The JAL Group will strive to achieve corporate rationale and follow it as a universal business purpose and fundamental goal by practicing the JAL Philosophy.

**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.

**JAL PHILOSOPHY**

**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 x Effort x Ability

**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
- Wrestle in the Center of the Ring
- Grasp Matters Simply
- Possess Opposing Extremes

**CHAPTER 3 Accumulate Tedious Efforts with Passion**

Work Earnestly
- Accumulate Tedious Efforts
- Work with Voluntary Attention
- Fire Yourself Up
- Strive for Perfection

**CHAPTER 4 Ability Will Improve**

Ability Will Improve

**PART 2 To Become a Wonderful JAL**

**CHAPTER 1 Each of Us Makes JAL What It Is**

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

**CHAPTER 2 Have a Keen Sense of Profitability**

Maximize Revenues and Minimize Expenses
- Elevate Our Cost-Consciousness
- Pursue Profit Fairly
- Manage the Company Based on Accurate Figures

**CHAPTER 3 Unite Our Hearts**

Make the Best Baton Pass
- Align Mental Vectors
- "Workfloor" Management
- Follow the Merit System

**CHAPTER 4 Possess a Fighting Spirit**

Maintain an Ardent Desire
- Never Give Up Until We Succeed
- Boast and Make It Come True
- Possess True Courage

**CHAPTER 5 Be Creative in Our Work**

Today Should Be Better Than Yesterday, Tomorrow Better Than Today
- Conceive Optimistically, Plan Pessimistically, and Execute Optimistically
- Think Through to Visualize the Results
- Decide and Act with Speed
- Face Challenges with Courage
- Aim High
The JAL Group supports society’s progress and development through its business activities by increasing corporate value through the provision of the highest level of services to customers. In this section, we look back at JAL’s history and review progress under the previous Medium Term Management Plan.

The JAL Group’s Growth Story

Editorial Policy

This JAL Report 2017 is an integrated report on JAL’s financial performance and CSR activities, based on various guidelines, to provide a deeper understanding of such matters as the JAL Group’s corporate value and growth potential.

Period covered by the report

Primarily April 2016 to March 2017 (fiscal 2016)

Scope of the report

The JAL Group

Date of publication

September 2017

JAL corporate website

www.jal.com/en

Offering a comprehensive insight into JAL’s business approach and activities, as well as investor and CSR information.
JAL GROUP HISTORY

Since its establishment, the JAL Group has developed its business to meet the needs of the times. Following its bankruptcy in 2010, when the Group was given the opportunity to restructure, it has been progressing steadily, focused on the goals of delivering unparalleled service to its customers and contributing to the betterment of society.

Going forward, the JAL Group is committed to continuing to create new values under the company slogan—FLY INTO TOMORROW—as it seeks to become the world’s most preferred and valued airline group.
Overview of Fiscal Years 2012–2016 JAL Group Medium Term Management Plan

Achievement of management targets

1. Flight safety

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft accidents</td>
<td>1 case</td>
<td>0 case</td>
<td>2 cases</td>
<td>1 case</td>
<td>1 case</td>
</tr>
<tr>
<td>Serious incidents</td>
<td>2 cases</td>
<td>1 cases</td>
<td>0 cases</td>
<td>3 cases</td>
<td>0 cases</td>
</tr>
<tr>
<td>Irregular operations</td>
<td>69 cases</td>
<td>75 cases</td>
<td>70 cases</td>
<td>73 cases</td>
<td>66 cases</td>
</tr>
<tr>
<td>Customer injuries</td>
<td>23 cases</td>
<td>11 cases</td>
<td>12 cases</td>
<td>12 cases</td>
<td>8 cases</td>
</tr>
<tr>
<td>Irregularities due to human error</td>
<td>54 cases</td>
<td>62 cases</td>
<td>65 cases</td>
<td>63 cases</td>
<td>48 cases</td>
</tr>
</tbody>
</table>

For further information, please refer to P.128 Data on incidents.

2. Becoming number one in customer satisfaction

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>International flights</td>
<td>3rd</td>
<td>1st</td>
<td>1st</td>
<td>1st</td>
<td>1st</td>
</tr>
<tr>
<td>Recommendation Intention rate</td>
<td>2nd</td>
<td>2nd</td>
<td>1st</td>
<td>2nd</td>
<td>1st</td>
</tr>
<tr>
<td>Domestic flights</td>
<td>6th</td>
<td>6th</td>
<td>3rd</td>
<td>5th</td>
<td>3rd</td>
</tr>
<tr>
<td>Recommendation Intention rate</td>
<td>3rd</td>
<td>2nd</td>
<td>3rd</td>
<td>3rd</td>
<td>3rd</td>
</tr>
</tbody>
</table>

3. Operating margin of 10% or above for five consecutive years / Equity ratio of 50% or above by fiscal year 2016

<table>
<thead>
<tr>
<th>Operating margin (%)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15.0</td>
<td>20.0</td>
<td>25.0</td>
<td>12.7</td>
<td>13.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity ratio (%)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45.0</td>
<td>46.4</td>
<td>56.2</td>
<td>56.2</td>
<td>56.2</td>
</tr>
</tbody>
</table>

4. Achievement of financial targets

Under the amosha management system, the JAL Group aims to achieve high profitability through the conscious commitment of each employee to ‘maximize revenues and minimize expenses.’ At the same time, we strive to increase corporate value by establishing systems to flexibly respond to changes in the business environment.

Drawing on the lessons learned from our bankruptcy, we established financial targets aimed at maintaining high profitability and ensuring that all employees can respond with sufficient knowledge and awareness. To support these aims, JAL has formulated multiple safety layers by pursuing three initiatives: cultivating a safety culture, nurturing safety professionals, and evolving safety systems to support safety. Aiming to be the leading company for safety in the transport sector, we not only deploy cutting-edge safety systems that lead the aviation industry, but are also continuously refining JAL Group-specific initiatives.

Maintaining flight safety

To maintain flight safety, the foundation of the JAL Group, we strive to build an advanced Safety Management System and ensure that all employees can respond with sufficient knowledge and awareness. To support these aims, JAL has formulated a safety culture, nurturing safety professionals, and evolving safety systems to support safety. Aiming to be the leading company for safety in the transport sector, we not only deploy cutting-edge safety systems that lead the aviation industry, but are also continuously refining JAL Group-specific initiatives.

Delivering unparalleled service

One of the management targets of the JAL Group Medium Term Management Plan for Fiscal Years 2012-2016 was to become number one for Repeat Intention and recommendation Intention in both international flights and domestic long-distance flights in the Japanese Customer Satisfaction Index (JCSI) survey.

JCSI survey results released in November 2016 showed that JAL had successfully ranked number one in both indicators for international flights. This was attributable to the expansion of routes operated with JAL SKY SUITE-configured aircraft, in-flight meals created in collaboration with famous chefs and restaurants, and other product and service enhancement initiatives.

As for domestic flights, JAL ranked third in both indicators. However, Group-wide value creation initiatives bore fruit and consequently, we improved our score in not only the two key indicators but also all JCSI survey items. Among the measures contributing to this achievement were the expansion of routes offering JAL SKY NEXT services and an in-flight Internet service for free campaign, which were part of our initiatives to offer a refreshing and inspiring travel experience.

We plan to publish the results of surveys covering the period from August 2016 to July 2017 in the fall of 2017. The JAL Group is firmly committed to putting in united efforts to become the world’s most preferred and valued airline group.
### Financial and Non-Financial Highlights

#### Financial Data

**Operating revenue**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY 2016</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥1,288.9 billion</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consolidated operating revenue declined 3.6% year on year to ¥1,288.9 billion yen, reflecting a drop in fuel surcharge revenue and a negative impact from the stronger yen on international routes and falling passenger unit revenue on domestic routes amid price competition with other carriers.

**Operating income**

<table>
<thead>
<tr>
<th>(Billions of yen / %)</th>
<th>FY 2016</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥174.4 billion / -5.9%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Non-operating profit declined due to a drop in gain on sales of aircraft, but the company recorded deferred income tax of ¥31.6 billion yen under a new tax effect accounting policy. As a result, operating profit attributable to owners of parent totaled ¥164.1 billion yen, down 5.9% year on year.

**Shareholders’ equity**

<table>
<thead>
<tr>
<th>(Billions of yen / %)</th>
<th>FY 2016</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥972.0 billion / 56.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As of March 31, 2017, total assets stood at ¥1,728.7 billion yen, up ¥149.8 billion yen year on year, liabilities totaled ¥725.3 billion yen, up ¥17.0 billion, and net assets totaled ¥1,003.3 billion yen, up ¥132.8 billion yen. As a result, shareholders’ equity was ¥972.0 billion yen and equity ratio increased 2.8 percentage points to 56.2%.

**Interest-bearing debt**

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY 2016</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥116.0 billion</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Interest-bearing debt totaled ¥116.0 billion yen at the end of fiscal year 2016, up ¥23.4 billion yen year on year.

#### Profit attributable to owners of parent

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY 2016</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥170.3 billion / 13.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Net profit per share**

| ¥13.3 |

**Dividend per share**

| ¥9.4 |

**Net profit per share**

| ¥456.56 |

**Dividend per share**

| ¥94.00 |

- *1 Excludes fixed deposit account deposits and withdrawals.
- *2 Free cash flows: Operating cash flows + Investment cash flows.
- *3 EBITDA margin: EBITDA / Operating revenue.
- *4 EBITDA: Operating income / Depreciation expense.
- *5 ASK (Available Seat Kilometers): A unit of passenger transport capacity: Total number of seats × Distance flown (km).
- *6 Air transport revenue per ASK: (Air transport revenue – fuel surcharge) / ASK.
- *7 Unit cost: Consolidated air transport costs (excluding fuel costs) / ASK.

**Cash flow from operating activities**

| ¥253.1 billion |

**Cash flow from investing activities**

| ¥215.5 billion |

**Free cash flow**

| ¥37.5 billion |

After adjusting net profit before income tax to reflect 162.7 billion yen in non-cash items such as depreciation, and to reconcile operating accounts receivable and payable, and other items, operating activities provided net cash of ¥253.1 billion yen. Investing activities used net cash of ¥215.5 billion yen, mainly for the purchase of fixed assets. As a result, free cash flow was ¥37.5 billion yen.
FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Non-financial Data
(As of March 31, 2017)

Number of group companies
137 companies

Number of employees
11,449 people

Traffic results
Domestic passengers
32.57 million passengers

Number of group aircraft

<table>
<thead>
<tr>
<th>Large aircraft</th>
<th>Medium-sized aircraft</th>
<th>Small aircraft</th>
<th>Regional jet</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 aircraft</td>
<td>70 aircraft</td>
<td>64 aircraft</td>
<td>56 aircraft</td>
<td>230 aircraft</td>
</tr>
</tbody>
</table>

Operational rate
Domestic and International routes total
99.7%

On-time arrival rate
Domestic and International routes total
91.6%

Traffic results
International passengers
8.39 million passengers

Number of countries, regions and destinations served by the JAL Group
(including code-share flights)

<table>
<thead>
<tr>
<th>Countries/Regions where we fly to</th>
<th>Airports (including airports in Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>54 countries/regions</td>
<td>344</td>
</tr>
</tbody>
</table>

Number of group subsidiaries and affiliated companies
81 subsidiaries (including 52 consolidated subsidiaries)
56 affiliated companies (including 13 accounted for by the equity method)

Traffic results
Number of countries, regions and destinations served by the JAL Group

Traffic results
Number of group companies

Traffic results
Number of group subsidiaries and affiliated companies

Traffic results
Number of group employees

Traffic results
Number of group employees

Temperature and CO2 emissions
Electric power consumption
113 million kWh

Heat consumption (crude oil equivalent)
44,936 Kiloliters

Water consumption
426 thousand m³
In fiscal year 2017, the JAL Group initiated the JAL Group Medium Term Management Plan for Fiscal Years 2017 – 2020, under the key words “Challenge, Leading to Growth.” In this section, we outline the plan’s initiatives and explain the JAL Group’s value creation cycle.

**Message from the President**
**Message from the CFO**
**Outline of JAL Group Medium Term Management Plan for Fiscal Years 2017-2020**
**JAL Group Value Creation Cycle**
**Human Resources Strategy**

---

**Awards and Recognition**

**Best Economy Class Airline Seat**
Skytrax 2017 World Airline Awards

JAL was ranked first for Best Economy Class Airline Seat in the Skytrax 2017 World Airline Awards. This marks the third time JAL has received a World Airline Award, following awards for the Best Business Class Airline Seat in 2013 and a previous award for the Best Economy Class Airline Seat in 2015.

**Best Airline for On-time Performance in the Asia-Pacific Region**
FlightStats 2016 Airline On-time Performance Service Awards

FlightStats, Inc. ranked JAL first for on-time performance in the mainline and network categories for Asia-Pacific major airlines, based on flights on domestic and international routes between January and December 2016.

**JAL Selected as a Company that Helps Cancer Patients Balance Treatment and Work Commitments**
Top Award in the Tokyo Work Circle Project

The Tokyo Metropolitan Government has recognized our initiatives to support employee health through our health promotion program, JAL Wellness 2016, as well as our efforts to create more flexible working practices with various holiday leave schemes. This is the first time JAL has received this award.

**JAL Selected as a Company that Empowers Female Employees**

Nadeshiko Brand Enterprise

JAL was selected for inclusion in the Nadeshiko Brand list of enterprises for the third consecutive year by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. Companies on the list are recognized for initiatives in diversity management.

**JAL Secured as a Leader in Employee Health Management**

Health & Productivity Stock

JAL was selected as a Health & Productivity Stock in 2017 for the third consecutive year by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, which recognized our management commitment and strategic initiatives in employee health management.

**JAL Selected as a Company that Supports Future Generations**

Japan’s First Rating System for Corporate LGBT Programs

JAL received a Gold ranking in the Pride rating system, established by Work with Pride, an LGBT volunteer group.

**JAL Granted “Kurumin” Certification for Nurturing Future Generations**

4th Action Plan Currently Being Implemented

Since June 2008, JAL has been certified with the “Kurumin” mark as a company that supports future generations.

**JAL Secured Top Place in Best Free Attraction Ranking 2016**

JAL Factory Tours – SKY MUSEUM

JAL Factory Tours – SKY MUSEUM, the flagship component of the JAL SORAKU educational program, came top in the Best Free Attractions Ranking 2016 by TripAdvisor, the world’s largest travel website.

**Certified as a Gold Company in the Pride Rating System**

Japan Women’s Innovative Network

JAL received the Basic Achievement Grand Prize from the Japan Women’s Innovative Network, recognizing JAL as a leading company in promoting diversity and inclusion.

**Selected as a Telework Pioneer 100 Company**

Chairman’s Prize in the 17th Telework Promotion Awards

JAL received certification under the Law for Measures to Support the Development of the Next Generation in June 2008 in recognition of our efforts to nurture future generations. JAL received the Chairman’s Award in the 17th Telework Promotion Awards, the first time an airline has won this award.

**Selected as a Competitive IT Strategy Company**

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MESSAGE FROM THE PRESIDENT

The JAL Vision and our new Medium Term Management Plan were established to realize the JAL Group Corporate Policy. We aspire to be an airline that not only achieves corporate growth but also contributes value to society.

Yoshiharu Ueki
Representative Director,
President

The JAL Group embraced the challenge of the last five years by working with a strong team spirit toward its goals.

When we formulated our previous medium term management plan—the JAL Group Medium Term Management Plan for Fiscal Years 2012-2016—our two goals were to regain the trust of society through sincere responses to the 2010 bankruptcy and to build a solid financial base by establishing a high profitability structure to promote sustainable growth. To reach these goals, we established targets in three areas: safety, customer satisfaction, and finance. Specifically, they were zero aircraft accidents and zero serious incidents; number one in customer satisfaction by fiscal year 2016; and an operating margin of 10% or above for five consecutive years and an equity ratio of 50% or above by fiscal year 2016. In spite of these challenging goals, every JAL Group staff member worked determinedly over the five-year period to accomplish and fulfill the plan.

The JAL Philosophy and the amoeba management system, both introduced after our bankruptcy, generated a dramatic change in the awareness and behavior of JAL Group executives and employees. All JAL Group employees now put in joint efforts each day to realize the JAL Group Corporate Policy: deliver unparalleled service to customers, increase corporate value, and contribute to the betterment of society. As a result, we were able to achieve our financial targets, thought to be the most challenging of the three, of an operating margin of 10% or above for five consecutive years and an equity ratio of 50% or above by fiscal year 2016. I believe that this has enabled us to create a firm foundation to enter a new growth phase. Regarding our safety target, one aircraft accident occurred in fiscal year 2016, and consequently we were not able to achieve the targeted zero record for five years. As for customer satisfaction, we reached our target for international flights, but fell short of our target for domestic flights. We take these results seriously and will continue to push forward determinedly to reach our customer satisfaction target.

It is regrettable that we did not fully achieve all the targets set out in the previous Medium Term Management Plan. It is significant, however, that all JAL Group employees worked in union to fulfill our yearly rolling plans, updated by reviewing the progress made each year and the direction of our policy under the five-year plan. I think we can compare finishing the plan to crossing the finish line of a marathon. By implementing the JAL Philosophy and the amoeba management system over the past five years, the JAL Group has laid a solid business foundation, and established a high-profitability structure and a strong financial base. I believe that this strategy has enabled us to regain the trust of all stakeholders and fulfill their expectations for sustainable growth.
JAL Vision— our first step toward implementing the JAL Group Corporate Policy

The JAL Group regards the 2020 Olympic and Paralympic Games in Tokyo as a major turning point, when an expansion of flight slots at Tokyo metropolitan airports is expected. Bearing this in mind, we established a new JAL Group Medium Term Management Plan for Fiscal Years 2017-2020 under the key phrase “Challenge, Leading to Growth.”

If I were to compare the JAL Group when we initiated the previous medium term management plan to an aircraft in flight, I would say we were in the phase of having taken off and climbing through thick clouds and poor visibility. Now that we have finished the previous plan, I would say the aircraft has finished climbing and is in the cruising phase of the flight. Having reached this point and begun considering what is most important for the next phase, we have concluded that we should steadfastly implement our Corporate Policy and gain public recognition as a company that makes valuable contributions to society. We therefore established the JAL Vision to indicate what kind of company we aspire to be in ten years’ time through the process of implementing the Corporate Policy.

The JAL Vision, which outlines our ideal future profile, expresses our wish to bring happiness to customers worldwide including Japan, and to communities and society as well as individual customers. It also encapsulates our determination to become an airline that meets a broad range of societal needs. To realize these ambitions, we envisage transforming JAL into a true global airline that is one step ahead of its competitors in value creation, and thereby ensuring sustainable growth. The new Medium Term Management Plan translates this vision into concrete measures so that we may realize it.

New Medium Term Management Plan: To realize the JAL Vision

The new Medium Term Management Plan identifies two growth drivers for the JAL Group to concentrate on, under the key words “JAL Focus.”

The first growth driver is to refine our full-service carrier business. We aim to achieve steady growth by positioning it as the core business domain of JAL and by maximizing its strengths. As part of active investments in “hard” services, we will proceed with expanding international routes operated with JAL SKY SUITE-configured aircraft, while on domestic routes, we will deploy the A350 for the first time in fiscal year 2019.

As for our route network, we will steadily expand routes, primarily international routes, to further improve customer convenience. We launched the route between Haneda and New York in April 2017, and will open routes between Narita and Melbourne and between Narita and Kona in September this year.

In addition to these improvements in “hard” services and routes, we will further refine our spirit of hospitality, which is the JAL Group’s greatest strength, to deliver the finest service and a pleasant travel experience at all customer touch points before, during, and after the flight.

The second growth driver is the expansion of our business domains. As well as further expanding our airline-related businesses such as providing services relating to airport handling and aircraft maintenance, and in the travel agency and credit card sectors, we will devote our energy to entering new business domains, and meet the challenge of creating and cultivating new revenue sources. We target a revenue increase of 10% and 30% in our core business domain and new business domains, respectively, in fiscal year 2020 compared to fiscal year 2016.

JAL Vision

To customers worldwide, From region to society

To realize the JAL Group Corporate Policy and become “the world’s most preferred and valued airline,” everyone at JAL will put in joint efforts to ensure flight safety and to:

1. Transform JAL into a true global airline
2. Create new values one step ahead of our competitors
3. Continue sustainable growth
Environmental initiatives
Under the key phrase “Living in Harmony with the Planet,” we are taking steps to reduce CO₂ emissions, industrial waste, and electric power consumption. We particularly believe that reducing fuel consumption contributes significantly to reducing impacts on the environment. We therefore enforce various measures, including renewing our fleet with state-of-the-art aircraft, which have improved mileage performance, applying optimal flight courses and flying techniques, and reducing aircraft weight through optimal onboard loads. Since 1993, we have been participating in the CONTRAIL Project by conducting atmospheric observations using our aircraft. This project has received an array of awards such as the Environment Excellence Award, the Minister of the Environment Prize, and the Special Global Environment Prize. It is a valuable asset of ours that we have been engaged in these activities since the days when environmental issues did not draw such strong public attention. Going forward, we remain committed to conducting environment-conscious business operations.

Social initiatives
Our social initiatives focus on nurturing the next generation through JAL SORAIKU and other related projects, and on contributing to communities through support for disaster recovery, regional revitalization, and support to developing countries. Regarding regional revitalization, the JAPAN PROJECT, launched in May 2011, promotes for instance attractive regional tourist destinations and local products through our in-flight magazines, in-flight meals, and other JAL Group media. In fiscal year 2015, the project further evolved into the JAL NEW-JAPAN PROJECT, in which we collaborate with regional communities to promote revitalization of industries and economies. Through this project, we assist in attracting domestic and inbound demand, and continue support- ing regions across Japan.

Corporate governance initiatives
With regard to corporate governance, we are working to further improve our corporate governance system, compliance, risk management, and related activities, which form the business base of corporate activities. As a corporation that supports public infrastructure, we recognize the importance of establishing a business continuity plan in the event of a natural disaster, major fire, terrorist attack, or other emergency situations, and are reinforcing relevant activities.

Closing words
The JAL Group was given the opportunity to rebuild the company after the 2010 bankruptcy through the support of all stakeholders. Having pulled through the five-year period up to the end of fiscal year 2016, we are once again ready to take off on a renewed path toward growth. To ensure JAL remains one of the world’s most preferred and valued airlines, we will maintain the highest standards of flight safety and draw on the strengths of everybody in the JAL Group to meet the high expectations of our stakeholders. I hope we can count on your continued support and understanding as we move into a new phase of growth.

Yoshiharu Ueki
Representative Director, President
**MESSAGE FROM THE CFO**

Norikazu Saito
Director, Senior Managing Executive Officer
General Manager of the Finance & Accounting Division

Promoting active investments for growth and effective use of business resources while raising business management awareness across the JAL Group

Looking back over the JAL Group Medium Term Management Plan for Fiscal Years 2012-2016, we can point to success in meeting both of our financial targets: an operating profit margin of 10% or above for five consecutive years and an equity ratio of 50% or above by fiscal year 2016. Major contributing factors were firstly the change in the awareness of all employees achieved by sharing the principles set out in the JAL Philosophy, and secondly a profit-conscious approach to business activities through the introduction of the amoeba management system. In concrete terms, each organization visualizes its profitability status each month for reporting at the Group Earnings Report Session. This measure has resulted in frank discussions, leading to higher profit consciousness. Additionally, consistent implementation of the PDCA cycle, with feedback from monthly business results, enables timely adjustment of performance targets. In this way, we have established a system that enables each organization to react flexibly to changes in the business environment. That is the reason for our success in realizing a high profitability business structure.

**Financial Policy**

The financial policy of the new Medium Term Management Plan is to realize an increase in corporate value in a way that combines profitability with stability by building on the solid financial foundation and business management system which we have established so far and by maintaining the potential for sustainable growth.

Our profitability targets are to achieve an operating profit margin of 10% or above each fiscal year and return on invested capital (ROIC)* of 9% or above by fiscal year 2020. Management of individual investment projects will continue to be based on net present value (NPV) as we have done up till now. Going forward, the key performance indicator applied to company-wide investment will be ROIC, which indicates the efficiency of return on fixed assets (including future rental expenses under operating leases). Unlike return on equity (ROE), which measures the efficiency of return on shareholders' equity, this will enable us as the finance department to monitor the effective use of invested capital as a whole.

Regarding stability, in view of future risks which need to be considered given the particular nature of the aviation business, we will continue to maintain an equity ratio of approximately 60% and an improvement in our credit rating.

As for growth potential, we envisage that increased expenditures in the initial stage of the plan, which are allocated to advance investment for sustainable growth, will be balanced by revenue-increasing measures and cost control measures, leading to higher revenues and profits in the later stages. In fiscal year 2016, the increase in expenses was mainly attributable to a review of the salary system and higher base salaries as key human resource investments in order to solidify our foundation for future growth.

In fiscal year 2017, the increase in expenses will mainly be attributable to investments in IT system upgrades and rising aircraft maintenance costs.

Regarding IT systems, we are updating our passenger service system for the first time in fifty years. The new system, which will go live in November 2017, is expected to produce enhanced performance and strategies by business.

For detailed information on revenue management, please refer to P127: Glossary

**Steps to growth**

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online functions that will contribute to advanced revenue management and greater customer convenience. It should also generate revenue increases through a more flexible fare system. Additionally, it will help reduce system maintenance and management costs and enable us to switch to variable costs linked to customer demand, which together with other benefits will contribute to greater cost efficiency at the entire company level. As fiscal year 2017 will include the period of transition to the new system, relevant increases in depreciation expenses, training needs for system cutover, and other demands will result in a front-loaded increase in costs in the short term, but I believe the benefit to build an IT platform to serve as the basis for sustainable growth will justify our medium-term investments.

As for maintenance costs, we expect an increase in engine maintenance costs, notably for 787 aircraft, with particular increases in fiscal years 2016 and 2017. However, our aim is to reduce overall maintenance costs for fiscal year 2020—three years from now—to fiscal year 2017 levels by increasing maintenance cost efficiency through effective use of information technology among other things. As a consequence of these capital expenditures required for long-term growth, a reduction in profits is forecast for fiscal year 2017. However, from fiscal year 2018, we aim to establish a sustainable trend of higher profits on higher revenues.

* Return on invested capital (ROIC) (% = operating income (excluding tax)/fixed assets (including future rental expenses under operating leases)

Allocation of Cash Flows

With financial stability required as an absolute precondition and with the aim of achieving sustainable growth in the medium to long term, allocation of cash flows is carried out focusing on three areas: investment for growth, shareholder return, and financial soundness. Our investment plan for the three years from fiscal year 2018 to fiscal year 2020 foresees a yearly average of approximately 220 billion yen. Going forward, we plan to increase the proportion allocated to investment for growth so that this growth can drive an increase in operating cash flows. Additionally, we continue to view shareholder return as one of our main management priorities. With continuous payment of dividends, we aim to establish a stable dividend as the basis of our policy in this area, we decided to raise the dividend payout ratio to 30% from fiscal year 2017. Additionally, to increase outlets for shareholder return, we will introduce an interim dividend. It is also our policy to give flexible consideration to share buy backs and additional shareholder return options depending on the economic environment and financial conditions.

**Allocation of cash flows**

**Future Capital Investment**

- Growth investment
- Regular investment

**Fleet**
- New: 233.4 billion yen
- Old: 181.5 billion yen
- Total: 221.0 billion yen

**Other**
- New: 51.9 billion yen
- Old: 47.0 billion yen
- Total: 220 billion yen/year

**Allocation of Cash Flows**

- Shareholders
- Investment
- Fleet renewal, Regular etc.

**Response to Risks**

Among short-term risks are the impact of fluctuations in fuel markets and exchange rates. On international routes, a fuel surcharge is applied and fuel price and foreign exchange rate risk are to some extent reduced. On domestic routes, however, there is no fuel surcharge, and measures to reduce fuel cost and exchange rate risk are carried out through derivative transactions. The effectiveness of the fuel surcharge and derivative transactions in limiting risks from market fluctuation varies when viewed on a year-by-year basis due to time lag effects. Viewed on a medium-term basis, however, risks are largely neutralized.

The implementation and management of derivative transactions is carried out by the relevant department subject to approval by the financial controller in accordance with Corporate Management Risk Regulations, which govern the maximum amount of the transaction, and corporate regulations which specify the authority for transactions. A monthly meeting is held attended by the relevant executive director to report on the performance of derivatives, identify the current scale of risks, decide the hedge method and hedge ratio, and verify the content of transactions.

