

J A L R E P O R T 2 0 1 5



JAPAN AIRLINES

CONTENTS

- 02 | Highlights
- 06 | President's Message
- 16 | The Medium Term Management Plan to Date
- 18 | Safety Initiatives
- 24 | Route Network, Products and Services
- 29 | Group Management
- 30 | Human Resources
- 36 | JAL Group CSR
- 38 | JAL Group CSR
- 39 | The Environment
- 44 | Safety and Security
- 46 | Bringing Japan and the World
- 48 | Nurturing the Next Generation
- 50 | Governance
- 50 | Stakeholder Dialog
- 53 | Governance
- 59 | Environmental, Social and Governance (ESG) Data
- 60 | Executive Officers
- 62 | Financial Section
- 86 | Consolidated Subsidiaries
- 87 | JAL Group Route Network



P. 06 President's Message

The president describes the ideal company JAL aspires to become and discusses the Three Targets and Three Differentiations of the Medium Term Management Plan.



P. 16 The Medium Term Management Plan to Date

We provide a progress report on the Key Initiatives in the Five Areas we are pursuing to achieve the Medium Term Management Plan.



P. 50 Stakeholder Dialog

We convened a dialog with an outside expert and an external director to discuss JAL's corporate governance.

<p>Editorial Policy</p> <p>Period Covered by the Report</p> <p>Scope of the Report</p> <p>Date of Publication</p>	<p>JAL Report 2015 was compiled using various referential guidelines as an integrated report on financial information and CSR activities, and is intended to promote understanding of the corporate value and growth prospects of the JAL Group.</p> <p>In principle, the report covers activities for the period from April 2014 to March 2015 (fiscal 2014).</p> <p>JAL Group companies</p> <p>July 2015</p>
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JAL Corporate Website <http://www.jal.com/en/>

We offer a comprehensive report on our aspirations and business activities.

About JAL
<http://www.jal.com/en/outline/>

Safety and Flight Information
<http://www.jal.com/en/flight/>

CSR Activities
<http://www.jal.com/en/csr/>

Investor Relations
<http://www.jal.com/en/investor/>

JAL REPORT 2015

We provide information on our main initiatives for fiscal 2014 and content we are particularly eager to share with stakeholders.



JAL Group Corporate Policy

The JAL Group will:

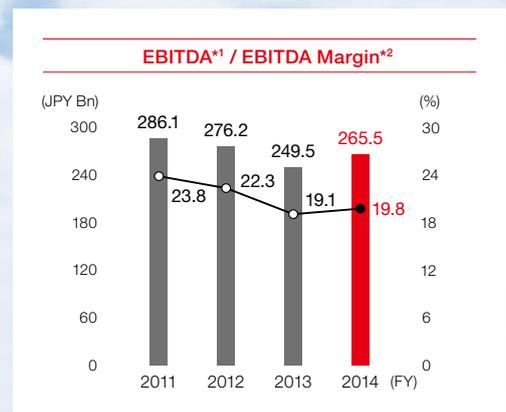
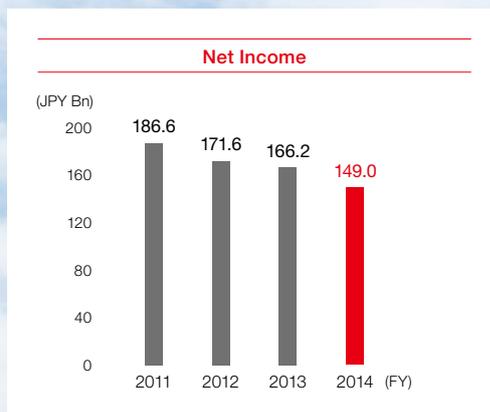
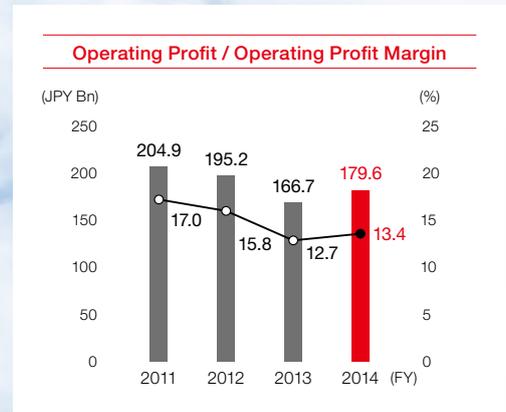
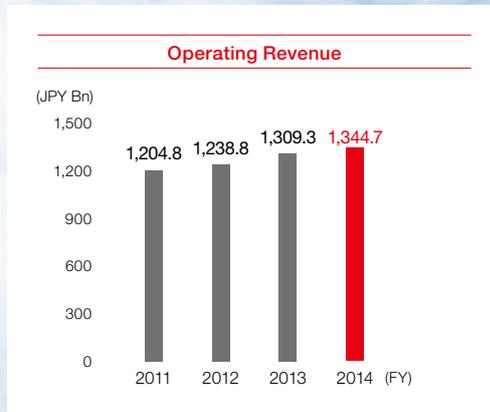
Pursue the material and intellectual growth of all our employees;

Deliver unparalleled service to our customers; and

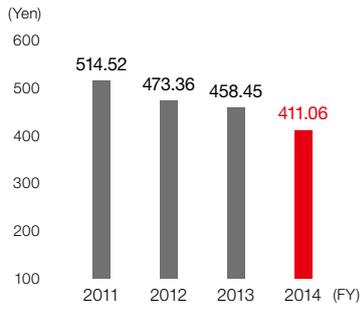
Increase corporate value and contribute to the betterment of society.



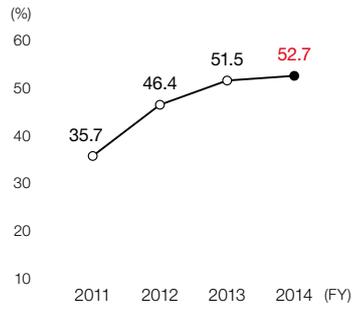
Highlights



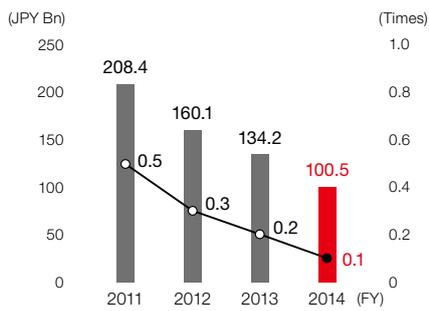
Net Income Per Share



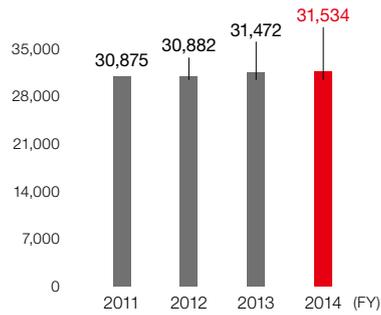
Equity Ratio



Interest-bearing Debt / D/E Ratio



Number of Employees (Consolidated)



*1 EBITDA: Operating Profit + Depreciation

*2 EBITDA Margin: EBITDA ÷ Operating Revenue

*3 Japan Airlines Co., Ltd. has undertaken a stock split to create two new shares for one common share, effective October 1, 2014. Accordingly, figures for net income per share have been calculated and presented on the premise that the stock split occurred in fiscal 2011.



Major Financial Items

Japan Airlines Co., Ltd. Consolidated Performance

FY2014 (Accounting date: March 31, 2015), FY2013, FY2012 and FY2011

(Millions of yen)

	FY2011	FY2012	FY2013	FY2014
Operating Revenue	1,204,813	1,238,839	1,309,343	1,344,711
Operating Expense	999,890	1,043,596	1,142,550	1,165,021
Operating Profit	204,922	195,242	166,792	179,689
Ordinary Income	197,688	185,863	157,634	175,275
Net Income	186,616	171,672	166,251	149,045
Net Income Per Share (Yen)	514.52	473.36	458.45	411.06

Japan Airlines Co., Ltd. has undertaken a stock split to create two new shares for one common share, effective October 1, 2014. Accordingly, figures for net income per share have been calculated and presented on the premise that the stock split occurred in fiscal 2011.

Interest-bearing Debt	208,460	160,145	134,282	100,592
Shareholders' Equity	388,523	565,048	690,288	776,476
Net Assets	413,861	583,189	711,064	800,751
Total Assets	1,087,627	1,216,612	1,340,168	1,473,354
Shares Issued (Thousand shares)	181,352	181,352	181,352	362,704

Japan Airlines Co., Ltd. has undertaken a stock split to create two new shares for one common share, effective October 1, 2014.

Cash Flow from Operating Activities	256,673	264,853	247,941	261,139
Cash Flow from Investing Activities	-147,221	-264,436	-131,237	-230,559
Cash Flow from Financing Activities	-274,460	-60,643	-61,912	-67,323

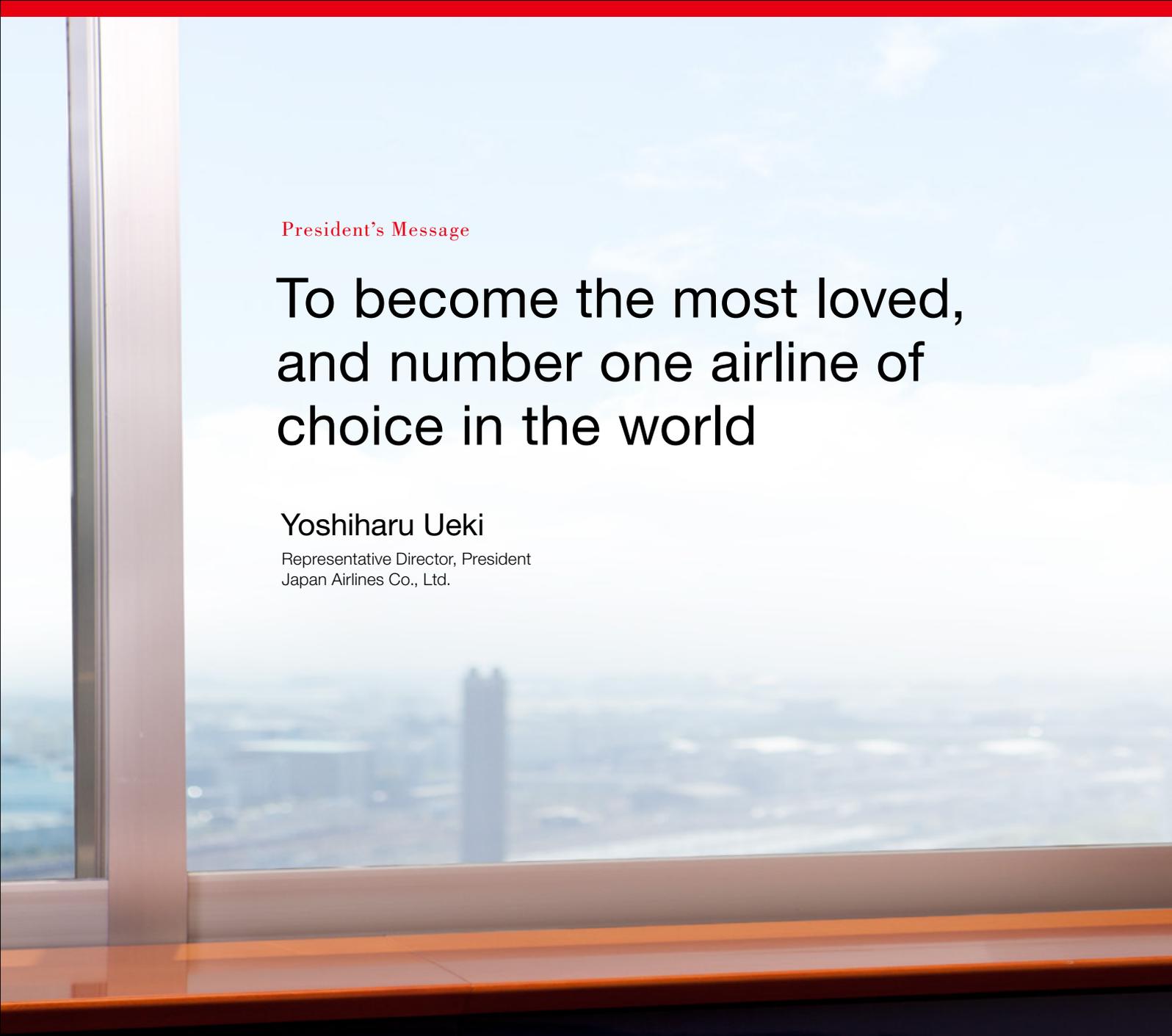


Traffic Results

Japan Airlines Co., Ltd. Consolidated performance
 FY2014 (Accounting date: March 31, 2015), FY2013, FY2012 and FY2011

		FY2011	FY2012	FY2013	FY2014
Revenue passengers carried (number of passengers)	International	6,844,772	7,525,038	7,723,293	7,793,704
	Domestic	28,965,514	30,020,440	31,218,734	31,644,018
	Total	35,810,286	37,545,478	38,942,027	39,437,722
Revenue passenger km (1,000 passenger-km)	International	30,313,789	34,036,119	35,390,384	36,109,588
	Domestic	22,264,394	23,012,898	23,745,163	23,993,738
	Total	52,578,184	57,049,018	59,135,548	60,103,327
Revenue passenger-load factor (%)	International	70.4	76.1	76.5	75.7
	Domestic	62.7	63.1	64.0	66.1
	Total	66.9	70.3	71.0	71.5
Available seat-km (1,000 seat-km)	International	43,036,984	44,745,317	46,235,058	47,696,816
	Domestic	35,523,214	36,443,994	37,084,260	36,306,359
	Total	78,560,199	81,189,311	83,319,319	84,003,176
Revenue cargo ton-km (1,000 ton-km)	International	1,314,295	1,378,282	1,512,142	1,754,657
	Domestic	355,909	360,176	366,989	356,691
	Total	1,670,205	1,738,458	1,879,132	2,111,349





President's Message

To become the most loved, and number one airline of choice in the world

Yoshiharu Ueki

Representative Director, President
Japan Airlines Co., Ltd.

Working Together with Our Employees toward Our Goal

In the years to come, JAL will work toward the goal of becoming the most loved, and number one airline of choice in the world. When I became the president in 2012, following our corporate bankruptcy, I reflected upon the direction JAL should take in the future and declared this goal as my resolution for our customers and the general public as well as our employees.

So that customers choose JAL, we must be an airline that is unique. Our Japanese values, that is, our sense of hospitality, attention to detail, and noble spirit, differentiate JAL. I am convinced that by developing and gaining mastery of our characteristics as a quintessential-

ly Japanese airline, we will achieve our goal of becoming the most preferred airline, not just in Japan but also across the world.

Ultimately, attaining this goal and performing with consistent excellence depends on our human resources. I firmly believe we can do this by encouraging the personal growth of every employee and by effectively integrating their abilities into a single force. By internalizing and practicing the JAL Philosophy, representing the mindset, values and way of thinking to which all employees involved in JAL's products and services should adhere, and through the united effort of all the approximately 32,000 Group employees, we will advance, step by step, toward our lofty goal of becoming the most loved, and number one airline of choice in the world.

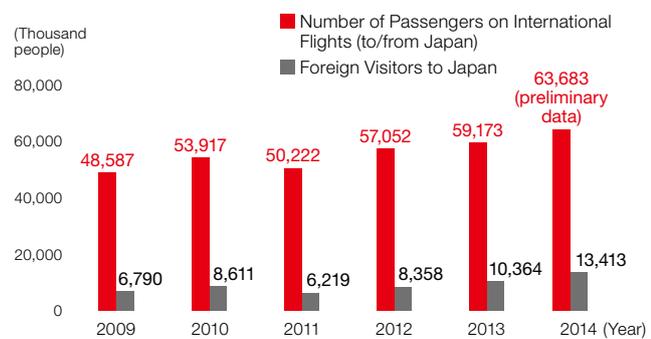


Market Outlook

Having emerged from the global economic slump, the Japanese economy has been gradually recovering along with signs of a recovery in the global economy, led by the developed countries.

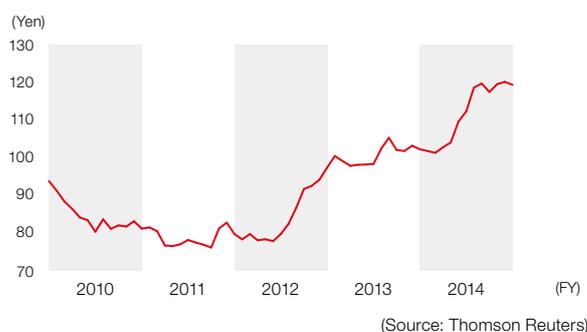
Passenger demand for international flights continues to show steady growth, as the weaker yen and relaxed visa requirements have boosted the number of passengers visiting Japan to above 13 million per year. Meanwhile, having marked a record high in 2012, outbound passenger demand has continued to decline on the back of factors including the weaker yen. Demand for domestic flights has increased due to robust consumer appetite for travel and newly

Number of Passengers on International Flights and Foreign Visitors to Japan



Source: Ministry of Land, Infrastructure, Transport and Tourism and the Japan National Tourism Organization

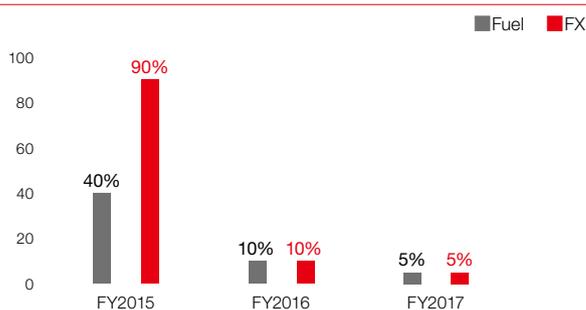
U.S. Dollar-Yen Exchange Rate



Singapore Kerosene Price



Hedging Ratio for Fuel Costs (as of March 31, 2015)



created demand stimulated by low-cost carriers (LCCs).

From the perspective of airline industry supply, the greater number of departure and arrival slots for international flights in the Tokyo metropolitan area and further expansion of LCCs have led to a significant increase in the supply of international flights. The supply of domestic flights also rose, due to increased supply from LCCs for flights in and out of Narita and Kansai airports.

Looking ahead, assuming continued recovery of the Japanese and global economies, we expect passenger demand for both international and domestic flights to continue to grow. Meanwhile, supply is not expected to significantly expand until 2016, which should lead to a gradual improvement in the balance of supply and demand. Japanese carriers are also likely to be influenced by the yen's continued weakness and trends in the fuel market. However, JAL seeks to mitigate the risk of fluctuations in the balance of payments by undertaking a certain amount of derivative trading for both the foreign exchange and fuel transactions.

Formulation of the Rolling Plan 2015 for the JAL Group Medium Term Management Plan for Fiscal Years 2012–2016

In 2012, we announced the “JAL Group Medium Term Management Plan for Fiscal Years 2012–2016” (hereafter Medium Term Management Plan). We formulated the plan following intensive discussions on the path we should take to continue providing unparalleled service to our customers far into the future and become a company that contributes to society.

In the past, JAL had repeated a cycle of creating a Medium Term Management Plan and, not being able to complete it, would create a new plan.

We formulated this Medium Term Management Plan by reflecting on our past, humbly looking back at the end of each previous year,

and reconfirming our policies for the required actions to ensure we accomplish our goals within the remaining period, and then sharing this content with our internal and external stakeholders in the form of a rolling plan. We have made steady progress to date, and clearing our targets for each year has finally allowed us to prepare for handling any risk and achieving new growth. Consequently, we confirmed that the initial management targets of our Medium Term Management

Plan will remain the same for fiscal 2015, and we formulated the "Medium Term Management Plan Rolling Plan 2015" for the fourth year with a consistent storyline.

Together with our employees, we have vowed to combine the abilities of each individual toward achieving our goal of higher earnings on higher revenues, and thus ensure completion of the current Medium Term Management Plan in the two remaining years.

FY2012–FY2013

A period that tested our ability to execute the Medium Term Management Plan

Drawing on lessons learned in the past that we created plans without full execution of the measures we had decided to take, and without ample analysis, all JAL Group staff worked to demonstrate that the JAL Group has changed and has become a company that keeps its promises to its stakeholders. Under the harsh business environment that prevailed during this two-year period, caused by factors such as the grounding of Boeing 787 aircraft and a rapid decline in the yen, we nevertheless strived to introduce new products, enhance our services and improve productivity. As a result, we were able to attain our target of raising our operating profit margin to above 10%. While revenues increased, however, earnings decreased year-on-year, and we realized that we needed to develop the ability to respond to severe business environments.

FY2014

A period for establishing our business foundation for new growth

At the beginning of fiscal 2014, we expected extremely severe business conditions, which included intensifying competition at Tokyo metropolitan airports as a result of the dramatic increase of international flight slots at Haneda Airport, negative effects to traffic demand caused by the consumption tax increase, and rising fuel costs due to the weaker yen. Accordingly, we began by positioning that year as a period for establishing our business foundation in line with our projections for higher revenues and lower profit. As it turned out, the higher consumption tax rate had only a limited negative impact on demand for air transport, while robust demand for inbound flights and a decline in the fuel markets served to alleviate the severity of the business environment. We also made a concerted effort to reduce costs and improve our products and services. As a result, we achieved higher revenues and profits compared to the previous year. We believe that we have established the business foundation for growth in the form of higher earnings on higher revenues.

FY2015–FY2016

A period for achieving new growth and management targets in the Medium Term Management Plan

Although we expect a severe business environment ahead, we are not only pursuing business expansion; we are also working to differentiate ourselves in order to survive the competition based on the keywords "Autonomy," "Challenge" and "Speed." We will strive to enhance the JAL Brand and improve our products and services in order to become the first choice of more customers, and to strengthen our cost competitiveness to accomplish growth in terms of revenue and profit improvement, thus ensuring that we attain the targets set out in our Medium Term Management Plan. Furthermore, in light of the projected expansion in the capacity of metropolitan airports and rise in demand for inbound flights ahead of the Tokyo Olympic and Paralympic Games in 2020, we will also proceed with building a corporate foundation capable of responding to various social changes.

Our Medium Term Goals

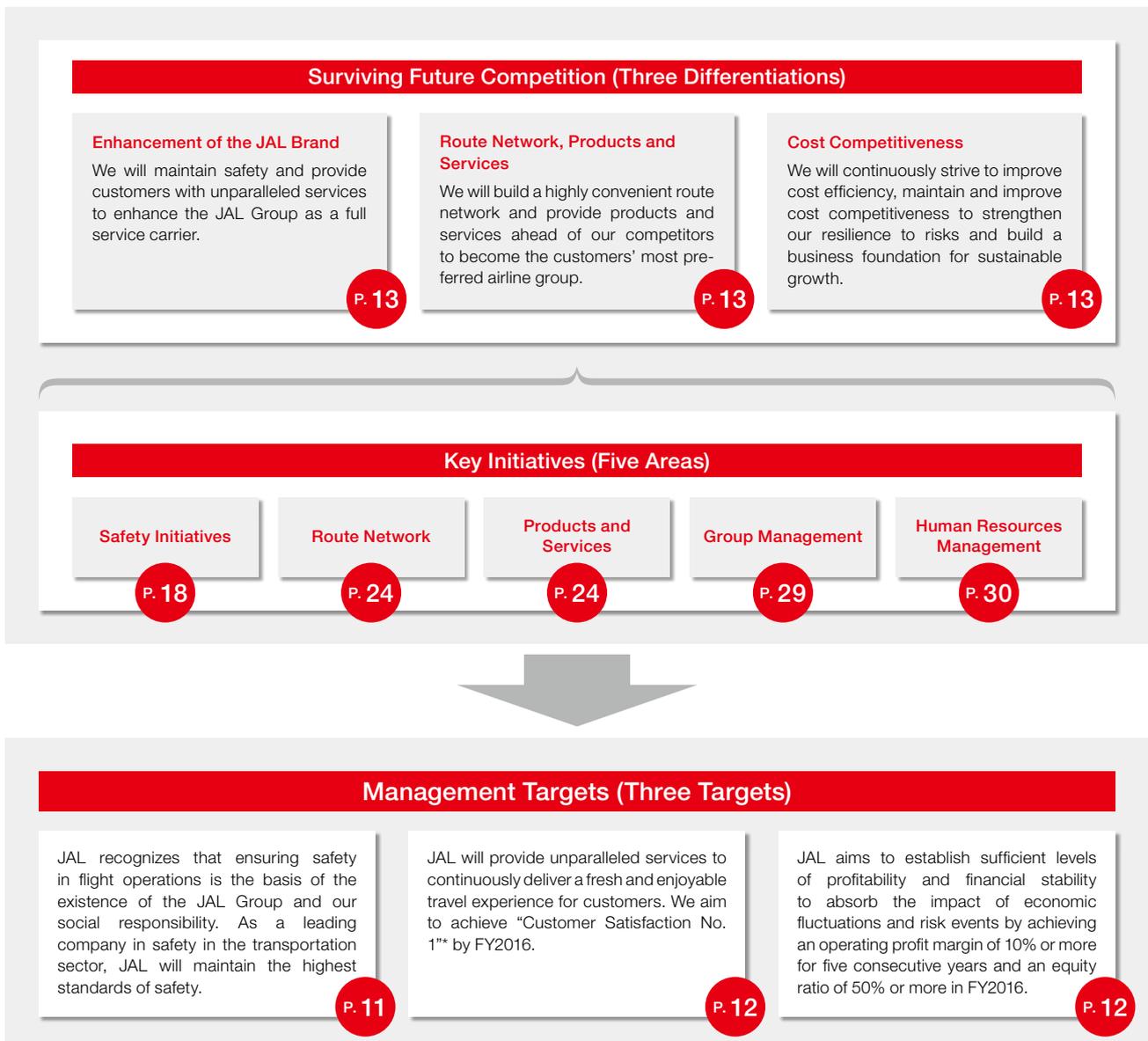
To realize the JAL Group Corporate Policy and become the most loved, and number one airline of choice in the world, we are upholding the Three Management Targets of maintaining the highest standards of safety, achieving Customer Satisfaction No. 1*, and achieving an operating profit margin of 10% or more for five consecutive years and an equity ratio of 50% or more in fiscal

2016 in our Medium Term Management Plan.

To attain these management targets, we will strive to clearly differentiate JAL from other competing airlines in the three areas of “Enhancement of the JAL Brand,” “Route Network, Products and Services” and “Cost Competitiveness,” to survive future competition.

We are pursuing the Key Initiatives in Five Areas to realize the following Three Differentiations.

► Outline of the Medium Term Management Plan FY2012–2016



* In terms of the repeat intention rate and recommendation intention rate on the Japanese Customer Satisfaction Index (JCSI) announced by the Japan Productivity Center, Service Productivity & Innovation for Growth.

Progress of Management Targets

I JAL recognizes that ensuring safety in flight operations is the basis of the existence of the JAL Group and our social responsibility. As a leading company in safety in the transportation sector, JAL will maintain the highest standards of safety.

In the JAL Group's safety targets, we aimed for zero aircraft accidents and zero serious incidents, but with much regret, we recorded two aircraft accidents in fiscal 2014. We sincerely apologize to the passengers and persons affected for causing substantial distress and inconvenience. We take this incident seriously and have been investigating the cause and implementing countermeasures.

As for our other safety indicators of irregular operation, passenger injuries, and malfunctions caused by human error, we have sought to address the direct causes and work on underlying indirect causes as well, and the number of incidents has generally declined. We will nevertheless maintain our efforts to meet even higher standards in future.

External experts in the Safety Advisory Group have continually inspected our worksites over the past ten years, and discussions are being held on a semi-annual basis. Safety depends on the fundamental premise that employees are working with high motivation. Experts have explained that this is required to ensure the effectiveness of various safety measures and educational programs. They have also noted that they can feel the motivation of employees at JAL worksites today, which constitutes JAL's greatest asset. Their comments apply to overall management as well as safety.

While only our pilots and maintenance staff tend to be thought of as being directly involved in ensuring safety, we have also been cultivating an awareness that safety can be achieved only through the personal efforts of all the approximately 32,000 employees of the JAL Group, and that we protect safety through a united effort.

While ensuring safety requires a never-ending effort, I believe we have established a foundation upon which we can continue to strive for higher goals.

► Fiscal 2014 Management Indicators and Results

Indicators	Results	Outline
Aircraft accidents	2	<p>April 29, 2014 JAL1252 (Yamagata-Haneda) Turbulence during descent resulted in one cabin attendant falling and suffering a bone fracture</p> <p>September 12, 2014 JAL93 (Haneda-Gimpo) Turbulence during the flight resulted in one cabin attendant sustaining injuries that required two weeks of hospitalization</p>
Serious incidents	0	-



2

JAL will provide unparalleled services to continuously deliver a fresh and enjoyable travel experience for customers. We aim to achieve “Customer Satisfaction No. 1” by fiscal 2016.

A distinctive characteristic of the JAL Group is that over 90% of its revenue is generated by a single product, flight. Although only a few sections directly interact with our customers, all the work done by the roughly 32,000 employees of the Group has some effect on our flights. For example, our pilots have begun to consider ways they can also contribute to customer satisfaction within the limited opportunities avail-

able to them, by adding a creative touch to their in-flight announcements and by coming out to the boarding gate to explain why a flight is being delayed. As in this example, I feel that a mindset has become well established for enhancing customer satisfaction through a united effort based on creative contributions by individual employees and effectively “passing the baton.” The same mechanism is at work in our safety efforts.

In fiscal 2014, we focused on enhancing quality by introducing new aircraft in both our international and domestic flights, and in June 2014 we announced our Group-wide pledge, “Embrace New Challenges JAL.” In addition to providing customers with safe, on-time flights, we will introduce new services every month toward our goal of providing unparalleled services to continuously deliver a fresh and enjoyable travel experience for customers, and support those who are taking on challenges.

Due in part to these efforts, and along with our endeavors to improve the quality of our services, we were able to achieve the top ranking for customer loyalty (a measure of customer intention to use a service again) on international flights for the second consecutive year, as well as the top ranking for customer recommendation intention (a measure of customer intention to recommend the service to others). Meanwhile, we have remained in third place for both measures in our domestic flights, indicating room for improvement.

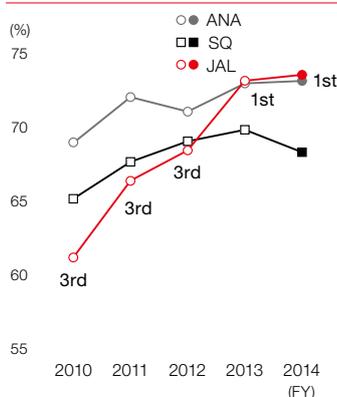
As with safety, there is no end to our efforts for customer satisfaction. We will take on the challenge of rapidly providing and improving our products and services in our ongoing pursuit of greater customer satisfaction.

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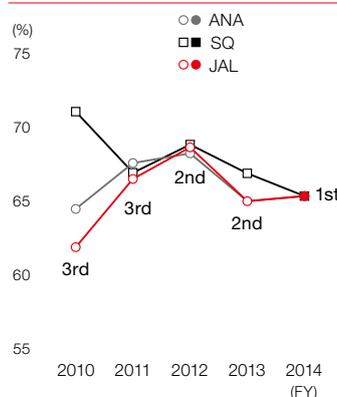
JAL aims to establish sufficient levels of profitability and financial stability to absorb the impact of economic fluctuations and risk events by achieving an operating profit margin of 10% or more for five consecutive years and an equity ratio of 50% or more in fiscal 2016.

