

*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 27, 2019

## **NOTICE OF THE 70<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

You are cordially invited to attend the 70<sup>th</sup> Ordinary General Meeting of Shareholders of Japan Airlines Co., Ltd. (the “Company”), which will be held on Tuesday, June 18, 2019, 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., Monday, June 17, 2019 by either procedure described in “Guide for Exercising Voting Rights” on page 2.

Sincerely yours,

Yuji Akasaka  
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., Tuesday, June 18, 2019 (The reception starts at 8:30 a.m.)

**2. Venue:** SHINAGAWA GOOS 1F, 3-13-3 Takanawa, Minato-ku, Tokyo  
Ballroom, TKP Garden City Shinagawa

**3. Agenda:**

- Items to be reported:*
1. Business Report and Consolidated Financial Statements, Audit Reports of the Accounting Auditors and Board of Corporate Auditors regarding the Consolidated Financial Statements for the 70<sup>th</sup> Fiscal Year (April 1, 2018 to March 31, 2019)
  2. Non-consolidated Financial Statements for the 70<sup>th</sup> Fiscal Year (April 1, 2018 to March 31, 2019)

*Items to be proposed:*

- Proposal 1: Appropriation of Surplus
- Proposal 2: Election of Ten (10) Directors
- Proposal 3: Election of One (1) Audit & Supervisory Board Member

**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, canned drinks, 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/en/investor/stockholders\\_meeting/](http://www.jal.com/en/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., Monday, June 17, 2019.

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., Monday, June 17, 2019.

## The Voting Rights Exercise via the Internet

Voting rights may be exercised by 6:00 p.m. on Monday, June 17, 2019, but shareholders are requested to do so as early as possible. If you have any questions, please contact the Help Desk (*only in Japanese*).

### Method 1: Scanning QR Code®

You can login to the Exercise of Voting Rights Website without having to enter your “login ID” and “temporary password” provided on the Voting Form.

1. Please scan the QR code® located on the right-hand side of the Voting Form.

\* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Please follow on-screen instructions to indicate your approval or disapproval of each item.

**Note that you can login by scanning QR code® is possible only at a time.**

In case of re-exercising of voting rights or exercising voting right without scanning QR code®, please refer Method 2 “Entering Login ID and Temporary Password” on the right.

### Method 2: Entering “Login ID” and “Temporary Password”

Exercise of Voting Rights Website

**<https://evote.tr.mufg.jp/>**

1. Please access the website for exercising voting rights.
2. Enter your “Login ID” and “Temporary Password” provided on the Voting Form click on Log in.
3. Please register a “new password.”
4. Please follow on-screen instructions to indicate your approval or disapproval of each item.

In case you need instructions for how to operate your personal computer/smartphone/mobile phone in order to exercise your voting rights via the Internet, please contact:

Help Desk, Stock Transfer Agency Department  
Mitsubishi UFJ Trust and Banking Corporation  
Phone: 0120-173-027 (toll free (Only within Japan))  
Open: 9:00 am to 9:00 pm (Japan Time)

1. You will not be able to access the website from 2:00 a.m. to 5:00 a.m. each day during the exercise period.
2. Any expenses arising from access to the voting site shall be the responsibility of the shareholder.

### **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.

## Table of Contents

### [Reference Documents for General Meeting of Shareholders]

Proposals and reference information .....	5
---	---

### [Attached Documents]

Business Report .....	20
1. Current state of the JAL Group .....	20
(1) Business progress and results .....	20
(2) Business conditions by business segment .....	22
(3) Issues to be addressed .....	25
(4) Capital expenditures .....	27
(5) Financing .....	27
(6) Business transfer, etc. ....	27
(7) Business results and assets .....	28
(8) Major parent companies and subsidiaries (as of March 31, 2019) .....	28
(9) Principal business (as of March 31, 2019) .....	28
(10) Principal locations of business and plants (as of March 31, 2019) .....	29
(11) Employees (as of March 31, 2019) .....	29
(12) Aircraft (as of March 31, 2019) .....	30
(13) Major Creditors (as of March 31, 2019) .....	30
(14) Other important matters concerning current status of the JAL Group .....	31
2. Shares .....	32
3. Corporate Officers .....	33
4. Accounting Auditor .....	42
5. Company's systems and policies .....	43
(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 (As of April 1, 2019) .....	43
(2) Policy on distribution of profits and dividends .....	52
Consolidated Balance Sheet .....	53
Consolidated Statement of Income .....	55
Consolidated Statement of Changes in Net Assets .....	56
Notes to Consolidated Financial Statements .....	58
Non-consolidated Balance Sheet .....	67
Non-consolidated Statement of Income .....	69
Non-consolidated Statement of Changes in Net Assets .....	70
Notes to Non-Consolidated Financial Statements .....	71
Independent Auditor's Report for the Consolidated Financial Statements .....	75
Independent Auditor's Report for the Non-consolidated Financial Statements .....	76
Audit Report of the Board of Corporate Auditors .....	77

### **Proposal 1: Appropriation of Surplus**

We regard shareholder returns as one of our most important management matters. Our fundamental policy is to actively implement shareholder returns through continuous and stable dividends and flexible share repurchases, while securing internal reserves for making investments for corporate growth in the future and changing business environments and to build 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  
55 yen per common stock of the Company  
Total amount of dividends: 19,189,089,865 yen
3. Effective date for dividend of surplus  
June 19, 2019

This, together with the interim dividend of 55 yen, will achieve an annual dividend of 110 yen per share for the current fiscal year.

Going forward, the Company will further work to increase its capital efficiency and realize stable return to shareholders.

## Proposal 2: 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 ten (10) active Directors will expire at the conclusion of this General Meeting of Shareholders.


In the current term, the Company wishes to retain the number of Directors as the current ten (10). In terms of the composition of Directors, this will retain the current three (3) External Directors and will retain the current seven (7) non-External Directors. 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 and an enhanced monitoring of corporate management in a highly transparent manner.

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	Yoshiharu UEKI	Reappointment	6	Ryuzo TOYOSHIMA	Newly appointed
2	Yuji AKASAKA	Reappointment	7	Nobuyoshi GONDO	Newly appointed
3	Tadashi FUJITA	Reappointment	8	Eizo KOBAYASHI	Reappointment, External Director, Independent Officer
4	Hideki KIKUYAMA	Reappointment	9	Masatoshi ITO	Reappointment, External Director, Independent Officer
5	Shinichiro SHIMIZU	Reappointment	10	Sonoko HACCHOJI	Reappointment, External Director, Independent Officer


<p>No. 1</p>  <p>Yoshiharu UEKI (September 16, 1952)</p> <p>Number of Company shares held Common stock 21,900</p> <p>Reappointment</p>	(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
	April 2018	Representative Director, Chairman of the Company (to present)
	(Important positions concurrently assumed outside the Company)	
	Outside Director, Japan Airport Terminal Co., Ltd.(*) (* indicates a listed company)	
	<p>(Reasons for the nomination as Director)</p> <p>After joining the Company, Mr. Ueki acquired insight related to safety operations, etc. and on-the-job experience 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 has continued to contribute to strengthening of the supervisory function of the Board of Directors serving as Chairman of the Board of Directors and a member of the Corporate Governance Committee, Nominating Committee, Compensation Committee, etc. since 2018. For all of these reasons, he is believed to be the right person for the Company to sustainably enhance its corporate value, so the Company hereby proposes that you elect him as Director.</p>	


<div data-bbox="316 203 384 232">No. 2</div> <div data-bbox="221 250 477 472">  </div> <div data-bbox="247 477 453 544"> <b>Yuji AKASAKA</b>            (January 3, 1962)         </div> <div data-bbox="244 582 456 701">           Number of Company            shares held            Common stock            1,800         </div> <div data-bbox="263 743 435 775">Reappointment</div>	(Career summary, position and responsibilities at the Company)	
	April 1987	Joined the Company
	December 2001	General Manager, Production Planning Group, Aircraft Maintenance Business Division (Haneda) of the Company
	April 2009	Vice President, Corporate Safety & Security of the Company Vice President, Customer Relations of the Company
	April 2014	Executive Officer of the Company General Manager, Engineering & Maintenance Representative Director, President of JAL ENGINEERING CO., LTD.
	April 2016	Managing Executive Officer of the Company General Manager, Engineering & Maintenance
	April 2018	President of the Company
	June 2018	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. Akasaka engaged mainly in Engineering &amp; Maintenance Division, and acquired on-the-job experience and insight related to safety operations, etc. at an extremely high level as well as significant knowledge and extensive connections in the airline engineering &amp; maintenance industry. He has strengthened the foundation for safety operations, exercising strong leadership and decision-making skills, as Representative Director, President of JAL ENGINEERING CO., LTD., since 2014. In addition, as Representative Director and President of the Company since 2018, he has worked to uphold in the JAL Group that flight safety is the foundation of the JAL Group and by “Lead by Example” through his own practicing of JAL philosophy he has aimed to greatly contribute to the realization of JAL’s corporate philosophy with all employees. For all of these reasons, he is believed to be the right person for the Company to sustainably enhance its corporate value, so the Company hereby proposes that you elect him as Director.</p>




<p>No. 3</p>  <p>Tadashi FUJITA (October 25, 1956)</p> <p>Number of Company shares held Common stock 5,800</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 of the Company 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 in the Head Office, and took the leadership of all the passenger sales departments as General Manager, Managing Division Passenger Sales, and made achievements. Since 2016, he has been assisting the President serving as Representative Director, Executive Vice President, and considerably contributing 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 sustainably enhance its corporate value, so the Company hereby proposes that you elect him as Director.</p>		


<div>No. 4</div> <div></div> <div>Hideki KIKUYAMA (March 19, 1960)</div> <div>Number of Company shares held Common stock 1,000</div> <div>Reappointment</div>	(Career summary, position and responsibilities at the Company)	
	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
	April 2019	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) After joining the Company, Mr. Kikuyama successively engaged in IT systems, passenger reservation, personnel and labor affairs, corporate planning, etc. in the Head Office and the Americas Offices, etc. and made achievements, exercising great leadership and strong planning and coordination capabilities. Since 2016, serving as Director, Senior Managing Executive Officer and General Manager, Managing Division Route Marketing, he has been considerably contributing to maximizing route profits. Since 2019, furthermore, serving as Director, Senior Managing Executive Officer and General Manager of Finance & Accounting, he has worked to provide highly transparent information disclosure understandable to shareholders and investors and exercise proper management decisions and decision-making skills that benefit the interests of shareholders. For all of these reasons, he is believed to be the right person for the Company to sustainably enhance its corporate value, so the Company hereby proposes that you elect him as Director.		

<div>No. 5</div> <div></div> <div>Shinichiro SHIMIZU (December 13, 1962)</div> <div>Number of Company shares held Common stock 1,500</div> <div>Reappointment</div>	(Career summary, position and responsibilities at the Company)	
	April 1985	Joined the Company
	December 2000	Group Manager, Flight Crew Group, Labor Services Department of the Company
	October 2009	General Manager, Cabin Planning Department of the Company
	April 2013	Executive Officer of the Company General Manager, Human Resources
	April 2015	Managing Executive Officer of the Company General Manager, Human Resources
	April 2016	Managing Executive Officer of the Company General Manager, Secretary's Office
	June 2018	Director and Managing Executive Officer of the Company General Manager, Secretary's Office
	April 2019	Director and Managing Executive Officer of the Company General Manager, Secretary's Office (to present)
	(Important positions concurrently assumed outside the Company) None.	
(Reasons for the nomination as Director) After joining the Company, Mr. Shimizu successively engaged in personnel and labor affairs related to flight crews and cabin attendants, etc. and other divisions, and realized material achievements, exercising great leadership and strong planning and coordination capabilities. Having served as General Manager of Human Resources since 2013 and of Secretary's Office since 2016, he considerably contributes to improving and stabilizing the Company's external presence by judging the situation which the Company is in from a higher perspective. For all of these reasons, he is believed to be the right person for the Company to sustainably enhance its corporate value, so the Company hereby proposes that you elect him as Director.		

