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Securities code: 9201

May 25, 2018

NOTICE OF THE 69th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

You are cordially invited to attend the 69th Ordinary General Meeting of Shareholders of Japan Airlines Co., Ltd. (the “Company”), which will be held on Tuesday, June 19, 2018, 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 18, 2018 by either procedure described in “Guide for Exercising Voting Rights” on page 2.

Sincerely yours,

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

MEETING DETAILS

1. Date and Time: 10:00 a.m., Tuesday, June 19, 2018 (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 69th Fiscal Year (April 1, 2017 to March 31, 2018)
 2. Non-consolidated Financial Statements for the 69th Fiscal Year (April 1, 2017 to March 31, 2018)

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 or PET bottles etc. into the meeting place. We would appreciate your understanding.
 - Proceedings on the day of the General Meeting of Shareholders will be carried out in Japanese. The Company will not be providing interpreters, however, in the event that a shareholder is accompanied by their own interpreter (including sign-language interpreters), if the shareholder informs the reception desk on the day of the General Meeting of Shareholders, it will be possible for the interpreter to enter the meeting place.
 - If you exercise your voting rights by a proxy, in accordance with the provision of Article 29 of the Articles of Incorporation of the Company, said proxy must be another shareholder of the Company who also owns voting rights. A written power of attorney must be submitted together with the enclosed Voting Form at the reception desk on the day of the General Meeting of Shareholders.
 - In order to save resources, please bring this "Notice of Convocation."
 - If it becomes necessary to amend any item to be listed in the reference documents for the general meeting of shareholders, business report, consolidated financial statements, and non-consolidated financial statements occurs, we will notify you of the amendment(s) on the Company's website (http://www.jal.com/ja/investor/stockholders_meeting/).

[Guide for Exercising Voting Rights]

- In case you attend the meeting

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

- In case you are not available to attend the meeting

1. Exercise by mail

Please indicate your votes for or against the Items on the enclosed Voting Form and return it to the Company no later than 6:00 p.m., Monday, June 18, 2018.

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 18, 2018.

The Voting Rights Exercise via the Internet

If exercising voting rights via the Internet, please review the items below and exercise your voting rights. Voting rights may be exercised by 6:00 p.m. on Monday, June 18, 2018, but shareholders are requested to do so as early as possible. If you have any questions, please contact the Help Desk (*only in Japanese*).

1. Voting Rights Exercise via the Internet

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

[Voting rights exercise site] <https://evote.tr.mufg.jp/>

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

2. Handling of Passwords

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

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

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

For Institutional Investors

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

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Proposal 1: Appropriation of Surplus

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

Furthermore, as an indicator for dividend payments, the Company will adopt dividend on equity ratio (DOE*1) in addition to the dividend payout ratio which it has used.

The Company targets a dividend payout ratio of approximately 30% of profit attributable to owners of parent, for the full fiscal year excluding the impact of income taxes - deferred for the payment of dividends. In light of the return on equity ratio (ROE*2) of 10% to be maintained and the dividend payout ratio above, the Company will strive to attain a DOE of 3% or higher. Going forward, the Company will further work to increase its capital efficiency and realize stable return to shareholders.

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
57.50 yen per common stock of the Company
Total amount of dividends: 20,195,474,473 yen
3. Effective date for dividend of surplus
June 20, 2018

This, together with the interim dividend of 52.50 yen, will achieve an annual dividend of 110.00 yen per share for the current fiscal year.

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

(Reference)

(*1) DOE= Total cash dividends / Average of equity for the beginning and end of fiscal year under review

(*2) ROE= Profit attributable to owners of parent / Average of equity for the beginning and end of fiscal year under review

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 a 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	Toshinori SHIN	Reappointment
2	Yuji AKASAKA	Newly appointed	7	Shinichiro SHIMIZU	Newly appointed
3	Tadashi FUJITA	Reappointment	8	Eizo KOBAYASHI	Reappointment, External Director, Independent Officer
4	Norikazu SAITO	Reappointment	9	Masatoshi ITO	Reappointment, External Director, Independent Officer
5	Hideki KIKUYAMA	Reappointment	10	Sonoko HACCHOJI	Newly appointed, External Director, Independent Officer


<p>No. 1</p>  <p>Yoshiharu UEKI (September 16, 1952)</p> <p>Number of Company shares held Common stock 19,000</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)		None.
(Reasons for the nomination as Director)		After joining the Company, Mr. Ueki acquired insight related to safe 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 considerably contributes to strengthening of the supervisory function of the Board of Directors serving as a member of the Nominating Committee, Compensation Committee, etc. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.


No. 2	(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 (to present)
Yuji AKASAKA (January 3, 1962)	(Important positions concurrently assumed outside the Company)	
Number of Company shares held	None.	
Common stock 800	(Reasons for the nomination as Director)	
Newly appointed	After joining the Company, Mr. Akasaka engaged mainly in Engineering & Maintenance Division, and acquired on-the-job experience and insight related to safe operations, etc. at an extremely high level as well as significant knowledge and extensive connections in the airline engineering & maintenance industry. He has strengthened the foundation for safe operations, exercising strong leadership and decision-making skills, as Representative Director, President of JAL ENGINEERING CO., LTD., since 2014. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.	

<div> <div>No. 3</div> <div>  <div> <div>Tadashi FUJITA</div> <div>(October 25, 1956)</div> </div> </div> <div> <div>Number of Company shares held</div> <div>Common stock 4,000</div> </div> <div>Reappointment</div> </div>	(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)			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. Now, he assists the President serving as Representative Director, Executive Vice President, and considerably contributes to further strengthening and enhancement of the management structure. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.

No. 4	 <p>Norikazu SAITO (November 23, 1956)</p> <p>Number of Company shares held Common stock 3,900</p> <p>Reappointment</p>	<p>(Career summary, position and responsibilities at the Company)</p> <table><tr><td>April</td><td>1980</td><td>Joined the Company</td></tr><tr><td>October</td><td>2006</td><td>General Manager, Accounting of the Company</td></tr><tr><td>February</td><td>2010</td><td>Executive Officer of the Company Funds, IR, Accounting and Internal Control Promotion (Deputy)</td></tr><tr><td>December</td><td>2010</td><td>Executive Officer of the Company General Manager, Finance & Accounting</td></tr><tr><td>February</td><td>2012</td><td>Managing Executive Officer of the Company General Manager, Finance & Accounting</td></tr><tr><td>April</td><td>2014</td><td>Senior Managing Executive Officer of the Company General Manager, Finance & Accounting</td></tr><tr><td>June</td><td>2014</td><td>Director and Senior Managing Executive Officer of the Company General Manager, Finance & Accounting (to present)</td></tr></table> <p>(Important positions concurrently assumed outside the Company) None.</p> <p>(Reasons for the nomination as Director) Since joining the Company, Mr. Saito has engaged mainly in finance and accounting departments over the years and developed his knowledge of finance and accounting, investor relations activities, etc. Now, serving as Director, Senior Managing Executive Officer and General Manager, Finance & Accounting, he considerably contributes to transparent information disclosure understandable to shareholders and investors and proper management decisions that make for shareholder returns. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.</p>	April	1980	Joined the Company	October	2006	General Manager, Accounting of the Company	February	2010	Executive Officer of the Company Funds, IR, Accounting and Internal Control Promotion (Deputy)	December	2010	Executive Officer of the Company General Manager, Finance & Accounting	February	2012	Managing Executive Officer of the Company General Manager, Finance & Accounting	April	2014	Senior Managing Executive Officer of the Company General Manager, Finance & Accounting	June	2014	Director and Senior Managing Executive Officer of the Company General Manager, Finance & Accounting (to present)
April	1980	Joined the Company																					
October	2006	General Manager, Accounting of the Company																					
February	2010	Executive Officer of the Company Funds, IR, Accounting and Internal Control Promotion (Deputy)																					
December	2010	Executive Officer of the Company General Manager, Finance & Accounting																					
February	2012	Managing Executive Officer of the Company General Manager, Finance & Accounting																					
April	2014	Senior Managing Executive Officer of the Company General Manager, Finance & Accounting																					
June	2014	Director and Senior Managing Executive Officer of the Company General Manager, Finance & Accounting (to present)																					
No. 5	 <p>Hideki KIKUYAMA (March 19, 1960)</p> <p>Number of Company shares held Common stock 900</p> <p>Reappointment</p>	<p>(Career summary, position and responsibilities at the Company)</p> <table><tr><td>April</td><td>1983</td><td>Joined the Company</td></tr><tr><td>September</td><td>2005</td><td>General Manager, General Affairs Department, the Americas Office of the Company</td></tr><tr><td>April</td><td>2007</td><td>General Manager, Corporate Planning Office of the Company</td></tr><tr><td>February</td><td>2010</td><td>Executive Officer of the Company Deputy General Manager, Corporate Planning</td></tr><tr><td>February</td><td>2012</td><td>Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (Domestic Route Marketing)</td></tr><tr><td>April</td><td>2013</td><td>Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing</td></tr><tr><td>June</td><td>2016</td><td>Director and Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (to present)</td></tr></table> <p>(Important positions concurrently assumed outside the Company) None.</p> <p>(Reasons for the nomination as Director) After joining the Company, Mr. Kikuyama successively engaged in IT systems, passenger reservation, personnel and labor affairs, corporate planning, etc. in the Head Office and the Americas Offices, etc. and made achievements, exercising great leadership and strong planning and coordination capabilities. Now, serving as Director, Senior Managing Executive Officer and General Manager, Managing Division Route Marketing, he considerably contributes to improving and stabilizing route profits that are elaborate and secure. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.</p>	April	1983	Joined the Company	September	2005	General Manager, General Affairs Department, the Americas Office of the Company	April	2007	General Manager, Corporate Planning Office of the Company	February	2010	Executive Officer of the Company Deputy General Manager, Corporate Planning	February	2012	Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (Domestic Route Marketing)	April	2013	Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing	June	2016	Director and Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (to present)
April	1983	Joined the Company																					
September	2005	General Manager, General Affairs Department, the Americas Office of the Company																					
April	2007	General Manager, Corporate Planning Office of the Company																					
February	2010	Executive Officer of the Company Deputy General Manager, Corporate Planning																					
February	2012	Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (Domestic Route Marketing)																					
April	2013	Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing																					
June	2016	Director and Senior Managing Executive Officer of the Company General Manager, Managing Division Route Marketing (to present)																					

