



# JAL REPORT 2016

Fiscal year ended March 2016

# “To become the world’s most preferred and valued airline group.”

Six years have passed since the JAL Group emerged from bankruptcy in 2010 and was bestowed the opportunity to rebuild the company.

I express my sincerest appreciation for the tremendous support we have enjoyed during this time from customers who use JAL services, our domestic and overseas shareholders, and our business associates.

July 2016

**Yoshiharu Ueki**  
Representative Director, President

## JAL Group Corporate Policy

The JAL Group will:

- Pursue the material and intellectual growth of all our employees;
- Deliver unparalleled service to our customers; and
- Increase corporate value and contribute to the betterment of society.



- JAL Group Business Foundation**
  - 2 We are JAL
  - 4 Financial / Non-financial Highlights
  - 6 Top Management Interview
  - 14 JAL Group Value Creation Cycle
  - 20 Becoming the Leading Company in Safety
  - 24 All JAL Staff Are United in Efforts to Ensure Customer Safety from Check-in to Arrival at Their Destination
  - 26 JAL Philosophy
  - 28 Amoeba Management System
  - 30 Introducing JAL's Top Management Team
- JAL Group Business Operations and Financial Status**
  - 34 Financial Summary
  - 35 A Message from the CFO
  - 36 International Passenger Operations
    - 38 Route Network Reinforcement
    - 40 Product and Service Enhancement
  - 42 Domestic Passenger Operations
    - 44 Participation in Regional Revitalization Efforts
    - 46 JAL Group Route Network
  - 48 Aircraft Investment Strategy and JAL Group Fleet
  - 50 Other Businesses
- The Quality of Service Envisioned by the JAL Group**
  - 52 On-time Performance:
    - JAL's provision of essential quality
  - 54 On-time Performance:
    - Collaborative system supporting the world's No.1 on-time arrival rate
  - 56 Comfort:
    - Making travel increasingly comfortable
  - 58 Comfort:
    - A spirit of hospitality engendering unparalleled service
- Human Resources in the JAL Group**
  - 62 Creating Workplaces Where Diverse Human Resources Can Participate
  - 64 Changing Workstyles
  - 65 Health Management
  - 66 Promoting Diversity Including Promotion of Women's Careers
  - 68 Practicing Diversity
- JAL Group CSR**
  - 72 CSR Policy
  - 74 Safety and Sense of Security
  - 76 The Environment
    - 78 Environment: Action Plan
    - 80 Bridging Japan and the World
    - 84 Nurturing the Next Generation
- JAL Group Corporate Governance**
  - 88 Corporate Governance
  - 92 Risk Management System
  - 94 Lead Independent Outside Director Discusses JAL Corporate Governance
  - 95 Members of the Board of Directors
  - 96 Corporate Auditors and Executive Officers
- Financial Data**
  - 98 Evaluation and Analysis of Financial Conditions by Management
  - 102 Consolidated Financial Statements
- Corporate Data**
  - 124 Group Companies
  - 126 ESG Data
  - 127 Domestic Route Map
  - 128 International Route Map
  - 130 Stock Information / Corporate Information
  - 131 Glossary

●Editorial Policy This JAL Report 2016 is an integrated report on JAL's financial performance and CSR activities, based on various guidelines, to provide a deeper understanding of such matters as the JAL Group's corporate value and growth potential.

●Period covered by the report Primarily April 2015 to March 2016 (fiscal 2015)

●Scope of the report The JAL Group

●Date of publication September 2016

**JAL corporate website** <http://www.jal.com/en/>  
Offering a comprehensive introduction to JAL's perspectives and business activities.

- About JAL ..... <http://www.jal.com/en/outline/>
- Safety and Flight Information ..... <http://www.jal.com/en/flight/>
- CSR Information ..... <http://www.jal.com/en/csr/>
- Investor Relations ..... <http://www.jal.com/en/investor/>

**JAL REPORT 2016**

This report provides information on the main initiatives implemented in fiscal 2015 and other content we particularly wish to share.



# Spreading Japanese hospitality to skies around the world



BEST ECONOMY CLASS AIRLINE SEAT

## Awarded "Best Economy Class Airline Seat"

JAL won the award for the best economy class seat at the Skytrax 2015 World Airline Awards.



## On-time performance – World No.1 Winner in three eligible categories

Major Airline Companies Category  
World No.1



JAL on-time arrival rate

**89.44%**

Asia-Pacific Major Airlines Category  
No.1



JAL on-time arrival rate

**89.44%**

Alliance Category  
No.1



JAL affiliates' on-time arrival rate

**80.97%**



be global. be one.

### Connecting the world

Welcome to the oneworld alliance, comprising 15 of the world's leading airlines and offering the highest levels of service and convenience at 1,000 cities in 150 countries.

JAL Mileage Bank mileage can be accrued and used with all member airlines of the oneworld alliance. JMB Diamond, JMB Sapphire and JGC members are eligible to use more than 600 Premium airport lounges and enjoy a wide array of special services and privileges.



Revenue passengers carried per year

**40,194,998**



Revenue cargo ton kilometers (RCTK)

**2,087,791** thousand



Employee headcount

**31,986**



Number of operated routes (passenger flights)

**171** routes



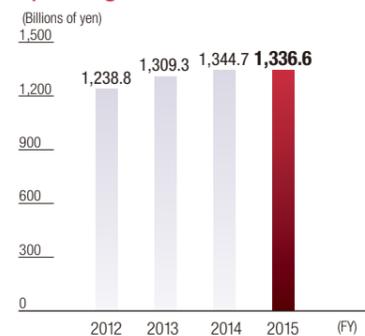
Number of regions served

**53** countries/regions

**311** airports

Financial / Non-financial Highlights

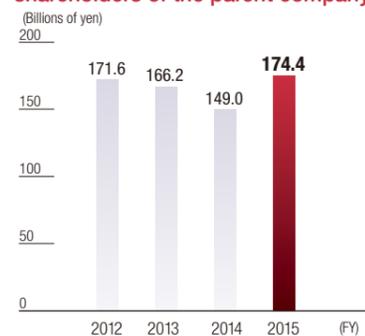
Operating revenue



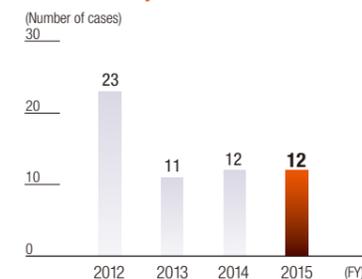
Operating income / Operating margin



Net income attributable to shareholders of the parent company

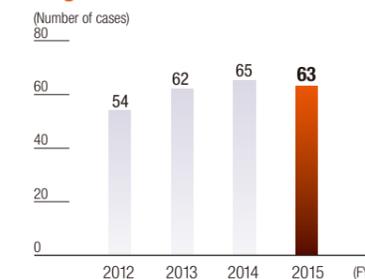


Customer injuries



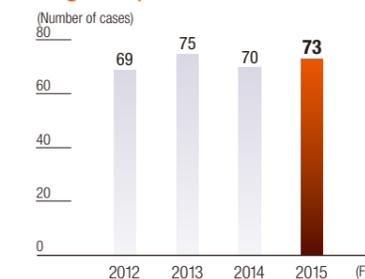
\* Cases in which customers sustained injuries inside an aircraft or airport and were examined at a medical institution. (In-house statistics)

Irregularities due to human error



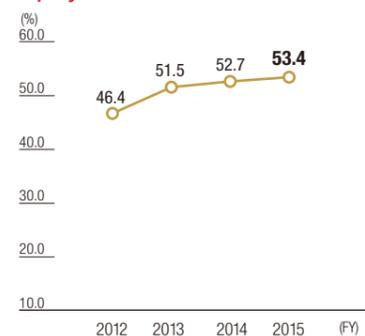
\* Cases of irregularities due to human error, for which resolute action should be taken in each division such as flight operations and maintenance, in view of their impact on overall flight safety. (In-house statistics)

Irregular operations

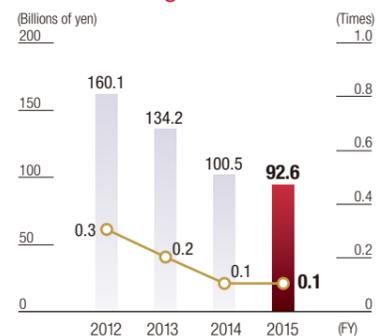


\* Occurrences such as aircraft system malfunctions resulting in diversion, etc., without potential immediate effect on flight safety.

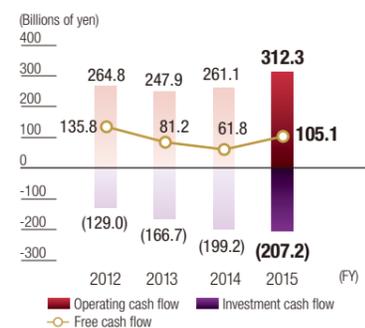
Equity ratio



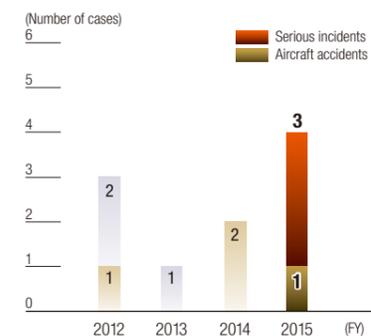
Interest-bearing debt / D/E ratio



Operating cash flows / Investment cash flows\*1 / Free cash flows\*2

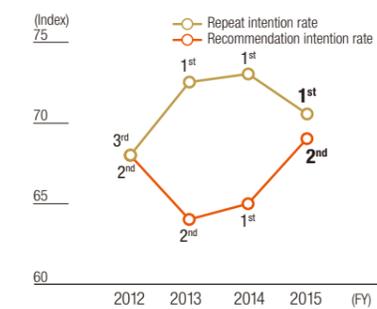


Aircraft accidents / Serious incidents



\* Excludes cases in which problems with the JAL Group are not specified.

Repeat intention rate / Recommendation intention rate (international routes)

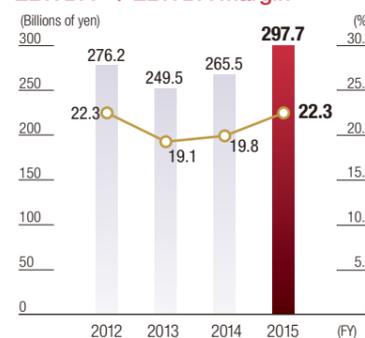


\* Repeat intention rate and recommendation intention rate: Japanese Customer Satisfaction Index (JCSI) announced by the Japan Productivity Center, Service Productivity & Innovation for Growth.

Repeat intention rate / Recommendation intention rate (domestic routes)



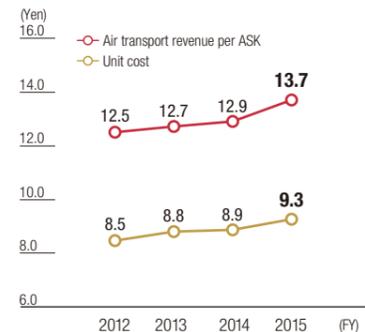
EBITDA\*3 / EBITDA margin\*4



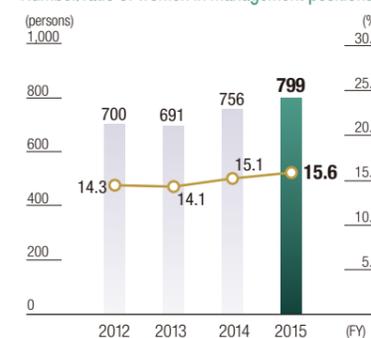
ROE / ROA



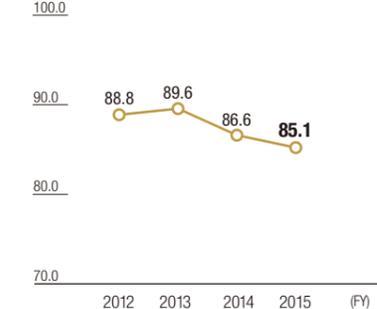
Air transport revenue per ASK\*5\*6 / Unit cost\*7



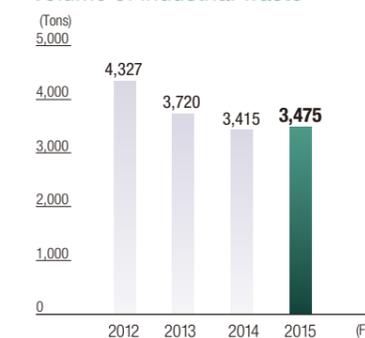
Number/ratio of women in management positions



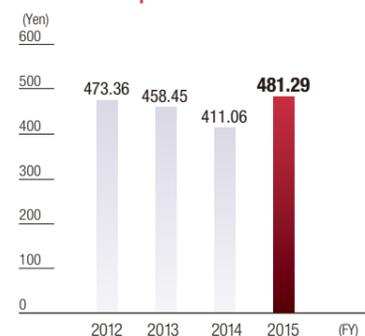
CO2 emissions per revenue ton kilometer (Compared to fiscal 2005 level)



Volume of industrial waste\*



Net income per share



Dividend per share



**Terminology**

- \*1 Investment cash flows: Excludes fixed deposit account deposits and withdrawals
- \*2 Free cash flows: Operating cash flows + Investment cash flows
- \*3 EBITDA: Operating profit + Depreciation
- \*4 EBITDA margin: EBITDA ÷ Operating revenue
- \*5 ASK (Available Seat Kilometers): Unit of passenger carrying capacity. Number of seats available × Distance flown (km).
- \*6 Air transport revenue per ASK: (Air transport revenue – fuel surcharge – revenue from resale of fuel to related companies) ÷ ASK
- \*7 Unit cost: Consolidated air transport costs (excluding fuel costs, and matching revenue/costs in transactions with affiliated companies) ÷ ASK

\* Effective October 1, 2014, Japan Airlines Co., Ltd. undertook a stock split to create two new shares for one common share. Figures for net income per share and dividend per share have thus been calculated and presented on the premise that the stock split occurred at the start of fiscal 2012.



# Top Interview

## The JAL Group seen from the perspective of the Medium Term Management Plan

“To become the world’s most preferred and valued airline group.” This is the JAL Group vision I presented upon assuming the position of president. The Group’s Medium Term Management Plan for fiscal years 2012–2016 (henceforth Medium Term Management Plan) is a strategy for differentiating the JAL Group clearly from competitors by realizing this vision in three areas: enhancement of the JAL Brand; route network, products and services; and cost competitiveness. To achieve differentiation, we have established initiatives in five key areas in which we have begun working toward solutions: safety; route network; products and services; group management; and human resources management. To assess progress in these undertakings, we have set three management targets by which we monitor the degree of accomplishment each fiscal year: maintain flight safety; become No.1 in customer satisfaction; and attain an operating margin of 10% or above for 5 consecutive years and an equity ratio of 50% or above by fiscal 2016.

We achieved our targeted operating margin and equity ratio a year early in fiscal 2015, and we are progressing favorably in terms of financial standing. Meanwhile, the results of our activities aimed at maintaining flight safety and becoming No.1 in customer satisfaction reveal challenges that remain to be overcome. In fiscal 2016 and beyond, all our executives and employees will continue to work as one to realize our Corporate Policy and reach our management targets under the keywords autonomy (armed with crisis awareness at all times), challenge (ready to undertake new actions without fear of failure) and speed (prepared to respond promptly to changes in the environment).

## Three strategies for differentiation to survive in an era of intense competition

### ■ Enhancement of the JAL Brand

With the proliferation of open skies agreements in recent years, the airline industry has experienced deregulation of routes, flight frequency, new entrants, fares and other areas, which has led to an era of intensified competition. Low cost carriers (LCCs) and various other types of airline companies have also been established around the world. This has dramatically expanded the choices available to customers and contributed to further intensified competition. Only companies that are attractive enough to inspire strong customer loyalty can expect to survive in this fiercely competitive environment. In other words, customers must actively “choose JAL” if we are to survive. These are the circumstances behind our “The JAL Brand enhancement” strategy.

The JAL Brand comprises three elements: Tradition, Innovation and the Spirit of Japan.

“Tradition” refers to an ability to provide universal value, or authenticity, backed by JAL’s history of supporting Japan’s human exchanges and economic activities with the world as the “Wings of Japan” since its founding in 1951 as Japan’s first scheduled airline. Meanwhile, our experience with bankruptcy has taught us not to be content to rely on tradition. While continuing to value tradition, we must always be prepared to take up the challenge of creating new values by introducing changes. This is “Innovation.”

Finally and just as importantly, we continue to refine the “Spirit of Japan” such as Omotenashi (Japanese hospitality) and Shitsurae (thorough preparation) imbued in our corporate tagline, “Fly into Tomorrow, JAL.”

These three differentiation strategies are the sources of JAL’s unique brand values. Executives and employees throughout the JAL Group endeavor to keep them in mind at all times in the conduct of their daily business affairs.

### ■ Route Network / Products and Services

Increasing the value of the JAL Brand will require constructing a route network and providing products and services that enable customers to experience true convenience and comfort. Our goal is to carry customers to the destination of their choice safely and on time. Along the way, we must do everything possible to assure them a pleasurable flight, with comfortable seats that alleviate fatigue and delicious meals and beverages.

As for route networks, we continue to optimize our routes, giving careful consideration to profitability, and to supplement them by making effective use of the routes of partner airlines. In the area of products and services, we are concentrating on developing innovative products and services such as JAL SKY SUITE seating to provide customers with new values.

In the end, I believe it is the level of personal services that ultimately determine success or failure in competition. This is because expanding routes, enhancing equipment, developing convenient reservation systems and other measures are essential for differentiation. But nearly any airline with sufficient funds and time is highly capable of providing these. Superior personal services at touchpoints with customers, however, cannot be attained overnight. In this respect, I have absolute confidence that JAL Group employees will outperform those of other companies.” The customer who chooses JAL-based human interaction will continue to choose JAL over other airlines. Human resources are the JAL

## Targets of the Medium Term Management Plan

### Management Targets (Three Targets)

1.

JAL recognizes maintaining flight safety as the foundation and social responsibility of the JAL Group. As a leader of safety in the transport sector, JAL maintains the highest standards of safety.

2.

JAL will provide unparalleled service to deliver a refreshing and inspiring travel experience. Our goal is to attain the No.1 ranking in Customer Satisfaction by fiscal 2016.

3.

JAL aims to establish sufficient levels of profitability and financial stability to absorb the impact of economic fluctuations and risk factors by achieving an operating margin of 10% or above for 5 consecutive years and an equity ratio of 50% or above by fiscal 2016.

### Key initiatives (5 categories)

Safety initiatives

Route network

Products and services

Group management

Human resources management

### Surviving future competition (3 areas for differentiation)

#### Enhancement of the JAL Brand

We will maintain safety and provide customers with unparalleled services to reinforce the JAL Brand as a full-service carrier.

#### Route network, products and services

We will build a network of highly convenient routes and provide products and services ahead of the competition to become the customers’ preferred airline group.

#### Cost competitiveness

We will strive continually to improve cost efficiency, maintain and enhance cost competitiveness to reinforce our resilience to risks, and construct a business foundation for sustainable growth.

## Fiscal years 2012–2013

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

Drawing on lessons learned from a past in which we created plans without fully executing the measures decided on and without adequate analysis, all the members of the JAL Group worked to demonstrate that it has changed into a company that keeps its promises to its stakeholders. Under the harsh business environment prevailing during this two-year period due to such factors as the grounding of Boeing 787 aircraft and a rapid decline in the yen, we nevertheless strove to introduce new products, enhance our services and improve productivity. We succeeded in achieving our target of raising our operating margin to above 10% as a result. While our revenues increased, however, our earnings decreased year-on-year, and we realized that we needed to cultivate an ability to respond to severe business environments.

## Fiscal years 2014–2015

### A period for establishing our business foundation and taking the first step toward achieving growth

We entered the period expecting extremely severe business conditions, including intensifying competition at Tokyo metropolitan area airports resulting from a significant increase in international flight slots at Haneda as well as a negative impact on demand for air travel in response to the consumption tax increase and rising fuel costs due to the weaker yen. In the end, the increase in the consumption tax had only a limited impact on demand for air travel, however, while robust demand for inbound flights and lower fuel prices helped to mitigate the severity of the business environment. All our Group companies were united in ongoing concerted efforts to reduce costs and improve our products and services. We consequently achieved higher revenues again in fiscal 2015, as in fiscal 2014. In addition to this favorable turn in our business environment, we used our key initiatives to establish the sought-after business foundation and succeeded in taking a first step toward growth.

## Fiscal 2016

### A year for realizing the targets of the Medium Term Management Plan through stable growth and a period of preparation for fiscal 2017 and beyond

We are constructing a system that can withstand external environmental risks, such as sharp fluctuations in exchange rates and fuel prices. To this end, rather than simply pursuing expansion of scale, we continue to focus on preparations to survive future competition through differentiation. The keywords for our differentiation are “autonomy,” “challenge” and “speed.” Enhancement of the JAL Brand and improvement of our products and services will inspire more customers to choose JAL. These steps, together with strict management of revenues and expenses, will lead to the stable growth required for certain achievement of our targets in the final fiscal year of the Medium Term Management Plan. Looking ahead to fiscal 2017 and beyond, we are exploring fresh strategies for surviving the competition. In the lead-up to the Tokyo 2020 Games, expansion of airport capacity in the Tokyo metropolitan area and increasing demand for inbound flights can be expected. We are preparing to meet it by building a corporate structure that will facilitate flexible responses to diverse changes in the future.

Group's greatest strength, and enhancing the quality of personal services is an area in which our human resources can display their talents and the decisive point for the company to survive the competition.

**■ Cost Competitiveness**

Besides the risks accompanying intensified competition, the airline industry is strongly impacted by various other risks, including geopolitical risks, event risks such as terrorism and natural disasters, price change risks, and foreign currency risks. Regardless of whether or not these risks are actualized, we must outperform other airlines in terms of cost competitiveness to secure steady profits to maintain safety, secure financial resources for investments needed to sustain growth, and pursue the JAL Brand. This is the thinking behind our efforts to achieve cost competitiveness through differentiation.

**Review of Fiscal 2015**

**■ Business Environment**

On the whole, airlines in Japan enjoyed a positive business environment in fiscal 2015 spurred by the ongoing economic recovery, a sharp drop in fuel prices and an increase in international visitors to Japan. The number of foreign visitors rose by 47% from the previous year to a record high of 19.74 million. On domestic routes as well, Japan's economic recovery, demand created by low-cost carriers (LCCs) and other factors contributed to increased demand for travel. Despite an economic slowdown in emerging nations and resource rich nations, geopolitical risks centered in the Middle East, and other negative factors, it is expected that economic recovery in Japan and overseas will continue, and demand primarily on international routes will continue to rise. The declining demand for cargo transport is also expected to bottom out.

**Number of passengers on international flights / International visitors to Japan**



**■ Management Targets – Progress and Challenges**

**(1) Maintaining flight safety**

The JAL Group is focused on preventing aircraft accidents and serious incidents in order to maintain flight safety. In fiscal 2015, however, we experienced one aircraft accident and three serious incidents.\*1 In my capacity as Representative Director of the JAL Group, I offer my sincerest apologies to the customers on the affected flights and to everyone affected for the significant worries and inconvenience caused. Taking these occurrences seriously, we have conducted investigations into the causes and are reinforcing countermeasures to prevent recurrence.

Other safety indicators remained at the previous year's levels: 12 cases of customers sustaining injuries in either an aircraft or an airport, 73 cases of irregular operations caused by aircraft system malfunctions, amongst others, and 63 cases of irregularities due to human error. We will continue to identify the direct causes of the occurrences and delve deeper to uncover underlying causes and solve problems so that customers can put their confidence in our services.

