JAL REPORT 2016
Fiscal year ended March 2016
The JAL Group will:
- Pursue the material and intellectual growth of all our employees;
- Deliver unparalleled service to our customers; and
- Increase corporate value and contribute to the betterment of society.

Six years have passed since the JAL Group emerged from bankruptcy in 2010 and was bestowed the opportunity to rebuild the company. I express my sincerest appreciation for the tremendous support we have enjoyed during this time from customers who use JAL services, our domestic and overseas shareholders, and our business associates.

July 2016
Yoshiharu Ueki
Representative Director, President
Spreading Japanese hospitality to skies around the world

On-time performance – World No.1
Winner in three eligible categories

Awarded “Best Economy Class Airline Seat”

JAL won the award for the best economy class seat at the Skytrax 2015 World Airline Awards.

On-time performance

Major Airline Companies Category
World No.1

Asia-Pacific Major Airlines Category
No.1

Alliance Category
No.1

JAL on-time arrival rate
89.44%

JAL affiliates’ on-time arrival rate
80.97%

Connecting the world

Welcome to the oneworld alliance, comprising 15 of the world’s leading airlines and offering the highest levels of service and convenience at 1,000 cities in 150 countries.

JAL Mileage Bank mileage can be accrued and used with all member airlines of the oneworld alliance. JMB Diamond, JMB Sapphire and JGC members are eligible to use more than 600 Premium airport lounges and enjoy a wide array of special services and privileges.

Be global. Be one.

Revenue passengers carried per year
40,194,998

Revenue cargo ton kilometers (RCTK)
2,087,791 thousand

Employee headcount
31,986

Number of operated routes (passenger flights)
171 routes

Number of regions served
53 countries/regions

Number of airports
311
Financial / Non-financial Highlights

### JAL Group Business Foundation

- **Net income attributable to shareholders of the parent company (Billions of yen)**
- **Operating revenue (Billions of yen)**
- **Operating income / Operating margin (%)**
- **Net income per share**
- **Dividend per share**
- **Operating cash flow / Investment cash flows**

### Terminology

1. **Investment cash flows**: Excludes fixed deposit account deposits and withdrawals
2. **Free cash flows**: Operating cash flows + Investment cash flows
3. **EBITDA**: Operating profit + Depreciation
4. **EBITDA margin**: EBITDA / Operating revenue
5. **ASK (Available Seat Kilometers)**: Unit of passenger carrying capacity. Number of seats available × Distance flown (km).
6. **Unit cost**

### Financial / Non-financial Highlights

- **Customer injuries (Number of cases)**
- **Irregularities due to human error (Number of cases)**
- **Irregular operations (Number of cases)**

#### Operating revenue (Billions of yen)

- 2012: 1,289.1
- 2013: 1,209.1
- 2014: 1,344.1
- 2015: 1,327.6

#### Operating income / Operating margin (%)

- 2012: 19.2%
- 2013: 18.6%
- 2014: 17.9%
- 2015: 16.7%

#### Net income attributable to shareholders of the parent company (Billions of yen)

- 2012: 173.2
- 2013: 168.2
- 2014: 149.2
- 2015: 143.4

#### Terminology

1. **EBITDA**: Operating profit + Depreciation
2. **EBITDA margin**: EBITDA / Operating revenue

**Note**: The data presented is for the fiscal years 2012 to 2015, and it includes key financial metrics such as operating revenue, operating income, and net income, along with non-financial indicators like customer injuries and irregularities due to human error. The metrics are presented in both numerical and graphical formats to provide a comprehensive overview of the company's performance.
The JAL Group seen from the perspective of the Medium Term Management Plan

“To become the world’s most preferred and valued airline group.”

This is the JAL Group vision I presented upon assuming the position of president. The Group’s Medium Term Management Plan for fiscal years 2012–2016 (henceforth Medium Term Management Plan) is a strategy for differentiating the JAL Group clearly from competitors by realizing this vision in three areas: enhancement of the JAL Brand, route network, products and services, and cost competitiveness. To achieve differentiation, we have established initiatives in five key areas in which we have begun working toward solutions: safety; route network, products and services; group management; and human resources management. To assess progress in these undertakings, we have set three management targets by which we monitor the degree of accomplishment each fiscal year: maintain flight safety, become No. 1 in customer satisfaction; and attain an operating margin of 10% or above for 5 consecutive years and an equity ratio of 50% or above by fiscal 2016.

We achieved our targeted operating margin and equity ratio a year early in fiscal 2015, and we are progressing favorably in terms of financial standing. Meanwhile, the results of our activities aimed at maintaining flight safety and becoming No. 1 in customer satisfaction reveal challenges that remain to be overcome. In fiscal 2016 and beyond, all our executives and employees will continue to work as one to realize our Corporate Policy and reach our management targets under the keywords autarky (aimed with certain achievement at hand), challenge (ready to undertake new actions without fear of failure) and speed (prepared to respond promptly to changes in the environment).

Three strategies for differentiation to survive in an era of intense competition

■ Enhancement of the JAL Brand

With the proliferation of open skies agreements in recent years, the airline industry has experienced deregulation of routes, flight frequency, new entrants, fares and other areas, which has led to an era of intensified competition. Low cost carriers (LCCs) and various other types of airline companies have also been established around the world. This has dramatically expanded the choices available to customers and contributed to further intensified competition. Only companies that are attractive enough to inspire strong customer loyalty can expect to survive in this fiercely competitive environment. In other words, customers must actively “choose JAL” if we are to survive. These are the circumstances behind our “The JAL Brand enhancement” strategy.

The JAL Brand comprises three elements: Tradition, Innovation and the Spirit of Japan.

“Tradition”, refers to an ability to provide universal value, or authenticity, backed by JAL’s history of supporting Japan’s human exchanges and economic activities with the world as the “Wings of Japan” since its founding in 1951 as Japan’s first scheduled airline. Meanwhile, our experience with bankruptcy has taught us not to be content to rely on tradition. While continuing to value tradition, we must always be prepared to take up the challenge of creating new values by introducing changes. This is “Innovation.”

Finally and just as importantly, we continue to refine the “Spirit of Japan” such as Omotenashi (Japanese hospitality) and Shitsurae (thorough preparation) imbued in our corporate tagline, “Fly into Tomorrow, JAL.”

Those three differentiation strategies are the sources of JAL’s unique brand values. Executives and employees throughout the JAL Group endeavor to keep them in mind at all times in the conduct of their daily business affairs.

■ Route Network / Products and Services

Increasing the value of the JAL Brand will require constructing a route network and providing products and services that enable customers to experience true convenience and comfort. Our goal is to carry customers to the destination of their choice safely and on time. Along the way, we must do everything possible to assure them a pleasurable flight, with comfortable seats that alleviate fatigue and delicious meals and beverages.

As for route networks, we continue to optimize our routes, giving careful consideration to profitability, and to supplement them by making effective use of the routes of partner airlines. In the area of products and services, we are concentrating on developing innovative products and services such as JAL SKY SUITE seating to provide customers with new values.

In this end, I believe it is the level of personal services that ultimately determine success or failure in competition. This is because expanding routes, enhancing equipment, developing convenient reservation systems and other measures are essential for differentiation. But nearly any airline with sufficient funds and time is highly capable of providing these. Superior personal services at touchpoints with customers, however, cannot be attained overnight. In this respect, I have absolute confidence that JAL Group employees will outperform those of other companies. The customer who chooses JAL-based human interaction will continue to choose JAL over other airlines. Human resources are the JAL.

Fiscal years 2012–2013

A period that tested our ability to implement the Medium Term Management Plan

Drawing on lessons learned from a past in which we created plane without fully executing the measures decided on and with inadequate analysis, all the members of the JAL Group worked to demonstrate that it has changed into a company that keeps its promises to its stakeholders. Under the harsh business environment prevailing during this two-year period due to such factors as the grounding of Boeing 787 aircraft and a rapid decline in the yen, we nevertheless strove to introduce new products, enhance our services and improve productivity. We succeeded in achieving our target of raising our operating margin to above 10% as a result. While our revenues increased, however, our earnings decreased year on year, and we realized that we needed to cultivate an ability to respond to severe business environments.

Fiscal years 2014–2015

A period for establishing our business foundation and taking the first step toward achieving growth

We entered the period expecting extremely severe business conditions, including theme/park competition at Tokyo metropolitan area airports resulting from a significant increase in international flight slots at Haneda as well as a negative impact on demand for air travel in response to the consumption tax increase and rising fuel costs due to the weaker yen. In the end, the increase in the consumption tax had only a limited impact on demand for air travel, however, while robust demand for inbound flights and lower fuel prices helped to mitigate the severity of the business environment. All our Group companies were united in an urgent common effort to reduce costs and improve our products and services. We consequently achieved higher revenue again in fiscal 2015, as fiscal 2014. In addition to the favorable tax cut in our business environment, we used our key initiatives to establish the sought-after business foundation and succeeded in taking a first step toward growth.

Fiscal 2016

A year for realizing the targets of the Medium Term Management Plan through stable growth and a period of preparation for fiscal 2017 and beyond

We are conducting a consultation that will unfold external environmental risks, such as sharp fluctuations in exchange rates and fuel prices. To the end rather than simply pursuing expansion on scale, we continue to focus on preparing to survive future competition through differentiation. The keywords for our differentiation are “safety”, “training” and “speed.” The enhancement of the JAL Brand and improvement of our products and services will inspire more customers to choose JAL.

These steps, together with strict management of revenues and expenses, will lead to the stable growth required for certain achievement of our targets in the final fiscal year of the Medium Term Management Plan. Looking ahead to fiscal 2017 and beyond, we are exploring new strategies for winning the competition in the lead up to the Tokyo 2020 Games. expansion of airport capacity in the Tokyo metropolitan area and increasing demand for inbound flights can be expected. We are preparing to meet by building a corporate structure that will swiftly flexibly respond to diverse changes in the future.

Top Management Interview

Top Interview

Management Targets (Three Targets)

1. JAL recognizes maintaining flight safety as the foundation and social responsibility of the JAL Group. As a leader of safety in the transport sector, JAL maintains the highest standards of safety.

2. JAL will provide unparalleled service to deliver a refreshing and inspiring travel experience. Our goal is to attain the No.1 ranking in Customer Satisfaction by fiscal 2016.

3. JAL aims to establish sufficient levels of profitability and financial stability to absorb the impact of economic fluctuations and risk factors by achieving an operating margin of 10% or above for 5 consecutive years and an equity ratio of 50% or above by fiscal 2016.

Key initiatives (5 categories)

Safety initiatives

Route network

Products and services

Group management

Human resources management

Surviving future competition (3 areas for differentiation)

Enhancement of the JAL Brand

We will maintain safety and provide customers with unparalleled services to reinforce the JAL Brand as a full-service carrier.

Route network, products and services

We will build a network of highly convenient routes and provide products and services ahead of the competition to become the customers’ preferred airline group.

Cost competitiveness

We will strive continually to improve cost efficiency, maintain and enhance cost competitiveness to reinforce our resilience to risks, and construct a business foundation for sustainable growth.

Fiscal years 2012–2013

A period that tested our ability to implement the Medium Term Management Plan

Fiscal years 2014–2015

A period for establishing our business foundation and taking the first step toward achieving growth

Fiscal 2016

A year for realizing the targets of the Medium Term Management Plan through stable growth and a period of preparation for fiscal 2017 and beyond

Targets of the Medium Term Management Plan

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JAL Group Business Foundation

JAPAN AIRLINES REPORT 2016
Group’s greatest strength, and enhancing the quality of personal services is an area in which our human resources can display their talents and the decisive point for the company to survive the competition.

Cost Competitiveness

Besides the risks accompanying intensified competition, the airline industry is strongly impacted by various other risks, including geopolitical risks, event risks such as terrorism and natural disasters, price change risks, and foreign currency risks. Regardless of whether or not these risks are actualized, we must operate other airlines in terms of cost competitiveness to secure steady profits to maintain safety, secure financial resources for investments needed to sustain growth, and pursue the JAL Brand. This is the thinking behind our efforts to achieve cost competitiveness through differentiation.

Review of Fiscal 2015

Business Environment

On the whole, airlines in Japan enjoyed a positive business environment in fiscal 2015 spurred by the ongoing economic recovery, a sharp drop in fuel prices and an increase in international visitors to Japan. The number of foreign visitors rose by 47% from the previous year to a record high of 19.74 million. On domestic routes as well, Japan’s economic recovery, demand created by the previous year to a record high of 19.74 million. On domestic routes as well, Japan’s economic recovery, demand created by low-cost carriers (LCCs) and other factors contributed to increased demand for travel. Despite an economic slowdown in emerging nations and resource-rich nations, geopolitical risks centered in the Middle East, and other negative factors, it is expected that economic recovery in Japan and overseas will continue, and demand primarily on international routes will continue to rise. The declining demand for cargo transport is also expected to bottom out.

Number of passengers on international flights / International visitors to Japan

Management Targets – Progress and Challenges

(1) Maintaining flight safety

The JAL Group is focused on preventing aircraft accidents and serious incidents in order to maintain flight safety. In fiscal 2015, however, we experienced one aircraft accident and three serious incidents.14 In my capacity as Representative Director of the JAL Group, I offer my sincerest apologies to the customers on the affected flights and to everyone affected for the significant worries and inconvenience caused. Taking these occurrences seriously, we have conducted investigations into the causes and are reinforcing countermeasures to prevent recurrence.

Other safety incidents remained at the previous year’s levels: 12 cases of customers sustaining injuries in either an aircraft or an airport, 73 cases of irregular operations caused by aircraft system malfunctions, amongst others, and 63 cases of irregularities due to human error. We will continue to identify the direct causes of the occurrences and delve deeper to uncover underlying causes and solve problems so that customers can put their confidence in our services.

Fiscal 2015 management indicators and results

Indicators | Result | Outline
--- | --- | ---
Airline Accident | 1 case | 

February 23, 2016

JAL 121 An accident occurred on the start-up engine of the aircraft while sitting at New Chitose Airport in Hokkaido. An emergency evacuation was conducted, but the course of the accident was not clear. One passenger was killed and one occupant was injured (one of them sustaining a bone fracture).

June 3, 2015

Japan Transoceanic Air 610 The aircraft landed on a runway at Naha Airport that was being used by another aircraft.

June 30, 2015

Japan Transoceanic Air 632 (while cruising in the vicinity of Tanegashima Island).

July 12, 2015

JAL 38 The aircraft was forced to descend to about 3,000 meters due to sudden loss in cabin pressure.

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(2) Becoming No.1 in Customer Satisfaction

The JAL Group has dedicated itself to enhancing customer satisfaction. In fiscal 2015, for example, we progressively introduced JAL SKY SUITE configured aircraft on international routes and JAL SKY NEXT configured aircraft on domestic routes to provide greater comfort and amenity. We also conduct ongoing internal and external evaluations, followed by analysis and action in response to the results, with the aim of improving the level of personal service provided by individual personnel. After the fiscal 2013 and 2014 terms, JAL again ranked No.1 in the repeat intention rate “customers’ intention to fly with us again” on international routes. On domestic routes, however, JAL fell from 3rd to 5th place in the repeat intention rate. At the same time, the recommendation intention rate on international routes dropped from 1st in fiscal 2014 to 2nd in fiscal 2015. The recommendation intention rate for domestic routes remained at 3rd, unchanged from the previous fiscal year.

I regret to say that, despite our efforts to achieve the No.1 ranking in customer satisfaction, our level of achievement is still inadequate. Nevertheless, our determination remains intact. Working from analyses of our fiscal 2015 results in this final year of our Medium Term Management Plan, we are accelerating measures to improve products and services, such as expanding routes operated with JAL SKY NEXT aircraft on regional domestic routes, in order to push forward toward our targets so that customers can say, “Just what I expected of JAL!”

Repeat intention rate / Recommendation intention rate

**International Flights**

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<thead>
<tr>
<th>Year</th>
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<th>2013</th>
<th>2014</th>
<th>2015</th>
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<td>Recommendation intention rate</td>
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<td>1st</td>
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**Domestic Flights**

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<tr>
<td>Recommendation intention rate</td>
<td>5th</td>
<td>5th</td>
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(3) Operating margin of 10% or above for 5 consecutive years / Equity ratio of 50% or above by fiscal 2016

Our Medium Term Management Plan specifies an operating margin target of 10% or above for 5 consecutive years and an equity ratio target of 50% or above by fiscal 2016. The operating margin has risen for four consecutive years, from fiscal 2012 to fiscal 2015, and we have reached our targeted equity ratio for three consecutive years, from fiscal 2013 to fiscal 2015.

The operating margin in fiscal 2015 was 15.7%, up 2.3 percentage points from 13.4% in fiscal 2014. The equity ratio for the same period also rose, improving by 0.7 percentage point from fiscal 2014, to 53.4%. Our results continue to surpass the figures we promised when we announced our Medium Term Management Plan in 2012. This can be seen as a result of customers choosing our company, and the unwavering efforts of JAL employees each day as represented in numerical values.

We continue to assume, however, that the environment in the airline industry will continue to grow increasingly harsh. Without being complacent with these results, therefore, we will continue to concentrate on reaching our targets for fiscal 2016, the final fiscal year of our Medium Term Management Plan.

Operating margin

<table>
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<th>2013</th>
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<th>2015</th>
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</thead>
<tbody>
<tr>
<td>Operating margin</td>
<td>24.5%</td>
<td>26.8%</td>
<td>25.0%</td>
<td>15.7%</td>
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</table>

Equity ratio

<table>
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<th>2013</th>
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<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity ratio</td>
<td>50.0%</td>
<td>50.5%</td>
<td>52.7%</td>
<td>53.4%</td>
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</tbody>
</table>

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*Numbers of passengers on international flights / International visitors to Japan: Sources: Ministry of Land, Infrastructure, Transport and Tourism / Japan National Tourism Organization

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**Japan Airlines Report 2016**

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Top Management Interview
Key Initiatives in Five Areas

■ Safety Initiatives
Maintaining safety is the foundation for the JAL Group’s existence. That is why we continue to implement measures to deepen all staff members’ awareness and understanding of SMS (Safety Management System). At the same time, we continue to host New Employee Safety Seminars and New Managerial Post Safety Seminars. Our Normal Line Operation Monitoring mechanism is being expanded to cover all JAL Group airlines. We are also considering rebuilding our safety information database, given the growing volume of data and enhancement of analytical functions.

■ Route Network
In fiscal 2015, we opened three new routes in our international network with the aim of improving and developing functions at Japan’s two major hubs, Haneda and Narita. In fiscal 2016, we aim to further improve our network and provide greater comfort for customers.

In our alliances, we further improved our oneworld alliance network by launching code-sharing with TAM Airlines. We also expanded code-sharing and increased customer comfort in our joint business with British Airways and Finnair on European routes and our joint business with American Airlines on transpacific routes, and strived to maximize revenues through these operations.

In domestic passenger operations, JAL has set strengthening competitiveness with other companies as a primary objective. We are consequently launching JAL SKY NEXT configured aircraft on routes in and out of Haneda Airport as a priority. Seasonal summer flights flown on six local routes since fiscal 2014 (Izumi – Matsumoto / Iizuka – Matsuyama / Kumamoto / Kagoshima – Chubu – Kusatsu – Chubu – Osode) have been continued in collaboration with regional communities. Our Haneda – Fukuoka route, which was added to our in the Haneda Airport Arrival & Departure Slot Policy Contract, has been highly appraised for our joint sales promotions with the regional government. As a result, the Ministry of Land, Infrastructure, Transport and Tourism has extended our slot allocation for three more years. As for our Itami Airport arrival and departure routes, we have increased flight frequency on the New Chitose route. In fiscal 2016, we will progressively introduce Embraer 190 aircraft offering Class J on these routes.

■ Products and Services
Regarding human services, we are improving strategies through an internal and external evaluation process, based on efforts to practice the JAL Philosophy and embody the JAL Brand. In this respect, our aim is to rank No.1 in customer satisfaction in this final year of the Medium Term Management Plan. Meanwhile, we are endeavoring to expand opportunities for earning and using miles in our JAL Mileage Bank program.

On international routes, the JAL Group is pursuing “High Quality & Full Service,” beginning by advancing introduction of spacious JAL SKY SUITE configured aircraft. Depending on the type of aircraft, installing JAL SKY SUITE reduces the number of seats by about 20%. It was a major decision that ran counter to the industrial norm, but by offering greater seating comfort, JAL ranked No.1 in the repeat intention rate on international routes for three consecutive years. In fiscal 2015, JAL won the Best Economy Class Airline Seat at the SKYTRAX World Airline Awards, the first-ever award received by a Japanese airline. JAL SKY SUITE configured aircraft, currently operating mainly on European and U.S. routes, will be progressively expanded to Southeast Asia, Honolulu and other medium-to-long-distance routes to provide the world with the highest level of comfort in air travel.

On our domestic routes, we are pursuing “convenient & simple.” During fiscal 2016, a total of 77 aircraft will be revamped to the JAL SKY NEXT configuration offering Internet access and free videos. The JAL Express Tag Service initiated at Haneda Airport will be deployed in other airports as well.

■ Group Management
We continued to hold JAL Philosophy Education for all JAL Group staff. In fiscal 2015, a total of 69,165 staff participated in sessions in the Tokyo area. The aomedia management system was introduced to six companies in the JAL Group in fiscal 2015, and will be extended to another four companies in fiscal 2016. As a result, we are building a strong organizational management system which promotes “management by all” with each staff member aware of the need to maximize revenues and minimize expenses.

■ Human Resources Development
JAL recruits human resources with the will to shape JAL with their own hands, and provides them with education centered on the JAL Philosophy to foster a sense of Group unity. Simultaneously, we are cultivating human resources who bring both competence and humanity to their jobs. We are also seeking to nurture professionals through programs held at the JAL Education Center. We are planning to increase the number of women in management positions in the JAL Group based on the merit system, moreover by 20% or more by the end of fiscal 2023. In fiscal 2015, we sponsored the Women’s Career Advancement–Workstyle Reform Forum and established a cross-sectional project team called the Nadeshiko Lab.

■ CSR Activities
■ Four Areas of Vital Concern
The JAL Group meets society’s expectations by engaging in a variety of activities that contribute to society through our core business of air transportation.

Among our broad range of CSR activities, we consider four areas to be of special significance for enabling us to make the best use of JAL’s capabilities: safety & sense of security, the environment; bridging Japan and the world; and nurturing the next generation.

(1) Safety and Sense of Security (JP 74)
Aside from maintaining flight safety as our top priority, all staff members are committed to providing an enjoyable passenger experience with peace of mind and cooperation in disaster relief operations which only an airline can deliver.

(2) Environment (JP 75)
We are deeply conscious of the environmental impact of our operations and are striving to promote ecological improvements in various areas. JAL is actively involved in such ecological activities suited to the nature of our business as using aircraft to conduct atmospheric observations and contributing to protecting our beautiful global environment.

(3) Bridging Japan and the World (JP 80)
As an airline company that interconnects various regions of Japan with other parts of the world, we promote a diverse range of human, economic and cultural exchanges. Our focus is on advancing activities that contribute to regional promotion and a peaceful society.

(4) Nurturing the Next Generation (JP 84)
The JAL Group wants children, who will become the leaders of the next generation, to face the future positively with dream-filled minds. We are conducting employee participation programs to suit every age group to this end.

■ JAL Support Measures
We continue to conduct various activities under the JAL “Visit Tohoku” support project set up in June 2013 from the dual perspectives of regional promotion and assistance for people in disaster-impacted areas. Our efforts to support the Tohoku region are continuing in fiscal 2016.

■ Regional Development: The JAL Group aims to contribute to promotion of tourism and industry by transporting more passengers to Tohoku, encouraging employees to visit Tohoku, and stimulating greater interest in Tohoku.

■ Assistance for people in disaster-impacted areas: Engaging in activities aimed at bringing smiles to faces, especially those of children.

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Heightening management transparency through corporate governance

Since emerging from bankruptcy, the JAL Group has made every effort to secure management transparency and build an organization that invites open discussion. Our corporate governance system also precludes arbitrary decisions on such issues as managers’ appointments, remuneration and disciplinary action by establishing appropriate committees. The number of outside directors has been increased to three as of fiscal 2016. Issues in the Corporate Governance Code remain to be resolved, such as the method of appointing a successor to the CEO and determining remuneration for management, but progress is being made toward resolving these issues.

Although our corporate governance mechanisms are in the process of ongoing improvement, I am convinced that no amount of improvement will have any great significance unless “spirit” is instilled in corporate governance. Without spirit, erroneous management decisions and scandals will occur no matter how finely tuned the mechanisms may be. For the JAL Group, the JAL Philosophy is the decisive factor in raising awareness of governance among all our executives and employees, and for instilling the mechanisms with spirit. Executives and employees alike spend a great deal of time on education in the JAL Philosophy. Continual education will promote proper action based on correct thinking. For the JAL Group, this is the most effective method of inspiring spontaneous governance instilled with spirit. Exemplar for the JAL Philosophy should be the foundation for the mindset and actions of all our executives and employees, and for the construction of highly transparent mechanisms. If, for example, as the executive responsible for our overall corporate management, am about to make an erroneous decision or action, I can count on someone around me to stop me.

2016 Rolling Plan and Beyond

Key Points of the 2016 Rolling Plan

When we drafted the Medium Term Management Plan, we expected achieving an “operating margin of 1% or above for 5 consecutive years and an equity ratio of 50% or above by fiscal 2016” to be the most difficult of our three management targets. In the end, however, a strong possibility of their achievement became apparent in fiscal 2015.

Although our performance forecasts predict reduced operating profit, sound implementation of our Rolling Plan, combined with the efforts of all JAL Group employees to increase revenue and profit, will provide the basis for finishing up the Medium Term Management Plan and for progress toward future growth. This is now the greatest challenge facing the JAL Group. As concerns our other two targets, having initiated steps toward their achievement in my capacity as CEO, I am keenly aware of the difficulties involved.

Maintaining flight safety, which means reducing the number of human errors that can lead to aircraft accidents and serious incidents, is a formidable challenge. JAL Group employees have extremely high safety awareness, but as people make mistakes, we are continually upgrading our training and enhancing our safety management systems. At the same time, all our executives and employees put in concerted efforts to implement safety measures in the workplace.

With respect to our third target, No.1 in Customer Satisfaction, customer satisfaction remains low, especially on regional domestic routes and at regional airports. We are implementing countermeasures to correct this situation. We expect to complete renovating all targeted aircraft to JAL SKY NEXT in fiscal 2016. Without customer satisfaction, we cannot possibly realize our vision. The JAL Group will continue its efforts to enhance its highly user-friendly networks, while improving our products and services from both the facilities and services perspectives.

Toward the Next Medium Term Management Plan

Economic and social circumstances, the level of competition and other environmental factors affecting the JAL Group are expected to change significantly from fiscal 2017 forward. In the lead-up to the Tokyo 2020 Olympic and Paralympic Games (the Tokyo 2020 Games), airport capacity in the Tokyo metropolitan area will be expanded, providing JAL with new opportunities to serve more customers.

We will move proactively to make the most of these opportunities. In Japan, our base of operations, we will take advantage of the resulting new currents of business and tourism to realize corporate growth, and to contribute to regional and social development. Accordingly, we are now working to meet a diverse range of challenges. These include creating mechanisms for capturing demand in countries and regions with growth potential and building systems to raise our profile further in mature markets to become the customers’ airline of choice. Looking ahead to 15 years from now, we will design a business portfolio that is ideal in terms of both growth potential and risk tolerance.

With regard to aircraft procurement, we are advancing preparations to take delivery of the A350, which will be introduced in fiscal 2019, and the MRJ (Mitsubishi Regional Jet), which will follow in fiscal 2021. The JAL Group is thus laying the groundwork for the success of its next Medium Term Management Plan and for realizing sustainable growth.

Seeking “to become the world’s most preferred and valued airline group”

Now that we have entered the final fiscal year of the current Medium Term Management Plan, I have begun considering the JAL Group 50 years and 100 years from now. With the trend toward deregulation, today’s airline industry is being exposed to an intensively competitive environment. In our efforts to become the world’s most preferred and valued airline group in this environment, we are constantly reviewing the unique strength of the JAL Group and considering the kind of air travel we should be offering our customers.

What, then, is the source of the JAL Group’s strength? Since becoming president, I have acquired the strong belief that the source is our human resources composed of about 32,000 employees in the JAL Group. I feel that they are the wealth of the JAL Group. The Group’s current strong performance is an outcome of the day-to-day efforts of each employee, aimed at realizing flight safety and unparalleled service. The JAL Philosophy and amoeba management system adopted after we emerged from bankruptcy resulted in dramatic changes in staff awareness and actions. Today, we are united in providing customers with air travel on the world’s highest level in terms of safety, on-time performance, comfort and convenience. Our next Medium Term Management Plan will further clarify the direction of the JAL Group to maximize the strength provided by its employees.

