# ANNUAL REPORT 2009

Year ended March 31, 2009

# TOWARDS SUSTAINABLE GROWTH

JAPAN AIRLINES

**Recognizing that the current severe external economic environment will continue during FY2009, the JAL Group formulated the FY2009 Management Plan, which aims to further improve profitability. The Group will make every effort to meet the targets of this plan so that we can achieve the goal of “getting back on track for stable growth in FY2010” during which both Narita and Haneda airports will be expanded.**

# ENSURE THE MOST APPROPRIATE CAPACITY

# SECURE REVENUES

**DISCLAIMER**

Unless specifically dealing with matters of historical fact, the plans, forecasts and strategies described in this document represent estimates of future results based on the information available at the time of writing, but are inherently subject to risks and uncertainties. These risks and uncertainties may result in divergence between actual results and the forecasts and estimates contained herein. Risks and uncertainties include but are not limited to market risks, rising fuel costs, changes in the exchange rate between the Japanese yen and the US dollar and other currencies, acts of terrorism and war, contagion, and other risks inherent in the airline business. Information contained herein regarding companies, etc. other than JAL and members of the JAL group is quoted from public sources, etc., but we have not verified and do not guarantee the accuracy or appropriateness of this information. All copyrights and other rights with respect to this document belong to Japan Airlines Corp. This annual report is not provided for the purpose of soliciting investment. Investment decisions are made at the discretion of, and are the responsibility of, the user of the information contained herein.


# REFORM THE COST STRUCTURE

## CONTENTS

# FINANCIAL HIGHLIGHTS

Japan Airlines Corporation and Consolidated Subsidiaries
For the Years Ended March 31, 2009, 2008, 2007, 2006 and 2005

## CONSOLIDATED FINANCIAL HIGHLIGHTS

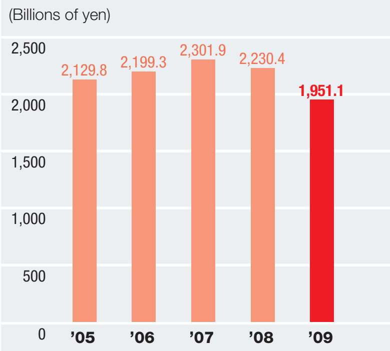
| | | | | | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| Years ended March 31 | **2009** | 2008 | 2007 | 2006 | 2005 | **2009** |
| **For the Year** | | | | | | |
| Operating Revenues | **¥1,951,158** | ¥2,230,416 | ¥2,301,915 | ¥2,199,385 | ¥2,129,876 | **$19,863,157** |
| Operating Expenses | **2,002,043** | 2,140,403 | 2,278,997 | 2,226,220 | 2,073,727 | **20,381,176** |
| Operating Income | **(50,884)** | 90,013 | 22,917 | (26,834) | 56,149 | **(518,008)** |
| EBITDA | **67,159** | 206,593 | 140,478 | 98,292 | 180,862 | **683,691** |
| Net Income | **(63,194)** | 16,921 | (16,267) | (47,243) | 30,096 | **(643,326)** |
| Depreciation and Amortization | **118,043** | 116,580 | 117,561 | 125,126 | 124,713 | **1,201,700** |
| **At Year-end** | | | | | | |
| Total Assets | **1,750,679** | 2,122,784 | 2,091,233 | 2,161,240 | 2,162,654 | **17,822,243** |
| Total Net Assets | **196,771** | 471,070 | 331,873 | 148,066 | 194,746 | **2,003,166** |
| **Per Share Data** (yen and US dollars) | | | | | | |
| Net Income | **(25.47)** | 6.20 | (6.52) | (23.88) | 15.24 | **(0.259)** |
| Net Assets | **5.44** | 110.08 | 113.97 | 74.78 | 98.34 | **0.055** |
| **Management Indexes** | | | | | | |
| Operating Income Margin (%) | **(2.6)** | 4.0 | 1.0 | (1.2) | 2.6 | |
| ROA (%) | **(3.6)** | 0.8 | (0.8) | (2.2) | 1.4 | |
| ROE (%) | **(20.1)** | 4.4 | (7.1) | (27.6) | 17.0 | |
| Equity Ratio (%) | **10.0** | 21.4 | 14.9 | 6.9 | 9.0 | |
| EBITDA Margin (%) | **3.4** | 9.3 | 6.1 | 4.5 | 8.5 | |
| Debt/Equity Ratio (times) | **4.6** | 2.0 | 3.3 | 8.4 | 6.8 | |

Notes: 1. The U.S. dollar amounts in this annual report are translated from yen amounts, solely for convenience, at ¥98.23=US$1.00, the exchange rate prevailing on March 31, 2009 (see Note 3 to the Consolidated Financial Statements).
2. Total net assets through FY2005 represents total shareholders' equity under the former accounting standards, while after FY2006 they were computed in accordance with new accounting standards.

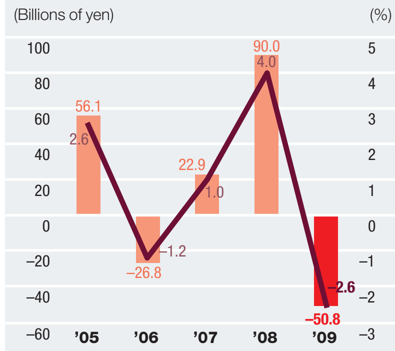
## CONSOLIDATED OPERATING HIGHLIGHTS

| Years ended March 31 | | **2009** | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|
| Revenue passengers carried (number of passengers) | Domestic | **41,154,433** | 41,904,924 | 43,984,840 | 43,848,755 | 44,705,084 |
| | International | **11,704,043** | 13,367,904 | 13,467,241 | 14,187,626 | 14,743,222 |
| | Total | **52,858,476** | 55,272,828 | 57,452,081 | 58,036,381 | 59,448,306 |
| Revenue passenger-km (RPK) (1,000 passenger-km) | Domestic | **31,300,401** | 31,746,470 | 33,187,684 | 32,910,535 | 33,367,574 |
| | International | **52,186,351** | 60,426,280 | 62,597,923 | 67,434,613 | 68,986,317 |
| | Total | **83,486,752** | 92,172,750 | 95,785,607 | 100,345,148 | 102,353,891 |
| Revenue passenger-load factor (%) | Domestic | **63.7** | 63.4 | 64.0 | 64.0 | 63.7 |
| | International | **65.6** | 71.8 | 71.1 | 69.4 | 69.3 |
| | Total | **64.8** | 68.7 | 68.5 | 67.5 | 67.4 |
| Available seat-km (ASK) (thousands) | Domestic | **49,167,920** | 50,085,682 | 51,864,339 | 51,415,813 | 52,410,183 |
| | International | **79,576,012** | 84,128,194 | 87,987,011 | 97,174,777 | 99,492,256 |
| | Total | **128,743,932** | 134,213,876 | 139,851,350 | 148,590,590 | 151,902,439 |
| Freight tonnage | Domestic | **500,779** | 450,515 | 458,512 | 444,861 | 450,782 |
| | International | **627,213** | 762,910 | 770,781 | 776,356 | 804,940 |
| | Total | **1,127,992** | 1,213,425 | 1,229,293 | 1,221,217 | 1,255,722 |

## Operating Revenues

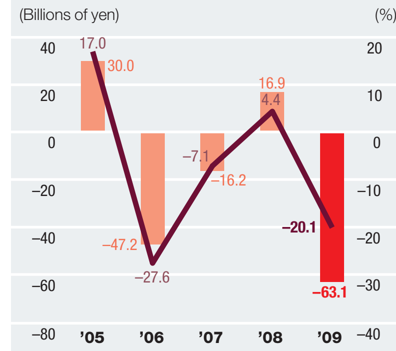



## Operating Income (Loss) / Operating Income (Loss) Margin



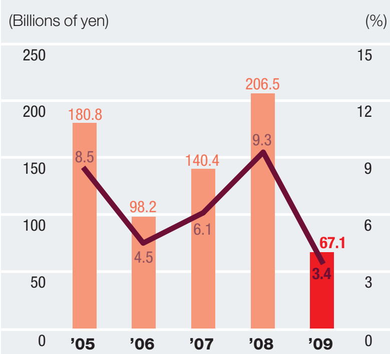

■ Operating Income (Loss) (Left Scale)
— Operating Income (Loss) Margin (Right Scale)

## Net Income (Loss) / ROE



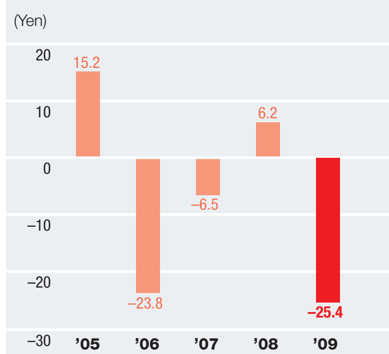

■ Net Income (Loss) (Left Scale)
— ROE (Right Scale)

## EBITDA / EBITDA Margin



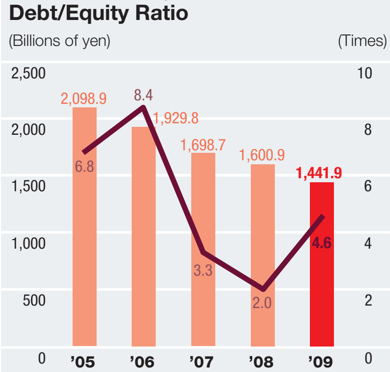

■ EBITDA (Left Scale)
— EBITDA Margin (Right Scale)
*EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) =Operating Income+Depreciation and Amortization
*EBITDA Margin=EBITDA/Operating Revenues

## Net Income (Loss) Per Share



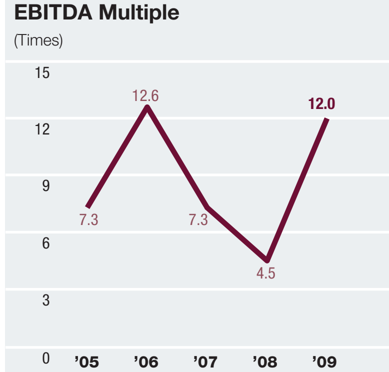

## Equity Ratio


## Interest-bearing Debt / Debt/Equity Ratio

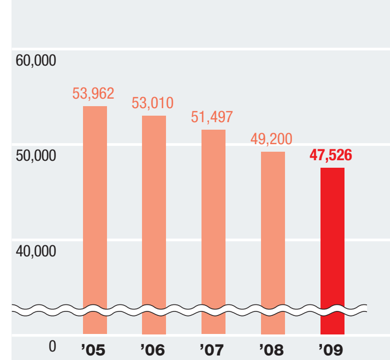



■ Interest-bearing Debt (Left Scale)
— Debt/Equity Ratio (Right Scale)

## Interest-bearing Debt (On Balanced)/ EBITDA Multiple




## Number of Employees (Consolidated)




(Years ended March 31)

# MESSAGE FROM THE GROUP CEO

## Achieving our corporate vision of becoming “a global player bridging the world with safety, security and quality as our top priorities”

### RESULTS FOR THE FISCAL YEAR ENDED MARCH 2009 AND FORECAST FOR FY2009 ENDING MARCH 2010

With an eye on the slot expansion at both Haneda and Narita airports that is scheduled to take place in 2010, the JAL Group unveiled our Medium-Term Revival Plan in February 2007, which detailed actions for rebuilding the foundation of our business so that we can generate stable profits in any business environment. Then, in February 2008, we announced a new follow-up strategy, FY2008–2010 Medium-Term Revival Plan (“New Medium-Term Revival Plan”), which is an evolved and enhanced version of the Medium-Term Revival Plan that takes into account subsequent changes in the business environment, such as higher fuel prices and the economic slowdown that was triggered by the subprime loan crisis.

During FY2008, the first year of the New Medium-Term Revival Plan, the entire company assiduously worked to achieve the goals set forth in the plan by implementing a variety of measures that were spelled out in the plan, including the continuation of thorough cost-cutting measures, no-holds-barred approach to route restructuring, the introduction of new fuel-efficient aircraft, aircraft downsizing, the expansion of our “Premium Strategies,” the achievement of our personnel-reduction goals on a consolidated basis one year ahead of schedule, and a review of our related businesses. Consequently, our strategy steadily produced results, as we were able to raise the level of our performance in terms of on-schedule service and being the preferred airline, while at the same time improving our cost structure.

Nevertheless, the JAL Group’s revenue and earnings fell far short of our initial forecasts for FY2008 due to the unprecedented volatility in fuel prices and the sharp decline in demand for air services that was caused by the extraordinary downturn in the global economy. For this, we sincerely apologize to our investors.

Bearing in mind the economic situation inside and outside of Japan, we forecast that the external business environment will continue to remain challenging in FY2009. In order to get through these difficult times, the JAL Group has formulated a business plan for FY2009 that contains measures that go beyond what we have done in the past, and the Group is united in working to carry out these measures. Moreover, we intend to formulate and release our next medium-term plan as soon as possible.

## WHAT THE JAL GROUP SHOULD SEEK TO ACCOMPLISH

Demand for air services is still recovering only slowly, but at some point in time, demand for passenger and cargo services will recover as the economy inside and outside of Japan begins to rebound. Furthermore, the countdown has started for the 2010 expansion of Haneda and Narita airports and the inauguration of international operations at Haneda Airport. To ensure that these business opportunities lead to continued growth, the JAL Group is embarking on an offensive aimed at making the most out of positive factors such as the increase in take-off and landing slots, lower procurement costs arising from the stronger yen and eventually an economic rebound.

When we consider what the JAL Group should be seeking to accomplish in the future, the following objectives should be given priority:

1. Rigorously raising the levels of basic product and service qualities, which includes providing the utmost safety and consistent on-time performance
2. Firmly establishing a “JAL brand” underpinned by proven product quality
3. Maximizing efficiency and profitability by continuing to move ahead with route restructuring and aircraft downsizing
4. Implementing reforms to build a cost structure that allows us to generate profits in any environment and thereby improving our ability to withstand risk
5. Building a network that meets the needs of society

By steadily working to achieve these objectives, we aim to continue being a “company that is essential for society.” We are bringing together the strength and wisdom of everyone in the JAL Group to realize our vision of being “a global player bridging the world with safety, security and quality as our top priorities.”

In these endeavors, we appreciate the continued support of our valued stockholders and investors.

June 2009

Haruka Nishimatsu
Group CEO

## SPECIAL FEATURE
## "TOWARDS SUSTAINABLE GROWTH~Interview with the Group CEO~"

**In this challenging economic environment, airlines earnings are necessarily disappointing worldwide. Leading up to the 2010 expansion of Narita and Haneda airports, what will JAL do to realize sustainable growth? President Nishimatsu sums up FY2008 and speaks about initiatives for the future, in particular the FY2009 plan.**

### Q01 First, can you please tell us about the progress you have made on the FY2008–2010 Medium-Term Revival Plan ("New Medium-Term Revival Plan") that was announced in February 2008?

**A01** During FY2008, the first year of the New Medium-Term Revival Plan, the entire Group made strenuous efforts to achieve the goals set forth in the plan. Specifically, we have worked to improve business profitability by regarding nothing as off-limits for route restructuring, including suspending operations and reducing flights on unprofitable routes, and by introducing new highly fuel-efficient aircraft combined with aircraft downsizing. We also moved ahead with implementing our Premium Strategies, under which we have introduced new types of seats in First and Business Class on our U.S. routes (Narita–New York and Narita–San Francisco) and increased the number of flights offering First Class service on domestic routes. We have also been working proactively to improve "personnel productivity." In addition to completing a program to reduce consolidated personnel costs by ¥50 billion, we also exceeded our goal of reducing our workforce from the FY2006 level by 4,300 persons by the end of FY2009. Ultimately, by the end of FY2008, 1,200 more people than the target number had departed the company. We also made steady progress in our review of related businesses, including concentrating our resources in the air transportation business and the liquidation and integration of consolidated subsidiaries. As shown above, in FY2008 we proceeded as planned on the four main pillars of the New Medium-Term Revival Plan, and in some areas we even exceeded our goals. In spite of this progress, we unfortunately failed to achieve our financial objectives owing to the substantial changes in the economic environment. After ensuring that we are on the right track, we intend to continue and expand these various measures.

### Q02 What effects did sudden changes in the external environment, such as the unprecedented fluctuation in aviation fuel price and the global financial crisis, have on FY2008 results?

**A02** There was never before such volatility in aviation fuel price. Singapore Kerosene rose to such a high, temporarily exceeding US$180 in July, then fell back sharply in the second half of the fiscal year. At JAL, we have been working to curb the effect of the rise in fuel price by taking a variety of measures to cut back fuel consumption, such as switching to highly fuel-efficient aircraft, actively introducing new aircraft operating methods, reducing the weight of on-board items, and increasing the frequency of aircraft engine cleaning. Nevertheless, fuel costs swelled ¥96.3 billion from the previous year to ¥509.1 billion in FY2008 and ultimately had a substantial effect on our financial results.

Results were also hurt by the drop in demand for air transport services that was caused by an economic downturn so deep that people are calling it a once-a-century event. After the shock from last autumn's business failure of Lehman Brothers, the financial crisis that started in

**FLUCTUATING FUEL PRICE (SINGAPORE KEROSENE)**

### FINANCIAL RESULTS

(Billions of yen)

| | FY08 (Result) | FY09 (Forecast) |
|---|---|---|
| Operating Revenue | **1,951.1** | 1,748.0 |
| [Air Transportation] | | |
| International Passenger | **703.5** | 575.0 |
| Domestic Passenger | **666.5** | 651.0 |
| International Cargo | **152.1** | 116.0 |
| Other | **429.0** | 406.0 |
| Operating Cost | **2,002.0** | 1,807.0 |
| Operating Income | **(50.8)** | (59.0) |
| Ordinary Income | **(82.1)** | (108.0) |
| Net Income | **(63.1)** | (63.0) |

the U.S. quickly spread throughout the real economy worldwide, and demand for passenger and cargo air services fell precipitously in the second half of the fiscal year. Although we have experienced steep short-term drops in demand before, such as in the wake of the 9/11 terrorist attacks and the SARS epidemic, the fallout had been limited mainly to international passenger routes. This time, demand dropped off sharply in every business segment—international passenger, domestic passenger, and international cargo—as companies curtailed domestic and foreign business trips and foreign trade fell due to the sudden economic downturn.

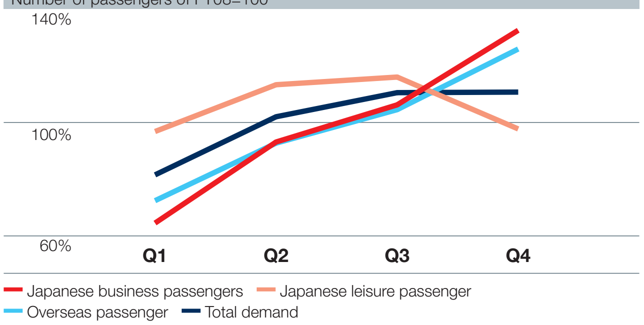
Under these circumstances, in addition to making steady progress on the execution of the New Medium-Term Revival Plan, the JAL Group has been working with all of our might to accelerate the reform of our cost structure and improve profitability. Nevertheless, due to the unprecedented economic upheaval, consolidated results fell far short of our initial forecast. Operating income fell ¥140.8 billion from a year earlier to an operating loss of ¥50.8 billion, ordinary income fell ¥151.9 billion from a year earlier to an operating loss of ¥82.1 billion, and net income fell ¥80.1 billion to a net loss of ¥63.1 billion.

## Q03 Will this slump in demand for air services continue through FY2009?

**A03** Looking at international passenger operations, although the outbreak of a new type of influenza has affected tourism demand, it is becoming increasingly clear that tourism demand is gradually recovering owing to the stronger yen and substantial reductions in the fuel surcharge. On the other hand, business-travel demand is expected to remain sluggish for the time being owing to companies' ongoing curbs on business trips due to the global economic slowdown. With regard to domestic passenger operations, we expect aggregate demand to remain stagnant due to the worsening economy and the H1N1 influenza scare. We also expect demand for cargo services to remain sluggish for the time being due to the sharp decline in exports and imports resulting from the global economic downturn. On the bright side, we see the slump in demand for service to and from China gradually abating.

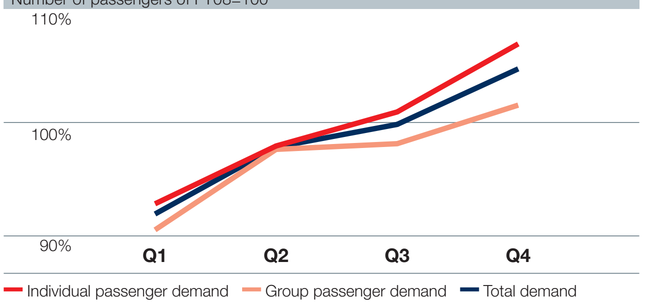
**FY2009 DEMAND FORECAST BY PASSENGER CATEGORY [International Passenger Demand]**

Number of passengers of FY08=100




**FY2009 DEMAND FORECAST BY PASSENGER CATEGORY [Domestic Passenger Demand]**

Number of passengers of FY08=100




## Q04 The JAL Group recently unveiled its FY2009 Management Plan. Can you please tell us about it?

**A04** Although it appears that the economy might have bottomed out, the pace of the recovery is exceedingly slow. As I already mentioned, the JAL Group forecasts that the external environment will remain challenging in FY2009. Therefore, we have released a FY2009 Management Plan that includes measures to maximize revenue and enhance profitability by means of a full-scale implementation of the reform of our cost structure and the reform of our company pension system, while at the same time temporarily revising down the profit targets set forth in the New Medium-Term Revival Plan. We intend to make every effort to meet the targets of this plan so that we can achieve the goal of "getting back on track for stable growth in FY2010" that is stated in the New Medium-Term Revival Plan. In this challenging business environment, we will completely devote ourselves to ensuring the maintenance of safe in flight operations, which is fundamental to operating our business, ensuring the customer's perspective is rigorously adopted and reflected in our services, and reforming our corporate culture.

The FY2009 Management Plan positions the following strategies as critical for improving profitability in FY2009: 1) measures to secure revenues, 2) measures to ensure the most appropriate capacity, 3) measures to reform the cost structure, as well as measures to strengthen human resources, the core of our business operations. By implementing these measures, we will be laying the groundwork for growth after the 2010 slot expansion at Japan's major metropolitan airports.

## Q05 Please elaborate on the main elements of the FY2009 Management Plan: measures to secure revenues, measures to ensure the most appropriate capacity, and measures to reform the cost structure.

A05

### MEASURES TO SECURE REVENUES

With respect to the measures to secure revenues, we will proceed with implementing our Premium Strategies, under which we aim to reinforce our competitive position in the market for customers who use premium class services. Nevertheless, demand for business class seats is falling sharply as companies continue to curtail business trips. On the other hand, tourism demand should be helped by the stronger yen and the lower fuel surcharge, so we intend to implement a variety of measures to stimulate this demand, such as proactively offering products and services that are attractive to customers who travel for leisure.

Specifically, we will establish more fares that are designed to stimulate leisure demand by individual travelers. For international routes, we will expand travel products from local cities by increasing the number of feeder flights on routes such as Sapporo–Narita, and also proactively schedule charter and extra flights. For domestic routes, we will strengthen our alliances with travel companies to bolster group sales.

Turning to our Premium Strategies, we will introduce the new First Class seats (JAL Suite) and Business Class seats (JAL Shell Flat Neo) that have both been doing well on our Narita–New York and Narita–San Francisco routes, and on our Narita–Chicago and Narita–Los Angeles routes as well. We will also reinforce our competitive position by enhancing our website's functionality for business users, and continue to promote "JAL Online" a business travel support system that has been introduced at a number of corporate companies. On the domestic front, the load factor for our first class service has been high since its launch in December 2007. We plan to increase the number of flights offering this service in FY2009.

Finally, we will also be focusing our efforts on securing demand for inbound travel into Japan by signing more contracts with local companies abroad. We will also cultivate tourism demand originating from overseas by forming alliances with local travel companies there. In July 2009 the Japanese government alleviated the visa requirement for individual Chinese travelers, so there promises to be a substantial increase in individual travelers from China.

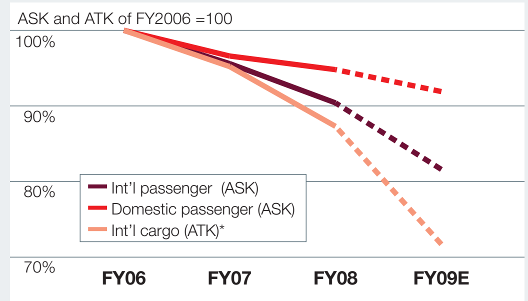
### MEASURES TO ENSURE THE MOST APPROPRIATE CAPACITY

The next main element of the plan is measures to ensure the most appropriate capacity. The JAL Group has been working over the past few years to improve efficiency and profitability by reviewing capacity. Nevertheless, with demand sharply plunging due to the economic slowdown, we will accelerate our efforts to match supply to demand in the three main areas of our business—international passenger, domestic passenger, and international cargo—by drastically adjusting routes and downsizing aircraft. By doing this, we will be able to reduce fixed costs and improve profitability.

Specifically, in the international passenger operations, we will replace the current Boeing 747-400s with Boeing 777s, which we already introduced on the Narita–New York and Narita–San Francisco routes last year, on the Narita–Chicago and Narita–Los Angeles routes. This will reduce the number of available seats on these routes by some 20%. This fiscal year we intend to proceed with aircraft downsizing on these Pacific routes and some others. When it comes to route restructuring,

## FLEXIBLE ADJUSTMENT OF CAPACITY

| | FY2008 Result | FY2009 Plan |
|---|---|---|
| **INT'L PASSENGER** | Suspension : 5 routes<br>Frequency reduction : 3 routes<br>Downsizing : 11 routes | Suspension : 8 routes<br>Downsizing : 7 routes |
| **DOMESTIC PASSENGER** | Suspension : 14 routes<br>Frequency reduction : 5 routes | Suspension : 5 routes<br>Frequency reduction : 1 route<br>Downsizing by introducing E170 etc. |
| **INT'L CARGO** | Suspension : 5 routes<br>Frequency reduction : 4 routes | Suspension & frequency reduction : 8 routes |




*ATK: Belly spaces of passenger aircraft + cargo freighter

▶▶ **On top of the above, flexible revision of capacity can be implemented in response to change in demand.**

we have already reduced the number of flights on the Narita–New York and Narita–Bangkok routes since the beginning of the fiscal year, and in quick response to slumping demand in July we will also reduce the number of flights on other high-frequency routes such as China and Korea routes.

