

Note: This document has been translated from the Japanese original for the convenience of non-Japanese shareholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.

Securities code: 9201

May 26, 2017

NOTICE OF THE 68th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

You are cordially invited to attend the 68th Ordinary General Meeting of Shareholders of Japan Airlines Co., Ltd. (the “Company”), which will be held on Thursday, June 22, 2017, as described hereunder.

If you are unable to attend the meeting, please review the attached Reference Documents for General Meeting of Shareholders, and please exercise your voting rights no later than 6:00 p.m., Wednesday, June 21, 2017 by either procedure described in “Guide for Exercising Voting Rights” on page 2.

Sincerely yours,

Yoshiharu Ueki
Representative Director, President
Japan Airlines Co., Ltd.
2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo

MEETING DETAILS

1. Date and Time: 10:00 a.m., Thursday, June 22, 2017 (The reception starts at 8:30 a.m.)

2. Venue: MAIHAMA Amphitheater
2-50 Maihama, Urayasu-shi, Chiba

3. Agenda:

- Items to be reported:*
1. Business Report and Consolidated Financial Statements for the 68th Fiscal Year (April 1, 2016 to March 31, 2017); and Audit Reports of the Accounting Auditors and Board of Corporate Auditors regarding the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the 68th Fiscal Year (April 1, 2016 to March 31, 2017)

Items to be proposed:

- Proposal 1: Appropriation of Surplus
- Proposal 2: Partial Amendment to the Articles of Incorporation
- Proposal 3: Election of Ten (10) Directors
- Proposal 4: Revision of the Amount of Monetary Remuneration, etc. for Directors and the Introduction of a Performance-Linked Share-Based Remuneration Plan

4. Predetermined Terms of the Convocation

- If you exercise your voting rights via the Internet or by mail more than once, your final vote shall prevail.
- If you exercise your voting rights both by mail and via the Internet, your vote via the Internet shall prevail regardless of the arrival date and time.

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- There are no souvenirs available for shareholders attending the shareholders' meeting. It is prohibited to bring any dangerous items or PET bottles etc. into the meeting place. We would appreciate your understanding.
 - Proceedings on the day of the General Meeting of Shareholders will be carried out in Japanese. The Company will not be providing interpreters, however, in the event that a shareholder is accompanied by their own interpreter (including sign-language interpreters), if the shareholder informs the reception desk on the day of the General Meeting of Shareholders, it will be possible for the interpreter to enter the meeting place.
 - If you exercise your voting rights by a proxy, in accordance with the provision of Article 29 of the Articles of Incorporation of the Company, said proxy must be another shareholder of the Company who also owns voting rights. A written power of attorney must be submitted together with the enclosed Voting Form at the reception desk on the day of the General Meeting of Shareholders.
 - In order to save resources, please bring this "Notice of Convocation."
 - If it becomes necessary to amend any item to be listed in the reference documents for the general meeting of shareholders, business report, consolidated financial statements, and non-consolidated financial statements occurs, we will notify you of the amendment(s) on the Company's website (http://www.jal.com/ja/investor/stockholders_meeting/).

[Guide for Exercising Voting Rights]

- In case you attend the meeting

Please kindly submit the enclosed Voting Form at the reception desk on the day of the General Meeting of Shareholders.

- In case you are not available to attend the meeting

1. Exercise by mail

Please indicate your votes for or against the Items on the enclosed Voting Form and return it to the Company no later than 6:00 p.m., Wednesday, June 21, 2017.

2. Exercise via the Internet

Please review "The Voting Rights Exercise via the Internet" below and exercise your voting rights no later than 6:00 p.m., Wednesday, June 21, 2017.

The Voting Rights Exercise via the Internet

If exercising voting rights via the Internet, please review the items below and exercise your voting rights. Voting rights may be exercised by 6:00 p.m. on Wednesday, June 21, 2017, but shareholders are requested to do so as early as possible. If you have any questions, please contact the Help Desk (*only in Japanese*).

1. Voting Rights Exercise via the Internet

Voting rights via the Internet may be exercised only by accessing the designated voting rights exercise website. (Please note that the website is unavailable from 2:00 a.m. through 5:00 a.m. every day. Please note that the shareholders' Internet usage environment may prevent the use of a personal computer or smart-phone to exercise voting rights.)

[Voting rights exercise site] <http://www.evotep.jp/>

- (1) Enter your "Login ID" and "Temporary Password," both of which are noted on the Voting Form. Follow the instructions on your computer screen to exercise your voting rights.
- (2) If you exercise the voting rights both by mail and via the Internet, the exercise of the voting rights via the Internet will be treated as effective. If you exercise the voting rights multiple times via the Internet, the final exercise of the voting rights will be treated as effective.
- (3) The fees for accessing the voting rights exercise site (such as internet connection fees or telecommunication fees etc.) shall be borne by the shareholder.

2. Handling of Passwords

- (1) You will be provided with a new "Login ID" and "Temporary Password" each time a General Meeting of Shareholders is convened.
- (2) Please keep your password safe as it is the means by which the identity of the shareholder exercising the voting rights is verified. Any inquiry about the password by telephone or other means will not be accepted.

3. Contact for inquiries regarding the Voting Rights Exercise via the Internet (Help Desk)

Stock Transfer Agency Department
Mitsubishi UFJ Trust and Banking Corporation
Inquiries about the operation of Personal Computer etc.
Phone: 0120-173-027 (toll free (Only within Japan))
Open: 9:00 am to 9:00 pm (Japan Time)

For Institutional Investors

Provided that an application to use the platform has been submitted beforehand, institutional investors may use the electronic platform for exercising voting rights operated by ICJ, Inc., in which Tokyo Stock Exchange Inc. has a stake.

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Proposal 1: Appropriation of Surplus

Returning profits to our shareholders is one of the management top priorities. It is our fundamental policy of return to shareholders to actively provide distribution of profits to our shareholders in principle as consistent stable dividends, while executing capital expenditures to respond to business growth in the future and changes in business conditions, and ensuring internal reserves for building a strong financial structure.

Under this policy, the Company proposes to pay year-end dividends for the current fiscal year as follows:

1. Type of dividend property
Cash
2. Allocation of dividend property to our shareholders and total amount thereof
94 yen per common stock of the Company
Total amount of dividends: 33,236,486,442 yen
3. Effective date for dividend of surplus
June 23, 2017

For fiscal year 2016, the Company adopted a policy of targeting a dividend payout ratio of approximately 25% of profit attributable to owners of parent, for the full fiscal year excluding the impact of income taxes - deferred for the payment of dividends. However, for fiscal year 2017 onward, the Company is targeting a dividend payout ratio of approximately 30%.

In addition, taking into account the economic environment and our financial situation, the Company will, as necessary, flexibly consider share buyback or other implementation of additional shareholder returns, as well as the review of future financial targets and further enhancement of shareholder returns.

Proposal 2: Partial Amendment to the Articles of Incorporation

1. Reason for the proposal

In order to enhance opportunities for distributing profits to shareholders, the Proposal stipulates that an interim dividend be made possible by a resolution of the Board of Directors, pursuant to Article 454, Paragraph 5, of the Companies Act.

2. Details of the amendments

Details of the amendments are as follows:

(Underlined parts represent changes.)

Existing provisions	Proposed amendments
<p>(Dividends) Article 45</p> <p>1. Distribution of surplus, if declared for any fiscal year, shall be paid to persons stipulated in the following items:</p> <p>(1) Shareholders or their registered share pledgees whose names are listed or recorded on the register of shareholders as of the 31st day of March of such fiscal year;</p> <p>(2) Shareholders as of the 31st day of March notified by a book-entry institution in accordance with Article 151, Paragraph (1) of the Act on Book-Entry Transfer of Company Bonds, Shares, etc., who are neither listed nor recorded on the register of shareholders for whole or part of the shares held by them under Article 12, Paragraph (2) of this Articles of Incorporation, or persons shown as share pledgees of shares held by such shareholders in the notice.</p>	<p>(Dividends) Article 45</p> <p>1. Distribution of surplus, if declared for any fiscal year, shall be paid to persons stipulated in the following items:</p> <p>(1) ~ (2) (Unchanged)</p> <p>2. <u>In addition to the preceding paragraph, the Company may, by a resolution of the Board of Directors and limited to one time in the course of one fiscal year, pay distribution of surplus (limited to those dividend assets in the form of cash) to persons stipulated in the following items.</u></p> <p>(1) <u>Shareholders or their registered share pledgees whose names are listed or recorded on the register of shareholders as of the 30th day of September of such fiscal year;</u></p> <p>(2) <u>Shareholders as of the 30th day of September notified by a book-entry institution in accordance with Article 151, Paragraph (1) of the Act on Book-Entry Transfer of Company Bonds, Shares, etc., who are neither listed nor recorded on the register of shareholders for whole or part of the shares held by them under Article 12, Paragraph (2) of this Articles of Incorporation, or persons shown as share pledgees of shares held by such shareholders in the notice.</u></p>

Proposal 3: Election of Ten (10) Directors


The Company's Articles of Incorporation sets out the term of office for Directors as one (1) year in order to clarify their management responsibility for each fiscal year. Accordingly, the terms of office of all eleven (11) active Directors will expire at the conclusion of this General Meeting of Shareholders.


In the current term, the Company wishes to reduce the number of Directors by one (1) from the current eleven (11) to ten (10). In terms of the composition of Directors, this will retain the current three (3) External Directors and will reduce non-External Directors by one (1) to seven (7). With an emphasis put on securing diversity among members of the Board of Directors, the Company will further continue to enhance its corporate value by establishing a corporate governance system at a higher level, which enables more appropriate management decisions, a highly transparent management style as well as an enhanced monitoring of corporate management.

Accordingly, the Company hereby proposes that you elect the ten (10) Directors including three (3) External Directors. For this proposal, the Board of Directors consulted the Nominating Committee, which comprises a majority of External Directors and is chaired by an External Director, and makes the proposal with consideration of the Committee's report. The nominees for Directors are as follows:



No.	Name		No.	Name	
1	Masaru ONISHI	Reappointment	6	Hideki KIKUYAMA	Reappointment
2	Yoshiharu UEKI	Reappointment	7	Toshinori SHIN	Reappointment
3	Tadashi FUJITA	Reappointment	8	Kimie IWATA	Reappointment, External Director, Independent Officer
4	Junko OKAWA	Reappointment	9	Eizo KOBAYASHI	Reappointment, External Director, Independent Officer
5	Norikazu SAITO	Reappointment	10	Masatoshi ITO	Reappointment, External Director, Independent Officer

No. 1  Masaru ONISHI (May 19, 1955) Number of Company shares held Common stock 7,800	(Career summary, position and responsibilities at the Company)	
	April 1978	Joined the Company
	December 2002	General Manager, Maintenance Planning And Administration Office of the Company
	April 2007	Vice President and Deputy General Manager, Engineering & Maintenance Division of the Company Representative Director, President of JAL Narita Aircraft Maintenance Co., Ltd. (on secondment)
	April 2009	Executive Officer of the Company Advisor of Japan Air Commuter Co., Ltd.
	June 2009	Representative Director, President of Japan Air Commuter Co., Ltd.
	February 2010	Trustee Representative of the Company President of the Company
	November 2010	Director of the Company
	March 2011	Representative Director, President of the Company, Safety (Safety General Manager)
	February 2012	Representative Director, Chairman of the Company General Manager, Corporate Safety & Security (Safety General Manager)
April 2013	Representative Director, Chairman of the Company (Safety General Manager)	
April 2014	Director, Chairman of the Company (to present)	
(Important positions concurrently assumed outside the Company)		
Outside Director of Japan Airport Terminal Co., Ltd.(*)		
Chairman of JAL Foundation		
Representative Director of General Incorporated Foundation Air Traffic Service Research Institute		
(* indicates a listed company.)		
(Reasons for the nomination as Director)		
<p>After joining the Company, Mr. Onishi engaged mainly in Engineering & Maintenance Division and acquired on-the-job experience and insight related to safe operations, etc. at an extremely high level as well as much knowledge and many connections in the airline industry through negotiating operations with outsiders such as aircraft manufacturers, engine manufacturers, and maintenance operators. He exercised strong leadership and decision-making skills as President after 2010 and early accomplished reorganization of the Company after bankruptcy. Now he considerably contributes to strengthening of the supervisory function of the Board of Directors serving as Director, Chairman, chairman of the Board of Directors, and a member of the Corporate Governance Committee. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.</p>		
Reappointment		


No. 2  Yoshiharu UEKI (September 16, 1952) Number of Company shares held Common stock 15,900	(Career summary, position and responsibilities at the Company)		
	June	1975	Joined the Company
	April	1994	Captain, DC10 Flight Crew Office, of the Company
	April	2004	Deputy General Manager, Flight Planning And Administration Office, Administration Department of the Company Deputy General Manager, Flight Planning And Administration Office, Flight Crew Planning Department of the Company
	April	2005	Vice President and Deputy General Manager, Flight Operation Division of the Company General Manager, Flight Planning And Administration Office of the Company
	April	2007	General Manager, Flight Crew Training Development Department of the Company
	June	2008	Representative Director, Executive Vice President of J-AIR CO., LTD. (on secondment)
	February	2010	Executive Officer of the Company General Manager, Flight Operations
	December	2010	Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing
	February	2012	Representative Director, President of the Company General Manager, Managing Division Route Marketing
April	2013	Representative Director, President of the Company (to present)	
(Important positions concurrently assumed outside the Company)		None.	
(Reasons for the nomination as Director)		<p>After joining the Company, Mr. Ueki acquired on-the-job experience and insight related to safe operations, etc. as a flight crew at an extremely high level. He has taken control of developing the Medium-Term Management Plan and certainly executed it, exercising strong leadership and decision-making skills, as Representative Director, President, since 2012. Furthermore, he considerably contributes to strengthening of the supervisory function of the Board of Directors serving as a member of the Nominating Committee, Compensation Committee, etc. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.</p>	
Reappointment			


<p>No. 3</p>  <p>Tadashi FUJITA (October 25, 1956)</p> <p>Number of Company shares held Common stock 2,300</p> <p>Reappointment</p>	(Career summary, position and responsibilities at the Company)		
	April	1981	Joined the Company
	April	2007	General Manager, Corporate Business, Corporate Center of Tokyo Branch of the Company
	June	2009	General Manager, Sales Department of Tokyo Branch of the Company
	October	2009	Deputy General Manager, Customer Division and General Manager, Planning Promotion Department, Customer Division of the Company
	February	2010	Executive Officer of the Company General Manager, Passenger Sales Division, Regional Manager of Asia & Oceania
	December	2010	Executive Officer of the Company Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales General Manager, Corporate Sales General Manager, Web Sales Senior Vice President, Eastern Japan
	February	2012	Managing Executive Officer of the Company Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales General Manager, Corporate Sales General Manager, Web Sales Senior Vice President, Eastern Japan
	April	2013	Senior Managing Executive Officer of the Company Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales General Manager, Web Sales Senior Vice President, Eastern Japan
	June	2014	Director and Senior Managing Executive Officer of the Company Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales General Manager, Web Sales Senior Vice President, Eastern Japan
April	2015	Director and Senior Managing Executive Officer of the Company General Manager, Managing Division Passenger Sales General Manager, Domestic Passenger Sales Representative Director, President of JAL Sales Co., Ltd.	
April	2016	Representative Director, Executive Vice President of the Company (to present)	
(Important positions concurrently assumed outside the Company)			
None.			
(Reasons for the nomination as Director)			
<p>After joining the Company, Mr. Fujita engaged mainly in the sales and marketing departments such as in the Head Office and Osaka, Okinawa and Paris Branches, and took the leadership of all the revenue-producing departments as General Manager, Managing Division Passenger Sales, and made achievements. Now, he assists the President serving as Representative Director, Executive Vice President, and considerably contributes to further strengthening and enhancement of the management structure. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.</p>			

<p>No. 4</p>  <p>Junko OKAWA (August 31, 1954)</p> <p>Number of Company shares held Common stock 5,600</p> <p>Reappointment</p>	(Career summary, position and responsibilities at the Company)	
	December 1977	Joined the Company
	April 2006	General Manager, Administration & Planning of the Company
	April 2007	General Manager, In-flight Services Planning of the Company
October 2009	General Manager, In-flight Quality Planning of the Company	
February 2010	Executive Officer of the Company General Manager, Cabin Attendants Division	
February 2012	Managing Executive Officer of the Company General Manager, Cabin Attendants Division	
April 2013	Senior Managing Executive Officer of the Company General Manager, Cabin Attendants Division	
June 2013	Director and Senior Managing Executive Officer of the Company General Manager, Cabin Attendants Division	
November 2014	Director and Senior Managing Executive Officer of the Company Corporate Brand Promotion Division	
April 2016	Representative Director, Senior Managing Executive Officer of the Company General Manager, Communication Division (to present)	
	(Important positions concurrently assumed outside the Company) None.	
	(Reasons for the nomination as Director) After joining the Company, Ms. Okawa acquired on-the-job experience and insight related to safe operations and services as a flight attendant. After 2010, as General Manager, Cabin Attendants Division, she accomplished various tasks and goals of the division, exercising great leadership and using her high performance ability, from a strong managerial perspective. Now, serving as Representative Director, Senior Managing Executive Officer and General Manager, Communication Division, she considerably contributes to enhancing the JAL brand and promoting efforts towards Tokyo 2020 Olympic and Paralympic Games. For all of these reasons, she is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect her as Director.	
<p>No. 5</p>  <p>Norikazu SAITO (November 23, 1956)</p> <p>Number of Company shares held Common stock 3,000</p> <p>Reappointment</p>	(Career summary, position and responsibilities at the Company)	
	April 1980	Joined the Company
	October 2006	General Manager, Accounting of the Company
	February 2010	Executive Officer of the Company Funds, IR, Accounting and Internal Control Promotion (Deputy)
December 2010	Executive Officer of the Company General Manager, Finance & Accounting	
February 2012	Managing Executive Officer of the Company General Manager, Finance & Accounting	
April 2014	Senior Managing Executive Officer of the Company General Manager, Finance & Accounting	
June 2014	Director and Senior Managing Executive Officer of the Company General Manager, Finance & Accounting (to present)	
	(Important positions concurrently assumed outside the Company) None.	
	(Reasons for the nomination as Director) Since joining the Company, Mr. Saito has engaged mainly in finance and accounting over the years and developed his knowledge of finance and accounting, investor relations activities, etc. Now, serving as Director, Senior Managing Executive Officer and General Manager, Finance & Accounting, he considerably contributes to transparent information disclosure understandable to shareholders and investors and proper management decisions that make for shareholder returns. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.	

