



## Business Operations

### JAL Group Business Operations and Financial Status

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Financial Summary

Major Financial Items

|                                             | (Millions of yen) |             |             |             |
|---------------------------------------------|-------------------|-------------|-------------|-------------|
|                                             | FY2012            | FY2013      | FY2014      | FY2015      |
| Operating revenue                           | ¥ 1,238,839       | ¥ 1,309,343 | ¥ 1,344,711 | ¥ 1,336,661 |
| Operating expense                           | 1,043,596         | 1,142,550   | 1,165,021   | 1,127,469   |
| Operating income                            | 195,242           | 166,792     | 179,689     | 209,192     |
| Ordinary income                             | 185,863           | 157,634     | 175,275     | 209,219     |
| Net income attributable to owners of parent | 171,672           | 166,251     | 149,045     | 174,468     |
| Net income per share (yen) *1               | 473.36            | 458.45      | 411.06      | 481.29      |
| ASK (million seat-km) *2                    | 81,189            | 83,319      | 84,003      | 84,196      |
| RPK (million passenger-km) *3               | 57,049            | 59,135      | 60,103      | 62,411      |
| EBITDA margin (%)*4                         | 22.3              | 19.1        | 19.8        | 22.3        |
| EBITDAR margin (%)*5                        | 24.8              | 21.5        | 21.8        | 24.0        |
| Unit cost (yen) *6                          | 8.5               | 8.8         | 8.9         | 9.3         |
| Including fuel cost                         | 11.5              | 12.2        | 12.3        | 12.0        |
| Interest-bearing debt                       | ¥ 160,145         | ¥ 134,282   | ¥ 100,592   | ¥ 92,629    |
| Shareholders' equity                        | 565,048           | 690,288     | 776,476     | 843,099     |
| Net assets                                  | 583,189           | 711,064     | 800,751     | 870,557     |
| Total assets                                | 1,216,612         | 1,340,168   | 1,473,354   | 1,578,928   |
| Shares issued (unit: 1,000)*7               | 181,352           | 181,352     | 362,704     | 362,704     |
| Cash flow from operating activities         | ¥ 264,853         | ¥ 247,941   | ¥ 261,139   | ¥ 312,394   |
| Cash flow from investing activities         | (264,436)         | (131,237)   | (230,559)   | (288,915)   |
| Cash flow from financing activities         | (60,643)          | (61,912)    | (67,323)    | (49,636)    |

\*1 Japan Airlines Co., Ltd. conducted a stock split to create two new shares from one common share, effective October 1, 2014. Accordingly, figures for net income per share have been calculated and presented on the premise that the stock split occurred in fiscal 2012.

\*2 ASK (available seat-kilometers). A unit of passenger transport capacity: Total number of seats x distance flown (km)

\*3 RPK (revenue passenger-kilometers). Total flight distance covered by revenue passengers: Number of revenue passengers x distance flown (km).

\*4 EBITDA margin = EBITDA/operating revenue EBITDA = operating income + depreciation expense

\*5 EBITDAR margin = EBITDAR/operating revenue EBITDAR = operating income + depreciation expense + aircraft lease

\*6 Unit cost = consolidated air transport cost (excluding fuel cost and transactions with affiliates where revenues and expenses are internally settled) / ASK

\*7 Japan Airlines Co., Ltd. conducted a stock split to create two new shares from one common share, effective October 1, 2014.