We are also downsizing aircraft in the domestic passenger operations. In February, we launched the state-of-the-art Embraer 170 regional jet and we will deploy another four of these aircraft during the year on regional city routes like Sapporo–Akita. Furthermore, to adapt to the slump in overall demand we will suspend some routes, including Kansai–Asahikawa.

In the international cargo operations, we will rationalize capacity as necessary by adjusting cargo routes and the number of flights in response to rapidly shrinking demand. Specifically, we will reduce flights on the Narita–Los Angeles route and replace the Boeing 744 freighters with the Boeing 767 freighters on Asia/China routes.

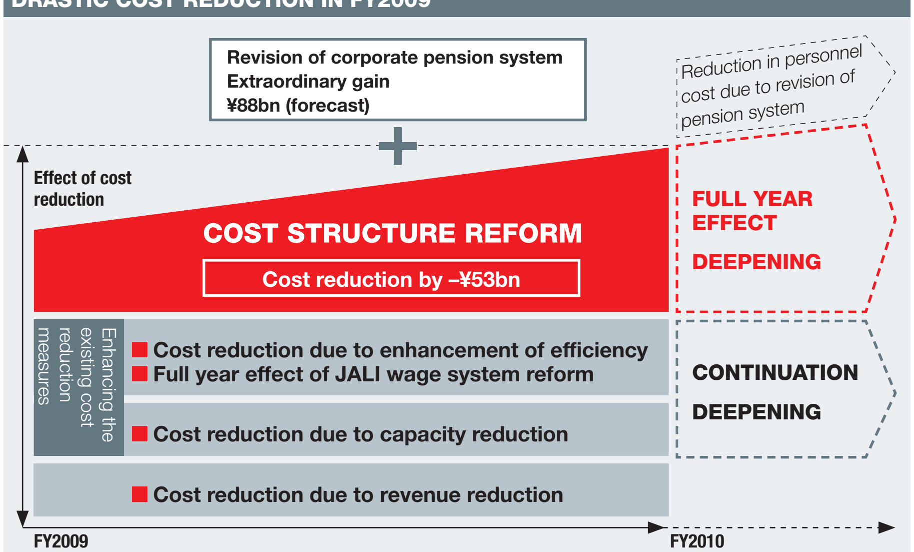
By steadily moving ahead on the above measures, capacity in FY2009 will be substantially reduced from FY2006 in all three business areas: about 20% in the international passenger operations, about 10% in the domestic passenger operations, and about 30% in the international cargo operations.

Turning to recent events, although there are prospects for a slow economic recovery, there are also negative factors such as the worldwide spread of a new type of influenza, rendering it very difficult to predict the future direction of demand. In the event that there is a major shift in demand, the JAL Group intends to improve profitability as much as possible by quickly and flexibly adjusting our capacity structure, even in mid-stream.

## MEASURES TO REFORM THE COST STRUCTURE

The third main element of the plan is measures to reform the cost structure. Under the New Medium-Term Revival Plan the JAL Group has been diligently cutting costs, and coupled with the effects of the additional emergency measures adopted in the second half of last year to improve earnings, we realized substantial cost reductions in virtually every area other than fuel costs. We will continue to augment our cost reduction efforts and for FY2009, roll out an across-the-board cost structure reform plan, of which some measures have already been implemented in FY2008. By drastically overhauling our operating structure and our business processes, we aim to build a solid cost structure that can withstand any shocks, such as steep drops in demand or volatility in fuel prices as well as to enhance our product quality and competitive strength. By steadily implementing cost structure reform, we are confident that we can build

## DRASTIC COST REDUCTION IN FY2009



a powerful business structure that will allow us to overcome the competition after Narita and Haneda airports expansion projects are completed.

We are in the process of setting up internal task forces in nine areas: sales, maintenance, airport operations, back-end operations, IT systems, fixed assets, aviation fuel, procurement and logistics, and customer service to effectively execute these plans. For example, in sales, we intend to overhaul our sales and ticketing systems (clarifying the roles of group companies, branches and our head offices to improve efficiency and put personnel in effective positions, irrespective of the boundaries between these different work areas). In maintenance, we intend to combine four group maintenance companies into one company. In airport operations, we intend to combine companies that provide ground services at Haneda and Narita airports in preparation for the expansion of both airports and the inauguration of international flights at Haneda. In back-end operations, we intend to reduce the number of personnel by reviewing back-end functions and removing redundancy. In procurement, we aim to reduce costs for everything down to a single pencil by enforcing centralized purchasing and optimizing order quantities and inventory.

## KEY MEASURES OF COST STRUCTURE REFORM

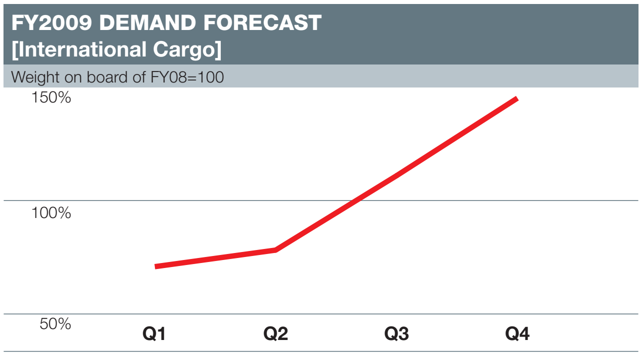
| | Targeted Fields | Measures to be taken | FY09 cut in the cost |
|---|---|---|---|
| BUSINESS STRUCTURE REFORM | 1] Sales | ■ Introduction of more efficient sales, booking and ticketing system<br>■ Review of sales commission, reduction in sales administrative expenses etc. | ¥13 billion |
| | 2] Maintenance | ■ Establishment of a new maintenance company through integration of Group's four subsidiaries<br>→ Improvement in aircraft quality and productivity due to enforcement of maintenance and technological capability, streamlining of organization and elimination of duplicated operation<br>■ Establishment of effective maintenance operation system through verification of current maintenance procedure (aircraft, engine and parts)<br>■ Improvement in cash flow and reduction of storage cost by curbs on purchasing new maintenance parts, cuts in holding inventories by utilizing JALMighty, streamlining engine maintenance, and reviewing contracts | ¥6 billion |
| | 3] Back-end Operations | ■ Streamlining the Support Division by 30%<br>→ streamlining of divisions, minimizing intermediate adjusting functions, concentrating office location streamlining & consolidating Group's functions, optimizing allocation of human resources, enhancing efficiency of the Group's management, etc. | ¥3 billion |
| | 4] Airports | ■ Reorganization of the Group's Tokyo-based airport-handling company in light of expansion of Narita Airport and expansion/inauguration of the operation of international scheduled flights from Haneda Airport<br>■ Fundamental improvement in efficiency of ground-handling business | ¥2 billion |
| REVISION OF BUSINESS PROCESSES | 5] IT systems | ■ Reduction in IT-related costs through the revision of IT-related contracts | ¥1 billion |
| | 6] Fixed Assets | ■ Review of rent and space, reduction in real estate usage cost through such measures as return of facilities with low usage rate<br>■ Promotion of utilization of real estate | ¥4 billion |
| | 7] Aviation Fuel | ■ Adoption of optimum flight operations, lightening of aircraft weight, reduction in fuel consumption and improvement in fuel efficiency through optimum loading of in-flight materials | ¥3 billion |
| | 8] Procurement & Logistics | ■ Visualization of vender cost, thorough competitive bid and joint purchasing, reduction in the Group's procurement cost based on optimum number of order, optimum inventory adjustment | ¥21 billion |
| | 9] Customer services | ■ Attempt to induce customers to Website through improving its convenience, simplification of airports operation through promoting IT-related handling | Involved in 1], 7] and 8] |

**▶▶¥ 53 BILLION IN COST CUTS FOR FY2009 —We will consider further cost-cutting steps**

## Q 06

**Thus far you have talked mainly about the passenger business. What is your approach to turning around the cargo business?**

**A 06** With imports and exports hit hard by the global economic downturn, international cargo has fallen off even more sharply than passenger traffic when compared with a year earlier. Now that the manufacturing sector has partially completed its inventory adjustments, the drop-off in air cargo demand is gradually abating, owing especially to demand for services to and from China, which has implemented large-scale measures to stimulate their domestic economy. Nevertheless, cargo traffic still remains below year-earlier levels on every route. By reviewing routes and the number of cargo freighters as well as taking other measures, we will optimize the scale of our own cargo freighters while maintaining networks and customer convenience by




making effective use of code-sharing agreements with other companies and passenger-flights' belly space. Furthermore, in addition to improving the load factor by ensuring stable demand, we will seek to improve profitability wherever possible by improving yield through the transportation of highly profitable cargo with the support of innovative new services that can meet customer needs.

We recently announced a business alliance with a general trading company in the field of logistics services. Going forward, we will actively make use of a variety of strategic alliances as we continue to examine drastically improving profitability through the restructuring of our cargo business as an important management priority.

## Q07 What are your thoughts on the next medium-term business plan?

**A07** In view of the high level of volatility in the airline business, our fundamental policy is to approach this from the perspective of building a highly profitable business model that has a strong ability to withstand shocks, without slavishly adhering to existing models. The financial crisis has dramatically changed the structure of the economy at home and abroad. Recognizing that it has also resulted in major changes in the demand for air services, we will shortly be drawing up our next medium-term business plan with the aim of improving our business structure so that we are not overly dependent on a recovery in demand.

## Q08 What is JAL's biggest strength when compared to your rivals?

**A08** In a broad sense, I think that it is our technological prowess. This naturally includes things that are easy to see, like our technical capabilities in maintenance, the technical capabilities of our flight crews and cabin crews, and our technical capabilities in ground handling. But it also includes technical capabilities that are inconspicuous, such as the technical capabilities required to safely operate as many as 1,100 flights each day and the technical capabilities needed to tightly manage our wide network and properly handle cargo and postal mail. Products that command customer loyalty are backed up by strong technical capabilities, so in this sense JAL's biggest strength is our high level of technical capabilities in terms of both hardware and software.

## Q09 What is your thinking about enterprise value?

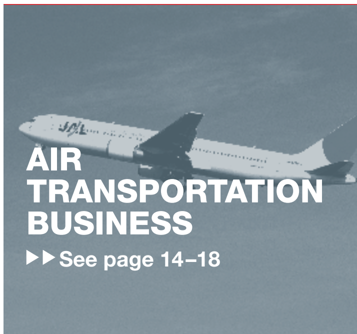
**A09** I think it comes down to stability and profitability. Enterprise value is ultimately determined based on profits, and this is based on the assumption that customers will continue to choose our products over the long term. In this sense, stability means providing good service safely, consistently, and on time, allowing us to win the long-term trust of our customers. At the same time, profitability comes from generating profits by providing a quality product at a low cost through the thoughtful combination of routes and aircraft as well as improving work efficiency. I think that these factors directly lead to long-term customer loyalty.

Finally, I think that keeping the motivation of the employees who provide our services at a high level is another important element. The airline industry is in some aspects an equipment-intensive industry while simultaneously being a labor-intensive industry. This is what is challenging about managing an airline, but it is also what is interesting.

(Note: This interview was conducted in June 2009.)

# AT A GLANCE

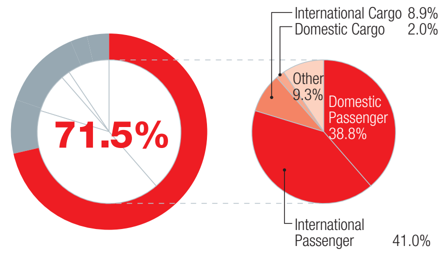
**BUSINESS DESCRIPTION** | **FY2008 NET SALES BY SEGMENT**



## AIR TRANSPORTATION BUSINESS

▶▶See page 14–18

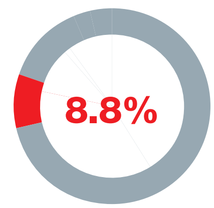
For international services we have the most extensive Japan-based route network, operating some 4,000 flights (one-way flights) every week on 258 routes servicing 159 cities in 35 countries, including Japan (as of April 2009, including codesharing flights). In FY2008 the network was used by approximately 13 million passengers. For domestic services we have Japan's biggest route network, operating some 930 flights daily out of 60 airports (as of April 2009). This was used by approximately 41 million passengers in FY2008, and we are committed to enhancing customer convenience still further.




## AIRLINE-RELATED BUSINESS

▶▶See page 19

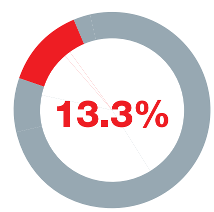
A total of 95 subsidiaries and 65 affiliated companies (as of March 31, 2009) engage in airline-related business in a broad range of fields, including the handling of passengers and cargo; the preparation of in-flight meals; the maintenance of aircraft, vehicles, and aircraft operating equipment and materials; the design, operation, and maintenance of firefighting facilities and equipment; supply of fuel.




## TRAVEL SERVICES BUSINESS

▶▶See page 19

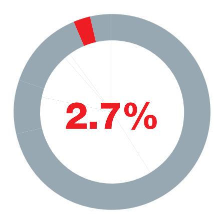
In the travel services business segment the principal offerings are package tours provided by JALPAK Co., Ltd. for overseas travel and by JAL Tours Co., Ltd. for domestic travel. Taking full advantage of the JAL networks, which are Japan's largest for both international and domestic routes, constant efforts are made to increase customer satisfaction. These include the enhancement of package tours on themes such as visits to world heritage sites, and also travel products tailored for individuals who wish to have greater freedom of choice on tours.

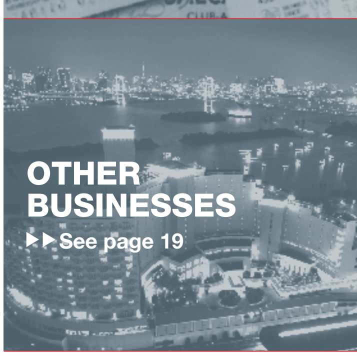



## CREDIT CARD AND LEASING SERVICES BUSINESS

▶▶See page 19

JALCard, Inc. issues a card that adds credit-card functions to the JAL Mileage Bank membership card. The number of cardholders reached 2.25 million as of March 31, 2009 due to the company's vigorous efforts to gain new cardholders, for example the introduction of the "JAL Business Ticket" exclusively available for JALCard members. Furthermore, last year JALCard formed a business and capital partnership with the Bank of Tokyo-Mitsubishi UFJ, Ltd., a subsidiary of Mitsubishi UFJ Financial Group, Inc. (MUFG). Going forward, we will provide high added-value products and services that combine the air services of the JAL Group and the financial services of MUFG, thereby improving membership services and increasing customer convenience.

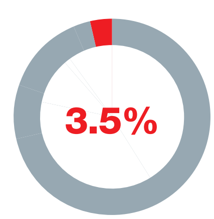


## OTHER BUSINESSES

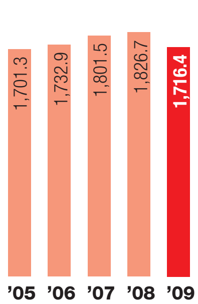
▶▶See page 19

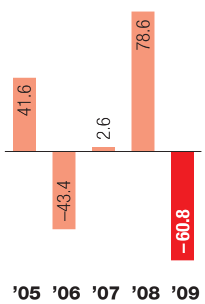
In hotel and resort business, JAL Hotels Co., Ltd. operates hotels under the Nikko Hotels International and Hotel JAL City brands. On a group basis it operates a total of 58 hotels, 41 of which are in Japan and 17 overseas, offering a total of 18,680 guest rooms (as of July 2009). In addition, trading and distribution and other businesses in this segment include wholesaling and retailing, real estate, printing, construction, temp staffing, and information and advertising.

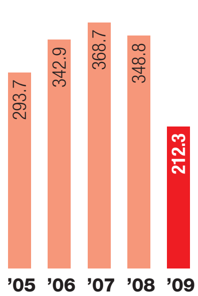


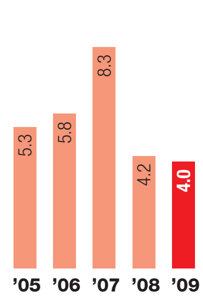
## SEGMENT REVENUES
(Billions of yen)

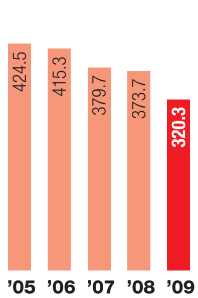
## OPERATING INCOME
(Billions of yen)

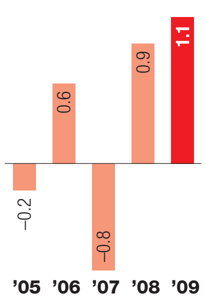


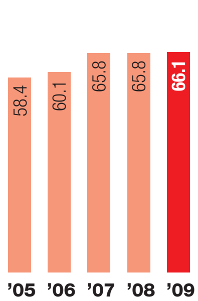



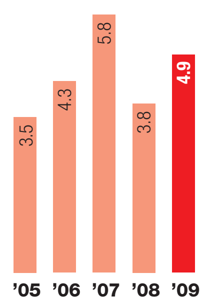



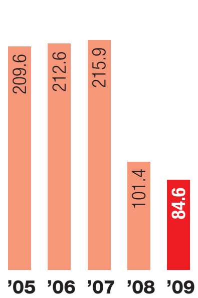



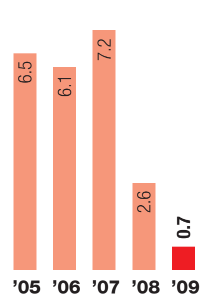




(Years ended March 31)

## MARKET DATA FOR AIR TRANSPORTATION BUSINESS

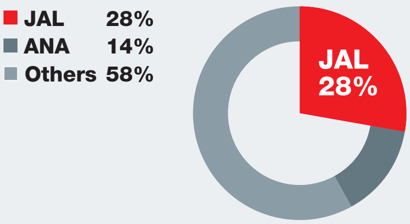
### RANKING BY REVENUE PASSENGER-KILOMETERS (RPK)

| | | RPK (Million) |
|---|---|---|
| 1 | American Airlines | 211,987 |
| 2 | Air France and KLM | 209,401 |
| 3 | United Airlines | 176,706 |
| 4 | Delta Air Lines | 169,895 |
| 5 | Continental Airlines | 129,433 |
| 6 | Lufthansa | 126,267 |
| 7 | Southwest Airlines | 118,272 |
| 8 | British Airways | 115,734 |
| 9 | Northwest Airlines | 114,608 |
| 10 | Emirates | 100,672 |
| ⋮ | ⋮ | ⋮ |
| 13 | Singapore Airlines | 93,626 |
| 14 | Cathay Pacific Airways | 83,542 |
| ⋮ | ⋮ | ⋮ |
| **16** | **Japan Airlines International** | **80,941** |
| ⋮ | ⋮ | ⋮ |
| 19 | Ryanair | 61,983 |
| 20 | All Nippon Airways | 57,166 |

2008, total of scheduled international and domestic flights
IATA: World Air Transport Statistics

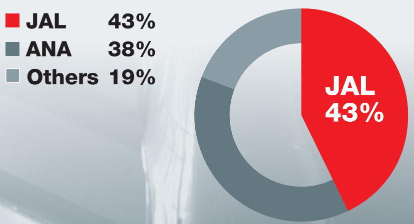
### MARKET SHARE OF INTERNATIONAL SCHEDULED FLIGHTS AT NARITA*

*The number of flights of summer schedule in 2009




### MARKET SHARE OF DOMESTIC FLIGHT SLOTS AT HANEDA*

*FY2009.6




Source: Narita International Airport Corporation, Ministry of Land, Infrastructure, Transport and Tourism

# INTERNATIONAL PASSENGER OPERATIONS

## Macroeconomic Environment and Market Trends

Looking at recent trends in international passenger demand, there has been an unprecedented drop in business passenger demand as companies cut back on business trips due to the rapid global economic downturn that has taken place since early last autumn. Furthermore, although there were finally some signs of a recovery in leisure passenger demand from the beginning of the year, the recovery has been very slow. As of March 2009 the number of Japanese departing the country has been below the year-earlier level for 23 straight months and, likewise, the number of foreigners arriving has been lower for 8 straight months. The discovery of the new type of influenza has also aroused concerns since May. However, turning our eyes to the future, the slot expansion that is slated to take place at Narita International Airport in March 2010 and the slot expansion and inauguration of the operation of international scheduled flights from Haneda Airport that is slated to take place after the completion of a fourth runway in October 2010 will make it possible for JAL to offer frequent flights using small and medium-sized aircraft on routes originating in Tokyo which are highly profitable.

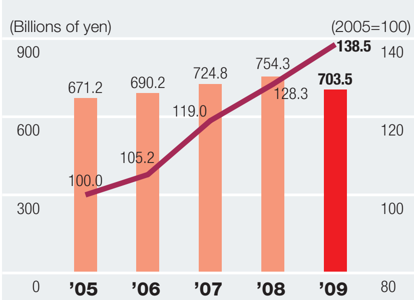
## FY2008 Review

In route operations, against the backdrop of very high fuel price we took active steps to revise timetables and numbers of routes and flights with the aim of enhancing profitability. We inaugurated or increased flights on 10 routes, including the Narita–New York and Kansai–Shanghai routes, and ceased operations on four routes, including the Narita–Xian and Kansai–Qingdao routes, progressing further with the ongoing shift of management resources to fast-growing, high-profit routes.

With regard to the fleet, we made active progress with downsizing aircraft, for example by switching the aircraft operated on the routes between Narita and New York and San Francisco, and between Haneda and Shanghai, from Boeing 747-400s to Boeing 777s, and switching aircraft operated on the routes between Narita and Guangzhou, Shanghai and Hangzhou, and between Kansai and both Shanghai and Guangzhou, from the medium-sized Boeing 767 to the narrowbody Boeing 737-800. This approach was designed to enhance operating efficiency and profitability by ensuring a good match between supply and demand, and the introduction of state-of-the-art aircraft boosted the Group's competitiveness.

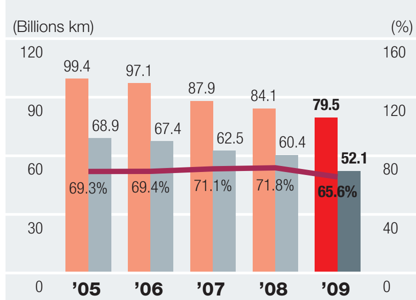
We expanded codesharing alliances with British Airways and Finnair, members of the **one**world® global alliance, which JAL joined in fiscal year 2007, and also with airlines that are not members of **one**world®, including China Eastern Airlines, Air France, and Jetstar Airways. Customer convenience has been enhanced through the expansion of the JAL network in this way.

**Sales/Growth Rate of Yield**




Sales (Left Scale) — Growth Rate of Yield (Right Scale)

**Traffic Results**




ASK (Left Scale) RPK (Left Scale) — L/F (Right Scale)

**Change in the Number of Passengers by Class**


— F-class Passenger+C-class Passenger
— Y-class Passenger

(Years ended March 31)

With respect to product strategy, as part of our Premium Strategies we introduced new types of seat on international routes, installing the new JAL Suite in First Class and the new JAL Shell Flat Neo in Executive Class on the routes between Narita and New York (flights JL006/005) and San Francisco. In addition, the routes on which the JAL Premium Economy service JAL Sky Shell Seat—winner of a Good Design Award in FY2008—is available were widened in stages to include, in addition to the Narita–London route, the Narita–Paris, Narita–New York (flights JL006/005), and Narita–San Francisco routes in the first half, and in the second half the routes between Narita and Amsterdam and Moscow, and other routes.

On the sales side, while forging ahead on our Premium Strategies, we also sought to increase market share and improve our competitive position through a variety of other marketing initiatives. To stimulate leisure passenger demand we inaugurated the Value Goku fare on Honolulu, Bangkok, Singapore, and other routes for a limited period tailored to match customer needs.

During the period under review, we reduced capacity in terms of available seat kilometers (ASK) on JAL Group international routes by 5.4% year-on-year as we improved the efficiency of route operations and downsized aircraft with the aim of improving profitability. At the same time, demand in terms of revenue passenger kilometers (RPK) declined by 13.6% year-on-year as the number of passengers on all routes fell because of the abrupt economic downturn at home and abroad. Although we adjusted fuel surcharges and took other steps, passenger yield rose by only 8.0% due to the steep drop in demand for business travel and the strong yen. As a result, revenue declined by 6.7% year-on-year to ¥703.5 billion.

## Strategy and Outlook for FY2009

In international passenger operations, we are continuing to reduce capacity with the aim of matching supply to demand. Although there is an impact of the new type of influenza, leisure passenger demand is expected to follow a moderate recovery path against the backdrop of the strong yen and sharp reduction in fuel surcharge. On the other hand, business passenger demand is expected to remain sluggish throughout the first half of the fiscal year due to the downturn of the world economy. As a result, the total demand of international passengers is expected to remain below the level of the previous year during the first half, and it is expected to finally exceed the sharply-dropped level of the previous year in the second half of the fiscal year.

Under these circumstances we will strive to improve the efficiency and profitability of our international passenger operations. We will make exhaustive route adjustments, including suspending operations and reducing flight frequencies; we will continue to deploy fuel efficient aircraft and downsize aircraft through means such as replacing the Boeing 747-400s used on American routes with Boeing 777s; and we will start up utilizing our lower overhead airline subsidiary on short-haul international routes (JAL Express began operating flights to China using the Boeing 737-800, a small-typed aircraft in May 2009).

Although we are strengthening our efforts to secure leisure passenger demand this fiscal year, such as expanding our offerings of individual fares, the passenger mix is expected to worsen due to the slump in business passenger demand. As a result, we expect yield to remain far below the previous year's level, and consequently we forecast revenue from international passenger operations declining by ¥128.5 billion year-on-year to ¥575.0 billion.

### Future Developments and Targets

- Accurately addressing the intensified competition that will arise from the expansion of Narita International Airport and the inauguration of the operation of international scheduled flights from Haneda Airport.
- Proceeding with further downsizing and increasing flight frequency through the proactive deployment of small and medium-sized aircraft.
- Increasing the proportion of fuel efficient aircraft by introducing Boeing 787, etc.
- Improving the efficiency and profitability of operations by further expanding the flights handled by our airline subsidiaries.
- Strengthening our competitive position and appealing to business passengers by expanding our Premium Strategies.
- Strengthening our ability to secure business in markets such as China and other Asian countries that are showing remarkable growth.