<p>No. 6</p>  <p>Ryuzo TOYOSHIMA (August 17, 1959)</p> <p>Number of Company shares held Common stock 2,200</p>	(Career summary, position and responsibilities at the Company)	
	April 1983	Joined the Company
	December 2003	Director, Flight Crew Group, Labor Services Department of the Company
	April 2007	General Manager, Labor Services Department of the Company
	April 2009	Senior Vice President of Paris Branch of the Company
	February 2010	Executive Officer of the Company in charge of Corporate Communications, Strategic Corporate Relations, General Administration, and Legal Compliance
	December 2010	Vice President, Narita Airport of the Company
	June 2012	Executive Officer of the Company President of JAL Express Co., Ltd.
	October 2014	Executive Officer of the Company General Manager, Managing Division Route Marketing
	April 2015	Managing Executive Officer of the Company General Manager, Corporate Control
Newly appointed	April 2019	Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (to present)
	(Important positions concurrently assumed outside the Company)	
	Director (External), JALUX Co., Ltd. (*)	
	(Reasons for the nomination as Director)	
	<p>After joining the Company, Mr. Toyoshima successively engaged in labor affairs related to flight crews and served as General Manager of the Labor Services Department, realized material achievements, exercising great leadership and strong planning and coordination capabilities. Having served as General Manager of Corporate Control since 2015, he has greatly contributed to the wide-spread adoption of a divisional profitability management system across the entire JAL Group. For all of these reasons, he is believed to be the right person for the Company to sustainably enhance its corporate value, so the Company hereby proposes that you elect him as Director.</p>	

(\*) He will resign as external director on the date of that company's ordinary general meeting of shareholders planned to be held in June 2019.


<p>No. 7</p>  <p>Nobuyoshi GONDO (May 3, 1956)</p> <p>Number of Company shares held Common stock 2,200</p> <p>Newly appointed</p>	(Career summary, position and responsibilities at the Company)	
	February 1978	Joined the Company
	February 1996	Captain, DC10 Flight Crew Office of the Company
	January 1998	Assistant to Director, Flight Operations Division, Administration, Captain, DC10 Flight Crew of the Company
	July 2001	Assistant Chief Pilot, Flight Operations Division, Captain DC10 Flight Crew of the Company
	April 2008	Vice President, 777 Flight Crew Office of the Company
	March 2011	Managing Executive Officer of the Company General Manager, Corporate Safety & Security
	February 2012	Executive Officer of the Company Deputy General Manager, Corporate Safety & Security
	February 2013	Managing Executive Officer of the Company General Manager, Corporate Safety & Security (to present)
	(Important positions concurrently assumed outside the Company)	
	None.	
	(Reasons for the nomination as Director)	
	After joining the Company, Mr. Gondo acquired insight related to safety operations, etc. and on-the-job experience as a flight crew at an extremely high level. Having served as General Manager of Corporate Safety & Security and as Manager of Family Assistance & Support, he has greatly contributed to supporting flight safety, which is the foundation of the JAL Group, by fully utilizing his experience gained to date. For all of these reasons, he is believed to be the right person for the Company to sustainably enhance its corporate value, so the Company hereby proposes that you elect him as Director.	

<div>No. 8</div> <div></div> <div>Eizo KOBAYASHI (January 7, 1949)</div> <div>Number of Company shares held Common stock 3,300</div> <div>Reappointment, External Director, Independent Officer</div>	(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
	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 Outside Director of Japan Exchange Group, Inc. (to present)
	April	2018	Senior Representative for Business Community Relations of ITOCHU Corporation (to present)
	(Important positions concurrently assumed outside the Company)		
	Director (Outside), OMRON Corporation (*)		
	Outside Director of Japan Exchange Group, Inc. (*)		
	(* indicates a listed company.)		
(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 sustainably enhance its 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 four (4) 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 described on page 19. 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.			

\* On December 21, 2018, the Company was issued a business improvement order concerning assurance of safety in air transportation by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) due to safety concerns raised by an alcohol-related incident by a flight crew and the change of the number of assigned flight crew. On the same day, Japan Air-Commuter Co., Ltd. was issued an administrative warning regarding misconduct by a flight crew and insufficient safety management system. In addition, on January 11, 2019, the Company was issued a business improvement advisory concerning assurance of safety in air transportation against an alcohol-related incident by a cabin attendant. Although Mr. Kobayashi had no knowledge of the aforementioned problems until they were brought to light, he had been providing suggestions based on his perspective of legal compliance at meetings of the Board of Directors and other venues. Moreover, after becoming aware of the aforementioned incidents, he has

been fulfilling his duties such as by calling for a thorough investigation of the relevant facts and for the formulation of measures to prevent recurrence.

\* ITOCHU Corporation, at which Mr. Kobayashi served as a director until June 2016, received cease and desist orders from the Japan Fair Trade Commission for conduct in violation of the Anti-Monopoly Act on February 12, 2018, February 20, 2018, July 12, 2018, in relation to sales activities concerning uniforms ordered by West Japan Railway Company, Nippon Telegraph and Telephone East Corporation, and All Nippon Airways Co., Ltd., respectively. In addition, ITOCHU Corporation received cease and desist orders and a surcharge payment order from the Japan Fair Trade Commission on October 18, 2018, which is during the period when Mr. Koboyashi served as a director, for conduct in breach of Japan's Antimonopoly Act in relation to services to provide uniforms for NTT DOCOMO, INC.

<div>No. 9</div> <div></div> <div>Masatoshi ITO (September 12, 1947)</div> <div>Number of Company shares held 2,400</div> <div>Reappointment, External Director, Independent Officer</div>	(Career summary, position and responsibilities at the Company)		
	April	1971	Joined Ajinomoto Co., Ltd.
	June	1999	Member of the Board of Ajinomoto Co., Ltd.
	April	2003	Representative Director, President of Ajinomoto Frozen Foods Co., Inc.
	August	2006	Representative Director, Member of the Board & Corporate Senior Vice President of Ajinomoto Co., Inc. President, Food Products Company
	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.) Note that the Company provides annual membership fee payments to Japan Advertisers Association.			
(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 sustainably enhance its 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 three (3) 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 described on page 19. 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.			

\* On December 21, 2018, the Company was issued a business improvement order concerning assurance of safety in air transportation by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) due to safety concerns raised by an alcohol-related incident by a flight crew and the change of the number of assigned flight crew. On the same day, Japan Air-Commuter Co., Ltd. was issued an administrative warning regarding misconduct by a flight crew and insufficient safety management system. In addition, on January 11, 2019, the Company was issued a business improvement advisory concerning assurance of safety in air transportation against an alcohol-related incident by a cabin attendant. Although Mr. Ito had no knowledge of the aforementioned problems until they were brought to light, he had been providing suggestions based on his perspective of legal compliance at meetings of the Board of Directors and other venues. Moreover, after becoming aware of the aforementioned incidents, he has been fulfilling his duties such as by calling for a thorough investigation of the relevant facts and for the formulation of measures to prevent recurrence.



<p>No. 10</p>  <p>Sonoko HACCHOJI (January 15, 1950)</p> <p>Number of Company shares held 800</p> <p>Reappointment, External Director, Independent Officer</p>	(Career summary, position and responsibilities at the Company)	
	April 1972	Joined The Industrial Bank of Japan, Limited
	November 1993	Director, Vice President of IBJ International plc, U.K. securities subsidiary of The Industrial Bank of Japan, Limited
	June 1997	Deputy Manager and Associate Director, Market Risk Management Office of The Industrial Bank of Japan, Limited
	March 2002	Executive Officer, General Manager of Information Equipment Business Department of IBJ Leasing Company, Limited, domestic subsidiary of The Industrial Bank of Japan, Limited
	April 2004	Senior Consultant of The Kyoritsu Risk Management Co., Ltd.
	January 2006	Director and General Manager, Administration Div. of Yuki Management & Research Co., Ltd.
	April 2008	Part-time Internal Auditor of Aetos Japan, LLC
	April 2009	Executive Officer of FUJITA KANKO INC.
	March 2010	Director and Executive Officer of FUJITA KANKO INC. General Manager, Planning Division Deputy General Manager, Business Operations Division
	March 2011	Managing Director and Managing Executive Officer of FUJITA KANKO INC. General Manager, Planning Division Deputy General Manager, Business Operations Division In charge of Sales Planning Promotion, Business Operations Division
	May 2011	Managing Director and Managing Executive Officer of FUJITA KANKO INC. General Manager, Planning Division Deputy General Manager, Business Operations Division
	March 2013	Managing Executive Officer of FUJITA KANKO INC. Group Manager of Planning Group
	March 2015	Advisor of FUJITA KANKO INC.
	June 2016	Outside Director of Nisshin Steel Co., Ltd. (currently, NIPPON STEEL NISSHIN CO., LTD.) (to present)
	April 2017	Special Advisor to the President and Chief Strategy Officer of Tsuda University (to present)
	June 2018	External Director of the Company (to present)
	(Important positions concurrently assumed outside the Company)	
	Outside Director of NIPPON STEEL NISSHIN CO., LTD. (Note that the former name of the aforementioned company is Nisshin Steel Co., Ltd. It changed its name to NIPPON STEEL NISSHIN CO., LTD. on April 1, 2019 after becoming a wholly owned subsidiary of NIPPON STEEL & SUMITOMO METAL CORPORATION and delisting from the stock exchange on December 26, 2018.)	
	(Reasons for the nomination as External Director)	
	<p>Ms. Hacchoji has significant knowledge and extensive experience in the areas of financial products development, loans and risk management at banks and customer-centric marketing and management strategy in hotel management. She has also been providing advice to the Company's management and carrying out appropriate oversight of business execution, using her diversified perspectives over versatile themes including educational reforms at universities. For all of these reasons, she is believed to be the right person for the Company to sustainably enhance its 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. Ms. Hacchoji retired from The Industrial Bank of Japan, Limited (currently, Mizuho Bank, Ltd.) in January 2006.</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 one (1) year.</p>	
	(Independent Officer)	
	<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 described on page 19. 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</p>	



	post of External Director, she will become an Independence Officer.
	<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>

\* On December 21, 2018, the Company was issued a business improvement order concerning assurance of safety in air transportation by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) due to safety concerns raised by an alcohol-related incident by a flight crew and the change of the number of assigned flight crew. On the same day, Japan Air-Commuter Co., Ltd. was issued an administrative warning regarding misconduct by a flight crew and insufficient safety management system. In addition, on January 11, 2019, the Company was issued a business improvement advisory concerning assurance of safety in air transportation against an alcohol-related incident by a cabin attendant. Although Ms. Hacchoji had no knowledge of the aforementioned problems until they were brought to light, she had been providing suggestions based on her perspective of legal compliance at meetings of the Board of Directors and other venues. Moreover, after becoming aware of the aforementioned incidents, she has been fulfilling her duties such as by calling for a thorough investigation of the relevant facts and for the formulation of measures to prevent recurrence.

(Note) There is no special interest between the nominees for Directors and the Company excluding the nominee No. 9.

### Proposal 3: Election of One (1) Audit & Supervisory Board Member

As Mr. Hisao Taguchi, Audit & Supervisory Board Member, will retire by resignation as of the conclusion of this General Meeting of Shareholders, the election of one (1) Audit & Supervisory Board Member is hereby proposed.

The new candidate will not be elected to fill a vacancy of Mr. Hisao Taguchi, and the term of office of the new candidate will expire at the conclusion of the Ordinary General Meeting of Shareholders relating to the last fiscal year ending within four (4) years from his election.

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.

In addition, submission of this proposal to this General Meeting of Shareholders was approved in advance by the Board of Corporate Auditors.

The nominee for Audit & Supervisory Board Member is as follows:

 Norikazu SAITO (November 23, 1956)  Number of Company shares held 4,800  Newly appointed	(Career summary and position 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
	April	2019	Director of the Company (to present)
	(Important positions concurrently assumed outside the Company) None.		
(Reasons for the nomination as External Audit & Supervisory Board Member) Since joining the Company, Mr. Saito has engaged mainly in finance and accounting departments over the years and has significant knowledge of finance and accounting, investor relations activities, etc. Since 2014, serving as Director, Senior Managing Executive Officer and General Manager of Finance & Accounting, he has been striving to conduct transparent information disclosure understandable to shareholders and investors and considerably contributing to proper management decisions that make for shareholder returns. He has extensive experience in the Company's operations and deep insight, so the Company hereby proposes that you elect him as Audit & Supervisory Board Member.			
(Overview of limited liability agreement) If he is appointed as Audit & Supervisory Board Member and assumes the post, in accordance with Article 427, Paragraph (1) of the Companies Act and the Company's Articles of Incorporation, the Company will enter 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.			

