased assets)

a.Tangible fixed assets Aircraft: The straight-line method

b.Other tangible fixed assets:	Japan Airlines Co.,Ltd	The straight-line method
(excluding aircraft)	Other companies	Principally the declining-balance method based on their estimated useful lives.

Estimated useful lives

Aircraft: 12-20years

Other: 2-65years

(3)Depreciation of intangible fixed assets (excluding leased assets)

The straight-line method

We used the straight line depreciation method based on period of internal usability (mainly 5 - 7 years) for the group's software.

(4)Depreciation of lease assets

a. Lease assets related to ownership transfer finance leases

We used the same method as the depreciation method applied to fixed assets owned by the company.

b. Lease assets related to finance lease transactions that do not transfer ownership

We used the straight-line depreciation method with the lease period as the useful life, and residual value as zero. With regard to some consolidated subsidies, accounting work for finance leases exempt from ownership transfer whose contract was signed prior to April 1, 2008 will be handled according to the normal lease method.

(5)Accounting standards of important provisions

a.Allowance for doubtful accounts

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

b..Reserve for loss on antitrust litigation

To prepare for payment of court fees or compensation, etc. relating to a price cartel, we have reported an estimated amount of losses in the future.

c.Restructuring reserve

To prepare for costs for business restructuring, e.g. withdrawal from facilities due to a reorganization plan, we have reported a reasonable estimated amount.

(6) Accounting method for retirement benefits

a.The adjustment for actuarial assumptions is being amortized by the straight-line method over a period ranging from 5 to 15 years, which is less than the average remaining years of service of the active participants in the plans.

b.Amortization is computed from the fiscal year subsequent to the year in which the adjustment was recorded.

c. Past service cost is principally charged to income as incurred. However, at certain subsidiaries, past service cost is being amortized by the straight-line method over period which is less than the average remaining years of service of the active participants in the plans.

(7)Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(8)Foreign currency accounts

Foreign currency receivables and payables are translated into yen at the applicable year-end exchange rate and any gain or loss on translation is included in current earnings. Translation adjustments arising from the translation of assets,liabilities,revenues and expenses of the consolidated subsidiaries and affiliates accounted for by the equity method into yen at the applicable exchange rates at the year end are presented in minority interests and translation adjustments in the consolidated balance sheets.

(9)Hedge accounting

a.Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Exchange contracts are under the allocation method.

b.Hedging policy and the hedging instrument and the hedged item

As for foreign currency operational debts(e.g. hotel fees, product purchasing, planned trading in foreign currency) to avert exchange rate volatility risks in the future, we have used forward exchange contracts and currency option trades. To curb price volatility risks of products (jet fuel) and stabilize costs, we use commodity derivatives (swap, options).

c.Risk management and method of assessing hedge effectiveness

Transactions by reporting companies and major consolidated companies are based on the basic policy and established rights. Daily handling is mutually checked by contract managing organization and auditing organization.

Derivative trading conditions are reported at monthly hedging meetings, and the effectiveness of hedging before and after testing is reported to related organizations, as necessary.

At other consolidated subsidies, approval procedures are followed whenever there are transactions according to rules on authorization and trading limits, and the effectiveness of hedging is reported to related departments as necessary.

(10)Amortization period and the amortization method for goodwill

Goodwill acquired recognized are amortized over a period of five years.

(11)Range of funds in the consolidated statement of cash flows

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

(12)Income taxes

The company and certain domestic subsidiaries have adopted the Japanese consolidated tax return system.

(Change of Accounting Policy)

(Application of an accounting standard for retirement benefit)

The revised Accounting Standard for Retirement Benefits has been applied as from the end of the fiscal year which ended on March 31, 2014. .

Notes to the consolidated balance sheet

*1 Accumulated depreciation of tangible fixed assets

(Millions of Yen)

FY2012 As of March 31,2013	FY2013 As of March 31,2014
241,914	297,802

*2 Non-consolidated subsidiaries and affiliates

(Millions of Yen)

	FY2012 As of March 31,2013	FY2013 As of March 31,2014
Investments and other assets		
Investment securities(Stock)	30,329	31,227
Investment securities(Bond)	666	3,330

3 Contingent liabilities

(1) Breakdown of guaranteed debt

(Guarantees for bank loans)

(Millions of Yen)

FY2012 As of March 31,2013		FY2013 As of March 31,2014
Employee loan	341	281

4 We have signed a commitment line agreement with three financial institutions to effectively procure working capital. The balance of unexecuted loans, etc. based on these contracts is shown below.

(Millions of Yen)

	FY2012 As of March 31,2013	FY2013 As of March 31,2014
Total amount of commitment line contract	50,000	50,000
Outstanding borrowings	—	—
Net amount	50,000	50,000

Notes to consolidated statements of income and comprehensive income

*1 Impairment loss

The JAL Group has recognized an impairment loss on the following asset groups.