**To our shareholders and investors**

The JAL Group believes that growth means realizing an appropriate scale of capacity growth under the new Medium Term Management Plan to continuously generate increases in revenues and profits on the condition of achieving high profitability and financial stability. Going forward, in addition to investments in existing businesses, we will embrace the challenge of developing new businesses in a spirit of healthy risk-taking. Making optimal use of assets we have invested in and monitoring the effectiveness of investments with ROIC, we will promote ‘muscular management.’ In addition to generating growth-based cash flows and maintaining a strong financial foundation, we will actively implement shareholder return. As a result, we will improve capital efficiency, monitoring ROE against a target level of 10% or above. To implement these strategies, it is important that all JAL Group employees act with a challenging spirit rooted in profit consciousness. As Chief Finance Officer, I will also continue to exercise firm control of our finances.
OUTLINE OF JAL GROUP MEDIUM TERM MANAGEMENT PLAN FOR FISCAL YEARS 2017-2020

We regard the year 2020, the year of the Olympic and Paralympic Games in Tokyo, as a major turning point in realizing the JAL Vision, as capacity expansion of flight slots is expected at Tokyo metropolitan airports. To coincide with this significant year, we established the new JAL Group Medium Term Management Plan for Fiscal Years 2017-2020 under the key words “Challenge, Leading to Growth.”
OUTLINE OF JAL GROUP MEDIUM TERM MANAGEMENT PLAN FOR FISCAL YEARS 2017-2020

JAL Action

5 KEY INITIATIVES

Safety
We will maintain our safety targets of zero aircraft accidents* and zero serious incidents.* Under the new Medium Term Management Plan, we aim to establish a stable record of zero incidents by introducing a new approach, for instance rolling out a range of initiatives to evolve our safety management system to proactively prevent accidents through multi-layered defenses, evolving our security management system to protect customers from terrorist threats, and generating a culture that gives top priority to safety and ensures that lessons learned from accidents are passed on.

For detailed information, please refer to P.20.

Network & Products
On international routes, our growth strategy is to continuously offer a network and product lineup to cater to customer needs, and implement promotional measures for international customers. As part of this strategy, we will increase fully flat seats in Business Class and increase aircraft fitted with New Spacious Economy seats that offer more legroom.

On domestic routes, we will realize stable growth by delivering high-value services and stimulating new air travel demand. Initiatives include introducing the latest A350 aircraft model on main routes and new aircraft such as the Embracer 190 and the ATR42-600 on regional routes, expanding routes offering in-flight Wi-Fi service, and increasing aircraft fitted with high-quality seats. We will also take steps to expand our network services to outlying islands and Hokkaido.

For detailed information, please refer to P.46-47.

Divisional Profitability Management
We will maximize revenues and minimize expenses through strict cost control, reduction of fixed costs by shifting to variable costs, and other measures. In parallel, we will promote “muscular management,” which increases the ability to generate cash by making efficient use of management resources. Meanwhile, we will take advantage of “management by all,” involving speedy implementa-

For detailed information, please refer to P.32: Divisional Management Systems.

Human Resources
To allow diverse human resources to express themselves individually, we will maintain a work environment that improves productivity, and pursue initiatives to develop global human resources and promote diversity. Additionally, by nurturing leaders who accelerate change on their own initiative and encourage staff to work as a professional team, we aim to make the JAL Group an entity filled with energy for value creation and human resources who can translate ideas into reality.

For detailed information, please refer to P.38-42: Human Resources Strategy

Innovation
We will embrace the challenge of innovation by improving and changing existing businesses through the use of IT and other tools, contributing to regional communities and society, and developing new revenue sources. To address the issues of inbound demand and regional revitalization, we will strive to improve trans-

JAL Target

3 MANAGEMENT TARGETS

Safety
Maintaining awareness that ensuring flight safety is the foundation and social responsibility of the JAL Group, we will accumulate multiple safety layers as the leading company for safety in the transport sector. Consequently, we will be able to maintain flight safety and reach our target of zero aircraft accidents and zero serious incidents.

For an explanation of terms, please refer to P.110.

Finance
We aim for sustainable growth by undertaking proactive investments for future growth and making effective use of management resources, and at the same time maintaining both the high profitability and the strong financial stability that we have built so far. To reach these goals, we set the financial targets of an operating margin of 10% or above and return on invested capital (ROIC)* of 9% or above by fiscal year 2020.

* For an explanation of terms, please refer to P.36.

Customer Satisfaction
We will provide customers with unparalleled service to deliver a refreshing and inspiring travel experience with the aim of realizing the world’s highest level of customer satisfaction by fiscal year 2020.

* Using Net Promoter Score (NPS), a numerical indicator of customer loyalty, we will work to improve customers’ willingness to recommend JAL to others.

Profitability
• Continue to pursue profitability
• Strong awareness of return on resources and assets

Stability
• Equity ratio: maintain at an appropriate level
• Improve credit rating

Growth potential
• By controlling cost increases, we will achieve a turnaround to increased revenues and profits from fiscal year 2018

Operating income

Return on invested capital (ROIC): 9% or above by fiscal year 2020

Credit rating

Return on equity (ROE): maintain at 10% or above

For an explanation of terms, please refer to P.24.

* Using Net Promoter Score (NPS), a numerical indicator of customer loyalty, we will work to improve customers’ willingness to recommend JAL to others.

For an explanation of terms, please refer to P.36.
JAL GROUP VALUE CREATION CYCLE

The JAL Group’s initiatives for value creation are guided by the JAL Corporate Policy and the JAL Vision. We maintain an awareness of social issues when using the Group’s assets to develop our business. By enhancing the JAL Brand, we enhance corporate assets and create social value.
Flight safety is the foundation and social responsibility of the JAL Group. To fulfill this responsibility, JAL established the Safety Charter. All JAL Group employees carry a safety card imprinted with the Safety Charter, on which they base their conduct at work each day.

Safety Charter

Safety in flight operations is the very foundation and social responsibility of the JAL Group. To carry out our mission of assuring safety, the management will exert its strong resolve and the employees will bear an awareness of their individual roles and responsibilities, and together we will combine our utmost knowledge and capabilities to ensure the safety and reliable operation of each and every flight.

In order to carry out our mission, we will;
- Perform our duties in compliance with regulations, faithfully following the basics.
- Be sure to make checks, without relying on assumptions.
- Relay information thoroughly, promptly and accurately, and ensure transparency.
- Respond to problems and issues quickly and precisely.
- Maintain a constant awareness of issues, and make necessary reforms without hesitation.

Safety Advisory Group

The JAL Group established the Safety Advisory Group in August 2005 to receive advice from an objective perspective following an operational improvement order issued by the Ministry of Land, Infrastructure, Transport and Tourism. 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 Mr. Kunio Yanagida, a non-fiction writer.

Follow-up meetings with management

The members of the Safety Advisory Group hold 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.

Safety Advisory Group members

- Mr. Kunio Yanagida (Chair), Non-fiction writer, critic
- Prof. Yotaro Hata (Professor, Rikkyo University, Professor Emeritus, University of Tokyo / Areas of expertise: traffic psychology, industrial psychology, human engineering)
- Prof. Shinichi Kamata (Professor Emeritus, National Defense Academy of Japan / Areas of expertise: organizational theory, business administration)
- Prof. Shigeno Haga (Professor, Rikkyo University / Areas of expertise: traffic psychology, industrial psychology, human engineering)
- Prof. Akimoto Komata (Professor, Kobe University / Areas of expertise: human machine engineering)

Safety Management System

To maintain the highest safety standards and attain further improvement, the JAL Group has established a safety management system (SMS), which it strives to continuously improve and maintain. Under the system, JAL employees, who are equipped with SMS, which it strives to continuously improve and maintain. Under the system, JAL employees, who are equipped with strong safety awareness, are trained for example to make a detailed report on any event, however trivial it may appear, that occurs on the frontline of day-to-day flight operations. Risk factors are then systematically identified and evaluated, and appropriate action is taken 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.

Safety Promotions Center

On August 12, 1985, JAL flight 123 crashed on the ridges of Mount Osutaka, and 520 precious lives were lost. 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 the “foundation of safety” and the starting point for providing society with safe, reliable operations. Every employee is continuously reminded that precious lives are entrusted to us in our work. The Safety Promotion Center is open to anyone interested in aviation safety.

In fiscal year 2016, the Center received 17,497 visitors from inside and outside the Group, bringing the cumulative total since fiscal year 2006 to 196,689.

The JAL Philosophy was adopted as a statement of the awareness, values, and attitude to be shared by everyone involved in JAL products and services. Making it the common basis for decision-making in the JAL Group helps build a sense of unity, which supports our committed efforts to deliver unparalleled service to customers, increase corporate value, and contribute to the betterment of society.

About the JAL Philosophy

We adhere to the JAL Philosophy as the shared mindset, values, and attitude of every person engaged in JAL products and services. As JAL Group employees deepen their personal understanding of the JAL Philosophy and employ it as a common basis for decision-making in everyday operations, it becomes a unifying force enabling them to advance together toward the ambitious goal of “becoming the world’s most preferred and valued airline group.”

To deepen understanding, we conduct JAL Philosophy Education seminars for all JAL Group staff and executives in Japan and overseas regions. The JAL Group spans a wide range of job categories, but all participants in these seminars sit at the same table, regardless of seniority, position, or department, which helps to generate an atmosphere of mutual understanding. JAL Philosophy Education instructors are selected from various divisions, from Flight Operations and Cabin Attendants to Engineering & Maintenance, Airports, and Sales. They hold seminars in the Tokyo region and also travel to other regions of Japan, adapting the teaching materials to the specific needs of the participants. Education seminars in the United States, Europe, Asia-Oceania, and China are given by local instructors using multilingual materials.

Practicing the JAL Philosophy More Intensively

The annual JAL Philosophy Presentation Meeting marks its seventh session in 2017. It is greeted enthusiastically each year as employees share their thoughts on the JAL Philosophy and examples of how they have applied it. The presentations by colleagues performing a wide range of roles are enlightening and instructive, and serve as a good opportunity to reflect on how to practice the JAL Philosophy in one’s duty.

The departments and Group companies have started instituting their own approaches to instilling the JAL Philosophy. The JAL Group will continue to nurture human resources through diverse activities that promote the wider application of the JAL Philosophy. This will enable every JAL Group employee to provide customers with unparalleled service, increase corporate value, and contribute to the betterment of society.
Under the amoeba management system, corporate management is not the responsibility of top management alone; all employees are involved. Organizations are divided into the smallest possible units, and the results of activities conducted by each unit are presented in an easily understandable manner. The system thus encourages participation in management by every employee, that is, “management by all.” We aim to achieve sound and flexible corporate management by consolidating individual strengths in a style of management that encourages full staff participation.

Outline of the Amoeba Management System and How the “Management Cycle” Works

The introduction of the amoeba management system has clarified the roles and responsibilities of each organization and made it possible to identify the revenue and costs of each unit in such a way that staff can see the results of their own efforts. As each department can pinpoint its achievements clearly through revenue and costs, staff feel a sense of responsibility for the figures, and feel more motivated and creative in their work attitude.

Under the amoeba management system, every unit prepares an annual plan for revenues and costs (Master Plan) and implements a monthly management cycle (PDCA cycle) to accomplish the annual plan. The monthly management cycle requires each unit to prepare a forecast of its revenues and costs at the start of each month based on the current environment and to set out an action plan. After business results for the month are released, the difference between the target and result is calculated and reasons for the difference are clarified. The findings are utilized to prepare targets for the following month. Thus, in addition to the annual plan prepared at the start of each fiscal year, monthly targets are also set, which facilitates prompt response to changes in the environment. Operating a stage-by-stage monthly management cycle of this way that staff can see the results of their own efforts. As each department can pinpoint its achievements clearly through revenue and costs, staff feel a sense of responsibility for the figures, and feel more motivated and creative in their work attitude.

The amoeba management system requires each unit to prepare a forecast of its revenues and costs alone; all employees are involved. Organizations are divided into the smallest possible units, and the results of activities conducted by each unit are presented in an easily understandable manner. The system thus encourages participation in management by every employee, that is, “management by all.”

Future Initiatives

Up till now, we focused on embedding the amoeba management system, but to ensure future growth, we will accelerate divisional profitability, which is one of the five key initiatives selected for specific action under the JAL Action Plan in the new Medium Term Management Plan.

Comprehensive profitability management

We will pursue initiatives to improve hourly profitability and unit profitability within each Group department and company. We will also rigorously enforce cost control in response to changes in the market environment and fluctuations in revenues to optimize the balance sheet and improve risk resilience.

Participatory management

To bring together individual strengths and thereby increase practical effectiveness in reaching our targets, we will visualize management data to make it easier to understand, and encourage all employees to display creativity and initiative to reach our targets. We will also devote our energy to nurture leaders with managerial competencies to motivate employees.

Effective use of management resources

We will work to implement “muscular management” by improving profitability within each Group department and company, undertaking effective investments, improving asset utilization, optimizing inventories, and implementing other measures to increase return on invested capital (ROI).

Before and after introduction of the amoeba management system

The JAL Group Corporate Policy commits us to providing customers with unparalleled service. Unparalleled service means delivering the world’s highest levels of safety, on-time performance, comfort, and convenience. Of these, absolute priority must be given to guaranteeing safety, which is the foundation of the JAL Group. Flight safety relies on each employee sharing clear values and possessing an awareness of their responsibility as members of the JAL Group. By ensuring that all departments cultivate a safety culture, and continuously accumulating safety layers, we will maintain flight safety and inspire customers to put their confidence in the JAL Group. On this foundation, we seek to deliver improved on-time performance, comfort, and convenience, and thus offer customers a safe and comfortable flight.

Medium Term Management Plan

The JAL Group’s Growth Story

Management Strategies Designed to Create Value

The JAL Group introduces new managerial strategies every five years. In this new five-year period, the JAL Group will focus on management by consolidating individual strengths in a style of management that encourages full staff participation.
On-Time Performance – An Important Factor of JAL Service

The JAL Group has declared delivering unparalleled service to customers as part of its Corporate Policy. Maintaining on-time performance, which means valuing the customers’ precious time with top priority on safety, is an essential factor in the basic service quality of a public transport operator, and forms a proud part of our mission.

The times presented in our flight schedule are product descriptions and represent a promise to customers and society. To transport customers to their destination within the scheduled timeframe and without endangering safety—a basic value for any airline—requires smooth communication and coordination among numerous departments such as Reservations, Airports, In-Flight, Ground Handling, Cargo, Maintenance, Flight Operations, Cabin Attendants, and Sales, as well as other support departments and head office planning divisions. By proceeding surely and steadily with each flight, we strive to achieve on-time performance in air transport as a competitive product advantage.

Specific initiatives
To further improve on-time performance, the JAL Group aims for improvement on a daily basis by giving serious consideration to not only relevant measures within each department, but also proposed measures and revisions that cross departmental boundaries. As a result, the US-based FlightStats, Inc. which analyzes the on-time arrival rates and other data of airlines, named JAL the most punctual major Asia-Pacific airline in the period from January to December 2016. The award applies to both the mainline category and network category, and is based on combined figures for domestic and international flights.
For Greater Convenience

We believe that the JAL Group route network is one of its strengths and an important factor when customers choose the JAL Group. As well as offering a route network and timetable that meets the needs of customers and society, we also deliver highly convenient products and services that accurately meet customer needs at every touch point up to arrival at the destination. Additionally, as well as enhancing the ‘time value’ of customers through high-speed transportation, one of the great advantages of air transport, we believe that delivering quality service for an appropriate fare is also an important factor in improving customer convenience.

Specific Initiatives

On international routes, we increased seasonal flight frequency to meet robust demand on the Narita = Honolulu and Narita = Bangkok routes. On the Haneda = Honolulu route, a new First Class service was introduced during the year-end holidays in response to customer demand, with promotional measures stepped up to deliver a high-quality travel experience for customers flying to Hawaii. To meet high demand during the summer period, the Narita = Moscow route was increased to five flights a week.

From October 30, 2016, flights which had been operated by Hokkaido Air System Co., Ltd. (HAC) switched flight code from the HC flight code to the JI flight code. Meanwhile, the Haneda = Yamagata route, using the Haneda Airport Policy Contest Slot awarded in fiscal year 2014, will continue to operate two flights a day through the cooperation of regional governments and other parties. To improve customer comfort, the new Embraer 190 aircraft model with Class J seating was introduced successively on regional routes to and from Osaka, starting with the Itami = Kagoshima route. We further upgraded products and services on domestic routes with JAL SKY NEXT seats offering a pioneering standard of seat specs to all routes operated with the 777-300, 777-200, 767-300, and 737-800 (excluding aircraft owned by Japan Transocean Air Co., Ltd.). By offering free in-flight Wi-Fi service, we delivered new value and greater convenience so that passengers can connect with family and friends from the skies just as they would on the ground.

Going forward, we will continue to respect the customer perspective as we work to improve customer convenience and comfort by embracing the challenge of further expanding our route network and improving products and services. In this way, we remain firmly committed to delivering unparalleled quality service for an appropriate fare is also an important factor in improving customer convenience.

TOPOCS

JAL ranks number one in two indicators of the International Airlines category in the JCSI survey

In the 4th Japan Customer Satisfaction Index survey conducted in 2016 by Service Productivity and Innovation for Growth* (Head Office: Shibuya-ku, Tokyo), JAL placed first in the International Airlines category in the indicators Repeat Intention and Recommendation Intention. One of JAL’s management targets was to rank first in these two indicators of the International Airlines category and the Domestic Routes category of this survey by fiscal year 2016. This result means the target has been achieved in the first of the two categories.

Recent improvements to our international routes have seen an expansion in routes operated with JAL SKY SUITE-configured aircraft and improved in-flight meals based on collaborative agreements. On domestic routes, a promotional campaign to offer free in-flight Wi-Fi service has been one of the benefits for customers. In this way, the JAL Group has united to embrace the challenge of creating new value in order to deliver a refreshing and inspiring travel experience to every customer.

* Website of Service Productivity and Innovation for Growth:
www.service-is.jp/
### HUMAN RESOURCES STRATEGY

#### VALUE-UP

- **Build value-creating organizations that possess an ambitious spirit of challenge**
  
  To realize our aim of staying one step ahead in value creation, we are working to create organizations possessing a spirit of challenge. In response to dramatic changes in the business environment, JAL will nurture leaders who consistently embrace the challenge of accelerating innovation on their own initiative and encourage each employee to act as a member of a professional team. In this way, we aim to transform the JAL Group into a company full of innovation on their own initiative and encourage each employee to act as a member of a professional team. In this way, we aim to transform the JAL Group into a company full of value-creating energy, richly endowed with human resources who strive to put ideas into reality.

- **Practice the JAL Philosophy more intensively to achieve targets**

  The basis for these measures is the JAL Philosophy. Deepening efforts to ensure its full permeation by moving from “understanding” to “practice” will help each individual and organization achieve their targets.

#### OUR POLICY

- **Goals and slogans of human resources strategy**

  - Enhance individual input to value creation
  - Strengthen human resources
  - Promote diversity
  - Practice the JAL Philosophy

#### ACTIVITIES

### Diversity and Inclusion

*In fiscal year 2016, we introduced group mentoring as a means of instilling awareness of women’s career development. We also introduced a career continuity support system offering employment opportunities within the JAL Group to employees who relocate due to marriage, a partner’s work transfer, or to care for a family member.*

#### Examples of Diversity and Inclusion Initiatives

- **Career opportunities for female employees**

  We announced numerical targets of a 20% ratio of female managers within the JAL Group, and a 15% or higher ratio of female managers at section head level or higher in JAL by fiscal year 2023. We are continuing with related initiatives centered on improving work environments, strengthening human resources cultivation measures in both domestic and overseas regions.

  - **Cultivating global human resources**
    
    As part of our aspiration to become a truly global airline, we are strengthening human resources cultivation measures in both domestic and overseas regions.

    - In Japan, from fiscal year 2016 we enhanced training for staff who are transferred overseas by adding a lecture on diverse cultures to the program, among other things. We also introduced a system of intern training at overseas companies for young mid-level employees, with little experience of working overseas. For staff in overseas regions, we implemented such measures as global training to help nurture human resources to lead the JAL Group in the future. The number of employees sent on long-term assignments to Japan was 26, an increase of five over fiscal year 2015, some of whom were assigned to organizational manager posts in Japan.

  - **Examples of Diversity and Inclusion Initiatives**
    
    The JAL Group also strives to promote understanding of LGBT and participates in discussions with LGBT students, LGBT Ally events, and other activities. We have also made LGBT Ally stickers to distribute to employees who participate in LGBT-related training in order to raise employee awareness. We will continue to promote various forms of training and activities that contribute to a more accurate awareness and understanding of LGBT issues.

- **LGBT* Initiatives**

  The JAL Group also strives to promote understanding of LGBT and participates in discussions with LGBT students, LGBT Ally events, and other activities. We have also made LGBT Ally stickers to distribute to employees who participate in LGBT-related training in order to raise employee awareness. We will continue to promote various forms of training and activities that contribute to a more accurate awareness and understanding of LGBT issues.

  * LGBT is a general term for the sexual minority groups Lesbian, Gay, Bisexual, and Transgender.
Opportunities for the elderly

The JAL Group has established systems to support diverse life plans after retirement. Employees who wish to continue working are given active opportunities to suit their abilities and experience in an environment that allows them to work over the long term with a sense of security. Making use of their accumulated rich experience and knowledge, they contribute to maintaining and improving the quality of customer service and nurturing aviation professionals.

Employment of people with disabilities

The JAL Group actively promotes the employment of people with disabilities, ensuring that individual employees grow day by day in an environment that does not see disabilities as barriers to employment. In fiscal year 2016, the coffee shop ‘Kilatto’ run by employees with low-level intellectual disabilities, opened a branch at Narita in addition to the one at Haneda. Through these initiatives, the employment rate of people with disabilities in fiscal year 2016 reached 2.56%. We have expanded these activities into the agricultural field, and now use agricultural produce grown by the disabled as ingredients for in-flight meals. By creating an environment in which everyone, regardless of disability status, can work together in an atmosphere of mutual respect, we are expanding the scope of activities into a wide range of fields.

Workstyle Innovation

The Workstyle Innovation Promotion Office, established in fiscal year 2014, plays the central role in offering opportunities for workstyle reform. These include use of IT tools that allow more freedom in the way of working, improvement of the office environment, and introduction of telework. To improve work efficiency by streamlining the work process, we will implement initiatives in fiscal year 2017 to visualize total work hours, review work processes, and integrate common tasks. In this way, we hope to set up a cycle of accelerated personal growth for speedier decision-making and value creation, leading to corporate growth.

In fiscal year 2016, we set up the IT Service Desk, which offers on-the-spot troubleshooting of problems with IT equipment, and a Business Support Center, which provides translation and other services common to all departments. Going forward, we will support the review of work processes in other departments to boost work efficiency and improve the productivity of the entire JAL Group.

Cabin attendants perform stretch exercises before flight duty

Practicing the JAL Philosophy

The awards are open to all JAL Group employees and all employees who handle JAL services and products, including employees of entrusted companies, subcontractors, companies we invest in, and other partner companies.

In fiscal year 2016, a new award was introduced in the Effort and Ambition category for efforts that contribute significantly to innovating the workplace through unwavering efforts and ambitious setting of challenging new initiatives and higher goals.

Supporting Employees’ Development Through Promotion of Health Management

The mental and physical health of employees is an essential precondition in pursuing the material and intellectual growth of all employees, as advocated in the JAL Group Corporate Policy. Based on this principle, we worked from fiscal year 2012 to enhance health in cooperation with employees, society, and health insurance associations through health promotion measures called JAL Wellness 2016 in the previous Medium Term Management Plan.

In fiscal year 2017, JAL’s Executive Vice President was appointed Health Management Officer, and under his strong leadership, enhanced health promotion measures will be implemented under JAL Wellness 2020. We will also support employees who continue working while dealing with other personal demands such as illness, childcare, and nursing care of family members, integrating this activity with diversity promotion, including women’s career advancement and workstyle innovation.

TOPICS

Come see Mom and Dad at work!
Office tours

As an initiative to promote Premium Friday, we organized office tours for family members of employees to visit the office. The children enjoyed wide-ranging hands-on experiences, from exchanging business cards with the company president to taking a guided tour, where they saw a different side of Mom and Dad up close at work.

2017 Global Summit of Women (GSW) in Tokyo

The Global Summit of Women for female leaders in business and government circles was held in Tokyo and attracted more than 1,300 participants from 62 countries. JAL, which has signed the Women’s Empowerment Principles (WEPs), served as the official airline for the Summit, and has supported worldwide activities for women’s career advancement since 1990.
We have been working to promote diversity since fiscal year 2014, aiming to become a company where diverse human resources including women can participate. The current number of female executives is nine.

Telework has become accepted as a workstyle that enables employees to work from anywhere, at any time. It also allows logging of work time in units of hours and working even from outside the home.

By encouraging varied workstyles and creating a corporate ethos that is fair to employees whose time is limited by duties such as childcare or nursing care, JAL seeks to become a company where all can participate.

We advocate a healthy work-life balance that allows all employees to perform their duties efficiently in order to improve productivity and use the time left over for physical and mental recreation and self-development. We believe that when these personal and learning experiences are fed back into the workplace, new value will be created, which will in turn lead to corporate growth. Consequently, we are taking measures to encourage planned taking of paid holiday and to limit work hours to an appropriate level.

In fiscal year 2016, the average paid holiday taken was 17 days, or 85.5% of the total entitlement, while in back-office departments the monthly average of overtime work was 12 hours. In fiscal year 2017, we will strive to achieve our declared targets of 20 days of paid holiday taken (100%), and 1,850 hours of total work time.
International Passenger Operations

Other (JALPAK Co., Ltd., JAL CARD, Inc., etc.)
14.3%

Domestic routes
45.3%

Fiscal 2016 revenue by category
40.4%

Domestic Passenger Operations

Other (JALPAK Co., Ltd., JAL CARD, Inc., etc.)
14.3%

Fiscal 2016 revenue by category
40.4%

* From fiscal year 2015, revenue passengers carried, revenue passenger kilometers, available seat kilometers, and revenue passenger load factor include code-share tickets sold by other companies for JAL-operated flights.
INTERNATIONAL PASSENGER OPERATIONS

We are strengthening cooperation with one world alliance members and other airline partners to create an even more convenient route network connecting Japan and the world. We are also rolling out high-quality, full-service JAL SKY SUITE-configured aircraft to lift the levels of inflight convenience and comfort.

Medium Term Management Plan – Growth Strategy

Expanding our routes and network to improve customer convenience

We aim to increase customer convenience by improving our route network, including addressing an expected increase in demand for connections for flights originating in North America and Southeast Asia. We will also work more closely with our joint business partners and other companies to create useful network services. Taking advantage of the expected increase in flight slots at Tokyo metropolitan airports in 2020, we will optimize this business opportunity by building a highly-conveni- ent route network.

Welcoming Customers into Comfortable Cabins

We are introducing aircraft with our new JAL SKY SUITE configuration, which offers fully-flat Business Class seats and “New Spacious Economy” seats on Europe, North America, and Honolulu routes. The new configuration will also be introduced onto medium-haul routes.

Leveraging JAL’s Strengths to Attract More Overseas Customers

We aim to attract more overseas customers to the JAL Brand by actively conducting sales promotions to raise brand visibility and by building a stronger business base, including reinforcing and expanding our online services.

Fiscal 2016 Results

In fiscal year 2016, we actively worked to tap buoyant inbound demand for international flights. Outbound demand from Japan was also strong. To address rising demand, we added more flights on Hawaii routes (Narita = Honolulu, Kansai = Honolulu) and on the Narita = Bangkok route. In partnerships with other carriers, China Airlines expanded its code-share arrangement to all flights between Japan and Taiwan, while Russian airline S7, a member of the one world alliance, increased its code-share flights to a total of 19, extending the reach of our global route network.

In marketing and services, we upgraded the Sakura Lounge at Bangkok’s Suvarnabhumi International Airport to improve comfort for passengers. We also set up the “On Trip JAL” website to offer travel tips and seasonal travel information. We aim to spur demand for travel by showcasing the attractiveness of each region with interesting and detailed content about possible destinations.

In products, we are gradually introducing aircraft fitted with the JAL SKY SUITE configuration onto more routes. The new configuration has fully-flat seats when reclined with unobstructed aisle access in Business Class and “New Spacious Economy” seats with more room than the industry norm in Economy Class. Aircraft with this configuration have recently been added to routes between Kansai and Honolulu and between Chubu and Honolulu.

International Cargo

Import and export cargo volume handled by JAL cargo operations increased from the second quarter of fiscal year 2016, reflecting rising global demand for semiconductors amid advances in IoT and self-driving technologies. As a result, revenue cargo ton kilometers rose 9.5% from the previous fiscal year.

We also added new products to our lineup, including the JAL CARGO Charter Service, which provides transport services using freighters chartered from and operated by our partner carriers, and a new version of our fixed-temperature airfreight container.

Medium Term Management Plan and Outlook for Fiscal Year 2017

Under the new Medium Term Management Plan, we plan to increase capacity on international routes at an average annual rate of 5%, in line with market growth. By 2020, we plan to increase available seat kilometers (ASK) by 23% compared with the fiscal year 2016 level. Demand for flights originating in overseas markets is projected to grow at a rapid pace. We will actively target that demand, aiming to lift the ratio of inbound passenger demand to around 50% of total demand in interna- tional passenger operations by fiscal year 2020.

We will also expand the number of routes with JAL SKY SUITE-configured aircraft and increase market share, mainly by focusing on expected stable demand from business passengers, and maintain high load factors to support passenger unit revenue.

In fiscal year 2017, the first year of the new Medium Term Management Plan, we forecast continued strong demand on outbound and inbound routes. Against this backdrop, we aim to further increase yields using our revenue management system while maintaining high load factors.

We are continuing to expand our route network. In April 2017 we launched a new route between Hanoi and New York, which improved connections to North America from domestic airports. We will also add a new Narita = Melbourne route on September 1, 2017 and a Narita = Kona route on September 15. The Japan–Australia Economic Partnership Agreement (Japan– Australia EPA) came into effect from 2015. Our new route to Melbourne, Australia’s second biggest city in terms of popula- tion, will seek to capitalize on closer ties between the two countries. The new route to Kona, the gateway to the Island of Hawaii famed for its natural beauty, will be our second direct destination in Hawaii.

