Note: This document has been translated from the Japanese original for the convenience of non-Japanese shareholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Securities code: 9201

May 27, 2014

NOTICE OF THE 65th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

You are cordially invited to attend the 65th Ordinary General Meeting of Shareholders of Japan Airlines Co., Ltd. (the "Company"), which will be held on Wednesday, June 18, 2014, as described hereunder.

If you are unable to attend the meeting, please review the attached Reference Documents for General Meeting of Shareholders, and please exercise your voting rights no later than 6:00 p.m., Tuesday, June 17, 2014 by either procedure described in "Guide for Exercising Voting Rights" on page 2.

Sincerely yours,

Yoshiharu Ueki
Representative Director, President
Japan Airlines Co., Ltd.
2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo

MEETING DETAILS

1. Date and Time: 10:00 a.m., Wednesday, June 18, 2014 (The reception starts at 8:30 a.m.)

2. Venue: NIPPON BUDOKAN

2-3 Kitanomaru Koen, Chiyoda-ku, Tokyo

3. Agenda:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 65th Fiscal Year (April 1, 2013 to March 31, 2014); and Audit Reports of the Accounting Auditors and Board of Corporate Auditors regarding the Consolidated Financial Statements
2. Non-consolidated Financial Statements for the 65th Fiscal Year (April 1, 2013 to March 31, 2014)

Items to be proposed:

Proposal 1: Appropriation of Surplus

Proposal 2: Partial Amendment to the Articles of Incorporation

Proposal 3: Election of Nine (9) Directors

4. Predetermined Terms of the Convocation

- If you exercise your voting rights via the Internet or by mail more than once, your final vote shall prevail.
- If you exercise your voting rights both by mail and via the Internet, your vote via the Internet shall prevail regardless of the arrival date and time.

- There are no souvenirs available for shareholders attending the shareholders' meeting. It is prohibited to bring any dangerous items or PET bottles etc. into the meeting place. We would appreciate your understanding.
- If you exercise your voting rights by a proxy, a written power of attorney must be submitted together with the enclosed Voting Form at the reception desk on the day of the General Meeting of Shareholders. In accordance with the Articles of Incorporation of the Company, <u>a proxy must be another shareholder of the Company who also owns voting rights.</u>
- In order to save resources, please bring this "Notice of Convocation."
- If it becomes necessary to amend any item to be listed in the reference documents for the general meeting of shareholders, business report, consolidated financial statements, and non-consolidated financial statements occurs, we will notify you of the amendment(s) on the Company's website (http://www.jal.com/ja/investor/stockholders_meeting/).

[Guide for Exercising Voting Rights]

- In case you attend the meeting

  Please kindly submit the enclosed Voting Form at the reception desk on the day of the General Meeting of Shareholders.

- In case you are not available to attend the meeting

  1. Exercise by mail

     Please indicate your votes for or against the Items on the enclosed Voting Form and return it to the Company no later than 6:00 p.m., Tuesday, June 17, 2014.

  2. Exercise via the Internet

  Please review "The Voting Rights Exercise via the Internet" below and exercise your voting rights no later than 6:00 p.m., Tuesday, June 17, 2014.

The Voting Rights Exercise via the Internet

If exercising voting rights via the Internet, please review the items below and exercise your voting rights. Voting rights may be exercised until 6:00 p.m. on Tuesday, June 17, 2014, but shareholders are requested to do so as early as possible. If you have any questions, please contact the Help Desk *(only in Japanese)*.

1. Voting Rights Exercise via the Internet

Voting rights via the Internet may be exercised only by accessing the designated voting rights exercise website. (Please note that the website is unavailable from 2:00 a.m. through 5:00 a.m. every day. Please note that the shareholders' Internet usage environment may prevent the use of a personal computer or smart-phone to exercise voting rights.)

[Voting rights exercise site]   http://www.evote.jp/

(1) Enter your "Login ID" and "Temporary Password," both of which are noted on the Voting Form. Follow the instructions on your computer screen to exercise your voting rights.

(2) If you exercise the voting rights both by mail and via the Internet, the exercise of the voting rights via the Internet will be treated as effective. If you exercise the voting rights multiple times via the Internet, the final exercise of the voting rights will be treated as effective.

(3) The fees for accessing the voting rights exercise site (such as internet connection fees or telecommunication fees etc.) shall be borne by the shareholder.

2. Handling of Passwords

(1) You will be provided with a new "Login ID" and "Temporary Password" each time a General Meeting of Shareholders is convened.

(2) Please keep your password safe as it is the means by which the identity of the shareholder exercising the voting rights is verified. Any inquiry about the password by telephone or other means will not be accepted.

3. Contact for inquiries regarding the Voting Rights Exercise via the Internet (Help Desk)

Stock Transfer Agency Department
Mitsubishi UFJ Trust and Banking Corporation

(1) Inquiries about the operation of Personal Computer etc.
Phone: 0120-173-027 (toll free (Only within Japan))
Open: 9:00 am to 9:00 pm (Japan Time)

(2) Inquiries about the matters except (1) above
Phone: 0120-232-711 (toll free (Only within Japan))
Open: 9:00 am to 5:00 pm (Japan Time) (Except Saturdays, Sundays and holidays)

For Institutional Investors

Provided that an application to use the platform has been submitted beforehand, institutional investors may use the electronic platform for exercising voting rights operated by ICJ, Inc., in which Tokyo Stock Exchange Inc. has a stake.

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Reference Documents for General Meeting of Shareholders

Proposals and Reference Information

Proposal 1: Appropriation of Surplus

Returning profits to our shareholders is one of the management top priorities. It is our fundamental policy to maintain consistent stable distribution of profits to our shareholders in the form of dividends, while executing capital expenditures to respond to business growth in the future and changes in business conditions, and ensuring internal reserves for building a strong financial structure.

Under this policy, the Company proposes to pay year-end dividends for the current fiscal year as follows:

1. Type of dividend property

   Cash

2. Allocation of dividend property to our shareholders and total amount thereof

   160 yen per common share of the Company

   Total amount of dividends: 29,016,313,600 yen

3. Effective date for dividend of surplus

   June 19, 2014

From the current fiscal year, the Company has changed its policy from one of dividend payout ratio of approximately 20% of consolidated net income for the full fiscal year to one of dividend payout ratio of approximately 20% of consolidated net income for the full fiscal year excluding income taxes-deferred for the payment of dividends. The company has decided not to include income taxes-deferred in calculation of dividend amount because tax effect accounting by its nature depends on forecasts and estimates of future events and deferred tax assets may fluctuate significantly due to future changes in the situation.

Proposal 2: Partial Amendment to the Articles of Incorporation

1. Reason for the proposal

   At the Board of Directors' meeting held on January 31, 2014, the Company determined to undertake a two-for-one stock split of its common shares with an aim of improving marketability of its shares and increasing the shareholder base through the development of an environment where the Company's common shares are more affordable to a broader range of investors, including individual investors, by lowering the per-unit price based on the general price of a shareholder's investment in companies listed on the first section of the Tokyo Stock Exchange.

   In association with this stock split, a partial amendment to the Articles of Incorporation in respect of the total number of authorized shares will be implemented, conditional on the implementation of the stock split will be implemented on the effective date of the amendment to the Articles of Incorporation.

2. Details of the amendments

   Details of the amendments are as follows:

(Underlined parts represent changes.)

Existing provisions	Proposed amendments
(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

3. Schedule of amendment

   Effective date: October 1, 2014 (same date as the date on which the stock split takes effect)

(Reference)

Details of 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 (Tuesday). Shares which the Company refused to register in the shareholders' register (adjusted shares held by foreigners) pursuant to provisions of the Civil Aeronautics Act will also be split.

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

a. Total number of issued shares prior to the stock split: 181,352,000 shares

b. Number of shares increasing as a result of the stock split: 181,352,000 shares

c. Total number of issued shares after the stock split: 362,704,000 shares

d. Total number of authorized shares after the stock split: 750,000,000 shares

(3) Schedule of the stock split

a. Official notice of record date: September 12, 2014 (Friday)

b. Record date for the stock dividend: September 30, 2014 (Tuesday)

c. Effective date: October 1, 2014 (Wednesday)

(4) Others

The standard for distribution of shareholder discount coupons will remain the same even after the stock split.

The first distribution of shareholder discount coupons in accordance with this stock split after the stock split is expected to be in late May 2015 based on the record date of March 31, 2015.

Example : A shareholder holding 100 shares as of September 30, 2014 (who receives one shareholder discount coupon each year), will become a shareholder holding 200 shares as from October 1, 2014 (who will receive two shareholder discount coupons each year).

Proposal 3: Election of Nine (9) Directors

The Company's Articles of Incorporation sets out the term of office for Directors as one (1) year in order to clarify their management responsibility for each fiscal year. Accordingly, the terms of office of all seven (7) active Directors will expire at the conclusion of this General Meeting of Shareholders.

In nominating candidates for Director, an emphasis was put on securing diversity among the members of the Board of Directors with the aim of further enhancing corporate value by establishing a corporate governance system at a higher level, which enables more appropriate management decisions and a highly transparent management style as well as an enhanced monitoring of corporate management. Accordingly, the Company hereby proposes that you elect nine (9) Directors including two (2) External Directors, adding two (2) Directors to the current number of Directors.

The nominees for Directors are as follows:

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and important positions concurrently assumed outside the Company			Number of Company shares held
1	Masaru ONISHI (May 19, 1955)	April	1978	Joined the Company	Common share 1,700
		December	2002	General Manager, Maintenance Planning And Administration Office of the Company	
		April	2007	Vice President and Deputy General Manager, Engineering & Maintenance Division of the Company	
				Representative Director, President of JAL Narita Aircraft Maintenance Co., Ltd. (on secondment)	
		April	2009	Executive Officer of the Company	
				Advisor of Japan Air Commuter Co., Ltd.	
		June	2009	Representative Director, President of Japan Air Commuter Co., Ltd.	
		February	2010	Trustee Representative of the Company	
				President of the Company	
		November	2010	Director of the Company	
		March	2011	Representative Director, President of the Company, Safety (Safety General Manager)	
		February	2012	Representative Director, Chairman of the Company	
				General Manager, Corporate Safety & Security (Safety General Manager)	
		April	2013	Representative Director, Chairman of the Company (Safety General Manager)	
		April	2014	Director, Chairman of the Company (to present)	

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and important positions concurrently assumed outside the Company	Number of Company shares held
2	Yoshiharu UEKI (September 16, 1952)	June 1975 Joined the Company April 1994 Captain, DC10 Flight Crew Office, of the Company April 2004 Deputy General Manager, Flight Planning And Administration Office, Administration Department of the Company Deputy General Manager, Flight Planning And Administration Office, Flight Crew Planning Department of the Company April 2005 Vice President and Deputy General Manager, Flight Operation Division of the Company General Manager, Flight Planning And Administration Office of the Company April 2007 General Manager, Flight Crew Training Development Department of the Company February 2008 Representative Director, Executive Vice President of J-AIR CO., LTD. (on secondment) February 2010 Executive Officer of the Company General Manager, Flight Operations December 2010 Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing February 2012 Representative Director, President of the Company General Manager, Managing Division Route Marketing April 2013 Representative Director, President of the Company (to present)	Common share 2,800
3	Nobuhiro SATO (October 13, 1950)	April 1969 Joined the Company April 2003 General Manager, Aircraft Maintenance Business Division (Haneda) of the Company April 2006 Vice President and Deputy General Manager, Engineering & Maintenance Division of the Company General Manager, Maintenance Department (Haneda) of the Company April 2007 Vice President and Deputy General Manager, Engineering & Maintenance Division of the Company Representative Director, President of JAL Tokyo Aircraft Maintenance Co., Ltd. (on secondment) April 2009 Executive Officer of the Company Deputy General Manager, Engineering & Maintenance Division February 2010 Executive Officer of the Company General Manager, Engineering & Maintenance Division Representative Director, President of JAL Engineering Co., Ltd. (to present) February 2012 Senior Managing Executive Officer of the Company General Manager, Engineering & Maintenance Division June 2012 Director and Senior Managing Executive Officer of the Company General Manager, Engineering & Maintenance Division April 2014 Representative Director, Executive Vice President of the Company (Safety General Manager) (to present)	Common share 600

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and important positions concurrently assumed outside the Company			Number of Company shares held
4	Hirohide KAMIKAWA (June 29, 1951)	April	1974	Joined the Company	Common share 600
		April	2003	General Manager, Sales [Domestic Passenger] of the Company	
		April	2006	Executive Officer of the Company Regional Manager, Western Japan and Senior Vice President of Osaka Branch	
		April	2009	Managing Executive Officer of the Company Deputy General Manager, Passenger Sales Division Regional Manager, Eastern Japan and Senior Vice President of Tokyo Branch	
		February	2010	Executive Officer of the Company Regional Manager, Eastern Japan and Senior Vice President of Tokyo Branch	
		June	2010	Representative Director, President of JAL Sales Co., Ltd. (to present)	
		December	2010	Senior Managing Executive Officer of the Company General Manager, Managing Division Passenger Sales General Manager, Domestic Passenger Sales	
		June	2012	Director and Senior Managing Executive Officer of the Company General Manager, Managing Division Passenger Sales General Manager, Domestic Passenger Sales (to present)	
5	Junko OKAWA (August 31, 1954)	December	1977	Joined the Company	Common share 300
		April	2006	General Manager, Administration & Planning of the Company	
		April	2007	General Manager, In-flight Services Planning of the Company	
		October	2009	General Manager, In-flight Quality Planning of the Company	
		February	2010	Executive Officer of the Company General Manager, Cabin Attendants Division	
		February	2012	Managing Executive Officer of the Company General Manager, Cabin Attendants Division	
		April	2013	Senior Managing Executive Officer of the Company General Manager, Cabin Attendants Division	
		June	2013	Director and Senior Managing Executive Officer of the Company General Manager, Cabin Attendants Division (to present)	

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and important positions concurrently assumed outside the Company			Number of Company shares held
6	Tadashi FUJITA (October 25, 1956) (Newly appointed)	April	1981	Joined the Company	Common share 300
		April	2007	General Manager, Corporate Business, Corporate Center of Tokyo Branch of the Company	
		June	2009	General Manager, Sales Department of Tokyo Branch of the Company	
		October	2009	Deputy General Manager, Customer Division and General Manager, Planning Promotion Department, Customer Division of the Company	
		February	2010	Executive Officer of the Company General Manager, Passenger Sales Division, Regional Manager of Asia & Oceania	
		December	2010	Executive Officer of the Company Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales General Manager, Corporate Sales General Manager, Web Sales Senior Vice President, Eastern Japan	
		February	2012	Managing Executive Officer of the Company Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales General Manager, Corporate Sales General Manager, Web Sales Senior Vice President, Eastern Japan	
		April	2013	Senior Managing Executive Officer of the Company Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales General Manager, Web Sales Senior Vice President, Eastern Japan (to present)	
7	Norikazu SAITO (November 23, 1956) (Newly appointed)	April	1980	Joined the Company	Common share 300
		October	2006	General Manager, Accounting of the Company	
		February	2010	Executive Officer of the Company Funds, IR, Accounting and Internal Control Promotion (Deputy)	
		December	2010	Executive Officer of the Company General Manager, Finance & Accounting	
		February	2012	Managing Executive Officer of the Company General Manager, Finance & Accounting	
		April	2014	Senior Managing Executive Officer of the Company General Manager, Finance & Accounting (to present)	