Japanese Customer Satisfaction Index (JCSI)

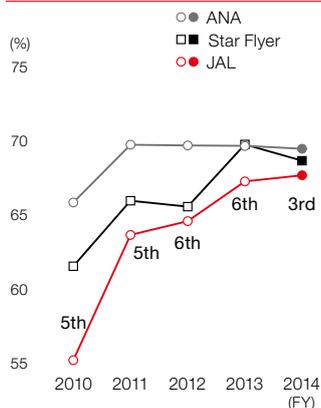
International Routes - Repeat Intention Rate



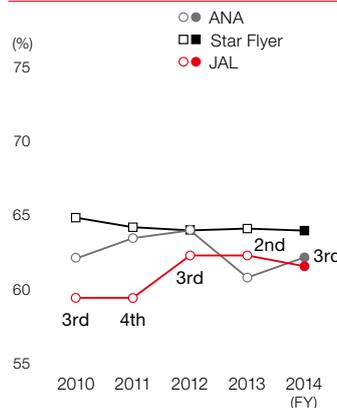
International Routes - Recommendation Intention



Domestic Routes - Repeat Intention Rate



Domestic Routes - Recommendation Intention



Source: JCSI Survey

In fiscal 2014 we achieved an operating revenue of 1,344.7 billion yen (up 2.7% year-on-year),

an operating profit of 179.6 billion yen (up 7.7% year-on-year) and a net income of 149.0 billion yen (down 10.3% year-on-year). After fiscal 2011, when we reported the highest earnings, we recorded two consecutive years of lower year-on-year earnings on higher year-on-year revenues. While our goal had been to achieve higher earnings on higher revenues starting with fiscal 2015, we were able to attain this goal one year in advance due in part to the dramatic fall in fuel prices and our united efforts to maximize revenues and minimize expenses. Our operating profit margin was 13.4% and remained above our Management Target of 10% or more. We steadily accumulated equity to 776.4 billion yen and our equity ratio was 52.7% as of the end of fiscal 2014.

Having been given a fresh start as a reborn JAL, we resolved to never again burden those who had supported us by seeking to build a high-profit structure and a solid financial base that can withstand global risks such as war and terrorism, the spread of disease, and natural disasters. The divisional profitability management system has taken root and we have been able to steadily prepare for such eventualities, sustained by the personal efforts of each employee.

We have now passed the turnaround point of our Medium Term Management Plan. While we expect the yen to further weaken and the harsh competitive environment to prevail both in Japan and overseas, we will all work in concert to achieve future growth in the form of higher earnings on higher revenues.

Differentiating JAL to Survive Future Competition

● Enhancement of the JAL Brand

In November 2014, under the direct supervision of the president, we set up the Corporate Brand Promotion Division, headed by a director who had served as a cabin attendant. Through this

division, we are pursuing activities that will raise the quality of our services and boost recognition of the JAL brand, aiming to create a sense that "When it comes to airlines, JAL is the one."

We believe that it is people who build a brand. While bringing together the minds of all our employees is the most difficult part of that process, we already possess a foundation built upon the JAL Philosophy. Every employee will be fully aware of their responsibility to shoulder the JAL brand as we seek to differentiate the company by developing various measures communicated through stories in order to more effectively express the JAL brand.

● Route Network, Products and Services

We are not merely pursuing scale expansion; we are seeking to be chosen by more customers by quickly enhancing our route network, products and services.

In international passenger operations, we began operating four routes to take advantage of our daytime slots to and from Haneda, and expanded the use of JAL SKY SUITE aircraft. In our domestic passenger operations, we increased flights to and from Haneda with international connections and began operating flights on our new JAL SKY NEXT aircraft. We intend to further sharpen our competitiveness by enhancing habitability and comfort through our high-quality seating to create a relaxing space with a uniquely Japanese touch.

● Cost Competitiveness

Although costs rose due to the decline in the yen and other changes in the external environment as well as investments we made to improve our services, we worked hard to reduce costs by improving productivity. Under the premise of maintaining and enhancing safety and quality, we will hold onto our advantage in cost competitiveness by further spreading the use of the divisional profitability management system as well as the innovative ingenuity of all staff.

Dividend Policy

Until now, we have been determining the total amount of dividend payments to shareholders by allocating approximately 20% of consolidated net income after adjusting for taxes. However, in view of the steady progress we have been making in building a robust financial base, we have changed this policy and will allocate approximately 25% of consolidated net income after adjusting for taxes as total dividend payment, beginning with the fiscal year under review.

As a result, we have decided to pay a dividend of 104 yen per share for the fiscal year ended March 31, 2015, based on an overall consideration of our business performance and financial condition, together with the operating environment for the fiscal year under review.

CSR Activities

We will emphasize initiatives that are unique to the JAL Group as an airline company in our pursuit of CSR activities.

● **Harnessing Our Human Assets** ▶ P. 30

The actions of a company are sustained by the power of its human assets. We hope to create a vigorous JAL Group by mobilizing the energies of our diverse human resources, including their different experiences, perspectives and values. We are particularly keen to promote women's careers and are working to change attitudes and developing a system that allows for flexible working styles. Our goal is to increase the number of female managers in the JAL Group to 20%, and the number of female managers in organizational management posts in Japan Airlines to 15% or higher by the end of fiscal 2023. We do not view this as simply following the latest trend; we believe that failing to capitalize on the imagination and full creativity of women would represent a loss for the company and obstacle to future growth.

● **Our Actions for the Environment** ▶ P. 39

Our most important action related to the environment is our daily effort to reduce fuel consumption by as much as possible. As a part of it, we are introducing new types of aircraft and coming

up with creative ideas related to flight operations. In addition, we have been participating in the CONTRAIL project, which uses passenger aircraft for atmospheric observation. Since the earlier project began in 1993, air sampling equipment installed on our aircraft has been used to continuously collect atmospheric data. We are the only organizations that has gathered observational data over such a long period and has consequently attracted interest from research institutions and governments around the world. We will continue promoting our environmental initiatives with an acute awareness of how ongoing engagement increases in value over time, as exemplified by this project.

● **Regional Revitalization** ▶ P. 46

Tourism is important for regional revitalization and a field in which we are able to contribute. The number of foreign visitors to Japan has risen dramatically, and we hope to transport foreign travelers to outlying regions by further expanding measures to stimulate demand and deliver information as well as by providing convenient networks that contribute to the revitalization of regional communities.

Since 2011, the JAL Group has been undertaking the JAPAN PROJECT to revitalize local communities by communicating the splendors of Japan using every tool available to us, including in-flight magazines, onboard videos, in-flight meals and the JAL Group website. We have partnered with various prefectures more than 45 times to date and will continue to build on the JAPAN PROJECT toward the goal of contributing to regional revitalization.

While some time has passed since the Great East Japan Earthquake, JAL continues to promote the JAL Tohoku Support Project "Visit Tohoku!" in response to thoughts shared by all communities in affected areas, including "Don't forget the affected areas" and "Please come, see, consume and take part in the recovery." We will continue to offer our support from the two perspectives of promoting local industries and aiding people in these areas.

● **Governance** ▶ P. 50

In governance, we place the strongest emphasis on ensuring transparency. We have established

an open system that includes checks by third parties such as the Safety Advisory Group, and management oversight by external directors. We will seek to secure a governance system that is clearly presented to our stakeholders and reflects JAL as it is.

To Become the most loved, and number one airline of choice in the world

Today, as we enter the thirtieth year since the accident at Mount Osutaka, we are firmly resolved to ensuring safe operations as the foundation of the JAL Group's existence. With an ever-present sense of gratitude for our customers, shareholders and other stakeholders, and a steadfast will to survive in the rapidly changing airline industry, we will strive to enhance our corporate value by offering pleasant services.

We will also work to realize the JAL Corporate Policy by uniting the efforts of management and employees under the keywords of "Autonomy" with every employee thinking and acting with a strong will, "Challenge" required to embark on new efforts without fear, and "Speed" in responding to social change toward our goal of becoming the most loved, and number one airline of choice in the world.

We thank you in advance for your continued patronage and support.



Representative Director, President
Japan Airlines Co., Ltd.

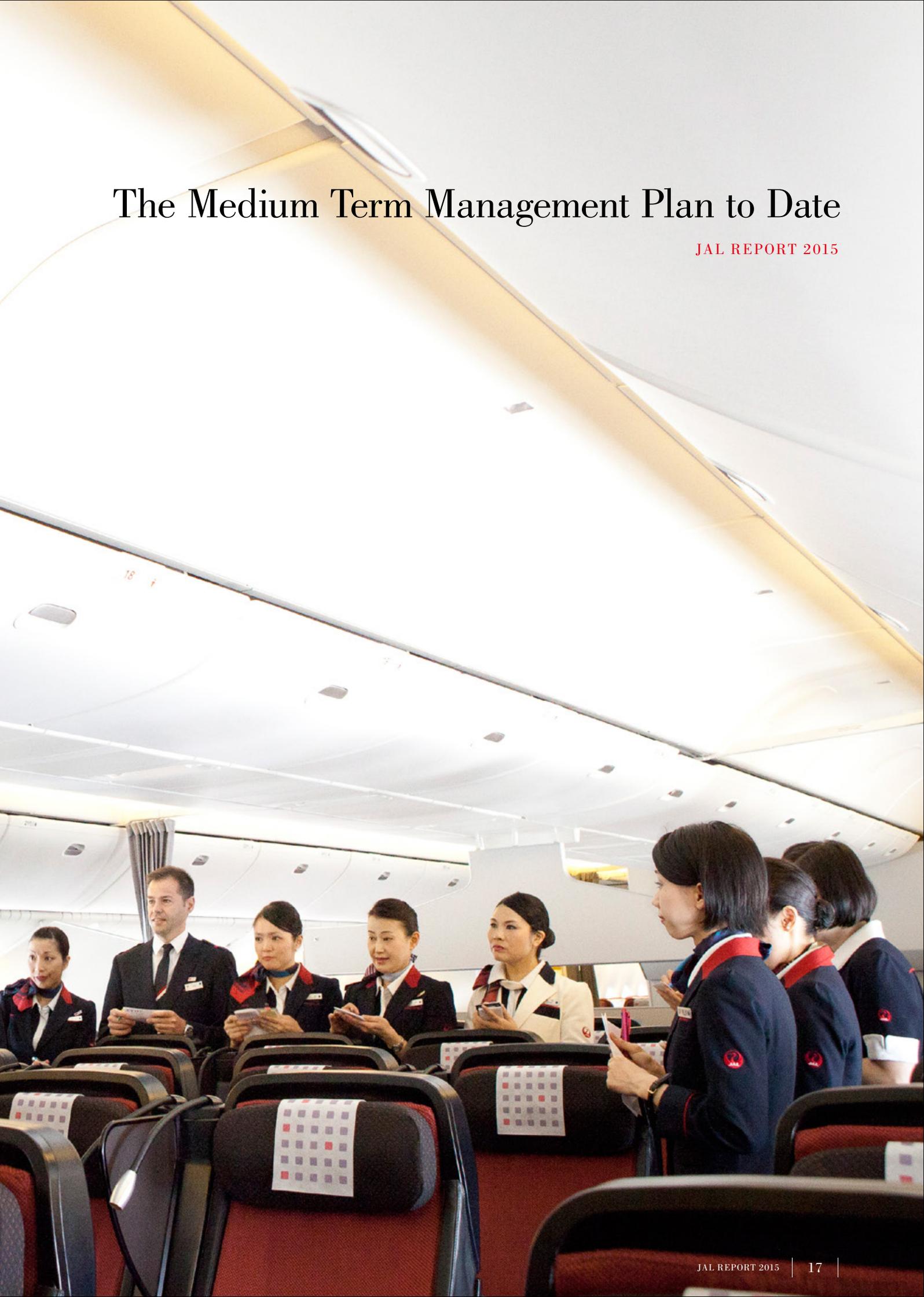


Staff alone are present; a sense of anticipation fills the aircraft.
Eye-to-eye contact; hearts uniting as one.
Another day to bring passengers to their destinations.



The Medium Term Management Plan to Date

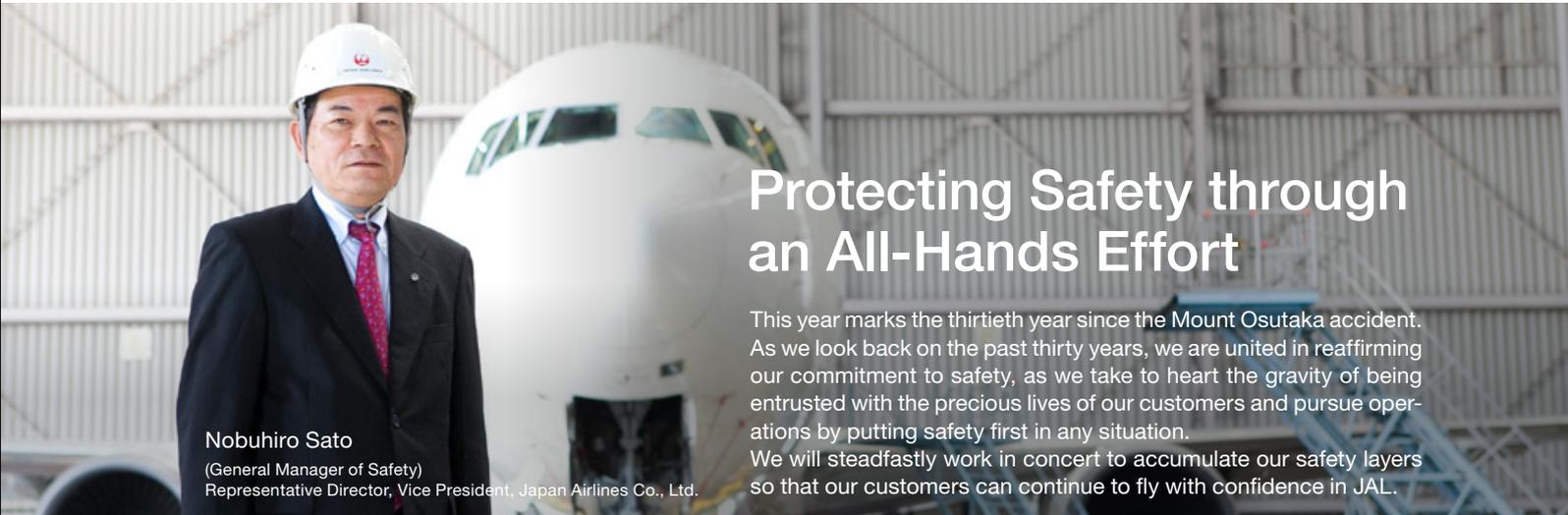
JAL REPORT 2015



Medium Term Management Plan: Key Initiatives 1

Safety Initiatives

Many professionals are involved in ensuring the safety and comfort of passengers during flight.



Nobuhiro Sato
(General Manager of Safety)
Representative Director, Vice President, Japan Airlines Co., Ltd.

Protecting Safety through an All-Hands Effort

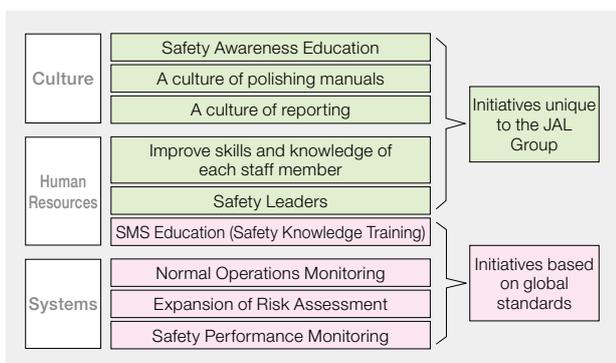
This year marks the thirtieth year since the Mount Osutaka accident. As we look back on the past thirty years, we are united in reaffirming our commitment to safety, as we take to heart the gravity of being entrusted with the precious lives of our customers and pursue operations by putting safety first in any situation. We will steadfastly work in concert to accumulate our safety layers so that our customers can continue to fly with confidence in JAL.

Safety Initiatives in the JAL Group Medium Term Management Plan FY2012–2016 Rolling Plan 2015

To firmly maintain the safety of flights, which is the very foundation of the JAL Group, we have been seeking to achieve our management target as the leading company in safety in the transportation sector. We are doing this mainly by evolving systems to protect safety, developing human resources to protect safety, and cultivating a culture to protect safety.

With a focus on preventive measures, we will further strengthen our proactive risk management by adopting the most advanced and outstanding systems in the airline industry and combining them with our original initiatives. This will enable us to create a safety management system of the highest standard.

► Safety Initiatives



Here we introduce the major efforts we took during fiscal 2014 as part of our safety initiatives.

Evolving Systems to Protect Safety

● Expansion of Risk Assessment

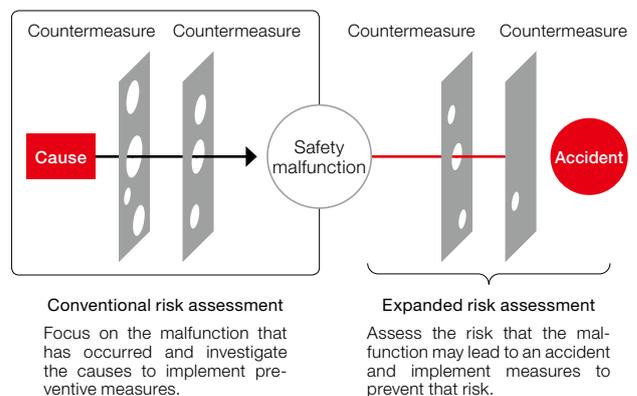
• Overview

When a safety-related malfunction occurs, we will determine the cause, formulate measures to prevent a recurrence, and put them into action.

In addition to this conventional approach, we constructed and put in place a mechanism that allows us to predict an accident, which may occur when a malfunction aggravates. It also enables us to identify and implement required preventive measures.

While seeking to reduce safety-related malfunctions with the conventional approach, we are going a step further by preparing measures to ensure that accidents are prevented even when a malfunction occurs.

► JAL Group's Risk Assessment



Developing Human Resources to Protect Safety

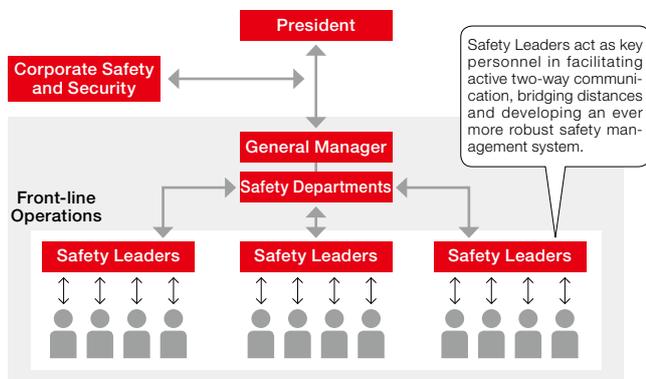
● Safety Leaders

● Overview

To consolidate our safety-related systems through a concerted effort involving everyone from top management to front-line operations staff, we began appointing Safety Leaders in fiscal 2013. These specially designated staff are responsible for promoting safety initiatives in each department and for ensuring the close collaboration of departments responsible for safety management.

The responsibilities of the Safety Leader include:

- (1) Promoting PDCA cycles for safety by gathering and analyzing information, planning and implementing necessary measures, and reviewing outcomes to make further improvements; and
- (2) Ensuring two-way communication flows by gathering and relaying information to safety management departments and management while also delivering information provided by those sources as well as messages from management to each workplace.



● Initiatives

We organized face-to-face gatherings with experts in the Safety Advisory Group to raise the awareness of Safety Leaders and expand their perspectives. In addition, to enhance the overall knowledge of Safety Leaders, we compiled a "Safety Leader's Manual" which contains comments on safety made by top management during board meetings as well as simple explanations of JAL's ongoing safety initiatives.



Cultivating a Culture to Protect Safety

● Safety Awareness Education

● Overview

From October 2012 to March 2015, we conducted JAL Group Safety Education for all JAL Group employees to cultivate "safety professionals."

The training was intended to raise awareness of safety in daily operations by having participants observe wreckage from the Mount Osutaka accident and watch video interviews with people who were in some way involved in the incident. In these sessions, participants learned the objective facts and formed an emotional connection to the incident together, leading them to consider deeply what they could do to maintain safe operations. Participants declared their own safety pledges during the training to ensure their personal commitment to safety in their daily operations and shared these with colleagues, thereby raising the awareness of each employee.



● A Culture of Reporting

● Overview

Proper reporting and active information sharing are directly linked to the prevention of accidents and serious incidents. To further encourage voluntary reporting, JAL adopted a non-disciplinary policy with respect to human error in 2007 and aims to cultivate a Group-wide culture of reporting.

● Initiatives

We published a manga in the corporate magazine to facilitate understanding among employees of the importance of reporting and information sharing for safe operations. We also focused on the culture of reporting as a key issue and created an opportunity to reconfirm its importance during the Transport Safety Overhaul at the beginning and end of the year.



Safety Troubles and Measures in Fiscal 2014

The JAL Group proactively discloses safety-related information so that passengers can board our flights with peace of mind.

Two aircraft accidents occurred in fiscal 2014. We deeply apologize to those who were affected for the inconvenience and concerns associated with these incidents.

● **Aircraft Accident (2 incidents)**

● **Cabin attendant injured due to turbulence on JAL1252**

On April 29, 2014, a cabin attendant on JAL1252 (operated by J-AIR) fell and fractured her hip when the aircraft experienced sudden turbulence during its descent into Haneda Airport. No passengers were injured. The incident was investigated by the Japan Transport Safety Board, which determined that the incident was probably caused by the aircraft being shaken by the strong wake turbulence from a preceding aircraft during descent.

● **Cabin attendants injured due to turbulence on JAL93**

On September 12, 2014, during its descent toward Gimpo International Airport, JAL93 encountered sudden turbulence. As a result, seven cabin attendants who were preparing for landing were injured, of which one was subsequently diagnosed with serious injuries (including a cervical sprain and spinal sprain) upon a detailed examination. Three passengers also reported physical problems.

The incident was investigated by the Japan Transport Safety Board, which determined that it was caused by the aircraft encountering turbulence, resulting from redeveloped convective clouds, as it flew at an altitude of about 16,000 feet.

The JAL Group Safety Report contains information about safety-related problems and measures.

Disclosure of the JAL Group Safety Report

Information about the safety-related initiatives of the Group's six air transport companies is disclosed every year in the JAL Group Safety Report in accordance with the rules of Article 111-6 "Release of Safety Report by Domestic Air Carrier" of the Civil Aeronautics Act. The JAL report simply and concisely explains the safety initiatives of these companies.



The JAL Group Safety Report (in Japanese) is available for download from:

✈ <http://www.jal.com/ja/flight/safety/report/>

▶ **Number of Safety-Related Incidents**

In brackets: number of incidents per 1,000 flights

Type of Incident	FY2014	FY2013	FY2012
Aircraft Accident*1	2 (0.006)	0 (0.000)	1 (0.003)
Serious Incident*2	0 (0.000)	1 (0.003)	4 (0.011)
Irregular Operation*3	70 (0.195)	75 (0.209)	69 (0.194)
Safety-Related Issue*4	262 (0.728)	226 (0.630)	276 (0.776)
Total Annual Flights	359,736	358,629	355,489

*1 Fatal or serious injury of a person as a result of the operation of an aircraft, or an aircraft crash, collision, fire or damage to an aircraft during flight (that requires major repairs), as classified by the Japanese Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

*2 Incident involving circumstances that indicate there was a high probability of an accident, such as overrunning, emergency evacuation, fire or smoke inside the cabin and abnormal depressurization, as a result of encountering abnormal weather conditions, etc., as classified by the MLIT.

*3 Incidents resulting in a flight schedule change, such as a change of the flight destination. When a malfunction occurs in part of the multiple systems of an aircraft, the aircraft is turned back to ensure maximum safety after the flight crew has completed actions in accordance with the flight manual. In general, these incidents do not pose any immediate risk to flight safety.

*4 Legally mandated incident reports to the MLIT under regulations that went into effect on October 1, 2006 (Civil Aeronautics Act, Article 111-4; and the Ordinance for Enforcement of the Civil Aeronautics Act, Article 221-2 (3) and (4)). Such incidents include situations in which the aircraft sustains damage or critical safety systems fail to function normally. In general, these incidents do not immediately result in an aircraft accident.

Safety Targets for Fiscal 2015

The JAL Group will continue its efforts in fiscal 2015 to achieve the following safety targets.

(1) Reduce aircraft accidents and serious incidents

We will strive for zero aircraft accidents and zero serious incidents.

(2) Reduce irregular operations

We will reduce irregular operations that not only cause discomfort to passengers but also affect their itineraries.

(3) Protect passengers from injury

We will safely deliver every passenger to their destination without onboard or airport injuries.

(4) Reduce malfunctions caused by human error

We will continue our key initiatives for reducing high-risk malfunctions due to human error that have been identified in each area of our operations.

Safety Advisory Group

The JAL Group established its Safety Advisory Group on August 3, 2005 to receive advice from a third-party perspective and because of repeated occurrences of safety-related problems even after the Japanese Ministry of Land, Infrastructure, Trans-

port and Tourism (MLIT) issued a Business Improvement Order to JAL on March 17, 2005.

The Safety Advisory Group is a panel of five experts from outside the JAL Group who have extensive knowledge and experience in areas such as human factors, analysis of failure and imperfection, organizational management and culture, and safety. The group is chaired by Mr. Kunio Yanagida, a nonfiction writer and critic.

Members of the Safety Advisory Group

Mr. Kunio Yanagida (Chairman)	Non-fiction writer, critic
Mr. Yotaro Hatamura	Professor at Kogakuin University, Professor Emeritus of the University of Tokyo Areas of expertise: nano-micro machining, production processing, medical support engineering, study of human error, study of danger, creative design theory
Mr. Shinichi Kamata	Professor Emeritus at the National Defense Academy of Japan Areas of expertise: organizational theory, business administration
Mr. Shigeru Haga	Professor at Rikkyo University Areas of expertise: traffic psychology, industrial psychology, human engineering
Mr. Akinori Komatsubara	Professor at Waseda University Area of expertise: human life engineering

● **Follow-up Meeting with Management**

Meetings are held with JAL management, where the members check the progress of the JAL Group's safety activities and offer recommendations and advice.

During the follow-up meeting held in March 2015, Mr. Hatamura gave a lecture on the importance of creating a culture of taking personal initiative in thinking and actions to add another safety layer. He offered advice on citing the effectiveness of "output-based thinking," of developing a pattern of thinking in which we draw out knowledge by thinking for ourselves, verbalizing thoughts and taking action, rather than seeking only to increase knowledge through education and training.

We have begun applying output-based learning to some of the training sessions for cabin attendants, who take part in role-playing exercises that enable them to think and act on their own under unexpected circumstances. The JAL Group will continue to reflect the feedback and advice offered by the Safety Advisory Group to the management and safety operations of the Group.



Safety Promotion Center

On August 12, 1985, JAL123 crashed on the ridges of Mount Osutaka, and 520 valuable lives perished. In face of the pain and grief of the bereaved families and public distrust in airline safety, we pledged that we would never again allow such a tragic accident to occur.

We opened the Safety Promotion Center on April 24, 2006 to reconfirm the importance of flight safety and to embed in our minds the lessons learned from this accident. In December 2013, the center was relocated to the Haneda Shin-Seibijo area with a bigger exhibition space equipped with larger monitors, allowing a more effective presentation of debris from the plane crash. A newly added library providing a compilation of safety initiatives being undertaken by the JAL Group also made the center more useful for learning about safety in depth.

All of us in the JAL Group utilize the Safety Promotion Center as a "fortress of safety" and the starting point of safe and reliable operations. Every Group staff member is reminded that valuable lives and property are entrusted to us in our work.

The Safety Promotion Center is open to anyone interested in airline safety as long as the visit does not interfere with JAL Group employee training activities, and it has received 160,815 visitors from inside and outside the Group as of March 31, 2015. Those who wish to visit should submit an application on the JAL corporate website in advance. For more information, please visit the JAL corporate website.

✈ <https://www.jal.com/en/flight/safety/center/>



JAL Group Employees Unite to Protect Safety

Doing what we can to safely deliver our customers to their destinations. Each one of us plays a part through our thinking and actions.

Reservations



Putting Customers at Ease with Accurate Guidance

Mio Furuhashi
Domestic Division Third Group,
JAL Navia Co., Ltd.

I receive general calls on reservations and ticketing for domestic flights operated by the JAL Group and answer queries on issues such as baggage and boarding.

Every day, I strive to enhance my knowledge of our operations and to offer accurate and swift responses that put our customers at ease. My work is conducted over the phone and is not directly connected to flight operations, but I can play a part in ensuring the safety of customers by accurately relaying to relevant departments the information that I obtain during conversations with customers. I will continue my efforts to provide our customers with safe and secure flights by working more closely with my colleagues in the JAL Group.



Sales



Seeking Verbal Confirmation Even When I Think it's Safe

Haruka Ogura
Domestic Passenger Sales Department, Reservation Group, Head Office,
JAL Sales Co., Ltd.

I make seating arrangements on domestic flights for customers on packaged tours and group tours.

My goal is to generate maximum revenue per flight by determining demand according to destination and season, and ensuring as many customers as possible take our flights. Although we are not directly involved in flight operations, maximizing revenue allows us to sufficiently invest in safety, and in this way we can contribute to safe operations. In my daily work, I place great value on communication. I believe I can alleviate the burden placed on front-line staff by accurately relaying requests from group customers to relevant departments, so they can concentrate on maintaining safe operations.



Cargo



"Pitfalls are Seldom Visible" – A Constant Reminder for Protecting Safety

Mayumi Oguchi
Export Traffic Group 2, Team 1, Export Second Division, Export and Postal
Business Department, JAL Cargo Service Co., Ltd.



I am responsible for a process that begins with the accepting of export cargo and continues up to the point of loading it.

My work includes deciding whether or not to allow the transport of

hazardous materials and confirming the weight of loaded cargo, and is directly related to the safe operation of an aircraft. It is imperative that I execute my duties without fail, which involves communication such as verbal confirmation with related departments and making clear decisions that are vital to ensuring safe operations.

In addition to fulfilling my responsibility of delivering cargo entrusted to us with speed and accuracy, I also think about the passengers on that flight as I go about my work.

Ground Handling



Preventing Accidents by Making Sure Aircraft are Never Damaged

Daisuke Kizawa
#2 Marshalling Division, #1 Maintenance Service Department
JAL Ground Service Tokyo Co., Ltd.

I handle the push-back procedures in preparation for departure and also the marshalling procedure for safely guiding aircraft to the parking apron.

When marshalling an aircraft, I aim to work efficiently while paying close attention so as not to damage the aircraft or otherwise affect operations.

In addition, I meticulously conduct the external inspection of an aircraft prior to its departure. This is also done by a flight crew and mechanics, but I do it as well, rather than leaving it all up to others, so I can spot any signs of a malfunction on my own before it can occur.



Airport

Safety Pledge **Seeking Verbal Confirmation during the Busiest Moments until Safety is Established**

Eri Saito
 Passenger Service First Division, Narita Office,
 JAL SKY Co., Ltd.

I handle departure control operations at Narita Airport, which involves managing procedures leading up to departure and dealing with seating adjustments on international flights as well as checking baggage load and boarding status.

The departure of an aircraft relies on the work of many staff, each applying the expert knowledge and experience they bring to their respective tasks. Safe operations require the perspectives of all those people, so information must be shared smoothly for decision making in order to ensure safe operations on a daily basis. In our position, we receive a lot of information. I try to exercise initiative in communicating with staff in different departments to maintain mutual verbal confirmation.

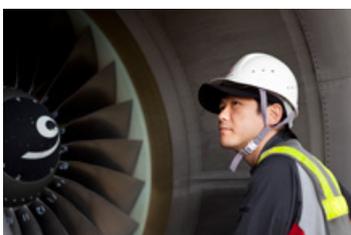


Maintenance

Safety Pledge **Safety Pledge: Don't Depend on Others, Check Everything Yourself**

Shinya Ueno
 International Flight Aircraft Maintenance Department, Aircraft Maintenance Center, Haneda, JAL Engineering Co., Ltd.

My job mainly involves aircraft inspection, in preparation for the next departure after a flight has arrived at the international terminal in Haneda Airport, and maintenance related to any problem that may have arisen during the flight.