<p>No. 6</p>  <p>Hideki KIKUYAMA (March 19, 1960)</p> <p>Number of Company shares held Common stock 800</p> <p>Reappointment</p>	<p>(Career summary, position and responsibilities at the Company)</p> <table border="1"> <tbody> <tr> <td>April</td> <td>1983</td> <td>Joined the Company</td> </tr> <tr> <td>September</td> <td>2005</td> <td>General Manager, General Affairs Department, the Americas Office of the Company</td> </tr> <tr> <td>April</td> <td>2007</td> <td>General Manager, Corporate Planning Office of the Company</td> </tr> <tr> <td>February</td> <td>2010</td> <td>Executive Officer of the Company Deputy General Manager, Corporate Planning</td> </tr> <tr> <td>February</td> <td>2012</td> <td>Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (Domestic Route Marketing)</td> </tr> <tr> <td>April</td> <td>2013</td> <td>Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing</td> </tr> <tr> <td>June</td> <td>2016</td> <td>Director and Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (to present)</td> </tr> </tbody> </table> <p>(Important positions concurrently assumed outside the Company) None.</p> <p>(Reasons for the nomination as Director) After joining the Company, Mr. Kikuyama successively engaged in IT systems, passenger reservation, personnel and labor affairs, corporate planning, etc. in the Head Office, Osaka and the Americas Offices, etc. and made achievements, exercising great leadership and strong planning and coordination capabilities. Now, serving as Director, Senior Managing Executive Officer and General Manager, Managing Division Route Marketing, he considerably contributes to improving and stabilizing route profits that are elaborate and secure. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.</p>	April	1983	Joined the Company	September	2005	General Manager, General Affairs Department, the Americas Office of the Company	April	2007	General Manager, Corporate Planning Office of the Company	February	2010	Executive Officer of the Company Deputy General Manager, Corporate Planning	February	2012	Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (Domestic Route Marketing)	April	2013	Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing	June	2016	Director and Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (to present)						
April	1983	Joined the Company																										
September	2005	General Manager, General Affairs Department, the Americas Office of the Company																										
April	2007	General Manager, Corporate Planning Office of the Company																										
February	2010	Executive Officer of the Company Deputy General Manager, Corporate Planning																										
February	2012	Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (Domestic Route Marketing)																										
April	2013	Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing																										
June	2016	Director and Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (to present)																										
<p>No. 7</p>  <p>Toshinori SHIN (August 23, 1955)</p> <p>Number of Company shares held Common stock 1,700</p> <p>Reappointment</p>	<p>(Career summary, position and responsibilities at the Company)</p> <table border="1"> <tbody> <tr> <td>October</td> <td>1977</td> <td>Joined the Company</td> </tr> <tr> <td>January</td> <td>1996</td> <td>Captain, 747-400 Flight Crew Office, of the Company</td> </tr> <tr> <td>July</td> <td>2004</td> <td>Chief instructor of line oriented pilot, 747-400 Flight Crew Office, of the Company</td> </tr> <tr> <td>December</td> <td>2005</td> <td>Deputy Director, Flight Planning And Administration Office, Flight Crew Planning Department of the Company</td> </tr> <tr> <td>July</td> <td>2007</td> <td>General Manager, 747-400 Flight Crew Office, of the Company</td> </tr> <tr> <td>December</td> <td>2010</td> <td>Executive Officer of the Company General Manager, Flight Operations</td> </tr> <tr> <td>February</td> <td>2012</td> <td>Managing Executive Officer of the Company General Manager, Flight Operations</td> </tr> <tr> <td>April</td> <td>2016</td> <td>Senior Managing Executive Officer of the Company General Manager, Flight Operations</td> </tr> <tr> <td>June</td> <td>2016</td> <td>Director and Senior Managing Executive Officer of the Company General Manager, Flight Operations Safety General Manager (to present)</td> </tr> </tbody> </table> <p>(Important positions concurrently assumed outside the Company) None.</p> <p>(Reasons for the nomination as Director) Since joining the Company, Mr. Shin has acquired on-the-job experience and insight related to safe operations, etc. as a flight crew at a high level. Serving as General Manager, Flight Operations since 2010, he accomplishes various tasks and goals of the division, exercising great leadership and using his high performance ability, from a strong managerial perspective. Now, serving as Director, Senior Managing Executive Officer, General Manager, Flight Operations and Safety General Manager, he considerably contributes to general management of initiatives involving safety, and important management decisions on safety measures and investments in the Board of Directors, etc. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.</p>	October	1977	Joined the Company	January	1996	Captain, 747-400 Flight Crew Office, of the Company	July	2004	Chief instructor of line oriented pilot, 747-400 Flight Crew Office, of the Company	December	2005	Deputy Director, Flight Planning And Administration Office, Flight Crew Planning Department of the Company	July	2007	General Manager, 747-400 Flight Crew Office, of the Company	December	2010	Executive Officer of the Company General Manager, Flight Operations	February	2012	Managing Executive Officer of the Company General Manager, Flight Operations	April	2016	Senior Managing Executive Officer of the Company General Manager, Flight Operations	June	2016	Director and Senior Managing Executive Officer of the Company General Manager, Flight Operations Safety General Manager (to present)
October	1977	Joined the Company																										
January	1996	Captain, 747-400 Flight Crew Office, of the Company																										
July	2004	Chief instructor of line oriented pilot, 747-400 Flight Crew Office, of the Company																										
December	2005	Deputy Director, Flight Planning And Administration Office, Flight Crew Planning Department of the Company																										
July	2007	General Manager, 747-400 Flight Crew Office, of the Company																										
December	2010	Executive Officer of the Company General Manager, Flight Operations																										
February	2012	Managing Executive Officer of the Company General Manager, Flight Operations																										
April	2016	Senior Managing Executive Officer of the Company General Manager, Flight Operations																										
June	2016	Director and Senior Managing Executive Officer of the Company General Manager, Flight Operations Safety General Manager (to present)																										

<p>No. 8</p>  <p>Kimie IWATA (April 6, 1947)</p> <p>Number of Company shares held Common stock 1,500</p> <p>Reappointment, External Director, Independent Officer</p>	(Career summary, position and responsibilities at the Company)		
	April	1971	Joined the Ministry of Labor
	July	1996	Deputy Director-General of the Minister's Secretariat, Ministry of Labor
	October	1998	Assistant Minister for International Labor affairs, Ministry of Labor
	January	2001	Director-General of Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare
	August	2003	Retired from Ministry of Health, Labour and Welfare
	December	2003	Full-time Advisor of Shiseido Company, Limited
	June	2004	Director, Corporate Officer of Shiseido Company, Limited
	April	2007	Director, Corporate Executive Officer of Shiseido Company, Limited
	April	2008	Director and Vice President of Shiseido Company, Limited
June	2008	Representative Director, Executive Vice President, of Shiseido Company, Limited	
March	2012	Audit & Supervisory Board Member (Outside), Kirin Holdings Company, Limited	
April	2012	Director of Shiseido Company, Limited	
June	2012	Advisor of Shiseido Company, Limited	
July	2012	External Director of the Company (to present) President of Japan Institute for Women's Empowerment & Diversity Management (to present)	
October	2015	Audit and Inspection Commissioner of the Tokyo Metropolitan Government (to present)	
March	2016	Director of the Board (outside), Kirin Holdings Company, Limited (to present)	
April	2016	Outside Director of STRIPE INTERNATIONAL INC. (to present)	
<p>(Important positions concurrently assumed outside the Company)</p> <p>President of Japan Institute for Women's Empowerment & Diversity Management Audit and Inspection Commissioner of the Tokyo Metropolitan Government Director of the Board (outside), Kirin Holdings Company, Limited(*) External Director of STRIPE INTERNATIONAL INC. (* indicates a listed company.)</p>			
<p>(Reasons for the nomination as External Director)</p> <p>Ms. Iwata has extensive experience and numerous achievements in and deep insight into the support for women's empowerment, diversity, corporate social responsibility (CSR), reform of work patterns, etc. backed by many years of experience in administration and corporate management, and gives advice to the Company's management and appropriately supervises the execution of operations from objective and professional perspectives. For all of these reasons, she is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect her as External Director who meets the Independence Standards of External Officers stipulated by the Company.</p> <p>She is currently serving as the Company's External Director. As of the conclusion of this General Meeting of Shareholders, her tenure as External Director will be four (4) years and 11 months.</p>			
<p>(Independent Officer)</p> <p>She meets the requirements of an Independent Officer who is unlikely to have conflicts of interest with general shareholders as prescribed by the Tokyo Stock Exchange and the Independence Standards of External Officers stipulated by the Company. The Company, therefore, has designated her as the Independent Officer and provided the notification to the stock exchange. If she is reappointed as Director and assumes the post of External Director, she will become an Independence Officer.</p>			
<p>(Overview of limited liability agreement)</p> <p>In accordance with Article 427, Paragraph (1) of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with her to limit her liability pursuant to Article 423, Paragraph (1) of the Companies Act, setting the minimum amount stipulated by Article 425, Paragraph (1) of the said Act as the maximum liability. If she is reappointed as Director and assumes the post, the Company will continue the agreement with her.</p>			

<p>No. 9</p>  <p>Eizo KOBAYASHI (January 7, 1949)</p> <p>Number of Company shares held Common stock 1,500</p> <p>Reappointment, External Director, Independent Officer</p>	(Career summary, position and responsibilities at the Company)		
	April	1972	Joined ITOCHU Corporation
	June	2000	Executive Officer of ITOCHU Corporation
	April	2002	Managing Executive Officer of ITOCHU Corporation
	June	2003	Representative Director, Managing Director of ITOCHU Corporation
	April	2004	Representative Director, Senior Managing Director of ITOCHU Corporation
	June	2004	President and Chief Executive Officer of ITOCHU Corporation
	April	2010	Representative Director Chairman of ITOCHU Corporation
July	2010	Outside Auditor of Asahi Mutual Life Insurance Company (to present)	
June	2011	Director Chairman of ITOCHU Corporation	
June	2013	Director (Outside), OMRON Corporation (to present)	
June	2015	External Director of the Company (to present)	
June	2016	Chairman of ITOCHU Corporation (to present) Outside Director of Japan Exchange Group, Inc. (to present)	
		(Important positions concurrently assumed outside the Company)	
		Chairman(**) of ITOCHU Corporation(*)	
		Director (Outside), OMRON Corporation(*)	
		Outside Director of Japan Exchange Group, Inc.(*)	
		Outside Auditor of Asahi Mutual Life Insurance Company	
		(* indicates a listed company.)	
		(** Mr. Kobayashi was previously Director Chairman of ITOCHU Corporation but stood down as a Director in June 2016.)	
		(Reasons for the nomination as External Director)	
		Mr. Kobayashi has extensive experience in global management and leadership over multifaceted group companies and deep insight into management as a top management of a general trading company which develops businesses around the world, and gives advice to the Company's management and appropriately supervises the execution of operations from practical and diversified perspectives. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as External Director who meets the Independence Standards of External Officers stipulated by the Company.	
		He is currently serving as the Company's External Director. As of the conclusion of this General Meeting of Shareholders, his tenure as External Director will be two (2) years.	
		(Independent Officer)	
		He meets the requirements of an Independent Officer who is unlikely to have conflicts of interest with general shareholders as prescribed by the Tokyo Stock Exchange and the Independence Standards of External Officers stipulated by the Company. The Company, therefore, has designated him as the Independent Officer and provided the notification to the stock exchange. If he is reappointed as Director and assumes the post of External Director, he will become an Independence Officer.	
		(Overview of limited liability agreement)	
		In accordance with Article 427, Paragraph (1) of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with him to limit his liability pursuant to Article 423, Paragraph (1) of the Companies Act, setting the minimum amount stipulated by Article 425, Paragraph (1) of the said Act as the maximum liability. If he is reappointed as Director and assumes the post, the Company will continue the agreement with him.	

<p>No. 10</p>  <p>Masatoshi ITO (September 12, 1947)</p> <p>Number of Company shares held 600</p> <p>Reappointment, External Director, Independent Officer</p>	(Career summary, position and responsibilities at the Company)		
	April	1971	Joined Ajinomoto Co., Ltd.
	June	1999	Member of the Board of Ajinomoto Co., Ltd. General Manager, Food Products Division
	April	2003	Representative Director, President of Ajinomoto Frozen Foods Co., Inc.
	August	2006	Representative Director, Member of the Board & Corporate Senior Vice President President, Food Products Company of Ajinomoto Co., Inc.
	June	2009	Representative Director, President & Chief Executive Officer of Ajinomoto Co., Inc.
	June	2015	Representative Director & Chairman of the Board of Ajinomoto Co., Inc. (to present)
February	2016	Chairman of the JAA Council, Japan Advertisers Association (to present)	
June	2016	External Director of the Company (to present) Outside Director of Yamaha Corporation (to present)	
		(Important positions concurrently assumed outside the Company)	
		Representative Director & Chairman of the Board of Ajinomoto Co., Inc. (*) Chairman of the JAA Council, Japan Advertisers Association Outside Director of Yamaha Corporation (*) (* indicates a listed company.)	
		(Reasons for the nomination as External Director)	
		Mr. Ito has deep insight as a top management of a global company and extensive experience in marketing and management strategy, and gives advice to the Company's management and appropriately supervises the execution of operations from practical and diversified perspectives. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as External Director who meets the Independence Standards of External Officers stipulated by the Company. He is currently serving as the Company's External Director. As of the conclusion of this General Meeting of Shareholders, his tenure as External Director will be one (1) year.	
		(Independent Officer)	
		He meets the requirements of an Independent Officer who is unlikely to have conflicts of interest with general shareholders as prescribed by the Tokyo Stock Exchange and the Independence Standards of External Officers stipulated by the Company. The Company, therefore, has designated him as the Independent Officer and provided the notification to the stock exchange. If he is reappointed as Director and assumes the post of External Director, he will become an Independence Officer.	
		(Overview of limited liability agreement)	
		In accordance with Article 427, Paragraph (1) of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with him to limit his liability pursuant to Article 423, Paragraph (1) of the Companies Act, setting the minimum amount stipulated by Article 425, Paragraph (1) of the said Act as the maximum liability. If he is reappointed as Director and assumes the post, the Company will continue the agreement with him.	

(Note) There is no special interest between the nominees for Directors and the Company.

(Reference)

In order to establish a high level corporate governance system that delivers high transparency of management and enhanced monitoring of corporate management, and to enhance its corporate value, the Company stipulates the following standards of judgment regarding the independence of the Company's External Officers (in principle, a person to whom none of the following apply shall be judged to be independent).

Independence Standards of External Officers

1. An individual who has executed business (Note) of JAL and JAL Group consolidated subsidiaries at present or in the past ten years.
2. An individual who corresponded to the any of the items a ~ f in the past three years.
 - a. A business counterpart or a person who executed business of such business counterpart, whose transactions with the Company for one business ear exceeded 1% of consolidated revenue of the Company or the business counterpart.
 - b. A major shareholder or a person executing business of such shareholder having an equity ratio of 5% or more in the Company.
 - c. A major lender of borrowings of the Company or a person executing business of such lender.
 - d. An individual receiving contributions of over 10 million yen a year from the Company or a person belonging to an organization receiving such contributions.
 - e. An individual 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 consolidated revenue of the Company.
 - f. In case a person executing business of the Company is assigned as External Director of another company, the person executing business of such other company.
3. The spouse or relative within second degree of kinship of individuals corresponding to 1 and 2.

(Note) A person executing business refers to an Executive Director or executive officer.

* The above is part of the JAL Group's "Fundamental Policies of Corporate Governance," which can be found in full on pages 41 and subsequent pages.

Proposal 4: Revision of the Amount of Monetary Remuneration, etc. for Directors and the Introduction of a Performance-Linked Share-Based Remuneration Plan

The Company, wishing to revise the remuneration of Directors according to the plan described in “2” below (hereafter “new plan”), will revise the amount of monetary remuneration, etc. as described in “3” below and will grant monetary remuneration receivables to Directors with the exception of External Directors (hereafter “eligible Directors” in this proposal) in order to deliver common stock of the Company (or money in its place) as performance-linked share-based remuneration as described in “4” below (hereafter “remuneration in the form of monetary remuneration receivables”). The Company accordingly requests your approval.

1. Reason for the proposal

The current remuneration plan for Directors consists of basic remuneration and bonuses, with the current annual amount of the remuneration having been approved at 450 million yen or less at a Special Meeting of Shareholders held on March 28, 2011.

Taking into consideration subsequent changes in the business environment, the economic situation, etc., the Company will review the remuneration plan for Directors as described in “2” below, in order to further promote the sustainable improvement of its corporate value over the medium to long term and the aligning of interests with shareholders by further enhancing the linkage between the remuneration of eligible Directors and our medium- to long-term corporate performance and share value.

Introduction of the new plan has passed through deliberation and reporting by a Compensation Committee that comprises a majority of External Directors and is chaired by an External Director.

2. New plan

The remuneration plan for eligible Directors will combine (i) fixed basic remuneration, (ii) a performance-linked bonus, and (iii) performance-linked share-based remuneration. For (i) and (ii) above, the new plan will pay money; for (iii) above, it will grant monetary remuneration receivables for the purpose of delivering common stock of the Company (or money in its place). (For (i) and (ii), both remunerations combined shall have an upper limit of ¥0.7 billion per year and for (iii), the upper limit shall be 100,000 shares per 1 performance evaluation period. Details are as described in “3” and “4” below.)

3. About the revision of the amount of monetary remuneration, etc. ((i) fixed basic remuneration and (ii) performance-linked bonus in “2.” above)

The Company will revise the amount of monetary remuneration, etc. for Directors from the current annual amount of 450 million yen or less, to 700 million yen or less (consisting of (i) fixed basic remuneration of 350 million yen or less, and (ii) a performance-linked bonus of 350 million yen or less).

With regard to External Directors, taking into consideration their role, performance-linked bonuses will not be paid. The Company will pay remuneration within the scope of (i) fixed basic remuneration, with an upper limit of 50 million yen per year as the total amount for External Directors.

The amount of fixed basic remuneration and performance-linked bonus paid to each Director will be determined by the Board of Directors after passing through deliberation and reporting by a Compensation Committee that comprises a majority of External Directors and is chaired by an External Director.

There are currently eleven Directors of the Company (including three External Directors), but if Proposal 3 is approved as described in the original proposal, there will be ten Directors (including three External Directors).

4. About the introduction of a performance-linked share-based remuneration plan ((iii) performance-linked share-based remuneration in “2.” above)

(1) Overview of the share-based remuneration plan and reasons for its appropriateness

In each fiscal year, in accordance with the business performance and other results of the Company in the three most recent consecutive completed fiscal years (with three consecutive fiscal years hereafter referred to as “performance evaluation period.” At the end of each fiscal year, a performance evaluation period of three consecutive fiscal years will start with the next fiscal year as its first year; three performance evaluation periods are scheduled to coexist for any period from fiscal year 2019.), the share-based remuneration plan will grant monetary remuneration receivables to eligible Directors in the fiscal year following the end of the performance evaluation period (in the case of “(4) (ii)” below, within the reasonable period of time after the retirement of the Director) as compensation for the execution of duties

for each during the performance evaluation period. Further, receiving payment of all monetary remuneration receivables from all eligible Directors as in-kind contributions, the Company will deliver common stock of the Company (or, in the case of “(4) (ii)” below, will pay money in place of delivering common stock of the Company). The delivery of common stock will be performed through either the issuing of shares or the disposal of treasury stock by the Company.

The granting of monetary remuneration receivables under the share-based remuneration plan will be conducted every fiscal year beginning with the performance evaluation period that starts in fiscal year 2017 and ends in fiscal year 2019.

Certain restrictions are imposed on eligible Directors with regard to the sale of common stock of the Company delivered under the share-based remuneration plan.