**Fiscal 2015 management indicators and results**

Indicators	Results	Outline
Aircraft Accident	1 case	<b>February 23, 2016</b> JAL 3512 A malfunction occurred in the starboard engine of the aircraft while taxiing at New Chitose Airport in Hokkaido. An emergency evacuation was conducted, in the course of which three passengers were injured (one of them sustaining a bone fracture).
Serious Incidents	3*1 cases	<b>June 3, 2015</b> Japan Transocean Air 610 The aircraft landed on a runway at Naha Airport that was being used by another aircraft.
		<b>June 30, 2015</b> Japan Transocean Air 002 (while cruising in the vicinity of Tanegashima island) The aircraft was forced to descend to about 3,000 meters due to sudden loss in cabin pressure.
		<b>July 12, 2015</b> JAL 38 The aircraft began take-off preparations while still on a taxiway at Singapore's Changi Airport.

\*1 Problems with the JAL Group have not yet been identified in two of the three serious incidents.

**(2) Becoming No.1 in Customer Satisfaction**

The JAL Group has dedicated itself to enhancing customer satisfaction. In fiscal 2015, for example, we progressively introduced JAL SKY SUITE configured aircraft on international routes and JAL SKY NEXT configured aircraft on domestic routes to provide greater comfort and amenity. We also conduct ongoing internal and external evaluations, followed by analysis and action in response to the results, with the aim of improving the level of personal service provided by individual personnel. After the fiscal 2013 and 2014 terms, JAL again ranked No.1 in the repeat intention rate (customers' intention to fly with us again) on international routes. On domestic routes, however, JAL fell from 3rd to 5th place in the repeat intention rate. At the same time, the recommendation intention rate on international routes dropped from 1st in fiscal 2014 to 2nd in fiscal 2015. The recommendation intention rate for domestic routes remained at 3rd, unchanged from the previous fiscal year.

I regret to say that, despite our efforts to achieve the No.1 ranking in customer satisfaction, our level of achievement is still inadequate. Nevertheless, our determination remains intact. Working from analyses of our fiscal 2015 results in this final year of our Medium Term Management Plan, we are accelerating measures to improve products and services, such as expanding routes operated with JAL SKY NEXT aircraft on regional domestic routes, in order to push forward toward our targets so that customers can say, "Just what I expected of JAL!"

**Repeat intention rate / Recommendation intention rate**

(FY)	2012	2013	2014	2015
International flights				
Repeat intention rate	3 <sup>rd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Recommendation intention rate	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>
Domestic flights				
Repeat intention rate	6 <sup>th</sup>	6 <sup>th</sup>	3 <sup>rd</sup>	5 <sup>th</sup>
Recommendation intention rate	3 <sup>rd</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>

**(3) Operating margin of 10% or above for 5 consecutive years / Equity ratio of 50% or above by fiscal 2016**

Our Medium Term Management Plan specifies an operating margin target of 10% or above for 5 consecutive years and an equity ratio target of 50% or above by fiscal 2016. The operating margin has risen for four consecutive years, from fiscal 2012 to fiscal 2015, and we have reached our targeted equity ratio for three consecutive years, from fiscal 2013 to fiscal 2015.

The operating margin in fiscal 2015 was 15.7%, up 2.3 percentage points from 13.4% in fiscal 2014. The equity ratio for the same period also rose, improving by 0.7 percentage point from fiscal 2014, to 53.4%. Our results continue to surpass the figures we promised when we announced our Medium Term Management Plan in 2012. This can be seen as a result of customers choosing our company, and the unwavering efforts of JAL employees each day as represented in numerical values.

We continue to assume, however, that the environment in the airline industry will continue to grow increasingly harsh. Without being complacent with these results, therefore, we will continue to concentrate on reaching our targets for fiscal 2016, the final fiscal year of our Medium Term Management Plan.

**Operating margin**



**Equity ratio**



## Key Initiatives in Five Areas

### ■ Safety Initiatives

Maintaining safety is the foundation for the JAL Group's existence. That is why we continue to implement measures to deepen all staff members' awareness and understanding of SMS (Safety Management System). At the same time, we continue to hold New Employee Safety Seminars and New Managerial Post Safety Seminars. Our Normal Line Operation Monitoring mechanism is being expanded to cover all JAL Group airlines. We are also considering rebuilding our safety information database, given the growing volume of data and enhancement of analytical functions.

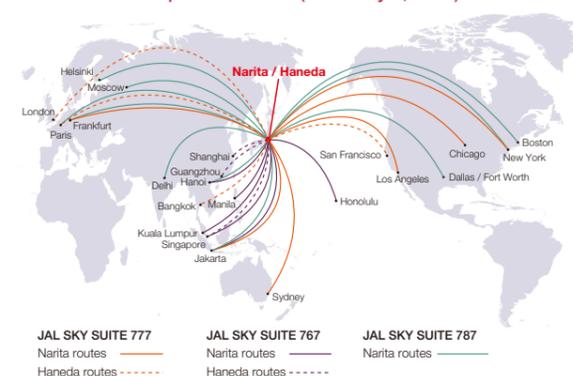
### ■ Route Network

In fiscal 2015, we opened three new routes in our international network with the aim of improving and developing functions at Japan's two major hubs, Haneda and Narita. In fiscal 2016, we aim to further improve our network and provide greater comfort for customers.

In our alliances, we further improved our **oneworld** alliance network by launching code-sharing with TAM Airlines. We also expanded code-sharing and increased customer comfort in our joint business with British Airways and Finnair on European routes and our joint business with American Airlines on transpacific routes, and strived to maximize revenues through these operations.

In domestic passenger operations, JAL has set strengthening competitiveness with other companies as a primary objective. We are consequently launching JAL SKY NEXT configured aircraft on routes in and out of Haneda Airport as a priority. Seasonal summer flights flown on six local routes since fiscal 2014 (Itami—Matsumoto / Itami—Memanbetsu / New Chitose—Izumo / New Chitose—Tokushima / Chubu—Kushiro / Chubu—Obihiro) have been continued in collaboration with regional communities. Our Haneda—Yamagata route, which was allotted to us in the Haneda Airport Arrival & Departure Slot Policy Plan Contest, has been highly appraised for our joint sales promotions with the regional government. As a result, the Ministry of Land, Infrastructure, Transport and Tourism has extended our slot allocation for three more years. As for our Itami Airport arrival and departure routes, we have increased flight frequency on the New Chitose route. In fiscal

JAL SKY SUITE operated routes (as of July 1, 2016)



2016, we will progressively introduce Embraer 190 aircraft offering Class J on these routes.

### ■ Products and Services

Regarding human services, we are improving strategies through an internal and external evaluation process, based on efforts to practice the JAL Philosophy and embody the JAL Brand. In this respect, our aim is to rank No.1 in customer satisfaction in this final year of the Medium Term Management Plan. Meanwhile, we are endeavoring to expand opportunities for earning and using miles in our JAL Mileage Bank program.

On international routes, the JAL Group is pursuing "High Quality & Full Service," beginning by advancing introduction of spacious JAL SKY SUITE configured aircraft. Depending on the type of aircraft, installing JAL SKY SUITE reduces the number of seats by about 20%. It was a major decision that ran counter to the industrial norm, but by offering greater seating comfort, JAL ranked No.1 in the repeat intention rate on international routes for three consecutive years. In fiscal 2015, JAL won the Best Economy Class Airline Seat at the SKYTRAX 2015 World Airline Awards, the first-ever award received by a Japanese airline. JAL SKY SUITE configured aircraft, currently operating mainly on European and U.S. routes, will be progressively expanded to Southeast Asia, Honolulu and other medium-to-long-distance routes to provide the world with the highest level of comfort in air travel.

On our domestic routes, we are pursuing "convenient & simple." During fiscal 2016, a total of 77 aircraft will be revamped to the JAL SKY NEXT configuration offering Internet access and free videos. The JAL Express Tag Service initiated at Haneda Airport will be deployed in other airports as well.

### ■ Group Management

We continued to hold JAL Philosophy Education for all JAL Group staff. In fiscal 2015, a total of 69,165 staff participated in sessions in the Tokyo area. The amoeba management system was introduced to six companies in the JAL Group in fiscal 2015, and will be extended to another four companies in fiscal 2016. As a result, we are building a strong organizational management system which promotes "management by all" with each staff member aware of the need to maximize revenues and minimize expenses.

### ■ Human Resources Development

JAL recruits human resources with the will to shape JAL with their own hands, and provides them with education centered on the JAL Philosophy to foster a sense of Group unity. Simultaneously, we are cultivating human resources who bring both competence and humanity to their jobs. We are also seeking to nurture professionals through programs held at the JAL Education Center. We are planning to increase the number of women in management positions in the JAL Group based on the merit system, moreover by 20% or more by the end of fiscal 2023. In fiscal 2015, we sponsored the Women's Career Advancement-Workstyle Reform Forum and established a cross-sectional project team called the Nadeshiko Lab.

## CSR Activities

### ■ Four Areas of Vital Concern

The JAL Group meets society's expectations by engaging in a variety of activities that contribute to society through our core business of air transportation.

Among our broad range of CSR activities, we consider four areas to be of special significance for enabling us to make the best use of JAL's capabilities: safety & sense of security; the environment; bridging Japan and the world; and nurturing the next generation.

#### (1) Safety and Sense of Security (→P. 74)

Aside from maintaining flight safety as our top priority, all staff members are committed to providing an enjoyable passenger experience with peace of mind and cooperation in disaster relief operations which only an airline can deliver.

#### (2) Environment (→P. 76)

We are deeply conscious of the environmental impact of our operations and are striving to promote ecological improvements in various areas. JAL is actively involved in such ecological activities suited to the nature of our business as using aircraft to conduct atmospheric observations and contributing to protecting our beautiful global environment.

#### (3) Bridging Japan and the World (→P. 80)

As an airline company that interconnects various regions of Japan with other parts of the world, we promote a diverse range of human, economic and cultural exchanges. Our focus is on advancing activities that contribute to regional promotion and a peaceful society.

#### (4) Nurturing the Next Generation (→P. 84)

The JAL Group wants children, who will become the leaders of the next generation, to face the future positively with dream-filled minds. We are conducting employee participation programs to suit every age group to this end.

Maintaining safe operations strictly, providing every passenger with a safe, comfortable flight, and contributing to building a safer, more secure society.

Acknowledging our environmental burden, alleviating climate change and conserving biodiversity.



Revitalizing Japan's industries and regional economies, and improving mutual understanding with international society.

Providing support to help children advance into the future in good health and with hearts filled with hopes and dreams.

### ■ Tohoku Support Measures

We continue to conduct various activities under the JAL "Visit Tohoku!" support project set up in June 2013 from the dual perspectives of regional promotion and assistance for people in disaster-impacted areas. Our efforts to support the Tohoku region are continuing in fiscal 2016.

■ **Regional development:** The JAL Group aims to contribute to promotion of tourism and industry by transporting more passengers to Tohoku, encouraging employees to visit Tohoku, and stimulating greater interest in Tohoku.



In Taipei – A charter flight to Aomori and Akita

■ **Assistance for people in disaster-affected areas:** Engaging in activities aimed at bringing smiles to faces, especially those of children.



"Wings of Tomorrow" – Experiencing flights to three Tohoku prefectures



### ■ Regional Revitalization Measures

In fiscal 2015, we established the NEW JAPAN PROJECT under the themes "tourism promotion" and "agricultural & marine products," and began working on measures to increase regional vitality in collaboration with each region. Our contributions include helping them stimulate international and domestic demand for tourism to their regions and supporting their marketing of regional specialty products.

## Heightening management transparency through corporate governance

Since emerging from bankruptcy, the JAL Group has made every effort to secure management transparency and build an organization that invites open discussion. Our corporate governance system also precludes arbitrary decisions on such issues as managers' appointments, remuneration and disciplinary action by establishing appropriate committees. The number of outside directors has been increased to three as of fiscal 2016. Issues in the Corporate Governance Code remain to be resolved, such as the method of appointing a successor to the CEO and determining remuneration for management, but progress is being made toward resolving these issues.

Although our corporate governance mechanisms are in the process of ongoing improvement, I am convinced that no amount of improvement will have any great significance unless "spirit" is instilled in corporate governance. Without spirit, erroneous management decisions and scandals will occur no matter how finely tuned the mechanisms may be. For the JAL Group, the JAL Philosophy is the decisive factor in raising awareness of governance among all our executives and employees, and for instilling the mechanisms with spirit. Executives and employees alike spend a great deal of time on education in the JAL Philosophy. Continual education will promote proper action based on correct thinking. For the JAL Group, this is the most effective method of inspiring spontaneous governance instilled with spirit. Esteem for the JAL Philosophy should be the foundation for the mindset and actions of all our executives and employees, and for the construction of highly transparent mechanisms. If I, for example, as the executive responsible for our overall corporate management, am about to make an erroneous decision or action, I can count on someone around me to stop me.

## 2016 Rolling Plan and Beyond

### ■ Key Points of the 2016 Rolling Plan

When we drafted the Medium Term Management Plan, we expected achieving an "operating margin of 10% or above for 5 consecutive years and an equity ratio of 50% or above by fiscal 2016" to be the most difficult of our three management targets. In the end, however, a strong possibility of their achievement became apparent in fiscal 2015.

Although our performance forecasts predict reduced operating profit, sound implementation of our Rolling Plan, combined with the efforts of all JAL Group employees to increase revenue and profit, will provide the basis for finishing up the Medium Term Management Plan and for progress toward future growth. This is now the greatest challenge facing the JAL Group. As concerns our other two targets, having initiated steps toward their achievement in my capacity as CEO, I am keenly aware of the difficulties involved.

Maintaining flight safety, which means reducing the number of human errors that can lead to aircraft accidents and serious incidents, is a formidable challenge. JAL Group employees have extremely high safety awareness, but as people make mistakes, we are continually upgrading our training and enhancing our safety management systems. At the same time, all our executives and employees put in concerted efforts to implement safety measures in the workplace.

With respect to our third target, No.1 in Customer Satisfaction, customer satisfaction remains low, especially on regional domestic routes and at regional airports. We are implementing countermeasures to correct this situation. We expect to complete revamping of all targeted aircraft to JAL SKY NEXT in fiscal 2016. Without customer satisfaction, we cannot possibly realize our vision. The JAL Group will continue its efforts to enhance its highly user-friendly networks, while improving our products and services from both the facilities and services perspectives.

### ■ Toward the Next Medium Term Management Plan

Economic and social circumstances, the level of competition and other environmental factors affecting the JAL Group are expected to change significantly from fiscal 2017 forward. In the lead-up to the Tokyo 2020 Olympic and Paralympic Games (the Tokyo 2020 Games), airport capacity in the Tokyo metropolitan area will be expanded, providing JAL with new opportunities to serve more customers.

We will move proactively to make the most of these opportunities. In Japan, our base of operations, we will take advantage of the resulting new currents of business and tourism to realize corporate growth, and to contribute to regional and social development. Accordingly, we are now working to meet a diverse range of challenges. These include creating mechanisms for capturing demand in countries and regions with growth potential and building systems to raise our profile further in mature markets

to become the customers' airline of choice. Looking ahead 10 to 15 years from now, we will design a business portfolio that is ideal in terms of both growth potential and risk tolerance.

With regard to aircraft procurement, we are advancing preparations to take delivery of the A350, which will be introduced in fiscal 2019, and the MRJ (Mitsubishi Regional Jet), which will follow in fiscal 2021. The JAL Group is thus laying the groundwork for the success of its next Medium Term Management Plan and for realizing sustainable growth.

## Seeking "to become the world's most preferred and valued airline group"

Now that we have entered the final fiscal year of the current Medium Term Management Plan, I have begun considering the JAL Group 50 years and 100 years from now. With the trend toward deregulation, today's airline industry is being exposed to an intensely competitive environment. In our efforts to become the world's most preferred and valued airline group in this environment, we are constantly reviewing the unique strength of the JAL Group and considering the kind of air travel we should be offering our customers.

What, then, is the source of the JAL Group's strength? Since becoming president, I have acquired the strong belief that the source is our human resources composed of about 32,000 employees in the JAL Group. I feel that they are the lifeline of the JAL Group. The Group's current strong performance is an outcome of the day-to-day efforts of each employee, aimed at realizing flight safety and unparalleled service. The JAL Philosophy and amoeba management system adopted after we emerged from bankruptcy resulted in dramatic changes in staff awareness and actions. Today, we are united in providing customers with air travel on the world's highest level in terms of safety, on-time performance, comfort and convenience. Our next Medium Term Management Plan will further clarify the direction of the JAL Group to maximize the strength provided by its employees.

I am the first person in our Group's history to have worked as a pilot before being appointed president. "Do what needs to be done naturally" is the essential mindset I cultivated on the job during my time as a pilot. It remains the cornerstone of my thinking concerning management today. It is "natural" for the JAL Group, as a profit-making enterprise, to pursue profit based on the fundamental premise of maintaining flight safety, while at the same time fulfilling our responsibilities as a public transport operator. One objective does not take precedence over the other. The mission entrusted to JAL Group management is to achieve a delicate balance between the two.

There is another element that should be mentioned as essential to the mission of management: developing an environment that enables each employee to apply his or her values and individuality freely, and to work with vitality. Without this vitality, we cannot hope to enhance our human resources comprising the strength of the JAL Group further. We will continue to listen to employees' opinions and support them in the workplace so that they can pursue their daily business with peace of mind.

During the press conference held after the decision on my appointment as president was announced, I declared the JAL Group vision: "To become the world's most preferred and valued airline group." Since becoming president, I have maintained the deepest commitment to this vision. "Number one in the world" is not simply a matter of scale. This phrase incorporates our strong desire to have customers the world over feel wholeheartedly, "Just what I expected of JAL!" With all JAL Group executives and employees working as one, we can and will realize this vision.

The JAL Group will continue its efforts to become the number one airline of choice among customers everywhere by providing the highest-quality hospitality on an unshakeable foundation of safety. Thank you for the tremendous support you have given the JAL Group on our journey so far. We will not stop striving to deserve your continued patronage.



**Yoshiharu Ueki**  
Representative Director, President



By maintaining flight safety, practicing the JAL Philosophy and conscientiously implementing the amoeba management system, we are creating added value while fulfilling the expectations of customers and society.



**Issues confronting JAL**

**Quality Improvement**

- Safety
- On-time performance
- Comfort
- Convenience

---

**Sustainable growth**

- Environment
- Regions
- Society

---

**Dialog with stakeholders**

- Shareholders / Investors
- Creditors
- Business associates

**Capital**

**Human capital**  
Diverse global human resources

**Production capital**  
Fleet management

**Intellectual capital**  
Operational expertise and brand

**Financial capital**  
Stable financial foundation facilitating sustainable growth

**Natural capital**  
Environmental impact control and protection

**Social capital**  
Route network

**Human capital**

**Diverse global human resources**

We are actively applying the JAL Philosophy to nurture the next generation of human resources who are prepared to realize the JAL Group Corporate Policy. The JAL Group believes that employing a wide variety of human resources and promoting diversity are the origins of corporate value creation.

Employee headcount (consolidated) 31,986      Ratio of women in management 15.6%

**Production capital**

**Fleet management**

The JAL Group is proactively introducing equipment with high economic and environmental performance. In the interest of passenger comfort, we are steadily introducing JAL SKY SUITE configured aircraft, while offering a variety of onboard services such as JAL SKY Wi-Fi Internet access and inflight entertainment.

Number of aircraft in fleet 226

**Intellectual capital**

**Operational expertise and brand**

The JAL Philosophy presents the awareness, values and mindset required of every employee involved in JAL products and services, anchored in flight safety. Employees acquire a profound awareness that they create the JAL Brand through the JAL Philosophy.

Flight safety      JAL Brand

**Financial capital**

**Stable financial foundation facilitating sustainable growth**

The JAL Group has devoted itself to building a strong financial foundation and high-profitability structure to ensure resilience against wars, terrorism, epidemics, natural disasters and other global risks. Implementation of the amoeba management system has leveraged the accumulated actions of every employee to produce this level of readiness.

Operating margin 15.7%      Equity ratio 53.4%

**Natural capital**

**Environmental impact control and protection**

The JAL Group has identified environmental impact reduction and environmental protection as priority issues for management. We engage in various undertakings in our efforts to achieve CO<sub>2</sub> emission reduction targets, including the Sky-Eco Project, test flights by bio fuel-powered aircraft and recycling of on-board waste.

Annual CO<sub>2</sub> omissions 8.54 million tons

**Social capital**

**Route network**

Air routes serve as essential transportation infrastructure supporting people's lives and tourism in both metropolitan and regional areas. The JAL Group considers establishing a route network as social capital serving every region of Japan to be an important mission.

International route destinations 252 airports      Domestic route destinations 59 airports

By maintaining flight safety, practicing the JAL Philosophy and conscientiously implementing the amoeba management system, we are creating added value while fulfilling the expectations of customers and society.



To become the world's most preferred and valued airline group



**Issues confronting JAL**

**Quality Improvement**

- Safety
- On-time performance
- Comfort
- Convenience

---

**Sustainable growth**

- Environment
- Regions
- Society

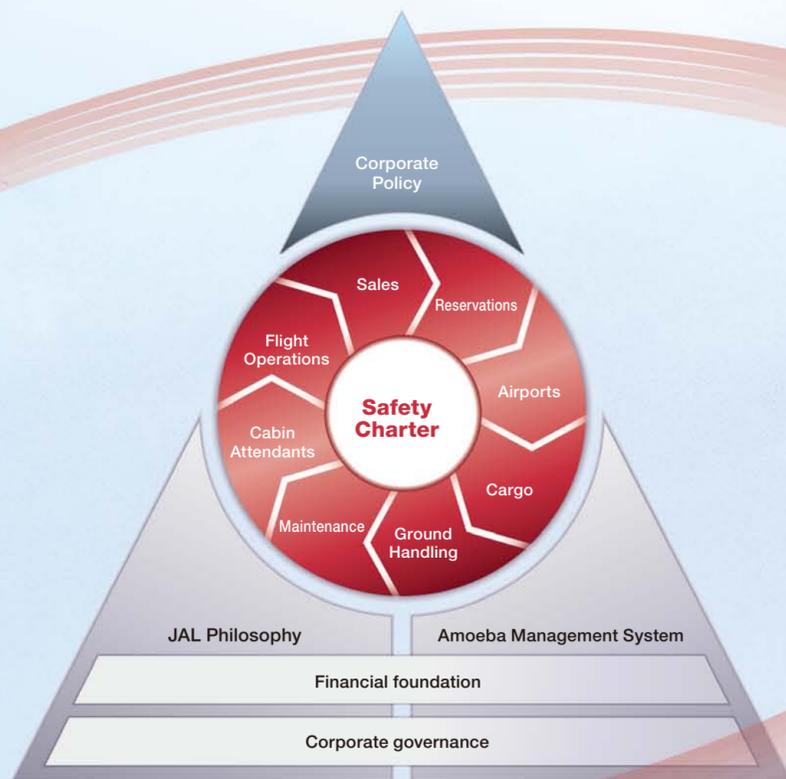
---

**Dialog with stakeholders**

- Shareholders / Investors
- Creditors
- Business associates

**Capital**

- Human capital**  
Diverse global human resources
- Production capital**  
Fleet management
- Intellectual capital**  
Operational expertise and brand
- Financial capital**  
Stable financial foundation facilitating sustainable growth
- Natural capital**  
Environmental impact control and protection
- Social capital**  
Route network



**Value**

- Maintaining flight safety
- Providing unparalleled service
- Fostering the next generation of human resources
- Achieving sustainable growth in profits
- Minimizing environmental impact
- Contributing to the world's peoples, nations and regions

Maintaining flight safety / Practicing the JAL Philosophy /  
Implementing the amoeba management system  
We aim to realize our Corporate Policy through all of the above



JAL Philosophy

Amoeba Management System

“Deliver unparalleled service to our customers” and “Increase corporate value and contribute to the betterment of society” are two tenets of the JAL Group Corporate Policy. The most crucial factor for realizing them is “maintaining flight safety.” This is the foundation and social responsibility of the JAL Group. Flight safety is built on a sound base of values shared by all employees and an awareness of their responsibility as members of the Group.