FY2012 April 1,2012 to March 31,2013

Assets utilized in the Company's and consolidated Subsidiaries' operations	Groups of assets	Location
Assets to be sold	Machinery	Haneda Aiport Ohta-ku, Tokyo
Idle assets	Fight equipment	－

Assets to be sold and idle assets are written down to their respective recoverable amounts.
Consequently, an impairment loss of 1,764 million yen has been recognized as an extraordinary loss in the accompanying consolidated statement of income for the year ended March 2014.
A breakdown of the total loss on impairment of fixed assets is follows: 204 million yen on buildings and structures and 1,081 million yen on fight equipment, 479 million yen on machinery..

The collectable amount of these asset groups are measured by net selling price, and the amount in the sales agreement, etc., is used. In addition, companies accounted for using the equity method also post impartment losses using the same method, and the company's share of comprehensive income of associates accounted for using equity method is posted as an investment gain/loss (37 million yen) based on the equity method.

FY2013 April 1,2013 to March 31,2014

Assets utilized in the Company's and consolidated Subsidiaries' operations	Groups of assets	Location
Assets to be sold	Fight equipment	－

Assets to be sold and idle assets are written down to their respective recoverable amounts.
Consequently, an impairment loss of 1,497 million yen has been recognized as an extraordinary loss in the accompanying consolidated statement of income for the year ended March 2014.
A breakdown of the total loss on impairment of fixed assets is follows: 1,497 million yen on fight equipment.

The collectable amount of these asset groups are measured by net selling price, and the amount in the sales agreement, etc., is used. In addition, companies accounted for using the equity method also post impartment losses using the same method, and our company's share of comprehensive income of associates accounted for using equity method is posted as an investment gain/loss (28 million yen) based on the equity method.

Notes to consolidated statements of cash flows

*1 Relationship between the amount of subjects that are in the consolidated balance sheet with cash and cash equivalents at the end

(Millions of Yen)

	FY2012 April 1,2012 to March 31,2013	FY2013 April 1,2012 to March 31,2014
Deposit accounts and cash	347,986	368,774
Deposit term deposits is more than three months	(248,573)	(213,580)
Maturity short-term investments within three months of the securities	-	58
Cash and cash equivalents	99,413	155,252

Leases

As lessee

1.Finance lease transactions

a.Finance lease

Mainly aviation equipment (aircraft) in the air transport business.

b.Depreciation of lease assets

Described in 4. (4), which provide important basics for preparing consolidated financial statements.

At certain consolidated subsidiaries, accounting work of finance leases exempt from ownership transfer whose contracts were signed prior to April 1, 2008 was dealt with according to the normal method for rental and lease. Details are provided below.

(1)Acquisition cost of the leased property, Less accumulated depreciation and Net book value

(Millions of Yen)

	FY2012 As of March 31,2013		
	Acquisition costs	Less accumulated depreciation	Net book value
Fight equipment	988	840	148
Machinery and Vehicles	1,146	1,642	149
Other	407	439	90
Total	2,542	2,822	388

(Millions of Yen)

	FY2013 As of March 31,2014		
	Acquisition costs	Less accumulated depreciation	Net book value
Fight equipment	988	939	49
Machinery and Vehicles	118	100	17
Other	407	385	22
Total	1,514	1,424	89

(2)Lease payments receivable for finance leases

(Millions of Yen)

	FY2012 As of March 31,2013	FY2013 As of March 31,2014
Lease payments receivable for finance leases		
Within 1 year	312	92
Over 1 year	94	2
Total	407	94

(3)Lease payments, Depreciation expense and Interest expense

(Millions of Yen)

	FY2012 April 1,2012 to March 31,2013	FY2013 April 1,2013 to March 31,2014
Lease payments	518	320
Depreciation expense	480	296
Interest expense	27	10

(4)Method of calculating depreciation

Assets are depreciated by the straight-line method on the assumption that the lease term is the useful life and the residual value is zero.

(5)Method of calculating interest equivalent

The difference between aggregate lease rentals and the acquisition cost of leased assets is deemed to be the interest and is apportioned over accounting terms by the interest method.

2.Operating leases

Unexpired lease fee for operating lease transactions that cannot be terminated

(Millions of Yen)

	FY2012 As of March 31,2013	FY2013 As of March 31,2014
Within 1 year	36,498	28,079
Over 1 year	170,276	117,398
Total	206,774	145,478

Impairment loss

No impairment loss allocated to least assets.