When I attended technical school, I was amazed by the safety technology for aircraft. But I know that no matter how high that safety level is raised, some minor mistakes can still result in a serious accident, which keeps me thinking during my maintenance work about what I can do to prevent them from ever happening. I aspire to continuously accumulate knowledge, skills and experience to catch up with my veteran colleagues, and instead of simply carrying out instructions, I consider the entire setting as I do my job.

Cabin

Safety Pledge **Using All Five Senses to Offer a Levelheaded Response**

Megumi Matsushima
 Second Cabin Attendants Department,
 Japan Airlines Co., Ltd.



I work as a cabin attendant on domestic flights.

The baton of safety and service is carefully passed by many colleagues behind the scenes, and I am always thinking about making

sure customers feel secure. I am often pressed for time when on duty, which makes daily training and image training all the more important for quickly sensing any risks and making levelheaded decisions. I think that carrying out each of my responsibilities by sticking to the basics and making thorough verbal confirmations to eliminate any ambiguity not only leads directly to safety but also creates a sense of security for customers observing the process.

Flight Crew

Safety Pledge **Take Nothing for Granted**

Kenji Nakamura
 787 Flight Crew,
 Japan Airlines Co., Ltd.

I work on Boeing 787s as a co-pilot and mainly on flights to the Americas, Europe and Southeast Asia.

Aircraft accidents occur as a result of various factors, such as weather conditions, the characteristics of each airport, and the different approaches taken by those involved. For safe operations, we must meticulously prepare for each flight. It's also important to avoid becoming overconfident or holding too strongly to preconceptions, and instead make a daily effort to listen to opinions and accept them after careful consideration. Thanks to the cooperation of many people, aircraft are recognized as being among the safest vehicles. We will continue to protect safety without compromise through a united effort.



Medium Term Management Plan: Key Initiatives 2 and 3

Route Network, Products and Services

We are quickly enhancing our route network, products and services to become the most loved, and number one airline of choice in the world.

International Operations

International Passenger Business

We expanded our route network and enhanced our products and services, including aircraft with new cabin interior, to maximize profit and capture the robust demand for inbound visits and transit services.

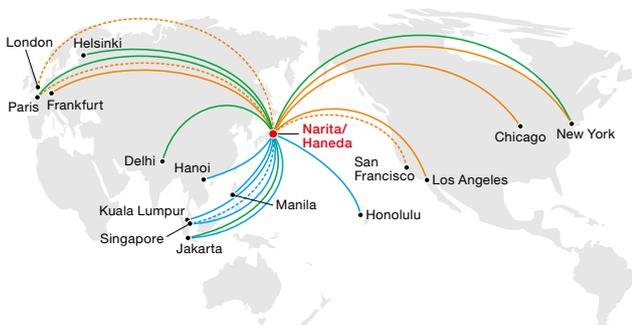
In our route operations, we launched daytime flights from Haneda to London, Paris, Singapore and Bangkok, and late-night and early-morning flights from Haneda to Ho Chi Minh City. To bolster our capacity to meet promising growth in demand from routes between North America and Asia, we increased our flights from Narita to New York and Jakarta. Outside the Tokyo metropolitan area, we became the only Japanese airline to operate direct routes between Chubu and Bangkok, and Kansai and Los Angeles, thereby contributing to economic revitalization in the Chubu and Kansai areas through international exchange and providing customers with greater convenience.

Route Network

● Implemented ● Scheduled

- Launched Haneda-London and Haneda-Ho Chi Minh City routes
- Increased flights on Haneda-Singapore and Haneda-Bangkok routes
- Increased flights on Narita-New York route
- Increased flights on Narita-Jakarta route
- Launched Chubu-Bangkok route
- Launched Kansai-Los Angeles route

Flight Operations Using JAL SKY SUITE (as of July 1, 2015)



JAL SKY SUITE 777 Narita – inbound/outbound routes	— (solid orange)	JAL SKY SUITE 767 Narita – inbound/outbound routes	— (solid blue)
Haneda – inbound/outbound routes	- - - (dashed orange)	Haneda – inbound/outbound routes	- - - (dashed blue)
JAL SKY SUITE 787 Narita – inbound/outbound routes	— (solid green)		

Alliances and Business Strategy

● Implemented ● Scheduled

- Expanded codesharing beyond Helsinki through Finnair's participation in joint business on European routes
- Bolstered capacity to meet demand for North America-Asia routes through integrated sales activities with American Airlines
- Began codesharing with TAM Airlines on U.S.-Brazil and Europe-Brazil routes

Member Airlines of the oneworld Alliance (as of July 1, 2015)



On the product side, we introduced 787-8 aircraft equipped with the new JAL SKY SUITE 787 on the Europe and North America routes. These aircraft feature full-flat business class seats for more direct access to the aisle, and the new JAL SKY WIDER economy class seat, offering passengers more legroom. Moreover, we adopted an eight-seat format to provide more space and comfort compared to the predominant nine-seat row arrangement in economy class among international airlines.

We renovated and reopened the JAL first class lounge in the international terminal of Haneda Airport and will continue to take on new challenges to offer an ever-refreshing experience for customers while enhancing comfort.

Products and Services (High Quality, Full Service)

● Implemented ● Scheduled

- Completed installment of JAL SKY SUITE for thirteen 777-300ER and nine 767-300ER aircraft
- JAL SKY SUITE 787 introduced to routes between Narita and New York, and Paris
- Number of JAL SKY Wi-Fi service users passed the 40,000 mark
- New Sakura Lounge opened in the international terminal of Haneda Airport
- Renovated JAL First Class Lounge opened in the international terminal of Haneda Airport, featuring the Teppan Dining, cooking food on a plate in front of customers in a spacious and lively atmosphere



JAL BEDD-SKY AUBERGE from the first class in-flight menu



AIR MOS BURGER from the popular AIR Series in-flight meal (as of July 2015)

JAL SKY SUITE
JAL SKY WIDER Economy Class Seats



Japan Airlines received the Best Economy Class Airline Seat Award at the World Airline Awards 2015 hosted by SKYTRAX.

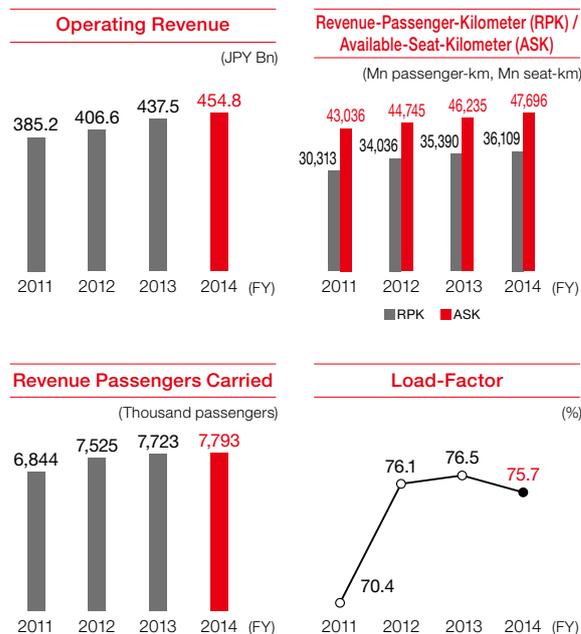


BEST ECONOMY CLASS AIRLINE SEAT



Renovated JAL First Class Lounge opens at Haneda Airport

As a result, international supply for fiscal 2014 increased by 3.2% year-on-year measured by available-seat-kilometer (ASK), demand in terms of revenue-passenger-kilometer (RPK) increased by 2.0% year-on-year, load-factor (L/F) decreased by 0.8 point to 75.7%, and international passenger revenue increased by 3.9% year-on-year to 454.8 billion yen.



International Cargo

Amid particularly strong demand from North America, we sought to maximize revenue by aggressively capturing automobile-related outbound demand in Japan and efficiently taking on transit cargo. In sales, we bolstered our system in Haneda Airport, where there was an increase in inbound and outbound flights, by enhancing the J-LINK service that offers efficient, seamless connections between international and domestic flights. We also transported cargo using the aircraft of other companies through the airline charter system after minimizing the risks. As a result, the volume of international cargo increased 16.0% year-on-year on a revenue-cargo-ton-kilometer basis (RCTK) and revenue increased by 11.2% to 60.3 billion yen year-on-year.

Domestic Operations

Domestic Passenger Business

We strove to improve profitability by taking action to stimulate demand and adjusting capacity to fit demand.

In our route network, in addition to increasing flights connecting Haneda with Itami, Okayama and Kita Kyushu, we launched seasonal flights on six of the local routes in which flights had been suspended, and increased the Haneda-Yamagata flights as a “competition slot” in which municipal governments and airline companies collaborate to enhance local routes. We also sought to add to customer convenience by increasing flights on routes expected to grow in demand, such as Itami-Naha.

Route Network

● Implemented ● Scheduled

- Launched (resumed) seasonal flights on New Chitose routes to Izumo and Tokushima, Chubu routes to Kushiro and Obihiro, and Itami routes to Memanbetsu and Matsumoto



First class in-flight menu (photo shows a dish on the menu from the JAPAN PROJECT No. 49, featuring Miyazaki for July 2015)



JAL and Universal Studios Japan sign a corporate marketing partnership agreement.

In sales we offered products and services promoting domestic travel by foreigners visiting Japan, whose numbers are expected to rise with the increase of inbound and outbound slots for international flights at Haneda Airport. We also collaborated with JTB Global Marketing & Travel Inc. and launched the JAL Special Package for individual tourists visiting Japan. By using JAL's extensive network of domestic flights to bring foreign travelers to various cities around Japan, we have contributed to regional revitalization. Moreover, we introduced new services and offered upgraded functions targeting mobile devices, which included for tablets the JAL Flight Navi app for placing reservations, making purchases and gathering information about trips, as well as a major update to the smartphone app JAL Domestic.

Smartphone Apps



JAL Domestic

Customers can reserve and purchase air tickets and also confirm flight reservations and check arrival/departure status. The app offers a “Which side is Mount Fuji?” search to indicate the side of the aircraft that will afford a view of this iconic landmark.



JAL SKY Wi-Fi on Domestic Flights

This useful app provides customers with easy in-flight access to JAL SKY Wi-Fi by first registering a Gogo user account and then logging into the app.



JAL Flight Navi

For tablets, this JAL app allows customers to reserve and purchase air tickets for domestic and international flights. Users can gather and share information on their destination while enjoying seeing maps with airplane icons moving over them.

In terms of products and services, we began operating the new JAL SKY NEXT aircraft on domestic flights to offer more space and comfort by using genuine leather seats to present a sense of luxury and by streamlining economy class seats to create more legroom compared to conventional seating. We are gradually expanding the JAL SKY Wi-Fi in-flight Internet service as the first airline in Japan to do this on domestic flights. We also began offering the JAL Express Tag service at the domestic flight counter of Haneda Airport to enable customers to check in their baggage quickly and conveniently.

Products and Services (Convenience and Simplicity)

● Implemented ● Scheduled

- JAL SKY NEXT received the Good Design Best 100 award for 2014 from the Japan Institute of Design Promotion
- Expanded applicable routes for JAL SKY NEXT and JAL SKY Wi-Fi
- Began offering the JAL Express Tag service at the domestic flight counter of Haneda Airport
- Enhanced lounge facilities at New Chitose, Itami and Fukuoka airports

"Pioneering Standard" – JAL SKY NEXT



Class J Seats

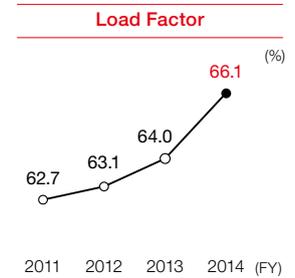
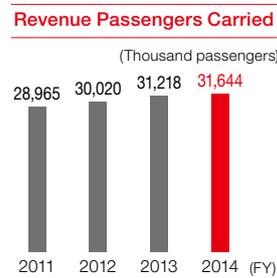
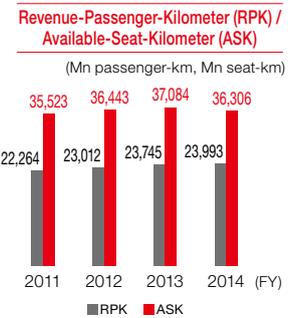
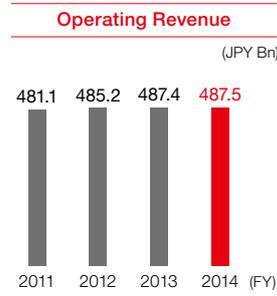


Economy class seats



LED cabin lights create a sense of the passage of time during the day.

As a result, domestic supply for fiscal 2014 decreased by 2.1% year-on-year when measured in available-seat-kilometer (ASK), demand in terms of revenue-passenger-kilometer (RPK) increased by 1.0%, load-factor (L/F) increased by 2.1 points year-on-year to 66.1%, and domestic passenger revenue was little changed at 487.5 billion yen.



Domestic Cargo

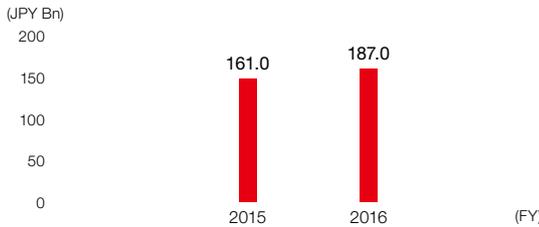
While demand rose due to factors including a shift from land transport to air transport caused by a shortage of trucks, supply fell. As a result, the volume of domestic cargo decreased by 2.8% year-on-year on an RCTK basis, and revenue decreased by 4.5% year-on-year to 24.2 billion yen.

Aircraft Investment and Fleet

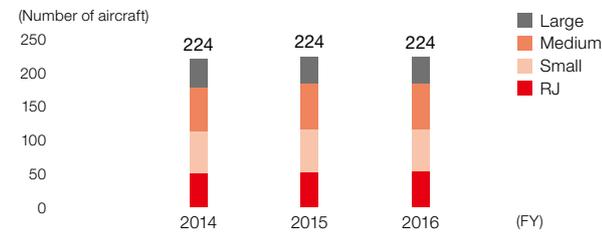
We plan to invest 348.0 billion yen between fiscal 2015 and fiscal 2016. The JAL Group's fleet will consist of 224 aircraft (82 international and 142 domestic aircraft) by the end of fiscal 2016.

Aircraft Investment and Fleet

JAL Group Aircraft Investment Plan



JAL Group Fleet (Actual and Planned)



Figures are as of the end of the fiscal year. Large: 777, Medium: 787/767, Small: 737, RJ (regional jet or smaller): ERJ/CRJ/Q100-Q400/SAAB

Other Businesses

We strove to enhance customer convenience and maximize the JAL Group's corporate value. The financial results of two major companies in this segment were as follows.

JALPAK Co., Ltd. sought to maximize revenue by selling special tours commemorating the 50th anniversary of the launch of the JALPAK brand and rolled out its Internet-based JAL Dynamic Package offerings to meet trends in demand. The number of overseas travelers handled by JALPAK was 275,000, down 9.0% from the previous year, while the number of domestic travelers was 2,301,000, up 7.4% year-on-year. As a result, operating revenue (prior to intercompany transaction elimination) increased by 1.1% from last year to 169.8 billion yen.



JALCARD, Inc. actively conducted new membership campaigns and approached the organizations of sports enthusiasts to expand its customer base and increase membership, while issuing the JAL JCB Platinum, a new top-tier Platinum Card, to enhance its lineup of products. As a result, membership increased to 3.038 million, including the addition of 120,000 members from March 31, 2014, and operating revenue (prior to intercompany transaction elimination) increased by 6.2% from the previous year to 19.6 billion yen.



Medium Term Management Plan: Key Initiative 4

Group Management

By instilling the JAL Philosophy and introducing the divisional profitability management system at JAL Group companies, we will promote “management by all” and establish autonomous and sound management by each company to attain higher levels of productivity and profit.

JAL Philosophy

We uphold the JAL Philosophy as a mindset, a set of values or an attitude that everyone working on JAL products and services should share. By deepening our understanding of the JAL Philosophy and using it as a common criterion for decision making in daily operations, all employees are united through mutual trust in the JAL Group.

To instill the JAL Philosophy, we provide JAL Philosophy Sessions for everyone – employees and executives alike – who keeps JAL flying in Japan and around the world. We conduct these sessions across workplaces and departments to deepen mutual understanding.

Facilitators for the JAL Philosophy Session are selected from each workplace, including cockpit, cabin, maintenance, airport and sales. They create educational materials each quarter and carry out sessions in Tokyo and occasionally in other regions nationwide. Local facilitators are responsible for conducting sessions using materials in Japanese and English in the U.S., Europe, Asia-Oceania and China.

Every JAL Group employee participates in studying, understanding and practicing the JAL Philosophy by attending these sessions and participating in voluntary study workshops. We believe this will enable us to provide unparalleled services, increase our corporate value and contribute to the betterment of society.



JAL Philosophy training for facilitators in overseas regions

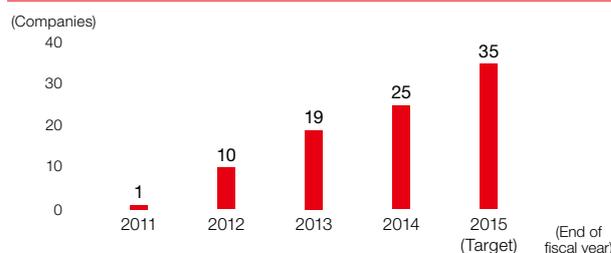
Divisional Profitability Management System

We are promoting a divisional profitability management system throughout the JAL Group with the intention of introducing it to 35 major consolidated subsidiaries encompassing the areas of air transport, passenger handling, ground handling, cargo, maintenance, travel and sales.

In fiscal 2014, we introduced the system to six more companies, raising the total to 25. We also shared improvements and challenges in implementing the system and sought to improve and firmly establish it at each company. As more companies embrace the system, we have begun to see results, such as a change in employee awareness of revenues and expenditures and an increase in independent, creative thinking by employees that leads to actual improvements in business operations. The system is clearly helping companies establish autonomous and sound management to attain higher levels of productivity and profit.

In fiscal 2015, we will continue introducing the divisional profitability management system to Group companies toward constructing a more robust organizational system through which each Group employee participates in management and seeks to maximize revenues and minimize expenses.

Number of Companies with the Divisional Profitability Management System (Cumulative)



Medium Term Management Plan: Key Initiative 5

Human Resources Management

We actively develop human resources for the next generation that will embody the JAL Group Corporate Policy by practicing the JAL Philosophy.

Focusing on supporting the career success of our diverse workforce including our female employees and as one of our management strategies, we intend to create a dynamic, energetic JAL Group together with our human resources powered by enriching experiences, strong core values and fresh perspectives.

Everyone Plays an Active Role

I am responsible for helping each individual employee grow as a well-rounded individual. We are developing systems and educational programs to expand their potential and the fields where they can excel while also cultivating leaders with talent and personality by emphasizing opportunities for senior colleagues to mentor their junior colleagues. In addition, efforts are underway to promote diversity and changing working styles so that every employee of the JAL Group can advance to higher levels of excellence, regardless of gender, nationality or age.



Shinichiro Shimizu
Managing Executive Officer
(Human Resources)
Japan Airlines Co., Ltd.

JAL Group's Common Education and Training Programs

We are enhancing our Group-wide education and training programs with a particular focus on developing leadership and safety and service professionals. Under the leadership of the JAL Education and Training Center, we will further strive to raise the quality of our programs so they achieve maximum effect.



JAL Group Training for 800 New Employees

A four-day new employee training session took place in Tokyo beginning on April 1, 2015, and was attended by more than 800 employees from 32 Group companies and senior colleagues, who would serve as their instructors. New employees learned about the JAL Philosophy, safety and brand, and they will seek to offer unparalleled services by paying close attention to what customers are experiencing, while also maintaining safe operations.



JAL Wins the First Position for the Most Attractive Employer Brand in "Good Training" by the Randstad Award Survey

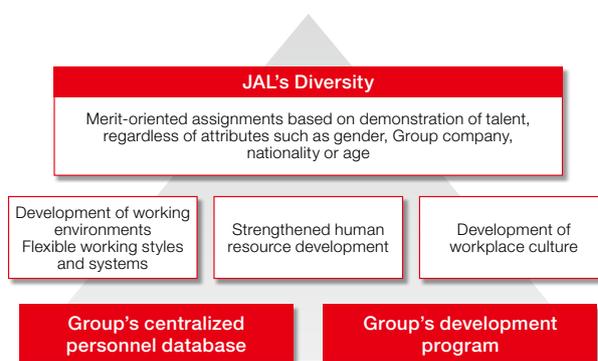
JAL received the honor of being Japan's most attractive employer brand in the "Good Training" category of the Randstad Award 2015 survey, conducted by Randstad Holding NV, a world leading employment services provider. JAL won recognition for the way all our educational activities are anchored in the JAL Philosophy, which serves as a mindset, a set of values or an attitude shared by all employees. Going forward, we will further enhance our education and training.



Promoting the Talents in the JAL Group's Diverse Human Resources

Message from the President (excerpt)

For the JAL Group to remain the most preferred airline, we must continue to create higher value. To this end, everyone in the JAL Group must engage in candid exchanges of ideas and in-depth discussions on how we intend to be first in the world for creating value that customers appreciate. The key is to elicit a sense of vitality by mobilizing the full capabilities of an even more diverse pool of human resources, representing different experiences, values and perspectives.



● Excelling Regardless of the Group Company

For all Group companies, we provide a common program in which candidates for leadership roles can receive training and opportunities to enhance their abilities mutually and beyond the boundaries of companies. Furthermore, we specify the positions recognized as important for our business and management as “Group Management Posts” and have adopted a system for assigning highly motivated employees with strong potential to these positions regardless of the Group companies at which they have worked.

● Developing Successful Careers across National Boundaries

We have formulated a Global HR* Policy to focus on the development of staff hired in countries or regions outside Japan. We encourage the nurturing of competent human resources from any nationality or place of residence through programs in which participants gain work experience in Japan and Japanese proficiency, as well as global training. For employees hired in Japan, we strive to cultivate human resources who can demonstrate leadership based on world-class expertise and character by advancing their development with assignments to overseas posts and programs with a global perspective.

* HR: Human Resources



Overseas hires and staff hired in Japan exchange ideas reflecting their national perspectives and create rapport at our global training program.

● Applying Experience from Other Industries for Our Business

The rapidly changing business environment of the airline industry makes it more important than ever to retain competent personnel who are capable of taking the lead and transforming challenges into business opportunities. Since fiscal 2013, we have been recruiting workers with experience in operational planning to invigorate our corporate organization by leveraging the diverse experience and expertise of our human resources.



Participants in new employee training discuss the type of airline they would like to create, drawing from their own experiences.

● Hiring Persons with Disabilities

In collaboration with JAL Sunlight C., Ltd., a special subsidiary, we are hiring persons with disabilities and striving to create an environment in which they can work with greater vitality.

● Developing Successful Careers Regardless of Age

Since fiscal 2014, we have been conducting career seminars by age group to create an environment in which employees can continue working with a sense of security. We organize Senior Life Support Programs and Life Plan Seminars for the post-retirement lives of employees.

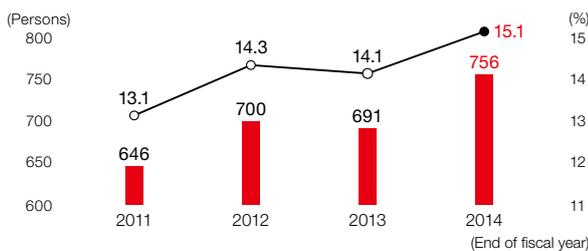
● **Promoting Women’s Careers as an Essential Element of JAL Group Growth**

Half of all JAL Group employees are women, so further expanding their career paths is essential to the development of the Group’s future. We also believe that actively incorporating women’s viewpoints into the management of our business will generate new value. We are therefore clearly promoting women’s career development as a commitment by top management and have been pursuing concrete initiatives to that end. Instead of viewing this as an issue unique to women, we will also focus on men’s issues and strive to change the mindset and working styles of all our employees.

JAL Group Targets for Raising the Ratio of Women in Management

As in the past, we will be guided by our merit-based appointment policy as we take action to increase the number of female managers in the JAL Group*1 to 20% and the number of female managers in organizational management posts in Japan Airlines*2 to 15% or higher by the end of fiscal 2023.

Number of Female Managers and Ratio of Women in Management in the JAL Group



*1 15.1% as of March 31, 2015, up 1% year-on-year.

*2 12.6% as of March 31, 2015, up 1% year-on-year. In view of these objectives, the number of women in organizational management posts has been calculated to include managerial posts for flight operations and maintenance, departments primarily consisting of men. Women account for 10% of directors and 3% of executive managers at Japan Airlines Co., Ltd., as of April 2015.

● **Action 1: Support for Balancing Work and Family**

We have established a system that supports both men and women in balancing the demands of work with childcare and nursing care needs. Information on programs, role models and specific activities is provided through our corporate intranet.

Support for Childcare

● **Childcare Leave**

Employees can take up to three years of childcare leave. In fiscal 2014, 759 employees took childcare leave. The reemployment rate after taking childcare leave was 72.5%.

● **Working Hours**

We offer programs including exemption from late night duty and shortened working hours for childcare, depending on work shift.

● **Subsidy System**

The system was expanded in fiscal 2014 to cover costs for temporary childcare, hiring babysitters, monthly childcare, rented childcare items and housekeeping services.

Support for Nursing Care

● **Nursing Care Leave and Working Hours**

Employees can take up to one year and a half of nursing care leave. We also provide programs for taking specific days and hours off for nursing care. In fiscal 2014, 50 employees took nursing care leave.

Other Programs (Actual Results for Fiscal 2014)

- Ratio of paid leave taken: 81%
- Average monthly overtime: 11.8 hours



Japan Airlines has been certified with the “Kurumin” mark as a company that supports raising the next generation of children.

JAL Selected as a Nadeshiko Brand Enterprise for the First Time

JAL was for the first time selected for inclusion on the “Nadeshiko Brand” list of enterprises pursuing diversity management in fiscal 2014 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, Inc. We were recognized for positioning the career development of diverse human resources including women as a key management strategy for surviving intensifying future competition and engaging in various initiatives. The JAL Group will continue to make a concerted effort to become a company that offers career opportunities for diverse human resources.



● **Action 2: Flexible Working Styles**

We are introducing greater flexibility into the workplace for both men and women so that our diverse human resources can fully demonstrate their abilities. In fiscal 2014, we launched a program whereby employees can work at home one day per week, primarily for the approximately 4,000 JAL Group staff working regular shifts. We also introduced a flexible work hour system that allows full-time employees to finish work at 4 p.m. as needed.

● **Action 3: Project for Changing Working Styles**

In fiscal 2014, we set up the Office for Promoting Change in Working Styles to accelerate the raising of awareness of such change among all employees and establish a new infrastructure environment for doing work so they can develop their careers with a greater sense of satisfaction.

So far, we have taken a close look at all of our operations, reviewed our processes, expanded teleworking and flexible working hours, and bolstered the IT communication environment toward providing an infrastructure that enables employees to work efficiently wherever they are.



We are creating an infrastructure that matches the characteristics of each workplace, including the use of mobile devices.

● **Action 4: Enhanced Women's Career Development**

Committed to placing the right talent in the right job, we have been adding more positions for women, including overseas assignments, for gaining new experiences and enriching their careers. We have also introduced an open application system for selected overseas posts. To ensure successful long-term careers for women, we are expanding training programs aimed at further developing their abilities.



Participants present their plans for offering new value to customers on the final day of a four-month training program for developing women's skills.

● **Action 5: Creation of a Corporate Culture**

The cooperation of supervisors is crucial in promoting the careers of female employees. We are seizing every opportunity, from grade-based training to training for performance evaluators, to raise awareness within the company on the importance of organizational diversity. We also set up meetings between managers with female subordinates as well as the Human Resources Department to confirm that women are being given challenging assignments that will help them grow.

JAL among the First Selection of Health & Productivity Stock

JAL was among the first-ever selection of Health & Productivity Stock by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, Inc. Under the management message of "Let's become the world's No. 1 airline with the vitality of our employees," we formulated the JAL Wellness 2016 plan centered on measures for lifestyle-related diseases, cancer and mental health. In fiscal 2014, we organized walking competitions, nationwide tours of body composition monitors, and staircase exercises, with the participation of about 1,300 employees.



Preparing the mind and body before flight operations by doing stretches with a trainer.

Each of Us Making JAL What It Is

Human resources embodying a diverse array of experiences, values and viewpoints have come together to keep JAL brimming with vitality.



01

Leading a Satisfying Life in Japan with Many Helping Hands

Hou Yonghui

Human Resources Management, Japan Airlines Co., Ltd.



I was transferred from the Shanghai Branch to the Personnel Department at the head office in April 2014 on a long-term assignment. My job includes formulating projects for global human resource development and providing support at the receiving end for joint global training in Japan and abroad, and for staff who are overseas nationals dispatched to Japan. At the head office, I was made aware of the utmost importance JAL places on global human resource development and the significant effort it makes to implement various initiatives. Over the past year, I benefitted from the generous support of my supervisor and colleagues. I have changed the way I approach problem solving and have gained a number of business skills. I am also a mother on an unaccompanied assignment, and back home my child is in the first grade of elementary school. I was able to get this far by keeping sight of my goal of balancing work and family to develop my career, and with a lot of help from family and friends. During my assignment in Japan, I will do my best to lead a fulfilling life happily.

02

Putting Myself in the Customer's Position and Applying Experience from Outside the Industry

Keitaro Kitadani

Haneda First Cabin Attendant Department, Japan Airlines Co., Ltd.



I joined JAL in 2013 as a new hire with experience and spent my first year in passenger service at the international lounge of Haneda Airport. In my second year with the company, I started working as a cabin attendant on international and domestic flights. When I joined JAL, I had no experience in customer service, so I became constantly mindful of putting myself in the customer's position, whether I was at the airport or on a flight. I spent each day fumbling about, trying to understand what our customers wanted and what I could do to make them happy. Also, I have been analyzing customer survey results to contribute to enhancing airport services, applying my strengths and related experience from a previous job. In my current position, I am working to improve on-time performance, aside from my job as a cabin attendant. Going forward, I hope to demonstrate my abilities and contribute to the growth of the JAL Group by using the experience I am gaining through serving our customers.



Balancing My Job with Child Rearing while Harnessing the Empathy of Women at Work

Emiko Takano

Ticket Group, JAL Plaza Office, JAL Navia Co., Ltd.

As head of the Ticket Group in the JAL Plaza Office, I am responsible for overseeing the entire counter and managing the operations of about 30 employees. I joined JAL in 1996 and became a manager in 2014.

After my daughter was born, I took a one-year childcare leave before balancing parenting and my job by working shorter hours until she was three. When she was small, I sometimes felt guilty going to work and, frankly, I still struggle to strike a balance between my job and parenting. I have come this far only because of my love for JAL and belief that my workplace allows me to reflect on myself. Above all, I am motivated by my daughter, who tells me: "Mom, don't ever quit! I like you working at JAL." Now, as a manager, I often come home late, so I make up for it by cooking meals with loving care.

More employees in my workplace are having children. I think they will be able to take even greater steps forward, with unique sensitivities and an awareness of women. I hope to continue working in my own way, with a deep appreciation for my family and colleagues.



03



04

Supporting the IT System of the Entire JAL Group with Expertise and Leadership

Yoshiyuki Uchida

Airline Systems Department, JAL Information Technology Co., Ltd.