In marketing and services, we renewed our online JAL Guide to Japan, providing information about Japan through JAL’s worldwide websites, in March 2017. We also added Korean and Thai language support to the guide’s smartphone site, bringing the total number of languages to nine (English, Simplified Chinese, Hong Kong Traditional Chinese, Taiwan Traditional Chinese, French, German, Russian, Korean, Thai) aiming to showcase Japan in overseas markets and stimulate inbound demand.

TOPICS

New Narita = Melbourne, Narita = Kona Routes Added

JAL will launch flights between Narita and Melbourne on September 1, 2017 and between Narita and Kona on September 15. Melbourne is Australia’s second most populous city and is growing rapidly. Many Japanese companies are already based in Melbourne, but with the start of the Japan-Australia EPA in January 2015, ties between the two countries are set to become even closer. Our new route to Melbourne, along with our existing route to Sydney, will strengthen the JAL network in Oceania.

The route to Kona on the Island of Hawaii, a popular destina- tion in the Hawaii archipelago, will mark the start of JAL flights to Kona Airport for the first time in nearly seven years since October 2010. The Island of Hawaii, also known as the Big Island, is a highly appealing destination with a stunning natural environment. The new route will give first-time visitors to Hawaii the urge to return again, while customers who have only experienced Honolulu will have the opportunity to see a different side of Hawaii.

New Narita = Melbourne, Narita = Kona Routes Added
DOMESTIC PASSENGER OPERATIONS

We are increasing convenience and simplicity with JAL SKY NEXT configured aircraft. Our focus is on improving convenience for passengers by adding more services such as in-flight Wi-Fi. We are also playing our part in revitalizing regional economies as a regional partner and by providing vital links for residents in outlying islands and regional cities through our extensive domestic network.

Medium Term Management Plan – Growth Strategy

Our domestic passenger operations face a major risk from Japan’s shrinking working age population. However, we see new growth opportunities ahead, such as rising inbound demand in the lead-up to the 2020 Olympics and Paralympics in Tokyo. To adequately address major changes in the operating environment and generate steady growth, we will focus on two key strategies in the new Medium Term Management Plan.

First, we will maintain and enhance our high-value-added services. During the previous Medium Term Management Plan (fiscal 2012 – 2016), we worked to refine our full-service carrier business. We implemented a variety of initiatives to achieve that goal, such as introducing JAL SKY NEXT-configured aircraft featuring genuine leather seats and LED cabin lighting, and the first in-flight Wi-Fi service on domestic routes. These initiatives were welcomed by customers. We will continue to extend these initiatives under the new plan in conjunction with stepped up efforts to create new value, such as the introduction of the new A350 and upgraded in-flight Wi-Fi services. Our goal is to set our services apart from those of our competitors to ensure customers continue to choose JAL.

Second, we will work to generate new demand. We face the real risk of contraction in the domestic travel market. To achieve stable growth in these conditions, we need to create new sources of growth to compensate for falling demand. Specifically, we will implement initiatives to attract more international visitors to Japan and extend our reach from the domestic market into overseas markets. We plan to set airfares and launch marketing campaigns that encourage more people to enjoy the charms of all Japan’s regions, not just its major cities and famous tourist spots, which will lead to growth in the number of visitors and revitalize regional economies.

By implementing those two key strategies, we aim to overcome tough competition in the market and generate stable growth.

Fiscal 2016 Results

In fiscal year 2016, we took steps to stimulate demand to counter the impact of the Kumamoto earthquakes and negative calendar effects of the Silver Week holidays in September. As a result, revenue passengers carried increased from the previous year. However, passenger unit revenue declined amid the challenging market climate, leading to a drop in passenger revenue. To help the Kumamoto region recover from the earthquake, we provided full support for recovery efforts. We offered specially reduced fares on flights to and from Kuyshu in response to increased demand for flights to Kuyshu in order to return home, help as volunteers, or such, and provided free transport of relief supplies and volunteer groups heading to affected regions. We also launched a marketing campaign to stimulate recovery in tourism demand in the Hokkaido region, which was hit by successive typhoons. The campaign included tie-ups with travel companies to provide special products during the campaign period, as well as other initiatives to encourage travel throughout Hokkaido.

In product initiatives, we completed the revamp of all applicable JAL SKY NEXT aircraft which were launched in May 2014. We began to offer in-flight Wi-Fi services for free aboard JAL SKY NEXT-operated flights, helping to create a more enjoyable and comfortable in-flight experience for domestic passengers.

On Itami routes, we improved product competitiveness with the introduction of the Embraer 190, which is the first regional jet in our fleet to be equipped with a Class J cabin.

In airport services, we raised the quality of services at domestic airport lounges. We fully renovated Sakura Lounges at New Chitose, Naha, Fukushima and Hiroshima airports, added new Diamond Premier Lounges, the top-class lounge for domestic passengers, at New Chitose, Itami and Fukushima airports, and improved the food and beverage menu and service hours.

Outlook for Fiscal 2017

In fiscal year 2017, the first year of our new Medium Term Management Plan, we expect the market climate to be more challenging due to new routes launched by other carriers and increased price competition. In response, we will assign aircraft to meet demand and strive to boost profitability. We will also extend initiatives implemented through to fiscal year 2016 to realize high-value-added services that support our position as a full-service carrier.

In route operations, we aim to increase convenience and comfort on our regional network. We plan to further increase routes operated with the Embrair 190, centered on Itami routes. On routes to outlying islands in Kagoshima Prefecture operated by Japan Air Commuter Co., Ltd. we will introduce the advanced ATR42-600 turboprop.

In product initiatives, we started providing Japan’s only free in-flight Wi-Fi service on flights operated with JAL SKY NEXT-configured aircraft. We also plan to progressively introduce JAL SKY NEXT configuration on the 737-800 fleet operated by Japan Transocean Air Co., Ltd.

In marketing, we introduced an innovative new mileage award service called Go Somewhere with Miles. The service, which has been very popular with customers since its launch in December 2016, is designed to stimulate the domestic travel market by encouraging customers to discover new destinations in Japan on routes from Haneda Airport. The final destination is selected by JAL, but customers need less than half the normal number of required miles to qualify for domestic reward tickets. The new service was expanded to Itami Airport routes from April 2017 as part of efforts to offer new value to JAL customers.

TOPICS

Overseas Marketing Campaigns to Generate New Demand

The number of international visitors to Japan continues to grow strongly. In 2016, 24.03 million people visited Japan, exceeding the record set in 2015. To attract more overseas visitors to regional Japan, we began offering Japan Explorer Pass airfares online from fiscal year 2015. Customers can now buy these tickets on overseas JAL websites in 22 countries and regions worldwide with multiple language support. We also set up the “Explore Japan” promotional website, which provides tourist information about regional Japan and a range of other useful content such as booking services for hotels, traditional Japanese inns, tours, activities and transport through one convenient website. In addition to showcasing the charms of regional Japan, the site is a one-stop portal for travel services, allowing visitors to seamlessly organize accommodation and travel experiences in Japan.

In fiscal year 2017, we will create even more opportunities for overseas customers to experience regional Japan. We will continue to use the Japan Explorer Pass to stimulate demand, create highly convenient systems to encourage wider use of domestic routes, and upgrade content and services on our new Explore Japan website.
Japan Transocean Air Co., Ltd. (JTA)

Established as Southwest Air Lines in 1967 before the return of Okinawa to Japan, JTA has been providing vital air links to Okinawa residents for 50 years. In addition to connecting Okinawa’s main island and outlying islands, JTA operates 70 scheduled flights each day on 13 routes between Okinawa and Haneda, Chubu, Kansai, Komatsu, Okayama, and Fukushima airports with a fleet of 12 737 aircraft. Targeting inbound demand, JTA offers the highest level of service in the JAL Group combined with a hint of Okinawa culture. The airline is also doing its part to support the regional economy by widely promoting Okinawa as an appealing destination for tourists.

Japan Air Commuter Co., Ltd. (JAC)

JAC was established to initially operate flights on four routes linking the Amami Islands. The airline, which marks its 34th anniversary in 2017, is committed to its mission of maintaining and enhancing the regional network centered on Kagoshima and vital air links with isolated islands. Today, JAC operates flights on 22 routes, mainly serving outlying islands in Western Japan, such as Tanegashima, Okinawa, and Amami Islands, as well as destinations such as Oki and Tajima. The airline is working to improve customer convenience by introducing the advanced ATRAQ-600 turboprop onto routes from 2017 and adding a new service linking Tokunoshima, Okinawaru (stopover) and Naha on Okinawa from fiscal year 2018.

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

The JAL Group’s principal member airline covering regional routes, J-AIR is based at Osaka International Airport (Itami) and operates 189* daily flights on 31 routes in a network connecting various regions to meet customer needs. The company is introducing the new Embraer 190 with a Class J cabin and expanding its regional network to remain competitive and continue expanding as a regional airline. J-AIR is also actively supporting regional communities, such as running flight experience events and airline classes for children from areas affected by earthquakes.

* As of June 2017

Hokkaido Air System Co., Ltd. (HAC)

HAC was established in September 1997 to provide convenient air links to destinations across Hokkaido Prefecture. The airline is marking its 20th anniversary in 2017. HAC currently has a fleet of three SAAB 340B aircraft, which operate 26 daily flights linking Hakodate, Kushiro, Rishiri Island, and Mihoro with Okadama Airport in Sapporo, and Otushii with Hakodate Airport. The airline will continue to focus on flight safety to maintain support from Hakodate residents while working to attract more private and small group customers, in addition to business travelers. HAC will also do its part to support the development of the regional economy and communities in Hokkaido.

Ryukyu Air Commuter Co., Ltd. (RAC)

A regional airline celebrating its 33rd anniversary in 2017, RAC provides convenient connections to outlying islands in the Okinawa region. Based at Naha Airport on the main island of Okinawa, the airline operates between 41 and 43 daily flights on 12 routes, with connections to the islands of Amami Oshima and Yoronjima to the north, Minamijima and Hitohitsujima to the east, Kumejima to the west, and Miyako, Tanarama, Ishigakijima, and Yonagunijima in the Sakishima chain to the southwest. The airline is working to improve convenience for customers and businesses in outlying islands, encouraging more tourists to visit the islands and focusing on contributing to local industries.

J-ALPAK Co., Ltd.

JALPAK, Ltd. worked to increase sales by rapidly launching new products, offering more high-value-added products and conducting well-timed marketing campaigns to match changing demand. Also, to capture growing inbound demand, the company began sales of the JAL Visit Japan Dynamic Package for overseas visitors to Japan.

In fiscal year 2016, JALPAK handled 241,000 customers traveling to overseas destinations, down 0.6% from the previous fiscal year. Despite upgrades to the smartphone online booking system to improve usability and active promotion of Business Class and Premium Economy Class tickets, passenger numbers declined year on year amid weak demand for trips to Europe and a drop in available seats on flights to Honolulu due to the introduction of new aircraft. The number of domestic customers handled was 2,510,000, up 3.3% from the previous fiscal year. Growth was supported by a campaign promoting cheaper JAL airline flights to Kyushu, stepped up sales and procurement activities, and effective online marketing. As a result, operating revenue (before elimination of intercompany transactions) increased 0.2% year on year to 172.5 billion yen.

In fiscal year 2017, we will continue to listen to customer feedback and make booking systems more user-friendly to respond accurately to diversifying customer needs, aiming to provide a pleasant travel experience that customers can only enjoy with JALPAK. We will also continue to implement new initiatives to attract as many overseas visitors to Japan as possible.

JAL CARD, Inc.

JAL CARD, Inc. stepped up efforts to sign up new members, running effective marketing campaigns using online advertising and direct mail, and accepting credit card applications at airports and other locations using tablet devices. As a result of these efforts, the number of members as of March 31, 2017 totaled 3,272,000, an increase of 143,000 from the end of the previous fiscal year. To improve communication with customers, we upgraded “MyJALCARD,” a dedicated online service that customers can access after enrollment, and enhanced the service menu for members. The number of transactions was firm, supported by an increase in retail partners offering double miles on purchases and initiatives to enroll or encourage members to switch to more premium cards. As a result, operating revenue (before elimination of intercompany transactions) was steady at 20.4 billion yen. Also, for the second consecutive year, JAL CARD was ranked top for Recommendation Intention and Meeting Customer Expectations in the credit card category of the 2016 Japanese Customer Satisfaction Index (iC5S) survey. We also received the highest ranking for “Awareness of Quality,” highlighting JAL CARD’s good reputation with customers.

We will continue to work on improving customer satisfaction in fiscal year 2017 by actively offering new services and enhancing the appeal of our mileage award program.

Businesses in this segment are working to increase the JAL Group’s corporate value by improving convenience for customers. Financial results for the two main companies in this segment were as follows:
The JAL Group comprises Japan Airlines Co., Ltd., 81 subsidiaries (52 consolidated subsidiaries) and 56 affiliated companies (13 equity-method affiliates) supplying a range of air transport products and services to customers and business partners.

### Air Transport Business Segment
- JAL, 27 consolidated subsidiaries, three non-consolidated subsidiaries and three equity-method affiliates

#### Main Companies
- **Air Transport Business**
  - JAPAN TRANSOCEAN AIR CO., LTD.
  - JAPAN AIR COMMUTER CO., LTD.
  - J-AIR CO., LTD.
  - HOKKAIDO AIR SYSTEM CO., LTD.
  - RYUKYU AIR COMMUTER CO., LTD.

- **Airport Passenger Handling**
  - JAL SKY CO., LTD.
  - JAL SKY SAPPORO CO., LTD.
  - JAL SKY OSAKA CO., LTD.
  - JAL SKY KYUSHU CO., LTD.
  - JAL SKY AIRPORT OKINAWA COMPANY, LTD.

- **Ground Handling**
  - JAL GROUND SERVICE CO., LTD.

- **Maintenance**
  - JAL ENGINEERING CO., LTD.
  - JAL MAINTENANCE SERVICE CO., LTD.

- **Cargo**
  - JAL CARGO SERVICE CO., LTD.
  - JAL KANSAI AIRCARGO SYSTEM CO., LTD.
  - JAL CARGO SERVICE KYUSHU CO., LTD.

- **Passenger Sales**
  - JAL NAVIA CO., LTD.
  - JAL MILEAGE BANK CO., LTD.

- **Airport-Related Business**
  - JAL ROYAL CATERING CO., LTD.

### Other Segments
- 25 consolidated subsidiaries, 26 non-consolidated subsidiaries, 10 equity-method affiliates and 43 non-equity method affiliates

#### Main Companies
- **Maintenance**
  - JAL AIRTECH CO., LTD.

- **Passenger Sales**
  - JALPAK CO., LTD.
  - JAL SALES CO., LTD.

- **Cargo**
  - JUPITER GLOBAL, LTD.

- **Airport-Related Business**
  - JAL ABC, INC.
  - OKINAWA FUELING FACILITIES CO., LTD.

- **Others**
  - JAL INFORMATION TECHNOLOGY CO., LTD.
  - AXESS INTERNATIONAL NETWORK, INC.
  - JAL CARD, INC.
Flight safety is the foundation and social responsibility of the JAL Group. The highest priority in our CSR activities is to ensure the safe operation of every flight. This is also the basis of our corporate value. In addition to ensuring flight safety, our mission is to communicate the JAL Group’s firm commitment to safety and our safety initiatives to the society, while striving to realize the JAL Group Corporate Policy by resolving various issues facing society.

**JAL Group 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.

**JAL Group Corporate Policy**

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

**Material CSR Issue Selection Process**

**STEP 1** Identify social issues
Use ISO 26000, SDGs, and other international guidelines to identify social issues

**STEP 2** Prioritize issues
Pinpoint material issues for stakeholders and the JAL Group, and select those that should be tackled first.

**STEP 3** Set KPIs and implement initiatives
Set key performance indicators (KPIs) for the selected issues and implement concrete initiatives under the JAL Group Medium Term Management Plan for Fiscal Years 2017 – 2020.

**Material CSR Issue Selection Process**

**Focus on JAL’s unique strengths**
Develop initiatives and create value that only JAL can deliver through efforts that embody the JAL Philosophy, the basis of shared awareness, values, and thinking of all Group employees.

**Leverage the advantages of our core air transport business**
Work to solve social issues through the air transport business, with top priority on ensuring flight safety.

**Promote initiatives across the JAL Group**
Implement Group-wide initiatives targeting three CSR issues, cooperating with Group businesses as necessary.

**Coexist with the Earth**
Nurture Future Generations
Contribute to Communities

**Basis for Selection of Material Issues**

**[Stakeholder perspective]**
- Requirements in international guidelines
- Dialog with internal and external stakeholders

**[JAL Group perspective]**
- JAL Philosophy
- JAL Group Medium Term Management Plan for Fiscal Years 2017 – 2020 (JAL Vision)
JAL Group CSR

Coexist with the Earth

JAL Group Stance on Coexist with the Earth

The JAL Group views environmental protection as an important issue. We have developed guidelines highlighting areas that the Group needs to tackle and created related action plans. The JAL Group’s approach to environmental issues is summed up in our Environmental Guidelines and concrete initiatives are translated into Action Plans.

Environmental Guidelines and concrete initiatives

Low-Carbon Initiatives

The vast majority of JAL’s CO2 emissions are generated from fuel used by our aircraft. We are implementing a range of initiatives to reduce CO2 emissions.

Tackling climate change

As part of our response to climate change, we are working to reduce emissions of greenhouse gases in our air transport business, such as actively introducing fuel-efficient aircraft into our fleet in line with business plans. In daily flight operations, our flight crews execute Eco Flight operations through intelligent operational choices and timing while ensuring flight safety. We also optimize aircraft loads such as fuel and onboard consumables to reduce aircraft weight. We actively reduce the environmental impact of ground support equipment (power, air conditioning equipment) for aircraft at airports and the Engineering & Maintenance Division regularly cleans aircraft engines to restore fuel efficiency. These are just some of the many initiatives deployed across our business, from flight operations to maintenance, to reduce CO2 emissions.

The JAL Group also uses its unique position as an airline to help realize a low-carbon society and meet public expectations about the environment. We have been a committed long-term participant in the CONTRAIL Project, a joint research project involving various public research groups that takes advantage of aircraft to conduct atmospheric observations. We also support research aimed at improving the accuracy of satellite systems used to monitor large-scale forest fires.

The JAL Group is also part of a joint industry-government-academia project working to develop and introduce domestic aviation biofuel. The project team, which is made up entirely of Japanese organizations, is working to use biofuel on commercial flights in time for the 2020 Olympics and Paralympics in Tokyo, aiming to help create a low-carbon, sustainable society.

CONTRAIL Project – using passenger aircraft in atmospheric observations

The JAL Group is part of the CONTRAIL Project, run jointly by the National Institute for Environmental Studies, the Meteorological Research Institute, JAMCO CORPORATION, and the JAL Foundation. The project, which aims to improve our understanding of the mechanisms of global warming, uses JAL’s scheduled international flights. Automated observation equipment and manual pumps operated by researchers on board the aircraft are used to take air samples. By observing conditions in the upper atmosphere, researchers can understand the distribution, movement, and seasonal changes of greenhouse gases. Supercomputers have been used to conduct advanced analysis of gathered data since 1993, leading to a better understanding of the world’s carbon cycle and enabling researchers to make highly accurate long-term forecasts of climate change on a global scale. The CONTRAIL Project also provides information that will be useful for our planet in the future, such as the development of measures to reduce global warming and address climate change. Moreover, there are hopes that the project will provide a scientific basis for developing national strategies on emissions trading schemes by providing accurate data on the volume and distribution of greenhouse gas emissions.

Atmospheric observation project with Tohoku University

The JAL Group supports Tohoku University’s greenhouse gas research project, which uses JAL aircraft to make atmospheric observations. Since 1979, the Center for Atmospheric and Oceanic Studies at Tohoku University’s Graduate School of Science has been conducting research into global changes in greenhouse gases, using monthly scheduled domestic flights operated by the JAL Group* to measure CO2 concentrations in the atmosphere. The program, which has been running for more than 30 years, has been gradually expanded to include other gases such as methane and nitrous oxide. This project is now the world’s longest study of greenhouse gas using aircraft. Flights are currently operated by JAL Group subsidiary J-AIR Co., Ltd.

Monitoring forest fires

The JAL Group is part of the CONTRAIL Project, run jointly by the National Institute for Environmental Studies, the Meteorological Research Institute, JAMCO CORPORATION, and the JAL Foundation. The project, which aims to improve our understanding of the world’s carbon cycle and enabling researchers to make highly accurate long-term forecasts of climate change on a global scale. The CONTRAIL Project also provides information that will be useful for our planet in the future, such as the development of measures to reduce global warming and address climate change. Moreover, there are hopes that the project will provide a scientific basis for developing national strategies on emissions trading schemes by providing accurate data on the volume and distribution of greenhouse gas emissions.

Aviation Biofuel

Many countries are developing aviation biofuel as a highly effective way of achieving large reductions in CO2 emissions. Aviation biofuel is projected to be widely used worldwide from 2030, but commercial aviation biofuel is already being produced in the US. Unlike the US, Japan does not have sufficient land to grow plants to make aviation biofuel. However, using municipal waste and other waste materials has significant cost advantages in Japan in terms of raw material procurement and transportation. We view waste materials as the most promising option for manufacturing low-cost aviation biofuel in Japan and believe JAL has a vital role to play in actively driving development by bringing related companies together.

Our roadmap envisions commercial flights powered by domestic aviation biofuel by 2020 and full-scale commercial production from 2030. To achieve this timeline, we will participate in Japanese industry-government-academia teams and actively drive development, aiming to significantly reduce CO2 emissions from aircraft and contribute to global efforts to create a recycling-based society.

Process of converting waste to aviation biofuel
Eco-First Commitment

As an airline responsible for a vital part of public infrastructure, the JAL Group is fully aware of its responsibility to the global environment. We are therefore working to step up our environmental initiatives. In 2010, we fulfilled our Eco-First Commitment, leading to official certification as an Eco-First Company. We also joined the Eco-First Promotion Council in fiscal year 2016. Controlling the environmental impact of our operations and protecting the environment remains one of the JAL Group’s priority issues. We will continue to implement our Sky Eco program, which aims to ensure the Earth and its abundant resources are passed on to future generations so that they can continue to view and enjoy our beautiful planet from the skies.

Engine water washing
Minute atmospheric dust particles accumulate in aircraft engines during flight. Engines take in and compress air in the combustion process, causing accumulated dust to reduce fuel efficiency, which leads to higher CO₂ emissions. We regularly wash the interior of engines with water, removing any dust and dirt and restoring engine performance, which improves fuel efficiency by around 1%. This process is conducted at intervals of 200 to 300 days for the Boeing 777 (PW4000 engine), 767 (CF6 engine) and 737-800 (CFM56 engine).

Reduced use of auxiliary power unit (APU) and closure of window shades
Closing window shades blocks out sunlight, lowers cabin temperatures, and reduces use of air-conditioning. This shortens the operating time of the APU at the rear of the aircraft, reducing CO₂ emissions.

CONTRAIL Project using passenger aircraft for atmospheric observations / reporting forest fires, and helping Tohoku University with atmospheric observations
We participate in several projects run by external research bodies, contributing to society by using the unique characteristics of our aircraft while ensuring flight safety.

Use of continuous descent operations (CDO)
Our flight crews actively use a sloped descent approach called CDO to reduce CO₂ emissions, only when safety criteria and other specified conditions are met.

Reduced flap, delayed flap & delayed landing gear and idle reverse initiatives
To prevent an unnecessary increase in air resistance, our flight crews reduce the use of flaps (devices at the back of the main wings designed to increase lift) and delay deployment of landing gear and flaps, while ensuring safety at all times. Reverse thrust is employed when engines are idling, only when specified runway conditions are met. These approaches help to lower CO₂ emissions.

Engine out taxi – use of only one engine on the ground
When taxiing to parking spots, our flight crews shut down one of the aircraft’s two engines to reduce CO₂ emissions, only when specified conditions are met.

Reducing Waste

The JAL Group is working to realize a recycling-based society and protect the environment by ensuring the effective use of the Earth’s limited natural resources. By promoting the 3R’s (reduce, reuse, recycle) and reducing waste, we are targeting a final disposal rate of less than 2% for industrial waste generated by our domestic business sites. In fiscal year 2016, the total volume of waste declined 1.1% year on year and the final disposal rate improved 0.1 percentage points. As a result, we achieved our final disposal rate target of less than 2%.

To reduce waste from our operations while also improving business efficiency, we have ended the use of paper manuals for flight crews and cabin crews and replaced them with digital manuals in iPads. We are also promoting paperless meetings as part of workstyle innovation. New workstyles such as hot-desking have resulted in surplus office equipment, which is reused and recycled, to help reduce the Group’s environmental impact (around 56 tons of equipment was reused or recycled in fiscal year 2016). We are also recycling cabin waste based on standardized procedures for beverage cans, newspapers, in-flight magazines and plastic bottles. The JAL Group also continues to work with the International Air Transport Association (IATA) and airport operators on comprehensive initiatives to dispose in-flight waste.

Every year, we recover around 800 tons of cargo packing materials (polyethylene sheets), which are recycled to make plastic products such as fencing stakes and gardening supplies.

Also, when the JAL Group switched to new uniforms in 2013, we recovered around 180 tons of old uniforms and supplied them to recycling facilities for materials recycling. The uniforms were ultimately reused or recycled in fiscal year 2016).

In order to reduce waste, we regularly clean engines and aircraft, remove dust and dirt and restoring engine performance, which improves fuel efficiency by around 1%. This process is conducted at intervals of 200 to 300 days for the Boeing 777 (PW4000 engine), 767 (CF6 engine) and 737-800 (CFM56 engine).

Saving Water Resources

The JAL Group is working to reduce its use of water amid rising concern about water resources worldwide. In fiscal year 2016, we reduced water usage by 0.9% year on year by reusing waste water and implementing water-saving measures.

In particular, we are focusing on efficient use of water at our aircraft maintenance facilities, which use large volumes of water. By washing more aircraft by hand, we have reduced water usage by 40% compared with automated aircraft cleaning equipment used previously. In maintenance procedures and parts cleaning processes, our maintenance teams use large amounts of pure water. Approximately 240m³ of pure water is recycled and reutilized daily by our reprocessing facilities.

Water use (Japan)

Reducing Electricity Use

The JAL Group is working to reduce energy consumption at its ground facilities (offices, workshops, etc.) We have been introducing LED lights and other types of energy-saving lighting at our maintenance facilities (hangars, docks), helping to reduce the Group’s domestic electricity use by 5.8% year on year to 113 million kWh in fiscal year 2016.

Also, in fiscal year 2016, we were awarded certification as an Excellent Operator for Energy Conservation (S-Class) by the Ministry of Economy, Trade and Industry for the second consecutive year. Going forward, we will continue to implement initiatives that reduce the Group’s impact on the environment as part of our efforts to create a sustainable society.

Electricity use (Japan)
Contribute to Communities

Our Stance on Supporting Communities

Our aviation business connects people and helps to spread Japanese culture around the world.

Through the JAL Group’s core air transport business, we are harnessing our unique position and strengths as an airline to implement activities that contribute to society. Guided by the JAL Group Basic CSR Policy, our initiatives are designed to bring people together, revitalize regional economies, and support industry, as well as support communities worldwide.

Helping Communities Recover from Disasters

The JAL Group helps regions and communities recover from major disasters. One initiative is the JAL VISIT TOHOKU! Campaign, a regional support project. The project is a way of expressing the JAL Group’s gratitude to society by supporting the Tohoku region from a broad perspective, such as promoting regional industries and tourism and helping communities recover from the earthquake.

JAL is also a partner in the Tohoku Cotton Project, an earthquake disaster recovery project launched in 2011 by agricultural corporations, apparel firms and other companies in the affected region. JAL Group volunteers actively support regional agricultural corporations by helping saw cotton seeds and harvesting the cotton fields. Cotton harvested by farmers with the support of JAL Group employees is used to design and make original products, which are provided to passengers and sold at the airport. JAL employees have also volunteered for the Tohoku Cotton Project. A new initiative is Program, an opportunity to think about future career prospects by part in airline classes and flight experiences called Ashita no komin no Jinsei 2020! Project.

In initiatives to support innovation in agricultural and marine products, we ran promotional campaigns for rice and marine products made with Japanese indigo from Aomori Prefecture. We also used a total of 49 scheduled flights to transport relief supplies and volunteers to affected areas.

Providing Disaster Relief

The JAL Group has been a member of the Joint Committee for Coordinating and Supporting Voluntary Disaster Relief since fiscal year 2008. We make recommendations from a business standpoint about volunteer activities after disasters. JAL also helps to transport relief supplies and volunteers to affected areas.

On April 17, 2016, the day after the Kumamoto earthquakes, we transported 3,000 blankets on an emergency flight from Itami Airport to Kumamoto Airport at the request of Kumamoto City. The blankets were provided by Aeon Co., Ltd., with which we have an emergency relief supply transport agreement. We also used a total of 49 scheduled flights to transport roughly 50 tons of emergency evacuation tents, medicine, food, and other items to the affected area. Over 30,000 tons of rice fields and rice harvested over the previous fiscal year. Targeting the health food properties of Japanese indigo, a species of flowering plant that is also used as dye, we teamed up with a company called Aomori Ai, which is developing related products, to create a type of cake called financier containing Japanese indigo. JAL serves these cakes to passengers during flights and they are also available for purchase on the JAL Group website. Passengers on JAL’s international flights can buy a deodorant spray that makes use of the antibacterial properties of Japanese indigo. The spray is exclusive to JAL and the packaging is designed by JAL and Aomori Ai. These products illustrate the steady progress we are making in supporting innovation in agricultural and marine products.