Transportation results

|                                                |                      | FY2012     | FY2013     | FY2014     | FY2015     |
|------------------------------------------------|----------------------|------------|------------|------------|------------|
| Revenue passengers carried (No. of passengers) | International routes | 7,525,038  | 7,723,293  | 7,793,704  | 8,080,676  |
|                                                | Domestic routes      | 30,020,440 | 31,218,734 | 31,644,018 | 32,114,322 |
|                                                | Total                | 37,545,478 | 38,942,027 | 39,437,722 | 40,194,998 |
| Revenue passenger km (1,000 passenger-km)      | International routes | 34,036,119 | 35,390,384 | 36,109,588 | 38,069,127 |
|                                                | Domestic routes      | 23,012,898 | 23,745,163 | 23,993,738 | 24,341,972 |
|                                                | Total                | 57,049,018 | 59,135,548 | 60,103,327 | 62,411,100 |
| Revenue passenger load factor (%)              | International routes | 76.1       | 76.5       | 75.7       | 78.8       |
|                                                | Domestic routes      | 63.1       | 64.0       | 66.1       | 67.9       |
|                                                | Total                | 70.3       | 71.0       | 71.5       | 74.1       |
| Available seat-km (1,000 seat-km)              | International routes | 44,745,317 | 46,235,058 | 47,696,816 | 48,327,267 |
|                                                | Domestic routes      | 36,443,994 | 37,084,260 | 36,306,359 | 35,869,126 |
|                                                | Total                | 81,189,311 | 83,319,319 | 84,003,176 | 84,196,394 |
| Revenue cargo ton-km (1,000 ton-km)            | International routes | 1,378,282  | 1,512,142  | 1,754,657  | 1,724,590  |
|                                                | Domestic routes      | 360,176    | 366,989    | 356,691    | 363,200    |
|                                                | Total                | 1,738,458  | 1,879,132  | 2,111,349  | 2,087,791  |

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 amoeba management system, every employee strives to contribute to increasing profits by maintaining a steady focus on "maximizing revenues and minimizing 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 secure 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.). We will continue our efforts to improve these ratings.

Managing investments and risks

JAL conducts appropriate investment management to benefit from the fruits of investment and improve and maintain higher asset efficiency. Of special note, 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 changing 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. We will distribute profits to shareholders actively through continued payments of dividends, while continuing to make investments and accumulate retained earnings to assure future business growth. This means shareholders will receive 25% of the amount of net income attributable to parent shareholders after deducting deferred income taxes.

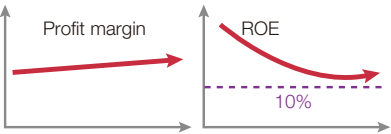
We will flexibly review our financial targets as necessary in consideration of our financial condition, stock price movements and the current economic environment, and consider improving returns to shareholders.

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.

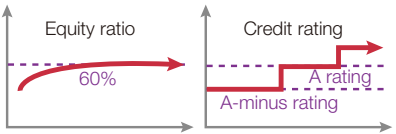
Profitability

- Pursuing higher profitability rather than expanding business scale
- Focusing on asset and capital efficiency



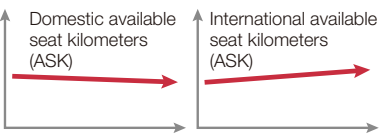
Stability

- Maintaining the equity ratio at an appropriate level to assure both financial stability and capital efficiency
- Improving our credit rating



Growth potential

- Supply strategy based on high profitability
- Introducing highly efficient new-generation aircraft



## International Passenger Operations

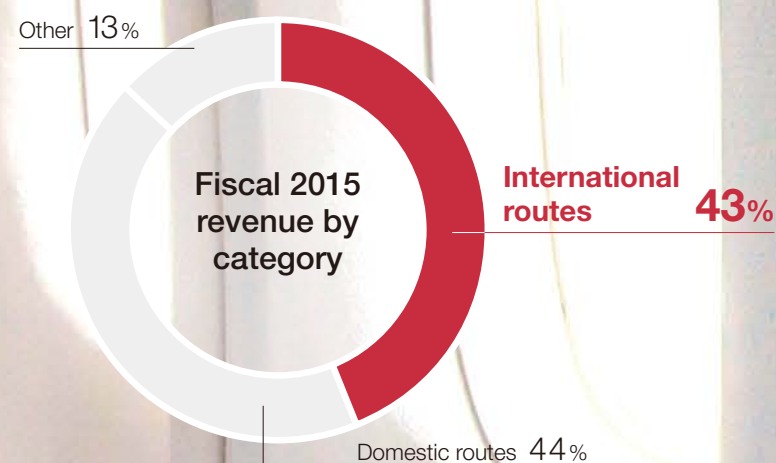
## Review of fiscal 2015

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.