The purpose of the share-based remuneration plan is to further promote the sustainable improvement of the Company’s corporate value over the medium to long term and the aligning of interests with shareholders, by delivering common stock of the Company (or money in its place) commensurate in value with the degree of achievement of performance and other targets of the Company and the change in the stock price of the Company, to eligible Directors. Accordingly, the Company considers introduction of the plan to be appropriate.

Details of the share-based remuneration plan will be determined by the Board of Directors after passing through deliberation and reporting by a Compensation Committee that comprises a majority of External Directors and is chaired by an External Director.

If Proposal 3 is approved as described in the original proposal, there will be ten Directors (including three External Directors); excluding the three External Directors, there will be seven Directors eligible for the share-based remuneration plan.

- (2) Calculation method for and upper limit on the amount of remuneration in the form of monetary remuneration receivables under the share-based remuneration plan

Separate from the monetary remuneration described in “3” above, the Company will pay remuneration in the form of monetary remuneration receivables on the basis of this share-based remuneration plan.

The amount of remuneration in the form of monetary remuneration receivables to be paid to each eligible Director will be the amount obtained by multiplying the number of individually delivered shares prescribed in “(3)” below by the amount to be paid in per share, except for the case set forth in “(4) (ii)” below.

[Amount of monetary remuneration receivables to be paid to each eligible Director = number of individually delivered shares x amount to be paid in per share]

The amount to be paid in per share will be the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day prior to the meeting of the Board of Directors that resolves to deliver common stock of the Company, or other fair price of common stock of the Company on the payment date, with the following amount to be paid in as the upper limit.

(Upper limit on amount to be paid in)

The highest closing price of ordinary transactions of common stock of the Company on the Tokyo Stock Exchange for three months before and three months after (total six months) the point of expiration of the performance evaluation period that forms the target period for execution of the duties which are to be compensated by the monetary remuneration receivables allocated for payment.

The upper limit on the total amount of remuneration, including the amount of monetary remuneration receivables set forth in “(4) (ii)” below if applicable, in the form of monetary remuneration receivables per performance evaluation period is the amount obtained by multiplying the upper limit on the number of shares to be delivered per performance evaluation period specified in “(3)” below, by the above upper limit on the amount to be paid in per share.

[Upper limit on the total amount of remuneration in the form of monetary remuneration receivables = upper limit on the number of shares to be delivered x upper limit on the amount to be paid in]

- (3) Calculation method for and upper limit on the number of common stock of the Company to be delivered to eligible Directors

The calculation method for the number of common stock of the Company to be delivered to each eligible Director (hereafter “number of individually delivered shares”) will be as follows, and the upper limit on the total number of these (hereafter “upper limit on the number of shares to be delivered”) will be 100,000 shares (Note) per performance evaluation period.

(Note) About 0.03% of the total number of shares issued (353,715,800 shares) as of March 31, 2017

[Calculation method for number of individually delivered shares]

The number of individually delivered shares is calculated by multiplying the standard number of shares to be delivered, by a performance evaluation factor that is based on the degree of achievement of performance and other targets of the Company, etc. in the performance evaluation period.

[Number of individually delivered shares = standard number of shares to be delivered x performance evaluation factor]

In cases where there is a possibility that the total number of individually delivered shares calculated under this method exceeds the upper limit on the number of shares to be delivered, the number of shares to be delivered to each eligible Director will be reduced according to proportional distribution or other reasonable method, so as not to exceed the upper limit on the number of shares to be delivered.

The standard number of shares to be delivered will be the standard amount set for each Director position, divided by the average value of the closing price of ordinary transactions of common stock of the Company on the Tokyo Stock Exchange for one month prior to the starting date of the performance evaluation period (with fractions of less than one yen rounded up). The performance evaluation factor will be calculated on the basis of results such as the degree of achievement with respect to targets for performance, including management indices emphasized in the Medium-Term Management Plan in the performance evaluation period.

(4) Requirements for delivering common stock of the Company to eligible Directors, etc.

- (i) Common stock of the Company will be delivered on the requirement that a post is held during the performance evaluation period.

In the event that an eligible Director assumes the post or retires from the post due to expiration of term of office during the performance evaluation period, common stock of the Company will be delivered in accordance with the period in which the post is held during each performance evaluation period.

- (ii) In the event that an eligible Director retires from the post during the performance evaluation period due to resignation for reasons acknowledged by the Company as unavoidable, such as death, sickness, or disability, monetary remuneration receivables will be granted at an amount obtained by multiplying the number of individually delivered shares calculated based on performance evaluations, etc. until the fiscal year that ended prior to the retirement from the post and in accordance with the period in which the post has been held by the fair value of common stock of the Company per share on the date of the Board of Directors’ meeting that resolves the granting of monetary remuneration receivables, within the reasonable period of time after the retirement. In this case, money equivalent to the monetary remuneration receivables will be provided instead of the delivery of common stock of the Company.

The term of office under the share-based remuneration plan will be calculated from July 1, 2017 after the conclusion of this General Meeting of Shareholders. This term for Directors who assumed the post of eligible Director prior to the introduction of the share-based remuneration plan will also be treated as if they have assumed the post of eligible Director as of the conclusion of this General Meeting of Shareholders.

(5) Handling of stock splits and stock consolidation

In the event of a stock split or consolidation occurring during the performance evaluation period (including allotment of common stock of the Company without contribution; the same applies hereinafter), the number of individually delivered shares and upper limit on the number of shares to be delivered to eligible Directors will be adjusted in accordance with the ratio of the split or consolidation.

(Reference)

- The Company also intends to introduce a performance-linked share-based remuneration plan similar to that in this proposal for Executive Officers who do not concurrently serve as Directors of the Company, on the premise that this proposal is approved and passed. In this event, the upper limit on the number of shares to be delivered per performance evaluation period, for eligible Directors and Executive Officers combined, will be 290,000 shares (Note).

(Note) About 0.08% of the total number of shares issued (353,715,800 shares) as of March 31, 2017

- The notice for policies concerning the determination of remuneration for officers of the Company is described on page 36 and subsequent pages.

(Attached Documents)

Business Report

(April 1, 2016 to March 31, 2017)

1. Current state of the JAL Group

(1) Business progress and results

During the fiscal year under review, the Japanese economy saw improvement in employment and income as a moderate recovery trend continued. However, growth in consumer spending and capital expenditures lacked momentum. Overseas, weaknesses were apparent in emerging countries in Asia, resource-producing countries, and elsewhere, with the Chinese economy slowing as well. Crude oil prices, which affect the Company's fuel procurement costs, international passenger revenues, and cargo revenues, remained at a lower level than in the previous fiscal year, but rose due to factors including agreement on crude oil production cuts at the Organization of the Petroleum Exporting Countries (OPEC) meeting in December. At the same time, although the yen remained stronger against the U.S. dollar than in the previous fiscal year, it has depreciated since December due to the policy interest rate target hike by the U.S. Federal Open Market Committee (FOMC).

Under these economic circumstances, the Company did its utmost to heighten profit consciousness through the JAL Philosophy and a divisional profitability management system, increase business efficiency, and provide customers with unparalleled service on the premise of maintaining safe operations.

Acting as “the leading company in transport sector safety,” a status noted among our management goals, and in order to maintain the flight safety that is the foundation for our continued existence, we worked to develop safety systems while engaging in three initiatives: “nurturing of a safety-related climate,” “human resources development for safety initiatives,” and “advancement of systems for preserving safety initiatives.”

For the “nurturing of a safety-related climate,” we held 53 safety seminars for new staff, 20 safety seminars for new managers, and 18 voluntary-participation safety awareness seminars in FY2016 to penetrate the principle of “every staff has to pitch in to protect safety” into workplace.

In the “development of human resources for ensuring safety,” we aimed to have not only staff directly involved in operations but all staff involved in business management execute their work after acquiring basic knowledge under our Safety Management System (SMS). Building on the SMS education conducted in FY2015, we deepened understanding of the importance of SMS and reporting through Safety Leader-centered discussions at each workplace.

In the “advancement of systems for preserving safety,” we assessed the risk of defects developing into aviation accidents or serious incidents. With regard to high-risk cases, we are working to strengthen protective walls to prevent escalation into aviation accidents and serious incidents. In addition, we are making renewed efforts to identify the beginnings of latent safety lapses within daily operations, and are enacting countermeasures through preventive risk management.

We will continue our efforts to develop “safety systems” with the advice of the JAL Safety Advisory Group, headed by Mr. Kunio Yanagida.

(Reference)

Aviation accident: A fatal or serious injury to a person as a result of the operation of aircraft; the crash or collision of an aircraft, or aircraft fire; damage to an aircraft during flight (requiring major repairs); etc.

Serious incident: A situation that does not extend to an aviation accident but is recognized as having posed the risk of one. An overrun or emergency evacuation is an example.

As for the “CSR activities,” in order to meet the expectations of society, we conducted CSR activities through our main business, the air transport business. With the participation of many JAL Group employees, we promoted various activities, centering on the continuing control of environmental impacts, and engaged in next-generation personnel development and support for disaster-affected

areas in the Tohoku and Kyushu regions.

Aiming to “reduce CO₂ emissions from aircraft by 23% per Revenue Ton Kilometers from FY2005 by FY2020,” we have certainly implemented the target (reduced by 14.9% by March 2016). We have also worked on the cooperation in the development of domestic biojet fuel, atmospheric observation project, which we have continued since 1993, conservation of biodiversity and educational activities thereon including cranes, the motif of the Company’s logo.

We continually worked to promote industry in Tohoku through our business, as Tohoku Support measures. In addition to adopting Tohoku products as products in exchange for earned mileage, providing employee training programs, and transmitting various information, we also established the “Tohoku Creation Room” in Sendai as a base for initiatives to promote activities with closer ties to the local communities. We continued the project “Gifts for smiling face” aimed at bringing smiles back to children in elementary schools and their families victimized by the disaster through travel and an educational support project “Chance for Children” where customers can donate charity miles to provide educational opportunities in Tohoku for children with financial difficulties due to the earthquake.

We further launched the “Kyushu Support Project” to offer support for reconstruction from the Kumamoto earthquakes, and developed various initiatives centered on “customer guidance” and “industrial support.” In customer guidance, we sold the “Cheer Up, Kyushu” plan, a special product incorporating donations, and delivered the reconstruction wishes of customers nationwide to Kyushu. In industrial support, we actively promoted specialty products from Kumamoto Prefecture, utilizing international in-flight meals and airport lounges.

In addition, our efforts to utilize variety of human resources including women in the workplace and initiatives related to maintaining the health of the employees were noted, earning us our third straight year of “Nadeshiko Brand” and “Brand of Companies Enhancing Corporate Value through Health and Productivity Management” recognition, honors conferred through joint selection by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. We were also awarded the “Chairman's Prize of the Japan Telework Association,” a first in the aviation industry.

As for the consolidated financial results of the JAL Group for the fiscal year under review, operating revenues decreased year on year by 3.6% to 1,288.9 billion yen, and operating expenses decreased by 0.8% to 1,118.6 billion yen, operating income decreased by 18.6% to 170.3 billion yen, ordinary income decreased by 21.1% to 165.0 billion yen, and profit attributable to owners of parent decreased by 5.9% to 164.1 billion yen.

(2) Business conditions by business segment

	•International passenger revenue (Billions of yen)		67 th fiscal year	68 th fiscal year
International passenger operations	68 th fiscal year: 415.2	Available-seat-km (Million seat-km)	50,563	50,621 (up 0.1%)
	67 th fiscal year: 448.7	Revenue-passenger-km (Million passenger-km)	40,305	40,633 (up 0.8%)
		Load factor (L/F) (%)	79.7	80.3 (up 0.6 points)
Reference	Available-seat-km:	Unit expressing passenger capacity. Number of seats × Distance traveled (km)		
	Revenue-passenger-km:	Unit expressing revenue passenger transport volume. Number of revenue passengers (people) × Distance traveled (km)		
	Load factor (L/F):	Revenue-passenger-km ÷ Available-seat-km		

As a result of firm demand for outbound flights in addition to continued robust demand for inbound flights, international passenger operations recorded the highest-ever load factor. However, passenger revenue declined from the previous fiscal year due to a decrease in fuel surcharge revenue, which reflected lower price levels in the fuel market.

Regarding route operations, we increased flights on Hawaii routes (Narita-Honolulu route and

Kansai-Honolulu route) and the Narita-Bangkok route. In partnerships with other companies, we extended our network by adding Iberia airlines to the joint business for Japan-Europe flights, implementing code-sharing for the Narita-Madrid flights operated by Iberia airlines, expanding code-sharing flights for all Japan-Taiwan flights operated by China Airlines, and expanding code-sharing flights with Russia's S7 Airlines, a One World Alliance member, to 19 flights.

As for sales strategies, we renewed the Sakura Lounge operated at Suvarnabhumi Airport in Bangkok to provide customers with a more comfortable space. We also launched "OnTrip JAL," which delivers tips for travel and seasonal travel information online. By offering content that makes travel more fun and rewarding, we are working to uncover the attractions of regions and spark travel demand.

As for products, we enhanced more routes with "JAL SKY SUITE" aircraft. These are equipped with full-flat seats in Business Class that allow passengers in all seats direct access to the aisle, and New Spacious Economy seats are installed in Economy Class that provide more spaciousness than the standard seating arrangement.

Domestic passenger operations	•Domestic passenger revenue (Billions of yen)		67 th fiscal year	68 th fiscal year	
	68 th fiscal year:	498.6	Available-seat-km (Million seat-km)	35,869	35,423 (down 1.2%)
	67 th fiscal year:	501.2	Revenue-passenger-km (Million passenger-km)	24,341	24,550 (up 0.9%)
			Load factor (L/F) (%)	67.9	69.3 (up 1.4 points)
Reference	Available-seat-km:	Unit expressing passenger capacity. Number of seats × Distance traveled (km)			
	Revenue-passenger-km:	Unit expressing revenue passenger transport volume. Number of revenue passengers (people) × Distance traveled (km)			
	Load factor (L/F):	Revenue-passenger-km ÷ Available-seat-km			

In domestic passenger operations, amid impacts from the Kumamoto earthquakes and the alignment of Silver Week holidays, the number of revenue passengers increased from the previous fiscal year under measures to boost demand. At the same time, prices fell from the previous fiscal year due to a more severe competitive environment, and passenger revenue declined from the previous fiscal year.

Regarding route operations, we introduced the Embraer 190 with "Class J," a first for a regional jet aircraft. Following the launch of Itami-Kagoshima flights in May 2016, we expanded routes from Itami to Sendai, Fukuoka, and Nagasaki, and worked to further improve the comfort of routes departing from Itami.

As for products, we completed the introduction of revamped "JAL SKY NEXT" specifications across all 77 targeted aircraft. For the "in-flight Wi-Fi service" available on "JAL SKY NEXT" flights, we are rolling out a free "Always Connected" campaign as a part of efforts to make air travel comfortable for more customers.

As for sales, we launched a new service, "Dokokani Miles," a first for an airline in Japan. Seeking to create new demand that lures customers to regional destinations, we worked to further revitalize domestic travel through aviation.

In addition, as an initiative to support the reconstruction of the tourism industry from the Kumamoto earthquakes, we implemented the "Kyushu Support Project." In Hokkaido, which suffered damage from successive typhoons, we rolled out the "Hokkaido Support Campaign" aimed at the restoration of tourism demand as we strove to introduce customers to diverse regions.

As for airport services, we carried out full-scale reforms of our Sakura Lounge at the New Chitose, Naha, Fukuoka, and Hiroshima Airports, and established the Diamond Premium Lounge, our highest-class lounge for domestic routes, at the New Chitose, Itami, and Fukuoka Airports. We worked to improve the quality of lounge service through means including expanded food and drink service menus and a review of availability hours.

Cargo service operations	• Cargo service revenue (Billions of yen)		67 th fiscal year	68 th fiscal year
	(International routes)			
	68 th fiscal year: 43.3	Revenue cargo for International routes ton-km (1,000 ton-km)	1,724,590	1,887,856 (up 9.5%)
	67 th fiscal year: 54.2			
(Domestic routes)				
68 th fiscal year: 22.2	Revenue cargo for Domestic routes ton-km (1,000 ton-km)	363,200	357,803 (down 1.5%)	
67 th fiscal year: 23.3				
Reference	Revenue-cargo-ton-km:	Unit expressing revenue cargo transport volume. Revenue cargo weight (ton) × Distance traveled (km)		

For international cargo operations, market demand turned toward recovery during the second quarter, after which we worked to maximize revenue by steadily capturing robust demand. However, international cargo revenue declined compared with the previous fiscal year mainly due to changes in settlement methods and the impact of yen appreciation on foreign currency denominated cargo revenue.

In domestic cargo operations, revenue decreased due to causes including a shift in demand to land transport for some cargo and a decrease in demand for fresh cargo due to inclement weather.

Other operations	• Other operations revenue (Billions of yen)	JALPAK Co., Ltd.	67 th fiscal year	68 th fiscal year
	(JALPAK Co., Ltd.)			
	68 th fiscal year: 172.5	The number of overseas travelers handled (10,000 passengers)	24.3	24.1 (down 0.6%)
	67 th fiscal year: 172.2	The number of domestic travelers handled (10,000 passengers)	242.9	251.0 (up 3.3%)
	(JALCARD, Inc.)			
	68 th fiscal year: 20.4	JALCARD, Inc.	67 th fiscal year	68 th fiscal year
67 th fiscal year: 20.4	The number of members (10,000 passengers)	312.9	327.2 (up 4.5%)	
Note	The fiscal years shown above are those of the Company.			

In other operations, we strove to maximize the JAL Group's corporate value by enhancing the convenience for customers. Summary on two major companies is as follows:

JALPAK Co., Ltd. worked to boost sales through faster product launches, the expansion of high value-added products, and timely sales promotion campaigns geared to demand trends. The company also began sales of "Dynamic Packages aimed at capturing demand by foreign visitors to Japan." Despite renewal of the smartphone reservation screen to improve ease of use and the use of aggressive sales of Business Class and Premium Economy Class seats, the number of overseas travelers handled decreased year-on-year due to sluggish Europe-bound tourism demand, and fewer seats in the new aircraft introduced on Honolulu routes. The number of domestic travelers handled increased year-on-year as we strengthened Go by JAL – Kyushu Reconstruction Discount sales and buying, and as JAL Dynamic Package sales remained robust under effective online marketing promotions.

JALCARD, Inc. worked to increase the number of new members by actively conducting effective membership campaigns utilizing online advertising and direct mail, and also by utilizing tablet

devices for enrollment at airports and banks. As a result, the number of members increased year-on-year. We also launched the “MyJALCARD” members-only online service available after enrollment, and worked to improve customer service. Transaction volume remained strong under the expansion of special agencies where customers earn double mileage and other measures to promote card use, as well as programs encouraging customers to enroll in and change to superior cards.

(3) Issues to be addressed

With 2020 the year of the Olympic and Paralympic Games in Tokyo and an expected milestone for the expansion for flights into and out of metropolitan airports, on April 28, 2017 we announced the formulation of the new plan called “JAL Group Medium -Term Management Plan for Fiscal Years 2017-2020.”