The JAL Philosophy and the amoeba management system are the cornerstones of our approach to maintaining flight safety in accordance with our Corporate Policy. The JAL Philosophy reflects the awareness, values and mindset required of everyone involved in JAL products and services, and provides a basis for all decisions and actions taken by JAL Group employees each day.

The introduction of the amoeba management system has given us a clear view of the results of actions taken by each organization based on practice of the JAL Philosophy. We use this input to motivate each employee and stimulate his or her creativity with the aim of increasing profitability.

Disseminating the JAL Philosophy and implementing the amoeba management system contribute to sound, independent management in every Group company and flight safety. We will pursue them to realizing our Corporate Policy.

# As safety professionals, all JAL staff endeavor to provide customers with safe, comfortable flights.



## Message

**Toshinori Shin**

Director, Senior Managing Executive Officer  
Flight Operations, Safety General Manager

As clarified in the JAL Group Safety Charter, flight safety is the foundation and social responsibility of the JAL Group. Safety has top priority in every situation. Our mission is to provide customers with safe, comfortable air travel.

To maintain the highest safety standards and attain further improvement, we have established a Safety Management System (SMS) for managing risks to flight safety. We continuously strive to improve and strengthen the system. Under SMS, for example, an employee with high safety awareness will report in detail on any event, however trifling it may appear, occurring in day-to-day flight operations. Hazards (risk factors) are then systematically identified based on details of the report. The risks are evaluated

### Safety Charter

Flight safety is the foundation and social responsibility of the JAL Group. Our primary mission is to secure safety. This is why we are developing our expertise and capabilities to the highest possible degree to ensure safe operation of every flight. This commitment is founded on the firm resolve of our management team and an awareness of all employees of their personal roles and responsibilities.

We are taking the actions below to fulfill our responsibilities.

- Observe rules and follow the basics faithfully.
- Do not rely on assumptions, but always check.
- Relay information without omission, immediately and accurately, and ensure transparency.
- Deal with problems and issues promptly and appropriately.
- Maintain a constant awareness of problems, and make necessary changes with courage.

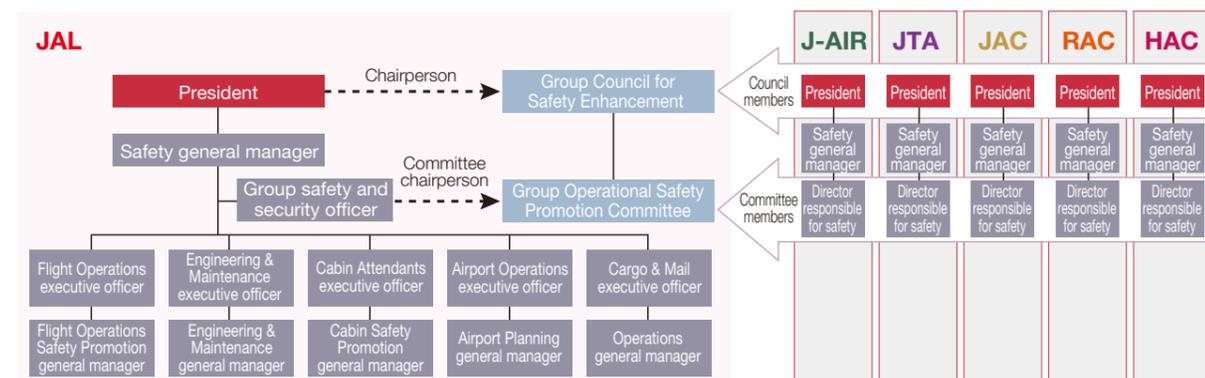
The Safety Charter is printed on a single card, and handed out to every employee in all JAL Group airlines.

and appropriate action is taken to alleviate them to ensure that factors threatening safety are dealt with before they develop into real dangers. We will continue to implement and enhance this kind of preventive safety management.

In our five-year Medium Term Management Plan prepared in fiscal 2012, we have promoted three safety initiatives (Develop human resources to maintain safety; Evolve systems to maintain safety; and Cultivate a culture of maintaining safety) that have reinforced the foundations of safety. We will continue to advance these initiatives in fiscal 2016, the final year of the Medium Term Management Plan.

Last fiscal year marked the thirtieth year since the Mt. Osutaka accident. We will never forget the lessons of that terrible day. Every employee is keenly aware that we are entrusted with precious lives in our work. All employees remain united in maintaining the highest safety standards to enable customers to fly on JAL's wings with complete peace of mind.

### Safety Management System



Problems occurring in fiscal 2015 have been handled with the utmost seriousness, and all possible countermeasures are being implemented.

### Safety issues occurring in fiscal 2015 and measures implemented to resolve them

To assure customers' ability to fly with us with peace of mind, the JAL Group actively discloses safety-related information.

One aircraft accident and three serious incidents\*<sup>1</sup> occurred in fiscal 2015. Other safety indicators included 12 cases of customers' injuries onboard or in airports. In addition, aircraft system malfunctions and other factors resulted in 73 irregular flights, and human error was responsible for malfunctions in another 68 cases. These indicators are about the same as in fiscal 2014. We deeply regret the inconvenience and concerns caused.

As regards the aircraft accident and serious incidents reported below, the JAL Group is fully cooperating with investigative bodies and introducing all necessary countermeasures.

\*<sup>1</sup> The JAL Group has not yet been informed of the details concerning the source of the problem in two of five serious incidents.

#### ▶ Aircraft accident\*<sup>2</sup>

**A problem with the starboard engine on JAL flight 3512 led to an emergency evacuation. (February 23, 2016)**

On February 23, 2016, a malfunction occurred in the starboard engine of JAL flight 3512 (from New Chitose Airport to Fukuoka Airport) as it taxied down a taxiway at New Chitose Airport. Smoke entered the cabin, and an emergency evacuation was conducted. Three passengers sustained injuries during the evacuation, one of them suffering a bone fracture.

Investigation of this case was referred to the Japan Transport Safety Board of the Ministry of Land, Infrastructure, Transport and Tourism. Among measures implemented thus far, all organizations throughout the Group have been fully informed of the circumstances in writing. Measures concerning Boeing 737-800 aircraft include temporarily raising engine thrust and optimizing procedures to prevent icing to enhance efficacy.

#### ▶ Serious incidents\*<sup>3</sup>

**Japan Transocean Air flight 610 landed on a runway after another airline's aircraft aborted takeoff. (June 3, 2015)**

An Air Self-Defense Force jet that had taken off without air traffic control clearance crossed in front of ANA flight 1694 as it accelerated for takeoff at Naha Airport on June 3, 2015. ANA flight 1694 subsequently aborted takeoff. At that time, Japan Transocean Air flight 610 was preparing to land on the same runway. The control tower directed Japan Transocean Air to abort landing and go around. Japan Transocean Air flight 610 landed on the runway, however, before ANA flight 1694 had departed. No passengers or crew were injured. This incident was classified by the Ministry of Land, Infrastructure, Transport and Tourism as a serious incident of "an aircraft landing on a runway in use by another aircraft."

Investigation of the incident was referred to the Japan Transport Safety Board of the Ministry of Land, Infrastructure, Transport and Tourism. The board's immediate response was to inform all organizations in the company in writing of the full circumstances of the incident. All flight crews were informed of the details, and training on aborted landings was stepped up to avoid a recurrence.

**Japan Transocean Air flight 002 – Drop in cabin pressure (June 30, 2015)**

While cruising in the vicinity of Tanegashima Island on June 30, 2015, Japan Transocean Air flight 002 experienced a drop in cabin pressure. Requesting a priority response from air traffic control, the aircraft descended to about 3,000 meters. Flight 002 landed at its destination, Kansai International Airport. No

passengers or crew were injured in the incident. This incident was classified by the Ministry of Land, Infrastructure, Transport and Tourism as a serious incident of "an abnormal decrease in aircraft cabin pressure."

Investigation of the incident was referred to the Japan Transport Safety Board of the Ministry of Land, Infrastructure, Transport and Tourism. The board's immediate response was to inform all organizations in the company in writing of the full circumstances of the incident. All Boeing 737-400 aircraft were inspected, and measures including more frequent regular inspections of bleed air systems have since been introduced to ensure Flightworthiness.

**JAL flight 38 began takeoff operations while still on a taxiway. (July 12, 2015)**

On July 12, 2015, JAL flight 38 began takeoff operations while still on a taxiway at Singapore Changi Airport. The captain, realizing that the taxiway had been mistaken for the runway, aborted takeoff operations and almost simultaneously received instructions to stop from the control tower. The aircraft then stopped on the taxiway. No passengers or crew were injured in the incident.

On July 31, this incident was classified as a serious incident by the Singaporean authorities and Japan's Ministry of Land, Infrastructure, Transport and Tourism. Investigation of the incident was referred to the relevant authorities. The immediate response was to inform all organizations in the company in writing of the full circumstances of the incident. Steps were taken to raise safety awareness among all flight crews, and procedures for taxiway operations were clarified.

\*<sup>2</sup> Aircraft accident: 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).

\*<sup>3</sup> Serious incident: Incident involving circumstances that indicate there was a high probability of an accident, such as overrunning a runway, emergency evacuation, fire or smoke inside the cabin or abnormal depressurization due to abnormal weather conditions, etc., as classified by the MLIT.

### The JAL Group will continue efforts in the area of safety to achieve the following targets in fiscal 2016.

- 1 Eliminate aircraft accidents and serious incidents**  
Our goal is zero aircraft accidents and zero serious incidents.
- 2 Reduce cases of irregular operation**  
We will reduce cases of irregular operation that not only cause discomfort to passengers but also affect their itineraries.
- 3 Protect passengers from injury**  
We will continue our efforts to protect every passenger from injury onboard or in the airport.
- 4 Reduce malfunctions caused by human error**  
We will reduce high-risk malfunctions resulting from human error in all specified areas: flight operations, engineering & maintenance, cabins, airports, cargo and security.

### JAL Group Safety Report

Information about safety initiatives of the Group's six airlines is disclosed every year in the JAL Group Safety Report in accordance with Article 111-6, "Release of Safety Report by Domestic Air Carriers" of the Civil Aeronautics Act. The JAL Group Safety Report explains the six airlines' safety initiatives simply and concisely.



Becoming the Leading Company in Safety



JAL Group Safety Initiatives  
Three Initiatives for Enhancing Safety

To securely maintain and enhance flight safety, the foundation of the JAL Group, we aim to achieve our management goal of becoming the leader in safety in the transport sector. To achieve this, we are cultivating a safety culture, developing human resources for maintaining safety and evolving systems for maintaining safety.

Focusing on preventive measures, we will reinforce our proactive risk management further by adopting exceptional cutting-edge systems in the airline industry and combining them with our original initiatives. This will enable us to create a Safety Management System that sets the highest standards.

● Cultivating a safety culture

Committed to the idea that “all employees work to maintain safety” and “the PIP Principle” (derived from “place, item and people”)\*1, we have conducted 28 New Employee Safety Seminars and eight New Manager Safety Seminars. We are implementing a program of “sharing reports and information” in every workplace.

● Developing human resources for maintaining safety

The JAL Group aims to assure that all staff engaged in its business operations acquire fundamental knowledge and a sound understanding of the Safety Management System, and be prepared to apply it. We have introduced and completed SMS education for all JAL Group employees. Safety Leaders have also been appointed in each workplace. Measures implemented by the Safety Leaders extend beyond the boundaries of the workplace and are shared among all Safety Leaders. Safety awareness and action preparedness have been revitalized throughout the JAL Group as a result.

● Advancing systems for maintaining safety

Mechanisms of Normal Line Operations Monitoring\*2, a system for identifying newly emerging problems, has been deployed at J-Air, Japan Transocean Air and Ryukyu Air Commuter. The Safety Information Database for Safety Performance Monitoring\*3 has been upgraded to enable easier reporting and analysis.

\*1 Advocated by Mr. Yotaro Hatamura of the Safety Advisory Group as vital for the understanding the true nature of safety issues.

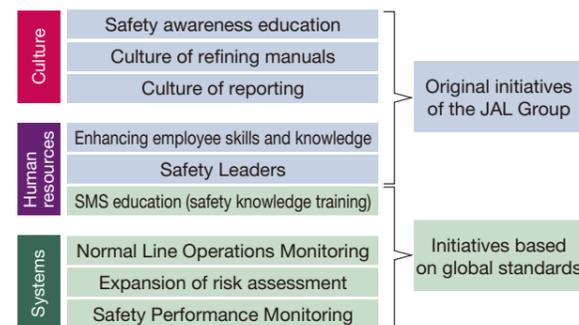
\*2 Preventative mechanisms for detecting potential causes of malfunctions.

\*3 Mechanism providing a quantitative and timely grasp of the levels of achievement of safety indicators and targets.

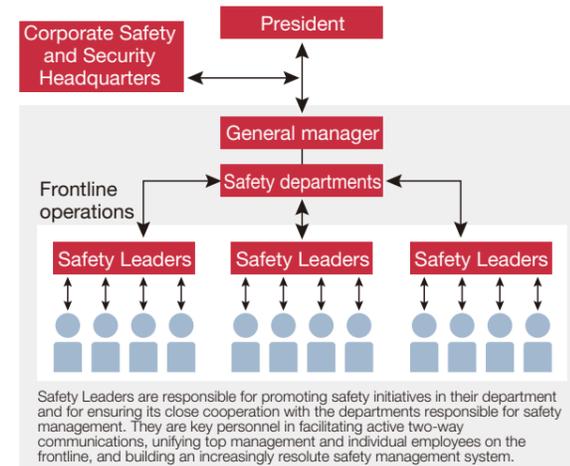


New Employee Safety Seminar

Safety initiatives



Safety Leaders



Safety Advisory Group – Applying advice from third-party perspectives

The JAL Group established the Safety Advisory Group in August 2005 to obtain advice from third-party perspectives following receipt of an operational improvement order from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

The Safety Advisory Group is a panel of five experts from outside the JAL Group who have extensive knowledge and experience in areas such as human factors, analysis of failures and imperfections, organizational management and culture, and safety. The panel is chaired by Mr. Kunio Yanagida, a non-fiction author and critic.

■ Follow-up meetings with management

The members of the Safety Advisory Group hold annual follow-up meetings with management. The progress of the JAL Group’s safety measures is examined, and the members offer advice as they consider appropriate.

At the follow-up meeting held in March 2016, we reviewed the 2005 advisory,

“Proposals for Revival as an Enterprise with High Safety Standards,” and received recommendations for the future.

The JAL Group will continue to reflect the feedback and advice offered by the Safety Advisory Group in its management and safety operations.

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



Follow-up meeting with management

Safety Promotion Center – the JAL Group’s “foundation of safety”

On August 12, 1985, JAL flight 123 crashed on the ridges of Mount Osutaka, and 520 precious lives were lost. In the face of the pain and grief of the bereaved families and the resulting public distrust of airline safety, we pledged to ensure that no such tragic accident would ever

occur again.

To reaffirm the importance of flight safety and to instill the lessons learned from this accident in our minds, we established the Safety Promotion Center in April 2006.

All members of the JAL Group use this facility as a “foundation of safety” and the starting point for providing society with safe, reliable operations. Every employee is continually reminded that precious lives and property are entrusted to us in our work.

The Safety Promotion Center is open to anyone interested in airline safety. As of the end of March 2016, the Center had received 178,312 visitors from inside and outside the Group.



Those wishing to arrange a visit to the center should submit an application in advance via the JAL website at the following URL: <http://www.jal.com/en/flight/safety/center/>

VOICE

Adding another layer of safety and handing on a solemn culture of safety

We view safety in terms of “layers.”

The JAL Group’s approach to safety comprises a series of ongoing measures. Every employee is imbued with a high awareness of safety, reinforcing the “layers” of safety. Unexpected pitfalls and human errors that might lead to accidents thus become increasingly recognizable and avoidable.

In the past, JAL caused a grievous accident and a series of safety issues. Reflecting earnestly upon these, we determined to put this negative legacy to positive use in building a better future. This became the Safety Promotion Center – our foundation of safety.

Fewer than 10% of today’s employees were members of the JAL Group on the day of that terrible Mount Osutaka accident. It is up to the younger generation to adopt this legacy proactively and pass it on to future generations.

Passengers should be able to take safety for granted. For us, however, this must never be an option. Safety is a condition that can be achieved only through efforts by every individual in the JAL Group.

Every employee has an immense responsibility to consider what he or she can do to ensure flight safety and act accordingly.

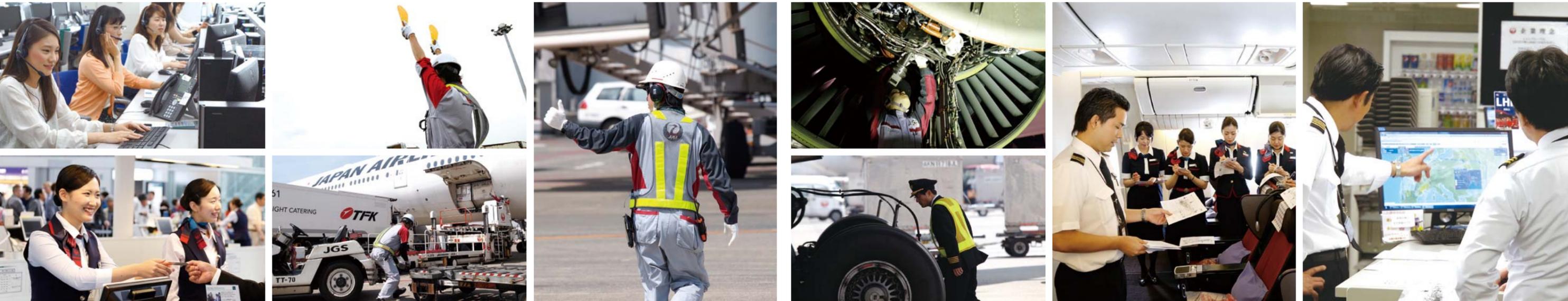
I began training as a pilot this June. I am deeply aware of the importance of flight safety we studied at the Safety Promotion Center. I will fulfill my responsibility to protect the lives of our customers, and do my utmost as a flight crew member.



**Kenshiro Kitagawa**  
Flight Operations Training Department (Worked in the Group Safety and Security Department Management Group until June 2016)



## Cultivating a culture of safety in every department, all staff contribute to ensuring the safety of every customer by making the “best baton pass.”



### Sales

Our main business is selling the JAL Group's products to customers via the JAL website and through contracted companies and travel agencies. We believe our mission is to provide support for safe and comfortable air travel by customers. Our goal is therefore to accurately relay customers' wishes to the relevant departments through the “best baton pass,” and to strive to maintain safe flight operations. Efforts to maximize revenues are directly connected to increased investment in safety. Today and into the future, we will continue striving to bring the JAL Group closer to customers, engaging in sales activities with safety constantly in mind. Whether customers are traveling for business or pleasure, we contribute to their safety and sense of security through these activities.



### Reservations & Ticketing

Our department handles flight reservations, sales of airline tickets and inquiries about JAL services. We not only answer the customers' questions, but also suggest optimal fares and routes, provide information on destinations, and support safe, comfortable air travel in various other ways. Our measures for preventing unsafe incidents start at the reservation stage, where we confirm and reconfirm, and then share information with the relevant departments if we sense any reason for concern. When we receive inquiries about baggage, we are careful to obtain prior confirmation that no dangerous goods are included. Maintaining safety and ensuring smooth boarding also require us to pass on necessary information to airport staff. Through these and other activities, we maintain a constant awareness of safety while conducting our daily business.



### Airports

For airport staff, ensuring security is the most important aspect of safety management. We take the greatest care at the check-in counter to determine whether the person checking in is the person with the reservation, ensure that his or her baggage contains no prohibited items, observe any suspicious persons or baggage in the vicinity and remain alert to other irregularities. To avoid overlooking risk factors that may affect safety, we conduct thorough checks repeatedly, always mindful of potential danger. We keep watch over children and the elderly with particular care to anticipate possible injuries in the airport. If we notice someone who looks unwell, we may accompany him or her to the airport medical clinic or take other measures, as appropriate. Thus, we take the utmost care in every respect to ensure the safety of customers until they board the aircraft.



### Cargo

We accept cargo for both domestic and international flights, reconfirm their safety and prepare a loading instruction sheet according to their weight and shape, all within an allotted time. Our most important concerns at this point are to prevent loading of explosive materials and ensure that cargo are balanced so that the center of gravity is in the middle of the aircraft. Air cargo is usually accompanied by a regulated agent's specified freight declaration that guarantees the safety of the cargo. If no declaration is available, we X-ray the cargo and examine it for explosive materials, and notify the police if we find anything suspicious. Regarding weight management, we do not load any cargo if its weight differs from that stated on the consignment documents until the cause has been determined.



### Ground Handling

Ground handling covers a broad range of ground services related to air transport. These include marshalling, loading and unloading of baggage, cargo and mail, and cabin cleaning. In loading and unloading operations, staff with qualifications for the respective aircraft model pay utmost attention when operating systems inside the cargo compartment and opening and closing cargo doors. Weight and balance when building up loads is an extremely important factor in ensuring safe operation of the aircraft. The balance of the aircraft must also be considered when unloading cargo at its destination. We always place the highest priority on safety in all our operations. We do our best each day to provide customers with safe and comfortable flights.



### Engineering & Maintenance

Besides work related to the aircraft such as inspections, repairs and modification, mechanics also work on engines and components removed from aircraft. Maintenance methods differ according to the type and manufacturer of the aircraft or component and date of installment. Responsibility for the work is entrusted to specialists who have acquired national, in-house and other qualifications. It is essential that mechanics notice irregularities in even the smallest details. Our objective is to keep customers safe from injury. We exercise our imaginations in our work to provide customers with a high-quality space that gives them peace of mind and satisfaction in all aspects; safety, on-time performance, comfort and convenience.



### Cabin Attendants

As safety and security personnel, cabin attendants have the crucial responsibility of protecting the customers' safety during flights. They accumulate knowledge and training for use in emergency situations, and employ their five senses to provide a safe and reliable flight. On occasion, a cabin attendant may become aware of an aircraft malfunction or abnormality. At such times, they endeavor to maintain flight safety through prompt collaboration with the flight crew and mechanics on the ground. Since the cabin environment differs from the environment on the ground, some customers may develop physical conditions resulting from travel fatigue, etc. Cabin attendants remain alert to their conditions. Medicines and medical equipment are kept on board to deal with injuries or illnesses, and cabin attendants receive repeated training in their use. The key to maintaining cabin safety is to share information and engage in team efforts to assure prevention of potentially unsafe events.



### Flight Operations

The flight crew are responsible for customer safety from the time they board the aircraft until they disembark. They maintain a constant focus on sharing up-to-date information, improving their knowledge, monitoring their physical conditions and remaining calm. It is important for them to stay attuned to normal sounds and vibrations during flight. If they perceive even the slightest reason for uneasiness, they decide on a course of action through consultation with crew members and Operation Control Center. They also maintain close communication with the cabin crew. If an unforeseen situation occurs, they deal with it according to regulations with customer safety as the top priority at all times. The captain plays the additional important role of inspecting the aircraft exterior before departure to confirm that there are no visible anomalies.

JAL Philosophy

We adhere to the JAL Philosophy as the mindset, values and attitude to be shared by everyone who is engaged in JAL products and services. It is a shared criteria for decision-making in daily operations. The JAL Philosophy unites all JAL Group members while deepening mutual trust, respect and understanding.