I am the first person in our Group’s history to have worked as a pilot before being appointed president. “Economic growth needs to be done naturally” is the essential mindset I cultivated on the job during my time as a pilot. It remains the cornerstone of my thinking concerning management today. It is “natural” for the JAL Group, as a profit-making enterprise, to pursue profit based on the fundamental premise of maintaining flight safety, while at the same time fulfilling our responsibilities as a public transport operator. One objective does not take precedence over the other. The mission entrusted to the JAL Group is to achieve a delicate balance between the two.

There is another element that should be mentioned as essential to the mission of management: developing an environment that enables each employee to apply his or her values and individuality freely, and to work with vitality. Without this vitality, we cannot hope to enhance our human resources comprising the strength of the JAL Group further. We will continue to listen to employees’ opinions and support them in the workplace so that they can pursue their daily business with peace of mind.

During the press conference held after the decision on my appointment as president was announced, I declared the JAL Group vision: “To become the world’s most preferred and valued airline group.” Since becoming president, I have maintained the deepest commitment to this vision. “Number one in the world” is not simply a matter of scale. This phrase incorporates our strong desire to have customers the world over feel wholeheartedly, “Just what I expected of JAL!” With all JAL Group executives and employees working as one, we can and will realize this vision. The JAL Group will continue its efforts to become the number one airline of choice among customers everywhere by providing the highest-quality hospitality on an unequaled foundation of safety. Thank you for the tremendous support you have given the JAL Group on our journey so far. We will not stop striving to deserve your continued patronage.

Yoshiharu Ueki
Representative Director, President
By maintaining flight safety, practicing the JAL Philosophy and conscientiously implementing the amoeba management system, we are creating added value while fulfilling the expectations of customers and society.
By maintaining flight safety, practicing the JAL Philosophy and conscientiously implementing the amoeba management system, we are creating added value while fulfilling the expectations of customers and society.
“Deliver unparalleled service to our customers” and “increase corporate value and contribute to the betterment of society” are two tenets of the JAL Group Corporate Policy. The most crucial factor for realizing them is “maintaining flight safety.” This is the foundation and social responsibility of the JAL Group. Flight safety is built on a sound basis of values shared by all employees and an awareness of their responsibility as members of the Group.

The JAL Philosophy and the amoeba management system are the cornerstones of our approach to maintaining flight safety in accordance with our Corporate Policy. The JAL Philosophy reflects the awareness, values and mindset required of everyone involved in JAL products and services, and provides a basis for all decisions and actions taken by JAL Group employees each day.

The introduction of the amoeba management system has given us a clear view of the results of actions taken by each organization based on practice of the JAL Philosophy. We use this input to motivate each employee and stimulate his or her creativity with the aim of increasing profitability.

Disseminating the JAL Philosophy and implementing the amoeba management system contribute to sound, independent management in every Group company and flight safety. We will pursue them to realizing our Corporate Policy.
As safety professionals, all JAL staff endeavor to provide customers with safe, comfortable flights.

Safety Charter
Flight safety is the foundation and social responsibility of the JAL Group. Our primary mission is to ensure safety. This is why we are developing our expertise and capabilities to the highest possible degree to ensure safe operation of every flight. This commitment is founded on the firm resolve of our management team and an awareness of all employees of their personal roles and responsibilities.

We are taking the actions below to fulfill our responsibilities:

• Observe rules and follow the basics faithfully.
• Do not rely on assumptions, but always check.
• Relay information without omission, immediately and accurately, and ensure transparency.
• Deal with problems and issues promptly and appropriately.
• Maintain a constant awareness of problems, and make necessary changes with courage.

The Safety Charter is printed on a single card, and handed out to every employee in all JAL Group airlines.

Message
Toshinori Shin
Director, Senior Managing Executive Officer
Flight Operations, Safety General Manager

As clarified in the JAL Group Safety Charter, flight safety is the foundation and social responsibility of the JAL Group. Safety has top priority in every situation. Our mission is to provide customers with safe, comfortable air travel.

To maintain the highest safety standards and attain further improvement, we have established a Safety Management System (SMS) for managing risks to flight safety. We continuously strive to improve and strengthen the system. Under SMS, for example, an employee with high safety awareness will report in detail on any event, however minor it may appear, occurring in day-to-day flight operations. Hazards (risk factors) are then systematically identified based on details of the report. The risks are evaluated and appropriate action is taken to alleviate them to ensure that factors threatening safety are dealt with before they develop into real dangers. We will continue to implement and enhance this kind of preventive safety management.

In our five-year Medium-Term Management Plan prepared in fiscal 2013, we have promoted three initiatives (Develop human resources to maintain safety; Evolve systems to maintain safety; and Cultivate a culture of maintaining safety) that have reinforced this foundation of safety. We will continue to advance these initiatives in fiscal 2016, the final year of the Medium-Term Management Plan.

Last fiscal year marked the thirteenth year since the Mt. Ootakata accident. We will never forget the losses of that terrible day. Every employee is keenly aware that we are entrusted with precious lives in our care. All employees remain undaunted in maintaining the highest safety standards to enable customers to fly on JAL’s wings with complete peace of mind.

Problems occurring in fiscal 2015 have been handled with the utmost seriousness, and all possible countermeasures are being implemented.

Safety issues occurring in fiscal 2015 and measures implemented to resolve them
To assure customers’ ability to fly with us with peace of mind, the JAL Group actively discloses safety-related information.

• One aircraft accident and three serious incidents

In fiscal 2015, other safety indicators included 12 cases of customers’ injuries onboard or in airports. In addition, aircraft system malfunctions and other factors resulted in 73 irregular flights, and human error was responsible for malfunctions in another 68 cases. These indicators are about the same as in fiscal 2014. We deeply regret the inconvenience and concerns caused.

As regards the aircraft accident and serious incidents reported below, the JAL Group is fully cooperating with investigative bodies and introducing all necessary countermeasures.

1. The JAL Group has not yet been informed of the details concerning the source of the problem in two of five serious incidents.

Airplane accident
A problem with the starboard engine on JAL Flight 3512 led to an emergency evacuation, (February 23, 2016)

On February 23, 2016, a malfunction occurred on the starboard engine of JAL Flight 3512 (from New Chitose Airport to Fukukusa Airport) as it taxied down a taxiway at New Chitose Airport. Smoke entered the cabin, and an emergency evacuation was conducted. Three passengers sustained injuries during the evacuation, one of them suffering a bone fracture.

Investigation of this case was referred to the Japan Transport Safety Board of the Ministry of Land, Infrastructure, Transport and Tourism. Among measures implemented thus far, all organizations throughout the Group have been informed of the circumstances in writing. Measures concerning Boeing 737-800 aircraft include temporarily raising engine thrust and optimizing procedures to prevent towing to enhance efficiency.

2. Serious incidents: Fatal or serious injury of a person as a result of the operation of an aircraft, or actions that could cause damage to an aircraft during flight that require major repairs, as classified by the Japanese Ministry of Land, Infrastructure, Transport and Tourism. Investigation of the incident was referred to the relevant authorities. The immediate response was to inform all organizations in the company in writing of the full circumstances of the incident. Steps were taken to raise safety awareness among all flight crews, and procedures for taxiway operations were clarified.

3. Serious incident: Involving circumstances that indicate there was a high probability of a serious incident such as overflowing runway, emergency evacuation, fire or smoke inside the cabin or abnormal deplaning due to abnormal weather conditions, etc., classified by the MLI.

The JAL Group will continue efforts in the area of safety to achieve the following targets in fiscal 2016.

1. Eliminate aircraft accidents and serious incidents
2. Reduce cases of irregular operation
3. Protect passengers from injury
4. Reduce malfunctions caused by human error

JAL Group Safety Report
Information about safety initiatives of the Group’s six airlines is disclosed every year in the JAL Group Safety Report released in June. For the most recent JAL Group Safety Report the reader is referred to the Group’s safety initiatives summarized and concisely.
JAL Group Safety Initiatives

Three Initiatives for Enhancing Safety

To securely maintain and enhance flight safety, the foundation of the JAL Group, we aim to achieve our management goal of becoming the leader in safety in the transport sector. To achieve this, we are cultivating a safety culture, developing human resources for maintaining safety and evolving systems for maintaining safety.

Focusing on preventive measures, we will reinforce our proactive risk management further by adopting exceptional cutting-edge systems in the airline industry and combining them with our original initiatives. This will enable us to create a Safety Management System that sets the highest standards.

・ Cultivating a safety culture

Committed to the idea that "all employees work to maintain safety" and "the PIP Principle" (derived from "place, item and people"), we have conducted 28 New Employee Safety Seminars and eight New Manager Safety Seminars. We are implementing a program of "sharing reports and information" in every workplace.

・ Developing human resources for maintaining safety

The JAL Group aims to assure that all staff engaged in its transport operations are equipped with the knowledge and expertise to maintain safety. To this end, SMS education (safety knowledge training) and SMS training have been conducted for all JAL Group employees. Safety Leaders have also been appointed in each workplace. Measures implemented by the Safety Leaders are responsible for promoting safety initiatives in their department and for ensuring close cooperation with the departments responsible for safety management. They are key personnel in establishing open two-way communications, unifying top management and individual employees on this front, and building an increasingly mature safety management system.

・ Advancing systems for maintaining safety

Mechanisms of Normal Line Operations Monitoring have been upgraded to enable easier reporting and analysis. A system for identifying newly emerging problems, the Safety Performance Monitoring System, has been deployed for the first time in the airline industry. This system is expected to contribute to the establishment of a culture of risk management further by adopting exceptional systems in the airline industry.

Safety Advisory Group – Applying advice from third-party perspectives

The JAL Group established the Safety Advisory Group in August 2005 to obtain advice from third-party perspectives following receipt of an operational improvement order from the Ministry of Land, Infrastructure, Transport, and Tourism (MLIT). The Safety Advisory Group is a panel of five experts from outside the JAL Group who have extensive knowledge and experience in areas such as human factors, analysis of failures and imperfections, organizational management, and culture, and safety. The panel is chaired by Prof. Kunio Yanagida, a non-fiction author and critic.

Follow-up meetings with management

The members of the Safety Advisory Group held annual follow-up meetings with management. The progress of the JAL Group’s safety measures is examined, and the members offer advice as they consider appropriate.

At the follow-up meeting held in March 2016, we reviewed the 2005 advisory.

Safety Promotion Center – the JAL Group’s “foundation of safety”

On August 12, 1985, JAL flight 123 crashed on the ridges of Mount Osutaka, and 523 precious lives were lost. In the face of the pain and grief of the bereaved families and the resulting public distrust of airline safety, we pledged to ensure that no such tragic accident would ever occur again.

To reaffirm the importance of flight safety and to instill the lessons learned from this accident in our minds, we established the Safety Promotion Center in April 2006. All members of the JAL Group use this facility as a “foundation of safety” and the starting point for providing society with safe, reliable operations. Every employee is continually reminded that precious lives and property are entrusted to us in our work. The Safety Promotion Center is open to anyone interested in airline safety. As of the end of March 2016, the Center had received 178,312 visitors from inside and outside the Group.

Adding another layer of safety and handing on a solemn culture of safety

We view safety in terms of “layers.” The JAL Group’s approach to safety comprises a series of ongoing measures. Every employee is imbued with a high awareness of safety, reinforcing the “layers” of safety. Unexpected pitfalls and human errors that might lead to accidents thus become increasingly recognizable and avoidable.

In the past, JAL caused a grievous accident and a series of safety issues. Reflecting earnestly upon these, we determined to put this negative legacy to positive use in building a better future. This became the Safety Promotion Center – our foundation of safety.

Fewer than 10% of today’s employees were members of the JAL Group on the day of the terrible Mount Osutaka accident. It is up to the younger generation to adopt this legacy proactively and pass it on to future generations. All members of the JAL Group use this facility as a “foundation of safety” and the starting point for providing society with safe, reliable operations. Every employee has an immense responsibility to consider what he or she can do to ensure flight safety and act accordingly.

I began training as a pilot this June. I am deeply aware of the importance of flight safety we studied at the Safety Promotion Center. I will fulfill my responsibility to protect the lives of our customers, and do my utmost as a flight crew member.

Kenshiro Kitagawa
Flight Operations Training Department (Worked in the Group Safety and Security Department Management Group until June 2016)
Cultivating a culture of safety in every department, all staff contribute to ensuring the safety of every customer by making the “best baton pass.”

Sales
Our main business is selling the JAL Group’s products to customers via the JAL website and through contracted companies and travel agencies. We believe our mission is to provide support for safe and comfortable air travel by customers. Our goal is therefore to accurately relay customers’ wishes to the relevant departments through the “best baton pass,” and to strive to maintain safe flight operations. Efforts to maximize revenues are directly connected to increased investment in safety. Today and into the future, we will continue striving to bring the JAL Group closer to customers, engaging in sales activities with safety constantly in mind. Whether customers are traveling for business or pleasure, we contribute to their safety and sense of security through these activities.

Airports
For airport staff, ensuring safety is the most important aspect of safety management. We take the greatest care at the check-in counter to determine whether the person checking in is the person with the reservation, ensuring that his or her baggage contains no prohibited items, observe any suspicious persons or baggage in the vicinity and remain alert to other irregularities. To avoid overlooking risk factors that may affect safety, we conduct thorough checks repeatedly, always mindful of potential danger. We keep watch over children and the elderly with particular care to anticipate possible injuries in the airport. If we notice someone who looks unwell, we may accompany him or her to the airport medical clinic or take other measures, as appropriate. Thus, we take the utmost care in every respect to ensure the safety of customers until they board the aircraft.

Reservations & Ticketing
Our department handles flight reservations, sales of airline tickets and inquiries about JAL services. We not only answer the customers’ questions, but also suggest optimal fare and routes, provide information on destinations, and support safe, comfortable air travel in various other ways. Our measures for preventing unsafe incidents start at the reservation stage, where we confirm and reconfirm, and then share information with the relevant departments if we sense any reason for concern. When we receive inquiries about baggage, we are careful to obtain prior confirmation that no dangerous goods are included. Maintaining safety and ensuring smooth boarding also require us to pass on necessary information to airport staff. Through these and other activities, we maintain a constant awareness of safety while conducting our daily business.

Cargo
We accept cargo for both domestic and international flights, reconfirm their safety and prepare a loading instruction sheet according to their weight and shape, all within an allotted time. Our most important concerns at this point are to prevent loading of explosive materials and ensure that cargo are balanced so that the center of gravity is in the middle of the aircraft. Air cargo is usually accompanied by a regulated agent’s specified freight declaration that guarantees the safety of the cargo. If no declaration is available, we X-ray the cargo and examine it for explosive materials, and notify the police if we find anything suspicious. Regarding weight management, we do not load any cargo if its weight differs from that stated in the consignment documents until the cause has been determined.

Ground Handling
Ground handling covers a broad range of ground services related to air transport. These include marshalling, loading and unloading of baggage, cargo and mail, and cabin cleaning. In loading and unloading operations, staff with qualifications for the respective aircraft model pay utmost attention when operating systems inside the cargo compartment and opening and closing cargo doors. Weight and balance when building up loads is an extremely important factor in ensuring safe operation of the aircraft. The balance of the aircraft must also be considered when unloading cargo at its destination. We always place the highest priority on safety in all our operations. We do our best each day to provide customers with safe and comfortable flights.

Engineering & Maintenance
Besides work related to the aircraft such as inspections, repairs and modification, mechanics also work on engines and components removed from aircraft. Maintenance methods differ according to the type and manufacturer of the aircraft or component and date of installment. Responsibility for the work is entrusted to specialists who have acquired national, in-house and other qualifications. It is essential that mechanics notice irregularities in even the smallest details. Our objective is to keep customers safe from injury. We exercise our imaginations in our work to provide customers with a high-quality space that gives them peace of mind and satisfaction in all aspects: safety, on-time performance, comfort and convenience.

Flight Operations
The flight crew are responsible for customer safety from the time they board the aircraft until they disembark. They maintain a constant focus on sharing up-to-date information, improving their knowledge, monitoring their physical conditions and remaining calm. It is important for them to stay attuned to normal sounds and vibrations during flight. If they perceive even the slightest reason for uneasiness, they decide on a course of action through consultation with crew members and Operation Control Center. They also maintain close communication with the cabin crew. If an unforeseen situation occurs, they deal with it according to regulations with customer safety as the top priority at all times. The captain plays the additional important role of inspecting the aircraft exterior before departure to confirm that there are no visible anomalies.
Part 1: In Order to Lead a Wonderful Life

Chapter 1: The Formula for Success (The Formula for Life and Work)
- The Result of Life and Work = Attitude \times Effort

Chapter 2: Have the Right Attitude
- Base Criteria for Decision-Making on "Doing What Is Right as a Human Being"
- Have a Beautiful Mind
- Be Humble and Honest
- Always Be Cheerful and Positive
- A Small Good Is Like a Great Evil, While a Great Good May Appear Merciless
- Possess Opposing Extremes
- Be Thankful
- Work Earnestly
- Manage the Company Based on Accurate Figures

Chapter 3: Accumulate Tedious Efforts with Passion
- "Workfloor" Management
- Put Yourself in the Customer’s Position

Chapter 4: Ability Will Improve
- Fabri-Clot’s Amoeba System

Chapter 5: Be Creative in Our Work

Chapter 6: Possess a Fighting Spirit

Chapter 7: Unite Our Hearts

Part 2: To Become a Wonderful JAL

Chapter 1: Each of Us Makes JAL What It Is
- Discuss Frankly
- Be the Center of the Vortex
- Valuable Lives Are Entrusted to Us in Our Work
- Put Yourself in the Customer’s Position

Chapter 2: Have a Keen Sense of Profitability
- Maximize Revenues and Minimize Expenses
- Elevate Our Cost-Consciousness
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Chapter 3: Unite Our Hearts
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- Align Mental Vectors
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- Follow the Merit System

Chapter 4: Possess a Fighting Spirit
- Maintain an Ardent Desire
- Never Give Up Until We Succeed
- Possess True Courage

Chapter 5: Be Creative in Our Work
- Today Should Be Better Than Yesterday
- Conceive Optimistically, Plan Pessimistically, and Execute Optimistically
- Think Through to Visualize the Results
- Decide and Act with Speed
- Face Challenges with Courage
- Aim High

JAL Philosophy

We adhere to the JAL Philosophy as the mindset, values and attitude to be shared by everyone who is engaged in JAL products and services. It is a shared criteria for decision-making in daily operations. The JAL Philosophy unites all JAL Group members while deepening mutual trust, respect and understanding.

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Amoeba Management System

We aim to achieve sound, flexible corporate management by instilling a sense of management in every Group employee.

Background to introducing the amoeba management system
Under the amoeba management system, corporate management is not left to top management alone; all employees are involved. Corporate organizations are divided into the smallest possible units, and the results of work undertaken by each unit are presented in an easily understandable manner. The system thus encourages participation in management by every employee.

Before JAL went into bankruptcy on January 19, 1987, it was not clear which departments or posts were responsible for profit. Sales (revenue) planning and expenditures planning were examined separately. Because the two sides were not integrated, declines in revenues were not promptly followed by curtailment of expenditures. Examinations of revenues and expenditures at the fiscal-year end and sequentially showed that the company had incurred a loss. Employees themselves had no sense of profitability as members of the corporation; concern for profitability was left to others. Crisis awareness and a sense of unity were severely lacking. These factors ultimately led to the bankruptcy.

We emerged from bankruptcy determined not to make the same mistakes again. The functions and responsibilities of each division were clearly described. We also introduced the amoeba management system at this time. This business management system was designed to grasp the business situation in a timely manner and to facilitate prompt responses to changes in market conditions. We clarified the roles and responsibilities of each unit in order to capture the revenues and expenditures of each and visualize the results of activities by employees.

Overview and mechanism of the system
A new department, Managing Division Route Marketing, was established and assigned responsibility for revenues and expenditures related to the passenger transport business. The cooperation of departments throughout the company helped make this an excellent system for operating the passenger transport business. The value associated with services provided by organizations within the company to support operation of passenger aircraft was named “Coordination for Cooperation,” and business transactions were established between each unit. Through these transactions between units, it became possible to capture the situation of revenues and expenditures of each unit and focus on generating profit.

The outcome of activities by each unit could then be recorded as revenues and expenditures, thereby fostering a sense of responsibility in every employee, and in turn motivating them to work efficiently and bring creativity to the job.

The results of business activities are reflected promptly in the Targets and Results Table is profit disclosure statement of each unit, enabling daily confirmation of the results of business activities.

“Management Cycle” under the amoeba management system
Since the introduction of the amoeba management system, every unit began preparing an annual plan for revenues and expenditures (Master Plan) and then implemented a monthly management cycle (PDCA cycle) to accomplish the annual plan.

Under the monthly cycle, at the start of each month each unit prepares a monthly forecast of its revenues and expenditures based on the current environment and clarifies measures to achieve the Master Plan.

During the month, progress toward accomplishing the targets is monitored, and additional measures may be implemented to achieve the targets. Once the results for the month are computed, differences between the targets and results are analyzed and the reasons for the differences are clarified. These findings are taken into account in preparing targets for the following month.

Thus, monthly targets are established in addition to the annual plan prepared at the start of each fiscal year. The management cycle facilitates prompt responses to changes in the environment. This is illustrated by the improvements outlined in the diagram below, which occurred before and after introducing the amoeba management system.

Earnings Announcement Sessions spanning organizations
In rotating through the monthly earnings management cycle, the JAL Group holds meetings at various levels to confirm profitability and consider necessary countermeasures.

Each department holds an Earnings Announcement Session every month when the results become available. The Targets and Results Table is used to compare the results with the Master Plan and targets. The reasons for differences are analyzed, and the members examine future measures and targets. A Group Earnings Announcement Session attended by top management is held following the departmental Earnings Announcement Sessions.

In the Group Earnings Announcement Session, the divisional general managers and presidents of affiliated companies report to the Group’s top management on their respective business results and targets. About 120 people attend the session, including the President, all directors, presidents of major affiliated companies and observers. All senior management members engage in earnest discussions of JAL Group management aimed at realizing the Corporate Policy.

Expansion to Group companies and yields
Since fiscal 2011, the amoeba management system has been progressively introduced to JAL Group airlines, passenger service companies, ground handling companies, cargo handling companies, engineering and maintenance companies, sales-related affiliated companies and principal consolidated subsidiaries. Following its introduction to six companies in fiscal 2015, the amoeba management system is now operational in 32 companies including JAL. As a result, some 93% of all JAL Group employees are currently engaged in the system.

As deployment of the system in Group companies expanded, the benefits to those companies became apparent. In every company that introduced the amoeba management system, employee awareness of revenues and expenditures became higher. Business processes are improving as employees approach them more creatively, and workplaces are becoming energized. As a result, we are seeing establishment of autonomous, sound management in each company, accompanied by higher profitability and rising profit levels.

Companies to which the amoeba management system has been introduced are sharing information on a diverse range of matters, including successful examples of improvements in revenues, expenditures and other issues related to business operations. Measures to encourage the system’s dissemination among all JAL Group employees, leading to “Management by AF” and a deepening of the PDCA cycle, are making steady progress.

Approaches to the amoeba management system by JAL Nania Co., Ltd.
JAL Nania is a contact center for customers who want to make reservations, purchase tickets, make enquiries and more.

In the past, we were conscious of productivity and the quality of our responses to customers’ telephone calls. Aside from that, we had little awareness of the contribution of our work to the JAL Group’s profitability. After introduction of the amoeba management system, however, revenues were linked in detail to the content of our work. This included the number of telephone calls or other calls resulting in reservations and ticketing. Work results were translated into figures to visualize our efforts. We began to gain awareness of the degree of our contribution to the JAL Group. This led to a determination to achieve plans we had prepared ourselves. We became conscious of our position as a “profit center,” and began focusing on applying creativity in our work to maximize revenues.

At the same time, the JAL Philosophy has penetrated our employees, and we are working hard to enhance the quality of our services as a contact point for achieving JAL’s objective of becoming “the world’s most preferred and valued airline group.”

Consolidated revenues and expenditures are the aggregate of revenues and expenditures of each unit.

Before and after introduction of the amoeba management system

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Introducing JAL’s Top Management Team
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1. Masaru Onishi
   Director, Chairman
   Beginning his career in engineering and maintenance, Chairman Onishi acquired extensive knowledge and a robust work ethic in the airline industry. Appointed President in 2010, he was involved from an early stage in the process of corporate reorganization following the bankruptcy. Today, as Director, Chairman of the Board and a member of the Corporate Governance Committee, he continues to contribute significantly to strengthening the supervisory functions of the Board of Directors. He also serves as an Outside Director for the Japan Air Traffic Control Co., Ltd., Chairman of the JAL Foundation and Representative Director of the Air Traffic Service Research Institute (ATRI).

2. Yoshiharu Ueki
   Representative Director, President
   Chairman of the Management Board Planning, Chairman of the Council for Group Safety Enhancement, Chairman of the Corporate Brand Promotion Council, Chairman of the JAL Philosophy Committee, Chairman of the CSR Committee.
   From his start as a flight crew member, President Ueki has accumulated an extensive level of flight training and insight into the flight safety. As Representative Director and President since 2012, he oversees preparation of the Medium Term Management Plan. His strong leadership and decision-making capabilities are driving the sure accomplishment of the Plan. He is also making a significant contribution to strengthening of the Board of Directors. He serves as a member of the Remuneration Committee, Compensation Committee and other bodies.

3. Tadashi Fujita
   Representative Director, Executive Vice President, Executive Officer
   Aide to the President
   Executive Vice President Fujita worked in sales departments at headquarters and at regional offices in Osaka, Okinawa, Paris and other regions. As General Manager of the Passenger Sales Division, he had several responsibilities: for the All Nippon Premier and achieved strong results in that area. Today, while performing the duties of Outside Director, he also serves as Chairman of the Board. He is making a significant contribution in all these roles to fostering a non-union and enhancement of JAL’s management systems.

4. Junko Okawa
   Representative Director, Senior Managing Executive Officer
   General Manager of Communication
   Director Okawa accumulated a wealth of workplace experiences and expertise as a cabin crew member. As Cabin Attendant-General Manager from 2010, she applied high-level management perspectives and personal capabilities to achieving the division’s success in meeting a diverse range of challenges and targets. Now Senior Managing Executive Officer, she is contributing substantially to implementing promotional measures designed to raise the JAL Brand value ahead of the Tokyo 2020 Olympic and Paralympic Games.

5. Toshiaki Norita
   Director, Senior Managing Executive Officer
   Corporate Planning, Business Creation Strategy
   Director Norita compiled a strong record while engaged in various business areas, including branch office management, sales promotion, corporate planning and publicity, in a succession of posts at headquarters, Osaka and Mexico branch offices, and other locations. He is currently responsible for decision-making concerning the Medium Term Management Plan and is making positive contributions to ensuring its successful implementation.

6. Junko Okawa
   Representative Director, Senior Managing Executive Officer
   General Manager of Communication
   Director Okawa accumulated a wealth of workplace experiences and expertise as a cabin crew member. As Cabin Attendant-General Manager from 2010, she applied high-level management perspectives and personal capabilities to achieving the division’s success in meeting a diverse range of challenges and targets. Now Senior Managing Executive Officer, she is contributing substantially to implementing promotional measures designed to raise the JAL Brand value ahead of the Tokyo 2020 Olympic and Paralympic Games.

7. Kimie Iwata
   Outside Director
   Outside Director Iwata is rich in experience and insights in various fields, including expert on women’s activities, diversity, ESG and workplace reform, has equipped her with strong strategic and solid expertise from an additive perspective. In the Company, she also serves as President of the Japan Institute for Women’s Empowerment & Diversity Management and as an audit and inspection commissioner for the Tokyo Metropolitan Government, among other capacities.

8. Eizo Kobayashi
   Outside Director
   Outside Director Kobayashi provides the Company with sound direction and advice based on his accumulated experience and expertise of top management of a general trading company. He also serves as Chairman of Sekiyu Gas Corporation, Outside Director of Omron Corporation and Outside Auditor of Asian Mutual Life Insurance Co., among other capacities.

9. Norikazu Saito
   Director, Senior Managing Executive Officer
   Finance and Accounting
   Director Saito has specialized for many years primarily in finance and accounting. Constantly deepening his knowledge of finance, accounting, IR, and other fields, today, as Director, Senior Managing Executive Officer and General Manager of Finance and Accounting, he is providing guidance in JAL’s development of systems for highly transparent and informative disclosure that is comprehensible to shareholders and investors, while also promoting management decision-making appropriate to raising shareholders’ profit.

10. Toshinori Shin
    Director, Senior Managing Executive Officer
    Flight Operations, Safety General Manager
    While employed as a flight crew member, Director Shin acquired considerable workplace experience and insight into flight safety. Today, as General Manager of Flight Operations, he is applying his highly developed management perspectives and capabilities to overcoming challenges and achieving a wide range of targets at Headquarters.