(Note) There is no special interest between the nominee for Audit & Supervisory Board Member 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 43 and subsequent pages.

**(Attached Documents)**

**Business Report**

(April 1, 2018 to March 31, 2019)

1. Current state of the JAL Group

(1) Business progress and results

A series of alcohol-related misconduct involving flight crew and a cabin attendant of the JAL Group occurred since May 2018. In December 2018, the Company was issued a business improvement order concerning assurance of safety in air transportation by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) due to safety concerns raised by an alcohol-related incident by a flight crew and the change of the number of assigned flight crew. In addition, in the same month, Japan Air Commuter was issued an administrative warning regarding misconduct by a flight crew and insufficient safety management system. In January 2019, the Company was issued a business improvement advisory concerning assurance of safety in air transportation against an alcohol-related incident by a cabin attendant. As a scheduled air transport services provider, we recognize the extreme seriousness of these incidents that have greatly damaged trust.

Recognizing that these incidents of alcohol-related misconduct are serious violations of safety, the Company steadily worked to build a system for managing alcohol countermeasures in an organized manner and to formulate preventive measures such as ensuring thorough alcohol testing and re-education on the importance of safety, etc.

In addition, to identify essential problems at the root of this series of unsafe actions and consider corrective action, the Company established an in-house investigative committee that reports to the president, and based on the recommendations from the safety advisory group comprised of outside experts, the Company compiled countermeasures centered on “awareness with safety always number one,” “systems and culture that can resolve issues,” and “organization that ensures safety.”

The JAL Group will work to fundamentally redevelop safety systems free from the constraints of existing frameworks in order to restore trust from shareholders, customers and society as a whole.

(i) Economic conditions and financial results for the fiscal year under review

During the fiscal year under review, the Japanese economy continued to experience gradual growth, despite U.S.-China trade friction and an unstable political situation in Europe. In addition, crude oil prices, which affect the Company’s fuel procurement costs, international passenger revenues, and cargo revenues, each rose significantly in the first half compared with the previous fiscal year, but fell in the second half. However, crude oil prices have once again ticked higher since January of this year due to coordinated production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and expectations about progress in U.S.-China trade talks. At the same time, although the yen trended stronger against the U.S. dollar momentarily due to the worldwide drop in stock prices in December, partial government shutdown in the U.S., and concerns that U.S.-China trade friction will lead to a slowdown in the world economy, the yen was generally at the same level against the dollar as last year throughout the year.

Under these economic circumstances, as for the consolidated financial results of the JAL Group for the fiscal year under review, operating revenues increased year on year by 7.5% to 1,487.2 billion yen, operating expenses increased by 8.5% to 1,311.1 billion yen, operating profit increased by 0.9% to 176.1 billion yen, ordinary profit increased by 1.3% to 165.3 billion yen, and impacted by income taxes - deferred in the previous fiscal year profit attributable to owners of parent increased by 11.4% to 150.8 billion yen.

(ii) Initiatives related to safety

To maintain the flight safety that is the foundation for our continued existence, acting as “the leading company in transport sector safety,” a status noted among our management goals, the Company

worked toward the “evolution of safety management systems,” “evolution of security management systems,” and “ensuring that lessons learned from past accidents are passed on.”

For the “evolution of safety management system,” we established safety management based on information related to safety compiled in the integrated safety database introduced in FY2017, and we strived to prevent aviation accidents (\*1) or serious incidents (\*2) by newly introducing analysis methods for human error.

For the “evolution of security management system,” we strived to maintain airline safety at a high level by developing a security management system based on newly established regulations on security management and by carrying out the analysis, evaluation and management of security risks in a systematic manner. We also conducted education to instill in everyone the awareness that “every member of staff must play a role in protecting safety.”

For “ensuring that lessons learned from past accidents are passed on,” we held the “Safety Seminar – Learning from the Past” featuring stories of people who experienced the crash of Japan Airlines Flight 123 and through training that included climbing to the memorial on Mt. Osutaka and visiting the Safety Promotion Center, we fostered a greater sense of safety among all employees.

(Reference)

(\*1) 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.

(\*2) 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.

### (iii) Measures related to contributions to society

As for contributions to society, we worked on diversified measures, particularly those described below, aiming at achieving the United Nation’s 17 Sustainable Development Goals (SDGs).

In terms of the environment, given that we emit considerable CO<sub>2</sub> due to the nature of the air transport business, we are aiming to “reduce CO<sub>2</sub> emissions from aircraft by 23% per Revenue Ton Kilometers compared to FY2005 by FY2020,” and made concrete efforts toward this target by upgrading to more fuel efficient aircraft and introducing operation methods that consume less fuel (reduced by 19.4% by March 2019). As part of our efforts to promote the use of biojet fuel, in September 2018, we made an investment in Fulcrum BioEnergy Inc., a manufacturer of biojet fuel in the US, and in January 2019 we operated an aircraft using biojet fuel from San Francisco to Tokyo. We actively worked on solutions to environmental issues, including reduction of CO<sub>2</sub> emissions, by continuing to participate in the CONTRAIL Project, an atmospheric observation project launched in 1993.

In terms of contributions to customers and communities, the JAL Group, as a public transport operator, strove to restart flight services as soon as possible and helped to rebuild areas affected by the torrential rains of July 2018, Typhoon No. 21 (Jebi) and the earthquake that struck Eastern Iburi in Hokkaido, among others, by providing emergency transport of relief supplies and establishing discount fares for disaster assistance. In addition, we took initiatives to increase the size of the non-resident population and revitalize distribution, by concluding partnership agreements with another 8 local governments, for example.

From the standpoint of human rights, diversity and inclusion (D&I), we worked to promote professional opportunities for diverse human resources, such as providing professional opportunities for women, hiring of global personnel, expanding the scope of work available to persons with disabilities, and promoting LGBT understanding. As a result, the male management staff of the Company received a grand prize at the “Ikuboss Award” (\*3), marking the first time the transport industry was recognized. Japan Airlines was also selected for the runner-up award in the advanced category at the Diversity Awards sponsored by J-Win, an incorporated NPO that commends progressive companies promoting diversity. Furthermore, Japan Airlines received the highest “gold ranking” for the third consecutive year in the PRIDE Index, which evaluates a company’s efforts toward LGBT issues. Moreover, we introduced flexible workstyles not limited by time or location, including flex time, telework, and work-cations that combine travel, returning home, and work regardless of location, and promoting workstyles that accommodate the various lifestyles of employees.

(Reference)

(\*3) Ikuboss Award: An award system sponsored by the Ministry of Health, Labour and Welfare in order to promote a balance between childrearing and work in the workplace.

## (2) Business conditions by business segment

International passenger operations	• International passenger revenue (Billions of yen)		69 <sup>th</sup> fiscal year	70 <sup>th</sup> fiscal year
	70 <sup>th</sup> fiscal year:	Available-seat-km (Million seat-km)	51,836	54,925 (up 6.0%)
	530.6	Revenue-passenger-km (Million passenger-km)	42,013	44,659 (up 6.3%)
	69 <sup>th</sup> fiscal year: 462.9	Load factor (L/F) (%)	81.0	81.3 (up 0.3 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		

### International passenger operations

In international passenger operations, in addition to firm demand for outbound flights, there was also robust demand for inbound flights, as the number of foreign nationals visiting Japan broke the 30 million mark in 2018 for the first time ever. Due to efforts aimed at capturing this growing demand, including adding seats through cabin design modifications, launching the Narita-Kona route and Narita-Melbourne route in FY2017, and adding year-round flights to the Haneda-London route. As a result, available seat kilometers increased 6.0% year on year, while the number of passengers increased by 6.3% and revenue passenger kilometers increased 6.3%. Load factor reached a record high at 81.3%. We have been steadily implementing our passenger service system, which was revamped in November 2017, and the boosted revenue management and enhanced revenue channel of the JAL e-commerce website that resulted also contributed to increasing revenue.

Regarding route operations, we added a new Haneda-Manila route in February and a Narita-Seattle route in March, aimed at capturing a broad range of demand for outbound business and tourism and inbound needs. Furthermore, we worked to improve our network and increase convenience by opening and expanding code sharing with S7 Airlines, Garuda Indonesia, Vietjet Air, Aeroméxico, Fiji Airways, Vistara, and Alaska Airlines. In our joint businesses, in addition to the newly opened flights of British Airways outbound from/inbound to Japan and the additional flights of Finnair as covered flights, toward new joint business with Hawaiian Airlines and China Eastern Airlines, we applied for an exemption from the Anti-monopoly Act in June and October, respectively.

As for products and services, we received the rating of “5 Stars” at the “World Airlines Awards” operated by SKYTRAX. Moreover, in mileage services, we introduced “JAL International Award Ticket PLUS in December to expand opportunities to secure standby seats by redeeming additional miles and worked on improving convenience. In our Hawaii flights, in September we announced a new concept, “Style yourself ~JAL HAWAII~,” and in line with customers’ diversifying needs, we introduced new services such as providing new in-flight meals, early check-in services with partner hotels, renewal of Honolulu airport lounge, and a partner mileage program with Hawaiian Airlines, and worked to further increase choice.

Domestic passenger operations	Domestic passenger revenue (Billions of yen)		69 <sup>th</sup> fiscal year	70 <sup>th</sup> fiscal year
	70 <sup>th</sup> fiscal year: 528.0	Available-seat-km (Million seat-km)	35,714	36,116 (up 1.1%)
	69 <sup>th</sup> fiscal year: 518.2	Revenue-passenger-km (Million passenger-km)	25,643	26,195 (up 2.2%)
		Load factor (L/F) (%)	71.8	72.5 (up 0.7 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		

### Domestic passenger operations

In domestic passenger operations, impacts were felt from flight cancellations following storm surge damage at Kansai International Airport in September caused by Typhoon No. 21 (Jebi) and due to the earthquake that struck Eastern Iburi in Hokkaido. To respond to strong demand, efforts were made to increase seats; J-AIR Co., Ltd. introduced the Embraer 190 mainly on routes departing and arriving Itami, while Japan Transocean Air promoted its introduction of Boeing 737-800 aircraft with JAL SKY NEXT on routes to and from Naha. As a result, available seat kilometers increased 1.1% year on year, while the number of passengers increased by 2.4% and revenue passenger kilometers increased 2.2%. Load factor reached a record high at 72.5%. Moreover, by leveraging the effectiveness of our new passenger service system we were able to achieve greater precision and sophistication in revenue management.

Aimed at restoring tourism demand in Hokkaido, we launched marketing of travel products such as a special fare called “Support Advanced Purchase,” offering a more inexpensive price than regular fares, along with “Hokkaido Support Discount,” “Hokkaido Reconstruction Discount for Flying JAL” and “Hokkaido Charitable Donation Tours” through JAL Dynamic Package, in an effort to reconstruct those areas affected. Furthermore, for foreign visitors, we lowered prices of JAL Japan Explorer Pass, a discount fare for domestic flights, for a limited time on routes to and from Hokkaido and Kansai (Kansai, Itami, Nanki Shirahama), making efforts to stimulate tourism demand.

Regarding route operations, we newly introduced an island-hopping route on Japan Air Commuter in July (Tokunoshima Island to Okinoerabu to Naha), striving to increase the non-resident population further in the Amami Islands area. Japan Air Commuter also installed the ATR72-600 turboprop, which was introduced for the first time in Japan, on flights to and from Kagoshima.

As for products and services, we strove to further improve inflight services, expanding the number of video program channels and newly starting broadcasts of satellite TV for our in-cabin Wi-Fi service that we have installed in “JAL SKY NEXT,” among other measures. In addition, as part of measures to enhance lounge facilities from 2016, Itami Airport’s Diamond Premier Lounge and Sakura Lounge were renewed in March to provide more space, enhanced amenability and functionality, and improved comfort.