**Part 1: In Order to Lead a Wonderful Life**

**Chapter 1: The Formula for Success (The Formula for Life and Work)**

The Result of Life and Work = Attitude x Effort x Ability

**Chapter 2: Have the Right Attitude**

Base Criteria for Decision-Making on  
 "Doing What Is Right as a Human Being"  
 Have a Beautiful Mind  
 Be Humble and Honest  
 Always Be Cheerful and Positive  
 A Small Good Is Like a Great Evil, While a Great Good May Appear Merciless  
 Wrestle in the Center of the Ring  
 Grasp Matters Simply  
 Possess Opposing Extremes

**Chapter 3: Accumulate Tedious Efforts with Passion**

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

**Chapter 4: Ability Will Improve**

Ability Will Improve



**Part 2: To Become a Wonderful JAL**

**Chapter 1: Each of Us Makes JAL What It Is**

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

**Chapter 2: Have a Keen Sense of Profitability**

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

**Chapter 3: Unite Our Hearts**

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

**Chapter 4: Possess a Fighting Spirit**

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

**Chapter 5: Be Creative in Our Work**

Today Should Be Better Than Yesterday,  
 Tomorrow Better Than Today  
 Conceive Optimistically, Plan Pessimistically,  
 and Execute Optimistically  
 Think Through to Visualize the Results  
 Decide and Act with Speed  
 Face Challenges with Courage  
 Aim High



**Instilling the JAL Philosophy to unify all employees**

We adhere to the JAL Philosophy as the mindset, values and attitude to be shared by everyone engaged in JAL products and services. As JAL Group employees deepen their personal understanding of the JAL Philosophy and employ it as common criteria for decision-making in everyday operations, they become united by mutual trust.

To instill the JAL Philosophy, we provide JAL Philosophy Education for all JAL Group members, general employees and executives alike, in Japan and overseas regions. These seminars extend beyond workplace and departmental boundaries to deepen mutual understanding.

JAL Philosophy Education instructors are selected from various divisions, including Flight Operations, Cabin Attendants, Engineering & Maintenance, Airports and Sales. They prepare teaching materials and conduct classes in the Tokyo area and sometimes visit regions across Japan. In the United States, Europe, Asia-Oceania and China, local facilitators conduct sessions with educational materials in Japanese and English.

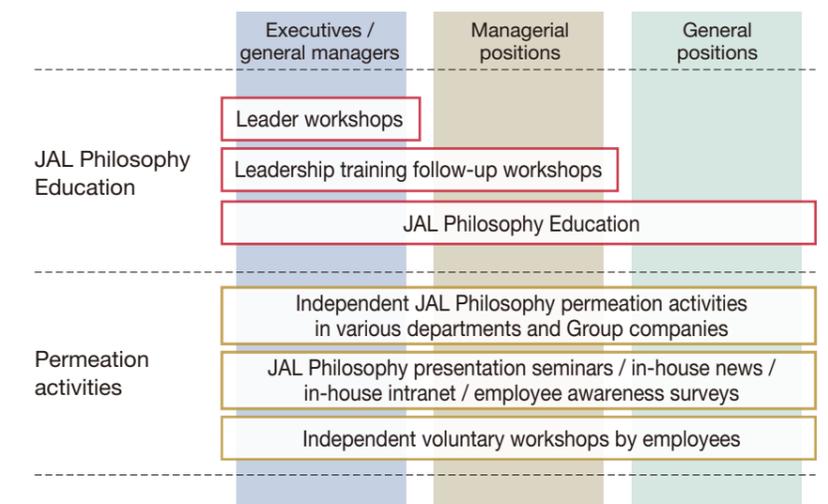
In fiscal 2016, the departments and Group companies have begun to plan and



Everyone from general employees to executives seated at the same table (94<sup>th</sup> Course for Executives held in fiscal 2015)



**Overview of the approach to instilling the JAL Philosophy**



institute their own approaches to instilling the JAL Philosophy.

The JAL Group will continue to nurture its human resources through diverse activities supporting wider application of the JAL Philosophy. This will enable every JAL Group employee to provide customers with unparalleled service, increase corporate value and contribute to the betterment of society.

**VOICE**

**Connecting with employees engaged in various aspects of flight operation connected through the JAL Philosophy**

"Make the Best Baton Pass" is one tenet of the JAL Philosophy. It requires many employees for an aircraft carrying many passengers to take off. I understood this logically, but the image I had remained vague. JAL Philosophy Education provided me with opportunities to exchange opinions with many colleagues I might otherwise never have met. This gave me a clearer idea of other employees' thinking. Today, I have a distinct awareness of my position as a member of the JAL Group. This awareness enables me to pass each baton I receive from a colleague securely to the next person in line. I also apply this awareness in providing cabin service. The JAL Philosophy is a shared language. I believe that instilling the JAL Philosophy in the minds of every employee is contributing to improved customer service.



**Mariko Kawaoi**  
 Haneda No. 2 Cabin Attendants Department



# We aim to achieve sound, flexible corporate management by instilling a sense of management in every Group employee.

## Background to introducing the amoeba management system

Under the amoeba management system, corporate management is not left to top management alone; all employees are involved. Corporate organizations are divided into the smallest possible units, and the results of work undertaken by each unit are presented in an easily understandable manner. The system thus encourages participation in management by every employee.

Before JAL went into bankruptcy on January 19, 2010, it was not clear which departments or posts were responsible for profit. Sales (revenue) planning and expenditure planning were undertaken separately. Because the two sides were not integrated, declines in revenues were not promptly followed by curtailment of expenditures. Examinations of revenues and expenditures at the fiscal year-end repeatedly showed that the Company had incurred a loss. Employees themselves had no sense of profitability as members of the corporation; concern for profitability was left to others. Crisis awareness and a sense of unity were severely lacking. These factors ultimately led to the bankruptcy.

We emerged from bankruptcy determined not to make the same mistakes again. The functions and responsibilities of each division were clearly described. We also introduced the amoeba management system at this time. This business management system was designed to grasp the business situation

in a timely manner and to facilitate prompt responses to changes in market conditions. We clarified the roles and responsibilities of each unit in order to capture the revenues and expenditures of each and visualize the results of activities by employees.

## Overview and mechanism of the system

A new department, Managing Division Route Marketing, was established and assigned responsibility for revenues and expenditures related to the passenger transport business. The cooperation of departments throughout the Company helped make this an excellent system for operating the passenger transport business. The value associated with services provided by organizations within the Company to support operation of passenger aircraft was named "Compensation for Cooperation," and business transactions were established between each unit. Through these transactions between units, it became possible to capture the situation of revenues and expenditures of each unit and focus on generating profit.

The outcome of activities by each unit could then be recorded as revenues and expenditures, thereby fostering a sense of responsibility in every employee, and in turn motivating them to work efficiently and bring creativity to the job.

The results of business activities are reflected promptly in the Targets and Results Table (a profit/loss statement of each unit), enabling daily confirmation of the

results of business activities.

## "Management Cycle" under the amoeba management system

Since the introduction of the amoeba management system, every unit began preparing an annual plan for revenues and expenditures (Master Plan) and then implemented a monthly management cycle (PDCA cycle) to accomplish the annual plan.

Under the monthly cycle, at the start of each month each unit prepares a monthly forecast of its revenues and expenditures based on the current environment and clarify measures to achieve the Master Plan.

During the month, progress toward accomplishing the targets is monitored, and additional measures may be implemented to achieve the targets. Once the results for the month are computed, differences between the targets and results are analyzed and the reasons for the differences are clarified. These findings are taken into account in preparing targets for the following month.

Thus, monthly targets are established in addition to the annual plan prepared at the start of each fiscal year. The management cycle facilitates prompt responses to changes in the environment. This is illustrated by the improvements outlined in the diagram below, which occurred before and after introducing the amoeba management system.

## Earnings Announcement Sessions spanning organizations

In rotating through the monthly earnings management cycle, the JAL Group holds meetings at various levels to confirm profitability and consider necessary countermeasures.

Each department holds an Earnings Announcement Session every month when the results become available. The Targets and Results Table is used to compare the results with the Master Plan and targets. The reasons for differences are analyzed, and the members examine future measures and targets. A Group Earnings Announcement Session attended by top management is held following the departmental Earnings Announcement Sessions.

In the Group Earnings Announcement Session, the divisional general managers and presidents of affiliated companies report to the Group's top management on their respective business results and targets. About 120 people attend the session, including the President, all directors, presidents of major affiliated companies and observers. All senior management members engage in earnest discussions of JAL Group management aimed at realizing the Corporate Policy.

## Expansion to Group companies and yields

Since fiscal 2011, the amoeba management system has been

progressively introduced to JAL Group airlines, passenger service companies, ground handling companies, cargo handling companies, engineering and maintenance companies, sales-related affiliated companies and principal consolidated subsidiaries. Following its introduction to six companies in fiscal 2015, the amoeba management system is now operational in 32 companies including JAL. As a result, some 93% of all JAL Group employees are currently engaged in the system.

As deployment of the system in Group companies expanded, the benefits to those companies became apparent. In every company that introduced the amoeba management system, employee awareness of revenues and expenditures became higher. Business processes are improving as employees approach them more creatively, and workplaces are becoming energized. As a result, we are seeing establishment of autonomous, sound management in each company, accompanied by higher profitability and rising profit levels.

Companies to which the amoeba management system has been introduced are sharing information on a diverse range of matters, including successful examples of improvements in revenues, expenditures and other issues related to business operations. Measures to encourage the system's dissemination among all JAL Group employees, leading to "Management by All" and a deepening of the PDCA cycle, are making steady progress.

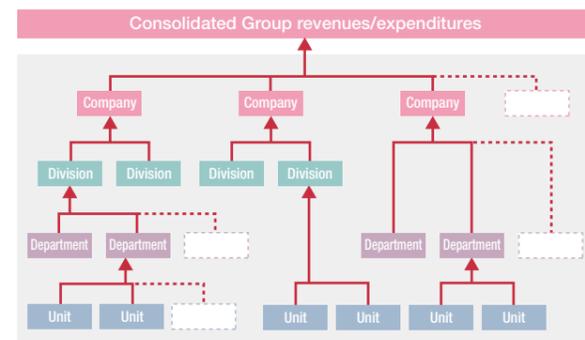
## Approaches to the amoeba management system by JAL Navia Co., Ltd.

JAL Navia is a contact center for customers who want to make reservations, purchase tickets, make enquiries and more.

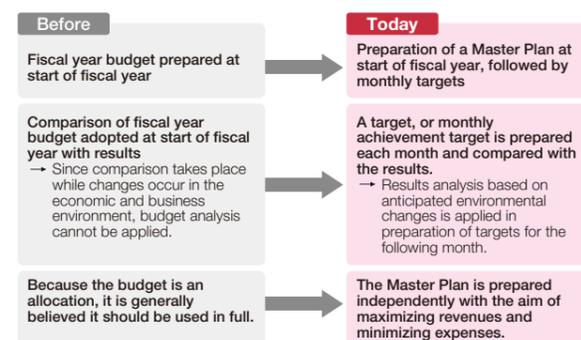
In the past, we were conscious of productivity and the quality of our responses to customers' telephone calls. Aside from that, we had little awareness of the contribution of our work to the JAL Group's profitability. After introduction of the amoeba management system, however, revenues were linked in detail to the content of our work. This included the number of telephone calls or those calls resulting in reservations and ticketing. Work results were translated into figures to visualize our efforts. We began to gain awareness of the degree of our contribution to the JAL Group. This led to a determination to achieve plans we had prepared ourselves. We became conscious of our position as a "profit center," and began focusing on applying creativity in our work to maximize revenues.

At the same time, the JAL Philosophy has penetrated our employees, and we are working hard to enhance the quality of our services as a contact point for achieving JAL's objective of becoming "the world's most preferred and valued airline group."

## Consolidated revenues and expenditures are the aggregate of revenues and expenditures of each unit



## Before and after introduction of the amoeba management system



Introducing JAL's Top Management Team



**Masaru Onishi**  
Director, Chairman

**Yoshiharu Ueki**  
Representative Director,  
President  
Chairman of the Management Board Meeting, 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

**Tadashi Fujita**  
Representative Director,  
Executive Vice President,  
Executive Officer  
Aide to the President

**Junko Okawa**  
Representative Director,  
Senior Managing  
Executive Officer  
General Manager of  
Communication

**Toshinori Shin**  
Director, Senior  
Managing Executive  
Officer  
Flight Operations  
Safety General Manager

**Hideki Kikuyama**  
Director, Senior  
Managing Executive  
Officer  
Managing Division Route  
Marketing

**Toshiaki Norita**  
Director, Senior  
Managing Executive  
Officer  
Corporate Planning  
Business Creation  
Strategy

**Norikazu Saito**  
Director, Senior  
Managing Executive  
Officer  
Finance and Accounting

**Kimie Iwata**  
Outside Director

**Eizo Kobayashi**  
Outside Director

**Masatoshi Ito**  
Outside Director

Introducing JAL's Top Management Team

1

**Masaru Onishi**

Director, Chairman

Beginning his career in engineering and maintenance, Chairman Onishi acquired extensive knowledge and a network of contacts in the airline industry. Appointed President in 2010, he was involved from an early stage in the process of corporate reorganization following the bankruptcy. Today, as Director, Chairman of the Board and a member of the Corporate Governance Committee, he continues to contribute significantly to strengthening the supervisory functions of the Board of Directors. He also serves as an Outside Director for the Japan Airport Terminal Co., Ltd., Chairman of the JAL Foundation and Representative Director of the Air Traffic Service Research Institute (ATSRI).

2

**Yoshiharu Ueki**

Representative Director, President

Chairman of the Management Board Meeting, 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

From his start as a flight crew member, President Ueki has accumulated an extremely high level of frontline experience and insight into flight safety. As Representative Director and President since 2012, he oversaw preparation of the Medium Term Management Plan. His strong leadership and decision-making capabilities are driving the sure accomplishment of the Plan. He is also making a significant contribution to strengthening of the Board of Directors supervisory functions as a member of the Nominating Committee, Compensation Committee and other bodies.

3

**Tadashi Fujita**

Representative Director, Executive Vice President, Executive Officer

Aide to the President

Executive Vice President Fujita worked in sales departments at Headquarters and at regional offices in Osaka, Okinawa, Paris and other regions. As General Manager of the Passenger Sales Division, he had overall responsibility for all the Profit Centers and achieved strong results in that area. Today, while performing the duties of Representative Director and Executive Vice President, he also serves as Aide to the President, making a significant contribution in all these roles to the further reinforcement and enhancement of JAL's management systems.

4

**Junko Okawa**

Representative Director, Senior Managing Executive Officer

General Manager of Communication

Director Okawa accumulated a wealth of workplace experience and expertise as a cabin crew member. As Cabin Attendant General Manager from 2010, she applied high level management perspectives and proven capabilities to assuring the division's success in meeting a diverse range of challenges and targets. Now Senior Managing Executive Officer, she is contributing substantially to implementing promotional measures designed to raise the JAL Brand values ahead of the Tokyo 2020 Olympic and Paralympic Games.

5

**Norikazu Saito**

Director, Senior Managing Executive Officer

Finance and Accounting

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

6

**Toshiaki Norita**

Director, Senior Managing Executive Officer

Corporate Planning, Business Creation Strategy

Director Norita compiled a strong record while engaged in various business areas, including branch office management, sales planning, human resources management and labor, corporate planning and publicity, in a succession of posts at Headquarters, the Okinawa and Mexico branch offices, and other locations. He is currently responsible for decision-making concerning the Medium Term Management Plan and is making positive contributions to ensuring its successful implementation.

7

**Hideki Kikuyama**

Director, Senior Managing Executive Officer

Managing Division Route Marketing

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

8

**Toshinori Shin**

Director, Senior Managing Executive Officer

Flight Operations, Safety General Manager

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

9

**Kimie Iwata**

Outside Director

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

10

**Eizo Kobayashi**

Outside Director

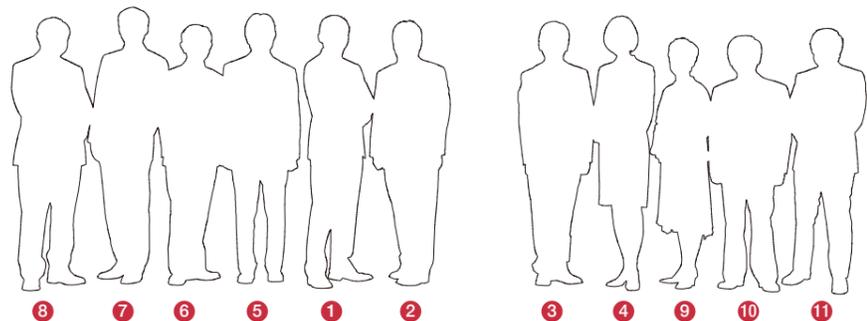
Outside Director Kobayashi provides the Company with sound direction and advice based on his accumulated experience and expertise as top management of a general trading company. He also serves as Chairman of Itochu Corporation, Outside Director of Omron Corporation and Outside Auditor of Asahi Mutual Life Insurance Co., among other capacities.

11

**Masatoshi Ito**

Outside Director

Outside Director Ito has rich experience and deep insight acquired as top management of global enterprises engaged in marketing from the customers' perspectives. He also serves as Representative Director and Chairman of Ajinomoto Co., Inc. and as President of the Japan Advertisers Association Inc.



Business Operations

JAL Group Business Operations and Financial Status

Financial Summary ..... 34  
 A Message from the CFO ..... 35  
 International Passenger Operations ..... 36  
     Route Network Reinforcement ..... 38  
     Product and Service Enhancement ..... 40  
 Domestic Passenger Operations ..... 42  
     Participation in Regional Revitalization Efforts ..... 44  
     JAL Group Route Network ..... 46  
 Aircraft Investment Strategy and JAL Group Fleet... 48  
 Other Businesses ..... 50

Financial Summary

Major Financial Items

	(Millions of yen)			
	FY2012	FY2013	FY2014	FY2015
Operating revenue	¥ 1,238,839	¥ 1,309,343	¥ 1,344,711	¥ 1,336,661
Operating expense	1,043,596	1,142,550	1,165,021	1,127,469
Operating income	195,242	166,792	179,689	209,192
Ordinary income	185,863	157,634	175,275	209,219
Net income attributable to owners of parent	171,672	166,251	149,045	174,468
Net income per share (yen) *1	473.36	458.45	411.06	481.29
ASK (million seat-km) *2	81,189	83,319	84,003	84,196
RPK (million passenger-km) *3	57,049	59,135	60,103	62,411
EBITDA margin (%) *4	22.3	19.1	19.8	22.3
EBITDAR margin (%) *5	24.8	21.5	21.8	24.0
Unit cost (yen) *6	8.5	8.8	8.9	9.3
Including fuel cost	11.5	12.2	12.3	12.0
Interest-bearing debt	¥ 160,145	¥ 134,282	¥ 100,592	¥ 92,629
Shareholders' equity	565,048	690,288	776,476	843,099
Net assets	583,189	711,064	800,751	870,557
Total assets	1,216,612	1,340,168	1,473,354	1,578,928
Shares issued (unit: 1,000) *7	181,352	181,352	362,704	362,704
Cash flow from operating activities	¥ 264,853	¥ 247,941	¥ 261,139	¥ 312,394
Cash flow from investing activities	(264,436)	(131,237)	(230,559)	(288,915)
Cash flow from financing activities	(60,643)	(61,912)	(67,323)	(49,636)

\*1 Japan Airlines Co., Ltd. conducted a stock split to create two new shares from 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 2012.  
 \*2 ASK (available seat-kilometers). A unit of passenger transport capacity: Total number of seats x distance flown (km)  
 \*3 RPK (revenue passenger-kilometers). Total flight distance covered by revenue passengers: Number of revenue passengers x distance flown (km).  
 \*4 EBITDA margin = EBITDA/operating revenue EBITDA = operating income + depreciation expense  
 \*5 EBITDAR margin = EBITDAR/operating revenue EBITDAR = operating income + depreciation expense + aircraft lease  
 \*6 Unit cost = consolidated air transport cost (excluding fuel cost and transactions with affiliates where revenues and expenses are internally settled) / ASK  
 \*7 Japan Airlines Co., Ltd. conducted a stock split to create two new shares from one common share, effective October 1, 2014.

Transportation results

		FY2012	FY2013	FY2014	FY2015
Revenue passengers carried (No. of passengers)	International routes	7,525,038	7,723,293	7,793,704	8,080,676
	Domestic routes	30,020,440	31,218,734	31,644,018	32,114,322
	Total	37,545,478	38,942,027	39,437,722	40,194,998
Revenue passenger km (1,000 passenger-km)	International routes	34,036,119	35,390,384	36,109,588	38,069,127
	Domestic routes	23,012,898	23,745,163	23,993,738	24,341,972
	Total	57,049,018	59,135,548	60,103,327	62,411,100
Revenue passenger load factor (%)	International routes	76.1	76.5	75.7	78.8
	Domestic routes	63.1	64.0	66.1	67.9
	Total	70.3	71.0	71.5	74.1
Available seat-km (1,000 seat-km)	International routes	44,745,317	46,235,058	47,696,816	48,327,267
	Domestic routes	36,443,994	37,084,260	36,306,359	35,869,126
	Total	81,189,311	83,319,319	84,003,176	84,196,394
Revenue cargo ton-km (1,000 ton-km)	International routes	1,378,282	1,512,142	1,754,657	1,724,590
	Domestic routes	360,176	366,989	356,691	363,200
	Total	1,738,458	1,879,132	2,111,349	2,087,791

A Message from the CFO

We are committed to enhancing our corporate value, while improving and maintaining profitability and stability to ensure sustainable growth, by responding appropriately to growing demand for air travel.



Norikazu Saito  
 Director, Senior Managing Executive Officer, Finance and Accounting Department

Financial Policy

Under the JAL Group's amoeba management system, every employee strives to contribute to increasing profits by maintaining a steady focus on "maximizing revenues and minimizing expenses." At the same time, the Group is seeking to achieve a sustainable increase in corporate value by constructing systems that respond flexibly to environmental changes.

**●Enhancing financial stability**  
 We consider enhancing financial stability as one of our most important challenges. To this end, we are endeavoring to maintain our equity ratio, a representative indicator, at a sufficiently high level to assure preparedness for operating risks inherent to the air transport business. We set an equity ratio target of 50% or above in our Medium Term Management Plan extending to fiscal 2016 year-end. As it turned out, we succeeded in recording a ratio of 53.4% ahead of schedule in fiscal 2015, thanks to substantial accumulated profits and prudent management. We are committed to making concerted efforts to raise the equity ratio to 60% and to

maintain that level consistently. At the same time, we are seeking to improve our credit rating and maintain it at a high level in order to secure a diverse range of flexible financing sources for future investment purposes. JAL currently has single A-minus ratings from both R&I (Rating and Investment Information, Inc.) and JCR (Japan Credit Rating Agency, Ltd.). We will continue our efforts to improve these ratings.

**●Managing investments and risks**  
 JAL conducts appropriate investment management to benefit from the fruits of investment and improve and maintain higher asset efficiency. Of special note, we have implemented investment selection criteria employing a strict hurdle rate and built a mechanism for performing periodic post-investment monitoring. We also implement financial simulation procedures periodically, sharing the simulation results with management to help them identify potential financial risks that may emerge in the changing business environment.

**●Constructive dialogs with shareholders and investors**  
 As an IR manager responsible for

communicating with our shareholders and investors, I engage them in frequent discussions, hear their opinions and suggestions, and pass these on to management for consideration.

**●Capital policy**  
 Deeply concerned about the cost of shareholders' equity, JAL is pursuing a sufficient level of capital efficiency to cover it. Specifically, we are seeking to maintain an ROE (return on equity) of 10% or above by reinforcing our financial health and ensuring profitability and asset efficiency.

JAL believes that distributing profits to shareholders is one of the most important issues for management. We will distribute profits to shareholders actively through continued payments of dividends, while continuing to make investments and accumulate retained earnings to assure future business growth. This means shareholders will receive 25% of the amount of net income attributable to parent shareholders after deducting deferred income taxes.