Since I was hired, I have been refining my skills specialized in the area of IT systems at JAL Information Technology. After being assigned to my current position in Group Management in April 2014, I took on more responsibility for providing and safely operating the IT infrastructure that all JAL Group services depend on. When building and operating a system, I always keep in mind how our customers are using JAL. My greatest mission for IT infrastructure is to ensure that nothing goes wrong and operations are consistently maintained. To fulfill this mission, I strive to secure the robustness of the system from the design and construction stages, take great care to prevent system maintenance work and upgrades from affecting operations, and hone my IT techniques so I can promptly solve any problem. As I go about each day, I feel the gravity of the fact that all JAL customers depend on the IT infrastructure we provide as well as the responsibility of being one of those who are holding up the very foundation of the business. I make maximum use of the power of IT, which will continue to be a driving force in becoming the most loved, and number one airline of choice in the world.

JAL Group's Corporate Social Responsibility

JAL REPORT 2015



Preparations for an early evening departure; determined faces reflected on the body of the aircraft.
The safety of the skies begins with their work on the ground.
Reassuring gazes express the strength of their commitment.

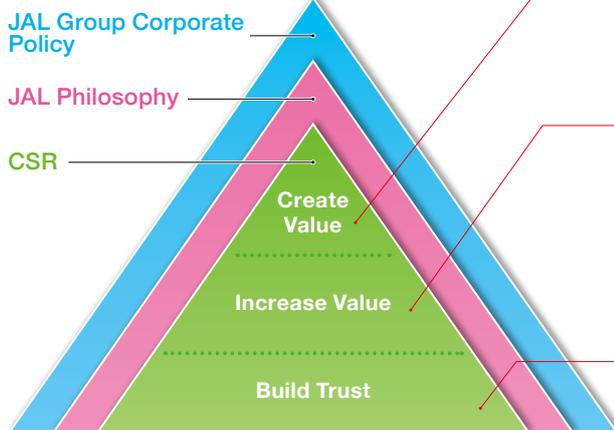


JAL Group's Corporate Social Responsibility

The JAL Group promotes CSR activities through its core business of air transport to contribute to the advancement and development of society.

Basic CSR Policy of the JAL Group

The JAL Group will engage in corporate social responsibility activities in accordance with its code of conduct and the JAL Philosophy as the company carries forward its corporate policy.



JAL Group's CSR Activities

The JAL Group will carry out corporate social responsibility activities that embody its code of conduct, the JAL Philosophy, which is closely aligned with our Corporate Policy.

Activities to Present New Value to Society that Only JAL Can Perform

We will strive to address and alleviate social issues through our core air transport business, and present new value that only JAL can deliver.

Activities that Meet Society's Expectations of the Airline Business

We will increase corporate value through activities that meet society's expectations of the airline business, such as by improving our network, tourism promotion and social contribution activities.

Activities that Form the Foundation of the Company as a Member of Society

Referring to ISO 26000 Guidance on Social Responsibility, the JAL Group will fulfill its responsibility as a corporate citizen by incorporating a CSR approach to activities that create the basis of the company in order to build a relationship of trust with society.

We will introduce the JAL Group's CSR activities under categories titled: E (Environmental); S (Social); and G (Governance).

Environment	Social			Governance
<div style="border: 1px solid #008000; padding: 5px; margin-bottom: 5px;">The Environment</div>  <div style="text-align: right; margin-top: 5px;">✈️ Page 39</div>	<div style="border: 1px solid #008000; padding: 5px; margin-bottom: 5px;">Safety and Security</div>  <div style="text-align: right; margin-top: 5px;">✈️ Page 18 ✈️ Page 44</div>	<div style="border: 1px solid #008000; padding: 5px; margin-bottom: 5px;">Bridging Japan and the World</div>  <div style="text-align: right; margin-top: 5px;">✈️ Page 46</div>	<div style="border: 1px solid #008000; padding: 5px; margin-bottom: 5px;">Nurturing the Next Generation</div>  <div style="text-align: right; margin-top: 5px;">✈️ Page 48</div>	<div style="border: 1px solid #008000; padding: 5px; margin-bottom: 5px;">Governance</div>  <div style="text-align: right; margin-top: 5px;">✈️ Page 50</div>
Four Key Areas of JAL Group's CSR Activities				Foundation of CSR

Column

JAL Charity Miles

With the cooperation of our customers, we operate the JAL Charity Mile program year round as a CSR activity that only an airline can deliver. JAL supports NPOs in their environmental conservation and other social impact activities by assisting with air transport and publicity campaigns. We also encourage JAL Mileage Bank (JMB) members to donate their mileage and then we donate the equivalent amount in cash, in an effort to provide other forms of support for these initiatives.

► Initiatives in Fiscal 2014

	Total donated miles	Recipient of donation
March 25 to May 6: "Let the Fukushima Children Play" Charity Mile Project	2,205,000 miles	Save the Children Japan
May 20 to August 17: "Help Provide Solar Lights to Medical Clinics in the Philippines!" Charity Mile Project	3,522,000 miles	Kopernik Japan
August 29 to October 20: "August 2014 Rain Relief Effort Miles"	4,782,000 miles	Central Community Chest of Japan
December 1 to March 15: Sky Baton Tohoku Support Mileage Donation "Chance for Children"	6,378,000 miles	Chance for Children

E The Environment

JAL Group promotes "Sky Eco" today for a greener tomorrow.

Environmental Guidelines

As an airline company in control of important social infrastructure, the JAL Group is fully aware of its responsibility to the global environment. We have therefore placed control of our environmental impact and protection of the environment as core themes in our business operations and will continue to implement "Sky Eco" in order to pass on this rich Earth to those of the next generation so they will always be able to see the beautiful Earth from the sky.

Our Eco-First Commitment

In 2010, the JAL Group made an "Eco-First" commitment to renew its efforts for preserving the global environment and received certification as an "Eco-First Company" from the Ministry of the Environment of Japan.



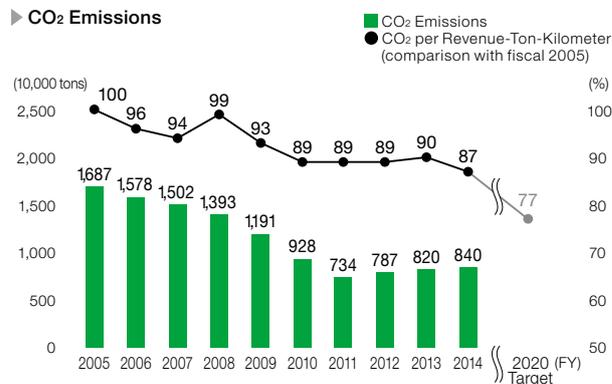
JAL Group's CO₂ Emission Reduction Goal

We are working to reduce CO₂ emissions per revenue-ton-kilometer from JAL Group aircraft by 23% in fiscal 2020 as compared to the fiscal 2005 level.

CO₂ Emissions by JAL Group Aircraft

In fiscal 2014, CO₂ emissions by JAL Group aircraft per unit transport volume (revenue-ton-kilometer) were reduced by 13.4% compared to the fiscal 2005 level. Total CO₂ emissions increased by 200,000 tons from the previous fiscal year as a result of expanded operations. CO₂ emissions per unit transport volume decreased by 3% from the previous year due to the increase in fuel-efficient Boeing 787-8 aircraft, improvements to flight operations efficiency, and regular engine washing for more efficient fuel consumption.

CO₂ Emissions



Sky Eco Project

Pilots at JAL actively engage in environmental practices during flight operations as members of the Sky Eco Project. In addition to pilots, specialists from areas such as procurement, flight operation technology and CSR also participate to consider environmental activities related to flight operations primarily from the pilot's perspective, so they can be put into practice during flights. For example, while safety is a top priority, they also seek to reduce CO₂ emissions by devising procedures for taxiing an aircraft to the parking spot using only one of the twin engines. In addition, pilots are provided with feedback on the impact and execution rates, which deepens their understanding of the environment.



Aviation Biofuels

Many countries are developing aviation biofuel toward significantly reducing CO₂ emissions. In January 2009, JAL became the first airline in Asia to conduct a test flight using nonfood biofuel on a Boeing 747-300. We continued to exchange information with related organizations in Japan and abroad, and participated in the founding of the Initiatives for Next Generation Aviation Fuels (INAF), which explores the potential for biofuel production in Japan. INAF was launched in May 2014 with "All-Japan" membership that comprises 46 organizations spanning companies, government and academia. As an active member, JAL serves as the secretariat of the subcommittee on producing aviation biofuel from municipal waste. We have seen promising results from several manufacturing processes (see diagram) using municipal waste, which offers a significant cost advantage in terms of procuring raw material.

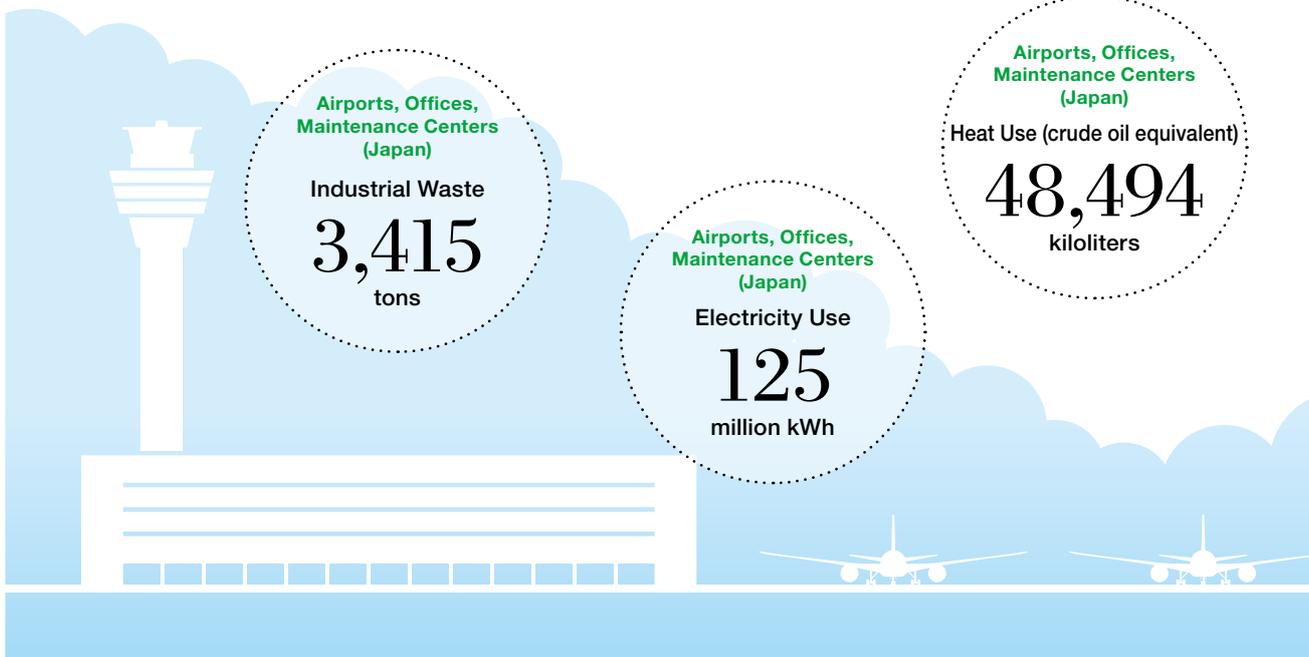
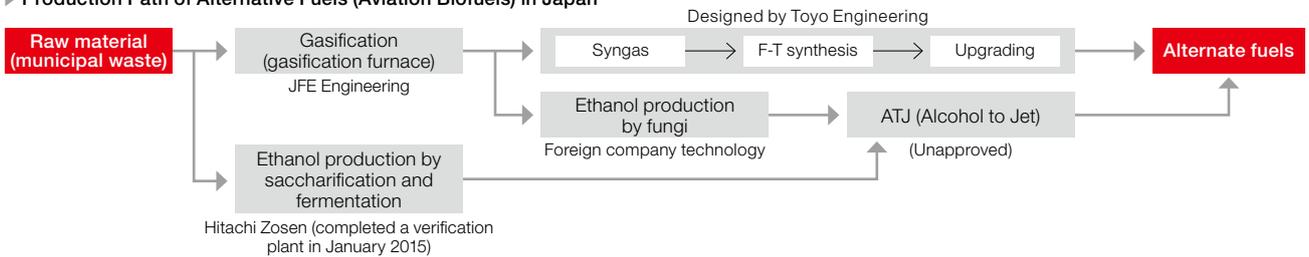
Looking ahead, we will participate proactively in an effort to realize domestic biofuel production by around 2020 with commercialization in the near future. Moreover, we hope to take a

major step forward in realizing a zero waste society, a common goal of many countries, through the recycling of resources that are otherwise discarded as waste into fuel.

Cabin Waste Recycling

Since 2007, JAL has been endeavoring to recycle waste generated inside aircrafts. Specifically, we have been recycling beverage cans, newspapers, in-flight magazines and plastic bottles at each airport using standardized procedures. As for food waste, such as leftover meals on international flights, we incinerate all of it due to quarantine and other restrictions. Disposal methods differ from country to country, and we are actively working with the International Air Transport Association (IATA) to formulate common international rules to increase the volume of recycled waste. While this is a difficult task involving revisions in the regulations and systems of different countries, we will continue to collaborate with the IATA and airport companies in activities for steadily raising the ratio of recycled waste.

► Production Path of Alternative Fuels (Aviation Biofuels) in Japan



CONTRAIL Atmospheric Greenhouse Gases Observation Project by Passenger Aircraft

The JAL Group has been participating in the “CONTRAIL Atmospheric Greenhouse Gases Observation Project by Passenger Aircraft” as an environmental effort that can only be implemented by airline companies. This joint project with Japan’s National Institute for Environmental Studies, the Meteorological Research Institute, JAMCO Corporation and the JAL Foundation has been advancing through ongoing system enhancements since 1993. Eight Boeing 777-200ER aircraft in our fleet, two of which bear the CONTRAIL project logo, and one Boeing 777-300ER aircraft incorporated in 2014 have been modified to allow for the installation of air sampling equipment (ASE and CME) for atmospheric observations. The project has been widely recognized for the global scale of its environmental activity, and received the “Environment Minister’s Award” and “Environmental Excellence Award” under the 40th Environmental Awards, sponsored by the Hitachi Environment Foundation, and the “19th Asian Environmental Awards,” sponsored by the Mainichi Newspapers Co., Ltd. and other organizations in fiscal 2013, as well as the “Special Award” under the 24th Global Environment Awards sponsored by the Fuji Sankei Communications Group in fiscal 2014.



VOICE



Working on a Joint Government-Industry Project with Environmentally Conscious JAL Staff

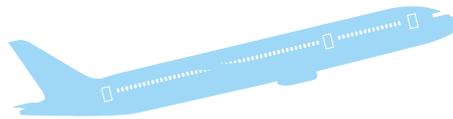
Dr. Toshinobu Machida
 Head of the Office of Atmospheric and Oceanic Monitoring, Center for Global Environmental Research, National Institute for Environmental Studies

Is global warming progressing? Is CO₂ really increasing in the atmosphere? These are questions I am often asked. While a dazzling display of simulated data on the atmosphere may be useful, there is nothing more convincing than the results of actual observation. Today, a large amount of observed data on atmospheric CO₂ is being collected during JAL flights. The CONTRAIL Project began in 2005, with two types of equipment for observing greenhouse gases installed in aircraft operated by JAL. Since then, these atmospheric observations have continued at a global scale. This pioneering project has been hailed as an excellent example of government-industry collaboration.

It has been made possible through the cooperation of many staff in several JAL departments, who are deeply aware of the environment and have a can-do attitude. While I conduct research every day, they always make me feel that this is a Japanese company with world-class capabilities in fields other than manufacturing.

Airports, Offices, Maintenance Centers (Japan)

Water Use
445
 thousand m³



Aircraft in Flight (Japan, International)

CO₂ Emissions

8.4
 million tons



Action Plan

We have placed the control of our environmental impact and the protection of the environment as core themes in our business operations, and create action plans for these areas. Our philosophy and dedication toward them are set out in the “Action Plan.”

Action Plan 1 We actively conduct initiatives to prevent global warming.

Commitment	Status
We are working to reduce CO ₂ emissions per revenue-ton-kilometer from JAL Group aircraft by 23% in fiscal 2020 as compared to the fiscal 2005 level.	<ul style="list-style-type: none"> We increased the number of 787-8 aircraft with reduced fuel consumption, and because they logged a significantly higher proportion of operational time, CO₂ emissions per revenue-ton-kilometer for fiscal 2014 improved by 3% year-on-year and declined by 13.4% from the fiscal 2005 level. We achieved our target of 1.5% average annual improvement (average figure for fiscal 2005 to fiscal 2014).
We are upgrading our fleet to lower fuel consumption and low noise aircraft (e.g., Boeing 787, 737-800 and Embraer 170).	<ul style="list-style-type: none"> We introduced five 787-8 aircraft with reduced fuel consumption and retired five aircraft (777-200, 767-300 and 737-400).
We are conducting “Eco Flights.”	<ul style="list-style-type: none"> We achieved annual reductions in CO₂ emissions of approximately 42,000 tons, mainly through five “Eco Flight” activities in our daily operations: engine out taxi, idle reverse, reduced flap, delayed flap and delayed gear.
We are endeavoring to reduce weight.	<ul style="list-style-type: none"> We introduced 1,080 of the world’s most advanced cargo containers, which are approximately 40% lighter than conventional units. We achieved annual reductions in CO₂ emissions of approximately 7,000 tons.
We are cutting CO ₂ emissions by washing engines and pursuing other CO ₂ reduction methods.	<ul style="list-style-type: none"> We implemented engine water washing at intervals of between 190 days and 300 days for the 777, 767 and 737-800 aircraft. We installed new Eco Power equipment to enhance washing efficiency. Result: Annual CO₂ emissions were reduced by approximately 25,000 tons. Reduction in auxiliary power unit (APU) usage time for the 777 and 737-800 aircraft was little changed from the previous year as a result of our maximum effort.
We work together with the associated ministries and aviation authorities such as air traffic control in various countries to introduce leading methods for fuel efficient aviation and will actively continue to do so in the future.	<ul style="list-style-type: none"> Our Haneda-San Francisco route obtained certification for adopting operation methods that reduce environmental impact. We have been implementing CDO (continuous descent operations) at San Francisco International Airport, Kansai International Airport and Naha Airport. We have been operating UPR (user preferred route) on flights to Hawaii, Australia, the West Coast of North America (Los Angeles, San Francisco and Vancouver) and Palau. We extended the efficient selection of alternative airports (alternatives for Boston, Sydney and Haneda). Estimated annual reduction in CO₂ emissions as a result of the above efforts was around 6,000 tons.
We are collaborating in the research and development of aviation biofuel made from inedible plants.	<ul style="list-style-type: none"> As part of an all-Japan team of industry, government and academia, we are promoting a project to produce aviation biofuel from municipal waste, which we aim to realize by around 2020 (the year of the Tokyo Olympics and Paralympics). The project will also contribute to the creation of a recycling-based society (see page 40).
We promote energy-saving activities in our ground facilities (offices, factories, etc.).	<ul style="list-style-type: none"> We continued to adopt LED lighting in maintenance facilities (hangars and docks), conduct various energy-saving activities and upgrade to electricity-saving lighting in our offices.

Action Plan 2 We actively promote social and environmental activities and environmental awareness activities.

Commitment	Status
By continuing to conduct environmental and social activities, we are able to contribute to long-term conservation of the environment, and we strive to improve the environmental awareness of children who will lead the next generation, as well as all of society and our own employees.	<ul style="list-style-type: none"> We implemented our Sky Eco Project, in which our pilots have taken the initiative (see page 39). In fiscal 2014, we held 28 Sky Eco classes, in which our captains offered environmental awareness education for children. We contributed to reducing CO₂ emissions with cooperation from passengers by implementing the “Shades Closed Exercise” and improving on-time performance.
We will continue to participate in the atmospheric observation project and the forest fire reporting project using our aircraft.	<ul style="list-style-type: none"> The “CONTRAIL Atmospheric Greenhouse Gases Observation Project by Passenger Aircraft” received the Special Award under the 24th Global Environment Awards sponsored by the Fuji Sankei Communications Group (see page 41). We have been participating in the “Siberian Forest Fire Reporting Project.” Since 2003, pilots have been reporting any fires detected during summer flights over Siberia to a research team led by Hokkaido University in a cooperative research effort on early fire detection by satellites (306 fires were reported in fiscal 2014).

Action Plan 3 We work toward the realization of a recycling-based society and for the preservation of the environment.

Commitment	Status
We are aiming for a final disposal rate of less than 2% for industrial waste from domestic worksites.	<ul style="list-style-type: none"> Total waste volume in fiscal 2014 was reduced by 9% from fiscal 2013. The final disposal rate was 1.2%, achieving our target of less than 2%.
We work to reduce water usage.	<ul style="list-style-type: none"> We reduced water usage by 2% year-on-year by reusing wastewater and implementing water-saving measures.
We work to reduce the amount of emissions of chemicals (governed by the PRTR Act).	<ul style="list-style-type: none"> Total volume of PRTR substances handled in fiscal 2014 (462 chemicals) decreased 11% year-on-year to 59 tons (following last year's increase, the volume of trichloroethylene decreased as a result of improvements in recovery equipment).
We work to recycle uniforms and items used in aircraft cabins such as in-flight magazines, newspapers, aluminum cans, plastic bottles and cargo packing materials.	<ul style="list-style-type: none"> We continuously recycled beverage cans, newspapers, in-flight magazines and plastic bottles in accordance with our rules. We are promoting comprehensive efforts to dispose of in-flight waste in collaboration with the IATA and airport companies (see page 40). Total amount of recycled waste in fiscal 2014 was 2,400 tons.

Action Plan 4 We work to conserve the environment around airports.

Commitment	Status
We introduce low-noise aircraft and noise abatement operational procedures, and respond to other airport noise issues.	<ul style="list-style-type: none"> We actively practice "Reduction of Noise at Source" and "Noise Abatement Operational Procedures" as responsibilities of airlines under the "Balanced Approach" recommended by the ICAO. All JAL aircraft are compliant with ICAO Chapter 4, the most stringent standard for noise. We practice noise abatement procedures at takeoff and operate under more stringent rules when taking off from Haneda Airport and Itami Airport. As for noise abatement procedures upon landing, we practice reduced flap, delayed flap and idle reverse. At San Francisco International Airport and Kansai International Airport, we conduct CDO (continuous descent operations) to significantly reduce both noise and CO₂ emissions.
We work to reduce NOx emissions from aircraft, automobiles, etc. (NOx, HC, CO and other aircraft engine emissions are strictly regulated by the ICAO. Similar restrictions have been established under Japan's Civil Aeronautics Act. NOx emission restrictions are particularly stringent.)	<ul style="list-style-type: none"> All JAL aircraft engines are compatible with all regulation values and the ICAO's CAEP6 and CAEP8 NOx standards (the applicable standard differs depending on when a plane's Certificate of Airworthiness was issued).

Action Plan 5 We give due consideration to biodiversity.

Commitment	Status
We convey to customers and society at large the importance of biodiversity and follow the "JAL Group Policy on Biodiversity" in our business operations.	<ul style="list-style-type: none"> We formulated and adhere to the "Biodiversity Policy of the JAL Group" in recognition of the fact that the JAL Group's air transport business may indirectly impact biodiversity.
We take part in the "United Nations Decade of Biodiversity" initiative. In addition, we promote activities that convey the importance of protecting the natural beauty of Japan, including cranes, etc.	<ul style="list-style-type: none"> We painted the "United Nations Decade of Biodiversity" logo on our aircraft, contributed to the JAL Endemic Rabbit's Forest and served certified coffee on our flights in consideration of biodiversity.

S Safety and Security

Here are some of our programs designed to ensure that all our customers can comfortably enjoy their flights.
For initiatives on safety ➔ P. 18

Becoming a JAL that is Friendly to Everyone

We aspire to provide products and services that ensure a safe and comfortable flight for every passenger on JAL Group flights, from small children to elderly customers and customers who require special assistance, by fulfilling the “Friendly JAL = Universal Design”^{*} initiative. We extensively apply universal design from “JAL SKY NEXT” and other aircraft seating arrangements and customer service desks at JAL Smile Support Counters, to our broad range of special in-flight meal options for passengers with allergies or health conditions. Furthermore, we strive to deliver a “universal design for the heart,” as reflected by the sincere actions of each employee in the hospitality they provide, developed with what they have learned in an experience-based program.



^{*} A concept for the development of “design that is easy for everyone,” regardless of age, physical capability or environmental conditions.

✈ <http://www.jal.com/en/ud/>

Priority Guest Support

The JAL Group refers to customers with reduced mobility or who are sick or injured as “Priority Guests” who merit precedence in service over other customers.

The Priority Guest Center we launched in 1994 is the first of its kind in the airline business in Japan and has handled a wide range of situations. Its experienced staff members are on standby to respond with care to customer needs.

- Transport support for para-sports organizations in events such as the Paralympic Games
- Medical transportation using stretchers for patients, including those traveling for overseas heart transplant operations
- Joint Priority Guest operations with American Airlines and British Airways
- Activities to raise public awareness through events for people with disabilities



Passengers with walking disabilities



Physically challenged passengers requiring service dogs

☎ 0120-747-707 (9:00–17:00)

✈ <http://www.jal.co.jp/en/jalpri/>

Flight Training Programs for Children with Developmental Disorders

The JAL Group cooperates in handling requests from organizations serving persons with disabilities by providing flight training as part of the treatment program for children with autism or other developmental disorders.

While the ability to use public transportation freely is essential for facilitating the social engagement of children with developmental disorders, the enclosed aircraft environment and loud noises during takeoff and landing raise a hurdle to their use of air travel. To eliminate such concerns, we work with psychiatrists to offer flight training as an opportunity for children to learn about boarding procedures and in-flight rules. Participation in the program has shown some success. For example, one participating family was able to take a trip to Hawaii.



JAL Smile Support (Domestic Flight)

The JAL Group has a dedicated support desk for customers requiring assistance and provides various types of assistance to ensure comfortable trips for as many customers as possible, including pregnant women, children, the elderly and passengers requiring the use of a wheelchair on our domestic flights. We have also set up JAL Smile Support Counters at major domestic airports to provide assistance that helps to send off customers on safe journeys.

Mother and Baby
Travel Support Guide



Baby Travel Support Service

For passengers traveling with babies or infants

Expectant Mother Travel Support Service

For pregnant passengers to travel in comfort

Kids Travel Support Service

For children traveling on their own

Senior Citizen Travel Support Service

For elderly passengers

☎ 0120-25-0001 (7:00–20:00)

✈ <http://www.jal.co.jp/en/smilesupport/>

▶ Airports with JAL Smile Support Counters

Domestic Flights	New Chitose, Haneda, Narita, Chubu, Itami, Kansai, Fukuoka, Naha
International Flights	Haneda, Narita

Tour for Children with Food Allergies

The number of people who suffer from food allergies continues to rise every year, and while improvements are being made in procuring food for meals at home, challenges remain when it comes to eating out at a restaurant or traveling, due to the lack of information about the ingredients. In view of this, the JAL Group has created an environment where families affected by food allergies can comfortably enjoy their trips.

In its third such initiative since 2010, JALPAK collaborated with the Parents' Association for Food Allergy Patients, NH Foods Ltd. and JAL Private Resort Okuma to organize a four-day tour to Okinawa during the spring break in 2015, paying due consideration to food allergies throughout the entire trip. Twelve families participated and shared positive comments, such as: "I used to spend each day under a lot of pressure, but this trip made me realize that I can manage better, and if a mother can change, so can the child. It gave me fresh resolve to continue facing up to food allergies."



VOICE

Collaborating to Spread Understanding Far and Wide to Create a Society that is Kind to All

Sumiko Takeuchi

President, Parents' Association for Food Allergy Patients

The Tour for Children with Food Allergies is for children with severe allergies who must always carry an epinephrine auto-injector. During the tour, we were dazzled by the smiles on the children's faces as they watched and learned about marine life as well as Okinawan culture, and also enjoyed eating anything they wanted. The tour-takers told us how they had been placing limitations on themselves as a result of uncertain knowledge and that they now felt confident about what they could do. JAL Group tours are immaculately prepared, providing a sense of security for participants and reliable skills for staff through actual experience. I am convinced that with the JAL Group's ability to spread its wings and reach out to remote regions to build understanding, it holds the key to helping children grow and creating a society that is kind to everyone through collaboration with others.

Aid for Areas Affected by Torrential Rains in August 2014

Hiroshima City was hit by localized downpours that caused large-scale landslides, while parts of Western Japan, including Kyoto and Hyogo prefectures, suffered damage from torrential rains in August 2014. To support these areas, we collected donations through a JAL Charity Miles campaign as well as from employees. The donations along with a matching donation from the JAL Group were delivered through the Central Community Chest of Japan to people who were affected.

Column

Cooperation for Transporting Ambulances in Support of the Battle against Ebola in Guinea

The Society for Promotion of Japanese Diplomacy donated six ambulances to the Republic of Guinea in West Africa to support the country's ongoing battle against the Ebola contagion. JAL cooperated by arranging air transport, making maximum use of the networks and know-how possessed by JAL CARGO.

JAL currently does not have freighters, and we were unable to carry the ambulances on our own flights due to their size and to weight limitations. Nevertheless, we sought to live up to expectations and play our part in supporting Africa by requesting and entrusting the flight operations to a partner airline company, which made speedy transport possible.

In February 2015, the ambulances were received at Narita Airport and loaded onto a regular cargo flight operated by the partner airline, drawing upon the accumulated know-how of the JAL Group. Upon arrival at the transit point in Belgium, the cargo staff we had dispatched liaised with the partner airline to assist in the cargo's smooth transfer to the connecting flight. The ambulances arrived safely at Conakry in Guinea and were delivered to the consignee.



S Bridging Japan and the World

We will bridge Japan and the world as the “Wings of Japan” and as a network carrier that contributes to the revitalization of Japanese industry and regional economies while enhancing mutual understanding in the international community.

JAL x Kopernik: “Connecting People to People, Bridging Japan and the World” Project

Kopernik is a non-profit organization that delivers innovative technologies to developing countries toward addressing social issues such as improving the quality of life and eradicating poverty. Since 2013, JAL has endorsed their work through various assistance and collaboration activities. In 2014, we delivered 612 solar-powered lanterns to health clinics and schools in the Philippines using donations equivalent to 3,522,000 miles from 903 JMB members through a JAL Charity Miles Campaign, and sent a university student and a graduate student to report on subsequent improvements in local living conditions. In addition, “Tech Caravans!” conducted in Akita in June and in Kita Kyushu, Fukuoka in November, visited manufacturers and universities to discover technologies made in Japan that could serve people in developing countries and revitalize industries in Japan.



VOICE

Working Together to Present Meaningful Forms of Social Contribution to the World

Toshihiro Nakamura
Co-Founder and CEO,
Kopernik

I am truly grateful for JAL's support for improving people's lives in developing countries through the JAL x Kopernik: “Connecting People to People, Bridging Japan and the World” Project. Areas reached by the project have shown growing interest in the products you have donated and our ongoing efforts, which have helped to advance the spread of the products.

The “Tech Caravan!” familiarizes people with the realities of developing countries, and I feel there is a genuine sense of expansion in the business fields of the Japanese companies and the kind of world that children imagine.

Recently, many CSR-related staff in other companies have expressed to us their desire to do CSR activities like JAL. I hope to continue working with the people of JAL to present meaningful forms of social contribution to the world.

JAL Tohoku Support Project “VISIT TOHOKU!”

In June 2013, more than two years after the Great East Japan Earthquake, we launched the JAL Tohoku Support Project “VISIT TOHOKU!” as our response to the current needs and hopes of residents in the affected areas. They feared being forgotten and hoped more people would visit, take in the sights and spend money to support revitalization. We have been facilitating regional development and encouraging people there through our air transport business.