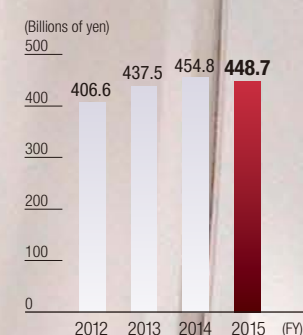
JAL took advantage of robust inbound demand to achieve a record high load factor, while also employing the revenue management system to raise unit passenger revenue and expanding marketing channels for new products and services. Despite these efforts, we saw unit passenger revenue decline by 2.6% from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

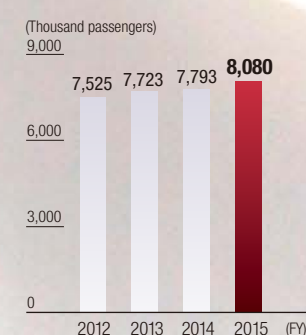
We are continuing to introduce aircraft with the JAL SKY SUITE configuration centering on our European and Southeast Asian routes. JAL SKY SUITE aircraft are currently in service on all JAL's European routes to assure passengers more comfortable flights.



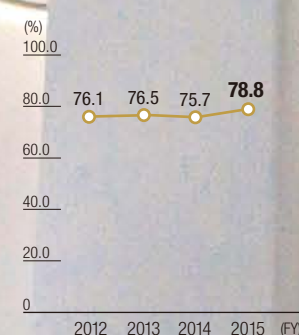
Passenger revenue



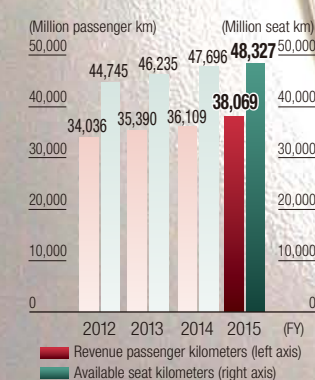
Revenue passengers carried



Load factor



Revenue passenger kilometers / Available seat kilometers



## Business outlook for fiscal 2016

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 787 on the Narita-Dallas/Fort Worth route in accordance with our concept of evoking "a one class higher feel" in order to great passengers with premium hospitality.

JAL &amp; AA Japan-North American route network



**10** routes **15** flights

**39** cities **414** flights

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

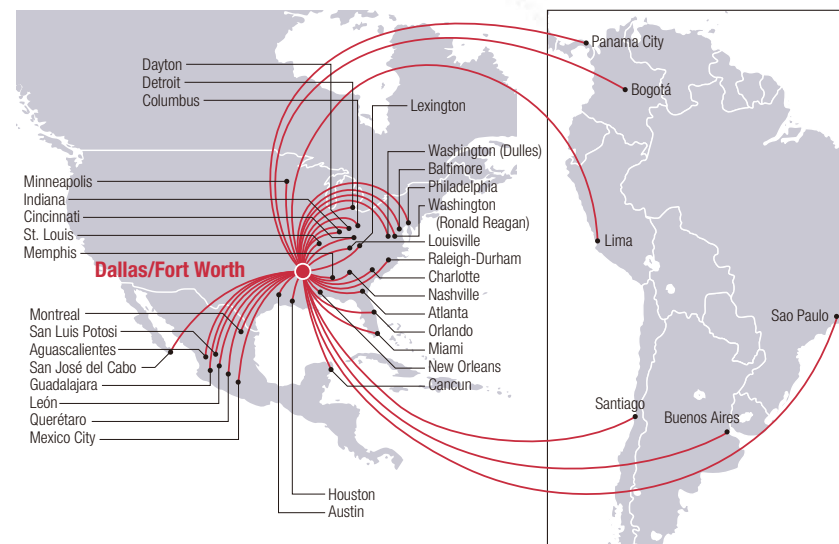
With its five terminals and seven runways, Dallas/Fort Worth is the largest hub for American Airlines. It is the world's third largest airport in terms of number of flights, 70% of which are on American Airlines routes.

In addition to many airports in the United States, Dallas/Fort Worth's 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 want 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.