We will flexibly review our financial targets as necessary in consideration of our financial condition, stock price movements and the current economic environment, and consider improving returns to shareholders.

Policy for the fiscal year ending March 31, 2018 and beyond

From the fiscal year ending March 31, 2018 and beyond, JAL has no plans to change its policy of focusing on profitability rather than on expanding business scale. We are committed to improving our management rationale to ensure that our stakeholders fully enjoy the benefits of the progress in profitability, stability and growth potential achieved over the past five years.

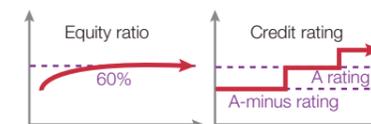
Profitability

- Pursuing higher profitability rather than expanding business scale
- Focusing on asset and capital efficiency



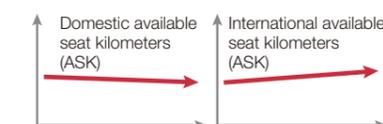
Stability

- Maintaining the equity ratio at an appropriate level to assure both financial stability and capital efficiency
- Improving our credit rating



Growth potential

- Supply strategy based on high profitability
- Introducing highly efficient new-generation aircraft



International Passenger Operations

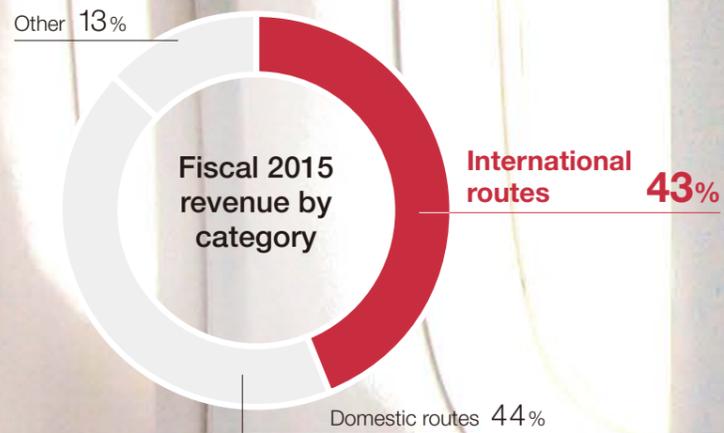
Review of fiscal 2015

A weaker yen and relaxed visa requirements contributed to boosting the number of international visitors to Japan to a record high of 19.74 million in fiscal 2015, an increase of 47% from the previous year. The number of outbound Japanese passengers decreased year-on-year, resulting in more foreigners visiting Japan than Japanese going abroad for the first time in 45 years.

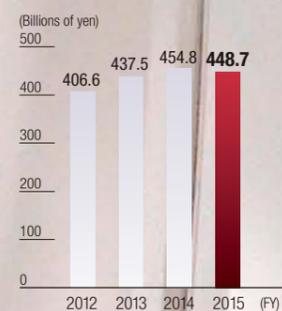
JAL took advantage of robust inbound demand to achieve a record high load factor, while also employing the revenue management system to raise unit passenger revenue and expanding marketing channels for new products and services. Despite these efforts, we saw unit passenger revenue decline by 2.6% from the year before due to lower fuel surcharges.

At a time when initiatives are being pursued to reinforce and expand the functions of Haneda and Narita as Japan's two largest air transportation hubs, JAL opened new Shanghai (Pudong) and Guangzhou routes with daytime service from Haneda and added new flights on its Beijing route in fiscal 2015. We also introduced service between Narita and Dallas/Fort Worth International Airport, the major hub of American Airlines, our transpacific joint business partner. This route has improved connectivity to U.S. and Latin American destinations.

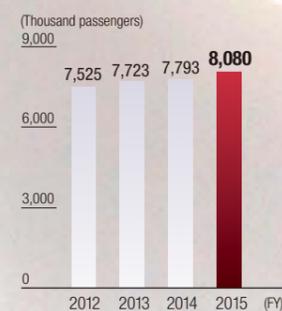
We are continuing to introduce aircraft with the JAL SKY SUITE configuration centering on our European and Southeast Asian routes. JAL SKY SUITE aircraft are currently in service on all JAL's European routes to assure passengers more comfortable flights.



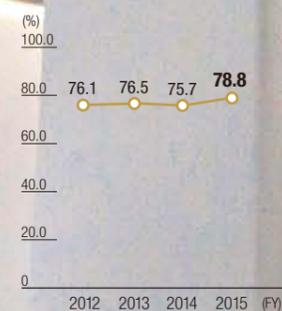
Passenger revenue



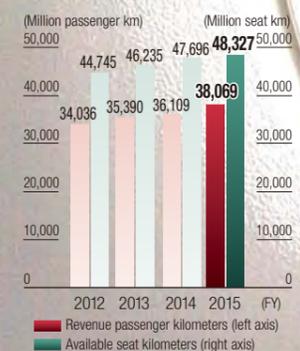
Revenue passengers carried



Load factor



Revenue passenger kilometers / Available seat kilometers



Business outlook for fiscal 2016

Although fuel surcharges are expected to decline in fiscal 2016, JAL plans to increase the load factor and maintain unit passenger revenue at the same level as in the previous year. This will involve continuing our efforts to reinforce our sales channels for new products, improving unit prices through effective use of the revenue management system and capturing inbound demand.

JAL will allocate its business resources appropriately in response to changing supply and-demand conditions to improve the convenience of our networks and enhance comfort for our customers. Notable moves will include introducing the 787 progressively and expanding JAL SKY SUITE operated routes after revamping the 777-200ER aircraft with the JAL SKY SUITE configuration.

Committed to sustaining positive growth, we use unit revenue as a KPI (key performance indicator) and seek to achieve unit revenue above unit cost by enhancing our route network and improving our products and services.

International Passenger Operations

# Route Network Reinforcement

JAL is not merely seeking to expand its business scale. We will expand our network when we are sufficiently assured of achieving route profitability, and increase the number of code-share agreements with both oneworld alliance members and non-members in order to construct convenient networks connecting Japan with other parts of the world.

## Opening of the Narita-Dallas/Fort Worth route

JAL initiated service on a new Narita-Dallas/Fort Worth route on November 30, 2015. Dallas/Fort Worth International Airport is linked to many networks serving Latin America in addition to networks connecting U.S. cities. JAL's opening of this route has significantly improved the convenience of connections throughout the Americas. We introduced the JAL SKY SUITE configured 787 on the Narita-Dallas/Fort Worth route in accordance with our concept of evoking "a one class higher feel" in order to greet passengers with premium hospitality.

JAL & AA Japan-North American route network



**10** routes **15** flights

**39** cities **414** flights

## Expanding our Latin American network through our joint business with American Airlines

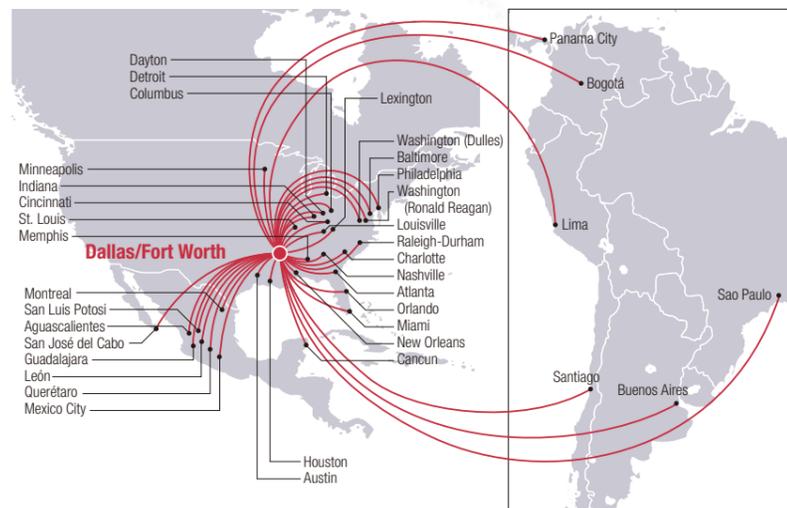
With its five terminals and seven runways, Dallas/Fort Worth is the largest hub for American Airlines. It is the world's third largest airport in terms of number of flights, 70% of which are on American Airlines routes.

In addition to many airports in the United States, Dallas/Fort Worth's network comprises 39 airports in Latin American countries including Mexico, where demand for air travel is surging. The airport handles 414 flights a week, providing convenient connections between U.S. cities and destinations throughout Latin America.

Dallas/Fort Worth Airport provides seamless connections, free from the trouble of retrieving and checking in baggage, for passengers who want to reach destinations in Mexico, Brazil, Peru or other countries outside the United States on the same day.

JAL's joint business with American Airlines, the world's leading airline, has been in effect for six years. Our Japan-North American network, which began with 11 flights on seven routes, now offers 15 flights on 10 routes, including the Narita-Dallas/Fort Worth route.

American Airlines' main networks centering on Dallas/Fort Worth



JAL + code-share flights

**154** countries/regions

**1,011** airports

## Alliance with oneworld members and other partners

JAL joined the **oneworld** alliance in 2007. We provide the following services in partnership with the other 14 members:

- For JAL Mileage Bank members: joint mileage accumulation and all privileges of **oneworld** membership
- For JAL status members and JGC members: premium airport lounge privileges, priority security lanes, priority boarding, priority baggage allowance and priority baggage services on **oneworld** member aircraft
- Exclusive **oneworld** fares such as **oneworld** Explorer and Circuit Fares for world tours
- **oneworld** Global Support ensuring seamless connections

JAL joined the following networks in 2015 in partnership with **oneworld** members:

- In April 2015, we initiated code-sharing with Brazil's TAM Airlines on the New York-Rio de Janeiro route and on routes between Sao Paulo and New York, London, Paris and Frankfurt, adding these to our existing American Airlines' routes.
- We also began code-sharing with TAM Airlines on domestic Brazilian routes with hubs at Sao Paulo and Rio de Janeiro, expanding the number of Brazilian cities served by JAL code-share flights from two to 13.

JAL is reinforcing its alliance activities by advancing a European joint business with British Airways and Finnair and a transpacific joint business with American Airlines.\*1 We are increasing code-sharing in these joint businesses to maximize cumulative revenues from the respective business domains.

We also entered partnerships with airlines outside **oneworld**, such as code-sharing with China Eastern Airlines and China Southern Airlines in October 2015

on the Haneda-Guangzhou/Shanghai (Pudong) route. In June 2016, we will initiate code-sharing with Alaska Airlines on its routes to and from Los Angeles, San Diego, Vancouver and San Francisco, while also cooperating with Alaska in a mileage plan.

Expanding cooperation with other airlines enables us to continue improving passenger convenience, while also capitalizing on robust inbound demand and transit passengers via Japan.

\*1 Business activities in a specified business field by participating companies as if they were a single entity on the precondition of exemption from the Anti-Trust Act. Activities include service quality improvement, schedule adjustment and sales promotion.



International Passenger Operations

# Product and Service Enhancement

Among strategies for minimizing passenger stress on long flights on international routes, JAL is revamping its aircraft to the JAL SKY SUITE configuration, which offers "New Spacious Economy" seats and full-flat seats.

We will develop additional routes in stages to connect more locations around the world, while enhancing cabin amenity and comfort.

## JAL SKY SUITE operated routes (as of July 1, 2016)

### JAL SKY SUITE 777

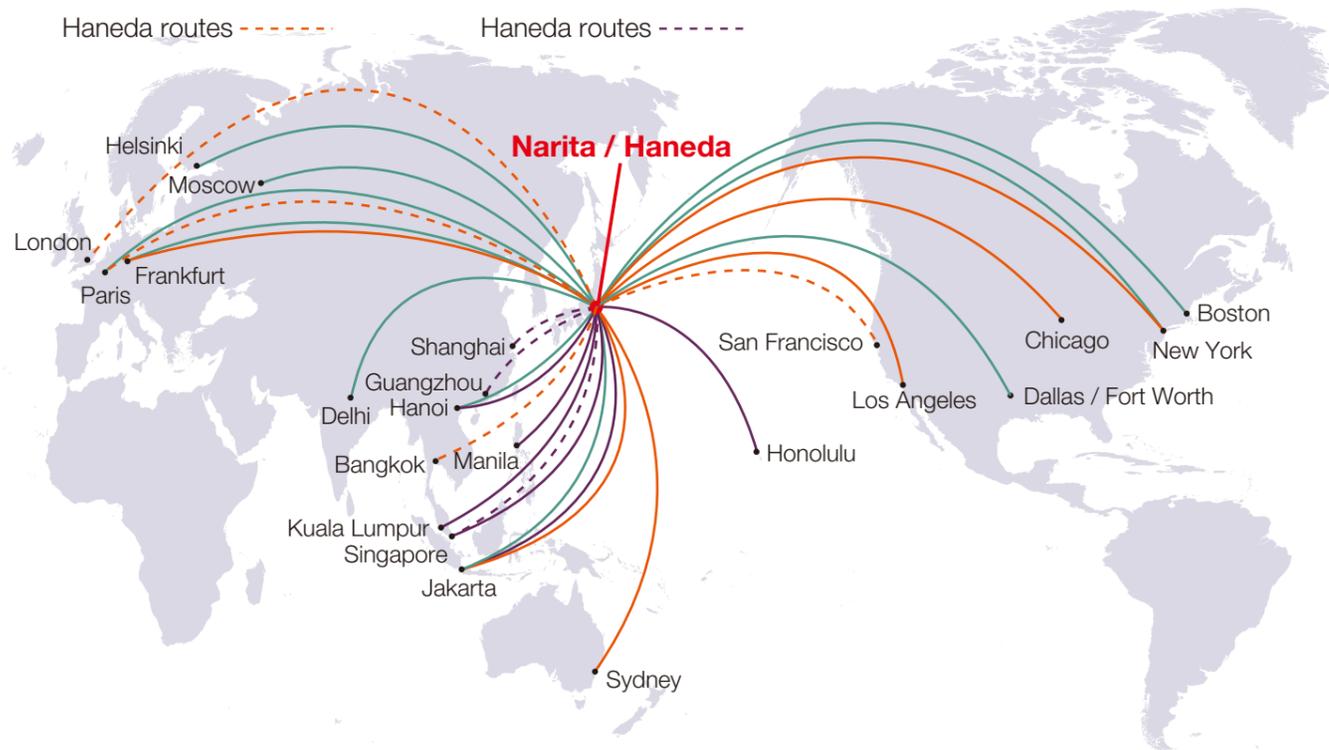
Narita routes ———  
Haneda routes - - - - -

### JAL SKY SUITE 767

Narita routes ———  
Haneda routes - - - - -

### JAL SKY SUITE 787

Narita routes ———



First Class / JAL SUITE



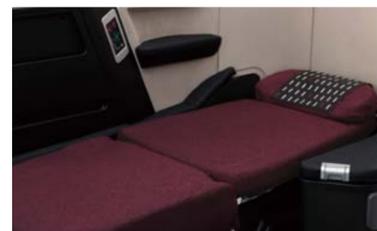
Business Class / JAL SKY SUITE III



Economy Class / JAL SKY WIDER



Elegant wood pattern interior



New type of full-flat seat



Sufficiently increased legroom

## JAL SKY WIDER New Spacious Economy

In accordance with our concept of evoking "a one class higher feel," we equipped the economy class cabin with the "New Spacious Economy" JAL SKY WIDER seats, which provide more legroom. The business class cabin is furnished with JAL SKY SUITE full-flat seats offering unobstructed aisle access from every seat. In fiscal 2015 we began revamping our 787 aircraft with the JAL SKY SUITE configuration, in addition to our 777-300ER and 767-300ER aircraft.

A total of 33 JAL SKY SUITE aircraft are operating on 22 routes. The New Spacious Economy Class provides a wider seat pitch to provide up to 10 cm more legroom, thus offering the world's largest class of space compared with other airlines and significantly enhancing passenger comfort. The 787 Economy Class adopts an eight-abreast seating arrangement, compared to the industrial norm of nine-abreast, to offer 5 cm more seat width.

In recognition of our efforts, JAL Economy Class was awarded Best Economy Class Airline Seat at Skytrax's 2015 World Airline Awards.

We will revamp the 777-200ER with the JAL SKY SUITE configuration, which will be introduced primarily on Southeast Asian and Hawaiian routes.



BEST ECONOMY CLASS AIRLINE SEAT

## International Cargo

JALCARGO's products are divided into four categories according to differing customer needs: temperature control, speed, protection and care, and guaranteed delivery.

To meet the needs of various industries, JALCARGO offers systematically categorized products and services that respond accurately to diverse shipper requirements.

- Temperature control: We transport perishables, chemicals, pharmaceuticals and other products requiring strict temperature control at the proper temperatures.
- Speed: The transport time is shortened. We help customers conduct efficient production management and inventory planning.
- Protection and care: Precision instruments, musical instruments, works of art and other items that require extreme caution are handled and transported in a manner that protects them from physical impacts during transit.
- Guaranteed delivery: This service guarantees loading on flights specified by the client.

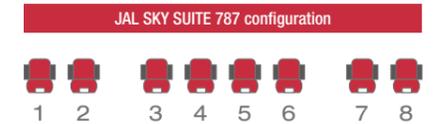
As new initiatives in fiscal 2015, we developed a new passive container and equipment for carrying finished cars on passenger aircraft.



9-abreast seating commonly used on 787 aircraft



9-abreast seating



8-abreast seating

### [Temperature control]

#### Fixed-temperature containers



Use of a high-performance heat storage and vacuum insulation material enables temperature control free from the influence of external air. In addition to information on transport conditions, we can provide real-time data on such environmental parameters as temperature, physical shocks and location.

### [Protection and care]

#### Equipment for finished vehicles



Special equipment equipped with handles enables the cargo compartment of a passenger plane to accommodate finished vehicles.

Domestic Passenger Operations

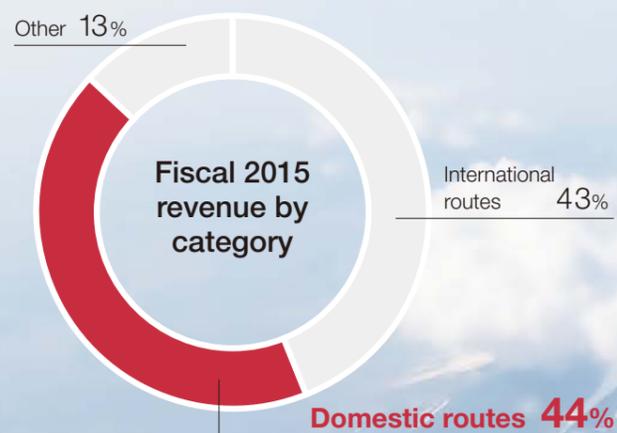
Review of Fiscal 2015

In fiscal 2015, we resumed seasonal operations on six local routes that had been suspended. We also started code-sharing with Amakusa Airlines as part of our contribution to further improving convenience and revitalizing regional economies. JAL SKY NEXT operated routes were expanded to routes to and from Itami Airport, following routes between Haneda Airport and regional airports.

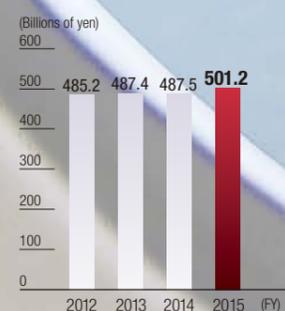
We launched the JAL Express-Tag Service at Haneda, New Chitose, Itami, Fukuoka and Naha airports in accordance with our JAL Smart Style concept of "simple, speedy, and convenient." We also introduced a smartphone application to inform users of waiting times at security checkpoints at Haneda Airport. This service shortens the time required to reach a boarding gate. We installed JAL Charging Stations at New Chitose, Itami and Naha airports to provide free charging services for smartphones and computers.

Besides introducing new Ultra SAKITOKU fares, we increased the number of discount flights during high seasons for flying to hometowns or holidaying. Applicable routes of advance purchase connection fares were expanded to promote regional exchanges and revitalization. We participated actively in regional revitalization programs and events organized by the central and local governments to promote Furusato Wari coupons, thus contributing to efforts to attract more visitors to regional Japan. Japan Explorer Pass fares were introduced in December to attract inbound demand and give visitors more opportunities to visit regions across Japan.

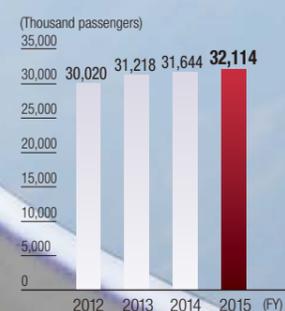
The JAL Dynamic Package service, which permits users to package their own air tickets and accommodation, conducted a full renovation of its PC and smartphone sites to improve viewability and usability. It undertook a full upgrade of available optional plans to provide a wider range of combinations.



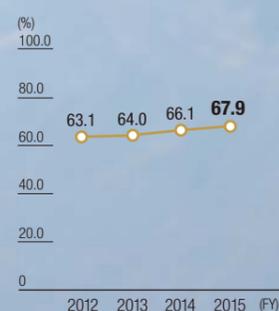
Passenger revenue



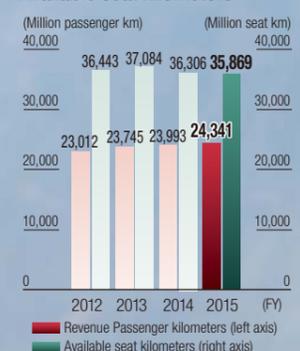
Revenue passengers carried



Load factor



Revenue passenger kilometers / Available seat kilometers



Business Outlook for Fiscal 2016

In fiscal 2016, we will continue operating six summertime local routes and two flights per day on the Haneda-Yamagata route under the "competition slot" program\*1 to enhance passenger convenience and contribute to regional development. The new JAL SKY NEXT configuration will be introduced to all applicable aircraft during fiscal 2016. In addition, we will expand the content of free inflight video programs and enhance Internet access and convenience.

We plan to open a Diamond Premier Lounge at New Chitose Airport and upgrade our facilities at Itami, Fukuoka and Naha airports to create new value and an enhanced service offering.

With regard to fares, we are focusing on customization and online services. We will be proactive in making effective use of social media and mobile phones, while expanding the product line offered in the JAL Dynamic Package. We will also make our Japan Explorer Pass available in multiple languages to attract visitors from more countries.

\*1 If a flight route proves difficult for a single airline to maintain or reinforce, joint proposals for route enhancement will be solicited from local communities and airlines. These joint proposals will be evaluated, and Haneda Airport's domestic flight slots will be assigned to those making the best proposal.



JAL SKY NEXT "Class J"



A Diamond Premier Lounge at Haneda Airport

Domestic Passenger Operations

## Participation in Regional Revitalization Efforts

The JAL Group conducts a variety of activities targeting domestic and foreign markets aimed at fulfilling our responsibility as a Japanese airline for assisting local communities in their efforts to revitalize their economies and activities. These include tie-ups with local governments and initiatives to attract inbound passengers to regional cities.

### Regional revitalization × JAL

Regional communities seek to revitalize their region through efforts to make use of their regional characteristics to create an autonomous, sustainable regional society. In Japan, where shrinking populations and declining industries in regional cities are serious issues, every region is encouraged to promote its traditions and tourism resources worldwide. It is also important to promote the flow and interaction of people among regions in Japan.

The JAL Group is increasingly taking advantage of its strengths as a network carrier to create demand for travel to regional destinations by implementing an effective airfare policy and conducting other marketing initiatives. Under the JAL NEW-JAPAN PROJECT, we are carrying out activities aimed at revitalizing regional communities and enhancing their appeal in cooperation with their local governments. We are introducing initiatives to attract foreign visitors to Japan's local regions, and developing a number of activities targeting markets in Japan and overseas.

### Approaches to domestic markets

#### ■ Use of Furusato WARI coupons to promote regional revitalization

In fiscal 2015, we distributed regional information through the JAL Tabi Plus Navi travel information site on the JAL website in a tie-up with local governments. Other efforts included participation in the Furusato WARI project—a revitalization program promoted by the central and local governments.