In formulating this medium-term management plan, we put forth our “JAL Vision”, which is aimed at “customers, regions, and communities around the world” and is built on the key phrases “Global JAL,” “The value of taking a step forward,” and “Always growing.” Toward the realization of this vision, during the coming four years we will steadily move forward step by step under the theme of “Toward Challenge and Growth,” and will connect this to continuous and stable future growth. Specifically, we will continue to polish our full-service carrier business and will undertake the broadening of our business domains, creating and developing new sources of revenue. Toward that end, we engage in the following five specific initiatives.

(a) Safety

We aim to stably achieve our ongoing numerical safety target of “zero aviation accidents and zero serious incidents” through the addition of new approaches in the four years of our new Medium-Term Management Plan.

We will undertake goals that include the evolution of safety management systems to prevent accidents through multi-layered countermeasures, the evolution of safety management systems to protect customers from the threat of terrorism, and the fostering of a culture that unflinchingly learns from past accidents and continues to act with safety as the utmost priority.

(b) Network & Products, Services

While continuing to provide a network, products and services that customers select on international routes, we will seek to grow through activities aimed at overseas customers. We will expand aircraft equipped with full-flat seats in Business Class and “New Spacious Economy seats” that offer more legroom.

On domestic routes, we will realize stable growth through the provision of “high-value services” and the “creation of new aviation demand.” In addition to introducing the most advanced Airbus A350-900 on main domestic routes and new aircraft including the Embraer 190 and ATR42-600, etc. on regional routes, we will expand aircraft equipped with in-flight Internet and high-quality seats. At the same time, we will undertake the operation of network of routes that serves regions such as outlying islands or Hokkaido.

(c) Divisional profitability

We will achieve the maximization of sales and the minimization of expenses through means including the practice of appropriate cost accounting, control of fixed expenses, and conversion of fixed expenses to variable expenses. Together with this, we will promote lean management that grows our ability to generate cash by making effective use of existing resources.

Moreover, we will aggregate the power of every employee by practicing PDCA with a sense of speed, and through participation-style management involving the originality and ingenuity of all employees in order to enhance our ability to execute toward the achievement of our goals.

(d) Human Resources

While continuing to maintain an environment that enhances productivity, we will keep working toward diversity and the development of global human resources so that our diverse human resources demonstrate their own individuality.

By nurturing leaders who constantly take on challenges and promote change, and through all employees coming together as a professional group, the JAL Group as a whole will brim with opportunities for value creation as we aim to become a company that is rich in human resources who strive to realize ideas.

(e) Innovation

We will undertake the challenges of innovation, including improvement and transformation of our existing businesses using human talent and technology, contribution to regions and society, and establishment of new sources of revenue.

From the perspective of revitalizing regions and passengers to Japan and as transportation infrastructure, we will move forward in responding to increases in inbound passengers and to referring travelers to regional destinations. At the same time, we will undertake the New JAPAN PROJECT and other initiatives together with regions, thereby contributing to goals including regional economic development and residential population growth.

Through the above we will maintain stable profitability and a strong financial structure, and will contribute to regions and society as we actively engage in giving back to all our stakeholders.

To our shareholders, we appreciate your continuing support and understanding.

(4) Capital expenditures

During the current fiscal year, the JAL Group's capital expenditures totaled 233.1 billion yen, which is broken down into 194.9 billion yen for aircraft-related capital expenditures, 10.5 billion yen for ground-based assets, etc., and 27.7 billion yen for intangible fixed assets.

During the current fiscal year, the JAL Group introduced 17 new airplanes, all of which are purchased airplanes, and purchased 4 airplanes that were previously on lease. On the other hand, 13 airplanes were retired.

The number of airplanes for which the JAL Group has placed orders and already made payments on as capital investment, including up-front disbursement, during the current fiscal year is 41.

(5) Financing

During the current fiscal year, the JAL Group took out long-term borrowings of 27.8 billion yen from domestic financial institutions to fund the aforementioned payments on airplanes. The Group also issued straight corporate bonds of 20.0 billion yen.

(6) Business transfer, etc.

None

(7) Business results and assets

Classification	65 th fiscal year ended March 31, 2014	66 th fiscal year ended March 31, 2015	67 th fiscal year ended March 31, 2016	68 th fiscal year ended March 31, 2017
Operating revenues (Millions of yen)	1,309,343	1,344,711	1,336,661	1,288,967
Operating income (Millions of yen)	166,792	179,689	209,192	170,332
Operating margin (%)	12.7	13.4	15.7	13.2
Ordinary income (Millions of yen)	157,634	175,275	209,219	165,013
Profit attributable to owners of parent (Millions of yen)	166,251	149,045	174,468	164,174
Basic earnings per share (Yen)	458.45	411.06	481.29	456.56
Return On Equity (ROE) (%)	26.5	20.3	21.5	18.1
Total assets (Millions of yen)	1,340,168	1,473,354	1,578,928	1,728,777
Net assets (Millions of yen)	711,064	800,751	870,557	1,003,393
Net assets per share (Yen)	1,903.53	2,142.00	2,325.79	2,749.71
Equity ratio (%)	51.5	52.7	53.4	56.2

- (Notes) 1. Basic earnings per share is calculated based on the average number of shares outstanding during the current fiscal year after subtracting the number of treasury stock and shares in the Company held by associated companies. Net assets per share is calculated based on the total number of shares issued as of the end of the current fiscal year after subtracting the number of treasury stock and shares in the Company held by associated companies.
2. The Company conducted a stock split of common stock at a ratio of two shares for every share on October 1, 2014. Basic earnings per share and net assets per share were calculated based on the assumption that the said stock split was conducted at the start of the 65th fiscal year.

(8) Major parent companies and subsidiaries (as of March 31, 2017)

a. Parent companies

None

b. Subsidiaries

Name	Capital	Ratio of voting rights	Principal business
JAPAN TRANSOCEAN AIR CO., LTD.	4,537 million yen	72.8%	Air transport business
JAPAN AIR COMMUTER CO., LTD.	300 million yen	60.0%	Air transport business
J-AIR CO., LTD.	200 million yen	100.0%	Air transport business
JALPAK CO., LTD.	80 million yen	* 97.7%	Travel agency

(Note) Figures with an asterisk (*) show the ratio of voting rights including those owned by subsidiaries.

(9) Principal business (as of March 31, 2017)

Air transport business and other businesses incidental or related thereto.

(10) Principal locations of business and plants (as of March 31, 2017)

Business Office	
Head Office	2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo
Japan	Sapporo, Hakodate, Asahikawa, Obihiro, Kitami, Aomori, Akita, Sendai, Tokyo, Niigata, Nagoya, Kanazawa, Osaka, Okayama, Hiroshima, San'in, Yamaguchi, Matsuyama, Kochi, Takamatsu, Tokushima, Fukuoka, Nagasaki, Oita, Kumamoto, Miyazaki, Kagoshima, Okinawa
Overseas	Seoul, Busan, Beijing, Tianjin, Shanghai, Dalian, Guangzhou, Hong Kong, Taipei, Kaohsiung, Manila, Bangkok, Hanoi, Ho Chi Minh City, Singapore, Kuala Lumpur, Jakarta, Sydney, New Delhi, Moscow, Helsinki, Frankfurt, London, Paris, Guam, Vancouver, New York, Boston, Chicago, Dallas, Los Angeles, San Diego, San Francisco, Honolulu

Plants
Haneda Maintenance Center, Narita Maintenance Center

(11) Employees (as of March 31, 2017)

	Number of Employees	Increase (decrease) from the previous fiscal year
Air transport business	28,720 persons	700
Other	4,033 persons	67
Total	32,753 persons	767

(Note) The number of employees represents all individuals working within the JAL Group (including temporary employees) excluding those on leave.

(12) Aircraft (as of March 31, 2017)

Aircraft	Number of aircraft	Number of seats	Note
Boeing 787-8	25	161, 186	
Boeing 787-9	8	195	
(Subtotal)	(33)		
Boeing 777-200	12	375	
Boeing 777-300	4	500	
Boeing 777-200ER	11	236, 245	
Boeing 777-300ER	13	244	
(Subtotal)	(40)		
Boeing 767-300	6	261	
Boeing 767-300ER	31	199, 227, 237, 252, 261	The number of aircraft includes 2 on lease
(Subtotal)	(37)		
Boeing 737-400	11	145, 150	
Boeing 737-800	53	144, 165	The number of aircraft includes 27 on lease
(Subtotal)	(64)		
Embraer 170	17	76	
Embraer 190	5	95	
(Subtotal)	(22)		
Bombardier DHC8-100	2	39	
Bombardier DHC8-300	1	50	
Bombardier DHC8-400	9	74	
Bombardier DHC8-400CC	4	50	
(Subtotal)	(16)		The number of aircraft includes 2 on lease
Bombardier CRJ200	5	50	
ATR 42-600	1	48	
SAAB 340B	12	36	
Total	230		

(13) Major Creditors (as of March 31, 2017)

Creditor	Loans outstanding at the end of the period
Mizuho Bank, Ltd.	14,570 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	14,570 million yen
Sumitomo Mitsui Banking Corporation	3,984 million yen

(14) Other important matters concerning current status of the JAL Group

As regards the case that the Company was charged with forming a price cartel on air cargo by European Union antitrust authorities, a judgment was rendered by the European Court of Justice in February 2016, revoking the monetary penalty payment ordered by authorities. However, on March 17, 2017, European Union antitrust authorities again issued an order of monetary penalty payment. Currently, we are carefully studying the content of the order to consider our response. At the same time, as a civil suit, cargo owners are suing several airlines including the Company in the Netherlands, etc., claiming damages arising from the alleged air cargo cartel. In regard to reserve for loss on antitrust liabilities, for which the probability and amount of possible losses can be reasonably estimated, an estimated amount of possible losses is recorded as a reserve.

The JAL Group provides training for employees on overseas assignments before they are stationed abroad, and holds seminars on antitrust and provides e-learning using the Web mainly for staff in the sales departments, in order to prevent occurrence of cartel behavior, while requiring managerial staff in the sales departments to confirm compliance every six months. Thus, the JAL Group endeavors to strengthen the structure for compliance with the antimonopoly law.

Currently, the Japan Transport Safety Board under the Ministry of Land, Infrastructure, Transport and Tourism is investigating incidents involving the JAL group including one aviation accident that occurred in FY2016, and one aviation accident and one serious incident that occurred in FY2015. The JAL Group has taken necessary measures and will appropriately implement additional measures depending on the results of investigation conducted by the board.

Depending on how these matters develop, they could negatively affect our business performance. In addition, the JAL Group is at risk of various legal proceedings concerning its business activities that could affect its business or business performance.

2. Shares

(1) Total number of shares issued and number of shareholders

(As of March 31, 2017)

Classification	Total number of shares issued	Number of shareholders
Common stock	353,715,800 shares	127,583 persons

- (Notes)
1. The total number of shares issued includes 136,157 shares of treasury stock.
 2. The Company resolved at meetings of the Board of Directors held on October 31, 2016 and March 9, 2017, to purchase and retire treasury stock and carried out the purchase and retirement as follows:
 - a. Details of matters relating to purchase
 - Total number of shares purchased: 8,988,200 shares
 - Purchase period: From November 1, 2016 to February 27, 2017
 - b. Details of matters relating to be retired
 - Total number of shares to be retired: 8,988,200 shares (total number of shares of treasury stock purchased in (a.) above)
 - Share retirement date: March 22, 2017

(2) Major shareholders

(As of March 31, 2017)

Name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	17,606,000	4.97
Japan Trustee Services Bank, Ltd. (Trust account)	15,938,000	4.50
KYOCERA Corporation	7,638,400	2.16
Japan Trustee Services Bank, Ltd. (Trust account 5)	6,619,600	1.87
Japan Trustee Services Bank, Ltd. (Trust account 9)	6,568,000	1.85
Daiwa Securities Group Inc.	5,000,000	1.41
Japan Trustee Services Bank, Ltd. (Trust account 1)	4,907,800	1.38
Japan Trustee Services Bank, Ltd. (Trust account 2)	4,852,900	1.37
STATE STREET BANK AND TRUST COMPANY	4,425,900	1.25
Japan Trustee Services Bank, Ltd. (Trust account 7)	4,179,100	1.18

- (Notes)
1. Shareholding ratio is calculated with 136,157 shares of treasury stock excluded, rounded down to two decimal places.
 2. Of shares held by foreigners, etc. with respect to the general shareholders notification, 79,102,870 shares are adjusted shares held by foreigners, etc., which the Company refused to register in the shareholders' register pursuant to the Civil Aeronautics Act and its Articles of Incorporation.

3. Corporate Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2017)

Position	Name	Responsibility	Important concurrent occupations or positions at other organizations
Director, Chairman	Masaru ONISHI	Chairman of the Board of Directors	Outside Director, Japan Airport Terminal Co., Ltd.(*) Chairman, JAL Foundation Representative Director, General Incorporated Foundation Air Traffic Service Research Institute (* indicates a listed company)
Representative Director, President	Yoshiharu UEKI	Chairman of the Management Committee Chairman of the Council for Group Safety Enhancement Chairman of the Corporate Brand Promotion Council Chairman of the Council for Tokyo 2020 Olympic and Paralympic Promotion Chairman of the JAL Philosophy Committee Chairman of the CSR Committee	
Representative Director, Executive Vice President	Tadashi FUJITA	Aide to the President	
Representative Director, Senior Managing Executive Officer	Junko OKAWA	General Manager, Communication Division	
Director, Senior Managing Executive Officer	Norikazu SAITO	General Manager, Finance & Accounting	
Director, Senior Managing Executive Officer	Toshiaki NORITA	General Manager, Corporate Planning, Business Creation Strategy	Director (Outside), Airport Facilities Co., Ltd.(*) Director (Outside), Fukuoka Airport Building Co., Ltd. (* indicates a listed company)
Director, Senior Managing Executive Officer	Hideki KIKUYAMA	General Manager, Managing Division Route Marketing	
Director, Senior Managing Executive Officer	Toshinori SHIN	General Manager, Flight Operations Safety General Manager	
Director	Kimie IWATA		President, Japan Institute for Women's Empowerment & Diversity Management Audit and Inspection Commissioner of the Tokyo Metropolitan Government Director of the Board (outside), Kirin Holdings Company, Limited(*) Outside Director, STRIPE INTERNATIONAL INC. (* indicates a listed company)

Position	Name	Responsibility	Important concurrent occupations or positions at other organizations
Director	Eizo KOBAYASHI		Chairman of ITOCHU Corporation(*) Director(Outside), OMRON Corporation(*) Outside Director, Japan Exchange Group, Inc.(*) Outside Auditor of Asahi Mutual Life Insurance Company (* indicates a listed company)
Director	Masatoshi ITO		Representative Director, Chairman of the Board, Ajinomoto Co., Inc.(*) Chairman of the JAA Council, Japan Advertisers Association Outside Director, Yamaha Corporation(*) (* indicates a listed company)
Audit & Supervisory Board Member	Hisao TAGUCHI		
Audit & Supervisory Board Member	Yasushi SUZUKA		President, Japan SAP Users' Group
External Audit & Supervisory Board Member	Hiroyuki KUMASAKA		
External Audit & Supervisory Board Member	Shinji HATTA		Professor of Auditing, Graduate School of Professional Accountancy, Aoyama Gakuin University, Tokyo Corporate Auditor (Outside, nonstanding) of Development Bank of Japan Inc. Corporate Auditor (Outside, nonstanding) of RISO KAGAKU CORPORATION(*) Member of Sub-committee on Auditing of the Business Accounting Council, Financial Services Agency (* indicates a listed company)
External Audit & Supervisory Board Member	Osamu KAMO		Attorney at law, Ginza Sogo Law Office External Audit & Supervisory Board Member of Azeearth Corporation(*) Chairman of Government Procurement Review Board (Cabinet Office, Government of Japan) Special Advisor, Reform Office of the Tokyo Metropolitan Government (* indicates a listed company)

(Notes) 1. Changes of Directors and Audit & Supervisory Board Members during the current fiscal year

(1) Assumption

At the 67th Ordinary General Meeting of Shareholders held on June 22, 2016, Mr. Hideki Kikuyama, Mr. Toshinori Shin and Mr. Masatoshi Ito were newly appointed as Directors, and Mr. Osamu Kamo was newly appointed as Audit & Supervisory Board Member, and all of them assumed office on the same date.

(2) Retirement

At the conclusion of the 67th Ordinary General Meeting of Shareholders held on June 22, 2016, Mr. Nobuhiro Sato retired from office of Director, and Mr. Eiji Katayama retired from office of Audit & Supervisory Board Member.

(3) Changes in positions and responsibilities, etc. of Directors

Director, Mr. Yoshiharu Ueki, assumed office as the Chairman of the Council for Tokyo 2020 Olympic and Paralympic Promotion of Japan Airlines Co., Ltd. on December 21, 2016. Director, Mr. Toshinori Shin, assumed office as Safety General Manager of Japan Airlines Co., Ltd. on June 22, 2016.