Going forward, the JAL Group plans to work more closely with regional businesses and groups to develop new travel products in Japan’s regions.

In tourism promotion initiatives, we teamed up with regional businesses and groups to develop new travel products and regional groups to raise awareness of hidden tourist spots and identify, commercialize, and sell local specialties as part of a broad package of support for the sustainable development of Japan’s regions.

Cultural Exchanges

The JAL Group has supported art exhibitions for roughly 40 years, using its expansive international and domestic route network to transport paintings and other artworks for display at exhibitions. Using the expertise gained from transporting artworks, we provide customized transport services to museums for around 30 events each year. Through the JAL Group’s core air transport business, we aim to help connect future generations to high culture and society by continuing to bridge Japan and the world as the “Wings of Japan.”
Nurture Future Generations

JAL Group Stance on Nurture Future Generations

As part of its CSR activities, the JAL Group is working to nurture future generations based on the theme of “bright futures.” To support these efforts, we launched JAL SORAIKU in November 2016 as a new educational program to give children a deeper connection with Japan and the world and the global environment.

Targeting a total of one million participants by the end of fiscal year 2020, the program will feature various activities centered on hands-on experiences that JAL can provide as an airline. By giving children an insight into the wonders of the sky, we hope to lead them on a new journey of discovery and learning that encourages them to think about their future prospects.

Encouraging interest in airline industry careers

JAL runs a range of programs designed to make its business more accessible, boost interest in study, and encourage people to think about their careers. Examples include the recently renewed JAL Factory Tours – SKY MUSEUM and JAL Career Talk for Students, which features talks by flight crew, cabin crew, and other JAL employees about their jobs and motivation.

Encouraging interest in Japan and the world

JAL also runs a number of programs that cultivate interest in new experiences and encourage people to think about Japan and the world. Examples include workshops to discuss how to address climate change, aviation tourism, science and technology, and the arts.

Encouraging interest in the Earth

We are expanding our JAL Sky Eco Classes, which explain in a straightforward way the Group’s efforts to reduce CO2 emissions from aircraft and other environmental initiatives. We have also launched a new program with HAKUTO—a private team aiming to send a robotic rover to the moon—to spur interest in space.

Nurture Future Generations: Background

In the fiscal year 2016, JAL Group launched a new program, SKY BATON—Passing the Baton to Younger Generations to Create the Future of the Tohoku Region. The program was designed to support the Tohoku region’s future leaders—how aircraft and airports work and inspire them to have ambitious goals and envision a prosperous future. The museum welcomed over 120,000 visitors in fiscal year 2016.

SKY BATON: Passing the Baton to Younger Generations to Create the Future of the Tohoku Region

The JAL Group works with its customers to support the development of areas affected by disasters. SKY BATON was launched by the JAL Group to support the Tohoku recovery effort by helping the younger generation who will be entrusted with Tohoku’s future. Through the program, children who live in disaster-stricken areas receive support for their studies. JAL’s support involves matching miles contributed by customers to the program through JAL Charity Miles. JAL also cooperates with Chance for Children (CFC), a public interest incorporated association, by donating JAL/CFC education vouchers to many children in the program.

JAL Scholarship Program

Through the JAL Scholarship Program, college students from across Asia and Oceania are invited to Japan to promote mutual understanding and prepare young men and women for leadership roles in shaping the region’s future. It offers opportunities to experience Japanese culture, such as the tea ceremony and Zen meditation, and workshops with Japanese students. Established in 1975, the program is currently operated by JAL and the JAL Foundation. To date, a total of 1,564 overseas students have taken part in the program.

Support for UNICEF

In 1991, JAL launched the Change for Good fundraising campaign for UNICEF on flights between Tokyo (Narita) and New York to collect foreign coin donations from passengers. The campaign was expanded in 2006 to include all international flights operated by JAL. Donation boxes were also installed in customs areas and lounges at airports in Japan. We also continue to support fundraising efforts by transporting donated coins to different countries free of charge. Foreign coins collected during the campaign are donated to UNICEF, which uses the funds to protect the lives, health, and rights of children.

World Children’s Haiku

This poetry project is designed to spread the joy of haiku, the world’s shortest form of poetry, and develop artistic sensitivity through the writing of poetry. Another goal is to foster deeper interest in and understanding of Japanese culture and Japan.

The project begins with a haiku contest hosted by JAL on an American radio program in 1964. Since the creation of the JAL Foundation in 1990, we have hosted the biennial World Children’s Haiku Contest. Children aged 15 and younger from around the world, including Japan, submit haiku with an attached drawing. More than 680,000 works from 52 countries and regions have been submitted to date. Grand prize-winning haiku from each country are collected and published the following year in an anthology called “Haiku by World Children,” which is donated to educational institutions and libraries in Japan and overseas. In fiscal year 2016, the 14th anthology was published under the theme “Morning.”
Other Initiatives

Protecting Human Rights

The JAL Group has been a signatory to the United Nations Global Compact since December 2004. As part of our support for its principles, we have made a public commitment to protecting human rights in all our business activities.

To realize the JAL Group Corporate Policy, we are working to reinforce respect for human rights across the Group by putting our action policy – the JAL Philosophy – into practice. Educating our workforce about human rights is a vital step in eliminating discrimination based on gender, age, nationality, race, ethnicity, religion, social status, disability, sexual orientation, gender identity, and other attributes. To address this issue, we are working to raise employee awareness of human rights through various internal educational programs, such as training courses for new hires and managers.

We have also established a number of hotlines that employees can use to report harassment that infringes human rights. To support our work in this area, we run e-learning courses for all JAL Group employees to give them a better understanding of actions that constitute sexual harassment and power harassment, aiming to ensure our personnel are never victims or perpetrators of harassment of any kind. We have also established clear rules and run internal training courses to prevent discrimination of employees who take maternity leave, childcare leave, family-care leave and other necessary breaks from work.

On March 25, 2016, the President released a message for all employees, calling for the Group to improve its understanding about the LGBT community (sexual minorities). We are taking a number of concrete steps in this area, including providing e-learning modules for all JAL Group employees, establishing a counseling hotline, and distributing “LGBT Ally” stickers for staff undergoing training to show their support for the LGBT community.

Supply Chain Initiatives

Building strong partnerships with suppliers

The JAL Group needs the cooperation and support of many suppliers to operate its flights and provide products and services to customers on a daily basis. As explained above, we are working to build strong partnerships with suppliers based on mutual trust by ensuring fair and transparent procurement activities. Showing our appreciation for the work carried out by suppliers is also a key part of our business relationships.

1. Fair and transparent procurement
When selecting suppliers, we assess a broad range of factors, such as the company’s reputation and its corporate social responsibility (CSR) initiatives, in addition to the quality and cost of its products and services and delivery performance. We also work to ensure fair and transparent procurement activities by offering numerous opportunities for many suppliers in Japan and overseas to do business with the JAL Group.

2. To ensure our customers access safe and reliable services in the lead-up to the 2020 Olympics and Paralympics in Tokyo, we will implement a range of environmental initiatives to support the creation of a sustainable society, such as sharply reducing CO2 emissions from our aircraft and taking steps to reduce the effects of heat on our customers during the event.

3. Promoting procurement based on CSR
We are working with suppliers to promote procurement activities in line with the JAL Group CSR Policy. Specific initiatives are aimed at legal compliance, protecting the global environment, respecting human rights, appropriate labor practices, fair business practices, and responding to consumer issues.

JAL Group Supplier Code of Conduct

We established the JAL Group Supplier Code of Conduct in April 2016. The code, which is available in Japanese, English, and Chinese, is based on the principles of the United Nations Global Compact and covers four key areas: (1) human rights, (2) health and safety, (3) business management, and (4) the environment. We ask all our suppliers to understand and comply with the Supplier Code of Conduct.

JAL Group Supplier Code of Conduct

<table>
<thead>
<tr>
<th>WEB</th>
<th><a href="http://www.jal.com/en/csr/iso/fair_operating/pdf/">www.jal.com/en/csr/iso/fair_operating/pdf/</a></th>
<th>Code Conduct.pdf</th>
<th>Provide CSR data on international standards*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>View supplier data and monitor improvements</td>
</tr>
<tr>
<td>Build mutual understanding and trust</td>
<td>Provide CSR data, submit reports on improvements</td>
<td>Evaluate CSR activities, advise improvements, monitor progress</td>
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<tr>
<td>Support</td>
<td>Sedex is a London-based NPO focusing on global supply chains. The NPO works to increase ethical business practices in supply chains through its online platform, which allows member companies to share information with customers and suppliers worldwide. Sedex also monitors efforts by suppliers to improve responsible practices. The JAL Group primarily uses Sedex’s CSR information platform for suppliers that provide products used directly by our customers, such as inflight meals and merchandise, but we are encouraging more of the Group’s suppliers to become Sedex members to increase mutual understanding and trust.</td>
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Tokyo 2020 Olympics and Paralympics – JAL Group Action Plan

JAL has developed an action plan for the upcoming Tokyo 2020 Olympics and Paralympics in its role as an official partner in the passenger air transport services category. In addition to providing safe and reliable transport services to all competitors and parties involved in the Olympics and Paralympics, we aim to help make the event a success by implementing activities in the following six areas. We will also actively work to create a legacy for the public after the games have finished.

(1) Nurture future generations through support for sports
Help deepen understanding of issues facing the disabled and create a more caring society by using the Tokyo 2020 Paralympics as an opportunity to promote disabled sports in Japan.

(2) Improve accessibility to generate demand
Make travel more accessible for the disabled, the aged and other groups that face limitations in air travel.

(3) Improve and promote the basic quality of our services (safety, on-time operations)
Promote Japan’s reputation for service quality in areas such as safety and on-time operations, particularly to overseas customers, to increase the number of visitors to Japan.

(4) Create an eco-friendly society
Implement a range of environmental initiatives to support the creation of a sustainable society, such as sharply reducing CO2 emissions from our aircraft and taking steps to reduce the effects of heat on our customers during the event.

(5) Grow inbound demand and revitalise regional economies
Help revitalize regional economies by exploring and implementing ways of encouraging more of Japan’s growing number of overseas visitors to see regional areas, not just the main venues in Tokyo.

(6) Deliver a sophisticated customer experience
In the lead-up to 2020, when the world’s eyes will be on Japan, we will use advanced services and cutting-edge technologies to create an airline experience that inspires renewed excitement in air travel.
Every employee in the JAL Group reinforces compliance by
Elevate employee awareness.

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. Every employee in the JAL Group reinforces compliance by
putting the JAL Philosophy into practice in their work each day. Employees also use the Group’s Intranet to view a range of regulations
and handbooks related to compliance, such as JAL Group Regulations
On Preventing Insider Trading, the JAL Group Handbook on Protecting
Personal Information, Information Security Action Handbook, Guide to
the Antimonopoly Act, and Group Hotline Regulations.

We have also set up a Group hotline with contact points in the
Company and a law firm, which can be used by any person working in the
JAL Group. This enables us to promptly identify and remedy cases of misconduct, power harassment and other issues, and reinforce
compliance management.

We are implementing a wide range of initiatives to support this
framework. We run classroom compliance training courses for all
Group employees at our business sites, publish compliance newsletters
time four times each year, hold seminars about laws and regulations
organized by the Legal Affairs Department, run practical exercises on
how to deal with targeted email attacks and other threats, and provide e-learning on information security twice a year. Through these initia-
tives, we are working to foster a culture of compliance across the
entire JAL Group, ensure business activities are in tune with accepted
social standards, and reduce legal risk.

In addition, an executive from each JAL Group company is given
general responsibility for compliance at their companies. They comprise the JAL Group Compliance Network, which is responsible for swiftly sharing relevant information and strengthening the compliance
framework at each Group company. This includes sending email
newsletters four times each year containing useful information, such as
news about compliance developments inside and outside the Group
and compliance case studies.

Risk Management

The JAL Group manages risks by dividing them into three categories:
(1) corporate risks associated with management in general, 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 expenditures.

We have established the following five committees in order to
identify, analyze and assess existing risks and implement appropriate
measures to mitigate these risks.

1. Risk Management Committee
   The Risk Management Committee is headed by the Executive Office
of General Affairs, and primarily comprises general managers
responsible for supervising operations departments. The Committee
takes responsibility for overall risk management—encompassing corporate risks, operational risks, and strategic risks—to stabilize
Group-wide management activities. It has also established the JAL
Group Basic Policies on Risk Management. When existing risks are
identified, it reports on the progress of responses 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 of IT Planning, and
comprises the leaders 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, with the Corporate
Safety and Security Department serving as Secretariat, 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 committee under the Group Council for Safety
Enhancement General Meeting, the Group Operational Safety
Promotion Committee maintains and strengthens collaborative,
safety-related measures among departments, divisions and Group
airlines 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, leaders of departments responsible for JAL
safety management appointed by the Chairperson, and Executive
Officers responsible for safety at Group airlines.

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 leaders of relevant departments and divisions. The Committee identifies financial risks as appropriate and strives to
facilitate improvements in corporate management. More specifically,
its conducts simulations of financial conditions 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,
it calculates the estimated financial impact and, if necessary, pursues
collaborative responses with the Risk Management Committee.

Information Security Measures

An incident involving the unauthorized disclosure of personal
information from the JAL Group occurred in September 2014. Hackers
accessed the JAL Mileage Bank’s systems and gained illegal
access to the customer information management system. We deeply
regret the inconvenience and concern caused to customers and other
people affected by the breach. We responded by strengthening
information security as a top priority and by taking steps to prevent
any recurrence.

Specifically, we implemented previously planned information
security measures ahead of schedule to establish a robust system to
detect and monitor increasingly advanced and complex cyber-attacks,
while continuing to upgrade preventive measures to the highest level.

Risk Management System

- Promotion of Safety and Security
- Council for Safety Enhancement General Meeting
- Promotion of Aviation Safety
- Safety Management Security Management
- Board of Directors
- President
- Management Liaison Committee
- Risk Management Committee
- Information Security Committee
- Financial Risk Committee
- Corporate Risk, Operational Risk, Strategic Risk

Business Continuity Plan (BCP)

When responding to specific risks that threaten our ability to fulfill our
responsibilities as a provider of transport services to the public, such as
pandemic influenza, unidentified infectious diseases, or earthquakes,
we have established a business continuity plan (BCP) that enables us to
continue business effectively in emergency situations based on guide-
lines established in collaboration with regulatory bodies and other
relevant institutions. The BCP covers the basic points of policies and
procedures necessary to ensure the safety of our employees and their
families and to maintain air transport operations essential to the JAL
Group, including reservations, information provision, payments, and
settlements. We conduct regular reviews and revisions as required to
enhance practical application of the BCP.

During the outbreak of Ebola hemorrhagic fever in West Africa in
2014, we activated our BCP, which includes measures to respond to
pandemic influenza or unidentified infectious diseases. We coordinated
our response with relevant government 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 employees 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 exercises are conducted
regularly throughout the JAL Group to foster staff awareness of risk
management and reinforce preparedness for unexpected situations.
Basic Stance on Corporate Governance

The JAL Group aims to contribute to society through its business operations. As the leading company for safety in Japan’s transport sector, we work to ensure safe operations—the cornerstone of our business—while offering the highest level of service to customers. We also endeavor to fulfill our economic responsibility to all stakeholders by generating an adequate level of profits through the provision of high-quality products and services based on fair competition, while also meeting our wider responsibilities to society.

In line with this thinking, we have established the JAL Philosophy in accordance with the 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.” We strive to enhance corporate value and achieve accountability by establishing a corporate governance system that results in a high level of management transparency and strong management oversight, while at the same time engaging in rapid and appropriate management decision-making.

The Board of Directors has established corporate governance that adheres to the Fundamental Policies of Corporate Governance as a key set of rules pursuant to the Companies Act, relevant laws and regulations, and the Articles of Incorporation, and reviews it at least once a year.

Corporate Governance System

Board of Directors

The Board of Directors ensures a high level of management transparency and strong management oversight through the election of candidates for the positions of Director, Audit & Supervisory Board Member, and Executive Officer, decides their remuneration, and makes important decisions.

Corporate Governance System

Composition of Voluntary Committees

- **Directors:** Director, President, External Director
- **Representative Directors:** Chairperson, President, Director, External Director
- **External Directors:** External Director

- **Committees:** Corporate Governance Committee, Compensation Committee, Nominating Committee, Personnel Committee, Officers Disciplinary Committee

- **Members:** Chairperson: Masahito Ito, President, and other directors appointed by the Board of Directors

In order to separate the management oversight functions and business executive functions, the board appoints a Director who is not a business executive director as Chairperson, and an appropriate number of three or more External 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 External 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.

Directors

Legal considerations are explained to the Directors to ensure that they are aware of their responsibilities, including the “fiduciary duty of loyalty” and the “duty of ensuring prudent management.” The term of office is set at one year in order to confirm their accountability each fiscal year. The Company has also introduced a remuneration system for Directors (excluding External Directors) based on sound financial incentives designed to promote sustained growth.

External Directors are appointed from among persons with vast knowledge and experience in various fields in order to ensure diversity. Those who do not qualify as highly independent are appointed as the “Standards for Independence of External Directors” (described below) established by the Company. Furthermore, one External Director among the External Directors is appointed lead independent External Director to improve coordination with the Audit & Supervisory Board Members and internal directors.

Board of Audit & Supervisory Board Members

The Board of Audit & Supervisory Board Members makes appropriate judgments from an independent, objective perspective, based on their fiduciary responsibilities to the shareholders, when fulfilling their roles and responsibilities, such as auditing the execution of Directors’ duties, appointing or dismissing accounting auditors and exercising rights concerning auditors’ remuneration.

Audit & Supervisory Board Members

The Audit & Supervisory Board Members 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 Audit & Supervisory Board Members, together with staff members of the Audit & Supervisory Board Members Office, conduct an annual audit of each business site, subsidiary and affiliated company and report the results to the Representative Directors. The Audit & Supervisory Board Members also share information with the internal audit departments and accounting auditors and hold regular meetings with Audit & Supervisory Board Members of subsidiaries to improve and strengthen auditing of the JAL Group.

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

External Audit & Supervisory Board Members 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 External Directors” (described below) established by the Company. Furthermore, one External Director among the External Directors is appointed lead independent External Director to improve coordination with the Audit & Supervisory Board Members and internal directors.

Establishment of Various Committees

Corporate Governance Committee

(Chairperson: Kimie Iwata, Lead Independent External Director)

The Corporate Governance Committee examines the following matters under the JAL Group’s Growth Story Management Strategies and strongly supports the Board of Directors in implementing those strategies.

- **Corporate Governance:** Enterprise reform, strategy formulation, and supervision of the business
- **Business Performance:** Corporate financial planning and performance supervision
- **Internal Control and Audit:** Effective management of asset preservation and safety
- **Human Resources:** Recruitment and management of employees
- **Management Practices:** Management standards and management ethics

Composition of Voluntary Committees

- **Directors:** Chairperson, Director, President, External Director
- **Nominating Committee:** Chairperson, Director
- **Compensation Committee:** Chairperson, Director
- **Personnel Committee:** Chairperson, Director
- **Officers Disciplinary Committee:** Chairperson, Director

- **Corporate Governance Committee:** Chairperson, Director, President, External Director
- **Compensation Committee:** Chairperson, Director
- **Nominating Committee:** Chairperson, Director
- **Personnel Committee:** Chairperson, Director
- **Officers Disciplinary Committee:** Chairperson, Director

- **Members:** Chairperson: Masahito Ito, President, and other directors appointed by the Board of Directors

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.

<table>
<thead>
<tr>
<th>Composition of Voluntary Committees</th>
<th>Director</th>
<th>Representative Director</th>
<th>President</th>
<th>Executive Director</th>
<th>External Director</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate Governance Committee</strong></td>
<td>Chairperson</td>
<td>Director</td>
<td>President</td>
<td>External Director</td>
<td>Executive Director</td>
</tr>
<tr>
<td><strong>Nominating Committee</strong></td>
<td>Chairperson</td>
<td>Director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Compensation Committee</strong></td>
<td>Chairperson</td>
<td>Director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Personnel Committee</strong></td>
<td>Chairperson</td>
<td>Director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Officers Disciplinary Committee</strong></td>
<td>Chairperson</td>
<td>Director</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Evaluating the Effectiveness of the Board of Directors

In accordance with the Fundamental Policies of Corporate Governance, the Company is working to improve the effectiveness of the Board of Directors in order to increase corporate value. In January 2017, as part of these efforts, the Company conducted its second survey of executives who participate in Board of Directors meetings to evaluate the effectiveness of the Board. The results of the survey are discussed by the Board of Directors, which evaluates recommendations from the Corporate Governance Committee, passes resolutions on measures to resolve any anticipated issues and implements those measures.

1. Measures to Address Issues Highlighted by the Previous Survey
The previous survey on the effectiveness of the Board of Directors raised key issues related to discussions about medium- and long-term management strategy. In response, the Board of Directors continued to discuss and develop the new medium-term management plan, which is due to start in fiscal year 2017. Strong progress was also made in several other areas, including enhanced reporting to the Board of Directors through regular reporting and timely and responsive reports on developments such as updates to the Kumamoto earthquakes. Information provided to External Directors was also improved through briefings and more opportunities for business site inspections.

2. Results of Second Survey
The survey confirmed that the Board of Directors needs to further expand the scope of discussion to improve the quality of discussion about medium- and long-term management strategy. The Board of Directors was praised for the dynamic nature of debate during meetings, but the results of the survey highlighted the need for broader and more active input from External Directors, and for greater information sharing with them about the airline industry and the operating environment. Another issue was procedures for holding meetings, notably the need to make discussion resolution points clearer to enhance the effectiveness of discussion by the Board of Directors.

3. Responses
The Board of Directors will clearly set out the broad strategic direction of the Group’s management strategy and actively discuss topics such as business strategy, human resources development and Group-wide risk management as part of more active debate at meetings. It will also confirm whether the results of its discussions are reflected in strategy implementation.

We will continue to strengthen support systems for meeting-related procedures, such as ensuring the Board of Directors has access to appropriate materials for discussing resolutions and is adequately briefed. We will also work to enhance the quality of discussion by the Board of Directors by drawing on the expertise of External Directors and encouraging active contribution from company executives.

Standards for Independence of External Directors

We have set out the following standards to determine whether External Directors and External Audit & Supervisory Board Members qualify as independent (in principle, a person to whom none of the following apply shall be judged to be independent).

1. A person who executes or has executed business in the Company or a consolidated subsidiary during the past 10 years.

2. A person who could be described by any of items 1-a through 1-g during the past three years:
   a. A business counterpart or a person executing business for a business counterpart whose transactions with the Company for one business year exceeded 1% of the consolidated revenue of the Company or the business counterpart.
   b. A major shareholder of the Company or a person executing business for a shareholder holding an equity ratio of 5% or more in the Company.
   c. A major lender to the Company or a person executing business for a lender whose transactions with the Company for one business year exceeded 1% of the consolidated revenue of the Company.
   d. A person who receives over 10 million yen in donations annually from the Company, or a person belonging to an entity receiving such donations.
   e. A person receiving remuneration of over 10 million yen, excluding Director’s remuneration, from the Company or a person belonging to an organization receiving remuneration exceeding 1% of the consolidated revenue of the Company.
   f. A person executing business for the Company who also executes business for another company known as an External Director.
   g. A person receiving a retainer or other benefits as a result of an individual described in 1 or 2.

(Note) “A person executing business” refers to an executive director or executive officer.

Selection of External Directors

During the selection process for External 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 on the Standards for Independence of External Directors presented above.

Training Policy for Directors and Audit & Supervisory Board Members

Legal considerations are explained to the Directors to ensure that they are aware of their responsibilities, including the “fiduciary duty of loyalty” and the “duty of ensuring prudent management.” The Company provides opportunities for Audit & Supervisory Board Members to sufficiently understand their roles and responsibilities by providing corporate information and opportunities for participation in external training programs and associations, the cost of which is covered by the Company. To give External Directors and External Audit & Supervisory Board Members a deeper understanding of the JAL Group, we arrange tours of airports, sales offices, maintenance facilities, flight operation offices, aircraft hangars, freight facilities and other sites and provide training on safety.

Remuneration Policy for Directors (excluding External Directors) and Executive Officers

**Basic Policy**

1. To support the sustained and steady growth of the Company and the JAL Group and to improve corporate value over the medium and long term, the Company will encourage the performance of duties consistent with its Corporate Policy and management strategies and provide performance-linked incentives for the achievement of specific management targets.

2. To encourage a healthy entrepreneurial spirit, the Company will establish appropriate performance-linked incentives (performance-linked bonuses) linked to fiscal year performance and for long-term incentives (performance-linked share-based remuneration) linked to corporate value in accordance with medium- to long-term performance, designed to promote alignment of interests with its shareholders.

3. The Company will reward the management team appropriately based on the Company’s business performance.

**Remuneration Levels and Composition**

1. The Company will set appropriate remuneration levels based on the Company’s operating environment and with reference to objective data on remuneration in the marketplace.

2. Taking into account factors including the position of the Company’s business group, the effectiveness of incentive remuneration, the Company sets proportions for (1) the amount of fixed basic remuneration, (2) the amount of annual incentives (performance-linked bonuses) to be paid according to the degree of achievement against targets, and (3) the amount of long-term incentives (performance-linked share-based remuneration) to be issued according to the degree of achievement against targets, as follows:

Guideline in the case of 100% achievement against targets:

1. (1) : (2) : (3) = 50% : 30% : 20%

The above ratio is for guidance only and adjustments can be made to reflect changes in the price of the Company’s shares or other factors.

- The amount excludes bonuses in cases where an Executive Officer serves concurrently as a Director or where an Executive Officer has representation authority.

**Selection of nominees** is also based on the Standards for Independence of External Directors presented above.

Framework for Incentive Remuneration

1. Annual incentives (performance-linked bonuses)

The amount to be paid every fiscal year as an annual incentive will vary from approximately 0 to 200 depending on the degree of achievement, with 100 representing the amount to be paid when achievement is in line with performance targets. The indices for evaluating performance will include profit attributable to owners of parent, indicators related to safe flight operations and individual evaluation indices for each officer. These indices will be reviewed as necessary in accordance with changes in business conditions, the roles of officers and other factors.

2. Long-term incentives (performance-linked share-based remuneration)

The number of shares to be granted every fiscal year as a long-term incentive will vary from approximately 0 to 220 depending on the degree of achievement, with 100 representing the number to be granted when achievement is in line with performance targets. The performance evaluation period will be three years, with performance for three consecutive fiscal years evaluated every year. The indices for evaluating performance will be items prioritized in the medium-term management plan, including consolidated operating margin, consolidated ROIC, and customer satisfaction. These items will be considered for review in every medium-term management plan period. With respect to common stock granted to eligible Directors and Executive Officers through the share-based remuneration plan, the Company will establish a target number of held shares for each position and impose limits on share sales in order to further promote the aligning of interests with shareholders.

**Procedures for Determining Remuneration**

Matters related to remuneration for Directors and Executive Officers will be decided by the Board of Directors after consultation and recommendation processes by the Company’s voluntarily established Compensation Committee. A majority of the members of the Compensation Committee will be External Directors and the Chairperson will be appointed from among the External Directors.

**Succession Planning for Senior Management Positions**

The Nominating Committee is responsible for examining succession plans for President and other senior management positions to ensure the Company realizes its Corporate Policy, medium- and long-term management strategies and management plan.

For the key corporate governance data, please refer to F72-F73, "Key Governance Data.”
JAL’s Corporate Governance Continues to Evolve

The JAL Group Board of Directors includes three External Directors who monitor Group management and provide appropriate advice. Here, Kimie Iwata, our Lead Independent External Director who has observed the long rebuilding process of the JAL Group, takes the lead role in a discussion among our External Directors. They speak frankly as they give their opinions and suggestions, evaluating the current state of corporate governance, identifying relevant issues, and indicating their expectations of the JAL Group.

Kobayashi: The company went through an extremely difficult experience of a bankruptcy, but I am impressed by how it used the event as an opportunity to earnestly improve governance. I think there is no doubt that JAL is today one of Japan’s leading companies in this area and can easily bear comparison with other corporations.

Ito: I also feel that the governance of the JAL Group has advanced considerably. To give a concrete example, while discussing the formulation of the New Medium Term Management Plan, which was launched in April 2017, and while working on the compensation system for Executive Officers, the External Directors benefited from effective information provision in advance. Also, our opinions are evaluated adequately by the Board of Directors. There is an approach of actively accepting a wide range of opinions, so that a free and frank exchange of views takes place at Board meetings.

And what is your assessment of the current state of corporate governance?

Iwata: The standard of governance has risen greatly in the past five years. There has also been an evident change in the operation of the Board of Directors. When I first took office as an External Director, matters of essential importance were decided by the Management Committee. Discussions at Board meetings simply followed the same line, and the time spent on these meetings was very short. Nowadays, practical matters can be left to the Management Committee or other executive councils so that more important discussions can take place at Board meetings. Among the outcomes of this improvement are the New Medium Term Management Plan and the new compensation system for Corporate Officers.