We formulated a plan in cooperation with eight regional governments to offer JAL Dynamic Package tickets at discounted prices to holders of Furusato WARI coupons. This approach was successful in attracting more tourists from the Tokyo metropolitan area to regional destinations.

In fiscal 2016, we will continue to support local communities in the JAL Furusato OEN WARI initiative through sales promotion of the JAL Dynamic Package.

#### ■ Creating demand for visiting regions by reinforcing sales of discount transit fares

We encourage travel between regions by offering discount transit fares for flights from one region to another via Tokyo, Osaka or other major cities. In fiscal 2015, applicable sectors of Advance Purchase Transit Fare 28 were expanded. At the same time, we increased the discount rate significantly to create demand for connections while reinforcing regional promotion activities.

In fiscal 2016, the JAL Group remains committed to contributing to the revitalization of interregional travel by leveraging the Group's route network to promote use of connections to local airports at Haneda Airport.



### Approaches to overseas markets

#### ■ Attracting foreign tourists to various parts of Japan

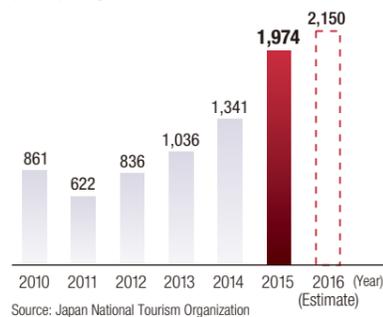
The number of foreign visitors to Japan has trended upward in recent years, registering a record high of 19.74 million in 2015. According to a survey by the Japan Tourism Agency, all Japanese prefectures saw a significant increase from the previous year in the numbers of hotel guests from abroad in 2015, but these tourists stayed mainly in the three metropolitan areas\*1. As their needs and interests diversify, more foreign visitors are switching their travel arrangements from group package tours to personal planning.

We responded to this change in travel planning by launching Japan Explorer Pass, an online domestic fare plan designed to transport international visitors all over Japan. Flight tickets sold under this plan, which must be purchased 72 hours prior to the intended flight at the latest, are available even after ticketholders arrive in Japan. We will continue to develop more flexible tour schedules to allow international visitors to enjoy pleasant visits to more tourist spots across the country.

\*1 The big three metropolitan areas are the Capital metropolitan area, Chukyo area and Kinki area.

#### Trends in number of international visitors to Japan

(10,000 passengers)



### Domestic Cargo

In connection with the updating of our core international cargo system in April 2016, we started integrated operation with our core domestic cargo system, updated at the end of September 2014. This integration has improved the convenience of cargo reservations and contributed to dynamic management of domestic and international transport connections, as well as contributing to regional revitalization and growth in exports of local agricultural products.



### VOICE

#### Benefits to JAL of increasing inbound tourists and regional revitalization

Faced with a shrinking population in Japan, we cannot expect to see significant growth of demand for domestic flights. Considering this situation, the inbound market offers new business opportunities for obtaining new sources of stable year-round revenues, as seasonal patterns in other countries differ from those of Japan. Boosted by expanding markets, growing numbers of charter and overseas LCC flights are flying into regional airports directly from overseas. Under these circumstances, JAL is faced with growing competition in the Japanese market from overseas airlines as well as domestic competitors.

We responded by leveraging the strength of our extensive domestic route network to launch the Japan Explorer Pass website in multiple languages and began distributing information on wide-circuit tours for Japan Explorer Pass holders. We will continue to take advantage of our network to communicate proposals overseas and attract more visitors to Japan.

JAL's partnerships with local governments and operators associated with the inbound market require it, as a Japanese airline, not only to play a role in connecting one location to another, but to play many other roles for the nation as well. To contribute to regional revitalization and JAL's own sustainable growth, it is particularly important that we encourage Japanese citizens to rediscover and recognize again the values of our own culture and communities in cooperation with stakeholders.



**Yosuke Suzuki**  
Domestic Route Marketing, Planning Group

INBOUND / 2015 fiscal (April 2015–March 2016)

21.36 million

Source: Japan National Tourism Organization

Domestic Passenger Operations

# JAL Group Route Network

Routes connecting regional cities with isolated islands are indispensable today, not only for business and tour passengers but also for local residents. The JAL Group is committed to contributing to local communities and their regional revitalization initiatives by maintaining local routes and offering high-quality services.

## Japan Transocean Air Co., Ltd (JTA)



**Kiyoshi Marukawa, President**  
 Established as Southwest Air Lines in 1967, well before the return of Okinawa to Japan, Japan Transocean Air continues to provide Okinawan residents with "wings" as it commemorates 49 years of service in 2016. The airline operated on its original routes to provide connections between the main island of Okinawa and smaller, isolated islands to support the lives of their residents. Today, in addition to these routes, it has twelve 737 aircraft operating on 13 routes connecting Okinawa to Haneda, Chubu, Kansai, Komatsu, Okayama and Fukuoka airports and making a total of 70 daily flights. In 2015, the number of tourists visiting Okinawa marked a record high, boosted by a remarkable increase in inbound demand from Asian countries and regions. The majority of JAL customers are tourists, and competition is intensifying among airlines. To survive the competition, the JAL Group attractively promotes the destination incorporating the features of Okinawa and contributes to regional development as well. We will continue to pursue profitability while maintaining our local routes.

## Ryukyu Air Commuter Co., Ltd. (RAC)



**Takashi Irei, President**  
 A regional airline celebrating its 31st anniversary in 2016, RAC provides convenient connections with the isolated islands of Okinawa. Operating from its hub, Naha Airport, on the main island of Okinawa, the airline operates 41 to 43 daily flights on 12 routes, with connections to the islands of Amami Oshima and Yoronjima to the north,

Minamidaitojima and Kitadaitojima to the east, Kumejima to the west, and Miyakojima, Taramajima, Ishigakijima and Yonagunijima in the Sakishima chain to the southwest. These routes not only make it easy for local residents to travel, but also contribute to the development of local industries in Okinawa, including tourism, the region's leading industry. RAC flew four 39-seat DHC8-Q100 aircraft and one 50-seat DHC8-Q300 until they were replaced in April 2016 with a new fleet of DHC8-Q400 Cargo-Combi (CC) aircraft. The 50-seat DHC8-Q400CC has 30% greater capacity and a cargo compartment that is some 2.5 times as large. The new planes will be phased in until fully replacing the existing fleet by the end of fiscal 2017. We believe these new aircraft will improve convenience for island residents and business passengers as well as help attract more tourists. RAC makes an important contribution to the development of local industries by providing a fast mass-transportation system for transporting marine and agricultural products from Okinawa's isolated islands.

## Hokkaido Air System Co., Ltd. (HAC)



**Yoichiro Kuwano, President**  
 Operating from Okadama Airport as its hub, HAC provides Hokkaido residents with convenient flights linking the cities of Kushiro, Hakodate and Misawa with the isolated islands of Rishiri and Okushiri. After separating from the JAL Group in fiscal 2011, HAC returned under its umbrella in fiscal 2014. Its three 36-seat SAAB 340B aircraft fly 26 daily flights. Hokkaido covers a huge area compared with Japan's other prefectures, making air travel particularly attractive: it takes an automobile about five hours to travel from Sapporo in the southwest to Kushiro on the east coast, while an airplane takes just 45 minutes. The route connecting Okadama to Kushiro and Hakodate is used mainly by business passengers who travel weekly. Hokkaido has recently seen a sharp increase in the number of inbound flights, and with the Shinkansen "bullet train" now in operation, more passengers are expected to visit the isolated islands. We intend to take advantage of our small, passenger-friendly aircraft and the JAL Group's high quality services to attract more individual travelers and small groups of tourists in addition to business passengers.

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



**Tetsuya Onuki, President**  
 The JAL Group's principal member airline covering regional routes, Osaka (Itami) Airport-based J-AIR operates 192 daily flights on 31 routes in a network connecting various regions to meet customer needs. J-AIR provides about 20% of JAL's domestic flights. We expanded our fleet of 50-seat CRJ200 aircraft and 76-seat EMBRAER 170 aircraft with the introduction this year of 95-seat EMBRAER 190 aircraft, the first to be furnished with Class J seats, on the Osaka (Itami)-Kagoshima route in May and on the Osaka (Itami)-Sendai/Fukuoka route in July. In fiscal 2016, our 20th anniversary, we will expand our local network of routes from major local airports.

About 50% of J-AIR flights operate on routes to and from the Tohoku region. We have engaged actively in social contribution activities, including flight experience events and airline classes for children invited from Tohoku, in support of reconstruction efforts in the wake of the Great East Japan Earthquake. All our J-AIR staff are providing warm-hearted community-based services in accordance with the JAL Group's goal, "To become the world's most preferred and valued airline group."

## Japan Air Commuter Co., Ltd (JAC)



**Hiroki Kato, President**  
 JAC was established 33 years ago in 1983 to sustain and develop Amami-gunto archipelago routes. The airline was funded 60% by JAL and 40% by 12 municipalities in the Amami island group. We began with three 19-seat DO228 aircraft flying four routes. Today, we fly ten 74-seat DHC8-Q400 aircraft and nine 36-seat SAAB340B aircraft. JAC now operates 20 routes that link regions and particularly remote islands throughout West Japan. These include the islands Tanegashima, Yakushima and the Amami-gunto archipelago in Kagoshima Prefecture from our base at Kagoshima Airport, in addition to the Chugoku and Shikoku regions, and the island of Okinoshima in Shimane Prefecture from Fukuoka Airport.

In January 2017, we will introduce 48-seat ATR42-600 aircraft. Produced by the Airbus group, these are the most advanced turbo-prop aircraft, and they are outstanding in terms of comfort and economy. By steadily upgrading equipment, the JAL Group continues to provide a highly convenient network that serves remote islands of Kagoshima Prefecture and intricately links regions throughout West Japan.

JAPAN AIRLINES REPORT 2016

JAPAN AIRLINES REPORT 2016

Aircraft Investment Strategy and JAL Group Fleet

**After confirming that investments will prove effective, we are proceeding with an aircraft plan to offer comfortable flights.**

**Introducing Comfortable Environment-friendly Aircraft**

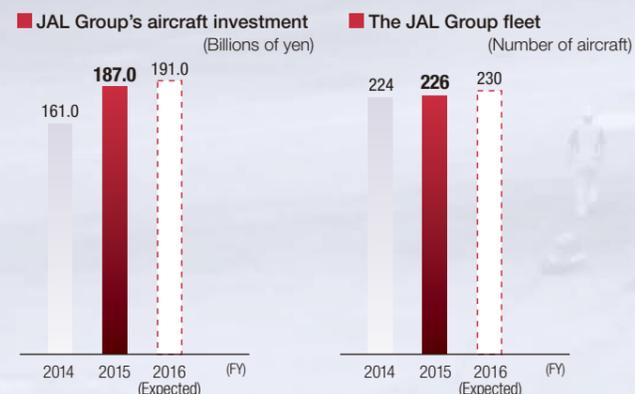
We acquired six new 787 aircraft in fiscal 2015, while decommissioning our aging 777 and 767 aircraft in stages. Among JAL Group members, Japan Transocean Air took delivery of the 737-800, Ryukyu Air Commuter, the DHC8-Q400CC and J-AIR, two E170 aircraft.

We plan to invest 191 billion yen in aircraft in fiscal 2016. After introducing seven 787 aircraft, which are 20% more fuel efficient and quieter than the aircraft they replace, our fleet will comprise a total of thirty-three 787 aircraft. J-AIR will introduce its initial E190, furnished for the first time with Class J seats, while Japan Air Commuter will deploy its initial ATR42, a small aircraft featuring superior comfort and economy. By the end of fiscal 2016, the JAL Group will own a total of 230 aircraft—85 operating on international routes and 145 on domestic routes.

**Renovating the cabin to enhance comfort**

With respect to cabin renovations, we will continue our efforts to increase customer preferences, including introduction to our international routes of 777-200ER aircraft revamped with JAL SKY SUITE seats offering greater comfort. On domestic routes, we will complete the revamp of all 77 aircraft to JAL SKY NEXT offering comfort and Internet connections by the end of fiscal 2016. J-AIR's ERJ aircraft will also undergo cabin interior renovations and begin offering new Internet connection services.

From fiscal 2017, we plan to introduce the Airbus A350, which offers high levels of comfort and fuel efficiency, and Mitsubishi Aircraft's small-bodied MRJ, which generates less noise and a lower environmental load. We will continue to make every effort to improve comfort and convenience for our customers.



**Jumbo 40 aircraft**

777-300ER	13
777-300	4
777-200ER	11
777-200	12



**Mid-size 67 aircraft**

787-9	3
787-8	23
767-300ER	32
767-300	9



**Small-bodied 63 aircraft**

737-400	12
737-800	51



**RJ\*1 56 aircraft**

EMBRAER170	17
CRJ-200	9
DHC8-Q400	10
DHC8-Q400CC	2
SAAB 340B	13
DHC8-Q300	1
DHC8-Q100	4

\*1 Regional jet



**Total 226 aircraft**

(As of March 31, 2016)

Other Businesses

## We strive to enhance customer convenience and maximize the JAL Group's corporate value.

The financial results for the main two companies in this segment were as follows:

### JALPAK Co., Ltd.

JALPAK Co., Ltd. endeavored to increase revenues by developing and offering products in a timely manner in response to changing demand.

In fiscal 2015, JALPAK handled 243,000 passengers traveling to overseas destinations, down 11.7% from the previous year, partly due to uncertainties in Europe. This downturn was offset, however, by increased sales of the JAL Dynamic Package, which boosted the number of domestic travelers to 2,429,000, up 5.6% from the previous year.

As a result, operating revenue (prior to elimination of intercompany transactions) increased by 1.4% from a year earlier to 172.2 billion yen.

In fiscal 2016, we are continuing to listen to customer feedback to enhance our ability to respond accurately to diversifying needs and provide a pleasant travel experience customers can enjoy only with JALPAK.

In planning new products, our personnel in many departments take advantage of their expertise to identify the varying needs of customers precisely and develop an offering of high-quality trips that assure peace of mind through rigorous quality control.

We distributed "white pamphlets" introducing our domestic and overseas products at the beginning of the fiscal year, and are continuing to provide customers with special product pamphlets for different destinations and seasons as the year goes by. We also prepare special pamphlets for JMB members only.



### JALCARD, Inc.

JALCARD, Inc. sought to increase its membership through vigorous campaigns using the Internet and a direct-mail strategy and by encouraging and accepting applications on tablets at major airports and increasing sales staff. We made concerted efforts to raise awareness of our products by providing short TV programs and sponsoring cultural events. We also issued a JAL JCB Card (Disney Design) with Mickey Mouse portrayed in a pilot's uniform. Thanks to these efforts, membership increased by 91,000 to 3,129,000 since the end of March 2015.

The number of transactions rose steadily as we increased the number of partner shops offering double-miles and introduced initiatives to encourage card usage and to promote card sales and a shift to more prestigious cards. As a result, operating revenue (prior to elimination of intercompany transactions) increased to 20.4 billion yen, a year-on-year improvement of 4.2%.

In fiscal 2016, we will endeavor to provide consumers with more opportunities to experience the real joy of travel by using our credit card.



## JAL's Commitment to Service Quality

### The Quality of Service Envisioned by the JAL Group

On-time Performance:	
JAL's provision of essential quality .....	52
On-time Performance:	
Collaborative system supporting the world's No.1 on-time arrival rate .....	54
Comfort:	
Making travel increasingly comfortable .....	56
Comfort:	
A spirit of hospitality engendering unparalleled service .....	58

On-time Performance

## JAL's provision of essential quality

The JAL Group's Corporate Philosophy is to provide customers with unparalleled services. The most essential quality of an airline, ensuring on-time performance with the highest priority placed on maintaining safety, is our proud mission. Building on this foundation, the JAL Group embraces service quality distinguished by attention to every small concern arising from the customer's perspective.



Major Airline Companies Category World No.1



JAL on-time arrival rate

**89.44 %**

Asia-Pacific Major Airlines Category No.1



JAL on-time arrival rate

**89.44 %**

Alliance Category No.1



JAL affiliates' on-time arrival rate

**80.97%**



### Fourth "triple crown" for on-time arrival rate

JAL placed first among all major international airlines in the on-time arrival category on both its domestic and international routes during the year from January to December 2015 in rankings compiled by the U.S.-based FlightStats flight status and travel planning service based on various analyses of airline on-time arrival rates. JAL also ranked first in the best major Asia-Pacific airlines category, and the **oneworld** airline alliance of which JAL is a member placed first in all three categories with relevance to JAL.

JAL is the only airline in the world to have won this "triple crown" (first place in three categories) even once, and this marked the fourth time it has achieved this distinction (following 2010,\*<sup>1</sup> 2012 and 2013).

\*1 There was no alliance airlines category in 2010, but JAL placed first in the (subsequently discontinued) Asia regional airlines category that year.

### Mental vector alignment by every employee

On-time performance with safety as its first priority is an essential factor contributing to the service quality of a public transportation company, which enables passengers to optimize use of their precious time. Realizing this performance requires acquiring passengers' understanding and cooperation with the on-time departure concept and marshalling the combined efforts of every member of the JAL Group.

Aircraft operation involves cooperation among many divisions, including the reservations, airport, in-flight, ground handling, cargo, maintenance, flight, passenger cabin, sales and other support and headquarters planning divisions, among others. To achieve our common goal of on-time performance, the personnel in all our divisions must align their mental vectors for each and every flight and perform their duties with precision. It is also essential to make the best baton pass from division to division and from staff member to staff member between assignments.

Our ability to align our mental vectors and consider the next person in line in order to make the best baton pass is crucial to achieving superior on-time performance.

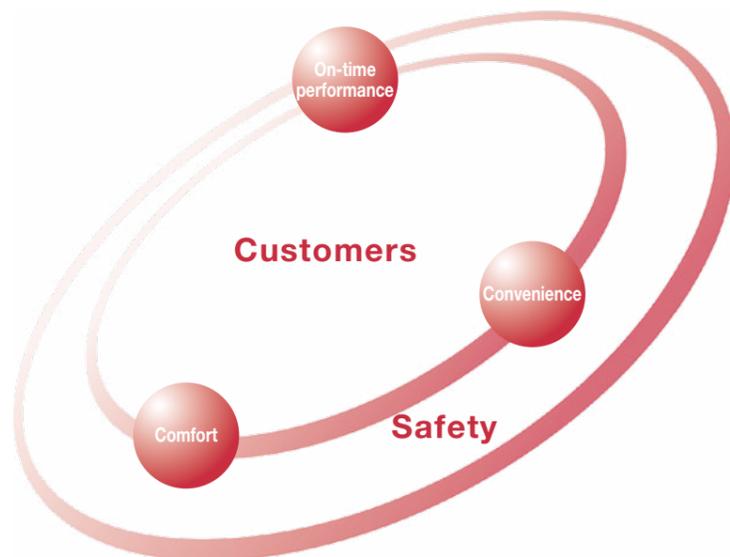
To improve our on-time performance further, moreover, we must continue to foster creativity and innovation based on the concept, "Today should be better than yesterday; tomorrow better than today." We will continue to build on this foundation into the future through steady and consistent efforts to make even minor improvements and refinements, both inside and outside our divisions.

### Achieving on-time performance by observing the JAL Philosophy

All JAL Group employees are taught to reflect during the conduct of their daily duties on the JAL Philosophy, which provides the awareness, values and way of thought required for working with JAL products and services, including on-time performance.

The 40 tenets of the JAL Philosophy include "align mental vectors," "make the best baton pass" and "today should be better than tomorrow; tomorrow better than today." Put simply, every employee's consistent observance of the JAL Philosophy enables us to provide safe, comfortable journeys by air with superior on-time departure and arrival performance.

Keeping the JAL Philosophy in mind at all times, we shall continue our efforts to improve on-time performance while ensuring flight safety, and to disseminate awareness of the proud on-time performance quality of Japan's transportation services.



On-time Performance

# Collaborative system supporting the world's No.1 on-time arrival rate

All JAL personnel work as a single coordinated team for the sake of each flight. Their aim is to make the best baton pass through meticulous work procedures and precise cooperation.

Provision of safe, on-time flights is the most important promise an airline must fulfill to earn the confidence and trust of its passengers. The time required to cover a certain route may change depending on the direction of the wind. Standby status is sometimes required when departing and arriving flights overlap. Even under such conditions, every division and staff member involved in a flight strives to act with speed and precision to make the best baton pass and maintain our on-time performance. We will continue to cooperate and innovate above and beyond our job categories to ensure a world-leading level of quality in JAL's safety and on-time performance.



### Reservations and ticketing

Trained personnel inform customers of their departure times and other requisite information while handling reservation and ticketing operations with precision.



Previous day

### Spot-in

The aircraft marshallers work with the wing tip wardens to guide aircraft to the proper parking slot after landing.



Pre-arrival, immediately post-arrival

### Check-in

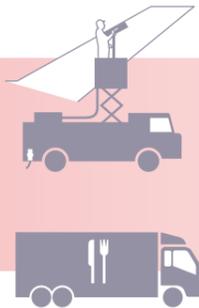
Check-in personnel manage passenger and baggage check-in procedures, direct passengers to the boarding gate and keep them informed of the time required to reach the gate and the time boarding begins.



Pre-departure

### Fueling

An appropriate amount of fuel is pumped into each aircraft depending on the weather conditions, number of passengers and crew, and cargo weight. JAL's consideration of the environment is evident in these and other efforts to avoid waste.



### Airport

Seating assignments are made and boarding passes prepared in advance for passengers traveling in groups. Passengers requiring assistance are also identified to ensure that boarding procedures go smoothly on the following day.



### Maintenance checks

Mechanics inspect approximately 50 designated points for dents or other damage to the aircraft after landing. Measures are taken in response to reports from the flight crew concerning problems or malfunctions.



### Cleaning and stocking

The personnel who clean the seats, restrooms and other facilities and tidy up or replenish such items provided for passengers as blankets, pillows and in-flight magazines play a vital role in maintaining a comfortable cabin environment.



### Catering

The in-flight meal delivery trucks must not only be hygienic, but they must also leave the processing center and deliver meals at the proper time to ensure on-time performance.



### Security check area

Obtaining every passenger's cooperation in advance enables security checking to be conducted both smoothly and rigorously.



Pre-departure

### Boarding gate

The various steps taken to ensure smooth boarding include priority boarding for passengers in need of help and handling of baby strollers that cannot be taken onto the aircraft.



### Flight operation and load control

All relevant information (such as information on weather and airport conditions) is gathered and passed on to the flight crew for use in determining the appropriate route, direction and altitude.



Block-out

### Baggage and cargo loading

Precise plans are formulated for quick, accurate weight balancing based on data on such factors as the number of passengers and size and weight of the cargo.



### Flight crew

After checking reports from the flight crew and mechanics concerning the previous flight and the aircraft's condition, the flight crew determines a flight plan for the current flight and briefs the cabin attendants.



### Baggage pick-up

Passengers are asked to take care to make sure they pick up the correct baggage. Every effort is made to enable passengers to round off their trip nicely by picking up their baggage with no unnecessary delay.