# DOMESTIC PASSENGER OPERATIONS

## Macroeconomic Environment and Market Trends

While the overall demand for domestic passenger operations had been fragile since the beginning of FY2008, individual passenger demand further decreased since the second half due mainly to the cutbacks on business trips arising from the deterioration of the economy triggered by the subprime loan crisis. In addition, the group passenger demand, which had remained relatively strong since the beginning of the FY2008, sharply dropped after January 2009. As a result, the environment surrounding overall domestic passenger demand is becoming increasingly severe.

Furthermore, the passengers' shift to lower fares has become even more apparent, while at the same time the competition against the emerging airlines and Shinkansen is expected to become harsher due to the expansion of Haneda Airport, the extension of the Tohoku Shinkansen to Aomori, and the opening of the entire portion of the Kyushu Shinkansen scheduled for FY2010.

JAL perceives the expansion of Haneda Airport as a big business chance and will do its best to win in the highly competitive market by developing demand and improving passenger convenience.

## FY2008 Review

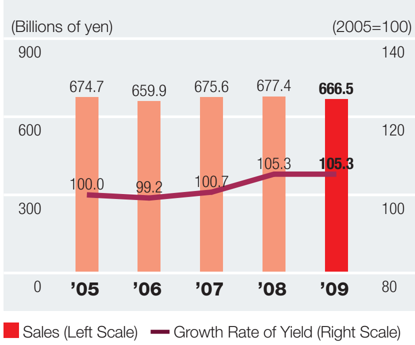
In domestic passenger operations we continued progress in route restructuring and aircraft downsizing. Steps to improve and enhance the efficiency of the operating structure included the suspension of 14 routes, including the Sapporo–Okinawa route, and the reduction of flight numbers on five other routes.

In the fleet, we began introducing the Embraer 170, a strategic small-sized aircraft for domestic routes, commencing operations on the Komaki (Nagoya)–Fukuoka and Komaki–Matsuyama routes in February.

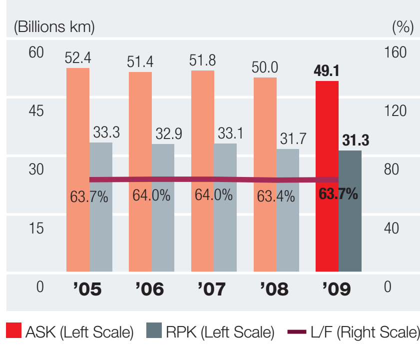
With regard to product strategy, in the previous fiscal year we introduced a first class service on the domestic network for the first time ever, on the Haneda–Itami (Osaka) route, and since then the JAL First Class service has gained an excellent reputation. During the period under review it was also introduced on the Haneda–Fukuoka and Haneda–Sapporo routes, and in July it was extended to a total of 15 return flights on the original Haneda–Itami route. In ways such as these we endeavored to give customers greater comfort and convenience in our service offerings.

A number of marketing measures were implemented to counteract persistently high fuel costs, including increases in normal fares and round-trip discount fares and the introduction of business tickets to enhance our ability to secure

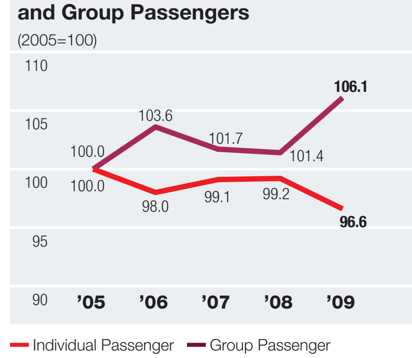
### Sales/Growth Rate of Yield




### Traffic Results




### Change in the Number of Individual and Group Passengers




(Years ended March 31)

business traveler demand. We also sought to maximize revenues by making painstaking efforts to fix Tokubin (specific flights) discount fares fine-tuned to demand trends and the competitive environment on individual routes. Among additional measures to tweak demand, we strengthened Web-based reservations enhanced by such means as adding new functions, extended the scope of our Sakitoku (Advance booking) Discount Fares to encompass the entire JAL Group domestic network, and expanded the "JAL Dynamic Package" travel products available only online.

Capacity on JAL Group domestic routes fell by 1.8% year-on-year during the year in terms of available seat-kilometers, reflecting the effect of our route restructuring and aircraft downsizing. Demand, meanwhile, was down by 1.4% in terms of revenue passenger kilometers, as in spite of year-on-year growth in group travel resulting in part from our measures to stimulate demand, demand from individual passengers was down, principally demand for business travel impacted by the economic downturn. Revenues declined by 1.6%, to ¥666.5 billion, largely attributable to the shift to low fares amid the increasingly harsh competitive environment in the air transportation industry, causing passenger yield to fall by 0.2%.

## Strategy and Outlook for FY2009

Due to the continuing effects of the economic slowdown, we expect domestic passenger demand to remain weaker than the previous year at least through the end of 2009. However, we expect demand to be somewhat higher from 2010 onwards as it snaps back from the slump in demand that occurred in the fourth quarter of FY2008.

Under these circumstances, we will promptly adjust the scale of our domestic passenger operations by suspending certain routes, implementing downsizing by the introduction of the state-of-the-art Embraer 170 regional jet, and so on with the objective of addressing the continuing slump in overall demand.

On the sales side, we will be bolstering our efforts to secure business passenger demand by expanding our Class J seats and enhancing the functionality of our website. We are also working to stimulate group passenger demand by introducing new fares and strengthening our sales effort for the "JAL Dynamic Package" travel products available only online.

Although we expect passenger yield to remain roughly flat, we forecast domestic passenger revenue to decrease by ¥15.5 billion year-on-year to ¥ 651.0 billion in FY2009 due to the reduction of capacity and decline of demand associated with revision of our scale of operation.

Embraer 170 (put in service in February 2009)

## Future Developments and Targets

- Improving profitability and convenience by offering more frequent flights on small-sized aircraft after the expansion of Haneda airport.
- Expansion of domestic passenger demand through increasing the number of travelers who will come to Japan from Asian countries such as, China and Taiwan, and who will visit local cities by using connecting domestic flights from gateway airports especially after Haneda Airport is available for international passenger operation.
- Improving JAL's competitive position aiming for business passenger demand by expanding the number of flights offering JAL First Class service on domestic routes and increasing the number of available Class J seats.

# INTERNATIONAL CARGO OPERATIONS


## FY2008 Review

In international cargo operations, demand was down from the previous year on routes to the Americas and Europe. In contrast, demand showed year-on-year growth on routes to Southeast Asia and China during the first half, but that also fell abruptly in the second half.

In the sphere of cargo fleet and route management, our existing program of decommissioning conventional Boeing 747 freighters was progressed, and on routes to China and Southeast Asia services were provided primarily through the deployment of medium-sized Boeing 767 freighters. These measures reflected our efforts to ensure efficient allocation of aircraft to match the scale of demand. We suspended cargo flights on the New York route as part of our program of shifting rapidly and flexibly to a supply structure configured to achieve further increases in profitability. We also took steps to provide customers with greater convenience, including by inaugurating a route between Nagoya (Centrair) and Chicago via Narita.

The total capacity for international air cargo transportation fell by 8.2% year-on-year in terms of available cargo ton-kilometers. On the demand side there was a 20.2% decline in terms of revenue cargo ton-kilometers, attributable to the deterioration in business conditions. International cargo revenue fell by 19.2%, to ¥152.1 billion, as in spite of sales-promotion efforts such as the expansion of the J PRODUCTS service and revisions in the fuel surcharge and other positive factors, cargo yield rose by only 1.3% owing to factors such as the intensification of competition and the yen's sharp appreciation.

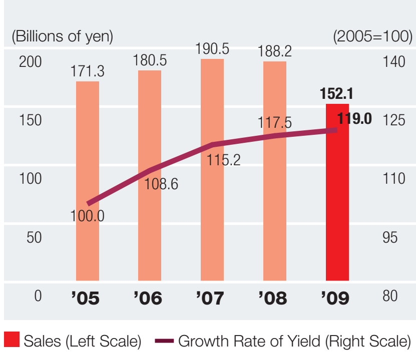
## Strategy and Outlook for FY2009

With overall demand expected to remain weaker than a year earlier due to the global economic downturn, as Japan's largest air transport group, we will take advantage of our variety of medium and large-sized cargo freighters and passenger aircraft to build a capacity structure that can respond flexibly to demand. Furthermore, we will strive to expand customers' choices and further improve convenience by making effective use of alliances with other companies, such as our code sharing alliance with Nippon Cargo Airlines.

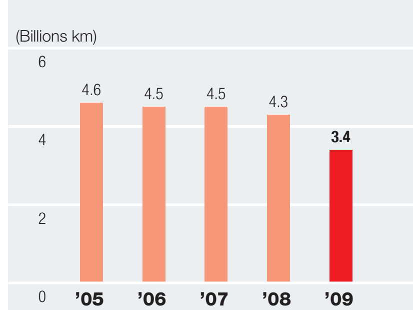
Nevertheless, due to the expected sharp drop in demand and in yield caused by factors such as stronger yen and reduced fuel surcharges, we forecast revenue to decrease by ¥36.1 billion to ¥116.0 billion.

At the end of May 2009 we formed a business alliance with Mitsui & Co., Ltd., and through this alliance we aim to make the most of the two companies' unique capabilities as a trading company and as an airline. Specifically, the two companies will provide a broad range of customers with comprehensive shared logistics services, thereby realizing a transportation service that will lead to increased value for the overall value chain.

**Sales/Growth Rate of Yield**

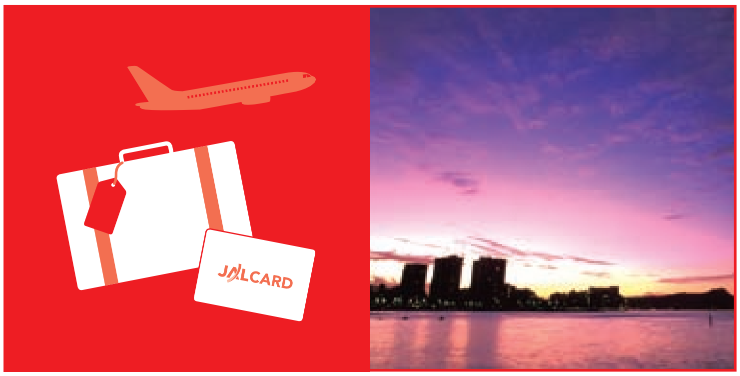



**Traffic Results RCTK**




(Years ended March 31)

# RELATED OPERATIONS




In line with the Medium-Term Revival Plan announced in February 2007, the JAL Group aims to concentrate its business resources in the air transportation business, and consequently has been selling off non-core assets. As a result, the number of consolidated subsidiaries has declined from 152 companies as of March 31, 2006 to 120 companies as of March 31, 2009. Going forward, we will continue building an efficient group management structure for the air transportation business. This fiscal year we intend to consolidate four maintenance subsidiaries into one company and three passenger/flight operations subsidiaries operating at Narita and Haneda airports into another company. In doing so, we aim to reduce the cost of operations associated with the air transportation business by consolidating the back-office operations of the various group companies and centralizing management functions.

## Airline-related Business

TFK Corporation, an in-flight catering company, suffered declines in both revenue and profit due to sluggish overall airline passenger demand and drop in sales revenues because of the resultant cuts in routes and flight numbers by its corporate customers under outsourcing contracts.

The revenues of the airline-related business segment fell by ¥136.4 billion year-on-year, to ¥212.3 billion, and operating income was down by ¥100 million, to ¥4.0 billion.

This was partly due to the sale of a former subsidiary PACIFIC FUEL TRADING CORPORATION, as well as the change in status of AGP Corporation from consolidated subsidiary to affiliate accounted for by the equity method.

## Travel Services Business

At JALPAK Co., Ltd. both revenue and profit fell as a result of the sluggishness of demand caused by the deteriorating economic conditions and increases in the fuel surcharge.

Both revenue and profit rose at JAL Tours Co., Ltd. This was because, in spite of a slight decline in unit tour prices, a variety of promotional campaigns and the development of new products led to a year-on-year increases in passenger traffic in all sectors. Other positive impacts included a substantial cost overhaul.

Revenues in this travel services business segment fell by ¥53.4 billion year-on-year, to ¥320.3 billion, while operating income was up by ¥100 million, at ¥1.1 billion.

## Credit Card and Leasing Services Business

Thanks to vigorous efforts to gain new cardholders, for example the introduction of the “JAL Business Ticket” exclusively for members, the number of cardholders at the end of March 2009 was up by 11% year-on-year, at approximately 2.25 million. The consequent growth in transaction volume enabled the company to achieve an increase in profit.

Revenues in this segment rose by ¥300 million year-on-year, to ¥66.1 billion, while operating income rose by ¥1.0 billion, to ¥4.9 billion.

## Other Businesses

AXESS International Network, which operates reservation systems, suffered a particularly severe decline in income from airline reservation charges as a result of factors such as the global decline in aviation demand and the yen’s appreciation. In consequence, both revenue and profit declined.

Hotel operator JAL Hotels was impacted by sluggish demand for accommodation and entertainment as a result of the economic recession. It was also affected by other factors such as the termination of the management of Hotel Nikko Winds Narita and Hotel Nikko Bayside Osaka.

As a result, revenues in this segment declined by ¥16.7 billion year-on-year, to ¥84.6 billion, and operating income was down by ¥1.8 billion, at ¥700 million.

# CORPORATE SOCIAL RESPONSIBILITY

## JAL GROUP'S APPROACH TO CSR

### Corporate Policy of the JAL Group

The JAL Group, as an overall air-transport enterprise, will act as a bridge to bring customers, their cultures and their hearts closer together and thus contribute to world peace and prosperity.

1 We will prioritize safety and quality.
2 We will think and act from the standpoint of the customer.
3 We will strive to maximize corporate value.
4 We will fulfill our responsibility as a corporate citizen.
5 We will appreciate hard work and take on a positive attitude.

### Social Responsibilities of the JAL Group

For the JAL Group, fulfilling our social responsibilities as a corporation means none other than realizing the vision of our corporate philosophy "bring customers, their cultures and their hearts closer together as it contributes to the peace and prosperity of Japan and the world." All the activities of the JAL Group, whether economic, social or environmental, are carried out with an emphasis on our relationships with customers, shareholders and investors, business partners, employees and the general public. We are committed to living up to the trust and expectations of all stakeholders.

### Safety and CSR

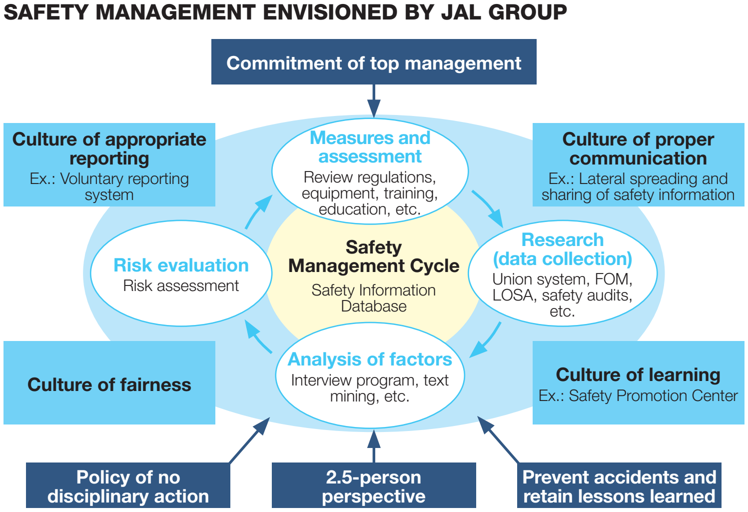
Safety in flight operations constitutes the very foundation of the JAL Group's existence and is our responsibility to society. As shown in the diagram below, all CSR at the JAL Group is founded on safety in flight operations.


## SAFETY INITIATIVES

### Safety Policies in FY2009 Management Plan

In the FY2009 Management Plan, formulated in May 2009, the JAL Group identifies two fundamental safety initiatives: promotion of a safety management system and cultivation of a culture of safety. We will work to ensure each of these initiatives fully penetrates the organization and fully embodies the brand of safety management envisioned by the JAL Group. In addition, we aim to strengthen our crisis management capabilities and firmly maintain aeronautical safety.

#### SAFETY MANAGEMENT ENVISIONED BY JAL GROUP




### Promoting a Safety Management System

The JAL Group is building a system for incorporating Plan-Do-Check-Act processes into the safety management cycle and accurately ascertaining safety levels. This initiative utilizes a database of safety information and consists of: 1) research (data collection) via flight data monitoring, line operations safety audits (LOSA) and other means; 2) factor analysis using the interview program developed by Boeing and other techniques; 3) identifying all unsafe factors, calculating the possibility they will materialize and the magnitude of their impact, and assigning risk levels on this basis, a process called risk assessment; and 4) measures and assessment, which involves appropriately reviewing regulations, equipment, training and other areas when measures need to be taken to address risk factors.

### Cultivating a Culture of Safety

The culture of safety envisioned by the JAL Group and based on that of the ICAO has been defined concretely in order to further raise employee awareness. The ICAO's culture of safety comprises a culture of proper communication (Informed Cultures), a culture of learning (Learning Cultures), a culture of fairness (Just Cultures) and a culture of appropriate reporting (Reporting Cultures).

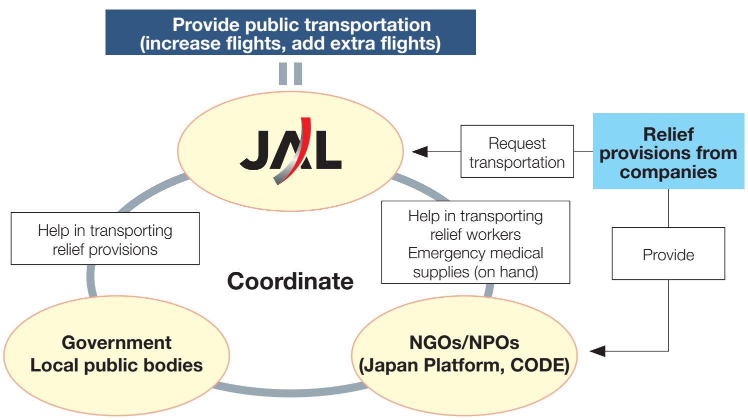
## Continuing to Learn from Past Lessons

The JAL Group established the Safety Promotion Center in April 2006 based on proposals from a safety advisory group made up of outside experts and from family members of people who lost their lives in the accident of Flight 123. The center displays recovered pieces of the fuselage and other parts, and in 2008 a new exhibit was held with personal articles from some of the passengers thanks to the cooperation of family members. Over 60,000 people, both employees and the general public, have visited the center since it was opened. Going forward, we intend to actively utilize the facility as a foundation for safety.

# SOCIAL ACTIVITIES

The JAL Group carries out a variety of social activities, including the examples described in the following, while taking advantage of its characteristics as an airline company that possesses a network connecting many regions in Japan and throughout the world.

### JAL GROUP SUPPORT FOR DISASTER RELIEF




## Earthquake Relief Activities

The JAL Group endeavors to ensure public transportation when major earthquakes occur, by increasing flights, adding extra flights and establishing temporary routes. We also help transport relief provisions and workers in partnership with the government, local public bodies, and non-governmental and non-profit organizations. Moreover, since fiscal 2008, as a member of the Disaster Volunteer Support Project, we have made recommendations for volunteer activities during times of major disasters from our position as a corporation.

**Earthquake in Sichuan, China (May 2008)**

The major earthquake that occurred in China's Sichuan Province on May 12, 2008 damaged or destroyed the homes of many people in the area. In response, the Shizuoka Volunteer Society carried out a campaign for procuring tents and raising money to purchase tents with the help of volunteer groups around the country. The coordinated efforts and technical proficiency of these volunteer groups dispersed across a wide region caught the attention of the JAL Group. We responded by transporting 400 tents collected by the campaign from Narita to Sichuan Province free of charge, after receiving technical advice from personnel in cargo operations.

## Other Major Social Activities

**Support for UNICEF**

The JAL Group provides support for UNICEF, including by conducting the "Change For Good" fundraising campaign aboard international flights, selling UNICEF greeting cards and helping transport coins in foreign currencies.

***Fureai no Tsubasa***

*Fureai no Tsubasa* (Wings of Love) is a program that invites children from children's nursing homes in various parts of Japan to Tokyo. Since the start of the program in 1988, some 2,000 children have been invited to visit the capital city.

**Support for Art Exhibitions**

We support art exhibitions held in Japan and overseas by helping transport the works of art and exhibition personnel.

See our website for more information about JAL's various social activities. (http://www.jal.com/en/society/)

# ENVIRONMENTAL INITIATIVES

Recognizing that the JAL Group impacts the global environment in emitting carbon dioxide and other ways, we regard environment-conscious practices to be an important management priority. We are working to reduce environmental impact in all business activities with the aim of bringing about harmony with the global environment.

## JAL "Sky Eco" Project

The JAL Group announced the "Sky Eco" project in April 2008, aiming to help bring about harmony with the earth and preserve the rich natural environment for future generations, and has been conducting the project. With its tail painted green to symbolize the "Sky Eco" project, the JAL Eco Jet was put into service in July 2008 and since then has been highlighting the importance of the global environment for society.

**Reduction of carbon dioxide emitted by aircraft**

We are conducting the following and other activities to reduce the carbon dioxide emitted by JAL Group aircraft by 20% per available ton-kilometer by FY2010, compared to 1990 levels.

1) Introducing highly fuel-efficient new aircraft and withdrawing aging aircraft from service
2) Cleaning aircraft engines (conducted 823 times in FY2008; achieved annual $CO_2$ reduction target of 50,000 tons)
3) Reduced weight of onboard items (even spoons and forks made two grams lighter, etc.), reduced weight of cabin attendant luggage (succeeded in reducing weight by 2.5 kilograms per person through this activity, which was initiated by cabin attendants)
4) Adopted and implemented more environmentally friendly flight operations (started User Preferred Route flight paths, "tailored arrivals" and eco-flight techniques)

**Promotion of environmental and social activities**

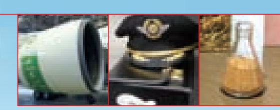
JAL promotes the following and other environmental and social activities that draw on its characteristics as a corporation, starting with JAL's network.

1) We are doing atmospheric measurements of $CO_2$ densities via our aircraft on international routes to help elucidate climate change mechanisms.
2) We monitor the forests of Siberia, Alaska and Indonesia, which are among the largest absorbers of carbon dioxide in the world, from the air and report information on forest fires to the Japan Aerospace Exploration Agency (a record-high 263 incidents were reported in fiscal 2008).

See our website for more information about JAL's various environment-conscious practices. (http://www.jal.com/en/environment/)

**FEATURE:**

# INITIATIVES TO FIGHT GLOBAL WARMING

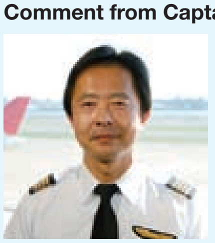


## JAL Bio-Flight

**Successful "bio-flight" conducted using plant-based jet fuel**

On January 30, 2009, the JAL Group conducted a demonstration flight using bio jet fuel in order to promote the development of alternative, environmentally friendly fuels in partnership with Boeing, Pratt & Whitney and other industry firms. The jet fuel for the flight used only non-food materials and was formulated with 84% camelina, a plant in the Brassicaceae family, 15% jatropha and 1% seaweed, which was mixed with regular jet fuel at a ratio of 1:1. The aircraft, a Boeing 747-300, used this fuel mixture in one of its four engines and successfully completed a 1.5 hour flight from Haneda Airport to the airspace offshore from Sendai. Biofuels have drawn attention as a renewable energy source and are also an effective measure to curb global warming. There are major expectations for their practical use in aircraft, and the JAL Group is supporting efforts to promote the commercialization of biofuels in the airline industry.

**Comment from Captain Kobayashi**



Captain Kenji Kobayashi, the pilot in charge of the demonstration flight, said during an interview after this flight, "There was absolutely no difference between the new bio jet fuel and regular jet fuel—I hope we will be able to start flying passengers using the bio jet fuel very soon."

## Expansion of New Flight Formats

**—Expanding user preferred routes and tailored arrivals with cooperation of air traffic control**

The User Preferred Route program allows airline companies to set their own flight paths for safety and greater efficiency based on climate and aircraft considerations. The JAL Group began trial operations on Japan–Hawaii flights in August 2008 and on Japan–Australia flights in June 2009. Combined, this is expected to reduce annual fuel consumption by around 4.40 million pounds (equivalent to 2.49 million liters or 12,400 drum cans) and carbon dioxide emissions by approximately 6,100 tons per year.

"Tailored arrivals" refers to a landing method by which the aircraft descends linearly like a glider that effectively reduces fuel consumption and noise pollution by approximately 40% compared to regular landings by which the aircraft descends in stages. The JAL Group started tailored arrivals into San Francisco Airport in June 2008, becoming the first Japanese airline to do so. We have also begun tailored arrivals into Kansai Airport as of May 2009, the first domestic airport to allow this method of landing.

## JAL Carbon Offset Program

Since February 2009, the JAL Group has been offering a carbon offset program which enables passengers using its flights to voluntarily offset the carbon dioxide generated by their trips.

# CORPORATE GOVERNANCE

## Internal Control Systems

The Japan Airlines Group has established its Basic Policy on Internal Control Systems in line with the Corporate Law to ensure the validity and effectiveness of operations, the reliability and accuracy of financial reports, and compliance with related laws and regulations. The Auditing Division was established under the direct supervision of the president to conduct continuous evaluations of the effectiveness of the Group's internal controls. Being independent from the operations that it evaluates, it performs evaluations objectively. The Executive Committee, which decides preliminary deliberations to be submitted to the Board of Directors and the direction of important matters unrelated to management conferences, promotes the Group's internal controls.

To read about the Basic Policy on Internal Control Systems, please visit www.jal.com/ja/governance/ (in Japanese).