Kobayashi: In terms of information disclosure, as Mr. Ito said, External Directors receive ample briefing in advance so we can attend Board meetings equipped with a good understanding of the topics for discussion. In 2016, when the New Medium Term Management Plan was being drafted, we were involved in discussions from the brainstorming stage, and joined company directors in presenting our opinions on the plans. Through these discussions, we were able to further deepen our understanding of the JAL Group. It also gave us the opportunity to exchange opinions with executive officers who are not members of the Board of Directors. That was a very valuable experience for External Directors. My impression is that the JAL management team has a strong commitment to sharing information with External Directors and that their contact with us is based on an attitude of openness.

Iwata: Yes, I agree. Of the companies whose management I have been involved in, JAL has the most advanced attitude when it comes to governance. When it comes to information disclosure to External Directors, there is an open atmosphere in which External Directors can access information at any time. The fact that company directors and External Directors work alongside each other in the same open office is, I think, a good indication of this attitude. It allows us to exchange views at convenience in an open atmosphere. We are also free to take part in meetings of all the executive councils, including the Management Committee, the once monthly Group Earnings Announcement Session, leader workshops, the Corporate Brand Promotion Council, and the Group Council for Safety Enhancement General Meeting. Moreover, if there are any unclear points in the materials we receive in advance or any other issue, we are given the opportunity to have it explained, which means that we can go to the meetings thoroughly prepared.

Ito: I agree. Having an advance briefing is a very efficient system and is very beneficial. If I were to ask for an improvement, it would be for the process leading to the adoption of items for discussion to be set out a bit more clearly.
Iwata: It's important that External Directors act as effective advisors to the president, and at the same time, that we bring to our roles individual strengths that we can make use of. I have previously been engaged in operations to promote corporate social responsibility and career advancement for women. I have drawn on this experience to give a considerable number of talks to JAL staff. The period before the bankruptcy must have been difficult in many ways. It would also have been inaccurate to say that JAL's corporate social responsibility initiatives were inadequate. Today, however, JAL is one of Japan's most progressive companies, having for instance been selected as a Nadeshiko Brand for three consecutive years. JAL is also tackling workstyle innovation, which is closely relevant to women's career advancement, by introducing telework and free-address offices among other things. For instance, the target of reducing overtime by half in two years has already been achieved across around 30% of all organizations, and the number of holidays increased by two days from the previous fiscal year. These are among the clear results of JAL's activities in the field of corporate social responsibility. When I see these improvements, I feel that I have fulfilled at least part of my duty as an External Director.

Kobayashi: My experience at a general trading company cannot be applied without modification to JAL, which is in a different industry, but I think there are definitely areas where I can make a contribution. For instance, general trading companies place emphasis on areas such as risk management and the allocation of management resources. Therefore, I think I can present opinions from the viewpoint of a general trading company in areas such as effecting major business transformation in a difficult market environment and carrying out risk management from a global perspective. I believe that I can also make increasing contributions in the strategy for new business domains that was presented under the heading JAL Focus in the new Medium Term Management Plan. I hope my suggestions will be incorporated effectively in management operations.

Ito: As mentioned in the JAL Group Corporate Policy, JAL is committed to providing unparalleled service, which clearly identifies JAL's work as being part of the service industry. Recognizing that corporate value arises from social value, JAL founds its basic value on safety, on-time operations, comfort, and convenience for the customer. But it would be difficult to stand out among the world's airline companies on the strength of basic values alone. So it's important to see how much added value JAL can deliver on the "soft" side. This means that it needs to refine the added value which is uniquely JAL and which goes beyond the basic values of safety, on-time operations, comfort, and convenience. For that reason, JAL needs to place the customer even more at the center of its operations and consistently deliver unparalleled service. I believe that thinking about what the customer wants from a long-term perspective will help to distill a uniquely JAL quality and enhance the JAL Group brand. In my work with a food manufacturer, I gave top priority to thinking about what the customer wanted and was always thinking about how we could deliver greater added value. I hope to see JAL become a company with a stronger spirit of challenge than ever before.

Iwata: To create value, and protect value from impairment, JAL has decided to center its business activity around the two pillars of safety and brand strategy. This approach is reflected in the councils and committees it operates. In addition to Board meetings and CSR Committee meetings, I attend meetings of the Group Council for Safety Enhancement General Meeting and the Corporate Brand Promotion Council to present my opinions.

Koie Iwata

April 1971 Joined JAL
August 2003 Began to engage in the globalisation of the entire company
December 2008 Chair of the Audit & Supervisory Board
March 2012 Director (External), OMRON
June 2016 Advisor of Shiseido Company, Limited

Kimie Iwata

April 1983 Joined ITOCHU Corporation
June 2004 President and Chief Executive Officer of ITOCHU Corporation
April 2010 Representative Director Chairman of ITOCHU Corporation
July 2015 External Audit & Supervisory Board Member of Asahi Mutual Life Insurance Company (in present)
June 2011 Chairman of ITOCHU Corporation
July 2013 Director (External), SHIMIN Corporation (in present)
June 2015 Chairman of the JAA Council, Japan Advertisers Association Inc. (in present)
October 2015 Chairman of the Audit & Inspection Commission of the Tokyo Metropolitan Government (in present)
March 2016 Director of the Board of Directors, Kitsho Holdings Company, Limited (to present)
April 2020 External Director of CRITUS INTERNATIONAL INC. (to present)

Eizo Kobayashi

April 1981 Joined ITOCHU Corporation
June 2004 President and Chief Executive Officer of ITOCHU Corporation
April 2010 Representative Director Chairman of ITOCHU Corporation
July 2015 External Audit & Supervisory Board Member of Asahi Mutual Life Insurance Company (in present)
June 2011 Chairman of ITOCHU Corporation
July 2013 Director (External), SHIMIN Corporation (in present)
June 2015 Chairman of the JAA Council, Japan Advertisers Association Inc. (in present)
October 2015 Chairman of the Audit & Inspection Commission of the Tokyo Metropolitan Government (in present)
March 2016 Director of the Board of Directors, Kitsho Holdings Company, Limited (to present)
April 2020 External Director of CRITUS INTERNATIONAL INC. (to present)
BOARD OF DIRECTORS AND OFFICERS

Directors

- Masaru Onishi, Director, Chairman
- Yoshiharu Ueki, Representative Director, President
- Tadashi Fujita, Representative Director, Executive Vice President
- Junko Okawa, Representative Director, Senior Managing Executive Officer
- Norikazu Saito, Director, Senior Managing Executive Officer
- Hideki Kikuyama, Director, Senior Managing Executive Officer
- Toshinori Shin, Director, Senior Managing Executive Officer
- Kimie Iwata, External Director
- Eizo Kobayashi, External Director
- Masatoshi Ito, External Director

The JAL Group's Growth Story Management Strategies
Designed to Create Value
Performance and Strategies by Business
A Business Base that Supports Value Creation
Financial / Data Section
BOARD OF DIRECTORS AND OFFICERS

Masaru Onishi
Director, Chairman
Beginning his career in engineering and maintenance, Chairman Onishi acquired extensive knowledge and a network of contacts 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.

Yoshiraru Ueki
Representative Director, Executive Vice President, Executive Officer
Ade to the President, Chief Wellness Officer, Chairman of the JAL Wellness Promotion Committee
From his start as a flight crew member, President Ueki has accumulated an extremely high level of frontline experience and insight into 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 have led to the successful accomplishment of the Plan. He is also making a significant contribution to strengthening the Board of Directors supervisory functions as a member of the Nominating Committee, Compensation Committee and other bodies.

Tadashi Fujita
Representative Director, Executive Vice President, Executive Officer
Ade to the President, Chief Wellness Officer, Chairman of the JAL Wellness Promotion Committee
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 Managing Division Passenger Sales, he had overall responsibility for all the Profit Centers and achieved strong results in that area. Today, while performing the duties of Representative Director and Executive Vice President, he also serves as Ade to the President, making a significant contribution in all these roles to the further reinforcement and enhancement of JAL's management systems.

Junko Okawa
Representative Director, Senior Managing Executive Officer
General Manager of the Communication Division, Chairman of the Committee for Group Safety Enhancement, Chairman of the JAL Philosophy Committee
Chairman Okawa accumulated a wealth of workplace experience and expertise as a cabin crew member. As Cabinet Adviser General Manager from 2010, she applied a high level management perspective and proved capabilities in securing the division's success in meeting a diverse range of challenges and targets. Now as Senior Managing Executive Officer and General Manager of the Communication Division, she is contributing substantially to implementing promotional measures designed to raise the JAL Brand values ahead of the Tokyo 2020 Olympic and Paralympic Games.

Norikazu Salto
Director, Senior Managing Executive Officer
General Manager of the Finance and Accounting Division
Director Salto specializes in many years primarily in finance and accounting, constantly deepening his knowledge of finance, accounting, IT and other fields. Today, as Director, Senior Managing Executive Officer and General Manager of the Finance and Accounting Division, he is providing guidance in JAL development of systems for highly transparent information disclosure that is comprehensible to shareholders and investors, while also promoting management decision-making appropriate to raising shareholders' profit.

Hideki Kikuyama
Director, Senior Managing Executive Officer
General Manager of the Route Marketing Division
Director Kikuyama engaged in work ranging from IT systems, passenger reservations, and human resources management and labor to corporate planning at Headquarters as well as at branch offices in Osaka, the United States and elsewhere. In his current position as Director, Senior Managing Executive Officer and General Manager of the Managing Division Route Marketing, he is using his expertise to assess and implement improvement and stabilization of reliable route revenues and expenditures.

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

Kimie Iwata
Independent External Director
External Director Iwata’s rich fund of experience and results in various fields, including support for women's activities, diversity, CSR and workstyle reform, has equipped her to bring strong direction and solid advice from an objective perspective to the Company. She also serves as President of the Japan Institute for Women’s Empowerment & Diversity Management, an audit and inspection commissioner for the Tokyo Metropolitan Government and Director of the board (External) of Kinn Holdings Company, Limited, among other capacities.

Eizo Kobayashi
Independent External Director
External Director Kobayashi offers the Company with sound direction and advice based on his accumulated experience and expertise at top management of a general trading company. He also serves as Chairman of OIGEU Corporation, External Director of OMGU Corporation and External Auditor of Asahi Mutual Life Insurance Co., among other capacities.

Masatoshi Ito
Independent External Director
External Director Ito has rich experience and deep insight as top management of global enterprises engaged in marketing from the customers' perspectives. He also serves as Representative Director and Chairman of Amonoto Co., Ltd., President of the Japan Advertisers Association Inc. and External Director of Yamaha Corporation, among other capacities.

Audit & Supervisory Board Members

Hisao Taguchi
Audit & Supervisory Board Member
Mr. Taguchi has served in various departments, including Sales, Personnel Affairs and Flight Operations. He was appointed Executive Officer and CEO for the Americas Office in April 2007 and Executive Vice President in February 2010. He has been a member of the Audit & Supervisory Board since February 2012.

Yasushi Suzuki
Audit & Supervisory Board Member
During his career at JAL, Mr. Suzuki has engaged primarily in maintenance operations such as maintenance projects and engineering. He has, moreover, made a substantial contribution to JAL Group management. A member of JAL’s Audit and Supervisory Board since July 2012, he is also chairman of the Japan SAP Users Group.

Hiroyuki Kumasaka
Audit & Supervisory Board Member (Independent External Auditor)
Mr. Kumasaka has acquired a wealth of experience and advanced knowledge in accounting in the course of a career as a certified public accountant. He became a JAL External Auditor in March 2011.

Shinji Hatta
Audit & Supervisory Board Member (Independent External Auditor)
Professor Hatta is an authority on financial auditing and corporate internal control and has served as an External Auditor for JAL since July 2012. A professor of Accounting at Gakushuin University, he also serves as an outside auditor for the Development Bank of Japan, among other positions.

Osamu Kamo
Audit & Supervisory Board Member (Independent External Auditor)
Since his certification as an attorney in April 1973, Mr. Kamo has accumulated extensive experience and expertise in the fields of compliance and corporate governance. An attorney for the Ginoza Sogo Law Firm, he also serves as a committee member for CHAND (Office for Government Procurement Challenge System, under the jurisdiction of the Japanese Cabinet Office), among other capacities.
MANAGING EXECUTIVE OFFICERS

Nobuyoshi Gondo
General Manager, Corporate Safety & Security, Family Assistance & Support

Yuji Akasaka
General Manager, Engineering & Maintenance, President, JAL Engineering Co., Ltd.

Ryuzo Toyoshima
General Manager, Corporate Control

Hideo Ninomiya
General Manager, Managing Division Passenger Sales, General Manager, Domestic Passenger Sales, President, JAL Sales Co., Ltd.

Shinichiro Shimizu
General Manager, Secretary’s Office

Tadao Nishio
General Manager, Corporate Planning

EXECUTIVE OFFICERS

Tetsuya Onuki
President, J-AIR Co., Ltd.

Munemitsu Erikawa
Senior Vice President, China, Vice President and Regional Manager, Beijing

Kiyoshi Marukawa
President, Japan Transocean Air Co., Ltd.

Akira Yonezawa
General Manager, Managing Division Route Marketing (International Route Marketing)

Toshiki Oka
General Manager, IT Planning

Hiroyuki Hioka
General Manager, General Affairs

Hidetsugu Ueda
Human Resources, in charge of Education, Vice President, Human Resources Management

Hoshiko Nakano
Senior Vice President, in charge of Education, Vice President, Human Resources Management

Hiroki Kato
President, Japan Air Commuter Co., Ltd., Ltd.

Tomohiro Nishihata
Managing Division Route Marketing (Passenger System Planning), Deputy General Manager of Digital Innovation Promotion

Takahiro Abe
General Manager, Airport Operations

Hideki Oshima
Managing Division Route Marketing (International Relations and Alliances)

Eri Abe
General Manager, Cabin Attendants

Takuya Oda
General Manager, Human Resources

Yoriyuki Kashiwagi
Deputy General Manager, Managing Division Passenger Sales

Kazuko Yashiki
Vice President, Haneda Airport, President, JAL Sky Co., Ltd.

Hiroo Iwakoshi
General Manager, Cargo & Mail

Atsushi Maeda
General Manager, Procurement

Yasuyuki Sato
Managing Division Route Marketing (Product and Services Planning)

William Hiroyuki Saito
Managing Division Route Marketing (Domestic Route Marketing)

Takaya Nishio
General Manager, Corporate Planning

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# FINANCIAL DATA — SIX-YEAR SUMMARY

## Per share data (yen, U.S. dollars)*

### Key Performance Indices

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<tr>
<td>EBITDA margin (%)</td>
<td>23.8%</td>
<td>22.3%</td>
<td>19.1%</td>
<td>19.8%</td>
<td>22.3%</td>
<td>16.5%</td>
<td>15.9%</td>
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<tr>
<td>D/E ratio (Times)</td>
<td>0.5</td>
<td>0.3</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.08</td>
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<tr>
<td>Equity ratio (%)</td>
<td>35.7%</td>
<td>46.4%</td>
<td>51.5%</td>
<td>52.7%</td>
<td>53.4%</td>
<td>46.0%</td>
<td>47.3%</td>
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<tr>
<td>ROA (%)</td>
<td>17.9%</td>
<td>16.9%</td>
<td>13.0%</td>
<td>12.8%</td>
<td>13.7%</td>
<td>13.2%</td>
<td>13.7%</td>
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<tr>
<td>Shareholders’ equity</td>
<td>388.5</td>
<td>565.0</td>
<td>362.6</td>
<td>362.4</td>
<td>362.1</td>
<td>362.1</td>
<td>362.0</td>
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<tr>
<td>Cash flow from operating activities</td>
<td>256.6</td>
<td>264.8</td>
<td>247.9</td>
<td>261.1</td>
<td>312.3</td>
<td>312.3</td>
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<tr>
<td>Operating margin (%)</td>
<td>17.0%</td>
<td>15.8%</td>
<td>12.7%</td>
<td>12.7%</td>
<td>12.7%</td>
<td>12.7%</td>
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<tr>
<td>Net assets</td>
<td>1,118.6</td>
<td>1,216.6</td>
<td>1,118.6</td>
<td>1,118.6</td>
<td>1,118.6</td>
<td>1,118.6</td>
<td>1,118.6</td>
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<tr>
<td>Dividends</td>
<td>20.4%</td>
<td>160.1%</td>
<td>134.2%</td>
<td>100.5%</td>
<td>107.6%</td>
<td>114.4%</td>
<td>114.4%</td>
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<tr>
<td>Average number of shares during the fiscal year (thousands of shares)</td>
<td>362,704</td>
<td>362,671</td>
<td>362,584</td>
<td>362,584</td>
<td>362,584</td>
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## Financial Data Section

### By Business

#### A Business Base that Supports Value Creation

#### Business Data

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<tr>
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<tr>
<td>Passenger revenues</td>
<td>385.7</td>
<td>406.6</td>
<td>437.5</td>
<td>454.8</td>
<td>448.7</td>
<td>415.2</td>
<td>3,701,025</td>
</tr>
<tr>
<td>Available seat kms (million seat kms)**</td>
<td>43,036</td>
<td>44,745</td>
<td>46,235</td>
<td>47,696</td>
<td>50,563</td>
<td>50,621</td>
<td>50,580</td>
</tr>
<tr>
<td>Revenue passenger kms (million passenger kms)**</td>
<td>30,313</td>
<td>34,036</td>
<td>35,300</td>
<td>36,109</td>
<td>40,305</td>
<td>40,633</td>
<td>39,780</td>
</tr>
<tr>
<td>Revenue passenger carried (1,000)**</td>
<td>6,844</td>
<td>7,525</td>
<td>7,723</td>
<td>7,973</td>
<td>8,460</td>
<td>8,394</td>
<td>8,460</td>
</tr>
<tr>
<td>Revenue passenger load factor (%)**</td>
<td>70.4</td>
<td>76.3</td>
<td>76.3</td>
<td>76.3</td>
<td>76.3</td>
<td>76.3</td>
<td>76.3</td>
</tr>
<tr>
<td>Yield (yen)*</td>
<td>12.7%</td>
<td>11.3%</td>
<td>12.4%</td>
<td>12.6%</td>
<td>11.3%</td>
<td>11.2%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Unit revenue (yen)**</td>
<td>90.0</td>
<td>91.1</td>
<td>91.1</td>
<td>91.1</td>
<td>91.1</td>
<td>91.1</td>
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</tr>
</tbody>
</table>

#### Domestic Passenger Operations

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Passenger revenues</td>
<td>481.1</td>
<td>485.2</td>
<td>487.4</td>
<td>487.5</td>
<td>490.1</td>
<td>498.6</td>
<td>4,444,405</td>
</tr>
<tr>
<td>Revenue passenger kms (million passenger kms)**</td>
<td>28,296</td>
<td>30,020</td>
<td>31,218</td>
<td>31,644</td>
<td>32,114</td>
<td>32,570</td>
<td>32,570</td>
</tr>
<tr>
<td>Revenue passenger carried (1,000)</td>
<td>62.7</td>
<td>63.1</td>
<td>64.0</td>
<td>66.1</td>
<td>67.9</td>
<td>69.3</td>
<td>69.3</td>
</tr>
<tr>
<td>Revenue passenger load factor (%)</td>
<td>21.6</td>
<td>21.1</td>
<td>20.5</td>
<td>20.3</td>
<td>20.6</td>
<td>20.3</td>
<td>20.3</td>
</tr>
<tr>
<td>Yield (yen)</td>
<td>13.5</td>
<td>13.3</td>
<td>13.1</td>
<td>13.4</td>
<td>14.0</td>
<td>14.1</td>
<td>14.1</td>
</tr>
</tbody>
</table>

#### International Cargo Operations

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Cargo revenue</td>
<td>53.7</td>
<td>50.4</td>
<td>54.2</td>
<td>60.3</td>
<td>54.2</td>
<td>43.3</td>
<td>386,225</td>
</tr>
<tr>
<td>Revenue cargo ton-km (million ton kms)</td>
<td>3,134</td>
<td>3,178</td>
<td>3,128</td>
<td>3,178</td>
<td>3,128</td>
<td>3,128</td>
<td>3,128</td>
</tr>
<tr>
<td>Domestic cargo operations</td>
<td>25.0</td>
<td>25.0</td>
<td>25.4</td>
<td>24.2</td>
<td>23.3</td>
<td>22.2</td>
<td>198,415</td>
</tr>
<tr>
<td>Revenue cargo ton-km (million ton kms)</td>
<td>355</td>
<td>360</td>
<td>366</td>
<td>356</td>
<td>363</td>
<td>357</td>
<td>357</td>
</tr>
</tbody>
</table>
## Economic Conditions

Economic trends in Japan and overseas affect demand for the JAL Group’s passengers and cargo services. In the fiscal year ended March 31, 2017 (fiscal 2016), the Japanese economy continued to recover at a moderate pace, supported by an improving employment and income environment. However, growth in consumer spending and capital investment lacked momentum. Overseas, there were signs of weakness in resource-producing countries and in emerging economies in Asia, including slower growth in China.

Crude oil prices, which impact our fuel procurement costs, the Group’s international passenger revenues and international cargo revenues, were lower than the level in the previous fiscal year, but fuel prices started to rise from December 2016 after the Organization of the Petroleum Exporting Countries (OPEC) agreed to cut back production. In the first three quarters of the fiscal year, the Japanese yen strengthened against the US dollar, but weakened from December 2016 amid growing expectations that the Federal Open Market Committee (FOMC) would raise interest rates.

In 2016, global passenger traffic (scheduled flights) continued to grow overall, reaching 3.79 billion passengers, partly due to the entry of more low-cost carriers (LCC) into the air travel market (source: ICAO).

According to the Japan National Tourism Organization (JNTO), roughly 24 million people visited Japan in 2016. The Japanese government is aiming to increase the number of visitors to 40 million in 2020. In addition to providing overseas travel services to Japanese customers, the JAL Group will step up efforts to tap into this projected growth in inbound demand.

### Inbound demand (number of visitors to Japan)

<table>
<thead>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>YoY change (%)</td>
<td>-6.1</td>
<td>-4.3</td>
<td>-4.1</td>
<td>-4.6</td>
<td>-3.8</td>
<td>-3.8</td>
<td>-4.5</td>
<td>-3.2</td>
<td>-4.9</td>
<td>-3.8</td>
<td>-5.8</td>
<td>-6.2</td>
<td>-3.7</td>
<td>-12.2</td>
<td>-15.3</td>
<td>-19.9</td>
</tr>
</tbody>
</table>

Source: Japan National Tourism Organization

### Global passenger traffic

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>YoY change (%)</td>
<td>3.8</td>
<td>2.5</td>
<td>2.1</td>
<td>1.6</td>
<td>1.4</td>
<td>1.1</td>
<td>0.8</td>
<td>0.7</td>
<td>0.5</td>
<td>0.2</td>
<td>-0.4</td>
<td>-0.7</td>
<td>-1.2</td>
<td>-1.7</td>
<td>-2.1</td>
<td>-4.5</td>
</tr>
</tbody>
</table>

Source: International Civil Aviation Organization (scheduled flights)

### JAL Group

The JAL Group comprises Japan Airlines Co., Ltd. (JAL), 81 subsidiaries and 56 affiliated companies.

Operating in the economic climate described above, the JAL Group worked towards its Rolling Plan 2016 in the JAL Group Medium Term Management Plan for Fiscal Years 2012 – 2016. Specifically, the Group focused on instilling greater focus on profits and an equity ratio of 50% or higher at the end of fiscal 2016. As a result, consolidated operating revenue declined 3.6% year on year to 1,288.9 billion yen, operating expenses fell 0.8% to 1,118.6 billion yen, operating income declined 18.6% to 170.3 billion, ordinary income decreased 21.1% to 165.0 billion yen, and profit attributable to owners of parent fell 5.9% to 164.1 billion yen.

### Analysis of Consolidated Operating Results

#### 1. Earnings Summary

<table>
<thead>
<tr>
<th>Fiscal 2016 Consolidated Operating Results</th>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue (Billions of yen)</td>
<td>1,336.6</td>
<td>1,288.9</td>
</tr>
<tr>
<td>Operating expenses (Billions of yen)</td>
<td>1,014.3</td>
<td>1,118.6</td>
</tr>
<tr>
<td>Operating income (Billions of yen)</td>
<td>322.3</td>
<td>170.3</td>
</tr>
<tr>
<td>Ordinary income (Billions of yen)</td>
<td>322.3</td>
<td>170.3</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>174.4</td>
<td>164.1</td>
</tr>
</tbody>
</table>

In fiscal 2016, consolidated operating revenues declined 3.6% year on year to 1,288.9 billion yen, reflecting a drop in fuel surcharge revenues and a negative impact from the stronger yen on international routes and falling prices on domestic routes amid competition from other carriers.

Operating expenses decreased 0.8% year on year to 1,118.6 billion yen. Maintenance costs and personnel costs increased, but fuel costs declined due to the stronger yen and lower fuel prices. The Group also continued cost reduction efforts from the previous fiscal year using its amosbea management system and other approaches.

Consolidated operating income fell 18.6% year on year to 170.3 billion yen and profit attributable to owners of parent declined 5.9% to 164.1 billion yen.

#### 2. Financial / Data Section

**Amosbea Management System**

*Maximise revenue, minimise costs and promote lean management*

**Management by all**

**Rigorous profit management**

**Efficient use of management resources**

**Financial Conditions Evaluation and Analysis**

**Economic Conditions**

- In the fiscal year ended March 31, 2017 (fiscal 2016), the Japanese economy continued to recover at a moderate pace, supported by an improving employment and income environment.
- Overseas, there were signs of weakness in resource-producing countries and in emerging economies in Asia, including slower growth in China.
- Crude oil prices, which impact our fuel procurement costs, were lower than the level in the previous fiscal year, but fuel prices started to rise from December 2016 after the Organization of the Petroleum Exporting Countries (OPEC) agreed to cut back production.
- In the first three quarters of the fiscal year, the Japanese yen strengthened against the US dollar, but weakened from December 2016 amid growing expectations that the Federal Open Market Committee (FOMC) would raise interest rates.
- In 2016, global passenger traffic (scheduled flights) continued to grow overall, reaching 3.79 billion passengers, partly due to the entry of more low-cost carriers (LCC) into the air travel market.
- The JAL Group worked towards its Rolling Plan 2016 in the JAL Group Medium Term Management Plan for Fiscal Years 2012 – 2016. Specifically, the Group focused on instilling greater focus on profits and an equity ratio of 50% or higher at the end of fiscal 2016.
- As a result, consolidated operating revenue declined 3.6% year on year to 1,288.9 billion yen, operating expenses fell 0.8% to 1,118.6 billion yen, operating income declined 18.6% to 170.3 billion, ordinary income decreased 21.1% to 165.0 billion yen, and profit attributable to owners of parent fell 5.9% to 164.1 billion yen.
In the air transportation segment, operating revenue declined 3.8% year on year to 1,159.3 billion yen and operating income fell 19.7% to 153.1 billion yen.

* Figures for operating revenue and operating income are before elimination of inter-segment transactions.

### Segment Earnings

#### (1) Air transportation segment

<table>
<thead>
<tr>
<th>Fiscal 2016: Changes in operating income (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel surcharge</td>
</tr>
<tr>
<td>Forward etc.</td>
</tr>
<tr>
<td>Net unit price</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>YoY change (%):</td>
</tr>
<tr>
<td>Revenue passengers</td>
</tr>
<tr>
<td>Forward etc.</td>
</tr>
<tr>
<td>Net unit price</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

#### International passenger revenues (Billions of yen)

<table>
<thead>
<tr>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>514,237</td>
</tr>
<tr>
<td>Asia / Oceania</td>
<td>448,780</td>
</tr>
<tr>
<td>America</td>
<td>54,273</td>
</tr>
<tr>
<td>Total</td>
<td>1,013,292</td>
</tr>
</tbody>
</table>

#### Revenue passengers carried (1,000)

<table>
<thead>
<tr>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,122,090</td>
</tr>
<tr>
<td>Asia / Oceania</td>
<td>1,064,734</td>
</tr>
<tr>
<td>America</td>
<td>42,008</td>
</tr>
<tr>
<td>Total</td>
<td>2,234,832</td>
</tr>
</tbody>
</table>

#### Load Factor (%)

<table>
<thead>
<tr>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>79.9</td>
</tr>
<tr>
<td>Asia / Oceania</td>
<td>79.8</td>
</tr>
<tr>
<td>America</td>
<td>79.8</td>
</tr>
<tr>
<td>Total</td>
<td>79.8</td>
</tr>
</tbody>
</table>

In route operations, the Group increased the number of flights on some routes in response to strong demand, such as Narita = Honolulu, Kansai = Honolulu and Narita = Bangkok. In alliances with other carriers, JAL joined the Group’s joint business on flights between Japan and Europe and Europe and Iberia began offering JAL codershare flights on its Narita = Madrid route. China Airlines also expanded its codershare agreement with JAL to all flights between Japan and Taiwan, while Russian airline S7 started codershare flights on routes between Moscow and Novosibirsk, Tyumen, Khalining, and Omsk, helping to extend the reach of the JAL route network.

In marketing and sales, FlightsStats, Inc. named JAL the most punctual major airline in the Asia-Pacific region in 2016 on both domestic and international routes. JAL also received FlightsStats’ top award for network performance.

