Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Financial Information

For the years ended March 31, 2008 and 2007

1. Consolidated Financial Highlights

(Amounts of less than one million yen have been omitted.)

a. Consolidated operating results

(1)	Total operating revenues:	FY07	¥2,230,416	million	(-3.1%)
		FY06	¥2,301,915	million	(4.7%)
(2)	Operating income:	FY07	¥ 90,013	million	(292.8%)
		FY06	¥ 22,917	million	(–)
(3)	Ordinary income:	FY07	¥ 69,817	million	(239.3%)
		FY06	¥ 20,576	million	(–)
(4)	Net income (loss):	FY07	¥ 16,921	million	(–)
		FY06	¥ (16,267)	million	(–)
(5)	Net income (loss) per share:	FY07	¥ 6.20		
		FY06	¥ (6.52)		
(6)	Diluted net income per share:	FY07	¥ 6.03		
		FY06	¥ –		
(7)	Return on equity:	FY07	4.4%		
		FY06	-6.2%		
(8)	Ordinary income as a percentage of total assets:	FY07	3.3%		
		FY06	1.0%		
(9)	Operating income as a percentage of total operating revenues:	FY07	4.0%		
		FY06	1.0%		
(10)	Equity in earnings of affiliates:	FY07	¥ 2,176	million	
		FY06	¥ 2,481	million	

1 Consolidated Financial Highlights (continued)

b. Consolidated financial position

(1)	Total assets:	FY07	¥2,122,784 million
		FY06	¥2,091,233 million
(2)	Total net assets:	FY07	¥ 471,070 million
		FY06	¥ 331,873 million
(3)	Net assets ratio excluding minority interests:	FY07	21.4%
		FY06	14.9%
(4)	Net assets per common share excluding minority interests:	FY07	¥ 110.08
		FY06	¥ 113.97

Note 1. Total net assets excluding minority interests:

March 31, 2008	¥ 453,934 million
March 31, 2007	¥ 311,087 million

c. Consolidated cash flows

(1)	Net cash provided by operating activities:	FY07	¥ 157,331 million
		FY06	¥ 127,748 million
(2)	Net cash used in investing activities:	FY07	¥ (26,229) million
		FY06	¥ (56,216) million
(3)	Net cash provided by (used in) financing activities:	FY07	¥ 36,896 million
		FY06	¥ (53,007) million
(4)	Cash and cash equivalents at end of year:	FY07	¥ 354,037 million
		FY06	¥ 191,381 million

2. Dividends

a. Common stock

(1)	Annual dividends per share:	FY06	¥0.00
		FY07	¥0.00
		FY08 (forecast)	¥0.00
(2)	Total annual dividends:	FY06	–
		FY07	–
(3)	Dividends as a percentage of net income:	FY06	–
		FY07	–
		FY08 (forecast)	–
(4)	Dividends as a percentage of net assets:	FY06	–
		FY07	–

2. Dividends (continued)

b. Preferred stock

(1)	Year-end dividends per share:	FY08 (forecast)	¥10.27
(2)	Annual dividends per share:	FY08 (forecast)	¥10.27
(3)	Total annual dividends:	FY08 (forecast)	¥6,305 million

3. Consolidated Financial Forecast for the Year Ending March 31, 2009

a.	Total operating revenues:	¥2,184,000 million	(-2.1%)
b.	Operating income:	¥ 50,000 million	(-44.5%)
c.	Ordinary income:	¥ 30,000 million	(-57.0%)
d.	Net income:	¥ 13,000 million	(-23.2%)
e.	Net income per share:	¥ 2.45	

For the assumptions underlying the above forecast and other concerns, refer to page 14 of the attached documents.

4. Other Information

a. Significant changes in scope of consolidation

Not applicable.

For more information, refer to page 33 of the attached documents.

b. Changes in accounting policy

(1) Changes due to revision or adoption of accounting standards

Changes in accounting policy were made for the year ended March 31, 2008

(2) Other changes

Not applicable.

For more information, refer to page 41 of the attached documents.

4. Other Information (continued)

c. Number of shares of common stock in issue

(1) Number of shares of common stock in issue including common stock in treasury at end of the year:

March 31, 2008	2,732,383,250
March 31, 2007	2,732,383,250

(2) Number of shares of common stock in treasury at end of the year:

March 31, 2008	3,037,499
March 31, 2007	2,934,602

Non-Consolidated Financial Highlights (Reference Information)

(Amounts of less than one million yen have been omitted.)

1. Non-Consolidated Operating Results

(1)	Total operating revenues:	FY07	¥	16,595	million	(-23.9%)
		FY06	¥	21,808	million	(-6.2%)
(2)	Operating income:	FY07	¥	1,092	million	(-87.3%)
		FY06	¥	8,594	million	(-1.3%)
(3)	Ordinary income:	FY07	¥	1,011	million	(-88.2%)
		FY06	¥	8,573	million	(-0.2%)
(4)	Net income:	FY07	¥	1,167	million	(-86.6%)
		FY06	¥	8,742	million	(–)
(5)	Net income per share:	FY07	¥	0.43		
		FY06	¥	3.50		
(6)	Diluted net income per share:	FY07	¥	0.42		
		FY06	¥	3.23		

2. Non-Consolidated Financial Position

(1)	Total assets:	FY07	¥	1,101,389	million
		FY06	¥	927,700	million
(2)	Total net assets:	FY07	¥	448,421	million
		FY06	¥	293,953	million
(3)	Net assets ratio:	FY07		40.7%	
		FY06		31.7%	
(4)	Net assets per common share:	FY07	¥	108.04	
		FY06	¥	107.67	

Note 1. Net assets excluding share subscription rights:

March 31, 2008	¥ 448,421 million
March 31, 2007	¥ 293,953 million

Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

Japan Airlines Corporation (the “Company”) has equity interests in 225 subsidiaries and currently consolidates 133 subsidiaries, including the following principal subsidiaries:

JAPAN AIRLINES INTERNATIONAL CO., LTD.
JAPAN ASIA AIRWAYS CO., LTD. (*)
JAPAN TRANS OCEAN AIR CO., LTD.
JALWAYS CO., LTD.
JAL EXPRESS CO., LTD.
JAPAN AIR COMMUTER CO., LTD.
JALPAK CO., LTD.
JAL TOURS CO., LTD.
JAL HOTELS COMPANY LTD.

(*) Merged with Japan Airlines International Co., Ltd. on April 1, 2008

The number of unconsolidated subsidiaries is currently 92 and the number of affiliates is currently 82, including 17 companies which are accounted for by the equity method.

Changes in the scope of consolidation and adoption of the equity method are summarized as follows:

Consolidation:

Increase of 1: CHUBU SKY SUPPORT CO., LTD.(*1)

Decrease of 10: JAL NAVIA TOKYO CO., LTD. (*2)
SHURIKANKO CO., LTD. (*3)
HARLEQUIN AIR CO., LTD. (*3)
NIKKO HOTELS (U.K.) LTD. (*4)
PACIFIC FUEL TRADING CORPORATION (*4)
HOTEL NIKKO SAIPAN, INC. (*4)
MICRONESIAN HOSPITALITY, INC. (*4)
ASAHIKAWA RESORT DEVELOPMENT CO., LTD. (*4)
TOMAKOMAI RYOKKA KAIHATSU CO., LTD. (*4)
AGP CORPORATION (*5)

(*1) Became material and shares of the above company were purchased.

(*2) Merged with JAL Navia Co., Ltd., formerly JAL Plaza Co., Ltd.

(*3) Became immaterial.

(*4) Shares of the above companies were sold.