## Compliance

At the JAL Group, we view compliance as an important function of internal control systems, and also as a fundamental element of CSR. We interpret compliance to mean not merely adherence to laws but also to internal rules, social norms and agreements decided in contract (or amongst ourselves). Through sound corporate activities, we respond to the requests and demands of society as a whole, and thereby increase our corporate value.

## Risk Management

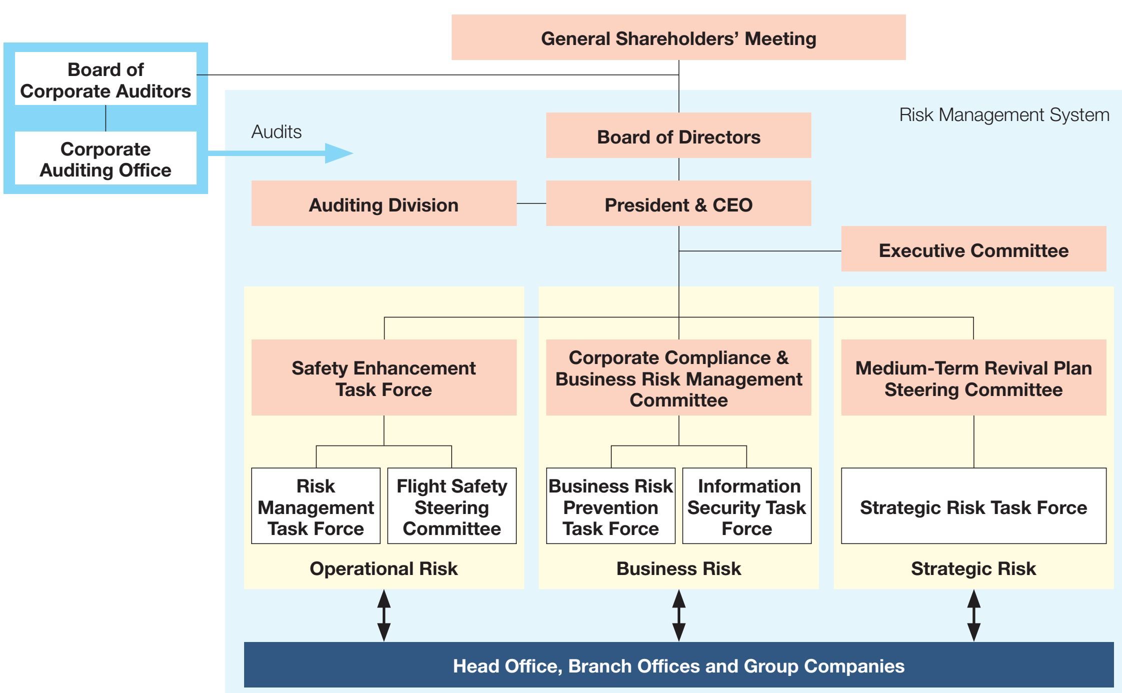
Based on the special characteristics of the aviation business, risks are broadly divided into (1) Operational risks: risks associated with the air transportation business, (2) business risks: risks related to business operations other than those in (1), and (3) strategic risks: risks that may exert a significant adverse impact on our earnings structure. We have given priority to establishing preventive measures against these risks via the Safety Enhancement Task Force, the Corporate Compliance & Business Risk Management Committee, and the Medium-Term Revival Plan Steering Committee, respectively.

## System of Corporate Auditors

The JAL Group has adopted a system of corporate auditors to monitor and oversee management. Six corporate auditors (of which four are outside auditors) attend Board of Directors' and other important meetings. Also, along with the staff of the Corporate Auditing Office they audit approximately 80 corporate departments, operational branch offices and Group companies each year, and report the results to representative directors. They also exchange information with internal auditing departments and the external auditing company, and hold meetings with the full-time corporate auditors of subsidiaries three times each year to share information to strengthen their audits.

For more detailed information about compliance and risk management, please visit www.jal.com/ja/corporate/csr/governance/ (in Japanese).

### JAL GROUP INTERNAL CONTROL SYSTEMS



# BOARD OF DIRECTORS

## DIRECTORS

*President & CEO*
**Haruka Nishimatsu**

*Executive Vice President*
**Katsuhiko Nawano**

*Executive Vice President*
**Tetsuya Takenaka**

*Executive Vice President*
**Kiyoshi Kishida**

*Managing Director*
**Toshio Annaka**

*Managing Director*
**Shunichi Saito**

*Managing Director*
**Masaaki Haga**

*Senior Vice President*
**Kunio Hirata**

*Senior Vice President*
**Yoshimasa Kanayama**

*Senior Vice President*
**Toshinari Oshima**

*Senior Vice President*
**Chihiro Tamura**

*Senior Vice President*
**Tetsuo Takahashi**

*Senior Vice President*
**Hiroyasu Omura**

*Senior Vice President*
*(outside director, nonstanding)*
**Kiyofumi Kamijo**

*Senior Vice President*
*(outside director, nonstanding)*
**Kunio Ishihara**

## AUDITORS

*Corporate Auditor*
**Teruhisa Ishizawa**

*Corporate Auditor*
**Hideo Hiramoto**

*Corporate Auditor*
*(outside auditor)*
**Hirokazu Horinouchi**

*Corporate Auditor*
*(outside auditor, nonstanding)*
**Masatake Matsuda**

*Corporate Auditor*
*(outside auditor, nonstanding)*
**Hiroshi Suzuki**

*Corporate Auditor*
*(outside auditor, nonstanding)*
**Hideyuki Sakai**

## EXECUTIVE OFFICERS

*Senior Managing Executive Officer*
**Susumu Miyoshi**

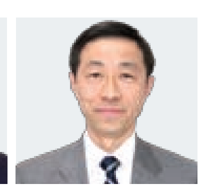
*Senior Managing Executive Officer*
**Masato Uehara**

*Executive Officer*
**Muneyuki Mitsui**

*Executive Officer*
**Tadao Sakai**

*Executive Officer*
**Ichiro Morii**

*Executive Officer*
**Manabu Sato**



*Executive Officer*
**Toshio Takahashi**

# FINANCIAL SECTION

## CONTENTS

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OPERATING ENVIRONMENT AND FINANCIAL STRATEGY

**Overview of Economic Situation**

The Japanese economy underwent a gradual deceleration during the first half of the reporting period, reflecting a slowing world economy and sharp price increases in raw materials and energy. From the third quarter, however, the turmoil in financial markets triggered by such factors as the subprime mortgage crisis in the U.S., clearly spilled over into the real economy, causing a sharp downward spiral in the global economy. Against this backdrop, Japan suffered setbacks that included a major slump in exports, declines in corporate earnings and capital investment, substantial falls in production and a serious deterioration of the employment situation that combined to rapidly undermine the domestic economy.

In these circumstances, the JAL Group announced the FY2008–2010 Medium-Term Revival Plan (New Medium-Term Revival Plan) in February 2008. The new plan builds and expands on the original FY2007-2010 Medium-Term Revival Plan, and focuses on expansion programs for the two major airports serving the Tokyo region – Narita International Airport and Tokyo International Airport (Haneda) – that are scheduled for completion in 2010. The plan also aims to achieve a corporate fabric that enables the Group to generate stable profit in any environment.

During FY2008, the first year of the new plan, strenuous Group-wide efforts were made to achieve its goals. These were based on an approach in which nothing was regarded as off-limits, and involved the steady implementation of a variety of measures. These included the no-holds-barred approach to route restructuring, progressive introduction of new, highly fuel-efficient aircraft combined with aircraft downsizing; the implementation of Premium Strategies, including the introduction of new seats for First and Business Class on international routes and the expansion of the JAL Premium Economy Service on international routes and First Class service on domestic routes; the achievement of our personnel-reduction goal on a consolidated basis one year ahead of schedule, reducing consolidated personnel expenses by over ¥50 billion; and the overhauling of related business activities, and stepped up the intensity of our existing "nothing off limits" cost-cutting measures, while partially bringing-forward the reform of the cost structure, including a radical review of the overall operating structure and business processes.

Recently, however, fuel prices have fluctuated on an unprecedented scale, and since the autumn of 2008 the world economy has been plunged into a recessionary phase of a harshness never experienced before, sparked by the turmoil in financial markets originating in the U.S. In consequence, the JAL Group's revenues and profits were significantly below forecast in FY2008.

Given these circumstances, and cognizant that this harsh operating environment would persist in FY2009, the JAL Group has formulated a one-year management plan specifically for FY2009, under the name of the FY2009 Management Plan. This plan includes measures to enhance profitability by means of full-scale implementation of the reform of the cost structure and new measures to address personnel costs, and revises down the profit targets from those laid down in the Medium-Term Revival Plan. In order to achieve an improvement in profitability in FY2009, the plan includes: a) measures to secure revenues, b) measures to ensure the most appropriate capacity, c) measures to reform the cost structure, and d) its priority strategy in the form of measures to strengthen human resources, which constitute the core element in business planning.

To our great regret it was impossible to avoid making an operating loss in FY2008, owing to the rapid deterioration of the world economy. Nevertheless, the JAL Group will continue to act in a flexible manner in supplementing, deepening, or modifying its strategies in light of changes in the domestic and international environment, for example a further slide in the global economy, the intensification of competition, or sharp increases in fuel prices. Steps taken may include the revision of business plans or capital investment plans, or additional reform of the cost structure. In this way we will build a strong corporate fabric that will enable us to generate an adequate level of profits in any business environment.

# For more details on the FY2009 Plan see Special Feature (Page 6).

## 1. RESULTS OF OPERATIONS (CONSOLIDATED)

**(1) Operating Income on a Consolidated Basis**

The Group's consolidated results were impacted by factors such as a year-on-year decline in revenues from the air transportation business from early autumn, owing primarily to the fall in aviation demand resulting from the global economic downturn, and they were also impacted by the removal of former consolidated subsidiary PACIFIC FUEL TRADING CORPORATION (PFTC) from the scope of consolidation, as a result of the sale of its shares. In consequence, consolidated operating revenues declined by 12.5%, to ¥1,951.1 billion. Meanwhile operating expenses declined by 6.5% to ¥2,002.0 billion, in spite of the fact that we were unable to avoid an increase in fuel costs resulting from the soaring price of aviation fuel. This was because of positive factors such as the aforementioned removal of PFTC from the consolidation, and the partial bringing-forward of the reform of the cost structure, including the thorough implementation of our ongoing no-holds-barred cost-reduction measures and the radical overhaul of business processes. In consequence, we registered an operating loss of ¥50.8 billion, a deterioration of ¥140.8 billion compared with the operating income figure for the previous term.

**(2) Ordinary Income and Net Income on a Consolidated Basis**

The Group posted a consolidated ordinary loss of ¥82.1 billion, a deterioration of ¥151.9 billion from the ordinary income figure for the previous fiscal year and largely attributable to a foreign exchange translation loss of ¥31.2 billion, a deterioration of ¥11.0 billion from the previous fiscal year. Despite extraordinary gains, including from the sale of some of our share holdings in JALCard, Inc., the Group's overall net income fell by ¥80.1 billion from last fiscal year's figure, to a net loss of ¥63.1 billion.

## 2. AIR TRANSPORTATION BUSINESS

**Segment Information for the Group's Core Business of Air Transportation**

(Billions of yen)

| Years ended March 31, | 2009 | 2008 | Increase (Decrease) | Change |
|---|---|---|---|---|
| Operating revenues | **1,716.4** | 1,826.7 | (110.2) | 94.0% |
| International passenger | **703.5** | 754.3 | (50.7) | 93.3% |
| Domestic passenger | **666.5** | 677.4 | (10.8) | 98.4% |
| International cargo | **152.1** | 188.2 | (36.0) | 80.8% |
| Domestic cargo | **34.7** | 27.8 | 6.9 | 124.8% |
| Mail* | **12.8** | 20.0 | (7.1) | 64.3% |
| Other | **66.7** | 66.1 | 0.6 | 100.9% |
| Incidental business | **79.7** | 92.6 | (12.9) | 86.0% |
| Operating expenses | **1,777.3** | 1,748.0 | 29.2 | 101.7% |
| Fuel | **509.1** | 412.7 | 96.3 | 123.3% |
| Airport facilities | **123.1** | 128.3 | (5.2) | 95.9% |
| Maintenance | **116.6** | 122.0 | (5.3) | 95.6% |
| Passenger services and cargo handling | **44.9** | 50.5 | (5.6) | 88.8% |
| Sales commissions | **96.0** | 111.0 | (15.0) | 86.5% |
| Aircraft depreciation | **77.3** | 73.5 | 3.7 | 105.1% |
| Aircraft leases | **101.2** | 108.2 | (6.9) | 93.6% |
| Personnel | **277.7** | 272.0 | 5.7 | 102.1% |
| General Expenses | **202.6** | 214.8 | (12.2) | 94.3% |
| Other | **228.4** | 254.5 | (26.1) | 89.7% |
| Operating income | **(60.8)** | 78.6 | (139.5) | — |

* Total of International and Domestic Mail

**(1) Operating Revenue**

Operating revenues in the air transportation business segment declined by ¥110.2 billion from the previous fiscal year, to ¥1,716.4 billion. This was primarily attributable to a decline of ¥50.7 billion to ¥703.5 billion in revenues from international passenger operations, as passenger numbers declined on all international routes, and to declines in domestic passenger revenues of ¥10.8 billion, to ¥666.5 billion, and in international cargo revenues of ¥36.0 billion, to ¥152.1 billion.

**(2) Operating Expense and Operating Income**

Operating expenses in the air transportation segment declined in most categories, due primarily to the partial bringing-forward of the reform of our cost structure, radical overhaul of the operating structure and business processes, and the impact of supplementary emergency measures to improve profitability in addition to more exhaustive implementation of existing "nothing off-limits" cost-cutting measures . However, an unprecedented increase in fuel oil prices increased operating expenses by ¥29.2 billion to ¥1,777.3 billion. As a result, operating income in the air transportation business segment declined by ¥139.5 billion to an operating loss of ¥60.8 billion.

**(3) Fuel Cost**

A thorough review of our route network led to extensive suspensions of operation on certain routes and reductions in flight frequency, switches to fuel-efficient aircraft and downsizing to medium and small-sized aircraft. We also restructured routes and promoted comprehensive measures to reduce fuel consumption, including increasing the frequency of engine-cleaning and reducing the weight of on-board items, and cut aviation fuel consumption in FY2008 by 12.6% against FY2006. However, fuel costs increased by ¥96.3 billion to ¥509.1 billion on sharp increases in aviation fuel prices in the first half. A breakdown of the ¥96.3 billion increase reveals a reduction of ¥32.3 billion in the aforementioned fuel consumption, but due to higher fuel prices there was an increase of ¥128.6 billion in price factors including the positive effect of a strong yen.

**(4) Airport Facility Charge**

As a result of factors such as route restructuring and aircraft downsizing, in addition to the benefits of a stronger yen, airport facility charges fell by ¥5.2 billion year-on-year, to ¥123.1 billion.

**(5) Maintenance Cost**

Maintenance costs benefited from factors such as the fleet renewal, enhanced productivity and lower material costs resulting from a stronger yen. In consequence, they declined by ¥5.3 billion from the previous year, to ¥116.6 billion.

**(6) Passenger Service Expense and Sales Commission**

Passenger service expenses and sales commissions benefited from route restructuring, lower demand due to the economic downturn, and reform of the cost structure ahead of schedule. In consequence, passenger service expenses declined by ¥5.6 billion from the previous fiscal year to ¥44.9 billion, and sales commission expenses were down ¥15.0 billion to ¥96.0 billion.

**(7) Personnel Cost**

Although the one-time expense related to the reform of the Group's retirement benefit system in FY2007 increased personnel cost by approximately ¥26.0 billion from the previous fiscal year, thanks to benefits from the reform of the wage system, the reduction in retirement benefit expenses due to the transfer of the basic part of corporate pension funds to the government, and a reduction in personnel cost due to enhanced personnel productivity, the net increase in personnel cost was held down to ¥5.7 billion compared with the previous fiscal year, to ¥277.7 billion.

**(8) General Expenses and Other Costs**

In addition to the implementation of our ongoing no-holds-barred cost-reduction measures we implemented a reform of the cost structure and emergency measures. This led to significant reductions in expenses, mainly rent and ground handling service commission costs. In consequence, general expenses declined by ¥12.2 billion to ¥202.6 billion and other costs fell by ¥26.1 billion to ¥228.4 billion.

## 3. PER SHARE INFORMATION

There was a substantial decline in net income per share from the previous year, to a loss of ¥25.47 on a consolidated basis. Net assets per share declined to ¥5.44 on a consolidated basis.

## 4. CASH FLOWS

### *Cash Flow From Operating Activities*

Net cash provided by operating activities amounted to ¥31.7 billion. The Company posted a loss before income taxes in the amount of ¥59.0 billion, which was more than offset by non-cash items (principally depreciation) and changes in receivables and payables relating to operating activities.

### *Cash Flow From Investing Activities*

Net cash used in investing activities amounted to ¥105.6 billion. This was mainly due to expenditures for the acquisition of aircraft and parts, and advance payments for newly ordered aircraft.

### *Cash Flow From Financing Activities*

Net cash used in financing activities amounted to ¥116.7 billion. This is attributable to expenditures involved in the redemption of corporate bonds and on repayment of long-term borrowings.

As a result of the above, cash and cash equivalents as of the end of the fiscal year stood at ¥161.7 billion on a consolidated basis, a decrease of ¥192.2 billion from the previous fiscal year end.

## 5. CAPITAL EXPENDITURE

In accordance with the policy set out in the New Medium-Term Revival Plan, the Group actively implemented fleet renewal, downsizing aircraft to small- and medium-sized models. Total capital investment spending during the year increased by ¥16.5 billion, to ¥135.0 billion, of which ¥110.0 billion represented expenditure relating to aircraft and parts. Part of the funding for this capital spending came from the proceeds of a capital increase by public offering that took place during 2006 and from the issuance of preferred shares by way of third-party allocation in 2008.

**Capital Expenditure, Depreciation**

(Billions of yen)

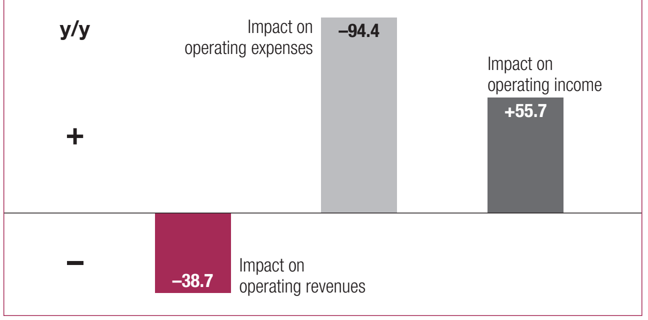
| Years ended March 31, | 2009 | 2008 |
|---|---|---|
| Investment (Purchase) | **135.0** | 118.5 |
| (Aircraft) | **110.0** | 82.6 |
| (Others) | **25.0** | 35.8 |
| Depreciation | **118.0** | 116.5 |
| Principal payment of Finance Lease | **56.1** | 58.6 |

## 6. EXCHANGE RATES AND FUEL HEDGING

The key average monthly in-house exchange rates during the year were US$1:¥100.4 (¥115.5 in the previous fiscal year) and €1:¥145.3 (¥161.3 in the previous year), which generated an increase of approximately ¥55.7 billion in operating income in the Air Transportation Business segment.

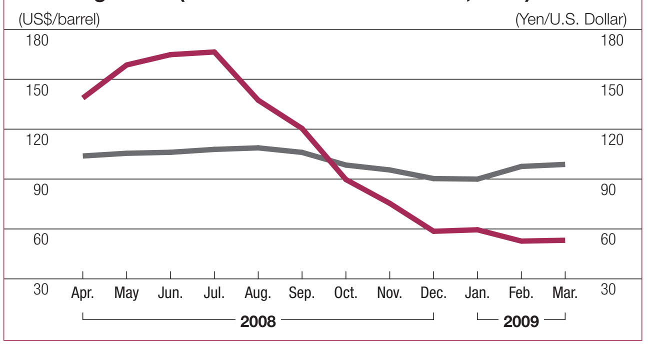
**Impact of Forex on Operating Income**

(Billions of Yen)




With regard to fuel hedging, the ratio of fuel hedged was 89% of expected fuel requirements, which was similar to the level in the previous fiscal year. The average fuel price per barrel (Singapore Kerosene) during the year was US$112.7 (US$93.2 in the previous fiscal year).

**Monthly Fuel Price (Singapore Kerosene)/Monthly Yen-Dollar Exchange Rate (Fiscal Year Ended March 31, 2009)**




Singapore Kerosene Prices (Left Scale)
Monthly Yen-Dollar Exchange Rate (Right Scale)

## 7. FINANCIAL POSITION

Current assets as of the fiscal year end declined by ¥323.2 billion, mainly due to a ¥191.2 billion decline in cash and time deposits. This was the result of steady investment, mainly in aircraft, utilizing the funds provided through a capital increase in the previous fiscal year via the issue of preferred stock by means of a third party allocation, as well as the repayment of bank loans and redemption of corporate bonds in line with our policy of reducing the company's interest-bearing debt. Non-current assets also declined by ¥47.9 billion, and as a result total assets declined by ¥372.1 billion to ¥1,750.6 billion.

In spite of an increase in derivatives liabilities, total liabilities decreased by ¥97.8 billion to ¥1,553.9 billion, as a result of the reduction in interest-bearing debt.

Net assets posted a year-on-year decrease of ¥274.2 billion to ¥196.7 billion, mainly as a result of the decline in retained earnings in line with the posting of a net loss, as well as a deterioration in valuation gains/losses on deferred hedge transactions.

## 8. AIRCRAFT FLEET

The total number of aircraft operated (owned and leased) by the JAL Group as of the end of the fiscal year was as follows:

**Aircraft Fleet**

| | **At March 31, 2009** | | At March 31, 2008 | |
|---|---|---|---|---|
| | **owned** | **leased** | owned | leased |
| Boeing 747-400 | **36** | **1** | 36 | 1 |
| Boeing 747-400F | **5** | **2** | 5 | 2 |
| Boeing 747LR | **6** | **0** | 9 | 0 |
| Boeing 747F | **1** | **0** | 3 | 1 |
| Boeing 777 | **20** | **23** | 15 | 25 |
| Airbus A300-600R | **18** | **4** | 18 | 4 |
| Boeing 767 | **19** | **27** | 19 | 24 |
| Boeing 767F | **0** | **3** | 0 | 3 |
| Douglas MD-90 | **16** | **0** | 16 | 0 |
| Douglas MD-81 | **8** | **6** | 12 | 6 |
| Douglas MD-87 | **0** | **0** | 2 | 0 |
| Boeing 737-400 | **12** | **11** | 9 | 14 |
| Boeing 737-800 | **2** | **16** | 2 | 8 |
| Bombardier CRJ200 | **0** | **9** | 0 | 9 |
| Embraer 170 | **2** | **0** | 0 | 0 |
| Bombardier DHC-8-400 | **3** | **8** | 3 | 8 |
| SAAB 340B | **11** | **3** | 10 | 4 |
| Bombardier DHC-8-100 | **4** | **0** | 4 | 0 |
| Bombardier DHC-8-300 | **1** | **0** | 1 | 0 |
| B-N Group BN-2B | **2** | **0** | 2 | 0 |
| Total | **166** | **113** | 166 | 109 |

## 9. DIVIDEND POLICY

The JAL Group is making steady progress in implementing the measures laid out in its New Medium-Term Revival Plan, with the aim of establishing a path towards stable growth from FY2010 onward. Of particular note is that measures aimed at cutting personnel and other costs, in which nothing is off-limits, have proved effective. Nevertheless, the business environment has undergone significant change as a result of the considerable volatility of fuel prices and the unprecedented economic slowdown. The inevitable outcome is a substantial worsening of our performance during the reporting term, primarily as the result of major declines in passenger and cargo demand, and increased fuel costs.

In view of this, we express most sincere regrets to our shareholders for not being able to pay a dividend on common stock for the reporting term. In order to resume dividend payments as soon as possible, we will endeavor to further improve profitability and to build a company with the inherent capacity to pay dividends, irrespective of the business environment.

The Company will pay dividends on Type A stock issued in March 2008.

## 10. EMPLOYEE NUMBERS

The total number of employees in the JAL Group as of the end of March 2009 was 1,674 fewer than at the end of the previous fiscal year, and stood at 47,526. We exceeded the target for reducing the total number of employees by 4,300 (from 53,100 employees* on a consolidated basis as of the end of FY2006) one year ahead of schedule.

* Estimate for the end of FY2006 at the time the Medium-Term Revival Plan was prepared

**Employee Numbers**

| March 31, | **2009** | 2008 |
|---|---|---|
| Air transportation | **20,540** | 21,343 |
| Airline-related | **20,949** | 21,213 |
| Travel services | **2,401** | 3,069 |
| Credit card and leasing services | **285** | 283 |
| Other business | **3,351** | 3,292 |
| Total | **47,526** | 49,200 |

## 11. OUTLOOK FOR FY2009

Looking ahead to business performance in FY2009, we forecast that operating revenues on a consolidated basis will decline by ¥203.1 billion from the previous fiscal year to ¥1,748.0 billion, principally on an anticipated substantial fall in revenues from the air transportation business. Operating expenses are also expected to decline by ¥195.0 billion, falling to ¥1,807.0 billion, as a result of cuts in almost all expense categories. This is attributable primarily to a major ¥111.1 billion reduction in fuel costs, made possible in part by developments such as capacity reductions and self-help measures to cut fuel consumption, and by the effect of our Group-wide reform of cost structure. In consequence, the operating loss on a consolidated basis is forecast at ¥59.0 billion.

The ordinary loss is projected to show a year-on-year decrease of ¥25.9 billion to ¥108.0 billion, but the net loss is forecast to remain level with the previous fiscal year at ¥63.0 billion, largely due to fundamental reform of our pension system.

Forecasts are based on the following assumptions:

An exchange rate of ¥95 against the U. S. dollar and an aviation fuel price (Singapore Kerosene) at a market price of US$76.2 per barrel. As of the end of March 2009, we had hedged 78% of our fuel requirements for the fiscal year ending March 31, 2010.

The above forecasts are subject to certain uncertainties and risks, including those mentioned below. In the event any of these risks materialize (e.g. a decline in air travel demand due to the outbreak of a new type of influenza, increases in fuel costs), we will nonetheless make every effort to achieve the above forecast results.