American Airlines' main networks centering on Dallas/Fort Worth



JAL + code-share flights



**154**  
countries

**1,011**  
airports

### Alliance with oneworld members and other partners

JAL joined the **oneworld** alliance in 2007. We provide the following services in partnership with the other 14 members:

- For JAL Mileage Bank members: joint mileage accumulation and all privileges of **oneworld** membership
- For JAL status members and JGC members: premium airport lounge privileges, priority security lanes, priority boarding, priority baggage allowance and priority baggage services on **oneworld** member aircraft
- Exclusive **oneworld** fares such as **oneworld** Explorer and Circuit Fares for world tours
- **oneworld** Global Support ensuring seamless connections

JAL joined the following networks in 2015 in partnership with **oneworld** members:

- In April 2015, we initiated code-sharing with Brazil's TAM Airlines on the New York-Rio de Janeiro route and on routes between Sao Paulo and New York, London, Paris and Frankfurt, adding these to our existing American Airlines' routes.
- We also began code-sharing with TAM Airlines on domestic Brazilian routes with hubs at Sao Paulo and Rio de Janeiro, expanding the number of Brazilian cities served by JAL code-share flights from two to 13.

JAL is reinforcing its alliance activities by advancing a European joint business with British Airways and Finnair and a transpacific joint business with American Airlines.\*1 We are increasing code-sharing in these joint businesses to maximize cumulative revenues from the respective business domains.

We also entered partnerships with airlines outside **oneworld**, such as code-sharing with China Eastern Airlines and China Southern Airlines in October 2015

on the Haneda-Guangzhou/Shanghai (Pudong) route. In June 2016, we will initiate code-sharing with Alaska Airlines on its routes to and from Los Angeles, San Diego, Vancouver and San Francisco, while also cooperating with Alaska in a mileage plan.

Expanding cooperation with other airlines enables us to continue improving passenger convenience, while also capitalizing on robust inbound demand and transit passengers via Japan.

\*1 Business activities in a specified business field by participating companies as if they were a single entity on the precondition of exemption from the Anti-Trust Act. Activities include service quality improvement, schedule adjustment and sales promotion.