(*5) Excluded from consolidation due to decrease in equity interest resulting from sales of shares of the above company.

Equity method:

Increase of 1: AGP CORPORATION (*5)

Decrease of 4: JAMCO CORPORATION (*6)
TOKYO CITY AIR TERMINAL CO., LTD. (*6)
AIR TRANSPORT SERVICE CO., LTD. (*6)
TOKYO AIRPORT HEATING & COOLING CO., LTD. (*6)

(*6) Shares of the above companies were sold.

Japan Airlines Corporation and Consolidated Subsidiaries

Comparative Consolidated Balance Sheets

March 31, 2007 and 2008

	2007	2008	Change
		(Millions of yen)	
Assets			
I. Current assets:			
Cash and time deposits	¥ 198,933	¥ 354,977	¥156,044
Notes and accounts receivable – trade	262,564	241,349	(21,215)
Short-term investments in securities	13,234	8,795	(4,439)
Supplies	82,881	90,985	8,103
Deferred income taxes	2,549	2,595	46
Other current assets	150,156	115,187	(34,968)
Allowance for bad debts	(3,008)	(3,575)	(566)
Total current assets	707,311	810,315	103,004
II. Fixed assets:			
Tangible fixed assets:			
Buildings and structures	174,019	116,698	(57,321)
Machinery, equipment and vehicles	31,532	30,772	(760)
Flight equipment	742,545	721,967	(20,577)
Land	42,773	35,609	(7,164)
Construction in progress	105,418	113,247	7,829
Other tangible fixed assets	20,101	18,821	(1,280)
Total tangible fixed assets	1,116,391	1,037,117	(79,274)
Intangible fixed assets:			
Software	75,440	81,876	6,436
Other intangible fixed assets	1,566	961	(605)
Total intangible fixed assets	77,007	82,838	5,830
Investments:			
Investments in securities	66,561	62,174	(4,386)
Long-term loans receivable	13,580	12,720	(859)
Deferred income taxes	7,751	5,593	(2,157)
Other investments	104,344	112,728	8,384
Allowance for bad debts	(2,382)	(2,638)	(255)
Total investments	189,853	190,579	725
Total fixed assets	1,383,253	1,310,534	(72,718)
III. Deferred charges:			
Stock issuance expenses	669	1,933	1,264
Total deferred charges	669	1,933	1,264
Total assets	¥2,091,233	¥2,122,784	¥ 31,550

	2007	2008	Change
		(Millions of yen)	
Liabilities			
I. Current liabilities:			
Accounts payable – trade	¥ 263,885	¥ 264,914	¥ 1,028
Short-term borrowings	4,810	3,084	(1,725)
Current portion of bonds	70,000	28,000	(42,000)
Current portion of long-term loans	110,549	130,335	19,785
Accrued income taxes	5,172	4,454	(717)
Allowance for bonuses to employees	–	4,526	4,526
Reserve for loss on antitrust litigation	–	2,003	2,003
Deferred income taxes	16,585	15,016	(1,568)
Other current liabilities	188,792	208,894	20,101
Total current liabilities	659,796	661,229	1,432
II. Non-current liabilities:			
Bonds	130,229	102,229	(28,000)
Long-term loans	705,957	651,416	(54,540)
Accrued pension and severance costs	129,061	95,485	(33,576)
Reserve for loss on antitrust litigation	–	15,210	15,210
Deferred income taxes	9,012	17,192	8,180
Other non-current liabilities	125,303	108,950	(16,353)
Total non-current liabilities	1,099,563	990,483	(109,080)
Total liabilities	1,759,360	1,651,713	(107,647)
Net assets			
I. Stockholders' equity:			
Common stock and preferred stock	174,250	251,000	76,750
Capital surplus	79,096	155,836	76,740
Retained earnings	24,776	41,320	16,544
Common stock in treasury, at cost	(887)	(890)	(3)
Total stockholders' equity	277,235	447,266	170,030
II. Valuation, translation adjustments and other:			
Net unrealized gain on other securities, net of taxes	3,557	2,578	(979)
Net unrealized gain on hedging instruments, net of taxes	35,314	8,167	(27,147)
Translation adjustments	(5,020)	(4,077)	943
Total valuation, translation adjustments and other	33,851	6,668	(27,183)
III. Minority interests	20,785	17,136	(3,649)
Total net assets	331,873	471,070	139,197
Total liabilities and net assets	¥2,091,233	¥2,122,784	¥ 31,550

Japan Airlines Corporation and Consolidated Subsidiaries

Comparative Consolidated Statements of Operations

For the years ended March 31, 2007 and 2008

	2007	2008	Change
		(Millions of yen)	
Operating revenues	¥2,301,915	¥2,230,416	¥ (71,498)
Cost of operating revenues	1,885,211	1,776,979	(108,231)
Gross Profit	416,703	453,436	36,733
Selling, general and administrative expenses	393,785	363,423	(30,362)
Operating income	22,917	90,013	67,095
Non-operating income:			
Interest income	3,471	4,859	1,388
Dividend income	2,470	2,365	(104)
Equity in earnings of affiliates	2,481	2,176	(305)
Exchange gain, net	18,036	4,070	(13,966)
Other non-operating income	7,374	7,354	(20)
Total non-operating income	33,834	20,825	(13,008)
Non-operating expenses:			
Interest expense	19,068	20,009	940
Loss on sales and disposal of flight equipment	12,257	11,871	(386)
Other non-operating expenses	4,849	9,140	4,291
Total non-operating expenses	36,175	41,021	4,845
Ordinary income	20,576	69,817	49,240
Extraordinary gain:			
Gain on sales of fixed assets	8,822	5,988	(2,834)
Gain on sales of investments in securities	34,338	20,557	(13,781)
Gain recognized upon separation of substitutional portion of benefit obligation of welfare pension fund plan, net	–	5,528	5,528
Other extraordinary gain	9,251	4,158	(5,093)
Total extraordinary gain	52,413	36,232	(16,180)
Extraordinary losses:			
Loss on sales and disposal of fixed assets	3,546	–	(3,546)
Special termination benefits	8,517	20,016	11,499
Loss on partial termination of defined benefit plan	2,291	–	(2,291)
Loss on impairment of fixed assets	2,600	13,501	10,900
Non-recurring depreciation	–	9,116	9,116
Provision of reserve for loss on antitrust litigation	–	17,213	17,213
Other extraordinary losses	3,976	16,368	12,391
Total extraordinary losses	20,933	76,217	55,283
Income before income taxes and minority interests	52,055	29,832	(22,223)
Income taxes – current	9,953	4,897	(5,056)
Income taxes – deferred	54,424	6,894	(47,530)
Minority interests	(3,945)	(1,118)	2,826
Net (loss) income	¥ (16,267)	¥ 16,921	¥ 33,188

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2007

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings (accumulated deficit)	Common stock in treasury, at cost	Total stockholders' equity
			(Millions of yen)		
Balance at March 31, 2006	¥100,000	¥ 136,145	¥ (90,186)	¥(892)	¥145,065
Changes during the year ended March 31, 2007:					
Issuance of common stock	74,250	74,250			148,500
Transfer from capital surplus to accumulated deficit in accordance with a resolution approving elimination of deficit		(131,274)	131,274		–
Bonuses to directors and statutory auditors			(26)		(26)
Net loss for the year ended March 31, 2007			(16,267)		(16,267)
Purchases of common stock in treasury				(131)	(131)
Sales of common stock in treasury		(24)		129	105
Changes in scope of consolidation and application of the equity method			(17)	8	(9)
Changes other than stockholders' equity, net					
Total changes	74,250	(57,048)	114,962	5	132,169
Balance at March 31, 2007	¥174,250	¥ 79,096	¥ 24,776	¥(887)	¥277,235