Please note that the analyses of operating expenses, of foreign exchange and fuel hedging, and of some other factors included in this MD&A section have not been audited by independent auditors, and are provided solely for the convenience of investors. For this reason, the Company accepts no responsibility for the reliability of the information contained herein.

# CONSOLIDATED BALANCE SHEETS

Japan Airlines Corporation and Consolidated Subsidiaries

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| March 31, | 2009 | 2008 | 2009 |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and time deposits (Note 4) | ¥ 163,696 | ¥ 354,977 | $ 1,666,456 |
| Notes and accounts receivable—trade | 170,912 | 241,349 | 1,739,916 |
| Short-term investments in securities (Notes 4, 6 and 8) | 9,391 | 8,795 | 95,602 |
| Flight equipment spare parts and supplies (Note 8) | 81,857 | 90,985 | 833,319 |
| Deferred income taxes (Note 10) | 2,909 | 2,595 | 29,614 |
| Other | 60,952 | 115,187 | 620,502 |
| Allowance for doubtful accounts | (2,690) | (3,575) | (27,384) |
| Total current assets | 487,029 | 810,315 | 4,958,047 |
| Fixed assets: | | | |
| Tangible fixed assets, net (Notes 1, 13 and 15): | | | |
| Buildings and structures (Note 8) | 110,012 | 116,698 | 1,119,942 |
| Machinery, equipment and vehicles (Note 8) | 30,342 | 30,772 | 308,887 |
| Flight equipment (Note 8) | 723,590 | 721,967 | 7,366,283 |
| Land (Note 8) | 35,013 | 35,609 | 356,438 |
| Advances on flight equipment and other purchases | 116,510 | 113,247 | 1,186,093 |
| Other | 15,551 | 18,821 | 158,312 |
| Total tangible fixed assets | 1,031,021 | 1,037,117 | 10,495,989 |
| Intangible fixed assets: | | | |
| Software (Note 8) | 78,630 | 81,876 | 800,468 |
| Other | 917 | 961 | 9,335 |
| Total intangible fixed assets | 79,548 | 82,838 | 809,813 |
| Investments and other assets: | | | |
| Investments in securities (Notes 5, 6 and 8) | 58,611 | 62,174 | 596,671 |
| Long-term loans receivable | 12,846 | 12,720 | 130,774 |
| Deferred income taxes (Note 10) | 6,030 | 5,593 | 61,386 |
| Other (Note 8) | 77,017 | 112,728 | 784,047 |
| Allowance for doubtful accounts | (2,494) | (2,638) | (25,389) |
| Total investments and other assets | 152,010 | 190,579 | 1,547,490 |
| Total fixed assets | 1,262,580 | 1,310,534 | 12,853,303 |
| Deferred charges: | | | |
| Stock issuance expenses | 1,068 | 1,933 | 10,872 |
| Total deferred charges | 1,068 | 1,933 | 10,872 |
| Total assets | ¥1,750,679 | ¥2,122,784 | $17,822,243 |

| March 31, | 2009 (Millions of yen) | 2008 (Millions of yen) | 2009 (Thousands of U.S. dollars) |
|---|---|---|---|
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable—trade | **¥ 190,045** | ¥ 264,914 | **$ 1,934,694** |
| Short-term borrowings (Note 8) | **2,911** | 3,084 | **29,634** |
| Current portion of bonds (Note 8) | **52,000** | 28,000 | **529,369** |
| Current portion of long-term loans payable (Note 8) | **128,426** | 130,335 | **1,307,400** |
| Accrued income taxes (Note 10) | **1,521** | 4,454 | **15,484** |
| Deferred income taxes (Note 10) | **33** | 15,016 | **335** |
| Allowance for bonuses to employees | **—** | 4,526 | **—** |
| Reserve for loss on antitrust litigation (Note 16) | **1,964** | 2,003 | **19,993** |
| Liabilities on derivative instruments (Note 7) | **126,259** | 24,854 | **1,285,340** |
| Other (Note 8) | **146,734** | 184,039 | **1,493,779** |
| Total current liabilities | **649,897** | 661,229 | **6,616,074** |
| Non-current liabilities: | | | |
| Bonds (Note 8) | **50,229** | 102,229 | **511,340** |
| Long-term loans payable (Note 8) | **567,963** | 651,416 | **5,781,970** |
| Deferred income taxes (Note 10) | **6,534** | 17,192 | **66,517** |
| Accrued pension and severance costs (Note 9) | **94,911** | 95,485 | **966,211** |
| Reserve for loss on antitrust litigation (Note 16) | **5,083** | 15,210 | **51,745** |
| Other (Note 8) | **179,288** | 108,950 | **1,825,185** |
| Total non-current liabilities | **904,010** | 990,483 | **9,202,992** |
| Total liabilities | **1,553,907** | 1,651,713 | **15,819,067** |
| | | | |
| **NET ASSETS** (Note 11) | | | |
| Stockholders' equity: | | | |
| Common stock and preferred stock | **251,000** | 251,000 | **2,555,227** |
| Capital surplus | **155,806** | 155,836 | **1,586,134** |
| (Accumulated deficit) retained earnings | **(21,874)** | 41,320 | **(222,681)** |
| Common stock in treasury, at cost | **(917)** | (890) | **(9,335)** |
| Total stockholders' equity | **384,014** | 447,266 | **3,909,335** |
| Valuation, translation adjustment and other | | | |
| Net unrealized (loss) gain on other securities, net of taxes (Note 6) | **(1,440)** | 2,578 | **(14,659)** |
| Net unrealized (loss) gain on hedging instruments, net of taxes (Note 7) | **(201,816)** | 8,167 | **(2,054,525)** |
| Translation adjustments | **(6,101)** | (4,077) | **(62,109)** |
| Total valuation, translation adjustments and other | **(209,358)** | 6,668 | **(2,131,304)** |
| Minority interests | **22,115** | 17,136 | **225,134** |
| Total net assets | **196,771** | 471,070 | **2,003,166** |
| Total liabilities and net assets | **¥1,750,679** | ¥2,122,784 | **$17,822,243** |

The accompanying notes are an integral part of these consolidated statements.

# CONSOLIDATED STATEMENTS OF OPERATIONS

Japan Airlines Corporation and Consolidated Subsidiaries

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| Years ended March 31, | 2009 | 2008 | 2009 |
| Operating revenues | ¥1,951,158 | ¥2,230,416 | $19,863,157 |
| Cost of operating revenues | 1,687,881 | 1,776,979 | 17,182,948 |
| Gross profit | 263,277 | 453,436 | 2,680,209 |
| Selling, general and administrative expenses: | | | |
| Commission | 94,194 | 108,529 | 958,912 |
| Provision of allowance for doubtful accounts | 496 | 470 | 5,049 |
| Wages, salaries and benefits | 80,386 | 90,785 | 818,344 |
| Retirement benefit expenses (Note 9) | 11,931 | 6,966 | 121,459 |
| Depreciation and amortization | 18,782 | 19,772 | 191,204 |
| Other | 108,371 | 136,898 | 1,103,237 |
| Total selling, general and administrative expenses | 314,162 | 363,423 | 3,198,228 |
| Operating (loss) income | (50,884) | 90,013 | (518,008) |
| Non-operating income: | | | |
| Interest income | 3,878 | 4,859 | 39,478 |
| Dividend income | 1,425 | 2,365 | 14,506 |
| Equity in earnings of affiliates | 1,630 | 2,176 | 16,593 |
| Gain on derivative instruments | 17,462 | 5 | 177,766 |
| Exchange gain, net | — | 4,070 | — |
| Other | 6,944 | 7,349 | 70,691 |
| Total non-operating income | 31,341 | 20,825 | 319,057 |
| Non-operating expenses: | | | |
| Interest expense | 17,536 | 20,009 | 178,519 |
| Loss on sales and disposal of flight equipment | 7,633 | 11,871 | 77,705 |
| Loss on derivative instruments | 8,874 | 3,444 | 90,339 |
| Exchange loss, net | 19,571 | — | 199,236 |
| Other | 9,018 | 5,695 | 91,804 |
| Total non-operating expenses | 62,634 | 41,021 | 637,625 |
| Ordinary (loss) income | (82,177) | 69,817 | (836,577) |
| Extraordinary gains: | | | |
| Gain from licensing card-related usage rights | 23,426 | — | 238,481 |
| Gain recognized upon separation of substitutional portion of benefit obligation of welfare pension fund plan, net (Note 9) | 168 | 5,528 | 1,710 |
| Gain on sales of investments in securities | 18,088 | 20,557 | 184,139 |
| Gain on sales of fixed assets (Note 12) | 1,163 | 5,988 | 11,839 |
| Other | 1,756 | 4,158 | 17,876 |
| Total extraordinary gains | 44,604 | 36,232 | 454,077 |
| Extraordinary losses: | | | |
| Loss recognized upon separation of substitutional portion of benefit obligation of welfare pension fund plan, net (Note 9) | 8,798 | — | 89,565 |
| Loss on sales and disposal of fixed assets (Note 12) | 2,577 | 4,866 | 26,234 |
| Non-recurring depreciation | 2,504 | 9,116 | 25,491 |
| Loss on impairment of fixed assets (Note 13) | 2,273 | 13,501 | 23,139 |
| Special termination benefits (Note 9) | 259 | 20,016 | 2,636 |
| Provision of reserve for loss on antitrust litigation | 854 | 17,213 | 8,693 |
| Other | 4,172 | 11,502 | 42,471 |
| Total extraordinary losses | 21,440 | 76,217 | 218,263 |
| (Loss) income before income taxes and minority interests | (59,014) | 29,832 | (600,773) |
| Income taxes—current (Note 10) | 3,181 | 4,897 | 32,383 |
| Income taxes—deferred (Note 10) | 22 | 6,894 | 223 |
| Total income taxes | 3,203 | 11,792 | 32,607 |
| Minority interests | 977 | 1,118 | 9,946 |
| Net (loss) income | ¥ (63,194) | ¥ 16,921 | $ (643,326) |

The accompanying notes are an integral part of these consolidated statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (NOTE 11)

Japan Airlines Corporation and Consolidated Subsidiaries

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| Years ended March 31, | **2009** | 2008 | **2009** |
| **Stockholders' equity** | | | |
| Common stock and preferred stock: | | | |
| Balance at beginning of year | **¥ 251,000** | ¥174,250 | **$ 2,555,227** |
| Change during the fiscal year: | | | |
| Issuance of preferred stock | **—** | 76,750 | **—** |
| Total changes | **—** | 76,750 | **—** |
| Balance at end of year | **251,000** | 251,000 | **2,555,227** |
| Capital surplus: | | | |
| Balance at beginning of year | **155,836** | 79,096 | **1,586,439** |
| Changes during the fiscal year: | | | |
| Issuance of preferred stock | **—** | 76,750 | **—** |
| Sales of common stock in treasury | **(30)** | (9) | **(305)** |
| Total changes | **(30)** | 76,740 | **(305)** |
| Balance at end of year | **155,806** | 155,836 | **1,586,134** |
| (Accumulated deficit) retained earnings: | | | |
| Balance at beginning of year | **41,320** | 24,776 | **420,645** |
| Changes during the fiscal year: | | | |
| Net (loss) income for the fiscal year | **(63,194)** | 16,921 | **(643,326)** |
| Changes in scope of consolidation and application of the equity method | **—** | (377) | **—** |
| Total changes | **(63,194)** | 16,544 | **(643,326)** |
| Balance at end of year | **(21,874)** | 41,320 | **(222,681)** |
| Common stock in treasury, at cost: | | | |
| Balance at beginning of year | **(890)** | (887) | **(9,060)** |
| Changes during the fiscal year: | | | |
| Changes in scope of consolidation and application of the equity method | **—** | 13 | **—** |
| Changes in ownership interests in affiliates accounted for by the equity method | **—** | 44 | **—** |
| Purchases of common stock in treasury | **(168)** | (139) | **(1,710)** |
| Sales of common stock in treasury | **141** | 77 | **1,435** |
| Total changes | **(26)** | (3) | **(264)** |
| Balance at end of year | **(917)** | (890) | **(9,335)** |
| Total stockholders' equity: | | | |
| Balance at beginning of year | **447,266** | 277,235 | **4,553,252** |
| Changes during the fiscal year: | | | |
| Issuance of preferred stock | **—** | 153,500 | **—** |
| Net (loss) income for the fiscal year | **(63,194)** | 16,921 | **(643,326)** |
| Changes in scope of consolidation and 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 | **(168)** | (139) | **(1,710)** |
| Sales of common stock in treasury | **110** | 67 | **1,119** |
| Total changes | **(63,252)** | 170,030 | **(643,917)** |
| Balance at end of year | **¥ 384,014** | ¥447,266 | **$ 3,909,335** |

| Years ended March 31, | 2009 (Millions of yen) | 2008 (Millions of yen) | 2009 (Thousands of U.S. dollars) |
|---|---|---|---|
| **Valuation, translation adjustments and other** | | | |
| Net unrealized (loss) gain on other securities, net of taxes (Note 6): | | | |
| Balance at beginning of year | **¥ 2,578** | ¥ 3,557 | **$ 26,244** |
| Changes during the fiscal year: | | | |
| Changes other than stockholders' equity, net | **(4,018)** | (979) | **(40,904)** |
| Total changes | **(4,018)** | (979) | **(40,904)** |
| Balance at end of year | **(1,440)** | 2,578 | **(14,659)** |
| Net unrealized (loss) gain on hedging instruments, net of taxes (Note 7): | | | |
| Balance at beginning of year | **8,167** | 35,314 | **83,141** |
| Changes during the fiscal year: | | | |
| Changes other than stockholders' equity, net | **(209,983)** | (27,147) | **(2,137,666)** |
| Total changes | **(209,983)** | (27,147) | **(2,137,666)** |
| Balance at end of year | **(201,816)** | 8,167 | **(2,054,525)** |
| Translation adjustments: | | | |
| Balance at beginning of year | **(4,077)** | (5,020) | **(41,504)** |
| Changes during the fiscal year: | | | |
| Changes other than stockholders' equity, net | **(2,024)** | 943 | **(20,604)** |
| Total changes | **(2,024)** | 943 | **(20,604)** |
| Balance at end of year | **(6,101)** | (4,077) | **(62,109)** |
| Total valuation, translation adjustments and other: | | | |
| Balance at beginning of year | **6,668** | 33,851 | **67,881** |
| Changes during the fiscal year: | | | |
| Changes other than stockholders' equity, net | **(216,026)** | (27,183) | **(2,199,185)** |
| Total changes | **(216,026)** | (27,183) | **(2,199,185)** |
| Balance at end of year | **(209,358)** | 6,668 | **(2,131,304)** |
| **Minority interests** | | | |
| Balance at beginning of year | **17,136** | 20,785 | **174,447** |
| Changes during the fiscal year: | | | |
| Changes other than stockholders' equity, net | **4,979** | (3,649) | **50,687** |
| Total changes | **4,979** | (3,649) | **50,687** |
| Balance at end of year | **22,115** | 17,136 | **225,134** |
| **Total net assets** | | | |
| Balance at beginning of year | **471,070** | 331,873 | **4,795,581** |
| Changes during the fiscal year: | | | |
| Issuance of preferred stock | **—** | 153,500 | **—** |
| Net (loss) income for the fiscal year | **(63,194)** | 16,921 | **(643,326)** |
| Changes in scope of consolidation and 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 | **(168)** | (139) | **(1,710)** |
| Sales of common stock in treasury | **110** | 67 | **1,119** |
| Changes other than stockholders' equity, net | **(211,047)** | (30,832) | **(2,148,498)** |
| Total changes | **(274,299)** | 139,197 | **(2,792,415)** |
| Balance at end of year | **¥ 196,771** | ¥471,070 | **$ 2,003,166** |

The accompanying notes are an integral part of these consolidated statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Airlines Corporation and Consolidated Subsidiaries

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| Years ended March 31, | **2009** | 2008 | **2009** |
| **Operating activities** | | | |
| (Loss) income before income taxes and minority interests | **¥ (59,014)** | ¥ 29,832 | **$ (600,773)** |
| Adjustments to reconcile (loss) income before income taxes and minority interests to net cash provided by operating activities: | | | |
| Depreciation and amortization | **118,043** | 116,580 | **1,201,700** |
| Gain and loss on sales of short-term investments in securities and investments in securities, net | **(18,053)** | (20,328) | **(183,782)** |
| Gain and loss on revaluation of short-term investments in securities and investments in securities, net | **1,434** | 1,731 | **14,598** |
| Gain and loss on sales and disposal of fixed assets and loss on impairment of fixed assets, net | **10,448** | 21,824 | **106,362** |
| Net reversal of accrued pension and severance costs | **(524)** | (32,522) | **(5,334)** |
| Interest and dividend income | **(5,303)** | (7,224) | **(53,985)** |
| Interest expense | **17,536** | 20,009 | **178,519** |
| Exchange loss, net | **853** | 2,857 | **8,683** |
| Equity in earnings of affiliates | **(1,630)** | (2,176) | **(16,593)** |
| Gain from licensing card-related usage rights | **(23,426)** | — | **(238,481)** |
| Decrease in notes and accounts receivable—trade | **68,336** | 12,179 | **695,673** |
| Decrease (increase) in flight equipment spare parts and supplies | **9,238** | (9,055) | **94,044** |
| (Decrease) increase in accounts payable—trade | **(73,344)** | 10,775 | **(746,655)** |
| Other | **(18,203)** | 30,857 | **(185,309)** |
| Subtotal | **26,390** | 175,341 | **268,655** |
| Interest and dividends received | **6,074** | 7,945 | **61,834** |
| Interest paid | **(18,175)** | (19,300) | **(185,024)** |
| Proceeds from licensing card-related usage rights | **23,426** | — | **238,481** |
| Income taxes paid | **(5,961)** | (6,654) | **(60,684)** |
| Net cash provided by operating activities | **31,755** | 157,331 | **323,271** |
| **Investing activities** | | | |
| Purchases of time deposits | **(119,126)** | (1,290) | **(1,212,725)** |
| Proceeds from maturity of time deposits | **118,222** | 8,044 | **1,203,522** |
| Purchases of fixed assets | **(167,856)** | (174,831) | **(1,708,805)** |
| Proceeds from sales of fixed assets | **45,789** | 115,759 | **466,140** |
| Purchases of short-term investments in securities | **(42,406)** | (9,012) | **(431,701)** |
| Proceeds from sales and maturity of short-term investments in securities | **41,439** | 10,576 | **421,856** |
| Purchases of investments in securities | **(4,387)** | (1,604) | **(44,660)** |
| Proceeds from sales and maturity of investments in securities | **22,462** | 16,051 | **228,667** |
| Proceeds from purchase of a subsidiary resulting in change in scope of consolidation (Note 14) | **—** | 95 | **—** |
| Payments for sales of consolidated subsidiaries resulting in changes in scope of consolidation (Note 14) | **(135)** | (722) | **(1,374)** |
| Proceeds from sales of consolidated subsidiaries resulting in changes in scope of consolidation (Note 14) | **143** | 8,716 | **1,455** |
| Loans receivable made | **(2,045)** | (1,397) | **(20,818)** |
| Collection of loans receivable | **1,763** | 3,182 | **17,947** |
| Other | **480** | 203 | **4,886** |
| Net cash used in investing activities | **(105,653)** | (26,229) | **(1,075,567)** |
| **Financing activities** | | | |
| Decrease in short-term borrowings, net | **(367)** | (2,747) | **(3,736)** |
| Proceeds from long-term loans | **46,652** | 82,786 | **474,926** |
| Repayment of long-term loans | **(132,015)** | (122,592) | **(1,343,937)** |
| Proceeds from issuance of common and preferred stock | **—** | 151,825 | **—** |
| Redemption of bonds | **(28,000)** | (70,000) | **(285,045)** |
| Dividends paid to stockholders | **(2)** | (6) | **(20)** |
| Dividends paid to minority interests | **(205)** | (284) | **(2,086)** |
| Other | **(2,829)** | (2,083) | **(28,799)** |
| Net cash (used in) provided by financing activities | **(116,767)** | 36,896 | **(1,188,710)** |
| Effect of exchange rate changes on cash and cash equivalents | **(1,307)** | (3,644) | **(13,305)** |
| Net (decrease) increase in cash and cash equivalents | **(191,973)** | 164,354 | **(1,954,321)** |
| Cash and cash equivalents at beginning of year | **354,037** | 191,381 | **3,604,163** |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | **(312)** | (1,698) | **(3,176)** |
| Cash and cash equivalents at end of year (Note 4) | **¥ 161,751** | ¥ 354,037 | **$ 1,646,655** |

The accompanying notes are an integral part of these consolidated statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Japan Airlines Corporation and Consolidated Subsidiaries

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Basis of Presentation**

Japan Airlines Corporation (the "Company") and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency as required by the Financial Instruments and Exchange Law of Japan and include certain additional financial information for the convenience of readers outside Japan.

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

Certain amounts previously reported have been reclassified to conform to the current year's classification.

**b. Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates**

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

The balance sheet date of 17 of the consolidated subsidiaries is December 31, 2008, and for 1 consolidated subsidiary, it is February 28, 2009. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 and the period from March 1 through March 31 have been adjusted, if necessary.

The differences between the cost and the fair value of the net assets at the respective 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.

All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions are eliminated in consolidation.

**c. Securities**

Securities, except for investments in unconsolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. 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.

**d. Inventories**

Inventories are valued at the lower of cost and net realizable value with cost determined by the moving-average method.

**e. Tangible Fixed Assets (With the Exception of Leased Property)**

Tangible fixed assets excluding leased property are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any, except as indicated in the following paragraph.

Under Japanese tax legislation, it is permissible to defer certain capital gains, principally those arising from subsidies, by crediting them to the cost of certain properties. Deferred capital gains at March 31, 2009 and 2008 amounted to ¥18,156 million ($184,831 thousand) and ¥18,034 million, respectively.

Accumulated depreciation of tangible fixed assets at March 31, 2009 and 2008 amounted to ¥1,374,021 million ($13,987,793 thousand) and ¥1,420,162 million, respectively.

Depreciation of tangible fixed assets is computed as follows:

Flight equipment:

Aircraft and spare engines:

| | |
|---|---|
| Boeing 747 (with the exception of Boeing 747-400) | —principally the declining-balance method based on their estimated useful lives |
| Boeing 747-400 | —the straight-line method based on their estimated useful lives |
| Boeing 777 | —the straight-line method based on their estimated useful lives |
| Boeing 767 | —the straight-line method based on their estimated useful lives |
| Boeing 737 | —the straight-line method based on their estimated useful lives |
| Douglas MD-90 | —the straight-line method based on their estimated useful lives |
| Douglas MD-87 | —the straight-line method based on their estimated useful lives |
| Douglas MD-81 | —the straight-line method based on their estimated useful lives |
| Airbus A300-600 | —the straight-line method based on their estimated useful lives |
| Embraer 170 | —the straight-line method based on their estimated useful lives |

Spare parts contained in flight equipment:

—the straight-line method based on each aircraft's or engine's estimated useful life

Other:

—principally the straight-line method based on the estimated useful lives of the respective assets

The estimated useful lives are as follows:

| | |
|---|---|
| Flight equipment | from 12 to 27 years |
| Other | from 2 to 65 years |

***(Additional Information)***

Japan Airlines International Co., Ltd. ("JALI," which is a consolidated subsidiary of the Company) has adopted new estimated useful lives for certain aircraft and spare parts related to certain types of aircraft, resulting from a review of the useful lives and residual value of aircraft and spare parts for which sales contracts are certain to be entered into. The effect of the adoption of these new useful lives was to increase operating loss by ¥753 million ($7,665 thousand) and was to decrease ordinary loss by ¥1,216 million ($12,379 thousand) and was to increase loss before income taxes and minority interests by ¥1,208 million ($12,297 thousand) for the year ended March 31, 2009 from the amount which would have been recorded under the previous method.

JALI 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. The effect of the adoption of these new useful lives was to decrease operating income by ¥184 million and ordinary income by ¥96 million and income before income taxes and minority interests decreased by ¥9,189 million, for the year ended March 31, 2008 from the amount which would have been recorded under the previous method.

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 and income before income taxes and minority interests for the year ended March 31, 2008 was immaterial.

**f. Software (With the Exception of Leased Property)**

Computer software intended for internal use is amortized by the straight-line method based on its estimated useful life which ranges principally from 5 to 7 years.

**g. Leased Property**

Depreciation of leased property is computed as follows:

Leased property arising from finance lease transactions that transfer the ownership of leased property to the lessee is depreciated by the same method applied to property arising from sale and purchase transactions.

Leased property under finance lease transactions that do not transfer the ownership to the lessee is depreciated to a residual value of zero by the straight-line method using the lease term as the useful life.

With regard to finance lease transactions that do not transfer the ownership of the leased property to the lessee contracted prior to April 1, 2008, they will continue to be accounted for by a method corresponding to that used for ordinary operating lease transactions.

**h. Stock Issuance Expenses**

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

**i. Allowance for Doubtful Accounts**

General provision for doubtful accounts is provided by applying a certain reserve percentage of the receivables based on experience from past transactions. When considered necessary, specific reserves are made based on the assessment of individual accounts.

**j. Accrued Pension and Severance Costs**

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

The unrecognized obligation at transition, which amounted to ¥209,238 million at April 1, 2000, is being amortized by the straight-line method principally over a period of 15 years.

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.

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.

***(Additional Information)***

On October 1, 2008, with regard to the substitutional portion of the Japan Airlines Welfare Pension Fund (from October 1, 2008, its form of management was revised to the JAL Corporate Pension Fund), in which consolidated subsidiary JALI is a participant, approval was received from the Minister of Health, Labour and Welfare with respect to exemption from the benefit obligation related to past services and the scheme was also partially reformed. As a result, operating loss and ordinary loss increased by ¥955 million ($9,722 thousand) and loss before income taxes and minority interests increased by ¥9,753 million ($99,287 thousand) for the year ended March 31, 2009.

The Airport Ground Service Pension Fund, consisting of consolidated subsidiaries 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 past service costs, and returned the substitutional portion (minimum actuarial reserve) to the government on January 13, 2009. The impact of this on profit and loss for the year ended March 31, 2009 was immaterial.

JALI revised the methods of accounting for the projected benefit obligation for former employees of Japan Asia Airways Company, Ltd., which merged with JALI on April 1, 2008, from simplified methods to the standard method. The impact of this on profit and loss for the year ended March 31, 2009 was immaterial.