### Intra-segment sales

<table>
<thead>
<tr>
<th>Fiscal 2016: Changes in operating income (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth</td>
</tr>
<tr>
<td>Higher costs</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

### Financial / Data Section

#### Value Creation

- Share of total
  - America
  - Europe
  - Asia / Oceania
  - China
  - Hawaii / Guam
  - All routes

- Revenues from international routes by geographic segment
  - Share of total
    - America
    - Europe
    - Asia / Oceania
    - China
    - Hawaii / Guam
    - All routes

#### Segment Earnings

#### International passenger operations

<table>
<thead>
<tr>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger revenues (billion yen)</td>
<td>448.7</td>
</tr>
<tr>
<td>Asia (million seat kilometers)</td>
<td>50,563</td>
</tr>
<tr>
<td>Revenue passenger (yen)</td>
<td>4,660</td>
</tr>
<tr>
<td>Load factor (%)</td>
<td></td>
</tr>
<tr>
<td>Yield* (yen)</td>
<td>11.1</td>
</tr>
<tr>
<td>Unit revenue* (yen)</td>
<td>8.9</td>
</tr>
<tr>
<td>Revenue per passenger* (yen)</td>
<td>53,047</td>
</tr>
</tbody>
</table>

#### Marketing and services

- FlightStats, Inc. named JAL the most punctual major airline in the Asia-Pacific region in 2016.
- JAL also received FlightStats’ top award for network performance.

#### Products

- Iberia joined the Group’s joint business on FlightsStats, Inc. named JAL the most punctual major airline in the Asia-Pacific region in 2016.
- In alliances with other carriers, JAL joined the Group’s joint business on flights between Japan and Europe and Europe and Iberia began offering JAL codershare flights on its Narita = Madrid route.
- China Airlines also expanded its codershare agreement with JAL to all flights between Japan and Taiwan.

#### Alliances

- Russian airline S7 started codershare flights on routes between Moscow and Novosibirsk, Tyumen, Khalining, and Omsk.
- The Group increased the number of flights on some routes in response to strong demand, such as Narita = Honolulu, Kansai = Honolulu and Narita = Bangkok.

#### Network

- The Group increased the number of flights on some routes in response to strong demand, such as Narita = Honolulu, Kansai = Honolulu and Narita = Bangkok.
- In alliances with other carriers, JAL joined the Group’s joint business on flights between Japan and Europe and Europe and Iberia began offering JAL codershare flights on its Narita = Madrid route.
- China Airlines also expanded its codershare agreement with JAL to all flights between Japan and Taiwan.
In route operations, the Group introduced the Embraer 190 on domestic routes, the first regional jet with JAL Class I configuration. The aircraft was initially introduced onto the Itami = Kagoshima route, followed by Itami = Sendai, Itami = Fukushima, and Itami = Nagasaki in an effort to improve passenger comfort on Itami routes. In products, we completed the roll out of the JAL SKY NEXT configuration on all 77 aircraft that were earmarked for the upgrade. We also ran a Stay Connected for Free Campaign on all flights equipped with in-flight Wi-Fi services, delivering greater comfort for passengers.

In marketing and sales, we introduced a new service called Go Somewhere with Miles, aiming to generate new demand for travel to regional Japan and further stimulate domestic air travel. We also fully refurbished Sakura Lounges at New Chitose, Naha, Fukushima and Hiroshima airports, and added new Diamond Premier Lounges – the highest grade of passenger lounge on our domestic network – at New Chitose, Itami and Fukushima airports.

Our Financial / Data Section

3. Analysis of Factors Affecting Operating Expenses

(1) Fuel costs

As shown in the table below, fuel costs declined 39.3 billion yen year on year due to a drop in fuel prices and favorable exchange rates.

<table>
<thead>
<tr>
<th>Fuel costs</th>
<th>Fiscal 2015</th>
<th>Fiscal 2014</th>
<th>YoY change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel costs</td>
<td>228.1</td>
<td>197.8</td>
<td>–12.9</td>
</tr>
<tr>
<td>Landing and navigation fees</td>
<td>82.2</td>
<td>81.1</td>
<td>–1.4</td>
</tr>
<tr>
<td>Maintenance costs</td>
<td>47.9</td>
<td>48.9</td>
<td>+2.0</td>
</tr>
<tr>
<td>Air transport sales commissions*1</td>
<td>24.4</td>
<td>15.9</td>
<td>–34.7</td>
</tr>
<tr>
<td>Aircraft costs*2</td>
<td>98.4</td>
<td>100.4</td>
<td>+2.0</td>
</tr>
<tr>
<td>Service costs*3</td>
<td>36.3</td>
<td>37.9</td>
<td>+4.6</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>249.9</td>
<td>271.3</td>
<td>+8.3</td>
</tr>
<tr>
<td>Travel agency costs</td>
<td>82.3</td>
<td>81.3</td>
<td>–1.0</td>
</tr>
<tr>
<td>Other</td>
<td>277.2</td>
<td>280.4</td>
<td>+1.0</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>1,170.8</td>
<td>1,184</td>
<td>+0.8</td>
</tr>
</tbody>
</table>

Factors affecting changes in fuel costs (Billions of yen)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Fiscal 2015</th>
<th>Fiscal 2014</th>
<th>YoY change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic travelers handled</td>
<td>2,510</td>
<td>2,510</td>
<td>0.0</td>
</tr>
<tr>
<td>Overseas travelers handled</td>
<td>2,429</td>
<td>2,448</td>
<td>–0.4</td>
</tr>
</tbody>
</table>

(2) Personnel costs

Personnel costs increased 23.3 billion yen year on year, reflecting strategic investment in personnel to strengthen foundations for the Group’s future growth. Specific steps included overhauling pay structures and raising base wages.

(3) Profit management and cost control

The Group’s unit costs have been rising since fiscal 2012 due to improvements in service provision. However, air transportation revenue per ASK is also increasing. The Group will continue to focus on maximizing profits per ASK.

Domestic passenger operations

<table>
<thead>
<tr>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
<th>YoY change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPK (million passenger kilometers)</td>
<td>24,341</td>
<td>24,550</td>
</tr>
<tr>
<td>Revenue passengers carried (1,000)</td>
<td>32,114</td>
<td>32,570</td>
</tr>
</tbody>
</table>
| Load factor (%) | 67.9% | 69.3% | +1.4%
| Yield* (yen) | 20.6 | 20.9 | –1.4 |
| Unit revenue* (yen) | 14.1 | 14.7 | +0.7 |
| Revenue per passenger** (yen) | 15,609 | 15,309 | –1.9 |

*1 Yield = Passenger revenues / RPK
*2 Unit revenue = Passenger revenues / ASK
*3 Revenue per passenger = Passenger revenues / Passengers

In other businesses, we worked to maximize the corporate value of the JAL Group by improving services for customers. Financial results for the two main companies in this segment were as follows:

JALPAC Co., Ltd.: increased sales by rapidly launching new products, offering more value-added products, and rolling out well-timed marketing campaigns in line with changing demand. Also, to capture growing inbound demand, the company began selling the JAL Dynamic Package. The Group also continued to implement cost reduction efforts from the previous fiscal year using its amoire management system and other approaches.

MyJALCARD, a dedicated online service that customers can access after signing up. The number of transactions was firm, supported by an increase in the number of partner retailers offering double miles on purchases and initiatives to sign up or encourage members to switch to more prestigious cards.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
<th>YoY change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic passenger revenues (Billions of yen)</td>
<td>501.2</td>
<td>504.6</td>
<td>+0.6</td>
</tr>
<tr>
<td>DPPM ratio</td>
<td>100.1</td>
<td>100.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Domestic passengers handled (1,000)</td>
<td>32,114</td>
<td>32,570</td>
<td>+1.4</td>
</tr>
<tr>
<td>Number of passengers</td>
<td>2,429</td>
<td>2,510</td>
<td>+3.6</td>
</tr>
</tbody>
</table>

Operating expenses = 11,186.6 billion yen

Factors affecting changes in fuel costs (Billions of yen)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
<th>YoY change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic travelers handled</td>
<td>2,510</td>
<td>2,510</td>
<td>0.0</td>
</tr>
<tr>
<td>Overseas travelers handled</td>
<td>2,429</td>
<td>2,448</td>
<td>–0.4</td>
</tr>
</tbody>
</table>

* Before elimination of consolidated transactions

JALPAC Co., Ltd. Operating revenue 172.5 billion yen

JAL CARD, Inc. Operating revenue 20.4 billion yen

Promoting JAL air services to Kyushu, stepped up sales and procurement activities and effective marketing that led to strong demand for the JAL Dynamic Package.

Operating expenses decreased 0.8% year on year to 1,118.6 billion yen. Maintenance costs and personnel costs increased, but fuel costs declined due to the stronger yen and lower fuel prices. The Group also continued to implement cost reduction efforts from the previous fiscal year using its amoire management system and other approaches.

Factors affecting changes in fuel costs (Billions of yen)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
<th>YoY change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic travelers handled</td>
<td>2,510</td>
<td>2,510</td>
<td>0.0</td>
</tr>
<tr>
<td>Overseas travelers handled</td>
<td>2,429</td>
<td>2,448</td>
<td>–0.4</td>
</tr>
</tbody>
</table>
### 4. Profit Attributable to Owners of Parent

Ordinary income declined 21.1% year on year to 164.1 billion yen, reflecting a decline in non-operating income, due mainly to a drop in gain on sales of flight equipment.

Profit attributable to owners of parent declined 5.9% year on year to 164.1 billion yen, which included the booking of income taxes – deferred of 31.6 billion yen due to the application of new tax effect accounting policies.

### 5. Cash Flows

<table>
<thead>
<tr>
<th>Cash flows</th>
<th>Fiscal 2015</th>
<th>Fiscal 2016</th>
<th>¥bill (¥b)</th>
<th>¥bill (¥b)</th>
<th>¥bill (¥b)</th>
<th>¥bill (¥b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes</td>
<td>207.3</td>
<td>162.7</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>88.5</td>
<td>95.7</td>
<td>+7.2</td>
<td>+7.2</td>
<td>+7.2</td>
<td>+7.2</td>
</tr>
<tr>
<td>Other</td>
<td>16.4</td>
<td>-5.4</td>
<td>-21.8</td>
<td>-21.8</td>
<td>-21.8</td>
<td>-21.8</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>312.3</td>
<td>253.1</td>
<td>-59.2</td>
<td>-59.2</td>
<td>-59.2</td>
<td>-59.2</td>
</tr>
<tr>
<td>Capital investments**</td>
<td>-210.6</td>
<td>-233.1</td>
<td>-22.4</td>
<td>-22.4</td>
<td>-22.4</td>
<td>-22.4</td>
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<tr>
<td>Other</td>
<td>3.4</td>
<td>17.5</td>
<td>+14.1</td>
<td>+14.1</td>
<td>+14.1</td>
<td>+14.1</td>
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<tr>
<td>Cash flow from investing activities**</td>
<td>-207.2</td>
<td>-215.5</td>
<td>-8.3</td>
<td>-8.3</td>
<td>-8.3</td>
<td>-8.3</td>
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<td>Free cash flows**</td>
<td>105.1</td>
<td>37.5</td>
<td>-67.5</td>
<td>-67.5</td>
<td>-67.5</td>
<td>-67.5</td>
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<tr>
<td>Repayment of interest-bearing debt**</td>
<td>-27.6</td>
<td>-25.0</td>
<td>+2.6</td>
<td>+2.6</td>
<td>+2.6</td>
<td>+2.6</td>
</tr>
<tr>
<td>Cash dividends, other</td>
<td>-21.9</td>
<td>-28.5</td>
<td>-6.5</td>
<td>-6.5</td>
<td>-6.5</td>
<td>-6.5</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-49.6</td>
<td>-53.5</td>
<td>-3.8</td>
<td>-3.8</td>
<td>-3.8</td>
<td>-3.8</td>
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<tr>
<td>Total cash flow**</td>
<td>55.5</td>
<td>-15.9</td>
<td>-71.4</td>
<td>-71.4</td>
<td>-71.4</td>
<td>-71.4</td>
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<tr>
<td>JAL Japan</td>
<td>297.7</td>
<td>261.1</td>
<td>-36.6</td>
<td>-36.6</td>
<td>-36.6</td>
<td>-36.6</td>
</tr>
<tr>
<td>JAL Group</td>
<td>321.1</td>
<td>280.2</td>
<td>-40.9</td>
<td>-40.9</td>
<td>-40.9</td>
<td>-40.9</td>
</tr>
</tbody>
</table>

5. Cash flows

The JAL Group primarily uses cash for investments that increase corporate value and to return profits to shareholders and maintain a solid financial position. The Group conducts capital investment based on strict investment criteria, aiming to secure an appropriate level of return and maximize free cash flow.

(1) Cash flow from operating activities

After adjusting profit before income taxes and non-controlling interests of 162.7 billion yen for non-cash items such as depreciation and amortization, and reconciling operating accounts receivable and payable and other items, operating activities provided net cash (inflow) of 253.1 billion yen, a decline of 59.2 billion yen compared with the previous fiscal year.

(2) Cash flow from investing activities

Investing activities used net cash (outflow) of 215.5 billion yen, a decline of 83.8 billion yen compared with the previous fiscal year, mainly due to cash used for the purchase of non-current assets.

(3) Cash flow from financing activities

Financing activities used net cash (outflow) of 53.5 billion yen, an increase of 38.8 billion yen compared with the previous fiscal year, mainly reflecting cash used for cash dividends paid and for the purchase of treasury shares.

### 6. Capital Investment and Aircraft Procurement

Capital investment during fiscal 2016 totaled 233.1 billion yen (including expenditure for intangible fixed assets). Capital investment by segment is as follows:

The air transportation segment invests in new aircraft to improve operating efficiency. It also invests in intangible fixed assets such as measures to improve the Group’s ability to respond to diversifying customer needs and systems to increase efficiency and enhance passenger convenience.

In fiscal 2016, capital investment in the air transportation segment totaled 231.5 billion yen. Capital investment was mainly used to purchase 17 new aircraft (two Boeing 787-8, five Boeing 787-9, two Boeing 737-800, five Embraer 190, two Bombardier DHC-8-400CC and one ATR42-600), purchase leased aircraft and make advance payments for aircraft.

#### Fiscal 2016 Fleet

<table>
<thead>
<tr>
<th>Category</th>
<th>As of end fiscal 2015</th>
<th>As of end fiscal 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>12</td>
<td>12</td>
<td>—</td>
</tr>
<tr>
<td>Medium</td>
<td>23</td>
<td>23</td>
<td>+2</td>
</tr>
<tr>
<td>Small</td>
<td>63</td>
<td>62</td>
<td>-1</td>
</tr>
<tr>
<td>Regional</td>
<td>54</td>
<td>55</td>
<td>+1</td>
</tr>
<tr>
<td>Total</td>
<td>233.1</td>
<td>164.1</td>
<td>-69.0</td>
</tr>
</tbody>
</table>

#### Fiscal 2017 Fleet Plan

<table>
<thead>
<tr>
<th>Category</th>
<th>230 aircraft</th>
<th>226 aircraft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total domestic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercontinental</td>
<td>24 large</td>
<td>24 large</td>
</tr>
<tr>
<td>Medium</td>
<td>18 medium</td>
<td>19 medium</td>
</tr>
<tr>
<td>Small</td>
<td>16 small</td>
<td>15 small</td>
</tr>
<tr>
<td>Regional</td>
<td>25 medium</td>
<td>23 medium</td>
</tr>
<tr>
<td>Total regional</td>
<td>51 small</td>
<td>53 small</td>
</tr>
<tr>
<td>Total</td>
<td>199</td>
<td>199</td>
</tr>
</tbody>
</table>

In fiscal 2016, capital investment in the air transportation segment totaled 231.5 billion yen. Capital investment was mainly used to purchase 17 new aircraft (two Boeing 787-8, five Boeing 787-9, two Boeing 737-800, five Embraer 190, two Bombardier DHC-8-400CC and one ATR42-600), purchase leased aircraft and make advance payments for aircraft.
7. Financial Position

Shareholders’ equity ¥972.0 billion Equity ratio 56.2%

(1) Assets
As of March 31, 2017, total assets stood at 1,728.7 billion yen, an increase of 149.8 billion yen compared with the end of the previous fiscal year, primarily driven by aircraft purchases and advance payments for aircraft.

(2) Liabilities
Liabilities totaled 725.3 billion yen, an increase of 17.0 billion yen from the end of the previous fiscal year, mainly due to the issue of corporate bonds and an increase in borrowings.

(3) Net assets
Net assets totaled 1,003.3 billion yen, an increase of 132.8 billion yen from the end of the previous fiscal year, primarily due to the booking of profit attributable to owners of parent and an increase in accumulated other comprehensive income, against cash dividends paid and the purchase of treasury shares. As a result, shareholders’ equity totaled 972.0 billion yen as of March 31, 2017 and the shareholders’ equity ratio increased 2.8 percentage points to 56.2%.

8. Credit Ratings

JAL’s current credit ratings are shown in the table on the right.

9. Retirement Benefit Obligations

Retirement benefit obligations ¥477.5 billion

The Company and its major consolidated subsidiaries have established defined-benefit retirement plans such as corporate pension plans and lump-sum retirement plans, as well as defined-contribution pension plans. When employees retire, and on other occasions, the Company and its consolidated subsidiaries may also provide premium severance packages, which are not included in calculations of the actuarial difference for retirement benefit obligations in retirement benefit accounting.

As of March 31, 2017, the Company and 39 consolidated subsidiaries had lump-sum retirement plans. The Group also had three corporate pension funds, including the Japan Airlines Welfare Pension Fund. Certain overseas subsidiaries have defined-benefit retirement plans.

The Japan Airlines Welfare Pension Fund also introduces an option similar to a cash balance plan as well as other alternatives. The Japan Airlines Welfare Pension Fund, which is used by some domestic consolidated subsidiaries, uses a cash balance plan.

Simplified accounting methods are used to calculate retirement benefit liabilities, assets and expenses for defined-benefit corporate pension plans and lump-sum retirement plans at some consolidated subsidiaries.

10. Fuel and Exchange Rate Hedging

Fuel cost hedging for fuel used on domestic routes, which equates to approximately 40% of all fuel consumed by the Group’s air transport operations. In addition, the Company's foreign currency revenues are roughly the same as its foreign currency expenses, excluding fuel costs. Consequently, the Company uses fuel and exchange rate hedging to mitigate fuel cost risks.

Hedging policy
- Fuel surcharge
- Forex hedging

Sensitivity to fuel costs (without hedging)

Fuel prices / Forex

Roughly 40%

Roughly 5%

Roughly 10%

Roughly 10%

Roughly 5%

Impact on fuel costs (fiscal 2017)

Crude oil change in 1 US$/bbl

2.6 billion yen/year

Foreign exchange change in 1 yen/US$ 1.5 billion yen/year

(2) Controlling the risk of price fluctuations

The impact of fluctuations in fuel prices is mitigated by hedging and fuel surcharges, but the benefits of those actions take time to feed through to earnings in each fiscal year. However, over a medium-term timeframe, the Company has been largely successful in mitigating the risk of fluctuations in fuel prices. Based on cumulative changes in prices for the last three fiscal years, the Company has offset the impact of those changes through hedging and fuel surcharges.

Cumulative impact of price fluctuations in fiscal 2014 – 2016

-40

0

100 (Billions of yen)

Fuel prices / Forex

FSC / hedging

Impact

Fuel use

FSC / hedging

International routes 60%

Foreign currency revenues

Sensitivity to fuel costs (without hedging)

Fuel prices / Forex

Roughly 10%

Roughly 10%

Roughly 5%

Roughly 5%

Impact on fuel costs (fiscal 2017)

Crude oil change in 1 US$/bbl

2.6 billion yen/year

Foreign exchange change in 1 yen/US$ 1.5 billion yen/year

(2) Controlling the risk of price fluctuations

The impact of fluctuations in fuel prices is mitigated by hedging and fuel surcharges, but the benefits of those actions take time to feed through to earnings in each fiscal year. However, over a medium-term timeframe, the Company has been largely successful in mitigating the risk of fluctuations in fuel prices. Based on cumulative changes in prices for the last three fiscal years, the Company has offset the impact of those changes through hedging and fuel surcharges.
11. Distribution of Profits to Shareholders

The Company regards shareholder return as one of its most important management issues. The Company's fundamental policy is to actively return profits to shareholders through continuous and stable dividends; while ensuring sufficient internal reserves to invest in corporate growth, adapt to changes in the operating environment and build a strong financial structure.

In addition, following approval from shareholders at the Ordinary General Meeting of Shareholders on June 22, 2017, the Articles of Incorporation were revised to enable the Board of Directors to approve resolutions allowing the payment of interim dividends, based on a record date of September 30 each year.

For fiscal 2016, the Company will pay a year-end dividend of 94 yen per share, in line with its dividend policy of allocating roughly 25% of profit attributable to owners of parent after deducting deferred income taxes. From fiscal 2017, the Company will lift the ratio to roughly 30% to increase shareholder returns.

Also, taking into account conditions in the operating environment and the Group’s financial position, the Company will return additional profits to shareholders as necessary through share buybacks and other means, review its future financial targets and flexibly consider further increases in shareholder returns.

12. Business Outlook and Issues to Be Addressed

The Company expects the airline market – the Group’s main business field – to expand over the medium to long term, supported by economic globalization. Asia is a particularly promising growth market for the airline sector. The pace of change in the Group’s market and business climate and advances in technology are likely to accelerate. To generate sustained and stable growth in that environment, the Company will implement initiatives during the four years of the JAL Group Medium Term Management Plan (fiscal 2017 – 2020). Based on the theme, "Challenge, Leading to Growth," the Company will continue to refine its full-service carrier business and steadily expand its business domains by creating and developing new sources of earnings.

In international passenger operations, the Company anticipates further growth in demand from overseas customers due to the upcoming 2020 Summer Olympics and Paralympics in Tokyo and an expected increase in the number of take-off and landing slots at Tokyo metropolitan airports. However, the competitive environment is likely to become more challenging as domestic and international airlines, including low-cost carriers (LCC), expand their services and upgrade facilities. Against that backdrop, the Company will reinforce its network, including through joint business ventures on Pacific and other routes. The Joint Business extends to Japan’s regions, helping to revitalize local economies.

In domestic passenger operations, the competitive environment is likely to become tougher, including increased competition with low-cost carriers, amid sluggish growth in total transport demand due to Japan’s falling population and aging society. Against that backdrop, the Company will introduce new aircraft such as the Airbus 350, expand the number of routes with in-flight Wi-Fi services, upgrade airport lounges and take other steps to boost competitiveness by making its services more convenient and comfortable. The Company will also work to increase the number of travelers by encouraging more people, including overseas visitors, to experience Japan’s regions, helping to revitalize local economies.

The Group faces the risk of significant short-term fluctuations in demand in the airline market due to various factors, including natural disasters, wars, terrorist incidents and outbreaks of disease. To mitigate the impact of those risks, the Company will leverage its strengths in areas outside its full-service carrier business to create and develop new sources of earnings that can support stable growth in the future.

Under the JAL Group Corporate Policy, "The JAL Group aims to 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." To achieve those goals, all Group employees will work as one to increase corporate value by reinforcing the Group’s businesses and financial position and addressing society’s needs and issues.
(6) Regulatory and litigation risk
The Group’s operations are subject to various international legal restrictions and national and local government laws and regulations. Revisions to these laws and regulations may result in even tighter restrictions on the Group’s operations, which could lead to a significant increase in costs.

(7) IT system and customer data handling risk
The JAL Group’s operations are dependent on a large number of IT systems. Failures in these IT systems caused by flaws in computer programs, computer viruses, and other cyber-attacks may lead to the loss of critical data, as well as issues in flight operations, which could affect the Group’s operations. Large-scale failures in power systems, communication networks, and other infrastructure that support IT systems could also result in significant disruption to the Group’s operations.

In addition, inadequate handling of customers’ personal information by the Group or unauthorized access that results in the disclosure of such information could damage public trust in the Group’s business. A further tightening of environmental regulations that leads to a higher cost burden through emission charging mechanisms or other schemes could have an impact on the Group’s operating performance.

(8) Personnel and labor relations risk
The JAL Group’s business is dependent on securing personnel who have national certificates and other legally required qualifications related to the operation of aircraft. However, due to the considerable amount of time required by employees to acquire these qualifications and skills during the course of their duties, the JAL Group may not be able to secure sufficient personnel when required, which could affect the Group’s business operations.

In addition, many of the Group’s employees are members of labor unions. A collective strike by Group employees or other labor disputes could affect the Group’s aircraft operations.
CONSOLIDATED FINANCIAL STATEMENTS

 Consolidated Balance Sheets
Japan Airlines Co., Ltd. and Consolidated Subsidiaries

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 4)</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash and deposits (Notes 5, 7 and 10)</td>
<td>¥392,075</td>
<td>$4,944,741</td>
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<td></td>
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<tr>
<td>Notes and operating accounts receivable (Note 7)</td>
<td>142,745</td>
<td>1,272,350</td>
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<tr>
<td>Securities (Notes 5, 7 and 6)</td>
<td>12,000</td>
<td>106,961</td>
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<td>Flight equipment spare parts and supplies</td>
<td>21,118</td>
<td>188,234</td>
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<td>7,436</td>
<td>66,280</td>
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<td>Other</td>
<td>51,450</td>
<td>458,597</td>
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<tr>
<td>Allowance for doubtful accounts</td>
<td>(493)</td>
<td>(4,394)</td>
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<td>Total current assets</td>
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<td>5,582,779</td>
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<td>Non-current assets:</td>
<td></td>
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<tr>
<td>Investment securities (Notes 6, 7, 8 and 10)</td>
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<td>Tangible fixed assets, net:</td>
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<td></td>
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<td>Flight equipment (Note 10)</td>
<td>671,387</td>
<td>5,984,374</td>
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<td>Ground property and equipment (Notes 10 and 16)</td>
<td>51,708</td>
<td>460,896</td>
<td></td>
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<td>Advances on flight equipment and other purchases</td>
<td>101,822</td>
<td>907,674</td>
<td></td>
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<tr>
<td>Total tangible fixed assets</td>
<td>824,928</td>
<td>7,352,954</td>
<td></td>
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<tr>
<td>Software</td>
<td></td>
<td></td>
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<td>Long-term loans receivable (Note 10)</td>
<td>7,303</td>
<td>65,094</td>
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<td>Deferred tax assets (Note 12)</td>
<td>61,457</td>
<td>547,793</td>
<td></td>
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<td></td>
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<tr>
<td>Net defined benefit asset (Note 11)</td>
<td>1,240</td>
<td>11,052</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other (Note 10)</td>
<td>29,359</td>
<td>261,689</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Allowance for doubtful accounts</td>
<td>(264)</td>
<td>(2,353)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>1,102,444</td>
<td>9,826,579</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total assets</td>
<td>¥1,728,777</td>
<td>¥15,409,368</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 4)</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating accounts payable (Note 7)</td>
<td>¥159,218</td>
<td>$1,419,181</td>
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<td>Short-term loans payable (Notes 7 and 10)</td>
<td>5,372</td>
<td>47,883</td>
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<td>Current portion of long-term loans payable (Notes 7 and 10)</td>
<td>13,037</td>
<td>116,204</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Lease obligations (Notes 7 and 10)</td>
<td>5,712</td>
<td>50,913</td>
<td></td>
<td></td>
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<td>Accounts payable—installment purchase (Notes 7 and 10)</td>
<td>181</td>
<td>1,613</td>
<td></td>
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<td></td>
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<tr>
<td>Income taxes payable</td>
<td>10,829</td>
<td>96,523</td>
<td></td>
<td></td>
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<tr>
<td>Advances received</td>
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<td>859,729</td>
<td></td>
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<td>Deferred tax liabilities (Note 12)</td>
<td>173</td>
<td>1,542</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Asset retirement obligations (Note 19)</td>
<td>249</td>
<td>2,219</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>73,372</td>
<td>653,997</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>364,601</td>
<td>3,249,852</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable (Notes 7 and 10)</td>
<td>20,000</td>
<td>178,269</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term loans payable (Notes 7 and 10)</td>
<td>65,802</td>
<td>586,522</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease obligations (Notes 7 and 10)</td>
<td>5,300</td>
<td>47,241</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term accounts payable—installment purchase (Notes 7 and 10)</td>
<td>666</td>
<td>5,936</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities (Note 12)</td>
<td>353</td>
<td>3,146</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for loss on antitrust litigation</td>
<td>5,965</td>
<td>53,168</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net defined benefit liability (Note 11)</td>
<td>238,481</td>
<td>2,125,688</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset retirement obligations (Note 19)</td>
<td>3,538</td>
<td>31,535</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>20,676</td>
<td>184,294</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>360,783</td>
<td>3,215,821</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>339,818</td>
<td>6,465,674</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Contingent liabilities (Note 17)

NET ASSETS (Note 13)

Shareholders' equity:

Common stock:

Authorized: 700,000,000 shares in 2017 and 2016
Issued: 353,715,800 shares in 2017 and 362,704,000 shares in 2016
181,352 181,352 1,616,472
Capital surplus
183,047 183,042 1,631,580
Retained earnings
647,701 557,905 5,773,250
Treasury shares, at cost:
199,873 shares in 2017 and 203,395 shares in 2016
(531) (538) (4,733)
Total shareholders' equity
1,011,569 921,761 9,016,570