・Notes to marketable securities

1.Marketable securities classified as other securities

FY2012　March 31,2013 (Millions of Yen)

	Type	Carrying value	Acquisition costs	Unrealized gain(loss)
Balance on the consolidated balance sheets exceeds the acquisition cost	Stocks	19,349	15,799	3,549
	Subtotal	19,349	15,799	3,549
Balance on the consolidated balance sheets dose not exceeds the acquisition cost	Stocks	400	610	(210)
	Subtotal	400	610	(210)
Total		19,749	16,410	3,339

FY2013　March 31,2014 (Millions of Yen)

	Type	Carrying value	Acquisition costs	Unrealized gain(loss)
Balance on the consolidated balance sheets exceeds the acquisition cost	Stocks	24,884	15,595	9,289
	Subtotal	24,884	15,595	9,289
Balance on the consolidated balance sheets dose not exceeds the acquisition cost	Stocks	314	318	(3)
	Subtotal	314	318	(3)
Total		25,199	15,913	9,285

2.Proceeds from seals of securities classified as other securities

FY2012 April 1,2012 to March 31,2013 (Millions of Yen)

Amount sold	Total gain on sales of securities	Total loss on sales of securities
130	49	0

FY2013 April 1,2013 to March 31,2014 (Millions of Yen)

Amount sold	Total gain on sales of securities	Total loss on sales of securities
1,190	930	0

・Derivatives

1.Derivative transactions to which hedge accounting is not applied

Omitted due to lack of importance.

2.Derivative transactions to which hedge accounting is applied

As for derivatives trading requiring hedge accounting, the contracted amount on the consolidated closing date by hedge accounting method, or principal equivalent amounts provided in contracts are as below.

FY2012 As of March 31,2013 (Millions of Yen)

Hedge accounting	Type of transactions	The main hedged	Contract amount	Over 1 year	Estimated Fair value
Principle treatment method	Foreign exchange forwards	Operating accounts payable			
	Long:				
	U.S.dollar		41,252	15,757	7,381
	Euro		2,660	-	255
	Other		1,158	-	186
	Currency option trading	Operating accounts payable			
	Denominated in yen:Call options:		168,373	8,151	7,466
	Short:Put options		63,346	7,745	(1,930)
	Commodity swaps options	Aviation fuel			
	Raceivable floating/ payable fixed		99,175	25,225	919
	Commodity swaps options	Aviation fuel			
	Short		135,944	-	236
Processing forward foreign exchange contracts	Foreign exchange forwards	Operating accounts payable			
	Long				
	U.S.dollar		2,572	-	373
	Euro		143	-	29
	Other		94	-	21
Total					14,939

Note:Calculation method of current market price

Currency option, commodity swap trading and commodity operation are based on prices, etc. presented by financial institutions of the other party. Others are based on the forward exchange rate.

FY2013As of March 31,2014 (Millions of Yen)

Note:Calculation method of current market price

Hedge accounting	Type of transactions	The main hedged	Contract amount	Over 1 year	Estimated Fair value
Principle treatment method	Foreign exchange forwards	Operating accounts payable			
	Long:				
	U.S.dollar		25,976	3,047	5,255
	Euro		3,430	-	160
	Other		1,215	-	29
	Currency option trading	Operating accounts payable			
	Denominated in yen:Call options		194,217	22,666	7,031
	Short:Put options		82,331	20,957	(1,151)
	Commodity swaps	Aviation fuel			
	Raceivable floating/ payable fixed		105,640	26,964	3,364
	Commodity swaps options	Aviation fuel			
	Short		150,001	-	134
Processing forward foreign exchange contracts	Foreign exchange forwards	Operating accounts payable			
	Long:				
	U.S.dollar		2,969	-	319
	Euro		217	-	15
	Other		157	-	(0)
Total					15,157

Currency option, commodity swap trading and commodity operation are based on prices, etc. presented by financial institutions of the other party. Others are based on the forward exchange rate.

Retirement benefit

1.Outline of former retirement benefit system

An employee whose employment is terminated is entitled ,in most cases,to a lump-sum severance payment ,the amount of which is determined by reference to the basic rate of pay,the length of service and the conditions under which the termination occurs.

JAL Corporate Pension Fund, whose mother organization is JAL, introduces option plans, such as the quasi-cash balance plan. JAL Group Corporate Pension Fund, composed of certain domestic consolidated subsidiaries, etc. adopts the cash balance plan.

2.Retirement benefit obligation

(Millions of Yen)

	FY2012 As of March 31,2013
Projected benefit obligation	(404,537)
Plan assets	233,109
Accrued pension and severance costs	154,483
Prepaid pension and severance costs	(892)
Net	(17,838)
(Breakdown)	
Unrecognized obligation at transition	(1,371)
Adjustment for actuarial assumptions	(16,920)
Unrecognized past service cost	453
Total	(17,838)

Note:Some domestic consolidated subsidiaries adopt a simplified method to calculate projected benefit obligation.

3.Components of net periodic pension cost

(Millions of Yen)

	FY2012 April 1,2012 to March 31,2013
Service cost	9,974
Interest expense	8,312
Expected return on assets	(3,526)
Amortization of unrecognized obligation at transition	685
Amortization of adjustment for actuarial assumptions	1,599
Amortization of past service cost	(24)
Subtotal	17,021
Others	1,574
Retirement benefit expenses	18,595
Difference principle method when changing in accordance with the retirement benefit accounting	1,472
Total	20,067

Note:

1. Employees' contribution to Corporate Pension Fund, etc. is exempted.

2. Retirement benefit costs at consolidated subsidiaries, adopting the simplified method, are posted in service cost, excluding amounts for handling differences in costs when accounting standards were revised.
3. ‘Others’ refer to contribution payments to the defined contribution pension plan and advanced retirement benefit amounts in the advanced retirement benefit plan.