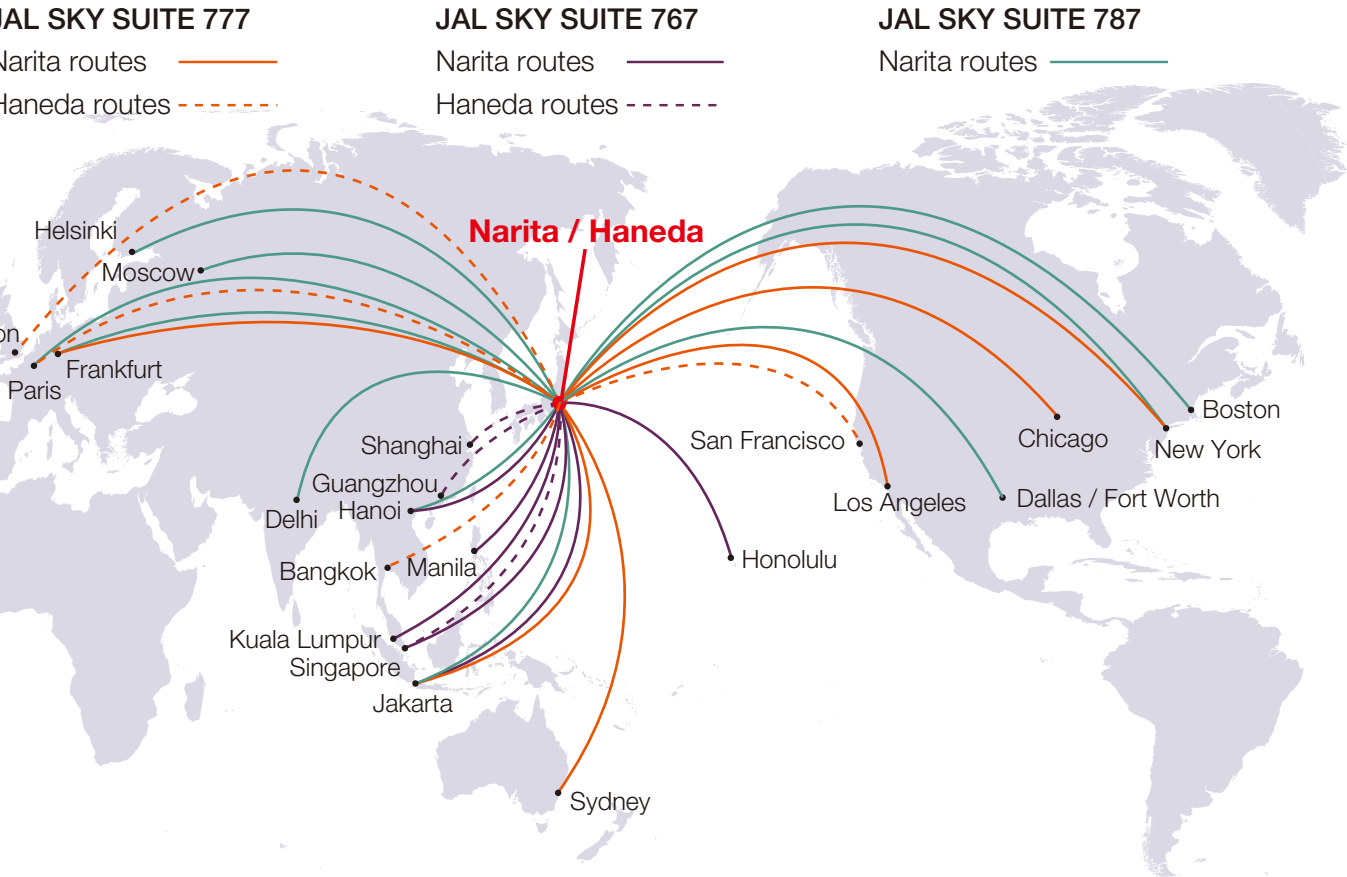


International Passenger Operations

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)



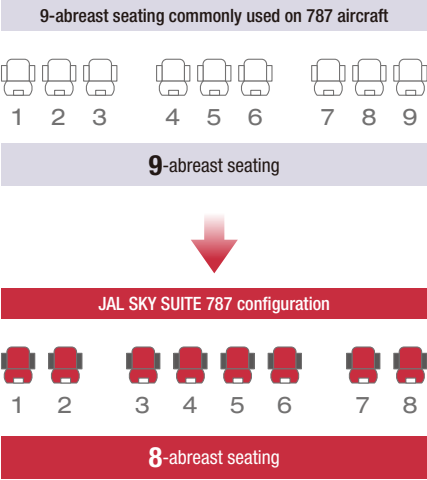
JAL SKY WIDER  
New Spacious Economy

In accordance with our concept of evoking “a one class higher feel,” we equipped the economy class cabin with the “New Spacious Economy” JAL SKY WIDER seats, which provide more legroom. The business class cabin is furnished with JAL SKY SUITE full-flat seats offering unobstructed aisle access from every seat. In fiscal 2015 we began revamping our 787 aircraft with the JAL SKY SUITE configuration, in addition to our 777-300ER and 767-300ER aircraft.

A total of 33 JAL SKY SUITE aircraft are operating on 22 routes. The New Spacious Economy Class provides a wider seat pitch to provide up to 10 cm more legroom, thus offering the world’s largest class of space compared with other airlines and significantly enhancing passenger comfort. The 787 Economy Class adopts an eight-abreast seating arrangement, compared to the industrial norm of nine-abreast, to offer 5 cm more seat width.

In recognition of our efforts, JAL Economy Class was awarded Best Economy Class Airline Seat at Skytrax’s 2015 World Airline Awards.

We will revamp the 777-200ER with the JAL SKY SUITE configuration, which will be introduced primarily on Southeast Asian and Hawaiian routes.



International Cargo

- JALCARGO’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.

[Temperature control]  
Fixed-temperature containers



Use of a high-performance heat storage and vacuum insulation material enables temperature control free from the influence of external air. In addition to information on transport conditions, we can provide real-time data on such environmental parameters as temperature, physical shocks and location.

[Protection and care]  
Equipment for finished vehicles



Special equipment equipped with handles enables the cargo compartment of a passenger plane to accommodate finished vehicles.