No. 6	 <p>Toshinori SHIN (August 23, 1955)</p> <p>Number of Company shares held Common stock 2,100</p>	<p>(Career summary, position and responsibilities at the Company)</p> <table><tr><td>October</td><td>1977</td><td>Joined the Company</td></tr><tr><td>January</td><td>1996</td><td>Captain, B747-400 Flight Crew Office, of the Company</td></tr><tr><td>July</td><td>2004</td><td>Chief instructor of line oriented pilot, B747-400 Flight Crew Office, of the Company</td></tr><tr><td>December</td><td>2005</td><td>Deputy Director, Flight Planning And Administration Office, Flight Crew Planning Department of the Company</td></tr><tr><td>July</td><td>2007</td><td>General Manager, 747-400 Flight Crew Office, of the Company</td></tr><tr><td>December</td><td>2010</td><td>Executive Officer of the Company General Manager, Flight Operations</td></tr><tr><td>February</td><td>2012</td><td>Managing Executive Officer of the Company General Manager, Flight Operations</td></tr><tr><td>April</td><td>2016</td><td>Senior Managing Executive Officer of the Company General Manager, Flight Operations</td></tr><tr><td>June</td><td>2016</td><td>Director and Senior Managing Executive Officer of the Company General Manager, Flight Operations Safety General Manager (to present)</td></tr></table> <p>(Important positions concurrently assumed outside the Company) None.</p> <p>(Reasons for the nomination as Director) Since joining the Company, Mr. Shin has acquired insight related to safe operations, etc. and on-the-job experience as a flight crew at a high level. Serving as General Manager, Flight Operations since 2010, he addresses various challenges of the division and achieves goals, exercising great leadership and using his high performance ability, from a strong managerial perspective. Now, serving as Director, Senior Managing Executive Officer, General Manager, Flight Operations and Safety General Manager, he considerably contributes to general management of initiatives involving safety, and important management decisions on safety measures and investments in the Board of Directors, etc. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.</p>	October	1977	Joined the Company	January	1996	Captain, B747-400 Flight Crew Office, of the Company	July	2004	Chief instructor of line oriented pilot, B747-400 Flight Crew Office, of the Company	December	2005	Deputy Director, Flight Planning And Administration Office, Flight Crew Planning Department of the Company	July	2007	General Manager, 747-400 Flight Crew Office, of the Company	December	2010	Executive Officer of the Company General Manager, Flight Operations	February	2012	Managing Executive Officer of the Company General Manager, Flight Operations	April	2016	Senior Managing Executive Officer of the Company General Manager, Flight Operations	June	2016	Director and Senior Managing Executive Officer of the Company General Manager, Flight Operations Safety General Manager (to present)
October	1977	Joined the Company																											
January	1996	Captain, B747-400 Flight Crew Office, of the Company																											
July	2004	Chief instructor of line oriented pilot, B747-400 Flight Crew Office, of the Company																											
December	2005	Deputy Director, Flight Planning And Administration Office, Flight Crew Planning Department of the Company																											
July	2007	General Manager, 747-400 Flight Crew Office, of the Company																											
December	2010	Executive Officer of the Company General Manager, Flight Operations																											
February	2012	Managing Executive Officer of the Company General Manager, Flight Operations																											
April	2016	Senior Managing Executive Officer of the Company General Manager, Flight Operations																											
June	2016	Director and Senior Managing Executive Officer of the Company General Manager, Flight Operations Safety General Manager (to present)																											
No. 7	 <p>Shinichiro SHIMIZU (December 13, 1962)</p> <p>Number of Company shares held Common stock 1,200</p> <p>Newly appointed</p>	<p>(Career summary, position and responsibilities at the Company)</p> <table><tr><td>April</td><td>1985</td><td>Joined the Company</td></tr><tr><td>December</td><td>2000</td><td>Group Manager, Flight Crew Group, Labor Services Department of the Company</td></tr><tr><td>October</td><td>2009</td><td>General Manager, Cabin Planning Department of the Company</td></tr><tr><td>April</td><td>2013</td><td>Executive Officer of the Company General Manager, Human Resources</td></tr><tr><td>April</td><td>2015</td><td>Managing Executive Officer of the Company General Manager, Human Resources</td></tr><tr><td>April</td><td>2016</td><td>Managing Executive Officer of the Company General Manager, Secretary's Office (to present)</td></tr></table> <p>(Important positions concurrently assumed outside the Company) None.</p> <p>(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 certainly made 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 achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as Director.</p>	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 (to present)									
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 (to present)																											

<div>No. 8</div> <div></div> <div>Eizo KOBAYASHI (January 7, 1949)</div> <div>Number of Company shares held Common stock 2,400</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 achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as External Director who meets the Independence Standards of External Officers stipulated by the Company.			
He is currently serving as the Company's External Director. As of the conclusion of this General Meeting of Shareholders, his tenure as External Director will be 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 16. 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.			

<div>No. 9</div> <div></div> <div>Masatoshi ITO (September 12, 1947)</div> <div>Number of Company shares held 1,500</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. General Manager, Food Products Division
	April	2003	Representative Director, President of Ajinomoto Frozen Foods Co., Inc.
	August	2006	Representative Director, Member of the Board & Corporate Senior Vice President 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.)			
(Reasons for the nomination as External Director)			
<p>Mr. Ito has deep insight as a top management of a global company and extensive experience in marketing and management strategy, and gives advice to the Company's management and appropriately supervises the execution of operations from practical and diversified perspectives. For all of these reasons, he is believed to be the right person for the Company to achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect him as External Director who meets the Independence Standards of External Officers stipulated by the Company.</p> <p>He is currently serving as the Company's External Director. As of the conclusion of this General Meeting of Shareholders, his tenure as External Director will be two (2) years.</p>			
(Independent Officer)			
<p>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 16. 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.</p>			
(Overview of limited liability agreement)			
<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 him to limit his liability pursuant to Article 423, Paragraph (1) of the Companies Act, setting the minimum amount stipulated by Article 425, Paragraph (1) of the said Act as the maximum liability. If he is reappointed as Director and assumes the post, the Company will continue the agreement with him.</p>			

<p>No. 10</p>  <p>Sonoko HACCHOJI (January 15, 1950)</p> <p>Number of Company shares held 0</p> <p>Newly appointed, 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
	March 2015	Advisor of FUJITA KANKO INC.
	June 2016	Outside Director of Nisshin Steel Co., Ltd. (to present)
	April 2017	Special Advisor to the President and Chief Strategy Officer of Tsuda University (to present)
	(Important positions concurrently assumed outside the Company)	
	Outside Director of Nisshin Steel Co., Ltd.(*)	
	(* indicates a listed company.)	
	(Reasons for the nomination as External Director)	
	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. The Company expects that she will give advice to the Company's management from 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 achieve the continued enhancement of corporate value, so the Company hereby proposes that you elect her as External Director who meets the Independence Standards of External Officers stipulated by the Company.	
	(Independent Officer)	
	She is a new External Director candidate and 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 16. If she is appointed as Director and assumes the post of External Director, she will become an Independence Officer.	
	(Overview of limited liability agreement)	
	If she is appointed as Director 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 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.	

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

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


As Mr. Hiroyuki Kumasaka, 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. Hiroyuki Kumasaka, 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:

<div>No. 1</div> <div></div> <div>Shinsuke KUBO (March 4, 1956)</div> <div>Number of Company shares held 0</div>	(Career summary and position at the Company)	
	April 1979	Joined Sanwa & Co. Tokyo Marunouchi Office (current Deloitte Touche Tohmatsu LLC)
	July 1992	Deloitte Touche Tohmatsu (Hong Kong)
	August 1996	Total Service Department of Tohmatsu & Co.
	June 1998	Representative Partner of Tohmatsu & Co.
	June 2000	Representative Director, President of Tohmatsu Venture Support Co., Ltd.
	January 2003	Director of Tohmatsu Turnaround Support Co., Ltd. (current Deloitte Tohmatsu FAS)
	March 2010	Member of Compliance Investigations Committee of Japan Airlines Co., Ltd. as a reorganization company ^(Note)
	October 2017	Managing Partner of Shinsuke Kubo CPA Office (to present)
	January 2018	Representative Director of Japan Enterprise Sustainable Transformation Advisory Co., Ltd. (to present)
		<u>(Note) Compliance Investigations Committee has been active from March 2, 2010 to August 31, 2010.</u>
<div>Newly appointed, External Audit & Supervisory Board Member, Independent Officer</div>	(Important positions concurrently assumed outside the Company)	
	Managing Partner of Shinsuke Kubo CPA Office	
	Representative Director of Japan Enterprise Sustainable Transformation Advisory Co., Ltd.	
	(Reasons for the nomination as External Audit & Supervisory Board Member)	
	After joining Sanwa & Co. Tokyo Marunouchi Office (current Deloitte Touche Tohmatsu LLC), Mr. Kubo has cultivated extensive experience and achievements as well as high insight on accounting through his ample records in corporate audit, share listings, corporate revitalization, M&A and other areas. As such, the Company hereby proposes that you elect him as External Audit & Supervisory Board Member who meets the Independence Standards of External Officers stipulated by the Company.	
	(Independent Officer)	
	He is a new External Audit & Supervisory Board Member candidate and 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 16. If he is appointed as Audit & Supervisory Board Member and assumes the post of External Audit & Supervisory Board Member, he will become an Independence Officer.	
	(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 36 and subsequent pages.