4. Basis for calculation of retirement benefit obligations

	FY2012 April 1,2012 to March 31,2013
Periodical allocation of estimated retirement benefit	Straight line basis
Discount rate for projected benefit obligation at end of year	1.0%--2.3%
Expected return on assets	1.0%--2.5%
Period for amortization of unrecognized obligation at transition	15 years
Amortization period of actuarial gain/loss	The adjustment for actuarial Assumptions is being amortized by the straight-line method over a period ranging from 5 to 15 years,which is less than the averageremaining years of service of the activeparticipants in the plans. Amortization is computed from the fiscal yearsubsequent to the year in which the adjustmentwas recorded.
Amortization period of prior service cost	Past service cost is principally charged to income as incurred.however ,at certain subsidiaries,past Servicecost is being amortized by The straight-line method over a period which is less than theaverage remaining years of service of theactive particpants in the plans.

1.Outline of former retirement benefit system

Japan Airlines and certain significant consolidated subsidiaries have established contributory defined benefit pension plans such as corporate pension funds and lump-sum.

As of March 31, 2014, 44 consolidated subsidiaries had adopted a lump-sum severance indemnity plan. Additionally, there were 3 corporate pension funds, including the Japan Airlines Welfare Pension Fund. Certain foreign subsidiaries have also established contributory defined benefit pension plans.
The Japan Airlines Welfare Pension Fund also introduced an option similar to a cash-balance plan as well as other alternatives. The JAL Group Pension Fund, which was established by certain consolidated subsidiaries, introduced a cash-balance plan option.
In computing the projected benefit obligation, small companies are permitted to adopt certain simplified methods to calculate and certain subsidiaries have done so.
Certain consolidated subsidiaries have established contributory defined benefit pension plans such as corporate pension funds and lump-sum severance indemnity plans and they calculate retirement benefit liabilities, assets and Net periodic retirement benefit expenses in simplified methods.

2. Defined Benefit Plan

(1) Projected benefit obligation

Opening balance	397,607
Service cost	10,244
Interest cost on projected benefit obligation	8,119
Amortization of adjustment for actualrial assumption	1,454
Benefits Paid	△20,966
Others	△9
Final balance	396,449

(2) Plan assets

Opening balance	229,229
Expected returns on assets	3,538
Amortization of adjustment for actualrial assumption	2,207
Employer Contributions to benefit plan	16,478
Benefits Paid	△18,122
Final balance	233,331

(3) Retirement benefit liabilities, assets and Net periodic retirement benefit expenses in simplified methods.

Opening balance	3,050
Net periodic retirement benefit expenses	171
Employer Contributions to benefit plan	△205
Benefits Paid	△228
Decrease on partial termination of defined benefit plan	△20
Increase(decrease) on merger	464
Other	17
Final balance	3,249

(4) Adjustment of balance at the end of year about retirement benefit obligation and plan assets, Retirement benefit liabilities and assets

Retirement benefit obligation by funded plan	299,952
Plan assets	△237,004
	62,948
Retirement benefit obligation by non-funded plan	103,419
Net debt and assets on balance	166,367
Retirement benefit liabilities	166,643
Retirement benefit assets	△275
Net debt and assets on balance	166,367

※Included plan applied simplified methods

(5) Net periodic retirement benefit expenses and breakdown

Service cost	10,244
Interest cost on projected benefit obligation	8,119
Expected return on plan assets	△3,538
Amortization of past service costs	△18
Amortization of actuarial differences	1,884
Amortization of unrecognized severance benefit obligation at transition	684
Net periodic retirement benefit expenses in simplified method	171
Other	△671
Retirement benefit plan some end profit and loss	16,876
Loss(gain) on partial termination of defined benefit plan, net	25
Total	16,901

(6)

Past service costs	△435
Actuarial differences	14,282
Unrecognized benefit obligation at transition	680
Total	14,527

(7) plan assets

General assets	79	%
Bonds	6	
Other	15	
Total	100	

② Setting method for expected rate of return on Assets for long term

To decide expected rate of return on Assets for long term for the pension assets, we are taking long-term expected rate of return into our consideration , which is computed from the combination of the current and future pension asset and various assets composing our pension assets.

(3) The information on computation method

The computation base used for this fiscal year

Discount rate : 1.0 % to 2.0%

Expected rate of Return on Assets for long term : 1.0 % to 2.5%

3. Defined Contribution

Japan Airlines and consolidated subsidiary needs to contribute to the total of 154.5 Million.