Facilitating Regional Development

- Bringing more visitors to Tohoku by operating international charter flights and expanding organized tours
- Holding employee study tours in the affected areas to encourage our staff to visit Tohoku
- Working in collaboration with local governments in the Tohoku region to assist in the sales of local products and selecting products from the area as items to offer during flights and in the airport lounge, or to be obtained by redeeming mileage
- Stimulating interest in Tohoku by providing a variety of information to customers

Encouraging People in the Affected Region

- Supporting student volunteers and the education of children affected by the earthquake through the JAL Charity Miles program
- Offering trips to families affected by the earthquake to provide moments of enjoyment

Facilitating Regional Development 1: Employee Study Tour in Affected Areas

Training programs launched in September 2013 and attended by JAL directors and other employees were held in the affected areas in an effort to expand our onsite activities. In fiscal 2014, we changed the location for the programs to Miyako and Otsuchi in Iwate Prefecture, and held eight tours that were attended by about 260 employees. They boarded the Sanriku Railway's Disaster Education Train, listened to the storytelling guides of Taro Town's “Learning Disaster Prevention” program, and participated in volunteer activities in Otsuchi Town. They also contributed to the local economy by staying at local hotels, dining out and purchasing souvenirs.



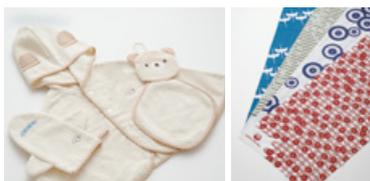
Facilitating Regional Development 2: “Otsuchi Reconstruction Rice”

We first heard about “Otsuchi Reconstruction Rice” during our study tour in the affected areas. In the autumn of 2011, the people of Otsuchi discovered in the tsunami-devastated area of the town three roots of a rice plant that could still produce grain,

which are being cultivated as a symbol of the town's recovery efforts. We used this rice for first-class meals on domestic flights through November and December, 2014, which made the people of Otsuchi very happy, while illustrating the miracle of reconstruction in a way that many customers could appreciate.

● **Facilitating Regional Development 3: Tohoku Cotton Project**

The Tohoku Cotton Project began in 2011 as a reconstruction effort for tsunami-stricken fields with the goal of reviving agriculture and creating new industries and jobs by planting and spinning cotton, developing commercial products and selling them in a cooperative effort involving local agricultural corporations and companies, mainly in the apparel industry. In addition to publicity and the voluntary participation of employees to help with farming, the JAL Group continued to make original products from the harvested cotton in fiscal 2014. We support the project by offering these products in exchange for mileage and to passengers on our flights.



● **Facilitating Regional Development 4: Helping Sales of Specialty Products from Tohoku**

Since June 2013, we have been collaborating with the local governments of the Tohoku region to stimulate tourism by distributing brochures and helping to sell specialty products as part of our activities for JAL Nikko Day, which takes place around the 25th of every month. In March 2015, we held the Second Tohoku Market @ Tennozu Building at our head office. Many employees purchased local Tohoku products to show their support for the region.



● **Encouraging People in the Affected Region 1: Gifts of Smiles Project**

JAL launched the Gifts of Smiles project in the summer of 2013 to assist children suffering from stress caused by the Great East Japan Earthquake, by helping them participate in family trips and get away from everyday reminders of the disaster. We offer them a new start through refreshing, encouraging experiences. The cost of this project is covered by donations from JAL Group employees matched by JAL. Employees volunteer to accompany the families. In the summer of 2014, we invited 14 families (33 people) from Miyagi Prefecture and 12 families (30 people) from Iwate Prefecture to a four-day trip to Okinawa. As in the previous year, we observed delighted smiles on the faces of the participants while they enjoyed the brilliant sunshine and blue sea.



● **Encouraging People in the Affected Region 2: Charity Bazaar**

In support of the Tohoku region, JAL held a charity bazaar in March 2015, where we sold various airline-related items, stocked by JAL, at reasonable prices. About 70 employees volunteered to help organize and run the event. Nearly 900 visitors came and purchased model airplanes and in-flight goods with the old corporate logo, as well as JAL original goods. They also bought rice and handcrafted products made in Tohoku. The total proceeds from the sales, excluding Tohoku products, were approximately 2.7 million yen, and all of it will be used for projects to support children affected by the earthquake.

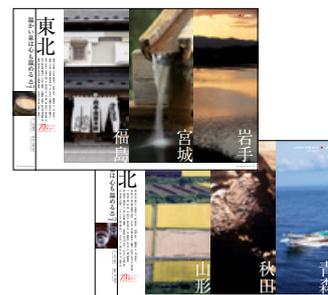


Column

JAPAN PROJECT

Since May 2011, we have been undertaking the JAPAN PROJECT to revitalize local communities by communicating the splendors of Japan using every tool available to us, including in-flight magazines, onboard videos, in-flight meals and the JAL Group website. The project focuses on a single region each month and reveals the attractive features of the area in collaboration with local governments and companies. We are also making an effort to provide information overseas through links with the Guide to Japan information website for foreign visitors to Japan. As of March 2015, we have worked with 32 prefectures. The JAL Group will continue to build on the JAPAN PROJECT in order to generate demand for tourism and contribute to revitalizing regional communities.

✈ <http://www.world.jal.com/world/en/guidetojapan/>



S Nurturing the Next Generation

The JAL Group strongly hopes that children will have their own dreams to pursue and supports them through programs for children of diverse age groups.

JAL SORAIKU

The JAL Group has been organizing and conducting “JAL SORAIKU” educational programs for nurturing the next generation. These include the “JAL Origami Hikoki” course, in which children learn how to fold paper planes incorporating the mechanism of an actual aircraft and enjoy playing together, and the “JAL Sky Eco” course, in which a uniformed pilot describes changes in the global environment as seen from the sky at 10,000 meters. We also offer courses introducing jobs related to air travel.

In fiscal 2014, we conducted a total of 180 courses for five programs at schools and public facilities around Japan as well as at Japanese schools in other countries in Asia and Oceania. The courses were attended by about 13,000 people.



“JAL Origami Hikoki” course

JAL Career Talk Events for Students

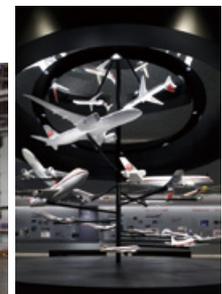
We held the “JAL Career Talk Events for Students” for the second year in a row during summer vacation in 2014 in response to requests from junior high school and high school students around Japan who wanted to hear stories from people with interesting professions. JAL Group employees, including a pilot, cabin attendant, ground staff member and mechanic, answer students’ questions about their jobs. The events were attended by about 100 junior high school and high school students and their guardians, all of whom engaged in an enthu-

siastic dialog. We plan to continue holding JAL Career Talk Events for Students to encourage children to create their own ways of life associated with their preferred jobs in the future.



JAL Factory Tours – SKY MUSEUM

JAL offers tours of its aircraft maintenance center, free of charge, as part of its social contribution activities. We have done so since the mid-1950s, soon after the airline’s founding, and the center was renovated and reopened in July 2013 as the “JAL Factory Tours – SKY MUSEUM.” In the exhibition area, we display materials chronicling JAL’s history of opening up new air travel routes since its establishment in 1951, and introduce the work of staff behind JAL Group flights. The facility enables visitors to deepen their knowledge about the airline industry in general through airline classes, where they learn about aircraft and tour the hangar to observe airplanes under maintenance up close. In fiscal 2014, the SKY MUSEUM received over 120,000 visitors.



	JAL Origami Hikoki: Fun Paper-Aeroplane Activity	JAL Sky Eco: Talks on Environmental Issues	JAL Career Talk for Students	JAL Safety Demonstrations by Cabin Attendants	JAL Job Interview Simulation for Students
Age group	Six years old and older	Elementary schoolchildren (from third grade), junior high school students, high school students, college students (adult-only class available)	Elementary schoolchildren (in fifth and sixth grades), junior high school students, high school students	Junior high school students, high school students	Junior high school students, high school students
Format	Onsite course	Onsite course	Onsite course	JAL Haneda facility	JAL Haneda facility
Time required	90 minutes	90–120 minutes	60 minutes	60 minutes	40 minutes (including 20 minutes of travel)
Number of courses per month (in general)	3	3	2 (arranged by job)	2	4
Number of participants per course	30 to 100	30 or more	30 or more	20 to 50	3 to 15

Support for UNICEF

In 1991, JAL launched the “Change for Good®” fundraising campaign for UNICEF on its flights between Tokyo (Narita) and New York to collect spare change in foreign coins from passengers. The campaign was expanded in 2006 to include all international flights operated by JAL. Coins collected through this initiative are donated to support UNICEF activities for protecting children’s lives, health and human rights. As a member of the Steering Committee for UNICEF’s Foreign Coin Collection Program, we also provide support by transporting foreign coins collected on the ground in Japan to different countries for free.

SKY BATON

The JAL Group launched the charity project SKY BATON in December 2013 with the aim of passing the baton to the younger generation toward creating the future of the Tohoku region. We have been consistently engaged in the development of the next generation while simultaneously supporting the affected regions.

The second phase of this project in fiscal 2014 supported the activities of Chance for Children, a public interest corporation, which issues education vouchers that children facing financial difficulties due to the earthquake can use to pay for tutoring and private lessons, with the goal of creating an environment where children can envision the future and pursue their hopes and dreams through study. We extended a total of 12,756,000 yen by matching the JAL Charity Miles program points, providing the equivalent of one year of educational opportunities for 55 elementary schoolchildren.



VOICE

A Project that Gives Courage to Children Affected by the Earthquake

Yusuke Imai
Representative Director,
Chance for Children

With the cooperation received from JAL and its many JMB members, we were able to provide education vouchers to children affected by the Great East Japan Earthquake. Thanks to them, children faced with adverse circumstances due to the disaster can move forward.

One child said: “The support I received made me realize that other adults outside my family were giving me encouragement.” The presence of such supporters gives children the courage and energy needed to move on with hope for their futures.

I would also like to express my heartfelt gratitude for your support and cooperation for this wonderful project, which connects JMB members with children who will shoulder the future of the Tohoku region.

The Wings of Japan Scholarship – Establishment of a Benefit-based Scholarship for Pilots

JAL seeks to contribute to Japan’s airline industry and to the progress and development of society by addressing the pressing need to train pilots to meet growing future demand by establishing a benefit-based scholarship that provides financial support to students enrolled in pilot training courses at private universities.

Column

JAL Scholarship Program

The JAL Scholarship Program invites college students from across Asia and Oceania to Japan to promote mutual understanding and develop young men and women who will assume future leadership roles in the region. It offers opportunities to experience Japanese culture, such as the tea ceremony and Zen meditation, and to participate in workshops with Japanese students. In 2014, the program was held for three weeks starting on July 2 in locations near Tokyo and in Ishikawa Prefecture.

The program was established in 1975 and is currently run by the JAL Foundation and JAL. To date, a total of 1,514 students have been invited to take part. We have recently started organizing alumni organizations in various countries to develop a vertical network connecting past participants in an effort to encourage collaboration among alumni who have gone on to pursue successful careers around the world.



Stakeholder Dialog

JAL Aspirations for Corporate Governance

Corporate governance in Japan has reached a major turning point and is attracting attention from observers both inside and outside the country. In May 2015, Executive Officer Hiroyuki Hioka sat down with two experts – Professor Iwao Taka of Reitaku University and External Director Kimie Iwata – to discuss the current state and future of JAL’s corporate governance.



High transparency and robust monitoring in JAL’s corporate governance

Hioka ● Our basic stance on corporate governance is to realize the JAL Group Corporate Policy while protecting flight safety, which represents the very foundation of our business. This means we will work to realize the objective: the JAL Group will pursue the material and intellectual growth of all our employees; deliver unparalleled service to our customers; and increase corporate value and contribute to the betterment of society. To this end, we must establish a corporate governance structure that produces high management transparency and robust monitoring while also facilitating rapid, appropriate decision making. While JAL is a company with a board of corporate auditors, we have opted to set up four committees that include the Nominating Committee and Compensation Committee, which are characteristic of a Company with Committees, and we pride ourselves in having this hybrid system.

Taka ● In the Nominating Committee, for example, do you discuss the appointments of corporate officers?

Iwata ● In appointing corporate officers, we offer advice from a third-party perspective, pointing out, for example, that promoting younger candidates may be better than simply adhering to a seniority rule, or that more female candidates should be sought, or encouraging the appointment of promising JAL leaders to the position of president at subsidiaries so they can gain experience. We serve, in a sense, as escorts guiding the appointment process up to the president’s final decision. Meanwhile, we participate right from the beginning in the appointment of external officers, from identifying the desired qualifications to selecting the final candidates.

Taka ● JAL is to be commended for maintaining a mechanism that serves as a brake by referring to overall trends or pointing out that the appointment of an officer who is approaching retirement to a post at a subsidiary is inappropriate. The external directors are functioning well.

Iwata ● The compensation of officers

is handled in a similar way. While this is typically discussed by internal officers who prepare and present a proposal to the committee for deliberation, there are no predetermined conclusions at JAL. We participate in the discussions from the beginning by sharing an awareness of the issues and reviewing cases from other companies.

Taka ● To what extent do external officers speak up at the Board of Directors meetings?

Iwata ● On major issues, nearly all of us have more to say than the internal officers.

Taka ● Foreign shareholders may feel that a company with a board of corporate auditors is behind the times. This misunderstanding comes from the fact that auditors have no voting rights on the Board of Directors. This makes it all the more important to emphasize how much active discussion goes on among members of the Board of Directors and how well your system works, especially since external directors play a role that is close to the executive level at JAL.

Iwata ● Yes, we are encouraged to attend executive meetings as often as possible.

Hioka ● The external directors provide outstanding support.

Taka ● So JAL does not hesitate in revealing everything to people outside the Company, from whom the Company seeks verification on all issues. While most companies talk about management transparency, JAL actually practices it.



Kimie Iwata
External Director, Japan Airlines Co., Ltd.

The Verification Committee of Independent Executives – objectivity on and understanding of in-house issues

Hioka ● In our corporate governance, JAL places particular emphasis on management transparency. In September 2014, illegal access to our customer information system led to the leakage of information about JAL Mileage Bank members, causing significant public concern and inconvenience. To review our response, we set up the Verification Committee of Independent Executives comprising five external officers, including two external directors and three external auditors. We asked Ms. Iwata to chair the committee.

Iwata ● I received the request as results were coming in from an internal investigation of the appropriateness of the current investigation method and validity of its results, whether JAL had undertaken sufficient IT security measures before the incident, and what we should do to strengthen those measures. I understood that our job was to verify these points and ensure transparency by disclosing our results to the public. JAL had not been sufficiently aware of the fact that customer information is a corporate asset with significant attendant risks. I commented on this in the results we reported to the Board of Directors. JAL should make better use of customer information as an asset, and I would also like to see the Company do more to address the associated risks.

Taka ● It is quite rare for independent officers to set up a verification committee.

Iwata ● I was told that this was the first such case in Japan. I think its effectiveness was due to the dual role of external officers. First, we were able to conduct an objective verification because all five of us have an independent status. And second, we possess a deep understanding of internal issues from our daily involvement in the Company. In addition, I had worked on CSR and risk management in my position as a corporate manager, and other members were experts on law and corporate accounting, so the five of us gave the committee an extremely well-balanced composition.



Iwao Taka
Professor, School of Economics and Business Administration, Reitaku University

Taka ● In my view, it was good that external officers conducted the verification while at the same time a working group of outside professionals in areas beyond their expertise, such as information and security, were incorporated into the process and involved in the series of discussions. I think this added substance to the report.

Harnessing the JAL Philosophy and JAL Brand to drive us forward

Hioka ● I think we can say that JAL management and the efforts of employees have been sustained by the divisional profitability management system and the JAL Philosophy.

Iwata ● Daily study groups are being held at each worksite to deepen understanding of the JAL Philosophy and to strengthen the ability to put it to practice. I have been involved in the management of several companies, but I have never come across a company like JAL.

Hioka ● The JAL Philosophy was created five years ago at the time of our corporate bankruptcy, when we had to unite employees and management. It serves as an action guideline and criteria for decision making, as well as the driving force that has kept us moving forward.

Taka ● I feel that the JAL Philosophy has been the greatest source of JAL's competitive strength.

Hioka ● Today, whenever there are signs that we may revert to our old ways, employees who have studied and gained a solid understanding of the JAL Philosophy caution that we are going against the spirit of the JAL Philosophy.

The sense that the JAL Philosophy is our anchor is also connected to our ongoing efforts to rebuild the JAL Brand.

Iwata ● The JAL Brand was not created by a single person; it is the result of a joint effort through JAL's relationship with various stakeholders. I am particularly aware that it is something we create with our customers, and in their minds and hearts. Our employees are also important stakeholders. The JAL Brand is something we create also in the minds of our employees.

Taka ● Brands can be dangerous in a way. Customers who have faith in a brand are convinced of its value, even when they may be receiving less than the best service.

And the JAL Philosophy is what stops inadequate service from happening. In particular, I would like to point to the "Attitude" in "The Result of Life and Work = Attitude × Effort × Ability." You must share this as a core value when reflecting on and renewing your attitude whenever excessive pride raises its head. And I think it is important to repeat this process.

The power of diversity as an essential aspect of corporate governance

Iwata ● In JAL's case, almost all cabin attendants serving customers on our flights are women. Now, having an officer who has risen through the ranks from a cabin attendant strengthens the ties between management and the worksite. The need for developing the careers of diverse employees, including women, has been incorporated into the corporate governance code and is growing in importance. Individuals, having various attributes in regard

to gender, nationality and experience, bring diverse values, expertise and a human network to a company. At the management level, for example, this diversity produces the best decisions out of a wide range of options. Diversity is essential for corporate governance.

The JAL Group has set its target of raising the ratio of women in management from 14% in fiscal 2013 to 20% by fiscal 2023. Two things will be required to achieve this goal. One is to earnestly strive to train women and provide opportunities. The other is to change conventional work styles so that women can develop their careers. I hope JAL will serve as a leader for Japanese industry. Half of our customers and employees are women. And from the perspective of creating a corporate brand with customers and employees, JAL cannot expect future growth unless it promotes women playing active roles.

Hioka ● JAL was recently selected as a women-friendly "Nadeshiko Brand" and a "Health & Productivity Management Brand". As we make a point of declaring our will to "pursue the material and intellectual growth of all our employees" at the very top of our corporate policy, we can only provide unparalleled service when we offer an environment in which employees are happy, healthy, and able to demonstrate their potential with vitality. I believe JAL was selected because we are continuing to move forward, even if that progress is made one step at a time.

Taka ● At the level of the Board of Directors, JAL set in motion a fundamental change by embracing diversity, appointing members who had served as pilots, maintenance crew and cabin attendants. In the JAL Philosophy sessions that I observed, I noticed that



Hiroyuki Hioka
Executive Officer, General Affairs
Japan Airlines Co., Ltd.

employees from different worksites who had never spoken to each other before had been brought together. I feel that JAL is truly making strategic use of diversity and turning it into a competitive advantage.

Moving toward a brighter future through the united effort of all JAL employees

Iwata ● I believe JAL is becoming a good company in terms of corporate governance as well, precisely because of its experience. I hope it will remain vigilant to signs of any regression and continue moving forward.

Hioka ● Our president takes every opportunity to point out that employees are our assets. We hope the energy of our employees will propel us to the next level, and we must spread far and wide the message that management and employees should be working hand in hand.

Taka ● I think JAL had a time when there was little communication between management and the front lines of operations. While I do not foresee the Company reverting to how it was in those days, governance should not be left to management alone. It requires a collaborative effort with the worksite. And while those of you who experienced the corporate bankruptcy seek to advance by learning from that, younger generations have different mindsets. Because JAL is currently enjoying great success, I think this is a good time for the Company to create a mechanism for smoothly transitioning into the next management group so that JAL can move on to a brighter future.



Governance

We are striving to increase corporate value by establishing a corporate governance structure that produces high management transparency and robust monitoring, by promoting compliance, and by developing and operating a solid risk management structure.

Status of Corporate Governance

The JAL Group has established the Fundamental Policies of Corporate Governance with the primary goal of enhancing management transparency and monitoring.

JAL Group Fundamental Policies of Corporate Governance

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, which is the core of our business, and providing the finest service to our customers.

Taking this into account, we have established the JAL Philosophy in accordance with the JAL Group Corporate Policy, "the JAL Group will pursue the material and intellectual growth of all our employees, deliver unparalleled service to our customers, and increase corporate value and contribute to the betterment of society." We will strive to increase corporate value and achieve accountability by establishing a corporate governance structure 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. The directors aim to realize our Corporate Policy by putting the JAL Philosophy into practice, and report the progress of implementation of the JAL Philosophy at Board of Directors meetings.

Basic Explanation of Company Organs

To speed up the decision-making process, we adopt the executive officer system, consisting of 9 directors (including 2 women) and 25 executive officers (including 2 women) excluding those with concurrent duties as directors.

● Strengthened Supervision and Checks on Executive Management

1. Board of Directors

In order to separate the management monitoring function and business execution function, the director and chairman takes the chair at Board of Directors meetings and an appropriate number of two or more external directors with a high level of independence are appointed.

In addition, in order to carry out efficient decision making, the Board of Directors may delegate decision making concerning matters set forth in the Administrative Authority Criteria Table to the Managing Executive Officers Committee, which is com-

prised of directors and managing executive officers or higher executive officers, pursuant to Regulations for Kessai and Administrative Authority approved by the Board of Directors. Amendment to and abolishment of Managing Executive Officers Committee Regulations are decided by the Board of Directors.

2. Directors and Corporate Auditors

In order to promote transparent and fair corporate activities and establish corporate governance, the management monitoring function is strengthened through the appointment of an appropriate number of two or more external directors and half the number or more corporate auditors.

Legal considerations are explained to directors to ensure that they are aware of the duties of directors, including the "fiduciary duty of loyalty" and the "duty of care of a prudent manager." Moreover, the term of office of directors is one year in order to confirm their accountability for each fiscal year.

In order to ensure diversity, external directors with vast knowledge and experience in various fields are appointed. In addition, in order to ensure independence, individuals who are not substantially independent under the Company's Independence Standards of External Officers are not appointed as external directors.

Corporate auditors monitor important matters concerning corporate management and business operations and the execution of duties by reviewing important Ringi (internal approval process) documents, as well as participating in Board of Directors meetings and other important meetings.

External corporate auditors are appointed from persons with vast knowledge and experience in various fields. Individuals who are not substantially independent under the Company's Independence Standards of External Officers are not appointed as external corporate auditors. External corporate auditors, together with other corporate auditors, coordinate with the internal audit department and accounting auditors to ensure sound management by conducting audits from a neutral and objective standpoint.

Furthermore, corporate auditors, together with staff members of the corporate auditors' office, carry out an annual audit of each business location, subsidiary and affiliated company and report the results to the representative directors. Corporate auditors also share information with the audit department and corporate auditor, hold meetings several times a year with the full-time corporate auditors of subsidiaries to ensure and enhance auditing of the JAL Group.

3. Independence Standards for External Officers

We have established the following standards to determine independence of external officers of the Company in order to establish a high corporate governance structure that results in high management transparency and strong management

monitoring and increased corporate value. (Basically individuals who do not correspond to any of the following items are determined to be independent.)

Independence Standards of External Officers

1. An individual who has executed business* of JAL and JAL Group consolidated subsidiaries at present or in the past ten years.
2. An individual who corresponded to any of the items from a to 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 year 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.

* A person executing business refers to an executive director or executive officer.

● Management Transparency and Information Disclosure

1. Nominating Committee

When submitting a proposal to the general meeting of shareholders concerning the appointment of candidates to the positions of director and corporate auditor, the Board of Directors consults the Nominating Committee in order to make a comprehensive judgment of the personality, knowledge, ability, experience and performance of a candidate, and takes into account the Nominating Committee's report on such matters before passing any resolutions. The Nominating Committee is led by a chairman elected through a mutual vote among no more than five committee members comprising the President and directors appointed with the approval of the Board of Directors. The majority of directors in this committee (other than the President) are external directors.

2. Compensation Committee

When submitting a proposal to the general meeting of shareholders concerning the total amount of compensation for

directors and corporate auditors, setting compensation amounts within the limits approved at the general meeting of shareholders and setting compensation amounts for executive officers, the Board of Directors ensures transparency and fairness in the decision making process by consulting the Compensation Committee, which is comprised of two or more external directors and the President, and taking into account the Compensation Committee's report on such matters before passing any resolutions.

3. Personnel Committee

When appointing or discharging an executive officer, the Board of Directors consults the Personnel Committee and takes into account the Personnel Committee's report on such matters before passing any resolutions. The Personnel Committee is comprised of a maximum of five members, including the President and other directors appointed by approval of the Board of Directors. The majority of directors in this committee (other than the President) are external directors.

4. Officers Disciplinary Committee

Decisions concerning disciplinary action against directors and executive officers are made by the Officers Disciplinary Committee. The Officers Disciplinary Committee is composed of not more than five members, including the President and other directors appointed at a Board of Directors meeting. "Other directors" consist of a majority of external directors. Any submission of proposals to the general meeting of shareholders concerning the removal of directors requires the approval of the Board of Directors.

5. Information Disclosure

To enable our stakeholders including the customers to easily access the JAL Group's corporate stance, the Fundamental Policies of Corporate Governance is made publicly available at all times.

● JAL Philosophy Education

The representative director and president conducts JAL Philosophy Education for JAL Group directors, including himself, and employees in order to penetrate the JAL Philosophy into the JAL Group.

▶ Meetings of Management Boards (fiscal 2014)

Organ	Number of meetings	Average attendance of officers
Board of Directors	19	95%
Board of Corporate Auditors	14	100%

Other Organs Concerning Corporate Governance

Other organs concerning corporate governance are established in the Company as follows.

- **Executive Committee**

The Executive Committee, as the decision-making organization of management equivalent to the Board of Directors, discusses in advance matters to be decided at Board of Directors meetings, shares information between directors, and discusses and decides on matters requiring checks and approval by the Executive Committee.

- **Management Liaison Committee**

The Management Liaison Committee checks progress of management matters between directors and shares information.

- **Group Earning Announcement Session**

The Group Earning Announcement Session is attended by directors, executive officers and presidents of major subsidiaries to share the JAL Group's business results and consider ways to improve them.

- **Group Council for Safety Enhancement General Meeting**

The Corporate Safety and Security Department is placed directly under the President to rigorously maintain safety.

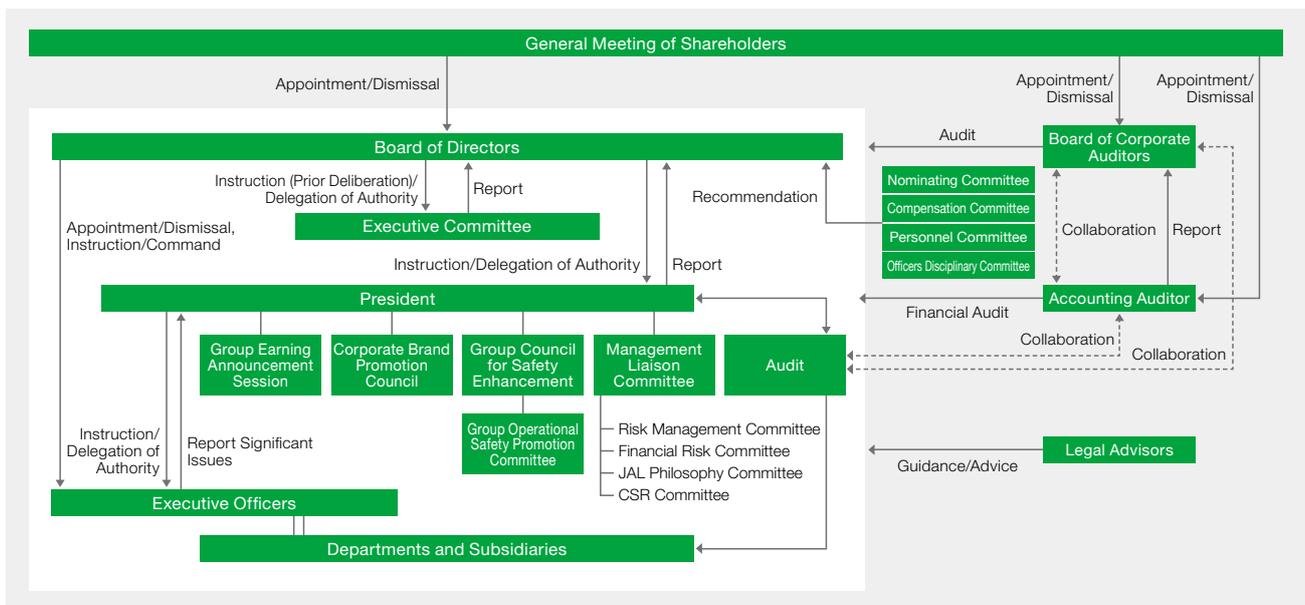
The Group Council for Safety Enhancement General Meeting, in which the Corporate Safety and Security Department serves as the Secretariat, shares information on safety in daily operations, decides on countermeasures, considers important measures concerning safety and checks policies.

- **Corporate Brand Promotion Council**

The Corporate Brand Promotion Council formulates important policies concerning the corporate brand and based on the JAL Group's corporate policy and guidelines. It also keeps track of the actual state of corporate activities, manages progress and shares information on the various ongoing initiatives aimed at enhancing the corporate brand.

- **CSR Committee**

The CSR Committee checks on the status of progress in promoting Group CSR activities by referring to ISO 26000 standards to implement an effective plan-do-check-act cycle with the aim of building on and promoting the Group's CSR activities.



Fundamental Policies on the Internal Controls System

To provide unparalleled service to the customers, increase corporate value, and contribute to the betterment of society, the 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.

1. We have established the JAL Philosophy as behavioral guidelines of the Company. Directors and employees are encouraged to abide by these practices.
2. The Board of Directors decides on the Fundamental Policies on the Internal Controls System and the General Affairs Department promotes development of the internal control system.
3. The General Affairs Department supervises compliance operations and monitors development and operation of relevant Company regulations.
4. 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 the JAL Group, we have established a Council for Safety Enhancement, a Risk Management Committee, a Financial Risk Committee, etc., to appropriately manage risks, and the General Affairs Department has established Guidance for JAL Group Internal Control to monitor the appropriateness of duties and proactively prevent risks of losses. In addition, we are prepared in the event of a risk of losses and strive to minimize losses.

4. We have developed a system to ensure that the duties of directors are executed efficiently.

1. 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 Executive

Committee and Group Earning Announcement Session.

2. 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 the JAL Group are executed appropriately.

1. 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 the JAL Philosophy. The General Affairs Department has also enacted Guidance for JAL Group Internal Control and continuously monitors the appropriateness of duties.
2. We have developed a system to report matters concerning the execution of the duties of directors of subsidiaries, etc., to the Company.
3. We have developed regulations and other systems for risk management of losses of subsidiaries.
4. We have developed a system to ensure the duties of directors, etc., of subsidiaries are executed efficiently.
5. We have developed a system to ensure that directors, employees, etc., of subsidiaries execute duties in compliance with applicable laws, regulations and the Articles of Incorporation.

6. We have developed a system concerning employees in case corporate auditors 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 corporate auditors to those employees are effective.

7. We have developed a system concerning reports, etc., to corporate auditors.

1. We have developed a system for directors and employees to report to corporate auditors.
2. We have developed a system for directors, corporate auditors, employees or persons who receive reports from them to report to corporate auditors.
3. 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 corporate auditors 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 corporate auditors are executed effectively.

Risk Management System

The JAL Group manages risks by dividing them into three categories: (1) operational risks associated with aviation safety, aviation security and other issues related to air transportation; (2) corporate risks associated with management in general, excluding risks related to air transportation; and (3) strategic risks associated with business management that may have a material impact on corporate revenue and expenditures.

We manage operational risks by establishing the Group Council for Safety Enhancement General Meeting chaired by the President of Japan Airlines Co., Ltd. and composed

of directors appointed by the President and the presidents of Group airline companies. We have also established the Group Operational Safety Promotion Committee under the Council, headed by the executive officer of Corporate Safety & Security at Japan Airlines Co., Ltd. Membership includes the vice presidents of the Safety Management Departments and board members in charge of safety at Group airline companies. The Group Operational Safety Promotion Committee monitors and evaluates the safety management system based on the status of flight operations. By formulating and evaluating the plans, policies and measures on aviation safety, making over-

all adjustments and offering recommendations, advice and guidance, this committee seeks to maintain and strengthen collaboration between departments and between Group airline companies on issues related to safety and enhance the level of safety.