Cargo service operations	●Cargo service revenue (Billions of yen)		69 <sup>th</sup> fiscal year	70 <sup>th</sup> fiscal year
	(International routes)			
	70 <sup>th</sup> fiscal year: 65.4	Revenue cargo for International routes ton-km (1,000 ton-km)	2,233,387	2,429,268 (up 8.8%)
	69 <sup>th</sup> fiscal year: 56.0			
	(Domestic routes)			
	70 <sup>th</sup> fiscal year: 21.8	Revenue cargo for Domestic routes ton-km (1,000 ton-km)	364,089	343,529 (down 5.6%)
	69 <sup>th</sup> fiscal year: 22.4			
Reference	Revenue-cargo-ton-km:	Unit expressing revenue cargo transport volume. Revenue cargo weight (ton) × Distance traveled (km)		

### Cargo service operations

For international cargo operations, demand for air cargo, especially for routes to and from Japan centered on automobile industries, remained firm throughout the year, despite a drop in demand growth on routes to and from China due to the impacts of US-China trade frictions in the fourth quarter. In addition to cargo space on our own aircraft, the Company strove to steadily capture demand by chartering other companies' cargo aircraft. Consequently, revenue for the business increased by 16.9% to 65.4 billion yen.

In domestic cargo operations, despite efforts to acquire new cargo demand, including the transportation of fresh cargo by introducing new refrigerated containers, revenue decreased by 2.6% to 21.8 billion yen due to a partial loss of home delivery parcels to ground transport and a decline in overall demand owing to poor weather and natural disasters.

### Other operations

In other operations, we strived to maximize the JAL Group's corporate value by expanding our business domains and continuously enhancing the convenience for customers. In line with our policy to expand our business domains, in April we established JAL Agriport, which operates tourist farms located close to Narita Airport that contribute to the revitalization of the local region that are designed to attract both Japanese and overseas visitors using Narita Airport and everyone living in the region. In November, JAL Payment Port Co., Ltd. started JAL Global WALLET service, a prepaid card for travel, aiming to provide new services in the financial field, including foreign currency exchange prior to trips abroad.

Summary on two major companies is as follows:

JALPAK Co., Ltd. worked to boost sales of Dynamic Package products and expand high quality value-added products. The number of overseas travelers handled fell 3.9% year on year to 222 thousand passengers due to rising sales prices caused by fuel surcharge hikes and tougher competition, despite efforts to boost sales using timely sales promotions. On the other hand, the number of domestic travelers handled remained strong and increased by 6.8% to 2,718 thousand passengers year-on-year, thanks to demand for the 35th anniversary of Tokyo Disney Resort and rising demand in the direction of Okinawa, despite the spate of natural disasters that struck Japan. Furthermore, with regard to inbound tourism, the company launched the "JAL Visit Japan Dynamic Package" in Thailand and expanded it to Australia in July and Singapore in December. As a result, operating revenue (prior to intercompany transaction elimination) for the fiscal year under review increased by 4.0% from the previous fiscal year to 182.0 billion yen.

In July, JALCARD, Inc. added the JALCARD Suica CLUB-A Gold Card to its product lineup and further stepped up member recruiting activities. As a result, the number of members increased by 4.5% year-on-year to 3,579 thousand members. In addition, the "Pay Annual Fee by Mile" service launched in FY2017 saw a steady increase in users and a number of new initiatives were started, including using LINE for member referrals. As a result, JALCARD was evaluated highly in the JCSI



(Japan customer satisfaction index) survey of the credit card industry which provided scores in six indices, achieving first ranking in three indices, including loyalty and likelihood of recommending the card, and second ranking in the other three. Furthermore, the JALCARD system is continually being advanced to provide services that best match customers' needs, for example, by boosting data marketing and innovating the call center systems.

As a result of the above, operating revenue (prior to intercompany transaction elimination) for the fiscal year under review increased by 6.1% from the previous fiscal year to 19.4 billion yen.

### (3) Issues to be addressed

JAL Group put forth in April 2017 the "JAL Vision," which is built on the key phrases "Transform JAL into a truly global airline," "Create new values one step ahead of competitors," and "Continue sustainable growth," and announced the Grand Design that will realize this vision over a 10-year period containing a more detailed and quantitative breakdown of JAL Vision in February 2018.



To realize the future vision, we have reviewed the medium term management plan every year based on changes in external environment and progress. In February 2019, we announced the "JAL Group Medium Term Management Plan - Rolling Plan 2019." We will act swiftly to rebuild safety and sense of security by reviewing the entire JAL Group from the perspective of safety and implementing fundamental reforms including organizational culture and human resources development, based on the reflections from the business improvement order received in December over alcohol-related misconduct, etc. Furthermore, in order to live up to the expectations of customers, communities and society, we will "restore trust and improve corporate value" by enhancing services and contributing to society more than ever before.



Summary of initiatives going forward is as follows:

#### (i) Expand networks

We will substantially expand our route network to take advantage of the development of airports in metropolitan area scheduled in 2020 as well as expand alliances with our partners around the world. In addition, the JAL Group is contributing to the holding of international events in Japan, such as the Tokyo 2020 Olympics and Paralympics as well as the registration of world natural heritage properties in the Amami and Okinawa islands. Furthermore, in the first half of FY2020, we will

create new demand through the newly established ZIPAIR Tokyo entering the medium to long-range International LCC market, an untapped market in Japan, and build a travel business portfolio that can accommodate a diverse array of needs.

(ii) Innovate better products and services

In FY2019, we will become the first in Japan to introduce on Airbus A350-900, which uses the latest, most cutting-edge technologies, and on international routes, we will complete the transition to fully-flat seats in our business class cabin for all North America, Europe and Oceania routes. From FY2020, we will revamp and increase the number of automated check-in machines, introduce a self-baggage drop, and utilize face authentication to achieve “smart airports” at major airports in Japan where customers are not made to wait.

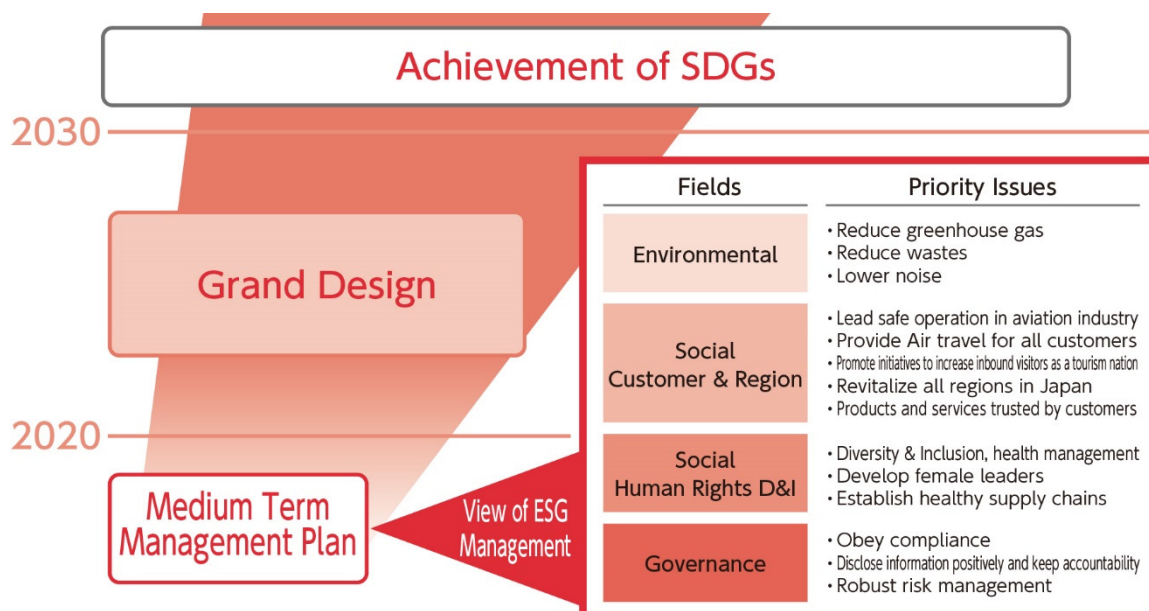
(iii) Expand business domains

While expanding the existing businesses that utilize the strength of the JAL Group, the knowhow of aviation operations (airport handling service, maintenance service, etc.), the JAL Group is promoting initiatives aimed at increasing the inbound tourism to Japan and regional revitalization inside Japan as well as customer base that are the strength of the JAL Group, the JAL Group is creation new value through cooperation with external partners.

(iv) HR×Technology

In addition to working to develop professional human resources that can thrive in the diversifying world, we are also working to cultivate the next generation of airline human resource aimed at the development of the airline industry. Furthermore, we are accelerating innovation through workstyle reforms through new technologies and by promoting relationships with outside partners using Innovation Lab, as we reposition human resources as a value-added field.

We will identify important issues from an ESG management perspective and work to resolve social issues through our business, aiming at achieving the SDGs by 2030.



Through the above, we will maintain stable profitability and a strong financial structure, and 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 223.4 billion yen, which is broken down into 185.3 billion yen for aircraft-related capital expenditures, 13.4 billion yen for ground-based assets, etc., and 24.7 billion yen for intangible fixed assets.

During the current fiscal year, the JAL Group introduced 17 new airplanes, 3 of which was changed to a leased airplane during the current fiscal year. The JAL Group also purchased 5 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 up-front disbursement, during the current fiscal year is 38.

(5) Financing

During the current fiscal year, the JAL Group took out long-term borrowings of 10.8 billion yen from domestic financial institutions to fund the aforementioned payments on airplanes. The Group also issued straight corporate bonds totaling 30.0 billion yen.

(6) Business transfer, etc.

None

(7) Business results and assets

Classification	67 <sup>th</sup> fiscal year ended March 31, 2016	68 <sup>th</sup> fiscal year ended March 31, 2017	69 <sup>th</sup> fiscal year ended March 31, 2018	70 <sup>th</sup> fiscal year ended March 31, 2019
Operating revenues (Millions of yen)	1,336,661	1,288,967	1,383,257	1,487,261
Operating profit (Millions of yen)	209,192	170,332	174,565	176,160
Operating profit margin (%)	15.7	13.2	12.6	11.8
Ordinary profit (Millions of yen)	209,219	165,013	163,180	165,360
Profit attributable to owners of parent (Millions of yen)	174,468	164,174	135,406	150,807
Basic earnings per share (Yen)	481.29	456.56	383.23	432.10
Return On Invested Capital (ROIC)* (%)	14.0	10.7	10.1	9.5
Return On Equity (ROE) (%)	21.5	18.1	13.3	13.6
Total assets (Millions of yen)	1,578,928	1,728,777	1,853,997	2,030,328
Net assets (Millions of yen)	870,557	1,003,393	1,094,127	1,200,135
Net assets per share (Yen)	2,325.79	2,749.71	3,019.52	3,340.15
Equity ratio (%)	53.4	56.2	57.2	57.4

- (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 Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the fiscal year ended March 31, 2019. The results for the 69th fiscal year are those after retrospective application.
3. \*Return On Invested Capital (ROIC) (%) = Net operating profit after taxes / Average fixed assets (including future rental expenses under operating leases)

(8) Major parent companies and subsidiaries (as of March 31, 2019)

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
JALCARD, Inc.	360 million yen	50.6%	Credit card 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, 2019)

Air transport business and other businesses incidental or related thereto.

(10) Principal locations of business and plants (as of March 31, 2019)

Business Office	
Head Office	2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo
Japan	Sapporo, Hakodate, Asahikawa, Obihiro, Kushiro, 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, Melbourne, New Delhi, Moscow, Helsinki, Frankfurt, London, Paris, Guam, Vancouver, New York, Boston, Chicago, Dallas, Los Angeles, San Diego, San Francisco, Seattle, Honolulu, Kona

Plants
Haneda Maintenance Center, Narita Maintenance Center, Osaka Maintenance Center

(11) Employees (as of March 31, 2019)

	Number of Employees	Increase (decrease) from the previous fiscal year
Air transport business	30,121 persons [638 persons]	898 [52]
Other	3,882 persons [361 persons]	67 [(21)]
Total	34,003 persons [999 persons]	965 [31]

(Notes) 1 The number of employees excludes employees on leave and employees seconded to companies outside the Group, but does include employees temporarily seconded from outside the Group to inside the Group.