Tax-effect accounting

1.Deferred tax assets

(Millions of Yen)

	FY2012 As of March 31,2013	FY2013 As of March 31,2014
Deferred tax assets		
Accrued pension and severance costs	53,681	—
Liabilities on retirement benefit	—	57,417
Lease obligations	35,913	22,831
Operating accounts payable denial	8,692	8,947
Flight equipment purchase incentives	7,540	4,760
Depreciation	2,280	3,497
Reserve for loss on antitrust litigation	2,219	2,176
Asset retirement obligation	1,514	1,513
Loss carried forward	347,617	308,571
Other	8,524	7,765
Deferred tax asset Subtotal	467,984	417,020
Valuation allowance	(439,926)	(377,712)
Deferred tax asset Total	28,058	39,307
Deferred tax liability		
Leased asset	21,543	13,658
Undistributed earnings of consolidated subsidiaries and affiliates	4,441	4,104
Deferred gain on hedging instruments	1,178	3,273
Other	5,906	3,381
Deferred tax liability Total	33,069	24,418
Deferred tax liabilities,net	(5,011)	14,889

Net amount of deferred tax assets (liabilities) in the previous consolidated fiscal year and this consolidated fiscal year are included in the following items of the consolidated balance sheet.

(Millions of Yen)

	FY2012 As of March 31,2013	FY2013 As of March 31,2014
Current assets - Deferred tax assets	1,055	4,532
Fixed assets - Deferred tax assets	4,354	10,570
Current liabilities - Deferred tax liabilities	2,751	122
Fixed liabilities - Deferred tax liabilities	7,669	91

2.Difference cause of the tax rate after application of tax effect accounting and statutory tax rate

(Millions of Yen)

	FY2012 As of March 31,2013	FY2013 As of March 31,2014
Statutory tax rate	36.7%	36.7%
(Adjustment)		
Equity in earnings loss of affiliats	0.4	0.9
Valuation allowance increase or decrease	(28.5)	(42.4)
Consolidated subsidiaries retained earnings	(1.0)	(1.6)
Other	(0.3)	(0.1)
the tax rate after application of tax effect accounting	7.3	(6.5)

3.Revision of deferred tax assets and deferred tax liabilities due to change in statutory tax rate

The effective statutory tax rate used to calculate the deferred tax assets and the deferred tax liabilities for temporary differences to be cancelled in the consolidated fiscal year starting April 1, 2014 will be 34.3% instead of previous 36.7%.

・Segment Information, etc.

a.Segment Information

1.Overview of reportable segments

Separate financial statements of JAL Group composite units are accessible, and for the Board of Directors to effectively use resources and evaluate business performance, according to management policies, progress of important business executions are reported and considered as necessary. The air transport business is a reporting segment.

The air transport business refers to scheduled and non-scheduled air transport services for international and domestic passengers and cargo. From this fiscal year, we have changed the scope of the companies to be included in the Air Transportation Segment. The comparison and analysis on FY2013 has been done based on the new rule. Please refer its detail in 4.(5) Consolidated Financial Statements.

2.Calculation method of segment

The reported accounting method of business segments is generally the same as stated in "Important matters providing the basis for the preparation of consolidated financial statements".

Profit of reporting segments is based on operating profit.

Transactions between a reporting segment and others are transactions between consolidated companies based on market prices etc.,

3.Segment Information

FY2012April 1,2012 toMarch 31,2013 (Millions of Yen)

	Segment	Others (note1)	Total	Adjustment (note2)	Consolidated (note3)
	Air Transportation				
1.Operating revenues					
(1)Sales to third parties	995,127	243,711	1,238,839	-	1,238,839
(2)Inter-group sales and transfers	118,576	33,942	152,519	(152,519)	
Total	1,113,704	277,654	1,391,359	(152,519)	1,238,839
Segment profit	178,461	17,522	195,983	(741)	195,242
2.Segment assets	1,159,136,	141,814	1,300,951	(84,338)	1,216,612
Others					
Depreciation and amortization	79,254	1,820	81,074	(70)	81,004
Impairment loss	1,764	-	1,704	-	1,764
Investment in equity method affiliates	2,662	20,077	22,740	-	22,740
Increase in Tangible fixed assets and Intangible fixed assets	122,719	2,641	125,361	(679)	124,681

(Note) 1."Others"refers to a segment which is not included in a reporting segment. It includes the air transport business and the travel planning and sales business.

2.The adjusted amounts of segment profit and segment assets represent elimination inter-segment transactions.

3.Segment profit has been adjusted with operating profit on consolidated financial statements.

FY2013 April 1,2013 toMarch 31,2014 (Millions of Yen)

	Segment	Others (note1)	Total	Adjustment (note2)	Consolidated (note3)
	Air Transportation				
1.Operating revenues					
(1)Sales to third parties	1,048,107	261,236	1,309,343	-	1,309,343
(2)Inter-group sales and transfers	118,574	31,852	150,426	(150,426)	-
Total	1,166,681	293,089	1,459,770	(150,426)	1,309,343
Segment profit	149,135	17,648	166,784	8	166,792
2.Segment assets	1,279,671	155,475	1,435,146	(94,978)	1,340,168
Others					
Depreciation and amortization	80,643	2,080	82,724	(5)	82,718
Impairment loss	1,497	-	1,497	-	1,497
Investment in equity method affiliates	3,121	20,613	23,735	-	23,735
Increase in Tangible fixed assets and Intangible fixed assets	159,406	3,945	163,351	-	163,351

(Note) 1.“Others”refers to a segment which is not included in a reporting segment. It includes the air transport business and the travel planning and sales business.

