JAL Group Announces Consolidated Financial Results for the First Half of the Fiscal Year 2014

TOKYO October 31, 2014: JAL Group (JAL) today announced the consolidated financial results for the first half of the fiscal year of 2014- the period from April 1 to September 30, 2014. For the details, please refer to attached **[Consolidated Financial Results for the Six Months Ended September 30, 2014]**.

During the reporting period of consolidated financial results for the first half of the fiscal year (April 1, 2014 to September 30, 2014)(hereinafter referred to as the "first half"), the Japanese economy continued to recover moderately. However, consumer spending has been sluggish due to the prolonged reactionary decline in demand following the front-loaded increase in demand prior to the consumption tax hike in April. Recovery of the global economy has been on track, but the financial deregulation scale-down of the U.S., economic conditions of China and other new emerging countries, geopolitical risks, and such have put a downside pressure on the domestic economy. The USD to JPY currency exchange rate, which impacts JAL's jet fuel purchasing costs, was stable until August, but since the beginning of September, the Japanese yen has depreciated sharply. Under these conditions, JAL Group strived to achieve greater management efficiency and provide unparalleled service to the customers with flight safety as the top priority, in order to achieve its targets in Rolling Plan 2014 for the Medium Term Management Plan announced on March 26, 2014.

As a result, operating revenue in the first half was 683.7 billion yen (up 3.7% year-on-year) , operating expense was 590.9 billion yen (up 4.9%), and consequently, operating income came to 92.8 billion yen (down 3.1%), ordinary income was 91.6 billion yen（up 1.7%）, and net income was 80.3 billion yen（down 2.0%）.

(1) JAL Group Consolidated Results for the Period April 1 –September 30, 2014

Unit: Billions of yen	**Fiscal Year 2013 (Apr. 1 – Sep. 30, 2013)**	**Fiscal Year 2014 (Apr. 1 – Sep. 30, 2014)**	**Difference vs. prior year**	**% vs. prior year**
Total Operating Revenues	659.3	683.7	+ 24.4	103.7
International Passenger	222.2	233.9	+ 11.7	105.3
Domestic Passenger	251.7	248.1	- 3.5	98.6
Int. and Dom. Cargo	38.9	41.1	+ 2.1	105.6
Others	146.4	160.4	+ 14.0	109.6
Total Operating Expenses	563.4	590.9	+ 27.4	104.9
Operating Income	95.8	92.8	- 2.9	96.9
Operating Margin	14.5%	13.6%	- 1.0 points	-
Ordinary Income	90.1	91.6	+ 1.5	101.7
Net Income	81.9	80.3	- 1.6	98.0

Figures are rounded down to the nearest tenth of a billion yen while percentages are rounded off to the first decimal place.

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(2) Air Transportation Segment

International Passenger

In international passenger operations, we strived to strengthen our foundations for profitable growth by enhancing and developing our functions at Japan's two main hubs, Haneda and Narita.

In route operations, we launched new daytime services between Haneda and London/Paris/Singapore/Bangkok, using our additional international flight slots at Haneda. We also started services between Haneda and Ho Chi Mihn City, using midnight and early morning slots. Using Haneda effectively for easy and fast connection between international and domestic flights, we endeavored to attract incoming traffic from overseas and outgoing traffic from regional Japan. At Narita, we increased an additional 7 flights a week on both Narita=New York and Narita=Jakarta routes to 14 weekly flights in an effort to attract thriving demand between North America and Asia.

On the product side, we increased JAL SKY SUITE fleet, retrofitted with full-flat Business Class seats with unobstructed aisle access for every seat and 'Shin-Kankaku' (it means 'Passengers will immediately feel difference when settling into our seats.') Economy Class seats with approximately 10 cm. more (maximum) legroom and endeavored to increase the customers' recognition of our new products. Thirteen Boeing 777-300ER's, dubbed SKY SUITE 777, were rolled out on the Haneda=London, Haneda=Paris routes, and the Narita=New York/Los Angeles/Chicago/Frankfurt/Jakarta routes. We also revamped nine Boeing 767-300ER's, dubbed SKY SUITE 767, and deployed them on mainly Asian routes such as Kuala Lumpur, Singapore, Bangkok and Dalian.

As a result, with expectations of buoyant outbound business demand and inbound demand、international supply when measured in Available Seat Kilometers (ASK) in the first half increased by 3.9％ over the previous year and demand when measured in Revenue Passenger Kilometers (RPK) increased by 3.3% over the previous year, resulting in a load factor (L/F) of 75.8% (down 0.4 point year-on-year) and international passenger revenue of 233.9 billion yen (up 5.3% year-on-year).

Domestic Passenger

In route operations, we increased flights between Haneda and Itami/Kansai/Naha/Okayama, etc., and also between Haneda and Yamagata using contest slots, in which the local government and airlines worked together to improve regional routes. Furthermore, we increased flights on routes with expected demand growth such as the Itami=Naha route, to increase the customers' convenience.