11. Masatoshi Ito
    Outside Director
    Outside Director Ito has rich experience and deep insight acquired as top management of global enterprise, engaged in marketing from the customers’ perspectives. He also serves as Representative Director and Chairman of Ajinomoto Co., Inc. and as President of the Japan Advertisers Association Inc.
A Message from the CFO

We are committed to enhancing our corporate value, while improving and maintaining profitability and stability to ensure sustainable growth, by responding appropriately to growing demand for air travel.

Norikazu Saito
Director, Senior Managing Executive Officer, Finance and Accounting Department

Financial Policy

Under the JAL Group's medium-term management plan, every employee strives to contribute to increasing profits by maintaining a steady focus on "maximizing profits and maintaining expenses." At the same time, the Group is seeking to achieve a sustainable increase in corporate value by constructing systems that respond flexibly to environmental changes.

Enhancing financial stability

We consider enhancing financial stability as one of our most important challenges. To this end, we are endeavoring to maintain our equity ratio, a representative indicator, at a sufficiently high level to assure preparedness for operating risks inherent to the air transport business. We set an equity ratio target of 50% or above in our Medium Term Management Plan extending to fiscal 2016 year-end. As it turned out, we succeeded in recording a ratio of 53.4% ahead of schedule in fiscal 2015, thanks to substantial accumulated profits and prudent management. We are committed to making concerted efforts to raise the equity ratio to 60% and to maintain that level consistently. At the same time, we are seeking to improve our credit rating and maintain it at a high level in order to ensure a diverse range of flexible financing sources for future investment purposes. JAL currently has single A-minus ratings from both R&I (Rating and Investment Information, Inc.) and JCR (Japan Credit Rating Agency, Ltd.). JAL will continue its efforts to improve these ratings.

Managing investments and risks

JAL conducts appropriate investment management to benefit from the fruits of our earnings. We have implemented investment selection criteria employing a strict hurdle rate and built a mechanism for performing periodic post-investment monitoring. We also implement financial simulation procedures periodically, sharing the simulation results with management to help them identify potential financial risks that may emerge in the future business environment.

Constructive dialogs with shareholders and investors

As an IR manager responsible for communicating with our shareholders and investors, I engage them in frequent discussions, hear their opinions and suggestions, and pass these on to management for consideration.

Capital policy

Deeply concerned about the cost of shareholders' equity, JAL is pursuing a sufficient level of capital efficiency to cover it. Specifically, we are seeking to maintain an ROE (return on equity) of 10% or above by reinforcing our financial health and ensuring profitability and asset efficiency. JAL believes that distributing profits to shareholders is one of the most important issues for management.

Policy for the fiscal year ending March 31, 2018 and beyond

From the fiscal year ending March 31, 2018 and beyond, JAL has no plans to change its policy of focusing on profitability rather than on expanding business scale. We are committed to improving our management rationale to ensure that our stakeholders fully enjoy the benefits of the progress in profitability, stability and growth potential achieved over the past five years.

JAPAN AIRLINES REPORT 2016
A weaker yen and relaxed visa requirements contributed to boosting the number of international visitors to Japan to a record high of 19.74 million in fiscal 2015, an increase of 47% from the previous year. The number of outbound Japanese passengers decreased year-on-year, resulting in more foreigners visiting Japan than Japanese going abroad for the first time in 45 years.

JAL took advantage of robust inbound demand to achieve a record high load factor, while also employing the revenue management system to raise unit passenger revenue and expanding marketing channels for new products and services. Despite these efforts, we saw unit passenger revenue decline by 2.6% from the year before due to lower fuel surcharges.

At a time when initiatives are being pursued to reinforce and expand the functions of Haneda and Narita as Japan’s two largest air transportation hubs, JAL opened new Shanghai (Pudong) and Guangzhou routes with daytime service from Haneda and added new flights on its Beijing route in fiscal 2015. We also introduced service between Narita and Dallas/Fort Worth International Airport, the major hub of American Airlines, our transpacific joint business partner. This route has improved connectivity to U.S. and Latin American destinations.

We are continuing to introduce aircraft with the JAL SKY SUITE configuration centering on our European and Southeast Asian routes. JAL SKY SUITE aircraft are currently in service on all JAL’s European routes to assure passengers more comfortable flights.

Review of fiscal 2015

Although fuel surcharges are expected to decline in fiscal 2016, JAL plans to increase the load factor and maintain unit passenger revenue at the same level as in the previous year. This will involve continuing our efforts to reinforce our sales channels for new products, improving unit prices through effective use of the revenue management system and capturing inbound demand.

JAL will allocate its business resources appropriately in response to changing supply and demand conditions to improve the convenience of our networks and enhance comfort for our customers. Notable moves will include introducing the 787 progressively and expanding JAL SKY SUITE operated routes after revamping the 777-200ER aircraft with the JAL SKY SUITE configuration.

Committed to sustaining positive growth, we use unit revenue as a KPI (key performance indicator) and seek to achieve unit revenue above unit cost by enhancing our route network and improving our products and services.
Route Network Reinforcement

JAL is not merely seeking to expand its business scale. We will expand our network when we are sufficiently assured of achieving route profitability, and increase the number of code-share agreements with both oneworld alliance members and non-members in order to construct convenient networks connecting Japan with other parts of the world.

Opening of the Narita-Dallas/Fort Worth route

JAL initiated service on a new Narita-Dallas/Fort Worth route on November 30, 2015. Dallas/Fort Worth International Airport is linked to many networks serving Latin America in addition to networks connecting U.S. cities. JAL's opening of this route has significantly improved the convenience of connections throughout the Americas. We introduced the JAL SKY SUITE configured with 787 on the Narita-Dallas/Fort Worth route in accordance with our concept of seeking "a one class higher feel" in order to grant passengers with premium hospitality.

Expanding our Latin American network through our joint business with American Airlines

With its five terminals and seven runways, Dallas/Fort Worth is the largest hub for American Airlines. It is the world's third largest airport in terms of number of flights, 70% of which are on American Airlines routes. In addition to many airports in the United States, Dallas/Fort Worth's route network comprises 39 airports in Latin American countries including Mexico, where demand for air travel is surging. The airport handles 414 flights a week, providing convenient connections between U.S. cities and destinations throughout Latin America.

Dallas/Fort Worth Airport provides seamless connections, free from the trouble of retrieving and checking in baggage, for passengers who wish to reach destinations in Mexico, Brazil, Peru or other countries outside the United States on the same day.

JAL's joint business with American Airlines, the world's leading airline, has been in effect for six years. Our Japan-North American network, which began with 11 flights on seven routes, now offers 15 flights on 10 routes, including the Narita-Dallas/Fort Worth route.
International Passenger Operations

Product and Service Enhancement

Among strategies for minimizing passenger stress on long flights on international routes, JAL is revamping its aircraft to the JAL SKY SUITE configuration, which offers “New Spacious Economy” seats and full-flat seats. We will develop additional routes in stages to connect more locations around the world, while enhancing cabin amenity and comfort.

JAL SKY SUITE operated routes (as of July 1, 2016)

Haneda routes

Narita routes

Narita / Haneda

London

Helsinki

Frankfurt

Paris

Moscow

Delhi

Bangkok

Jakarta

Singapore

Kuala Lumpur

Shanghai

Guangzhou

Manila

Sydney

San Francisco

Honolulu

Los Angeles

Dallas / Fort Worth

Chicago

New York

Boston

NYC

Miami

Hawaii

Honolulu

Los Angeles

.connect via Narita or Haneda or direct flights

International Cargo

The JAL Group’s products are divided into four categories according to differing customer needs: temperature control, speed, protection, and care, and guaranteed delivery. To meet the needs of various industries, JALCARGO offers systematically categorized products and services that respond accurately to diverse shipper requirements.

- Temperature control: We transport perishables, chemicals, pharmaceuticals, and other products requiring strict temperature control at the proper temperatures.
- Speed: The transport time is shortened. We help customers conduct efficient production management and inventory planning.
- Protection and care: Precision instruments, musical instruments, works of art, and other items that require extreme caution are handled and transported in a manner that protects them from physical impacts during transit.
- Guaranteed delivery: This service guarantees loading on flights specified by the client.

As new initiatives in fiscal 2015, we developed a new passive container and equipment for carrying finished cars on passenger aircraft.
Domestic Passenger Operations

Review of Fiscal 2015

In fiscal 2015, we resumed seasonal operations on six local routes that had been suspended. We also started code-sharing with Amakusa Airlines as part of our contribution to further improving convenience and revitalizing regional economies. JAL SKY NEXT operated routes were expanded to routes to and from Itami Airport, following routes between Haneda Airport and regional airports.

We launched the JAL Express-Tag Service at Haneda, New Chitose, Itami, Fukuoka and Naha airports in accordance with our JAL Smart Style concept of “simple, speedy, and convenient.” We also introduced a smartphone application to inform users of waiting times at security checkpoints at Haneda Airport. This service shortens the time required to reach a boarding gate. We installed JAL Charging Stations at New Chitose, Itami and Naha airports to provide free charging services for smartphones and computers.

Besides introducing new Ultra SAKITOKU fares, we increased the number of discount flights during high seasons for flying to hometowns or holidaying. Applicable routes of advance purchase connection fares were expanded to promote regional exchanges and revitalization. We participated actively in regional revitalization programs and events organized by the central and local governments to promote Furusato Wari coupons, thus contributing to efforts to attract more visitors to regional Japan.

Japan Explorer Pass fares were introduced in December to attract inbound demand and give visitors more opportunities to visit regions across Japan.

Business Outlook for Fiscal 2016

In fiscal 2016, we will continue operating six summertime local routes and two flights per day on the Haneda-Yamagata route under the “competition slot” program*1 to enhance passenger convenience and contribute to regional development. The new JAL SKY NEXT configuration will be introduced to all applicable aircraft during fiscal 2016. In addition, we will expand the content of free in-flight video programs and enhance Internet access and convenience.

We plan to open a Diamond Premier Lounge at New Chitose Airport and upgrade our facilities at Itami, Fukuoka and Naha airports to create new value and an enhanced service offering. With regard to fares, we are focusing on customization and online services. We will be proactive in making effective use of social media and mobile phones, while expanding the product line offered in the JAL Dynamic Package. We will also make our Japan Explorer Pass available in multiple languages to attract visitors from more countries.

*1 If a flight route proves difficult for a single airline to maintain or reinforce, joint proposals for route enhancement will be solicited from local communities and airlines. These joint proposals will be evaluated, and Haneda Airport’s domestic flight slots will be assigned to those making the best proposal.
## Domestic Passenger Operations

### Participation in Regional Revitalization Efforts

The JAL Group conducts a variety of activities targeting domestic and foreign markets aimed at fulfilling our responsibility as a Japanese airline for assisting local communities in their efforts to revitalize their economies and activities. These include tie-ups with local governments and initiatives to attract inbound passengers to regional cities.

### Approaches to domestic markets

<table>
<thead>
<tr>
<th>Use of Furusato WARI coupons to promote regional revitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>In fiscal 2015, we distributed regional information through the JAL Tabi Plus Navi travel information site on the JAL website in a tie-up with local governments. Other efforts included participation in the Furusato WARI project—a revitalization program promoted by the central and local governments. We formulated a plan in cooperation with eight regional governments to offer JAL Dynamic Package tickets at discounted prices to holders of Furusato WARI coupons. This approach was successful in attracting more tourists from the Tokyo metropolitan area to regional destinations. In fiscal 2016, we will continue to support local communities in the JAL Furusato DEN WARI initiative through sales promotion of the JAL Dynamic Package.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Creating demand for visiting regions by reinforcing sales of discount transit fares</th>
</tr>
</thead>
<tbody>
<tr>
<td>We encourage travel between regions by offering discount transit fares for flights from one region to another via Tokyo, Osaka or other major cities. In fiscal 2015, applicable sectors of Advance Purchase Transit Fare 28 were expanded. At the same time, we increased the discount rate significantly to create demand for connections while reinforcing regional promotion activities. In fiscal 2016, the JAL Group remains committed to contributing to the revitalization of interregional travel by leveraging the Group’s route network to promote use of connections to local airports at Haneda Airport.</td>
</tr>
</tbody>
</table>

### Approaches to overseas markets

<table>
<thead>
<tr>
<th>Attracting foreign tourists to various parts of Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of foreign visitors to Japan has trended upward in recent years, registering a record high of 19.74 million in 2015. According to a survey by the Japan Tourism Agency, all Japanese prefectures saw a significant increase from the previous year in the numbers of hotel guests from abroad in 2015, but these tourists stayed mainly in the three metropolitan areas. As their needs and interests diversify, more foreign visitors are switching their travel arrangements from group package tours to personal planning. We responded to this change in travel planning by launching Japan Explorer Pass, an online domestic fare plan designed to transport international visitors all over Japan. Flight tickets sold under this plan, which must be purchased 72 hours prior to the intended flight at the latest, are available even after ticket holders arrive in Japan. We will continue to develop more flexible tour schedules to allow international visitors to enjoy pleasant visits to more tourist spots across the country.</td>
</tr>
</tbody>
</table>

### Domestic Cargo

In connection with the updating of our international cargo system in April 2016, we started integrated operation with our core domestic cargo system, updated at the end of September 2014. This integration has improved the convenience of cargo reservations and contributed to dynamic management of domestic and international transport connections, as well as contributing to regional revitalization and growth in exports of local agricultural products.

### Benefits to JAL of increasing inbound tourists and regional revitalization

Faced with a shrinking population in Japan, we cannot expect to see significant growth of demand for domestic flights. Considering this situation, the inbound market offers new business opportunities for obtaining new sources of stable year-round revenues, as seasonal patterns in other countries differ from those of Japan. Boosted by expanding markets, growing numbers of charter and overseas LCC flights are flying into regional airports directly from overseas. Under these circumstances, JAL is faced with growing competition in the Japanese market from overseas airlines as well as domestic competitors.

We responded by leveraging the strength of our extensive domestic route network to launch the Japan Explorer Pass website in multiple languages and began distributing information on wide-circuit tours for Japan Explorer Pass holders. We will continue to take advantage of our network to communicate proposals overseas and attract more visitors to Japan. JAL’s partnerships with local governments and operators associated with the inbound market require it, as a Japanese airline, not only to play a role in connecting one location to another, but to play many other roles for the nation as well. To contribute to regional revitalization and JAL’s own sustainable growth, it is particularly important that we encourage Japanese citizens to rediscover and recognize again the values of our own culture and communities in cooperation with stakeholders.
JAL Group Route Network

Routes connecting regional cities with isolated islands are indispensable today, not only for business and tour passengers of local industries by providing a fast mass-transportation system for transporting marine and agricultural products from Okinawa’s isolated islands.

Established as Southwest Air Lines in 1967, well before the return of Okinawa to Japan, Japan Transocean Air continues to provide Okinawan residents with “wings” as it commemorates 49 years of service in 2016. The airline operates four 50-seat DHC8-Q400 aircraft and one 50-seat DHC8-Q200 until they were replaced in April 2016 with a new fleet of DHC8-Q400 Cargo-Combis (CC) aircraft. The 50-seat DHC8-Q400CC has 50%, greater capacity and a cargo compartment that is some 2.5 times as large. The new planes will be phased in to support the lives of their residents. Today, in addition to these routes, it has twelve 737 aircraft operating on 13 routes connecting Okinawa to Hanoi, Chubu, Kansai, Komatsu, Okinawa and Fukuoka airports and making a total of 70 daily flights. In 2015, the number of tourists visiting Okinawa marked a record high, boosted by a remarkable increase in inbound demand from Asian countries and regions. The majority of JAL’s customers are tourists, and competition is intensifying among airlines. To survive the competition, the JAL Group actively promotes the destination incorporating the features of Okinawa and contributes to regional development as well. We will continue to pursue profitability while maintaining our local routes.

JAPAN AIRWAYS CORPORATION

A regional airline celebrating its 31st anniversary in 2016, RAC provides convenient connections with the isolated islands of Okinawa. Operating from its hub, Naha Airport, on the main island of Okinawa, the airline operates 41 to 43 daily flights on 12 routes, with connections to the islands of Amami Osima and Yonaguni to the east, Kumejima to the west, and Miyakojima, Minami-Daito, Kita-Daito, and Tokunoshima to the south. These routes not only make it easy for local residents to travel, but also contribute to the development of local industries in Okinawa, including tourism, the region’s leading industry. RAC now has four 50-seat DHC8-Q400 aircraft and one 50-seat DHC8-Q200 until they were replaced in April 2016 with a new fleet of DHC8-Q400 Cargo-Combi (CC) aircraft. The 50-seat DHC8-Q400CC has 50%, greater capacity and a cargo compartment that is some 2.5 times as large. The new planes will be phased in from May 2017 to full replacing the existing fleet by the end of fiscal 2017. We believe these new aircraft will improve convenience for island residents and business passengers as well as help attract more tourists. RAC makes an important contribution to the development of local industries by providing a fast mass-transportation system for transporting marine and agricultural products from Okinawa’s isolated islands.

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After confirming that investments will prove effective, we are proceeding with an aircraft plan to offer comfortable flights.

Introducing Comfortable Environment-friendly Aircraft

We acquired six new 787 aircraft in fiscal 2015, while decommissioning our aging 777 and 767 aircraft in stages. Among JAL Group members, Japan Transocean Air took delivery of the 737-800, Ryukyu Air Commuter, the DHC8-Q400CC and J-AIR, two E170 aircraft.

We plan to invest 191 billion yen in aircraft in fiscal 2016. After introducing seven 787 aircraft, which are 20% more fuel efficient and quieter than the aircraft they replace, our fleet will comprise a total of thirty-three 787 aircraft. J-AIR will introduce its initial E190, furnished for the first time with Class J seats, while Japan Air Commuter will deploy its initial ATR42, a small aircraft featuring superior comfort and economy. By the end of fiscal 2016, the JAL Group will own a total of 230 aircraft—85 operating on international routes and 145 on domestic routes.

Renovating the cabin to enhance comfort

With respect to cabin renovations, we will continue our efforts to increase customer preferences, including introduction to our international routes of 777-200ER aircraft revamped with JAL SKY SUITE seats offering greater comfort. On domestic routes, we will complete the revamp of all 77 aircraft to JAL SKY NEXT offering comfort and Internet connections by the end of fiscal 2016. J-AIR’s E190 aircraft will also undergo cabin interior renovations and begin offering new Internet connection services.

From fiscal 2017, we plan to introduce the Airbus A350, which offers high levels of comfort and fuel efficiency, and Mitsubishi Aircraft’s small-bodied MRJ, which generates less noise and a lower environmental load. We will continue to make every effort to improve comfort and convenience for our customers.

JAL Group’s Aircraft Investment

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Investment (Billion yen)</th>
<th>Actual Investment (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>187.0</td>
<td>181.0</td>
</tr>
<tr>
<td>2016</td>
<td>190.0</td>
<td>190.0</td>
</tr>
</tbody>
</table>

JAL Group Fleet

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Number of Aircraft</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Jumbo</strong></td>
<td></td>
</tr>
<tr>
<td>777-300ER</td>
<td>13</td>
</tr>
<tr>
<td>777-300</td>
<td>4</td>
</tr>
<tr>
<td>777-200ER</td>
<td>11</td>
</tr>
<tr>
<td>777-200</td>
<td>12</td>
</tr>
<tr>
<td><strong>Mid-size</strong></td>
<td></td>
</tr>
<tr>
<td>787-9</td>
<td>3</td>
</tr>
<tr>
<td>787-8</td>
<td>23</td>
</tr>
<tr>
<td>767-300ER</td>
<td>32</td>
</tr>
<tr>
<td>767-300</td>
<td>9</td>
</tr>
<tr>
<td><strong>Small-bodied</strong></td>
<td></td>
</tr>
<tr>
<td>737-400</td>
<td>12</td>
</tr>
<tr>
<td>737-800</td>
<td>51</td>
</tr>
<tr>
<td><strong>RJ</strong>1</td>
<td></td>
</tr>
<tr>
<td>EMBRAER170</td>
<td>17</td>
</tr>
<tr>
<td>CRJ-200</td>
<td>9</td>
</tr>
<tr>
<td>DHC8-Q400</td>
<td>10</td>
</tr>
<tr>
<td>DHC8-Q400CC</td>
<td>2</td>
</tr>
<tr>
<td>SAAB 340B</td>
<td>13</td>
</tr>
<tr>
<td>DHC8-Q300</td>
<td>1</td>
</tr>
<tr>
<td>DHC8-Q100</td>
<td>4</td>
</tr>
</tbody>
</table>

*1 Regional jet

Total 226 aircraft

(As of March 31, 2016)
We strive to enhance customer convenience and maximize the JAL Group’s corporate value.

The financial results for the main two companies in this segment were as follows:

**JALPAK Co., Ltd.**

JALPAK Co., Ltd. endeavored to increase revenues by developing and offering products in a timely manner in response to changing demand.

In fiscal 2015, JALPAK handled 243,000 passengers traveling to overseas destinations, down 11.7% from the previous year, partly due to uncertainties in Europe. This downturn was offset, however, by increased sales of the JAL Dynamic Package, which boosted the number of domestic travelers to 2,429,000, up 5.6% from the previous year.

As a result, operating revenue (prior to elimination of intercompany transactions) increased by 1.4% from a year earlier to 172.2 billion yen.

In fiscal 2016, we are continuing to listen to customer feedback to enhance our ability to respond accurately to diversifying needs and provide a pleasant travel experience customers can enjoy only with JALPAK.

In planning new products, our personnel in many departments take advantage of their expertise to identify the varying needs of customers precisely and develop an offering of high-quality trips that assure peace of mind through rigorous quality control.

We distributed “white pamphlets” introducing our domestic and overseas products at the beginning of the fiscal year, and are continuing to provide customers with special product pamphlets for different destinations and seasons as the year goes by. We also prepare special pamphlets for JMB members only.

**JALCARD, Inc.**

JALCARD, Inc. sought to increase its membership through vigorous campaigns using the Internet and a direct-mail strategy and by encouraging and accepting applications on tablets at major airports and increasing sales staff. We made concerted efforts to raise awareness of our products by providing short TV programs and sponsoring cultural events. We also issued a JAL JCB Card (Disney Design) with Mickey Mouse portrayed in a pilot’s uniform. Thanks to these efforts, membership increased by 91,000 to 3,129,000 since the end of March 2015.

The number of transactions rose steadily as we increased the number of partner shops offering double-miles and introduced initiatives to encourage card usage and to promote card sales and a shift to more prestigious cards. As a result, operating revenue (prior to elimination of intercompany transactions) increased to 20.4 billion yen, a year-on-year improvement of 4.2%.

In fiscal 2016, we will endeavor to provide consumers with more opportunities to experience the real joy of travel by using our credit card.
JAL’s provision of essential quality

The JAL Group’s Corporate Philosophy is to provide customers with unparalleled services. The most essential quality of an airline, ensuring on-time performance with the highest priority placed on maintaining safety, is our proud mission. Building on this foundation, the JAL Group embraces service quality distinguished by attention to every small concern arising from the customer’s perspective.

Our ability to align our mental vectors and consider the next person in line in order to make the best baton pass is crucial to achieving superior on-time performance.

To improve our on-time performance further, moreover, we must continue to foster creativity and innovation based on the concept, “Today should be better than yesterday; tomorrow better than today.” We will continue to build on this foundation into the future through steady and consistent efforts to make even minor improvements and refinements, both inside and outside our divisions.

Fourth “triple crown” for on-time arrival rate

JAL placed first among all major international airlines in the on-time arrival category on both its domestic and international routes during the year from January to December 2015 in rankings compiled by the U.S.-based FlightStats flight status and travel planning service based on various analyses of airline on-time arrival rates. JAL also ranked first in the best major Asia-Pacific airlines category, and the one world airline alliance of which JAL is a member placed first in all three categories with relevance to JAL.

JAL is the only airline in the world to have won this “triple crown” (first place in three categories) even once, and this marked the fourth time it has achieved this distinction (following 2010, 2012 and 2013).

*1 There was no alliance airlines category in 2010, but JAL placed first in the [subsequently discontinued] Asia regional airline category that year.
Collaborative system supporting the world’s No.1 on-time arrival rate

All JAL personnel work as a single coordinated team for the sake of each flight. Their aim is to make the best baton pass through meticulous work procedures and precise cooperation.

Provision of safe, on-time flights is the most important promise an airline must fulfill to earn the confidence and trust of its passengers. The time required to cover a certain route may change depending on the direction of the wind. Standby status is sometimes required when departing and arriving flights overlap.

Even under such conditions, every division and staff member involved in a flight strives to act with speed and precision to make the best baton pass and maintain our on-time performance. We will continue to cooperate and innovate above and beyond our job categories to ensure a world-leading level of quality in JAL’s safety and on-time performance.

Reservations and ticketing

Trained personnel inform customers of their departure times and other requisite information while handling reservation and ticketing operations with precision.

Spot-in

The aircraft marshals work with the wing tip wardens to guide aircraft to the proper parking slot after landing.

Check-in

Check-in personnel manage passenger and baggage check-in procedures, direct passengers to the boarding gate and keep them informed of the time required to reach the gate and the time boarding begins.

Fueling

An appropriate amount of fuel is pumped into each aircraft depending on the weather conditions, number of passengers and crew, and cargo weight. JAL’s consideration of the environment is evident in these and other efforts to avoid waste.

Security check area

Obtaining every passenger’s cooperation in advance ensures security checking to be conducted both smoothly and rigorously.

Flight operation and load control

All relevant information (such as information on weather and airport conditions) is gathered and passed on to the flight crew for use in determining the appropriate route, direction and altitude.

Flight crew

After checking reports from the flight crew and mechanics concerning the previous flight and the aircraft’s condition, the flight crew determines a flight plan for the current flight and briefs the cabin attendants.

Baggage pick-up

Passengers are asked to take care to make sure they pick up the correct baggage. Every effort is made to enable passengers to round off their trip nicely by picking up their baggage with no unnecessary delay.

Arrival

Connecting passengers are informed of the shortest route to their next flight’s boarding gate to help ensure a smooth connection. Support is provided to facilitate disembarkation of passengers requiring help or traveling with small children.

Cabin attendants

The cabin attendants contribute to on-time departure by preparing to welcome passengers quickly, helping them to find their seats and store their baggage smoothly and otherwise confirming cabin salut.

On-time Performance
Making travel increasingly comfortable
JAL makes every effort to provide facilities and services that ensure its passengers a pleasant, comfortable flight. High-quality services reflecting ongoing consideration of comfort and convenience have been developed with a priority on the passenger's perspective.

Seeking to rise a class above on international routes
We pursue high quality and full service at multiple contact points on our international routes, including our airport lounges, cabin seats and in-flight meal service, with the aim of offering unparalleled services that assure passengers a consistently fresh and enjoyable travel experience. Our JAL SKY SUITE aircraft, in particular, developed based on the concept of incomparable, one-class-above quality, realize a completely new level of in-flight comfort.

In-flight entertainment on our current aircraft comprises over 300 programs, and many JAL SKY SUITE aircraft offer even more through Internet connectivity services. An array of services is provided to enable individual passengers to enjoy their time in the sky in a way that suits their personal tastes.

Key improvements in comfort on domestic routes
The products and services provided on our domestic routes are designed to give passengers full satisfaction by combining convenience with simplicity. The JAL SKY NEXT aircraft we began adding to our fleet in May 2014 are flown not only on core routes, but also on many regional linking routes. We plan to replace all 77 aircraft operating on JAL’s domestic routes with these new-generation aircraft by the end of 2016. All seats on these aircraft have leather seat covers and offer in-flight Internet connectivity. Our subsidiaries are also adopting cabin equipment specifications to improve quality.

We are also pursuing wide-ranging efforts to enhance customer convenience based on the JAL Smart Style concept. These include introduction of the JAL Express Tag Service for faster baggage check-in.
A Spirit of hospitality engendering unparalleled service
We offer personalized service integrating the commitment of every individual staff member into a single whole in accordance with the JAL spirit of hospitality.
We pay constant attention to every detail during a flight to ensure our passengers a comfortable journey with a minimum of stress.

Considering the comfort of every individual passenger
In-flight comfort is composed of three personal elements: the services (e.g., the aircraft and seats); the services (e.g., in-flight meals and entertainment); and the hospitality provided by every cabin attendant.
JAL cabin attendants take responsibility for passengers’ safety on the aircraft, and do everything in their power to provide the most attentive possible service based on the Japanese spirit of hospitality. Every passenger has different personal preferences and expectations concerning in-flight service. Our cabin attendants treat them as individuals from the moment they board the aircraft, and respond to each situation as it arises with their sensitivity attuned to the passenger’s personal feelings in every encounter.

As concerns meal services, the cabin attendants make a special effort to ensure that meals taste as fresh as possible depending on the ingredients, and serve them in the best possible condition. They conduct the meal service in a refined, precise manner reflecting a desire for passengers to enjoy their meals fully as their highest priority. Our SKY OASIS service makes snacks and beverages available to passengers whenever they wish on long flights.