2.The adjusted amounts of segment profit and segment assets represent elimination inter-segment transactions.

3.Segment profit has been adjusted with operating profit on consolidated financial statements.

4. From this fiscal year, we have changed the scope of the companies to be included in the Air Transportation Segment. The comparison and analysis on FY2013 has been done based on the new rule. Please refer its detail in 4.(5) Consolidated Financial Statements.

b. Related information

FY2012 April 1,2012 to March 31,2013

1. Information of each service and product

Omitted as the same information is provided in Segment Information.

2. Operating revenues from overseas operations

(1)Operating revenues (Millions of Yen)

FY2012 April 1,2012 to March 31,2013			
Asia and Oceania	North America	Europe	Total
222,244	156,046	90,571	468,861

(Note) 1.The total of sales on international routes and in countries or regions excluding Japan of reporting companies and consolidated companies.

2.Geographical segmentation in based on geographical proximity of the countries and areas.

Asia and Oceania:China,South Korea,Singapore,India,Australia,Guam

North America:U.S.A.(excluding Guam),Canada

Europe:U.K.,France,Garmany

(2)Tangible fixed assets

Omitted as the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on consolidated financial statements.

3. Information by major customer

Omitted as none of the earnings of specific external customers do not account for over 10% of earnings on consolidated financial statements.

FY2013 April 1,2013 to March 31,2014

1. Information of each service and product

Omitted as the same information is provided in Segment Information.

2. Operating revenues from overseas operations

(1)Operating revenues (Millions of Yen)

FY2013 April 1,2013 to March 31,2014			
Asia and Oceania	North America	Europe	Total
235,696	171,803	99,918	507,418

(Note) 1.The total of sales on international routes and in countries or regions excluding Japan of reporting companies and consolidated companies.

2.Geographical segmentation in based on geographical proximity of the countries and areas.

Asia and Oceania:China,South Korea,Singapore,India,Australia,Guam

North America:U.S.A.(excluding Guam),Canada

Europe:U.K.,France,Garmany

(2)Tangible fixed assets

Omitted as the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on consolidated financial statements.

3. Information by major customer

Omitted as none of the earnings of specific external customers do not account for over 10% of earnings on consolidated financial statements.

c.Information on impairment loss on fixed assets by reportable segment

FY2012 April 1,2012 to March 31,2013

Omitted as the same information is provided in Segment Information.

FY2013 April 1,2013 to March 31,2014

Omitted as the same information is provided in Segment Information.

d.Information about the amortization of goodwill and year-end balance by reportable segment

FY2012 April 1,2012 to March 31,2013 (Millions of Yen)

	Reportable segments	Other	Total	Adjustment	Consolidated
	Air transport business				
Amortization amount	-	836	836	-	836
Year-end balance	-	3,004	3,004	-	3,004

FY2013 April 1,2013 to March 31,2014 (Millions of Yen)

	Reportable segments	Other	Total	Adjustment	Consolidated
	Air transport business				
Amortization amount	-	852	852	-	852
Year-end balance	-	2,154	2,154	-	2,154

e.Information about the gain on negative goodwill by reportable segment

FY2012 April 1,2012 to March 31,2013

Omitted as it lacks importance.

FY2013 April 1,2013 to March 31,2014

Omitted as it lacks importance.

(Per share information)

	FY2012 April 1,2012 to March 31,2013	FY2013 April 1,2013 to March 31,2014
Net assets per share	3,116.30 yen	3,807.05 yen
Net income per share	946.71 yen	916.90 yen

(Note) 1.For net income per share (diluted), have not been shown because potential shares does not exist.
2.The basis for calculating

(1)Net assets per share

	FY2012 As of March 31,2013	FY2013 As of March 31,2014
Total net assets (Millions of yen)	583,189	711,064
Amounts deducted from total net assets (Millions of yen)	18,141	20,775
(Minority interests) (Millions of yen)	(18,141)	(20,775)
Net assets at the balance sheet related to common stock (Millions of yen)	565,048	690,288
The year-end number of common stock used for the calculation of net assets per share (Thousand shares)	181,320	181,318

(2) Net income per share

	FY2012 April 1,2012 to March 31,2013	FY2013 April 1,2013 to March 31,2014
Net income (Millions of yen)	171,672	166,251
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income in accordance with the common stock (Millions of yen)	171,672	166,251
Average number of shares outstanding during the period (Thousand shares)	181,335	181,319

(Additional Information)

We have announced that the Board of Directors had approved at a meeting on January 31, 2014 a stock split of our common shares as below, pending approval of amendments of our Articles of Incorporation at the 65th General Shareholders' Meeting scheduled in June 2014.