	Valuation, translation adjustments and other					
	Net unrealized gain on other securities, net of taxes	Net unrealized gain on hedging instruments, net of taxes	Translation adjustments	Total valuation, translation adjustments and other	Minority interests	Total net assets
				(Millions of yen)		
Balance at March 31, 2006	¥ 8,777	¥ –	¥(5,776)	¥ 3,000	¥27,449	¥175,515
Changes during the year ended March 31, 2007:						
Issuance of common stock						148,500
Transfer from capital surplus to accumulated deficit in accordance with a resolution approving elimination of deficit						–
Bonuses to directors and statutory auditors						(26)
Net loss for the year ended March 31, 2007						(16,267)
Purchases of common stock in treasury						(131)
Sales of common stock in treasury						105
Changes in scope of consolidation and application of the equity method						(9)
Changes other than stockholders' equity, net	(5,219)	35,314	756	30,851	(6,664)	24,187
Total changes	(5,219)	35,314	756	30,851	(6,664)	156,357
Balance at March 31, 2007	¥ 3,557	¥35,314	¥(5,020)	¥33,851	¥20,785	¥331,873

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets (continued)

For the year ended March 31, 2008

	Stockholders' equity				
	Common stock and preferred stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total stockholders' equity
	(Millions of yen)				
Balance at March 31, 2007	¥174,250	¥ 79,096	¥24,776	¥(887)	¥277,235
Changes during the year ended March 31, 2008:					
Issuance of preferred stock	76,750	76,750			153,500
Net income for the year ended March 31, 2008			16,921		16,921
Changes in scope of application of the equity method			(377)	13	(363)
Changes in ownership interests in affiliates accounted for by the equity method				44	44
Purchases of common stock in treasury				(139)	(139)
Sales of common stock in treasury		(9)		77	67
Changes other than stockholders' equity, net					
Total changes	76,750	76,740	16,544	(3)	170,030
Balance at March 31, 2008	¥251,000	¥155,836	¥41,320	¥(890)	¥447,266

	Valuation, translation adjustments and other					
	Net unrealized gain on other securities, net of taxes	Net unrealized gain on hedging instruments, net of taxes	Translation adjustments	Total valuation, translation adjustments and other	Minority interests	Total net assets
	(Millions of yen)					
Balance at March 31, 2007	¥3,557	¥ 35,314	¥(5,020)	¥33,851	¥20,785	¥331,873
Changes during the year ended March 31, 2008:						
Issuance of preferred stock						153,500
Net income for the year ended March 31, 2008						16,921
Changes in scope of application of the equity method						(363)
Changes in ownership interests in affiliates accounted for by the equity method						44
Purchases of common stock in treasury						(139)
Sales of common stock in treasury						67
Changes other than stockholders' equity, net	(979)	(27,147)	943	(27,183)	(3,649)	(30,832)
Total changes	(979)	(27,147)	943	(27,183)	(3,649)	139,197
Balance at March 31, 2008	¥2,578	¥ 8,167	¥(4,077)	¥ 6,668	¥17,136	¥471,070

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the years ended March 31, 2007 and 2008

	2007	2008
	(Millions of yen)	
Operating activities		
Income before income taxes and minority interests	¥ 52,055	¥ 29,832
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	117,561	116,580
Gain and loss on sales and loss on revaluation of short-term investments in securities and investments in securities, net	(34,028)	(18,596)
Gain and loss on sales and disposal of fixed assets and loss on impairment of fixed assets, net	8,459	21,824
Net provision for accrued pension and severance costs	(10,308)	(32,522)
Interest and dividend income	(5,941)	(7,224)
Interest expense	19,068	20,009
Exchange loss, net	166	2,857
Equity in earnings of affiliates	(2,481)	(2,176)
(Increase) decrease in notes and accounts receivable – trade	(32,437)	12,179
Decrease (increase) in supplies	813	(9,055)
Increase in accounts payable – trade	33,592	10,775
Other	486	30,857
Subtotal	147,005	175,341
Interest and dividends received	6,982	7,945
Interest paid	(19,154)	(19,300)
Income taxes paid	(7,085)	(6,654)
Net cash provided by operating activities	127,748	157,331
Investing activities		
Purchases of time deposits	(8,751)	(1,290)
Proceeds from maturity of time deposits	1,121	8,044
Purchases of fixed assets	(153,251)	(174,831)
Proceeds from sales of fixed assets	54,697	115,759
Purchases of short-term investments in securities	(11,759)	(9,012)
Proceeds from sales and maturity of short-term investments in securities	6,039	10,576
Purchases of investments in securities	(5,126)	(1,604)
Proceeds from sales and maturity of investments in securities	43,146	16,051
Proceeds from purchase of a subsidiary resulting in change in scope of consolidation	–	95
Payments for sales of consolidated subsidiaries resulting in change in scope of consolidation	–	(722)
Proceeds from sales of consolidated subsidiaries resulting in change in scope of consolidation	9,552	8,716
Loans receivable made	(2,051)	(1,397)
Collection of loans receivable	4,799	3,182
Proceeds from business transfer of a subsidiary	4,944	–
Other	423	203
Net cash used in investing activities	(56,216)	(26,229)

Japan Airlines Corporation and Consolidated Subsidiaries

Consolidated Statements of Cash Flows (continued)

For the years ended March 31, 2007 and 2008

	2007	2008
	(Millions of yen)	
Financing activities		
Increase (decrease) in short-term borrowings, net	¥ 2,556	¥ (2,747)
Proceeds from long-term loans	22,122	82,786
Repayment of long-term loans	(112,815)	(122,592)
Proceeds from issuance of common and preferred stock	147,607	151,825
Redemption of bonds	(109,771)	(70,000)
Dividends paid to stockholders	(18)	(6)
Dividends paid to minority interests	(584)	(284)
Other	(2,106)	(2,083)
Net cash (used in) provided by financing activities	(53,007)	36,896
Effect of exchange rate changes on cash and cash equivalents	414	(3,644)
Net increase in cash and cash equivalents	18,937	164,354
Cash and cash equivalents at beginning of year	172,132	191,381
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	310	–
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(1,698)
Cash and cash equivalents at end of year	¥ 191,381	¥ 354,037
Reconciliation between cash and time deposits in consolidated balance sheets and cash and cash equivalents at end of year		
Cash and time deposits in consolidated balance sheets	¥ 198,933	¥ 354,977
Time deposits with original maturities of more than three months	(9,329)	(1,415)
Short-term investments in securities with original maturities of three months or less	1,777	475
Cash and cash equivalents at end of year	¥ 191,381	¥ 354,037

1. Summary of Significant Accounting Policies

a. Basis of presentation

The Company and its consolidated domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted and applied in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and its consolidated foreign subsidiaries in conformity with those of their respective countries of domicile. The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Japan.

Amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

b. Principles of consolidation and accounting for investments in affiliates

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

The balance sheet date of 20 of the consolidated subsidiaries is December 31, 2007 and for 1 consolidated subsidiary, it is February 29, 2008. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1, 2008 through March 31, 2008 and the period from March 1, 2008 through March 31, 2008 have been adjusted, if necessary.

Investments in significant affiliates are accounted for by the equity method.

The assets and liabilities of newly consolidated subsidiaries are stated at fair value as of their respective acquisition dates. The differences between the cost and the underlying fair value of net assets at the dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are amortized by the straight-line method over a period of 5 years.