2. Directors, Ms. Kimie Iwata, Mr. Eizo Kobayashi and Mr. Masatoshi Ito, are External Directors who meet the Independence Standards of External Officers stipulated by the Company. The Company has designated them as the Independent Officers who are unlikely to cause a conflict of interests with ordinary shareholders as stipulated by the Tokyo Stock Exchange and notified them to the stock exchange.
3. External Director, Ms. Kimie Iwata, assumed office as the Outside Director of STRIPE INTERNATIONAL INC. on April 21, 2016.
4. External Director, Mr. Eizo Kobayashi, assumed office as the Outside Director of Japan Exchange Group, Inc. on June 21, 2016.
5. External Director, Mr. Masatoshi Ito, assumed office as the Outside Director of Yamaha Corporation on June 22, 2016.
6. Audit & Supervisory Board Member, Mr. Hiroyuki Kumasaka, Mr. Shinji Hatta and Mr. Osamu Kamo are External Audit & Supervisory Board Members who meet the Independence Standards of External Officers stipulated by the Company. The Company has designated them as the Independent Officers who are unlikely to cause a conflict of interests with ordinary shareholders as stipulated by the Tokyo Stock Exchange and notified them to the stock exchange.
7. Audit & Supervisory Board Member, Mr. Hiroyuki Kumasaka is qualified to be a certified public accountant and has a considerable knowledge of finance and accounting.
8. Audit & Supervisory Board Member, Mr. Shinji Hatta has an extensive experience and deep insight as an authority on research on corporate practices in corporate auditing and corporate internal control and has considerable knowledge of accounting and audit.
9. Audit & Supervisory Board Member, Mr. Osamu Kamo, assumed office as the Special Advisor of Reform Office of the Tokyo Metropolitan Government on August 17, 2016.
10. The Company has business relationship with Development Bank of Japan Inc. (borrowing of money).
11. Effective April 1 and 28, 2017, the positions and responsibilities of Directors have been changed. As of April 28, 2017, positions and responsibilities of the Directors are as follows:

Position	Name	Responsibility
Representative Director, President	Yoshiharu UEKI	Chairman of the Management Committee Chairman of the Council for Group Safety Enhancement Chairman of the Corporate Brand Promotion Council Chairman of the JAL Philosophy Committee
Representative Director, Executive Vice President	Tadashi FUJITA	Aide to the President Chief Wellness Officer, Chairman of the JAL Wellness Promotion Committee
Representative Director, Senior Managing Executive Officer	Junko OKAWA	General Manager, Communication Division Chairman of the Committee for Tokyo 2020 Olympic and Paralympic Promotion Chairman of the CSR Committee
Director	Toshiaki NORITA	

Name, title and responsibility of Executive Officers (excluding Directors concurrently serving as Executive Officer) are as follows:

(Reference) (as of March 31, 2017)

Position	Name	Responsibility
Managing Executive Officer	Nobuyoshi GONDO	General Manager, Corporate Safety & Security Manager, Family Assistance & Support
Managing Executive Officer	Kiyoshi ISHIZEKI	General Manager, IT Planning
Managing Executive Officer	Ryuzo TOYOSHIMA	General Manager, Corporate Control
Managing Executive Officer	Shinichiro SHIMIZU	General Manager, Secretary's Office
Managing Executive Officer	Yuji AKASAKA	General Manager, Engineering & Maintenance President of JAL ENGINEERING CO., LTD.
Managing Executive Officer	Hideo NINOMIYA	General Manager, Managing Division Passenger Sales General Manager, Domestic Passenger Sales President of JAL SALES CO., LTD.
Executive Officer	Tsuyoshi YAMAMURA	General Manager, Cargo & Mail
Executive Officer	Tetsuya ONUKI	President of J-AIR CO., LTD.
Executive Officer	Munemitsu ERIKAWA	Senior Vice President, China Vice President and Regional Manager, Beijing District Sales Manager, Beijing
Executive Officer	Kiyoshi MARUKAWA	President of JAPAN TRANSOCEAN AIR CO., LTD.
Executive Officer	Akira YONEZAWA	General Manager, Managing Division Route Marketing (International Route Marketing)
Executive Officer	Toshiki OKA	General Manager, Purchasing
Executive Officer	Jun KATO	General Manager, Managing Division Route Marketing (Products & Services Planning)
Executive Officer	Hiroyuki HIOKA	General Manager, General Affairs
Executive Officer	Hidetsugu UEDA	Human Resources, in charge of Education Vice President, Human Resources Management
Executive Officer	Tadao NISHIO	General Manager, Managing Division Route Marketing (Domestic Route Marketing)
Executive Officer	Hoshiko NAKANO	Senior Vice President, Western Japan
Executive Officer	Hiroki KATO	President of JAPAN AIR COMMUTER CO., LTD.(*2)
Executive Officer	Tomohiro NISHIHATA	In charge of Managing Division Route Marketing (Passenger System Planning)
Executive Officer	Takahiro ABE	General Manager, Airport Operations
Executive Officer	Hideki OSHIMA	In charge of Managing Division Route Marketing (International Relations and Alliances)
Executive Officer	Eri ABE	General Manager, Cabin Attendants
Executive Officer	Kazuko YASHIKI(*1)	Vice President, Haneda Airport President of JAL SKY CO., LTD.
Executive Officer	Takuya ODA(*1)	General Manager, Human Resources

Position	Name	Responsibility
Executive Officer	Yoriyuki KASHIWAGI(*1)	Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales General Manager, Web Sales Senior Vice President, Eastern Japan

(Notes) *1: Newly assumed office on April 1, 2016.

*2: Newly assumed office on June 28, 2016.

(2) Overview of liability limitation agreement

In accordance with Article 427, Paragraph (1) of the Companies Act and the Company's Articles of Incorporation, the Company has entered into an agreement with each External Director and Audit & Supervisory Board Member, by which they are bound to be liable for damages specified in Article 423, Paragraph (1) of the Companies Act, to the extent of the amount of the minimum liability specified in Article 425, Paragraph (1) of the said Act.

(3) Remuneration, etc. paid to Directors and Audit & Supervisory Board Members

a. Remuneration, etc. paid for the fiscal year under review

Classification	Number of Directors and Audit & Supervisory Board Members	Amount paid
Directors (Of which, External Directors)	12 (3)	388 million yen (33 million yen)
Audit & Supervisory Board Members (Of which, External Audit & Supervisory Board Members)	6 (4)	77 million yen (28 million yen)

(Note) The above table includes one (1) Director and one (1) Audit & Supervisory Board Member who retired from office at the conclusion of the 67th Ordinary General Meeting of Shareholders held on June 22, 2016.

b. Policy on determination of remuneration in kind for Directors and Audit & Supervisory Board Members

The company resolved that the maximum annual remuneration (total amount) for Directors shall be no more than 450 million yen (approved and passed at the extraordinary shareholders meeting on March 28, 2011). This amount of remuneration for Directors does not include salaries for employees serving concurrently as Directors. The remuneration for Directors is determined within the said ceiling at the Board of Directors, following a recommendation by the Compensation Committee, where External Directors make up the majority of members and one External Director serves as the committee's chairman.

The maximum annual remuneration (total amount) for Audit & Supervisory Board Members was approved and passed at the special meeting of shareholders on July 10, 2012 to be no more than 100 million yen.

(Reference)

On the condition that Proposal 4 "Revision of the Amount of Monetary Remuneration, etc. for Directors and the Introduction of a Performance-Linked Share-Based Remuneration Plan," which is to be submitted for discussion at this General Meeting of Shareholders, is approved as originally proposed, from July 1, 2017 the Company plans to revise the policy concerning the determination of remuneration for Directors (excluding External Directors) and Executive Officers as follows.

Fundamental policies

- (1) The Company will encourage the performance of duties consistent with our Corporate Policy and management strategies and provide strong incentives for the achievement of specific management targets, with the aim of sustainable and steady growth of the Company and the Group and of medium to long-term improvement in corporate value.
- (2) The Company will establish appropriate proportions for annual incentive (performance-linked bonus) linked to fiscal year performance and, for the purpose of further promoting the aligning of interests with shareholders, a long-term incentive (performance-linked share-based remuneration) linked to corporate value in accordance with medium to long-term performance, in order to contribute to the demonstration of sound entrepreneurial spirit.
- (3) The Company will provide treatment that is appropriate to the management team of the Company, in accordance with the Company's business performance.

Remuneration levels and remuneration composition ratios

- (1) The Company will set appropriate remuneration levels with reference to objective data on remuneration in the marketplace, and based on the business conditions of the Company.
- (2) Taking into account factors including the content of the Company's business and the effectiveness of incentive remuneration, the Company sets the proportions of (1) amount of fixed basic remuneration*, (2) amount of annual incentive (performance-linked bonus) to be paid according to degree of achievement against targets, and (3) amount of long-term incentive (performance-linked share-based remuneration) to be issued according to the degree of achievement against targets, as follows.

Guideline for the case of 100% achievement against targets (1):(2):(3) = 50%:30%:20%

The above ratio is meant to be a guideline only, and changes may be made to reflect changes in the share price of the Company's shares or for another reason.

- * The amount excludes the amounts of allowances in cases in which an Executive Officer serves concurrently as Director, and the amounts of allowances when the Executive Officer has representative authority.

Framework for incentive remuneration

- (1) The amount of money to be paid every term as an annual incentive (performance-linked bonus) will vary from approximately 0 to 200 depending on degree of achievement, with 100 as the amount to be paid in the case of achievement in line with performance targets. The indices for evaluation of performance will be profit attributable to owners of parent, indicators related to safe operation, and individual evaluation indices for each officer, etc. Reviews of these will be considered as necessary in accordance with changes in the business conditions, the roles of officers, etc.
- (2) The number of shares to be granted every term as a long-term incentive (performance-linked share-based remuneration) will vary from approximately 0 to 220 depending on degree of achievement, with 100 as the number to be granted in the case of achievement in line with performance targets. The performance evaluation period will be three years, with performance for three consecutive business years evaluated every term. The indices for evaluation of performance will be items prioritized in our Medium-Term Management Plan, including consolidated operating margin, consolidated ROIC, and customer satisfaction. Reviews of these will be considered in every Medium-Term Management Plan period.

In regard to common stock granted to target Directors and Executive Officers through this Share-Based Remuneration Plan, the Company will establish a target number of held shares for each position and impose a certain sale limit with the goal of further promoting the aligning of interests with shareholders.

Procedures for determination of remuneration, etc.

Matters related to remuneration of Directors and Executive Officers will be decided by the Board of Directors, following deliberation and reporting within a Compensation Committee arbitrarily established by the Company. A majority of the members of the Compensation Committee will be External Directors, and its Chairman will be appointed from among the External Directors.

■ Composition and maximum amount of remuneration of Directors, etc.

Current		Revised	
Internal Directors	Content	Internal Directors	Content
Composition of remuneration		Composition of remuneration	
● Cash remuneration		● Cash remuneration	
(1) Basic remuneration	About 75% of total remuneration	(1) Basic remuneration	50% of total remuneration (when achieving 100% of target performance)
(2) Bonus	About 25% of total remuneration	(2) Annual incentive*1	30% of total remuneration (when achieving 100% of target performance)
● Share compensation (long-term incentive)	Not set	● Share compensation (long-term incentive*2)	20% of total remuneration (when achieving 100% of target performance)
Upper limit on remuneration, etc.		Upper limit on remuneration, etc.	
Upper limit on basic remuneration + bonus	¥450 million	Upper limit on basic remuneration + annual incentive remuneration	¥700 million <ul style="list-style-type: none"> • Basic remuneration ¥350 million • Annual incentive ¥350 million (when achieving about 200% of target performance)
Upper limit on stock compensation	Not set	Upper limit on stock compensation	100,000 shares
External Directors		External Directors	
● Cash remuneration (basic remuneration)	100% of total remuneration	● Cash remuneration (basic remuneration)	100% of total remuneration
Upper limit on remuneration	Included in above ¥450 million upper limit on basic remuneration + bonus	Upper limit on remuneration	¥50 million (included in above ¥350 million upper limit on basic remuneration)

*1 Reference indices: profit attributable to owners of parent, individual evaluation indices for each officer, indicators related to safe operation, etc.

*2 Reference indicators: consolidated operating margin, consolidated ROIC, customer satisfaction, etc.

(4) External Officers

Major activities during the current fiscal year

Position	Name	Major activities during the current fiscal year
Director	Kimie IWATA	Ms. Iwata attended all Board of Directors' meetings held during the current fiscal year, provided advice to the Company's management and appropriately supervised the execution of operations from an objective and professional perspective based on her extensive experience and deep insight into support for women's empowerment, diversity, CSR and reform of work patterns etc., backed by her many years of experience in administration and corporate management. In addition, she served as Lead Independent External Director, Chairman of the Corporate Governance Committee, and Chairman of the Officers Disciplinary Committee.
Director	Eizo KOBAYASHI	Mr. Kobayashi attended 88.9% of Board of Directors' meetings held during the current fiscal year, provided advice to the Company's management and appropriately supervised the execution of operations from a practical and diversified perspective based on his extensive experience in global management and leadership over multifaceted group companies and deep insight into management as a top manager of a general trading company that develops businesses around the world. In addition, he served as Chairman of the Compensation Committee.
Director	Masatoshi ITO	Mr. Ito attended 92.9% of Board of Directors' meetings during his term of office in the current fiscal year, provided advice to the Company's management and appropriately supervised the execution of operations from a practical and diversified perspective based on his deep insight as a top manager of a global company and extensive experience in marketing and management strategy. In addition, he served as Chairman of the Nominating Committee.
Audit & Supervisory Board Member	Hiroyuki KUMASAKA	Mr. Kumasaka attended all Board of Directors' meetings and Board of Corporate Auditors' meetings held during the current fiscal year and provided advice and recommendations on the Company's managerial issues, operations of the Board of Directors, internal control, risk management, etc., from the perspective of an accounting professional based on his many years of experience as a certified public accountant.
Audit & Supervisory Board Member	Shinji HATTA	Mr. Hatta attended 83.3% of Board of Directors' meetings and all Board of Corporate Auditors' meetings held during the current fiscal year and provided advice and recommendations on the Company's managerial issues, operations of the Board of Directors, internal control, risk management, etc., from the perspective of an accounting professional based on his many years of experience in the accounting field.
Audit & Supervisory Board Member	Osamu KAMO	Mr. Kamo attended 92.9% of Board of Directors' meetings and all Board of Corporate Auditors' meetings during his term of office in the current fiscal year and provided advice and recommendations on the Company's managerial issues, operations of the Board of Directors, internal control, risk management, etc., from the perspective of a legal expert, based on his many years of experience in the legal field.

4. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of remuneration, etc., for Accounting Auditor

a. Remuneration, etc., for Accounting Auditor for the current fiscal year	94 million yen
b. Total amount of money and other financial interests to be paid by the Company and its subsidiaries	158 million yen

(Notes) 1. The amount in a. above is all attributed to services in the scope of Article 2, Paragraph (1) of the Certified Public Accountants Act of Japan.

2. In the audit agreement by and between the Company and the Accounting Auditor, the Company does not keep accounts by each category of the amount of audit fee, etc., for auditing services under the Companies Act and under the Financial Instruments and Exchange Act. As the amount of auditing services may be difficult to classify, the Company states the total amount thereof in a. above.

3. The Board of Corporate Auditors shall provide consent to remuneration, etc. of the Accounting Auditor as provided for in Article 399, Paragraph (1) of the Companies Act based on the result of examining the suitability, etc. of the proposed audit time and remuneration amount of the current fiscal year, giving consideration to a comparison of the audit plan and results of the previous fiscal year and the trend of audit time and remuneration amount based on important obtained materials and reports from the Directors, internal related offices and the Accounting Auditor.

(3) Non-auditing services

The Company and some of its subsidiaries commission the Accounting Auditor to provide the assurance engagements and other services in accordance with International Standards on Assurance Engagements, which are outside the scope of Article 2, Paragraph (1) of the Certified Public Accountants Act of Japan (non-auditing services).

(4) Policy regarding determination of removal or refusal of reappointing of Accounting Auditor

In addition to removal of the Accounting Auditors by the Board of Corporate Auditors in accordance with Article 340, Paragraph (1) of the Companies Act, the Board of Corporate Auditors may resolve the agenda regarding removal or refusal of reappointment of Accounting Auditors, and the Directors may submit the said agenda to the shareholders meeting if there is any event that has a substantial detriment on the Company's audit activities, or any other event in which serious doubts arise about the Accounting Auditors' ability to continue to perform their duties.

5. Company's systems and policies

- (1) Systems to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation and other systems to ensure the properness of operations of the Company, and operation statuses of such systems

1. The following JAL Group "Fundamental Policies of Corporate Governance" have been established:

We maintain an awareness that our corporate group is a member of society at large with the duty to fulfill our corporate social responsibility and contribute to society as we develop our business, in addition to fulfilling our financial responsibility of earning adequate profits by providing high quality products through fair competition while maintaining flight safety as the leading company of safety in the transport sector and providing the finest service to our customers.

Taking this into account, we have established JAL Philosophy in accordance with the JAL Group Corporate Policy, "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 will strive to enhance corporate value and achieve accountability by establishing a corporate governance system that results in high management transparency and strong management monitoring, while at the same time engaging in speedy and appropriate management decision making.

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

[Relationship with Stakeholders]

- 1) Ensuring shareholder rights

We conduct business for the joint benefit of the Company and shareholders, comply with provisions stipulated in the Companies Act and Civil Aeronautics Act, and give sufficient consideration to ensure that shareholders can exercise their rights smoothly. Especially, we are aware that the general meeting of shareholders is a venue for constructive dialogue with shareholders, and have developed an environment in which they can exercise their rights appropriately from their perspective.

Furthermore, we emphasize fairness, accuracy and continuity, actively engage in IR (Investor Relations) activities to maintain interactive communication, and promote constructive dialogue with shareholders. (*1)

- 2) Social responsibilities as a corporate citizen

JAL Group has established the Basic CSR Policy "The JAL Group will strive to meet the expectations of society, address social issues, and pass on a better society to future generations through its core air transport business as the 'Wings of Japan'." We aim to realize our Corporate Policy by collaborating with stakeholders and practicing JAL Philosophy.

[Board of Directors]

- 1) Board of Directors

The Board of Directors ensures high management transparency and strong management monitoring through the election of candidates for the positions of Directors, Audit & Supervisory Board Members, and Executive Officers, decides their remuneration, and makes important decisions.

In order to separate the management monitoring function and business execution function, the Board appoints a Director who is not a business executing director as Chairman, and an appropriate number of three or more Outside Directors who qualify as highly independent. Outside Directors perform the function of providing appropriate advice.

In order to carry out efficient decision-making, the Board may delegate decision-making of matters set forth in the Administrative Authority Criteria Table to the President pursuant to Regulations for Kessai and Administrative Authority approved by the Board. The Management Committee has been established for the purpose of contributing to appropriate and flexible decision-making on management issues by the Board of Directors and the President.

2) Ensuring effectiveness of the Board of Directors

The Board of Directors has established the Corporate Governance Committee, which is comprised of the Chairman of the Board and Outside Directors, to evaluate the effectiveness of the Board of Directors while referring to self-evaluations by each Director once a year, review operation, etc. of the Board appropriately, and disclose an overview of findings. The Lead Independent Outside Director serves as the Chairman of the Corporate Governance Committee.

3) Directors

Legal considerations are explained to Directors to ensure that they are aware of their responsibilities including the “fiduciary duty of loyalty” and the “duty of care of a prudent manager.” The term of office is one year in order to confirm their accountability for each fiscal year.

External Directors are appointed from persons with vast knowledge and experience in various fields in order to ensure diversity. Those who do not qualify as highly independent within the meaning of “Standards for Independence of Outside Directors” (*2) established by the Company are not appointed. Furthermore, one Outside Director from among Outside Directors is appointed as the Lead Independent Outside Director to improve coordination with Audit & Supervisory Board Members and internal divisions.

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

[Audit & Supervisory Board Members and Board of Corporate Auditors]

1) Audit & Supervisory Board Members

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

We provide opportunities for Audit & Supervisory Board Members to sufficiently understand the roles and responsibilities required of them by providing corporate information, allowing continuous participation in external training and external associations, etc., and bear 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 within the meaning of “Standards for Independence of Outside Directors” (*2) established by the Company are not appointed. External Audit & Supervisory Board Members ensure sound management by conducting audits from a neutral and objective standpoint, with the cooperation of internal audit departments and accounting auditors.

To deepen the understanding of the Company of External Audit & Supervisory Board Members, we arrange tours of airports, sales, maintenance, and other workplaces and provide training on safety.

2) Board of Corporate Auditors

The Board of Corporate Auditors makes appropriate judgment from an independent objective standpoint, based on their fiduciary responsibilities to the shareholders when fulfilling their roles and responsibilities, such as auditing the execution of Director's duties, appointing or removing accounting auditors, and executing rights concerning auditor remuneration.

[Establishment of Various Committees]

We have established the following committees in addition to the aforementioned Corporate Governance Committee under the Board of Directors to build a corporate governance system that results in high management transparency and strong management monitoring.

1) Nominating Committee

When submitting a proposal to the general meeting of shareholders concerning the appointment of candidates to the positions of Director and Audit & Supervisory Board Member, the Nominating Committee makes comprehensive judgment of the personality, knowledge, ability, experience and performance, etc. of a candidate based on an inquiry from the Board of Directors and reports back to the Board. The Nominating Committee is comprised of not more than five members including the President, and the majority of Directors are Outside Directors. The Chairman is elected from Outside Directors. Furthermore, the Nominating Committee considers the succession plan for top management such as the President in order to realize our Corporate Policy, medium to long-term management strategies and management plan.