1. Purpose of the stock split and the partial amendment of our Articles of Incorporation

JAL is aware of the general price of a shareholder's investment in companies listed on the first section of the Tokyo Stock Exchange, and will undertake a two-for-one stock split to develop an environment to make its common shares more affordable to a broader range of investors including individual investors and increase JAL's shareholder base. The Articles of Incorporation will be partially amended to implement the stock split above.

2. Stock split

(1) Method of stock split

The stock split will be implemented by way of a stock dividend whereby each shareholder will receive one additional share of stock for each share owned as of the close of business on the record date, September 30, 2014 (Tue.). Shares which JAL refused to register in the shareholders' list (adjusted shares held by foreigners) pursuant to provisions of the Civil Aeronautics Law will also be split.

(2) Number of shares increasing as a result of the stock split

① Total number of issued shares prior to the stock split	:	181,352,000 shares
② Number of shares increasing as a result of the stock split	:	181,352,000 shares
③ Total number of issued shares after the stock split	:	362,704,000 shares
④ Total number of authorized shares after the stock split	:	750,000,000 shares

3. Schedule of the stock split

(1)Official notice of record date	: September 12, 2014 (Fri.)
(2)Record date for the stock dividend	: September 30, 2014 (Tue.)
(3)Effective date	: October 1, 2014 (Wed.)

4. The influence per stock by the stock split

Given the stock split will be performed on the first date of the former fiscal year, the influence per share to the last fiscal year and this fiscal year is estimated as follows.

The influential amount to influence total equity per share

FY2012	1,558.15 yen
FY2013	1,903.53 yen

The influential amount to influence net income for the year per share

FY2012	473.36 yen
FY2013	458.45 yen

5. The content of Partial amendment of Articles of Incorporation

(1) The content of amendment

Current Articles of Incorporation	Proposed amendment
(Total number of authorized shares) Article 6 The company's total number of authorized shares is 400 million shares. The total number of authorized shares in each type is as follows. Common shares 350 million shares Type 1 preferred shares 12.5 million shares Type 2 preferred shares 12.5 million shares Type 3 preferred shares 12.5 million shares Type 4 preferred shares 12.5 million shares	(Total number of authorized shares) Article 6 The company's total number of authorized shares is 750 million shares. The total number of authorized shares in each type is as follows. Common shares 700 million shares Type 1 preferred shares 12.5 million shares Type 2 preferred shares 12.5 million shares Type 3 preferred shares 12.5 million shares Type 4 preferred shares 12.5 million shares

(2) Effective date:

The date on which the stock split takes force, October 1, 2014, as planned

5.Non-consolidated Financial Statements

(1)Balance Sheets as of March 31, 2013 and as of March 31, 2014 (Millions of Yen)

Account	FY2012 As of March 31, 2013	FY2013 As of March 31, 2014
(Assets)		
Current assets		
Cash and time deposits	334,349	354,202
Account receivable	134,497	155,838
Flight equipment spare parts and supplies	18,461	17,071
Prepaid expenses	7,594	6,547
Other	63,282	68,765
Allowance for doubtful accounts	(107)	(66)
Total current assets	**558,078**	**605,138**
Fixed assets		
Tangible fixed assets		
Buildings (Net)	28,675	29,081
Structure (Net)	27	57
Machinery,equipment (Net)	4,610	5,726
Flight equipment (Net)	370,415	44,788
Vehicles (Net)	206	461
Tools, furniture and equipment	5,375	5,680
Land	1,246	1,246
Construction suspense account	70,168	61,895
Total tangible fixed assets	**480,725**	**538,937**
Intangible assets		
Software	37,393	42,882
Other	5	4
Total intangible assets	**37,398**	**42,887**
Investments		
Investments in securities	24,117	29,645
Affiliated companies (Stock)	76,786	73,531
Affiliated companies (Bond)	666	3,330
Long-term loans receivable	12,905	10,681
Long-term prepaid expenses	9,792	3,596
Other	29,808	30,989
Less:Allowance for doubtful accounts	(195)	(107)
Other investments	153,882	159,408
Total fixed assets	**672,006**	**741,233**
Total assets	**1,230,084**	**1,346,372**

Balance Sheets as of March 31, 2013 and as of March 31, 2014 (Millions of Yen)