(Attached Documents)

Business Report

(April 1, 2017 to March 31, 2018)

1. Current state of the JAL Group

(1) Business progress and results

During the fiscal year under review, the Japanese economy saw improvement in employment and income as a moderate recovery trend continued. Overseas, although some weaknesses were seen in Europe, a mild economic recovery has also been observed in general. Crude oil prices, which affect the Company's fuel procurement costs, international passenger revenues, and cargo revenues, remained high compared with the previous fiscal year, and rose especially after July due to the prolonged crude oil production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and geopolitical risks including domestic political instability in Saudi Arabia. At the same time, although the yen remained weaker against the U.S. dollar than in the previous fiscal year with the expectations for the interest rate hikes by the U.S. Federal Open Market Committee (FOMC) in the middle of June and after as well as the development of the U.S. tax reform bill through November, it has appreciated since January due to concerns over the political situation in the U.S., among others.

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

Acting as "the leading company in transport sector safety," a status noted among our management goals, and in order to maintain the flight safety that is the foundation for our continued existence, we worked to develop "safety systems" while engaging in three initiatives: "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 introduced an integrated safety database to collect safety data for the entire JAL Group. Through evaluation of safety situation and discovering weak points based on these ample data, we will continue to implement the preventive measures by dealing with factors threatening safety which can lead to aviation accidents (*1) or serious incidents (*2) at an early stage.

For the "evolution of security management system," we introduced the system to broadly collect and evaluate security data including predictive information, in addition to conforming to safety regulations set by the government. Based on the result, we will cooperate with partner institutions and take additional measures as needed.

For the "ensuring that lessons learned from past accidents are passed on," we held 89 safety seminars for new staff, 20 safety seminars for new managers, and 21 voluntary-participation safety awareness seminars in FY2017 to penetrate the principle of "every staff has to pitch in to protect safety" into workplace.

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

(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.

As for the CSR activities, we are working to solve and address various issues and needs, aiming to realize our "contribution to the betterment of society" as set in the JAL Group Corporate Policy. As for initiatives, diversified measures are being taken, in line with the United Nation's 17 Sustainable

Development Goals (SDGs).

As a company which uses considerable resources and emits CO₂ through its air transport business, aiming to “reduce CO₂ emissions from aircraft by 23% per Revenue Ton Kilometers from FY2005 by FY2020,” we have certainly implemented the target (reduced by 15.4% by March 2017). For further CO₂ reduction, we have also actively worked on the cooperation in the development of domestic biojet fuel, which is expected to be widely used around 2030, and encouraged manufacturers to produce and develop in the relevant field. Also, CONTRAIL Project, an atmospheric observation project which we have been participating in since 1993, as well as activities for conservation of biodiversity thereon including cranes, the motif of the Company’s logo, has been continued.

In terms of contribution to communities and regional development promotion, in order to stimulate inbound travel demand, we strengthened efforts to promote regional exchanges and revitalize local communities through coordination with local governments, and continually worked to provide employee training programs and promote industry in Tohoku and Kyushu, as measures to support affected areas by the Great East Japan Earthquake and Kumamoto earthquakes.

In addition, as a part of our efforts to nurture future generations, we advocate “JAL SORAIKU®,” a program with the aim of providing children who hold the key to the future with a new journey of discovery and learning that encourages them to think about their future prospects. Targeting a total of one million participants from FY2016 through the end of FY2020, the program features various activities, including the “JAL Factory Tours – SKY MUSEUM,” “JAL Paper Plane Classes” and “JAL Career Talk for Students,” with the addition of “JAL STEAM SCHOOL,” a new hands-on program which allows participants to unravel the world of sky from a novel point of view, from FY2017.

Furthermore, we are endeavoring to promote varied workstyles that suit employee’s individual lifestyles. We are striving to further implement workstyle innovation, by introducing flexible working hours, where no core working hours are determined, and annual paid leave system which grants paid leave by the hour, and a trial of “workation” model allowing employees to engage in telework regardless of whether it is engaged domestically or abroad.

As for the consolidated financial results of the JAL Group for the fiscal year under review, operating revenues increased year on year by 7.3% to 1,383.2 billion yen, operating expenses increased by 8.1% to 1,208.6 billion yen, operating profit increased by 2.5% to 174.5 billion yen, ordinary profit decreased by 1.1% to 163.1 billion yen, and impacted by income taxes - deferred in the previous fiscal year profit attributable to owners of parent decreased by 17.5% to 135.4 billion yen.

(2) Business conditions by business segment

International passenger operations	• International passenger revenue (Billions of yen)		68 th fiscal year	69 th fiscal year
	69 th fiscal year: 462.9	Available-seat-km (Million seat-km)	50,621	51,836 (up 2.4%)
	68 th fiscal year: 415.2	Revenue-passenger-km (Million passenger-km)	40,633	42,013 (up 3.4%)
		Load factor (L/F) (%)	80.3	81.0 (up 0.8 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, passenger revenue was up from the previous fiscal year thanks to an increased number of passengers due to firm demand for outbound flights in addition to robust demand for inbound flights, as well as the recording of the highest-ever load factor.

Regarding route operations, we added a new Narita-Melbourne route and a Narita-Kona route in September 2017, and increased flights on Haneda-London route in October 2017 with the addition of

a Japan-Europe flight which departs Haneda airport midnight, aiming at capturing outbound business and tourism demands and broad inbound needs. Furthermore, through signing alliance agreements with Vietjet, Vistara, Hawaiian Airlines, Aeromexico, and Aeroflot Russian Airlines, we will further strive to expand our network.

As for products, we introduced “JAL SKY SUITE 787,” a new version of the popular “JAL SKY SUITE” aircraft with renewed cabin configurations, to enhance our offerings.

As for services, we ranked number one in the International Airlines category in the indicators of Repeat Intention and Customer Satisfaction in the Japan Customer Satisfaction Index (JCSI) survey by an external service evaluation body. For the Repeat Intention indicator, we have ranked first for five consecutive years. With regard to in-flight meals, we started providing menus supervised by past finalists from the Japan’s largest competition for aspiring young chefs “RED U-35 (RYORININ’s EMERGING DREAM),” including the winner for FY2016, with Premium Economy Class and Economy Class passengers for the outbound medium and long haul routes.

Domestic passenger operations	• Domestic passenger revenue (Billions of yen)		68 th fiscal year	69 th fiscal year
	69 th fiscal year: 518.2	Available-seat-km (Million seat-km)	35,423	35,714 (up 0.8%)
	68 th fiscal year: 498.6	Revenue-passenger-km (Million passenger-km)	24,550	25,643 (up 4.5%)
		Load factor (L/F) (%)	69.3	71.8 (up 2.5 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, although prices fell from the previous fiscal year due to competition with other companies, both the number of passengers and the load factor increased from the previous fiscal year due to the recovery of suppressed demands, following the Kumamoto earthquakes, as well as measures to boost demand. Consequently, passenger revenue increased from the previous fiscal year.

Regarding route operations, we enhanced routes operated with the Embraer 190, mainly for Itami routes. On routes to outlying islands in Kagoshima Prefecture operated by Japan Air Commuter Co., Ltd. we introduced the advanced ATR42-600 turboprop, aiming to increase convenience and comfort on our regional network.

As for products, we offer free “in-flight Wi-Fi service” available on “JAL SKY NEXT” flights and have received a great deal of favorable feedback from a large number of customers.

As for sales, in order to further stimulate inbound travel demand from overseas to all parts of Japan, we launched “Untold Stories of Japan,” a new special website that disseminates Japan’s lesser-known charms jointly with TripAdvisor, Inc. Through the website, we communicate various information about tourist spots and activities across Japan, and offer a domestic fare for travelers visiting Japan “JAL Japan Explorer Pass,” creating more opportunities for visitors from overseas to explore regions of Japan.

Furthermore, by conducting a capital and business alliance agreement, etc. with Hyakusen Renma Inc., a company which provides vacation rental services, we are working to promote exchange between regions and regional revitalization through cross-industry cooperation and collaboration with local governments regarding the tourism industry.

Cargo service operations	•Cargo service revenue (Billions of yen)		68 th fiscal year	69 th fiscal year
	(International routes)			
	69 th fiscal year: 56.0	Revenue cargo for International routes ton-km (1,000 ton-km)	1,887,856	2,233,387 (up 18.3%)
	68 th fiscal year: 43.3			
	(Domestic routes)			
	69 th fiscal year: 22.4	Revenue cargo for Domestic routes ton-km (1,000 ton-km)	357,803	364,089 (up 1.8%)
	68 th fiscal year: 22.2			
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, cargo volume increased both for inbound and outbound as global demand for air cargo transport, centered on the automobile and semiconductor industries, highly increased. Consequently, revenue for the business significantly grew compared with the previous fiscal year.

In domestic cargo operations, despite suppressed overall demand due to unfavorable weather conditions and other factors, revenue increased year-on-year by securing greater cargo volume than the previous term through proactive sales activities.

Other operations

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

JALPAK Co., Ltd. worked to boost sales through the enhancement of exclusive products for the JAL Mileage Bank members, the expansion of high value-added products, and timely sales promotion campaigns. The company also strove to improve productivity through the promotion of workstyle reform by upgrading its office environment and other measures. The number of overseas travelers handled, although remained stable due mainly to the enhancement of the number of hotel rooms procured utilizing local subsidiaries, later suffered a weakened tourism demand in the direction of the U.S. mainland and Guam by the situation in North Korea and terrorism, and came to 231,000 passengers, down by 4.2% year-on-year. The number of domestic travelers handled remained robust, and increased by 1.4% to 2,545,000 passengers year-on-year, due to the expansion of its sightseeing plan offerings and development of early booking plans. With regard to inbound tourism, the company launched the "JAL Visit Japan Dynamic Package" in January 2017, and rolled out marketing campaigns in Thailand.