1. Summary of Significant Accounting Policies (continued)

c. Cash equivalents

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

d. Inventories

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

e. Securities

Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of net assets, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

f. Derivatives

Derivatives are stated at fair value.

g. Depreciation and amortization of tangible and intangible fixed assets

Tangible fixed assets

Aircraft	–	The straight-line method or the declining-balance method based on the estimated useful life of the aircraft

Japan Airlines International Co., Ltd. ("JALI," which is a consolidated subsidiary of the Company) has adopted new estimated useful lives for certain aircraft, resulting from a review of the useful lives and residual value of aircraft for which sales contracts are certain to be entered into. In addition, JALI has also adopted new estimated useful lives for certain spare parts, resulting from a review of the useful lives of spare parts related to certain types of aircraft whose approximate retirement dates have been determined. As a result of the adoption of these new estimated useful lives, operating income, ordinary income and income before income taxes and minority interests decreased by ¥184 million, ¥96 million and ¥9,189 million, respectively, for the year ended March 31, 2008 from the corresponding amounts which would have been recorded if the former estimated useful lives had been applied.

Other tangible fixed assets of:

Japan Airlines International Co., Ltd.	–	The straight-line method based on their estimated useful lives
Other companies	–	Principally the declining-balance method based on their estimated useful lives

1. Summary of Significant Accounting Policies (continued)

g. Tangible and intangible fixed assets (continued)

Changes in Accounting Policy

Effective April 1, 2007, the Company and most domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or after April 1, 2007. The impact on operating income, ordinary income and income before income taxes and minority interests was immaterial for the year ended March 31, 2008.

Effective April 1, 2007, the Company and most domestic consolidated subsidiaries have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. Such tangible fixed assets are to be depreciated based on the difference between the equivalent of 5% of acquisition cost and memorandum value over a period of 5 years once they have been fully depreciated to the limits of their respective depreciable amounts effective April 1, 2007. The impact on operating income, ordinary income and income before income taxes and minority interests was immaterial.

Intangible fixed assets	–	The straight-line method based on their estimated useful lives

h. Deferred charges

Stock issuance expenses are capitalized and are being amortized over a period of 3 years.

i. Accrued pension and severance costs

To provide for employees' severance indemnities, net periodic pension cost is accounted for based on the projected benefit obligation and the plan assets.

The unrecognized obligation at transition is being amortized by the straight-line method principally over a period of 15 years. However, JALI introduced a revised pension scheme under which employees have the option to change a portion of their existing lump-sum payments of retirement benefits to a defined contribution plan or to an early payment scheme on October 1, 2005. The portion of the unrecognized obligation at transition which relates to reducing the benefit obligation by the introduction of the option referred to above is being amortized by the straight-line method over a period of 8 years in accordance with Paragraph 15, "Transitional Arrangement," of "Accounting for the Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan Implementation Guidance No.1).

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

1. Summary of Significant Accounting Policies (continued)

i. Accrued pension and severance costs (continued)

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

Airport Ground Service Pension Fund (reorganized as a corporate pension fund and renamed JAL Ground Service Pension Fund on March 31, 2008), consisting of JAL Ground Service Co., Ltd. and JAL Ground Service Kansai Co., Ltd., received approval from the Minister of Health, Labour and Welfare with respect to its application for exemption from the benefit obligation related to future employee services under the substitutional portion of the Welfare Pension Fund Plan (WPFP) on April 10, 2007 and the portion related to past services on March 31, 2008. As a result, operating income and ordinary income both increased by ¥101 million and income before income taxes and minority interests increased by ¥5,629 million for the year ended March 31, 2008.

On March 15, 2007, JALI received approval from the Minister of Health, Labour and Welfare with respect to its application for exemption from the benefit obligation related to future employee services under the substitutional portion of the WPFP. At March 31, 2008, the estimated amount of pension assets to be transferred was ¥70,372 million. The potential effect for the year ended March 31, 2008, estimated as if the transfer of pension assets had been made as of the same date, in accordance with paragraph 44-2 of the "Practical Guidelines on Retirement Benefit Accounting (Interim Report)," Report No. 13 of the Accounting System Committee of the Japanese Institute of Certified Public Accountants, would have been to increase extraordinary loss by ¥6,312 million.

Effective April 1, 2008, JALI revised its retirement plan. As a result, operating income, ordinary income and income before income taxes and minority interests increased by ¥20,077 million for the year ended March 31, 2008.

Certain consolidated subsidiaries changed a portion of their retirement benefit plans to defined contribution plans on April 1, 2007 or October 1, 2007, and applied "Accounting for the Transfer between Retirement Benefit Plans" (Accounting Standards Board of Japan Implementation Guidance No. 1). The impact on operating income, ordinary income and income before income taxes and minority interests was immaterial for the year ended March 31, 2008.

Certain consolidated subsidiaries revised their methods of accounting for the projected benefit obligation from simplified methods to the standard method. Consequently, extraordinary loss of ¥508 million was recorded as the resulting difference in computation for the year ended March 31, 2008.

j. Allowance for bad debts

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

1. Summary of Significant Accounting Policies (continued)

k. Reserve for loss on antitrust litigation

JALI is alleged to have been involved in anti-competitive practices such as price-fixing with many international cargo operators. Its cargo operation office in Frankfurt was inspected by the European Union antitrust authorities on February 14, 2006. On the same date, the U.S. Department of Justice inspected JALI's cargo operation office in New York JALI is also being investigated by competition authorities in other jurisdications including Canada, Switzerland, and Australia. In addition, numerous and varied class action lawsuits have been initiated in the United States against many international airlines including JALI, claiming that certain price-fixing practices alleged in said lawsuits have damaged their interests. No specific amounts of damages or compensation have been claimed in these class action proceedings. Class action lawsuits have also been filed in Canada and Australia.

With regard to an investigation by U.S. Department of Justice, JALI agreed in April 2008 to pay a fine of US$ 110 million and an allowance has been made to cover that liability. With regard to an investigation by the European Union antitrust authority, the allowance for the Company's exposure is provided at the amount that the company can reasonably estimate in the current circumstances. However, in respect of the aforementioned lawsuits and the investigations by the authorities of other jurisdictions, it is not possible to estimate the amounts of the Company's liabilities reasonably or to predict with assurance that certain liabilities will actually be incurred.

l. Allowance for bonuses to employees

In certain domestic consolidated subsidiaries, allowance for bonuses to employees is provided based on the estimated amounts of future payments attributable to employee services that have been rendered up to the date of the balance sheet. The bonus amounts are determined taking the performance results of the Company and such subsidiaries into consideration.

m. Foreign currency accounts

Foreign currency receivables and payables are translated into yen at the applicable year-end exchange rates and any gain or loss on translation is included in current earnings.

Translation adjustments arising from the translation of assets, liabilities, revenues and expenses of the consolidated subsidiaries and affiliates accounted for by the equity method into yen at the applicable exchange rates at the year end are presented in minority interests and translation adjustments in the consolidated balance sheets.

1. Summary of Significant Accounting Policies (continued)

n. Leases

As lessee

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

As lessor

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

o. 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.

Foreign currency receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met.

The related interest differential paid or received on interest-rate swaps used as hedging instruments is recognized over the term of each swap agreement as an adjustment to the interest expense of the underlying hedged items if certain conditions are met.

p. Consumption taxes

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

q. Income taxes

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

2. Other Information

a. Accumulated depreciation at March 31, 2007 and 2008 amounted to ¥1,497,366 million and ¥1,420,162 million, respectively.

b. At March 31, 2007 and 2008, contingent liabilities for guarantees amounted to ¥5,187 million and ¥4,471 million, respectively. In addition, at March 31, 2007 and 2008, contingent liabilities for commitments to guarantees, keep-well agreements and other amounted to ¥507 million and ¥981 million, respectively.