Certain consolidated subsidiaries revised their methods of accounting for the projected benefit obligation from simplified methods to the standard method. As a result, extraordinary loss of ¥508 million was recorded as the resulting difference in computation for the year ended March 31, 2008, and the impact on profit and loss for the year ended March 31, 2009 was immaterial.

On October 1, 2005, JALI introduced a revised pension scheme under which employees have the option to change a portion of the existing lump-sum payment of retirement benefits either to a defined contribution plan or to an early payment scheme. The portion of the unrecognized benefit obligation at transition, which relates to reducing the benefit obligation by the introduction of the options referred to above, is being amortized by the straight-line method over a period of 8 years in accordance with Paragraph 15, “Transitional Arrangement,” in “Accounting for Transfers between Retirement Benefit Plans” (ASBJ Implementation Guidance No. 1). The effect of the adoption of this transitional arrangement was to decrease accrued pension and severance costs by ¥895 million ($9,111 thousand) and ¥1,083 million at March 31, 2009 and 2008, respectively, and to increase loss before income taxes and minority interests by ¥187 million ($1,903 thousand) for the year ended March 31, 2009 and to decrease income before income taxes and minority interests ¥187 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 Welfare Pension Fund Plans (WPFPs). 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 “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 has 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.

The 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 WPFP on April 10, 2007 and the portion related to past services on March 31, 2008. As a result, operating income and ordinary income increased by ¥101 million and income before income taxes and minority interests increased by ¥5,629 million for the year ended March 31, 2008.

Certain consolidated subsidiaries revised a portion of their retirement benefit plans to defined contribution plans on April 1, 2007 or October 1, 2007, and applied “Accounting for Transfers between Retirement Benefit Plans” (Accounting Standards Board of Japan Implementation Guidance No. 1). The impact of this on profit and loss for the year ended March 31, 2008 was immaterial.

**k. Reserve for Loss on Antitrust Litigation**

The Company and JALI received from the European Commission a statement of objections in December 2007 regarding alleged price cartel activity in air cargo service among major world airline companies but a decision has not yet been issued; further, in December 2008, the New Zealand Commerce Commission instituted a case against JALI. In addition, investigations by antitrust authorities in Canada, Switzerland, Australia and South Korea have been initiated.

In the U.S., a number of class action lawsuits have been filed against multiple carries, including JALI, seeking unspecified damages from the operation of alleged price cartels in both cargo and passenger service. Class action suits relating to cargo service have also been filed in Canada and Australia.

With regard to the European Commission investigation and the U.S. class action passenger lawsuits, a best estimate reserve has been recorded for losses that may arise in the future. However, with regard to the other lawsuits and investigations by the authorities, it is difficult to make a reasonable estimate of what the results might be.

**l. Foreign Currency Accounts**

Foreign currency receivables and payables are translated into yen at the applicable year-end foreign 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 as translation adjustments and minority interests in the accompanying consolidated balance sheets.

**m. Derivative and Hedge Accounting**

Derivatives positions are stated at fair value.

Gain or loss on derivatives designated as hedging instruments is deferred until the gain or loss on the underlying hedged items is recognized with any unrealized gain or loss reported as a separate component of net assets, net of taxes. Foreign receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met. In addition, the related interest differential paid or received under interest-rate swaps utilized as hedging instruments is recognized over the terms of such swap agreements as an adjustment to the interest expense of the underlying hedged items if certain conditions are met.

**n. Revenue Recognition**

Passenger and cargo revenues are recognized when the transportation services are rendered.

**o. Income Taxes**

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

**p. Cash Equivalents**

Cash equivalents are defined as highly liquid, short-term investments with an original maturity of 3 months or less.

## 2. CHANGES IN ACCOUNTING POLICY

**a. Accounting Standard for Measurement of Inventories**

Effective April 1, 2008, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9 issued on July 5, 2006). Due to the adoption of this standard, inventories would be stated at the lower of cost and net realized value. The impact of the adoption of this standard was to increase operating loss by ¥19 million ($193 thousand), and ordinary loss and loss before income taxes and minority interests by ¥468 million ($4,764 thousand) for the year ended March 31, 2009.

**b. Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements**

Effective April 1, 2008, the Company and its consolidated subsidiaries adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006). The impact of the adoption of this standard on profit and loss for the year ended March 31, 2009 was immaterial.

**c. Accounting Standard for Lease Transactions**

Effective April 1, 2008, the Company and its consolidated subsidiaries adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, revised on March 30, 2007) and the "Implementation Guidance on the Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, revised on March 30, 2007). The Company and its consolidated subsidiaries previously accounted for finance lease transactions which do not transfer the ownership of the leased property to the lessee as operating lease transactions. Due to the adoption of this standard, however, the Company and its consolidated subsidiaries account for them as sale and purchase transactions, excluding the transactions which started prior to April 1, 2008. The depreciation method for leased property is described in "1. Summary of Significant Accounting Policies (g) Leased property." The impact of the adoption of this standard on profit and loss for the year ended March 31, 2009 was immaterial.

**d. Changes in Method of Accounting for Depreciation Related to Tangible Fixed Assets**

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 of the adoption of this standard on operating income, ordinary income and income before taxes and minority interests for the year ended March 31, 2008 was immaterial.

## 3. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥98.23 = U.S.$1.00, the approximate exchange rate prevailing on March 31, 2009, has been used in translation. The inclusion of such amounts is not intended to imply that yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

## 4. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2009 and 2008 were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| March 31, | 2009 | 2008 | 2009 |
| Cash and time deposits | ¥163,696 | ¥354,977 | $1,666,456 |
| Time deposits with a maturity of more than three months | (1,950) | (1,415) | (19,851) |
| Short-term investments in securities with a maturity of three months or less | 5 | 475 | 50 |
| | ¥161,751 | ¥354,037 | $1,646,655 |

## 5. INVESTMENTS IN SECURITIES OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in securities of non-consolidated subsidiaries and affiliates which were included in "Investments in securities" at March 31, 2009 and 2008 amounted to ¥31,023 million ($315,820 thousand) and ¥30,248 million, respectively.

## 6. FAIR VALUE OF SECURITIES

No trading securities were held at March 31, 2009 and 2008. Securities classified as other securities are included in "Short-term investments in securities" and "Investments in securities" in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2009 and 2008 were summarized as follows:

(Millions of yen)

| March 31, 2009 | Acquisition costs | Carrying value | Unrealized gain (loss) |
|---|---|---|---|
| Unrealized gain: | | | |
| Stocks | **¥ 5,215** | **¥ 5,988** | **¥ 773** |
| Bond | | | |
| Corporate bond | **8,352** | **8,550** | **198** |
| Other | **180** | **181** | **0** |
| | **13,747** | **14,719** | **972** |
| Unrealized loss: | | | |
| Stocks | **6,408** | **4,293** | **(2,115)** |
| Other | **617** | **605** | **(11)** |
| | **7,026** | **4,899** | **(2,126)** |
| Total | **¥20,773** | **¥19,619** | **¥(1,154)** |

(Thousands of U.S. dollars)

| March 31, 2009 | Acquisition costs | Carrying value | Unrealized gain (loss) |
|---|---|---|---|
| Unrealized gain: | | | |
| Stocks | **$ 53,089** | **$ 60,958** | **$ 7,869** |
| Bond | | | |
| Corporate bond | **85,024** | **87,040** | **2,015** |
| Other | **1,832** | **1,842** | **0** |
| | **139,947** | **149,842** | **9,895** |
| Unrealized loss: | | | |
| Stocks | **65,234** | **43,703** | **(21,531)** |
| Other | **6,281** | **6,159** | **(111)** |
| | **71,526** | **49,872** | **(21,643)** |
| Total | **$211,473** | **$199,725** | **$(11,747)** |

(Millions of yen)

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

Non-marketable securities classified as other securities at March 31, 2009 and 2008 amounted to ¥17,360 million ($176,728 thousand) and ¥18,010 million, respectively.

Proceeds from sales of securities classified as other securities for the years ended March 31, 2009 and 2008 amounted to ¥862 million ($8,775 thousand) and ¥6,855 million, respectively. For the years ended March 31, 2009 and 2008, the aggregate gain realized on those sales totaled ¥15 million ($152 thousand) and ¥3,474 million, respectively, and the aggregate loss realized on those sales totaled ¥0 million ($0 thousand) and ¥6 million, respectively.

The redemption schedule at March 31, 2009 for bond with maturity dates was summarized as follows:

(Millions of yen)

| | Due in one year or less |
|---|---|
| Bond: | |
| Corporate bond | **¥8,352** |
| Total | **¥8,352** |

(Thousands of U.S. dollars)

| | Due in one year or less |
|---|---|
| Bond: | |
| Corporate bond | **$85,024** |
| Total | **$85,024** |

## 7. DERIVATIVES AND HEDGING ACTIVITIES

Certain consolidated subsidiaries utilize forward foreign exchange contracts and currency options on a consistent basis to hedge certain foreign currency transactions related to foreign purchase commitments, principally for flight equipment and foreign accounts receivable and payable and other. The Company and its consolidated subsidiaries also utilize currency swaps and interest-rate swaps to minimize the impact of foreign exchange and interest-rate movements related to the outstanding debt on their cash flows. JALI also enters into a variety of swaps and options in its management of risk exposure related to the commodity prices of fuel.

The Company and JALI enter into these hedging transactions in accordance with the internal guidelines and strategies established by management. The routine operations of the department which is responsible for hedging transactions are examined by other departments. Gain and loss on hedging instruments and the assessment of hedge effectiveness, which is performed both at inception and on an ongoing basis, are reported at meetings of the related department managers on a timely basis. Certain other consolidated subsidiaries have adopted procedures for hedging transactions which are more simplified than those adopted by the Company and JALI.

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.

The contract amounts and the estimated fair value of the open derivatives positions at March 31, 2009 and 2008 which do not meet the criteria required for the application of hedge accounting were summarized as follows:

| | | | (Millions of yen) |
|---|---|---|---|
| March 31, 2009 | Contract amount | Estimated fair value | Net unrealized gain (loss) |
| Commodities: | | | |
| Swaps: | | | |
| Payable fixed/receivable floating | **¥5,323** | **¥(2,489)** | **¥(2,489)** |
| Receivable fixed/payable floating | **4,243** | **2,489** | **2,489** |
| | | | **¥ —** |

| | | | (Thousands of U.S. dollars) |
|---|---|---|---|
| March 31, 2009 | Contract amount | Estimated fair value | Net unrealized gain (loss) |
| Commodities: | | | |
| Swaps: | | | |
| Payable fixed/receivable floating | **$54,189** | **$(25,338)** | **$(25,338)** |
| Receivable fixed/payable floating | **43,194** | **25,338** | **25,338** |
| | | | **$ —** |

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

All derivative transactions expire within a year.

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

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

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

All derivative transactions expire within a year.

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

## 8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The weighted-average interest rate for short-term borrowings outstanding at March 31, 2009 was 1.3%.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| March 31, | **2009** | 2008 | **2009** |
| Bonds: | | | |
| Zero-coupon convertible bond in euro-yen, due 2011 | **¥ 20,229** | ¥ 20,229 | **$ 205,935** |
| Japanese yen bonds, due 2008 to 2018, at rates ranging from 1.49% to 3.4% | **82,000** | 110,000 | **834,775** |
| | **102,229** | 130,229 | **1,040,710** |
| Less current portion of bonds | **(52,000)** | (28,000) | **(529,369)** |
| Total | **¥ 50,229** | ¥102,229 | **$ 511,340** |

The above convertible bond, unless previously redeemed, is convertible into shares of common stock of the Company at the following current conversion price:

| | Conversion price per share | Conversion period |
|---|---|---|
| Zero-coupon convertible bond in euro-yen, due 2011 | ¥398.7 | April 19, 2004–March 11, 2011 |

The total issuance value of the convertible bond was ¥100,000 million, originally. The convertible bond holders had the right to exercise early redemption at par value on March 25, 2007. As a result of the exercise of such rights, the total redemption value amounted to ¥79,771 million.

The conversion price per share decreased from ¥440 as a result of the issuances of 750 million new shares of common stock at July 27 and August 28, 2006.

| | (Millions of yen) | | (Thousands of U.S. dollars) | The weighted-average interest rates |
|---|---|---|---|---|
| March 31, | **2009** | 2008 | **2009** | **2009** |
| Long-term loans: | | | | |
| Current portion of long term loans payable | **¥128,426** | ¥130,335 | **$1,307,400** | **1.8%** |
| Long-term loans payable except current portion of long term loans payable due 2010 to 2023 | **567,963** | 651,416 | **5,781,970** | **1.9%** |
| Total | **¥696,389** | ¥781,752 | **$7,089,371** | |

| March 31, | (Millions of yen) 2009 | 2008 | (Thousands of U.S. dollars) 2009 | The weighted-average interest rates 2009 |
|---|---|---|---|---|
| Lease obligations and other | | | | |
| Current portion of lease obligations | **¥ 542** | ¥ — | **$ 5,517** | **2.3%** |
| Lease obligations except current portion of long term loans payable due 2010 to 2018 | **2,997** | — | **30,510** | **2.7%** |
| Other debt | **3,697** | 4,572 | **37,636** | **3.4%** |

The above lease obligations and other were included in "Other" under "Current liabilities" and "Non-current liabilities."

The aggregate annual maturities of long-term debt within 5 years subsequent to March 31, 2009 are summarized as follows:

| Year ending March 31, | (Millions of yen) | (Thousands of U.S. dollars) |
|---|---|---|
| 2010 | ¥182,199 | $1,854,820 |
| 2011 | 230,035 | 2,341,799 |
| 2012 | 144,631 | 1,472,370 |
| 2013 | 93,235 | 949,149 |
| 2014 | 62,805 | 639,366 |

A summary of assets pledged as collateral for long-term debt of ¥411,034 million ($4,184,403 thousand) and ¥447,687 million and future rental expenses under operating leases of ¥6,453 million ($65,692 thousand) and ¥7,557 million at March 31, 2009 and 2008, respectively, is as follows:

| March 31, | (Millions of yen) 2009 | 2008 | (Thousands of U.S. dollars) 2009 |
|---|---|---|---|
| Flight equipment, net of accumulated depreciation | **¥609,574** | ¥613,169 | **$6,205,578** |
| Flight equipment spare parts and supplies | **51,057** | 52,237 | **519,769** |
| Short-term investments in securities | **8,550** | 7,402 | **87,040** |
| Investments in securities | **19,379** | 33,614 | **197,281** |
| Buildings, net of accumulated depreciation, land and other | **103,279** | 111,218 | **1,051,399** |
| | **¥791,841** | ¥817,643 | **$8,061,091** |

In addition to the above pledged assets, the shares of common stock of certain consolidated subsidiaries were pledged as collateral at March 31, 2009 and 2008.

Also included as part of pledged assets are certain assets set aside for revolving pledges on obligations accompanying syndicated loans taken out by an affiliate Tokyo International Airport Terminal Corporation for core business purposes.

## 9. ACCRUED PENSION AND SEVERANCE COSTS

### a. Outline of Current Retirement Benefit System

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

Certain significant domestic consolidated subsidiaries have established contributory defined benefit pension plans such as corporate pension funds, tax qualified retirement annuity plans and lump-sum severance indemnity plans. In certain cases, additional severance payments may be provided.

As of March 31, 2009, 72 consolidated subsidiaries had adopted a lump-sum severance indemnity plan. Additionally, there were 3 corporate pension funds, such as the Japan Airlines Welfare Pension Fund, and 5 tax qualified retirement annuity plans (excluding the duplicate portion of each association-type employees' pension plan). Certain foreign subsidiaries have established contributory defined benefit pension plans as well.

The Japan Airlines Welfare Pension Fund also introduced an option similar to a cash-balance plan as well as other alternatives. The JAL Group Pension Fund, which was established by certain consolidated subsidiaries, introduced a cash-balance plan option.

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

### b. Retirement Benefit Obligation

The projected benefit obligation and the funded status of the plans at March 31, 2009 and 2008 were summarized as follows:

| March 31, | (Millions of yen) 2009 | 2008 | (Thousands of U.S. dollars) 2009 |
|---|---|---|---|
| Projected benefit obligation | **¥(800,971)** | ¥(844,232) | **$(8,154,036)** |
| Plan assets | **408,398** | 479,214 | **4,157,568** |
| Accrued pension and severance costs | **94,911** | 95,485 | **966,211** |
| Prepaid pension and severance costs | **(33,814)** | (54,205) | **(344,232)** |
| Net unrecognized amount | **¥(331,476)** | ¥(323,737) | **$(3,374,488)** |

The net unrecognized amounts at March 31, 2009 and 2008 were as follows:

| March 31, | (Millions of yen) 2009 | 2008 | (Thousands of U.S. dollars) 2009 |
|---|---|---|---|
| Unrecognized benefit obligation at transition | **¥ (75,600)** | ¥ (97,534) | **$ (769,622)** |
| Adjustment for actuarial assumptions | **(256,111)** | (225,654) | **(2,607,258)** |
| Past service costs | **235** | (547) | **2,392** |
| Net unrecognized amounts | **¥(331,476)** | ¥(323,737) | **$(3,374,488)** |

The substitutional portions of the WPFP benefits have been included in the amounts shown in the above tables.

In computing the projected benefit obligation, small companies are permitted to adopt certain simplified methods and certain subsidiaries have done so.

### c. Components of Net Periodic Retirement Benefit Expenses

The components of net periodic pension and severance costs excluding the employees' contributory portion for the years ended March 31, 2009 and 2008 were as follows:

| Year ended March 31, | 2009 (Millions of yen) | 2008 (Millions of yen) | 2009 (Thousands of U.S. dollars) |
|---|---|---|---|
| Service cost | **¥ 22,413** | ¥ 25,320 | **$ 228,168** |
| Interest cost on projected benefit obligation | **20,511** | 22,697 | **208,805** |
| Expected return on plan assets | **(20,796)** | (26,042) | **(211,707)** |
| Amortization of unrecognized severance benefit obligation at transition | **13,307** | 14,516 | **135,467** |
| Amortization of adjustment for actuarial assumptions | **20,178** | 15,227 | **205,415** |
| Amortization of past service costs | **786** | (20,548) | **8,001** |
| Subtotal | **56,401** | 31,171 | **574,172** |
| Other | **2,119** | 2,204 | **21,571** |
| Net periodic retirement benefit expenses | **58,521** | 33,375 | **595,754** |
| Loss (gain) on separation of substitutional portion of projected benefit obligation of the WPFP, net | **8,629** | (5,528) | **87,844** |
| Loss on change from defined benefit plans to defined contribution plans, net | **37** | 74 | **376** |
| Effect of changes to the standard method of accounting for the projected benefit obligation | **(4)** | 508 | **(40)** |
| Total | **¥ 67,184** | ¥ 28,430 | **$ 683,945** |

Special additional termination benefits paid, but not included in determining the projected benefit obligation, were charged to income when incurred. The amounts charged to income amounted to ¥259 million ($2,636 thousand) and ¥20,016 million for the years ended March 31, 2009 and 2008, respectively.

"Other" consists of contributions to defined contribution plans and lump-sum payments of retirement benefits based on an early payment scheme.

Amortization of the unrecognized benefit obligation at transition as a result of the adoption of the transitional arrangement in accordance with Paragraph 15 of "Accounting for Transfers between Retirement Benefit Plans" amounted to ¥187 million ($1,903 thousand) and ¥187 million for the years ended March 31, 2009 and 2008, respectively, and was included in "Amortization of unrecognized severance benefit obligation at transition" in the above table.

Effective April 1, 2008, JALI has revised its retirement plan. The negative past service cost related to the revision in the amount of ¥20,077 million was included in "Amortization of past service costs" for the year ended March 31, 2008.

### d. Basis for Calculation of Retirement Benefit Obligations

| Year ended March 31, | 2009 | 2008 |
|---|---|---|
| Periodic allocation of estimated retirement benefits | **Straight-line method** | Straight-line method |
| Discount rates for projected benefit obligation at the end of year | **1.7%–2.8%** | 1.7%–2.8% |
| Expected rates of return on plan assets | **1.5%–6.1%** | 1.5%–5.1% |

## 10. INCOME TAX

The significant components of deferred tax assets and liabilities and the related valuation allowance at March 31, 2009 and 2008 were as follows:

| March 31, | 2009 (Millions of yen) | 2008 (Millions of yen) | 2009 (Thousands of U.S. dollars) |
|---|---|---|---|
| Deferred tax assets: | | | |
| Accrued pension and severance costs | **¥ 24,980** | ¥ 16,855 | **$ 254,301** |
| Revaluation loss on investments in unconsolidated subsidiaries and affiliates | **22,280** | 23,060 | **226,814** |
| Deferred liability on aircraft and aircraft equipment | **25,408** | 29,240 | **258,658** |
| Deferred loss on hedging instruments | **81,371** | 12,193 | **828,372** |
| Accounts payable—trade | **10,327** | 10,420 | **105,130** |
| Accounts payable for transitional payments to defined contribution plans | **2,448** | 3,330 | **24,921** |
| Allowance for doubtful accounts | **—** | 2,156 | **—** |
| Tax loss carryforwards | **44,226** | 23,472 | **450,229** |
| Non-recurring depreciation | **—** | 2,795 | **—** |
| Reserve for loss on antitrust litigation | **2,777** | 6,783 | **28,270** |
| Other | **20,342** | 18,162 | **207,085** |
| | **234,165** | 148,472 | **2,383,844** |
| Deferred tax liabilities: | | | |
| Net unrealized gain on other securities | **—** | (2,282) | **—** |
| Deferred gain on hedging instruments | **(1,856)** | (25,126) | **(18,894)** |
| Undistributed earnings of consolidated subsidiaries and affiliates | **(6,029)** | (7,750) | **(61,376)** |
| Other | **(2,769)** | (3,247) | **(28,188)** |
| | **(10,654)** | (38,406) | **(108,459)** |
| Valuation allowance | **(221,139)** | (134,084) | **(2,251,236)** |
| Net deferred tax assets (liabilities) | **¥ 2,371** | ¥ (24,019) | **$ 24,137** |

A reconciliation between the Japanese statutory income tax rate and the Company's and the consolidated subsidiaries' effective tax rates is not required to be disclosed since the Company and the consolidated subsidiaries recorded loss before income taxes and minority interests. As a result, a reconciliation for the year ended March 31, 2009 is not required to be disclosed in accordance with accounting principles generally accepted in Japan. The statutory tax rate was 40.7% for the year.

The difference between the Japanese statutory income tax rate and the Company's and the consolidated subsidiaries' effective tax rates 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.

## 11. NET ASSETS

The Corporation Law of Japan (the "Law"), provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus (except for distributions from additional paid-in capital) and retained earnings (except for distributions from the legal reserve) be appropriated to additional paid-in capital and the legal reserve, respectively, until the sum of additional paid-in capital and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the stockholders, or by the Board of Directors if certain conditions are met, but neither additional paid-in capital nor the legal reserve is available for distribution by resolution of the Board of Directors.

The Company issued 614,000 thousand shares of Class A Preferred Stock (the "Shares") on March 17, 2008 by way of a third-party allocation. The issue price was ¥250 per share. The Shares are non-voting, non-cumulative preferred stock which are convertible into shares of the Company's common stock. The holders of the Shares shall be entitled, and shall be given priority over the holders of common stock, to dividends calculated based on the preferred dividend coverage ratio (annual rate) with a cap amount of ¥25 per share. The preferred dividend coverage ratio is calculated by adding 3% to Japanese Yen TIBOR (Tokyo InterBank Offered Rate), which is determined on the first day of every fiscal year. Preferred dividends will be paid annually and the first payment was made one year after the date of issuance, and interim dividends will not be paid. Furthermore, no dividends of surplus other than those specified above shall be paid to holders of the Shares. In addition, in the event of a liquidation or a dissolution, the Company shall distribute residual property of ¥250 per share to the holders of the Shares, and the shares shall have preference over the Company's shares of common stock for the distribution of assets.

The Shares are convertible, at the option of holders, after three years of the date of issuance until April 3, 2018 and on April 4, 2018, the Company has the option to convert the Shares to the Company's common stock. The initial conversion price is to be determined by reference to either the market price for the thirty business days prior to March 17, 2011 (the "determination date") or the average share price in the period from the date of issuance to the day prior to the determination date, whichever is lower. During the conversion period, annually, the conversion price is subject to downward adjustment to a price equivalent to a price determined by reference to the average market price for the thirty business days prior to March 17 (provided that the market price is not less than half of the initial conversion price) if such market price is less than the conversion price, and the new conversion price will not be modified upwards. The Shares outstanding at the end of the conversion period shall be converted into shares of the Company's common stock at the option of the Company based on the market price at the time.

The total number and changes in the total number of shares of stock in issue and common stock in treasury for the year ended March 31, 2009 were as follows:

(Thousands of shares)

| Year ended March 31, 2009 | At March 31,2008 | Increase | Decrease | At March 31,2009 |
|---|---|---|---|---|
| Number of shares of stock in issue: | | | | |
| Common stock | 2,732,383 | — | — | **2,732,383** |
| Preferred stock | 614,000 | — | — | **614,000** |
| Total | 3,346,383 | — | — | **3,346,383** |
| Number of shares of common stock in treasury: | | | | |
| Common stock | 3,037 | 792 | 520 | **3,309** |

The increase in common stock in treasury of 792 thousand shares during the year ended March 31, 2009 resulted from the Company's purchase of 792 thousand odd-lot shares of less than one unit at the request of the stockholders. The decrease in common stock in treasury of 520 thousand shares during the year ended March 31, 2009 resulted from the Company's sales of 520 thousand odd-lot shares of less than one unit at the request of the stockholders.

The total number and changes in the total number of shares of stock in issue and common stock in treasury for the year the ended March 31, 2008 were as follows:

(Thousands of shares)

| Year ended March 31, 2008 | At March 31, 2007 | Increase | Decrease | At March 31, 2008 |
|---|---|---|---|---|
| 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 |

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.