Conscientious creation of a comfortable cabin environment
JAL cabin attendants take care to provide high-quality service in terms of temperature, lighting and sound control to ensure passengers’ ability to travel in optimal comfort on long journeys inside the enclosed cabin space.
The cabin temperature is set higher than usual on routes with resort destinations, for example, on which passengers tend to wear lighter clothing, while the cabin is kept as quiet as possible at night for the comfort of sleeping passengers, with cabin attendants remaining on standby to serve passengers who stay awake. These are among the many ways in which we accommodate ourselves to passengers’ needs.

Another important role of our cabin attendants is to maintain cleanliness and harmony in the cabin. As part of their safety checks, they also make sure passengers can use the restrooms in comfort, while also keeping watch for passengers who are feeling unwell and sharing a friendly word with them.

In the future we will continue to combine creativity with innovation to ensure our ability to keep a close watch on our passengers at all times, and to assure them a pleasant journey from takeoff to arrival.

External evaluations
JAL earned first place in the International Airlines Loyalty category in the “Fiscal 2015 Japan Customer Satisfaction Index, 4th Survey Results” for the third consecutive year. We were also awarded first-place honors in the Customer Satisfaction category for the first time.
Since we failed to gain first place in the domestic category, however, we will continue our efforts to improve the quality of our service further on both our domestic and international routes.
The JAL SKY WIDER II seats installed in our Boeing 787s in December 2014 won a Good Design Award in fiscal 2015. This follows our receipt of the same award in fiscal 2013 for the first JAL SKY WIDER seats we introduced in our Boeing 777-300ERs and 767-300ERs. These economy class seats are designed to afford more legroom on international routes.
Encouraged by this external recognition, we will continue our efforts to provide satisfaction for every passenger flying on the wings of the JAL Group.

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Comfort

The JAL Philosophy of providing customers with unparalleled service requires us to offer customers the world’s highest level of safety, on-time performance, comfort and convenience with the aim of achieving the world’s highest level of customer satisfaction.

One of the targets of our Medium Term Management Plan for the fiscal 2012 to 2016 period is to provide customers with unparalleled services that continuously deliver fresh, enjoyable travel experiences with the aim of achieving the No.1 customer satisfaction rating by fiscal 2016.

Our vision of customer satisfaction calls for stimulating a desire in customers to fly with us again and a willingness to recommend us to others, raising our profitability and making a meaningful contribution as a Japanese airline to the ongoing development of society.

All our thinking, values and behavior concerned with achieving customer satisfaction originate in the JAL Philosophy, the guiding policy that serves as a foundation for all our employees.

We view our services as composed of facilities, amenities and personal service. Unparalleled services are made possible by resolutely combining all three. We seek to give our customers full satisfaction by providing a highly amenable cabin, delicious in-flight meals and wholehearted service from our cabin attendants.

All our personnel, from those who plan our services and those who prepare and support them to those who actually serve our customers, practice the JAL Philosophy. Focusing on our customers’ needs and desires, we will continue our efforts to provide unparalleled services in the three areas of facilities, amenities and personal service.

Fully configured facilities and amenities with JAL’s unique personal service added. Seeking to provide unparalleled quality through considerate services

Hikari Baba (left) and Toshiyuki Urasawa (right) [Products and Services Planning Division] Operations Division, Operations Group
Creating Workplaces Where Diverse Human Resources Can Participate

We are focused on developing human resources for the next generation that will practice the JAL Group Corporate Policy “to become the world’s most preferred and valued airline group” through action by every member of our staff.

Creating workplaces promoting the engagement of diverse human resources

The JAL Group believes that promoting the active participation of diverse human resources is the wellspring of new corporate value creation, and we continue to pursue the diversity promotion initiatives listed below for this reason. Our aim is to be a company in which anyone can play an active role, regardless of gender, company of employment, nationality, age, sexual orientation, gender identity or disabilities.

- Developing infrastructure that encourages action
- To develop infrastructure that supports the participation of diverse human resources, we have constructed a common training program and a human resources database that is shared Group-wide. We specify the positions recognized as important for our business and management as Group Management (GM) posts with integrated remuneration and compensation. We have adopted the GM system for assigning highly motivated employees with strong potential to these positions, regardless of their original Group company.
- Nurturing overseas staff
- We have formulated a Global HR Policy and are focusing on developing staff who are to be deployed overseas. Building development programs including assignments to work in Japan, Japanese language training and global training.
- Promoting workstyle reform
- In fiscal 2014, we established the Office for Promoting Workstyle Reform to change the mindset of employees and develop infrastructure that enables everyone to build careers with a greater sense of satisfaction.
- Promoting diversity
- We set targets for promoting women’s careers in fiscal 2014 and are implementing specific measures to achieve them based on a clear management commitment. We set up a new Diversity Promotion Group in the Human Resources Management Division in April 2016 with the aim of further intensifying efforts to mobilize all employees. This organization is actively engaged in promoting the employment of older people and increasing opportunities for participation by the disabled. Courses to increase understanding of LGBT people (sexual minorities) are helping to form a corporate climate that recognizes diverse values, creates open workplaces and revitalizes organizations.

A common education and development program of the JAL Group

In addition to conducting education and training by job category and Group company, the JAL Group has developed a common education and training program for the entire Group that focuses on developing leaders and safety and service professionals.

- New employee education
- Training for new recruits initiated immediately after they join the company covers the foundations of the JAL Group, including the JAL Philosophy, safety and the corporate brand. A four-day new employee training course held in Tokyo from April 1, 2016 was attended by more than 1,100 employees from 32 Group companies with senior colleagues serving as instructors. Because the course brought several Group companies together, the trainees split into teams. This annual course lays the groundwork for cultivating a sense of oneness of the JAL Group as a whole.
- JAL Group’s fundamental education and training systems
- Each JAL Group company and division has formulated its own carefully structured education and training system to prepare employees to provide unparalleled service to customers.

JAL Group fundamental education and training system

Education and training are generally systematized as employment grade-based training, management skills improvement training, skills improvement training, career training, women’s career development, active training and self-development (online course). Each course or educational activity adopts a cross-departmental style to encourage trainees to deepen bonds with co-workers and gain a higher level of motivation toward work. The management skills improvement training, in particular, further cultivates their business skills to include skills supporting logical, effective problem-solving as well as knowledge and techniques for facilitation (running meetings). These new types of training focusing on logical thinking and problem-solving, facilitation and marketing fundamentals have been established and made accessible to any interested member of the JAL Group in order to foster understanding of the essential elements of marketing.

We will continue to enhance the quality of our programs and maximize their effectiveness, centered on the JAL Education and Training Center. We will work even harder to develop human resources who embody the JAL Philosophy and realize the JAL Group Corporate Policy.

Message

Takuya Oda
Executive Officer, Human Resources Management

Every JAL flight requires the efforts of many employees. We believe that the best way to provide customers with unparalleled service is by drawing on the energies of individuals in different roles to create an unbroken, integrated stream of services following a single path. Put simply, the power of our human resources is the origin of the JAL Group’s strength. To interact with customers with heartfelt hospitality requires not just improving knowledge, techniques and other day-to-day skills, but also a refinement of character. I believe my job is to help each employee grow into a more attractive human being.

The JAL Group has developed many systems and education programs to encourage employees to believe in their own potential, to challenge new fields boldly to deepen our experience, and thus to become active as true leaders. Based on our belief that mobilizing the strength of diverse human resources with different experiences, values and perspectives to constantly generate new value is the best business strategy for winning the intensifying competition, we have expanded opportunities for employees with abilities and motivation to be active beyond the limits of their original company and recruitment region, putting the main system first.

We will maintain these strategies into the future, promoting diversity and changing workstyles, while also taking a serious interest in the health management of the employees gathered under the JAL Group banner to ensure their ability to exhibit their abilities at the highest level.

New value creation

- Realizing diversity
- Characterizing the abilities, experiences, sensitivities and values of each employee, regardless of attributes such as gender, original company, nationality or age.
- Creating a corporate culture that changes workstyles
- Changing workstyles
- Creating a unique corporate culture
- Revitalizing resources and development

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We are striving to develop a workplace environment where every employee can be active and exhibit their best abilities and individual attributes.

Aiming to create new value

The Procurement Division, which pioneered workstyle reform, has created an environment for working independently of location and made working easier for non-Japanese employees and employees with work hour restrictions to care for children or elderly family members. It also makes work easier for employees to use company IT equipment, introducing tablets in the Flight Operations and Cabin Attendant divisions and mobile phones and other mobile devices in administrative divisions, and installing XOS (virtual desktops). We are improving operational efficiency by such means as converting documents into digital data, sharing internal information and revising approval authorization standards. We are also revising our time-clock systems and upgrading their operation regularly to make them easier for employees to use.

Our intention is to continue laying foundations for further workstyle reforms, to create an environment where everyone is equally active and promote true diversity.

Seeking workstyle reform

As we feel it is essential to develop an environment where every employee can work with ease and display their abilities, the JAL Group has been making concerted efforts to change workstyles since fiscal 2015. All employees are motivated to work and are improving labor productivity. The extra time gained is used to promote a work-life balance for fuller lives, both public and private, and encouraging self-development and healthier lifestyles. When employees put their experiences and learning back into their work, new value is created which contributes to growth of the company as a whole. The JAL Group is pursuing the following initiatives aimed at increasing labor productivity through this synergy of life and work.

Concrete initiatives

(1) Startup workshops

One internal division served as a pioneer for the rest of the company by introducing an IT tool in fiscal 2014 that transformed its attendance management rules and sought to realize a paperless, free-address office. This resulted in a substantial reduction in overtime work compared with the previous year. Subsequent steps saw awareness rise company-wide from July 2015. Workshops were held for about 4,000 employees in all JAL Group back office divisions, with colleagues from the pioneering division serving as instructors to relate their experiences, the aims of the initiatives and planning required, and the specific skills needed to improve operational efficiency.

(2) Operational rules and visibility

To construct systems that permit employees to work with an awareness of operational efficiency and hourly productivity, new rules were established company-wide for holding meetings, using phones and email, and work completion times. Report meetings on attendance performance were also set up to enable division heads to analyze their division’s issues and report on countermeasures. A corporate climate ensuring timely completion of work will be put in place, enhancing the visibility of attendance issues in various divisions, such as overtime work and the use of paid leave, and sharing information such as original innovations or initiatives by the divisions.

(3) IT tools and office facilities

We have revamped our infrastructure to enable employees to work independently of location. We have already invested in IT equipment, introducing tablets in the Flight Operations and Cabin Attendant divisions and mobile phones and other mobile devices in administrative divisions, and installing XOS (virtual desktops). We are improving operational efficiency by such means as converting documents into digital data, sharing internal information and revising approval authorization standards. We are also revising our time-clock systems and upgrading their operation regularly to make them easier for employees to use.

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Health Management

The JAL Group promotes health management to ensure that its human resources - our most important asset - can fulfill their duties in good health (both mental and physical) and with a sense of security, enabling us to provide customers with unparalleled services.

“The pursuing the material and intellectual growth of all our employees” requires that they be healthy.

The physical and mental health of all JAL Group employees is indispensable in order to “pursue the material and intellectual growth of all its employees” and to “become the world’s most preferred and valued airline group.” The health of our employees and their family members is, as pointed out in the President’s message, an indispensable corporate asset. In this belief, we established the JAL Wellness 2016 health promotion project to support efforts by our employees, companies and the Japan Airlines Health Insurance Association to work together to improve employee health.

The aim of this project is to tackle the key issues of (1) lifestyle-related diseases, (2) cancer and (3) mental health based on medical cost analyses and other tools, raise awareness among all employees and their family members concerning self-health care, which involves adopting proper lifestyle habits, acquiring the ability to monitor their own health status through regular health and cancer checkups, and assessing their own stress levels and finding ways to deal with them.

To enhance health awareness, an interactive booklet titled “JAL Wellness 2016 My Book” containing resolutions based on health issues and the results of personal and family health checkups is distributed to all current and former JAL employees.

The project centers on a five-year plan, under which the Policy Review Council and Evaluation Council, formed under the auspices of the main Group companies and the Japan Airlines Health Insurance Association, will deliberate the nature of its policies and their implementation each year. The results are reflected in activities of the following fiscal year, and a report on the status of progress is presented to the Board of Directors.

Follow-up by medical experts

In addition to regular medical checkups, careful follow-up procedures are conducted by medical experts such as professional occupational physicians, public health nurses, clinical psychiatrists, pharmacists and fitness trainers according to the needs of the various occupational categories.

To assure flight safety and provide unparalleled service across different time zones and in a cabin environment with low air pressure and dry air, in particular, our full-time in-house psychiatrists and physicians provide all our flight operation crews (approximately 2,000 persons) with both the legally required health examinations for air travel and early health advice through interviews. Specialized trainers lead our (approximately 5,000) cabin attendants in stretching exercises before and after boarding. Videos of the stretching exercises are installed in tablets issued to all cabin attendants to help them practice them at home or in their travel accommodations, assuring that they will be in excellent condition for their next flight.

Workplace health promotion activities conducted by Wellness leaders

More than 130 Wellness leaders have been appointed in our offices throughout Japan to promote better health in the workplace. They conduct wellness activities to raise awareness of health and encourage behavioral changes.

Their main activities are holding health seminars and walking events at individual workplaces, planning and organizing sports festivals and conducting visits nationwide to examine personnel using body composition monitors. The activities are designed to be enjoyable and easy to continue in order to help prevent lifestyle-related diseases. The Company and the Japan Airlines Health Insurance Association also encourage the use of stars, napping and the closure of smoking areas at headquarters to support employee health.

JAL has been honored with the Health & Productivity Stock Selection for two consecutive years, and the Japan Airlines Health Insurance Association also received a commendation from the Ministry of Education, Culture, Sports, Science and Technology. JAL was selected as Health & Productivity Stock 2016 for the second consecutive year by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange. (14 of the 25 companies selected are repeat selections). The JAL Group’s concerted efforts toward health management were also recognized in the selection of the Japan Airlines Health Insurance Association for commendation as a Health and Fitness Promoting Organization by the Ministry of Education, Culture, Sports, Science and Technology in fiscal 2015.
A JAL that shines with the diversity of its human resources

The JAL Group is promoting diversity with the aim of establishing itself as a company which promotes the participation of diverse human resources including women. As efforts aimed at changing workstyles and raising awareness among all our employees, we have set a target of raising the ratio of women in management in the JAL Group from 15.6% (as of March 31, 2016) to 20% by fiscal 2023 year-end.

JAL efforts

Promoting Diversity Including Promotion of Women’s Careers

Infrastructure provision

(1) Employees are permitted up to three years of childcare leave. In fiscal 2015, 752 employees (780 women and two men took childcare leave. The reemployment rate after childcare leave was 71.3% (100% for operational planning positions and 70% for cabin attendant positions). The timing of the return to work can be adjusted according to the individual’s circumstances.

(2) JAL programs responding to employee childcare responsibilities include exemption from late night duty and shortened working hours, from which many employees are benefiting.

(3) Employees can use subsidies and services for temporary childcare, monthly childcare, and childcare items and housekeeping services.

(4) New leave systems introduced in fiscal 2016 include leaves for spouse transfers and leaves for fertility treatment. Those systems permit employees to continue working in step with their life stages. In April 2016, we eliminated the contract system for cabin attendants, giving our current contract employees regular employee status and hiring all new cabin attendants as regular employees from April 2016.

(5) The nursing care leave system has been expanded to support employees who provide nursing care by, for example, enabling them to make use of the special purpose cumulative leave system for accumulating unpaid paid holidays) for nursing care.

Reinforcing human resources cultivation and culture development

Committed to placing the right talent in the right job and employing the merit system, we are placing increasing numbers of women in divisions that have had few female employees in the past. This is the third year in which cabin attendants have been assigned overseas as part of a program to give motivated employees overseas and other assignments in which they can gain experience and build their careers. Training for women employees also continues as part of efforts to further their careers.

Striving to cultivate a corporate culture that encourages further growth of human resources, we have included human resources development for women and other employees in performance evaluations for management posts, and interviews with management personnel and the Human Resources Division for lower-ranking female employees aged 35 or younger.

Efforts by the JAL Group

Establishment of the JAL Nadeshiko Lab

The JAL Nadeshiko Lab was established in November 2015 as a cross-functional team under the direct control of the President. The Nadeshiko Lab engages in changing workstyles, as well as in raising awareness among employees, through two mainstays: Group projects concerned with leveraging efforts toward women’s career promotion throughout the JAL Group. The Nadeshiko Lab is laying plans for further research aimed at realizing a work environment where diverse human resources can participate actively. Others

Training for female employees

Mama Cafe: training designed to contribute to networking among employees who have come back to the company after childcare leave.

Customer Value Creation Project: training deploying the unique perspectives and experience of women to generate value in products and services and that will encourage customers to choose them. The project is helping to develop the abilities of JAL’s female employees.

Expanding opportunities for active participation by employees with disabilities

A new concept calling for “increasing diversity in an environment where disabilities are not hindrances and continuing to create new value” was added to the corporate policy of JAL Sunlight in the current fiscal year. SKY CAFE Klatto newly opened for JAL Group employees on the third floor of the Haneda Aircraft Maintenance Center on February 15, 2016.

Klatto is operated primarily by employees with minor mental disabilities. The name incorporates the hope that the cafe will be a place where the individuality and character of employees will shine like stars. The staff prepare every cup of coffee or tea among the sixteen varieties on the menu with meticulous care and operate the cash registers, receiving payments and returning change with smiles and cheerful voices reflecting an “always positive and happy” attitude.

Employees with mental disabilities are also employed serving tea to visitors in the reception space on the fourteenth floor of our Tokyo Headquarters.

Successive selection for the Nadeshiko Brand list

JAL was selected in both fiscal 2014 and fiscal 2015 for inclusion in the Nadeshiko Brand list of enterprises pursuing diversity management by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. The list recognizes companies for positioning the career development of diverse human resources including women as a key management strategy for surviving intensifying competition and engaging in various activities. The JAL Group will continue its concerted efforts to become a company that offers career opportunities for diverse human resources.

Efforts for the LGBT community

The JAL Group seeks to promote career opportunities for diverse human resources, including women, Parsons with disabilities, and employees who wish to continue employment beyond the mandatory retirement age. A message from President Ueki to employees titled “What We Must Do to Further Promote the Career Success of Diverse Human Resources” in March this year also touched upon promotion of understanding of the LGBT community.

Efforts will continue to further a proper awareness and understanding of LGBT people among our management executives and all JAL Group employees through e-learning and other approaches.

* LGBT, which stands for lesbian, gay, bisexual and transgender, serves as a general term for all sexual minorities.

Message

Junko Okawa
Director, Senior Managing Executive Officer, Director, Communication Division

Since fiscal 2014, the JAL Group has positioned promotion of career success by members of our diverse workforce as one of our business strategies, and has reinforced its development and support systems to enable a variety of human resources including women to exhibit their capabilities actively.

One major step toward making our company one in which women truly play a leading role is the JAL Nadeshiko Lab, which opened in November 2015. This lab is central to our efforts to improve our corporate value by promoting women’s careers.

Raising awareness and changing workstyles are two key phrases in psychological and functional terms for promoting women’s careers. I can understand this from my own experience. I spent many years in the Cabin Attendants Division, building my career while deciding when to take leave and when to work as I encountered various events in my personal life. To facilitate creation of workplaces that give others the opportunity to have the same kind of experience, we must first develop an environment which raises awareness to enable the sensitivity, abilities and experiences of each individual, whether male or female, to be fully optimized. This will open up many possibilities that women had to forego in the past, spur the growth and development of women, and create new values for the JAL Group. Promoting women’s careers does not entail giving women preferential treatment, but rather enabling them to work longer and truly to build their own careers.

The JAL Group is founded on the JAL Philosophy imbued in all our employees. It is precisely for this reason that our employees can consistently enjoy progressive careers. We will continue to promote resolute efforts, based on this foundation, to ensure that not only women but all members of our diverse workforce can display their individuality to strengthen the JAL Group by serving as a source of competitive power and raising our corporate value.
A wide variety of human resources are active in the JAL Group, irrespective of nationality or gender. We take the utmost care to make it easy for anyone to work and to show their talents in our workplaces.

Multiple opportunities to take our careers up to the next level precisely because we have workplaces with a majority of women

JAL NAVA is the primary contact center for the JAL Group. Our employees are 97.5% women, and our management is 99.0% women as well. As head of the Osaka Center, I am simultaneously responsible for managing the business and educating our staff, while also participating in the overall company operations. I started my career as a cabin attendant. My first experience in a different type of job was in the Labor Services Department. I was appointed to my current position in 2013 after serving as head of the Kansai Airport branch of Japan Asia Airways, the JAL Osaka Airport Cabin Attendants Office and the Narita Cabin Attendants Department. The many opportunities I have been given along the way have brought me to this point. It is not unusual these days for employees to build careers beyond their original positions in much the same way.

In addition to childcare leave and child nursing leave, we established a system at JAL NAVA that enables employees to choose four-hour shifts until their children enter elementary school, and that allows both male and female employees who leave the company to return to their original position within a seven-year period.

We also established Nagoshiko Navi in fiscal 2016 as part of our activities aimed at assuring a work-life balance. We will continue our efforts to create a workplace environment which enables women to play vital roles and shine. We have a target of doubling the number of women in management positions, such as director, general manager or above, by fiscal 2018. I certainly hope that working women will never let their opportunities slip away, but will continue to aspire to step up to the next level.

Rosang Zual
Inner Branding Group, Corporate Brand Promotion Department, Communications Division, Japan Airlines

Edited the English edition of the in-house magazine to share information with non-Japanese JAL Group employees

When I was a student, I desperately wanted to work in the airline business. I found a job in JAL’s Yangon branch in my native Myanmar and later worked in ticketing and sales support in the Singapore branch. I came to Japan two years ago. A senior colleague at the time told me about job possibilities in Japan and assured me, “You can do it,” convincing me to take the chance. For the past year, I have been editing the English version of our in-house magazine, Rising, along with two Japanese colleagues. Wishing to share business information and news from branches around the world with our colleagues worldwide, we changed it from a bimonthly to a monthly publication. This makes us busier, but I’m happy that my suggestion to make this change was accepted. I also write unique articles for the English edition about Japanese culture and about our staff outside Japan. Japanese is still difficult for me, but people listen to my opinions during meetings. There are many other staff from outside Japan in the company, and gathering together people from different cultures is helping to change all our ways of thinking. I believe this is the real meaning of diversity.

Kenta Oyagi
JAL Engineering Co., Ltd., Foreman, Team No. 6, Cabin Maintenance Section, Cabin Electronics Maintenance Office, Flight Inspections and Maintenance Department, Narita Aircraft Maintenance Center

I took childcare leave when both my children were born.

This is a work environment that gives me time I need for both my family and my job.

I work in aircraft cabin maintenance. We handle all the equipment customers can see and touch, including the seats, lights, air conditioning, entertainment systems and restrooms. Our work involves both short but intensive bursts between landing and takeoff, and full maintenance and overhauls conducted over several days. We work in shifts including night shifts, which means I can be home during the daytime. Right from the start of my marriage with my working wife, we shared the housework, and I took a month of childcare leave for the births of both my son and daughter. It puts stress on the family when I’m studying to pass exams for the qualifications required for maintenance work, so I have tried to make up for those times by doing housework and looking after the children during my childcare leave. It is not only wonderful that we have these systems, but also that people are encouraged to actually use them. Many other male employees have followed me in taking childcare leave, and we all work together to cover for each other as a matter of course. We can work all the harder precisely because we have spent a good deal of time with our families. This JAL corporate climate that permits us to make active use of these systems to balance our work and family responsibilities is something that will always remain close to our hearts.

Kyoko Furuta
Osaka Center Head and Executive Officer, JAL NAVA Co., Ltd.

I achieved my dream of a career outside Japan.

After I married, I came alone to work in Helsinki.

I wanted to work in a JAL branch overseas as part of my personal career development. Currently I work at Helsinki Airport managing arrangements between our locally contracted ground handling company and JAL Headquarters. Our customers come from various parts of Europe as well as from Japan. They have different cultures and varied preferences. I always try to provide sincere service that blends the way the Finish people want to be treated with JAL’s own concept of hospitality. Actually, the offer to come to Helsinki coincided with my marriage. I was unsure what to do, but my husband was extremely supportive, so I decided to take the offer. Every day I feel fulfilled to be doing the work I wanted to do, I enjoy a good balance of work and days off, and a positive working environment for both men and women. I am also grateful for the understanding I receive when I return to Japan on leave. At JAL, it’s not all difficult for women to work in other countries. I hope that what I accomplish here will pave the way for my junior colleagues to follow.

Aiko Hirano
Assistant Manager, Passenger Section, Helsinki Vantaa Airport, Japan Airlines

I am simultaneously responsible for managing the business and educating our staff, while also participating in the overall company operations. I started my career as a cabin attendant. My first experience in a different type of job was in the Labor Services Department. I was appointed to my current position in 2013 after serving as head of the Kansai Airport branch of Japan Asia Airways, the JAL Osaka Airport Cabin Attendants Office and the Narita Cabin Attendants Department. The many opportunities I have been given along the way have brought me to this point. It is not unusual these days for employees to build careers beyond their original positions in much the same way.

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Rosang Zual
Inner Branding Group, Corporate Brand Promotion Department, Communications Division, Japan Airlines

Edited the English edition of the in-house magazine to share information with non-Japanese JAL Group employees

When I was a student, I desperately wanted to work in the airline business. I found a job in JAL’s Yangon branch in my native Myanmar and later worked in ticketing and sales support in the Singapore branch. I came to Japan two years ago. A senior colleague at the time told me about job possibilities in Japan and assured me, “You can do it,” convincing me to take the chance. For the past year, I have been editing the English version of our in-house magazine, Rising, along with two Japanese colleagues. Wishing to share business information and news from branches around the world with our colleagues worldwide, we changed it from a bimonthly to a monthly publication. This makes us busier, but I’m happy that my suggestion to make this change was accepted. I also write unique articles for the English edition about Japanese culture and about our staff outside Japan. Japanese is still difficult for me, but people listen to my opinions during meetings. There are many other staff from outside Japan in the company, and gathering together people from different cultures is helping to change all our ways of thinking. I believe this is the real meaning of diversity.

Kenta Oyagi
JAL Engineering Co., Ltd., Foreman, Team No. 6, Cabin Maintenance Section, Cabin Electronics Maintenance Office, Flight Inspections and Maintenance Department, Narita Aircraft Maintenance Center

I took childcare leave when both my children were born.

This is a work environment that gives me time I need for both my family and my job.

I work in aircraft cabin maintenance. We handle all the equipment customers can see and touch, including the seats, lights, air conditioning, entertainment systems and restrooms. Our work involves both short but intensive bursts between landing and takeoff, and full maintenance and overhauls conducted over several days. We work in shifts including night shifts, which means I can be home during the daytime. Right from the start of my marriage with my working wife, we shared the housework, and I took a month of childcare leave for the births of both my son and daughter. It puts stress on the family when I’m studying to pass exams for the qualifications required for maintenance work, so I have tried to make up for those times by doing housework and looking after the children during my childcare leave. It is not only wonderful that we have these systems, but also that people are encouraged to actually use them. Many other male employees have followed me in taking childcare leave, and we all work together to cover for each other as a matter of course. We can work all the harder precisely because we have spent a good deal of time with our families. This JAL corporate climate that permits us to make active use of these systems to balance our work and family responsibilities is something that will always remain close to our hearts.

Kyoko Furuta
Osaka Center Head and Executive Officer, JAL NAVA Co., Ltd.

I achieved my dream of a career outside Japan.

After I married, I came alone to work in Helsinki.

I wanted to work in a JAL branch overseas as part of my personal career development. Currently I work at Helsinki Airport managing arrangements between our locally contracted ground handling company and JAL Headquarters. Our customers come from various parts of Europe as well as from Japan. They have different cultures and varied preferences. I always try to provide sincere service that blends the way the Finish people want to be treated with JAL’s own concept of hospitality. Actually, the offer to come to Helsinki coincided with my marriage. I was unsure what to do, but my husband was extremely supportive, so I decided to take the offer. Every day I feel fulfilled to be doing the work I wanted to do, I enjoy a good balance of work and days off, and a positive working environment for both men and women. I am also grateful for the understanding I receive when I return to Japan on leave. At JAL, it’s not all difficult for women to work in other countries. I hope that what I accomplish here will pave the way for my junior colleagues to follow.

Aiko Hirano
Assistant Manager, Passenger Section, Helsinki Vantaa Airport, Japan Airlines
Shareholders and investors
Recognizing the General Meeting of Shareholders as a forum for constructive dialog with shareholders, JAL always provides shareholders with timely notifications of the meetings together with accurate information and sufficient time to allow them to study all relevant notifications. In addition, we establish an environment in which easily understandable information is provided at the meetings to enable all the shareholders to exercise their voting rights properly. The representative directors, the executive responsible for finance and accounting, and executives from other JAL departments address issues arising from the dialog and develop investor relations (IR) related to management strategies, business strategies, financial information and other relevant information with an emphasis on fairness, correctness and continuity, while promoting good mutual communication.