First Class / JAL SUITE



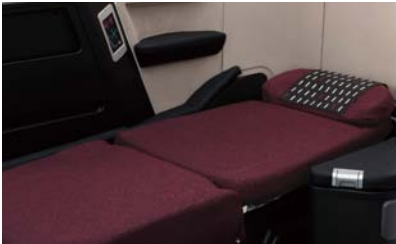
Business Class / JAL SKY SUITE III



Economy Class / JAL SKY WIDER



Elegant wood pattern interior



New type of full-flat seat



Sufficiently increased legroom

Domestic Passenger Operations

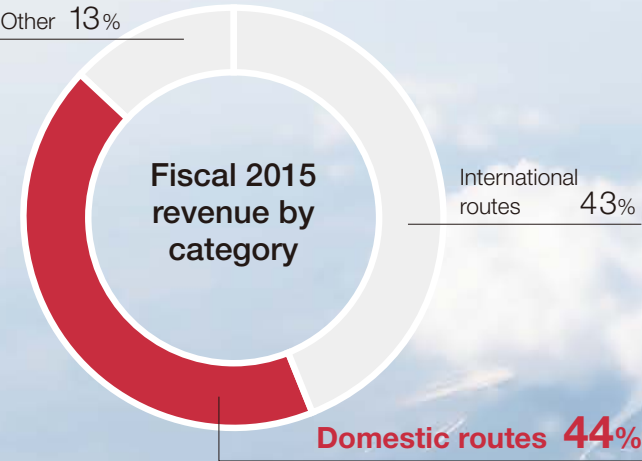
Review of Fiscal 2015

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.

The JAL Dynamic Package service, which permits users to package their own air tickets and accommodation, conducted a full renovation of its PC and smartphone sites to improve viewability and usability. It undertook a full upgrade of available optional plans to provide a wider range of combinations.



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 inflight 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.

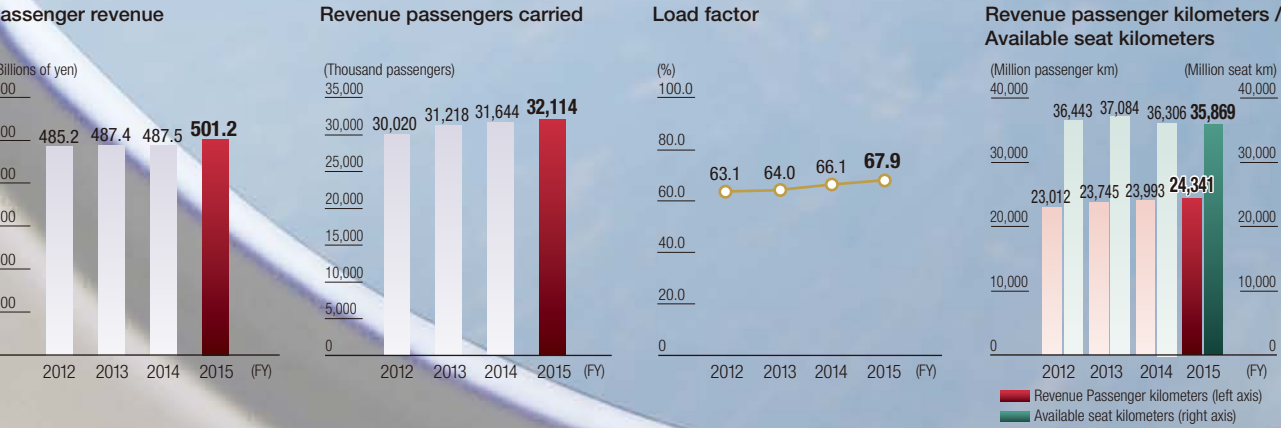
\*1 If a flight route proves difficult for a single airline to maintain or reinforce, joint proposals for route enhancement will be solicited from local communities and airlines. These joint proposals will be evaluated, and Haneda Airport’s domestic flight slots will be assigned to those making the best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



JAL SKY NEXT “Class J”



A Diamond Premier Lounge at Haneda Airport



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.

Regional revitalization x JAL

Regional communities seek to revitalize their region through efforts to make use of their regional characteristics to create an autonomous, sustainable regional society. In Japan, where shrinking populations and declining industries in regional cities are serious issues, every region is encouraged to promote its traditions and tourism resources worldwide. It is also important to promote the flow and interaction of people among regions in Japan. The JAL Group is increasingly taking advantage of its strengths as a network carrier to create demand for travel to regional destinations by implementing an effective airfare policy and conducting other marketing initiatives. Under the JAL NEW-JAPAN PROJECT, we are carrying out activities aimed at revitalizing regional communities and enhancing their appeal in cooperation with their local governments. We are introducing initiatives to attract foreign visitors to Japan's local regions, and developing a number of activities targeting markets in Japan and overseas.

Approaches to domestic markets

■ Use of Furusato WARI coupons to promote regional revitalization

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 OEN WARI initiative through sales promotion of the JAL Dynamic Package.