## 12. DETAILS OF GAIN OR LOSS ON SALES AND DISPOSAL OF FIXED ASSETS

The main components of gain or loss on sales and disposal of fixed assets for the years ended March 31, 2009 and 2008 were as follows:

| | (Millions of yen) | | (Thousands of U.S. dollars) |
|---|---|---|---|
| Year ended March 31, | **2009** | 2008 | **2009** |
| Gain on sales of fixed assets: | | | |
| Land | **¥ —** | ¥5,951 | **$ —** |
| Loss on sales and disposal of fixed assets: | | | |
| Buildings and structures | **1,430** | — | **14,557** |
| Machinery and vehicles | **264** | — | **2,687** |
| Equipment and other | **417** | — | **4,245** |

## 13. LOSS ON IMPAIRMENT OF FIXED ASSETS

Assets are attributed or allocated to cash generating units which generate largely independent cash flows for calculating impairment losses. Assets to be sold and idle assets are written down to their respective recoverable amounts.

The Company and its consolidated subsidiaries estimate recoverable amounts at 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 rates of 3.7% and 5.0% for the years ended March 31, 2009 and 2008, respectively.

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, 2009:

| Assets utilized in the Company's and consolidated subsidiaries' operations | Groups of assets | Locations |
|---|---|---|
| Assets to be sold | Flight equipment | — |
| Idle assets | Buildings and structures | Narita-shi, Chiba |

An impairment loss of ¥2,273 million ($23,139 thousand) has been recognized as an extraordinary loss in the accompanying consolidated statement of operations for the year ended March 31, 2009. A breakdown of the total loss on impairment of fixed assets is as follows: ¥2,121 million ($21,592 thousand) on flight equipment and ¥152 million ($1,547 thousand) on buildings and structures.

In addition, a certain affiliate which is 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 ¥3 million ($30 thousand) was recognized in equity in earnings of affiliates for the year ended March 31, 2009.

Certain consolidated subsidiaries recognized impairment losses on the following groups of assets in the accompanying consolidated statement of operations 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 |

An impairment loss of ¥13,501 million was recognized as an extraordinary loss in the accompanying consolidated statement of operations for the year ended March 31, 2008. A breakdown of the total loss on impairment of fixed assets was as follows: ¥5,624 million on buildings and structures, ¥6,433 million on flight equipment, ¥662 million on land and ¥780 million on other.

In addition, a certain affiliate which is 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.

## 14. SUPPLEMENTARY CASH FLOW INFORMATION

The assets and liabilities of subsidiaries excluded from consolidation following the sales of their shares of common stock during the year ended March 31, 2008 were as follows:

| | (Millions of yen) |
|---|---|
| Year ended March 31, 2008 | |
| Current assets | ¥ 18,450 |
| Fixed assets | 10,475 |
| Current liabilities | (13,783) |
| Non-current liabilities | (12,954) |
| Minority interests | (1,960) |
| Translation adjustments | 2,452 |
| Investment account after sales of shares of common stock | (1,520) |
| Gain on sales of investments in securities, net | 13,931 |
| Loss on investment in a subsidiary | (1,507) |
| Proceeds from sales of shares of common stock | 13,582 |
| Guarantee money deposited | (1,269) |
| Cash and cash equivalents held by subsidiaries | (4,319) |
| Net proceeds | ¥ 7,993 |

The assets and liabilities of a company included in consolidation following the purchase of its shares during the year ended March 31, 2008 were as follows:

| Year ended March 31, 2008 | (Millions of yen) |
|---|---|
| Current assets | ¥ 872 |
| Fixed assets | 381 |
| Current liabilities | (669) |
| Non-current liabilities | (376) |
| Minority interests | (118) |
| Expenditure for purchase of shares of common stock | (88) |
| Cash and cash equivalents held by a subsidiary | 184 |
| Net proceeds | ¥ 95 |

## 15. LEASES

### *As Lessee*

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2009 and 2008, and the related depreciation and interest expense for the years ended March 31, 2009 and 2008, which would have been reflected in the accompanying consolidated balance sheets and the related consolidated statements of operations if finance lease accounting had been applied to the finance leases currently accounted for as operating leases whose contracts were entered into prior to April 1, 2008:

(Millions of yen)

| March 31, 2009 | Acquisition costs | Less accumulated depreciation | Net book value |
|---|---|---|---|
| Flight equipment | **¥553,861** | **¥278,268** | **¥275,593** |
| Machinery, equipment and vehicles | **6,780** | **3,301** | **3,478** |
| Other | **3,325** | **1,795** | **1,530** |
| Total | **¥563,968** | **¥283,366** | **¥280,602** |

(Thousands of U.S. dollars)

| March 31, 2009 | Acquisition costs | Less accumulated depreciation | Net book value |
|---|---|---|---|
| Flight equipment | **$5,638,409** | **$2,832,820** | **$2,805,588** |
| Machinery, equipment and vehicles | **69,021** | **33,604** | **35,406** |
| Other | **33,849** | **18,273** | **15,575** |
| Total | **$5,741,301** | **$2,884,719** | **$2,856,581** |

(Millions of yen)

| March 31, 2008 | Acquisition costs | Less accumulated depreciation | Net book value |
|---|---|---|---|
| Flight equipment | ¥598,358 | ¥272,121 | ¥326,237 |
| Machinery, equipment and vehicles | 7,484 | 3,179 | 4,305 |
| Other | 10,881 | 8,532 | 2,349 |
| Total | ¥616,725 | ¥283,833 | ¥332,891 |

| Year ended March 31, | 2009 (Millions of yen) | 2008 (Millions of yen) | 2009 (Thousands of U.S. dollars) |
|---|---|---|---|
| Lease expenses | **¥57,593** | ¥60,862 | **$586,307** |
| Depreciation equivalent | **53,397** | 56,295 | **543,591** |
| Interest equivalent | **¥ 4,125** | ¥ 4,831 | **$ 41,993** |

The present value of future rental expenses under finance leases accounted for as operating leases outstanding at March 31, 2009 and 2008 was as follows:

| March 31, | 2009 (Millions of yen) | 2008 (Millions of yen) | 2009 (Thousands of U.S. dollars) |
|---|---|---|---|
| Within 1 year | **¥ 45,471** | ¥ 53,429 | **$ 462,903** |
| Over 1 year | **243,098** | 287,579 | **2,474,783** |
| | **¥288,570** | ¥341,009 | **$2,937,697** |

Depreciation equivalent is calculated by the straight-line method on the assumption that the useful lives of the related assets are the same as the lease term and the residual value is zero.

Interest expense equivalent is calculated on the assumption that the difference between aggregate lease rentals and acquisition cost of leased assets is deemed to be the interest portion and is apportioned over the term of the lease by the interest method.

No impairment loss has been recognized on leased property under finance leases accounted as operating lease for the years ended March 31, 2009 and 2008.

Future rental expenses under operating leases outstanding at March 31, 2009 and 2008 were as follows:

| March 31, | 2009 (Millions of yen) | 2008 (Millions of yen) | 2009 (Thousands of U.S. dollars) |
|---|---|---|---|
| Within 1 year | **¥ 42,304** | ¥ 37,783 | **$ 430,662** |
| Over 1 year | **272,937** | 252,478 | **2,778,550** |
| | **¥315,242** | ¥290,261 | **$3,209,223** |

### *As Lessor*

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the finance leases whose contracts were entered into prior to April 1, 2008 that are currently accounted for as operating leases at March 31, 2009 and 2008, as well as the related depreciation expense and interest revenues for the years ended March 31, 2009 and 2008, which are reflected in the accompanying consolidated balance sheets and the related consolidated statements of operations:

(Millions of yen)

| March 31, 2009 | Acquisition costs | Less accumulated depreciation | Net book value |
|---|---|---|---|
| Machinery, equipment and vehicles | **¥—** | **¥—** | **¥—** |
| Other | **—** | **—** | **—** |
| Total | **¥—** | **¥—** | **¥—** |

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

| Year ended March 31, | 2009 | 2008 | 2009 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Lease revenues | **¥141** | ¥193 | **$1,435** |
| Depreciation equivalent | **126** | 175 | **1,282** |
| Interest equivalent | **¥ 15** | ¥ 17 | **$ 152** |

The present value of future rental expenses under finance leases accounted for as operating leases outstanding at March 31, 2009 and 2008 was as follows:

| March 31, | 2009 | 2008 | 2009 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Within 1 year | **¥—** | ¥137 | **$—** |
| Over 1 year | **—** | 314 | **—** |
| | **¥—** | ¥451 | **$—** |

Interest equivalent is calculated on the assumption that the difference between aggregate lease rentals and acquisition cost of leased assets is deemed to be the interest portion and is apportioned over the terms of the lease by the interest method.

No impairment loss has been recognized on leased property under finance leases accounted as operating lease for the years ended March 31, 2009 and 2008.

## 16. CONTINGENT LIABILITIES

At March 31, 2009 and 2008, contingent liabilities for guarantees, principally for employees, amounted to ¥3,905 million ($39,753 thousand) and ¥4,471 million respectively, and contingent liabilities for commitments such as guarantees, keep-well agreements and other, for affiliates and employees amounted to ¥671 million ($6,830 thousand) and ¥981 million respectively.

One consolidated subsidiary provides a line-of-credit facility as part of its financing activities. The amount provided, the amount used and the amount unused, at March 31, 2009 were ¥1,505 million ($15,321 thousand), ¥314 million ($3,196 thousand) and ¥1,190 million ($12,114 thousand), respectively.

As described in Note 1-k, contingent liabilities exist in respect of the lawsuits and the investigations by the authorities.

Management of the Company holds the view that the investigations and U.S. class action lawsuits on alleged anti-competitive practices could have a material impact on the financial results of the Company and the group.

Capital commitments are not required to be disclosed in accordance with accounting principles generally accepted in Japan.

## 17. AMOUNTS PER SHARE

Basic net (loss) income per share is computed based on the net (loss) income available for distribution to or allocable to the stockholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the potentially dilutive securities to be issued upon the conversion of convertible bonds. However, diluted net income per share had not been presented for the year ended March 31, 2009 since the Company posted a net loss per share.

| Year ended March 31, | 2009 | 2008 | 2009 |
|---|---|---|---|
| | (Yen) | | (U.S. dollars) |
| Net (loss) income per share of common stock: | | | |
| Basic | **¥(25.47)** | ¥6.20 | **$(0.259)** |
| Diluted | **¥ —** | ¥6.03 | **$ —** |

The following table sets forth the computation of basic net (loss) income per share of common stock and diluted net income per share of common stock for the years ended March 31, 2009 and 2008:

| Year ended March 31, | 2009 | 2008 | 2009 |
|---|---|---|---|
| | (Millions of yen) | | (Thousands of U.S. dollars) |
| Net (loss) income (allocable to) available for stockholders of common stock: | | | |
| Net (loss) income | **¥(63,194)** | ¥16,921 | **$(643,327)** |
| Appropriations for payment of preferred dividend | **6,305** | — | **64,186** |
| | **¥(69,500)** | ¥16,921 | **$(707,523)** |

| Year ended March 31, | 2009 | 2008 |
|---|---|---|
| | (Thousands of shares) | |
| Weighted-average number of shares of common stock outstanding | **2,729,254** | 2,729,425 |
| Effect of dilutive securities: | | |
| Convertible bond | **—** | 50,737 |
| Preferred stock | **—** | 24,574 |
| | **—** | 75,311 |

Net assets per share are computed based on the net assets available for distribution to the stockholders of common stock and the number of shares of common stock outstanding at each balance sheet date.

| March 31, | 2009 | 2008 | 2009 |
|---|---|---|---|
| | (Yen) | | (U.S. dollars) |
| Net assets per share of common stock | **¥5.44** | ¥110.08 | **$0.055** |

## 18. SEGMENT INFORMATION

### a. Business Segment Information

The Company and its consolidated subsidiaries conduct worldwide operations in air transportation, travel services, hotel and resort operations, card and lease operations, trading and other airline-related business. This segmentation has been determined for internal management purposes. Businesses other than the air transportation, airline-related business, 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, 2009 and 2008 was summarized as follows:

(Millions of yen)

| Year ended March 31, 2009 | Air transportation | Airline-related business | Travel services | Card and lease operations | Other | Total | General corporate assets and intercompany eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | |
| Sales to third parties | ¥1,527,336 | ¥ 34,538 | ¥316,703 | ¥ 19,423 | ¥53,157 | ¥1,951,158 | ¥ — | ¥1,951,158 |
| Inter-group sales and transfers | 189,090 | 177,831 | 3,612 | 46,748 | 31,531 | 448,813 | (448,813) | — |
| Total | 1,716,426 | 212,370 | 320,315 | 66,171 | 84,688 | 2,399,972 | (448,813) | 1,951,158 |
| Operating expenses | 1,777,308 | 208,292 | 319,198 | 61,211 | 83,949 | 2,449,961 | (447,917) | 2,002,043 |
| Operating (loss) income | ¥ (60,882) | ¥ 4,078 | ¥ 1,116 | ¥ 4,959 | ¥ 738 | ¥ (49,989) | ¥ (895) | ¥ (50,884) |
| Identifiable assets | ¥1,681,852 | ¥121,334 | ¥ 49,274 | ¥168,410 | ¥55,179 | ¥2,076,052 | ¥(325,372) | ¥1,750,679 |
| Depreciation and amortization | ¥ 111,331 | ¥ 2,260 | ¥ 628 | ¥ 2,773 | ¥ 1,212 | ¥ 118,206 | ¥ (162) | ¥ 118,043 |
| Loss on impairment of fixed assets | ¥ 2,273 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 2,273 | ¥ — | ¥ 2,273 |
| Capital expenditures | ¥ 163,210 | ¥ 2,619 | ¥ 419 | ¥ 676 | ¥ 1,036 | ¥ 167,962 | ¥ (2,534) | ¥ 165,427 |

(Thousands of U.S. dollars)

| Year ended March 31, 2009 | Air transportation | Airline-related business | Travel services | Card and lease operations | Other | Total | General corporate assets and intercompany eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Operating revenues: | | | | | | | | |
| Sales to third parties | $15,548,569 | $ 351,603 | $3,224,096 | $ 197,729 | $541,148 | $19,863,157 | $ — | $19,863,157 |
| Inter-group sales and transfers | 1,924,972 | 1,810,353 | 36,770 | 475,903 | 320,991 | 4,569,001 | (4,569,001) | — |
| Total | 17,473,541 | 2,161,966 | 3,260,867 | 673,633 | 862,139 | 24,432,169 | (4,569,001) | 19,863,157 |
| Operating expenses | 18,093,331 | 2,120,452 | 3,249,496 | 623,139 | 854,616 | 24,941,066 | (4,559,879) | 20,381,176 |
| Operating (loss) income | $ (619,790) | $ 41,514 | $ 11,361 | $ 50,483 | $ 7,512 | $ (508,897) | $ (9,111) | $ (518,008) |
| Identifiable assets | $17,121,571 | $1,235,203 | $ 501,618 | $1,714,445 | $561,732 | $21,134,602 | $(3,312,348) | $17,822,243 |
| Depreciation and amortization | $ 1,133,370 | $ 23,007 | $ 6,393 | $ 28,229 | $ 12,338 | $ 1,203,359 | $ (1,649) | $ 1,201,700 |
| Loss on impairment of fixed assets | $ 23,139 | $ — | $ — | $ — | $ — | $ 23,139 | $ — | $ 23,139 |
| Capital expenditures | $ 1,661,508 | $ 26,661 | $ 4,265 | $ 6,881 | $ 10,546 | $ 1,709,884 | $ (25,796) | $ 1,684,078 |

As described in Note 1-e, JALI has adopted new estimated useful lives for certain aircraft and spare parts related to certain types of aircraft. The impact of the adoption of these new useful lives was to increase operating loss by ¥753 million ($7,665 thousand) for the year ended March 31, 2009 in the "Air transportation" segment.

(Millions of yen)

| Year ended March 31, 2008 | Air transportation | Airline-related business | Travel services | Card and lease operations | Other | Total | General corporate assets and intercompany eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| 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 |

As described in Note 1-j, on April 1, 2008, JALI revised its retirement plan. As a result, operating income increased by ¥20,077 million for the year ended March 31, 2008 in the “Air transportation” segment.

**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 the geographical proximity of the countries and areas. In addition, revenue from international operations of the airlines is treated as revenue earned in Japan.

Total assets in the “Japan” segment at March 31, 2009 and 2008, and operating revenues from operations in the “Japan” segment for the year then ended represented more than 90% of consolidated total assets and consolidated operating revenues. As a result, geographic segment information 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 three domestic consolidated airline subsidiaries rendered during the years ended March 31, 2009 and 2008, export sales of domestic consolidated subsidiaries, and sales of consolidated subsidiaries outside Japan, for the years ended March 31, 2009 and 2008 were as follows:

(Millions of yen)

| Year ended March 31, 2009 | Asia and Oceania | North and South America | Europe | Total |
|---|---|---|---|---|
| Operating revenues from overseas operations | **¥435,795** | **¥269,525** | **¥193,817** | **¥ 899,138** |
| Consolidated operating revenues | | | | **¥1,951,158** |
| Operating revenues from overseas operations as a percentage of consolidated operating revenues | **22.3%** | **13.8%** | **9.9%** | **46.1%** |

(Thousands of U.S. dollars)

| Year ended March 31, 2009 | Asia and Oceania | North and South America | Europe | Total |
|---|---|---|---|---|
| Operating revenues from overseas operations | **$4,436,475** | **$2,743,815** | **$1,973,093** | **$ 9,153,395** |
| Consolidated operating revenues | | | | **$19,863,157** |
| Operating revenues from overseas operations as a percentage of consolidated operating revenues | **22.3%** | **13.8%** | **9.9%** | **46.1%** |

(Millions of yen)

| Year ended March 31, 2008 | Asia and Oceania | North and South America | Europe | Total |
|---|---|---|---|---|
| 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% |

# REPORT OF INDEPENDENT AUDITORS

## THE BOARD OF DIRECTORS
## JAPAN AIRLINES CORPORATION

We have audited the accompanying consolidated balance sheets of Japan Airlines Corporation (the "Company") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Airlines Corporation and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 24, 2009

# JAL'S SUBSIDIARIES AND AFFILIATES

## CONSOLIDATED SUBSIDIARIES

| Principal Business | Company Name | Date of Establishment | Paid-in Capital | JAL's Equity Ownership (%) |
|---|---|---|---|---|
| **AIR TRANSPORTATION** | | | | |
| Air Transport | **JAPAN AIRLINES INTERNATIONAL CO., LTD.** | October 1, 1953 | ¥200,000 million | 100.0 |
| | **HOKKAIDO AIR SYSTEM CO., LTD.** | September 30, 1997 | ¥490 million | 51.0 |
| | **J-AIR CO., LTD.** | August 8, 1996 | ¥200 million | 100.0 |
| | **JAL EXPRESS CO., LTD.** | April 1, 1997 | ¥2,500 million | 100.0 |
| | **JALWAYS CO., LTD.** | October 5, 1990 | ¥3,000 million | 100.0 |
| | **JAPAN AIR COMMUTER CO., LTD.** | July 1, 1983 | ¥300 million | 60.0 |
| | **JAPAN TRANSOCEAN AIR CO., LTD.** | June 20, 1967 | ¥4,537 million | 70.1 |
| | **RYUKYU AIR COMMUTER CO., LTD.** | December 24, 1985 | ¥396 million | 74.5 |
| **AIRLINE-RELATED BUSINESS** | | | | |
| Air Cargo | **CONTACT CUSTOMS CLEARANCE, INC.** | March 6, 1992 | US$5,000 | 100.0 |
| | **JAL CARGO SALES CO., LTD.** | January 22, 2001 | ¥50 million | 100.0 |
| | **JAL CARGO SERVICE CO., LTD.** | October 14, 1982 | ¥50 million | 100.0 |
| | **JAL CARGO SERVICE KYUSHU CO., LTD.** | June 1, 1987 | ¥20 million | 80.0 |
| | **JAL KANSAI AIRCARGO SYSTEM CO., LTD.** | December 10, 1975 | ¥123 million | 69.2 |
| | **JALTRANS, INC.** | April 1, 1988 | US$1,630,000 | 87.7 |
| | **JUPITER GLOBAL LIMITED** | May 17, 1983 | HK$1,000,000 | 100.0 |
| Aircraft Fuels | **OKINAWA FUELING FACILITIES COMPANY, LTD.** | November 1, 1974 | ¥100 million | 60.0 |
| Aircraft Maintenance | **JAL AIRTECH CO., LTD.** | September 11, 1958 | ¥315 million | 70.0 |
| | **JAL AVIATION TECHNOLOGIES CO., LTD.** | July 1, 1988 | ¥47 million | 100.0 |
| | **JAL ENGINE TECHNOLOGIES CO., LTD.** | October 1, 1988 | ¥80 million | 100.0 |
| | **JAL GROUND AIR SERVICE CO., LTD.** | November 11, 1969 | ¥12 million | 85.0 |
| | **JAL MAINTENANCE SERVICE CO., LTD.** | February 10, 1982 | ¥10 million | 100.0 |
| | **JAL NARITA AIRCRAFT MAINTENANCE CO., LTD.** | April 1, 1988 | ¥28 million | 100.0 |
| | **JAL SIMULATOR ENGINEERING CO., LTD.** | December 1, 2003 | ¥10 million | 100.0 |
| | **JAL TECHNO SERVICE CO., LTD.** | August 24, 1977 | ¥20 million | 81.3 |
| | **JAL TOKYO AIRCRAFT MAINTENANCE CO., LTD.** | April 1, 1983 | ¥12 million | 100.0 |
| Airport-Related Services | **CHUBU SKY SUPPORT CO., LTD.** | July 12, 2004 | ¥100 million | 100.0 |
| | **JAL ABC, INC.** | December 15, 1977 | ¥100 million | 51.0 |
| | **JAL CARGO HANDLING CO., LTD.** | September 2, 1999 | ¥50 million | 100.0 |
| | **JAL GROUND SERVICE CO., LTD.** | March 1, 1957 | ¥474 million | 100.0 |
| | **JAL GROUND SERVICE KANSAI CO., LTD.** | April 14, 1989 | ¥96 million | 100.0 |
| | **JAL GROUND SERVICE KYUSHU CO., LTD.** | December 12, 1995 | ¥10 million | 100.0 |
| | **JAL GROUND SERVICE OSAKA CO., LTD.** | December 12, 1995 | ¥10 million | 100.0 |
| | **JAL GROUND SERVICE SAPPORO CO., LTD.** | December 16, 1989 | ¥10 million | 97.7 |
| | **JAL GROUND SUPPORT NARITA CO., LTD.** | July 6, 2001 | ¥20 million | 100.0 |
| | **JAL HAWAII, INCORPORATED** | July 1, 1998 | US$100,000 | 100.0 |
| | **JAL MILEAGE BANK CO., LTD.** | July 1, 2008 | ¥40 million | 100.0 |
| | **JAL NAVIA CO., LTD.** | December 1, 1988 | ¥50 million | 100.0 |
| | **JAL NAVIA FUKUOKA CO., LTD.** | April 16, 1990 | ¥10 million | 100.0 |
| | **JAL NAVIA OSAKA CO., LTD.** | November 16, 1988 | ¥10 million | 100.0 |
| | **JAL NAVIA SAPPORO CO., LTD.** | October 1, 2003 | ¥10 million | 100.0 |
| | **JAL PASSENGER SERVICES AMERICA INCORPORATED** | January 26, 1996 | US$205,000 | 100.0 |
| | **JAL SKY SERVICE CO., LTD.** | September 13, 1982 | ¥100 million | 100.0 |
| | **JALSKY HAKODATE COMPANY, LTD.** | May 9, 1989 | ¥15 million | 100.0 |
| | **JALSKY KANAZAWA COMPANY, LTD.** | July 1, 1991 | ¥10 million | 100.0 |
| | **JALSKY KANSAI COMPANY, LTD.** | June 1, 1992 | ¥50 million | 100.0 |
| | **JALSKY KYUSHU COMPANY, LTD.** | April 3, 1986 | ¥30 million | 100.0 |
| | **JALSKY NAGASAKI COMPANY, LTD.** | December 23, 1987 | ¥15 million | 100.0 |
| | **JALSKY NAGOYA COMPANY, LTD.** | March 5, 1984 | ¥30 million | 100.0 |
| | **JALSKY NAHA COMPANY, LTD.** | December 25, 1989 | ¥30 million | 100.0 |
| | **JALSKY OSAKA COMPANY, LTD.** | January 26, 1988 | ¥30 million | 100.0 |
| | **JALSKY SAPPORO COMPANY, LTD.** | December 24, 1987 | ¥30 million | 100.0 |
| | **JALSKY SENDAI COMPANY, LTD.** | November 11, 1998 | ¥10 million | 100.0 |
| | **JALSKY TOKYO COMPANY, LTD.** | February 2, 1998 | ¥50 million | 100.0 |
| | **JALWAVE COMPANY, LTD.** | December 1, 1998 | ¥30 million | 100.0 |
| | **JTA SOUTHERN SKY SERVICE CO., LTD.** | June 5, 2000 | ¥20 million | 100.0 |
| | **NEW TOKYO SERVICE CO., LTD.** | August 24, 1974 | ¥10 million | 100.0 |