2. Instead of providing the number of temporary employees (employees dispatched from temporary employment agencies) as of the end of a reporting period, the average annual number of temporary employees is provided separately in brackets. The increase (decrease) in temporary employees from the previous fiscal year shows, in brackets, the difference between the average annual number of temporary employees in the previous fiscal year and the current fiscal year.

## (12) Aircraft (as of March 31, 2019)

Aircraft	Number of aircraft	Number of seats	Note
Boeing 787-8	25	161, 186, 206	The number of aircraft includes 3 on lease
Boeing 787-9	17	195, 203, 239	
(Subtotal)	(42)		
Boeing 777-200	12	375	
Boeing 777-300	4	500	
Boeing 777-200ER	11	236, 245, 312	
Boeing 777-300ER	13	244	
(Subtotal)	(40)		
Boeing 767-300	6	261	
Boeing 767-300ER	29	199, 227, 237, 252, 261	
(Subtotal)	(35)		
Boeing 737-400	3	145	The number of aircraft includes 20 on lease
Boeing 737-800	62	144, 165	
(Subtotal)	(65)		
Embraer 170	18	76	
Embraer 190	14	95	
(Subtotal)	(32)		
Bombardier DHC8-400	1	74	
Bombardier DHC8-400CC	5	50	
(Subtotal)	(6)		
ATR 42-600	6	48	The number of aircraft includes 1 on lease
ATR72-600	1	70	
(Subtotal)	(7)		
SAAB 340B	8	36	
Total	235		

## (13) Major Creditors (as of March 31, 2019)

Creditor	Loans outstanding at the end of the period
Mizuho Bank, Ltd.	20,131 million yen
MUFG Bank, Ltd.	20,131 million yen
Sumitomo Mitsui Banking Corporation	5,502 million yen

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

- (i) As regards the case that the Company was charged with forming a price cartel on air cargo by European Union antitrust authorities, a judgment by the European Court of Justice became final in February 2016, revoking the monetary penalty payment ordered by authorities. However, the authorities again issued an order of monetary penalty payment in March 2017. Accordingly, we filed a suit in the European Court of Justice again in May 2017 to confirm nullity of the order. 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.

The JAL Group provides training for employees on overseas assignments before they are stationed abroad, and holds seminars on antitrust and provides e-learning 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.

- (ii) The incident where a part of the engine of an aircraft departed from Kumamoto Airport fell to the ground in May was determined to be a serious incident by the Ministry of Land, Infrastructure, Transport and Tourism. In addition, the incident where a cabin attendant suffered a broken bone while serving passengers in June was ruled to be an air accident. Currently, the Japan Transport Safety Board under the Ministry of Land, Infrastructure, Transport and Tourism is investigating these cases. The Company has already 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, 2019)

Classification	Total number of shares issued	Number of shareholders
Common stock	349,028,700 shares	144,308 persons

- (Notes)
- The total number of shares issued includes 136,157 shares of treasury stock.
  - The Company resolved at the meeting of the Board of Directors held on February 28, 2018, to purchase treasury stock and carried out the purchase as follows:
    - Details of the resolution
 

Total number of shares to be purchased: 7,000,000 shares (upper limit)

The total purchase price: 20.0 billion yen (upper limit)

Purchase period: From March 1, 2018 to April 27, 2018

Note: All shares of treasury stock acquired through the purchase shall be retired by the resolution of the Board of Directors pursuant to Article 178 of the Companies Act.
    - Results of the purchase
      - Details of the treasury stock acquired before March 31, 2018
 

Total number of shares purchased: 2,354,000 shares

The total purchase price: 9,999,955,400 yen

Purchase period: From March 1, 2018 to March 31, 2018
      - Details of the treasury stock acquired after April 1, 2018
 

Total number of shares purchased: 2,333,100 shares

The total purchase price: 9,999,983,483 yen

Purchase period: From April 1, 2018 to April 13, 2018
    - Retirement of treasury stock
 

The Company resolved at the meeting of the Board of Directors held on April 27, 2018, to retire treasury stock pursuant to Article 178 of the Companies Act. The 4,687,100 shares (1.33% of the total number of shares issued before retirement) that were acquired were all retired on May 23, 2018.
  - The Company resolved at the meeting of the Board of Directors held on April 26, 2019, to purchase treasury stock:
 

Total number of shares to be purchased: 7,000,000 shares (upper limit)

The total purchase price: 20.0 billion yen (upper limit)

Purchase period: From May 7, 2019 to September 30, 2019

Note: All shares of treasury stock acquired through the purchase shall be retired by the resolution of the Board of Directors pursuant to Article 178 of the Companies Act.

### (2) Major shareholders

(As of March 31, 2019)

Name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	22,807,800	6.53
Japan Trustee Services Bank, Ltd. (Trust account)	17,048,300	4.88
Japan Trustee Services Bank, Ltd. (Trust account 9)	11,320,600	3.24
KYOCERA Corporation	7,638,400	2.18
Japan Trustee Services Bank, Ltd. (Trust account 5)	6,803,600	1.95
STATE STREET BANK AND TRUST COMPANY 505001	5,067,600	1.45
Daiwa Securities Group Inc.	5,000,000	1.43
Japan Trustee Services Bank, Ltd. (Trust account 1)	4,529,400	1.29
Japan Trustee Services Bank, Ltd. (Trust account 2)	4,203,000	1.20
Japan Trustee Services Bank, Ltd. (Trust account 7)	3,904,000	1.11

- (Notes)
- Shareholding ratio is calculated with 136,157 shares of treasury stock excluded, rounded down to two decimal places.
  - Of shares held by foreigners, etc. with respect to the general shareholders notification, 54,616,546 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, 2019)

Position	Name	Responsibility	Important concurrent occupations or positions at other organizations
Representative Director, Chairman	Yoshiharu UEKI	Chairman of the Board of Directors	Outside Director, Japan Airport Terminal Co., Ltd.(*) (* indicates a listed company)
Representative Director, President	Yuji AKASAKA	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	
Director, Senior Managing Executive Officer	Norikazu SAITO	General Manager, Finance & Accounting	
Director, Senior Managing Executive Officer	Hideki KIKUYAMA	General Manager, Managing Division Route Marketing In charge of Managing Division Route Marketing (Passenger System Planning)	
Director, Senior Managing Executive Officer	Toshinori SHIN	General Manager, Flight Operations Safety General Manager	
Director, Managing Executive Officer	Shinichiro SHIMIZU	General Manager, Secretary's Office	
Director	Eizo KOBAYASHI		Director (Outside), OMRON Corporation(*) Outside Director, Japan Exchange Group, Inc.(*) (* 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)
Director	Sonoko HACCHOJI		Outside Director of Nisshin Steel Co., Ltd.
Audit & Supervisory Board Member	Hisao TAGUCHI		
Audit & Supervisory Board Member	Yasushi SUZUKA		President, Japan SAP Users' Group

Position	Name	Responsibility	Important concurrent occupations or positions at other organizations
External Audit & Supervisory Board Member	Shinji HATTA		Professor of Auditing, Ohara Graduate School of Accounting, Tokyo Corporate Auditor (Outside, nonstanding), Development Bank of Japan Inc. Corporate Auditor (Outside, nonstanding), 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, Azearth Corporation(*) Chairman of Government Procurement Review Board (Cabinet Office, Government of Japan) (* indicates a listed company)
External Audit & Supervisory Board Member	Shinsuke KUBO		Representative Partner, Kyoei Accounting Office Representative Director, Japan Enterprise Sustainable Transformation Advisory Co., Ltd.

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

(1) Assumption

At the 69<sup>th</sup> Ordinary General Meeting of Shareholders held on June 19, 2018, Mr. Yuji Akasaka, Mr. Shinichiro Shimizu and Ms. Sonoko Hacchoji were newly appointed as Directors, and Mr. Shinsuke Kubo 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 69<sup>th</sup> Ordinary General Meeting of Shareholders held on June 19, 2018, Mr. Masaru Onishi, Ms. Junko Okawa and Ms. Kimie Iwata retired from office of Director, and Mr. Hiroyuki Kumasaka retired from office of Audit & Supervisory Board Member by resignation.

- Directors, Mr. Eizo Kobayashi, Mr. Masatoshi Ito and Ms. Sonoko Hacchoji 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 have conflicts of interests with general shareholders as stipulated by the Tokyo Stock Exchange and notified them to the stock exchange.
- The Company provides annual membership fee payments to Japan Advertisers Association.
- Because Nisshin Steel Co., Ltd. became a wholly owned subsidiary of Nippon Steel & Sumitomo Metal Corporation, it was delisted on December 26, 2018, and on April 1, 2019, its business name was changed to NIPPON STEEL NISSHIN CO., LTD.
- Audit & Supervisory Board Members, Mr. Shinji Hatta, Mr. Osamu Kamo and Mr. Shinsuke Kubo 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 have conflicts of interests with general shareholders as stipulated by the Tokyo Stock Exchange and notified them to the stock exchange.
- 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.
- Audit & Supervisory Board Member, Mr. Shinsuke Kubo is qualified to be a certified public accountant and has considerable knowledge of finance and accounting.
- The Company has business relationship with Development Bank of Japan Inc. (borrowing of money).

9. Effective April 1, 2019, the positions and responsibilities of Directors have been changed as follows:

Position	Name	Responsibility
Representative Director, President	Yuji AKASAKA	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 General Manager of JAL SDGs Chairman of the Risk Management Council
Director, Senior Managing Executive Officer	Hideki KIKUYAMA	General Manager, Finance & Accounting
Director, Senior Managing Executive Officer	Shinichiro SHIMIZU	General Manager, Secretary's Office
Director	Norikazu SAITO	
Director	Toshinori SHIN	Safety General Manager

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

(Reference)

(as of March 31, 2019)

Position	Name	Responsibility
Managing Executive Officer	Nobuyoshi GONDO	General Manager, Corporate Safety & Security Manager, Family Assistance & Support
Managing Executive Officer	Ryuzo TOYOSHIMA	General Manager, Corporate Control
Managing Executive Officer	Hideo NINOMIYA	General Manager, Managing Division Passenger Sales General Manager, Domestic Passenger Sales General Manager, Web Sales President of JAL SALES CO., LTD.
Managing Executive Officer	Tadao NISHIO	General Manager, Corporate Planning
Managing Executive Officer	Tetsuya ONUKI	General Manager, Managing Division Route Marketing (International Route Marketing)
Executive Officer	Kiyoshi MARUKAWA	President of JAPAN TRANSOCEAN AIR CO., LTD. Regional Manager - Okinawa
Executive Officer	Akira YONEZAWA	Senior Vice President, China Vice President and Regional Manager, Beijing
Executive Officer	Toshiki OKA	General Manager, IT Planning
Executive Officer	Hidetsugu UEDA	General Manager, General Affairs
Executive Officer	Hoshiko NAKANO	Senior Vice President, Western Japan
Executive Officer	Hiroki KATO	President of JAPAN AIR COMMUTER CO., LTD.
Executive Officer	Tomohiro NISHIHATA	General Manager, Innovation
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	Vice President, Haneda Airport President of JAL SKY CO., LTD.
Executive Officer	Takuya ODA	General Manager, Human Resources
Executive Officer	Yoriyuki KASHIWAGI	Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales Senior Vice President, Eastern Japan
Executive Officer	Hiroo IWAKOSHI	General Manager, Cargo & Mail
Executive Officer	Atsushi MAEDA	General Manager, Procurement
Executive Officer	Yasuyuki SATO	General Manager, Managing Division Route Marketing (Products and Services Planning)
Executive Officer	Shunsuke HONDA	General Manager, Managing Division Route Marketing (Domestic Route Marketing)
Executive Officer	Yuichi Kitada(*)	General Manager, Engineering & Maintenance President of JAL ENGINEERING CO., LTD.
Executive Officer	Takahiro SHIMOJO(*)	General Manager, Communication Division Chairman of the Committee for Tokyo 2020 Olympic and Paralympic Promotion Chairman of the CSR Committee
Executive Officer	Yukio SHISHIKURA(*)	President of J-AIR CO., LTD.
Executive Officer	Naohito SAEDA(*)	Human Resources, in charge of Education

(Notes) (\*): Assumed office on April 1, 2018.