2) Compensation Committee

The Compensation Committee discusses matters concerning the amount of compensation for Directors, Executive Officers and Audit & Supervisory Board Members based on an inquiry from the Board of Directors and reports back to the Board. The Compensation Committee is comprised of not more than five Directors including the President, and the majority of Directors are Outside Directors. The Chairman is elected from among Outside Directors. As a result, transparency and fairness in the compensation determining process is secured. The Compensation Committee considers the compensation system that would provide a sound incentive for sustainable growth.

3) Personnel Committee

When appointing or removing an Executive Officer, the Board of Directors consults the Personnel Committee and takes into account the Personnel Committee's report on such matters before passing any resolution. The Personnel Committee is comprised of not more than five Directors including the President, and majority of Directors are Outside Directors. The President serves as the Chairman of the Personnel Committee.

4) Officers Disciplinary Committee

When taking disciplinary action against Directors and Executive Officers, the Officers Disciplinary Committee makes decisions. The Officers Disciplinary Committee is comprised of not more than five Directors including the President, and the majority of Directors are Outside Directors. The Chairman is elected from among Outside Directors. Any submission of proposals to the general meeting of shareholders concerning the removal of a Director requires the approval of the Board of Directors.

In addition to the committees listed above, venues for exchange of opinions are held comprised of Independent Directors only, in order to exchange information and share views from an independent, objective standpoint.

[Information Disclosure]

To enable our stakeholders to easily access JAL Group's corporate stance, various information such as our Fundamental Policies of Corporate Governance, Corporate Policy, management

strategies, and management plan, is posted on our website. We issue “JAL Report” containing financial information and CSR activities each year.

[JAL Philosophy Education]

The Representative Director, President conducts JAL Philosophy Education for JAL Group Directors including the President, and employees in order to penetrate JAL Philosophy into JAL Group.

(*1) [Policy on Constructive Dialogue with Shareholders]

We are aware that the general meeting of shareholders is a venue for constructive dialogue with shareholders, and secure and provide a period for them to sufficiently examine accurate information from their standpoint through the Convocation Notice of the General Shareholders’ Meeting, etc. We provide easy-to-understand information at the general meeting of shareholders and have developed an environment in which shareholders can exercise their rights appropriately.

Furthermore, we conduct IR (Investor Relations) activities to maintain positive interactive communication under the following policy, in which Representative Directors, the Finance and Accounting Director, etc. engage in active dialogue, and fairness, accuracy and continuity of management strategies, business strategies, financial information, and such are emphasized.

- 1) We assign the Finance and Accounting Director and General Affairs Director as management to oversee dialogue with shareholders.
- 2) We assign a supervisor to oversee information gathering, management and disclosure, and also staff to implement these duties in the Finance Department, and disclose information in a timely, fair and appropriate manner in coordination with related departments.
- 3) We hold meetings to explain our financial results and management plan when announcing them, issue “JAL Report” and “To Our Shareholders,” and arrange tours of facilities, etc. to promote investment opportunities and improve information disclosure.
- 4) We feedback results of dialogue with shareholders to management, as necessary, so that management may share the shareholders’ requests and opinions and an awareness of issues, and reflect their views in corporate management.
- 5) We establish and disclose a “silent period,” during which we do not provide any replies or comments to inquiries or information on corporate status to prevent information leaks and ensure fairness. We conduct information management and control insider information

(*2) [Standards for Independence of Outside Directors]

We have established the following standards to determine if an Outside Director qualifies as independent in order to establish a corporate governance system that results in high management transparency and strong management monitoring and to enhance corporate value. (Basically, persons who are not described as follows qualify as independent.)

- 1) A person who executes or has executed business in the Company or a consolidated subsidiary in the past 10 years
- 2) A person who is described by any of the items a ~ f in the past three years.
 - a. a business counterpart or a person executing business of such business counterpart, whose transactions with the Company for one business year exceeded 1% of consolidated revenue of the Company or the business counterpart
 - b. a major shareholder of the Company or a person executing business of such shareholder holding an equity ratio of 5% or more in the Company
 - c. a major lender for the Company or a person executing business of such lender.
 - d. a person who receives over JPY 10 million 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 remuneration from the Company or a person belonging to an organization receiving remuneration exceeding 1% of consolidated revenue of the Company
 - f. a person executing business of the Company, who also executes business of another company as Outside Director
- 3) The spouse or relative within the second degree of kinship of an individual described in 1 and 2.

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

2. The fundamental Policies on the Internal Controls System have been established as follows:

To provide unparalleled service to the customers, increase corporate value, and contribute to the betterment of society, JAL Group has established the Fundamental Policies of Corporate Governance. To increase its effectiveness, we have established rules and organizations concerning the following systems and matters, and ensure that business operations are conducted appropriately in accordance with the Companies Act and Companies Act Enforcement Regulations. We evaluate and verify development and operation of the internal control system and implement corrective action when correction is required.

- 1) We have developed a system to ensure compliance with the Articles of Incorporation and laws and regulations governing the execution of the duties of directors.
 - a. We have established JAL Philosophy as behavioral guidelines of the Company. Directors and employees are encouraged to abide by these practices.
 - b. The Board of Directors decides the Fundamental Policies on the Internal Controls System and the General Affairs Department promotes development of the internal control system.
 - c. The General Affairs Department supervises compliance operations and monitors development and operation of relevant company regulations.
 - d. We have developed an audit system to ensure the duties of directors and employees are executed in compliance with applicable laws and regulations.
- 2) We have developed a system concerning the preservation and management of information concerning the execution of the duties of directors
We preserve and manage information concerning the execution of duties of directors in compliance with applicable laws and regulations and company regulations.
- 3) We have developed regulations and other systems concerning risk management of losses.
In order to manage risks to JAL Group, we have established a Council for Safety Enhancement, a Risk Management Committee, and a Financial Risk Committee, etc. to appropriately manage risks, and have established Guidance for JAL Group Internal Control to monitor the appropriateness of duties and proactively prevent risks of losses. In addition, we are prepared in the event of a risk of losses and strive to minimize losses.
- 4) We have developed a system to ensure that the duties of directors are executed efficiently.
 - a. We hold ordinary Board of Directors meetings once a month and extraordinary meetings when it is necessary to make important decisions regarding group management policies and plans. In addition, to ensure the duties of directors are executed efficiently, we have established meeting structures such as the Management Committee and Group Earning Announcement Session.
 - b. We have defined administrative authority, authority of managerial posts, division of duties, etc. in accordance with company regulations, and have segregated authority in order to ensure that duties are executed efficiently.
- 5) We have developed a system to ensure that duties in JAL Group are executed appropriately.
 - a. We have established JAL Group Business Management Regulations to ensure that each subsidiary has established a system to carry out management in a fair and efficient manner in accordance with JAL Philosophy. We have also enacted Guidance for JAL Group Internal Control and continuously monitor the appropriateness of duties.
 - b. We have developed a system to report matters concerning the execution of the duties of directors of subsidiaries, etc. to the Company.

- c. We have developed regulations and other systems for risk management of losses of subsidiaries.
 - d. We have developed a system to ensure the duties of directors of subsidiaries, etc. are executed efficiently.
 - e. We have developed a system to ensure that directors, etc., and employees of subsidiaries execute duties in compliance with applicable laws and regulations and the Articles of Incorporation.
- 6) We have developed a system concerning employees in case audit & supervisory board members require the assignment of employees to support their duties, a system concerning independence of such employees from directors, and a system to ensure that instructions by audit & supervisory board members to those employees are effective.
 - 7) We have developed a system concerning reports, etc. to audit & supervisory board members
 - a. We have developed a system for directors and employees to report to audit & supervisory board members.
 - b. We have developed a system for directors, audit & supervisory board members, employees or persons who receive reports from them to report to audit & supervisory board members.
 - c. We have developed a system to ensure that persons who report are not subjected to disadvantageous treatment as a result of reporting.
 - 8) We have developed a system for advance payment or repayment of costs arising from the execution of the duties of audit & supervisory board members and the policy for processing of costs or liabilities arising from the execution of other duties.
 - 9) We have developed other systems to ensure that audits by the Board of Corporate Auditors or audit & supervisory board members are executed effectively.
3. The operation of the internal controls system has been established as follows:
- 1) We have developed a system to ensure compliance with the Articles of Incorporation and laws and regulations governing the execution of the duties of directors and employees.
 - a. We conduct JAL Philosophy Education seminars according to the fiscal year plan.
 - b. We revise regulations appropriately such as Fundamental Policies on Corporate Governance in adherence to the spirit of the Corporate Governance Code, and take necessary action and develop systems for each principle. At the same time, we submit a Corporate Governance Report reflecting these matters to the Tokyo Stock Exchange and disclose the report on the corporate website, etc.
 - c. We have established Fundamental Policies on the Internal Controls System and JAL Group Internal Control Guidance, and have developed, operate and evaluate internal control concerning the Companies Act and Financial Instruments and Exchange Act.
 - d. We disseminate our Compliance Hot Line (internal and external contacts) to staff in a compliance information newsletter issued every three months in principle and on the Intranet.
 - e. We inspect attributes of new business partner candidates, and conduct a review every three years as a regular inspection to verify whether there are any changes in attributes and/or information.
 - f. Legal considerations are explained to Directors to ensure that they are aware of their duties, authorities, and responsibilities including the fiduciary duty of loyalty and the duty of care as a prudent manager. We provide education courses for employees, etc. to ensure that they acquire the necessary knowledge to perform their duties.

- g. The Audit Department inspects the development and operation of the internal controls system stipulated by JAL Group Internal Control Guidance according to the fiscal year plan. It reports audit results of each audit to management and regularly reports progress of audits and audit results to audit & supervisory board members.
 - h. The Maintenance Audit Department conducts inspections to verify that maintenance work is performed according to laws and regulations and internal rules.
 - i. The Corporate Safety and Security Promotion Department holds meetings of the Group Council for Safety Enhancement, inspects deliberations, involvement, instructions, etc. on safety by management through submitted reference materials, etc. according to the Safety Audit Plan. It conducts Safety Roving of branch offices and operational audits.
- 2) We have developed a system concerning the preservation and management of information concerning the execution of the duties of directors.
- a. We prepare information (documents, minutes) on decision-making of the Board of Directors and other important meetings, and information (circular 'Ringi' documents) on important approvals according to laws and regulations, Regulations for the Board of Directors, regulations of various meeting structures, and Regulations for Kessai and Administrative Authority, and retain and manage them according to Regulations for Retention and Storage of Documents.
 - b. We manage the system relating to the e-Ringi system (Kessai and Ringi system) safely and deal with unexpected situations appropriately.
- 3) We have developed regulations and other systems concerning risk management of losses.
- a. We nurture risk management consciousness of each staff to prepare ourselves for unexpected situations, such as conducting a group-wide notification exercise using the safety confirmation system more than twice a year in principle.
 - b. In FY2016, we will continue to develop and increase the effectiveness of the Business Continuity Plan (Post-Earthquake BCP) established in FY2015, assuming that a large-scale earthquake will hit the Tokyo metropolitan area where Head Office central functions are integrated, in coordination with related departments of the Post-Earthquake BCP.
 - c. We maintain a system to regularly extract risks in the JAL Group including status of compliance with laws and regulations through a risk assessment, extract potential and apparent risks facing the JAL Group, and report to management at Risk Management Committee meetings.
 - d. We are reinforcing our ERP system to implement speedy, effective and efficient crisis management responses in case of an aircraft accident or event, and are continuously training Care Staff to assist accident victims and their families and members of the Accident Command Board.
- 4) We have developed a system to ensure that the duties of directors are executed efficiently.
- a. We have established a corporate governance system to ensure quick, appropriate management decisions, and at the same time, demonstrates high management transparency and strong management monitoring according to the JAL Group Corporate Policy, and strive to increase corporate value and fulfill accountability. The Board of Directors has established Fundamental Policies of Corporate Governance, which are important fundamentals next to the Companies Act, related laws and regulations, and the Articles of Incorporation, to ensure corporate governance.
 - b. We have clarified basic matters for managerial staff of the Company according to Regulations for Managerial Staff, to ensure that duties are executed efficiently according to Regulations for Meeting Structures and Regulations for Kessai and Administrative Authority, Segregation of Duties Regulations.

- c. We review Regulations for Kessai and Administrative Authority appropriately and have established an efficient decision-making process.
 - d. We provide Transactions Education courses for staff mainly engaged in transaction operations.
- 5) We have developed a system to ensure that duties in JAL Group are executed appropriately.
- a. We have established JAL Group Company Management Regulations and Guideline for JAL Group Internal Control, and the General Affairs Department mainly monitors the appropriateness of duties.
 - b. We manage the e-Ringi system safely and deal with unexpected situations appropriately.
 - c. Information on the execution of the duties of directors of subsidiaries is stored and managed appropriately according to laws and regulations and internal rules.
 - d. We coordinate and share information with staff in charge of compliance in each division and administration departments on a daily basis, instruct them on compliance and risk management, deal with events and establish preventive measures, and thus provide guidance which contributes to improving the compliance and risk management system of each company and division.
 - e. We clarify basic relationships of business operations with the Company.
 - f. We have established Regulations for the Board of Directors, an Administrative Authority Criteria Table, etc. to ensure that duties are executed efficiently.
 - g. We inspect priority items of the JAL Group Medium Term Management Plan and fiscal year operating policy through Roving, Expanded Earnings Announcement Sessions, etc. and conduct monitoring to ensure that initiatives to achieve our targets are implemented properly.
 - h. We strive to develop an environment to ensure that duties are executed surely and efficiently, such as holding meetings of administration directors.
 - i. We have established Guideline for JAL Group Internal Control and developed a system to ensure that duties are executed appropriately.
 - j. We conduct JAL Philosophy Education seminars according to the fiscal year plan.
 - k. We share information on compliance with administration departments and release relevant information to staff and organizations as necessary. We assemble staff in charge during Compliance Month and hold seminars.
 - l. We disseminate and reinforce matters relating to legal affairs to directors, employees, etc. of JAL Group subsidiaries, as is the case with the Company.
 - m. The Audit Department conducts auditing appropriately.
 - n. The Maintenance Audit Department inspects and verifies that maintenance work is performed according to various laws and regulations and internal regulations.
 - o. The Corporate Safety and Security Department holds JAL Group Safety Enhancement Meetings and checks discussions, involvement, instructions, etc. relating to safety by management through submitted reference materials, etc., in accordance with the Safety Audit Plan. It also conducts Safety Roving of stations and flight operation surveys.
 - p. We hold training for new managers and seminars on legal affairs as necessary, and have established a system to ensure that the execution of duties fulfills laws and regulations and the Articles of Incorporation.
- 6) We have developed a system concerning employees in case audit & supervisory board members require the assignment of employees to support their duties, a system

concerning independence of such employees from directors, and a system to ensure that instructions by audit & supervisory board members to those employees are effective.

To increased effectiveness of audits by audit & supervisory board members and execute audit duties smoothly, we have established an organization independent from the Board of Directors and assigned employees (audit & supervisory board member staff). Audit & supervisory board member staff receive work instructions and orders from audit & supervisory board members, and they are appointed with consent of audit & supervisory board members.

- 7) We have developed a system concerning reports, etc. to audit & supervisory board members
 - a. Audit & supervisory board members attend board meetings and other important meetings, read Ringi documents requiring approval from director and above, and audit the status of execution of corporate duties through interviews with the President, hearings with related departments, visits to internal departments, etc.
 - b. Audit & supervisory board members exchange opinions and information regularly with audit & supervisory board members of subsidiaries and visit subsidiaries.
 - c. We have established internal and external Compliance Hot Line, and have established a system to provide consultation on compliance issues and protect staff who report violation of laws and regulations, and internal rules by organizations or individuals.
- 8) We have developed a system for advance payment or repayment of costs arising from the execution of the duties of audit & supervisory board members and the policy for processing of costs or liabilities arising from the execution of other duties.

Necessary expenses for audits by audit & supervisory board members are paid appropriately.

- 9) We have developed other systems to ensure that audits by the Board of Corporate Auditors or audit & supervisory board members are executed effectively.

Audit & supervisory board members exchange opinions and information regularly with the Audit Department and auditing company and increase effectiveness of audits.

(2) Policy on distribution of profits and dividends

The Company considers the return of profits to its shareholders as one of the most important matters in management. It is our fundamental policy of return to shareholders to actively conduct the return of profits to shareholders, generally in the form of continued and stable dividends, while securing internal reserves for the purpose of building a strong financial structure and making investments to respond to future business growth and changes in business conditions.

For fiscal year 2016, the Company adopted a policy of targeting a dividend payout ratio of approximately 25% of profit attributable to owners of parent, for the full fiscal year excluding the impact of income taxes - deferred for the payment of dividends. However, for fiscal year 2017 onward, the Company is targeting a dividend payout ratio of approximately 30%.

In addition, taking into account the economic environment and our financial situation, the Company will, as necessary, flexibly consider share buyback or other implementation of additional shareholder returns, as well as the review of future financial targets and further enhancement of shareholder returns.

Any fractions in the amounts shown in this business report are rounded down and those in the ratios are principally rounded off.