JALI is alleged to have been involved in anti-competitive practices such as price-fixing with many international cargo operators. Its cargo operation office in Frankfurt was inspected by the European Union antitrust authorities on February 14, 2006. On the same date, the U.S. Department of Justice inspected JALI's cargo operation office in New York. JALI is also being investigated by competition authorities in other jurisdications including Canada, Switzerland, and Australia. In addition, numerous and varied class action lawsuits have been initiated in the United States against many international airlines including JALI, claiming that certain price-fixing practices alleged in said lawsuits have damaged their interests. No specific amounts of damages or compensation have been claimed in these ongoing proceedings. Class action lawsuits have also been filed in Canada and Australia.

Management of the Company holds the view that investigations and class action lawsuits on alleged anti-competitive practices could have a material impact on the financial results of the Company and the group. With regard to an investigation by U.S. Department of Justice, JALI agreed in April 2008 to pay a fine of US$ 110 million and an allowance has been made to cover that liability. With regard to an investigation by the European Union antitrust authority, the allowance for the Company's exposure is provided at the amount that the company can reasonably estimate in the current circumstances. However, in respect of the aforementioned lawsuits and the investigations by the authorities of other jurisdictions, it is not possible to estimate the amounts of the Company's liabilities reasonably or to predict with assurance that certain liabilities will actually be incurred.

c. At March 31, 2007 and 2008, assets pledged as collateral amounted to ¥847,378 million and ¥817,643 million, respectively. Furthermore, shares of certain consolidated subsidiaries were pledged as collateral at March 31, 2007 and 2008.

At March 31, 2007 and 2008, collateralized indebtedness amounted to ¥428,493 million and ¥447,687 million, respectively.

In addition, future rental expenses under operating lease with collateral amounted to ¥7,557 million at March 31, 2008.

2. Other Information (continued)

d. Note to consolidated statements of changes in net assets

The total number and changes in the total number of shares of stock in issue and common stock in treasury were as follows:

	Year ended March 31, 2007			
	At March 31, 2006	Increase	Decrease	At March 31, 2007
		(Thousands of shares)		
Number of shares of stock in issue:				
Common stock	1,982,383	750,000	–	2,732,383
Number of shares of common stock in treasury:				
Common stock	2,863	534	464	2,934

The number of shares of common stock in issue increased by 700,000 thousand because of a public offering and by 50,000 thousand because of an allocation of shares of common stock to a third party.

The increase in common stock in treasury of 534 thousand shares during the year ended March 31, 2007 resulted from the Company's purchase of 531 thousand odd-lot shares of less than one unit at the request of the stockholders, purchases of 3 thousand shares by related companies accounted for by the equity method and an increase of 0 thousand shares arising from an increase in the shareholding ratio of related companies accounted for by the equity method. The decrease in common stock in treasury of 464 thousand shares during the year ended March 31, 2007 resulted from the Company's sales of 438 thousand odd-lot shares of less than one unit at the request of the stockholders and a decrease of 25 thousand shares arising from changes in the scope of application of the equity method.

The total number and changes in the total number of shares of stock in issue and common stock in treasury were as follows:

	Year ended March 31, 2008			
	At March 31, 2007	Increase	Decrease	At March 31, 2008
		(Thousands of shares)		
Number of shares of stock in issue:				
Common stock	2,732,383	–	–	2,732,383
Preferred stock	–	614,000	–	614,000
Total	2,732,383	614,000	–	3,346,383
Number of shares of common stock in treasury:				
Common stock	2,934	565	462	3,037

2. Other Information (continued)

d. Note to consolidated statement of changes in net assets (continued)

The number of shares of preferred stock in issue increased by 614,000 thousand because of an allocation of shares of preferred stock to third parties.

The increase in common stock in treasury of 565 thousand shares during the year ended March 31, 2008 resulted from the Company's purchase of 565 thousand odd-lot shares of less than one unit at the request of the stockholders. The decrease in common stock in treasury of 462 thousand shares during the year ended March 31, 2008 resulted from the Company's sales of 274 thousand odd-lot shares of less than one unit at the request of the stockholders, a decrease of the equivalent of 52 thousand shares arising from changes in the scope of application of the equity method and a decrease of the equivalent of 135 thousand shares arising from a decrease in ownership interests in affiliates accounted for by the equity method.

3. Loss on Impairment of Fixed Assets

Certain consolidated subsidiaries have recognized impairment losses on the following groups of assets in the accompanying consolidated statement of operations for the year ended March 31, 2007:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Assets to be sold	Flight equipment	–
Idle assets	Intangible fixed assets	Naha-shi, Okinawa Pref.
Other operational assets	Buildings and other	Obihiro-shi, Hokkaido and other

Assets are attributed or allocated to cash generating units which generate largely independent cash flows for calculating impairment losses. Facilities which are expected to be unprofitable, assets to be sold and idle assets are written down to their respective recoverable amounts. Consequently, an impairment loss of ¥2,600 million has been recognized as an extraordinary loss in the accompanying consolidated statement of operations for the year ended March 31, 2007. A breakdown of the total loss on impairment of fixed assets is as follows: ¥2,581 million on flight equipment, ¥10 million on intangible fixed assets and ¥9 million on buildings and other.

The Company and its consolidated subsidiaries estimate recoverable amounts as the higher of fair value less costs to sell and value in use. Fair value is based on reasonable estimates made by the Company and its consolidated subsidiaries in accordance with the contract amounts of sales and value in use is calculated by discounting estimated future cash flows at the rate of 4.6%.

3. Loss on Impairment of Fixed Assets (continued)

In addition, certain affiliates accounted for by the equity method have recognized loss on impairment of fixed assets by a method similar to that applied by the Company and its consolidated subsidiaries. Consequently, a loss on impairment of fixed assets of ¥188 million was recognized in equity in earnings of affiliates for the year ended March 31, 2007.

Certain consolidated subsidiaries recognized impairment losses on the following groups of assets in the accompanying consolidated statement of income for the year ended March 31, 2008:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Assets to be sold	Flight equipment, buildings and structures and other	Saipan and other
Idle assets	Buildings and structures and other	Ota-ku, Tokyo
Golf courses	Land, buildings and structures and other	Asahikawa-shi, Hokkaido and other

Assets are attributed or allocated to cash generating units which generate largely independent cash flows for calculating impairment losses. Facilities which are expected to be unprofitable, assets to be sold and idle assets are written down to their respective recoverable amounts. Consequently, an impairment loss of ¥13,501 million has been recognized as an extraordinary loss in the accompanying consolidated statement of income for the year ended March 31, 2008. A breakdown of the total loss on impairment of fixed assets is as follows: ¥5,624 million on buildings and structures, ¥6,433 million on flight equipment, ¥662 million on land and ¥780 million on other.

The Company and its consolidated subsidiaries estimate recoverable amounts as the higher of fair value less costs to sell and value in use. Fair value is based on reasonable estimates made by the Company and its consolidated subsidiaries in accordance with the contract amounts of sales and value in use is calculated by discounting estimated future cash flows at the rate of 5.0%.

In addition, a certain affiliate accounted for by the equity method has recognized loss on impairment of fixed assets by a method similar to that applied by the Company and its consolidated subsidiaries. Consequently, a loss on impairment of fixed assets of ¥7 million was recognized in equity in earnings of affiliates for the year ended March 31, 2008.