No.	Name (Date of birth)	Career summary, position and responsibilities at the Company, and important positions concurrently assumed outside the Company			Number of Company shares held
8	Tatsuo KAINAKA (January 2, 1940) (External Director, Independent Officer)	April	1966	Appointed as Public Prosecutor	Common share 200
		January	2002	Superintending Prosecutor, Tokyo High Public Prosecutors Office	
		October	2002	Judge of the Supreme Court	
		March	2010	Registered with Tokyo Bar Association	
		March	2010	Vice Chairman, Compliance Investigations Committee of the Company	
		April	2010	Joined Takusyou Sogo Law Office (to present)	
		January	2011	Governor of Life Insurance Policyholders Protection Corporation of Japan (to present)	
		April	2011	Chairman, Special Investigation Committee on System Failures of Mizuho Bank, Ltd.	
		November	2011	Chairman, Third Party Committee of Olympus Corporation	
		February	2012	External Director of the Company (to present)	
		June	2012	Corporate Auditor (External) of Oriental Land Co., Ltd. (to present)	
		November	2013	Outside Director of Mizuho Bank, Ltd. (to present)	
9	Kimie IWATA (April 6, 1947) (External Director, Independent Officer)	April	1971	Joined the Ministry of Labor	Common share 200
		July	1996	Deputy Director-General of the Minister's Secretariat, Ministry of Labor	
		October	1998	Assistant Minister for International Labor affairs, Ministry of Labor	
		January	2001	Director-General of Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare	
		August	2003	Retired from Ministry of Health, Labour and Welfare	
		December	2003	Full-time Advisor of Shiseido Company, Limited	
		June	2004	Director, Corporate Officer of Shiseido Company, Limited	
		April	2007	Director, Corporate Executive Officer of Shiseido Company, Limited	
		April	2008	Director and Vice President of Shiseido Company, Limited	
		June	2008	Representative Director, Executive Vice President, of Shiseido Company, Limited	
		March	2012	External Auditor of Kirin Holdings Company, Limited (to present)	
		April	2012	Director of Shiseido Company, Limited	
		June	2012	Advisor of Shiseido Company, Limited (to present)	
		July	2012	External Director of the Company (to present)	
		July	2012	Chairman of Japan Institute of Workers' Evolution (to present)	

(Notes)

1. There is no special interest between the nominees for Directors and the Company.
2. Mr. Tadashi Fujita and Mr. Norikazu Saito are nominees for Directors to be newly appointed.
   a) Since he took office of Executive Officer of the Company in February 2010, Mr. Tadashi Fujita has enhanced his expertise in sales and marketing by assuming the positions such as Deputy General Manager, Managing Division, Passenger Sales, and General Manager, International Passenger Sales, and leading the Company's highest-profit-making international passenger sales operations and achieved remarkable business performance. Since February 2012, as Managing Executive Officer, he became a member of the Executive Committee, the decision making body of the operation division of the Company's business. Since April 2013 he further accumulated corporate management experiences as Senior Managing Executive Officer. The Company nominated him as a candidate for Director because it expects his contributions to further strengthening and enhancing of its management structure.
   b) Even after he took office of Executive Officer of the Company in February 2010, Mr. Norikazu Saito has continued to be in charge of financing and accounting and deepened his expertise in financing, accounting and IR activities. Since February 2012, as Managing Executive Officer, he became a member of the Executive Committee, the decision making body of the operation division of the Company's business, and further accumulated a range of corporate management experiences. Since April 2014, he has continued to accumulate corporate management experiences as Senior Managing Executive Officer. The Company nominated him as a candidate for Director because it expects his contributions to making appropriate decisions in the interest of shareholders based on his abundant knowledge of financing, accounting, IR, internal control and other matters.
3. The nominees for External Directors are: Mr. Tatsuo Kainaka and Ms. Kimie Iwata.
4. Reasons for the nomination of these individuals as External Directors, etc.
   a) Mr. Tatsuo Kainaka has extensive experience, numerous achievements and deep insight into corporate legal affairs including corporate governance, with a profound knowledge based on many years of experience in the legal world. Therefore, we propose that he be appointed as an External Director as we believe that he will make a significant contribution to the Company's management as an External Director.
   b) Ms. Kimie Iwata has extensive experience, numerous achievements and considerable insight into support for women's empowerment, corporate social responsibility, etc., with many years of experience in administration and business management. Therefore, we propose that she be appointed as an External Director as we believe that she will make a significant contribution to the Company's management as an External Director.
5. Mr. Tatsuo Kainaka and Ms. Kimie Iwata are currently serving as the Company's External Directors. As of the conclusion of this annual shareholders meeting, Mr. Kainaka's tenure as an External Director of the Company will be two years and four months and Ms. Iwata's tenure as an External Director will be one year and 11 months.
6. The Company designates Mr. Tatsuo Kainaka and Ms. Kimie Iwata as the Independent Officers who are unlikely to cause a conflict of interests with general shareholders as stipulated by the Tokyo Stock Exchange and notified them to the stock exchange. When they are reappointed as External Directors and assume the post, the Company will reappoint them as the Independent Officers.
7. Mizuho Bank, Ltd., where Mr. Tatsuo Kainaka serves as Outside Director, received a business improvement order in September 2013 and another business improvement order including partial cease of its businesses in December 2013, by the Japanese Financial Services Agency pursuant to Article 26, Paragraph (1) of the Banking Act in connection with transactions with antisocial forces. Mr. Kainaka's appointment as Outside Director of the bank in November 2013 was based on a business improvement plan submitted by the bank to the Japanese Financial Services Agency in October 2013. He has since performed his duties as Outside Director at the bank towards preventing recurrence, such as by enhancing bank's compliance systems following such incident.
8. Overview of limited liability agreement

   In accordance with Article 427, Paragraph (1) of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with Mr. Tatsuo Kainaka and Ms. Kimie Iwata to limit their liability pursuant to Article 423, Paragraph (1) of the Companies Act, setting the minimum amount stipulated by Article 425, Paragraph (1) of the said Act as the maximum liability. When they are reappointed as External Directors and assume the post, the Company will extend the agreement with them.

(Attached Documents)

Business Report

(April 1, 2013 to March 31, 2014)

1. Current state of the JAL Group

(1) Business progress and results

During the fiscal year under review, the Japanese economy was supported by improved exports and positive effects from government stimulus measures, and saw increases in household income and investment, as well as last-minute demand in anticipation of the consumption tax rate increase. However, the domestic economy continued to be blunted by a slowdown in the global economy.

Under these economic circumstances, the Company, aiming to achieve the targets set out in its "JAL Group Medium-Term Management Plan Rolling Plan 2013" announced on April 30, 2013, did its utmost to provide customers with unparalleled service on the premise of maintaining safe operations, heightened the profit consciousness of its employees through its "JAL Philosophy" conduct guidelines and a divisional profitability management system that promoted autonomous management.

Regarding the Boeing 787 aircraft operation suspension in January 2013 that caused so much annoyance and inconvenience, we have completed all the necessary measures to ensure safety and resumed operations from June 1, 2013.

In addition, the JAL Group has been implementing as part of the "safety initiatives" provided in the Medium-Term Management Plan "human resources development for safety initiatives," "advancement of system for safety initiatives" and "nurturing a safety-related climate."

For human resources development for safety initiatives, in October 2012 we started the JAL Group Safety Education Program for about 35,000 staff, including the personnel of service providers at domestic airports and other facilities, based at our Safety Promotion Center with the aim of nurturing all the employees of the JAL Group to be safety professionals. As of March 31, 2014, about 68% of employees, or 23,786 individuals, participated in the Program.

For the advancement of the system for safety initiatives, we are expanding our database to store information on safety, such as records of defects, across all departments of the JAL Group, to further facilitate preventive measures and, by utilizing such database, developed preventive measures. Also, we strive to prevent defects from occurring by reassessing the effectiveness of measures implemented by departments in the past to handle defects, and by verifying whether the same kind of defects are occurring at other departments.

In nurturing a safety-related climate, efforts to foster a culture of enhancing manuals, one of our past themes, included revising manuals and making them easier to use. Further, to generate a workplace atmosphere where anyone can report his or her own errors and near-miss experiences without hesitation, we re-disseminated our non-punitive doctrine regarding human error. We will continue our efforts to engender a safety culture with the advice of the JAL Safety Advisory Group, headed by Mr. Kunio Yanagida.

In addition, the JAL Group renewed its "Basic CSR Policy" in April 2013 and, through its core air transport business, strived to meet the expectations of society, provided value that only JAL can deliver to address and alleviate various social issues and developed its CSR activities. In June 2013, as one of our central initiatives in the current Medium-Term Management Plan, we launched the JAL Tohoku Support Project "Visit Tohoku!" to respond to the current needs and hopes of those affected by the Great East Japan Earthquake. Since then, we are working in such various ways to promote tourism and industry in Tohoku as bringing more visitors to Tohoku with international charter flights and other means, promoting our employees to take personal trips to the region, enhancing interest in the region through information transmissions and special aircraft motif paintings, and offering Tohoku products in-flight and at our lounges, as well as in exchange for air miles. We promoted CSR activities only the JAL Group can perform by starting the project of "Gifts for smiling face" to bring joy to families victimized by the disaster, participating in the "CONTRAIL Atmospheric Greenhouse Gases Observation Project by Passenger Aircraft" for the past 20 years for which we received the

“Outstanding Performance Award / the Prize of Minister of the Environment,” and the “Japan-South Korea International Environment Award,” and providing emergency relief for victims of the November 2013 typhoon in central Philippines, among other activities.

As for the consolidated financial results of the JAL Group for the fiscal year under review, operating revenues increased year on year by 5.7% to 1,309.3 billion yen and operating expenses increased by 9.5% to 1,142.5 billion yen; however, operating income declined by 14.6% to 166.7 billion yen, ordinary income declined by 15.2% to 157.6 billion yen, and net income declined by 3.2% to 166.2 billion yen.

(2) Business conditions by business segment

International passenger operations

In international passenger operations, we worked to maximize earnings with the introduction and expansion of the Boeing 787 aircraft, among others, and improve products and services mainly by installing and promoting new seats.

Regarding route operations, we restarted operations from June 2013 of Boeing 787 aircraft flights after their grounding in January of that year. This resulted in an increase in flights between Narita and San Diego in June and the inauguration of flights between Narita and Helsinki in July. To flexibly respond to a decrease in demand, we temporarily reduced the number of Narita-Beijing flights, implemented revenue and expense improvements and gradually increased aircraft size from the Boeing 767 to the 777-200ER for routes where demand thrives, such as Narita-Honolulu (flights JL782/JL781), Chubu/Kansai-Honolulu and Haneda-Bangkok, among other painstaking supply and demand adjustments.

Regarding our alliances, after obtaining anti-trust immunity approval by the Japan Ministry of Land, Infrastructure, Transport and Tourism for the addition of Finnair to the Japan Airlines and British Airways joint business on flights between Europe and Japan, joint operations began in April 2014. We also started code-sharing with Qatar Airways, a oneworld alliance member in December 2013. In all, we are aiming to further enhance convenience for our customers by strengthening our network with other carriers.

In our sales strategies, the addition of Finnair to our joint business on European routes led to the standardization of fares from February 4, 2014 sales. This made possible the combination of identical fares for European routes by any of the three airlines thus further enhancing convenience. We also set limited-time offer fares for flights to Europe and China/Hong Kong to respond to low demand in the winter season.

Product-wise, we increased the number of Boeing 777-300ER aircraft “SKY SUITE 777” which offers greatly advanced comfort and functionality for all classes and expanded to serve the Narita to London, New York, Paris, Los Angeles and Chicago routes. Moreover, from April 2014, we expanded to the Narita-Frankfurt route and plan an expansion to the Narita-Jakarta route from June. This “SKY SUITE 777” and its featured “SKY WIDER” new economy class seats with a maximum of about 10cm wider seat pitch won the Good Design Award 2013. In December 2013, we introduced the Boeing 767-300ER “SKY SUITE 767” aircraft installed with full-flat seats that allow Business Class passengers direct access to the aisle and “SKY WIDER” seats for the Economy Class to Narita to Kuala Lumpur, Singapore (partial), Hanoi and Dalian routes. In FY2014, we plan to introduce 787s with “SKY SUITE” full-flat Business Class seats and begin offering “quality a class above” on more routes. Also, we expanded our “JAL SKY Wi-Fi” in-flight internet service to seven routes, namely Narita to New York, Chicago, Los Angeles, London, Paris, Frankfurt and Jakarta. We will introduce it to Boeing 777-200ER, 767-300ER and 787 aircraft in our fleet. For our in-flight meals, we added menu items to our “JAL BEDD-SKY AUBERGE” as part of our “restaurant in the sky” concept on our existing Europe and North America routes’ First and Business Classes with the collaboration of the Japanese chefs at the renowned Paris eateries “SOLA” and “Passage53” for flights departing from that city, thus broadening the menu of items prepared by star chefs exclusively for JAL. For the Economy Class, we continued to develop new menus including our popular “AIR Series.” On our Honolulu flights, we offered a menu prepared in collaboration with the well-known “Oreno-French” restaurant and the famous Hawaii-based hamburger shop “KUA AINA.” We will never cease striving to improve our products and services.

Consequently, international supply for the fiscal year under review increased by 3.3% year on year when measured in available-seat-kilometer (ASK); demand increased by 4.0% in terms of revenue-passenger-kilometer (RPK); load factor (L/F) increased by 0.5 points to 76.5%; and international passenger revenue increased by 7.6% to 437.5 billion yen.

Domestic passenger operations

In domestic passenger operations, we strove to improve profitability by implementing measures to stimulate demand, making adjustments according to demand trends and adjusting capacity of our aircraft.

Regarding route operations, we greatly expanded and improved our domestic network with the increase of departure and arrival slots at Haneda and Itami Airports. The number of JAL flights on departure and arrival routes to and from Haneda Airport were increased and Haneda-Chubu connecting flights were newly established for international routes. On departure and arrival routes to and from Itami Airport, JAL resumed scheduled flights between Itami and Matsuyama, Hakodate or Misawa, adding a total of 18 flights on 16 routes. We also started joint operations for all flights of Hokkaido Air System Co., Ltd. from July 2013 in hopes of enhancing customer convenience and developing the Hokkaido region and its economy.

At airports, we furnished our lounges at Itami, Kansai, Hiroshima, Matsuyama, Kumamoto and Kagoshima Airports with newly designed JAL original sofas and added many new power sockets in the passenger seat area, among other ways we renovated our lounges to enhance comfort and convenience, and strove to increase the quality of our lounge service.