Operating revenue (prior to intercompany transaction elimination) for the fiscal year under review increased by 1.5% from the previous fiscal year to 175.1 billion yen.

JALCARD, Inc. worked to increase the number of new members by actively conducting membership campaigns and effective online advertising, and also by establishing the infrastructure for the enrollment via smartphones as well as the launch of new services such as additional family card enrollment and bank transfer online. As a result, the number of members increased by 4.7% year-on-year to 3,426,000 members. The company also focused on the one to one communication via the "MyJALCARD" members-only online service available after enrollment and the JALCARD application, and worked to improve customer service through the launch of "Pay Annual Fee by Mile," a new option for spending miles.

Operating revenue (prior to intercompany transaction elimination) for the fiscal year under review decreased by 10.4% from the previous fiscal year to 18.3 billion yen.

(3) Issues to be addressed

JAL Group, putting forth our “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,” announced the formulation of the new plan called “JAL Group Medium Term Management Plan for Fiscal Years 2017-2020” on April 28, 2017, as a measure to realize the Vision.

During the Plan period, JAL Group has been executing yearly plans on a rolling basis under the theme of “Toward Challenge and Growth.” In February 2018, we formulated the “JAL Group Medium Term Management Plan - Rolling Plan 2018.” We will work to connect the progress of this rolling plan to further growth from FY2021 onwards, while contributing to the success of the 2020 Olympic and Paralympic Games in Tokyo and attainment of the Japanese government’s annual target of 40 million foreign visitors to Japan by 2020.

JAL Vision

To realize the JAL Group Corporate Policy and become
"The world's most valued and preferred airline", everyone who supports JAL's wings
will put in joint efforts to maintain flight safety and to:



JAL Group Medium Term Management Plan - Rolling Plan 2018



• **Refine our full service carrier business**

(Expand networks)

Seeing the addition of take-off and landing slots at metropolitan airports, namely Haneda and Narita, planned in 2020 as a business opportunity for us, we will expand routes which would benefit from the increasing number of overseas visitors to regions in Japan and enhancement of economic exchange with Japan. Furthermore, in addition to flights operated by JAL, we will enhance our global network by proactively seeking tie-ups with new partners beyond the existing alliances.

(Innovate better products and services)

In order to provide a stress-free travel experience for all our customers, we will deliver a personalized and timely service with an exceptional travel experience to customers worldwide.

In addition to the introduction of inflight satellite TV in FY2018, we will provide personal monitors, USB power supply, etc. on the seats for domestic routes from FY2019, the year of introduction of the Japan’s first Airbus A350-900, while improving services to ensure peace of mind for every customer, and meeting diverse needs including the provision of multilingual services and versatile meal choices.

• **Expand business domains**

To become a company that provides new values for customers, regions and communities, we will develop and cultivate growth businesses, leveraging JAL Group's accumulated know-how and customer base.

We will work to promote collaboration with partners from other industries to stimulate inbound travel demand and support regional revitalization, enhance the provision of airline operation services that contributes to the development of the airline industry, and create new businesses and services that stimulate air travel demand.

• **HR×Technology - a foundation that supports and produces innovation**

We will realize innovation and accelerate our growth by joining our human resources, the JAL Group's strength, and cutting-edge technology. Developing human resources who are capable of translating each and every employee's aspirations and customer's needs into inspirational new ideas to continuously create novel products, services and businesses, we will attain our sustainable growth.

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 210.8 billion yen, which is broken down into 178.6 billion yen for aircraft-related capital expenditures, 10.9 billion yen for ground-based assets, etc., and 21.2 billion yen for intangible fixed assets.

During the current fiscal year, the JAL Group introduced 18 new airplanes, 1 of which was changed to a leased airplane during the current fiscal year. The JAL Group also purchased 6 airplanes that were previously on lease. On the other hand, 17 airplanes were retired.

The number of airplanes for which the JAL Group has placed orders and already made payments on as capital investment, including up-front disbursement, during the current fiscal year is 35.

(5) Financing

During the current fiscal year, the JAL Group took out long-term borrowings of 30.3 billion yen from domestic financial institutions to fund the aforementioned payments on airplanes.

(6) Business transfer, etc.

None

(7) Business results and assets

Classification	66 th fiscal year ended March 31, 2015	67 th fiscal year ended March 31, 2016	68 th fiscal year ended March 31, 2017	69 th fiscal year ended March 31, 2018
Operating revenues (Millions of yen)	1,344,711	1,336,661	1,288,967	1,383,257
Operating profit (Millions of yen)	179,689	209,192	170,332	174,565
Operating profit margin (%)	13.4	15.7	13.2	12.6
Ordinary profit (Millions of yen)	175,275	209,219	165,013	163,180
Profit attributable to owners of parent (Millions of yen)	149,045	174,468	164,174	135,406
Basic earnings per share (Yen)	411.06	481.29	456.56	383.23
Return On Invested Capital (ROIC)* (%)	12.7	14.0	10.7	10.1
Return On Equity (ROE) (%)	20.3	21.5	18.1	13.3
Total assets (Millions of yen)	1,473,354	1,578,928	1,728,777	1,854,227
Net assets (Millions of yen)	800,751	870,557	1,003,393	1,094,127
Net assets per share (Yen)	2,142.00	2,325.79	2,749.71	3,019.52
Equity ratio (%)	52.7	53.4	56.2	57.2

- (Notes) 1. Basic earnings per share is calculated based on the average number of shares outstanding during the current fiscal year after subtracting the number of treasury stock and shares in the Company held by associated companies. Net assets per share is calculated based on the total number of shares issued as of the end of the current fiscal year after subtracting the number of treasury stock and shares in the Company held by associated companies.
2. The Company conducted a stock split of common stock at a ratio of two shares for every share on October 1, 2014. Basic earnings per share and net assets per share were calculated based on the assumption that the said stock split was conducted at the start of the 66th fiscal year.
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, 2018)

a. Parent companies

None

b. Subsidiaries

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

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

(9) Principal business (as of March 31, 2018)

Air transport business and other businesses incidental or related thereto.

(10) Principal locations of business and plants (as of March 31, 2018)

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, Honolulu, Kona

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

(11) Employees (as of March 31, 2018)

	Number of Employees	Increase (decrease) from the previous fiscal year
Air transport business	29,223 persons [586 persons]	872 [26]
Other	3,815 persons [382 persons]	119 [25]
Total	33,038 persons [968 persons]	991 [51]

- (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. Up until the previous fiscal year employees scheduled to retire at the end of March in a given fiscal year were excluded from the number of employees provided. However, starting with the current fiscal year, the employees scheduled to retire at the end of March in a fiscal year are included in the number of employees provided. The increase (decrease) from the previous fiscal year shows the difference between the number of employees including those scheduled to retire at the end of March in the previous fiscal year and the current fiscal year.
2. Starting with the current fiscal year, 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, 2018)

Aircraft	Number of aircraft	Number of seats	Note
Boeing 787-8	25	161, 186, 206	The number of aircraft includes 1 on lease
Boeing 787-9	11	195, 203	
(Subtotal)	(36)		
Boeing 777-200	12	375	
Boeing 777-300	4	500	
Boeing 777-200ER	11	236, 245	
Boeing 777-300ER	13	244	
(Subtotal)	(40)		
Boeing 767-300	6	261	The number of aircraft includes 1 on lease
Boeing 767-300ER	29	199, 227, 237, 252, 261	
(Subtotal)	(35)		
Boeing 737-400	8	145	The number of aircraft includes 23 on lease
Boeing 737-800	57	144, 165	
(Subtotal)	(65)		
Embraer 170	17	76	
Embraer 190	12	95	
(Subtotal)	(29)		
Bombardier DHC8-300	1	50	The number of aircraft includes 1 on lease
Bombardier DHC8-400	6	74	
Bombardier DHC8-400CC	5	50	
(Subtotal)	(12)		
ATR 42-600	4	48	
SAAB 340B	10	36	
Total	231		

(13) Major Creditors (as of March 31, 2018)

Creditor	Loans outstanding at the end of the period
Mizuho Bank, Ltd.	18,506 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	18,506 million yen
Sumitomo Mitsui Banking Corporation	5,070 million yen

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

As regards the case that the Company was charged with forming a price cartel on air cargo by European Union antitrust authorities, a judgment was rendered by the European Court of Justice in February 2016, revoking the monetary penalty payment ordered by authorities. However, European Union antitrust 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 as a reserve.

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

Currently, the Japan Transport Safety Board under the Ministry of Land, Infrastructure, Transport and Tourism is investigating one serious incident involving the JAL Group that occurred in FY2017. The JAL Group has taken necessary measures and will appropriately implement additional measures depending on the results of investigation conducted by the board.

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

2. Shares

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

(As of March 31, 2018)

Classification	Total number of shares issued	Number of shareholders
Common stock	353,715,800 shares	123,474 persons

- (Notes)
- The total number of shares issued includes 2,490,157 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.

Number of shares to be retired: 4,687,100 shares (1.33% of the total number of shares issued before retirement)

Scheduled date of retirement: May 23, 2018

*Total number of shares issued after the above-mentioned retirement will be 349,028,700 shares.