Suppliers
In order to realize a sustainable society, JAL promotes procurement activities in consideration of corporate social responsibility (CSR) with our suppliers. We have established a Supplier Code of Conduct based on the JAL Group’s CSR Policy, to which we seek the suppliers’ consent prior to enacting any transactions with them. In addition, JAL provides and shares CSR information with suppliers who handle specific goods, such as in-flight meals or in-flight giveaways, using the Sedex*1 platform. As a forum for communication, we host meetings centering on suppliers of indirect materials. In fiscal 2015, a total of 115 companies participated in these communication meetings.

Customers
Our Medium Term Management Plan targets acquisition of the No. 1 Customer Satisfaction rating by fiscal 2016. All JAL employees are responding with united efforts to satisfy customers based on the JAL Philosophy. While providing the finest service to deliver a refreshing and inspiring travel experience, we address challenges in order to “provide unparalleled service to customers” in accordance with the JAL Group Corporate Policy.

Employees
Based on the JAL Group Corporate Policy and the JAL Philosophy, we promote creation of workplaces which are a pleasure to work in. To enable every employee to grow and develop as a more admirable person, we will continue to tackle diversity and a range of other workstyle reforms with leaders who are endowed with genuine competence and empathy playing a central role.

Local communities
As a responsible corporate citizen, we build relationships of trust with local communities through business activities that contribute to creating better communities and a better society. Leveraging our human assets, know-how, information and other resources, we conduct a diverse range of social contribution activities, including educational support for the next generation.

*1 Sedex Information Exchange Limited. A British non-profit organization that enables sharing of CSR procurement information.

CSR Activities

JAL Group CSR

- CSR Policy .................................................. 72
- Safety and Sense of Security .................. 74
- The Environment ...................................... 76
- Environment: Action Plan ................ 78
- Bridging Japan and the World ............... 80
- Nurturing the Next Generation .......... 84
Preserving the JAL Philosophy as our base, we promote social contribution activities only the JAL Group can conduct in four fields.

**JAL Group Corporate Policy**

The JAL Group will:
- Pursue the material and intellectual growth of all our employees;
- Deliver unparalleled service to our customers; and
- Increase corporate value and contribute to the betterment of society.

**Solving social issues**

We take advantage of the air transport business as our core business. We strive to solve social issues through the air transport business.

**Bridging Japan and the World**

We contribute widely to society in our capacity as a unified JAL Group.

**Environment**

As a member of society, we maintain a comprehensive awareness of social issues and strive constantly to solve them.

**Safety and Sense of Security**

We promote all our initiatives fully as a unified JAL Group. Designating four key action areas as pillars, and pursuing cooperation with businesses when necessary, we promote our initiatives as a unified JAL Group.

**Nurturing the Next Generation**

We seek to do what only the JAL Group can achieve.

**JAL Group’s Basic CSR Policy**

The JAL Group will engage in corporate social responsibility activities through its core air transport business as the “Wings of Japan” to meet society’s expectations and solve social issues to create a better society for the next generation.

**Action policy and four areas of action**

The JAL Group promotes CSR activities by putting our action policy and the JAL Philosophy into practice for the realization of the JAL Group Corporate Policy. As a participating company in the United Nations Global Compact, we uphold and implement the Principles with respect to Human Rights, Labor, Environment, and Anti-Corruption.

**Safety and Sense of Security**

Maintaining safe operations strictly, providing every passenger with a safe, comfortable flight, and contributing to building a safer, more secure society.

Maintaining safe operation of each and every flight is among our most important CSR activities, and indeed our reason for being. From this perspective, we have revealed our full commitment to contributing to society by communicating our thoughts and actions, responding as only an airline can and establishing a BCOP (Business Continuity Plan). We are also pursuing actions to enable more passengers to enjoy travel with assured safety by such means as promoting barrier-free facilities with Universal Design, supporting medical transport using stretchers for patients and planning package tours for customers with food allergies.

**The Environment**

Acknowledging our environmental burden, alleviating climate change and conserving biodiversity.

Air transport consumes large quantities of fuel, placing a substantial burden on the global environment. In recognition of this, the JAL Group applies a wide range of approaches to minimizing the environmental burden in all its business activities. In an activity only an airline can conduct, we have been developing and conducting atmospheric observations using passenger aircraft since 1979. This includes a forest fire reporting project. The JAL Group promotes “Sky Eco” (ecological friendliness from the sky), a project unique to the Group. We strive to link these activities with Japan’s rich natural environment for the benefit of future generations to help ensure that Earth as seen from the sky can remain beautiful forever.

**Revitalizing Japan’s industries and regional economies, and improving mutual understanding with international society**

Air transport is a vital part of the social infrastructure, and the business itself has the characteristics of a public service. Society expects airlines to provide a diverse range of “bridging” functions. Besides fulfilling the basic roles of maintaining route networks and providing convenient air transport services, we maintain and improve lifeline routes and local community networks, promote cultural exchange by such means as assisting with transport for art exhibitions, and revitalize local economies by promoting tourism and supporting natural disaster reconstruction projects. By bridging communities and their people in these and other ways, we can make a significant contribution to the overall progress and development of society.

Cooperating in transportation for art exhibitions

**Bridging Japan and the World**

Flying through the sky and building bridges with people around the world . . . Our business makes dreams like this come true, giving children in our contemporary world hope of advancing into the future while holding onto their dreams. We contribute to the future of children who will carry their hopes and dreams with them as leaders of the next generation through programs supporting a wide range of age groups, and through the participation of JAL employees in programs such as JAL Paper Plane classes, in which children enjoy playing together; JAL Sky Eco classes, in which children think about the global environment with JAL employees; JAL Career Talk for Students classes, in which the role of airlines are discussed, and JAL Factory Tours.

A JAL Paper Plane class
The JAL Group seeks to be a friendly corporation that welcomes every customer with a genuine spirit of attentive hospitality to assure that anyone can fly JAL Group airlines with a true feeling of safety every time.

We believe that providing customers with safe, secure functional value is the foundation for our services. But this alone does not constitute the “attention to quality” we seek to maintain. It is also important to offer customers “emotional satisfaction.”

In our efforts to assure attention to quality, we added principles to the 7 Principles of Universal Design and formulated the 10 Principles of JAL Universal Design.

To realize a “JAL that is friendly to everyone,” we will continue to offer customers beauty, quality, security and comfort reflecting the JAL character.

The JAL Group seeks to be a friendly corporation that welcomes every customer with a genuine spirit of attentive hospitality to assure that anyone can fly JAL Group airlines with a true feeling of safety every time.

Perspectives and basic principles with respect to barrier free design

The 3 Principles of JAL Universal Design

Principle 1 Exceptional Quality and Beauty
The best use made of materials to achieve functionality accompanied by ambient quality and beauty.

Principle 2 Feeling of Comfort
A pleasant environment has been provided for both customers and staff.

Principle 3 Sense of Security
Do the structures and services assure long-term peace of mind?

The 7 Principles of Universal Design

Principle 1 Equitable Use
Has consideration been given to the differing physical and mental conditions of the people that may use the design?

Principle 2 Flexibility in Use
Does the design accommodate a wide range of individual preferences and abilities? Can it be used under differing conditions, such as dark or noisy environments?

Principle 3 Simple and Intuitive Use
Is the design straightforward, making the purpose and method of use immediately apparent?

Principle 4 Perceivable Information
Is there more than one means of communication? Is the necessary information communicated effectively to the user?

Principle 5 Tolerance for Error
Does the design minimize hazards and the consequence of accidental or unintended actions?

Principle 6 Low Physical Effort
Can the design be used efficiently and comfortably by users with different physical conditions?

Principle 7 Size and Space for Approach and Use
Are appropriate size and space provided for comfortable use by people of different physical conditions?

Making airports easier to use

At Haneda Airport, the signs at terminal entrances as well as other signs and displays throughout the terminal have been repaired and updated based on comments and feedback from customers and airport staff. Universal Design has been applied to make terminal use easier for customers by employing “easily understandable letters and characters,” “symbols (pictograms)” that can be understood at a glance,” and “color guides.” Many monitors have been installed to enable the JAL Group to provide accurate information promptly in the event of a flight delay or cancellation due to weather or some other reason.

A smooth flow of passengers through airport security checkpoints has been facilitated by installing tables for temporary placement of personal items as well as explanatory panels clarifying the flow of inspections just in front of entrance to inspection areas. This has made it easier for passengers to prepare in advance and reduced waiting times.

Enhancing cabin comfort

We always aspire to provide products and services that ensure every passenger, from small children to elderly passengers and passengers requiring special assistance of any kind, a safe, comfortable trip on a JAL Group aircraft.

We make extensive use of Universal Design for our products and services to meet the needs of our passengers. Examples include JAL SKY SUITE and JAL SKY NEXT and other special aircraft seating configurations and a wide range of special in-flight meals option for passengers with allergies or other health conditions. In addition to developing new products and services, we naturally recognize the importance of ease of use of onboard facilities. The lights turn on automatically in the cabin lavatories when the door is locked, for example, to remind passengers to lock the door. We will continue to seek out and adopt facility enhancements to improve usability for passengers.

In addition to our superior facilities and services, we provide hands-on education to ensure that each cabin attendant offers customers timely service in a true spirit of hospitality.

Travel assistance

Priority guest support
The JAL Group refers to passengers with reduced mobility and sick or injured passengers as “priority guests,” who are to be given precedence in provision of services.

The Priority Guest Center was launched in 1994, the first facility of its kind in the airline business in Japan, has handled a wide range of situations. Its experienced staff members are always standing by to respond with care to customer needs.

• Transport support for para-sports organizations participating in events such as the Paralympic Games
• Medical transportation using stretchers for patients, including those traveling with their pets, for a cost
• Joint Priority Guest operations with American Airlines and British Airways
• Events to raise public awareness concerning people with disabilities

JAL Smile Support

We have established Smile Support Counters at several airports*1 for customers taking advantage of our JAL Priority Guest Support or JAL Family Service, in addition to expectant mothers and those traveling with small children. Our Service Care-fitter and trained support staff can assist customers with all their boarding procedures using lower counters, and chairs, which are part of our Universal Design. We also have strollers and wheelchair available for use inside the airplanes in which the counters have been installed.

Program for actual pre-flight experience

The JAL Group maintains a special focus on activities in support of children who hesitate to fly due to disabilities. One of those activities is flight training for children with autism or other developmental disorders. While the ability to use public transport freely is essential to facilitating the social engagement of children with these disorders, the special atmosphere of airports and the high levels of noise produced by aircraft raise additional hurdles between them and air travel, and may even cause some children to give up on flying completely. We host a program to enable both these children and their guardians to develop a positive attitude toward aviation through a series of airline classes and hangar tours with flight and cabin crews in cooperation with local rehabilitation centers. Many participants have commented to the effect, “I may now actually be prepared to try my first-flight ever!”

We held an event at Haneda Airport to which we invited physically challenged customers who had no experience of air travel and felt uncertain about airport procedures to bring their service dogs and gain a hands-on experience and understanding of the flow of events up to a departure gate and beyond, until they were actually seated in the cabin.
Considering the significant environmental burden associated with air transport, we have taken up the challenges involved in promoting our Sky Eco program into the future in every aspect of our business, from maintenance and the flight itself to handling after landing.

Our Eco-First Commitment and Sky Eco

We are currently promoting a Sky Eco program by steadily implementing our Action Plan (pages 78-79) through corporate activities in several different departments. As a CO₂ reduction target for aircraft by fiscal 2020, we are working on reducing CO₂ emissions per revenue-ton-kilometer from JAL Group aircraft by 23% below the fiscal 2005 level.

As of fiscal 2015, we had achieved a 14.9% reduction. In fiscal 2016, we stepped up efforts by joining the Eco-First Promotion Council.

Environmental Guidelines

As an airline company responsible for an extremely important aspect of social infrastructure, the JAL Group is fully aware of its responsibility with respect to the global environment. We have therefore placed management of our environmental impact and protection of the environment as core themes in all of our business operations. We will continue to implement the Sky Eco program with the aim of passing on a bounteous Earth to future generations to ensure their enduring ability to view and enjoy our beautiful planet from the skies.

Maintenance

Engine water washing

Minimize atmospheric dust particles accumulate in aircraft engines during flight. Since engines intake and compress air in the combustion process, this accumulated dust reduces their mileage performance and adds to their CO₂ emissions. We give the engine interior a regular washing with water, removing any adhering dust and dirt and recovering engine performance while also achieving a 1% improvement in fuel efficiency. This washing is conducted at intervals of 200 to 300 days for the Boeing 777 (PW4000 engine), 767 (CF6 engine) and 737-800 (CFM56 engine).

While parked

Reduced auxiliary power unit (APU) usage time/Shades Closed Exercise

Closing the window shades blocks out sunlight, lowers cabin temperatures and reduces air-conditioner use. This shortens the time the APU at the rear of the aircraft is in operation, lessening CO₂ emissions.

In flight

CONTRAIL project using passenger aircraft for atmospheric observations/Reporting on forest fires

We participate in the CONTRAIL project, a social contribution activity that takes advantage of the special characteristics of aircraft. In this context, we cooperate fully with external research institutes in conducting atmospheric observations and reporting on forest fires.

Use of CDO (continuous descent operations)

Upon securing safety and other specified conditions, we make positive use of CDO as if descending a slope as a means of reducing CO₂ emissions.

On descent

Reduced flap, delayed flap & delayed gear, and idle reverse

To prevent air resistance from increasing, while securing safety at the same time, we employ approaches such as reduced use of flaps (devices at the back of the main wings designed to increase lift) and delayed gears and flaps. If runway conditions and other factors meet set standards, reverse thrust is employed when the engine is idling, a procedure that lowers CO₂ emissions.

At landing

Engine Out Taxi using only one of the twin engines

If certain conditions are met, the flight crew use only one of the aircraft’s twin engines while taxiing to its parking slot to reduce CO₂ emissions.

CONTRAIL Atmospheric Greenhouse Gases Observation Project by Passenger Aircraft

In 1979, the JAL Group participated in a Tokohu University greenhouse gas research project by conducting observations of CO₂ concentrations in the atmosphere using aircraft on scheduled domestic flights operated by Toa Domestic Airlines, since renamed Japan Air System (JAS). This led to the current program of observations between Sendai and Sapporo. In 1984, we began a two-year program of measuring concentrations of CO₂ from aircraft in international flights — between Narita and Sydney, for example — again in cooperation with Tohoku University. This was the first-ever attempt at atmospheric observation by aircraft on scheduled international flights. Currently, the JAL Group takes advantage of these and other results by participating in the CONTRAIL Project. This is a joint research project conducted by the National Institute for Environmental Studies, the Meteorological Research Institute, JAMCO CORPORATION and the JAL Foundation for the purpose of elucidating the mechanisms of global warming. It is an environmental activity taking advantage of the wide range of coverage and high frequency of flights by aircraft on regular passenger flight routes. Most notably, aircraft on flights from Australia to Japan have continued observations since 1993, achieving the longest observation record of greenhouse gases using international scheduled flights.

Observation is carried out by automatic observation equipment installed in aircraft cargo bays and by manual pumps operated by researchers or JAL Group employees who board with special permission. By analyzing air samples and measurement data collected at a participating research institute, we have assisted in clarifying many facts, thus contributing to global research activities in this field.

Aviation biofuels

Many countries are developing aviation biofuel with the aim of significantly reducing CO₂ emissions. In January 2009, a JAL Boeing 747-300 became the first aircraft in Asia to conduct a test flight using non-food biofuel. We participated in the founding of the Initiative for Next Generation Aviation Fuels (PNG), a group of 50 major companies and organizations that explores the potential for biofuel production in Japan.

We have been promoting results for several manufacturing processes using municipal waste, which offers a significant cost advantage in terms of raw material procurement. Going forward, we will actively promote studies targeting future commercialization.

Cabin waste recycling

Since 2007, JAL has been pursuing efforts to recycle all the waste generated onboard aircraft. We have been recycling beverage cans, newspapers, inflight magazines and plastic bottles, for example, using standardized procedures at numerous airports. We incinerate all our food waste, such as leftover meals from international flights, to comply with quarantine and other restrictions. Besides pursuing self-help efforts, such as reducing food waste, and cooperating with the International Air Transport Association (IATA) in efforts to formulate common international rules, we will continue to implement initiatives to achieve a steady increase in the ratio of recycled waste.

Actions toward biodiversity

Izumi City’s migrating cranes

As part of its biodiversity conservation activities, the JAL Group has resumed its support of activities concerned with the winter migration of cranes to the area around Izumi City, Kagoshima Prefecture. In February 2015, we announced our co-sponsorship of the Kagoshima-Izen Tsuru Hogo Kai (Kagoshima Prefecture Crane Protection Association).

In fiscal 2016, we are proceeding with plans to extend support to other environmental protection activities.

OISCA Children’s Forest Program in Thailand

The OISCA Children’s Forest Program was organized in 1991 as a sustainable afforestation project for children to take an active part in afforestation activities, and became an OISCA Children’s Forest Program in Thailand in 1999. As of end fiscal 2015, some 4,700 schools in 36 countries and regions had participated. The JAL Group supports this laudable program by providing air transport and collecting contributions through charity mile donations.

In fiscal 2015, the JAL Group donated 1,701,000 miles, the equivalent of some 8,500 seatings.

Chapter TOP Contents
We are formulating targeted plans to protect the environment in different areas of our business operations and to achieve results through continuous action.

We have positioned control of our environmental impact and protection of the environment as core themes in our operations, and we are creating plans for action in these areas. Our philosophy and commitment to these efforts are specified in our Action Plans.

**Action Plan 1**
We actively pursue initiatives to prevent global warming.

<table>
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<tr>
<th>Commitment</th>
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<tbody>
<tr>
<td>We are working to reduce CO2 emissions per revenue-ton-kilometer from JAL Group aircraft by 23% below the fiscal 2005 level by fiscal 2020.</td>
<td>We increased the number of 787-8/9 aircraft with lower fuel consumption in our fleet. With these aircraft logging a significantly higher proportion of our total flight time, CO2 emissions per revenue-ton-kilometer for fiscal 2015 improved by 1.5% year-on-year, contributing to a decline of 14.9% from the fiscal 2005 level. We achieved our target of 1.5% average annual improvement (average figure for fiscal 2005 to fiscal 2015).</td>
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<tr>
<td>We are upgrading our fleet with aircraft featuring lower fuel consumption and noise levels (e.g., Boeing 787, 737-800 and Embraer 170).</td>
<td>We introduced air-efficient 787-8/9, one 737-800 and two Embraer 170 aircraft and retired eight older aircraft (777-200/300 and 767-300 models). We achieved an annual reduction in CO2 emissions of approximately 42,000 tons, mainly through five Eco Flight activities introduced in our daily operations: engine cut taxi, idle reverse, reduced flap, delayed flap, and delayed gear.</td>
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<tr>
<td>We conduct “Eco Flights.”</td>
<td>We introduced 2,000 of the world’s most advanced cargo containers and 1,500 lightweight pallets, which are about 40% lighter than conventional models. This led to a reduction in annual CO2 emissions of approximately 6,000 tons.</td>
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<tr>
<td>We are cutting CO2 emissions by washing aircraft engines and pursuing other CO2 reduction activities.</td>
<td>We work together with the relevant ministries and air traffic control and other aviation authorities in various countries to introduce the latest approaches to fuel-efficient aviation, and we will continue this collaboration proactively into the future.</td>
</tr>
<tr>
<td>We work together with the relevant ministries and air traffic control and other aviation authorities in various countries to introduce the latest approaches to fuel-efficient aviation, and we will continue this collaboration proactively into the future.</td>
<td>Our Yamada San Francisco route obtained certification for adopting operation methods that reduce environmental impact. We have been implementing CDO (continuous descent operations) at San Francisco International Airport, Kansai International Airport and Naha Airport. We have been operating IAP (inter-prefecture route) flights to Hesse, Australia, the West Coast of North America (Los Angeles, San Francisco and Vancouver) and Pekau. We extended our efficient selection of alternative airports (alternative for Hs Chi Minh City). The estimated annual reduction in CO2 emissions resulting from the above efforts was approximately 6,000 tons.</td>
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<tr>
<td>We are collaborating in the research and development of aviation biofuel made from inedible plants.</td>
<td>We introduced low-noise aircraft and noise abatement procedures and respond to other airport noise issues.</td>
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<tr>
<td>We promote energy-saving activities in our ground facilities (offices, factories, etc.).</td>
<td>We continue to adopt LED lighting in our maintenance facilities (hangars and docks), replace desktop PCs with laptop PCs, and other energy-saving activities, while upgrading to electronically-saving lighting in our offices. We have been awarded certification as an Excellent Operator for Energy Conservation (5-Class) from the Ministry of Economy, Trade and Industry.</td>
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**Action Plan 2**
We actively promote programs aimed at solving social and environmental issues and raising environmental awareness.

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<th>Commitment</th>
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<tr>
<td>We are contributing to long-term conservation of the environment through ongoing environmental and social activities, while also striving to raise environmental awareness among the children who will lead the next generation, as well as among our employees and society at large.</td>
<td>We implemented the Sky Eco Project, in which our pilots have taken the initiative. In fiscal 2014, we held 16 Sky Eco classes in which JAL flight crew captains offered environmental awareness education for children. We contributed to reducing CO2 emissions in cooperation with passengers by implementing the Shades Closed Exercise and improving on-time performance. We are participating in the Siberian Forest Fire Reporting Project. Since 2003, our pilots have been reporting any fires they spot during summer flights over Siberia to a research team led by Hokkaido University and JAXA that is conducting a cooperative research project studying early fire detection by satellites.</td>
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**Action Plan 3**
We work toward realization of a recycling-based society and preservation of the environment.

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<tr>
<td>We are targeting a final disposal rate of less than 2% for industrial waste from domestic workshops.</td>
<td>The total volume of waste increased by 1.8% in fiscal 2014 from fiscal 2013. The final disposal rate was 1.2%, easily meeting our target of less than 2%.</td>
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<tr>
<td>We work to reduce water usage.</td>
<td>We reduced water usage by 3.5%, year-on-year by reusing wastewater and implementing water-saving measures.</td>
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<td>We work to reduce chemical emissions (in accordance with the PRTR Act).</td>
<td>The total volume of PRTR substances handled in fiscal 2015 (462 chemicals) decreased by 4.0% year-on-year to 64 tons (as compared with a total volume in fiscal 2014 of 68.5 tons).</td>
</tr>
<tr>
<td>We work to recycle uniforms and items used in aircraft cabins, such as in-flight magazines, newspapers, aluminum cans, plastic bottles and cargo packing materials.</td>
<td>We continue to recycle beverage cans, newspapers, in-flight magazines and plastic bottles in accordance with our regulations. We are promoting comprehensive efforts to dispose of in-flight waste in collaboration with the JAL and airport companies.</td>
</tr>
<tr>
<td><strong>We pursue efforts to reduce NOx emissions from aircraft, automobiles and other vehicles. (NOx (HC) CO and other aircraft engine emissions are strictly regulated by the EUCA. Emission restrictions have been established under Japan’s CAEP6, AECO) and CAEP5 NOx standards. The applicable standards differ depending on the date of issue of an aircraft’s Certificate of Airworthiness.)</strong></td>
<td>All JAL aircraft engines are compliant with the regulation values and the ICAO’s CAEP6 and CAEP5 NOx standards. (The applicable standards differ depending on the date of issue of an aircraft’s Certificate of Airworthiness.)</td>
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**Action Plan 4**
We work to preserve the environment around airports.

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<tr>
<td>We introduce low-noise aircraft and noise abatement procedures and respond to other airport noise issues.</td>
<td>We actively practice “noise reduction at source” and “noise abatement procedures” as responsibilities of airlines under the Balanced Approach to Aircraft Noise Management recommended by the ICAO. All JAL aircraft are compliant with ICAO Chapter 4, the most stringent standard for noise. We practice noise abatement procedures during takeoff and operate under even stricter rules when taking off from Haneda and Narita airports. As for noise abatement procedures upon landing, we practice reduced flap, delayed flap and idle reverse. At San Francisco International Airport, Kansai International Airport, Kagoshima Airport, and Naha Airport, we conduct CDO (continuous descent operations) that achieve significant reductions in both noise and CO2 emissions.</td>
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**Action Plan 5**
We give due consideration to biodiversity.

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<tr>
<td>We convey the importance of biodiversity to our customers and society at large and adhere to the JAL Group Policy on Biodiversity in our business operations.</td>
<td>We formulated and adhered to the JAL Group Biodiversity Policy in recognition of the possible indirect impact of the JAL Group air transport business on biodiversity. We are participating in the United Nations Decade of Biodiversity initiative. We also promote activities that convey the importance of protecting the natural beauty of Japan, including its cranes and other wildlife.</td>
</tr>
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</table>
| We have painted the United Nations Decade of Biodiversity logo on our aircraft, contributed to the JAL Endemic Rabbit’s Forest and served Rainforest Alliance CertifiedTM coffee on our flights in consideration of biodiversity.
Initiatives unique to the JAL Group, which serves as wings connecting Japan with the rest of the world, contribute to the revitalization of regional economies, development of Japanese industry and evolution of international communication.

Activities for the Tokyo 2020 Olympic and Paralympic Games

In 1964, JAL transported the Olympic torch from Athens to Tokyo. In the years since, we have supported athletes in many other Olympic and Paralympic Games. Going forward, the JAL Group will continue to transmit values unique to JAL, with the “Tradition,” “Innovation” and “the Spirit of Japan,” to help overseas visitors enjoy their stay in Japan; to ensure that passengers with disabilities can travel comfortably without stress; and, finally, to enable more travelers to experience the many tourist attractions to be found in every corner of Japan. In 2020, the Olympic torch will return to Tokyo. The JAL Group will take advantage of our decades of experience and the united efforts of all our employees to assure the success of the Tokyo 2020 Olympic and Paralympic Games.
JAL NEW-JAPAN PROJECT

We continued development of the JAPAN PROJECT for collaboration with regional communities we introduced in May 2011, and established a new JAL NEW-JAPAN PROJECT in September 2015. Founded on promotion of tourism and development of the 6th industry of agricultural and aquatic products, and conducted in cooperation with local governments in Japan, the project is intended to expand our range of activities from exploration and development of human resources to promotion, sales and purchasing of these commodities to support sustainable development of regional economies.

In Aomori Prefecture, we offered Aomori Ai Financier (“Aomori indigo petit fours”) on our domestic flights. Widely known as a dye, indigo also has health benefits. We collaborate with the region to reactivate the indigo industry by promoting planting of indigo and indigo product development.

Tohoku regional support activities

JAL’S VISIT TO TOHOKU regional support project is a means of expressing the JAL Group's gratitude to society through support for Tohoku from a wide range of perspectives. We make use of our air transport business to tackle the challenges involved in promoting industry, creating tourism demand and supporting disaster victims in the Tohoku region.

Tohoku Cotton Project

Initiated in 2011, the Tohoku Cotton Project is an earthquake disaster reconstruction effort, in which JAL cooperates with agricultural corporations and clothing manufacturers in cultivation, spinning, commercialization and sales of cotton grown on agricultural land impacted by the tsunami and no longer suitable for growing rice. The project regenerates agriculture, and creates new industrial and employment opportunities. JAL Group employee volunteers participate in such fieldwork as sowing seeds, weeding and harvesting. Over 300 employee volunteers have traveled to Tohoku to work in the fields so far.

JAL employees even design and develop original products using the cotton they harvested for use as complimentary gifts or items to be exchanged for mileage points.

In fiscal 2015, we commercialized 12,000 original hand-woven napkins.

Tohoku regional support activities

JAL Gifts of Smiles Project

This project was conceived by JAL Group employees as a way of helping children impacted by the Great East Japan Earthquake of 2011 make a fresh start by taking them on a family trip. The costs are met by donations from JAL Group employees, which are then matched by the JAL Group. Employee volunteers accompany the families to provide assistance. Since introducing the project in the summer of 2013, we have invited 60 families (145 people) from Miyagi and Iwate prefectures to join us on four-day trips to Okinawa. We feel fortunate to have the opportunity to share these wonderful times reflected in the bright smiles of families as they enjoy the brilliant sunshine and blue seas of Okinawa.

Creating a bright future with Tohoku children through Ashita no Tsubaasa (“Wings of Tomorrow”)

In March 2015, we cooperated with Benesse Holdings in a two-day event in which we invited elementary school children from Aomori, Miyagi and Iwate prefectures to participate in airline classes and flight experiences at Aomori, Sendai and Hanamaki airports, respectively.