Regarding our sales promotions, JAL established the new "Tokubin Discount 21" to provide customers easy access low fares on flights. During the New Year's holidays, we expanded our lineup of "Sakitoku" and "Super Sakitoku" discount fares and many customers boarded our flights to return home or go on vacation. We also made efforts to stimulate tourism demand by implementing our tie-up program to commemorate the 30th anniversary of Tokyo Disney Resort®, officially sponsored by JAL since its opening. Many visitors boarded our six specially painted "JAL Happiness Express" aircraft (two Boeing 777-200 and four Boeing 737-800) with Disney character motifs. Furthermore, we partnered with Recruit Lifestyle Co., Ltd., which operates "Jalan Net" Japan's largest inn and hotel reservation website to start online sales of "JAL Jalan Pack," our JAL Dynamic Package products that allow customers to freely combine any of our domestic flight tickets with a domestic accommodation of their choice. In November 2013, we enabled reservations from our JAL smartphone website and broadened and improved our Web Sales channels along with our existing "JAL Raku Packs" service. In addition, we added new functions and renewed our online applications including "JAL Countdown," "JAL Sakitoku Calendar" and "JAL Schedule" in an effort to broaden and improve our smartphone-based services and meet the diversifying needs of our customers.

Consequently, domestic supply for the fiscal year under review increased by 1.8% year on year when measured in available-seat-kilometer (ASK), demand increased by 3.2% in terms of revenue-passenger kilometer (RPK); load factor (L/F) increased by 0.9 points to 64.0%; and domestic passenger revenue increased by 0.5% to 487.4 billion yen.

Cargo and mail service operations

For international cargo operations, while growth of total domestic inbound and outbound demand cannot be expected, we strengthened revenue management, secured volume through aggressive transit cargo capturing between third countries and strove to maximize revenues.

In our sales activities, we reorganized our product lineup including J-PRODUCTS and provided tailor-made transportation services for temperature-sensitive consignments and express cargo, for which we are continuously growing, to meet our customers' needs. Moreover, for routes with potential demand, after minimizing risks, we used the airline charter system to transport cargo using other carriers' aircraft. JAL's cargo business for the fiscal year under review secured demand significantly surpassing that of the previous year despite the fierce, unabated competitive climate, posting a 9.7% increase year on year on a revenue-cargo-ton-kilometer basis (RCTK) and international cargo revenue increased by 7.4% to 54.2 billion yen, compared to the previous year.

International mail service operations secured demand significantly surpassing that of the previous year as we captured demand from the solidly growing mail-order shopping and acquired new demand.

Volume increased by 20.9% year on year on a revenue-mail-ton-kilometer basis (RMTK) and international mail revenue increased by 47.5% to 9 billion yen, compared to the previous year.

Domestic cargo operations suffered from sluggish perishable deliveries due to effects from bad weather and a partial shift to surface shipping. Nevertheless, we strove to maximize revenue by capturing home delivery parcels and fortifying customer relations. At year's end and fiscal year end when demand was high, we flexibly operated temporary flights and made other initiatives to meet customer needs. Volume increased by 1.9% year on year in terms of revenue-cargo-ton-kilometer (RCTK) with revenue at 101.5%, or 25.4 billion yen, compared to the previous year.

Other operations

We did our utmost to maximize the JAL Group's corporate value and improve our profit margin. Here are the results of two major companies in this segment.

JALPAK Co., Ltd. developed products in a timely manner and increased the handling of JAL Dynamic Packages to increase revenue and streamline costs.

The number of overseas travelers decreased by 6.5% from the previous year to 302,000 due to a decrease in demand in the wake of rising sales prices resulting from a weaker Japanese yen and political instability in Asia. The number of domestic travelers increased by 8.6% from the previous year to 2,142,000 thanks to a surge in demand related to the 30th anniversary of Tokyo Disney Resort® and the Sengu Ceremony of Izumo Taisha, in addition to favorable sales of "JAL Dynamic Packages" that enable the free combination of flight tickets and accommodation.

As a result, operating revenue (prior to intercompany transactions elimination) for the fiscal year under review increased by 4.0% from the previous year to 168.0 billion yen.

JALCARD, Inc. aggressively carried out activities to increase members through an enrollment campaign to commemorate the 30th anniversary of JAL credit cards, a web-only marketing campaign with Amazon, among others, that resulted in an increase of members by about 156,000 from the end of March 2013 to 2,920,000. Product-wise, JALCard expanded and improved "JALCard navi" services for students, issued the "JAL CLUB EST" high value-added card for consumers in their 20s and announced the issuance of the "JAL JCB Card Platinum," a new item in the lineup of platinum cards for top-tier customers, in March 2014. Furthermore, JALCard's efforts to improve services resulted in winning of the No. 1 rank in the credit card segment for three indicators, "customer expectation," "perceived quality" and "recommendation intent," in the Japanese Consumer Satisfaction Index survey for FY2013 conducted by the Public Interest Incorporated Foundation, Japan Productivity Center. In addition to the above, efforts were made to promote card utilization by adding the lifestyle-oriented companies including AEON RETAIL Co., Ltd. and FamilyMart Co., Ltd. to our list of special agency retail chains that offer double miles on purchases, among other activities that resulted in the largest trading volume handled ever recorded.

Consequently, operating revenue (prior to intercompany transactions elimination) for the fiscal year under review increased by 6.7% from the previous year to 18.5 billion yen.

(3) Issues to be addressed

Flight safety is the foundation and social responsibility of the JAL Group. We will develop our safety systems, 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 Medium-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 three management targets, as set out in the Medium-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 experience 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 will focus our efforts in five areas: (a) Safety Initiatives, (b) Route Network, (c) Products and Services, (d) Group Management, and (e) Human Resources Development.

As a means to verify the progress made by our initiatives to date and to reconfirm our action plan to achieve management targets in the remaining three years, JAL established its "Medium-Term Management Plan Rolling Plan 2014" on March 26, 2014. The following are being implemented with regard to each of the focus areas.

Firstly, as for Safety Initiatives, JAL has been implementing "human resources development for safety initiatives," "advancement of system for safety initiatives" and "nurturing a safety-related climate" in an effort to thickly overlap several layers of safety in our operations. For human resources development for safety initiatives, we will steadily take steps to make sure that every JAL Group staff member attends the JAL Group Safety Education by FY2014 and start providing standard, Group-wide education on safety management systems from FY2015. For the advancement of the system for safety initiatives, we are expanding and improving prevention measures by leveraging our database for storing safety information already in operation as well as our mechanism to share preventive measures throughout the JAL Group, and putting in place a normal line operation monitoring (proactive framework to detect a potential contributory factor of defect) and safety performance monitoring (framework to comprehend the status of safety management system in a quantitative way) system as well as risk management tools to prevent minor defects from becoming major problems. For nurturing a safety-related climate, the JAL Group is heeding the counsel of its Safety Advisory Group and, to ensure that its strict safety culture is passed on to present and future generations without ever allowing past accidents to fade from memory, we are working to instill a "culture of enhancing manuals" with the goal of fostering an understanding of the original intent of manuals, permeate a non-punitive doctrine and instill a reporting system to engender a "culture of reporting."

As for Route Network, we will regularly review routes by thoroughly analyzing the profitability of each route, and continuously improve our network, rather than merely expanding it. We aim to build a route network that provides customers with highly convenient connectivity within Japan and to destinations around the world from Japan. On international routes, we will continue to intensively deploy our aircraft on mid-/long-haul routes (Europe, North America, and Southeast Asia). Specifically, JAL will not only establish and increase flights utilizing the allocated Haneda afternoon inbound and outbound slots, but also increase flights focusing on Haneda's late night and early morning inbound and outbound slots and already high-revenue routes at Narita. While flexibly responding to changes in aircraft specifications by changing aircraft on mid-/long-haul routes (Europe, North America, Southeast Asia and Honolulu), we will also meet the challenge to build a network that offers both convenience and comfort for customers. For domestic routes, we are working to add flights to and from Haneda as international connections and multiply flights on the Yamagata route, which was selected after submitting a joint proposal with Yamagata Prefecture in a policy contest. Regarding regional routes, we reopened six previously dormant routes after judging operational feasibility with the cooperation of regional players. In the area of managing the business of Group carriers, we will deploy regional jets for local network routes to increase traveler convenience and boost profitability, while also contributing to regional economies by deploying turboprop aircraft for lifeline and remote island routes. In addition, with the aim of adjusting capacity more flexibly and strengthening in-flight human services on our domestic routes, JAL will merge JAL Express Co., Ltd., a Group carrier, in October 2014.

As for products and services, JAL is always striving to provide a refreshing experience to its customers. On international routes, in FY2014, we are expanding introduction of "SKY SUITE 777" and "SKY SUITE 767" centering on long-haul routes along with 787s fitted with our new Business Class full-flat "SKY SUITE" seats, and providing "quality a class above" to more routes. Moreover, we will introduce in-flight internet service on our Boeing 777-200ER, 767-300ER and 787 aircraft to provide more customers with a stress-free environment that is the same as on land. For in-flight meals, we will increase the number of Southeast Asian routes that offer full-course service for Business Class passengers and make menu items even more delicious, and newly establish catering facilities with the increase of international flights at Haneda as part of efforts to enhance the quality of our in-flight meals. JAL will also renew its First Class Lounge at Haneda Airport in August 2014. For domestic routes, we will refurbish the interior of several Boeing 777-200/300, Boeing 767-300/300ER and 737-800 aircraft, a total of 77 aircraft, from FY2014 under the theme “pioneering standard,” and gradually introduce “JAL SKY NEXT” with in-flight Wi-Fi. From May, we will start using genuine leather on our “Class J” and Economy Class seats and switch onboard lighting to LED, among other initiatives to incrementally refresh our aircraft interior. A slimming of Economy Class seats will give passengers a maximum of 5 centimeters wider seat pitch compared to current seats to provide a more comfortable living space. In addition, from July, we will inaugurate “JAL SKY Wi-Fi” in-flight internet service for the first time on domestic routes. This service will allow passengers to watch video content such as dramas and sports, etc. as well as travel information free of charge on their smartphones, tablets and other wireless LAN compatible terminals along with charged email, SNS and online browsing via satellite, among other ways we will renew the in-flight experience on domestic routes. Furthermore, in order to increase the number of flights with First Class service, which is enjoying great popularity on our Boeing 777s, we will start First Class service on nine Boeing 767 aircraft. In the future, we plan to develop new services under our “JAL Smart Style” lineup both in-flight and at airports to enhance convenience and provide passengers with a smooth and stress-free experience.

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 Medium-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, regarding Human Resource Development, the JAL Group will promote the execution of education that is organized across the company organization and integrated by utilizing the JAL Training Center and leverage the education and training programs of each department of each Group company to maximize their effect by standardizing “human resources, goods and know-how” relating to human resource development. Moreover, by providing systematic education with a long-term vision, we strive to foster professional personnel with knowledge and skills that can be widely used throughout society and who create value in their own field. We maintain a target workforce level of 32,000 on a consolidated basis.

The JAL Group has always been broadening the range in which its competent and ambitious employees can participate in operations above and beyond their affiliated company or region. From FY2014, as part of efforts to promote the involvement of diverse human resources, we will further the participation of female employees more than ever before and enhance work method flexibility for both men and women by offering work-from-home options and other initiatives. We will also expand and improve our training programs both to motivate employees and to further develop their capabilities, among other initiatives, and fortify our female employee development. To capitalize on these initiatives, we will push for women’s greater participation and work to create a workplace atmosphere that supports them. Assuming that such women are promoted based on merit, we will aim to increase the ratio of women in management level positions.

The operating environment of the JAL Group is stringent due to temporary negative effects on demand as a result of a rise in fuel costs trigged by a weaker Japanese yen and the increase in the consumption tax rate, a significant increase in supply resulting from an expansion of inbound and outbound international flight slots to / from the Tokyo Metropolitan area and the introduction of large aircraft by other domestic carriers, the further expansion of LCC activities, the extension of the “Shinkansen” (bullet train) network including the Hokuriku Shinkansen that is planned to start operations in spring in 2015, among others. However, by steadily implementing these measures, we will offer new routes and new services on international routes to improve customers’ preference for JAL, and thus maximize revenues. As for expenses, we will deepen measures to reduce unit costs (consolidated operating expenses relating to air transport per ASK) so as to improve cost-efficiency, earn stable revenues no matter how tough the competition and economic conditions may be, and meet the expectations of all our stakeholders, including our shareholders.

The JAL Group will deliver a refreshing and enjoyable travel experience to customers in order to become the world's most preferred airline group. We will accomplish this by undertaking joint efforts to achieve the Management Targets stated in our Medium-Term Management Plan.

To our shareholders, we appreciate your continuing support and understanding.

(4) Capital expenditures

During the current fiscal year, the JAL Group's capital expenditures totaled 163.3 billion yen, which is broken down into 132.7 billion yen for aircraft-related capital expenditures, 9.8 billion yen for ground-based assets, etc., and 20.7 billion yen for intangible fixed assets.

During the current fiscal year, the JAL Group introduced 12 new airplanes, all of which are purchased airplanes, and purchased 8 airplanes that were previously on lease. On the other hand, 6 airplanes were retired.

The number of airplanes for which the JAL Group has placed orders and already made payments on as capital investment, including up-front disbursement, during the current fiscal year is 41.

(5) Financing

During the current fiscal year, the JAL Group took out long-term borrowings of 17.8 billion yen from domestic financial institutions to purchase the above airplanes, etc.

(6) Business transfer, etc.

There are no matters to be reported.

(7) Business results and assets

Classification	62nd fiscal year ended March 31, 2011	63rd fiscal year ended March 31, 2012	64th fiscal year ended March 31, 2013	65th fiscal year ended March 31, 2014
Operating revenues (Millions of yen)	383,021	1,204,813	1,238,839	1,309,343
Ordinary income (Millions of yen)	42,041	197,688	185,863	157,634
Net income (Millions of yen)	621,073	186,616	171,672	166,251
Net income per share (Yen)	3,523.39	1,029.03	946.71	916.90
Total assets (Millions of yen)	1,206,517	1,087,627	1,216,612	1,340,168
Net assets (Millions of yen)	218,234	413,861	583,189	711,064
Net assets per share (Yen)	1,094.80	2,142.37	3,116.30	3,807.05

(Notes) 1. The 62nd fiscal year was a consolidated fiscal year commencing December 1, 2010, the day following the day on which the reorganization plan was approved, and ending March 31, 2011.

2. Net income per share is calculated based on the average number of shares outstanding during the current fiscal year after subtracting the number of treasury stock and shares in the Company held by associated companies. Net assets per share is calculated based on the total number of shares issued as of the end of the current fiscal year after subtracting the number of treasury stock and shares in the Company held by associated companies.