(2) Major shareholders

(As of March 31, 2018)

Name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	18,870,400	5.37
Japan Trustee Services Bank, Ltd. (Trust account)	15,465,100	4.40
KYOCERA Corporation	7,638,400	2.17
Japan Trustee Services Bank, Ltd. (Trust account 9)	7,476,300	2.12
Japan Trustee Services Bank, Ltd. (Trust account 5)	6,714,700	1.91
Daiwa Securities Group Inc.	5,000,000	1.42
Japan Trustee Services Bank, Ltd. (Trust account 1)	4,988,300	1.42
Japan Trustee Services Bank, Ltd. (Trust account 2)	4,890,100	1.39
Japan Trustee Services Bank, Ltd. (Trust account 7)	3,969,900	1.13
STATE STREET BANK AND TRUST COMPANY 505001	3,786,100	1.07

- (Notes)
- Shareholding ratio is calculated with 2,490,157 shares of treasury stock excluded, rounded down to two decimal places.
 - Of shares held by foreigners, etc. with respect to the general shareholders notification, 85,982,643 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, 2018)

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

Position	Name	Responsibility	Important concurrent occupations or positions at other organizations
Director	Masatoshi ITO		Representative Director & Chairman of the Board, Ajinomoto Co., Inc.(*) Chairman of the JAA Council, Japan Advertisers Association Outside Director, Yamaha Corporation(*) (* indicates a listed company)
Audit & Supervisory Board Member	Hisao TAGUCHI		
Audit & Supervisory Board Member	Yasushi SUZUKA		President, Japan SAP Users' Group
External Audit & Supervisory Board Member	Hiroyuki KUMASAKA		
External Audit & Supervisory Board Member	Shinji HATTA		Professor of Auditing, Graduate School of Professional Accountancy, Aoyama Gakuin University, Tokyo Corporate Auditor (Outside, nonstanding), 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, Azeath Corporation(*) Chairman of Government Procurement Review Board (Cabinet Office, Government of Japan) Special Advisor, Reform Office of the Tokyo Metropolitan Government (* indicates a listed company)

- (Notes) 1. At the conclusion of the 68th Ordinary General Meeting of Shareholders held on June 22, 2017, Mr. Toshiaki Norita retired from office of Director.
2. Director, Mr. Eizo Kobayashi held the position of Outside Auditor of Asahi Mutual Life Insurance Company, but he retired from the position on July 4, 2017.
3. Directors, Ms. Kimie Iwata, Mr. Eizo Kobayashi and Mr. Masatoshi Ito are External Directors who meet the Independence Standards of External Officers stipulated by the Company. The Company has designated them as the Independent Officers who are unlikely to have conflicts of interests with general shareholders as stipulated by the Tokyo Stock Exchange and notified them to the stock exchange.
4. Audit & Supervisory Board Members, Mr. Hiroyuki Kumasaka, Mr. Shinji Hatta and Mr. Osamu Kamo are External Audit & Supervisory Board Members who meet the Independence Standards of External Officers stipulated by the Company. The Company has designated them as the Independent Officers who are unlikely to have conflicts of interests with general shareholders as stipulated by the Tokyo Stock Exchange and notified them to the stock exchange.
5. Audit & Supervisory Board Member, Mr. Hiroyuki Kumasaka is qualified to be a certified public accountant and has considerable knowledge of finance and accounting.
6. 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.
7. The Company has business relationship with Development Bank of Japan Inc. (borrowing of money).

8. Effective April 1, 2018, the positions and responsibilities of Directors have been changed as follows:

Position	Name	Responsibility
Representative Director, Chairman	Yoshiharu UEKI	Chairman of the Board of Directors
Director, Vice Chairman	Junko OKAWA	General Manager of JAL SDGs
Director	Masaru ONISHI	

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

(Reference) (as of March 31, 2018)

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	Shinichiro SHIMIZU	General Manager, Secretary's Office
Managing Executive Officer	Yuji AKASAKA(*1)	General Manager, Engineering & Maintenance President of JAL ENGINEERING CO., LTD.
Managing Executive Officer	Hideo NINOMIYA	General Manager, Managing Division Passenger Sales General Manager, Domestic Passenger Sales President of JAL SALES CO., LTD.
Managing Executive Officer	Tadao NISHIO	General Manager, Corporate Planning
Executive Officer	Tetsuya ONUKI	President of J-AIR CO., LTD.
Executive Officer	Munemitsu ERIKAWA	Senior Vice President, China Vice President and Regional Manager, Beijing
Executive Officer	Kiyoshi MARUKAWA	President of JAPAN TRANSOCEAN AIR CO., LTD.
Executive Officer	Akira YONEZAWA	General Manager, Managing Division Route Marketing (International Route Marketing)
Executive Officer	Toshiki OKA	General Manager, IT Planning
Executive Officer	Hiroyuki HIOKA	General Manager, General Affairs
Executive Officer	Hidetsugu UEDA	Human Resources, in charge of Education Vice President, Human Resources Management
Executive Officer	Hoshiko NAKANO	Senior Vice President, Western Japan
Executive Officer	Hiroki KATO	President of JAPAN AIR COMMUTER CO., LTD.
Executive Officer	Tomohiro NISHIHATA	In charge of Managing Division Route Marketing (Passenger System Planning) In charge of Digital Innovation Promotion
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 General Manager, Web Sales Senior Vice President, Eastern Japan
Executive Officer	Hiroo IWAKOSHI(*2)	General Manager, Cargo & Mail
Executive Officer	Atsushi MAEDA(*2)	General Manager, Procurement
Executive Officer	Yasuyuki SATO(*2)	General Manager, Managing Division Route Marketing (Products and Services Planning)
Executive Officer	Shunsuke HONDA(*2)	General Manager, Managing Division Route Marketing (Domestic Route Marketing)

(Notes) *1: Mr. Yuji Akasaka assumed office as President on April 1, 2018.

*2: Assumed office on April 1, 2017.

(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)	11 (3)	420 (36)	265 (36)	132 (-)	23 (-)
Audit & Supervisory Board Members (Of which, External Audit & Supervisory Board Members)	5 (3)	79 (30)	79 (30)	-	-
Total	16	499	344	132	23

(Notes) 1. The above table includes one (1) Director who retired from office at the conclusion of the 68th Ordinary General Meeting of Shareholders held on June 22, 2017.

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 68th 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 68th 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 Company will encourage the performance of duties consistent with our Corporate Policy and management strategies and provide strong incentives for the achievement of specific management targets, with the aim of sustainable and steady growth of the Company and the Group and of medium to long-term improvement in corporate value.

- (2) The Company will establish appropriate proportions for annual incentive (performance-linked bonus) linked to fiscal year performance and, for the purpose of further promoting the aligning of interests with shareholders, a long-term incentive (performance-linked share-based remuneration) linked to corporate value in accordance with medium to long-term performance, in order to contribute to the demonstration of sound entrepreneurial spirit.
- (3) The Company will provide treatment that is appropriate to the management team of the Company, in accordance with the Company's business performance.

Remuneration levels and remuneration composition ratios

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

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

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

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

Framework for incentive remuneration

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

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

Procedures for determination of remuneration, etc.

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

(4) External Officers

Major activities during the current fiscal year

Position	Name	Major activities during the current fiscal year
Director	Kimie IWATA	Ms. Iwata attended 94.7% of Board of Directors' meetings held during the current fiscal year, provided advice to the Company's management and appropriately supervised the execution of operations from an objective and professional perspective based on her extensive experience and deep insight into support for women's empowerment, diversity, CSR and reform of work patterns etc., backed by her many years of experience in administration and corporate management. In addition, she served as Lead Independent External Director, Chairman of the Corporate Governance Committee, and Chairman of the Officers Disciplinary Committee.
Director	Eizo KOBAYASHI	Mr. Kobayashi attended 89.5% of Board of Directors' meetings held during the current fiscal year, provided advice to the Company's management and appropriately supervised the execution of operations from a practical and diversified perspective based on his extensive experience in global management and leadership over multifaceted group companies and deep insight into management as a top manager of a general trading company that develops businesses around the world. In addition, he served as Chairman of the Compensation Committee.
Director	Masatoshi ITO	Mr. Ito attended 94.7% of Board of Directors' meetings held during the current fiscal year, provided advice to the Company's management and appropriately supervised the execution of operations from a practical and diversified perspective based on his deep insight as a top manager of a global company and extensive experience in marketing and management strategy. In addition, he served as Chairman of the Nominating Committee.
Audit & Supervisory Board Member	Hiroyuki KUMASAKA	Mr. Kumasaka attended all Board of Directors' meetings and Board of Corporate Auditors' meetings held during the current fiscal year and provided advice and recommendations on the Company's managerial issues, operations of the Board of Directors, internal control, risk management, etc., from the perspective of an accounting professional based on his many years of experience as a certified public accountant.
Audit & Supervisory Board Member	Shinji HATTA	Mr. Hatta attended 94.7% of Board of Directors' meetings and all Board of Corporate Auditors' meetings held during the current fiscal year and provided advice and recommendations on the Company's managerial issues, operations of the Board of Directors, internal control, risk management, etc., from the perspective of an accounting professional based on his many years of experience in the accounting field.
Audit & Supervisory Board Member	Osamu KAMO	Mr. Kamo attended all Board of Directors' meetings and Board of Corporate Auditors' meetings during the current fiscal year and provided advice and recommendations on the Company's managerial issues, operations of the Board of Directors, internal control, risk management, etc., from the perspective of a legal expert, based on his many years of experience in the legal field.

4. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

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

a. Remuneration, etc., for Accounting Auditor for the current fiscal year	102 million yen
b. Total amount of money and other financial interests to be paid by the Company and its subsidiaries	208 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

< 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.” 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 arrange tours of airports, sales, maintenance, and other workplaces and provide training on safety.

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

1) Audit & Supervisory Board Members

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

We provide opportunities for Audit & Supervisory Board Members to sufficiently understand the roles and responsibilities required of them by providing corporate information, allowing continuous participation in external training and external associations, etc., and bear necessary expenses.

External Audit & Supervisory Board Members are appointed from among persons with vast knowledge and experience in various fields, and those who do not qualify as highly independent within the meaning of “Standards for Independence of Outside Directors” (*2) established by the Company are not appointed. External Audit & Supervisory Board Members ensure sound management by conducting audits from a neutral and objective standpoint, with the cooperation of internal audit departments and accounting auditors.