(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	Total amount paid (Millions of yen)	Total amount paid by type (Millions of yen)		
			Basic remuneration	Bonuses	Share-based remuneration, etc.
Directors (Of which, External Directors)	13 (4)	519 (36)	278 (36)	181 (-)	60 (-)
Audit & Supervisory Board Members (Of which, External Audit & Supervisory Board Members)	6 (4)	78 (29)	78 (29)	-	-
Total	19	597	356	181	60

(Notes) 1. Remuneration, etc. paid for the fiscal year under review includes three (3) Directors and one (1) Audit & Supervisory Board Member who retired from office at the conclusion of the 69<sup>th</sup> Ordinary General Meeting of Shareholders held on June 19, 2018.

2. The total amount of remuneration, etc. paid to Directors does not include salaries for employees serving concurrently as Directors.

3. The maximum annual monetary remuneration, etc. (total amount) for Directors was determined by a resolution at 68<sup>th</sup> Ordinary General Meeting of Shareholders held on June 22, 2017 to be no more than 700 million yen (consisting of (i) fixed basic remuneration of 350 million yen or less (of which, 50 million yen or less for External Directors), and (ii) a performance-linked bonus of 350 million yen or less).

4. The total amount of remuneration in the form of monetary remuneration receivables under the performance-linked share-based remuneration plan for Directors per each performance evaluation period (refers to the three most recent consecutive completed fiscal years) was determined by a resolution at 68<sup>th</sup> Ordinary General Meeting of Shareholders held on June 22, 2017 to be the amount obtained by multiplying the upper limit on the number of shares to be delivered per performance evaluation period (100,000 shares), by the upper limit on amount to be paid in\* per share.

5. The amounts of bonuses and share-based remuneration, etc. are amounts that were posted as expenses for the current fiscal year.

6. The maximum annual remuneration (total amount) for Audit & Supervisory Board Members was determined by a resolution at the Special Meeting of Shareholders on July 10, 2012, to be no more than 100 million yen.

\* 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.

b. Policy on determination of remuneration in kind for Directors

**Fundamental policies**

(1) The JAL Group 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 (A) amount of fixed basic remuneration\*, (B) amount of annual incentive (performance-linked bonus) to be paid according to degree of achievement against targets, and (C) 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 (A):(B):(C) = 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 safety 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.

Furthermore, based on for FY2017's fiscal results, the indicators for evaluating performance were set as profit attributable to owners of parent, indicators related to safety operation, and individual evaluation indices for each officer, and payments were made in July 2018. We achieved our targets for net profit attributable to owners of parent.

- (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.

- The performance evaluation period for the "standard number of shares to be delivered" as part of the "performance-linked share-based remuneration" that began in FY2017 is three years, and the final number of shares granted is determined using the FY2019 "consolidated operating profit margin," "consolidated ROIC," and "customer satisfaction."

- FY2020 “consolidated operating profit margin,” “consolidated ROIC,” and “customer satisfaction” will be similarly used in determining the “performance-linked share-based remuneration” that began in FY2018.

**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.

(4) External Officers

Major activities during the current fiscal year

Position	Name	Attendance at meetings of the Board of Directors and the Board of Corporate Auditors	Major activities during the current fiscal year
Director	Eizo KOBAYASHI	Board of Directors meetings attended: 94.7% (18/19)	Mr. Kobayashi has 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, and provided advice to the Company's management and appropriately supervised the execution of operations from a practical and diversified perspective. In addition, he served as Chairman of the Corporate Governance Committee, Chairman of the Compensation Committee, and Chairman of the Officers Disciplinary Committee.
Director	Masatoshi ITO	Board of Directors meetings attended: 100% (19/19)	Mr. Ito has deep insight as a top manager of a global company and extensive experience in marketing and management strategy, and provided advice to the Company's management and appropriately supervised the execution of operations from a practical and diversified perspective. In addition, he served as Chairman of the Nominating Committee.
Director	Sonoko HACCHOJI	Board of Directors meetings attended: 100% (15/15)	Ms. Hacchoji has significant knowledge and extensive experience in the areas of financial products development, loans and risk management at banks and customer-centric marketing and management strategy in hotel management. In addition, she has diversified perspectives over versatile themes including educational reforms at universities and provided advice to the management and appropriately supervised the execution of operations.
Audit & Supervisory Board Member	Shinji HATTA	Board of Directors meetings attended: 100% (19/19) Board of Corporate Auditors meetings attended: 100% (13/13)	Mr. Hatta 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	Board of Directors meetings attended: 100% (19/19) Board of Corporate Auditors meetings attended: 100% (13/13)	Mr. Kamo 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.
Audit & Supervisory Board Member	Shinsuke KUBO	Board of Directors meetings attended: 100% (15/15) Board of Corporate Auditors meetings attended: 100% (9/9)	Mr. Kubo 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.

\* Because Sonoko Hacchoji was newly appointed at the 69<sup>th</sup> Ordinary General Meeting of Shareholders held on June 19, 2018, and assumed office as Director on the same day, her attendance record differs from those of



other Outside Directors.

- \* Because Mr. Shinsuke Kubo was newly appointed at the 69<sup>th</sup> Ordinary General Meeting of Shareholders held on June 19, 2018, and assumed office as Director on the same day, his attendance record differs from those of other External Audit & Supervisory Board Members.
- \* On December 21, 2018, the Company was issued a business improvement order concerning assurance of safety in air transportation by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) due to safety concerns raised by an alcohol-related incident by a flight crew and the change of the number of assigned flight crew. On the same day, Japan Air Commuter Co., Ltd. was issued an administrative warning regarding misconduct by a flight crew and insufficient safety management system. On January 11, 2019, the Company was issued a business improvement advisory concerning assurance of safety in air transportation against an alcohol-related incident by a cabin attendant. Although both Outside Directors and External Audit & Supervisory Board Members had not been aware of the fact until such incidents were discovered, they have made suggestions from the standpoint of legal and regulatory compliance at Meetings of the Board of Directors. After the facts of this incident had come to light, the Outside Directors and External Audit & Supervisory Board Members fulfilled their duties through such actions as calling for a thorough investigation into the incident and for measures to be put in place to prevent recurrence.

#### 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	99 million yen
b. Total amount of money and other financial interests to be paid by the Company and its subsidiaries	248 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 services such as advice and guidance regarding financial reporting, 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 (As of April 1, 2019)

< The JAL Group "Fundamental Policies of Corporate Governance" have been established as follows: >

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 of Directors appoints a Director who does not concurrently serve as Executive Officer as Chairman, and an appropriate number of three or more External Directors who qualify as highly independent. External 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 External 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.

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” and opportunities are provided for Inside Directors for continuous participation in external training, affiliated associations and such. The term of office is one year in order to confirm their accountability for each fiscal year. Furthermore, a remuneration system that provides sound incentives for sustainable growth has been introduced to Directors (excluding External Directors).

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 External Director from among External Directors is appointed as the Lead Independent External Director to improve coordination with Audit & Supervisory Board Members and internal divisions.

To deepen the understanding of the Company of External Directors, we provide safety education such as a memorial climb up Mt. Osutaka and visits to the Safety Promotion Center, in addition to visiting frontlines. We also provide advance explanations on agenda items to be submitted for deliberation, as necessary, and opportunities to explain other matters at their request.

[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 for continuous participation in external training, affiliated associations and such in addition to providing corporate information.

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 the External Audit & Supervisory Board Members, we provide safety education such as a memorial climb up Mt. Osutaka and visits to

the Safety Promotion Center, in addition to visiting frontlines. We also provide advance explanations on agenda items to be submitted for deliberation, as necessary, and opportunities to explain other matters at their request.

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 dismissing accounting auditors, and executing rights concerning auditor remuneration.

[Establishment of Various Committees]

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

1) Corporate Governance Committee

The Corporate Governance Committee checks, at least once a year, whether activities comply with JAL Group Fundamental Policies of Corporate Governance, conducts analyses and evaluations to determine whether such activities contribute to sustainable growth and enhancement of medium- and long-term corporate value, and provides necessary findings and reports to the Board of Directors. The Corporate Governance Committee is comprised of the Chairman of the Board and External Directors, and is chaired by the Lead Independent External Director.

2) 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 comprehensively judges the personality, knowledge, ability, experience, performance and other attributes of each candidate based on an inquiry from the Board of Directors and reports back to the Board. The Nominating Committee defines the President and other board members as persons with qualities to steadily get positive results toward realizing the Corporate Policy by working together with every staff based on a firm commitment to flight safety, which is the basis of existence of the JAL Group, and display of initiative in practicing the JAL Philosophy. The Company assists candidates for President and other posts to quickly acquire grounding and discipline necessary for management through practical and diverse experiences.

Furthermore, in case the qualities of any member of top management is found questionable due to violation of the law, harassment, negligence of the Board of Directors or such, members of the Nominating Committee and other Directors excluding the person in question will immediately conduct investigations based on a motion made by a Director at a Board meeting or other meeting. The Nominating Committee or other Directors will report the result of investigations to the Board of Directors. Treatment of the person in question shall be decided through a resolution by the Board. The Nominating Committee is comprised of the President and no more than four Directors elected by a resolution of the Board of Directors, the majority of members being External Directors. The Chairman is elected from among External Directors.

3) 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 the President and no more than four Directors elected by a resolution of the Board of Directors, the majority of members being External Directors. The Chairman is elected from among External Directors. As a result, transparency and fairness in the compensation determining process is secured.

4) Personnel Committee

When appointing or dismissing an Executive Officer, the Board of Directors consults the Personnel Committee and takes into account the Committee's report on such matters before passing any resolution. The Personnel Committee is comprised of the President and no more than four Directors elected by a resolution of the Board of Directors, the majority of members being External Directors. The President serves as Chairman.

5) 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 the President and no more than four Directors elected by a resolution of the Board of Directors, the majority of members being External Directors. The Chairman is elected from among External Directors. Any submission of proposals to the general meeting of shareholders concerning the dismissal 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 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 another company, where a person executing business of the Company is appointed as an 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.

< 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 and employees.
  - 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 and a Risk Management Council, etc. to appropriately manage risks, and have established Guidance for JAL Group Internal Control. The General Affairs Department monitors 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 the General Affairs Department continuously monitors the appropriateness of duties.
  - b. We have developed a system to report matters concerning the execution of the duties of directors, etc. of subsidiaries 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, etc. of subsidiaries 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.



< 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 such as Fundamental Policies of Corporate Governance appropriately and implement all the corporate governance principles in adherence to the spirit of the Corporate Governance Code. Thus, the Company has put in place a system of corporate governance. 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 and other media.
  - c. We have established Fundamental Policies on the Internal Controls System and Guidance for JAL Group Internal Control, 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 each new business partner candidate, 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 Guidance for JAL Group Internal Control 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 & Security 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 also conducts Safety Roving of branch offices, flight operation surveys, etc.
- 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 make efforts to safely manage and appropriately operate the e-Ringi system (Kessai and Ringi system).

- 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. We have established an Operation Control Center branch in Osaka, assuming that an earthquake could directly strike beneath the Tokyo metropolitan area where Head Office central functions are integrated. We are also working to improve the effectiveness of the Business Continuity Plan and our business continuity ability through training, while applying the knowledge of outside experts.
  - 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 the Risk Management Council.
  - 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, delegate authority, create an organization climate that allows a high degree of autonomy, and build speedy decision-making processes, while securing governance.
  - 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 Guidance for JAL Group Internal Control, and the General Affairs Department mainly monitors the appropriateness of duties.
  - b. We make efforts to safely manage and appropriately operate the e-Ringi system.
  - 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 administrative departments of each company on a daily basis and provide them with instructions on compliance and risk management. Furthermore, we deal with events and establish preventive measures, and thus continuously 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 Guidance 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 verifies that maintenance work is performed according to various laws and regulations and internal rules.
  - o. The Corporate Safety & 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 branch offices, flight operation surveys, etc.
  - 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

We regard shareholder returns as one of our most important management matters. Our fundamental policy is to actively implement shareholder returns through continuous and stable dividends and flexible share repurchases, while securing internal reserves for making investments for corporate growth in the future and changing business environments and to build a strong financial structure. Based on this policy, to ensure an annual dividend of ¥110 per share for the fiscal year under review, we have proposed a dividend resolution.