Both our companies wanted to provide children who will be tomorrow’s leaders with an opportunity to learn about their hometowns and work related to aviation as one of their future career opportunities. The event was held on March 12-13, the first weekend of the sixth year since the earthquake disaster. A variety of JAL Group staff, including flight and cabin crew, participated as volunteers.
We conduct many programs to help ensure that the children who will take the lead in the next generation can foster their dreams and create a bright future.

A JAL Paper Plane class

Paper Plane (folded paper airplanes) is a craft whose practitioners fold single sheets of paper into aerodynamic shapes with no cutting, pasting or power source to create paper airplanes that can fly gracefully. The JAL Group has hosted JAL Paper Plane classes since 2007 with technical guidance by the Paper Plane Association. Approximately 450 employees from many departments and in jobs ranging from sales, reservations and basic offices to flight and cabin crew, air-craft mechanics and airport staff have taken the association’s instructor development course and qualified as certified instructors. They have visited many different regions of Japan and various overseas countries to hold the classes. In fiscal 2015, we held 130 classes on Airplane Day at locations such as elementary schools and public halls from Hokkaido to Okinawa and Haneda and other airports. Classes were also held in various locations in North America, Europe and Asia. We have taught the craft of folding and flying Paper Plane and shared the pleasures of this activity with some 10,500 parents and children over the years.

JAL Factory Tours – SKY MUSEUM

The JAL Group also hosts free tours in which visitors can view aircraft resting their wings in a hangar following a flight. We began these tours in the mid-1950s, soon after the Company’s founding, and renewed them in July 2013 under the name “JAL Factory Tours – SKY MUSEUM.” Besides giving visitors from children to adults a closer look at airplanes in the hangar tour, the museum invites them to improve their knowledge of airlines and learn about the history of JAL and its pioneering undertakings in the world’s skies since its foundation in 1951. They can also learn about the work of staff who support flights, try on uniforms and enjoy an opportunity for hands-on experience in the actual work. Experienced and knowledgeable flight crew, cabin crew, mechanics and airport staff serve as guides for the museum guests. The facility welcomed over 120,000 visitors in fiscal 2015.

SKY BATON: Passing the baton to younger generations to create the future of the Tohoku region

The JAL Group launched SKY BATON to help the young people who will be entrusted with the future of Tohoku, and to contribute to development of the next generation, by offering opportunities for learning support in disaster-stricken areas and assisting children whose lives have been impacted by the disaster. Chance for Children (CFC), a public interest incorporated association, issues education vouchers to pay for tutoring or private lessons for children who face financial difficulties due to the disaster. Aiming to create an environment in which children can envision their futures and pursue their hopes and dreams through study, the JAL Group has cooperated with CFC in presenting JAL/CFC education vouchers to many children through this ongoing program. JAL supports the activity by matching the miles contributed through JAL Charity Miles, and by working together with its customers to implement initiatives for redevelopment of disaster-stricken areas.
JAL Group CSR

Nurturing the Next Generation

JAL Scholarship Program

The JAL Scholarship Program invites college students from Asia and Oceania to Japan to promote mutual understanding and prepare young men and women to assume leadership roles in shaping the region’s future. It offers opportunities to experience Japanese culture, such as the tea ceremony and Zen meditation, and to participate in workshops with Japanese students. Established in 1975, the program is currently operated by JAL and the JAL Foundation. To date, a total of 1,538 students have been invited to participate. In 2015, the program was conducted in the Tokyo area and in Ishikawa Prefecture for about three weeks beginning July 1 with 24 participants from 13 countries and regions. We have recently organized alumni organizations in other countries to develop a vertical network connecting previous participants who are now playing active roles around the world. In another new initiative, moreover, we launched an exchange program in 2015 between Japanese and Korean junior high school students.

World Children’s Haiku

This poetry project spreads the joy of haiku, the world’s shortest form of poetry, worldwide and develops sensitivity by creating and improving an understanding and interest in Japanese culture and Japan itself among the world’s children. The beginning of the project dates back to a haiku contest JAL hosted on an American radio program in 1964. Since the creation of the JAL Foundation in 1990, we have hosted the biannual World Children’s Haiku Contest, to which children 15 years old or younger from Japan and around the world submit their pictures and haiku they have written. The Grand prize-winning haiku from each country are collected and published the following year in an anthology titled “Haiku by World Children,” which is donated to domestic and overseas educational institutions and libraries. We have received more than 680,000 works from 52 countries and regions so far.

Support for UNICEF

In 1991, JAL launched the Change for Good® fundraising campaign for UNICEF on its flights between Tokyo (Narita) and New York to collect spare change in foreign coins from passengers. This campaign was expanded in 2006 to include all international flights operated by JAL. Passengers are simply asked to make voluntary donations of foreign coins that are left unused after they travel. We also provide support by transporting coins collected in airport customs areas and lounges in Japan to 13 countries free of charge.

JAL cabin crew participate in an activity hosted by the Japan Committee for UNICEF at each year-end by collecting donations for UNICEF on the street.

Programs for nurturing the next generation

JAL Factory Tours – SKY MUSEUM –
A free tour that gives visitors an opportunity to view aircraft close up while they are in the hangar for maintenance.

JAL SORAIKU
This is the inclusive name for the various next-generation programs conducted by the JAL Group. There are five classes available.
- JAL Paper Plane class
- JAL Sky Eco Classes
- JAL Career Talk for Students
- JAL Safety Demonstrations by Cabin Attendants
- JAL Job Interview Simulation for Students

World Children’s Haiku

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JAL cabin crew participate in an activity hosted by the Japan Committee for UNICEF at each year-end by collecting donations for UNICEF on the street.
The JAL Group has voluntarily established five committees, a majority of whose members are Outside Directors, in order to enhance management transparency and management monitoring for the purpose of strengthening enterprise value.

**Corporate Governance System**

**Board of Directors**
The Board of Directors ensures a high level of management transparency and strong management monitoring through the election of candidates for the positions of Director, Corporate Auditor and Executive Officer, decides their remuneration and makes important decisions.

In order to separate the management-monitoring function and business execution function, the Board appoints a Director who is not a business executive director as Chairperson, and an appropriate number of three or more Outside Directors who qualify as highly independent to provide appropriate advice. In order to carry out efficient decision-making, the Board may delegate decision-making concerning matters set forth in the Administrative Authority Criteria Table to the President pursuant to Regulations for Kessai (written approval) and Administrative Authority approved by the Board. The Management Committee has been established for the purpose of contributing to appropriate and flexible decision-making concerning management issues by the Board of Directors and the President.

The Board of Directors has established the Corporate Governance Committee, which comprises the Chairperson of the Board and Outside Directors, to evaluate the effectiveness of the Board of Directors with reference to self-evaluations by each Director once a year, review the operation, etc., of the Board appropriately, and disclose a summary of its findings. The Lead Independent Outside Director serves as Chairman of the Corporate Governance Committee.

**Corporate Auditors**
The Corporate Auditors monitor important matters concerning corporate management, business operations and the execution of duties by reviewing important Kessai (written approval) documents, as well as participating in Board meetings and other important meetings. Furthermore, the Corporate Auditors, together with staff members of the Corporate Auditors Office, conduct an annual audit of each business site, subsidiary and affiliated company and report the results to the Representative Directors. The Corporate Auditors also share information with the internal audit departments and accounting auditors and hold regular meetings with corporate auditors of subsidiaries to improve and strengthen auditing of the JAL Group.

The Corporate Auditors are provided with the means to acquire a sufficient understanding of their required roles and responsibilities through provision of corporate information and opportunities for regular participation in external training and external associations, etc., for which the Company bears the necessary expenses.

Outside Corporate Auditors are appointed from among persons with vast knowledge and experience in various fields, and those who do not qualify as highly independent as defined by the “Standards for Independence of Outside Directors” (described below) established by the Company are not appointed. Outside Corporate Auditors ensure sound management by conducting audits from a neutral and objective standpoint, with the cooperation of internal audit departments and accounting auditors.

To deepen the Outside Directors’ understanding of the Company, we arrange tours of airports and sales, maintenance and other workplaces and provide training on safety.

**Corporate Governance Committee**
The Corporate Governance Committee inspects initiatives under the JAL Group Fundamental Policies at least once a year, conducts analyses and evaluations to verify whether they contribute to sustainable growth and enhancement of corporate value in the medium to long term, and provides necessary recommendations and reports to the Board of Directors. The Committee comprises three Outside Directors (Iwata, Kobayashi and Ito) in addition to Director and Chairperson Onishi.

**Nominating Committee**

When submitting a proposal to the General Meeting of Shareholders concerning the appointment of candidates to the positions of Director and Corporate Auditor, the Nominating Committee makes a comprehensive judgment of the personality, knowledge, ability, experience and performance, of the candidate in response to inquiries from the Board of Directors and reports back to the Board. The Nominating Committee considers a succession plan for top management members such as the President, moreover, in order to realize our Corporate Policy, medium- to long-term management strategies and management plan. The Committee comprises three Outside Directors (Iwata, Kobayashi and Ito), President Ueki and Executive Vice President Fujita.

**Compensation Committee**

The Compensation Committee discusses matters concerning the amounts of compensation paid to Directors, Executive Officers and Corporate Auditors based on an inquiry from the Board of Directors and reports back to the Board. The Compensation Committee determines a compensation scheme that provides sufficient incentives for attaining sustainable growth. The Compensation Committee members are the same as the Nominating Committee members.

**Personnel Committee**

When appointing or removing an Executive Officer, the Board of Directors consults the Personnel Committee and takes the Personnel Committee’s response into account before making a decision. The Personnel Committee members are the same as the Nominating Committee members.

**Officers Disciplinary Committee**

Any disciplinary action imposed on Directors or Executive Officers is determined by the Officers Disciplinary Committee. The Officers Disciplinary Committee members are the same as the Nominating Committee members.
In-house governance bodies, including one under the direct control of the President

Management Committee (Newly Established)

The Management Committee is a body established by the Company for the purpose of contributing to appropriate and flexible decision-making by the Board of Directors and the President. The Committee deliberates important issues requiring a resolution of the Board of Directors and matters requiring approval by the President that must be confirmed by the Management Committee before they are presented to the Board or to the President. The Management Committee was established in February 2016 to replace the Managing Executive Officers Committee for the purpose of more clearly differentiating the auditing and executive functions.

Group Earnings Announcement Session (Convened 12 times in fiscal 2015)

The Group Earnings Announcement Session is attended by the Directors, Executive Officers and presidents of major subsidiaries to share the status of Group earnings and consider ways to improve business performance.

Corporate Brand Promotion Council (Convened 12 times in fiscal 2015)

The Corporate Brand Promotion Council establishes important policies on the corporate brand (corporate value) based on JAL’s Corporate Policy and strategies, clarifies the status of corporate activities, manages the progress of various corporate brand enhancement measures and shares information.

Group Council for Safety Enhancement General Meeting (Convened 13 times in fiscal 2015)

The Corporate Safety and Security Department has been established directly under the President for the purpose of rigorously promoting safety. The Group Council for Safety Enhancement General Meeting, which serves as secretariat for the Group Council for Safety Enhancement General Meeting, was established directly under the President for the purpose of realizing our Corporate Policy, medium- to long-term management strategies and plans.

Group’s current Outside Directors were chosen for the reasons summarized below.

Selection of Outside Directors

During the selection process for Outside Directors, the Company consistently strives to ensure comprehensive diversity while nominating candidates with a wealth of experience in various fields who are also equipped with insight, specialized knowledge and other strengths. Selection of nominees is also based, moreover, on the “Standards for Independence of Outside Directors” presented above. The JAL Group’s current Outside Directors were chosen for the reasons summarized below.

Issues for Corporate Governance

We have established a corporate governance framework based on the stipulations of the Corporate Governance Code implemented by the Tokyo Stock Exchange as part of ongoing efforts to increase our corporate value. Because the JAL Group considers the following two issues to be of particular importance, we have clearly expressed them in the Group’s Fundamental Policies of Corporate Governance. The committees established by the Board of Directors also focus on these issues in their discussions and deliberations.

Succession planning for Chief Executive Officers and other top management

The Nominating Committee considers the succession plan for members of top management such as the President in order to realize our Corporate Policy, medium- to long-term management strategies and management plan.

Directors’ roles/responsibilities and compensation for management personnel

With the objectives of ensuring sustained, steady growth and strengthening corporate value over the medium to long term, the Compensation Committee is considering the introduction in fiscal 2017 of the next Medium-Term Management Plan—of performance-linked compensation and compensation for management personnel in the form of JAL shares. This is expected to give managers stronger motivation to pursue efforts in close sync with JAL’s Corporate Policy and strategies.

Fundamental Policies on the Internal Control System

The JAL Group has established the following Fundamental Policies on the Internal Control System in order to increase the effectiveness of the Fundamental Policies on Corporate Governance. These policies will help to ensure compliance with the Companies Act and the Ordinance for the Enforcement of the Companies Act in our business activities. We make adjustments in our internal control, moreover, evaluate and verify its operation and institute improvements as necessary.

1. We have developed a system to ensure compliance with the Articles of Incorporation and laws and regulations regarding duties of directors.
2. We have developed a system concerning the presentation and management of information concerning the execution of the duties of directors.
3. We have developed regulations and other systems concerning risk management with respect to risks.
4. We have developed a system to ensure that the duties of the Directors are executed efficiently.
5. We have developed a system to ensure that the duties of all JAL Group personnel are executed appropriately.
6. We have developed an employee system that assures the ability to respond should the Company be targeted by computer or other means. We have also established a system to ensure the independence of such employees from Directors and to ensure that the instructions given to these employees by the Corporate Auditors are effective.
7. We have developed a system governing reports, etc., to Corporate Auditors.
8. We have developed a system for audits of compensation for management personnel for the execution of duties of the Corporate Auditors and for ensuring that all of these personnel are executing their duties effectively.
9. We have developed other systems to ensure that the Board of Corporate Auditors or Corporate Auditors are executing effectively.

Please visit the following page for details on adjustments and operation of JAL’s internal control system.

Risk Management System

Solving governance-related problems and fostering a more robust management framework through information disclosure and the establishment and operation of a sounder risk management system.

Promoting Compliance
To promote compliance with all laws, regulations and rules governing our corporate activities, we have designated the General Affairs Department of Japan Airlines Co., Ltd. to oversee all compliance matters, and are implementing various measures in a focused effort to elevate employee awareness.

We have created the JAL Group Compliance Network comprising directors from each JAL Group company, which seeks to cultivate a climate of compliance throughout the JAL Group, by sharing relevant information promptly, publishing in-house newsletters and mail magazines about compliance regularly and providing information over the Intranet.

In addition to these efforts, we offer compliance training and various seminars on laws and regulations organized by the Legal Affairs Department in both one-on-one and e-learning formats as part of proactive efforts to disseminate relevant knowledge throughout the Group. In these ways, we promote activities rooted in widely accepted social standards as well as legal-risk prevention measures.

Risk Management System
The JAL Group manages risks by dividing them into three categories: (1) corporate risks associated with management in general and excluding risks related to air transportation; (2) operational risks associated with aviation safety, aviation security and other issues related to air transportation; and (3) strategic risks associated with business management that may have a material impact on corporate revenues and investments.

We have established the following five committees in order to identify existing risks, analyze and assess them, and implement appropriate measures in response:

1. Risk Management Committee
   The Risk Management Committee is headed by the Executive Officer of General Affairs, and its membership primarily comprises general managers responsible for supervising operations departments. The Committee takes responsibility for overall risk management—comprising corporate risk, operational risk and strategic risk—for the purpose of stabilizing Group-wide management activities. It has also established the JAL Group Risk Management System. When existing risks are identified, it reports on the progress of responses to them and shares information with Group management via the Management Liaison Committee.

2. Information Security Committee
   The Information Security Committee is headed by the Executive Officer of General Affairs and the Executive Officer for IT Planning, and its membership comprises the heads of relevant departments. The Committee carries out activities specific to information management, upgrades information security measures and strives to reduce corporate risk.

3. Group Council for Safety Enhancement General Meeting
   The Corporate Safety and Security Department promotes safety rigorously under the direct control of the President. The Group Council for Safety Enhancement General Meeting, which serves as secretariat for the Corporate Safety and Security Department, shares information on safety in daily operations, determines countermeasures, considers important measures related to safety and checks policies.

4. Group Operational Safety Promotion Committee
   Organized as a subdivision of the Group Council for Safety Enhancement General Meeting, the Group Operational Safety Promotion Committee maintains and strengthens collaborative, safety-related pursuits among departments/divisions as well as among Group airline companies with the aim of enhancing the safety of Group air transport operations as a whole. The Committee comprises the Executive Officer (who serves as Chairperson) of the JAL Operational Safety Promotion Committee, heads of departments responsible for JAL safety management appointed by the Chairperson, and Executive Officers responsible for safety at Group airline companies.

5. Financial Risk Committee
   The Financial Risk Committee is chaired by the Executive Officer of Finance and Accounting and includes the President, Executive Vice President and heads of the relevant departments/divisions. The Committee identifies financial risk as appropriate and strives to facilitate improvements in corporate management. More specifically, it conducts regular financial condition-based simulations and reviews the results. In the event of a major financial crisis, large-scale disaster or other major risk-generating event that the Committee expects to exert a large, quantifiable impact on the Group, moreover, it calculates the estimated financial impact of the risk in question and, if necessary, pursues collaborative responses with the Risk Management Committee.

Information Security Measures
An incident involving leakage of personal information from JAL Group data occurred in September 2014 when hackers attacked the JAL Mileage Bank’s systems and gained illegal access to the customer information management system. We deeply regret the inconvenience and concern this has caused to many customers and persons involved. We have responded by strengthening information security as a top priority and taking steps to prevent a recurrence.

Specifically, we pushed forward with previously planned measures for reinforcing information security to establish a robust system for detecting and monitoring increasingly advanced and complex cyber-attacks from outside the Company, while continuing to upgrade preventive measures to the highest level. The Risk Management Committee is following up to ensure that these measures are making steady progress.

Business Continuity Plan (BCP)
When responding to specific risks that threaten our ability to fulfill our responsibilities as a provider of public transportation, such as the emergence of pandemic influenza or unidentified viral infectious diseases or occurrence of earthquakes, we have established a business continuity plan (BCP) that enables us to continue business effectively in emergency situations based on guidelines established in collaboration with regulatory bodies and other relevant institutions. The BCP covers the basic points of policies and procedures that are necessary for ensuring the safety of our employees and their families and for maintaining air transport operations essential to the JAL Group, including reservations and guidance, as well as payment and settlement operations. We conduct regular reviews and implement revisions as required for enhancing practical application of the BCP.

We responded according to our BCP during the Ebola outbreak in West Africa in 2014. We coordinated our operations with the relevant governmental bodies, developed the necessary systems and added the “Policy for Handling the Ebola Virus Disease [International Flights]” to our BCP.

We introduced a safety confirmation system in 2007 to facilitate speedy confirmation of the safety of all JAL Group staff and their families in the event of a large-scale disaster. The Group-wide system was upgraded in 2014 to make safety-related information available more quickly. Communication and other practice exercises are conducted regularly throughout the JAL Group to foster staff awareness of risk management and reinforce preparedness for unexpected situations.
JAL provides its Outside Directors with full, highly detailed information disclosure reflecting its sincere efforts to achieve greater management transparency. Working to support the JAL Group’s growth, I try to motivate executives and other Group employees.

**Efforts to Strengthen the Governance Functions of the Board of Directors**

As concerns the JAL Board of Directors, I felt its members needed more time for discussion to reach a true understanding of the management environment, management-related issues and other such conditions, and to then engage in thorough deliberations of business plans, strategies and other matters based on that understanding. In order to secure sufficient discussion time to these ends, we assigned a portion of the items in pending Board resolutions to the executive staff in February 2016. We abolished the Managing Executive Officers Committee, formerly the second-highest decision-making body after the Board of Directors, at the same time, thus clarifying the President’s role as chief executive, and created the Management Committee to serve in an advisory capacity. We also increased the number of Outside Directors serving the General Meeting of Shareholders from two to three. I believe that Outside Directors can make use of their wide-ranging experience and expertise, cultivated through experiences outside of the JAL Group, to encourage even freer and more open discussions by the Board of Directors.

**Thorough Disclosure of Information to Outside Directors and Establishment of Effective Committees by JAL**

JAL’s Outside Directors can participate in meetings of the Board of Directors and the Management Committee and communicate information to these bodies. We are also invited to participate in important meetings of the Group Earnings Announcement Session. I think very highly of JAL’s detailed and thorough disclosure of information to Outside Directors as well as of the Group’s impressive management transparency.

As a company with a Board of Corporate Auditors, IAL has voluntarily established various committees. The Group added a fifth committee to oversee corporate governance in October 2015 in response to the establishment of the Corporate Governance Code. This marked a new addition to the four existing committees organized to oversee nominations, personnel, compensation and disciplinary measures for corporate officers. 

Outside Directors serve as heads of four of the five committees, excluding only the Personnel Committee, and a majority of each committee’s membership comprises Outside Directors to ensure sufficient independence from JAL’s executive management. The decisions resulting from committee deliberations are reflected in concrete measures, leading to what I consider highly effective operations.

Issues such as succession planning for chief executive officers and other top management personnel, a new compensation framework including performance-linked compensation and compensation in the form of JAL shares, and other issues raised in the Corporate Governance Report are being appropriately deliberated, for example, by the Nominating Committees, Compensation Committees and other committees. The Corporate Governance Committee evaluated the effectiveness of the Board of Directors and, following a resolution by the Board, disclosed the results of its evaluation in May 2016. The Personnel Committee is continually striving to secure successors to central management positions at the earliest possible date from among executive officer nominees and other personnel.

**Thorough Disclosure of Information to Outside Directors**

**As an independent Outside Director, I seek to employ my unique perspectives, decision-making skills and other capabilities cultivated through experience working outside the JAL Group, and to express my opinions in a frank, unreserved manner. I hope to continue doing so in the future. Fully aware of my responsibility for serving the shareholders, moreover, I work to motivate JAL management and other employees with the goal of raising shareholder value over the medium-to-long term.**

**My Role as a JAL Outside Director and My Expectations for the JAL Group**

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The most notable characteristic of the JAL Group’s corporate governance is the sincere efforts by the JAL’s President, Chairman, and other top management personnel, and the employees who serve them. It is my hope that the Group can retain the spirit of humility, earnest devotion and passion promoted by the JAL Philosophy as its members endeavor to revitalize the Group and accomplish even greater things in the future.
### Corporate Auditor

<table>
<thead>
<tr>
<th>Name</th>
<th>Corporation</th>
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<tbody>
<tr>
<td>Hisao Taguchi</td>
<td>Corporate Auditor</td>
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<tr>
<td>Yasushi Suzuki</td>
<td>Corporate Auditor</td>
</tr>
<tr>
<td>Hiroyuki Kumasaka</td>
<td>Outside Auditor</td>
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<tr>
<td>Shinji Hatta</td>
<td>Outside Auditor</td>
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<tr>
<td>Osamu Kamo</td>
<td>Outside Auditor</td>
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### Managing Executive Officer

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<tr>
<th>Name</th>
<th>Department</th>
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<tbody>
<tr>
<td>Nobuyoshi Gondo</td>
<td>Corporate Safety &amp; Security</td>
</tr>
<tr>
<td>Kiyoshi Ishizeki</td>
<td>IT Planning</td>
</tr>
<tr>
<td>Ryuzo Toyoshima</td>
<td>Corporate Control</td>
</tr>
<tr>
<td>Shinichiro Shimizu</td>
<td>Secretary</td>
</tr>
<tr>
<td>Yuji Akasaka</td>
<td>Engineering &amp; Maintenance, President, JAL Engineering</td>
</tr>
<tr>
<td>Hideo Ninomiya</td>
<td>Managing Division Passenger Sales, Domestic Passenger Sales, President, JAL Sales</td>
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### Executive Officer

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<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Tsuyoshi Yamamura</td>
<td>Cargo &amp; Mail</td>
</tr>
<tr>
<td>Tetsuya Onuki</td>
<td>President, J-AIR Co., Ltd.</td>
</tr>
<tr>
<td>Munemitsu Eriyama</td>
<td>Senior Vice President, China, Vice President and Regional Manager, Beijing, District Sales Manager, Beijing</td>
</tr>
<tr>
<td>Kiyoshi Marukawa</td>
<td>President, Japan Transocean Air Co., Ltd.</td>
</tr>
<tr>
<td>Akira Yonezawa</td>
<td>Managing Division Route Marketing (International Route Marketing)</td>
</tr>
<tr>
<td>Toshiki Oka</td>
<td>Purchasing</td>
</tr>
<tr>
<td>Jun Kato</td>
<td>Managing Division Route Marketing (Products and Services Planning)</td>
</tr>
<tr>
<td>Hiroyuki Hioka</td>
<td>General Affairs</td>
</tr>
<tr>
<td>Hidetsugu Ueda</td>
<td>Human Resources, Officer Responsible for Education, Vice President, Human Resources Management</td>
</tr>
<tr>
<td>Tadao Nishio</td>
<td>Managing Division Route Marketing (Domestic Route Marketing)</td>
</tr>
<tr>
<td>Hoshiko Nakano</td>
<td>Senior Vice President for Western Japan Area</td>
</tr>
<tr>
<td>Hiroki Kato</td>
<td>President, Japan Air Commuter Co., Ltd.</td>
</tr>
<tr>
<td>Tomohiro Ninomiya</td>
<td>Managing Division Route Marketing (Passenger System Planning)</td>
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<tr>
<td>Takahiro Abe</td>
<td>Airport Operations</td>
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<tr>
<td>Hideki Oshima</td>
<td>Managing Division Route Marketing (International Relations and Alliances)</td>
</tr>
<tr>
<td>Eri Abe</td>
<td>Cabin Attendants</td>
</tr>
<tr>
<td>Kazuko Yashiki</td>
<td>Vice President, Haneda Airport, President, JAL Sky Co., Ltd.</td>
</tr>
<tr>
<td>Takuya Oda</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Yoriyuki Kashiwagi</td>
<td>Deputy General Manager, Managing Division Passenger Sales, International Passenger Sales, Web Sales, Senior Vice President for Eastern Japan Area</td>
</tr>
</tbody>
</table>

(As of July 1, 2016)

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### Financial Data

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  - Consolidated Statements of Income
  - Consolidated Statements of Changes in Net Assets
  - Consolidated Statements of Cash Flows

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**JAPAN AIRLINES REPORT 2016**
**Analysis of Financial Conditions and Operating Results**

### Economic Conditions
The Japanese economy continued its moderate recovery in the fiscal year ended March 31, 2016 (fiscal 2015), with consumer spending remaining strong overall. Overseas economies including the U.S. economy also trended toward recovery, although weakness was observed in countries such as China and the emerging countries of Asia. The number of international visitors to Japan, which affects our passenger revenues, rose to 21,389 thousand in 2015, a significant increase of 46.6% from the previous year. Fuel prices, which impact our fuel purchasing costs and international passenger and international cargo revenues, declined from the year before, but the yen remained weak against the U.S. dollar.

### JAL Group
The JAL Group comprises Japan Airlines Co., Ltd. (“JAL” hereafter), 87 subsidiaries, and 59 affiliated companies.

Operating under these economic conditions, the JAL Group worked to increase profit consciousness of its staff based on the JAL Philosophy and the amoeba management system and worked to increase profit consciousness of its staff based on the targets of Rolling Plan 2015, introduced on February 18, 2015 (Overview), as an adjunct to the JAL Group Medium Term Management Plan.

As a result, consolidated operating income was 209.1 billion yen, the operating margin was 15.7% and the EBITDAR margin was 24.0%. The operating margin exceeded our target of 10% or above, as in the previous year.

#### Consolidated Operating Results (Overview)
Consolidated operating revenues decreased 0.6% from the previous year to 1,336.6 billion yen in fiscal 2015.

Operating expenses decreased 3.2% to 1,174.4 billion yen due to the sharp drop in fuel prices. The JAL Group will continue to do its best to maximize revenues and minimize expenses.

As a result, consolidated operating income was 209.1 billion yen from the previous year due to the dramatic drop in fuel prices.

In international passenger operations, ASK increased 1.3% from the year before and RPM increased 0.4%, raising the load factor by 3.1 percentage points to 78.8%. Unit passenger revenue decreased 4.8%. When the approximately 11% decrease in unit passenger revenue resulting from lower fuel surcharge revenues is taken into consideration, unit passenger revenue excluding fuel surcharge rose approximately 6%.

Although unit passenger revenue caused to decrease revenue by 21.5 billion yen due to lower fuel surcharge revenues and other factors, net unit passenger revenue increased due to improvement in revenue management. Revenues in relation to revenue passengers carried increased 15.4 billion yen, bolstered by strong inbound demand, primarily on the North America, Southeast Asia, and China routes. As a result, international passenger revenues ended at 448.7 billion yen, down 6 billion yen from the previous year.