■ Creating demand for visiting regions by reinforcing sales of discount transit fares

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.

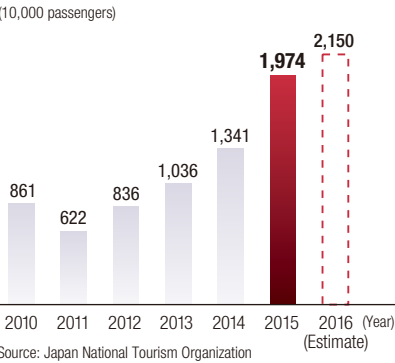
Approaches to overseas markets

■ Attracting foreign tourists to various parts of Japan

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\*1. 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 ticketholders 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.

\*1 The big three metropolitan areas are the Capital metropolitan area, Chukyo area and Kinki area.

Trends in number of international visitors to Japan



Domestic Cargo

In connection with the updating of our core 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.



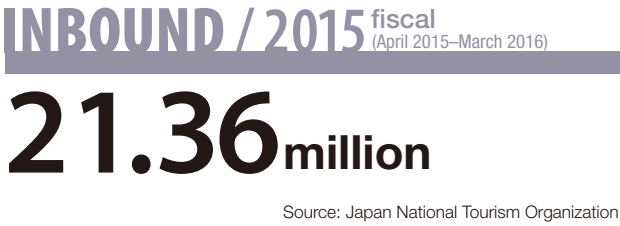
VOICE

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.



Yosuke Suzuki  
Domestic Route Marketing,  
Planning Group



JAL Group Route Network

Routes connecting regional cities with isolated islands are indispensable today, not only for business and tour passengers but also for local residents. The JAL Group is committed to contributing to local communities and their regional revitalization initiatives by maintaining local routes and offering high-quality services.



Japan Transocean Air Co., Ltd (JTA).

Kiyoshi Marukawa, President



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 operated on its original routes to provide connections between the main island of Okinawa and smaller, isolated islands 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 Haneda, Chubu, Kansai, Komatsu, Okayama 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 customers are tourists, and competition is intensifying among airlines. To survive the competition, the JAL Group attractively 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.



Ryukyu Air Commuter Co., Ltd. (RAC)

Takashi Irei, President



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 Oshima and Yoronjima to the north,

Minamidaitojima and Kitadaitojima to the east, Kumejima to the west, and Miyakojima, Taramajima, Ishigakijima and Yonagunijima in the Sakishima chain to the southwest. 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 flew four 39-seat DHC8-Q100 aircraft and one 50-seat DHC8-Q300 until they were replaced in April 2016 with a new fleet of DHC8-Q400 Cargo-Combi (CC) aircraft. The 50-seat DHC8-Q400CC has 30% greater capacity and a cargo compartment that is some 2.5 times as large. The new planes will be phased in until fully 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.



Hokkaido Air System Co., Ltd. (HAC)

Yoichiro Kuwano, President



Operating from Okadama Airport as its hub, HAC provides Hokkaido residents with convenient flights linking the cities of Kushiro, Hakodate and Misawa with the isolated islands of Rishiri and Okushiri. After separating from the JAL Group in fiscal 2011, HAC returned under its umbrella in fiscal 2014. Its three 36-seat SAAB 340B aircraft fly 26 daily flights. Hokkaido covers a huge area compared with Japan's other prefectures, making air travel particularly attractive: it takes an automobile about five hours to travel from Sapporo in the southwest to Kushiro on the east coast, while an airplane takes just 45 minutes. The route connecting Okadama to Kushiro and Hakodate is used mainly by business passengers who travel weekly. Hokkaido has recently seen a sharp increase in the number of inbound flights, and with the Shinkansen "bullet train" now in operation, more passengers are expected to visit the isolated islands. We intend to take advantage of our small, passenger-friendly aircraft and the JAL Group's high quality services to attract more individual travelers and small groups of tourists in addition to business passengers.