4. Leases

As lessee

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2007 and 2008 and the related depreciation and interest expense for the years then ended, which would have been reflected in the consolidated balance sheets and the related consolidated statements of operations if capital lease accounting had been applied to the capital leases currently accounted for as operating leases:

	March 31, 2007		
	Flight equipment	Other	Total
		(Millions of yen)	
Acquisition costs	¥ 605,522	¥ 18,174	¥ 623,696
Less accumulated depreciation	(232,148)	(10,869)	(243,017)
Net book value	¥ 373,374	¥ 7,305	¥ 380,679

	March 31, 2008		
	Flight equipment	Other	Total
		(Millions of yen)	
Acquisition costs	¥ 598,358	¥ 18,366	¥ 616,725
Less accumulated depreciation	(272,121)	(11,711)	(283,833)
Net book value	¥ 326,237	¥ 6,654	¥ 332,891

	Year ended March 31,	
	2007	**2008**
	(Millions of yen)	
Depreciation expense	¥54,821	¥56,295
Interest expense	¥ 5,090	¥ 4,831

No impairment loss has been recognized on leased property for the years ended March 31, 2007 and 2008.

Lease expenses relating to capital leases accounted for as operating leases amounted to ¥59,180 million and ¥60,862 million for the years ended March 31, 2007 and 2008, respectively.

4. Leases (continued)

As lessee (continued)

The present value of future rental expenses under capital leases outstanding at March 31, 2007 and 2008 which have been accounted for as operating leases is summarized as follows:

	March 31,	
	2007	**2008**
	(Millions of yen)	
Within 1 year	¥ 55,427	¥ 53,429
Over 1 year	333,176	287,579
	¥388,603	¥341,009

Future rental expenses under operating leases outstanding at March 31, 2007 and 2008 are summarized as follows:

	March 31,	
	2007	**2008**
	(Millions of yen)	
Within 1 year	¥ 30,218	¥ 37,783
Over 1 year	186,673	252,478
	¥216,892	¥290,261

As lessor

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2007 and 2008, and the related depreciation and interest revenues for the years then ended, which are reflected in the consolidated balance sheets and the related consolidated statements of operations:

	March 31, 2007		
	Machinery and vehicles	Other	Total
		(Millions of yen)	
Acquisition costs	¥136	¥ 643	¥ 779
Less accumulated depreciation	(86)	(325)	(411)
Net book value	¥ 49	¥ 318	¥ 368

4. Leases (continued)

As lessor (continued)

	March 31, 2008		
	Machinery and vehicles	Other	Total
	(Millions of yen)		
Acquisition costs	¥ 247	¥ 698	¥ 946
Less accumulated depreciation	(193)	(298)	(492)
Net book value	¥ 53	¥ 400	¥ 454

	Year ended March 31,	
	2007	2008
	(Millions of yen)	
Depreciation expense	¥166	¥175
Interest revenues	¥ 17	¥ 17

No impairment loss has been recognized on the leased property for the years ended March 31, 2007 and 2008.

Lease revenues relating to direct financing leases accounted for as operating leases amounted to ¥184 million and ¥193 million for the years ended March 31, 2007 and 2008, respectively.

The present value of future rental revenues under direct financing leases outstanding at March 31, 2007 and 2008 which have been accounted for as operating leases is summarized as follows:

	March 31,	
	2007	2008
	(Millions of yen)	
Within 1 year	¥120	¥137
Over 1 year	254	314
	¥374	¥451

5. Fair Value of Investments in Securities

The components of net unrealized gain or loss on marketable securities as other securities at March 31, 2007 and 2008 are summarized as follows:

	March 31, 2007		
	Acquisition costs	Carrying value	Unrealized gain (loss)
		(Millions of yen)	
Unrealized gain:			
Stocks	¥ 6,036	¥11,867	¥5,830
Bonds	–	–	–
Other	254	259	5
	6,290	12,126	5,835
Unrealized loss:			
Stocks	4,307	4,294	(13)
Bonds	1,492	1,491	(0)
Other	9,629	9,480	(149)
	15,429	15,265	(163)
Total	¥21,720	¥27,392	¥5,672

	March 31, 2008		
	Acquisition costs	Carrying value	Unrealized gain (loss)
		(Millions of yen)	
Unrealized gain:			
Stocks	¥ 5,227	¥11,663	¥ 6,435
Bonds	–	–	–
Other	180	180	0
	5,407	11,843	6,436
Unrealized loss:			
Stocks	3,371	2,823	(548)
Bonds	8,892	7,402	(1,490)
Other	641	640	(0)
	12,905	10,866	(2,039)
Total	¥18,312	¥22,709	¥ 4,396

Proceeds from sales of securities classified as other securities for the years ended March 31, 2007 and 2008 amounted to ¥38,972 million and ¥6,855 million, respectively. For the years ended March 31, 2007 and 2008, the aggregate gain realized on those sales totaled ¥12,834 million and ¥3,474 million, respectively, and the aggregate loss realized on those sales totaled ¥7 million and ¥6 million, respectively.

5. Fair Value of Investments in Securities (continued)

Investments in non-marketable securities at March 31, 2007 and 2008 are summarized as follows:

	March 31,	
	2007	2008
	(Millions of yen)	
Money management funds	¥ 1,631	¥ –
Unlisted stocks	17,125	17,157
Other	779	852
Total	¥19,536	¥18,010

The redemption schedule at March 31, 2007 and 2008 for bonds with maturity dates is summarized as follows:

	2007	2008
	Due in one year or less	Due in one year or less
	(Millions of yen)	*(Millions of yen)*
Government bonds	¥1,500	¥ –
Corporate bonds	–	7,414
Total	¥1,500	¥7,414

6. Accrued Pension and Severance Costs

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

Certain significant domestic subsidiaries have established defined benefit pension plans pursuant to the Welfare Pension Insurance Law of Japan, i.e., welfare pension fund plans.

JAL Pension Fund, in which JALI is a participant, introduced an option similar to a cash-balance plan with certain other options in addition to the existing options.

JAL Group Pension Fund established by certain consolidated subsidiaries introduced a cash-balance plan.

6. Accrued Pension and Severance Costs (continued)

Airport Ground Service Pension Fund, consisting of JAL Ground Service Co., Ltd. and JAL Ground Service Kansai Co., Ltd., received approval from the Minister of Health, Labour and Welfare with respect to its application for exemption from the benefit obligation related to future employee services under the substitutional portion of the WPFP on April 10, 2007 and the portion related past services on March 31, 2008. Following this approval, Airport Ground Service Pension Fund was reorganized as a corporate pension fund and was renamed JAL Ground Service Pension Fund.

On October 1, 2005, JALI introduced a revised pension scheme under which employees have the option to change a portion of their existing lump-sum payments of retirement benefits to a defined contribution plan or to an early payment scheme.

Certain consolidated subsidiaries transferred a portion of their retirement benefit plans to defined contribution plans on April 1, 2007 or October 1, 2007.