| Principal Business | Company Name | Date of Establishment | Paid-in Capital | JAL's Equity Ownership (%) |
|---|---|---|---|---|
| | **OKINAWA AIRPORT SERVICE COMPANY, LTD.** | October 1, 1965 | ¥33 million | 100.0 |
| Catering | **INFLIGHT FOODS CO., LTD.** | June 25, 1986 | ¥100 million | 100.0 |
| | **INTERNATIONAL IN-FLIGHT CATERING CO., LTD.** | July 20, 1971 | US$2,208,800 | 56.7 |
| | **JAL ROYAL CATERING CO., LTD.** | January 16, 1992 | ¥2,000 million | 51.0 |
| | **NARITA DRY ICE CO., LTD.** | August 25, 1981 | ¥50 million | 100.0 |
| | **TFK CORPORATION** | December 9, 1959 | ¥497 million | 50.7 |
| Cultural Activities and Publishing | **JAL BRAND COMMUNICATIONS CO., LTD.** | March 8, 2004 | ¥100 million | 100.0 |
| **TRAVEL SERVICES** | | | | |
| Hotel and Travel Services | **CREATIVE TOURS (SINGAPORE) PTE. LTD.** | May 1, 1979 | S$1,655,000 | 100.0 |
| | **CREATIVE TOURS LTD.** | September 14, 1973 | GBP96,627 | 100.0 |
| | **EURO CREATIVE TOURS (U.K.) LTD.** | October 17, 1980 | GBP100,000 | 100.0 |
| | **J PRO CO., LTD.** | December 4, 1998 | ¥30 million | 100.0 |
| | **JAL OKINAWA CO., LTD.** | July 5, 2000 | ¥50 million | 100.0 |
| | **JAL SALES CO., LTD.** | December 15, 1993 | ¥460 million | 100.0 |
| | **JAL SALES HOKKAIDO CO., LTD.** | December 15, 1993 | ¥250 million | 100.0 |
| | **JAL SALES KYUSHU CO., LTD.** | May 23, 1984 | ¥200 million | 100.0 |
| | **JAL SALES WESTERN JAPAN CO., LTD.** | November 18, 1994 | ¥240 million | 100.0 |
| | **JAL SATELLITE TRAVEL CO., LTD.** | August 17, 1979 | HK$750,000 | 100.0 |
| | **JAL TOURS CO., LTD.** | April 1, 1978 | ¥80 million | 81.4 |
| | **JALPAK CO., LTD.** | April 4, 1969 | ¥900 million | 78.7 |
| | **JALPAK HOLDING U.S.A., INC.** | April 1, 1999 | US$100 | 100.0 |
| | **JALPAK INETRNATIONAL AMERICA, INC.** | July 29, 1970 | US$1,250,000 | 100.0 |
| | **JALPAK INTERNATIONAL (AUSTRIA) GES.M.B.H.** | March 19, 1985 | EUR72,672 | 75.0 |
| | **JALPAK INTERNATIONAL (CHINA) CO., LTD.** | November 13, 2003 | US$600,000 | 100.0 |
| | **JALPAK INTERNATIONAL (EUROPE) B.V.** | November 1, 1979 | EUR900,000 | 100.0 |
| | **JALPAK INTERNATIONAL (FRANCE), S.A.S.** | April 1, 1974 | EUR160,000 | 100.0 |
| | **JALPAK INTERNATIONAL (GERMANY) GMBH** | October 26, 1979 | EUR102,500 | 100.0 |
| | **JALPAK INTERNATIONAL (SPAIN) S.A.** | September 21, 1982 | EUR180,303 | 100.0 |
| | **JALPAK INTERNATIONAL ASIA PTE LTD.** | February 4, 1997 | S$146,330 | 100.0 |
| | **JALPAK INTERNATIONAL HAWAII, INC.** | April 1, 1990 | US$1,000,000 | 100.0 |
| | **JALPAK INTERNATIONAL HONG KONG CO., LTD.** | May 31, 1974 | HK$550,000 | 100.0 |
| | **JALPAK INTERNATIONAL MICRONESIA, INC.** | April 1, 1986 | US$1,450,000 | 100.0 |
| | **JALPAK INTERNATIONAL OCEANIA PTY LIMITED** | March 27, 1984 | A$500,000 | 100.0 |
| | **JALPAK INTERNATIONAL (THAILAND) CO., LTD.** | November 9, 2000 | THB6,000,000 | 100.0 |
| | **JALPAK SERVICE INC.** | July 24, 1980 | ¥30 million | 100.0 |
| | **JALPAK TOUR & TRAVEL (THAILAND) CO., LTD.** | October 1, 1979 | THB6,000,000 | 73.3 |
| | **P.T. JALPAK INTERNATIONAL BALI** | October 1, 2000 | IDR2,848,500 thousand | 100.0 |
| | **P.T. TAURINA TRAVEL JAYA** | April 1, 1982 | IDR500 million | 51.0 |
| **CARD AND LEASE OPERATIONS** | | | | |
| Financial Services | **JAL CAPITAL CO., LTD.** | July 25, 1988 | ¥3,500 million | 100.0 |
| | **JALCARD, INC.** | October 30, 1984 | ¥360 million | 50.6 |
| | **JLC INSURANCE COMPANY LIMITED** | November 22, 2002 | US$2,000,000 | 100.0 |
| **OTHER** | | | | |
| Air Cargo | **JAL LOGISTICS INC.** | March 28, 1970 | ¥144 million | 72.0 |
| Cultural Activities and Publishing | **JAL ACADEMY CO., LTD.** | June 10, 1985 | ¥50 million | 100.0 |
| | **JAL BUSINESS CO., LTD.** | November 8, 1979 | ¥100 million | 89.8 |
| | **JAL GROUP SENIOR CENTER CO., LTD.** | November 1, 2005 | ¥50 million | 100.0 |
| | **JAL LIVRE CO., LTD.** | October 1, 2002 | ¥50 million | 100.0 |
| | **JAL SUNLIGHT CO., LTD.** | November 15, 1995 | ¥20 million | 100.0 |
| | **OFFICIAL FILING CO., LTD.** | February 10, 1984 | ¥10 million | 54.0 |
| Hotel and Travel Services | **BENKAY (U.S.A.), INC.** | February 6, 1986 | US$1,000 | 100.0 |
| | **HOTEL NIKKO (U.S.A.), INC.** | July 18, 1984 | US$1,010 | 100.0 |
| | **HOTEL NIKKO OF SAN FRANCISCO, INC.** | July 19, 1984 | US$43,137,575 | 100.0 |
| | **HOTEL NIKKO OSAKA CO., LTD.** | December 10, 1980 | ¥100 million | 100.0 |
| | **JAL HOTELS CO., LTD.** | July 1, 1970 | ¥4,272 million | 90.7 |
| | **JDC GUAM INC.** | April 26, 1994 | US$1,000 | 100.0 |
| | **NARITA NIKKO HOTEL CO., LTD.** | November 24, 1977 | ¥50 million | 100.0 |
| | **NEW NIKKO HOTEL CO., LTD.** | January 12, 1999 | ¥25 million | 100.0 |
| | **PACIFIC INVESTMENT HOLDINGS CORPORATION** | April 5, 1990 | US$59,396,360 | 100.0 |

| Principal Business | Company Name | Date of Establishment | Paid-in Capital | JAL's Equity Ownership (%) |
|---|---|---|---|---|
| Information Services | **AXESS INTERNATIONAL NETWORK, INC.** | July 1, 1991 | ¥700 million | 75.0 |
| | **JTA INFORMATION & COMMUNICATION CO., LTD.** | April 16, 1984 | ¥50 million | 61.0 |
| Real Estate and Construction | **GLOBAL BUILDING CO., LTD** | April 14, 1989 | ¥100 million | 100.0 |
| | **JAL CONSTRUCTION CO., LTD.** | June 1, 1976 | ¥180 million | 85.0 |
| | **JAPAN AIRLINES MANAGEMENT CORP.** | October 20, 1989 | US$93 | 100.0 |
| | **PACIFIC BUSINESS BASE, INC.** | October 20, 1989 | US$400 | 100.0 |
| Trading | **JAL AEROPARTS CO., LTD.** | December 4, 1990 | ¥490 million | 100.0 |
| | **JTA TRADING CO., LTD.** | July 1, 1985 | ¥20 million | 100.0 |

## UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

### AIR CARGO
ALPHA T&M EXPRESS CO., LTD.
CARGO COMMUNITY SYSTEM JAPAN CO., LTD.
CARINA INTERNATIONAL PTY LIMITED
CONTINENTAL COURIER SERVICES (L.L.C.)
DATA & JUPITER FREIGHT (BEIJING) CO., LTD.
EXPRESS HANDLING SERVICES LIMITED
FACT INC.
FLEETPAK ENTERPRISES PTE. LTD.
FUKUOKA AIR CARGO TERMINAL CO., LTD
GDA SINGAPORE PTE., LTD.
GLOBAL LOGISTICS SYSTEM ASIA PACIFIC CO., LTD.
GLOBAL LOGISTICS SYSTEM WORLDWIDE GMBH
GUANGZHOU JUPITER WORLD-LINK INTERNATIONAL FORWARDING CO., LTD.
INTEGRATED EXPRESS LIMITED
J & B EXPRESS LIMITED
JAL GROUND SUPPORT HANEDA CO., LTD.
JAPAN AIR INTERNATIONAL SERVICE, S.A.DE C.V.
JPM LOGISTICS, INC.
JTB JUPITER EXPRESS PVT. LTD.
J-TRANS
JUPITER AIR (CANADA) LTD.
JUPITER AIR (CHINA) LIMITED
JUPITER AIR (HONG KONG) LIMITED
JUPITER AIR (UK) LIMITED
JUPITER AIR SERVICES (MALAYSIA) SDN. BHD.
JUPITER EXPRESS CO., LTD.
JUPITER JAPAN CO., LTD.
JUPITER LOGISTICS BANGLADESH CO., LTD.
JUPITER LOGISTICS CAMBODIA CO., LTD.
JUPITER LOGISTICS CHILE S.A.
JUPITER LOGISTICS PHILIPPINES, INC.
JUPITER LOGISTICS VIETNAM JOINT STOCK COMPANY
JUPITER PACIFIC FORWARDING JOINT VENTURE CO., LTD.
JUPITER SINGAPORE PTE. LTD.
KILDA EXPRESS PTE LTD.
MICOM AMERICA, INC.
ORION INTERNATIONAL JOINT VENTURE CO., LTD.
PAN JUPITER TRANSPORT CO., LTD.
PLANET INTERNATIONAL COMPANY
PT ABDI KEMAS DIRGANTARA
SAFRIK TECHNOLOGY INC.
SHANGHAI JUPITER INTERNATIONAL FORWARDING CO., LTD.
SIRIUS AIR INTERNATIONAL LIMITED
SKYHERO COMPANY LIMITED
SUREPLUS LIMITED
TAS CARGO (THAILAND) COMPANY LIMITED
TRENDY AIR SERVICES SDN. BHD.
U-FREIGHT JAPAN CO., LTD.
WHOLESALE COURIER (S) PTE. LTD.

### AIRCRAFT FUELS
CENTRAIR FUELING FACILITIES CO., LTD.
CHITOSE AIRPORT FUELLING FACILITIES COMPANY, LTD.
FUKUSHIMA AIRPORT FUELLING FACILITIES CO., LTD.
HIROSHIMA AIRPORT FUELLING FACILITIES COMPANY, LTD.
JAPAN AIRPORT FUELING SERVICE CO., LTD.
KAGOSHIMA AIRPORT FUELLING FACILITIES CO., LTD.
KOBE AIRPORT FUEL FACILITIES INC.
KOKUSAI AVIATION FUELING CO., LTD.
OOITA AIRPORT FUELLING FACILITIES CO., LTD.
OSAKA HYDRANT CO., LTD.
PACIFIC AIRCRAFT & AIRPORT SERVICE CO., LTD.

### AIRCRAFT MAINTENANCE
CENTRAIR GSE SERVICES CO., LTD.
JAL AIRTECH FUKUOKA CO., LTD.
JAL AIRTECH NARITA CO., LTD.
JAL GROUND MAINTENANCE CO., LTD.
JAPAN TURBINE TECHNOLOGIES CO., LTD.
NITTO AIRCRAFT MAINTENANCE CO., LTD.
OAS MAINTENANCE CO., LTD.

### AIRPORT-RELATED SERVICES
AGP CORPORATION
AIRPORT FACILITIES CO., LTD.
AMAMI AIRPORT TERMINAL BUILDING CO., LTD.
ASAHIKAWA AIRPORT TERMINAL BUILDING CO., LTD.
CHITOSE AIRPORT MOTOR SERVICE CO., LTD.
FUKUOKA AIRPORT BUILDING CO., LTD.
FUKUOKA TAS CORPORATION
FUKUSHIMA AIRPORT BUILDING CO., LTD.
IWATE PREFECTURE AIRPORT TERMINAL BUILDING CO., LTD
IZUMO AIRPORT TERMINAL BUILDING CO., LTD.
JAL GROUND AVIATION CO., LTD.
JAL GROUND SUPPORT KANSAI CO., LTD.
JALSKY FUKUSHIMA COMPANY, LTD.
JUPITER GROUND SERVICE LIMITED
KOKUNAISEN.COM INC.
KUSHIRO AIRPORT TERMINAL BUILDING CO., LTD.
MATSUMOTO AIRPORT TERMINAL BUILDING CO., LTD.
MEMANBETSU AIRPORT BUILDING CO., LTD.
MISAWA AIRPORT TERMINAL CO., LTD.
NAGASAKI GRAND AIR SERVICE INC.
NAHA AIRPORT GROUND SERVICE CO., LTD.
NAHA AIRPORT PASSENGER SERVICE COMPANY, LTD.
NANKI-SHIRAHAMA AIRPORT TERMINAL BUILDING CO., LTD.
OBIHIRO AIRPORT TERMINAL BUILDING CO., LTD.
ODATE NOSHIRO AIRPORT BUILDING CO., LTD.
OKINOERABU AIRPORT TERMINAL BUILDING CO., LTD.
SHIMOJISHIMA AIRPORT FACILITY CO., LTD.
TERMINAL ONE MANAGEMENT, INC.
TOKUNOSHIMA AIRPORT BUILDING CO., LTD.
TOKUSHIMA AIRPORT TERMINAL BUILDING
TOKYO INTERNATIONAL AIR TERMINAL CORPORATION
TSURUYA KOGYO CO., LTD.

### CATERING
NAGOYA AIR CATERING CO., LTD.
TFK DEVELOPMENT CO., LTD.
TFK INTERNATIONAL (NZ) LIMITED

### CULTURAL ACTIVITIES AND PUBLISHING
AIR FLITE JAPAN CORPORATION
TEI INC.
WINDS PUBLICATIONS CO., LTD.

### FINANCIAL SERVICES
AILERON LEASING CO., LTD.
AVIONET LEASING LTD.
CAMBER LEASING CO., LTD.
JAL CAPITAL CORPORATION
JLMC AVIATION SERVICE CO., LTD.
NACELLE LEASING CO., LTD.
PNEUMATIC LEASING CO., LTD.
REDOME LEASING CO., LTD.
RIB LEASING CO., LTD.
SLAT LEASING CO., LTD.
SPINNER LEASING CO., LTD.
STRINGER LEASING CO., LTD.
TAB LEASING CO., LTD.
TOGA LEASING CO., LTD.
TRIPLE A LIMITED
TWIN CRANE LEASING CO., LTD.

### HOTEL AND TRAVEL SERVICES
AIRPORT HOTEL MANAGEMENT CO., LTD.
BTG NIKKO INTERNATIONAL HOTEL MANAGEMENT CO., LTD.
CARGO CREATIVE SERVICE LTD.
CREATIVE TRAVEL (TAIWAN) LTD.
HAKUSAN OGUCHI MANAGEMENT ASSOCIATION
HOTELES NIKKO, S.A.DE C.V.
HUAYA DEVELOPMENT CO., LTD.
IMPERIAL TRAVEL SERVICE CO., LTD.
INDO JAPAN AIR SERVICES PVT. LTD.
JAL HOTELS GMBH DUSSELDORF
JALPAK DE MEXICO, S.A. DE C.V.
JR EAST VIEW TRAVEL SERVICE COMPANY LIMITED
NIKKO HOTEL MANAGEMENT (THAILAND) CO., LTD.
PARIS LIMOUSINE SERVICE S.A.R.L.
SHURI KANKO CO., LTD. *UNOFFICIAL
TRANS QUALITY, INC.

### INFORMATION SERVICES
AVICOM JAPAN CO., LTD.
AVIONET (THAILAND) COMPANY LTD.
E-MILENET INC.
JAL AVIONET (SHANGHAI) COMPANY LIMITED
JAL AVIONET ASIA LIMITED
JAL AVIONET EUROPE LIMITED
JAL AVIONET USA
JAL INFORMATION TECHNOLOGY CO., LTD.

### LEISURE AND TOURISM SERVICES
ASIA WINDS DEVELOPMENT CO., LTD.

### LIMOUSINE SERVICES
AZUMA KOTSU CO., LTD.
KANSAI AIRPORT TRANSPORTATION ENTERPRISE
OSAKA AIRPORT TRANSPORT COMPANY LTD.
SOUTHERN AIRPORT KOTSU CO., LTD.

### REAL ESTATE AND CONSTRUCTION
ANTARES INTERNATIONAL LIMITED
KOKEN CO., LTD.
SHEEN CHART LIMITED
TOKYO FLIGHT KITCHEN RESTAURANTES LTDA.

### TRADING
INTERNATIONAL AIRPORT CLEANING CO., LTD.
JAL AEROPARTS (USA) CORPORATION
JAL AEROPARTS S.A.S.
JALUX ASIA LTD.
JALUX INC.
JUPITER LOGISTICS (THAILAND) CO., LTD.
NJS CO, LTD
TOKYO BAY RESTAURANT CO., LTD.

### OTHERS
AVIATION SECURITY TRAINING SYSTEM CO., LTD.
JAL AERO-CONSULTING INCORPORATED
JAPAN SECURITY SUPPORT CO., LTD.
ONEWORLD MANAGEMENT COMPANY LTD.

# JAL GROUP ROUTE NETWORK

(As of July 2008)

## INTERNATIONAL ROUTES (as of April 2009)

**Passengers**
Routes: 258
Flights: 4,280/week (one way)

**Cargo Transportation**
Routes: 28
Flights: 74/week


Kalamazoo
Syracuse
Grand Rapids
Harrisburg
Ottawa
Minneapolis
Milwaukee
Toledo
Montreal
Detroit
Madison
Buffalo
Toronto
Rochester
Cleveland
Columbus
Vancouver
Boston
Albany
Hartford
New York
Dayton
Chicago
Omaha
Philadelphia
Baltimore
Kansas City
Indianapolis
Peoria
Washington
Cincinnati
Lexington
Richmond
St. Louis
Pittsburgh
Louisville
Evansville
Bloomington
Nashville
Knoxville
Raleigh Durham
Denver
Memphis
San Francisco
Huntsville
Las Vegas
Fayetteville
San Jose
Charlotte
Jacksonville
Fresno
Greenville
Santa Barbara
Dallas
Atlanta
Los Angeles
Orlando
El Paso
Houston
Tampa
Santa Ana John Wayne
Oklahoma City
San Antonio
New Orleans
San Diego
Austin
Fort Lauderdale
Miami
Albuquerque
Monterrey
Los Cabos
Cancun
Honolulu
Guadalajara
Mexico City
San Juan
Hawaii (Kona)
Papeete
Sao Paulo

## DOMESTIC ROUTES (as of April 2009)

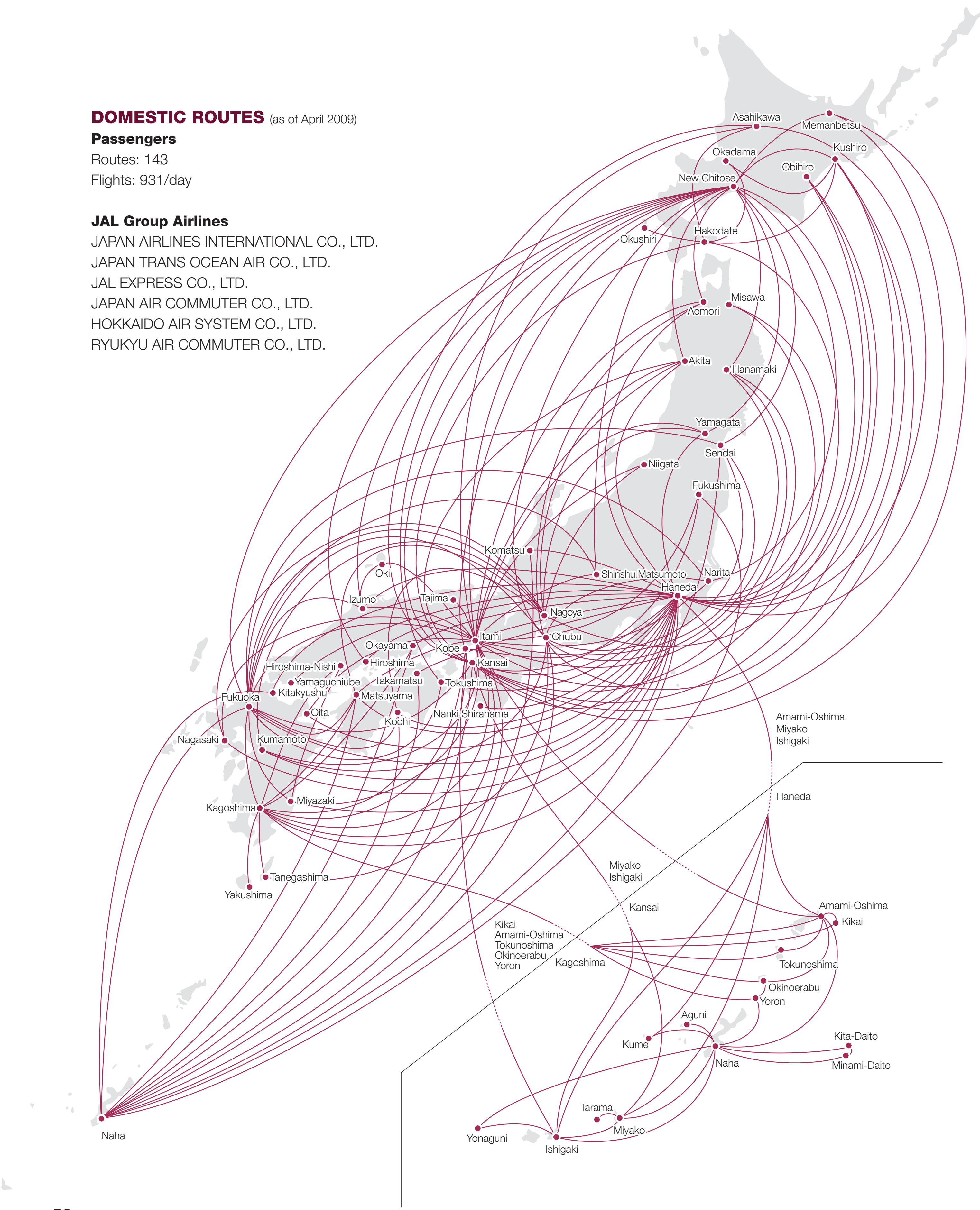
**Passengers**

Routes: 143

Flights: 931/day

**JAL Group Airlines**

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.
RYUKYU AIR COMMUTER CO., LTD.



# INVESTOR INFORMATION

( As of March 31, 2009)

**COMPANY NAME**
Japan Airlines Corporation
(Japan Airlines Group Holding Company)

**DATE OF FOUNDATION**
2002.10.2

**HEAD OFFICE**
2-4-11, Higashi-shinagawa, Shinagawa-ku,
Tokyo 140-8605, Japan
e-mail irdesk@jal.com

**PAID-IN CAPITAL**
¥251,000,000,000

**NUMBER OF SHARES**
Authorized: 7,000,000,000 shares
Issued: Common Stock: 2,732,383,250 shares
Preferred Stock: 614,000,000 shares

**FLOATING STOCK**
54.48%

**NUMBER OF SHAREHOLDERS**
Common Stock: 446,169 including 1,056 non-Japanese
Preferred Stock: 15

**STOCK LISTINGS**
Tokyo, Osaka, and Nagoya stock exchanges

**DEPOSITARY FOR AMERICAN DEPOSITARY RECEIPTS (ADRS)**
The Bank of New York Mellon
101 Barclay Street, New York, NY 10286, U.S.A.
Tel: (866) 680-6825
U.S. toll free: (888) 269-2377 (888-BNY-ADRS)
http://www.adrbnymellon.com
Ratio: 1 ADR = 5 ordinary shares

**FISCAL YEAR-END**
March 31

**GENERAL MEETING OF STOCKHOLDERS**
June

**STOCK TRANSFER AGENT**
Mitsubishi UFJ Trust and Banking Corporation

**SHARE HANDLING OFFICE**
10-11, Higashi-Suna 7-chome, Koto-ku,
Tokyo 137-8081, Japan

**DATE FOR CONFIRMATION OF STOCK OWNERSHIP**
March 31

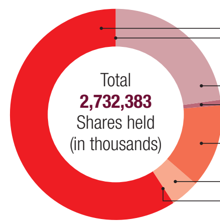
**MEDIA FOR PUBLIC NOTICE**
Nihon Keizai Shimbun issued in Tokyo area and our website
(http://www.jal.com/ja/ir/stock/kabuka.html)

**AUDITOR**
Ernst & Young ShinNihon LLC

**MAJOR SHAREHOLDERS**

| Name | Number of Shares Held (Thousands) / Ratio of Shareholding |
|---|---|
| Japan Trustee Services Bank, Ltd. (trust account 4G) | 136,423 / 4.99 |
| Tokyu Corporation | 80,428 / 2.94 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 70,188 / 2.56 |
| Japan Trustee Services Bank, Ltd. (trust account) | 51,744 / 1.89 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 46,769 / 1.71 |
| Nissay Dowa General Insurance Co., Ltd. | 43,076 / 1.57 |
| JAL Group Employees' Stockholding | 37,302 / 1.36 |
| Mizuho Corporate Bank, Ltd. | 35,303 / 1.29 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 34,772 / 1.27 |
| Nippon Life Insurance Company | 29,339 / 1.07 |

**SHARES HELD**




**Shares held**
(in thousand)

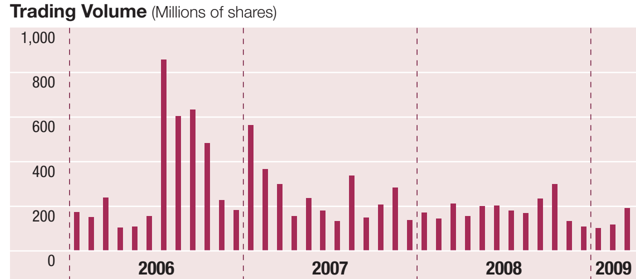
| | |
|---|---|
| Individuals and others | 1,611,439 (58.98%) |
| Government and local governments | 1,418 (0.05%) |
| Japanese financial institutions | 627,202 (22.96%) |
| Japanese securities company | 17,032 (0.62%) |
| Other Japanese companies | 354,550 (12.98%) |
| Foreign companies and institutions | 117,874 (4.31%) |
| Treasury stock | 2,865 (0.10%) |

Figures in parentheses represent shares held by each shareholder category as a total number of shares issued.

**STOCK PRICE AND TRADING VOLUME**

**Stock Price** (Yen)


**Trading Volume** (Millions of shares)



**Japan Airlines Corporation**
**(Japan Airlines Group Holding Company)**

2-4-11, Higashi-shinagawa, Shinagawa-ku,
Tokyo 140-8605, Japan
URL: http://www.jal.com/en/

PRINTED WITH SOY INK™

Printed in Japan
Printed on recycled paper