To stabilize Group management by comprehensively managing risks other than those associated with aviation safety, which includes safety and security management, we have established the Risk Management Committee based on the JAL Group Basic Policies on Risk Management. Chaired by the executive officer of General Affairs at Japan Airlines Co., Ltd., this committee formulates basic risk management guidelines, submits progress reports, and shares information on measures taken when risks are identified. On an annual basis, the Risk Management Committee conducts a fixed-point observation related to risks faced by each department of Japan Airlines Co., Ltd. and major Group companies. At the management level we endeavor to build a common awareness of the results of the review and policies formulated in response to the results. We also assess and analyze risks identified by the review and provide support to responsible organizations so they can promptly implement measures to prevent risk from materializing. In addition, we have established an Information Security Committee headed by the executive officer of General Affairs and executive officer for IT Planning at Japan Airlines Co., Ltd. to strengthen our controls over personal and corporate information handled by the entire Group.

We have also established the Financial Risk Committee, headed by the executive officer of Finance and Accounting at Japan Airlines Co., Ltd., to provide corporate management with an appropriate understanding of financial risks. The Financial Risk Committee regularly monitors the results of simulations on the financial condition of the Company, estimates the potential impact of risks that may materially and quantitatively affect corporate performance, and responds to risks as necessary in tandem with the Risk Management Committee.

Business Continuity Plan

In dealing with specific risks that threaten our ability to fulfill our responsibility as a provider of public transportation, such as an unidentified viral infectious disease, including pandemic influenza, or an earthquake, we have established a Business Continuity Plan (BCP) system that enables us to effectively continue business under emergency situations based on guidelines set up in collaboration with regulatory bodies and other relevant institutions. The BCP covers the basic points of policies and procedures that are necessary for ensuring the safety of our employees and their families and for maintaining air transport operations, including reservations and guidance, which are important to the JAL Group, as well as payment

and settlement operations. We regularly conduct reviews and implement revisions as required to improve the practical application of the BCP.

In 2014, we responded to the rapid spread of the Ebola epidemic in West Africa by implementing our BCP for "Unidentified Viral Infectious Disease, Including Pandemic Influenza." We also collaborated with government institutions and set up necessary systems, consequently adding the "Policy on Handling Ebola Virus Disease (International Flights)" to the BCP.

The JAL Group introduced a safety confirmation system in 2007 to quickly confirm the safety of all JAL Group employees and their families in the event of an earthquake disaster, and launched an upgraded version of the system for the entire Group in 2014 to accelerate information gathering. In addition, through measures that include regular reporting drills, we are striving to instill in each employee an awareness of crisis management in preparation for contingencies.

Information Security Measures

An incident involving the leakage of personal information occurred in September 2014 at the JAL Group caused by an illegal login to the JAL Mileage Bank and illegal access to the customer information management system. We deeply regret the inconvenience and concern this has caused to many customers and persons involved. In response, we are strengthening information security as a top priority and are taking steps to prevent a reoccurrence.

Specifically, we advanced previously planned measures for reinforcing information security to establish a robust system for detecting and monitoring increasingly advanced and complex cyber-attacks from outside the Company while continuing to upgrade preventive measures to the highest level. The Risk Management Committee is following up to ensure steady progress is being made.

Compliance System

To ensure thorough compliance with all laws, regulations and rules governing our corporate activities, we have designated the General Affairs Department of Japan Airlines Co., Ltd. to act as the supervising division for compliance issues and are making a focused effort to raise employee awareness by adopting various measures.

We have organized the JAL Group Compliance Network comprising directors from each Group company, which seeks to cultivate a compliance culture throughout the entire Group by regularly publishing the compliance information magazine and mail magazines and providing information via the intranet.

Our compliance education and legal seminars by the Legal Affairs Department are broadly conducted through face-to-face sessions and e-learning to promote actions that comply

with social norms while preventing legal risks by actively raising Group-wide knowledge of these areas.

Whistleblower System

The JAL Group has set up a Group Hotline as a contact point for consultation on issues related to compliance and for reporting legal violations based on the Group Hotline Regulations. The Group Hotline is available to all staff employed by the JAL Group, including temporary staff and employees of subcontractors, with full guarantee that persons using the Group Hotline will not be treated adversely for doing so.

Good Partnership with Business Associates

Recognizing that our flight operations, services and products are made possible through the cooperation and support of our business associates, we strive to establish solid partnerships of mutual trust, not only through fair and transparent procurement, but by maintaining a sense of gratitude.

1. Fair and Transparent Procurement

When we select business associates, we take full consideration of the quality of their services and products, pricing and delivery times, as well as overall reliability and ongoing CSR (corporate social responsibility) efforts.

Since August 2010, we have been centralizing all the procurement operations in the Purchasing Department of Japan Airlines Co., Ltd. We have sought to provide excellent opportunities for business associates in Japan and abroad and to consistently maintain fair and transparent procurement practices.

Our goal for centralized procurement also includes cost reduction as well as standardization and higher efficiency in the operational process of procurement.

2. Providing Safe and Comfortable Service to Passengers

To ensure the comfort of all passengers aboard our flights, we are working with our business associates to nurture a culture in which the highest priority is placed on safety while also promoting thorough quality control to offer premier hospitality.

3. Promoting Procurement Activities with Due Consideration of Corporate Social Responsibility

In accordance with the Basic CSR Policy of the JAL Group, we

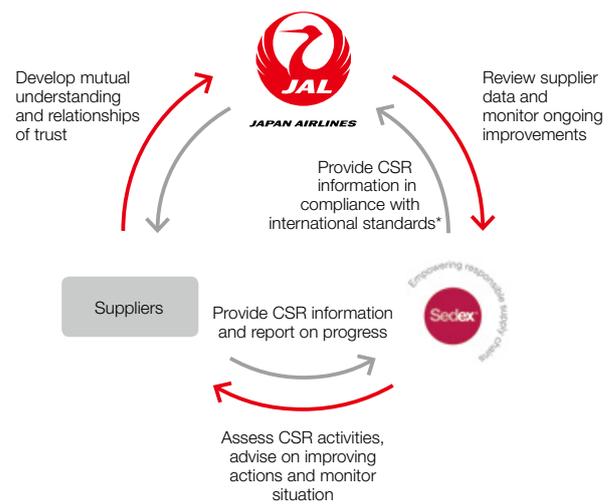
are working with our business associates to promote procurement activities with due consideration of CSR, including legal compliance, protection of the global environment, respect for human rights, proper labor practices, fair operating practices and consumer issues.

Reinforcing Supply Chain Risk Management

The JAL Group has decided to join the Global Membership, hosted by Sedex Information Exchange Limited (Sedex), to strengthen risk management throughout the supply chain and bolster the supply chain's sustainability.

Sedex is a London-based nonprofit organization that promotes ethical and responsible business practices. It shares information with suppliers around the world via an online information platform and monitors ongoing improvements in issues faced by suppliers in an effort to expand ethical business practices.

The JAL Group plans to use the CSR information platform offered by Sedex, starting with suppliers who provide goods that are directly connected to our customers, such as in-flight meals and products, to further develop the mutual understanding and relationships of trust that undergird responsible procurement.



* International standards: ISO 14001, SA 8000, OHSAS 18001, ETI (Ethical Trading Initiative) Base Code

Environmental, Social and Governance (ESG) Data

The JAL Group actively discloses information on its CSR activities.

▶ Environmental Data

(As of the end of each fiscal year)

	FY2012	FY2013	FY2014	Unit
Environment				
CO ₂ Emissions	787	820	840	10,000 tons
CO ₂ Emissions/RTK (comparison with FY2005)	88.8	89.6	86.6	%
NO _x (LTO cycle)	6.08	6.26	6.12	1,000 tons
CO (LTO cycle)	3.76	4.39	4.38	1,000 tons
HG (LTO cycle)	0.64	0.72	0.70	1,000 tons
Electricity Use*1	134	129	125	Million kWh
Heat Use (crude oil equivalent) *1	50,997	49,633	48,494	1,000 liters
Water Use*1	–	452	445	1,000 m ³
Industrial Waste*1	4,327	3,720	3,415	Tons
Ratio of Final Disposal*1	0.9	1.2	1.2	%

*1 Airports, offices, maintenance centers (Japan)

▶ Social Data

	FY2012	FY2013	FY2014	Unit
Human Resources				
Consolidated Number of Employees*2	30,882	31,472	31,534	Persons
Ground Jobs	22,858	23,084	23,093	Persons
Flight Crew	2,293	2,405	2,446	Persons
Cabin Crew	5,731	5,983	5,995	Persons
Average Age*2	38.0	37.4	38.3	Years
Ground Jobs	38.4	37.5	38.7	Years
Flight Crew	43.1	42.1	42.7	Years
Cabin Crew	34.9	35.0	35.1	Years
Ratio of Men*2	53.8	53.3	53.2	%
Ratio of Women*2	46.2	46.7	46.8	%
Managerial Staff*2	15.9	15.6	15.9	%
General Staff*2	84.1	84.4	84.1	%
Ratio of Staff with Disabilities*3	1.91	2.00	2.06	%
Ratio of Female Managers*2	14.3	14.1	15.1	%
Training Period per Person*4	59.6	62.5	60.2	Hours/Person
Training Cost per Person*4	295,713	311,704	318,249	Yen/Person
Childcare Leave Applicants	747	702	779	Persons
Nursing Care Leave Applicants	69	62	51	Persons
Ratio of Local Hires at Overseas Offices*2	92.3	92.0	90.8	%
Ratio of Locally Hired Managers at Overseas Offices*2	64.7	62.1	62.8	%
Community Contribution				
Participation in Voluntary Activities	444	915	1,044	Persons
Total Hours of Voluntary Activities	1,491	3,144	4,436	Hours

*2 As of the end of the fiscal year. *3 As of June 1 of the year following each fiscal year. Combined data for Japan Airlines Co., Ltd. and its special subsidiary JAL Sunlight Co., Ltd.

*4 Past data have been revised in accordance with improvements made in the accuracy of data collection.

▶ Governance Data (Japan Airlines Co., Ltd.)

(As of the end of each fiscal year)

	FY2012	FY2013	FY2014	Unit
Governance				
Executives	7	7	9	Persons
Female Directors	1	2	2	Persons
External Directors	2	2	2	Persons
Auditors	5	5	5	Persons
External Auditors	3	3	3	Persons
Executive Remuneration	235	294	386	Millions of yen
Directors Total (including external directors)	172	228	320	Millions of yen
Auditors Total (including external directors)	63	66	66	Millions of yen

Note: There have been 9 directors (including 2 external directors) and 5 auditors (including 2 external auditors) since the 65th ordinary general meeting of shareholders held on June 17, 2015.

Executive Officers



External Director
Eizo Kobayashi

External Director
Kimie Iwata

Director, Senior Managing
Executive Officer
Tadashi Fujita

Director, Senior Managing
Executive Officer
Toshiaki Norita

Director, Senior Managing
Executive Officer
Junko Okawa

Director, Senior Managing
Executive Officer
Norikazu Saito

Director, Chairman
Masaru Onishi

Representative Director,
President
Yoshiharu Ueki

Representative Director,
Executive Vice President
Nobuhiro Sato

(As of July 1, 2015)

Members of the Board of Directors

Director, Chairman	Masaru Onishi	Chairman of the Board of Directors
Representative Director, President	Yoshiharu Ueki	Chairman of the Board of Managing Executive Officers, Chairman of the Council for Group Safety Enhancement, Chairman of the Corporate Brand Promotion Council, Chairman of the JAL Philosophy Committee, Chairman of the CSR Committee
Representative Director, Executive Vice President	Nobuhiro Sato	Aide to the President, Safety General Manager
Director, Senior Managing Executive Officer	Junko Okawa	Corporate Brand Promotion
Director, Senior Managing Executive Officer	Tadashi Fujita	General Manager, Managing Division Passenger Sales Domestic Passenger Sales, President of JAL Sales
Director, Senior Managing Executive Officer	Norikazu Saito	Finance and Accounting
Director, Senior Managing Executive Officer	Toshiaki Norita	Corporate Planning, Business Creation Strategy
External Director	Kimie Iwata	
External Director	Eizo Kobayashi	

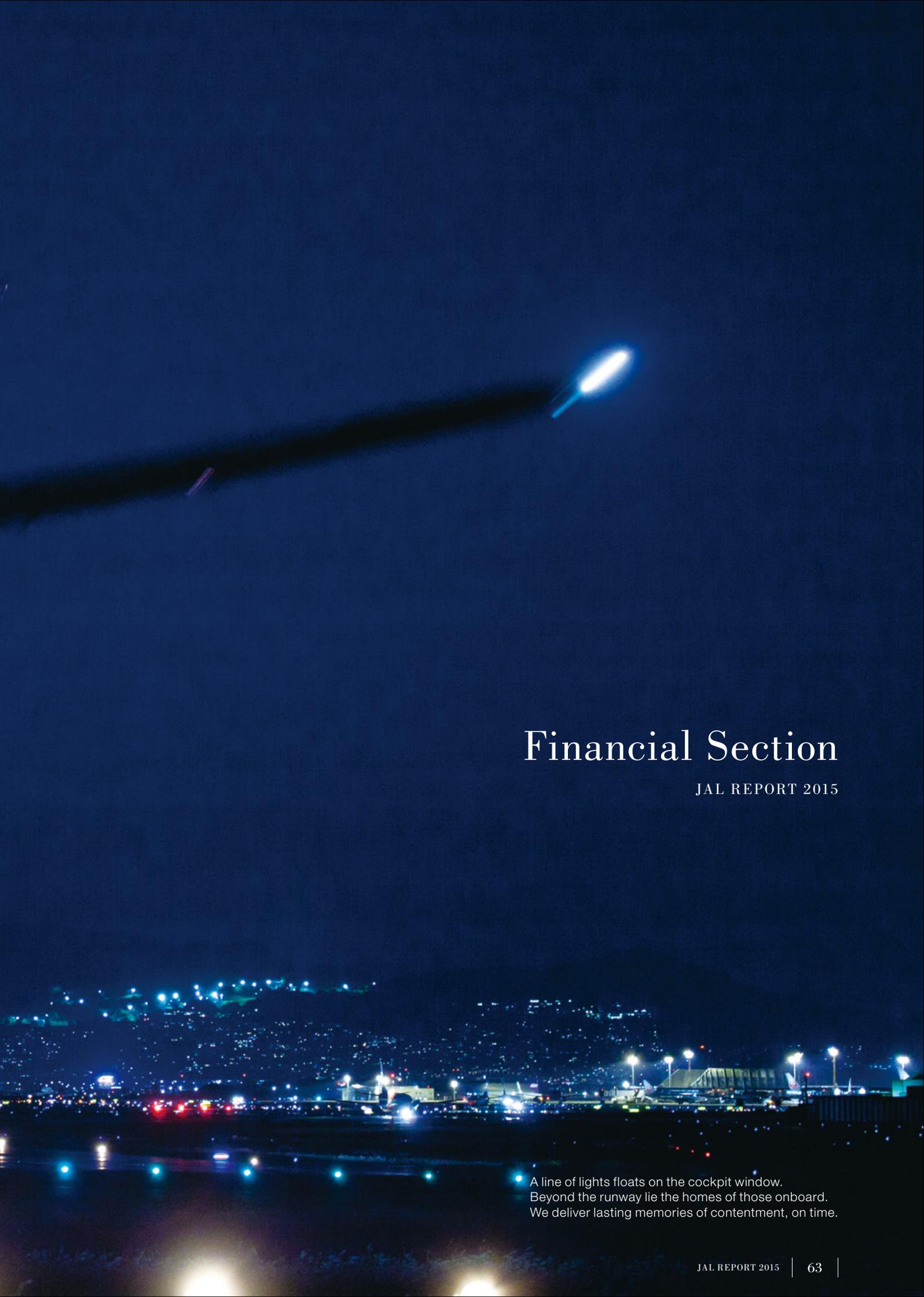
Auditors

Audit and Supervisory Board Member	Hisao Taguchi
Audit and Supervisory Board Member	Yasushi Suzuka
External Audit and Supervisory Board Member	Eiji Katayama
External Audit and Supervisory Board Member	Hiroyuki Kumasaka
External Audit and Supervisory Board Member	Shinji Hatta

Executive Officers

Senior Managing Executive Officer	Hideki Kikuyama	Managing Division Route Marketing
Managing Executive Officer	Toshinori Shin	Flight Operations
Managing Executive Officer	Nobuyoshi Gondo	Corporate Safety & Security
Managing Executive Officer	Kiyoshi Ishizeki	IT Planning
Managing Executive Officer	Ryuzo Toyoshima	Corporate Control
Managing Executive Officer	Shinichiro Shimizu	Human Resources
Executive Officer	Tsuyoshi Yamamura	Cargo & Mail
Executive Officer	Arata Yasujima	President of Japan Air Commuter Co., Ltd.
Executive Officer	Tetsuya Onuki	President of J-AIR Co., Ltd.
Executive Officer	Munemitsu Erikawa	Senior Vice President, China Vice President and Regional Manager, Beijing District Sales Manager, Beijing
Executive Officer	Kiyoshi Marukawa	President of Japan Transocean Air Co., Ltd.
Executive Officer	Akira Yonezawa	Managing Division Route Marketing (International Route Marketing)
Executive Officer	Toshiki Oka	Purchasing
Executive Officer	Jun Kato	Managing Division Route Marketing (Products and Services Planning)
Executive Officer	Hiroyuki Hioka	General Affairs
Executive Officer	Tadao Nishio	Managing Division Route Marketing (Domestic Route Marketing)
Executive Officer	Hidetsugu Ueda	Human Resources in charge of Education, Vice President, Human Resources Management
Executive Officer	Hoshiko Nakano	Senior Vice President of Western Japan area
Executive Officer	Hiroki Kato	Vice President, Haneda Airport, President of JAL Sky Co., Ltd.
Executive Officer	Tomohiro Nishihata	Managing Division Route Marketing (Passenger System Planning)
Executive Officer	Takahiro Abe	Airport Operations
Executive Officer	Hideki Oshima	Managing Division Route Marketing (International Relations and Alliances)
Executive Officer	Yuji Akasaka	Engineering & Maintenance, President of JAL Engineering
Executive Officer	Eri Abe	Cabin Attendants
Executive Officer	Hideo Ninomiya	Deputy General Manager, Managing Division Passenger Sales, International Passenger Sales, Web Sales, Senior Vice President of Eastern Japan area





Financial Section

JAL REPORT 2015

A line of lights floats on the cockpit window.
Beyond the runway lie the homes of those onboard.
We deliver lasting memories of contentment, on time.

Consolidated Balance Sheets

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

As of March 31	2015	Millions of yen 2014	Thousands of U.S. dollars (Note 4) 2015
ASSETS			
Current assets:			
Cash and time deposits (Notes 5, 7 and 10)	¥ 364,988	¥ 368,774	\$ 3,037,263
Short-term investments in securities (Notes 5, 7 and 8)	—	58	—
Notes and accounts receivable—trade (Note 7)	142,150	143,807	1,182,907
Flight equipment spare parts and supplies	19,754	20,680	164,383
Deferred income taxes (Note 12)	12,448	4,532	103,586
Other	76,931	68,082	640,184
Allowance for doubtful accounts	(817)	(926)	(6,798)
Total current assets	615,455	605,009	5,121,536
Investments in securities (Notes 6, 7, 8 and 10)	93,185	64,931	775,443
Tangible fixed assets, net:			
Flight equipment (Notes 10 and 17)	491,295	447,021	4,088,333
Ground property and equipment (Notes 10 and 17)	50,210	52,263	417,824
Advances on flight equipment and other purchases	97,752	61,992	813,447
Total tangible fixed assets	639,258	561,277	5,319,613
Software	61,668	47,336	513,173
Long-term loans receivable (Note 10)	9,343	10,745	77,748
Deferred income taxes (Note 12)	3,860	10,570	32,121
Asset for retirement benefits (Note 11)	1,974	275	16,426
Other (Note 10)	48,868	40,392	406,657
Allowance for doubtful accounts	(258)	(371)	(2,146)
Total fixed assets	857,899	735,158	7,139,044
Total assets	¥1,473,354	¥1,340,168	\$12,260,580

As of March 31	2015	2014	Thousands of U.S. dollars (Note 4)
	Millions of yen		2015
LIABILITIES			
Current liabilities:			
Accounts payable—trade (Note 7)	¥ 144,846	¥ 148,999	\$ 1,205,342
Short-term borrowings (Notes 7 and 10)	106	287	882
Current portion of long-term loans payable (Notes 7 and 10)	7,807	8,062	64,966
Lease payable (Notes 7 and 10)	25,123	32,455	209,062
Accounts payable—installment purchase (Notes 7 and 10)	174	196	1,447
Advances received	78,770	72,830	655,488
Reserve for reconstruction on business	—	332	—
Reserve for loss from business of subsidiaries	3,889	—	32,362
Deferred income taxes (Note 12)	181	122	1,506
Asset retirement obligations (Note 20)	—	1,048	—
Other	112,174	69,931	933,460
Total current liabilities	373,074	334,265	3,104,551
Non-current liabilities:			
Long-term loans payable (Notes 7 and 10)	43,809	45,084	364,558
Lease payable (Notes 7 and 10)	22,548	46,996	187,634
Long-term accounts payable—installment purchase (Notes 7 and 10)	1,025	1,200	8,529
Deferred income taxes (Note 12)	2,317	91	19,281
Liability for retirement benefits (Note 11)	191,635	166,643	1,594,699
Reserve for loss on antitrust litigation	5,858	6,352	48,747
Asset retirement obligations (Note 20)	3,419	3,356	28,451
Other	28,914	25,112	240,609
Total non-current liabilities	299,528	294,838	2,492,535
Total liabilities	672,603	629,103	5,597,095

Contingent liabilities (Note 18)

NET ASSETS (Note 13)

Stockholders' equity:

Common stock:			
Authorized: 700,000,000 shares in 2015 and 350,000,000 shares in 2014			
Issued: 362,704,000 shares in 2015 and 181,352,000 shares in 2014	181,352	181,352	1,509,128
Capital surplus	183,042	183,043	1,523,192
Retained earnings	421,137	332,067	3,504,510
Treasury stock, at cost: 203,395 shares in 2015 and 33,659 shares in 2014	(538)	(130)	(4,476)
Total stockholders' equity	784,992	696,332	6,532,345
Accumulated other comprehensive income			
Net unrealized gains on other securities (Note 8)	24,334	6,450	202,496
Deferred gain (loss) on hedges (Note 9)	(15,612)	6,887	(129,915)
Foreign currency translation adjustments	(4,101)	(5,187)	(34,126)
Accumulated adjustments for retirement benefits (Note 11)	(13,136)	(14,193)	(109,311)
Total accumulated other comprehensive income	(8,516)	(6,044)	(70,866)
Minority interests	24,275	20,775	202,005
Total net assets	800,751	711,064	6,663,485
Total liabilities and net assets	¥1,473,354	¥1,340,168	\$12,260,580

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

Consolidated Statements of Income and Comprehensive Income

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 4)
Years ended March 31	2015	2014	2015
Operating revenues:			
Passenger:			
Domestic	¥ 487,555	¥ 487,414	\$ 4,057,210
International	454,857	437,578	3,785,112
Incidental and other revenues	402,299	384,351	3,347,749
Total operating revenues	1,344,711	1,309,343	11,190,072
Operating expenses:			
Wages, salaries and benefits	240,208	235,278	1,998,901
Aircraft fuel	282,561	283,380	2,351,343
Landing fees and other rent	81,650	80,205	679,454
Aircraft maintenance	40,603	41,147	337,879
Aircraft rent	27,202	31,509	226,362
Depreciation and amortization	85,897	82,718	714,795
Other	406,897	388,311	3,386,011
Total operating expenses	1,165,021	1,142,550	9,694,774
Operating income	179,689	166,792	1,495,290
Non-operating income (expenses):			
Interest income	808	784	6,723
Dividend income	1,097	987	9,128
Interest expense	(1,665)	(2,078)	(13,855)
Gain on sales of flight equipment	3,154	1,136	26,246
Loss on sales and disposal of flight equipment	(6,954)	(4,716)	(57,868)
Equity in losses of affiliates	(2,609)	(3,749)	(21,710)
Exchange gains, net	1,889	1,234	15,719
Gain on sales of investments in securities	121	929	1,006
Gain from compensation	846	8,411	7,040
Lease penalties	(1,454)	(4,554)	(12,099)
Loss on impairment of fixed assets (Note 15)	(881)	(1,497)	(7,331)
Write-down of flight equipment spare parts and supplies	(922)	(1,663)	(7,672)
Reserve for loss from business of subsidiaries	(3,889)	—	(32,362)
Other	672	(1,970)	5,592
Total non-operating income (expense)	(9,788)	(6,745)	(81,451)
Income before income taxes and minority interests	169,901	160,047	1,413,838
Income taxes—current (Note 12)	14,656	11,159	121,960
Income taxes—deferred (Note 12)	1,319	(21,498)	10,976
Total income taxes	15,976	(10,338)	132,944
Income before minority interests	153,925	170,386	1,280,893
Minority interests	4,880	4,134	40,609
Net income	149,045	166,251	1,240,284
Minority interests	4,880	4,134	40,609
Income before minority interests	153,925	170,386	1,280,893
Other comprehensive income (Note 14)			
Net unrealized gains on other securities, net of taxes	17,610	4,026	146,542
Deferred gain (loss) on hedges, net of taxes	(22,515)	280	(187,359)
Foreign currency translation adjustments	1,333	1,512	11,092
Adjustments for retirement benefits	1,058	—	8,804
Share of other comprehensive income of associates accounted for using the equity method	355	71	2,954
Total other comprehensive income	(2,157)	5,891	(17,949)
Comprehensive income	¥ 151,768	¥ 176,277	\$ 1,262,944
Comprehensive income attribute to			
Owners of the parent	¥ 146,572	¥ 171,822	\$ 1,219,705
Minority interests	5,196	4,455	43,238

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

Consolidated Statements of Changes in Net Assets

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 4)
Years ended March 31	2015	2014	2015
Stockholders' equity			
Common stock:			
Balance at beginning of year	¥181,352	¥181,352	\$1,509,128
Changes during the fiscal year	—	—	—
Total changes	—	—	—
Balance at end of year	181,352	181,352	1,509,128
Capital surplus:			
Balance at beginning of year	183,043	183,043	1,523,200
Changes during the fiscal year:			
Change in equity	(0)	—	(0)
Total changes	(0)	—	(0)
Balance at end of year	183,042	183,043	1,523,192
Retained earnings:			
Balance at beginning of year	332,067	198,196	2,763,310
Cumulative effect of changes in accounting policies	(30,965)	—	(257,676)
Restated balance	301,102	198,196	2,505,633
Changes during the fiscal year:			
Cash dividends	(29,010)	(32,379)	(241,408)
Net income	149,045	166,251	1,240,284
Total changes	120,034	133,871	998,868
Balance at end of year	421,137	332,067	3,504,510
Treasury stock, at cost:			
Balance at beginning of year	(130)	(122)	(1,081)
Changes during the fiscal year:			
Purchases of treasury stock	(408)	(8)	(3,395)
Total changes	(408)	(8)	(3,395)
Balance at end of year	(538)	(130)	(4,476)
Total stockholders' equity:			
Balance at beginning of year	696,332	562,469	5,794,557
Cumulative effect of changes in accounting policies	(30,965)	—	(257,676)
Restated balance	665,367	562,469	5,536,881
Changes during the fiscal year:			
Cash dividends	(29,010)	(32,379)	(241,408)
Net income	149,045	166,251	1,240,284
Purchases of treasury stock	(408)	(8)	(3,395)
Change in equity	(0)	—	(0)
Total changes	119,625	133,863	995,464
Balance at end of year	¥784,992	¥696,332	\$6,532,345

	Millions of yen		Thousands of U.S. dollars (Note 4)
Years ended March 31	2015	2014	2015
Accumulated other comprehensive income			
Net unrealized gains (losses) on other securities, net of taxes (Note 8):			
Balance at beginning of year	¥ 6,450	¥ 2,353	\$ 53,673
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	17,883	4,097	148,814
Total changes	17,883	4,097	148,814
Balance at end of year	24,334	6,450	202,496
Deferred gains on hedges, net of taxes (Note 9):			
Balance at beginning of year	6,887	6,603	57,310
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	(22,499)	283	(187,226)
Total changes	(22,499)	283	(187,226)
Balance at end of year	(15,612)	6,887	(129,915)
Foreign currency translation adjustments:			
Balance at beginning of year	(5,187)	(6,378)	(43,163)
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	1,085	1,190	9,028
Total changes	1,085	1,190	9,028
Balance at end of year	(4,101)	(5,187)	(34,126)
Accumulated adjustments for retirement benefits			
Balance at beginning of year	(14,193)	—	(118,107)
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	1,056	(14,193)	8,787
Total changes	1,056	(14,193)	8,787
Balance at end of year	(13,136)	(14,193)	(109,311)
Total accumulated other comprehensive income			
Balance at beginning of year	(6,044)	2,578	(50,295)
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	(2,472)	(8,622)	(20,570)
Total changes	(2,472)	(8,622)	(20,570)
Balance at end of year	(8,516)	(6,044)	(70,866)
Minority interests			
Balance at beginning of year	20,775	18,141	172,880
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	3,499	2,634	29,117
Total changes	3,499	2,634	29,117
Balance at end of year	24,275	20,775	202,005
Total net assets			
Balance at beginning of year	711,064	583,189	5,917,150
Cumulative effect of changes in accounting policies	(30,965)	—	(257,676)
Restated balance	680,099	583,189	5,659,474
Changes during the fiscal year:			
Cash dividends	(29,010)	(32,379)	(241,408)
Net income	149,045	166,251	1,240,284
Purchases of treasury stock	(408)	(8)	(3,395)
Change in equity	(0)	—	(0)
Changes other than to stockholders' equity, net	1,026	(5,988)	8,537
Total changes	120,651	127,875	1,004,002
Balance at end of year	¥800,751	¥711,064	\$6,663,485

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

Consolidated Statements of Cash Flows

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 4)
	2015	2014	2015
Operating activities			
Income before income taxes and minority interests	¥169,901	¥160,047	\$1,413,838
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	85,897	82,718	714,795
Gain and loss on sales and disposal of fixed assets and loss on impairment of fixed assets, net	6,108	6,875	50,827
Decrease in liability for retirement benefits	(5,686)	(2,129)	(47,316)
Interest and dividend income	(1,905)	(1,772)	(15,852)
Interest expense	1,665	2,078	13,855
Exchange loss, net	943	652	7,847
Equity in losses of affiliates	2,609	3,749	21,710
Decrease (increase) in notes and accounts receivable—trade	1,975	(22,131)	16,435
Decrease in flight equipment spare parts and supplies	851	380	7,081
Increase (decrease) in accounts payable—trade	(4,392)	12,883	(36,548)
Other	15,730	17,194	130,897
Subtotal	273,700	260,546	2,277,606
Interest and dividends received	2,360	2,303	19,638
Interest paid	(1,768)	(2,232)	(14,712)
Income taxes paid	(13,152)	(12,675)	(109,444)
Net cash provided by operating activities	261,139	247,941	2,173,079
Investing activities			
Purchases of time deposits	(427,960)	(471,404)	(3,561,288)
Proceeds from maturity of time deposits	396,645	506,867	3,300,699
Purchases of fixed assets	(198,635)	(164,590)	(1,652,949)
Proceeds from sales of fixed assets	3,538	2,893	29,441
Purchases of investments in securities	(5,287)	(8,176)	(43,996)
Proceeds from sales and maturity of investments in securities	243	1,206	2,022
Proceeds from purchase of subsidiaries resulting in change in scope of consolidation (Note 16)	76	145	632
Proceeds from sales of subsidiaries resulting in change in scope of consolidation (Note 16)	169	—	1,406
Loans receivable made	(287)	(4,293)	(2,388)
Collection of loans receivable	1,859	6,138	15,469
Other	(920)	(24)	(7,655)
Net cash used in investing activities	(230,559)	(131,237)	(1,918,606)
Financing activities			
Increase (decrease) in short-term borrowings, net	(84)	23	(699)
Proceeds from long-term loans	15,342	17,880	127,669
Repayment of long-term loans	(18,465)	(9,833)	(153,657)
Dividends paid	(28,989)	(32,283)	(241,233)
Dividends paid to minority interests	(2,046)	(1,929)	(17,025)
Payments for lease payable	(32,638)	(36,112)	(271,598)
Other	(441)	342	(3,669)
Net cash used in financing activities	(67,323)	(61,912)	(560,231)
Effect of exchange rate changes on cash and cash equivalents	1,037	1,045	8,629
Net increase (decrease) in cash and cash equivalents	(35,705)	55,836	(297,120)
Cash and cash equivalents at beginning of year	155,252	99,413	1,291,936
Increase in cash and cash equivalents by merger	4	2	33
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(264)	—	(2,196)
Cash and cash equivalents at end of year (Note 5)	¥119,287	¥155,252	\$ 992,652

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

Notes to Consolidated Financial Statements

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

Japan Airlines Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan and include certain additional financial information for the convenience of readers outside Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year's classification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation and Accounting for

Investments in Unconsolidated Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

The balance sheet date of 9 of the consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period between the balance sheet date of each subsidiary and the consolidated balance sheet date have been adjusted, if necessary. The differences between the acquisition and the fair value of the net assets at the respective dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are recorded as goodwill amortized by the straight-line method over a period of from 3 to 5 years.