The projected benefit obligation and funded status of the plan assets are summarized as follows:

	March 31,	
	2007	**2008**
	(Millions of yen)	
Projected benefit obligation	¥(862,586)	¥(844,232)
Plan assets	525,354	479,214
Accrued pension and severance costs	129,061	95,485
Prepaid pension and severance costs	(57,378)	(54,205)
Net unrecognized amount	¥(265,548)	¥(323,737)

The net unrecognized amount presented above consisted of the following:

	March 31,	
	2007	**2008**
	(Millions of yen)	
Unrecognized obligation at transition	¥(116,090)	¥ (97,534)
Adjustment for actuarial assumptions	(150,252)	(225,654)
Unrecognized past service cost	794	(547)
Total	¥(265,548)	¥(323,737)

6. Accrued Pension and Severance Costs (continued)

The components of net periodic pension cost were as follows:

	For the year ended March 31,	
	2007	2008
	(Millions of yen)	
Service cost	¥ 28,552	¥ 25,320
Interest cost on projected benefit obligation	23,490	22,697
Expected return on plan assets	(24,374)	(26,042)
Amortization of unrecognized obligation at transition	14,656	14,516
Amortization of adjustment for actuarial assumptions	13,897	15,227
Amortization of past service cost	(43,495)	(20,548)
Subtotal	12,727	31,171
Other	1,786	2,204
Net periodic pension cost	14,513	33,375
Gain recognized upon separation of substitutional portion of benefit obligation of welfare pension fund plans, net	(1,524)	(5,528)
Loss on partial termination of defined benefit plans, net	1,555	74
Effect of changes to standard method for calculating projected benefit obligation	429	508
Total	¥ 14,974	¥ 28,430

The actuarial assumptions were as follows:

	For the year ended March 31,	
	2007	2008
	(Millions of yen)	
Discount rates for projected benefit obligation at end of year	1.7% – 2.8%	1.7% – 2.8%
Expected rates of return on plan assets	0.8% – 5.1%	1.5% – 5.1%

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

The unrecognized obligation at transition is being amortized principally over a period of 15 years.

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

7. Income Taxes

The significant components of deferred tax assets and liabilities and the related valuation allowance at March 31, 2007 and 2008 were as follows:

	March 31,	
	2007	2008
	(Millions of yen)	
Deferred tax assets:		
Flight equipment purchase incentives	¥ 30,435	¥ 29,240
Revaluation loss on investments in subsidiaries and affiliates	25,577	23,060
Accrued pension and severance costs	28,644	16,855
Deferred loss on hedging instruments	–	12,193
Accounts payable – trade	9,893	10,420
Reserve for loss on antitrust litigation	–	6,783
Accounts payable related to transitional payments to defined contribution plans	4,244	3,330
Non-recurring depreciation	–	2,795
Allowance for bad debts	2,146	2,156
Loss on impairment of fixed assets	6,753	–
Revaluation loss on flight equipment spare parts	4,542	–
Tax loss carryforwards	22,123	23,472
Other	20,284	18,162
	154,645	148,472
Deferred tax liabilities:		
Deferred gain on hedging instruments	(23,061)	(25,126)
Accumulated earnings of consolidated subsidiaries and affiliates	(5,273)	(7,750)
Net unrealized gain on other securities	(2,281)	(2,282)
Other	(4,590)	(3,247)
	(35,206)	(38,406)
Valuation allowance	(134,736)	(134,084)
Deferred tax liabilities, net	¥ (15,297)	¥ (24,019)

7. Income Taxes (continued)

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2007 is as follows:

	For the year ended March 31, 2007
Statutory tax rate	40.7%
Disallowed expenses, including entertainment expenses	2.6
Dividends received	(1.4)
Equity in earnings of affiliates	(1.9)
Inhabitants' per capita taxes	0.4
Change in valuation allowance	86.7
Tax effect on undistributed earnings of consolidated subsidiaries	0.1
Differences in tax rates of consolidated subsidiaries	(0.7)
Other	(2.8)
Effective tax rate	123.7%

The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2008 represented less than 5% of the statutory tax rate. As a result, a reconciliation for the year ended March 31, 2008 is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

8. Derivatives

The contract amounts and the estimated fair value of the open derivatives positions to which hedge accounting is applied are not required to be disclosed in accordance with accounting principles generally accepted in Japan.

All open derivatives positions at March 31, 2007 met the criteria required for the application of hedge accounting.

The contract amounts and the estimated fair value of open derivatives positions at March 31, 2008 which did not meet the criteria required for the application of hedge accounting are summarized as follows:

	March 31, 2008		
	Contract amount (Premium)	Estimated fair value	Net unrealized loss
		(Millions of yen)	
Commodities:			
Options:			
Buy	¥16,270 (1,104)	¥218	¥(885)
			¥(885)

8. Derivatives (continued)

All derivative transactions presented above were conducted as over-the-counter transactions.

All derivative transactions presented above are to be settled within one year.

Fair value is estimated based on the prices quoted by financial institutions and others.

The remaining open derivatives positions at March 31, 2008 met the criteria required for the application of hedge accounting.

9. Segment Information

a. Business segment information

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

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2008 is summarized as follows:

	Year ended March 31, 2007							
	Air transpor-tation	Airline-related businesses	Travel services	Card and lease operations	Other	Total	General corporate assets and intercompany eliminations	Consoli-dated
	(Millions of yen)							
Operating revenues:								
Sales to third parties	¥1,601,152	¥172,252	¥370,979	¥ 15,500	¥142,029	¥2,301,915	¥ –	¥2,301,915
Inter-group sales and transfers	200,367	196,488	8,745	50,320	73,872	529,794	(529,794)	–
Total	1,801,520	368,741	379,725	65,820	215,901	2,831,709	(529,794)	2,301,915
Operating expenses	1,798,901	360,391	380,546	59,923	208,610	2,808,373	(529,376)	2,278,997
Operating income (loss)	¥ 2,618	¥ 8,350	¥ (821)	¥ 5,897	¥ 7,291	¥ 23,336	¥ (418)	¥ 22,917
Identifiable assets	¥2,005,484	¥124,809	¥ 68,221	¥248,968	¥ 72,687	¥2,520,170	¥(428,937)	¥2,091,233
Depreciation and amortization	¥ 104,872	¥ 2,814	¥ 1,070	¥ 5,861	¥ 3,171	¥ 117,789	¥ (228)	¥ 117,561
Loss on impairment of fixed assets	¥ 2,591	¥ –	¥ –	¥ –	¥ 9	¥ 2,600	¥ –	¥ 2,600
Capital expenditures	¥ 152,357	¥ 2,810	¥ 843	¥ 1,551	¥ 3,319	¥ 160,882	¥ (699)	¥ 160,183

9. Segment Information (continued)

a. Business segment information (continued)

	Year ended March 31, 2008							
	Air transpor-tation	Airline-related businesses	Travel services	Card and lease operations	Other	Total	General corporate assets and intercompany eliminations	Consoli-dated
	(Millions of yen)							
Operating revenues:								
Sales to third parties	¥1,625,960	¥154,883	¥369,367	¥ 17,735	¥ 62,469	¥2,230,416	¥ –	¥2,230,416
Inter-group sales and transfers	200,756	193,943	4,355	48,116	38,932	486,103	(486,103)	–
Total	1,826,717	348,827	373,722	65,851	101,401	2,716,520	(486,103)	2,230,416
Operating expenses	1,748,018	344,590	372,794	61,960	98,768	2,626,132	(485,728)	2,140,403
Operating income	¥ 78,698	¥ 4,236	¥ 928	¥ 3,891	¥ 2,632	¥ 90,388	¥ (375)	¥ 90,013
Identifiable assets	¥2,079,366	¥ 97,065	¥ 65,281	¥249,865	¥ 62,696	¥2,554,275	¥(431,491)	¥2,122,784
Depreciation and amortization	¥ 107,334	¥ 2,701	¥ 862	¥ 4,456	¥ 1,397	¥ 116,751	¥ (170)	¥ 116,580
Loss on impairment of fixed assets	¥ 9,470	¥ –	¥ –	¥ –	¥ 4,141	¥ 13,612	¥ (110)	¥ 13,501
Capital expenditures	¥ 202,038	¥ 1,437	¥ 744	¥ 1,398	¥ 1,589	¥ 207,208	¥ (5,120)	¥ 202,088

b. Geographic segment information

The worldwide operations of the Company and its consolidated subsidiaries are geographically segmented into Japan and other areas. Areas other than Japan include Asia and Oceania, North and South America and Europe. Geographical segmentation is based on geographical proximity of the countries and areas. In addition, revenue from international operations of the airlines is treated as revenue earned in Japan.