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

2) Board of Corporate Auditors

The Board of Corporate Auditors makes appropriate judgment from an independent objective

standpoint, based on their fiduciary responsibilities to the shareholders when fulfilling their roles and responsibilities, such as auditing the execution of Director's duties, appointing or 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 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. Furthermore, the Committee continuously discusses various topics such as the election of successors to the President and other leaders to change and drive growth of the JAL Group in order to realize the JAL Group Corporate Policy and management strategies, and reports the result of their discussions to the Board of 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, a Risk Management Committee, and a Financial Risk Committee, 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 new business partner candidates, and conduct a review every three years as a regular inspection to verify whether there are any changes in attributes and/or information.
 - f. Legal considerations are explained to Directors to ensure that they are aware of their duties, authorities, and responsibilities including the fiduciary duty of loyalty and the duty of care as a prudent manager. We provide education courses for employees, etc. to ensure that they acquire the necessary knowledge to perform their duties.
 - g. The Audit Department inspects the development and operation of the internal controls system stipulated by 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, 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 Risk Management Committee meetings.
 - d. We are reinforcing our ERP system to implement speedy, effective and efficient crisis management responses in case of an aircraft accident or event, and are continuously training Care Staff to assist accident victims and their families and members of the Accident Command Board.
- 4) We have developed a system to ensure that the duties of directors are executed efficiently.

- a. We have established a corporate governance system to ensure quick, appropriate management decisions, and at the same time, demonstrates high management transparency and strong management monitoring according to the JAL Group Corporate Policy, and strive to increase corporate value and fulfill accountability. The Board of Directors has established Fundamental Policies of Corporate Governance, which are important fundamentals next to the Companies Act, related laws and regulations, and the Articles of Incorporation, to ensure corporate governance.
 - b. We have clarified basic matters for managerial staff of the Company according to Regulations for Managerial Staff, to ensure that duties are executed efficiently according to Regulations for Meeting Structures and Regulations for Kessai and Administrative Authority, Segregation of Duties Regulations.
 - c. We review Regulations for Kessai and Administrative Authority, 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

The Company considers the return of profits to its shareholders as one of the most important matters in management. It is our fundamental policy of return to shareholders to actively provide distribution of profits to shareholders in principle as consistent stable dividends, while executing capital expenditures to respond to future business growth and changes in business conditions, and securing internal reserves for building a strong financial structure and making investments.

Furthermore, as an indicator for dividend payments, the Company will adopt dividend on equity ratio (DOE) in addition to the dividend payout ratio which it has used.

The Company aims for a dividend payout ratio of approximately 30% of profit attributable to owners of parent, for the full fiscal year excluding the impact of income taxes - deferred for the payment of dividends. In light of the return on equity ratio (ROE) of 10% to be maintained and the dividend payout ratio above, the Company will strive to attain a DOE of 3% or higher. Going forward, the Company will further work to increase its capital efficiency and realize stable returns to shareholders.

The Company will make dividend proposals based on this policy.

In addition, taking into account the economic environment and our financial situation, the Company will constantly consider share buybacks or other implementation of additional shareholder returns, as well as the further enhancement of shareholder returns.

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

Consolidated Balance Sheet

As of March 31, 2018

		(Millions of yen)
	Amount	(Reference) Amount of previous fiscal year
ASSETS		
Current assets		
Cash and time deposits	417,842	392,075
Notes and accounts receivable – trade	151,262	142,745
Securities	30,999	12,000
Flight equipment spare parts and supplies	21,996	21,118
Deferred income tax assets	5,576	7,436
Other	58,924	51,450
Allowance for doubtful accounts	(533)	(493)
Total current assets	686,069	626,332
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	32,247	33,090
Machinery, equipment and vehicles, net	10,718	9,611
Flight equipment, net	704,134	671,387
Land	864	879
Construction suspense account	123,902	101,832
Other tangible fixed assets, net	8,898	8,126
Total tangible fixed assets	880,765	824,928
Intangible fixed assets		
Software	95,551	95,738
Other intangible fixed assets	134	174
Total intangible assets	95,686	95,913
Investments and other assets		
Investments in securities	90,757	82,680
Long-term loans receivable	7,715	7,303
Deferred income tax assets	60,690	61,457
Asset for retirement benefit	2,119	1,240
Other investments	30,756	29,185
Allowance for doubtful accounts	(334)	(264)
Total investments and other assets	191,706	181,602
Total fixed assets	1,168,158	1,102,444
Total assets	1,854,227	1,728,777

Consolidated Balance Sheet

As of March 31, 2018

	(Millions of yen)	
	Amount	(Reference) Amount of previous fiscal year
LIABILITIES		
Current liabilities		
Accounts payable – trade	177,937	159,218
Short-term debt	3,150	5,372
Current maturities of long-term debt	14,555	13,037
Lease liabilities	2,389	5,712
Accounts payable-installment purchase	185	181
Accrued income taxes	14,074	10,829
Advances received	107,506	96,453
Deferred tax liabilities	–	173
Asset retirement obligations	393	249
Other	76,653	73,372
Total current liabilities	396,846	364,601
Non-current liabilities		
Corporate bonds	20,000	20,000
Long-term debt	80,696	65,802
Lease liabilities	4,319	5,300
Long-term accounts payable-installment purchase	480	666
Deferred tax liabilities	458	353
Reserve for loss on antitrust liabilities	5,931	5,965
Liability for retirement benefit	230,084	238,481
Asset retirement obligations	3,595	3,538
Other	17,687	20,676
Total non-current liabilities	363,253	360,783
Total liabilities	760,099	725,384
NET ASSETS		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus	183,049	183,047
Retained earnings	731,106	647,701
Treasury stock	(10,535)	(531)
Total shareholders' equity	1,084,972	1,011,569
Accumulated other comprehensive income		
Net unrealized gain on other securities, net of taxes	16,469	13,828
Net unrealized gain on hedging instruments, net of taxes	6,360	(667)
Translation adjustments	(30)	232
Remeasurement of defined benefit plans	(47,436)	(52,898)
Total accumulated other comprehensive income	(24,637)	(39,504)
Non-controlling interests	33,792	31,328
Total net assets	1,094,127	1,003,393
Total liabilities and net assets	1,854,227	1,728,777

Consolidated Statement of Income

(April 1, 2017 – March 31, 2018)

(Millions of yen)

	Amount	(Reference) Amount of previous fiscal year
Operating revenues	1,383,257	1,288,967
Cost of operating revenues	993,635	926,936
Gross operating profit	389,621	362,030
Selling, general and administrative expenses	215,055	191,698
Operating profit	174,565	170,332
Non-operating income		
Interest income	816	874
Dividend income	1,446	979
Gain on sale of flight equipment	1,761	1,875
Equity in income of affiliates	2,521	2,180
Gain on compensation	–	1,381
Other	2,239	1,641
Total non-operating income	8,784	8,934
Non-operating expenses		
Interest expense	798	843
Loss on sales of flight equipment	11,964	8,458
Loss on flight equipment spare parts and supplies	–	1,837
Exchange losses	2,495	–
Other	4,910	3,114
Total non-operating expenses	20,169	14,252
Ordinary profit	163,180	165,013
Extraordinary gains		
Subsidy for purchasing aircrafts	5,477	6,692
Gain on sales of investment securities	829	–
Other	837	882
Total extraordinary gains	7,144	7,574
Extraordinary losses		
Loss on reduction of aircrafts	5,475	6,959
Impairment loss	1,209	505
Expense on compensation	–	1,285
Other	1,158	1,059
Total extraordinary losses	7,844	9,809
Profit before income taxes	162,480	162,778
Income taxes – current	24,974	23,570
Income taxes – deferred	(3,488)	(31,657)
Profit	140,995	170,865
Profit attributable to non-controlling interests	5,588	6,690
Profit attributable to owners of parent	135,406	164,174

Consolidated Statement of Changes in Net Assets

(April 1, 2017 – March 31, 2018)

(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	183,047	647,701	(531)	1,011,569
Changes of items during the period					
Dividends of surplus			(51,790)		(51,790)
Profit attributable to owners of parent			135,406		135,406
Repurchase of treasury stock				(9,999)	(9,999)
Change of scope of equity method, etc..		2	(211)	(3)	(213)
Net changes of items other than shareholders' equity during the period					
Total changes during the period	–	2	83,405	(10,003)	73,403
Balance at the end of the period	181,352	183,049	731,106	(10,535)	1,084,972

	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	13,828	(667)	232	(52,898)	(39,504)	31,328	1,003,393
Changes of items during the period							
Dividends of surplus							(51,790)
Profit attributable to owners of parent							135,406
Repurchase of treasury stock							(9,999)
Change of scope of equity method, etc.							(213)
Net changes of items other than shareholders' equity during the period	2,640	7,027	(262)	5,461	14,867	2,463	17,331
Total changes during the period	2,640	7,027	(262)	5,461	14,867	2,463	90,734
Balance at the end of the period	16,469	6,360	(30)	(47,436)	(24,637)	33,792	1,094,127

Notes to Consolidated Financial Statements

(Base of Preparation of the Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

Number of consolidated subsidiaries: 51

Names of principal consolidated subsidiaries:

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

OKINAWA FUELING FACILITIES CO., LTD., which had been a consolidated subsidiary, was excluded from the scope of consolidation from the current fiscal year due to the transfer of shares that the Company owned in said company.

JAL HAWAII, INCORPORATED and JAL PASSENGER SERVICES AMERICA INCORPORATED were excluded from the scope of consolidation as of the current fiscal period due to their lack of significance.

Also, JAL SBI Fintech Co., Ltd. and JAL Payment Port Co., Ltd. have been included in the scope of consolidation as of the current fiscal period due to being newly established.

(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.

OKINAWA FUELING FACILITIES CO., LTD., which had been a consolidated subsidiary, was included in the scope of the equity method from the current fiscal year due to the transfer of the shares that the Company owned in said company.