All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions are eliminated in consolidation.

b. Securities

Securities, except for investments in unconsolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of net assets, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving-average method.

c. Inventories

Inventories are valued at the lower of cost and net realizable value with cost determined by the moving-average method.

d. Tangible Fixed Assets (excluding leased assets)

Tangible fixed assets, excluding leased assets, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any, except as indicated in the following paragraph.

Accumulated depreciation of tangible fixed assets at March 31, 2015 and 2014 amounted to ¥336,569 million (\$2,800,773 thousand) and ¥297,802 million, respectively.

Depreciation of tangible fixed assets is computed as follows:

Flight equipment: the straight-line method based on its estimated useful life

Other: principally the straight-line method based on the estimated useful lives of the respective assets

The estimated useful lives are as follows:

Flight equipment: from 12 to 20 years

Other: from 2 to 65 years

e. Software (excluding leased assets)

Computer software intended for internal use is amortized by the straight-line method based on its estimated useful life which ranges principally from 5 to 7 years.

f. Leased Assets

Depreciation of leased assets is computed as follows:

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

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

As for certain consolidated subsidiaries, finance lease transactions that do not transfer the ownership of the leased assets to the lessee contracted prior to April 1, 2008, continue to be accounted for by a method corresponding to that used for ordinary operating lease transactions.

g. Allowance for Doubtful Accounts

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

h. Accounting Method for Retirement Benefits

In calculating the retirement benefit obligation, the method of attributing expected benefits to the accounting period is based on the benefit formula basis.

The unrecognized benefit obligation at transition is being amortized by the straight-line method principally over a period of 15 years.

Actuarial gain and loss are amortized by the straight-line method over a period ranging from 5 to 15 years, which is less than the average remaining years of service of the active participants in the plans. Amortization is computed from the fiscal year subsequent

to the year in which the difference was recorded.

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

i. Reserve for Loss on Antitrust Litigation

Estimated future loss is accrued in order to provide for penalty and compensation potentially arising from price cartel in cargo.

j. Reserve for Loss from Business of Subsidiaries

Reserve for loss from business of subsidiaries is provided for estimated future loss generated from subsidiaries' businesses.

k. Foreign Currency Translation

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

Foreign currency translation adjustments arising from the translation of assets, liabilities, revenues and expenses of foreign consolidated subsidiaries and affiliates accounted for by the equity method into yen at the applicable exchange rates at the year end are presented as foreign currency translation adjustments and minority interests in the accompanying consolidated balance sheets.

l. Derivatives and Hedge Accounting

Derivatives positions are stated at fair value.

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

m. Revenue Recognition

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

n. Income Taxes

Deferred tax assets and liabilities are recognized for expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax credit carryforwards. A valuation allowance is recorded to reduce deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company and certain domestic consolidated subsidiaries adopted the Japanese consolidated corporate tax return system.

o. Cash Equivalents

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

3. CHANGES IN ACCOUNTING POLICY

(Application of Accounting Standard for Retirement Benefits, etc.) Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Statement No. 26")) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance No. 25")) except article 35 of the Statement No. 26 and article 67 of the Guidance No. 25, and actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability (asset) for retirement benefits.

In accordance with article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in accumulated adjustments for retirement benefits in accumulated other comprehensive income.

As a result of the application, accumulated other comprehensive income has decreased by ¥14,193 million, at the end of the current fiscal year. The effects of this change on net assets per share have decreased by ¥78.28.

Effective from the year ended March 31, 2015, the Company and its consolidated domestic subsidiaries have adopted article 35 of the Statement No. 26 and article 67 of the Guidance No. 25 and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have mainly changed the method of attributing expected benefits to periods from a straight-line basis using a discount rate based on estimated average remaining years of service of the eligible employees to a benefit formula basis using a discount rate that is a single weighted average reflecting the projected benefit payment period and the projected payment per period.

In accordance with article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, retained earnings has decreased by ¥30,965 million (\$257,676 thousand) at the beginning of the current fiscal year. In addition, operating income has increased by ¥2,301 million (\$19,147 thousand) and income before taxes has increased by ¥2,302 million (\$19,156 thousand) in the current fiscal year.

Due to these changes, net assets per share of common stock have decreased by ¥79.17 and net income per share of common stock have increased by ¥6.25.

For the effects on segment information, please refer to "Note 21. SEGMENT INFORMATION".

(Application of Accounting Standard for Business Combination, etc.)

Effective from the fiscal year beginning on or after April 1, 2014, "Revised Accounting Standard for Business Combination" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, Sep-

tember 13, 2013 (hereinafter, "Statement No. 7") (together, the "Business Combination Accounting Standards"), are permitted to be applied. The Company and its domestic subsidiaries have adopted these accounting standards from this current fiscal year, except for article 39 of Statement No. 22 and, as a result, changed the accounting policies: to recognize differences as capital surplus arising from the changes in the Company's ownership interest of subsidiaries, over which the Company continues control; and to record the acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company has changed the accounting policies for the reallocation of acquisition costs due to the completion of the provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place.

With regard to the application of the Business Combination Accounting Standards, the Company has followed the provisional treatments in article 58-2 (4) of Statement No. 21, article 44-5 (4) of Statement No. 22 and article 57-4 (4) of Statement No. 7 with application from the beginning of the current fiscal year into the future.

As a result, the effects of these changes on income before tax for the current fiscal year and capital surplus at the beginning of the current fiscal year were immaterial.

In the consolidated statements of cash flows of the current fiscal year, cash flows from acquisition of the shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs of the shares of subsidiaries with changes in the scope of consolidation are included in "Cash flows from operating activities".

The effects of these changes on capital surplus at the end of the current fiscal year in the consolidated statements of changes in net assets, net income per share of common stock and net assets per share of common stock were immaterial, respectively.

For the effects on segment information, please refer to "Note 21. SEGMENT INFORMATION".

4. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. A rate of JPY 120.17 = USD 1.00, the approximate exchange rate prevailing on March 31, 2015, has been used in translation. The convenience translations should not be constructed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

5. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
As of March 31			
Cash and time deposits	¥ 364,988	¥ 368,774	\$ 3,037,263
Time deposits with a maturity of more than three months	(245,700)	(213,580)	(2,044,603)
Short-term investments in securities with a maturity of three months or less	—	58	—
Cash and cash equivalents	¥ 119,287	¥ 155,252	\$ 992,652

6. INVESTMENTS IN SECURITIES OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in securities of non-consolidated subsidiaries and affiliates which were included in "Investments in securities" in the consolidated balance sheets at March 31, 2015 and 2014 amounted to ¥34,302 million (\$285,445 thousand) and ¥31,227 million, respectively, and bonds of affiliates which were included in "Investments in securities" in the consolidated balance sheets at March 31, 2015 and 2014 amounted to ¥3,330 million (\$27,710 thousand) and ¥3,330 million, respectively.

7. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company and consolidated subsidiaries (the "JAL Group") manages its financial instruments to raise funds, principally for the purpose of flight equipment and facilities in accordance with management plans for air transportation, utilizing loans from financial institutions, finance lease transactions, and derivatives. Funds from short-term borrowings are utilized for ordinary operations. Funds from long-term loans payable and finance lease transactions are utilized for flight equipment and facilities. Derivatives are utilized for the purpose of reducing the risk on fluctuations of interest rates and foreign currency exchange rates, not for the purpose of speculation.

With respect to trade receivables, the JAL Group exercises due date management and outstanding balance management in accordance with internal policies. The JAL Group makes best efforts to identify and mitigate risks of bad debts from major customers with financial difficulties by periodically monitoring their creditworthiness. Short-term investments in securities and investments in securities are composed of mainly the shares of companies with which the JAL Group has business relationships. The JAL Group reviews the fair values of such financial instruments and the financial position of the issuers periodically in order to identify and mitigate risks of impairment. Most of accounts payable—trade is due within one year. As for derivatives, the JAL Group believes that the credit risks are extremely low, as it enters into derivative transactions only with reputable financial institutions with a sound credit profile.

In order to mitigate the risks of fluctuations in interest rates and foreign currency exchange rates on receivables and payables, the Company utilizes derivatives. The JAL Group utilizes currencies options to reduce the risk of foreign currency exchange rate fluctuations for specific foreign currency denominated receivables and payables, mainly for overseas travel service payables.

The JAL Group also utilizes commodity derivatives in order to mitigate the risk of fluctuations in commodity prices of fuel and stabilize such fuel costs.

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

The fair value of financial instruments is based on the quoted market price, when it is available. When there is no market price available, fair value is reasonably estimated. Since various assump-

tions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

The book value of financial instruments in the consolidated balance sheets, their fair value, and the difference as of March 31, 2015 and 2014 were as follows:

Millions of yen			
As of March 31, 2015	Book value	Fair value	Differences
Assets			
(1) Cash and time deposits	¥364,988	¥364,988	¥ —
(2) Notes and accounts receivable—trade	142,150	142,150	—
(3) Short-term investment securities and investment securities			
(i) Investments in securities of non-consolidated subsidiaries and affiliates	14,648	14,462	(186)
(ii) Other investment securities	50,105	50,105	—
Total	571,893	571,706	(186)
Liabilities			
(1) Accounts payable—trade	144,846	144,846	—
(2) Short-term borrowings	106	106	—
(3) Long-term loans payable	51,617	51,617	—
(4) Lease payable	47,671	47,671	—
(5) Long-term accounts payable—installment purchase	1,200	1,200	—
Total	245,442	245,442	—
Derivatives*	¥ (14,086)	¥ (13,876)	¥ 209

* Derivatives assets and liabilities are stated on a net basis, and a net liability position is enclosed in parentheses.

Thousands of U.S. dollars			
As of March 31, 2015	Book value	Fair value	Differences
Assets			
(1) Cash and time deposits	\$3,037,263	\$3,037,263	\$ —
(2) Notes and accounts receivable—trade	1,182,907	1,182,907	—
(3) Short-term investment securities and investment securities			
(i) Investments in securities of non-consolidated subsidiaries and affiliates	121,893	120,346	(1,547)
(ii) Other investment securities	416,950	416,950	—
Total	4,759,033	4,757,476	(1,547)
Liabilities			
(1) Accounts payable—trade	1,205,342	1,205,342	—
(2) Short-term borrowings	882	882	—
(3) Long-term loans payable	429,533	429,533	—
(4) Lease payable	396,696	396,696	—
(5) Long-term accounts payable—installment purchase	9,985	9,985	—
Total	2,042,456	2,042,456	—
Derivatives*	\$ (117,217)	\$ (115,469)	\$ 1,739

* Derivatives assets and liabilities are stated on a net basis, and a net liability position is enclosed in parentheses.

Millions of yen			
As of March 31, 2014	Book value	Fair value	Differences
Assets			
(1) Cash and time deposits	¥368,774	¥368,774	¥ —
(2) Notes and accounts receivable—trade	143,807	143,807	—
(3) Short-term investment securities and investment securities			
(i) Investments in securities of non-consolidated subsidiaries and affiliates	13,865	12,367	(1,498)
(ii) Other investment securities	25,199	25,199	—
Total	551,645	550,147	(1,498)
Liabilities			
(1) Accounts payable—trade	148,999	148,999	—
(2) Short-term borrowings	287	287	—
(3) Long-term loans payable	53,146	53,146	—
(4) Lease payable	79,452	79,452	—
(5) Long-term accounts payable—installment purchase	1,396	1,396	—
Total	283,281	283,281	—
Derivatives*	¥ 14,823	¥ 15,157	¥ 334

* Derivatives assets and liabilities are stated on a net basis, and a net liability position is enclosed in parentheses.

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

Assets

(1) Cash on hand and in banks and (2) Notes and accounts receivable—trade

The fair value equates to the book value due to the short-term nature of these instruments.

(3) Short-term investment securities and investment securities

The fair value of securities is determined based on the market price. These investment securities are described further in "Note 8. INVESTMENT SECURITIES".

Liabilities

(1) Accounts payable—trade and (2) Short-term borrowings

The fair value equates to the book value due to the short-term nature of these instruments.

(3) Long-term loans payable, (4) Lease payable and (5) Long-term accounts payable—installment purchase

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

Derivatives

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

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investments in unconsolidated subsidiaries and affiliates	¥19,653	¥17,362	\$163,543
Held-to-maturity securities	3,330	3,330	27,710
Other securities	5,447	5,234	45,327

The above are not included in “(3)(ii) Other investment securities” in the fair value of financial instruments because there is no market value and it is difficult to measure the fair value.

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

Millions of yen				
As of March 31, 2015	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	¥364,988	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	142,150	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities	—	—	—	3,330

Thousands of U.S. dollars				
As of March 31, 2015	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	\$3,037,263	\$ —	\$ —	\$ —
Notes and accounts receivable—trade	1,182,907	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities	—	—	—	27,710

Millions of yen				
As of March 31, 2014	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	¥368,774	¥ —	¥ —	¥ —
Notes and accounts receivable—trade	143,807	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities	—	—	—	3,330

Redemption schedule for short-term and long-term debt subsequent to the consolidated balance sheet date is described in “Note 10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT”.

8. INVESTMENT SECURITIES

No trading securities were held at March 31, 2015 and 2014. Securities classified as other securities are included in “Short-term investments in securities” and “Investments in securities” in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2015 and 2014 were summarized as follows:

Millions of yen			
As of March 31, 2015	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥15,913	¥50,105	¥34,191
	15,913	50,105	34,191
Unrealized loss:			
Stocks	—	—	—
	—	—	—
Total	¥15,913	¥50,105	¥34,191

Thousands of U.S. dollars			
As of March 31, 2015	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	\$132,420	\$416,950	\$284,521
	132,420	416,950	284,521
Unrealized loss:			
Stocks	—	—	—
	—	—	—
Total	\$132,420	\$416,950	\$284,521

Millions of yen			
As of March 31, 2014	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥15,595	¥24,884	¥9,289
	15,595	24,884	9,289
Unrealized loss:			
Stocks	318	314	(3)
	318	314	(3)
Total	¥15,913	¥25,199	¥9,285

Proceeds from sales of securities classified as other securities for the years ended March 31, 2015 and 2014 amounted to ¥54 million (\$449 thousand) and ¥1,190 million, respectively. For the years ended March 31, 2015 and 2014 the aggregate gain realized on those sales totaled ¥0 million (\$0 thousand) and ¥930 million, respectively. For the years ended March 31, 2014 the aggregate loss realized on those sales totaled ¥0 million.

9. DERIVATIVES AND HEDGING ACTIVITIES

Certain consolidated subsidiaries utilize forward foreign exchange contracts and currency options on a consistent basis to hedge certain foreign currency transactions related to foreign purchase commitments, principally for flight equipment and foreign accounts receivable and payable, and other items. The Company also enters into a variety of options in its management of risk exposure related to the commodity prices of fuel.

The Company and certain consolidated subsidiaries enter into these hedging transactions in accordance with the internal guidelines and strategies established by management. The routine operations of the department which is responsible for hedging transactions are examined by other departments. Gain and loss on hedging instruments and the assessment of hedge effectiveness, which are performed both at inception and on an ongoing basis, are reported at meetings of the related department managers on a timely basis. Other consolidated subsidiaries have adopted procedures for hedging transactions which are more simplified than those adopted by the Company.

The contract amount and the estimated fair value of the open derivatives positions at March 31, 2015 and 2014, which met the criteria required for the application of hedge accounting, are summarized as follows:

		Millions of yen			Thousands of U.S. dollars		
As of March 31, 2015		Contract amounts			Contract amounts		
Type of derivatives	Major hedged items	Total	Maturing after 1 year	Estimate fair value	Total	Maturing after 1 year	Estimate fair value
Forward foreign currency exchange contracts:							
Buy:							
USD	Accounts payable—trade	¥ 37,248	¥ 1,690	¥ 3,624	\$ 309,960	\$ 14,063	\$ 30,157
EUR	Accounts payable—trade	3,284	—	(211)	27,327	—	(1,755)
Others	Accounts payable—trade	1,303	—	(32)	10,842	—	(266)
Currencies options:							
Buy:							
Call option	Accounts payable—trade	183,843	28,723	19,433	1,529,857	239,019	161,712
Sell:							
Put option	Accounts payable—trade	97,158	26,186	(869)	808,504	217,907	(7,231)
Commodity swap:							
Received variable/pay fixed	Aircraft fuel	113,996	30,971	(36,044)	948,622	257,726	(299,941)
Commodity options:							
Buy:							
Call option	Aircraft fuel	158,887	—	13	1,322,185	—	108
Method of hedge accounting: Special treatment (Note 2. 1.)							
Forward foreign currency exchange contracts:							
Buy:							
USD	Accounts payable—trade	1,102	—	226	9,170	—	1,880
EUR	Accounts payable—trade	282	—	(19)	2,346	—	(158)
Others	Accounts payable—trade	80	—	2	665	—	16
Total				¥(13,876)	\$ (115,469)		

All derivative transactions were conducted as over-the-counter transactions. Fair value is estimated based on prices quoted by financial institutions and others.

All derivative transactions were conducted as over-the-counter transactions. Fair value is estimated based on prices quoted by financial institutions and others.

		Millions of yen		
As of March 31, 2014		Contract amounts		
Type of derivatives	Major hedged items	Total	Maturing after 1 year	Estimate fair value
Forward foreign currency exchange contracts:				
Buy:				
USD	Accounts payable—trade	¥ 25,976	¥ 3,047	¥ 5,255
EUR	Accounts payable—trade	3,430	—	160
Others	Accounts payable—trade	1,215	—	29
Currencies options:				
Buy:				
Call option	Accounts payable—trade	194,217	22,666	7,031
Sell:				
Put option	Accounts payable—trade	82,331	20,957	(1,151)
Commodity swap:				
Received variable/pay fixed	Aircraft fuel	105,640	26,964	3,364
Commodity options:				
Buy:				
Call option	Aircraft fuel	150,001	—	134
Method of hedge accounting: Special treatment (Note 2. 1.)				
Forward foreign currency exchange contracts:				
Buy:				
USD	Accounts payable—trade	2,969	—	319
EUR	Accounts payable—trade	217	—	15
Others	Accounts payable—trade	157	—	(0)
Total				¥15,157

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The weighted-average interest rate for short-term borrowings outstanding at March 31, 2015 was 0.1%. Long-term debt at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rates
As of March 31	2015	2014	2015	2015
Long-term loans:				
Current portion of long-term loans payable	¥ 7,807	¥ 8,062	\$ 64,966	1.1%
Long-term loans payable (excluding current portion) due 2016 to 2029	43,809	45,084	364,558	1.0%
Lease payable:				
Current portion of lease payable	25,123	32,455	209,062	0.1%
Lease payable (excluding current portion) due 2016 to 2025	22,548	46,996	187,634	0.5%
Long-term accounts payable—installment purchase:				
Current portion of Long-term payable—installment purchase	174	196	1,447	2.0%
Long-term accounts payable—installment purchase (excluding current portion) due 2021	1,025	1,200	8,529	2.0%
Total	¥100,488	¥133,995	\$836,215	

The aggregate annual maturities of long-term debt within 5 years subsequent to March 31, 2015 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 33,104	\$275,476
2017	20,394	169,709
2018	10,653	88,649
2019	6,929	57,659
2020	6,792	56,519
2021 and thereafter	22,613	188,175
Total	¥100,488	\$836,215

Assets pledged as collateral at March 31, 2015 for long-term and short-term debt of ¥49,448 million (\$411,483 thousand) are flight equipment and others of ¥171,605 million (\$1,428,018 thousand). Assets pledged as collateral at March 31, 2014 for long-term and short-term debt of ¥53,791 million are flight equipment and others of ¥183,558 million.

Also included as part of pledged assets are certain assets set aside for revolving pledges on obligations accompanying syndicated loans taken out by an affiliate, Tokyo International Airport Terminal Corporation, for core business purposes. The amounts include security deposits paid to the banks regarding derivative transactions.

The Company entered into loan commitment agreements amounting to ¥50,000 million (\$416,077 thousand) with three banks. There were no loan payables outstanding at March 31, 2015 under these loan commitment agreements.

11. RETIREMENT BENEFIT PLANS

Outline of Current Retirement Benefit System

An employee whose employment is terminated is entitled, in most cases, to pension annuity payments or to a lump-sum severance payment determined by reference to the employee's basic rate of pay, length of service and the conditions under which the termination occurs.

The Company and certain significant domestic consolidated subsidiaries have established contributory defined benefit pension plans such as corporate pension funds and lump-sum severance indemnity plans. In certain cases, additional severance payments may be provided.

As of March 31, 2015, the Company and 43 consolidated subsidiaries had adopted a lump-sum severance indemnity plan. Additionally, there were 3 corporate pension funds, including the Japan Airlines Welfare Pension Fund. Certain foreign subsidiaries have also established contributory defined benefit pension plans.

The Japan Airlines Welfare Pension Fund also introduced an option similar to a cash-balance plan as well as other alternatives. The JAL Group Pension Fund, which was established by certain consolidated subsidiaries, introduced a cash-balance plan option.

Some of the consolidated subsidiaries adopt the simplified method for the calculation of retirement benefit obligations.

For the years ended March 31, 2015 and 2014

a. Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2015	2014	2015
Balance at beginning of year	¥396,449	¥397,607	\$3,299,067
Cumulative effect of changes in accounting policies	30,229	—	251,551
Restated balance	426,678	397,607	3,550,619
Service cost	12,813	10,244	106,623
Interest cost	3,221	8,119	26,803
Actuarial loss	4,176	1,454	34,750
Benefit paid	(22,353)	(20,966)	(186,011)
Past service costs	(6)	—	(49)
Other	143	(9)	1,189
Balance at end of year	¥424,673	¥396,449	\$3,533,935

(2) Balances of plan assets, excluding plans adopting the simplified method

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2015	2014	2015
Balance at beginning of year	¥233,331	¥229,229	\$1,941,674
Expected return on plan assets	3,613	3,538	30,065
Actuarial gain	3,102	2,207	25,813
Contributions paid by the employer	16,586	16,478	138,021
Benefit paid	(18,522)	(18,122)	(154,131)
Balance at end of year	¥238,110	¥233,331	\$1,981,442

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits, applying the simplified method

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2015	2014	2015
Balance at beginning of year	¥3,249	¥3,050	\$27,036
Retirement benefit cost	192	171	1,597
Contributions paid by the employer	(190)	(205)	(1,581)
Benefit paid	(254)	(228)	(2,113)
Increase (decrease) on partial termination of defined benefit plan	17	(20)	141
Increase by merger	43	464	357
Other	39	17	324
Balance at end of year	¥3,098	¥3,249	\$25,780

(4) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2015	2014	2015
Funded retirement benefit obligations	¥339,880	¥299,952	\$2,828,326
Plan assets	(241,887)	(237,004)	(2,012,873)
	97,993	62,948	815,453
Unfunded retirement benefit obligations	91,667	103,419	762,811
Total net liability (asset) for retirement benefits	189,661	166,367	1,578,272
Liability for retirement benefits	191,635	166,643	1,594,699
Asset for retirement benefits	(1,974)	(275)	(16,426)
Total net liability (asset) for retirement benefits	¥189,661	¥166,367	\$1,578,272

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2015	2014	2015
Service cost	¥12,813	¥10,244	\$106,623
Interest cost	3,221	8,119	26,803
Expected return on plan assets	(3,613)	(3,538)	(30,065)
Past service costs amortization	(24)	(18)	(199)
Net actuarial loss amortization	1,475	1,884	12,274
Amortization of unrecognized severance benefit obligation at transition	680	684	5,658
Retirement benefit cost based on the simplified method	192	171	1,597
Other	(685)	(671)	(5,700)
Subtotal	14,059	16,876	116,992
Loss on partial termination of defined benefit plan, net	20	25	166
Total	¥14,079	¥16,901	\$117,159

(6) Adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2015	2014	2015
Past service costs	¥ (18)	¥ —	\$ (149)
Actuarial losses	401	—	3,336
Benefit obligation at transition	680	—	5,658
	¥1,063	¥ —	\$8,845

(7) Accumulated adjustments for retirement benefits

	Millions of yen		Thousands of U.S. dollars
As of March 31	2015	2014	2015
Past service costs that are yet to be recognized	¥ (417)	¥ (435)	\$ (3,470)
Actuarial losses that are yet to be recognized	13,881	14,282	115,511
Unrecognized benefit obligation at transition	—	680	—
	¥13,463	¥14,527	\$112,032

(8) Plan assets

Years ended March 31	2015	2014
	%	%
General insurance fund	89	79
Bond	3	6
Other	8	15
Total	100	100

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

(9) Actuarial assumptions

Years ended March 31	2015	2014
	%	%
Discount rate	0.6–1.8	1.0–2.1
Long-term expected rate of return	1.0–2.5	1.0–2.5

b. Defined contribution plans

The Company and its consolidated subsidiaries contributed to the total of ¥1,579 million (\$13,139 thousand) and ¥1,545 million for the fiscal years ended March 31, 2015 and 2014, respectively.

12. INCOME TAX

The significant components of deferred tax assets and liabilities and the related valuation allowances at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2015	2014	2015
Deferred tax assets:			
Liability for retirement benefits	¥ 60,834	¥ 57,417	\$ 506,232
Deferred losses on hedges	12,845	416	106,890
Lease payable	11,284	22,381	93,900
Accounts payable—trade	9,413	8,947	78,330
Non-recurring depreciation	3,634	3,497	30,240
Deferred liability on aircraft and aircraft equipment	3,018	4,760	25,114
Reserve for loss on antitrust litigation	1,837	2,176	15,286
Asset retirement obligations	1,075	1,513	8,945
Tax loss carryforwards	247,720	308,571	2,061,412
Other	8,060	7,339	67,071
	359,723	417,020	2,993,450
Valuation allowance	(316,836)	(377,712)	(2,636,564)
	42,887	39,307	356,886
Deferred tax liabilities:			
Net unrealized gain on other securities	10,863	3,273	90,396
Leased assets	7,181	13,658	59,757
Deferred gain on hedges	6,373	4,104	53,033
Other	4,659	3,381	38,770
	29,077	24,418	241,965
Net deferred tax assets	¥ 13,809	¥ 14,889	\$ 114,912

A reconciliation between the Japanese statutory income tax rate and the Company's and the consolidated subsidiaries' effective tax rates for the years ended March 31, 2015 and 2014 were as follows:

Years ended March 31	2015	2014
	%	%
Statutory rate	34.3	36.7
Equity in earnings/losses of affiliates	0.5	0.9
Changes in valuation allowance	(27.5)	(42.4)
Decrease in deferred tax assets due to the change in tax rate	1.0	0.5
Other	1.1	(2.2)
Effective tax rate	9.4	(6.5)

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax. Income taxes of foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

On March 31, 2014, the "Act for Partial Revision of the Income Tax Act etc." (Act. No. 10 of 2014) was officially issued and, accordingly, the special Japanese reconstruction corporate tax applicable to the Company and its domestic subsidiaries will not be applied effective the year ending March 31, 2015.

Corresponding to this change, the statutory tax rate applied in calculating deferred income taxes was reduced from 36.7% to 34.3%. The effect of this change on the accompanying consolidated financial statements of the Company was immaterial.

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 34.3% for the fiscal year ended March 31, 2015 to 31.9% and 31.4%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥992 million (\$8,254 thousand) as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥1,627 million (\$13,539 thousand), net unrealized gains on other securities increased by ¥1,020 million (\$8,487 thousand), deferred gain (loss) on hedges decreased by ¥370 million (\$3,078 thousand), and accumulated adjustments for retirement benefits decreased by ¥16 million (\$133 thousand).

13. NET ASSETS

The Companies Act of Japan (the "Act"), provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus (except for distributions from additional paid-in capital) and retained earnings (except for distributions from the legal reserve) be appropriated to additional paid-in capital and the legal reserve, respectively, until the sum of additional paid-in capital and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the stockholders, or by the Board of Directors if certain conditions are met, but neither additional paid-in capital nor the legal reserve is available for distribution by resolution of the Board of Directors.

A company may, by a resolution of its board of directors, designate an amount not exceeding half of the price of new shares as additional paid-in capital, which is included in capital surplus. The maximum amount that a company can distribute as dividends is calculated based on its unconsolidated financial statements in accordance with the Act.

At the annual stockholders' meeting held on June 17, 2015, the stockholders approved cash dividends amounting to ¥37,707 million (\$313,780 thousand). Such appropriations have not been accrued in the Consolidated Financial Statement as of March 31, 2015. The total number and changes in the total number of shares of stock authorized and in issue and common stock in treasury for the year ended March 31, 2015 were as follows:

Year ended March 31, 2015	Thousands of shares			At March 31, 2015
	At April 1, 2014	Increase	Decrease	
Number of shares of stock authorized:				
Common stock	350,000	350,000	—	700,000
Preferred stock	50,000	—	—	50,000
Total	400,000	350,000	—	750,000
Number of shares of stock in issue:				
Common stock	181,352	181,352	—	362,704
Total	181,352	181,352	—	362,704
Number of shares of common stock in treasury:				
Common stock	33	169	—	203
Total	33	169	—	203

The Company undertook a two-for-one stock split of common stock on October 1, 2014. The increase in common stock of 181,352 thousand shares during the year ended March 31, 2015 resulted from the stock split.

The increase in common stock in treasury of 169 thousand shares during the year ended March 31, 2015 resulted from the Company's purchases of 136 thousand shares and the stock split of 33 thousand shares.

The total number and changes in the total number of shares of stock authorized, in issue and common stock in treasury for the year ended March 31, 2014 were as follows:

Thousands of shares				
Year ended March 31, 2014	At April 1, 2013	Increase	Decrease	At March 31, 2014
Number of shares of stock authorized:				
Common stock	350,000	—	—	350,000
Preferred stock	50,000	—	—	50,000
Total	400,000	—	—	400,000
Number of shares of stock in issue:				
Common stock	181,352	—	—	181,352
Total	181,352	—	—	181,352
Number of shares of common stock in treasury:				
Common stock	31	1	—	33
Total	31	1	—	33

The increase in common stock in treasury of 1 thousand shares during the year ended March 31, 2014 mainly resulted from the Company's purchases of the equivalent of 1 thousand shares by affiliates accounted for by the equity method.