The geographic segment information of the Company and its consolidated subsidiaries for the year ended March 31, 2007 is summarized as follows:

	Year ended March 31, 2007				
	Japan	Other	Total	General corporate assets and intercompany eliminations	Consolidated
	(Millions of yen)				
Operating revenues:					
Sales to third parties	¥2,088,370	¥213,544	¥2,301,915	¥ –	¥2,301,915
Inter-group sales and transfers	24,276	70,347	94,624	(94,624)	–
Total	2,112,647	283,892	2,396,539	(94,624)	2,301,915
Operating expenses	2,090,211	283,111	2,373,322	(94,325)	2,278,997
Operating income	¥ 22,435	¥ 780	¥ 23,216	¥ (298)	¥ 22,917
Identifiable assets	¥2,041,942	¥ 57,210	¥2,099,152	¥ (7,919)	¥2,091,233

9. Segment Information (continued)

b. Geographic information (continued)

The major countries and areas included in each region were as follows:

Asia and Oceania:	China, Singapore, Australia, Guam
North and South America:	U.S.A. (excluding Guam), Mexico
Europe:	U.K., France, Germany, Italy

Total assets in Japan at March 31, 2008 and operating revenues from operations in Japan for the year then ended represented more than 90% of consolidated total assets and consolidated operating revenues, respectively. As a result, geographic segment information for the year ended March 31, 2008 is not required to be disclosed in accordance with accounting principles generally accepted in Japan.

c. Operating revenues from overseas operations

Operating revenues from overseas operations, which include international passenger and cargo services of Japan Airlines International Co., Ltd., Japan Asia Airways Co., Ltd. and JALways Co., Ltd., export sales of domestic subsidiaries, and sales of subsidiaries outside Japan, for the years ended March 31, 2007 and 2008 are summarized as follows:

	Year ended March 31, 2007			
	Asia and Oceania	North and South America	Europe	Total
	(Millions of yen)			
Operating revenues from overseas operations	¥471,065	¥421,152	¥217,529	¥1,109,747
Consolidated operating revenues				¥2,301,915
Operating revenues from overseas operations as a percentage of consolidated operating revenues	20.5%	18.3%	9.4%	48.2%

	Year ended March 31, 2008			
	Asia and Oceania	North and South America	Europe	Total
	(Millions of yen)			
Operating revenues from overseas operations	¥498,825	¥410,908	¥215,715	1,125,449
Consolidated operating revenues				2,230,416
Operating revenues from overseas operations as a percentage of consolidated operating revenues	22.4%	18.4%	9.7%	50.5%

The major countries and areas included in each region were as follows:

Asia and Oceania:	China, South Korea, Singapore, India, Australia, Guam
North and South America:	U.S.A. (excluding Guam), Canada, Mexico, Brazil
Europe:	U.K., France, Germany, Italy

10. Subsequent Event

On May 2, 2008, JALI entered into an agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”) to sell 49.375% of shares of JAL Card, Inc. (“JCI,” which is a consolidated subsidiary of the Company) to BTMU. At the same time, JALI, JCI, BTMU, Mitsubishi UFJ NICOS Co., Ltd. and JCB Co., Ltd. entered into a business collaboration agreement regarding the credit card business.

<u>Components of Revenues from the Air Transportation Segment</u>

	2007		2008		Change
	Amount	Percentage	Amount	Percentage	Percentage
			(Millions of yen)		
International:					
Passenger operations	¥ 724,889	40.3%	¥ 754,300	41.3%	104.1%
Cargo operations	190,500	10.6	188,235	10.3	98.8
Mail-service operations	9,200	0.5	9,926	0.5	107.9
Luggage operations	1,975	0.1	1,949	0.1	98.7
Subtotal	926,565	51.5	954,411	52.2	103.0
Domestic:					
Passenger operations	675,680	37.5	677,437	37.1	100.3
Cargo operations	28,938	1.6	27,862	1.5	96.3
Mail-service operations	10,858	0.6	10,122	0.6	93.2
Luggage operations	298	0.0	307	0.0	103.0
Subtotal	715,774	39.7	715,730	39.2	100.0
Other revenues	60,917	3.4	63,881	3.5	104.9
Incidental business revenues	98,262	5.4	92,693	5.1	94.3
Total revenues	¥1,801,520	100.0%	¥1,826,717	100.0%	101.4%

Consolidated Traffic Results

	2007 April 1－March	2008 April 1－March	Change Percentage
International:			
Number of passengers	13,467,241	13,367,904	99.3
Revenue Passenger-Km(thousand km)	62,597,923	60,426,280	96.5
Available Seat-Km(thousand km)	87,987,011	84,128,194	95.6
Passenger load factor	71.1	71.8	0.7
Revenue Cargo Tons-Km(thousand	4,515,812	4,377,147	96.9
Mail Tons-Km(thousand km)	164,336	191,489	116.5
Revenue(total) Tons-Km(thousand km)	10,481,369	10,167,354	97.0
Available Tons-Km(thousand km)	15,769,219	15,030,186	95.3
Weight load factor(*)	66.5	67.6	1.1
Domestic:			
Number of passengers	43,984,840	41,904,924	95.3
Revenue Passenger-Km(thousand km)	33,187,684	31,746,470	95.7
Available Seat-Km(thousand km)	51,864,339	50,085,682	96.6
Passenger load factor	64.0	63.4	(0.6)
Revenue Cargo Tons-Km(thousand	400,507	396,053	98.9
Mail Tons-Km(thousand km)	86,985	86,632	99.6
Revenue(total) Tons-Km(thousand km)	2,968,868	2,861,730	96.4
Available Tons-Km(thousand km)	6,073,609	5,878,950	96.8
Weight load factor(*)	48.9	48.7	(0.2)
Total:			
Number of passengers	57,452,081	55,272,828	96.2
Revenue Passenger-Km(thousand km)	95,785,607	92,172,750	96.2
Available Seat-Km(thousand km)	139,851,350	134,213,876	96.0
Passenger load factor	68.5	68.7	0.2
Revenue Cargo Tons-Km(thousand	4,916,319	4,773,200	97.1
Mail Tons-Km(thousand km)	251,321	278,121	110.7
Revenue(total) Tons-Km(thousand km)	13,450,237	13,029,084	96.9
Available Tons-Km(thousand km)	21,842,828	20,909,136	95.7
Weight load factor(*)	61.6	62.3	0.7

Notes:

International：Japan Airlines International Co., Ltd. + Japan Asia Airways Co., Ltd. + Jalways Co., Ltd.

Domestic： Japan Airlines International Co., Ltd. + Japan Trans Ocean Air Co., Ltd. + Jal Express Co., Ltd. + Japan Air Commuter Co., Ltd. + Hokkaido Air System Co., Ltd. + J Air Co., Ltd. + Ryukyu Air Commuter Co., Ltd.

With regard to 2007,

International：Japan Airlines International Co., Ltd. + Japan Asia Airways Co., Ltd. + Jalways Co., Ltd.

Domestic： Japan Airlines International Co., Ltd. + Japan Airlines Domestic Co., Ltd. + Japan Trans Ocean Air Co., Ltd. + Jal Express Co., Ltd. + Japan Air Commuter Co., Ltd. + Hokkaido Air System Co., Ltd. + J Air Co., Ltd. + Ryukyu Air Commuter Co., Ltd.

(*)Weight load factor：Revenue(total) Tons-Km(thousand km)／Available Tons-Km(thousand km)