Account	FY2012 As of March 31, 2013	FY2013 As of March 31, 2014
(Liabilities)		
Current liabilities		
Accounts payable-trade	148,755	160,992
Short-term loans payable	130,726	141,580
Current portion of long-term loans payable	8,854	7,413
Lease obligations	35,285	32,031
Accounts payable - other	15,269	16,607
Accrued expenses	9,241	8,506
Accrued income taxes	731	678
Deferred tax liabilities	2,107	-
Advances received	40,834	55,381
Deposits received	12,884	14,123
Air Transport deposits received	24,295	27,511
Reserves	1,184	332
Other	3,059	3,937
Total current liabilities	**433,230**	**469,097**
Non-current liabilities		
Long-term loans payable	32,386	43,602
Lease obligations	76,871	45,410
Deferred tax liabilities	2,476	-
Accrued pension and severance costs	126,822	123,296
Affiliate business loss reserves	841	-
Reserve for Antitrust	6,466	6,352
Other	34,610	24,959
Total non-current liabilities	**280,475**	**243,620**
Total liabilities	**713,706**	**712,718**
(Net Assets)		
Owners' equity		
Stated capital	181,352	181,352
Capital reserves	174,493	174,493
Total capital surplus	174,493	174,493
Earned surplus brought forward	152,374	264,863
Total owners' equity	**508,220**	**620,708**
Valuation, translation adjustments and other		
Net unrealized loss on other securities, net of taxes	2,227	6,241
Net unrealized gain or loss on hedging instruments, net of taxes	5,930	6,703
Total valuation, translation adjustments and other	**8,158**	**12,945**
Total net assets	**516,378**	**633,653**
Total liabilities and net assets	**1,230,084**	**1,346,372**

(2)Statement of Income (Millions of Yen)

Account	FY2012 (April 1, 2012 – March 31, 2013)	FY2013 (April 1, 2013 – March 31, 2014)
Operating revenues	989,989	1,049,247
Cost of operating revenues	735,176	799,516
Gross operating profit	254,812	249,730
Selling, general and administrative expenses	118,438	128,263
Operating income	136,374	121,467
Non-operating income		
Interest income and dividend income	11,496	13,835
Other	6,173	3,483
Total non-operating income	17,670	18,429
Non-operating expenses	3,230	2,131
Interest expense	1,745	-
Other	9,893	9,994
Total non-operating expenses	14,870	12,126
Ordinary income	139,174	127,770
Extraordinary gains		
Gain on compensation	8,674	8,411
Reversal of provision for losses on business of subsidiaries and affiliates		
Gain on sales of Investments in securities of subsidiaries and affiliates		-
Others	2,346	1,790
Total extraordinary gains	11,020	10,202
Extraordinary losses		
Loans payable prepayment expenses	1,295	-
	628	-
Other	1,227	2,198
Total extraordinary losses	3,152	15,481
Net income before income taxes and minority interests	147,042	122,491
Income taxes-current	(8,335)	(5,115)
Income taxes-deferred	3,003	(17,267)
Total Income taxes	(5,331)	(22,383)
Net income	152,374	144,874

(3) Non-consolidated statement of Change in Net Assets

FY2012(April 1,2012- March 31,2013)

(Millions of Yen)

	Shareholders' equity						
	Capital	Capital Surplus		Retained earnings		Treasury stock	Total sharholders' equity
		Legal Capital Surplus	Total of Capital Surplus	Other retained earnings earned surplus	Total of retained earnings		
Balance at the end of pervious period	181,352	181,352	181,352	△6,858	△6,858	−	355,845
Changes during the period							
Net income				152,374	152,374		152,374
deficit disposition		△6,858	△6,858	6,858	6,858		−
Stock repurchase							
Other changess excluding Shareholder's equity							
Total changes during the period	−	△6,858	△6,858	159,232	159,232	−	152,374
Balance at the end of the period	181,352	174,493	174,493	152,374	152,374	−	508,220

	Valuation, translation difference			Total net assets
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Total of the valuation	
Balance at the end of pervious period	△ 779	5,122	4,342	360,188
Changes during the period				
Net income				152,374
deficit disposition				−
Other changess excluding Shareholder's equity	3,007	807	3,815	3,815
Total changes during the period	3,007	807	3,815	156,189
Balance at the end of the period	2,227	5,930	8,158	516,378

FY2013(April 1,2013- March 31,2014)

(Millions of Yen

	Shareholders' equity						
	Capital	Capital Surplus		Retained earnings		Treasury stock	Total sharholders' equity
		Legal Capital Surplus	Total of Capital Surplus	Other retained earnings earned surplus	Total of retained earnings		
Balance at the end of pervious period	181,352	174,493	174,493	152,374	152,374	−	508,220
Changes during the period							
Net income				△ 32,385	△ 32,385		△ 32,385
deficit disposition				144,874	144,874		144,874
Stock repurchase						△0	△0
Other changess excluding Shareholder's equity							
Total changes during the period	−	−	−	112,488	112,488	△0	112,488
Balance at the end of the period	181,352	174,493	174,493	264,863	264,863	△0	620,708

	Other accumulated comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Total of the valuation	
Balance at the end of pervious period	2,227	5,930	8,158	516,378
Changes during the period				
Net income				△ 32,385
deficit disposition				144,874
Stock repurchase				△0
Other changess excluding Shareholder's equity	4,014	772	4,786	4,786
Total changes during the period	4,014	772	4,786	117,275
Balance at the end of the period	6,241	6,703	12,495	633,653