14. OTHER COMPREHENSIVE INCOME

Reclassification adjustments for each component of other comprehensive income including tax effect for the years ended March 31, 2015 and 2014 were as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gains on other securities, net of taxes:			
Unrealized holding gains arising during the period	¥25,198	¥ 5,936	\$209,686
Less: Reclassification adjustment included in net income	—	194	—
Pre-tax amount	25,198	6,130	209,686
Tax expense	(7,588)	(2,103)	(63,143)
Net unrealized gains on securities, net	17,610	4,026	146,542
Deferred gains (losses) on hedges, net of taxes:			
Deferred gains (losses) arising during the period	(29,577)	13,045	(246,126)
Less: Reclassification adjustment included in net income	(1,546)	(13,033)	(12,865)
Pre-tax amount	(31,123)	11	(258,991)
Tax benefit	8,608	268	71,631
Deferred gains (losses), net of taxes	(22,515)	280	(187,359)
Foreign currency translation adjustments:			
Translation adjustments arising during the period	1,333	1,512	11,092
Less: Reclassification adjustment included in net income	(0)	—	(0)
Foreign currency translation adjustments	1,333	1,512	11,092
Adjustments for retirement benefits:			
Adjustments for retirement benefits arising during the period	(1,068)	—	(8,887)
Less: Reclassification adjustment included in net income	2,131	—	17,733
Pre-tax amount	1,063	—	8,845
Tax expense	(4)	—	(33)
Adjustments for retirement benefits	1,058	—	8,804
Share of other comprehensive income of associates accounted for by the equity method:			
Share of other comprehensive income of associates accounted for by the equity method arising during the period	355	71	2,954
Total other comprehensive income	¥ (2,157)	¥ 5,891	\$ (17,949)

15. LOSS ON IMPAIRMENT OF FIXED ASSETS

Assets are attributed or allocated to cash generating units which generated largely independent cash flows for calculating impairment losses. Assets to be sold and idle assets are written down to their respective recoverable amounts.

The Company and its consolidated subsidiaries estimated recoverable amounts at the higher of fair value less costs to sell and value in use. Fair value is based on reasonable estimates made by the Company and its consolidated subsidiaries in accordance with the contract amounts of sales for the periods ended March 31, 2015 and 2014, respectively.

The Company and certain consolidated subsidiaries have recognized impairment losses on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2015:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Assets to be sold	Flight equipment	—

An impairment loss of ¥881 million (\$7,331 thousand) on flight equipment was recognized as non-operating expense in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2015.

The Company and certain consolidated subsidiaries have recognized impairment losses on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2014:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Assets to be sold	Flight equipment	—

An impairment loss of ¥1,497 million on flight equipment was recognized as non-operating expense in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2014.

16. SUPPLEMENTARY CASH FLOW INFORMATION

The assets and liabilities of a subsidiary included in consolidation following the purchase of its shares during the year ended March 31, 2015 were as follows:

Year ended March 31, 2015	Millions of yen	Thousands of U.S. dollars
Current assets	¥579	\$4,818
Fixed assets	876	7,289
Current liabilities	(503)	(4,185)
Non-current liabilities	(422)	(3,511)
Minority interests	(243)	(2,022)
Expenditure for purchase of shares of common stock	286	2,379
Gain on step acquisition	(80)	(665)
Cash and cash equivalents held by subsidiaries	(282)	(2,346)
Net proceeds	¥ 76	\$ 632

The assets and liabilities of a subsidiary included in consolidation following the purchase of its shares during the year ended March 31, 2014 were as follows:

Year ended March 31, 2014	Millions of yen
Current assets	¥323
Fixed assets	12
Current liabilities	(329)
Non-current liabilities	(7)
Minority interests	3
Expenditure for purchase of shares of common stock	2
Gain on step acquisition	(2)
Cash and cash equivalents held by subsidiaries	(145)
Net proceeds	¥145

The assets and liabilities of a subsidiary excluded in consolidation following the sales of its shares during the year ended March 31, 2015 were as follows:

Year ended March 31, 2015	Millions of yen	Thousands of U.S. dollars
Current assets	¥560	\$4,660
Fixed assets	2	16
Current liabilities	(217)	(1,805)
Minority interests	(9)	(74)
Foreign currency translation adjustments	(7)	(58)
Gain on sales of shares	72	599
Proceeds from sales of shares of common stock	401	3,336
Cash and cash equivalents held by subsidiaries	(231)	(1,922)
Net proceeds	¥169	\$1,406

17. LEASES

As Lessee

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2015 and 2014, and the related depreciation and interest expense for the periods ended March 31, 2015 and 2014, which would have been reflected in the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income if finance lease accounting had been applied to the finance leases currently accounted for as operating leases whose contracts were entered into prior to April 1, 2008:

Millions of yen			
As of March 31, 2015	Acquisition cost	Less accumulated depreciation	Net book value
Machinery, equipment and vehicles	58	55	2
Total	¥ 58	¥ 55	¥ 2

Thousands of U.S. dollars			
As of March 31, 2015	Acquisition cost	Less accumulated depreciation	Net book value
Machinery, equipment and vehicles	482	457	16
Total	¥482	¥457	¥ 16

Millions of yen			
As of March 31, 2014	Acquisition cost	Less accumulated depreciation	Net book value
Flight equipment	¥ 988	¥ 939	¥49
Machinery, equipment and vehicles	118	100	17
Other	407	385	22
Total	¥1,514	¥1,424	¥89

Millions of yen			Thousands of U.S. dollars
Years ended March 31	2015	2014	2015
Lease expenses	¥93	¥320	773
Depreciation equivalent	85	296	707
Interest equivalents	1	10	8

The present value of future rental expenses under finance leases accounted for as operating leases outstanding at March 31, 2015 and 2014 were as follows:

Millions of yen			Thousands of U.S. dollars
As of March 31	2015	2014	2015
Within 1 year	¥ 2	¥92	\$ 16
Over 1 year	—	2	—
Total	¥ 2	¥94	\$ 16

Depreciation equivalent is calculated by the straight-line method on the assumption that the useful lives of the related assets are the

same as the lease term and the residual value is zero.

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

No impairment loss has been recognized on leased property under finance leases accounted as operating leases for the years ended March 31, 2015 and 2014.

Future rental expenses under noncancelable operating leases outstanding at March 31, 2015 and 2014 were as follows:

As of March 31		Millions of yen		Thousands of U.S. dollars
	2015	2014	2015	
Within 1 year	¥ 24,024	¥ 28,079	\$ 199,916	
Over 1 year	101,071	117,398	841,066	
Total	¥125,096	¥145,478	\$1,040,991	

18. CONTINGENT LIABILITIES

At March 31, 2015 and 2014, contingent liabilities for guarantees, principally for employees, amounted to ¥227 million (\$1,888 thousand) and ¥281 million, respectively.

19. AMOUNTS PER SHARE

Basic net income per share is computed based on the net income available for distribution to or allocable to the stockholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on net income available for distribution to the stockholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the potentially dilutive securities to be issued upon the conversion of convertible bonds. However, diluted net income per share had not been presented for the years ended March 31, 2015 and 2014 since the Company had no equity instruments issued that had a dilutive effect on earnings per share.

Years ended March 31	Yen		U.S. dollars
	2015	2014	2015
Net income per share of common stock:			
Basic	¥411.06	¥458.45	\$3.42
Diluted	—	—	—

The following table sets forth the computation of basic net income per share of common stock and diluted net income per share of common stock for the years ended March 31, 2015 and 2014:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2014
Net income (allocable to) available for stockholders of common stock:			
Net income	¥149,045	¥166,251	\$1,240,284
Appropriations for payment of preferred dividend	—	—	—
	¥149,045	¥166,251	\$1,240,284

Years ended March 31	Thousands of shares	
	2015	2014
Weighted-average number of shares of common stock outstanding	362,584	362,639

Net assets per share are computed based on the net assets available for distribution to the stockholders of common stock and the number of shares of common stock outstanding at each balance sheet date.

As of March 31	Yen	U.S. dollars
	2015	2014
Net assets per share of common stock	¥2,142.00	¥1,903.53
		\$17.82

The Company undertook a two-for-one stock split on October 1, 2014. The previous year's figures for net income per share of common stock and net assets per share of common stock have been adjusted accordingly.

20. ASSET RETIREMENT OBLIGATIONS

a. Asset retirement obligations recognized in the consolidated balance sheets at March 31, 2015 and 2014

The Company and its consolidated subsidiaries, in connection with some buildings and land, have entered into real estate lease contracts with terms ranging from 2 to 46 years for the years ended March 31, 2015 and 2014. Asset retirement obligations have been recognized in respect of the obligation of the Company and its consolidated subsidiaries to the owner of the buildings and land to remove the facilities from leased real estate at the end of those contracts. The liabilities at March 31, 2015 and 2014 have been

calculated with expected useful lives ranging from 2 to 46 years and discount rates ranging from 0.1% to 2.5%.

The following table summarizes the changes in the aggregate carrying amount of asset retirement obligations for the years ended March 31, 2015 and 2014:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥4,405	¥4,271	\$36,656
Increase due to purchases of tangible fixed assets	—	111	—
Accretion due to the passage of time	62	61	515
Decrease due to settlement	(1,049)	(38)	(8,729)
Changes in estimated obligations and accretion	—	—	—
Balance at end of year	¥3,419	¥4,405	\$28,451

b. Asset retirement obligations not recognized in the consolidated balance sheets as of March 31, 2015 and 2014

The Company and its consolidated subsidiaries have rented lots and buildings from domestic service airports based on the permission of national property use and the real estate rental contract about national property, and have obligation to remove the facilities from leased real estate. The Company and its consolidated subsidiaries have a large role of public traffic, and depend on the trend of the aviation administration of a country. For this reason, the time of building withdrawal and leaving cannot be determined only by discretion of the Company and its consolidated subsidiaries about the rented airport related facilities. Moreover, since there is also no schedule of building withdrawal and leaving at present, asset retirement obligations cannot be estimated rationally. Therefore, the asset retirement obligations corresponding to the debt concerned are not added up.

21. SEGMENT INFORMATION

The reportable segments of the Company and its consolidated subsidiaries are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance. Air transportation includes international and domestic passenger operations, cargo operations and other transportation services.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2. Inter-group sales are recorded at the same conditions used in transactions with third parties.

Millions of yen

Year ended March 31, 2015	Air transportation	Other	Total	Eliminations	Consolidated
Net sales					
External	¥1,079,073	¥265,638	¥1,344,711	¥ —	¥1,344,711
Intersegment	117,169	32,818	149,988	(149,988)	—
Total	¥1,196,243	¥298,456	¥1,494,699	¥(149,988)	¥1,344,711
Operating income	¥ 161,593	¥ 18,030	¥ 179,624	¥ 65	¥ 179,689
Assets	¥1,411,174	¥166,854	¥1,578,029	¥(104,674)	¥1,473,354
Depreciation and amortization	¥ 84,269	¥ 1,944	¥ 86,214	¥ (316)	¥ 85,897
Impairment losses	¥ 881	¥ —	¥ 881	¥ —	¥ 881
Investments in companies accounted for using the equity method	¥ 2,818	¥ 24,011	¥ 26,830	¥ —	¥ 26,830
Capital expenditure	¥ 194,227	¥ 2,250	¥ 196,477	¥ (13)	¥ 196,464

Thousands of U.S. dollars

Year ended March 31, 2015	Air transportation	Other	Total	Eliminations	Consolidated
Net sales					
External	\$ 8,979,553	\$2,210,518	\$11,190,072	\$ —	\$11,190,072
Intersegment	975,027	273,096	1,248,131	(1,248,131)	—
Total	\$ 9,954,589	\$2,483,614	\$12,438,204	\$(1,248,131)	\$11,190,072
Operating income	\$ 1,344,703	\$ 150,037	\$ 1,494,749	\$ 540	\$ 1,495,290
Assets	\$11,743,147	\$1,388,482	\$13,131,638	\$ (871,049)	\$12,260,580
Depreciation and amortization	\$ 701,248	\$ 16,177	\$ 717,433	\$ (2,629)	\$ 714,795
Impairment losses	\$ 7,331	\$ —	\$ 7,331	\$ —	\$ 7,331
Investments in companies accounted for using the equity method	\$ 23,450	\$ 199,808	\$ 223,267	\$ —	\$ 223,267
Capital expenditure	\$ 1,616,268	\$ 18,723	\$ 1,634,992	\$ (108)	\$ 1,634,883

Millions of yen

Year ended March 31, 2014	Air transportation	Other	Total	Eliminations	Consolidated
Net sales					
External	¥1,048,107	¥261,236	¥1,309,343	¥ —	¥1,309,343
Intersegment	118,574	31,852	150,426	(150,426)	—
Total	¥1,166,681	¥293,089	¥1,459,770	¥(150,426)	¥1,309,343
Operating income	¥ 149,135	¥ 17,648	¥ 166,784	¥ 8	¥ 166,792
Assets	¥1,279,671	¥155,475	¥1,435,146	¥ (94,978)	¥1,340,168
Depreciation and amortization	¥ 80,643	¥ 2,080	¥ 82,724	¥ (5)	¥ 82,718
Impairment losses	¥ 1,497	¥ —	¥ 1,497	¥ —	¥ 1,497
Investments in companies accounted for using the equity method	¥ 3,121	¥ 20,613	¥ 23,735	¥ —	¥ 23,735
Capital expenditure	¥ 159,406	¥ 3,945	¥ 163,351	¥ —	¥ 163,351

Up until March 31, 2013, the Company and five consolidated subsidiaries of transport operators were reported in the reporting segment (air transport segment). However, as the cost structure of the air transport business practically covers many JAL Group company businesses relating to air transportation, the Company changed the reporting segment (air transport segment) to the Company and 31 consolidated subsidiaries beginning with the year ended March 31, 2014 in order to build a more appropriate cost management system.

(Application of Accounting Standard for Retirement Benefits, etc.) As mentioned in "CHANGES IN ACCOUNTING POLICY", the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefits to periods from a straight-line basis using a discount rate based on estimated average remaining years of service of the eligible employees to a benefit formula basis using a discount rate that is a single weighted average reflecting the projected benefit payment period and the projected payment per period.

As a result of the application, operating income of the air transportation segment has increased by ¥2,303 million (\$19,164 thousand) and operating income of other has decreased by ¥1 million (\$8 thousand) in the current fiscal year.

(Application of Accounting Standard for Business Combination, etc.)

As mentioned in "CHANGES IN ACCOUNTING POLICY", the Company has recognized differences as capital surplus arising from the changes in the Company's ownership interest of subsidiaries, over which the Company continues control; and recorded the acquisition related costs as expenses in the fiscal year in which the costs are incurred. The effects of these changes on operating income for this consolidated fiscal year were immaterial.

Information by Geographical Area

Operating revenues from overseas operations, which include international passenger and cargo services of domestic consolidated airline subsidiaries rendered during the years ended March 31, 2015 and 2014, export sales of domestic consolidated subsidiaries, and sales of consolidated subsidiaries outside Japan, for the years ended March 31, 2015 and 2014 were as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Asia and Oceania	¥247,832	¥235,696	\$2,062,345
North America	193,505	171,803	1,610,260
Europe	90,944	99,918	756,794
Total	¥532,282	¥507,418	\$4,429,408

Information about amortization and unamortized balances of goodwill by segment for the years ended March 31, 2015 and 2014 were as follows:

Year ended March 31, 2015	Millions of yen				
	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	¥22	¥ 849	¥ 871	¥ —	¥ 871
Unamortized balance	—	1,305	1,305	—	1,305

Year ended March 31, 2015	Thousands of U.S. dollars				
	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	\$183	\$ 7,064	\$ 7,248	\$ —	\$ 7,248
Unamortized balance	—	10,859	10,859	—	10,859

Year ended March 31, 2014	Millions of yen				
	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	¥ —	¥ 852	¥ 852	¥ —	¥ 852
Unamortized balance	—	2,154	2,154	—	2,154

22. RELATED PARTY INFORMATION

There are no material transactions that need to be presented for the years ended March 31, 2015 and 2014.

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Japan Airlines Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 depend on our judgement, 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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 present fairly, in all material respects, the financial position of Japan Airlines Co., Ltd. and its consolidated subsidiaries as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

KPMG AZSA LLC
June 18, 2015
Tokyo, Japan

Consolidated Subsidiaries

▶ Number of Group Companies

Business Segment	Number of Subsidiaries	Consolidated Subsidiaries	Affiliated Companies	Equity Method Affiliates
Air Transport Business	33	31	3	3
Other	57	27	57	11
Group Total	90	58	60	14

Segment	Company Name	Paid-in Capital (Millions of yen)		Ratio of Voting Rights		
				Direct (%)	Indirect (%)	Total (%)
Air Transport Business						
Air Transport Business	JAPAN TRANSOCEAN AIR CO., LTD.	4,537		72.8	–	72.8
	JAPAN AIR COMMUTER CO., LTD.	300		60.0	–	60.0
	J-AIR CO., LTD.	200		100.0	–	100.0
	HOKKAIDO AIR SYSTEM CO., LTD.	490		57.3	–	57.3
	RYUKYU AIR COMMUTER CO., LTD.	396		–	74.5	74.5
Airport Passenger Handling	JAL SKY CO., LTD.	100		100.0	–	100.0
	JALSKY OSAKA CO., LTD.	30		100.0	–	100.0
	JALSKY KYUSHU CO., LTD.	30		100.0	–	100.0
	JALSKY SAPPORO CO., LTD.	30		100.0	–	100.0
	JALSKY NAHA CO., LTD.	30		51.0	49.0	100.0
	JTA SOUTHERN SKY SERVICE CO., LTD.	20		–	100.0	100.0
	JALSKY KANAZAWA CO., LTD.	10		100.0	–	100.0
	JALSKY SENDAI CO., LTD.	10		100.0	–	100.0
Ground Handling	JAL GROUND SERVICE CO., LTD.	474		99.8	0.2	100.0
	JAL GROUND SERVICE TOKYO CO., LTD.	20		–	100.0	100.0
	JAL GROUND SERVICE OSAKA CO., LTD.	10		–	100.0	100.0
	JAL GROUND SERVICE KYUSHU CO., LTD.	10		–	100.0	100.0
	JAL GROUND SERVICE SAPPORO CO., LTD.	10		–	97.7	97.7
	OKINAWA AIRPORT SERVICE CO., LTD.	33		70.6	29.4	100.0
Maintenance	JAL ENGINEERING CO., LTD.	80		100.0	–	100.0
	JAL MAINTENANCE SERVICE CO., LTD.	10		100.0	–	100.0
Cargo	JAL KANSAI AIRCARGO SYSTEM CO., LTD.	100		69.2	–	69.2
	JAL CARGO SERVICE CO., LTD.	50		100.0	–	100.0
	JAL CARGO HANDLING CO., LTD.	50		–	100.0	100.0
	JAL CARGO SERVICE KYUSHU CO., LTD.	20		40.0	40.0	80.0
Passenger Sales	JAL NAVIA CO., LTD.	50		100.0	–	100.0
	JAL MILEAGE BANK CO., LTD.	40		100.0	–	100.0
Airport-Related Business	JAL ROYAL CATERING CO., LTD.	2,700		51.0	–	51.0
Airport Passenger Handling	JAL HAWAII, INCORPORATED	USD 1,000	100	–	100.0	100.0
Passenger Sales	JAL PASSENGER SERVICES AMERICA INCORPORATED	USD 1,000	205	–	100.0	100.0
Other	PACIFIC INVESTMENT HOLDINGS CORPORATION	USD 1,000	59,701	100.0	–	100.0
Other						
Maintenance	JAL AIRTECH CO., LTD.	315		66.6	3.4	70.0
Passenger Sales	JALPAK CO., LTD.*1	80		96.4	1.2	97.7
	JAL SALES CO., LTD.	460		100.0	–	100.0
	JAL JTA SALES CO., LTD.	30		16.7	83.3	100.0
Airport-Related Business	OKINAWA FUELING FACILITIES CO., LTD.	100		40.0	20.0	60.0
	JAL ABC, INC.	100		51.0	–	51.0
Other	JAL INFORMATION TECHNOLOGY CO., LTD.	702		100.0	–	100.0
	AXESS INTERNATIONAL NETWORK, INC.	700		100.0	–	100.0
	JAL AEROPARTS CO., LTD.	490		100.0	–	100.0
	JALCARD, INC.	360		50.6	–	50.6
	JAL FACILITIES CO., LTD.	180		85.0	–	85.0
	JAL BRAND COMMUNICATIONS CO., LTD.	100		100.0	–	100.0
	JTA INFORMATION & COMMUNICATION CO., LTD.	50		–	100.0	100.0
	JAL SUNLIGHT CO., LTD.	20		100.0	–	100.0
	OFFICIAL FILING CO., LTD.	10		50.0	4.0	54.0
Cargo	JUPITER GLOBAL LTD.	HKD 1,000	1,960	46.4	4.6	51.0
Passenger Sales	JALPAK INTERNATIONAL HAWAII, INC.	USD 1,000	1,000	–	100.0	100.0
	JALPAK INTERNATIONAL (CHINA) CO., LTD.	USD 1,000	600	–	100.0	100.0
	JALPAK INTERNATIONAL (EUROPE) B.V.	EUR 1,000	1,600	–	100.0	100.0
	JALPAK INTERNATIONAL (FRANCE) S.A.S.	EUR 1,000	160	–	100.0	100.0
	EURO-CREATIVE TOURS (U.K.) LTD.	GBP 1,000	100	–	100.0	100.0
	JALPAK INTERNATIONAL ASIA PTE. LTD.	SGD 1,000	146	–	100.0	100.0
	JAL SATELLITE TRAVEL CO., LTD.	HKD 1,000	750	–	100.0	100.0
	PT. TAURINA TRAVEL DJAYA*2	IDR 1,000	500,000	–	49.0	49.0
Other	JLC INSURANCE CO., LTD.	USD 1,000	2,000	100.0	–	100.0
	PACIFIC BUSINESS BASE, INC.	USD	400	100.0	–	100.0
	JAL AIRLINES MANAGEMENT CORP.	USD	93	–	100.0	100.0

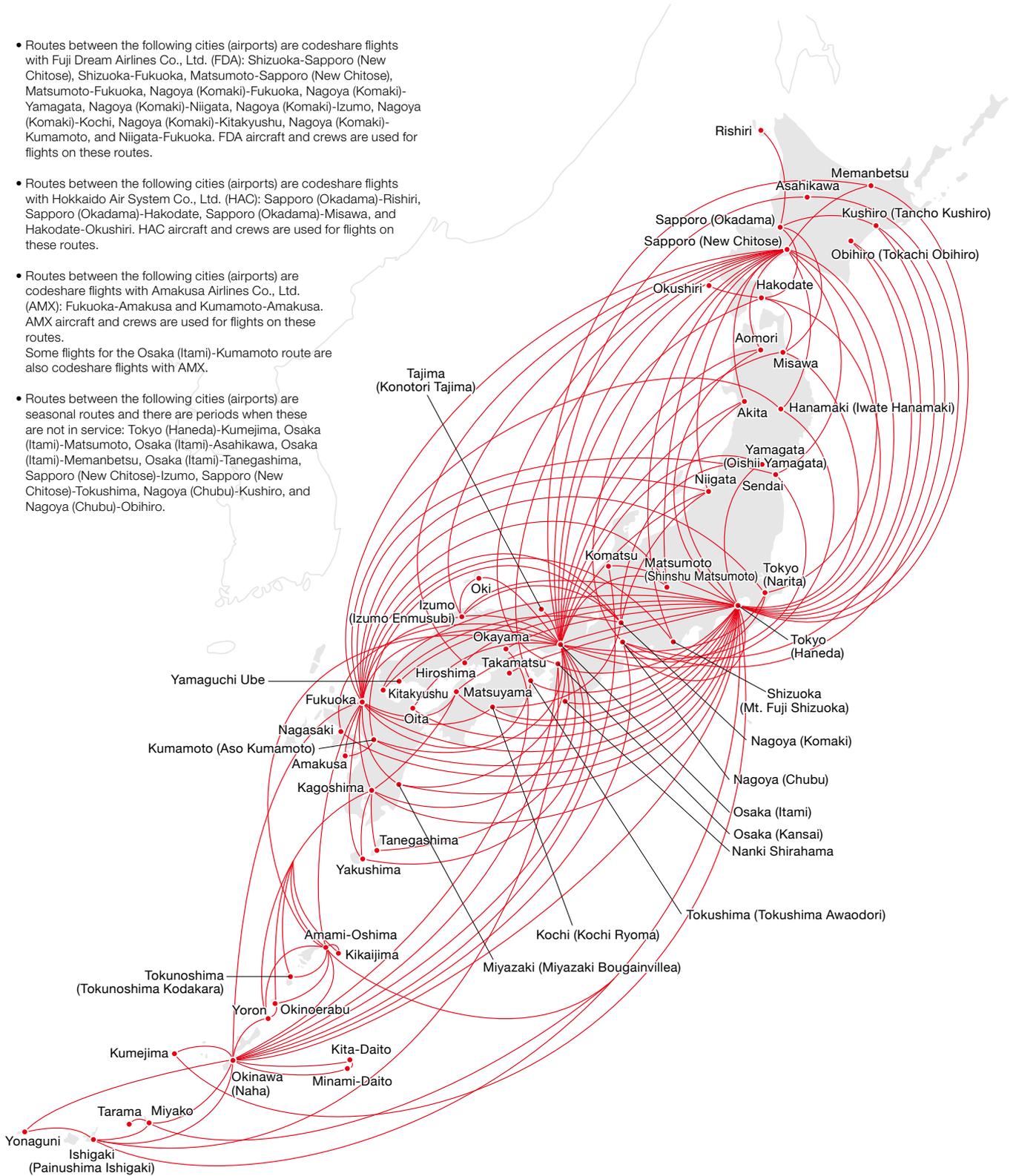
*1 Operating revenue (excluding operating revenue between consolidated subsidiaries) of JALPAK CO., LTD. accounts for over 10% of consolidated operating revenue.

*2 Although JAL's ownership is 50% or less, the company is considered a subsidiary because JAL exerts effective control.

Domestic Routes

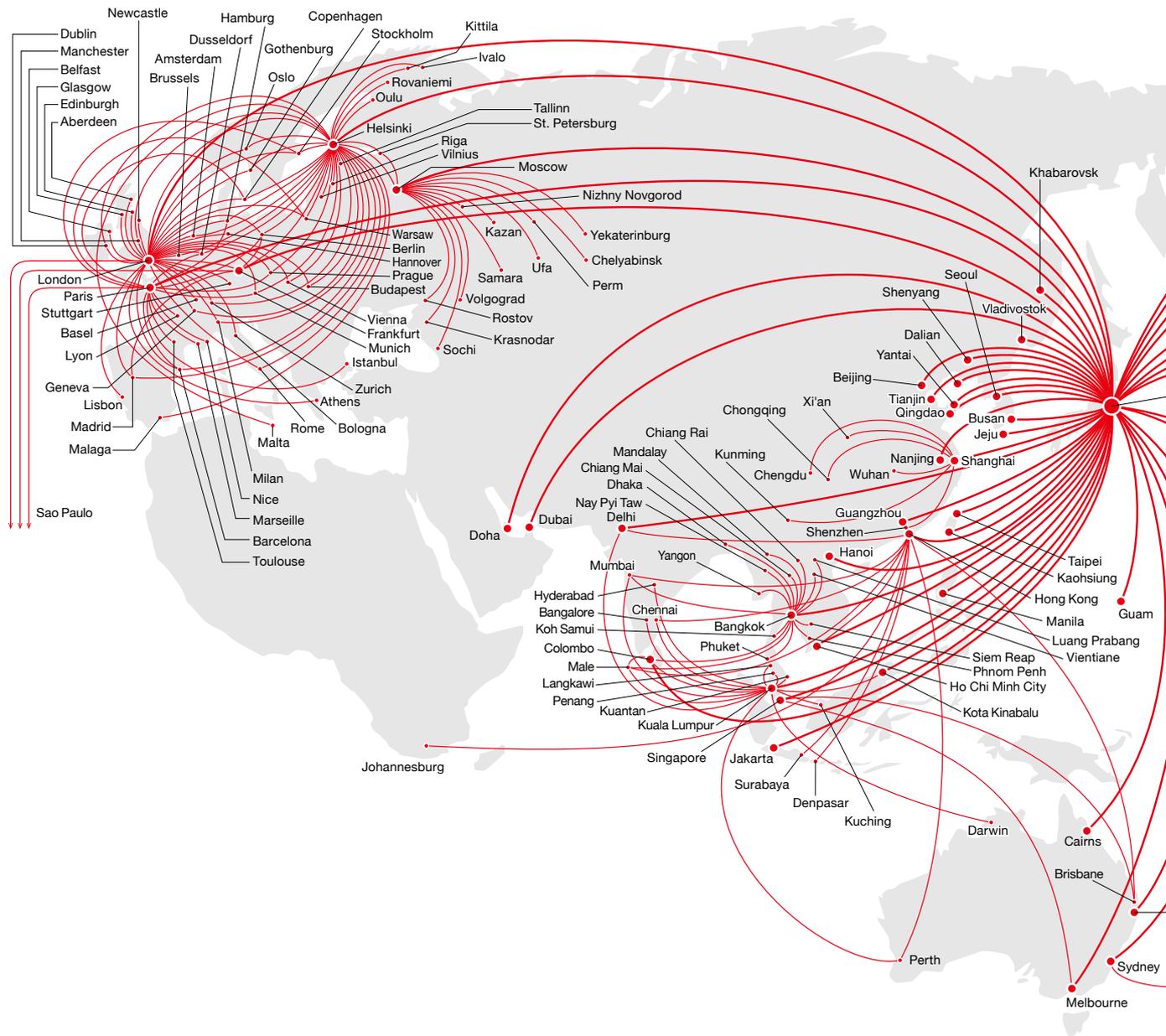
(Schedule for Summer 2015)

- Routes between the following cities (airports) are codeshare flights with Fuji Dream Airlines Co., Ltd. (FDA): Shizuoka-Sapporo (New Chitose), Shizuoka-Fukuoka, Matsumoto-Sapporo (New Chitose), Matsumoto-Fukuoka, Nagoya (Komaki)-Fukuoka, Nagoya (Komaki)-Yamagata, Nagoya (Komaki)-Niigata, Nagoya (Komaki)-Izumo, Nagoya (Komaki)-Kochi, Nagoya (Komaki)-Kitakyushu, Nagoya (Komaki)-Kumamoto, and Niigata-Fukuoka. FDA aircraft and crews are used for flights on these routes.
- Routes between the following cities (airports) are codeshare flights with Hokkaido Air System Co., Ltd. (HAC): Sapporo (Okadama)-Rishiri, Sapporo (Okadama)-Hakodate, Sapporo (Okadama)-Misawa, and Hakodate-Okushiri. HAC aircraft and crews are used for flights on these routes.
- Routes between the following cities (airports) are codeshare flights with Amakusa Airlines Co., Ltd. (AMX): Fukuoka-Amakusa and Kumamoto-Amakusa. AMX aircraft and crews are used for flights on these routes. Some flights for the Osaka (Itami)-Kumamoto route are also codeshare flights with AMX.
- Routes between the following cities (airports) are seasonal routes and there are periods when these are not in service: Tokyo (Haneda)-Kumejima, Osaka (Itami)-Matsumoto, Osaka (Itami)-Asahikawa, Osaka (Itami)-Memambetsu, Osaka (Itami)-Tanegashima, Sapporo (New Chitose)-Izumo, Sapporo (New Chitose)-Tokushima, Nagoya (Chubu)-Kushiro, and Nagoya (Chubu)-Obihiro.



International Routes

(Schedule for Summer 2015)





- The routes above include codeshare flights.
- The map has been altered to highlight the cities on JAL's route network.



Fly into Tomorrow





JAPAN AIRLINES



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