Our shareholder return policy for the fiscal year ending March 31, 2020 and the following years is as follows:

In order to maintain a stable dividend level despite the upcoming effective tax rate increase, we will decide the dividend per share level, considering its continuity, stability and predictability with reference to a payout ratio of approximately 35%. When determining the dividend amount in the future, we will not leave out the impact of income taxes-deferred. In addition, we will proactively and flexibly consider share repurchases, considering its financial position and other factors. As a result, we seeks to achieve a total payout ratio, which combines the total dividends paid out and the total amounts of the share repurchases, of an approximately 35% to 50% range through appropriately sharing periodic profits and allocating capitals among all of its stakeholders. At the same time,, we continuously strives to improve capital efficiency through monitoring a total return on equity ratio, which is calculated by dividing the sum of total dividends paid out and share repurchases by shareholders' equity. JAL makes its efforts to maintain this ratio at approximately 3% or above.

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

# Consolidated Balance Sheet

As of March 31, 2019

		(Millions of yen)
ASSETS	Amount	(Reference) Amount of previous fiscal year
<b>Current assets</b>		
Cash and time deposits	462,064	417,842
Notes and accounts receivable – trade	153,112	151,262
Securities	60,000	30,999
Flight equipment spare parts and supplies	21,929	21,996
Other	65,095	58,924
Allowance for doubtful accounts	(661)	(533)
<b>Total current assets</b>	<b>761,539</b>	<b>680,492</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures, net	31,385	32,247
Machinery, equipment and vehicles, net	11,800	10,718
Flight equipment, net	733,961	704,134
Land	861	864
Construction suspense account	141,776	123,902
Other tangible fixed assets, net	9,431	8,898
<b>Total tangible fixed assets</b>	<b>929,216</b>	<b>880,765</b>
<b>Intangible fixed assets</b>		
Software	92,076	95,551
Other intangible fixed assets	179	134
<b>Total intangible assets</b>	<b>92,255</b>	<b>95,686</b>
<b>Investments and other assets</b>		
Investments in securities	101,289	90,757
Long-term loans receivable	7,240	7,715
Deferred tax assets	96,625	66,036
Asset for retirement benefit	2,486	2,119
Other investments	39,950	30,756
Allowance for doubtful accounts	(275)	(334)
<b>Total investments and other assets</b>	<b>247,317</b>	<b>197,052</b>
<b>Total fixed assets</b>	<b>1,268,788</b>	<b>1,173,504</b>
<b>Total assets</b>	<b>2,030,328</b>	<b>1,853,997</b>

# Consolidated Balance Sheet

As of March 31, 2019

		(Millions of yen)
	Amount	(Reference) Amount of previous fiscal year
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable – trade	185,650	177,937
Short-term debt	65	3,150
Current maturities of long-term debt	13,287	14,555
Lease liabilities	2,461	2,389
Accounts payable-installment purchase	190	185
Accrued income taxes	21,738	14,074
Advances received	129,108	107,506
Asset retirement obligations	–	393
Other	101,896	76,653
<b>Total current liabilities</b>	<b>454,399</b>	<b>396,846</b>
<b>Non-current liabilities</b>		
Corporate bonds	50,000	20,000
Long-term debt	73,524	80,696
Lease liabilities	2,504	4,319
Long-term accounts payable-installment purchase	312	480
Deferred tax liabilities	169	227
Reserve for loss on antitrust liabilities	5,936	5,931
Liability for retirement benefit	212,672	230,084
Asset retirement obligations	8,657	3,595
Other	22,015	17,687
<b>Total non-current liabilities</b>	<b>375,793</b>	<b>363,023</b>
<b>Total liabilities</b>	<b>830,192</b>	<b>759,869</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	181,352	181,352
Capital surplus	183,050	183,049
Retained earnings	822,554	731,106
Treasury stock	(535)	(10,535)
<b>Total shareholders' equity</b>	<b>1,186,421</b>	<b>1,084,972</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized gain on other securities, net of taxes	20,371	16,469
Net unrealized gain on hedging instruments, net of taxes	1,837	6,360
Translation adjustments	99	(30)
Remeasurement of defined benefit plans	(43,596)	(47,436)
<b>Total accumulated other comprehensive income</b>	<b>(21,287)</b>	<b>(24,637)</b>
<b>Non-controlling interests</b>	<b>35,001</b>	<b>33,792</b>
<b>Total net assets</b>	<b>1,200,135</b>	<b>1,094,127</b>
<b>Total liabilities and net assets</b>	<b>2,030,328</b>	<b>1,853,997</b>

# Consolidated Statement of Income

(April 1, 2018 – March 31, 2019)

(Millions of yen)

	Amount	(Reference) Amount of previous fiscal year
<b>Operating revenues</b>	1,487,261	1,383,257
Cost of operating revenues	1,075,233	993,635
<b>Gross operating profit</b>	412,028	389,621
Selling, general and administrative expenses	235,867	215,055
<b>Operating profit</b>	176,160	174,565
<b>Non-operating income</b>		
Interest income	1,068	816
Dividend income	1,376	1,446
Gain on sale of flight equipment	1,494	1,761
Equity in income of affiliates	1,317	2,521
Other	3,891	2,239
<b>Total non-operating income</b>	9,148	8,784
<b>Non-operating expenses</b>		
Interest expense	803	798
Loss on sales of flight equipment	14,474	11,964
Other	4,670	7,406
<b>Total non-operating expenses</b>	19,948	20,169
<b>Ordinary profit</b>	165,360	163,180
<b>Extraordinary gains</b>		
Subsidy for purchasing aircrafts	2,548	5,477
Other	264	1,667
<b>Total extraordinary gains</b>	2,812	7,144
<b>Extraordinary losses</b>		
Impairment loss	7,898	1,209
Loss on reduction of aircrafts	2,548	5,475
Other	1,486	1,158
<b>Total extraordinary losses</b>	11,933	7,844
<b>Profit before income taxes</b>	156,240	162,480
Income taxes – current	33,223	24,974
Income taxes – deferred	(32,127)	(3,488)
<b>Profit</b>	155,144	140,995
<b>Profit attributable to non-controlling interests</b>	4,337	5,588
<b>Profit attributable to owners of parent</b>	150,807	135,406

## Consolidated Statement of Changes in Net Assets

(April 1, 2018 – March 31, 2019)

(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	183,049	731,106	(10,535)	1,084,972
Changes of items during the period					
Dividends of surplus			(39,377)		(39,377)
Profit attributable to owners of parent			150,807		150,807
Repurchase of treasury stock				(9,999)	(9,999)
Retirement of treasury stock			(19,999)	19,999	–
Change of scope of equity method, etc.		0	17		18
Net changes of items other than shareholders' equity during the period					
Total changes during the period	–	0	91,447	9,999	101,448
Balance at the end of the period	181,352	183,050	822,554	(535)	1,186,421



	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	16,469	6,360	(30)	(47,436)	(24,637)	33,792	1,094,127
Changes of items during the period							
Dividends of surplus							(39,377)
Profit attributable to owners of parent							150,807
Repurchase of treasury stock							(9,999)
Retirement of treasury stock							—
Change of scope of equity method, etc.							18
Net changes of items other than shareholders' equity during the period	3,902	(4,522)	130	3,839	3,349	1,209	4,559
Total changes during the period	3,902	(4,522)	130	3,839	3,349	1,209	106,007
Balance at the end of the period	20,371	1,837	99	(43,596)	(21,287)	35,001	1,200,135

# Notes to Consolidated Financial Statements

## (Base of Preparation of the Consolidated Financial Statements)

### 1. Scope of consolidation

#### (1) Consolidated subsidiaries

Number of consolidated subsidiaries: 54

Names of principal consolidated subsidiaries:

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

JAL Agriport Co., Ltd., ZIPAIR Tokyo Inc., JAL Business Aviation Co., Ltd. and JAL Digital Experience Co., Ltd. have been included in the scope of consolidation from the current fiscal year due to being newly established.

JALPAK INTERNATIONAL (CHINA) CO., LTD., which had been a consolidated subsidiary, was excluded from the scope of consolidation from the current fiscal year due to their lack of significance.

#### (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: 14

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

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

#### (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 3 of the consolidated subsidiaries, including JUPITER GLOBAL LIMITED, 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 or the amortized cost method  
Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the net amounts equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement

#### 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):  
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 remeasurements 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 5 years.

## **5. Change of presentation**

(Consolidated statement of income)

**Exchange losses**

"Exchange losses" (486 million yen for the current fiscal year), which was separately recorded under "Non-operating expenses" in the previous fiscal year, was not more than 10% of total non-operating expenses and is therefore included in "Other" from the current fiscal year.

**Gain on sales of investment securities**

"Gain on sales of investment securities" (103 million yen for the current fiscal year), which was separately recorded under "Extraordinary gains" in the previous fiscal year, was not more than 10% of total extraordinary gains and is therefore included in "Other" from the current fiscal year.

(Changes due to application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, the Group has changed to a method of presenting deferred tax assets under "Investments and other assets" and deferred tax liabilities under "Non-current liabilities."

## **6. 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**      500,827 million yen

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

Assets pledged as collateral

• Aircraft	152,492 million yen
• Others	10,245 million yen

Obligations secured by such collateral

• Current maturities of long-term debt	13,160 million yen
• Long-term debt	73,460 million yen

The above assets pledged as collateral 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.

**(4) Contingent liabilities**

Guarantee liabilities

(Guarantee for bank loans)

• Employee loan 81 million yen

(Guarantee for Lease liabilities)

• Jetstar Japan Co., Ltd. 3,680 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

## 7. Notes to consolidated statement of income

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

## 8. 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	349,028 thousand shares
	Treasury stock	201 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 19, 2018 General Meeting of Shareholders	Common stock	Retained earnings	20,195	57.50	March 31, 2018	June 20, 2018
October 31, 2018 Board of Directors' Meeting	Common stock	Retained earnings	19,189	55.00	September 30, 2018	December 3, 2018

- (Notes)
1. Total amount of dividends decided by the General Meeting of Shareholders on June 19, 2018 includes dividends of 3 million yen for treasury stock (common stock) held by companies accounted for by the equity-method.
  2. Total amount of dividends decided by the Board of Directors' Meeting on October 31, 2018 includes dividends of 3 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 year and the effective date falls in the following year.

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
June 18, 2019 (planned) General Meeting of Shareholders	Common stock	Retained earnings	19,189	55.00	March 31, 2019	June 19, 2019

## 9. 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, etc. 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 by executives in charge are held every month in principle 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 includes, 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, 2019, 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	462,064	462,064	—
(2) Notes and accounts receivable – trade	153,112	153,112	—
(3) Short-term investments in securities and investments in securities			
Shares of subsidiaries and affiliates	17,145	16,075	(1,069)
Other securities	104,036	104,036	—
Total assets	736,358	735,288	(1,069)
(1) Accounts payable – trade	185,650	185,650	—
(2) Short-term debt	65	65	—
(3) Corporate bonds	50,000	50,568	568
(4) Long-term debt (*1)	86,811	86,811	—
(5) Lease liabilities (*2)	4,966	4,966	—
(6) Long-term accounts payable-installment purchase (*3)	503	503	—
Total liabilities	327,997	328,565	568
Derivative transactions (*4)	2,412	2,419	7

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

\*2. Include 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	22,065
Bonds held to maturity	3,330
Other securities	14,711

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	15,095	43,294	28,199
Subtotal	15,095	43,294	28,199

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	815	742	(72)
Money held in trust, etc.	60,000	60,000	—
Subtotal	60,815	60,742	(72)
Total	75,910	104,036	28,126

2. Other securities sold during the current fiscal year

(Millions of Yen)

None



### Derivative transactions

1. Derivatives to which hedge accounting is not applied  
Omitted due to lack of importance.

2. 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:					
	USD	Trade accounts payable	55,926	3,252	687	Based on forward quotation
	EUR	Trade accounts payable	2,513	34	(102)	
	Other	Trade accounts payable	1,287	—	(27)	
	Currency option Long:					Based on prices provided by financial institutions with which JAL does business, etc.
	Call options	Trade accounts payable	80,140	19,634	363	
	Short:					
	Put options	Trade accounts payable	69,040	15,702	(134)	
	Commodity swaps Receivable floating/payable fixed	Aviation fuel	81,055	21,049	1,624	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:					
	USD	Trade accounts payable	919	—	29	Based on forward quotation
	EUR	Trade accounts payable	259	—	(17)	
	Other	Trade accounts payable	223	—	(5)	
Total					2,419	

## 10. Investment and rental properties

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

## 11. Per share information

(1) Net assets per share 3,340.15 yen

(2) Basic earnings per share 432.10 yen

## 12. Significant Subsequent Event

The Company decided at the Board of Directors meeting held on April 26, 2019 to repurchase its own shares in accordance with provisions in Article 156, Paragraph 1 of the Companies Act, applicable by replacing the phrase pursuant to provisions in Article 165, Paragraph 3 of the Companies Act.