Accumulated other comprehensive income
13,828 14,767 123,255
Deferred losses on hedges (Note 9)
(667) (24,777) (5,945)
Foreign currency translation adjustment
13,037 427 2,067
Remeasurements of defined benefit plans (Note 11)
(358) (69,079) (471,503)
Total accumulated other comprehensive income
(35,504) (78,663) (352,116)
Non-controlling interests
(471,503)
Total net assets
1,000,393 870,557 8,943,693
Total liabilities and net assets
¥1,728,777 ¥1,578,928 ¥15,409,368

The accompanying notes are an integral part of these consolidated financial statements.
**Consolidated Statements of Income and Comprehensive Income**

<table>
<thead>
<tr>
<th>Japan Airlines Co., Ltd. and Consolidated Subsidiaries</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Statements of Income and Comprehensive Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars (Note 6)</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td><strong>Years ended March 31</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>¥498,628</td>
<td>$501,274</td>
</tr>
<tr>
<td>International</td>
<td>415,518</td>
<td>448,780</td>
</tr>
<tr>
<td>Incidental and other revenue</td>
<td>375,120</td>
<td>384,606</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>1,288,967</td>
<td>1,336,611</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages, salaries and benefits</td>
<td>273,316</td>
<td>249,999</td>
</tr>
<tr>
<td>Aircraft fuel</td>
<td>198,794</td>
<td>226,116</td>
</tr>
<tr>
<td>Landing fees and other rent</td>
<td>81,140</td>
<td>82,250</td>
</tr>
<tr>
<td>Aircraft maintenance</td>
<td>48,967</td>
<td>47,906</td>
</tr>
<tr>
<td>Aircraft rent</td>
<td>20,177</td>
<td>23,471</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>95,777</td>
<td>88,528</td>
</tr>
<tr>
<td>Other</td>
<td>400,461</td>
<td>407,151</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>1,127,649</td>
<td>1,172,469</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>¥161,318</td>
<td>$164,142</td>
</tr>
<tr>
<td><strong>Non-operating income (expenses):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>874</td>
<td>887</td>
</tr>
<tr>
<td>Dividend income</td>
<td>979</td>
<td>1,556</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(843)</td>
<td>(1,172)</td>
</tr>
<tr>
<td>Gain on sales of flight equipment</td>
<td>1,875</td>
<td>5,798</td>
</tr>
<tr>
<td>Loss on sales and disposal of flight equipment</td>
<td>(8,458)</td>
<td>(3,978)</td>
</tr>
<tr>
<td>Loss on sales and disposal of supplies</td>
<td>(1,837)</td>
<td>(1,121)</td>
</tr>
<tr>
<td>Share of profit of entities accounted for using equity method</td>
<td>2,180</td>
<td>651</td>
</tr>
<tr>
<td>Foreign exchange gains (losses)</td>
<td>203</td>
<td>(3,837)</td>
</tr>
<tr>
<td>Compensation income</td>
<td>1,381</td>
<td>2,193</td>
</tr>
<tr>
<td>Compensation expenses</td>
<td>(1,285)</td>
<td>—</td>
</tr>
<tr>
<td>Subsidy income for aircraft purchase</td>
<td>6,692</td>
<td>7,063</td>
</tr>
<tr>
<td>Settlement of facility restoration</td>
<td>—</td>
<td>2,201</td>
</tr>
<tr>
<td>Loss on reduction of aircraft</td>
<td>(6,959)</td>
<td>(6,972)</td>
</tr>
<tr>
<td>Impairment loss (Note 15)</td>
<td>(505)</td>
<td>(2,714)</td>
</tr>
<tr>
<td>Other</td>
<td>(1,853)</td>
<td>(2,366)</td>
</tr>
<tr>
<td><strong>Total non-operating income (expenses)</strong></td>
<td>(8,253)</td>
<td>(17,810)</td>
</tr>
<tr>
<td><strong>Profit before income taxes</strong></td>
<td>162,778</td>
<td>207,381</td>
</tr>
<tr>
<td>Income taxes—current (Note 12)</td>
<td>23,570</td>
<td>26,834</td>
</tr>
<tr>
<td>Income taxes—deferred (Note 12)</td>
<td>(31,657)</td>
<td>(436)</td>
</tr>
<tr>
<td><strong>Total income taxes</strong></td>
<td>(8,087)</td>
<td>26,398</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>170,865</td>
<td>180,983</td>
</tr>
<tr>
<td><strong>Profit attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of parent</td>
<td>164,174</td>
<td>174,468</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>6,690</td>
<td>6,514</td>
</tr>
<tr>
<td><strong>Other comprehensive income (Note 14)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>(971)</td>
<td>(9,461)</td>
</tr>
<tr>
<td>Deferred gains (losses) on hedges</td>
<td>23,923</td>
<td>(9,005)</td>
</tr>
<tr>
<td>Foreign currency translation adjustment (Note 2)</td>
<td>(257)</td>
<td>4,588</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans, net of tax</td>
<td>16,152</td>
<td>(55,877)</td>
</tr>
<tr>
<td>Share of other comprehensive income of entities accounted for using equity method</td>
<td>308</td>
<td>(453)</td>
</tr>
<tr>
<td><strong>Total other comprehensive income</strong></td>
<td>39,155</td>
<td>(70,209)</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>210,021</td>
<td>110,773</td>
</tr>
<tr>
<td><strong>Comprehensive income attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of parent</td>
<td>203,331</td>
<td>104,323</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>¥6,689</td>
<td>¥6,449</td>
</tr>
</tbody>
</table>

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

**Consolidated Statements of Changes in Net Assets**

<table>
<thead>
<tr>
<th>Japan Airlines Co., Ltd. and Consolidated Subsidiaries</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Statements of Changes in Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Millions of yen</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td><strong>Balance at April 1, 2015</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>¥181,352</td>
<td>¥183,042</td>
</tr>
<tr>
<td>Capital surplus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total shareholders equity</strong></td>
<td>¥181,352</td>
<td>¥183,042</td>
</tr>
<tr>
<td><strong>Changes of items during period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends of surplus (Note 12)</td>
<td>(37,700)</td>
<td>(37,700)</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>174,468</td>
<td>174,468</td>
</tr>
<tr>
<td>Net changes of items other than shareholders’ equity</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total changes of items during period</strong></td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance at March 31, 2016</strong></td>
<td>¥181,352</td>
<td>¥183,042</td>
</tr>
<tr>
<td><strong>Total shareholders equity</strong></td>
<td>¥181,352</td>
<td>¥183,042</td>
</tr>
<tr>
<td><strong>Net changes of items attributable to owners of parent</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total changes of items during period</strong></td>
<td>¥24,234</td>
<td>¥15,612</td>
</tr>
<tr>
<td><strong>Balance at April 1, 2015</strong></td>
<td>¥24,234</td>
<td>¥15,612</td>
</tr>
<tr>
<td><strong>Changes of items during period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends of surplus (Note 12)</td>
<td>(37,700)</td>
<td>(37,700)</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>174,468</td>
<td>174,468</td>
</tr>
<tr>
<td>Net changes of items other than shareholders’ equity</td>
<td>(9,566)</td>
<td>(9,165)</td>
</tr>
<tr>
<td><strong>Total changes of items during period</strong></td>
<td>(9,566)</td>
<td>(9,165)</td>
</tr>
<tr>
<td><strong>Balance at March 31, 2016</strong></td>
<td>¥427</td>
<td>¥427</td>
</tr>
<tr>
<td><strong>Total shareholders equity</strong></td>
<td>¥427</td>
<td>¥427</td>
</tr>
</tbody>
</table>

**The JAL Group’s Growth Story Management Strategies**

**Performance and Strategies by Business**

**A Business Base that Supports Value Creation**

**Financial / Data Section**

**Consolidated Financial Statements**

**JAL REPORT 2017**
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 date 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 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, 2017 and 2016 amounted to ¥3,995,080 million ($3,521,525 thousand) and ¥3,964,355 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

e. Software (excluding leased assets)
Computer software intended for internal use is amortized by the straight-line method based on its estimated useful life which is principally 5 years.

f. Leased Assets
Depreciation of leased assets is computed as follows:

Leased assets arising from finance lease transactions that transfer the ownership of leased assets to the lessee are depreciated by the same method applied to assets arising from purchase transactions.

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

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

h. Accounting Method for Retirement Benefits
In calculating the retirement benefit obligation, the method of attributing expected benefits to the accounting period is principally based on the benefit formula.

Actuarial gain and loss are amortized by the straight-line method over a period ranging from 5 to 17 years, which is less than the average remaining years of service of the active participants in the plans. Amortization is computed from the fiscal year subsequent to the year in which the difference was recorded.

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

i. Reserve for Loss on Antitrust Litigation
Estimated future loss is accrued in order to provide for penalties and compensation potentially arising from price cartels.

j. Foreign Currency Translation
Revenues and expenses in foreign currencies are translated at the rates prevailing at the time of the transaction. Except as noted in k. Derivatives and Hedge Accounting, foreign currency receivables and payables are translated into yen at the applicable year-end foreign exchange rates and any gain or loss on translation is included in current earnings.

Differences arising from the translation of assets, liabilities, revenues, and expenses of foreign consolidated subsidiaries and entities accounted for using the equity method into yen at the applicable exchange rates at the year-end are presented as foreign currency translation adjustments and non-controlling interests in a component of net assets.

k. Derivatives and Hedge Accounting
Derivatives positions are stated at fair value.

Gains or losses on derivatives designated as hedging instruments are deferred until the gains or losses on the underlying hedged items are recognized with any unrealized gains or losses reported as a separate component of net assets, net of taxes. Foreign currency receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met.

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

m. 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 and their respective tax basis, 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.

The Company and certain domestic consolidated subsidiaries file tax returns under the Japanese consolidated corporate tax system.

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

3. CHANGES IN ACCOUNTING POLICY/CHANGES IN PRESENTATION
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
CONSOLIDATED FINANCIAL STATEMENTS

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, 2017 and 2016 amounted to ¥35,244 million ($31,14,145 thousand) and ¥39,431 million, respectively. Bonds of affiliates which were included in “Investment securities” in the consolidated balance sheets on March 31, 2017 and 2016 amounted to ¥3,298 million ($26,869 thousand) and ¥3,293 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 plans for air transportation, utilizing loans from financial institutions, issuance of bonds, finance lease transactions, and derivatives. Funds from short-term loans payable are utilized for ordinary operations. Funds from long-term loans payable and finance 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 are 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 credit risks are extremely low, as it enters into derivative transactions.

The company utilizes derivatives in order to hedge the risk of fluctuations in commodity prices of fuel and stabilize such fuel costs.

There are internal policies for derivative transactions which set forth authorization levels and upper limits on transaction volumes and the JAL Group enters into derivative transactions in accordance with such policies. Moreover, monthly meetings are held with the attendance of board members responsible for derivatives to determine methods and ratios for minimizing risks as well as to report and confirm results of derivative transactions.

The fair value of financial instruments is based on the quoted market price, when it is available. When there is no market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

The book value of financial instruments in the consolidated balance sheets, their fair value and the differences as of March 31, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>As of March 31,</th>
<th>Millions of yen</th>
<th>Fair value</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Cash and deposits</td>
<td>¥392,075</td>
<td>¥392,075</td>
<td>¥ —</td>
</tr>
<tr>
<td>(2) Notes and operating accounts receivable</td>
<td>142,745</td>
<td>142,745</td>
<td>¥ —</td>
</tr>
<tr>
<td>(3) Securities and investment securities (i) Investment securities of non-consolidated subsidiaries and affiliates</td>
<td>15,735</td>
<td>17,009</td>
<td>1,274</td>
</tr>
<tr>
<td>(ii) Other investment securities</td>
<td>46,723</td>
<td>46,723</td>
<td>¥ —</td>
</tr>
<tr>
<td>Total</td>
<td>579,280</td>
<td>598,554</td>
<td>1,274</td>
</tr>
</tbody>
</table>

8. SECURITIES AND INVESTMENT SECURITIES

Securities and investment securities are composed mainly of notes and bonds of major customers with financial difficulties. Securities and investment securities are the result of a company’s excellent credit profile. 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.

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.

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.
CLNCONSOLIDATED FINANCIAL STATEMENTS

(i) Methods of calculating the fair value of financial instruments, including securities and derivatives transactions

Assets
(1) Cash and deposits and (2) Notes and operating accounts receivable
The fair value equates to the book value due to the short-term nature of these instruments.

(3) Securities and investment instruments
The fair value of securities is determined mainly based on the market price. These investment securities are described further in "Note 8. INVESTMENT SECURITIES."

Liabilities
(1) Operating accounts payable and (2) Short-term loans payable
The fair value equates to the book value due to the short-term nature of these instruments.

(3) Bonds payable
The fair value of bonds payable is determined based on the market price.

(4) Long-term loans payable, (5) Lease obligations, and (6) Long-term accounts payable—installment purchase
The fair value of long-term loans payable, lease obligations, and long-term accounts payable—installment purchase with fixed interest rates is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Derivatives
Derivatives are described further in "Note 9. DERIVATIVES AND HEDGING ACTIVITIES."

(ii) Financial instruments for which the fair value is extremely difficult to measure

(iii) Redemption schedule for monetary claims and securities with maturity date subsequent to the consolidated balance sheet date

<table>
<thead>
<tr>
<th>As of March 31, 2017</th>
<th>Millions of yen</th>
<th>Within one year</th>
<th>Less than five years, but more than one year</th>
<th>More than five years, but less than ten years</th>
<th>More than ten years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits</td>
<td>¥392,075</td>
<td>¥33,046</td>
<td>¥—</td>
<td>¥—</td>
<td>¥—</td>
</tr>
<tr>
<td>Notes and operating accounts receivable</td>
<td>142,745</td>
<td>¥33,046</td>
<td>¥—</td>
<td>¥—</td>
<td>¥—</td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>12,000</td>
<td>¥33,046</td>
<td>¥—</td>
<td>¥—</td>
<td>¥—</td>
</tr>
<tr>
<td>Held-to-maturity securities</td>
<td>¥—</td>
<td>¥—</td>
<td>¥—</td>
<td>¥—</td>
<td>¥—</td>
</tr>
</tbody>
</table>

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, 2017 and 2016. Securities classified as other securities are included in "investment securities" in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities on March 31, 2017 and 2016 were summarized as follows:

<table>
<thead>
<tr>
<th>As of March 31, 2017</th>
<th>Millions of yen</th>
<th>Acquisitions cost</th>
<th>Carrying value</th>
<th>Unrealized gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gain:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>¥15,410</td>
<td>¥34,229</td>
<td>¥18,819</td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥15,410</td>
<td>¥34,229</td>
<td>¥18,819</td>
<td></td>
</tr>
<tr>
<td>Unrealized loss:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>499</td>
<td>493</td>
<td>(6)</td>
<td></td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>12,499</td>
<td>12,493</td>
<td>(6)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥27,910</td>
<td>¥46,723</td>
<td>¥18,813</td>
<td></td>
</tr>
</tbody>
</table>

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 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, 2017 and 2016, which met the criteria required for the application of hedge accounting, are summarized as follows:

<table>
<thead>
<tr>
<th>As of March 31, 2017</th>
<th>Millions of yen</th>
<th>Acquisitions cost</th>
<th>Carrying value</th>
<th>Unrealized gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gain:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>¥137,356</td>
<td>¥305,098</td>
<td>¥167,742</td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥137,356</td>
<td>¥305,098</td>
<td>¥167,742</td>
<td></td>
</tr>
<tr>
<td>Unrealized loss:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>4,447</td>
<td>4,394</td>
<td>(53)</td>
<td></td>
</tr>
<tr>
<td>Negotiable certificates of deposit</td>
<td>106,961</td>
<td>106,961</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥248,774</td>
<td>¥416,463</td>
<td>¥167,688</td>
<td></td>
</tr>
</tbody>
</table>
CONSORTIUM FINANCIAL STATEMENTS

As of March 31, 2017

<table>
<thead>
<tr>
<th>Type of derivative</th>
<th>Major hedged items</th>
<th>Contract amount</th>
<th>Fair value</th>
<th>Total</th>
<th>Contract amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward foreign currency exchange contracts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy:</td>
<td>USD</td>
<td>Operating accounts payable</td>
<td>¥36,805</td>
<td>¥4,548</td>
<td>¥1,197</td>
<td>$328,059</td>
</tr>
<tr>
<td>EUR</td>
<td>Operating accounts payable</td>
<td>2,020</td>
<td>—</td>
<td>44</td>
<td>18,005</td>
<td>—</td>
</tr>
<tr>
<td>Others</td>
<td>Operating accounts payable</td>
<td>1,330</td>
<td>—</td>
<td>84</td>
<td>11,884</td>
<td>—</td>
</tr>
<tr>
<td>Currencies options:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy:</td>
<td>Call option</td>
<td>Operating accounts payable</td>
<td>67,232</td>
<td>17,318</td>
<td>1,918</td>
<td>599,269</td>
</tr>
<tr>
<td>EUR</td>
<td>Operating accounts payable</td>
<td>60,885</td>
<td>15,129</td>
<td>(1,268)</td>
<td>542,695</td>
<td>134,851</td>
</tr>
<tr>
<td>Commodity swap:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Received variable/pay fixed</td>
<td>Aircraft fuel</td>
<td>68,359</td>
<td>18,550</td>
<td>(2,565)</td>
<td>605,314</td>
<td>165,344</td>
</tr>
<tr>
<td>Method of hedge accounting: Special treatment (Note 2. k)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy:</td>
<td>USD</td>
<td>Operating accounts payable</td>
<td>593</td>
<td>—</td>
<td>40</td>
<td>5,285</td>
</tr>
<tr>
<td>EUR</td>
<td>Operating accounts payable</td>
<td>305</td>
<td>—</td>
<td>(7)</td>
<td>2,718</td>
<td>—</td>
</tr>
<tr>
<td>Others</td>
<td>Operating accounts payable</td>
<td>80</td>
<td>—</td>
<td>4</td>
<td>718</td>
<td>—</td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></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.

As of March 31, 2016

<table>
<thead>
<tr>
<th>Type of derivative</th>
<th>Major hedged items</th>
<th>Contract amount</th>
<th>Fair value</th>
<th>Total</th>
<th>Contract amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward foreign currency exchange contracts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy:</td>
<td>USD</td>
<td>Operating accounts payable</td>
<td>¥53,335</td>
<td>¥1,801</td>
<td>¥3,146</td>
<td>$10,851</td>
</tr>
<tr>
<td>EUR</td>
<td>Operating accounts payable</td>
<td>3,176</td>
<td>—</td>
<td>(149)</td>
<td>4,670</td>
<td>—</td>
</tr>
<tr>
<td>Others</td>
<td>Operating accounts payable</td>
<td>1,182</td>
<td>—</td>
<td>(62)</td>
<td>1,400</td>
<td>—</td>
</tr>
<tr>
<td>Currencies options:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy:</td>
<td>Call option</td>
<td>Operating accounts payable</td>
<td>85,238</td>
<td>23,650</td>
<td>1,890</td>
<td>121,603</td>
</tr>
<tr>
<td>EUR</td>
<td>Operating accounts payable</td>
<td>78,875</td>
<td>21,322</td>
<td>(3,089)</td>
<td>105,323</td>
<td>24,335</td>
</tr>
<tr>
<td>Commodity swap:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Received variable/pay fixed</td>
<td>Aircraft fuel</td>
<td>77,531</td>
<td>21,620</td>
<td>(25,013)</td>
<td>125,724</td>
<td>26,542</td>
</tr>
<tr>
<td>Method of hedge accounting: Special treatment (Note 2. k)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy:</td>
<td>USD</td>
<td>Operating accounts payable</td>
<td>1,166</td>
<td>—</td>
<td>(75)</td>
<td>18,931</td>
</tr>
<tr>
<td>EUR</td>
<td>Operating accounts payable</td>
<td>217</td>
<td>—</td>
<td>(11)</td>
<td>11,888</td>
<td>—</td>
</tr>
<tr>
<td>Others</td>
<td>Operating accounts payable</td>
<td>137</td>
<td>—</td>
<td>(13)</td>
<td>105,963</td>
<td>—</td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></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.

10. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

The weighted-average interest rate for short-term loans payable outstanding on March 31, 2017 was 1.0%. Long-term debt on March 31, 2017 and 2016 consisted of the following:

As of March 31:

<table>
<thead>
<tr>
<th>Type of loan</th>
<th>Contract amount (yen)</th>
<th>Fair value (yen)</th>
<th>Total (yen)</th>
<th>Weighted average interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term loans:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term loans payable</td>
<td>¥13,037</td>
<td>¥10,851</td>
<td>¥21,758</td>
<td>0.8%</td>
</tr>
<tr>
<td>Long-term loans payable (excluding current portion) due 2018 to 2030</td>
<td>65,802</td>
<td>51,331</td>
<td>117,083</td>
<td>0.5%</td>
</tr>
<tr>
<td>Lease obligations:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of lease obligations</td>
<td>5,712</td>
<td>13,254</td>
<td>18,966</td>
<td>0.8%</td>
</tr>
<tr>
<td>Lease obligations (excluding current portion) due 2018 to 2026</td>
<td>5,300</td>
<td>10,733</td>
<td>16,033</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Long-term accounts payable—installment purchase:

<table>
<thead>
<tr>
<th></th>
<th>Contract amount (yen)</th>
<th>Fair value (yen)</th>
<th>Total (yen)</th>
<th>Weighted average interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current portion of long-term accounts payable—installment purchase</td>
<td>181</td>
<td>178</td>
<td>359</td>
<td>2.0%</td>
</tr>
<tr>
<td>Long-term accounts payable—installment purchase (excluding current portion) due 2021</td>
<td>666</td>
<td>847</td>
<td>1513</td>
<td>2.0%</td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The aggregate annual maturities of long-term debt within 5 years subsequent to March 31, 2017 are summarized as follows:

<table>
<thead>
<tr>
<th>Year ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>¥18,931</td>
<td>$168,740</td>
</tr>
<tr>
<td>2019</td>
<td>11,888</td>
<td>105,963</td>
</tr>
<tr>
<td>2020</td>
<td>10,874</td>
<td>96,924</td>
</tr>
<tr>
<td>2021</td>
<td>8,870</td>
<td>79,062</td>
</tr>
<tr>
<td>2022</td>
<td>17,835</td>
<td>158,971</td>
</tr>
<tr>
<td>2023 and thereafter</td>
<td>42,298</td>
<td>377,021</td>
</tr>
</tbody>
</table>

The JAL Group’s Growth Story

Designed to Create Value

Performance and Strategies

A Business Base that Supports Value Creation

Financial / Data Section

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

The Company and certain significant domestic consolidated 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, 2017, the Company and 39 consolidated subsidiaries had adopted a lump-sum severance indemnity plan. Additionally, there were 3 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 consolidated subsidiaries, introduced a cash-balance plan option.

Some of the consolidated subsidiaries adopt the simplified method for the calculation of retirement benefit obligations.
For the years ended March 31, 2017 and 2016

a. Defined benefit plans

(1) Balances of retirement benefit obligations, excluding plans adopting the simplified method

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>¥240,874</td>
<td>(244,803)</td>
</tr>
<tr>
<td>Service cost</td>
<td>12,726</td>
<td>11,951</td>
</tr>
<tr>
<td>Interest cost</td>
<td>5,497</td>
<td>3,200</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>12,840</td>
<td>58,524</td>
</tr>
<tr>
<td>Benefit paid</td>
<td>(26,125)</td>
<td>(23,858)</td>
</tr>
<tr>
<td>Actuarial loss due to the change from simplified method</td>
<td>1,512</td>
<td>(40)</td>
</tr>
<tr>
<td>Total</td>
<td>¥143,957</td>
<td>¥473,346</td>
</tr>
<tr>
<td>Benefit paid</td>
<td>(26,125)</td>
<td>(23,858)</td>
</tr>
<tr>
<td>Total</td>
<td>¥117,832</td>
<td>¥449,488</td>
</tr>
</tbody>
</table>

b. Defined contribution plans

The Company and its consolidated subsidiaries contributed a total of ¥1,581 million ($14,092 thousand) and ¥1,564 million for the fiscal years ended March 31, 2017 and 2016, respectively.

12. INCOME TAX

The significant components of deferred tax assets and liabilities and the related valuation allowances on March 31, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net defined benefit liability</td>
<td>¥69,467</td>
<td>71,370</td>
</tr>
<tr>
<td>Operating accounts payable</td>
<td>10,535</td>
<td>10,442</td>
</tr>
<tr>
<td>Non-recurring depreciation</td>
<td>3,918</td>
<td>3,148</td>
</tr>
<tr>
<td>Deferred liability on flight equipment</td>
<td>2,080</td>
<td>3,547</td>
</tr>
<tr>
<td>Deferred losses on hedges</td>
<td>1,919</td>
<td>10,170</td>
</tr>
<tr>
<td>Reserve for loss on asbestos litigation</td>
<td>1,788</td>
<td>1,885</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>1,343</td>
<td>4,323</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>1,133</td>
<td>1,186</td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>176,161</td>
<td>197,977</td>
</tr>
<tr>
<td>Total</td>
<td>277,134</td>
<td>2,470,220</td>
</tr>
</tbody>
</table>

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(7) Remeasurements of defined benefit plans in accumulated other comprehensive income

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Past service costs</td>
<td>(170)</td>
<td>(199)</td>
</tr>
<tr>
<td>Actual gains</td>
<td>3,200</td>
<td>653</td>
</tr>
<tr>
<td>Total</td>
<td>(1,927)</td>
<td>(1,240)</td>
</tr>
</tbody>
</table>

(4) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Funded retirement benefit obligations</td>
<td>¥389,708</td>
<td>¥390,109</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(245,737)</td>
<td>(244,803)</td>
</tr>
<tr>
<td>Benefit paid</td>
<td>(13,244)</td>
<td>(13,244)</td>
</tr>
<tr>
<td>Total</td>
<td>¥133,161</td>
<td>¥135,212</td>
</tr>
</tbody>
</table>

(5) Retirement benefit costs

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Actuarial gain</td>
<td>3,669</td>
<td>12,726</td>
</tr>
<tr>
<td>Net defined benefit liability (asset)</td>
<td>¥237,240</td>
<td>¥235,220</td>
</tr>
<tr>
<td>Total</td>
<td>¥237,240</td>
<td>¥235,220</td>
</tr>
</tbody>
</table>

(6) Remeasurements of defined benefit plans in other comprehensive income

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Actuarial gains</td>
<td>65,300</td>
<td>17,104</td>
</tr>
<tr>
<td>Total</td>
<td>¥82,400</td>
<td>187,241</td>
</tr>
</tbody>
</table>

CONSOLIDATED FINANCIAL STATEMENTS

The JAL Group’s Growth Story
Management Strategies Designed to Create Value
Performance and Strategies by Business
A Business Base that Supports Value Creation

Financial / Data Section

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The JAL Group’s Growth Story

Performance and Strategies

A Business Base that Supports Value Creation

Financial / Data Section
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, 2017 were as follows:

<table>
<thead>
<tr>
<th>Year ended March 31, 2017</th>
<th>On April 1, 2016</th>
<th>Increase</th>
<th>Decrease</th>
<th>On March 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares of stock authorized:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>700,000</td>
<td></td>
<td></td>
<td>700,000</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>50,000</td>
<td></td>
<td></td>
<td>50,000</td>
</tr>
<tr>
<td>Total</td>
<td>750,000</td>
<td></td>
<td></td>
<td>750,000</td>
</tr>
<tr>
<td>Number of shares of stock in issue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>362,704</td>
<td></td>
<td></td>
<td>353,715</td>
</tr>
<tr>
<td>Total</td>
<td>362,704</td>
<td></td>
<td></td>
<td>353,715</td>
</tr>
<tr>
<td>Number of shares of common stock in treasury:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>203</td>
<td>8,988</td>
<td>8,991</td>
<td>199</td>
</tr>
<tr>
<td>Total</td>
<td>203</td>
<td>8,988</td>
<td>8,991</td>
<td>199</td>
</tr>
</tbody>
</table>

The decrease in common stock of 8,988 thousand shares is due to the retirement of treasury shares. The increase in common stock in treasury of 8,988 thousand shares is due to the purchase.

13. NET ASSETS

The Companies 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 a 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 as additional paid-in capital, which is included in capital surplus. The maximum amount that a company can distribute as dividends is calculated based on its unconsolidated financial statements in accordance with the Act.

At the annual shareholders' meeting held on June 22, 2017, the shareholders approved dividends of surplus amounting to ¥33,236 million ($296,247 thousand). Such appropriations have not been accrued in the Consolidated Financial Statement as of March 31, 2017.
18. 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, 2017 and 2016 since the Company had no equity instruments issued that had a dilutive effect on earnings per share.

The following table sets forth the computation of basic earnings per share of common stock for the years ended March 31, 2017 and 2016:

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share of common stock:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>¥456.56</td>
<td>¥463.29</td>
<td>¥463.29</td>
</tr>
</tbody>
</table>

The following table sets forth the computation of basic earnings per share of common stock for the years ended March 31, 2017 and 2016:

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share of common stock:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>¥456.56</td>
<td>¥463.29</td>
<td>¥463.29</td>
</tr>
</tbody>
</table>

19. ASSET RETIREMENT OBLIGATIONS

a. Asset retirement obligations recognized in the consolidated balance sheets on March 31, 2017 and 2016

The Company and its consolidated subsidiaries, in connection with some buildings and land, have entered into real estate lease contracts with terms ranging from 1 to 46 years for the years ended March 31, 2017 and 2016. Asset retirement obligations have been recognized in light of the obligation of the Company and its consolidated subsidiaries to the owners of the buildings and land to remove the facilities from leased real estate at the end of those contracts. The liabilities on March 31, 2017 and 2016 have been calculated with expected useful lives ranging from 1 to 46 years and discount rates ranging from 0.1% to 2.5%.