(8) Major parent companies and subsidiaries (as of March 31, 2014)

a. Parent companies

None

b. Subsidiaries

Name	Capital	Ratio of voting rights	Principal business
JAPAN TRANSOCEAN AIR CO., LTD.	4,537 million yen	72.8%	Air transport business
JAL EXPRESS CO., LTD.	2,500 million yen	100.0%	Air transport business
JAPAN AIR COMMUTER CO., LTD.	300 million yen	60.0%	Air transport business
J-AIR CO., LTD.	200 million yen	100.0%	Air transport business
JALPAK CO., LTD.	80 million yen	* 97.7%	Travel agency

(Note) Figures with an asterisk (*) show the ratio of voting rights including those owned by subsidiaries.

(9) Principal business (as of March 31, 2014)

Air transport business and other businesses incidental or related thereto.

(10) Principal locations of business and plants (as of March 31, 2014)

[Business Office]

The Company: (the Head Office) 2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo

Japan: Sapporo, Hakodate, Asahikawa, Obihiro, Kitami, Aomori, Akita, Sendai, Tokyo, Niigata, Nagoya, Kanazawa, Osaka, Okayama, Hiroshima, San'in, Matsuyama, Kochi, Takamatsu, Tokushima, Fukuoka, Yamaguchi/Kitakyushu, Nagasaki, Oita, Kumamoto, Miyazaki, Kagoshima, Okinawa

Overseas: Seoul, Busan, Beijing, Tianjin, Shanghai, Dalian, Guangzhou, Hong Kong, Taipei, Kaohsiung, Manila, Bangkok, Hanoi, Ho Chi Minh City, Singapore, Kuala Lumpur, Jakarta, Sydney, New Delhi, Moscow, Helsinki, Frankfurt, London, Paris, Guam, Vancouver, New York, Boston, Chicago, Los Angeles, San Diego, San Francisco, Honolulu

[Plants]

Haneda Maintenance Center, Narita Maintenance Center

(11) Employees (as of March 31, 2014)

	Number of Employees	Increase (decrease) from the previous fiscal year
Air transport business	27,379 persons	14,952
Other	4,093 persons	(14,362)
Total	31,472 persons	590

(Notes) 1. The number of employees represents all individuals working within the JAL Group (including temporary employees) excluding those on leave.

2. Air transport business, which was comprised of six group air transport companies until the previous fiscal year, added some air transport-related business companies and is comprised of a total of 32 companies from the current fiscal year. Consequently, the number of employees included in the air transport business significantly increased while the number of employees included in other significantly declined. The change in the number of companies is aimed at building more appropriate management structure for the air transport business because the scope of the business practically covers business operations of a number of group companies related to the air transport.

(12) Aircraft (as of March 31, 2014)

Aircraft	Number of aircraft	Number of seats	Note
Boeing 787-8	15	186	
Boeing 777-200	15	375	
Boeing 777-300	7	500	
Boeing 777-200ER	11	245, 312	
Boeing 777-300ER	13	232, 244, 246	
(Subtotal)	(46)		
Boeing 767-300	15	232, 261	
Boeing 767-300ER	32	199, 227, 234, 237, 261	The number of aircraft includes 14 on lease
(Subtotal)	(47)		
Boeing 737-400	13	145, 150	The number of aircraft includes 2 on lease
Boeing 737-800	50	144, 165	The number of aircraft includes 29 on lease
(Subtotal)	(63)		
Embraer E170	15	76	
Bombardier DHC8-100	4	39	
Bombardier DHC8-300	1	50	
Bombardier DHC8-400	11	74	The number of aircraft includes 2 on lease
(Subtotal)	(16)		
Bombardier CRJ200	9	50	
SAAB340B	11	36	The number of aircraft includes 1 on lease
Total	222		

(13) Major Creditors (as of March 31, 2014)

Creditor	Loans outstanding at the end of the period
Mizuho Bank, Ltd.	13,294 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,294 million yen
Sumitomo Mitsui Banking Corporation	3,590 million yen

(14) Other important matters concerning current status of the JAL Group

With regard to the dismissal for reorganization that the Company carried out in December 2010 as provided in the reorganization plan, 74 former flight crew (currently 76 as two more pilots filed a lawsuit in May 2011) and 72 former cabin attendants among those dismissed filed a lawsuit with the Tokyo District Court against the Company in January 2011, demanding confirmation of their contractual status under the contract of employment. On March 29 and 30, 2012, the Tokyo District Court delivered judgment on the case brought by the flight crew and on the case brought by the flight attendants, respectively; the plaintiffs' claims for confirmation of their contractual status were all dismissed. The plaintiffs appealed against the decisions to the Tokyo High Court on April 11, 2012, which is currently pending.

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. In addition, several airlines including JAL were sued by shippers in a civil suit in the Netherlands, etc., claiming they suffered damages through an alleged air cargo cartel.

The JAL Group provides training for employees on overseas assignments before they are stationed abroad, and holds seminars on antitrust and e-learning using its Website mainly for staff in the sales department in order to prevent similar cartel-related behavior, while requiring management-level employees in the sales department to confirm compliance every six months. This way, the JAL Group endeavors to strengthen the structure for compliance with the antimonopoly law.

Currently, the Japan Transport Safety Board under the Ministry of Land, Infrastructure, Transport and Tourism is investigating two aviation accidents and three serious incidents involving the JAL Group. The JAL Group has taken necessary measures in each case and will appropriately implement additional measures depending on the results of an investigation conducted by the board.

Depending on how the situation develops, it could negatively affect our business performance. In addition, the JAL Group is currently subject to various legal proceedings concerning business activities that could affect our business or business performance.

2. Shares

(1) Total number of shares issued and number of shareholders

(As of March 31, 2014)

Classification	Total number of shares issued	Number of shareholders
Common stock	181,352,000 shares	89,411 persons

Note: The total number of shares issued includes 40 shares of treasury stock.

(2) Major shareholders

(As of March 31, 2014)

Name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	8,517,100	4.69
Japan Trustee Services Bank, Ltd. (Trust account)	5,914,000	3.26
STATE STREET BANK AND TRUST COMPANY	4,682,100	2.58
MSCO CUSTOMER SECURITIES	3,833,200	2.11
KYOCERA Corporation	3,819,200	2.10
Daiwa Securities Group Inc.	2,500,000	1.37
GOLDMAN, SACHS & CO. REG	2,237,100	1.23
Japan Trustee Services Bank, Ltd. (Trust account 1)	2,097,200	1.15
Morgan Stanley MUFG Securities Co., Ltd.	1,932,611	1.06
The Bank of New York, Treaty JASDEC Account	1,914,600	1.05

(Notes) 1. Shareholding ratio is calculated with 40 shares of treasury stock excluded.

2. Of shares held by foreigners, etc. with respect to the general shareholders notification, 48,635,130 shares are adjusted shares held by foreigners, etc., which the Company refused to register in the shareholders' register pursuant to the Civil Aeronautics Act and its Articles of Incorporation.

3. Corporate Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2014)

Position	Name	Responsibility	Important concurrent occupations or positions at other organizations
Representative Director, Chairman	Masaru ONISHI	Chairman of the Board of Directors Safety General Manager	
Representative Director, President	Yoshiharu UEKI	Chairman of the Board of Managing Executive Officers Chairman of the Safety Measures Meeting Chairman of the JAL Philosophy Committee Chairman of the CSR Committee	
Director, Senior Managing Executive Officer	Hirohide KAMIKAWA	General Manager, Managing Division Passenger Sales General Manager, Domestic Passenger Sales	Representative Director, President of JAL Sales Co., Ltd.
Director, Senior Managing Executive Officer	Nobuhiro SATO	General Manager, Maintenance Department	Representative Director, President of JAL Engineering Co., Ltd.
Director, Senior Managing Executive Officer	Junko OKAWA	General Manager, Cabin Attendants	
Director	Tatsuo KAINAKA		Takusyou Sogo Law Office Governor of Life Insurance Policyholders Protection Corporation of Japan External Corporate Auditor of Oriental Land Co., Ltd. Outside Director of Mizuho Bank, Ltd.
Director	Kimie IWATA		Advisor of Shiseido Company, Limited External Auditor of Kirin Holdings Company, Limited Chairman of Japan Institute of Workers' Evolution
Audit & Supervisory Board Member	Hisao TAGUCHI		
Audit & Supervisory Board Member	Yasushi SUZUKA		
External Audit & Supervisory Board Member	Eiji KATAYAMA		Partner of Abe, Ikubo & Katayama Outside Corporate Auditor of Mitsubishi UFJ Trust and Banking Corporation Board Member for Seikagaku Corporation
External Audit & Supervisory Board Member	Hiroyuki KUMASAKA		Representative Liquidator of MISUZU Audit Corporation Auditor of MATSUDA SANGYO CO., LTD.

Position	Name	Responsibility	Important concurrent occupations or positions at other organizations
External Audit & Supervisory Board Member	Shinji HATTA		Professor, Graduate School of Professional Accountancy, Aoyama Gakuin University, Tokyo Outside Audit & Supervisory Board Member of Development Bank of Japan Inc. Corporate Auditor, RISO KAGAKU CORPORATION Member of Sub-committee on Auditing of the Business Accounting Council, Financial Services Agency

Notes:

1. Changes of Directors and Audit & Supervisory Board Members during the current fiscal year
   (1) Assumption
   At the 64th Ordinary General Meeting of Shareholders held on June 19, 2013, Ms. Junko Okawa was newly appointed as a Director and assumed office on the same date.
   (2) Retirement
   No items to report
2. Directors, Mr. Tatsuo Kainaka and Ms. Kimie Iwata, are External Directors. The Company has designated them as the Independent Officers who are unlikely to cause a conflict of interests with ordinary shareholders as stipulated by the Tokyo Stock Exchange and notified them to the stock exchange.
3. External Director Mr. Tatsuo Kainaka was newly assumed office as Outside Director of Mizuho Bank, Ltd. on November 1, 2013.
4. Audit & Supervisory Board Members, Mr. Eiji Katayama, Mr. Hiroyuki Kumasaka and Mr. Shinji Hatta are External Audit & Supervisory Board Members. The Company has designated them as the Independent Officers who are unlikely to cause a conflict of interests with ordinary shareholders as stipulated by the Tokyo Stock Exchange and notified them to the stock exchange.
5. Audit & Supervisory Board Member, Mr. Hiroyuki Kumasaka is qualified to be a certified public accountant and has a considerable knowledge of finance and accounting.
6. Audit & Supervisory Board Member, Mr. Shinji Hatta has an extensive experience and deep insight as an authority on research on corporate practices in corporate auditing and corporate internal control and has considerable knowledge of accounting and audit.
7. Positions and responsibilities of some of the Directors were changed as of April 1, 2014, as follows.

Position	Name	Responsibility
Director, Chairman	Masaru ONISHI	Chairman of the Board of Directors
Representative Director, Executive Vice President	Nobuhiro SATO	Aid to the President Safety General Manager

Name, title and responsibility of Executive Officers (excluding Directors concurrently serving as Executive Officer) are as follows:

(Reference) (as of March 31, 2014)

Position	Name	Responsibility
Senior Managing Executive Officer	Tadashi FUJITA	Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales General Manager, Web Sales Senior Vice President, Eastern Japan
Senior Managing Executive Officer	Hideki KIKUYAMA	General Manager, Managing Division Route Marketing
Managing Executive Officer	Shigemi KURUSU (*1)	General Manager, Group Companies Support General Manager, Corporate Control
Managing Executive Officer	Norikazu SAITO	General Manager, Finance & Accounting
Managing Executive Officer	Toshiaki NORITA	General Manager, Corporate Planning In charge of Business Creation Strategy
Managing Executive Officer	Toshinori SHIN	General Manager, Flight Operations
Managing Executive Officer	Nobuyoshi GONDO	General Manager, Corporate Safety & Security Manager, Family Assistance & Support
Executive Officer	Tsutomu ANDO (*3)	General Manager, Managing Division Route Marketing (International Relations and Alliances)
Executive Officer	Tsuyoshi YAMAMURA	General Manager, Cargo & Mail
Executive Officer	Kiyoshi MARUKAWA	General Manager, Airport Operations
Executive Officer	Akira YONEZAWA	General Manager, Managing Division Route Marketing (International Route Marketing)
Executive Officer	Toshiki OKA	General Manager, Purchasing
Executive Officer	Kiyoshi ISHIZEKI	General Manager, IT Planning
Executive Officer	Jun KATO	General Manager, Managing Division Route Marketing (Marketing & Branding)
Executive Officer	Hiroyuki HIOKA (*2)	General Manager, General Affairs
Executive Officer	Tadao NISHIO (*2)	General Manager, Managing Division Route Marketing (Domestic Route Marketing)
Executive Officer	Shinichiro SHIMIZU (*2)	General Manager, Human Resources
Executive Officer	Hidetsugu UEDA (*2)	Human Resources, in charge of Education Vice President, Human Resources Management
Executive Officer	Manabu SATO	President of JAPAN TRANSOCEAN AIR CO., LTD.
Executive Officer	Ryuzo TOYOSHIMA	President of JAL EXPRESS CO., LTD.
Executive Officer	Tetsuya ONUKI	President of J-AIR CO., LTD.
Executive Officer	Arata YASUJIMA	President of JAPAN AIR COMMUTER CO., LTD.
Executive Officer	Takahiro KATO (*3)	Senior Vice President, Western Japan
Executive Officer	Toshio SHINOHARA (*3)	President of JAL SKY CO., LTD. Vice President, Haneda Airport
Executive Officer	Munemitsu ERIKAWA	Senior Vice President, China Vice President and Regional Manager, Beijing District Sales Manager, Beijing

(Note) *1 As Mr. Makoto Yoneyama, General Manager, Corporate Control, retired by resignation as of February 28, 2014, Mr. Shigemi Kurusu, General Manager, Group Companies Support, concurrently served as General Manager, Corporate Control from March 1 to 31, 2014.

Executive Officers with asterisk (*2) newly assumed office on April 1, 2013.

Executive Officers with asterisk (*3) retired by resignation as of March 31, 2014.

(2) Remuneration, etc. paid to Directors and Audit & Supervisory Board Members

a. Remuneration, etc. paid for the fiscal year under review

Classification	Number of Directors and Audit & Supervisory Board Members	Amount paid
Directors (Of which, External Directors)	7 (2)	197 million yen (24 million yen)
Audit & Supervisory Board Members (Of which, External Audit & Supervisory Board Members)	5 (3)	66 million yen (28 million yen)

b. Policy on determination of remuneration in kind for Directors and Audit & Supervisory Board Members

The company resolved that the maximum annual remuneration (total amount) for Directors shall be no more than 450 million yen (approved and passed at the shareholders meeting on March 28, 2011). This amount of remuneration for Directors does not include salaries for employees serving concurrently as Directors. The remuneration for Directors is determined within the said ceiling at the Board of Directors, following a recommendation by the remuneration committee, which consists of External Directors and Representative Director, President.