#### Analysis of Changes in Operating Revenues
Operating revenues decreased by 8 billion yen from the previous year, although domestic passenger operations were strong. International passenger operations also experienced a year-on-year decline in operating revenues of 6 billion yen due to lower fuel surcharge revenues, despite a significant rise in passenger numbers due to robust inbound demand. Domestic passenger operations saw operating revenues rise by 13.7 billion yen from the year before, as the number of passengers increased due to changes in customer mix because of improved revenue management and the introduction of various measures to stimulate demand.

Operating expenses fell by 37.5 billion yen from the previous year due to the dramatic fall in fuel prices.

In international passenger operations, ASK increased 1.3% from the year before and RPM increased 0.4%, raising the load factor by 3.1 percentage points to 78.8%. Unit passenger revenue decreased 4.8%. When the approximately 11% decrease in unit passenger revenue resulting from lower fuel surcharge revenues is taken into consideration, unit passenger revenue excluding fuel surcharge rose approximately 6%.

Although unit passenger revenue caused to decrease revenue by 21.5 billion yen due to lower fuel surcharge revenues and other factors, net unit passenger revenue increased due to improvement in revenue management. Revenues in relation to revenue passengers carried increased 15.4 billion yen, bolstered by strong inbound demand, primarily on the North America, Southeast Asia, and China routes. As a result, international passenger revenues ended at 448.7 billion yen, down 6 billion yen from the previous year.

#### Domestic passenger operations (operating results)
Domestic passenger revenues (Operating results) (Billions of yen)

<table>
<thead>
<tr>
<th>Fiscal 2014</th>
<th>Fiscal 2015</th>
<th>Year-on-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger revenues (billion yen)</td>
<td>487.5</td>
<td>501.2</td>
</tr>
<tr>
<td>ASK (million seat kilometers)</td>
<td>35,869</td>
<td>35,869</td>
</tr>
<tr>
<td>RPM (passenger-kilometer)</td>
<td>23,909</td>
<td>24,341</td>
</tr>
<tr>
<td>Revenue passengers carried (unit: 1,000)</td>
<td>31,644</td>
<td>32,114</td>
</tr>
<tr>
<td>Load factor (%)</td>
<td>66.1</td>
<td>67.9</td>
</tr>
<tr>
<td>Yield (yen)</td>
<td>20.3</td>
<td>20.6</td>
</tr>
<tr>
<td>Unit revenue (yen)</td>
<td>13.4</td>
<td>14.0</td>
</tr>
<tr>
<td>Unit passenger revenue (yen)</td>
<td>15,407</td>
<td>15,609</td>
</tr>
</tbody>
</table>

1. Unit passenger revenue = Passenger revenues / ASK
2. Unit revenue = Passenger revenues / ASK
3. Unit revenue = Passenger revenues / Passengers

Unit passenger revenue caused to increase revenue by 6.4 billion yen from the previous year with support from changes in the customer mix achieved through revenue management. Revenues in relation to passenger numbers increased by 7.3 billion yen year-on-year, boosted by the new “Ultra Sakitoku” discount fare and an increase in the number of international visitors to Japan, despite the decrease in ASK of 1.2% year-on-year.

#### Analysis of Changes in Operating Revenues
Fuel costs decreased by 54.3 billion yen year-on-year to 228.1 billion yen due to a significant decline in fuel prices. Maintenance costs increased by 7.3 billion yen year-on-year mainly due to the impact of the weaker yen. Personnel costs increased by 9.7 billion yen year-on-year due to a raise of the base salary and bonus and the impact of changes in welfare policies.

Expenses of travel agency/incidental business, etc., were about level with revenue. However, the year-on-year expenditure decreases of 23.5 billion yen stems partly from a substantial reduction of incidental distribution business in aircraft parts, conducted by engineering and maintenance subsidiaries. The decrease also reflects an accounting change from the previous fiscal year, whereby results of related companies is recorded as a net amount. From fiscal year 2016 onwards, this year-on-year difference by the accounting change will not occur since the revised accounting will be used in future years. “Other expenses” increased by 22.2 billion yen year-on-year mainly due to increased expenses for service enhancement and the impact of the weaker yen.

#### Changes in operating income
In domestic passenger operations, ASK decreased by 1.2% from the year before, while RPM increased by 1.5%, resulting in year-on-year growth of the load factor of 1.8 points to 67.9%. Efficient revenue management and the introduction of demand stimulation measures contributed to year-on-year increases in yield of 1.3% and in unit passenger revenues by 1.3%. As a result, domestic passenger revenues increased 2.8% from the previous year to 501.2 billion yen.
Analysis of Financial Conditions and Operating Results

Cash flows

JAL conducts appropriate capital investments based on strict investment principles. It also aims to achieve an appropriate return on investment and maximize free cash flows.

Fiscal 2015 cash flows

Cash flow from operating activities

After adjusting non-cash items such as depreciation, etc. with net income before income taxes and non-controlling interests of 207.3 billion yen, cash flow from operations (net) was 213.2 billion yen (an increase of 51.2 billion yen from the previous year). Cash flow from investing activities due largely to expenditures for the acquisition of fixed assets, cash flow from investing activities (outflow) was 288.9 billion yen (an increase of 58.3 billion yen from the previous year). (Includes deposits and withdrawals from deposit accounts.)

Cash flow from financing activities

As a result of payments of dividends and repayment of interest-bearing debt, cash flow from financing activities (net) was 49.6 billion yen (a decrease of 17.6 billion yen from the previous year).

Financial Condition

Total assets for the 2015 consolidated fiscal year were increased by 105.5 billion yen from the previous year to 1,578.9 billion yen, primarily due to aircraft purchases and advance payments for aircraft.

Liabilities totaled 708.3 billion yen, an increase of 35.7 billion yen from the previous year, primarily due to an increase in retirement benefit obligations.

Net assets were 870.5 billion yen, up 68.9 billion yen from the previous year, primarily due to recording of net income attributable to owners of the parent company and despite a change in the method of calculating retirement benefit obligations and to payments of dividends. Shareholders’ equity was 843.0 billion yen at year-end as a result, and the shareholders’ equity ratio rose by 0.7 points from the previous year to 53.4%.

Capital investment

Total capital expenditures during the consolidated fiscal year were 212,435 million yen (including expenditures for intangible fixed assets). Capital expenditures by segment were as detailed below:

- The air transport segment invested in purchases of new aircraft to improve operating efficiency and intangible fixed assets such as measures for increasing competitiveness by responding to diverse customer needs and systems to improve customers’ convenience and efficiency. Capital investment activities included new purchases of 11 aircraft (three Boeing 787-8, three Boeing 787-9, one Boeing 737-800, two Embraer E170 and two Bombardier DHC-8-400QX) and advance payments for aircraft. Capital expenditures were 208,925 million yen.

- Other capital expenditures during the consolidated fiscal year totaled 3,510 million yen, mainly for software.

Capital investment

Capital investment and depreciation and amortization

Credit ratings

JAL’s current credit ratings are as indicated below:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Investor Information Inc.</th>
<th>Rating Agency, Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer rating</td>
<td>Long-term issuer rating</td>
<td></td>
</tr>
<tr>
<td>A– (stable)</td>
<td>A– (positive)</td>
<td></td>
</tr>
</tbody>
</table>

Hedging Against Risk

«Policy»  

[Fuel prices] The JAL Group’s business performance is strongly impacted by changes in fuel prices. The Group’s fuel costs in fiscal 2015 were approximately 229 billion yen, which accounted for approximately 20% of consolidated operating expenses for the year. In an airline industry environment with extremely severe competition, it is difficult to raise prices by increasing fares of asking customers to pay a fuel surcharge for increased portions of fuel costs. We seek to reduce risks posed by fluctuation in fuel prices by conducting hedging transactions using crude oil commodity derivatives.

[Exchange rates] The JAL Group conducts business extensively in domestic and international markets, and it receives revenues and pays expenses primarily in foreign currencies. Since jet fuel prices, especially, which account for the largest percentage of total costs, are impacted by the value of the U.S. dollar, fluctuations in the dollar’s exchange rate have a greater impact on expenses than on revenues. To reduce risks to profitability caused by currency fluctuations, foreign currencies received as revenues are used, as a rule, for paying expenses incurred in foreign currencies. We also conduct derivative transactions. Because aircraft purchase prices are generally set in amounts linked to the U.S. dollar, the capitalized amount and depreciation cost involve risk of increasing or decreasing due to exchange rate fluctuations. To reduce the resulting foreign currency exchange rate risk, we conduct derivative transactions to spread out opportunities for acquiring foreign currencies.

<Hedge ratio>

The hedge ratio for fuel costs is shown in the graph below:

Distribution of Profits to Shareholders

We regard the return of profits to our shareholders as a management issue of the highest priority. We will return profits to our shareholders actively through regular dividend payments, while securing ample internal reserves for investments to respond to opportunities for future corporate growth and changes in the business environment, and to build a strong financial foundation.

Our policy is to allocate approximately 25% of non income attributable to owners of the parent company after deducting deferred income taxes as the total amount of dividends for our shareholders.

In fiscal 2015, we paid a dividend of 120 yen per share in light of our financial results, financial conditions, and the future business environment.

The dividend to be paid in fiscal 2016 will be disclosed when our earnings forecast becomes clearer.

Future Business Environment and Issues

We recognize that the environment surrounding the JAL aviation business contains a mixture of negative and positive factors. We will respond proactively to business opportunities and resolve issues one after another, turning them into opportunities for corporate growth.

We will make no significant change in the fiscal year to March 2018 or beyond in our current policy of emphasizing ensuring profitability over the pursuit of market share. We will strive to establish business management structures that give customers a stronger impression of growth, building on the foundation for profitability and stability we have constructed over the past five years.

To achieve these objectives, we will focus on the following targets in fiscal year 2016:

- Completion of our current Medium Term Management Plan.
- Development of a new management plan as a basis for growth, and preparations for implementing the new management plan in fiscal 2017 and beyond.

<Policy>

[Economic changes in Japan, 2016]

- Environment and sustainability
- Technologies contributing to improving customer satisfaction and business productivity
- Awareness of issues

<Environmental changes surrounding JAL>

- Confrontation of the slowing economic recovery and progress in aging in Japan
- Progress of technologies contributing to improved customer satisfaction and business productivity
- Distribution of social values
- Increases in various demands/desires by passengers
- Expansion of LLC use and increased entry by overseas carriers into the Japanese market
- Growth of the global economy (especially in the Asia-Pacific region)
- Progress of technologies contributing to improved customer satisfaction and business productivity
- Awareness of issues

-Fuel prices
- Capital expenditure
- Change in 1 US$/bbl
- Change in 1 yen/US$
## CONSOLIDATED BALANCE SHEETS

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

<table>
<thead>
<tr>
<th>As of March 31</th>
<th>2016</th>
<th>2015</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits (Notes 5, 7 and 10)</td>
<td>¥ 420,333</td>
<td>¥ 364,988</td>
<td>$ 3,730,324</td>
<td></td>
</tr>
<tr>
<td>Notes and operating accounts receivable (Note 7)</td>
<td>128,148</td>
<td>142,150</td>
<td>1,137,273</td>
<td></td>
</tr>
<tr>
<td>Flight equipment spare parts and supplies</td>
<td>20,314</td>
<td>19,754</td>
<td>180,280</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets (Note 12)</td>
<td>16,725</td>
<td>12,448</td>
<td>148,429</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>44,429</td>
<td>76,901</td>
<td>394,293</td>
<td></td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(709)</td>
<td>(817)</td>
<td>(6,292)</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>629,242</td>
<td>615,455</td>
<td>5,584,327</td>
<td></td>
</tr>
<tr>
<td>Non-current assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities (Notes 6, 7, 8 and 10)</td>
<td>84,031</td>
<td>93,185</td>
<td>753,736</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>560,601</td>
<td>491,295</td>
<td>4,975,159</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>789,843</td>
<td>716,750</td>
<td>10,559,483</td>
<td></td>
</tr>
</tbody>
</table>

| Tangible fixed assets, net: |      |      |      |      |
| Flight equipment (Note 10) | 51,412 | 50,210 | 453,699 |
| Ground property and equipment (Notes 10 and 17) | 116,929 | 97,752 | 1,037,708 |
| Advances on flight equipment and other purchases | 116,929 | 97,752 | 1,037,708 |
| **Total tangible fixed assets** | 728,673 | 639,258 | 6,466,746 |

| Software | 79,866 | 61,668 | 708,785 |
| Long-term loans receivable (Note 10) | 61,668 | 8,169 | 72,497 |
| Deferred tax assets (Note 12) | 2,672 | 3,860 | 54,774 |
| Net defined benefit asset (Note 11) | 1,900 | 1,974 | 9,673 |
| Other (Note 10) | 41,027 | 48,868 | 364,101 |
| Allowance for doubtful accounts | (245) | (258) | (2,174) |
| **Total non-current assets** | 948,686 | 857,889 | 8,428,168 |
| **Total assets** | ¥ 1,578,928 | ¥ 1,473,354 | $ 14,012,652 |

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2016</th>
<th>2015</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating accounts payable (Note 7)</td>
<td>¥ 145,413</td>
<td>¥ 144,846</td>
<td>$ 1,290,495</td>
<td></td>
</tr>
<tr>
<td>Short-term loans payable (Notes 7 and 10)</td>
<td>5,792</td>
<td>106</td>
<td>51,402</td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term loans payable (Notes 7 and 10)</td>
<td>10,851</td>
<td>7,807</td>
<td>96,299</td>
<td></td>
</tr>
<tr>
<td>Lease obligations (Notes 7 and 10)</td>
<td>13,254</td>
<td>25,123</td>
<td>117,625</td>
<td></td>
</tr>
<tr>
<td>Accounts payable—installation purchase (Notes 7 and 10)</td>
<td>178</td>
<td>174</td>
<td>1,579</td>
<td></td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>19,333</td>
<td>7,443</td>
<td>171,074</td>
<td></td>
</tr>
<tr>
<td>Advances received</td>
<td>83,365</td>
<td>78,770</td>
<td>739,838</td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities (Note 12)</td>
<td>0</td>
<td>181</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Provision for loss on business of subsidiaries and associates</td>
<td>—</td>
<td>3,889</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Asset retirement obligations (Note 20)</td>
<td>234</td>
<td>—</td>
<td>2,076</td>
<td></td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>368,552</td>
<td>373,074</td>
<td>3,270,784</td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term loans payable (Notes 7 and 10)</td>
<td>51,331</td>
<td>43,809</td>
<td>455,546</td>
<td></td>
</tr>
<tr>
<td>Lease obligations (Notes 7 and 10)</td>
<td>10,373</td>
<td>20,048</td>
<td>92,057</td>
<td></td>
</tr>
<tr>
<td>Long-term accounts payable—installation purchase (Notes 7 and 10)</td>
<td>847</td>
<td>1,025</td>
<td>7,516</td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities (Note 12)</td>
<td>358</td>
<td>2,317</td>
<td>3,177</td>
<td></td>
</tr>
<tr>
<td>Reserve for loss on antitrust litigation</td>
<td>6,294</td>
<td>5,858</td>
<td>55,857</td>
<td></td>
</tr>
<tr>
<td>Net defined benefit liability (Note 11)</td>
<td>236,310</td>
<td>191,635</td>
<td>2,097,177</td>
<td></td>
</tr>
<tr>
<td>Asset retirement obligations (Note 20)</td>
<td>3,723</td>
<td>3,419</td>
<td>33,040</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>339,818</td>
<td>299,528</td>
<td>3,015,779</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>708,371</td>
<td>672,603</td>
<td>6,286,572</td>
<td></td>
</tr>
</tbody>
</table>

| NET ASSETS (Note 13) |      |      |      |      |
| Shareholders' equity: | | | | |
| Common stock: | | | | |
| Authorized: 700,000,000 shares in 2016 and 2015 | 181,352 | 181,352 | 1,609,442 |
| Issued: 362,704,000 shares in 2016 and 2015 | 183,042 | 183,042 | 1,624,440 |
| **Retained earnings** | 557,905 | 421,137 | 4,961,233 |
| **Treasury shares, at cost:** | (538) | (538) | (4,774) |
| 203,395 shares in 2016 and 2015 | | | |
| **Total shareholders' equity** | 921,761 | 784,992 | 8,180,342 |
| Accumulated other comprehensive income | 14,767 | 24,334 | 131,052 |
| Valuation difference on available-for-sale securities (Note 8) | (24,777) | (15,612) | (219,888) |
| Deferred losses on hedges (Note 9) | 627 | 4,101 | 3,789 |
| Foreign currency translation adjustment | (89,079) | (13,138) | (613,054) |
| Revaluations of defined benefit plans (Note 11) | 30,578 | 29,694 | 271,370 |
| **Total accumulated other comprehensive income** | (78,662) | (26,516) | (698,100) |
| **Non-controlling interests** | 23,457 | 24,275 | 243,672 |
| **Total net assets** | 870,557 | 800,751 | 7,725,922 |
| **Total liabilities and net assets** | ¥ 1,578,928 | ¥ 1,473,354 | $ 14,012,652 |

The accompanying notes are an integral part of these consolidated financial statements.
The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury shares</th>
<th>Total shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at April 1, 2015</td>
<td>$1,815,352</td>
<td>$183,042</td>
<td>$421,137</td>
<td>($538)</td>
</tr>
</tbody>
</table>

Changes of items during period:
- Dividends of surplus: ($37,700)
- Profit attributable to owners of parent: 174,468
- Net change of items other than shareholders’ equity: 427

Total changes of items during period: 247

Balance at April 30, 2015: $14,767,571

Accumulated other comprehensive income:
- Valuation difference on available-for-sale securities: $5,686,442
- Foreign currency translation adjustment: 4,529
- Remeasurement of defined benefit plans: 1,213,773

Total accumulated other comprehensive income: 27,407

Net total assets: $870,557

Consolidated Financial Statements

The accompanying notes are an integral part of these consolidated financial statements.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Japan Airlines Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS
Japan Airlines Co., Ltd. (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 appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan and include certain additional financial information for the convenience of readers outside Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. As permitted by the Financial Instruments and Exchange Act 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
a. 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 subsidiaries 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 the equity basis. The balance sheet date of 6 of the consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period between the balance sheet dates of each subsidiary and the consolidated balance sheet date have been adjusted, if necessary. The differences between the acquisition 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 recorded as goodwill amortized by the straight-line method over a period of 3 to 5 years.
All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions are eliminated in consolidation.
b. Securities
Securities, except for investment securities of non-consolidated 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.
c. Inventories
Inventories are valued at the lower of cost and net realizable value with cost determined principally by the moving-average method.
d. Tangible Fixed Assets (excluding leased assets)
Tangible fixed assets, excluding leased assets, are stated at cost, net of accumulated depreciation, and accumulated impairment losses, if any, except as indicated in the following paragraph.
Accumulated depreciation of tangible fixed assets on March 31, 2016 and 2015 amounted to ¥36,335 million (¥323,537 thousand) and ¥336,569 million, respectively.
Depreciation of tangible fixed assets is computed as follows:
Flight equipment: the straight-line method based on its estimated useful life
Other: principally the straight-line method based on the estimated useful lives of the respective assets
The estimated useful lives are principally as follows:
Flight equipment: from 12 to 20 years
Other: from 2 to 65 years

1. Derivatives and Hedging Activities
Derivatives positions are stated at fair value.

2. Income Taxes
Deferred tax assets and liabilities are recognized for expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities, the respective tax bases, and operating loss and tax credit carryforwards. Valuation allowance is recorded to reduce deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

3. CHANGES IN ACCOUNTING POLICY/CHANGES IN PRESENTATION
For the fiscal year ended March 31, 2015 (Application of Accounting Standard for Retirement Benefits, etc.) Effective from the year ended March 31, 2015, the Company and its consolidated domestic subsidiaries have adopted Article 35 of Statement No. 26 and Article 67 of Guidance No. 25 and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have mainly changed the method of attributing expected benefits to periods from a straight-line basis using a discount rate based on estimated average remaining years of service of the eligible employees to a benefit formula basis using a discount rate that is a single weighted average reflecting the projected benefit payment period and the projected payment period.
In accordance with Article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the period.
As a result of the application, retained earnings have decreased by ¥103,965 million at the beginning of period. In addition, operating income has increased by ¥2,301 million and profit before income taxes has increased by ¥2,302 million in the fiscal year ended March 31, 2015.
Due to these changes, net assets per share of common stock have decreased by ¥79.17 and earnings per share of common stock have increased by ¥6.25.
For the effects on segment information, please refer to “Note 21. SEGMENT INFORMATION.”

(Application of Accounting Standard for Business Combination, etc.)
Effective from the fiscal year beginning on or after April 1, 2014, application of the “Revised Accounting Standard for Business Combination” (ASBJ Statement No. 21, September 13, 2013; hereinafter, “Statement No. 21”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASJB Statement No. 22, September 13, 2013; hereinafter, “Statement No. 22”), and the “Revised Accounting Standard for Business Dissolutions” (ASJB Statement No. 7, September 13, 2013; hereinafter, “Statement No. 7”) (together, the “Business Combination Accounting Standards”), is permitted. The Company and its domestic subsidiaries have adopted these accounting standards from the fiscal year ended March 31, 2015, except for Article 39 of Statement No. 22 and, as...
5. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2016 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Cash and cash equivalent</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>¥420,333</td>
<td>¥420,333</td>
</tr>
<tr>
<td>Time deposits with a maturity of more than three months</td>
<td>¥(217,262)</td>
<td>¥(203,615)</td>
</tr>
<tr>
<td>Total</td>
<td>¥192,071</td>
<td>¥176,718</td>
</tr>
</tbody>
</table>

6. INVESTMENT SECURITIES OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investment securities of non-consolidated subsidiaries and affiliates which were included in “Investment securities” in the consolidated balance sheets on March 31, 2016 and 2015 amounted to ¥39,431 million ($349,937 thousand) and ¥34,302 million, respectively, and bonds of affiliates which were included in “Investment securities” in the consolidated balance sheets on March 31, 2016 and 2015 amounted to ¥3,330 million ($29,552 thousand) and ¥0,330 million, respectively.

7. FAIR VALUES OF FINANCIAL INSTRUMENTS

The company and its consolidated subsidiaries (the “JAL Group”) manage its financial instruments to raise funds, principally for the purpose of flight equipment and facilities in accordance with management for air transportation, utilizing loan from financial institutions, finance lease transactions, and derivatives. Funds from short-term loans payable are utilized for ordinary operations. Funds from long-term loans payable and financial lease transactions are utilized for flight equipment and facilities. Derivatives are utilized for the purpose of reducing the risk of fluctuations of interest rates and foreign currency exchange rates, not for the purpose of speculation.

With respect to operating accounts receivable, the JAL Group exercises due date management and outstanding balance management in accordance with internal policies. The JAL Group makes its best efforts to identify and mitigate risks of bad debt from major customers with financial difficulties by periodically monitoring their creditworthiness. Securities and investment securities are composed mainly of shares of companies with which the JAL Group has business relationships. The JAL Group reviews the fair values of such financial instruments and the financial position of the issuers periodically in order to identify and mitigate risks of impairment. Most operating accounts payable due within one year as for derivatives, the JAL Group believes that the credit risks are extremely low, as it enters into derivative transactions only with reputable financial institutions with a sound credit profile.

The company utilizes derivatives in order to mitigate the risks of fluctuations in interest rates and foreign currency exchange rates on receivables and payables. The JAL Group utilizes cumearecords to reduce the risk of foreign currency exchange rate fluctuations for specific foreign currency denominated receivables and payables, mainly for fuel purchase payments.

The JAL Group also utilizes commodity derivatives in order to mitigate the risk of fluctuations in commodity prices of fuel and stabilize such fuel costs.

For the fiscal year ended March 31, 2016 (Changes in accordance with the application of “Revised Accounting Standard for Business Combinations” and other standards) the presentation of profit was amended and the reference to “minority interests” was changed to “non-controlling interests” in accordance with Article 39 of “Revised Accounting Standard for Consolidated Financial Statements” (ABU Statement No. 22, September 13, 2013) and others. To reflect these changes in presentation, consolidated statements of the prior year presented herein were reclassified.

4. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. A rate of JPY 112.68 = US$ 1.00, the approximate exchange rate prevailing on March 31, 2016, has been used in translation. The conversion transactions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.
The redemption schedule for short-term and long-term debt subsequent to the consolidated balance sheet date is described in "Note 10. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT."

8. INVESTMENT SECURITIES

No trading securities were held on March 31, 2016 and 2015. Securities classified as other securities are included in "Investment securities" in the accompanying consolidated balance sheets.

The reclassification schedule for short-term and long-term debt subsequent to the consolidated balance sheet date is described in "Note 10. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT."

The redemption schedule for short-term and long-term debt subsequent to the consolidated balance sheet date is described in "Note 10. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT."

9. 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 payable, and other items. The Company also enters into a variety of options in its management of risk exposure related to the commodity prices of fuel.

The Company and certain consolidated subsidiaries 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. Gains and losses on hedging instruments and the assessment of hedge effectiveness, which are performed both at an inception and on an ongoing basis, are reported at meetings of the related department managers on a timely basis. Other consolidated subsidiaries have adopted procedures for hedging transactions which are more simplified than those adopted by the Company.

The contract amount and the estimated fair value of the open derivatives positions on March 31, 2016 and 2015, which met the criteria required for the application of hedge accounting, are summarized as follows:

<table>
<thead>
<tr>
<th>Type of derivative</th>
<th>Contract amount</th>
<th>Weighted-average fair value</th>
<th>Estimated fair value</th>
<th>Weighted-average amortized cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>37,248</td>
<td>1,080</td>
<td>3,624</td>
<td></td>
</tr>
<tr>
<td>EUR</td>
<td>3,294</td>
<td>—</td>
<td>(771)</td>
<td></td>
</tr>
<tr>
<td>Commercials options</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Call option</td>
<td>183,843</td>
<td>28,725</td>
<td>10,431</td>
<td></td>
</tr>
<tr>
<td>Put option</td>
<td>97,159</td>
<td>26,108</td>
<td>(808)</td>
<td></td>
</tr>
<tr>
<td>Commercials options</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Received variable/ pay fixed</td>
<td>113,098</td>
<td>30,071</td>
<td>(36,044)</td>
<td></td>
</tr>
<tr>
<td>Call option</td>
<td>158,887</td>
<td>—</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Method of hedge accounting: Special treatment (Note 2.1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>1,192</td>
<td>—</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>EUR</td>
<td>282</td>
<td>—</td>
<td>(178)</td>
<td></td>
</tr>
<tr>
<td>Commercials options</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All derivative transactions were conducted as over-the-counter transactions. Fair value is estimated based on prices quoted by financial institutions and others.
### 11. RETIREMENT BENEFIT PLANS

#### 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 base rate of pay, length of service, and the conditions under which the termination occurs.

The Company and certain significant domestic subsidiaries have established contributory defined benefit pension plans such as corporate pension funds and lump-sum severance indemnity plans. In certain cases, additional severance payments may be provided.

As of March 31, 2016, the Company and 42 consolidated subsidiaries had a lump-sum severance indemnity plan. Additionally, these 30 corporate pension funds, including the Japan Airlines Welfare Pension Fund, certain foreign subsidiaries have also established contributory defined benefit pension plans.

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

#### Benefits of Retirement

- **Defined benefit plans**: For the years ended March 31, 2016 and 2015, the JAL Group Pension Fund, which was established by certain subsidiaries, had adopted a lump-sum severance indemnity plan. This plan, such as corporate pension funds and lump-sum severance indemnity plans, includes security deposits paid to the banks regarding derivative transactions.