Consolidated Balance Sheet

As of March 31, 2017

		(Millions of yen)
ASSETS	Amount	(Reference) Amount of previous fiscal year
Current assets		
Cash and time deposits	392,075	420,333
Notes and accounts receivable – trade	142,745	128,148
Securities	12,000	–
Flight equipment spare parts and supplies	21,118	20,314
Deferred income tax assets	7,436	16,725
Other	51,450	44,429
Allowance for doubtful accounts	(493)	(709)
Total current assets	626,332	629,242
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	33,090	32,720
Machinery, equipment and vehicles, net	9,611	9,105
Flight equipment, net	671,387	560,601
Land	879	1,330
Construction suspense account	101,832	116,929
Other tangible fixed assets, net	8,126	7,985
Total tangible fixed assets	824,928	728,673
Intangible fixed assets		
Software	95,738	79,866
Other intangible fixed assets	174	651
Total intangible assets	95,913	80,518
Investments and other assets		
Investments in securities	82,680	84,931
Long-term loans receivable	7,303	8,169
Deferred income tax assets	61,457	6,172
Asset for retirement benefit	1,240	1,090
Other investments	29,185	40,376
Allowance for doubtful accounts	(264)	(245)
Total investments and other assets	181,602	140,494
Total fixed assets	1,102,444	949,686
Total assets	1,728,777	1,578,928

Consolidated Balance Sheet

As of March 31, 2017

	(Millions of yen)	
LIABILITIES	Amount	(Reference) Amount of previous fiscal year
Current liabilities		
Accounts payable – trade	159,218	145,413
Short-term debt	5,372	5,792
Current maturities of long-term debt	13,037	10,851
Lease liabilities	5,712	13,254
Accounts payable-installment purchase	181	178
Accrued income taxes	10,829	19,333
Advances received	96,453	83,365
Deferred tax liabilities	173	0
Asset retirement obligations	249	234
Other	73,372	90,128
Total current liabilities	364,601	368,552
Non-current liabilities		
Corporate bonds	20,000	–
Long-term debt	65,802	51,331
Lease liabilities	5,300	10,373
Long-term accounts payable-installment purchase	666	847
Deferred tax liabilities	353	358
Reserve for loss on antitrust liabilities	5,965	6,294
Liability for retirement benefit	238,481	236,310
Asset retirement obligations	3,538	3,723
Other	20,676	30,578
Total non-current liabilities	360,783	339,818
Total liabilities	725,384	708,371
NET ASSETS		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus	183,047	183,042
Retained earnings	647,701	557,905
Treasury stock	(531)	(538)
Total shareholders' equity	1,011,569	921,761
Accumulated other comprehensive income		
Net unrealized gain on other securities, net of taxes	13,828	14,767
Net unrealized gain on hedging instruments, net of taxes	(667)	(24,777)
Translation adjustments	232	427
Remeasurement of defined benefit plans	(52,898)	(69,079)
Total accumulated other comprehensive income	(39,504)	(78,662)
Non-controlling interests	31,328	27,457
Total net assets	1,003,393	870,557
Total liabilities and net assets	1,728,777	1,578,928

Consolidated Statement of Income

(April 1, 2016 – March 31, 2017)

	(Millions of yen)	
	Amount	(Reference) Amount of previous fiscal year
Operating revenues	1,288,967	1,336,661
Cost of operating revenues	926,936	931,902
Gross operating profit	362,030	404,759
Selling, general and administrative expenses	191,698	195,567
Operating income	170,332	209,192
Non-operating income		
Interest income	874	887
Dividend income	979	1,556
Gain on sale of flight equipment	1,875	5,798
Equity in income of affiliates	2,180	651
Gain on compensation	1,381	994
Other	1,641	2,762
Total non-operating income	8,934	12,651
Non-operating expenses		
Interest expense	843	1,172
Loss on sales of flight equipment	8,458	3,978
Loss on flight equipment spare parts and supplies	1,837	1,121
Exchange losses	–	3,837
Other	3,114	2,515
Total non-operating expenses	14,252	12,624
Ordinary income	165,013	209,219
Extraordinary gains		
Subsidy for purchasing aircrafts	6,692	7,063
Settlement funds for returning facilities	–	2,201
Gain on compensation	–	1,198
Other	882	716
Total extraordinary gains	7,574	11,179
Extraordinary losses		
Loss on reduction of aircrafts	6,959	6,972
Expense on compensation	1,285	–
Other	1,565	6,044
Total extraordinary losses	9,809	13,017
Profit before income taxes	162,778	207,381
Income taxes – current	23,570	26,834
Income taxes – deferred	(31,657)	(436)
Profit	170,865	180,983
Profit attributable to non-controlling interests	6,690	6,514
Profit attributable to owners of parent	164,174	174,468

Consolidated Statement of Changes in Net Assets

(April 1, 2016 – March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	181,352	183,042	557,905	(538)	921,761
Changes of items during the period					
Dividends of surplus			(43,500)		(43,500)
Profit attributable to owners of parent			164,174		164,174
Repurchase of treasury stock				(29,944)	(29,944)
Cancellation of treasury stock			(29,944)	29,944	-
Change of scope of equity method, etc.		4	(934)	7	(922)
Net changes of items other than shareholders' equity during the period					
Total changes during the period	-	4	89,795	7	89,808
Balance at the end of the period	181,352	183,047	647,701	(531)	1,011,569

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain on other securities, net of taxes	Net unrealized gain on hedging instruments, net of taxes	Translation adjustments	Remeasurement of defined benefit plans	Total accumulated other comprehensive income		
Balance at the end of previous period	14,767	(24,777)	427	(69,079)	(78,662)	27,457	870,557
Changes of items during the period							
Dividends of surplus							(43,500)
Profit attributable to owners of parent							164,174
Repurchase of treasury stock							(29,944)
Cancellation of treasury stock							—
Change of scope of equity method, etc.							(922)
Net changes of items other than shareholders' equity during the period	(938)	24,110	(195)	16,181	39,157	3,870	43,027
Total changes during the period	(938)	24,110	(195)	16,181	39,157	3,870	132,835
Balance at the end of the period	13,828	(667)	232	(52,898)	(39,504)	31,328	1,003,393

Notes to Consolidated Financial Statements

(Base of Preparation of the Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

Number of consolidated subsidiaries: 52

Names of principal consolidated subsidiaries:

J-Air Corporation, Japan Transocean Air Co., Ltd.

JAL GROUND SERVICE TOKYO CO., LTD., which had been a consolidated subsidiary, was excluded from the scope of consolidation from the current fiscal year due to the merger with JAL Ground Service Co., Ltd.

Moreover, JALSKY NAHA CO., LTD. and JTA SOUTHERN SKY SERVICE CO., LTD., which had been consolidated subsidiaries, were excluded from the scope of consolidation from the current fiscal year due to the merger with OKINAWA AIRPORT SERVICE CO., LTD. (The surviving company name is OKINAWA AIRPORT SERVICE CO., LTD., the same as before, although there were changes in the before and after Japanese name of the surviving company.)

(2) Non-consolidated subsidiaries

Name of principal non-consolidated subsidiary: Nagasaki Ground Air Service Ltd.

Since the amounts of accounts of non-consolidated subsidiaries, such as total assets, net sales, profit (loss), retained earnings and others are small in value terms and of little importance as a whole, these companies have a materially insignificant impact on the consolidated financial statements and were therefore excluded from the scope of consolidation.

2. Application of the equity method

(1) Non-consolidated subsidiaries and affiliates accounted for by the equity-method

Number of non-consolidated subsidiaries and affiliates accounted for by the equity method: 13

Names of principal non-consolidated subsidiaries and affiliates accounted for by the equity method:

JALUX Co., Ltd., Airport Facility Co., Ltd.

Fukuoka Airport Building Co., Ltd., which had been an affiliated company accounted for by the equity-method, was excluded from the scope of the equity method from the current fiscal year since the Company transferred its shares.

(2) Non-consolidated subsidiaries and affiliates not accounted for by the equity method

Name of principal non-consolidated subsidiary and affiliate not accounted for by the equity method:

Nagasaki Ground Air Service Ltd.

Non-consolidated subsidiaries and affiliates not applicable to the equity method have been excluded from the scope of the equity method, as they have very low impact on profit (loss), retained earnings and others, and as a whole, they do not have a material impact on the consolidated financial statements.

3. Fiscal year of consolidated subsidiaries

The balance sheet dates of 6 of the consolidated subsidiaries, including JAL HAWAII, INCORPORATED, are December 31.

Any significant differences arising on intercompany transactions during the period between these dates and the consolidated balance sheet date have been adjusted if necessary.

4. Summary of significant accounting policies

(1) Valuation of significant assets

a. Securities:

Bonds held to maturity: Amortized cost method

Other securities (securities classified as such):

With market value: Evaluated based on the market price method according to market price, etc. on the date of financial closing (the difference in market price is reported as a component of net assets, and the cost of securities sold is mainly calculated by the moving-average method.)

Without market value: Principally stated at cost based on the moving average method

b. Inventories:

Inventories are principally stated at cost based on the moving-average method (regarding balance sheet values, however, they are calculated by a method that reduces book value on the basis of declines in profitability).

c. Derivatives:

Derivative positions are stated at fair value.

(2) Depreciation of fixed assets

a. Aircraft (excluding leased assets): Straight-line method

b. Tangible fixed assets other than aircraft (excluding leased assets):

Japan Airlines Co., Ltd Straight-line method

Other companies Principally the straight-line method

c. Intangible fixed assets (excluding leased assets): Straight-line method

d. Leased assets

Leased assets in finance lease transactions that transfer ownership

We use the same method as the depreciation method applied to fixed assets owned by the Company.

Leased assets in finance lease transactions that do not transfer ownership

We use the straight-line depreciation method with the lease period as the useful life, and residual value as zero.

(3) Significant provisions

a. Reserve for loss on antitrust liabilities

To prepare for payment of court fees or compensation, etc. relating to a price cartel, an estimated amount of losses in the future is recorded.

b. Allowance for doubtful accounts

To provide for losses due to unrecoverable claims, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to unrecoverable based on individual consideration of recoverability.

(4) Significant foreign currency accounts

Foreign currency receivables and payables are translated into yen at the applicable year-end exchange rate and any gain or loss on translation is included in current earnings. Translation adjustments arising from the translation of assets, liabilities, revenues and expenses of overseas consolidated subsidiaries and affiliates accounted for by the equity method into yen at the applicable exchange rates at the year end are presented in non-controlling interests and translation adjustments in the consolidated balance sheet.

(5) Significant hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Transactions under foreign exchange forward contracts are translated at the applicable forward foreign exchange rates.

(6) Accounting treatment of retirement benefit

To provide for employees' severance indemnities, asset and liability for retirement benefit are accounted for based on the projected amount at the end of the current fiscal year, and the difference between benefit obligations and the plan assets is recognized.

The adjustment for actuarial assumptions is 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 as incurred of the active participants in the plans. Amortization is computed from the period subsequent to the year in which the adjustment was recorded. Past service cost is principally charged to income as incurred. However, at certain subsidiaries, past service cost is amortized by the straight-line method over a period which is less than the average remaining years of service as incurred of the active participants in the plans.

Unrecognized adjustment for actuarial assumptions and the unappropriated amount of unrecognized past service cost are recorded under rerevaluations of defined benefit plans under accumulated other comprehensive income within the net asset section after adjusting for tax effects.

(7) Treatment of consumption taxes

Transactions subject to national and local consumption taxes are recorded at amounts exclusive of consumption taxes.

(8) Amortization of goodwill

Goodwill acquired is amortized by the straight-line method over a period of 3 to 5 years.

5. Change of accounting policy

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the revision to the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the current fiscal year, and changed the depreciation method for facilities attached to buildings acquired on or after April 1, 2016 from the declining-balance method to the straight-line method for some domestic consolidated subsidiaries. The impact of this change on operating income, ordinary income or profit before income taxes for the current fiscal year is insignificant.

6. Change of presentation

(Consolidated statement of income)

Equity in income of affiliates

"Equity in income of affiliates" (651 million yen for the previous fiscal year), which was included in "Other" under "Non-operating income" in the previous fiscal year, exceeded 10% of total non-operating income and is therefore separately recorded from the current fiscal year.

Gain on compensation

"Gain on compensation" (994 million yen for the previous fiscal year), which was included in "Other" under "Non-operating income" in the previous fiscal year, exceeded 10% of total non-operating income and is therefore separately recorded from the current fiscal year.

Loss on flight equipment spare parts and supplies

"Loss on flight equipment spare parts and supplies" (1,121 million yen for the previous fiscal year), which was included in "Other" under "Non-operating income" in the previous fiscal year, exceeded 10% of total non-operating income and is therefore separately recorded from the current fiscal year.

Impairment loss

"Impairment loss" (505 million yen for the current fiscal year), which was separately recorded under "Extraordinary losses" in the previous fiscal year, was not more than 10% of total extraordinary losses and is therefore included in "Other" from the current fiscal year.

7. Notes to consolidated balance sheet

- (1) All amounts of less than one million yen have been rounded down in the accounts.**
- (2) Accumulated depreciation of tangible fixed assets** 395,080 million yen
- (3) Assets pledged as collateral and obligations secured by such collateral**

Assets pledged as collateral	
• Aircraft	144,064 million yen
• Others	11,337 million yen
Obligations secured by such collateral	
• Current maturities of long-term debt	11,145 million yen
• Long-term debt	64,866 million yen

The above amounts include assets for which revolving pledge has been established to secure debts of Tokyo International Air Terminal Corporation, an affiliate, under the syndicated loan agreement concluded between Tokyo International Air Terminal Corporation and financial institutions for the business that is the objective of this company's establishment. The above amounts also include guarantee money paid to banks with which JAL does business for derivative transactions.

(4) Contingent liabilities

Guarantee liabilities (Guarantee for bank loans)	
• Employee loan	150 million yen
(Guarantee for Lease liabilities)	
• Jetstar Japan Co., Ltd.	4,400 million yen

Concerning other guarantee liabilities, in relation to a share transfer agreement that Fukuoka Airport Holdings Co., Ltd. ("transferor"), in which the Company has invested, has concluded with the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism ("transferee"), the Company provides the following amount as the maximum guaranteed amount payable to the transferor as compensation in the event of a breach of obligation, assertion or guarantee in the said agreement.

7,867 million yen

8. Notes to consolidated statement of income

All amounts of less than one million yen have been rounded down in the accounts.

9. Notes to consolidated statement of changes in net assets

(1) All amounts of less than one million yen have been rounded down in the accounts.

(2) Total number of issued shares at the end of the current fiscal year

Total number of issued shares	Common stock	353,715 thousand shares
	Treasury stock	199 thousand shares

(3) Dividends

a. Dividends paid

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
June 22, 2016 General Meeting of Shareholders	Common stock	Retained earnings	43,508	120	March 31, 2016	June 23, 2016

(Note) Total amount of dividends includes dividends of 8 million yen for treasury stock (common stock) held by companies accounted for by the equity-method.

b. Dividends for which the record date is in the current fiscal period and the effective date falls in the following period

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
June 22, 2017 (planned) General Meeting of Shareholders	Common stock	Retained earnings	33,236	94	March 31, 2017	June 23, 2017

10. Financial instruments

(1) Status of financial instruments

a. Policy on handling of financial instruments

The JAL Group procures funds for investment in necessary aircraft and other equipment, etc. from own funds based on operating activities as well as through loans from financial institutions including banks and from the issuance of corporate bonds in light of its capital expenditure plan mainly for the air transport business. As for borrowings, short-term debt is principally for funds for ordinary expenditure, while long-term debt is chiefly for funds for capital expenditure. Lease liabilities in association with financial lease transactions are mainly for funds for capital expenditure. The JAL Group, by policy, utilizes derivatives to evade risks described hereafter and not for the purpose of speculative transactions.

b. Contents of financial instruments and associated risks, and risk management system

(i) Credit risk

Trade accounts receivable, which are operating receivables, are exposed to the credit risk of customers. For this risk, management of payment date and balances is conducted for each counterparty, and the credit status of major counterparties is monitored periodically. Short-term investments in securities and investments in securities are investments in stocks of companies with which the JAL Group holds business relationships. Fair values of these securities and financial conditions, etc. of issuers are monitored periodically and necessary measures are taken. As for trade accounts payable, most of the items are due for payment within one year. When conducting derivative transactions, the JAL Group has such transactions only with financial institutions with high credit standings in order to mitigate credit risk.

(ii) Market risk

As for Short-term investments in securities and investments in securities, fair value and financial conditions, etc. of issuers are monitored periodically, and the status of holdings is reviewed continuously in consideration of market conditions and relationships with counterparties. Variable-rate debts and foreign currency liabilities are exposed to risk of fluctuations in interest rate and exchange. In order to avoid this risk, the JAL Group utilizes derivative transactions. As for derivatives, currency option contracts for purchase price of aircraft fuel and liabilities denominated in specific foreign currencies and linked to foreign currencies are used to avoid risk of future fluctuations in foreign exchange rate on foreign currency liabilities in the market. Commodity derivatives are also used for the purpose of controlling risk of fluctuations in prices of commodities including aircraft fuel and stabilizing costs.

Execution and management of derivative transactions are conducted in accordance with the internal rules on risk management that stipulate the amount of trading limit and other internal rules that set forth power in transactions, after the department in charge receives approval from the person who makes the final decision. Furthermore, meetings are held every month in principle with attendance of executives in charge to report monthly records of transactions, monitor volume of risk at the time, make decision on methods for hedging risk and percentage of hedge, and confirm contents of transactions.

c. Supplementary explanation on the fair value of financial instruments, etc.

The fair value of financial instruments include, in addition to the value based on market price, a value rationally computed in the absence of market value. The computation of such a value incorporates fluctuation factors, and if different preconditions, etc. are adopted, the value may be subject to fluctuation.

The amounts of derivative contracts, etc. in “(2) Fair value of financial instruments, etc.” do not indicate market risk relating to the derivative transactions.

(2) Fair value of financial instruments, etc.

Amounts on the consolidated balance sheet as of March 31, 2017, fair value and the variance are as follows. Description of fair value is omitted in the table below in case it is extremely difficult to obtain the value. Please refer to (Note 2).

(Millions of yen)

	Carrying amount on consolidated balance sheet	Fair value	Variance
(1) Cash and time deposits	392,075	392,075	–
(2) Notes and accounts receivable – trade	142,745	142,745	–
(3) Short-term investments in securities and investments in securities			
Shares of subsidiaries and affiliates	15,735	17,009	1,273
Other securities	46,723	46,723	–
Total assets	597,280	598,554	1,273
(1) Accounts payable – trade	159,218	159,218	–
(2) Short-term debt	5,372	5,372	–
(3) Corporate bonds	20,000	20,013	13
(4) Long-term debt (*1)	78,839	78,839	–
(5) Lease liabilities (*2)	11,012	11,012	–
(6) Long-term accounts payable-installment purchase (*3)	847	847	–
Total liabilities	275,290	275,303	13
Derivative transactions (*4)	(588)	(550)	37

*1. Include long-term debt due within one year.

*2. Include long-term lease liabilities due within one year.

*3. Include long-term accounts payable-installment purchase due within one year.

*4. Net receivables and payables arising from derivative transactions are shown in net amounts.

Figures in parentheses are posted to liabilities.

Items to which hedge accounting is not applied are omitted because they are insignificant.

(Note 1) Matters concerning measurement method for fair value of financial instruments and securities and derivative transactions

Assets

(1) Cash and time deposits, and (2) Notes and accounts receivable – trade

As these items are settled in a short term and the fair value is close to book value, they are presented in book value.

(3) Short-term investments in securities and investments in securities

The fair value of these items is mainly based on market prices. Please refer to “Securities” for notes on securities by holding purpose.

Liabilities

- (1) Accounts payable – trade, and (2) Short-term debt

As these items are settled in a short term and the fair value is close to book value, they are presented in book value.

- (3) Corporate bonds

The fair value of corporate bonds is based on market prices.

- (4) Long-term debt, (5) Lease liabilities, and (6) Long-term accounts payable-installment purchase

The fair value of these items is calculated by discounting the total amount of principal and interest by the expected interest rate assumed for a similar new loan.

Derivative transactions

Please refer to “Derivative transactions”.

(Note 2) Financial instruments for which identification of fair value is extremely difficult

(Millions of yen)

	Carrying amount on consolidated balance sheet
Shares of subsidiaries and affiliates	19,509
Bonds held to maturity	3,330
Other securities	9,381

These items do not have market prices and a considerable cost is likely to be incurred to estimate future cash flow. They are not therefore included in “Assets (3) Short-term investments in securities and investments in securities” because it is deemed to be extremely difficult to identify their fair value.

Securities

1. Other securities with fair value

(Millions of Yen)

Other securities of which carrying amount on the consolidated balance sheet exceeds the acquisition cost

	Acquisition cost	Carrying amount on consolidated balance sheet	Variance
Stocks	15,410	34,229	18,819
Subtotal	15,410	34,229	18,819

Other securities of which carrying amount on the consolidated balance sheet does not exceed the acquisition cost

	Acquisition cost	Carrying amount on consolidated balance sheet	Variance
Stocks	499	493	(6)
Negotiable Certificates of Deposit	12,000	12,000	–
Subtotal	12,499	12,493	(6)
Total	27,910	46,723	18,813

2. Other securities sold during the current fiscal year

None

Derivative transactions

- Derivatives to which hedge accounting is not applied
Omitted due to lack of importance.
- Derivatives to which hedge accounting is applied
As for derivatives trading requiring hedge accounting, the contracted amount or principal equivalent amounts provided in contracts on the closing date on a consolidated basis by hedge accounting method are as below.