The maximum annual remuneration (total amount) for Audit & Supervisory Board Members was approved and passed at the extraordinary shareholders meeting on July 10, 2012 to be no more than 100 million yen.

(3) Outside Corporate Officers

Important concurrent occupations or positions at other organizations and major activities during the current fiscal year

Position	Name	Important concurrent occupations or positions at other organizations	Major activities during the current fiscal year
Director	Tatsuo KAINAKA	Takusyou Sogo Law Office Governor of Life Insurance Policyholders Protection Corporation of Japan Corporate Auditor (External) of Oriental Land Co., Ltd. (Note) Outside Director of Mizuho Bank, Ltd. (Note)	Mr. Kainaka attended 83% of the Board of Directors' meetings held during the current fiscal year and provided advice and recommendations on the Company's managerial issues, operations of the Board of Directors, internal control, risk management, etc., from the perspective of a legal professional based on his many years of experience in the legal world.
Director	Kimie IWATA	Advisor of Shiseido Company, Limited External Auditor of Kirin Holdings Company, Limited Chairman of Japan Institute of Workers' Evolution	Ms. Iwata attended 91% of the Board of Directors' meetings held during the current fiscal year and provided advice and recommendations mainly on the Company's managerial issues to ensure adequacy and appropriateness of decision-making by the Board of Directors, based on her extensive experience and deep insight into support for women's empowerment, CSR, etc., backed by her many years of experience in administration and corporate management.
Audit & Supervisory Board Member	Eiji KATAYAMA	Partner of Abe, Ikubo & Katayama Outside Corporate Auditor of Mitsubishi UFJ Trust and Banking Corporation (Note) Board Member for Seikagaku Corporation	Mr. Katayama attended 87% of Board of Directors' meetings and all Board of Corporate Auditors' meetings held during the current fiscal year and provided advice and recommendations on the Company's managerial issues, operations of the Board of Directors, internal control, risk management, etc., from the perspective of a legal professional based on his many years of experience in the legal world.
Audit & Supervisory Board Member	Hiroyuki KUMASAKA	Representative Liquidator of MISUZU Audit Corporation Auditor of MATSUDA SANGYO CO., LTD.	Mr. Kumasaka attended all Board of Directors' meetings and Board of Corporate Auditors' meetings held during the current fiscal year and provided advice and recommendations on the Company's managerial issues, operations of the Board of Directors, internal control, risk management, etc., from the perspective of an accounting professional based on his many years of experience as a certified public accountant.

Position	Name	Important concurrent occupations or positions at other organizations	Major activities during the current fiscal year
Audit & Supervisory Board Member	Shinji HATTA	Professor, Graduate School of Professional Accountancy, Aoyama Gakuin University, Tokyo Outside Audit & Supervisory Board Member of Development Bank of Japan Inc. (Note) Corporate Auditor, RISO KAGAKU CORPORATION Member of Sub-committee on Auditing of the Business Accounting Council, Financial Services Agency	Mr. Hatta attended 96% of Board of Directors' meetings and all Board of Corporate Auditors' meetings held during the current fiscal year and provided advice and recommendations on the Company's managerial issues, operations of the Board of Directors, internal control, risk management, etc., from the perspective of an accounting professional based on his many years of experience in the accounting world.

(Note) Although, the Company has business relationship with Oriental Land Co., (sponsorship contract, etc.) Ltd., Mizuho Bank, Ltd., (borrowing of money, etc.) Mitsubishi UFJ Trust and Banking Corporation (consignment of stock transfer agency service, etc.) and Development Bank of Japan Inc., (borrowing of money, etc.), Mr. Tatsuo Kainaka, Mr. Eiji Katayama and Mr. Shinji Hatta are not involved in business execution at the respective companies where they hold concurrent positions and there is no matter that affects independence of Outside Corporate Officers. Accordingly, the Company has designated all Outside Corporate Officers as the Independent Officers who are unlikely to cause a conflict of interest with ordinary shareholders as stipulated by the Tokyo Stock Exchange and notified them to the stock exchange.

(4) Overview of liability limitation agreement

In accordance with Article 427, Paragraph (1) of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with each External Director and External Audit & Supervisory Board Member, by which they are bound to be liable for damages specified in Article 423, Paragraph (1) of the Companies Act, to the extent of the amount of the minimum liability specified in Article 425, Paragraph (1) of the said Act.

4. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of remuneration, etc., for Accounting Auditor

a. Remuneration, etc., for Accounting Auditor for the current fiscal year	99 million yen
b. Total amount of money and other financial interests to be paid by the Company and its subsidiaries	162 million yen

(Notes) 1. The amount in a. above is all attributed to services in the scope of Article 2, Paragraph (1) of the Certified Public Accountants Act of Japan.

2. In the audit agreement by and between the Company and the Accounting Auditor, the Company does not keep accounts by each category of the amount of audit fee, etc., for auditing services under the Companies Act and under the Financial Instruments and Exchange Act. As the amount of auditing services may be difficult to classify, the Company states the total amount thereof in a. above.

(3) Non-auditing services

The Company and some of its subsidiaries commission the Accounting Auditor to provide the assurance engagements and other services in accordance with International Standards on Assurance Engagements, which are outside the scope of Article 2, Paragraph (1) of the Certified Public Accountants Act of Japan (non-auditing services).

(4) Policy regarding determination of removal or refusal of reappointing of Accounting Auditor

In addition to removal of the Accounting Auditors by the Board of Corporate Auditors in accordance with Article 340, Paragraph (1) of the Companies Act, the Company may propose the agenda regarding removal or refusal of reappointment of Accounting Auditors with the consent or upon the request of the Board of Corporate Auditors to the shareholders meeting if there is any event that has a substantial detriment on the Company’s audit activities, or any other event in which serious doubts arise about the Accounting Auditors’ ability to continue to perform their duties.

5. Company’s systems and policies

(1) System to ensure compliance by Directors, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation and structure to ensure the appropriateness of other operations

1. System to ensure compliance by Directors, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation

<Fundamental policies>

(1) The Company shall promote the maintenance of an internal controls system by establishing the “Corporate Governance Guidelines” and a corporate governance system in which transparent management and robust monitoring capabilities can be implemented.

(2) The Company shall establish the Company’s code of conduct “JAL Philosophy” and encourage directors to abide by these practices.

(3) The Board of Directors shall determine the “Fundamental Policies on the Internal Controls System” and the general affairs department shall maintain the System.

(4) The general affairs department shall supervise operations in association with compliance and monitor the status of maintenance and operation of relevant rules.

(5) The Company shall set up an inspection system to ensure the ordinances that enforce the duties of the directors.

<Current status>

(1) The Company has appropriately reviewed the “Corporate Governance Guidelines” and posted it on the Company’s website. The Company has developed a corporate governance system mainly aimed for enhancing management transparency and monitoring of the Company’s management.

(2) The Company has prepared the “JAL Philosophy” pocketbook and distributed it to all officers while continuing to hold JAL Philosophy Education classes.

(3) The Company has established “Fundamental Policies on the Internal Controls System” and “JAL Group Internal Controls Summary” and prepares, operates and evaluates internal controls as appropriate to comply with the Companies Act and the Financial Instruments and Exchange Act.

(4) The Company has established the “Group Hotline” to develop a system to secure information on doubtful activities, etc., in light of compliance with laws and regulations and company rules.

(5) With the aim of banning any relations with antisocial forces, the Company has prepared a manual to deal with unreasonable demands and has fully disseminated them to all employees in the JAL Group. The Company has also established a system to prevent dealing with antisocial forces by conducting screening of new counterparties and re-screening of existing counterparties.

(6) The Company presents important legal considerations to Directors to ensure that Directors are fully aware of their duties including “fiduciary duty” and “duty of care of a good manager.”

(7) The internal audit department confirms the status of conformity to executing duties.

2. System related to the management and preservation of information related to the execution of directors’ duties

<Fundamental policies>

The Company manages and properly preserves information related to directors’ execution of duties according to the laws and regulations as well as company rules.

<Current status>

(1) The Company prepares documents for information on decision-making at the Board of Directors' meetings and other important meetings (papers and minutes) and information on significant managerial decisions (requests for approval) in accordance with laws and regulations as well as the Board of Directors' Rules, various meeting rules and the Regulations for Kessai and Administrative Authority, and preserves and manages these documents in accordance with laws and regulations as well as rules on document maintenance and preservation.

(2) The Company manages safety and security of the systems related to electronic systems for requests for decisions (system for managerial decisions and requests for decisions) and responds to unexpected situations as appropriate.

3. Other official regulation systems related to the management of the dangers of losses

<Fundamental policies>

In order to manage the risk of the entire group, the Company has established the Safety Measures Meeting, Risk Management Committee, and Financial Risk Committee to prevent losses by consistently monitoring the appropriateness of duties, establishing the "JAL Group Internal Controls Summary," alongside appropriately managing risks. In addition, we plan to minimize loss by corresponding on all levels when the danger of loss does happen to occur.

<Current status>

(1) The Company deals with emergency situations in a swift and appropriate manner through an established communication route and clarified responsibilities for directors. The Company has also introduced follow-up preventive measures to minimize losses.

(2) In order to ensure continuity of our business in a prompt and appropriate manner in the event of a massive earthquake and other dangers of losses, the Company has developed the Business Continuity Plan (BCP).

(3) To help the management liaison committee manage risks that may have a significant effect on the overall management of the JAL Group across the board, the Company has established the Risk Management Committee that is designed to manage "company risks," "operation risks" and "strategy risks," while the Financial Risk Committee monitors financial risks which are part of "strategy risks." In addition, the Safety Measures Meeting manages "risks regarding aviation security."

(4) Heads of divisions properly understand risks and measures taken to respond to such risks in accordance with the JAL Group Internal Controls Summary.

4. System to ensure the execution of directors' duties is effectively carried out

<Fundamental policies>

(1) The Company holds a monthly board of directors' meeting and additionally holds provisional meetings when important decisions regarding group management policies and plans need to be decided. In addition, to ensure the effective execution of directors' duties, we have established meeting bodies such as the Executive Committee and Earnings Announcements Sessions.

(2) In accordance with company rules, the Company has segregated authority in order to maintain effective execution of duties, and determined the division of duties, authority of managerial posts and authority of duties.

<Current status>

(1) Under the executive officer system, the Company has established a system in which the Board of Directors, consisting of a small number of Directors, decides on the Company's basic strategy and policies and serves as the supervising function in an integral manner to ensure that duties are executed efficiently. In addition, the Company cooperates with group companies more organically by expanding the supervising area of each executive officer.

(2) The Company clarifies basic matters on its office organization with the “Rules on authority of managerial posts,” and ensures that duties are executed in an efficient manner based on the meeting rules, the Regulations for Kessai and Administrative Authority and the Rules on Division of Duties.

(3) The Company has appropriately reviewed its “Regulations for Kessai and Administrative Authority” to establish an effective decision-making process.

5. System to ensure compliance by employees, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation

<Fundamental policies>

(1) The Company has established the “JAL Philosophy” as conduct guidelines for our company and the practices therein are followed by the employees.

(2) The general affairs department promotes maintenance of the Internal Controls System.

(3) The general affairs department summarizes duties related to compliance and monitors the operational situation and maintenance of related official regulations.

(4) We have set up an inspection system to ensure compliance by employees, in performance of duties, to applicable laws and regulations.

<Current status>

(1) The Company has prepared the “JAL Philosophy” pocketbook and distributed it to all employees, while continuing to hold JAL Philosophy Education classes. (The “JAL Philosophy” pocketbook is also prepared in English and Chinese in addition to that in Japanese.)

(2) The Company has established the “Fundamental Policies on the Internal Controls System” and the “JAL Group Internal Controls Summary” and prepares, operates and evaluates internal controls as appropriate to comply with the Companies Act and the Financial Instruments and Exchange Act.

(3) The Company has established the “Group Hotline” to develop a system to secure information on doubtful activities, etc., in light of compliance with laws and regulations and company rules.

(4) With the aim of banning any relations with antisocial forces, the Company has prepared a manual to deal with unreasonable demands and has fully disseminated them to all employees in the JAL Group. The Company has also established a system to prevent dealing with antisocial forces by conducting screening of new counterparties and re-screening of existing counterparties.

(5) The Company conducts education lessons for its employees on knowledge required for their duties and to ensure they are fully familiar with such knowledge.

(6) The internal audit department confirms the status of conformity to executing duties.

6. Corporate structure and system for ensuring appropriateness of operations at the corporate group level

<Fundamental policies>

The Company established the “JAL Group Business Management Official Regulations.” Each company in the group ensures that the system is used to effectively and justly carry out the management based on the “JAL Philosophy.” In addition, the “JAL Group Internal Controls Summary” is enacted and continuously monitors the appropriateness of duties.

<Current status>

(1) The Company has established the “JAL Philosophy” and works to instill common values among group companies. We also developed related rules for associated companies and entered into basic agreements with subsidiaries. Through these initiatives, the Company promotes appropriate business operation.

(2) Each group company has a responsible department to clarify accountability, while Group Companies Support provides advice and support to group companies.

(3) Based on the “JAL Group’s Rules on Compliance Network,” the Company provides and raises awareness of information that contributes to the sound corporate behavior of group companies, while assisting them in establishment and strengthening of a promotion structure.

(4) The Company confirms the appropriateness of each group company’s operations through audits and monitoring conducted by the internal audit department or other departments.

7. Matters related to employees who are assigned to assist in the duties of Audit & Supervisory Board Members at the request of the Audit & Supervisory Board Members

<Fundamental policies>

In order to increase the effectiveness of audits conducted by Audit & Supervisory Board Members and perform auditing duties smoothly, the Company shall establish a function independent from Directors and assign employees (assistants to Audit & Supervisory Board Members).

<Current status>

The Company has set the Audit & Supervisory Board Members’ office where employees (Corporate Auditing staff) are assigned to assist auditing operations.

8. Matters related to independence of the aforementioned employees from Directors

<Fundamental policies>

Corporate Auditing staff shall receive instructions on duties and take orders from Audit & Supervisory Board Members and shall be appointed with the approval of the Audit & Supervisory Board Members.

<Current status>

Corporate Auditing staff is under the instruction of the Audit & Supervisory Board Members and appointed with the approval of the Audit & Supervisory Board Members.

9. System for Directors and employees to report to Audit & Supervisory Board Members, and other system to report to Audit & Supervisory Board Members

<Fundamental policies>

(1) The Company shall endeavor to strengthen Audit & Supervisory Board Members’ function of monitoring the management and operations of Directors and Employees through establishment of the Corporate Governance System.

(2) The Company shall ensure the system and chance for Directors and employees to appropriately report to Audit & Supervisory Board Members.

(3) The Company shall call upon Audit & Supervisory Board Members to the Board of Directors’ meetings and other important meetings. The Company shall forward important circulars for corporate approvals to Audit & Supervisory Board Members. In addition, the Company shall report the circumstances on the execution of duties and all important matters on company management and business operations to Audit & Supervisory Board Members.