In cabin services, we rolled out aircraft featuring JAL SKY NEXT cabin interiors, including seats covered with genuine leather used on luxury cars and slimmed-down Economy Class seats with 5 cm (max.) more legroom (around the knees) from the previous seat for greater comfort, while in-cabin LED lighting orchestrates the change of

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seasons and flow of time to create a relaxing ambience and a feeling of Japan. JAL was the foremost airline to provide domestic inflight internet services, dubbed JAL SKY Wi-Fi, to allow customers to enjoy inflight entertainment or access the Internet via personal Wi-Fi enabled smartphones, computers, etc. Through these innovations, we sought to create a luxurious ambience through totally coordinated cabin interiors and cabin service with enhanced quality.

As a result, domestic supply in the first half when measured in Available Seat Kilometers (ASK) declined by 3.8% from the previous year and demand when measured in Revenue Passenger Kilometers increased by 1.2% over the previous year, resulting in a load factor (L/F) of 65.6%(up 3.2 points year on year） and domestic passenger revenue of 248.1 billion（down 1.4% year on year）.

International and Domestic Cargo

In international cargo operations, we actively captured automobile-related shipments from Japan, spurred by the growth of exports especially to North America, improved our revenue management, and efficiently captured transit shipments such as perishables in an effort to maximize revenues. As a result, the volume of international cargo we handled during the reporting period in terms of Revenue Cargo Ton Kilometers (RCTK) increased by 14.1% year-on-year, and international cargo revenue increased by 9.6% to 28.8 billion yen.

Domestic cargo operations were affected by the front-loaded increase in demand prior to the consumption tax hike which continued to the beginning of the first quarter, and a modal shift from surface transport to air transport due to a shortage of trucks, which consequently increased shipments temporarily. We also attracted robust perishable shipments in the summer. However due to the decrease in supply, the volume of domestic cargo we handled during the reporting period when measured in Revenue Cargo Ton Kilometers (RCTK) declined by 3.1 % year-on-year, and domestic cargo revenue was 12.3 billion yen, or down 2.8% from the previous year.

(3) JAL Group Consolidated Financial Position

	FY2013 As of March 31, 2014	The first half Year of FY2014 As of September 30, 2014	Difference
Total assets (billion yen)	1,340.1	1,400.0	+ 59.8
Net assets (billion yen)	711.0	736.6	+ 25.5
Equity ratio *1(%)	51.5	51.1	- 0.4 points
Interest-bearing debt (billion yen)	134.2	112.9	- 21.2
Debt/Equity Ratio *2	0.2	0.2	0.0

Figures are rounded down to the nearest tenth of a billion yen while percentages are rounded off to the first decimal place.

Note:

1. Shareholders' equity is total net assets excluding minority interests
2. Debt-to-equity ratio is interest-bearing debt divided by shareholders equity

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(4) Forecast of JAL Group Consolidated Financial Results for the Full Fiscal Year Ending March 31, 2015

Unit: Billions of yen	Operating Revenue	Operating Income	Ordinary Income	Net Income
Previous forecast (Announced on April 30, 2014)	1,350.0	140.0	135.0	115.0
New forecast	1,340.0	158.0	155.0	135.0

Note: The forecast above represents estimates of future results based on the information available at the time of release and the company's reasonable judgment on this information. They are inherently subject to risks which may result in a divergence in the actual result from the forecasts and estimates contained herein.

Reasons for above Revisions of Financial Forecast for Fiscal Year Ending March 31, 2015:

To reflect the current market, a revision of market preconditions has been made as below:

	Foreign Exchange Rate	Fuel(Singapore Kerosene)	Fuel(Oil in Dubai)
Previous forecast	JPY107.0/USD	USD125.0/bbl	USD107.0/bbl
New forecast	JPY104.6/USD (2nd half:JPY107.0/USD)	USD118.7/bbl (2nd half:118.0/bbl)	USD105.1/bbl (2nd half:105.0/bbl)

Although international passenger operations enjoyed robust inbound demand from overseas and outbound corporate demand from Japan, consolidated revenue for the full fiscal year is expected to decline by 10 billion yen from the previous forecast, owing to review of jet fuel resale contracts with affiliated company and deduction of the resold jet fuel amount, which had been included in the target, from revenues and expenses in the second-half of the fiscal year.

Consolidated operating expenses for the full fiscal year is expected to decline by 28 billion yen compared to the previous forecast due to falling fuel prices and persistent cost reductions in the second-half as in the first-half of the fiscal year. Consolidated operating income for the full fiscal year reflecting the above elements is expected to increase by 18 billion yen from the previous forecast.

As consolidated ordinary income and consolidated net income for the full fiscal year are expected to increase by 20 billion yen and 20 billion yen respectively due to the expected increase in consolidated operating income for the full fiscal year, we revise our forecast for the fiscal year ending March 31, 2015.

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