(Millions of Yen)

Hedge accounting	Type of transactions	Main hedged items	Contract amount		Estimated fair value	Method of measuring the fair value
				Over 1 year		
Principle treatment	Foreign exchange forwards Long:					Based on forward quotation
	USD	Trade accounts payable	36,805	4,548	1,197	
	EUR	Trade accounts payable	2,020	–	44	
	Other	Trade accounts payable	1,330	–	84	
	Currency option Long:					Based on prices provided by financial institutions with which JAL does business, etc.
	Call options	Trade accounts payable	67,232	17,318	1,918	
Short:						
Put options	Trade accounts payable	60,885	15,129	(1,268)		
	Commodity swaps Receivable floating/payable fixed	Aviation fuel	68,359	18,550	(2,565)	Based on prices provided by financial institutions with which JAL does business, etc.
Translation of foreign currency receivables and payables using the contracted rates	Foreign exchange forwards Long:					Based on forward quotation
	USD	Trade accounts payable	593	–	40	
	EUR	Trade accounts payable	305	–	(7)	
	Other	Trade accounts payable	80	–	4	
Total					(550)	

11. Investment and rental properties

Because the total amount of investment and rental properties is insignificant, notes on these items are omitted.

12. Per share information

- Net assets per share 2,749.71 yen
- Basic earnings per share 456.56 yen

Non-consolidated Balance Sheet

As of March 31, 2017

	(Millions of yen)	
ASSETS	Amount	(Reference) Amount of previous fiscal year
Current assets		
Cash and time deposits	377,357	408,285
Accounts receivable	154,577	136,913
Securities	12,000	-
Flight equipment spare parts and supplies	18,012	17,176
Short-term prepaid expenses	7,042	6,575
Deferred tax assets	5,785	14,878
Other current assets	43,046	35,068
Allowance for doubtful accounts	(87)	(177)
Total current assets	617,735	618,720
Fixed assets		
Tangible fixed assets		
Buildings, net	28,088	27,573
Structure, net	163	134
Machinery, equipment, net	4,496	4,452
Flight equipment, net	652,502	549,167
Vehicles, net	889	711
Tools, furniture and equipment	6,984	6,794
Land	772	1,222
Construction suspense account	83,956	104,444
Total tangible fixed assets	777,854	694,500
Intangible fixed assets		
Software	99,110	79,670
Other intangible fixed assets	2	3
Total intangible assets	99,113	79,673
Investments and other assets		
Investments in securities	43,336	41,450
Investment securities in subsidiaries and affiliates	71,916	76,841
Corporate bonds of subsidiaries and affiliates	3,330	3,330
Long-term loans receivable	7,127	8,195
Long-term prepaid expenses	1,135	1,522
Deferred income tax assets	34,661	3,344
Other investments	25,968	35,918
Allowance for doubtful accounts	(152)	(112)
Total Investments and other assets	187,323	170,490
Total fixed assets	1,064,291	944,664
Total assets	1,682,027	1,563,384

Non-consolidated Balance Sheet

As of March 31, 2017

	(Millions of yen)	
LIABILITIES	Amount	(Reference) Amount of previous fiscal year
Current liabilities		
Accounts payable-trade	182,279	165,113
Short-term debt	149,955	134,970
Current maturities of long-term debt	10,155	8,009
Accounts payable - other	14,753	17,636
Lease liabilities	5,235	12,758
Accounts payable-installment purchase	181	178
Accrued income taxes	4,972	11,869
Accrued expenses	11,345	9,290
Advances received	81,189	69,080
Deposits received	20,690	19,663
Air transport deposits received	18,476	16,942
Other current liabilities	9,400	27,816
Total current liabilities	508,635	493,328
Non-current liabilities		
Corporate bonds	20,000	-
Long-term debt	57,081	46,363
Lease liabilities	3,579	8,432
Long-term accounts payable-installment purchase	666	847
Accrued pension and severance costs	137,648	141,092
Reserve for loss on antitrust liabilities	5,965	6,294
Other non-current liabilities	20,195	30,535
Total non-current liabilities	245,137	233,565
Total liabilities	753,772	726,894
NET ASSETS		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus		
Capital reserves	174,493	174,493
Total capital surplus	174,493	174,493
Retained earnings		
Other retained earnings		
Retained earnings brought forward	560,325	490,542
Total retained earnings	560,325	490,542
Treasury stock		
Treasury stock	(408)	(408)
Total Treasury stock	(408)	(408)
Total shareholders' equity	915,762	845,979
Valuation, translation adjustments and other		
Net unrealized gain on other securities, net of taxes	13,393	14,400
Net unrealized gain on hedging instruments, net of taxes	(902)	(23,889)
Total valuation, translation adjustments and other	12,491	(9,489)
Total net assets	928,254	836,490
Total liabilities and net assets	1,682,027	1,563,384

Non-consolidated Statement of Income

(April 1, 2016 – March 31, 2017)

	(Millions of yen)	
	Amount	(Reference) Amount of previous fiscal year
Operating revenues	1,056,068	1,092,312
Cost of operating revenues	789,493	779,198
Gross operating profit	266,575	313,113
Selling, general and administrative expenses	145,081	148,506
Operating income	121,493	164,607
Non-operating income		
Interest income and dividend income	12,072	12,862
Foreign exchange gains	282	–
Other non-operating income	3,648	9,206
Total non-operating income	16,003	22,069
Non-operating expenses		
Interest expense	875	1,255
Exchange losses	–	3,703
Other non-operating expenses	12,700	6,596
Total non-operating expenses	13,576	11,554
Ordinary income	123,920	175,121
Extraordinary gains		
Gain on sales of investment securities in subsidiaries and affiliates	589	–
Reversal of reserve for loss on antitrust liabilities	329	272
Settlement funds for returning facilities	–	2,201
Gain on compensation	–	1,198
Other	89	312
Total extraordinary gains	1,008	3,984
Extraordinary losses		
Expense on compensation	1,285	–
Loss on valuation of investment securities in subsidiaries and affiliates	772	611
Loss on sales and disposal of fixed assets	532	502
Impairment loss	505	2,052
Loss on cancellation of lease	–	1,020
Other	10	23
Total extraordinary losses	3,105	4,210
Profit before income taxes	121,823	174,895
Income taxes – current	7,592	11,572
Income taxes – deferred	(29,003)	41
Profit	143,235	163,281

Non-consolidated Statement of Changes in Net Assets

(April 1, 2016 – March 31, 2017)

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital Surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Capital reserves	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at the end of previous period	181,352	174,493	174,493	490,542	490,542	(408)	845,979
Changes of items during the period							
Dividends of surplus				(43,508)	(43,508)		(43,508)
Profit				143,235	143,235		143,235
Repurchase of treasury stock						(29,944)	(29,944)
Cancellation of treasury stock				(29,944)	(29,944)	29,944	–
Net changes of items other than shareholders' equity during the period							
Total changes during the period	–	–	–	69,782	69,782	–	69,782
Balance at the end of the period	181,352	174,493	174,493	560,325	560,325	(408)	915,762

	Valuation, translation adjustments and other			Total net assets
	Net unrealized gain on other securities, net of taxes	Net unrealized gain on hedging instruments, net of taxes	Total valuation, translation adjustments and other	
Balance at the end of previous period	14,400	(23,889)	(9,489)	836,490
Changes of items during the period				
Dividends of surplus				(43,508)
Profit				143,235
Repurchase of treasury stock				(29,944)
Cancellation of treasury stock				–
Net changes of items other than shareholders' equity during the period	(1,006)	22,987	21,980	21,980
Total changes during the period	(1,006)	22,987	21,980	91,763
Balance at the end of the period	13,393	(902)	12,491	928,254

Notes to Non-Consolidated Financial Statements

1. Summary of significant accounting policies

(1) Valuation of securities

Bonds held to maturity: Amortized cost method

Investment securities in subsidiaries and affiliates

Cost method based on the moving-average method

Other securities (securities classified as such):

With market value: Evaluated based on the market price method according to market price, etc. on the date of financial closing (the difference in market price is reported in as a component of net assets, and the cost of securities sold is calculated by the moving-average method.)

Without market value: Stated at cost based on the moving average method

(2) Valuation principles and methods of inventories

Inventories are principally stated at cost based on the moving average method (regarding balance sheet values, however, they are calculated by a method that reduces book value on the basis of declines in profitability).

(3) Depreciation of fixed assets

Tangible fixed assets (excluding leased assets): Straight-line method

Intangible fixed assets (excluding leased assets): Straight-line method

Leased assets

Leased assets in finance lease transactions that transfer ownership

We use the same method as the depreciation method applied to fixed assets owned by the Company.

Leased assets in finance lease transactions that do not transfer ownership

We use the straight-line depreciation method with the lease period as the useful life, and residual value as zero.

(4) Accounting standards of provisions

Accrued pension and severance costs

Net periodic pension cost is accounted for based on the projected benefit obligation and the plan assets.

Actuarial gains and losses are amortized using the straight-line method over a period of 11 to 14 years from the period subsequent to the period in which they are incurred.

Past service cost is charged to income as incurred.

Allowance for doubtful accounts

Ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to unrecoverable considering the recoverability.

Reserve for loss on antitrust liabilities

To prepare for payment of court fees or compensation, etc. relating to a price cartel, an estimated amount of losses in the future is recorded.

(5) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized.

(6) Treatment of consumption taxes

Recorded at amounts exclusive of consumption taxes.

2. Change of presentation

“Reversal of reserve for loss on antitrust liabilities”, which was included in “Other” under “Extraordinary gains” in the previous fiscal year, exceeded 10% of the total extraordinary gains and is therefore separately recorded from the current fiscal year. “Reversal of reserve for loss on antitrust liabilities” was 272 million yen in the previous fiscal year.

3. Notes to non-consolidated balance sheet

(1) All amounts of less than one million yen have been rounded down in the accounts.

(2) Accumulated depreciation for tangible fixed assets 341,870 million yen

(3) Assets pledged as collateral and obligations secured by such collateral

(Assets pledged as collateral)

Aircraft	132,987 million yen
Investment securities in subsidiaries and affiliates	2,595 million yen
Corporate bonds of subsidiaries and affiliates	3,330 million yen
Long-term loans receivable	3,330 million yen
Other investments	1,429 million yen

(Obligations secured by such collateral)

Current maturities of long-term debt	10,155 million yen
Long-term debt	57,081 million yen

The above assets pledged as collateral include the following assets:

- Assets for which revolving pledge has been established to secure debts of Tokyo International Air Terminal Corporation, an affiliate, under the syndicated loan agreement concluded between Tokyo International Air Terminal Corporation and financial institutions for the business that is the objective of the company's establishment
- Guarantee money paid to banks with which JAL does business for derivative transactions

(4) Liabilities for guarantee, etc.

Liabilities for guarantee

(Guarantee for bank loans, etc.)

Japan Air Commuter Co., Ltd.	14 million yen
Others	44 million yen
Total	<u>59 million yen</u>

(Guarantee for Lease liabilities)

Jetstar Japan Co., Ltd.	4,400 million yen
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Concerning other guarantee liabilities, in relation to a share transfer agreement that Company business investment Fukuoka Airport Holdings Co., Ltd. (“transferor”), in which the Company has invested, has concluded with the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (“transferee”), the Company provides the following amount as the maximum guaranteed amount payable to the transferor as compensation in the event of a breach of obligation, assertion or guarantee in the said agreement.

7,867 million yen

(5) Monetary claims and liabilities to subsidiaries and affiliates

Short-term monetary claims	68,731 million yen
Short-term monetary liabilities	198,757 million yen
Long-term monetary claims	6,436 million yen
Long-term monetary liabilities	5,415 million yen

4. Non-consolidated statement of income

(1) All amounts of less than one million yen have been rounded down in the accounts.

(2) Total transactions with subsidiaries and affiliates

Operating income	48,157 million yen
Operating expense	249,520 million yen
Amount resulting from non-business transactions	30,628 million yen

5. Notes to non-consolidated statement of changes in net assets

(1) All amounts of less than one million yen have been rounded down in the accounts.

(2) Total number of issued shares at the end of the current fiscal year

Total number of issued shares	Common stock	353,715 thousand shares
	Treasury stock	136 thousand shares

6. Tax effect accounting

Principal sources of deferred tax assets are loss brought forward, Accrued pension and severance costs, etc., while principal sources of deferred tax liabilities are Net unrealized gain on other securities, net of taxes, etc.

7. Transactions with related parties

Subsidiaries and affiliates, etc.

Attribute	Name	Percentage of voting rights holding or being held (%)	Relations		Details of transaction	Amount (millions of yen)	Item	Ending balance (millions of yen)
			Concurrently serving, etc.	Business relations				
Subsidiary	JAL Mileage Bank Co., Ltd.	Holding direct 100%	-	Consignment of settlement related operations	Collection of proceeds from sale of air tickets (Note 1)	148,862	Accounts receivable - trade	27,371
Subsidiary	JALPAK Co., Ltd.	Holding direct 96.4%	Concurrently serving 1	Sale of air tickets	Borrowing and lending of money (Note 2)	-	Short-term debt	25,621
Subsidiary	JAL ENGINEERING CO., LTD.	Holding direct 100%	Concurrently serving 1	Consignment of maintenance related operations	Maintenance of aircraft, engines and equipment, and maintenance management operations (Note 3)	102,698	Accounts payable - trade	10,486

Terms of transactions and method for determining them

(Notes) 1. Proceeds from sale of air tickets are collected under the service consignment contract, and commissions paid for the collection are determined through negotiations.

2. Since these transactions are conducted under the cash management system operated by the JAL Group, the amount of transaction is omitted. Interest rate is reasonably determined in light of the market interest rate.

3. Contractual price is reasonably determined in light of the market price.

8. Per share information

(1) Net assets per share 2,625.30 yen

(2) Basic earnings per share 398.25 yen

Independent Auditor's Report

May 9, 2017

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

KPMG AZSA LLC
Tsutomu Takahashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Tomoyoshi Inoue
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Ikuo Hiruma
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Pursuant to Article 444-4 of the Companies Act, we have audited the consolidated financial statements, which comprise the consolidated balance sheet as of March 31, 2017, and the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Japan Airlines Co., Ltd. for the 68th fiscal year from April 1, 2016 to March 31, 2017.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of Japan Airlines Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Independent Auditor's Report

May 9, 2017

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

KPMG AZSA LLC
Tsutomu Takahashi
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Tomoyoshi Inoue
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant
Ikuo Hiruma
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Pursuant to Article 436 (2) (i) of the Companies Act, we have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet as of March 31, 2017, and the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Japan Airlines Co., Ltd. for the 68th fiscal year from April 1, 2016 to March 31, 2017.

Management's Responsibility for the Non-consolidated Financial Statements and Others

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

Auditor's Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the supplementary schedules are free from material misstatement.

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

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

Opinion

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Japan Airlines Co., Ltd. for the period, for which the non-consolidated financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Audit Report of the Board of Corporate Auditors

Audit Report

Based on the audit reports prepared by Audit & Supervisory Board Members with regard to the performance of duties by the Directors of Japan Airlines Co., Ltd. (the “Company”) for the 68th fiscal year from April 1, 2016 to March 31, 2017, the Board of Corporate Auditors of the Company prepares this audit report after deliberation and reports as follows:

1. Auditing methods used by Corporate Auditors and the Board of Corporate Auditors, and details of audit

- (1) The Board of Corporate Auditors specified auditing policies, assigned duties to each Audit & Supervisory Board Member, and received reports from each Audit & Supervisory Board Member on the status of implementation and results of audit, and it also received reports from Directors, etc. and accounting auditors on the status of their duties and asked them for explanation as necessary.
- (2) All Audit & Supervisory Board Members, while endeavoring to collect information and establish audit environment, executed their audits while maintaining proper communication with Directors, internal audit staff and other employees, executed their audits in the manner described below in conformity with the Standard for Audit & Supervisory Board Members established by the Board of Corporate Auditors and in accordance with the audit policy, audit plan, etc.
 - 1) Audit & Supervisory Board Members attended the meetings of the Board of Directors and other important meetings of the Company, received reports from Directors and employees, etc. on the status and results of the execution of their duties and asked them for explanations as necessary, reviewed important approval documents, etc. and conducted investigation on the status of business operations and assets at Head Office and at major offices. Also, Audit & Supervisory Board Members have maintained good communications and exchanged information with Directors, Audit & Supervisory Board Members and others of the subsidiaries of the Company and asked the subsidiaries for reports on their business conditions as per need.
 - 2) Audit & Supervisory Board Members periodically received reports, sought explanations as necessary and made opinions, regarding the contents of the resolution by the Board of Directors regarding the establishment of a system as stipulated in Article 100(1) and (3) of the Ordinance for Enforcement of the Companies Act as necessary for ensuring that the performance of duties by the Executive Directors conforms to the laws and regulations and the Articles of Incorporation, as well as for ensuring an appropriateness of operations of a corporate organization consisting of a stock company and its subsidiaries, and the internal control system established based on said resolution.
 - 3) Audit & Supervisory Board Members have also monitored and verified whether the accounting auditors maintain independence and properly implement audit, received from the accounting auditors reports on the execution of their duties and asked them for explanations as necessary. In addition, Audit & Supervisory Board Members were informed of the arrangement of the “System for ensuring that the duties are executed appropriately” (matters stipulated in the items of Article 131 of the Corporate Accounting Rules) in accordance with “Standards for the Quality Control of Audits” (Business Accounting Council, October 28, 2005) from the accounting auditors and requested explanations as necessary.

Based on the methods mentioned above, we have reviewed the business report and its supplementary schedules, the non-consolidated financial statements (balance sheet, statement of income, statement of changes in net assets and notes to non-consolidated financial statements) and their supplementary schedules and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, etc. and notes to consolidated financial statements).

2. Audit Results

- (1) Results of audit of the business reports, etc.
 - 1) We confirm that the business reports and supplementary statement thereto present fairly the situation of the Company in accordance with relevant laws and regulations and the Company’s Articles of Incorporation.

- 2) We found no wrongful act or material fact in violation of law or ordinance or in violation of the Company's Articles of Incorporation with respect to the execution of duties by the Directors.
 - 3) We confirm that past resolutions of the Board of Directors on the internal control system are proper. We found no matter to be pointed out concerning either the descriptions in the business report or the execution of duties by the directors with respect to the internal control system.
- (2) Result of audit of non-consolidated financial statements and supplementary statement thereto
We confirm that the auditing methods used and results KPMG AZSA LLC, Accounting Auditor, are proper and correct.
- (3) Result of audit of consolidated financial statements
We confirm that the auditing methods used and results of KPMG AZSA LLC, Accounting Auditor, are proper and correct.

May 10, 2017

The Board of Corporate Auditors of Japan Airlines Co., Ltd.

Audit & Supervisory Board Member	Hisao Taguchi (Seal)
Audit & Supervisory Board Member	Yasushi Suzuka (Seal)
External Audit & Supervisory Board Member	Hiroyuki Kumasaka (Seal)
External Audit & Supervisory Board Member	Shinji Hatta (Seal)
External Audit & Supervisory Board Member	Osamu Kamo (Seal)