- **Defined contribution plans**: The Company entered into loan commitment agreements with banks in the amount of ¥1,564 million ($13,880 thousand) and ¥1,579 million for the fiscal years ended March 31, 2016 and 2015, respectively. On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rate and the Company's and the consolidated subsidiaries' effective tax rates for the years ended March 31, 2016 and 2015 were as follows:

#### Financial Data

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of March 31</td>
<td>¥245,074</td>
<td>¥235,111</td>
</tr>
<tr>
<td><strong>Balance at beginning of period</strong></td>
<td>¥235,111</td>
<td>¥225,331</td>
</tr>
<tr>
<td><strong>Benefit obligation at transition</strong></td>
<td>¥28,399</td>
<td>¥28,455</td>
</tr>
<tr>
<td><strong>Plan assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Defined benefit plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>As of March 31</strong></td>
<td>¥289,665</td>
<td>¥279,862</td>
</tr>
<tr>
<td><strong>Net deferred tax liability</strong></td>
<td>139,845</td>
<td>129,156</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>242,520</td>
<td>232,861</td>
</tr>
<tr>
<td><strong>Retirement benefit costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>As of March 31</strong></td>
<td>¥235,239</td>
<td>¥225,539</td>
</tr>
<tr>
<td><strong>General insurance fund</strong></td>
<td>6,167</td>
<td>6,167</td>
</tr>
<tr>
<td><strong>Deferred gains on hedges</strong></td>
<td>3,150</td>
<td>3,150</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td>35,538</td>
<td>35,538</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>39,077</td>
<td>39,077</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>3,150</td>
<td>3,150</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>39,077</td>
<td>39,077</td>
</tr>
</tbody>
</table>

#### Remeasurements of defined benefit plans in other comprehensive income

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Remeasurements of defined benefit plans in accumulated other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>As of March 31</strong></td>
<td>¥235,239</td>
<td>¥225,539</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>35,538</td>
<td>35,538</td>
</tr>
</tbody>
</table>

#### Remeasurements of defined benefit plans in other comprehensive income

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>As of March 31</strong></td>
<td>¥289,665</td>
<td>¥279,862</td>
</tr>
<tr>
<td><strong>Plan assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Defined benefit plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>As of March 31</strong></td>
<td>¥289,665</td>
<td>¥279,862</td>
</tr>
</tbody>
</table>

#### Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants’ taxes, and enterprise tax. Income taxes of foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the calculation of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on and after April 1, 2016 have changed from 34.3% for the fiscal year ended March 31, 2015, 31.9% and 31.4%, respectively, as of March 31, 2015. Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥992 million as of March 31, 2015, income taxes—deferred expense recognized for the fiscal year ended March 31, 2015 increased by ¥1,627 million, valuation difference on available-for-sale securities increased by ¥1,020 million, deferred gains (losses) on hedges decreased by ¥30 million, and income taxes—deferral declined by ¥30 million.
Consolidated Financial Statements

remeasurements of defined benefit plans decreased by ¥16 million.

On March 29, 2016, amendments to the Japanese tax regulations were promulgated. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred taxes and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2016 have changed from 31.5% to 30.2% and 30.0%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥963 million ($8,546 thousand) as of March 31, 2016, income taxes—deferred tax expense recognized for the fiscal year ended March 31, 2016 increased by ¥925 million ($8,209 thousand), valuation difference on available-for-sale securities increased by ¥908 million ($7,733 thousand), deferred gains (losses) on hedges decreased by ¥327 million ($2,902 thousand), and remeasurements of defined benefit plans decreased by ¥20 million ($177 thousand).

13. NET ASSETS

The Company’s Act of Japan (“the Act”), 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 shareholders, 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.

A company may, by a resolution of its board of directors, designate an amount not exceeding half of the price of new shares of common stock authorized and in issue as additional paid-in capital, which is included in capital surplus. Such distributions can be made at any time by resolution of the shareholders, 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 shareholders.

The total number and changes in the total number of shares of stock authorized and in issue and common stock in treasury for the year ended March 31, 2015 were as follows:

<table>
<thead>
<tr>
<th>Year ended March 31, 2015</th>
<th>2014</th>
<th>2013</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares in issue</td>
<td>362,704</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock</td>
<td>750,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>50,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>362,704</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Number of shares in treasury</td>
<td>203</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock</td>
<td>33</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>169</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>203</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

The total number and changes in the total number of shares of stock authorized and in issue and common stock in treasury for the year ended March 31, 2015 were as follows:

<table>
<thead>
<tr>
<th>Year ended March 31, 2015</th>
<th>2014</th>
<th>2013</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares in issue</td>
<td>362,704</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock</td>
<td>750,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>50,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>362,704</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Number of shares in treasury</td>
<td>203</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock</td>
<td>33</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>169</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>203</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

The Company undertook a two-for-one stock split of common stock on October 1, 2014. The increase in common stock of 169 thousand shares during the year ended March 31, 2015 resulted from the Company’s purchases of 136 thousand shares and the stock split.

The increase in common stock in treasury of 169 thousand shares during the year ended March 31, 2015 and 2016 resulted from the stock split. The total number of shares of stock authorized and in issue and common stock in treasury for the year ended March 31, 2016 were as follows:

<table>
<thead>
<tr>
<th>Year ended March 31, 2016</th>
<th>2015</th>
<th>2014</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares in issue</td>
<td>362,704</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock</td>
<td>750,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>50,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>362,704</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Number of shares in treasury</td>
<td>203</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock</td>
<td>33</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>169</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>203</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

14. OTHER COMPREHENSIVE INCOME

Reclassification adjustments for each component of other comprehensive income including tax effect for the years ended March 31, 2016 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Years ended March 31</th>
<th>Thousands of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Millions of yen</td>
<td>Thousands of yen</td>
</tr>
<tr>
<td>Pre-tax amount</td>
<td>¥14,158</td>
</tr>
<tr>
<td>Tax expense</td>
<td>4,836</td>
</tr>
<tr>
<td>Gain (loss) on available for sale securities</td>
<td>8,020</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(55,877)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>4,095</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(513,587)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>1,333</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(25,198)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>40,717</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(1,333)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>17,610</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>(40,717)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>10,684</td>
</tr>
<tr>
<td>11,963</td>
<td>11,963</td>
</tr>
</tbody>
</table>

The Company and certain consolidated subsidiaries have recognized impairment loss on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2015:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Locations</th>
<th>Groups of assets</th>
<th>Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>Locations</td>
<td>Assets to be sold</td>
<td>Flight equipment</td>
</tr>
</tbody>
</table>
| An impairment loss of ¥2,714 million ($24,085 thousand) was recognized mainly on flight equipment as non-operating expenses in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2016.

15. IMPAIRMENT LOSS ON NON-CURRENT ASSETS

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

The Company and its consolidated subsidiaries estimated 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 for the periods ended March 31, 2016 and 2015, respectively.

The Company and certain consolidated subsidiaries have recognized impairment loss on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2016:

<table>
<thead>
<tr>
<th>Assets utilized in the Company’s and consolidated subsidiaries’ operations</th>
<th>Groups of assets</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets to be sold</td>
<td>Flight equipment</td>
<td>—</td>
</tr>
</tbody>
</table>

An impairment loss of ¥2,714 million ($24,085 thousand) was recognized mainly on flight equipment as non-operating expenses in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2016.

The Company and certain consolidated subsidiaries have recognized impairment loss on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2015:

<table>
<thead>
<tr>
<th>Assets utilized in the Company’s and consolidated subsidiaries’ operations</th>
<th>Groups of assets</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets to be sold</td>
<td>Flight equipment</td>
<td>—</td>
</tr>
</tbody>
</table>

16. SUPPLEMENTARY CASH FLOW INFORMATION

There are no material transactions that need to be presented for the year ended March 31, 2016.

The assets and liabilities of a subsidiary included in consolidation following the purchase of its shares during the year ended March 31, 2015 were as follows:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Locations</th>
<th>Current assets</th>
<th>¥749</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>839</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>508</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>413</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(441)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise purchase for shares of common stock</td>
<td>381</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on stock acquisition</td>
<td>83</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalent holdings subsidiaries</td>
<td>385</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net proceeds</td>
<td>258</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The assets and liabilities of a subsidiary excluded from consolidation following the sales of its shares during the year ended March 31, 2015 were as follows:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Locations</th>
<th>Current assets</th>
<th>¥352</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>173</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(155)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(440)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise purchase for shares of common stock</td>
<td>83</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalent holdings subsidiaries</td>
<td>385</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net proceeds</td>
<td>258</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

17. LEASES

As Lessee

The following amounts represent the acquisition costs, accumulated depreciation, net book value of the leased assets on March 31, 2016 and 2015, and the related depreciation and interest expenses for the periods ended March 31, 2016 and 2015, which would have been reflected in the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income 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:
I N E S  R E P O R T  2 0 1 6

The Company undertook a two-for-one stock split on October 1, 2014. The previous year's figures for earnings per share of common stock and net assets per share of common stock have been adjusted accordingly.

18. CONTINGENT LIABILITIES
On March 31, 2016 and 2015, contingent liabilities for guarantees, principally for employees, amounted to ¥186 million ($1,650 thousand) and ¥227 million, respectively.

19. AMOUNTS PER SHARE
Basic earnings per share is computed based on the earnings available for distribution to or allocable to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted earnings per share are computed based on earnings available for distribution to the shareholders 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 earnings per share have not been presented for the years ended March 31, 2016 and 2015 since the Company had no equity instruments issued that had a dilutive effect on earnings per share.

20. ASSET RETIREMENT OBLIGATIONS
a. Asset retirement obligations recognized in the consolidated balance sheets on March 31, 2016 and 2015.

The following is a summary of the asset retirement obligations recognized in the consolidated balance sheets on March 31, 2016 and 2015:

- 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 interest method.

- The present value of future rental expenses under finance leases accounted for as operating leases outstanding on March 31, 2016 and 2015 were as follows:

- No impairment loss has been recognized on leased properties and equipment as of March 31, 2016 and 2015.

- The Company and its consolidated subsidiaries have rented lots and buildings from domestic service airports based on a rental agreement for national property use and a real estate rental contract for national property, and have an obligation to remove the facilities from leased real estate. The Company and its consolidated subsidiaries have a large role in public traffic, and depend on the trends of the aviation administration of each country. For this reason, the time of building removal and withdrawal cannot be determined at the discretion of the Company and its consolidated subsidiaries alone in regard to rented airport related facilities. Moreover, since there is also no schedule for building removal and withdrawal at present, asset retirement obligations cannot be reasonably estimated. Therefore, the asset retirement obligations corresponding to the debt concern have not been calculated.

21. SEGMENT INFORMATION
The reportable segments of the Company and its consolidated subsidiaries are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance. Air transportation includes international and domestic passenger operations, cargo operations and other transportation services.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2. Inter-group sales are recorded under the same conditions used in transactions with third parties.
**Consolidated Financial Statements**

<table>
<thead>
<tr>
<th>Year ended March 31, 2016</th>
<th>Air transportation</th>
<th>Other</th>
<th>Total</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales External</td>
<td>¥ 1,060,707</td>
<td>¥ 249,074</td>
<td>¥ 1,309,861</td>
<td>—</td>
<td>¥ 1,309,861</td>
</tr>
<tr>
<td>Intangible</td>
<td>114,415</td>
<td>28,724</td>
<td>143,140</td>
<td>143,140</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>1,255,202</td>
<td>277,798</td>
<td>1,533,000</td>
<td>143,140</td>
<td>1,336,861</td>
</tr>
<tr>
<td>Operating income</td>
<td>106,811</td>
<td>16,406</td>
<td>123,217</td>
<td>(84)</td>
<td>202,122</td>
</tr>
<tr>
<td>Assets</td>
<td>1,017,040</td>
<td>107,193</td>
<td>1,124,238</td>
<td>(185,320)</td>
<td>1,179,558</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>30,416</td>
<td>2,112</td>
<td>32,528</td>
<td>(2)</td>
<td>30,526</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>2,504</td>
<td>260</td>
<td>2,764</td>
<td>—</td>
<td>2,764</td>
</tr>
<tr>
<td>Investments in entities accounted for using equity method</td>
<td>7,235</td>
<td>24,071</td>
<td>32,298</td>
<td>—</td>
<td>32,298</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>¥ 108,026</td>
<td>¥ 3,010</td>
<td>¥ 111,036</td>
<td>—</td>
<td>¥ 111,036</td>
</tr>
</tbody>
</table>

**Year ended March 31, 2016**

<table>
<thead>
<tr>
<th>Air transportation</th>
<th>Other</th>
<th>Total</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales External</td>
<td>$ 9,680,305</td>
<td>$ 2,182,055</td>
<td>$ 11,862,861</td>
<td>$ 11,862,861</td>
</tr>
<tr>
<td>Intangible</td>
<td>1,015,397</td>
<td>255,065</td>
<td>1,270,462</td>
<td>(2,270,462)</td>
</tr>
<tr>
<td>Total</td>
<td>10,695,703</td>
<td>2,437,120</td>
<td>13,132,823</td>
<td>13,132,823</td>
</tr>
<tr>
<td>Operating income</td>
<td>1,093,368</td>
<td>153,998</td>
<td>1,247,366</td>
<td>(170)</td>
</tr>
<tr>
<td>Assets</td>
<td>11,488,885</td>
<td>1,443,768</td>
<td>13,932,653</td>
<td>(940,086)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>708,015</td>
<td>18,743</td>
<td>726,758</td>
<td>(2)</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>22,222</td>
<td>1,048</td>
<td>23,270</td>
<td>—</td>
</tr>
<tr>
<td>Investments in entities accounted for using equity method</td>
<td>64,135</td>
<td>228,722</td>
<td>292,857</td>
<td>—</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>$ 1,254,144</td>
<td>$ 37,192</td>
<td>$ 1,291,336</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended March 31, 2015</th>
<th>Air transportation</th>
<th>Other</th>
<th>Total</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales External</td>
<td>¥ 1,079,073</td>
<td>¥ 269,058</td>
<td>¥ 1,348,131</td>
<td>—</td>
<td>¥ 1,348,131</td>
</tr>
<tr>
<td>Intangible</td>
<td>117,159</td>
<td>32,018</td>
<td>149,178</td>
<td>(149,178)</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>1,196,234</td>
<td>201,076</td>
<td>1,459,554</td>
<td>(149,178)</td>
<td>1,348,376</td>
</tr>
<tr>
<td>Operating income</td>
<td>181,062</td>
<td>18,030</td>
<td>199,092</td>
<td>68</td>
<td>199,170</td>
</tr>
<tr>
<td>Assets</td>
<td>1,411,172</td>
<td>186,084</td>
<td>1,597,258</td>
<td>(184,606)</td>
<td>1,412,652</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>84,269</td>
<td>1,064</td>
<td>85,333</td>
<td>(2)</td>
<td>85,331</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>881</td>
<td>—</td>
<td>881</td>
<td>—</td>
<td>881</td>
</tr>
<tr>
<td>Investments in entities accounted for using equity method</td>
<td>7,235</td>
<td>24,071</td>
<td>32,306</td>
<td>—</td>
<td>32,306</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>¥ 104,227</td>
<td>¥ 2,050</td>
<td>¥ 106,277</td>
<td>(7)</td>
<td>¥ 106,270</td>
</tr>
</tbody>
</table>

(Application of Accounting Standard for Retriment, Benefits, etc.)

As mentioned in “CHANGES IN ACCOUNTING POLICY/CHANGES IN PRESENTATION,” the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefits to periods from a straight-line basis using a discount rate based on estimated average remaining years of service of the eligible employees to a benefit formula basis using a discount rate that is a single weighted average reflecting the projected benefit payment period and the projected payment per period.

As a result of the application, the operating income of the air transportation segment has increased by ¥2,303 million and operating income of other has decreased by ¥1 million for the fiscal year ended March 31, 2015.

(Application of Accounting Standard for Business Combination, etc.)

As mentioned in “CHANGES IN ACCOUNTING POLICY/CHANGES IN PRESENTATION,” the Company has recognized differences as capital surplus arising from changes in the Company’s ownership interest of subsidiaries, over which the Company continues control; and recorded the acquisition related costs as expenses in the fiscal year in which the costs are incurred. The effects of these changes on operating income for the fiscal year ended March 31, 2015 were immaterial.

Information by Geographical Area

Operating revenue from overseas operations, which include international passenger and cargo services of domestic consolidated airline subsidiaries rendered during the years ended March 31, 2016 and 2015, was ¥479,232 million and ¥296,097 million, respectively.

Information about amortization and unamortized balances of goodwill by segment for the years ended March 31, 2016 and 2015 were as follows:

22. RELATED PARTY INFORMATION

There are no material transactions that need to be presented for the years ended March 31, 2016 and 2015.

**Chapter TOP**
Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Japan Airlines Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2015, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Japan Airlines Co., Ltd. and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC
June 23, 2016
Tokyo, Japan
## Consolidated Subsidiaries (As of March 31, 2016)

### Corporate Data

**Group Total**
- Number of Subsidiaries: 87
- Affiliated Companies: 59
- Corporate Data: 59

**Air Transport Business**
- Number of Subsidiaries: 32
- Affiliated Companies: 14

**Others**
- Number of Subsidiaries: 55
- Affiliated Companies: 25
- Corporate Data: 11

### Customers and Business Associates

**JAL Group**

- **Air Transport Business**
  - (JAL, thirty consolidated subsidiaries, two non-consolidated subsidiaries and three equity method affiliates)
- **Others**
  - (JAL, thirty consolidated subsidiaries, thirty non-consolidated subsidiaries and thirty equity method affiliates)

### Air Transport Business Segment

<table>
<thead>
<tr>
<th>Corporate Name</th>
<th>Paid-in Capital (Millions of yen)</th>
<th>Ratio of Voting Rights</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air Transport Business</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAPAN AIRLINES CO., LTD.</td>
<td>4,537 73.8</td>
<td>73.8</td>
<td>250</td>
</tr>
<tr>
<td>JAPAN AIR COMMUTER CO., LTD.</td>
<td>300 60.0</td>
<td>60.0</td>
<td>20</td>
</tr>
<tr>
<td>J-AIR, LTD.</td>
<td>200 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td>HOKKAIDO AIR SYSTEM CO., LTD.</td>
<td>680 17.3</td>
<td>17.3</td>
<td>40</td>
</tr>
<tr>
<td>KYUSHU AIR COMMUNITY CO., LTD.</td>
<td>306 74.5</td>
<td>74.5</td>
<td>40</td>
</tr>
<tr>
<td><strong>Airport Passenger Handling</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL SKY, LTD.</td>
<td>100 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td>JALSKY OSAKA CO., LTD.</td>
<td>30 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td>JALSKY KYUSHU CO., LTD.</td>
<td>30 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td>JALSKY SAPPORO CO., LTD.</td>
<td>30 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Ground Handling</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL GROUND SERVICE CO., LTD.</td>
<td>100 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td>JAL AIRLINE SERVICE CO., LTD.</td>
<td>20 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL ENGINEERING CO., LTD.</td>
<td>10 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td>JALCARGO SERVICE CO., LTD.</td>
<td>10 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Passenger Sales</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL NAVIA CO., LTD.</td>
<td>100 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Cargo</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL SKY, LTD.</td>
<td>10 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td>JAL AIRTECH CO., LTD.</td>
<td>10 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Airport-Related Business</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL ROYAL CATERING CO., LTD.</td>
<td>100 100.0</td>
<td>100.0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Notes

1. On July 1, 2016, JAL Sky Naha Co., Ltd., JAL Southern Sky Service Co., Ltd., and Okinawa Airport Service Co., Ltd. merged, with Okinawa Airport Service Co., Ltd. as the surviving company.
2. On April 1, 2016, JAL Ground Service Co., Ltd. and JAL Ground Service Tokyo Co., Ltd. merged, with JAL Ground Service Co., Ltd. as the surviving company.
3. JAL Sky Air Chukyo Co., Ltd. changed its corporate name to Okinawa Airport Service Co., Ltd. on July 1, 2016.
4. Operating revenue (excluding operating revenue between consolidated subsidiaries) of JALPAK CO., LTD accounts for over 10% of total consolidated operating revenue.
5. Although JAL’s ownership is 50% or less, the company is considered a subsidiary because JAL has substantial control.
E8G Data

Environmental Data (E)

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ Emissions</td>
<td>860</td>
<td>840</td>
<td>854</td>
</tr>
<tr>
<td>CO₂ Emissions/RTK (Comparison with FY 2005)</td>
<td>69.6</td>
<td>66.6</td>
<td>66.1</td>
</tr>
<tr>
<td>NOx (LTO cycle)</td>
<td>6.6</td>
<td>6.1</td>
<td>5.7</td>
</tr>
<tr>
<td>CO (LTO cycle)</td>
<td>4.39</td>
<td>4.38</td>
<td>4.43</td>
</tr>
<tr>
<td>HC (LTO cycle)</td>
<td>0.73</td>
<td>0.70</td>
<td>0.72</td>
</tr>
<tr>
<td>Electricity Use</td>
<td>16,514</td>
<td>16,450</td>
<td>12,100 MWh</td>
</tr>
<tr>
<td>Heat Use (kcal equivalent)</td>
<td>49,633</td>
<td>48,614</td>
<td>46,770,000 kcal</td>
</tr>
<tr>
<td>Water Use</td>
<td>452</td>
<td>449</td>
<td>430,000 m³</td>
</tr>
<tr>
<td>Industrial Waste</td>
<td>3,720</td>
<td>3,415</td>
<td>3,476 Tons</td>
</tr>
<tr>
<td>Ratio of Final Disposal</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2 %</td>
</tr>
<tr>
<td>General Staff</td>
<td>84.4</td>
<td>84.1</td>
<td>84.1 %</td>
</tr>
<tr>
<td>Managerial Staff</td>
<td>15.6</td>
<td>15.9</td>
<td>15.9 %</td>
</tr>
<tr>
<td>Average age</td>
<td>37.4</td>
<td>38.3</td>
<td>37.4 Years</td>
</tr>
<tr>
<td>Ground Staff</td>
<td>37.5</td>
<td>38.7</td>
<td>37.7 Years</td>
</tr>
<tr>
<td>Flight Crew</td>
<td>42.1</td>
<td>42.7</td>
<td>41.1 Years</td>
</tr>
<tr>
<td>Cabin Attendant</td>
<td>35.0</td>
<td>35.1</td>
<td>35.0 Years</td>
</tr>
<tr>
<td>Ratio of Men</td>
<td>53.3</td>
<td>53.2</td>
<td>52.3 %</td>
</tr>
<tr>
<td>Ratio of Women</td>
<td>46.7</td>
<td>46.8</td>
<td>47.7 %</td>
</tr>
<tr>
<td>Ratio of Disabled Staff</td>
<td>1.2</td>
<td>1.4</td>
<td>2.2 %</td>
</tr>
<tr>
<td>Ratio of Female Managers</td>
<td>1.5</td>
<td>1.6</td>
<td>1.6 %</td>
</tr>
<tr>
<td>Training Period per Person</td>
<td>62.5</td>
<td>60.2</td>
<td>62.8 Hours/Person</td>
</tr>
<tr>
<td>Training Cost per Person</td>
<td>311,704</td>
<td>318,249</td>
<td>380,997 Yen/Person</td>
</tr>
<tr>
<td>Childcare Leave Applicants</td>
<td>720</td>
<td>719</td>
<td>762 Persons</td>
</tr>
<tr>
<td>Nursing Care Leave Applicants</td>
<td>62</td>
<td>51</td>
<td>42 Persons</td>
</tr>
<tr>
<td>Ratio of Local Hires at Overseas Office</td>
<td>92.0</td>
<td>90.8</td>
<td>90.4 %</td>
</tr>
<tr>
<td>Ratio of Local/Head/Managerial Staff at Overseas Office</td>
<td>62.1</td>
<td>62.8</td>
<td>60.8 %</td>
</tr>
</tbody>
</table>

Social Data (S)

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director Remuneration</td>
<td>414</td>
<td>414</td>
</tr>
<tr>
<td>Directors Total (including external directors)</td>
<td>329</td>
<td>329</td>
</tr>
<tr>
<td>Auditors Total (including auditing)</td>
<td>75</td>
<td>75</td>
</tr>
</tbody>
</table>

Human Resources

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Staff Headcount</td>
<td>31,472</td>
<td>31,986</td>
<td>31,986 Persons</td>
</tr>
<tr>
<td>Ground Staff</td>
<td>23,084</td>
<td>23,060</td>
<td>23,367 Persons</td>
</tr>
<tr>
<td>Flight Crew</td>
<td>2,405</td>
<td>2,446</td>
<td>2,519 Persons</td>
</tr>
<tr>
<td>Cabin Attendant</td>
<td>5,983</td>
<td>5,996</td>
<td>6,100 Persons</td>
</tr>
<tr>
<td>Ratio of Male Managers</td>
<td>53.3</td>
<td>53.2</td>
<td>52.3 %</td>
</tr>
<tr>
<td>Ratio of Female Managers</td>
<td>46.7</td>
<td>46.8</td>
<td>47.7 %</td>
</tr>
<tr>
<td>Ratio of Disabled Staff</td>
<td>1.2</td>
<td>1.4</td>
<td>2.2 %</td>
</tr>
<tr>
<td>Ratio of Female Managers</td>
<td>1.5</td>
<td>1.6</td>
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<tr>
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<tr>
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<td>62.1</td>
<td>62.8</td>
<td>60.8 %</td>
</tr>
</tbody>
</table>

Community Contribution

Participation in Volunteer Activities | 913 | 1,044 | 909 Persons |
Total Hours of Volunteer Activities | 3,144 | 4,436 | 3,182 Hours |

Governance Data (Japan Airlines Co., LTD.) (G)

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Female Directors</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Male Directors</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Auditors</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Outside Auditors</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Director Remuneration</td>
<td>414</td>
<td>414</td>
</tr>
</tbody>
</table>

*2 As of the fiscal year-end and *3 As of June 1 of the year following each fiscal year. Combined data for Japan Airlines Co., Ltd. and its special subsidiary, ANA Sunlight Co., Ltd.
*1 Past data have been revised in accordance with improvements made in the accuracy of data collection.
*2 Auditors Total (including external auditors)
The map has been altered to highlight the cities on JAL's route network.
The routes above include code-share flights.

As of June 28, 2016

The routes above include code-share flights.
The map has been altered to highlight the cities on JAL's route network.
Stock Information / Company Information

(Ass of March 31, 2016)

- Total number of shares to be issued (Common stock) 750 million
  - Class 1 Preferred stock (12.5 million)
  - Class 2 Preferred stock (12.5 million)
  - Class 3 Preferred stock (12.5 million)
  - Class 4 Preferred stock (12.5 million)
- Outstanding Issued Shares
  - Regular Shares: 362,744,000 (Number of shares per unit: 100)
  - Nomura Real Estate Bldg., 2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo
  - Total number of voting rights: 150,163

- Major Shareholders

<table>
<thead>
<tr>
<th>Shareholders Name</th>
<th>Number of shares</th>
<th>Percentage of Shares Against Total Number of Issued Shares (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust account)</td>
<td>21,049,400</td>
<td>5.80</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust account)</td>
<td>16,020,000</td>
<td>4.40</td>
</tr>
<tr>
<td>Kyocera Corporation</td>
<td>7,636,100</td>
<td>2.10</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust account B)</td>
<td>5,470,100</td>
<td>1.50</td>
</tr>
<tr>
<td>Daiwa Securities Group Inc.</td>
<td>5,053,000</td>
<td>1.37</td>
</tr>
<tr>
<td>MSFG CUSTOMER SECURITIES</td>
<td>4,041,100</td>
<td>1.15</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY</td>
<td>4,964,400</td>
<td>1.33</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust account)</td>
<td>3,904,000</td>
<td>1.08</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust account B)</td>
<td>3,862,100</td>
<td>1.08</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust account)</td>
<td>3,894,400</td>
<td>1.07</td>
</tr>
</tbody>
</table>

Company Profile

- Corporate Name: Japan Airlines Co., Ltd.
- Headquarters: Nomura Real Estate Bldg., 2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo
- Phone: +81 3 (5460) 3121
- Website: http://www.jal.com/jp
- Established: August 1, 1951
- Representative Director, President: Yoshiharu Ueki
- Capital: 181,352 million yen
- Employees: Consolidated Employees 31,986 people
- Employees: 11,224 people
- Capital and Paid-in Capital: 355,845 million yen
- Businesses:
  1. Scheduled and non-scheduled air transport services
  2. Aerial Work Services
  3. Other Related Business

Glossary

- ASK: Abbreviation for Available Seat Kilometer. A unit for passenger transport capacity. Total number of seats x distance traveled (in kilometers).
- LCC: Abbreviation for Low Cost Carrier. An airline operating at reduced fares by cutting costs through simplified services and limited baggage allowance. LCCs have emerged in many countries since airline deregulation.
- ROA: Abbreviation for Return on Assets. Calculated by dividing operating income by total assets (net assets + liabilities). Indicates how much profit is earned from assets invested in the business.
- ROE: Abbreviation for Return on Equity. Calculated by dividing current net income by shareholders’ equity. Indicates the rate of return on shareholders’ investment.
- RPK: Abbreviation for Revenue Passenger Kilometers. The total distance flown by each revenue passenger. Number of revenue passengers x distance flown (in kilometers).
- SMS (Safety Management System): A system to proactively prevent accidents by identifying and managing accident risk factors in every sector of the airline. Activities should be conducted organizationally based on mutual trust, in which safety policies and safety information are shared by everyone from top management to front-line staff.
- Diversity: A management approach which provides equal opportunity in employment regardless of gender, age, race, nationality, belief, values or disability to enable everyone to reach his or her potential.
- Load control: To control aircraft weight, Cargo and passenger are loaded taking into account the center of gravity, loading weight limitations, and loading unloading sequences.
- Load factor: The usage rate of revenue passenger seats. It represents how many revenue passengers boarded against the total number of seats available. An indicator for measuring sales of seats. Calculated by RPM (Revenue Passenger Kilometers) / ASK (Available Seat Kilometers). Different from seat occupancy rate, because non-revenue passengers are excluded.