Arrival

### Welcoming passengers at the boarding gate

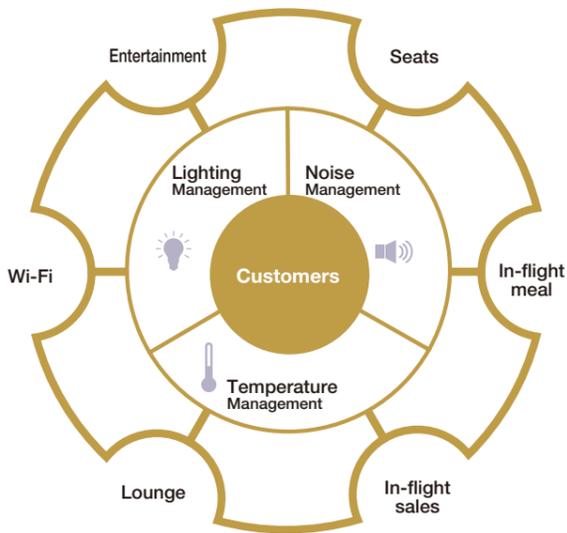
Connecting passengers are informed of the shortest route to their next flight's boarding gate to help ensure a smooth connection. Support is provided to facilitate disembarkation of passengers requiring help or traveling with small children.



Comfort

# Making travel increasingly comfortable

JAL makes every effort to provide facilities and services that ensure its passengers a pleasant, comfortable flight. High-quality services reflecting ongoing consideration of comfort and convenience have been developed with a priority on the passenger's perspective.



## Seeking to rise a class above on international routes

We pursue high quality and full service at multiple contact points on our international routes, including our airport lounges, cabin seats and in-flight meal service, with the aim of offering unparalleled services that assure passengers a consistently fresh and enjoyable travel experience. Our JAL SKY SUITE aircraft, in particular, developed based on the concept of incomparable, one-class-above quality, realize a completely new level of in-flight comfort.

In-flight entertainment on our current aircraft comprises over 300 programs, and many JAL SKY SUITE aircraft offer even more through Internet connectivity services. An array of services is provided to enable individual passengers to enjoy their time in the sky in a way that suits their personal tastes.

## Key improvements in comfort on domestic routes

The products and services provided on our domestic routes are designed to give passengers full satisfaction by combining convenience with simplicity. The JAL SKY NEXT aircraft we began adding to our fleet in May 2014 are flown not only on core routes, but also on many regional linking routes. We plan to replace all 77 aircraft operating on JAL's domestic routes with these new-generation aircraft by the end of 2016. All seats on these aircraft have leather seat covers and offer in-flight Internet connectivity. Our subsidiaries are also adopting cabin equipment specifications to improve quality.

We are also pursuing wide-ranging efforts to enhance customer convenience based on the JAL Smart Style concept. These include introduction of the JAL Express Tag Service for faster baggage check-in.



JAL SKY NEXT First Class



JAL SKY SUITE III



JAL SKY PREMIUM



Comfort

## A Spirit of hospitality engendering unparalleled service

We offer personalized service integrating the commitment of every individual staff member into a single whole in accordance with the JAL spirit of hospitality.

We pay constant attention to every detail during a flight to ensure our passengers a comfortable journey with a minimum of stress.



### Considering the comfort of every individual passenger

In-flight comfort is composed of three personal elements: the facilities (e.g., the aircraft and seats); the services (e.g., in-flight meals and entertainment); and the hospitality provided by every cabin attendant.

JAL cabin attendants take responsibility for passengers' safety on the aircraft, and do everything in their power to provide the most attentive possible service based on the Japanese spirit of hospitality. Every passenger has different personal preferences and expectations concerning in-flight service. Our cabin attendants treat them as individuals from the moment they board the aircraft, and respond to each situation as it arises with their sensitivity attuned to the passenger's personal feelings in every encounter.

As concerns meal services, the cabin attendants make a special effort to ensure that meals taste as fresh as possible depending on the ingredients, and serve them in the best possible condition. They conduct the meal service in a refined, precise manner reflecting a desire for passengers to enjoy their meals fully as their highest priority. Our SKY OASIS service makes snacks and beverages available to passengers whenever they wish on long flights.

### Conscientious creation of a comfortable cabin environment

JAL cabin attendants take care to provide high-quality service in terms of temperature, lighting and sound control to ensure passengers' ability to travel in optimal comfort on long journeys inside the enclosed cabin space.

The cabin temperature is set higher than usual on routes with resort destinations, for example, on which passengers tend to wear lighter clothing, while the cabin is kept as quiet as possible at night for the comfort of sleeping passengers, with cabin attendants remaining on standby to serve passengers who stay awake. These are among the many ways in which we accommodate ourselves to passengers' needs.

Another important role of our cabin attendants is to maintain cleanliness and harmony in the cabin. As part of their safety checks, they also make sure passengers can use the restrooms in comfort, while also keeping watch for passengers who are feeling unwell and sharing a friendly word with them.

In the future we will continue to combine creativity with innovation to ensure our ability to keep a close watch on our passengers at all times, and to assure them a pleasant journey from takeoff to arrival.



BEST ECONOMY CLASS AIRLINE SEAT



JAL SKY WIDER

### External evaluations

JAL earned first place in the International Airlines Loyalty category in the "Fiscal 2015 Japan Customer Satisfaction Index, 4th Survey Results" for the third consecutive year. We were also awarded first-place honors in the Customer Satisfaction category for the first time.

Since we failed to gain first place in the domestic category, however, we will continue our efforts to improve the quality of our service further on both our domestic and international routes.

The JAL SKY WIDER II seats installed in our Boeing 787s in December 2014 won a Good Design Award in fiscal 2015. This follows our receipt of the same award in fiscal 2013 for the first JAL SKY WIDER seats we introduced in our Boeing 777-300ERs and 767-300ERs. These economy class seats are designed to afford more legroom on international routes.

Encouraged by this external recognition, we will continue our efforts to provide satisfaction for every passenger flying on the wings of the JAL Group.

Comfort



VOiCE

Fully configured facilities and amenities with JAL's unique personal service added. Seeking to provide unparalleled quality through considerate services

The JAL Philosophy of providing customers with unparalleled service requires us to offer customers the world's highest level of safety, on-time performance, comfort and convenience with the aim of achieving the world's highest level of customer satisfaction.

One of the targets of our Medium Term Management Plan for the fiscal 2012 to 2016 period is to provide customers with unparalleled services that continuously deliver fresh, enjoyable travel experiences with the aim of achieving the No.1 customer satisfaction rating by fiscal 2016.

Our vision of customer satisfaction calls for stimulating a desire in customers to fly with us again and a willingness to recommend us to others, raising our profitability and making a meaningful contribution as a Japanese airline to the ongoing development of society.

All our thinking, values and behavior concerned with achieving customer satisfaction originate in the JAL Philosophy,

the guiding policy that serves as a foundation for all our employees.

We view our services as composed of facilities, amenities and personal service. Unparalleled services are made possible by resolutely combining all three. We seek to give our customers full satisfaction by providing a highly amenable cabin, delicious in-flight meals and wholehearted service from our cabin attendants.

All our personnel, from those who plan our services and those who prepare and support them to those who actually serve our customers, practice the JAL Philosophy. Focusing on our customers' needs and desires, we will continue our efforts to provide unparalleled services in the three areas of facilities, amenities and personal service.



Hikari Baba (left) and Toshiyuki Urasawa (right)  
[Products and Services Planning Division]  
Operations Division, Operations Group



Human Resources Management

Human Resources in the JAL Group

- Creating Workplaces Where Diverse Human Resources Can Participate ..... 62
- Changing Workstyles ..... 64
- Health Management ..... 65
- Promoting Diversity Including Promotion of Women's Careers ..... 66
- Practicing Diversity ..... 68

Creating Workplaces Where Diverse Human Resources Can Participate

**We are focused on developing human resources for the next generation that will practice the JAL Group Corporate Policy “to become the world’s most preferred and valued airline group” through action by every member of our staff.**



**Message**

**Takuya Oda**  
Executive Officer, Human Resources Management

Every JAL flight requires the efforts of many employees. We believe that the best way to provide customers with unparalleled service is by drawing on the energies of individuals in different roles to create an unbroken, integrated stream of strengths following a single path. Put simply, the power of our human resources is the origin of the JAL Group’s strength. To interact with customers with heartfelt hospitality requires not just improving knowledge, techniques and other day-to-day skills, but also a refinement of character. I believe my job is to help each employee grow into a more attractive human being.

The JAL Group has developed many systems and education programs to encourage employees to believe in their own potential, to challenge new fields boldly to deepen our experience, and thus to become active as true leaders. Based on our belief that mobilizing the strength of diverse human resources with different experiences, values and perspectives to constantly generate new value is the best business strategy for winning the intensifying competition, we have expanded opportunities for employees with abilities and motivation to be active beyond the limits of their original company and recruitment region, putting the merit system first.

We will maintain these strategies into the future, promoting diversity and changing workstyles, while also taking a serious interest in the health management of the employees gathered under the JAL Group banner to ensure their ability to exhibit their abilities at the highest level.

**Creating workplaces promoting the engagement of diverse human resources**

The JAL Group believes that promoting the active participation of diverse human resources is the wellspring of new corporate value creation, and we continue to pursue the diversity promotion initiatives listed below for this reason. Our aim is to be a company in which anyone can play an active role, regardless of gender, company of employment, nationality, age, sexual orientation, gender identity or disabilities.

**■ Developing infrastructure that encourages action**

To develop infrastructure that supports the participation of diverse human resources, we have constructed a common training program and a human resources database that is shared Group-wide. We specify the positions recognized as important for our business and management as Group Management (GM) posts with integrated remuneration and compensation. We have adopted the GM system for assigning highly motivated employees with strong potential to these positions, regardless of their original Group company.

**■ Nurturing overseas staff**

We have formulated a Global HR Policy and are focusing on developing staff who are hired overseas, building development programs including assignments to work in Japan, Japanese language training and global training.

**■ Promoting workstyle reform**

In fiscal 2014, we established the Office for Promoting Workstyle Reform to change the mindsets of employees and develop infrastructure that enables everyone to build careers with a greater sense of satisfaction.

**■ Promoting diversity**

We set targets for promoting women’s careers in fiscal 2014 and are implementing specific measures to achieve them based on a clear management commitment. We set up a new Diversity Promotion Group in the Human Resources Management Division in April 2016 with the aim of further intensifying efforts to mobilize all employees. This organization is actively engaged in promoting employment of older people and increasing opportunities for participation by the disabled. Courses to increase understanding of LGBT people (sexual minorities) are helping to form a corporate climate that recognizes diverse values, creates open workplaces and revitalizes organizations.

We will continue these efforts to establish a corporate climate to create new values, leveraging the rich diversity of JAL Group employees.



Exchange of opinions in the JAL Nadeshiko Lab



Skill Upgrade Workshop for changing workstyles



Joint education course for new employees

**A common education and development program of the JAL Group**

In addition to conducting education and training by job category and Group company, the JAL Group has created a common education and training program for the entire Group that focuses on developing leaders and safety and service professionals.

**■ New employee education**

Education for new recruits initiated immediately after they join the company covers the foundations of the JAL Group, including the JAL Philosophy, safety and the corporate brand. A four-day new employee training course held in Tokyo from April 1, 2016 was attended by more than 1,100 employees from 32 Group companies with senior colleagues serving as instructors. Because the course brought several Group companies together, the trainees split into teams. This annual course lays the groundwork for cultivating a sense of oneness of the JAL Group as a whole.

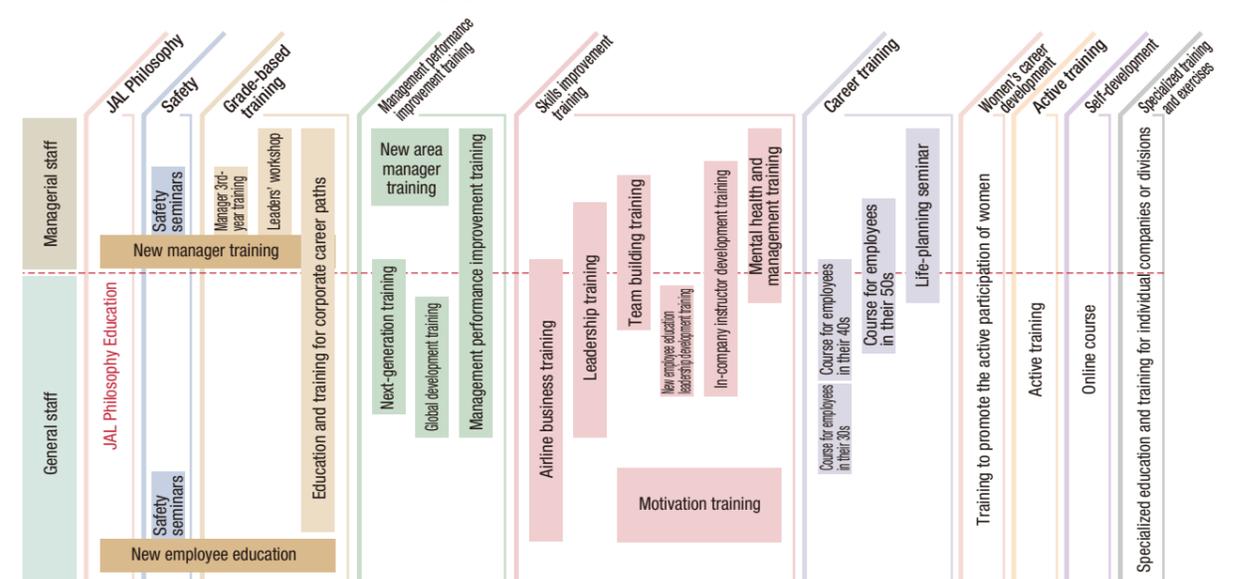
**■ JAL Group’s fundamental education and training systems**

Each JAL Group company and division has formulated its own carefully structured education and training system to prepare employees to provide unparalleled service to customers.

Education and training are generally systematized as employment grade-based training, management skills improvement training, skills improvement training, career training, women’s career development, active training and self-development (online course). Each course or educational activity adopts a cross-departmental style to encourage trainees to deepen bonds with co-workers and gain a higher level of motivation toward work. The management skills improvement training, in particular, further cultivates their business skills to include skills supporting logical, effective problem-solving as well as knowledge and techniques for facilitation (running meetings). Three new types of training focusing on logical thinking and problem-solving, facilitation and marketing fundamentals have been established and made accessible to any interested member of the JAL Group in order to foster understanding of the essential elements of marketing.

We will continue to enhance the quality of our programs and maximize their effectiveness, centered on the JAL Education and Training Center. We will work even harder to develop human resources who embody the JAL Philosophy and realize the JAL Group Corporate Policy.

**JAL Group fundamental education and training system**



## Changing Workstyles

**We are striving to develop a workplace environment where every employee can be active and exhibit their best abilities and individual attributes.**



Employing free-address offices and layout variations to realize workstyles independent of location

### Seeking workstyle reform

As we feel it is essential to develop an environment where every employee can work with ease and display their abilities, the JAL Group has been making concerted efforts to change workstyles since fiscal 2015.

All our employees are motivated to work and are improving labor productivity. The extra time gained is used to promote a work-life balance for fuller lives, both public and private, and encouraging self-development and healthier lifestyles. When employees put their experiences and learning back into their work, new value is created which contributes to growth of the company as a whole. The JAL Group is pursuing the following initiatives aimed at increasing labor productivity through this synergy of life and work.



### Aiming to create new value

The Procurement Division, which pioneered workstyle reform, has created an environment for working independently of location and made working easier for non-Japanese employees and employees with work hour restrictions to care for children or elderly family members. It also makes use of time saved through improved productivity to conduct procurement education for developing human resources internally.

Programs are provided to educate employees in necessary business skills, thus helping them improve their skills. These efforts will ensure that employees will continue to apply knowledge and experience gained inside and outside the company to create diverse values free from restrictions imposed by existing frameworks, thus helping the company grow as an airline capable of providing products and services to meet diverse customer needs.

#### ■ Concrete initiatives

##### (1) Startup workshops

One internal division served as a pioneer for the rest of the company by introducing an IT tool in fiscal 2014 that transformed its attendance management rules and sought to realize a paperless, free-address office. This resulted in a substantial reduction in overtime work compared with the previous year. Subsequent steps saw awareness rise companywide from July 2015. Workshops were held for about 4,000 employees in all JAL Group back office divisions, with colleagues from the pioneering division serving as instructors to relate their experiences, the aims of the initiatives and planning required, and the specific skills needed to improve operational efficiency.

##### (2) Operational rules and visibility

To construct systems that permit employees to work with an awareness of operational efficiency and hourly productivity, new rules were established companywide for holding meetings, using phones and email, and work completion times. Report meetings on attendance performance were also set up to enable division heads to analyze their division's issues and report on countermeasures. A corporate climate ensuring timely completion of work will be put in place, enhancing the visibility of attendance issues in various divisions, such as overtime work and the use of paid leave, and sharing information such as original innovations or initiatives by the divisions.

##### (3) IT tools and office facilities

We have revamped our infrastructure to enable employees to work independently of location. We have already invested in IT equipment, introducing tablets in the Flight Operations and Cabin Attendant divisions and mobile phones and other mobile devices in administrative divisions, and installing VDI (virtual desktops). We are improving operational efficiency by such means as converting documents into digital data, sharing internal information and revising approval authorization standards. We are also revising our teleworking systems and upgrading their operation regularly to make them easier for employees to use.

Our intention is to continue laying foundations for further workstyle reforms, to create an environment where everyone is equally active and promote true diversity.

## Health Management

**The JAL Group promotes health management to ensure that its human resources – our most important asset – can fulfill their duties in good health (both mental and physical) and with a sense of security, enabling us to provide customers with unparalleled services.**

**“Pursuing the material and intellectual growth of all our employees” requires that they be healthy.**

The physical and mental health of all JAL Group employees is indispensable in order to “pursue the material and intellectual growth of all its employees” and to “become the world's most preferred and valued airline group.” The health of our employees and their family members is, as pointed out in the President's message, an irreplaceable corporate asset. In this belief, we established the JAL Wellness 2016 health promotion project to support efforts by our employees, companies and the Japan Airlines Health Insurance Association to work together to improve employee health.

The aim of this project is to tackle the key issues of (1) lifestyle-related diseases, (2) cancer and (3) mental health based on medical cost analyses and other tools, raise awareness among all employees and their family members concerning self-health care, which involves adopting proper lifestyle habits, acquiring the ability to monitor their own health status through regular health and cancer checkups, and assessing their own stress levels and finding ways to deal with them.

To enhance health awareness, an interactive booklet titled “JAL Wellness 2016 My Book” containing resolutions based on health issues and the results of personal and family health checkups is distributed to all current and former JAL Group employees.

The project centers on a five-year plan, under which the Policy Review Council and Evaluation Council, formed under the auspices of the main Group companies and the Japan Airlines Health Insurance Association, will deliberate the nature of its policies and their implementation each year. The results are reflected in activities of the following fiscal year, and a report on the status of progress is presented to the Board of Directors.

#### ■ Follow-up by medical experts

In addition to regular medical checkups, careful follow-up procedures are conducted by medical experts such as professional occupational physicians, public health nurses, clinical psychiatrists, pharmacists and fitness trainers according to the needs

of the various occupational categories.

To assure flight safety and provide unparalleled service across different time zones and in a cabin environment with low air pressure and dry air, in particular, our full-time in-house psychiatrists and physicians provide all our flight operation crews (approximately 2,000 persons) with both the legally required health examinations for air travel and early health advice through interviews. Specialized trainers lead our (approximately 5,000) cabin attendants in stretching exercises before and after boarding. Videos of the stretching exercises are installed in tablets issued to all cabin attendants to help them practice them at home or in their travel accommodations, assuring that they will be in excellent condition for their next flight.

#### ■ Workplace health promotion activities conducted by Wellness leaders

More than 130 Wellness leaders have been appointed in our offices throughout Japan to promote better health in the workplace. They conduct wellness activities to raise awareness of health and encourage behavioral changes.

Their main activities are holding health seminars and walking events at individual workplaces, planning and organizing sports festivals and conducting visits nationwide to examine personnel using body composition monitors. The activities are designed to be enjoyable and easy to continue in order to help prevent lifestyle-related diseases. The Company and the Japan Airlines Health Insurance Association also encourage the use of stairs, napping and the closure of smoking areas at headquarters to support



Stretching lesson conducted before boarding.

employee health.

(1,700 employees participated in these activities in fiscal 2015.)

#### ■ Results of the activities

Through these activities, medical costs paid per JAL employee or family member is on average 20% lower in each age group as compared with the national average (for people under 60).

**JAL has been honored with the Health & Productivity Stock Selection for two consecutive years, and the Japan Airlines Health Insurance Association also received a commendation from the Ministry of Education, Culture, Sports, Science and Technology.**

JAL was selected as Health & Productivity Stock 2016 for the second consecutive year by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange. (14 of the 25 companies selected are repeat selections). The JAL Group's concerted efforts toward health management were also recognized in the selection of the Japan Airlines Health Insurance Association for commendation as a Health and Fitness Promoting Organization by the Ministry of Education, Culture, Sports, Science and Technology in fiscal 2015.



Promoting Diversity Including Promotion of Women's Careers

# A JAL that shines with the diversity of its human resources

The JAL Group is promoting diversity with the aim of establishing itself as a company which promotes the participation of diverse human resources including women. As efforts aimed at changing workstyles and raising awareness among all our employees, we have set a target of raising the ratio of women in management in the JAL Group from 15.6% (as of March 31, 2016) to 20% by fiscal 2023 year-end.

## JAL efforts

### Infrastructure provision

- (1) Employees are permitted up to three years of childcare leave. In fiscal 2015, 782 employees (780 women and two men) took childcare leave. The reemployment rate after childcare leave was 71.3% (100% for operational planning positions and 70% for cabin attendant positions). The timing of the return to work can be adjusted according to the individual's circumstances.
- (2) JAL programs responding to employee childcare responsibilities include exemption from late night duty and shortened working hours, from which many employees are benefiting.
- (3) Employees can use subsidies and services for temporary childcare, monthly childcare, rented childcare items and housekeeping services.
- (4) New leave systems introduced in fiscal 2016 include leaves for spouse transfers and leaves for fertility treatment. These systems permit employees to continue working in step with their life stages. In April 2016, we eliminated the contract system for cabin attendants, giving our current contract employees regular employee status and hiring all new cabin attendants as regular employees from April 2016.
- (5) The nursing care leave system has been expanded to support employees who provide nursing care by, for example, enabling them to make free use of the special purpose cumulative leave system (for accumulating untaken paid holidays) for nursing care.

### Reinforcing human resources cultivation and corporate culture development

Committed to placing the right talent in the right job and employing the merit system, we are placing increasing numbers of women in divisions that have had few female employees in the past. This is the third year in which cabin attendants have been assigned overseas as part of a program to give motivated employees overseas and other assignments in which they can gain experience and build their careers. Training for women employees

also continues as part of efforts to further their careers.

Striving to cultivate a corporate culture that encourages further growth of human resources, we have included human resources development for women and other employees in performance evaluations for management posts, and interviews with management personnel and the Human Resources Division for lower-ranking female employees aged 35 or younger.

## Efforts by the JAL Group

### Establishment of the JAL Nadeshiko Lab

The JAL Nadeshiko Lab was established in November 2015 as a cross-functional team under the direct control of the President. The Nadeshiko Lab engages in changing workstyles, as well as in raising awareness among employees, through two mainstay Group projects concerned with leveraging efforts toward women's career promotion throughout the JAL Group. The Nadeshiko Lab is laying plans for further research aimed at realizing a work environment where diverse human resources can participate actively. Others



activities of the JAL Nadeshiko Lab include organizing lunches that are open to any JAL Group employee to create communities as well as forums and other functions offering a chance to hear the ideas and opinions of top management or invited lecturers. In these ways, it promotes deeper understanding of diversity and increases motivation among employees to continue working.

\*All 43 JAL Group companies have formulated action plans following the enforcement of the Act Concerning Promotion of Women's Career Activities, including companies with fewer than 300 employees to which the act does not apply.

### Training for female employees

**Mama Cafe:** training designed to contribute to networking among employees who have come back to the company after childcare leave.



**Customer Value Creation Project:** training deploying the unique perspectives and experience of women to generate value in products and services that will encourage customers to choose them. The project is helping to develop the abilities of JAL's female employees.