<Current status>

(1) Audit & Supervisory Board Members express their opinions as necessary at the Board of Directors’ meetings and other important meetings, such as the Executive Committee, the Management Liaison Committee, the Earnings Announcements Sessions, the Safety Measures Meeting and the Risk Management Committee. All circulars for managerial decisions subject to approval by executive officers or higher level are forwarded to Audit & Supervisory Board Members. Through the important circulars forwarded to them, Audit & Supervisory Board Members audit the circumstances on the execution of duties and all important matters on company management and business operations.

(2) All divisions of the Company and group companies cooperate for on-site auditing by Audit & Supervisory Board Members and the officers and head of departments attending such auditing provide relevant explanations. They also present to Audit &Supervisory Board Members results of audits conducted by the internal audit department, which is independent from those subject to internal auditing to keep its objective viewpoint.

10. Other systems to ensure the effective execution of the audit by the Board of Corporate Auditors or Audit & Supervisory Board Members

<Fundamental policies>

(1) The Company shall adjust the system in order to effectively implement the inspection according to the audit plan devised each year by the Audit & Supervisory Board Members.

(2) The Directors, employees and the Directors and the Audit & Supervisory Board Members of each group shall exchange opinions with Audit & Supervisory Board Members.

<Current status>

(1) Audit & Supervisory Board Members closely work with the Accounting Auditor. Based on the periodical exchange of opinions with the Accounting Auditor, Audit & Supervisory Board Members receive explanations as needed.

(2) Audit & Supervisory Board Members periodically exchange opinions with Audit & Supervisory Board Members of each JAL Group companies.

(2) Policy on distribution of profits and dividends

Passing benefits to our shareholders is one of the most important management goals of the Company. It is our basic policy to continue distributing benefits to our shareholders in the form of dividends, while executing capital expenditures to respond to business growth in the future and changes in business conditions, and management internal reserves for building a strong financial structure.

For the amounts and volumes shown in this business report, any fraction less than the presenting unit of amount and volume is truncated.

Consolidated Balance Sheet

As of March 31, 2014

(Millions of yen)

ASSETS	
Current assets	
Cash and time deposits	368,774
Notes and accounts receivable – trade	143,807
Short-term investments in securities	58
Flight equipment spare parts and supplies	20,680
Deferred income tax assets	4,532
Other	68,082
Allowance for doubtful accounts	(926)
Total current assets	605,009
Fixed assets	
Tangible fixed assets	
Buildings and structures, net	34,710
Machinery, equipment and vehicles, net	8,951
Flight equipment, net	447,021
Land	1,811
Construction suspense account	61,992
Other tangible fixed assets, net	6,788
Total tangible fixed assets	561,277
Intangible fixed assets	
Software	47,336
Other intangible fixed assets	2,367
Total intangible assets	49,703
Investments and other assets	
Investments in securities	64,931
Long-term loans receivable	10,745
Deferred income tax assets	10,570
Asset for retirement benefit	275
Other investments	38,024
Allowance for doubtful accounts	(371)
Total investments and other assets	124,177
Total fixed assets	735,158
Total assets	1,340,168

Consolidated Balance Sheet

As of March 31, 2014

(Millions of yen)

LIABILITIES	
Current liabilities	
Accounts payable − trade	148,999
Short-term debt	287
Current maturities of long-term debt	8,062
Lease liabilities	32,455
Accounts payable-installment purchase	196
Advances received	72,830
Reserve for business restructuring	332
Deferred tax liabilities	122
Asset retirement obligations	1,048
Other	69,931
Total current liabilities	334,265
Non-current liabilities	
Long-term debt	45,084
Lease liabilities	46,996
Long-term accounts payable-installment purchase	1,200
Reserve for loss on antitrust liabilities	6,352
Liability for retirement benefit	166,643
Deferred tax liabilities	91
Asset retirement obligations	3,356
Other	25,112
Total non-current liabilities	294,838
Total liabilities	629,103
NET ASSETS	
Shareholders' equity	
Common stock	181,352
Capital surplus	183,043
Retained earnings	332,067
Treasury stock	(130)
Total shareholders' equity	696,332
Accumulated other comprehensive income	
Net unrealized gain on other securities, net of taxes	6,450
Net unrealized gain on hedging instruments, net of taxes	6,887
Translation adjustments	(5,187)
Remeasurement of defined benefit plans	(14,193)
Total accumulated other comprehensive income	(6,044)
Minority interests	20,775
Total net assets	711,064
Total liabilities and net assets	1,340,168

Consolidated Statement of Income

(April 1, 2013 – March 31, 2014)

	(Millions of yen)
Operating revenues	1,309,343
Cost of operating revenues	970,098
Gross operating profit	339,244
Selling, general and administrative expenses	172,452
Operating income	166,792
Non-operating income	
Interest income	784
Dividend income	987
Foreign exchange gains	1,234
Gain on sale of flight equipment	1,136
Other	2,860
Total non-operating income	7,004
Non-operating expenses	
Interest expense	2,078
Loss on sales of flight equipment	4,716
Equity in loss of affiliates	3,749
Loss on valuation of flight equipment spare parts and supplies	1,663
Other	3,954
Total non-operating expenses	16,162
Ordinary income	157,634
Extraordinary gains	
Gain on compensation	8,411
Other	1,091
Total extraordinary gains	9,502
Extraordinary losses	
Loss on cancellation of lease	4,554
Impairment loss	1,497
Other	1,038
Total extraordinary losses	7,089
Income before income taxes and minority interests	160,047
Income taxes – current	11,159
Income taxes – deferred	(21,498)
Net income before minority interests	170,386
Minority interests	4,134
Net income	166,251

Consolidated Statement of Changes in Net Assets

(April 1, 2013 – March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of pervious period	181,352	183,043	198,196	(122)	562,469
Changes of items during the period					
Dividends of surplus			(32,379)		(32,379)
Net income			166,251		166,251
Repurchase of treasury stock				(8)	(8)
Net changes of items other than shareholders' equity during the period					
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

	Accumulated other comprehensive income					Minority interests	Total net assets
	Net unrealized gain on other securities, net of taxes	Net unrealized gain on hedging instruments, net of taxes	Translation adjustments	Remeasure-ment of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at the end of pervious period	2,353	6,603	(6,378)	—	2,578	18,141	583,189
Changes of items during the period							
Dividends of surplus							(32,379)
Net income							166,251
Repurchase of treasury stock							(8)
Net changes of items other than shareholders' equity during the period	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

Notes to Consolidated Financial Statements

(Base of Preparation of the Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

Number of consolidated subsidiaries: 60

Names of principal consolidated subsidiaries:

JAL Express, J-Air Corporation, Japan Transocean Air Co., Ltd.

PT. TAURINA TRAVEL DJAYA, which was an affiliated company accounted for by the equity-method, is included in the scope of consolidation from the current fiscal year.

(2) Non-consolidated subsidiaries

Name of principal non-consolidated subsidiary: Naha Airport Service Co., Ltd

Since the amounts of accounts of non-consolidated subsidiaries, such as total assets, net sales, net income or loss, retained earnings and others are small in value terms and of little importance as a whole, these companies have a materially insignificant impact on the consolidated financial statements and were therefore excluded from the scope of consolidation.

2. Application of the equity method

(1) Number of non-consolidated affiliated company accounted for by the equity-method

Number of non-consolidated subsidiaries and affiliates accounted for by the equity method: 12

Names of principal non-consolidated subsidiaries and affiliates 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, was excluded from the scope of the equity method and is included in the scope of consolidation from the current fiscal year.

(2) Non-consolidated subsidiaries and affiliates not accounted for by the equity method

Name of principal non-consolidated subsidiary and affiliate not accounted for by the equity method:

Naha Airport Service Co., Ltd,

Non-consolidated subsidiaries 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 profit/loss, retained earnings and others, and as a whole, they do not have a material impact on the consolidated financial statements.

3. Fiscal year of consolidated subsidiaries

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 consolidated balance sheet date have been adjusted if necessary.

In the current fiscal year, Official Filing Co., Ltd. changed its balance sheet date from February 28 to March 31, which is the same as the balance sheet date for the consolidated financial statements. As a result, the accounting period of this consolidated subsidiary for the current fiscal year was 13 months.

4. Summary of significant accounting policies

(1) Valuation of significant assets

a. Securities:

Bonds held to maturity: Amortized cost method

Other securities (securities classified as such):

With market value: Evaluated based on the market price method according to market price, etc. on the date of financial closing (the difference in market price is reported as a component of net assets, and the cost of securities sold is mainly calculated by the moving-average method.)

Without market value: Principally stated at cost based on 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 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 fixed assets

a. Aircraft (excluding leased assets): Straight-line method

b. Tangible fixed assets other than aircraft (excluding leased assets):

Japan Airlines Co., Ltd	Straight-line method
Other companies	Principally the declining-balance method

c. Intangible fixed assets (excluding leased assets): Straight-line method

d. Leased assets

Leased assets in finance lease transactions that transfer ownership

We use the same method as the depreciation method applied to fixed assets owned by the Company.

Leased assets in finance lease transactions that do not transfer ownership

We use the straight-line depreciation method with the lease period as the useful life, and residual value as zero.

(3) Significant provisions

a. Reserve for loss on antitrust liabilities

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

b. Reserve for business restructuring

To provide for costs for business restructuring, the reasonably estimated amount is recorded.

c. Allowance for doubtful accounts

To provide for losses due to unrecoverable claims, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to unrecoverable based on individual consideration of recoverability.

(4) Significant 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 overseas 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 sheet.

(5) Significant 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. Transactions under foreign exchange forward contracts are translated at the applicable forward foreign exchange rates.

(6) Accounting treatment of retirement benefit

To provide for employees' severance indemnities, asset and liability for retirement benefit are accounted for based on the projected amount at the end of the current fiscal year, and the difference between benefit obligations and the plan assets is recognized.

The unrecognized obligation at transition is amortized by the straight-line method principally over a period of 15 years.

The adjustment for actuarial assumptions is 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 as incurred of the active participants in the plans. Amortization is computed from the period subsequent to the year in which the adjustment was recorded.

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

Unrecognized adjustment for actuarial assumptions, unrecognized past service cost and the unappropriated amount of unrecognized obligation at transition are recorded under remeasurements of defined benefit plans under accumulated other comprehensive income within the net asset section after adjusting for tax effects.

(7) Treatment of consumption taxes

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

(8) Amortization of goodwill

Goodwill acquired is amortized by the straight-line method over a period of 5 years.

5. Change of accounting policy

Application of an accounting standard for retirement benefits

The "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), except for the provisions of the main clauses of Paragraph (35) of the Accounting Standard for Retirement Benefits and Paragraph (67) of the Guidance on Accounting Standard for Retirement Benefits, are applied effective from the end of the current fiscal year. Accordingly, the Company has changed its accounting policy to one that recognizes the difference between retirement benefit obligations and plan assets as asset for retirement benefit and liability for retirement benefit and recorded unrecognized adjustment for actuarial assumptions, unrecognized past service cost and the unappropriated amount of unrecognized adjustment for actuarial assumptions under asset for retirement benefit and liability for retirement benefit.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph (37) of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change has been added to or deducted from remeasurements of defined benefit plans under accumulated other comprehensive income as of the end of the current fiscal year.

As a result of the change, accumulated other comprehensive income as of the end of the current fiscal year decreased by 14,193 million yen.

6. Change of presentation

(Consolidated balance sheet)

Accounts payable-installment purchase

"Accounts payable-installment purchase" (240 million yen for the previous fiscal year), which was included in "Other" under "Current liabilities" in the previous fiscal year, is separately recorded from the current fiscal year as a result of the review of line items with a view to improving transparency.

Advances received

"Advances received" (55,163 million yen for the previous fiscal year), which was included in "Other " under "Current liabilities", exceeded 5% of the total liabilities and net assets and is therefore separately recorded from the current fiscal year.

Long-term accounts payable-installment purchase
"Long-term accounts payable-installment purchase" (1,396 million yen for the previous fiscal year), which was included in the "Other" under "Non-current liabilities," is separately recorded from the current fiscal year as a result of the review of line items with a view to improving transparency.

(Consolidated statement of income)

Loss on valuation of flight equipment spare parts and supplies
"Loss on valuation of flight equipment spare parts and supplies" (1,748 million yen for the previous fiscal year), which was included in "Other" under "Non-operating expenses," exceeded 10% of the total non-operating expenses and is therefore separately recorded from the current fiscal year.

Loss on cancellation of lease
"Loss on cancellation of lease" (2 million yen for the previous fiscal year), which was included in "Other" under "Extraordinary losses" in the previous fiscal year, exceeded 10% of total extraordinary losses and is therefore separately recorded from the current fiscal year.

Loss on sales and disposal of fixed assets
"Loss on sales and disposal of fixed assets" (552 million yen for the previous fiscal year), which was separately recorded in the previous fiscal year, was not more than 10% of total extraordinary losses and is therefore included in "Other" from the current fiscal year.

7. Notes to consolidated balance sheet

(1) All amounts of less than one million yen have been rounded down in the accounts.

(2) Accumulated depreciation of tangible fixed assets 297,802 million yen

(3) Assets pledged as collateral and obligations secured by such collateral

Assets pledged as collateral

・Aircraft	162,233 million yen
・Others	21,324 million yen

Obligations secured by such collateral

・Current maturities of long-term debt, etc.	8,222 million yen
・Long-term debt, etc.	45,569 million yen

The above amounts include assets for which revolving pledge has been established to secure debts of Tokyo International Air Terminal Corporation, an affiliate, under the syndicated loan agreement concluded between Tokyo International Air Terminal Corporation and financial institutions for the business that is the objective of this company's establishment. The above amounts also include guarantee money paid to banks with which JAL does business for derivative transactions.

(4) Contingent liabilities

・Guarantee liabilities	281 million yen

8. Notes to consolidated statement of income

All amounts of less than one million yen have been rounded down in the accounts.

9. Notes to consolidated statement of changes in net assets

(1) All amounts of less than one million yen have been rounded down in the accounts.

(2) Total number of issued shares at the end of the current fiscal year

Total number of issued shares	Common stock	181,352 thousand shares
	Treasury stock	33 thousand shares

(3) Dividends

a. Dividends paid

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
June 19, 2013 General Meeting of Shareholders	Common stock	Retained earnings	32,385	190 yen	March 31, 2013	June 20, 2013

(Note) Total amount of dividends includes dividends of 6 million yen for treasury stock (common stock) held by companies accounted for by the equity-method.

b. Dividends for which the record date is in the current fiscal period and the effective date falls in the following period

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
June 19, 2013 (planned) General Meeting of Shareholders	Common stock	Retained earnings	29,016	160 yen	March 31, 2014	June 19, 2014

10. Financial instruments

(1) Status of financial instruments

a. Policy on handling of financial instruments

The JAL Group procures funds for investment in necessary aircraft and other equipment, etc. from own funds based on operating activities as well as through loans from financial institutions including banks in light of its capital expenditure plan mainly for the air transport business. As for borrowings, short-term debt is principally for funds for ordinary expenditure, while long-term debt is chiefly for funds for capital expenditure. Lease liabilities in association with financial lease transactions are mainly for funds for capital expenditure. The JAL Group, by policy, utilizes derivatives to evade risks described hereafter and not for the purpose of speculative transactions.

b. Contents of financial instruments and associated risks, and risk management system

(i) Credit risk

Trade accounts receivable, which are operating receivables, are exposed to the credit risk of customers. For this risk, management of payment date and balances is conducted for each counterparty, and the credit status of major counterparties is monitored periodically. Short-term investments in securities and investments in securities are investments in stocks of companies with which the JAL Group holds business relationships. Fair values of these securities and financial conditions, etc. of issuers are monitored periodically and necessary measures are taken. As for trade accounts payable, most of the items are due for payment within one year. When conducting derivative transactions, the JAL Group has such transactions only with financial institutions with high credit standings in order to mitigate credit risk.