The following table summarizes the changes in the aggregate carrying amount of asset retirement obligations for the years ended March 31, 2017 and 2016:

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of period</td>
<td>¥3,957</td>
<td>¥3,419</td>
<td>$35,270</td>
</tr>
<tr>
<td>Increase due to purchases of tangible fixed assets</td>
<td>10</td>
<td>484</td>
<td>89</td>
</tr>
<tr>
<td>Accrual due to the passage of time</td>
<td>55</td>
<td>54</td>
<td>490</td>
</tr>
<tr>
<td>Decrease due to settlement (235)</td>
<td>(0)</td>
<td>(2,094)</td>
<td></td>
</tr>
<tr>
<td>Balance at end of period</td>
<td>¥3,788</td>
<td>¥3,957</td>
<td>$33,764</td>
</tr>
</tbody>
</table>

b. Asset retirement obligations not recognized in the consolidated balance sheets as of March 31, 2017 and 2016

The Company and its consolidated subsidiaries have rented lots and buildings from domestic service airports based on permission 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 an important 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 concerned have not been calculated.

17. CONTINGENT LIABILITIES

On March 31, 2017 and 2016, contingent liabilities for guarantees for bank loans of employees amounted to ¥150 million ($1,337 thousand) and ¥186 million, respectively. On March 31, 2017, contingent liabilities for guarantees, for lease obligations of Jetstar Japan Co., Ltd. amounted to ¥4,400 million ($39,219 thousand).

The Company guarantees for damage resulting from a breach of the obligation, assertion or guarantee on the contract regarding stock transfer reservation concluded between Fukuoka Airport Holdings Co., Ltd. (transferor) in which the Company holds an investment and the Ministry of Land, Infrastructure, Transport and Tourism Civil Aviation Bureau (transferee), capped at ¥7,867 million ($70,122 thousand) on March 31, 2017.

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

No impairment loss has been recognized on leased property under finance leases accounted as operating leases for the years ended March 31, 2017 and 2016.

Future rental expenses under noncancelable operating leases outstanding on March 31, 2017 and 2016 were as follows:

19. ASSET RETIREMENT OBLIGATIONS

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 Note 2. Inter-group sales are recorded under the same conditions used in transactions with third parties.

20. SEGMENT INFORMATION
### CONSOLIDATED FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Year ended March 31, 2017</th>
<th>Air transportation</th>
<th>Other</th>
<th>Total</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External</td>
<td>¥1,044,915</td>
<td>¥244,051</td>
<td>¥1,288,967</td>
<td>¥</td>
<td>¥1,288,967</td>
</tr>
<tr>
<td>Intersegment</td>
<td>114,476</td>
<td>29,440</td>
<td>143,917</td>
<td>(143,917)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,159,392</td>
<td>273,491</td>
<td>1,432,884</td>
<td>(143,917)</td>
<td>1,288,967</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>153,191</td>
<td>17,400</td>
<td>170,591</td>
<td>(259)</td>
<td>170,332</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td>1,673,011</td>
<td>167,188</td>
<td>1,840,199</td>
<td>(111,422)</td>
<td>1,728,777</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>93,397</td>
<td>2,386</td>
<td>95,784</td>
<td>(7)</td>
<td>95,777</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>505</td>
<td>—</td>
<td>505</td>
<td>—</td>
<td>505</td>
</tr>
<tr>
<td>Investments in entities accounted for using equity method</td>
<td>7,820</td>
<td>20,510</td>
<td>28,331</td>
<td>—</td>
<td>28,331</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>¥231,562</td>
<td>¥1,633</td>
<td>¥233,196</td>
<td>—</td>
<td>¥233,196</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended March 31, 2017</th>
<th>Air transportation</th>
<th>Other</th>
<th>Total</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External</td>
<td>$9,313,798</td>
<td>$2,175,336</td>
<td>$11,489,143</td>
<td>$</td>
<td>$11,489,143</td>
</tr>
<tr>
<td>Intersegment</td>
<td>1,020,376</td>
<td>262,411</td>
<td>1,282,797</td>
<td>(1,282,797)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,334,183</td>
<td>2,437,748</td>
<td>12,771,940</td>
<td>(1,282,797)</td>
<td>11,489,143</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>1,365,460</td>
<td>155,094</td>
<td>1,520,554</td>
<td>(2,308)</td>
<td>1,518,245</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td>14,912,300</td>
<td>1,490,221</td>
<td>16,402,522</td>
<td>(993,154)</td>
<td>15,409,368</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>832,489</td>
<td>21,267</td>
<td>853,765</td>
<td>(62)</td>
<td>853,703</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>4,501</td>
<td>—</td>
<td>4,501</td>
<td>—</td>
<td>4,501</td>
</tr>
<tr>
<td>Investments in entities accounted for using equity method</td>
<td>69,703</td>
<td>182,814</td>
<td>252,526</td>
<td>—</td>
<td>252,526</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>$2,064,016</td>
<td>$14,555</td>
<td>$2,078,580</td>
<td>$</td>
<td>$2,078,580</td>
</tr>
</tbody>
</table>

<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><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External</td>
<td>¥1,090,787</td>
<td>¥245,874</td>
<td>¥1,336,661</td>
<td>¥</td>
<td>¥1,336,661</td>
</tr>
<tr>
<td>Intersegment</td>
<td>114,415</td>
<td>28,734</td>
<td>143,149</td>
<td>(143,149)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,205,202</td>
<td>274,609</td>
<td>1,479,811</td>
<td>(143,149)</td>
<td>1,336,661</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>190,811</td>
<td>18,777</td>
<td>209,588</td>
<td>(84)</td>
<td>209,504</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td>1,517,655</td>
<td>167,193</td>
<td>1,684,848</td>
<td>(105,929)</td>
<td>1,779,779</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>86,416</td>
<td>2,112</td>
<td>88,528</td>
<td>(62)</td>
<td>88,466</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>4,501</td>
<td>—</td>
<td>4,501</td>
<td>—</td>
<td>4,501</td>
</tr>
<tr>
<td>Investments in entities accounted for using equity method</td>
<td>69,703</td>
<td>182,814</td>
<td>252,526</td>
<td>—</td>
<td>252,526</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>¥208,925</td>
<td>¥3,510</td>
<td>¥212,435</td>
<td>—</td>
<td>¥212,435</td>
</tr>
</tbody>
</table>

### 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, 2017 and 2016, export sales of domestic consolidated subsidiaries, and sales of consolidated subsidiaries outside Japan, for the years ended March 31, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>Asia and Oceania</td>
<td>¥214,298</td>
<td>$1,910,134</td>
</tr>
<tr>
<td>North America</td>
<td>¥186,398</td>
<td>$1,661,449</td>
</tr>
<tr>
<td>Europe</td>
<td>¥72,586</td>
<td>$646,991</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥473,283</td>
<td>$4,218,584</td>
</tr>
</tbody>
</table>

### Information about amortization and unamortized balances of goodwill by segment for the years ended March 31, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>Year ended March 31, 2017</th>
<th>Air transportation</th>
<th>Other</th>
<th>Total</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amortization during the year</strong></td>
<td>¥—</td>
<td>¥455</td>
<td>¥455</td>
<td>¥—</td>
<td>¥455</td>
</tr>
<tr>
<td><strong>Unamortized balance</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

<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><strong>Amortization during the year</strong></td>
<td>¥—</td>
<td>¥849</td>
<td>¥849</td>
<td>¥—</td>
<td>¥849</td>
</tr>
<tr>
<td><strong>Unamortized balance</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

### 21. RELATED PARTY INFORMATION

There are no material transactions that need to be presented for the years ended March 31, 2017 and 2016.
### CONSOLIDATED SUBSIDIARIES (As of March 31, 2017)

<table>
<thead>
<tr>
<th>Corporate Name</th>
<th>Paid-in Capital (Millions of yen)</th>
<th>Ratio of Voting Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct (%)</td>
<td>Indirect (%)</td>
</tr>
<tr>
<td><strong>Air Transport Business Segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Air Transport Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan Transocean Air Co., Ltd.</td>
<td>4,537</td>
<td>72.8</td>
</tr>
<tr>
<td>Japan Air Commuter Co., Ltd.</td>
<td>300</td>
<td>60.0</td>
</tr>
<tr>
<td>J-AIR Co., Ltd.</td>
<td>200</td>
<td>100.0</td>
</tr>
<tr>
<td>Hikoair Air System Co., Ltd.</td>
<td>490</td>
<td>57.3</td>
</tr>
<tr>
<td>Ryukyu Air Commuter Co., Ltd.</td>
<td>386</td>
<td>74.5</td>
</tr>
<tr>
<td><strong>Airport Passenger Handling</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL Sky Co., Ltd.</td>
<td>100</td>
<td>100.0</td>
</tr>
<tr>
<td>Okinawa Airport Service Co., Ltd.</td>
<td>33</td>
<td>66.7</td>
</tr>
<tr>
<td>JAL Sky Osaka Co., Ltd.</td>
<td>30</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Sky Kyushu Co., Ltd.</td>
<td>30</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Sky Nanzen Co., Ltd.</td>
<td>10</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Sky Incorporation Co.</td>
<td>10</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Ground Handling</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL Group Service Co., Ltd.</td>
<td>100</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Group Service Osaka Co., Ltd.</td>
<td>10</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Group Service Kyushu Co., Ltd.</td>
<td>10</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Group Service Sapporo Co., Ltd.</td>
<td>10</td>
<td>97.7</td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL Engineering Co., Ltd.</td>
<td>80</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Maintenance Service Co., Ltd.</td>
<td>10</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Cargo</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL Cargo Air Cargo System Co., Ltd.</td>
<td>100</td>
<td>69.2</td>
</tr>
<tr>
<td>JAL Cargo Service Co., Ltd.</td>
<td>50</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Cargo Handling Co., Ltd.</td>
<td>50</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Cargo Service Kyoto Co., Ltd.</td>
<td>20</td>
<td>65.0</td>
</tr>
<tr>
<td><strong>Passenger Sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL Naha Co., Ltd.</td>
<td>50</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Mileage Bank Co., Ltd.</td>
<td>40</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Passenger Services America Incorporation Co.</td>
<td>USD 1,800</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Airport-Related Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL Royal Catering Co., Ltd.</td>
<td>2,700</td>
<td>51.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate Name</th>
<th>Paid-in Capital (Millions of yen)</th>
<th>Ratio of Voting Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct (%)</td>
<td>Indirect (%)</td>
</tr>
<tr>
<td><strong>Other Segments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL Arisetic Co., Ltd.</td>
<td>315</td>
<td>66.6</td>
</tr>
<tr>
<td><strong>Cargo</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JUPITER GLOBAL, LTD.</td>
<td>USD 1,000</td>
<td>46.4</td>
</tr>
<tr>
<td><strong>Passenger Sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JALPAK Co., Ltd.</td>
<td>80</td>
<td>90.4</td>
</tr>
<tr>
<td><strong>Airport-Related Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Okinawa Fueling Facilities Co., Ltd.</td>
<td>100</td>
<td>40.0</td>
</tr>
<tr>
<td>JAL ABC, Inc.</td>
<td>100</td>
<td>51.0</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL Information Technology Co., Ltd.</td>
<td>702</td>
<td>100.0</td>
</tr>
<tr>
<td>AXESS International Network, Inc.</td>
<td>700</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Card, Inc.</td>
<td>360</td>
<td>50.0</td>
</tr>
<tr>
<td>JAL Facilities Co., Ltd.</td>
<td>180</td>
<td>85.0</td>
</tr>
<tr>
<td>JAL Brand Communications Co., Ltd.</td>
<td>100</td>
<td>100.0</td>
</tr>
<tr>
<td>JTA Information &amp; Communication Co., Ltd.</td>
<td>30</td>
<td>100.0</td>
</tr>
<tr>
<td>JTA Information (Europe) B.V.</td>
<td>180</td>
<td>100.0</td>
</tr>
<tr>
<td>Euro-Chiror Tours U.K. Ltd.</td>
<td>180</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Information Asia Pte. Ltd.</td>
<td>USD 1,000</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Satellite Travel Co., Ltd.</td>
<td>750</td>
<td>100.0</td>
</tr>
<tr>
<td>PT. Suzuki Travel Jawa Plus*</td>
<td>IDR 500,000</td>
<td>49.0</td>
</tr>
<tr>
<td><strong>Airport-Related Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Okinawa Fueling Facilities Co., Ltd.</td>
<td>100</td>
<td>40.0</td>
</tr>
<tr>
<td>JAL, Inc.</td>
<td>100</td>
<td>51.0</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAL Information Technology Co., Ltd.</td>
<td>702</td>
<td>100.0</td>
</tr>
<tr>
<td>AXESS International Network, Inc.</td>
<td>700</td>
<td>100.0</td>
</tr>
<tr>
<td>JAL Card, Inc.</td>
<td>360</td>
<td>50.0</td>
</tr>
<tr>
<td>JAL Facilities Co., Ltd.</td>
<td>180</td>
<td>85.0</td>
</tr>
<tr>
<td>JAL Brand Communications Co., Ltd.</td>
<td>100</td>
<td>100.0</td>
</tr>
<tr>
<td>JTA Information &amp; Communication Co., Ltd.</td>
<td>30</td>
<td>100.0</td>
</tr>
<tr>
<td>JTA Information (Europe) B.V.</td>
<td>180</td>
<td>100.0</td>
</tr>
<tr>
<td>Euro-Chiror Tours U.K. Ltd.</td>
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<td>JAL Information Asia Pte. Ltd.</td>
<td>USD 1,000</td>
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<tr>
<td>JAL Satellite Travel Co., Ltd.</td>
<td>750</td>
<td>100.0</td>
</tr>
<tr>
<td>PT. Suzuki Travel Jawa Plus*</td>
<td>IDR 500,000</td>
<td>49.0</td>
</tr>
</tbody>
</table>

*1 Operating revenue (excluding operating revenue between consolidated subsidiaries) of JALPAK Co., Ltd accounts for over 10% of consolidated operating revenue.
*2 Although JAL’s ownership is 50% or less, the company is considered a subsidiary because JAL has substantial control.
*3 Effective June 2, 2017, Okinawa Fueling Facilities Co., Ltd became an equity-method affiliate due to a decline in the Company’s equity stake following the sale of shares.
### Environmental Data (t)

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 (E)</td>
<td>820</td>
<td>840</td>
<td>854</td>
</tr>
<tr>
<td>CO2 (E)</td>
<td>8.07</td>
<td>7.86</td>
<td>7.60</td>
</tr>
<tr>
<td>CO2 (E)</td>
<td>89.6</td>
<td>88.6</td>
<td>85.1</td>
</tr>
<tr>
<td>CO2 (E)</td>
<td>6.26</td>
<td>6.12</td>
<td>5.78</td>
</tr>
<tr>
<td>CO2 (E)</td>
<td>4.39</td>
<td>4.38</td>
<td>4.43</td>
</tr>
<tr>
<td>CO2 (E)</td>
<td>0.72</td>
<td>0.72</td>
<td>0.72</td>
</tr>
<tr>
<td>Electricity Use</td>
<td>129</td>
<td>125</td>
<td>120</td>
</tr>
<tr>
<td>Electricity Use</td>
<td>49,633</td>
<td>48,494</td>
<td>46,770</td>
</tr>
<tr>
<td>Water Use</td>
<td>3,720</td>
<td>3,415</td>
<td>3,475</td>
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<tr>
<td>Industrial Waste</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
</tr>
</tbody>
</table>

*1) Airports, Offices, Maintenance Centers (Japan)

### Social Data (t)

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources</td>
<td>31,472</td>
<td>31,534</td>
<td>31,986</td>
</tr>
<tr>
<td>Ground Staff</td>
<td>23,084</td>
<td>23,093</td>
<td>23,367</td>
</tr>
<tr>
<td>Flight Crew</td>
<td>2,405</td>
<td>2,446</td>
<td>2,519</td>
</tr>
<tr>
<td>Cabin Attendants</td>
<td>5,983</td>
<td>5,995</td>
<td>6,100</td>
</tr>
<tr>
<td>Average age</td>
<td>37.4</td>
<td>38.3</td>
<td>37.4</td>
</tr>
<tr>
<td>Ground Staff</td>
<td>37.5</td>
<td>38.7</td>
<td>37.7</td>
</tr>
<tr>
<td>Flight Crew</td>
<td>42.1</td>
<td>42.7</td>
<td>41.1</td>
</tr>
<tr>
<td>Cabin Attendants</td>
<td>35</td>
<td>34</td>
<td>35</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>General Staff</td>
<td>15.6</td>
<td>15.9</td>
<td>16.0</td>
</tr>
<tr>
<td>General Staff</td>
<td>84.4</td>
<td>84.1</td>
<td>84.0</td>
</tr>
<tr>
<td>Ratio of Disabled</td>
<td>2.00</td>
<td>2.04</td>
<td>2.28</td>
</tr>
<tr>
<td>Ratio of Female Managers</td>
<td>14.1</td>
<td>15.1</td>
<td>15.6</td>
</tr>
<tr>
<td>Training Period per Person</td>
<td>62.5</td>
<td>60.2</td>
<td>62.8</td>
</tr>
<tr>
<td>Training Cost per Person</td>
<td>311,704</td>
<td>318,249</td>
<td>380,997</td>
</tr>
<tr>
<td>Childcare Leave Applicants</td>
<td>702</td>
<td>779</td>
<td>782</td>
</tr>
<tr>
<td>Nursing Leave Applicants</td>
<td>62</td>
<td>51</td>
<td>42</td>
</tr>
<tr>
<td>Ratio of Local Hires at Overseas Offices</td>
<td>92.0</td>
<td>90.8</td>
<td>90.4</td>
</tr>
<tr>
<td>Ratio of Locally Hired Staff at Overseas Offices</td>
<td>62.1</td>
<td>62.6</td>
<td>60.8</td>
</tr>
<tr>
<td>Average Years of Continuous Service</td>
<td>13.5</td>
<td>14.4</td>
<td>13.9</td>
</tr>
</tbody>
</table>

### Governance Data (t)

#### Corporate governance-related items

<table>
<thead>
<tr>
<th>Corporate governance-related items</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terms of Office Stipulated</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Chairperson of the Board</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Number of Directors</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Number of Directors</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>External Director attendance at Board of Directors meetings</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Number of Audit &amp; Supervisory Board Members</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>External Audit &amp; Supervisory Board Member attendance at Board of Directors meetings</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Key meetings attended by Audit &amp; Supervisory Board Members</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Number of Audit &amp; Supervisory Board meetings</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>External Audit &amp; Supervisory Board Member attendance at Audit &amp; Supervisory Board meetings</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

#### Establishment of Committee

<table>
<thead>
<tr>
<th>Establishment of Committee</th>
<th>The Chairperson</th>
<th>Composition</th>
<th>Number of meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Governance Committee</td>
<td>Kitaro Iwata (Lead External Independent Director)</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>Masaomi Uto (External Director)</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>Eizo Kubayashi (External Director)</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Personnel Committee</td>
<td>Yoshihara Yukio (Representative Director, President)</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Officers Disclosure Committee</td>
<td>Kitaro Iwata (Executive Director)</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

#### Indirectly controlled by the President

<table>
<thead>
<tr>
<th>Indirectly controlled by the President</th>
<th>Topics discussed</th>
<th>Composition</th>
<th>Number of meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Committee</td>
<td>This Management Committee is established by the Company to pursue the purposes of contributing to appropriate and adequate decision-making by the Board of Directors and the President. The Committee deliberates important matters regarding the business of the Company and matters requiring the approval of the President that must be confirmed by the Management Committee before they are presented to the Board or the President.</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Group Earnings Announcement Session</td>
<td>The Group Earnings Announcement Session, attended by the management teams of Japan Airlines and all its major subsidiaries to discuss earnings results and other issues to improve business performance.</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>JAL Group Philosophy Council</td>
<td>The JAL Group Philosophy Council is responsible for developing business policies for initiatives, planning and implementing related measures and evaluating the impact of those measures.</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Group for Safety Enhancement</td>
<td>The Group for Safety Enhancement convenes, in conjunction with the JAL Group, important meetings attended by the President, Executive Officers, Managing Executive Officers, Directors, Executive Officers, and Audit &amp; Supervisory Board Members.</td>
<td>34</td>
<td></td>
</tr>
</tbody>
</table>
The routes above include code-share flights.
The map has been altered to highlight the cities on JAL's route network.
DOMESTIC ROUTE MAP
(As of June 28, 2017)

Routes in the table are operated as code-share flights with Fuji Dream Airlines Co., Ltd. (FDA) using FDA aircraft and crew: Shizuoka–Sapporo (New Chitose), Shizuoka–Fukuoka, Matsumoto–Sapporo (New Chitose), Matsumoto–Fukuoka, Nagoya (Komaki)–Fukuoka, Nagoya (Komaki)–Yamagata, Nagoya (Komaki)–Niigata, Nagoya (Komaki)–Izumo, Nagoya (Komaki)–Kochi, Nagoya (Komaki)–Kitakyushu, Nagoya (Komaki)–Kumamoto, and Niigata–Fukuoka.

Some r

outes below are operated as code-share flights with Hokkaido Air System Co., Ltd. (HAC) using HAC aircraft and crew: Shizuoka–Sapporo (New Chitose), with Fuji Dream Airlines Co., Ltd. (FDA) using FDA aircraft and crew: Fukuoka–Amakusa and Ishigaki.

Serious incident

A occurrence which did not result in an aircraft accident, but had the risk of causing an accident, as rated by the Ministry of Land, Infrastructure, Transport and Tourism, such as deviation from a runway, emergency evacuation, fire, smoke and abnormal cabin deceleration, and encountering abnormal weather conditions.

Normal line operation monitoring

A proactive preventive program to identify latent risks in daily operations and normal operations, and implement preventive measures.

Full-service carrier

An airline which has an extensive route network and provides conventional services. It offers several classes of seats (first, business, economy, etc.), and includes services such as meals, drinks, and entertainment in the fare. It is also called a network carrier or legacy carrier.

Marshalling

A specialist who uses hand signals to guide aircraft on the ground to a specified position.

Unit cost

Consolidated air transport costs (excluding fuel costs and transactions with affiliated companies in which revenues and expenses are settled internally) / ASK.

Unit revenue

Revenue from passenger flights / ASK.

Revenue management system

A method of forecasting changes in demand and controlling inventory to maximize revenues, for example, setting advance discount fares in phases to secure the optimum number of revenue passengers.

Load control

To control aircraft weight. Cargo and passengers 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 RPK (Revenue Passenger Kilometers) / ASK (Available Seat Kilometers). Different from seat occupancy rate, because nonrevenue passengers are excluded.

GLOSSARY

ASK

Abbreviation for Available Seat Kilometer. A unit for passenger transport capacity. Total number of seats x distance travelled (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 shareholder’s 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 frontline staff.

Alliance

Member airlines of an alliance promote business partnership by such means as operating code-share flights to their respective airports, simplifying procedures at connecting airports, and sharing airport lounge services for top-tier members. The three main airline alliances are the oneworld alliance, Star Alliance, and SkyTeam.

Irregular operation

An occurrence in which the aircraft diverts due to aircraft system malfunction, etc., but with no immediate effect on flight safety.

Incident

An occurrence with risks of an aircraft accident according to the Civil Aeronautics Act, Article 76-2. Sixteen items and equivalent situations such as engine damage and fire inside an aircraft are defined in the Ordinance for Enforcement of the Civil Aeronautics Act.

Open Skies Agreement

An agreement signed by countries or regions allowing the free movement of people and goods. Airlines are given more freedom in selecting the number of flights, destinations and other conditions.

Code-share

To place the flight number of an airline on a flight operated by another airline, indicating that the flight number on reservations systems and timetables, and operating the flight as if it were its own flight. A flight undertaken jointly.

INTEGRATED MANAGEMENT

Management Strategies

Performance and Strategies

A Business Base that Supports Value Creation

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Safety issues occurring in fiscal year 2016 and countermeasures

The JAL Group undertakes active disclosure of safety data so that customers can put their confidence in our services. In fiscal year 2016, there were no serious incidents, but one aircraft accident occurred. In other safety indicators, there were eight cases of customer injury on board or at the airport, 66 irregular operations due to aircraft system malfunctions or other causes, 4 and 48 irregularities due to other causes.

In response to the aircraft accident reported below, the JAL Group is committed to cooperating fully with the investigative body and implementing the necessary countermeasures.

Airplane accident

Cabin attendant injury due to turbulence on JAL flight JAL 646 (November 10, 2016)

On November 10, 2016, while JAL flight 646 (Kagoshima-Haneda) was on its ascent from Kagoshima Airport and the seatbelt sign was illuminated, a cabin attendant who left her seat in order to ensure the safety of a child moving around in its seat was affected by sudden turbulence and sustained an injury. Medical examination resulted in the diagnosis of a sacral bone fracture and the incident was therefore recognized as an aircraft accident on November 11, 2016 by the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism.

JAL is cooperating fully with the activities of the investigative body and will implement the necessary countermeasures.

As intermeasures, all organizations have been informed in writing of the circumstances of the accident, and cabin attendants have been issued with a document listing precautions to follow when leaving a seat as an extraordinary measure to respond to an urgent situation. As a further measure, customers accompanied by children are being assisted with a stepped-up level of announcements and direct staff contacts at the airport and on board. Going forward, we will continue to take cross-departmental preventive action through hardware and software measures.

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1) Serious incident: An incident not amounting to an aircraft accident, but where a recognized danger of an accident occurring was present, such as runway vacillation, an emergency evacuation, fire or smoke on board, abnormal depressurization, encounter with abnormal weather conditions, or other situation classified as a serious incident by the Ministry of Land, Infrastructure, Transport and Tourism.

2) Aircraft accident: A situation arising from the operation of an aircraft and resulting in fatal or serious injury, an aircraft crash, collision, or fire, damage to the aircraft during flight requiring major repair, or other situations classified as an aircraft accident by the Ministry of Land, Infrastructure, Transport and Tourism.

3) Customer injury: A case where a customer sustains an injury on board or at the airport and is examined at a medical institution (in-house statistic).

4) Irregular operation: A situation where an aircraft diverts from its destination due to an aircraft system malfunction or other cause, but with no immediate impact on flight safety. Injury caused by an irregular operation is also included (in-house statistic).

5) Irregularity due to human error: An irregularity caused by human error of a kind which needs to be eliminated by the relevant department (Flight Operations, Maintenance, etc.) in view of its impact on overall flight safety (in-house statistic).

---

Fiscal year 2016 management indicators and results

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Result</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft accidents</td>
<td>1</td>
<td>November 10, 2016 JAL flight 646 Injury to cabin attendant due to turbulence</td>
</tr>
<tr>
<td>Serious incidents</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

In fiscal year 2017, we will be working to achieve the following goals:

1. Realize zero aircraft accidents and zero serious incidents
2. Improve safety management system toward the world's highest standard
3. Evolve the security management system to the world's highest standard
4. Enhance awareness of security protection to protect customers from the threat of terrorism

---

The JAL Group Safety Report

The JAL Group Safety Report is published yearly in accordance with the Civil Aeronautics Act (Article 111-6). Publication of Safety Reports by Domestic Air Carriers. The report presents safety initiatives and other relevant data from the six companies of the JAL Group in a readily accessible form.

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STOCK INFORMATION / CORPORATE INFORMATION (As of March 31, 2017)

Stock Information

- Stock Exchange: The First Section of the Tokyo Stock Exchange
- Stock Code: 9207
- Number of Shares Per Unit: 100 shares
- Account closing date: March 31
- Ordinary General Meeting of Shareholders: June each year
- Date of Finalizing Shareholders Eligible to Exercise Voting Rights at the Ordinary General Meeting of Shareholders: March 31
- Date of Finalizing Shareholders to Receive Year-End Dividends: N/A
- Shareholder Registry Administrator: Mitsubishi UFJ Trust and Banking Corporation
- Contact: Mitsubishi UFJ Trust and Banking Corporation

Fiscal Year 2016 Management Indicators and Results

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Result</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft accidents</td>
<td>1</td>
<td>November 10, 2016 JAL flight 646 Injury to cabin attendant due to turbulence</td>
</tr>
<tr>
<td>Serious incidents</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

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Company Profile

Corporate Name: Japan Airlines Co., Ltd.
Headquarters: Toranomon Real Estate Bldg., 2–4–11 Kagoshima, Shinkansen-ku, Tokyo 140-8637, Japan
Phone: +81 (0)3-5460-3121
Website: www.jal.com

Established: August 1, 1951

Representative Director, President: Yoshiharu Ueki
Capital: 181,352 million yen
Employees: Consolidated Employees 32,753 people

- Business 1: Scheduled and non-scheduled air transport services
- Business 2: Aerial work services
- Business 3: Other related business

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JAL Related Information

- JAL Group Growth Story
- Management Strategies
- Performance and Strategies
- A Business Base that Supports Value Creation
- Financial & Data Section

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JAL REPORT 2017