(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 4 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

b. Inventories:

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

c. Derivatives:

Derivative positions are stated at fair value.

(2) Depreciation of fixed assets

a. Aircraft (excluding leased assets):

Straight-line method

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

Japan Airlines Co., Ltd

Straight-line method

Other companies

Principally the straight-line method

c. Intangible fixed assets (excluding leased assets):

Straight-line method

d. Leased assets

Leased assets in finance lease transactions that transfer ownership

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

Leased assets in finance lease transactions that do not transfer ownership

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

(3) Significant provisions

a. Reserve for loss on antitrust liabilities

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

b. Allowance for doubtful accounts

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

(4) Significant foreign currency accounts

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

(5) Significant hedge accounting

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

(6) Accounting treatment of retirement benefit

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

The adjustment for actuarial assumptions is amortized by the straight-line method over a period ranging from 5 to 17 years, which is less than the average remaining years of service as incurred of the active participants in the plans. Amortization is computed from the period subsequent to the year in which the adjustment was recorded. Past service cost is principally charged to income as incurred. However, at certain subsidiaries, past service cost is amortized by the straight-line method over a period which is less than the average remaining years of service as incurred of the active participants in the plans.

Unrecognized adjustment for actuarial assumptions and the unappropriated amount of unrecognized past service cost are recorded under 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)

Gain on compensation

"Gain on compensation" (267 million yen for the current fiscal year), which was separately recorded under "Non-operating income" in the previous fiscal year, was not more than 10% of total non-operating income and is therefore included in "Other" from the current fiscal year.

Loss on flight equipment spare parts and supplies

"Loss on flight equipment spare parts and supplies" (1,737 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.

Impairment loss

"Impairment loss" (505 million yen for the previous fiscal year), which was included in "Other" under "Extraordinary losses" in the previous fiscal year, exceeded 10% of total extraordinary losses and is therefore separately recorded from the current fiscal year.

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 436,907 million yen

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

Assets pledged as collateral

• Aircraft	160,602 million yen
• Others	9,795 million yen

Obligations secured by such collateral

• Current maturities of long-term debt	13,517 million yen
• Long-term debt	80,505 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

107 million yen

(Guarantee for Lease liabilities)

- Jetstar Japan Co., Ltd.

4,042 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	353,715 thousand shares
	Treasury stock	2,555 thousand shares

(3) Dividends**a. Dividends paid**

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
June 22, 2017 General Meeting of Shareholders	Common stock	Retained earnings	33,236	94	March 31, 2017	June 23, 2017
October 31, 2017 Board of Directors' Meeting	Common stock	Retained earnings	18,562	52.50	September 30, 2017	December 4, 2017

- (Notes)
1. Total amount of dividends decided by the General Meeting of Shareholders on June 22, 2017 includes dividends of 5 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, 2017 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 period and the effective date falls in the following period

Resolution	Class of shares	Source of dividends	Total amount of dividends (million yen)	Dividends per share (yen)	Record date	Effective date
June 19, 2018 (planned) General Meeting of Shareholders	Common stock	Retained earnings	20,195	57.50	March 31, 2018	June 20, 2018

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

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

(2) Fair value of financial instruments, etc.

Amounts on the consolidated balance sheet as of March 31, 2018, 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	417,842	417,842	—
(2) Notes and accounts receivable – trade	151,262	151,262	—
(3) Short-term investments in securities and investments in securities			
Shares of subsidiaries and affiliates	16,433	20,629	4,196
Other securities	69,632	69,632	—
Total assets	655,170	659,366	4,196
(1) Accounts payable – trade	177,937	177,937	—
(2) Short-term debt	3,150	3,150	—
(3) Corporate bonds	20,000	20,065	65
(4) Long-term debt (*1)	95,252	95,252	—
(5) Lease liabilities (*2)	6,708	6,708	—
(6) Long-term accounts payable-installment purchase (*3)	666	666	—
Total liabilities	303,715	303,780	65
Derivative transactions (*4)	8,312	8,307	(4)

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

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

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

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

Figures in parentheses are posted to liabilities.

(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	21,043
Bonds held to maturity	3,330
Other securities	11,318

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

Securities

1. Other securities with fair value

(Millions of Yen)

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

	Acquisition cost	Carrying amount on consolidated balance sheet	Variance
Stocks	15,410	38,157	22,747
Subtotal	15,410	38,157	22,747

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

	Acquisition cost	Carrying amount on consolidated balance sheet	Variance
Stocks	499	474	(25)
Money held in trust, etc.	30,999	30,999	–
Subtotal	31,499	31,474	(25)
Total	46,910	69,632	22,721

2. Other securities sold during the current fiscal year

(Millions of Yen)

Amount sold	Total gain on sales of securities	Total loss on sales of securities
1,496	764	2

Derivative transactions

1. Derivatives to which hedge accounting is not applied
None

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	41,055	2,476	(1,450)	Based on forward quotation
	EUR	Trade accounts payable	2,673	64	(27)	
	Other	Trade accounts payable	1,594	2	(62)	
	Currency option Long:					Based on prices provided by financial institutions with which JAL does business, etc.
	Call options	Trade accounts payable	69,659	17,343	449	
	Short:					
	Put options	Trade accounts payable	61,946	14,691	(1,299)	
	Commodity swaps Receivable floating/payable fixed	Aviation fuel	67,883	17,908	10,702	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	761	—	(17)	Based on forward quotation
	EUR	Trade accounts payable	258	—	15	
	Other	Trade accounts payable	183	—	(2)	
Total					8,307	

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 3,019.52 yen

(2) Basic earnings per share 383.23 yen

12. Significant Subsequent Events

(Repurchase of treasury stock)

The Company resolved to repurchase shares at the meeting of Board Directors held on February 28, 2018, in accordance with Article 165, Paragraph 1 of the Companies Act, applied by replacement under Article 165, paragraph 3 of the same Act. As a result, the following was implemented.

1. Reason for share repurchase

To increase capital efficiency and expanded shareholders return

2. Content of share repurchase

- | | |
|---|--------------------------------|
| (1) Type of shares to be acquired | Common shares of JAL |
| (2) Total number of shares to be acquired | 7 million shares (maximum) |
| (3) Total price of shares to be acquired | 20 billion yen (maximum) |
| (4) Period of acquisition | March 1, 2018 – April 27, 2018 |

3. Result of repurchase

(1) Content of shares repurchased before March 31, 2018

- | | |
|------------------------------------|---|
| a. Type of shares acquired | Common shares of JAL |
| b. Total number of shares acquired | 2,354,000 shares |
| c. Total price of shares acquired | 9,999,955,400 yen |
| d. Period of acquisition | March 1, 2018 - March 31, 2018 |
| e. Method of repurchase of shares | Offers to buy on the Tokyo Stock Exchange |

(2) Content of shares repurchased from April 1, 2018

- | | |
|------------------------------------|---|
| a. Type of shares acquired | Common shares of JAL |
| b. Total number of shares acquired | 2,333,100 shares |
| c. Total price of shares acquired | 9,999,983,483 yen |
| d. Period of acquisition | April 1, 2018 - April 13, 2018 |
| e. Method of repurchase of shares | Offers to buy on the Tokyo Stock Exchange |

(Cancellation of treasury stock)

The Company resolved to cancel treasury stock at the meeting of Board Directors held on April 27, 2018 in accordance with Article 178, the Companies Act.

1. Overview of cancellation treasury stock

- | | |
|------------------------------------|--|
| (1) Type of shares to be retired | Common shares of JAL |
| (2) Number of shares to be retired | 4,687,100 shares (1.33% of total number issued shares) |
| (3) Scheduled date of cancellation | May 23, 2018 |

2. Total number of issued shares after cancellation above will be 349,028,700 shares.

Non-consolidated Balance Sheet

As of March 31, 2018

(Millions of yen)

ASSETS	Amount	(Reference) Amount of previous fiscal year
Current assets	404,485	377,357
Cash and time deposits	167,210	154,577
Accounts receivable	30,999	12,000
Securities	19,431	18,012
Flight equipment spare parts and supplies	6,858	7,042
Short-term prepaid expenses	4,305	5,785
Deferred tax assets	50,524	43,046
Other current assets	(100)	(87)
Allowance for doubtful accounts		
Total current assets	683,714	617,735
Fixed assets		
Tangible fixed assets		
Buildings, net	27,999	28,088
Structure, net	216	163
Machinery, equipment, net	4,527	4,496
Flight equipment, net	668,942	652,502
Vehicles, net	2,223	889
Tools, furniture and equipment	7,618	6,984
Land	751	772
Construction suspense account	108,529	83,956
Total tangible fixed assets	820,809	777,854
Intangible fixed assets		
Software	98,881	99,110
Other intangible fixed assets	1	2
Total intangible assets	98,883	99,113
Investments and other assets		
Investments in securities	49,167	43,336
Investment securities in subsidiaries and affiliates	71,997	71,916
Corporate bonds of subsidiaries and affiliates	3,330	3,330
Long-term loans receivable	7,559	7,127
Long-term prepaid expenses	1,090	1,135
Deferred income tax assets	33,044	34,661
Other investments	27,160	25,968
Allowance for doubtful accounts	(221)	(152)
Total Investments and other assets	193,130	187,323
Total fixed assets	1,112,822	1,064,291
Total assets	1,796,537	1,682,027