J-AIR Co., Ltd. (J-AIR)

Tetsuya Onuki, President



The JAL Group's principal member airline covering regional routes, Osaka (Itami) Airport-based J-AIR operates 192 daily flights on 31 routes in a network connecting various regions to meet customer needs. J-AIR provides about 20% of JAL's domestic flights. We expanded our fleet of 50-seat CRJ200 aircraft and 76-seat EMBRAER 170 aircraft with the introduction this year of 95-seat EMBRAER 190 aircraft, the first to be furnished with Class J seats, on the Osaka (Itami)-Kagoshima route in May and on the Osaka (Itami)-Sendai/Fukuoka route in July. In fiscal 2016, our 20th anniversary, we will expand our local network of routes from major local airports.

About 50% of J-AIR flights operate on routes to and from the Tohoku region. We have engaged actively in social contribution activities, including flight experience events and airline classes for children invited from Tohoku, in support of reconstruction efforts in the wake of the Great East Japan Earthquake. All our J-AIR staff are providing warm-hearted community-based services in accordance with the JAL Group's goal, "To become the world's most preferred and valued airline group."



Japan Air Commuter Co., Ltd (JAC)

Hiroki Kato, President



JAC was established 33 years ago in 1983 to sustain and develop Amami-gunto archipelago routes. The airline was funded 60% by JAL and 40% by 12 municipalities in the Amami island group. We began with three 19-seat DO228 aircraft flying four routes. Today, we fly ten 74-seat DHC8-Q400 aircraft and nine 36-seat SAAB340B aircraft. JAC now operates 20 routes that link regions and particularly remote islands throughout West Japan. These include the islands Tanegashima, Yakushima and the Amami-gunto archipelago in Kagoshima Prefecture from our base at Kagoshima Airport, in addition to the Chugoku and Shikoku regions, and the island or Okinoshima in Shimane Prefecture from Fukuoka Airport. In January 2017, we will introduce 48-seat ATR42-600 aircraft. Produced by the Airbus group, these are the most advanced turbo-prop aircraft, and they are outstanding in terms of comfort and economy. By steadily upgrading equipment, the JAL Group continues to provide a highly convenient network that serves remote islands of Kagoshima Prefecture and intricately links regions throughout West Japan.

Aircraft Investment Strategy and JAL Group Fleet

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

Introducing Comfortable Environment-friendly Aircraft

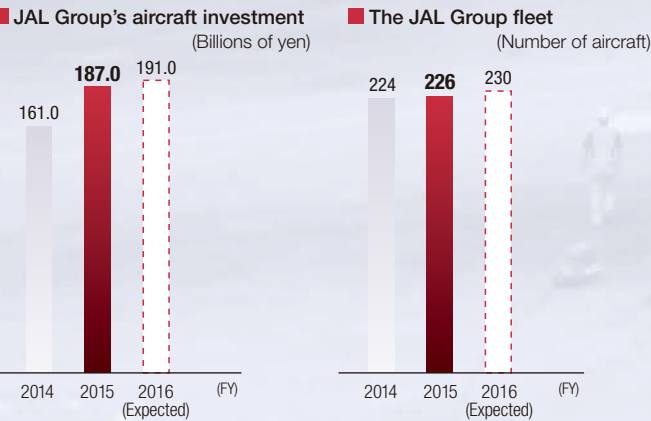
We acquired six new 787 aircraft in fiscal 2015, while decommissioning our aging 777 and 767 aircraft in stages. Among JAL Group members, Japan Transocean Air took delivery of the 737-800, Ryukyu Air Commuter, the DHC8-Q400CC and J-AIR, two E170 aircraft..

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 ERJ 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.



Jumbo

40 aircraft



|           |    |
|-----------|----|
| 777-300ER | 13 |
| 777-300   | 4  |
| 777-200ER | 11 |
| 777-200   | 12 |

Mid-size

67 aircraft



|           |    |
|-----------|----|
| 787-9     | 3  |
| 787-8     | 23 |
| 767-300ER | 32 |
| 767-300   | 9  |

Small-bodied

63 aircraft



|         |    |
|---------|----|
| 737-400 | 12 |
| 737-800 | 51 |

RJ\*1

56 aircraft



|             |    |
|-------------|----|
| EMBRAER170  | 17 |
| CRJ-200     | 9  |
| DHC8-Q400   | 10 |
| DHC8-Q400CC | 2  |
| SAAB 340B   | 13 |
| DHC8-Q300   | 1  |
| DHC8-Q100   | 4  |

\*1 Regional jet

Total 226 aircraft

(As of March 31, 2016)

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

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.



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