(ii) Market risk

As for Short-term investments in securities and investments in securities, fair value and financial conditions, etc. of issuers are monitored periodically, and the status of holdings is reviewed continuously in consideration of market conditions and relationships with counterparties. Variable-rate debts and foreign currency liabilities are exposed to risk of fluctuations in interest rate and exchange. In order to avoid this risk, the JAL Group utilizes derivative transactions. As for derivatives, exchange forward contracts for purchase price of aircraft fuel and liabilities denominated in specific foreign currencies and linked to foreign currencies are used to avoid risk of future fluctuations in foreign exchange rate on foreign currency liabilities in the market. Commodity derivatives are also used for the purpose of controlling risk of fluctuations in prices of commodities including aircraft fuel and stabilizing costs.

Execution and management of derivative transactions are conducted in accordance with the internal rules on risk management that stipulate the amount of trading limit and other internal rules that set forth power in transactions, after the department in charge receives approval from the person who makes the final decision. Furthermore, meetings are held every month in principle with attendance of executives in charge to report monthly records of transactions, monitor volume of risk at the time, make decision on methods for hedging risk and percentage of hedge, and confirm contents of transactions.

c. Supplementary explanation on the fair value of financial instruments, etc.
The fair value of financial instruments include, in addition to the value based on market price, a value rationally computed in the absence of market value. The computation of such a value incorporates fluctuation factors, and if different preconditions, etc. are adopted, the value may be subject to fluctuation.
The amounts of derivative contracts, etc. in “2. Fair values of financial instruments, etc.” do not indicate market risk relating to the derivative transactions.

(2) Fair value of financial instruments, etc.
Amounts on the consolidated balance sheet as of March 31, 2014, fair value and the variance are as follows. Description of fair value is omitted in the table below in case it is extremely difficult to obtain the value. Please refer to (Note 2).

(Millions of yen)

	Carrying amount on consolidated balance sheet	Fair value	Variance
(1) Cash and time deposits	368,774	368,774	−
(2) Notes and accounts receivable − trade	143,807	143,807	−
(3) Short-term investments in securities and investments in securities			
Shares of subsidiaries and affiliates	13,865	12,367	(1,498)
Other securities	25,199	25,199	−
Total assets	551,645	550,147	(1,498)
(1) Accounts payable − trade	148,999	148,999	−
(2) Short-term debt	287	287	−
(3) Long-term debt (*1)	53,146	53,146	−
(4) Lease liabilities (*2)	79,452	79,452	−
(5) Long-term accounts payable-installment purchase (*3)	1,396	1,396	−
Total liabilities	283,281	283,281	−
Derivative transactions (*4)	14,823	15,157	334

*1. Include long-term debt due within one year.
*2. Include long-term lease liabilities due within one year.
*3. Include long-term accounts payable-installment purchase due within one year.
*4. Net receivables and payables arising from derivative transactions are shown in net amounts.
Figures in parentheses are posted to liabilities.
Items to which hedge accounting is not applied are omitted because they are insignificant.

(Note 1) Matters concerning measurement method for fair value of financial instruments and securities and derivative transactions

Assets

(1) Cash and time deposits, and (2) Notes and accounts receivable − trade
As these items are settled in a short term and the fair value is close to book value, they are presented in book value.

(3) Short-term investments in securities and investments in securities
The fair value of these items is mainly based on market prices. Please refer to “Securities” for notes on securities by holding purpose.

Liabilities

(1) Accounts payable − trade, and (2) Short-term debt

As these items are settled in a short term and the fair value is close to book value, they are presented in book value.

(3) Long-term debt, (4) Lease liabilities, and (5) Long-term accounts payable-installment purchase

The fair value of these items is calculated by discounting the total amount of principal and interest by the expected interest rate assumed for a similar new loan.

Derivative transactions

Please refer to "Derivative transactions".

(Note 2) Financial instruments for which identification of fair value is extremely difficult

(Millions of yen)

	Carrying amount on consolidated balance sheet
Shares of subsidiaries and affiliates	17,362
Bonds held to maturity	3,330
Other securities	5,234

These items do not have market prices and a considerable cost is likely to be incurred to estimate future cash flow. They are not therefore included in "Assets (3) Short-term investments in securities and investments in securities" because it is deemed to be extremely difficult to identify their fair value.

Securities

1. Other securities with fair value (Millions of Yen)

Other securities of which carrying amount on the consolidated balance sheet exceeds the acquisition cost

	Acquisition cost	Carrying amount on consolidated balance sheet	Variance
Stocks	15,595	24,884	9,289
Subtotal	15,595	24,884	9,289

Other securities of which carrying amount on the consolidated balance sheet does not exceed the acquisition cost

	Acquisition cost	Carrying amount on consolidated balance sheet	Variance
Stocks	318	314	(3)
Subtotal	318	314	(3)
Total	15,913	25,199	9,285

2. Other securities sold during the current fiscal year (Millions of Yen)

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

Derivative transactions

1. Derivatives to which hedge accounting is not applied
   Omitted due to lack of importance.

2. Derivatives to which hedge accounting is applied
   As for derivatives trading requiring hedge accounting, the contracted amount or principal equivalent amounts provided in contracts on the closing date on a consolidated basis by hedge accounting method are as below.

(Millions of Yen)

Hedge accounting	Type of transactions	Main hedged items	Contract amount	Contract amount: Over 1 year	Estimated fair value	Method of measuring the fair value
Principle treatment	Foreign exchange forwards Long:					Based on forward quotation
	USD	Trade accounts payable	25,976	3,047	5,255	
	EUR	Trade accounts payable	3,430	–	160	
	Other	Trade accounts payable	1,215	–	29	
	Currency option Long:					Based on prices provided by financial institutions with which JAL does business, etc.
	Call options	Trade accounts payable	194,217	22,666	7,031	
	Short: Put option	Trade accounts payable	82,331	20,957	(1,151)	
	Commodity swaps Receivable floating/payable fixed	Aviation fuel	105,640	26,964	3,364	Based on prices provided by financial institutions with which JAL does business, etc.
	Commodity swaps Long: Call options	Aviation fuel	150,001	–	134	Based on prices provided by financial institutions with which JAL does business, etc.
Translation of foreign currency receivables and payables using the contracted rates	Foreign exchange forwards Long:					Based on forward quotation
	USD	Trade accounts payable	2,969	–	319	
	EUR	Trade accounts payable	217	–	15	
	Other	Trade accounts payable	157	–	(0)	
Total					15,157	

11. Investment and rental properties

Because the total amount of investment and rental properties is insignificant, notes on these items are omitted.

12. Per share information

(1) Net assets per share 3,807.05 yen

(2) Net income per share 916.90 yen

13. Additional information

(Stock split and amendment to the Articles of Incorporation in respect of the total number of authorized shares)

At the Board of Directors' meetings held on January 31 and April 30, 2014, the JAL Group determined to undertake a stock split of its common shares as follows. The implementation of this stock split is conditional on that the amendment to the Articles of Incorporation in respect of the total number of authorized shares is approved as extraordinary resolution at the 65th General Meeting of Shareholders to be held on Wednesday, June 18, 2014. The amendment to the Articles of Incorporation is conditional on that stock split is implemented as planned on the effective date of the amendment to the Articles of Incorporation. The two matters will become effective as one single package.

(1) Purpose of stock split and amendment to the Articles of Incorporation in respect of the total number of authorized shares

The JAL Group determined to undertake a two-for-one stock split of its common shares with an aim of improving marketability of its shares and increasing the shareholder base through the development of an environment where the JAL Group's common shares are more affordable to a broader range of investors, including individual investors, by lowering the per-unit price based on the general price of a shareholder's investment in companies listed on the first section of the Tokyo Stock Exchange.

Furthermore, as a result of the above stock split, the total number of issued shares will exceed 350 million shares, which is the total number of authorized shares for common shares as provided in the current Articles of Incorporation. The JAL Group therefore determined to amend the Articles of Incorporation in respect of the total number of authorized shares.

(2) Stock split

a. 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 (Tuesday). Shares which the Company refused to register in the shareholders' register (adjusted shares held by foreigners) pursuant to provisions of the Civil Aeronautics Act will also be split.

b. Number of shares increasing as a result of the stock split

(i). Total number of issued shares prior to the stock split: 181,352,000 shares

(ii). Number of shares increasing as a result of the stock split: 181,352,000 shares

(iii). Total number of issued shares after the stock split: 362,704,000 shares

(iv). Total number of authorized shares after the stock split: 750,000,000 shares

(3) Schedule of the stock split

a. Official notice of record date: September 12, 2014 (Friday)
b. Record date for the stock dividend: September 30, 2014 (Tuesday)
c. Effective date: October 1, 2014 (Wednesday)

(4) Impact on per share information

Per share information based on the assumption that this stock split was implemented at the beginning of the current fiscal year is as follows.

Net assets per share 1,903.53 yen
Net income per share 458.45 yen

(5) Details of amendment to the Articles of Incorporation in respect of the total number of authorized shares

a. Details of the amendments

(Underlined parts represent changes.)

Existing provisions	Proposed amendments
(Total number of authorized shares) Article 6 The Company's total number of authorized shares is <u>400 million shares</u>. The total number of authorized shares in each type is as follows. Common shares <u>350 million shares</u> 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 <u>750 million shares</u>. The total number of authorized shares in each type is as follows. Common shares <u>700 million shares</u> 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

b. Schedule of amendment

Effective date: Same date as the date on which the stock split takes effect (planned for October 1, 2014)

Non-consolidated Balance Sheet

As of March 31, 2014

(Millions of yen)

ASSETS	
Current assets	
Cash and time deposits	354,202
Accounts receivable	155,838
Flight equipment spare parts and supplies	17,071
Short-term prepaid expenses	6,547
Deferred tax assets	2,779
Other current assets	68,765
Allowance for doubtful accounts	(66)
Total current assets	605,138
Fixed assets	
Tangible fixed assets	
Buildings, net	29,081
Structure, net	57
Machinery, equipment, net	5,726
Flight equipment, net	434,788
Vehicles, net	461
Tools, furniture and equipment	5,680
Land	1,246
Construction suspense account	61,895
Total tangible fixed assets	538,937
Intangible fixed assets	
Software	42,882
Other intangible fixed assets	4
Total intangible assets	42,887
Investments and other assets	
Investments in securities	29,645
Investment securities in subsidiaries and affiliates	73,531
Corporate bonds of subsidiaries and affiliates	3,330
Long-term loans receivable	10,681
Long-term prepaid expenses	3,596
Deferred income tax assets	7,743
Other investments	30,989
Allowance for doubtful accounts	(107)
Total Investments and other assets	159,408
Total fixed assets	741,233
Total assets	1,346,372

Non-consolidated Balance Sheet

As of March 31, 2014

(Millions of yen)

Liabilities	
Current liabilities	
Accounts payable-trade	160,992
Short-term debt	141,580
Current maturities of long-term debt	7,413
Accounts payable - other	16,607
Lease liabilities	32,031
Accrued income taxes	678
Accrued expenses	8,506
Advances received	55,381
Deposits received	14,123
Air transport deposits received	27,511
Reserves for business restructuring	332
Other current liabilities	3,937
Total current liabilities	469,097
Non-current liabilities	
Long-term debt	43,602
Lease liabilities	45,410
Accrued pension and severance costs	123,296
Reserve for loss on antitrust liabilities	6,352
Other non-current liabilities	24,959
Total non-current liabilities	243,620
Total liabilities	712,718
Net Assets	
Shareholders' equity	
Common stock	181,352
Capital surplus	
Capital reserves	174,493
Total capital surplus	174,493
Retained earnings	
Other retained earnings	
Retained earnings brought forward	264,863
Total retained earnings	264,863
Treasury stock	
Treasury stock	(0)
Total Treasury stock	(0)
Total shareholders' equity	620,708
Valuation, translation adjustments and other	
Net unrealized gain on other securities, net of taxes	6,241
Net unrealized gain on hedging instruments, net of taxes	6,703
Total valuation, translation adjustments and other	12,945
Total net assets	633,653
Total liabilities and net assets	1,346,372

(Note) Accumulated depreciation of tangible fixed assets: 242,323 million yen

Non-consolidated Statement of Income

(April 1, 2013 – March 31, 2014)

	(Millions of yen)
Operating revenues	1,049,247
Cost of operating revenues	799,516
Gross operating profit	249,730
Selling, general and administrative expenses	128,263
Operating income	121,467
Non-operating income	
Interest income and dividend income	13,835
Foreign exchange gains	1,110
Other non-operating income	3,483
Total non-operating income	18,429
Non-operating expenses	
Interest expense	2,131
Other non-operating expenses	9,994
Total non-operating expenses	12,126
Ordinary income	127,770
Extraordinary gains	
Gain on compensation	8,411
Others	1,790
Total extraordinary gains	10,202
Extraordinary losses	
Loss on valuation of investment securities in subsidiaries and affiliates	8,728
Loss on cancellation of lease	4,554
Other	2,198
Total extraordinary losses	15,481
Net income before income taxes	122,491
Income taxes – current	(5,115)
Income taxes – deferred	(17,267)
Net income	144,874

Non-consolidated Statement of Changes in Net Assets

(April 1, 2013 – March 31, 2014)

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital Surplus		Retained earnings		Treasury stock	Total share-holders' equity
		Capital reserves	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at the end of pervious period	181,352	174,493	174,493	152,374	152,374	-	508,220
Changes of items during the period							
Dividends of surplus				(32,385)	(32,385)		(32,385)
Net income				144,874	144,874		144,874
Repurchase of treasury stock						(0)	(0)
Net changes of items other than shareholders' equity during the period							
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

	Valuation, translation adjustments and other			Total net assets
	Net unrealized gain on other securities, net of taxes	Net unrealized gain on hedging instruments, net of taxes	Total valuation, translation adjustments and other	
Balance at the end of pervious period	2,227	5,930	8,158	516,378
Changes of items during the period				
Dividends of surplus				(32,385)
Net income				144,874
Repurchase of treasury stock				(0)
Net changes of items other than shareholders' equity during the period	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	12,945	633,653

Notes to Non-Consolidated Financial Statements

1. Summary of significant accounting policies

(1) Valuation of securities

Bonds held to maturity: Amortized cost method

Investment securities in subsidiaries and affiliates

Cost method based on the moving-average method

Other securities (securities classified as such):

With market value: Evaluated based on the market price method according to market price, etc. on the date of financial closing (the difference in market price is reported in as a component of net assets, and the cost of securities sold is calculated by the moving-average method.)