(1) Reason for the share repurchase

To increase capital efficiency and improve returns to shareholders

(2) Content of acquisition

(a) Type of shares acquired

Common shares of JAL

(b) Total number of shares acquired

7 million shares (maximum)

Percentage against total number of issued shares (excluding own shares): 2.0%

(c) Total price of shares acquired

20 billion yen (maximum)

(d) Period of acquisition

May 7, 2019 to September 30, 2019

(e) Others

All acquired shares herein are planned to be retired based on the resolution at the Board of Directors meeting in accordance with provisions in Article 178 of the Companies Act.

# Non-consolidated Balance Sheet

As of March 31, 2019

		(Millions of yen)
	Amount	(Reference) Amount of previous fiscal year
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and time deposits	446,817	404,485
Accounts receivable	170,177	167,210
Securities	60,000	30,999
Flight equipment spare parts and supplies	20,350	19,431
Short-term prepaid expenses	16,375	6,858
Other current assets	55,780	50,524
Allowance for doubtful accounts	(135)	(100)
<b>Total current assets</b>	<b>769,366</b>	<b>679,409</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings, net	26,887	27,999
Structure, net	194	216
Machinery, equipment, net	5,363	4,527
Flight equipment, net	682,399	668,942
Vehicles, net	2,538	2,223
Tools, furniture and equipment	8,023	7,618
Land	747	751
Construction suspense account	140,578	108,529
<b>Total tangible fixed assets</b>	<b>866,733</b>	<b>820,809</b>
<b>Intangible fixed assets</b>		
Software	93,869	98,881
Other intangible fixed assets	1	1
<b>Total intangible assets</b>	<b>93,870</b>	<b>98,883</b>
<b>Investments and other assets</b>		
Investments in securities	56,304	49,167
Investment securities in subsidiaries and affiliates	74,288	71,997
Corporate bonds of subsidiaries and affiliates	3,330	3,330
Investments in other securities of subsidiaries and associates	1,679	—
Long-term loans receivable	7,080	7,559
Long-term prepaid expenses	7,124	1,090
Deferred tax assets	66,378	37,349
Other investments	30,195	27,160
Allowance for doubtful accounts	(191)	(221)
<b>Total Investments and other assets</b>	<b>246,191</b>	<b>197,435</b>
<b>Total fixed assets</b>	<b>1,206,795</b>	<b>1,117,127</b>
<b>Total assets</b>	<b>1,976,162</b>	<b>1,796,537</b>

# Non-consolidated Balance Sheet

As of March 31, 2019

		(Millions of yen)
	Amount	(Reference) Amount of previous fiscal year
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable-trade	212,018	202,287
Short-term debt	173,272	156,232
Current maturities of long-term debt	11,971	12,328
Accounts payable - other	14,879	14,873
Lease liabilities	2,203	2,124
Accounts payable-installment purchase	189	185
Accrued income taxes	14,567	9,358
Accrued expenses	25,784	12,477
Advances received	108,681	91,387
Deposits received	26,458	22,625
Air transport deposits received	26,123	20,939
Other current liabilities	5,794	5,153
<b>Total current liabilities</b>	<b>621,943</b>	<b>549,972</b>
<b>Non-current liabilities</b>		
Corporate bonds	50,000	20,000
Long-term debt	65,444	71,300
Lease liabilities	1,333	2,991
Long-term accounts payable-installment purchase	291	480
Accrued pension and severance costs	122,294	135,467
Reserve for loss on antitrust liabilities	5,936	5,931
Other non-current liabilities	26,616	17,381
<b>Total non-current liabilities</b>	<b>271,916</b>	<b>253,552</b>
<b>Total liabilities</b>	<b>893,859</b>	<b>803,525</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	181,352	181,352
<b>Capital surplus</b>		
Capital reserves	174,493	174,493
<b>Total capital surplus</b>	<b>174,493</b>	<b>174,493</b>
<b>Retained earnings</b>		
Other retained earnings		
Retained earnings brought forward	705,009	624,954
<b>Total retained earnings</b>	<b>705,009</b>	<b>624,954</b>
<b>Treasury stock</b>		
Treasury stock	(408)	(10,408)
<b>Total Treasury stock</b>	<b>(408)</b>	<b>(10,408)</b>
<b>Total shareholders' equity</b>	<b>1,060,446</b>	<b>970,391</b>
<b>Valuation, translation adjustments and other</b>		
Net unrealized gain on other securities, net of taxes	19,883	15,967
Net unrealized gain on hedging instruments, net of taxes	1,972	6,652
<b>Total valuation, translation adjustments and other</b>	<b>21,855</b>	<b>22,619</b>
<b>Total net assets</b>	<b>1,082,302</b>	<b>993,011</b>
<b>Total liabilities and net assets</b>	<b>1,976,162</b>	<b>1,796,537</b>

## Non-consolidated Statement of Income

(April 1, 2018 – March 31, 2019)

	(Millions of yen)	
	Amount	(Reference) Amount of previous fiscal year
<b>Operating revenues</b>	1,248,681	1,149,739
Cost of operating revenues	927,405	851,789
<b>Gross operating profit</b>	321,276	297,949
Selling, general and administrative expenses	188,952	170,221
<b>Operating profit</b>	132,323	127,728
<b>Non-operating income</b>		
Interest income and dividend income	16,601	14,863
Other non-operating income	4,102	2,862
<b>Total non-operating income</b>	20,703	17,726
<b>Non-operating expenses</b>		
Interest expense	799	779
Exchange losses	432	2,459
Other non-operating expenses	16,817	15,331
<b>Total non-operating expenses</b>	18,048	18,570
<b>Ordinary profit</b>	134,978	126,883
<b>Extraordinary gains</b>		
Gain on sales of investment securities in subsidiaries and affiliates	141	78
Gain on sales of non-current assets	117	157
Gain on sales of investment securities	–	763
Other	–	33
<b>Total extraordinary gains</b>	258	1,033
<b>Extraordinary losses</b>		
Impairment loss	7,737	862
Loss on sales and disposal of fixed assets	924	620
Other	394	0
<b>Total extraordinary losses</b>	9,057	1,483
<b>Profit before income taxes</b>	126,180	126,433
Income taxes – current	15,467	11,266
Income taxes – deferred	(28,726)	(1,261)
<b>Profit</b>	139,439	116,428

## Non-consolidated Statement of Changes in Net Assets

(April 1, 2018 – March 31, 2019)

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital Surplus		Retained earnings		Treasury stock	Total shareholders' equity
		Capital reserves	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at the end of previous period	181,352	174,493	174,493	624,954	624,954	(10,408)	970,391
Changes of items during the period							
Dividends of surplus				(39,384)	(39,384)		(39,384)
Profit				139,439	139,439		139,439
Repurchase of treasury stock						(9,999)	(9,999)
Retirement of treasury stock				(19,999)	(19,999)	19,999	–
Net changes of items other than shareholders' equity during the period							
Total changes during the period	–	–	–	80,055	80,055	9,999	90,055
Balance at the end of the period	181,352	174,493	174,493	705,009	705,009	(408)	1,060,446

	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	15,967	6,652	22,619	993,011
Changes of items during the period				
Dividends of surplus				(39,384)
Profit				139,439
Repurchase of treasury stock				(9,999)
Retirement of treasury stock				–
Net changes of items other than shareholders' equity during the period	3,915	(4,680)	(764)	(764)
Total changes during the period	3,915	(4,680)	(764)	89,290
Balance at the end of the period	19,883	1,972	21,855	1,082,302

# 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 or the amortized cost method

Investments in other securities of subsidiaries and associates:

Stated at cost based on the moving average method

Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the net amounts equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement

### (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

(Non-consolidated statement of income)

“Gain on sales of investment securities in subsidiaries and affiliates,” 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. “Gain on sales of investment securities in subsidiaries and affiliates” was 78 million yen in the previous fiscal year.

(Changes due to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” and relevant Guidances)

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the current fiscal year. Accordingly, the Company has changed to a method of presenting deferred tax assets under “Investments and other assets” and deferred tax liabilities under “Non-current liabilities.” Deferred tax assets presented under “Current assets” in the previous fiscal year were 4,305 million yen.

## 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 465,810 million yen

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

(Assets pledged as collateral)

Aircraft 139,704 million yen

Investment securities in subsidiaries and affiliates 3,585 million yen

Corporate bonds of subsidiaries and affiliates 3,330 million yen

Long-term loans receivable 3,330 million yen

(Obligations secured by such collateral)

Current maturities of long-term debt 11,971 million yen

Long-term debt 65,444 million yen

The above assets pledged as collateral 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 the company’s establishment

(4) Liabilities for guarantee, etc.

Liabilities for guarantee

(Guarantee for bank loans, etc.)

Employee loan 19 million yen

(Guarantee for Lease liabilities)

Jetstar Japan Co., Ltd. 3,680 million yen

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 81,318 million yen

Short-term monetary liabilities 229,557 million yen

Long-term monetary claims 9,749 million yen

Long-term monetary liabilities 257 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	59,738 million yen
Operating expense	293,907 million yen
Amount resulting from non-business transactions	29,614 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	349,028 thousand shares
	Treasury stock	136 thousand shares

#### 6. Tax effect accounting

Principal sources of deferred tax assets are Accrued pension and severance costs, Accounts payable-trade, 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)	169,708	Accounts receivable - trade	29,507
Subsidiary	JALPAK Co., Ltd.	Holding direct 96.4%	—	Sale of air tickets	Borrowing and lending of money (Note 2)	—	Short-term debt	33,249
Subsidiary	JAL ENGINEERING CO., LTD.	Holding direct 100%	—	Consignment of maintenance related operations	Maintenance of aircraft, engines and equipment, and maintenance management operations (Note 3)	132,304	Accounts payable - trade	15,001

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 3,102.11 yen

(2) Basic earnings per share 399.46 yen

## 9. Significant Subsequent Event

The Company decided at the Board of Directors meeting held on April 26, 2019 to repurchase its own shares in accordance with provisions in Article 156, Paragraph 1 of the Companies Act, applicable by replacing the phrase pursuant to provisions in Article 165, Paragraph 3 of the Companies Act.

(1) Reason for the share repurchase

To increase capital efficiency and improve returns to shareholders

(2) Content of acquisition

(a) Type of shares acquired	Common shares of JAL
(b) Total number of shares acquired	7 million shares (maximum) Percentage against total number of issued shares (excluding own shares): 2.0%
(c) Total price of shares acquired	20 billion yen (maximum)
(d) Period of acquisition	May 7, 2019 to September 30, 2019
(e) Others	All acquired shares herein are planned to be retired based on the resolution at the Board of Directors meeting in accordance with provisions in Article 178 of the Companies Act.

## **Independent Auditor's Report**

May 8, 2019

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, 2019, 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 70th fiscal year from April 1, 2018 to March 31, 2019.

### **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 8, 2019

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, 2019, 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 70th fiscal year from April 1, 2018 to March 31, 2019.

### **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 70th fiscal year from April 1, 2018 to March 31, 2019, 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 9, 2019

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	Shinji Hatta (Seal)
External Audit & Supervisory Board Member	Osamu Kamo (Seal)
External Audit & Supervisory Board Member	Shinsuke Kubo (Seal)