Non-consolidated Balance Sheet

As of March 31, 2018

		(Millions of yen)
	Amount	(Reference) Amount of previous fiscal year
LIABILITIES		
Current liabilities		
Accounts payable-trade	202,287	182,279
Short-term debt	156,232	149,955
Current maturities of long-term debt	12,328	10,155
Accounts payable - other	14,873	14,753
Lease liabilities	2,124	5,235
Accounts payable-installment purchase	185	181
Accrued income taxes	9,358	4,972
Accrued expenses	12,477	11,345
Advances received	91,387	81,189
Deposits received	22,625	20,690
Air transport deposits received	20,939	18,476
Other current liabilities	5,153	9,400
Total current liabilities	549,972	508,635
Non-current liabilities		
Corporate bonds	20,000	20,000
Long-term debt	71,300	57,081
Lease liabilities	2,991	3,579
Long-term accounts payable-installment purchase	480	666
Accrued pension and severance costs	135,467	137,648
Reserve for loss on antitrust liabilities	5,931	5,965
Other non-current liabilities	17,381	20,195
Total non-current liabilities	253,552	245,137
Total liabilities	803,525	753,772
NET ASSETS		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus		
Capital reserves	174,493	174,493
Total capital surplus	174,493	174,493
Retained earnings		
Other retained earnings		
Retained earnings brought forward	624,954	560,325
Total retained earnings	624,954	560,325
Treasury stock		
Treasury stock	(10,408)	(408)
Total Treasury stock	(10,408)	(408)
Total shareholders' equity	970,391	915,762
Valuation, translation adjustments and other		
Net unrealized gain on other securities, net of taxes	15,967	13,393
Net unrealized gain on hedging instruments, net of taxes	6,652	(902)
Total valuation, translation adjustments and other	22,619	12,491
Total net assets	993,011	928,254
Total liabilities and net assets	1,796,537	1,682,027

Non-consolidated Statement of Income

(April 1, 2017 – March 31, 2018)

(Millions of yen)

	Amount	(Reference) Amount of previous fiscal year
Operating revenues	1,149,739	1,056,068
Cost of operating revenues	851,789	789,493
Gross operating profit	297,949	266,575
Selling, general and administrative expenses	170,221	145,081
Operating profit	127,728	121,493
Non-operating income		
Interest income and dividend income	14,863	12,072
Foreign exchange gains	–	282
Other non-operating income	2,862	3,648
Total non-operating income	17,726	16,003
Non-operating expenses		
Interest expense	779	875
Exchange losses	2,459	–
Other non-operating expenses	15,331	12,700
Total non-operating expenses	18,570	13,576
Ordinary profit	126,883	123,920
Extraordinary gains		
Gain on sales of investment securities	763	–
Gain on sales of non-current assets	157	89
Other	111	919
Total extraordinary gains	1,033	1,008
Extraordinary losses		
Impairment loss	862	505
Loss on sales and disposal of fixed assets	620	532
Expense on compensation	–	1,285
Loss on valuation of investment securities in subsidiaries and affiliates	–	772
Other	0	10
Total extraordinary losses	1,483	3,105
Profit before income taxes	126,433	121,823
Income taxes – current	11,266	7,592
Income taxes – deferred	(1,261)	(29,003)
Profit	116,428	143,235

Non-consolidated Statement of Changes in Net Assets

(April 1, 2017 – March 31, 2018)

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital Surplus		Retained earnings		Treasury stock	Total share-holders' 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	560,325	560,325	(408)	915,762
Changes of items during the period							
Dividends of surplus				(51,799)	(51,799)		(51,799)
Profit				116,428	116,428		116,428
Repurchase of treasury stock						(9,999)	(9,999)
Net changes of items other than shareholders' equity during the period							
Total changes during the period	–	–	–	64,629	64,629	(9,999)	54,629
Balance at the end of the period	181,352	174,493	174,493	624,954	624,954	(10,408)	970,391

	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	13,393	(902)	12,491	928,254
Changes of items during the period				
Dividends of surplus				(51,799)
Profit				116,428
Repurchase of treasury stock				(9,999)
Net changes of items other than shareholders' equity during the period	2,573	7,554	10,128	10,128
Total changes during the period	2,573	7,554	10,128	64,757
Balance at the end of the period	15,967	6,652	22,619	993,011

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

(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

“Gain on sales of non-current assets”, 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 non-current assets” was 89 million yen in the previous fiscal year.

“Gain on sales of investment securities in subsidiaries and affiliates” and “Reversal of reserve for loss on antitrust liabilities,” which were separately recorded under “Extraordinary gains” in the previous fiscal year, were not more than 10% of total extraordinary gains and are therefore included in “Other” from the current fiscal year. In the current fiscal year, “Other” under extraordinary gains includes 78 million yen in “Gain on sales of investment securities in subsidiaries and affiliates” and 33 million yen in “Reversal of reserve for loss on antitrust liabilities.”

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 395,953 million yen

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

(Assets pledged as collateral)

Aircraft	146,773 million yen
Investment securities in subsidiaries and affiliates	2,595 million yen
Corporate bonds of subsidiaries and affiliates	3,330 million yen
Long-term loans receivable	3,330 million yen

(Obligations secured by such collateral)

Current maturities of long-term debt	12,328 million yen
Long-term debt	71,300 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	27 million yen
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(Guarantee for Lease liabilities)

Jetstar Japan Co., Ltd.	4,042 million yen
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Concerning other guarantee liabilities, in relation to a share transfer agreement that Company business investment Fukuoka Airport Holdings Co., Ltd. (“transferor”), in which the Company has invested, has concluded with the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (“transferee”), the Company provides the following amount as the maximum guaranteed amount payable to the transferor as compensation in the event of a breach of obligation, assertion or guarantee in the said agreement.

7,867 million yen

(5) Monetary claims and liabilities to subsidiaries and affiliates

Short-term monetary claims	74,303 million yen
Short-term monetary liabilities	205,299 million yen
Long-term monetary claims	8,487 million yen
Long-term monetary liabilities	3,717 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	53,886 million yen
Operating expense	275,028 million yen
Amount resulting from non-business transactions	28,821 million yen

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

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

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

Total number of issued shares	Common stock	353,715 thousand shares
	Treasury stock	2,490 thousand shares

6. Tax effect accounting

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

7. Transactions with related parties

Subsidiaries and affiliates, etc.

Attribute	Name	Percentage of voting rights holding or being held (%)	Relations		Details of transaction	Amount (millions of yen)	Item	Ending balance (millions of yen)
			Concurrently serving, etc.	Business relations				
Subsidiary	JAL Mileage Bank Co., Ltd.	Holding direct 100%	—	Consignment of settlement related operations	Collection of proceeds from sale of air tickets (Note 1)	161,011	Accounts receivable - trade	29,797
Subsidiary	JALPAK Co., Ltd.	Holding direct 96.4%	Concurrently serving 1	Sale of air tickets	Borrowing and lending of money (Note 2)	—	Short-term debt	30,555
Subsidiary	JAL ENGINEERING CO., LTD.	Holding direct 100%	Concurrently serving 1	Consignment of maintenance related operations	Maintenance of aircraft, engines and equipment, and maintenance management operations (Note 3)	120,384	Accounts payable - trade	11,768

Terms of transactions and method for determining them

- (Notes) 1. Proceeds from sale of air tickets are collected under the service consignment contract, and commissions paid for the collection are determined through negotiations.
2. Since these transactions are conducted under the cash management system operated by the JAL Group, the amount of transaction is omitted. Interest rate is reasonably determined in light of the market interest rate.
3. Contractual price is reasonably determined in light of the market price.

8. Per share information

(1) Net assets per share 2,827.28 yen

(2) Basic earnings per share 329.45 yen

9. Significant Subsequent Events

(Repurchase of treasury stock)

The Company resolved to repurchase shares at the meeting of Board Directors held on February 28, 2018, in accordance with Article 165, Paragraph 1 of the Companies Act, applied by replacement under Article 165, paragraph 3 of the same Act. As a result, the following was implemented.

1. Reason for share repurchase

To increase capital efficiency and expanded shareholders return

2. Content of share repurchase

- | | |
|---|--------------------------------|
| (1) Type of shares to be acquired | Common shares of JAL |
| (2) Total number of shares to be acquired | 7 million shares (maximum) |
| (3) Total price of shares to be acquired | 20 billion yen (maximum) |
| (4) Period of acquisition | March 1, 2018 – April 27, 2018 |

3. Result of repurchase

(1) Content of shares repurchased before March 31, 2018

- | | |
|------------------------------------|---|
| a. Type of shares acquired | Common shares of JAL |
| b. Total number of shares acquired | 2,354,000 shares |
| c. Total price of shares acquired | 9,999,955,400 yen |
| d. Period of acquisition | March 1, 2018 - March 31, 2018 |
| e. Method of repurchase of shares | Offers to buy on the Tokyo Stock Exchange |

(2) Content of shares repurchased from April 1, 2018

- | | |
|------------------------------------|---|
| a. Type of shares acquired | Common shares of JAL |
| b. Total number of shares acquired | 2,333,100 shares |
| c. Total price of shares acquired | 9,999,983,483 yen |
| d. Period of acquisition | April 1, 2018 - April 13, 2018 |
| e. Method of repurchase of shares | Offers to buy on the Tokyo Stock Exchange |

(Cancellation of treasury stock)

The Company resolved to cancel treasury stock at the meeting of Board Directors held on April 27, 2018 in accordance with Article 178, the Companies Act.

1. Overview of cancellation treasury stock

- | | |
|------------------------------------|--|
| (1) Type of shares to be retired | Common shares of JAL |
| (2) Number of shares to be retired | 4,687,100 shares (1.33% of total number issued shares) |
| (3) Scheduled date of cancellation | May 23, 2018 |

2. Total number of issued shares after cancellation above will be 349,028,700 shares.

Independent Auditor's Report

May 9, 2018

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, 2018, 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 69th fiscal year from April 1, 2017 to March 31, 2018.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Interest

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

Independent Auditor's Report

May 9, 2018

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, 2018, 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 69th fiscal year from April 1, 2017 to March 31, 2018.

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 69th fiscal year from April 1, 2017 to March 31, 2018, the Board of Corporate Auditors of the Company prepares this audit report after deliberation and reports as follows:

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

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

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

2. Audit Results

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

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

May 10, 2018

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

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