Without market value: Stated at cost based on the moving average method

(2) Valuation principles and methods of inventories

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

(3) Depreciation of fixed assets

Tangible fixed assets (excluding leased assets): Straight-line method

Intangible fixed assets (excluding leased assets): Straight-line method

Leased assets

Leased assets in finance lease transactions that transfer ownership

We use the same method as the depreciation method applied to fixed assets owned by the Company.

Leased assets in finance lease transactions that do not transfer ownership

We use the straight-line depreciation method with the lease period as the useful life, and residual value as zero.

(4) Accounting standards of provisions

Accrued pension and severance costs

Net periodic pension cost is accounted for based on the projected benefit obligation and the plan assets.

Actuarial gains and losses are amortized using the straight-line method over a period of 13 to 14 years from the period subsequent to the period in which they are incurred.

Past service cost is charged to income as incurred.

Allowance for doubtful accounts

Ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to unrecoverable considering the recoverability.

Reserve for loss on antitrust liabilities

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

Reserve for business restructuring

To provide for costs for business restructuring, the reasonably estimated amount is recorded.

(5) 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. Transactions under foreign exchange forward contracts are translated at the applicable forward foreign exchange rates.

(6) Treatment of consumption taxes

Recorded at amounts exclusive of consumption taxes.

2. Change of presentation

"Reversal of provision for losses on business of subsidiaries and affiliates" under "Extraordinary gains," which was separately recorded in the previous fiscal year, was not more than 10% of total extraordinary gains and is therefore included in from the current fiscal year. For the current fiscal year, it was 841 million yen and included in "Other" under extraordinary gains.

"Impairment loss" and "Loss on disposal of fixed assets" under "Extraordinary losses," which were separately recorded in the previous fiscal year, were both not more than 10% of total extraordinary losses and are therefore included in "Other" from the current fiscal year. For the current fiscal year, "Impairment loss" and "Loss on disposal of fixed assets" were 1,274 million yen and 573 million yen, respectively, and included in "Other" under extraordinary losses.

3. Notes to non-consolidated balance sheet

(1) All amounts of less than one million yen have been rounded down in the accounts.

(2) Accumulated depreciation for tangible fixed assets 242,323 million yen

(3) Assets pledged as collateral and obligations secured by such collateral

(Assets pledged as collateral)

Aircraft	158,621 million yen
Investment securities in subsidiaries and affiliates	2,595 million yen
Corporate bonds of subsidiaries and affiliates	3,330 million yen
Long-term loans receivable	3,330 million yen
Other investments	10,807 million yen

(Obligations secured by such collateral)

Current maturities of long-term debt	7,413 million yen
Long-term debt	43,602 million yen

The above assets pledged as collateral include the following assets:

1. Assets for which revolving pledge has been established to secure debts of Tokyo International Air Terminal Corporation, an affiliate, under the syndicated loan agreement concluded between Tokyo International Air Terminal Corporation and financial institutions for the business that is the objective of the company's establishment
2. Guarantee money paid to banks with which JAL does business for derivative transactions

(4) Liabilities for guarantee, etc.

Liabilities for guarantee

(Guarantee for bank loans, etc.)

Japan Air Commuter Co., Ltd.	63 million yen
Others	89 million yen
Total	152 million yen

(5) Monetary claims and liabilities to subsidiaries and affiliates

Short-term monetary claims	73,045 million yen
Short-term monetary liabilities	191,012 million yen
Long-term monetary claims	4,114 million yen
Long-term monetary liabilities	8,303 million yen

4. Non-consolidated statement of income

(1) All amounts of less than one million yen have been rounded down in the accounts.

(2) Total transactions with subsidiaries and affiliates

Operating income	141,236 million yen
Operating expense	166,783 million yen
Amount resulting from non-business transactions	26,866 million yen

5. Tax effect accounting

Principal sources of deferred tax assets are loss brought forward, Accrued pension and severance costs and lease liabilities, etc., while principal sources of deferred tax liabilities are leased assets, etc.

6. Transactions with related parties

Subsidiaries and affiliates, etc.

Attribute	Name	Percentage of voting rights holding or being held (%)	Relations		Details of transaction	Amount (millions of yen)	Item	Ending balance (millions of yen)
			Concurrently serving, etc.	Business relations				
Subsidiary	JAL Mileage Bank Co., Ltd.	Holding direct 100%	-	Consignment of settlement related operations	Collection of proceeds from sale of air tickets (Note 1)	75,818	Accounts receivable	25,514
Subsidiary	JAL Express	Holding direct 100%	Concurrently serving 1	Joint acceptance of passenger transport	Payment of proceeds from sale of air tickets, etc. (Note 2)	136,779	Accounts payable-trade	13,033
					Borrowing and lending of money (Note 3)	–	Short-term debt	37,316
Subsidiary	JALPAK Co., Ltd.	Holding direct 96.4%	Concurrently serving 1	Consignment of sale of air tickets	Borrowing and lending of money (Note 3)	–	Short-term debt	22,754

Terms of transactions and method for determining them

(Notes) 1. Proceeds from sale of air tickets are collected under the service consignment contract, and commissions paid for the collection are determined through negotiations.

2. Proceeds from sale of air tickets, etc. are paid under the contract for joint acceptance of passenger transport and do not include commissions on the payment.

3. Since these transactions are conducted under the cash management system operated by the JAL Group, the amount of transaction is omitted. Interest rate is reasonably determined in light of the market interest rate.

7. Per share information

(1) Net assets per share 3,494.05 yen

(2) Net income per share 798.86 yen

8. Additional information

(Stock split and amendment to the Articles of Incorporation in respect of the total number of authorized shares)

At the Board of Directors' meetings held on January 31, and April 30, 2014, the Company determined to undertake a stock split of its common shares as follows. The implementation of this stock split is conditional on that the amendment to the Articles of Incorporation in respect of the total number of authorized shares is approved as extraordinary resolution at the 65th General Meeting of Shareholders to be held on Wednesday, June 18, 2014. The amendment to the Articles of Incorporation is conditional on that stock split is implemented as planned on the effective date of the amendment to the Articles of Incorporation. The two matters will become effective as one single package.

(1) Purpose of stock split and amendment to the Articles of Incorporation in respect of the total number of authorized shares

The Company determined to undertake a two-for-one stock split of its common shares with an aim of improving marketability of its shares and increasing the shareholder base through the development of an environment where the Company's common shares are more affordable to a broader range of investors, including individual investors, by lowering the per-unit price based on the general price of a shareholder's investment in companies listed on the first section of the Tokyo Stock Exchange.

Furthermore, as a result of the above stock split, the total number of issued shares will exceed 350 million shares, which is the total number of authorized shares for common shares as provided in the current Articles of Incorporation. The Company therefore determined to amend the Articles of Incorporation in respect of the total number of authorized shares.

(2) Stock split

a. 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 (Tuesday). Shares which the Company refused to register in the shareholders' register (adjusted shares held by foreigners) pursuant to provisions of the Civil Aeronautics Act will also be split.

b. Number of shares increasing as a result of the stock split

a. Total number of issued shares prior to the stock split: 181,352,000 shares

b. Number of shares increasing as a result of the stock split: 181,352,000 shares

c. Total number of issued shares after the stock split: 362,704,000 shares

d. Total number of authorized shares after the stock split: 750,000,000 shares

(3) Schedule of the stock split

a. Official notice of record date: September 12, 2014 (Friday)

b. Record date for the stock dividend: September 30, 2014 (Tuesday)

c. Effective date: October 1, 2014 (Wednesday)

(4) Impact on per share information

Per share information based on the assumption that this stock split was implemented at the beginning of the current fiscal year is as follows.

Net assets per share 1,747.03 yen
Net income per share 399.43 yen

(5) Details of amendments to the Articles of Incorporation in respect of the total number of authorized shares

a. Details of the amendments

(Underlined parts represent changes.)

Existing provisions	Proposed amendments
(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

b. Schedule of amendment

Effective date: Same date as the date on which the stock split takes effect (planned for October 1, 2014)

9. Other notes

(Business combination)

(1) Outline of business combination

At the Board of the Directors' meeting held on March 26, 2014, the Company approved to conduct an absorption-type merger to integrate JAL Express Co., Ltd. (hereafter "JEX"), a wholly-owned subsidiary of the Company, with the Company with October 1, 2014, as the date of merger (effective date).

a. Names of the companies subject to business combination and details of their businesses

(i) Company to merge

Name: Japan Airlines Co., Ltd.

Businesses: Air transport services

(ii) Company to be merged

Name: JAL Express Co., Ltd.

Businesses: Air transport services

b. Legal form of business combination and the name of the company after merger

This business combination is an absorption-type merger in which the Company is the surviving company and JEX is the dissolving company. The name of the company after the merger will be Japan Airlines Co., Ltd.

c. Purpose and details of transaction

(i) Purpose of merger

The JAL Group aims to stabilize the domestic business, through enhancing the mobility of making the best match between capacity and traffic, and improving inflight human service of domestic flights.

(ii) Details of transaction

Because this is a merger of Company's wholly-owned subsidiary by the Company, there will be no consideration for the merger. Furthermore, there will be no issuance of new shares or cash payment in connection with this merger.

(2) Accounting treatment

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013), this business combination will be treated as a transaction under common control.

Independent Auditor's Report

May 8, 2014

To the Board of Directors of
Japan Airlines Co., Ltd.

KPMG AZSA LLC
Hideki Amano (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Atsuki Kanezuka (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Ikuo Hiruma (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Pursuant to Article 444-4 of the Companies Act, we have audited the consolidated financial statements, which comprise the consolidated balance sheet as of March 31, 2014, and the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Japan Airlines Co., Ltd. for the 65th fiscal year from April 1, 2013 to March 31, 2014.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and implemented depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of overall presentation of the consolidated financial statements, and the evaluation of accounting principles and methods used and estimates made by management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Japan Airlines Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Independent Auditor's Report

May 8, 2014

To the Board of Directors of
Japan Airlines Co., Ltd.

KPMG AZSA LLC
Hideki Amano (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Atsuki Kanezuka (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Ikuo Hiruma (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Pursuant to Article 436 (2) (i) of the Companies Act, we have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet as of March 31, 2014, and the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Japan Airlines Co., Ltd. for the 65th fiscal year from April 1, 2013 to March 31, 2014.

Management's Responsibility for the Non-consolidated Financial Statements and Others

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the non-consolidated financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. The procedures selected and implemented depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of overall presentation of the non-consolidated financial statements and the supplementary schedules, and the evaluation of accounting principles and methods used and estimates made by management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Japan Airlines Co., Ltd. for the period, for which the non-consolidated financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Audit Report of the Board of Corporate Auditors

Audit Report

Based on the audit reports prepared by Audit & Supervisory Board Members with regard to the performance of duties by the Directors of Japan Airlines Co., Ltd. (the "Company") for the 65th fiscal year from April 1, 2013 to March 31, 2014, the Board of Corporate Auditors of the Company prepares this audit report after deliberation and reports as follows:

1. Auditing methods used by Corporate Auditors and the Board of Corporate Auditors, and details of audit

The Board of Corporate Auditors specified auditing policies, assigned duties to each Audit & Supervisory Board Member and, received reports from each Audit & Supervisory Board Member on the status of implementation and results of audit, as well as received reports from Directors, etc. and accounting auditors on the status and results of the execution of their duties and asked them for explanation as necessary.

Pursuant to the audit policies and audit plan, etc., all Audit & Supervisory Board Members endeavored to collect information and establish audit environment, attended Board of Directors' meetings and other important meetings, received reports from directors and employees on the status and results of the execution of duties and asked them for explanation as necessary, reviewed important approval documents, etc. and conducted investigation on the status of business operations and assets of the Company. Furthermore, Audit & Supervisory Board Members verified the contents of the resolution by the Board of Directors regarding the establishment of an internal control system as stipulated in Article 100, Paragraph (1) and Paragraph (3) of the Ordinance for Enforcement of the Companies Act for ensuring that the execution of duties by Directors conforms with laws and regulations and the Company's Articles of Incorporation and for otherwise ensuring proper business conduct by companies as well as the operational situation and the internal control system established based on said resolution. For subsidiaries, all Audit & Supervisory Board Members communicated and exchanged information with Directors, Audit & Supervisory Board Members, etc. of the subsidiaries, received business reports as necessary, and investigated the situation of business operations and assets. Business reports and supplementary statement thereto for the 65th fiscal term were examined based on the abovementioned methods.

We have also verified whether accounting auditors maintained independence and properly implemented its audit, received the accounting auditor's reports on the execution of their duties, and asked them for explanation as necessary. The accounting auditors reported to us that the systems for ensuring proper execution of duties have been developed in accordance with the "Quality Control Standards concerning Audit" (prepared by the Business Accounting Council) and other applicable regulations and we asked them for explanation as necessary.

Based on the methods mentioned above, we have reviewed the non-consolidated financial statements and their supplementary schedules, and the consolidated financial statements for the said fiscal year.

2. Audit Results

(1) Results of audit of the business reports, etc.

1) We confirm that the business reports and supplementary statement thereto present fairly the situation of the Company in accordance with relevant laws and regulations and the Company's Articles of Incorporation.

2) We found no wrongful act or material fact in violation of law or ordinance or the Company's Articles of Incorporation with respect to the execution of duties by the Directors.

3) We confirm that past resolutions of the Board of Directors on the internal control system are proper. We found no matter to be pointed out on the execution of duties by the directors with respect to the internal control system.

(2) Result of audit of non-consolidated financial statements and supplementary statement thereto

We confirm that the auditing methods used and results KPMG AZSA LLC, Accounting Auditor, are proper and correct.

(3) Result of audit of consolidated financial statements

We confirm that the auditing methods used and results of KPMG AZSA LLC, Accounting Auditor, are proper and correct.

May 9, 2014

The Board of Corporate Auditors of Japan Airlines Co., Ltd.

Full-time Audit & Supervisory Board Member Hisao Taguchi (Seal)
Full-time Audit & Supervisory Board Member Yasushi Suzuka (Seal)
Audit & Supervisory Board Member Eiji Katayama (Seal)
Audit & Supervisory Board Member Hiroyuki Kumasaka (Seal)
Audit & Supervisory Board Member Shinji Hatta (Seal)

(Note) Audit & Supervisory Board Members Eiji Katayama, Hiroyuki Kumasaka and Shinji Hatta are External Audit & Supervisory Board Members of the Company as defined in Article 16 Paragraph (2) and Article 335 Paragraph (3) of the Companies Act.