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



## Successive selection for the Nadeshiko Brand list

JAL was selected in both fiscal 2014 and fiscal 2015 for inclusion in the Nadeshiko Brand list of enterprises pursuing diversity management by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. The list recognizes companies for positioning the career development of diverse human resources including women as a key management strategy for surviving intensifying competition and engaging in various activities. The JAL Group will continue its concerted efforts to become a company that offers career opportunities for diverse human resources.



## Expanding opportunities for active participation by employees with disabilities

A new concept calling for "increasing diversity in an environment where disabilities are not hindrances and continuing to create new value" was added to the corporate policy of JAL Sunlight in the current fiscal year. SKY CAFÉ Kilatto newly opened for JAL Group employees on the third floor of the Haneda Aircraft Maintenance Center on February 15, 2016.

Kilatto is operated primarily by employees with minor mental disabilities. The name incorporates the hope that the café will be a place where the individuality and character of employees will shine like stars. The staff prepare every cup of coffee or tea among the sixteen varieties on the menu with meticulous care and operate the cash registers, receiving payments and returning change with smiles and cheerful voices reflecting an "always positive and happy" attitude.

Employees with mental disabilities are also employed serving tea to visitors in the reception space on the fourteenth floor of our Tennozu Headquarters.



## Efforts for the LGBT community

The JAL Group seeks to promote career opportunities for diverse human resources, including women, persons with disabilities, and employees who wish to continue employment beyond the mandatory retirement age. A message from President Ueki to employees titled "What We Must Do to Further Promote the Career Success of Diverse Human Resources" in March this year also touched upon promotion of understanding of the LGBT community.

Efforts will continue to further a proper awareness and understanding of LGBT people among our management executives and all JAL Group employees through e-learning and other approaches.

\*LGBT, which stands for lesbian, gay, bisexual and transgender, serves as a general term for all sexual minorities.



## Message

**Junko Okawa**

Director, Senior Managing Executive Officer,  
Director, Communication Division

Since fiscal 2014, the JAL Group has positioned promotion of career success by members of our diverse workforce as one of our business strategies, and has reinforced its development and support systems to enable a variety of human resources including women to exhibit their capabilities actively.

One major step toward making our company one in which women truly play a leading role is the JAL Nadeshiko Lab, which opened in November 2015. This lab is central to our efforts to improve our corporate value by promoting women's careers.

Raising awareness and changing workstyles are two key phrases in psychological and functional terms for promoting women's careers. I can understand this from my own experience. I spent many years in the Cabin Attendants Division, building my career while deciding when to take leave and when to work as I encountered various events in my personal life. To facilitate creation of workplaces that give others the opportunity to have the same kind of experience, we must first develop an environment which raises awareness to enable the sensitivity, abilities and experiences of each individual, whether male or female, to be fully optimized. This will open up many possibilities that women had to forego in the past, spur the growth and development of women, and create new values for the JAL Group. Promoting women's careers does not entail giving women preferential treatment, but rather enabling them to work longer and truly to build their own careers.

The JAL Group is founded on the JAL Philosophy imbued in all our employees. It is precisely for this reason that our employees can consistently enjoy progressive careers. We will continue to promote resolute efforts, based on this foundation, to ensure that not only women but all members of our diverse workforce can display their individuality to strengthen the JAL Group by serving as a source of competitive power and raising our corporate value.

## Practicing Diversity

**A wide variety of human resources are active in the JAL Group, irrespective of nationality or gender. We take the utmost care to make it easy for anyone to work and to show their talents in our workplaces.**



**Rosang Zual**  
Inner Branding Group, Corporate Brand  
Promotion Department, Communications  
Division, Japan Airlines

**Editing the English edition of the in-house magazine to share information with non-Japanese JAL Group employees**

When I was a student, I desperately wanted to work in the airline business. I found a job in JAL's Yangon branch in my native Myanmar and later worked in ticketing and sales support in the Singapore branch. I came to Japan two years ago. A senior colleague at the time told me about job possibilities in Japan and assured me, "You can do it," convincing me to take the chance. For the past year, I have been editing the English version of our in-house magazine, *Route*, along with two Japanese colleagues. Wishing to share business information and news from branches around the world with our colleagues worldwide, we changed it from a bimonthly to a monthly publication. This makes us busier, but I'm happy that my suggestion to make this change was accepted. I also write unique articles for the English edition about Japanese culture and about our staff outside Japan. Japanese is still difficult for me, but people listen to my opinions during meetings. There are many other staff from outside Japan in the company, and gathering together people from different cultures is helping to change all our ways of thinking. I believe this is the real meaning of diversity.

**An environment that permits both men and to women take childcare and other types of leave, and to do our best as individuals while mutually supporting each other**

Our job is to negotiate with international airports and airlines in different countries to plan flight routes and arrival and departure times. We hold telephone conferences with the U.S. from 8:00 in the morning and with the UK from 8:00 in the evening, and we also travel abroad frequently for face-to-face meetings. In recent years, there have been more female employees posted to each group. Women in our group take charge of developing flight schedules and managing arrival and departure slots, and serve as top JAL representatives at conferences bringing together international airlines several times a year. We have many employees with small children, so we support them by making it as easy as possible to use our internal systems to arrange childcare leave, paid holidays, changes in working hours by applying by the previous day and other schedule adjustments. Our work environment allows fathers with sick children to take time off as necessary, and one male employee whose wife is from another country was permitted to take a month's leave recently to be present at the birth of their child overseas. The people on my staff have different family situations and varying personalities. I believe it is my responsibility as group head to bring the organization together so that each individual's personality can shine based on a foundation of mutual consideration.



**Kenichiro Naito**  
Group Head, International Network  
Planning Group, Network Planning  
Department, Network Marketing Division,  
Japan Airlines

**Multiple opportunities to take our careers up to the next level precisely because we have workplaces with a majority of women**

JAL NAVIA is the primary contact center for the JAL Group. Our employees are 97.5% women, and our management is 90.0% women as well. As head of the Osaka Center, I am simultaneously responsible for managing the business and educating our staff, while also participating in the overall company operations. I started my career as a cabin attendant. My first experience in a different type of job was in the Labor Services Department. I was appointed to my current position in 2013 after serving as head of the Kansai Airport branch of Japan Asia Airways, the JAL Osaka Airport Cabin Attendants Office and the Narita Cabin Attendants Department. The many opportunities I have been given along the way have brought me to this point. It is not unusual these days for employees to build careers beyond their original positions in much the same way. In addition to childcare leave and child nursing leave, we established a system at JAL NAVIA that enables employees to choose four-hour shifts until their children enter elementary school, and that allows both male and female employees who leave the company to return to their original position within a seven-year period.

We also established Nadeshiko Navia in fiscal 2016 as part of our activities aimed at assuring a work-life balance. We will continue our efforts to create a workplace environment which enables women to play vital roles and shine. We have a target of doubling the number of women in management positions, such as director, general manager or above, by fiscal 2018. I certainly hope that working women will never let their opportunities slip away, but will continue to aspire to step up to the next level.



**Kyoko Furuta**  
Osaka Center Head and Executive Officer,  
JAL NAVIA Co., Ltd.



**Kenta Oyagi**  
JAL Engineering Co., Ltd.  
Foreman, Team No. 6, Cabin Maintenance  
Section, Cabin Electronics Maintenance Office,  
Flight Inspections and Maintenance Department,  
Narita Aircraft Maintenance Center

**I took childcare leave when both my children were born. This is a work environment that gives me the time I need for both my family and my job.**

I work in aircraft cabin maintenance. We handle all the equipment customers can see and touch, including the seats, lights, air conditioning, entertainment systems and restrooms. Our work involves both short but intensive bursts between landing and takeoff, and full maintenance and overhauls conducted over several days. We work in shifts including night shifts, which means I can be home during the daytime. Right from the start of my marriage with my working wife, we shared the housework, and I took a month of childcare leave for the births of both my son and daughter. It puts stress on the family when I'm studying to pass exams for the qualifications required for maintenance work, so I have tried to make up for those times by doing housework and looking after the children during my childcare leaves. It is not only wonderful that we have these systems, but also that people are encouraged to actually use them. Many other male employees have followed me in taking childcare leave, and we all work together to cover for each other as a matter of course. We can work all the harder precisely because we have spent a good deal of time with our families. This JAL corporate climate that permits us to make active use of these systems to balance our work and family responsibilities is something that will always remain close to our hearts.

**I achieved my dream of a career outside Japan. After I married, I came alone to work in Helsinki.**

I wanted to work in a JAL branch overseas as part of my personal career development. Currently I work at Helsinki Airport managing arrangements between our locally contracted ground handling company and JAL Headquarters. Our customers come from various parts of Europe as well as from Japan. They have different cultures and varied preferences. I always try to provide sincere service that blends the way the Finnish people want to be treated with JAL's own concept of hospitality. Actually, the offer to come to Helsinki coincided with my marriage. I was unsure what to do, but my husband was extremely supportive, so I decided to take the offer. Every day I feel fulfilled to be doing the work I wanted to do. I enjoy a good balance of work and time off, and a positive working environment for both men and women. I'm also grateful for the understanding I receive when I return to Japan on leave. At JAL, it's not at all difficult for women to work in other countries. I hope that what I accomplish here will pave the way for my junior colleagues to follow.



**Aiko Hirano**  
Assistant Manager, Passenger Section,  
Helsinki Vantaa Airport, Japan Airlines



### Shareholders and investors

Recognizing the General Meeting of Shareholders as a forum for constructive dialog with shareholders, JAL always provides shareholders with timely notifications of the meetings together with accurate information and sufficient time to allow them to study all relevant notifications. In addition, we establish an environment in which easily understandable information is provided at the meetings to enable all the shareholders to exercise their voting rights properly. The representative directors, the executive responsible for finance and accounting, and executives from other JAL departments address issues arising from the dialog and develop investor relations (IR) related to management strategies, business strategies, financial information and other relevant information with an emphasis on fairness, correctness and continuity, while promoting good mutual communication.



### Suppliers

In order to realize a sustainable society, JAL promotes procurement activities in consideration of corporate social responsibility (CSR) with our suppliers. We have established a Supplier Code of Conduct based on the JAL Group's CSR Policy, to which we seek the suppliers' consent prior to enacting any transactions with them. In addition, JAL provides and shares CSR information with suppliers who handle specific goods, such as in-flight meals or in-flight giveaways, using the Sedex\*1 platform. As a forum for communication, we host meetings centering on suppliers of indirect materials. In fiscal 2015, a total of 115 companies participated in these communication meetings.

\*1 Sedex Information Exchange Limited. A British non-profit organization that enables sharing of CSR procurement information.



### Customers

Our Medium Term Management Plan targets acquisition of the No.1 Customer Satisfaction rating by fiscal 2016. All JAL employees are responding with united efforts to satisfy customers based on the JAL Philosophy. While providing the finest service to deliver a refreshing and inspiring travel experience, we address challenges in order to "provide unparalleled service to customers" in accordance with the JAL Group Corporate Policy.



### Employees

Based on the JAL Group Corporate Policy and the JAL Philosophy, we promote creation of workplaces which are a pleasure to work in. To enable every employee to grow and develop as a more admirable person, we will continue to tackle diversity and a range of other workstyle reforms with leaders who are endowed with genuine competence and empathy playing a central role.



### Local communities

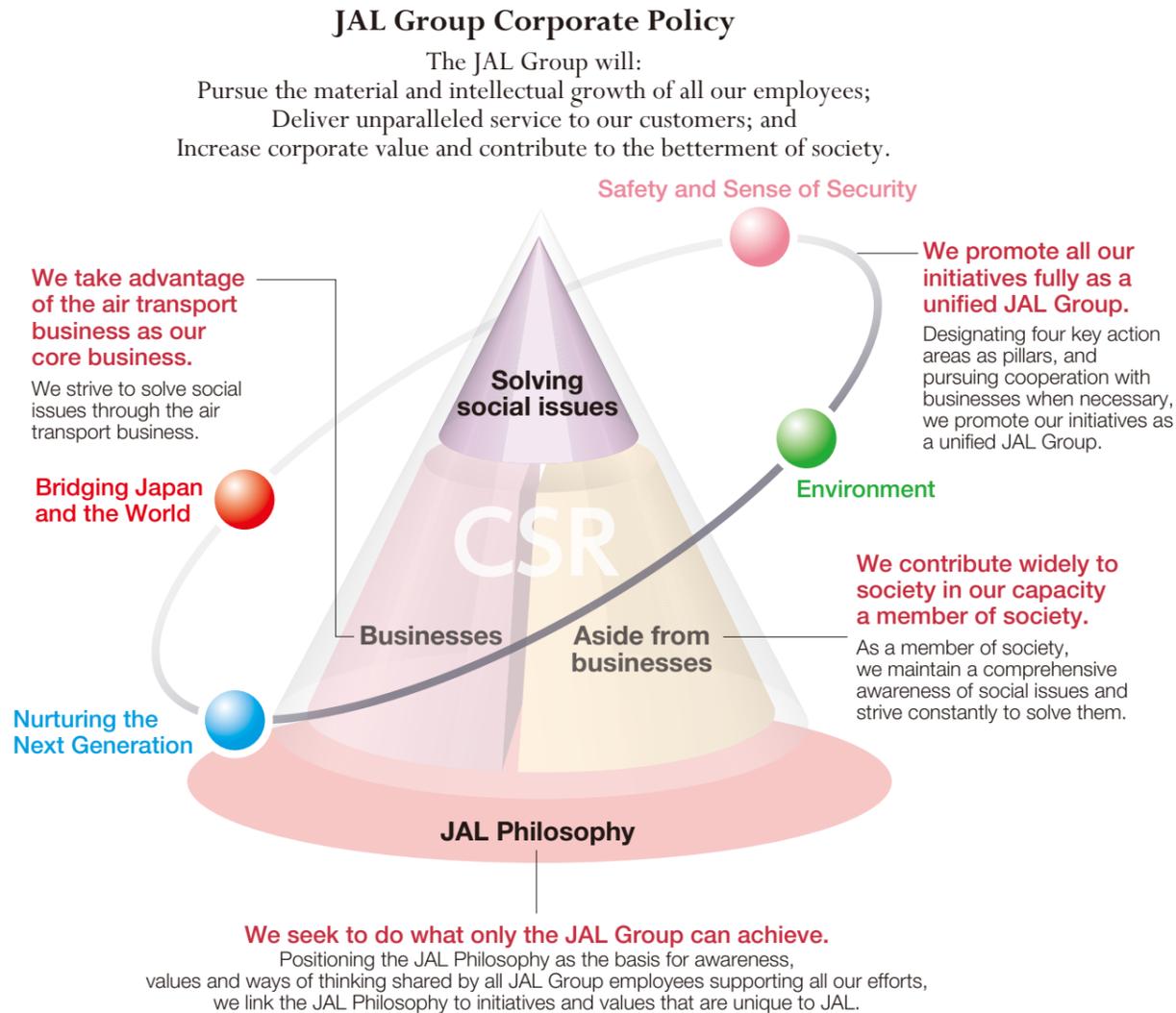
As a responsible corporate citizen, we build relationships of trust with local communities through business activities that contribute to creating better communities and a better society. Leveraging our human assets, know-how, information and other resources, we conduct a diverse range of social contribution activities, including educational support for the next generation.

## CSR Activities

### JAL Group CSR

CSR Policy.....	72
Safety and Sense of Security.....	74
The Environment .....	76
Environment: Action Plan .....	78
Bridging Japan and the World .....	80
Nurturing the Next Generation.....	84

## Preserving the JAL Philosophy as our base, we promote social contribution activities only the JAL Group can conduct in four fields.



### JAL Group's Basic CSR Policy

The JAL Group will engage in corporate social responsibility activities through its core air transport business as the "Wings of Japan" to meet society's expectations and solve social issues to create a better society for the next generation.

### Action policy and four areas of action

The JAL Group promotes CSR activities by putting our action policy and the JAL Philosophy into practice for the realization of the JAL Group Corporate Policy. As a participating company in the United Nations Global Compact, we uphold and implement its Ten Principles with respect to Human Rights, Labor, Environment and Anti-Corruption.



This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.  
We welcome feedback on its contents.

## Safety and Sense of Security

Maintaining safe operations strictly, providing every passenger with a safe, comfortable flight, and contributing to building a safer, more secure society

Maintaining safe operation of each and every flight is among our most important CSR activities, and indeed our reason for being. From this perspective, we have revealed our full commitment to contributing to society by communicating our thoughts and actions, responding as only an airline can and establishing a BCP (Business Continuity Plan). We are also pursuing actions to enable more passengers to enjoy travel with assured safety by such means as promoting barrier-free facilities with Universal



Program for actual pre-flight experience (Photo: Japanese Society of Service Dog Research)

Design, supporting medical transport using stretchers for patients and planning package tours for customers with food allergies.

## The Environment

Acknowledging our environmental burden, alleviating climate change and conserving biodiversity

Aircraft consume large quantities of fuel, placing a substantial burden on the global environment. In recognition of this, the JAL Group applies a wide range of approaches to minimizing the environmental burden in all its business activities. In an activity only an airline can conduct, we have been developing and conducting atmospheric observations using passenger aircraft since 1979. This includes a forest fire reporting project. The JAL Group promotes "Sky Eco" (ecological-friendliness from the sky), a project unique to the Group. We strive to link these activities with Japan's rich natural environment for the benefit of future generations to help ensure that Earth as seen from the sky can remain beautiful forever.



Atmospheric observation equipment mounted on an aircraft



## Bridging Japan and the World

Revitalizing Japan's industries and regional economies, and improving mutual understanding with international society

Air transport is a vital part of the social infrastructure, and the business itself has the characteristics of a public service. Society expects airlines to provide a diverse range of "bridging" functions. Besides fulfilling the basic roles of maintaining route networks and providing convenient air transport services, we maintain and improve lifeline routes and local community networks, promote cultural exchange by such means as assisting with transport for art exhibitions, and revitalize local economies by promoting tourism and supporting natural disaster reconstruction projects. By bridging communities and their people in these and other



ways, we can make a significant contribution to the overall progress and development of society.

Cooperating in transportation for art exhibitions

## Nurturing Future Generations

Providing support to help children advance into the future in good health and with hearts filled with hopes and dreams

Flying through the sky and building bridges with people around the world. . . . Our business makes dreams like this come true, giving children in our contemporary world hope of advancing into the future while holding onto their dreams. We contribute to the future of children who will carry their hopes and dreams with them as leaders of the next generation through programs supporting a wide range of age groups, and through the participation of JAL employees in programs such as JAL Paper Plane classes, in which children enjoy playing together; JAL Sky Eco classes, in which children think about the global environment with JAL employees; JAL Career Talk for Students classes, in which the role of airlines are discussed; and JAL Factory Tours.



A JAL Paper Plane class

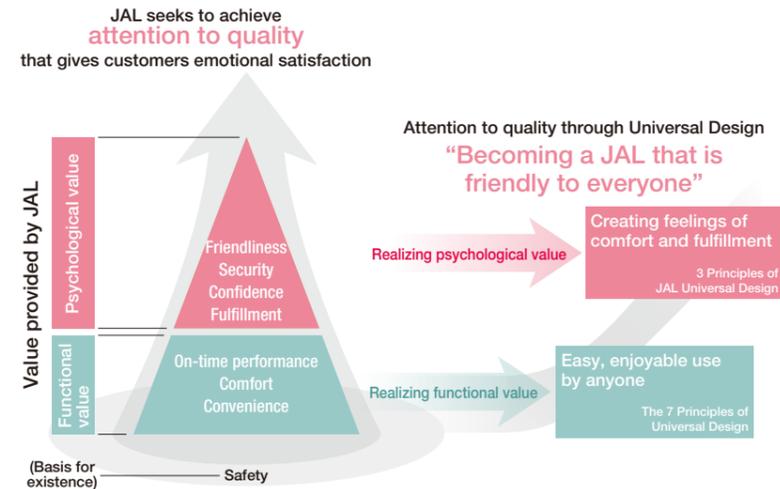
## The JAL Group seeks to be a friendly corporation that welcomes every customer with a genuine spirit of attentive hospitality to assure that anyone can fly JAL Group airlines with a true feeling of safety every time.

We believe that providing customers with safe, secure functional value is the foundation for our services. But this alone does not constitute the “attention to quality” we seek to maintain. It is also important to offer customers “emotional satisfaction.”

In our efforts to assure attention to quality, we added three principles to the 7 Principles of Universal Design and formulated the 10 Principles of JAL Universal Design.

To realize a “JAL that is friendly to everyone,” we will continue to offer customers beauty, quality, security and comfort reflecting the JAL character.

### Perspectives and basic principles with respect to barrier free design



#### The 3 Principles of JAL Universal Design

Principle 1	<b>Exceptional Quality and Beauty</b>	Is the best use made of materials to achieve functionality accompanied by ample quality and beauty?
Principle 2	<b>Feeling of Comfort</b>	Has a pleasant environment been provided for both customers and staff?
Principle 3	<b>Sense of Security</b>	Do the structure and services assure long-term peace of mind?

#### The 7 Principles of Universal Design

Principle 1	<b>Equitable Use</b>	Has consideration been given to the differing physical and mental conditions of the people that may use the design?
Principle 2	<b>Flexibility in Use</b>	Does the design accommodate a wide range of individual preferences and abilities? Can it be used under differing conditions, including dark or noisy environments?
Principle 3	<b>Simple and Intuitive Use</b>	Is the design straightforward, making the purpose and method of use immediately apparent?
Principle 4	<b>Perceptible Information</b>	Is there more than one means of communication? Is the necessary information communicated effectively to the user?
Principle 5	<b>Tolerance for Error</b>	Does the design minimize hazards and the adverse consequences of accidental or unintended actions?
Principle 6	<b>Low Physical Effort</b>	Can the design be used efficiently and comfortably by users with different physical constitutions?
Principle 7	<b>Size and Space for Approach and Use</b>	Are appropriate size and space provided for comfortable use by people with different physical constitutions?

### Qualified personnel extending full support and assistance

#### Assigning Service Care-fitters at all domestic Japanese airports

In January 2006, JAL initiated education to enable airport staff across Japan to obtain “Service Care-fitter”<sup>\*1</sup> certification. JAL has placed staff with this qualification at all the 42 domestic airports at which it operates to provide reliable service for customers requiring help. (As of April 1, 2016)



<sup>\*1</sup> Service Care-fitter: Certification awarded by The Nippon Care-Fit Education Institute, a Public Interest Incorporated Foundation. This personal qualification incorporates a spirit of hospitality and various support techniques for the elderly and/or disabled persons.

#### Support by CRO\*<sup>2</sup> for North America routes

JAL offers a wide range of services based on the Air Carrier Access Act on its North America routes to enable disabled customers to fly as comfortably as possible. Persons with questions or issues regarding their use should convey them to our airport staff, at which time a CRO (complaint resolution official) will provide them with full support.

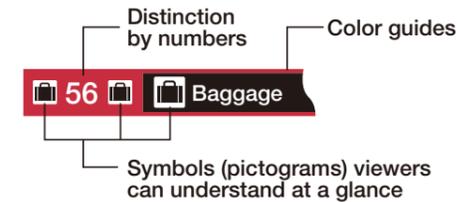
We have 60 certified staff stationed at all inbound and outbound airports on North America routes operated by the JAL Group. (As of April 1, 2016)

<sup>\*2</sup> CRO: An airport staff member with special education on regulations applicable to disabled persons in the United States.

### Making airports easier to use

At Haneda Airport, the signs at terminal entrances as well as other signs and displays throughout the terminal have been repaired and updated based on comments and feedback from customers and airport staff. Universal Design has been applied to make terminal use easier for customers by employing “easily understandable letters and characters,” “symbols (pictograms) that can be understood at a glance” and “color guides.” Many monitors have been installed to enable the JAL Group to provide accurate information promptly in the event of a flight delay or cancellation due to weather or some other reason.

A smooth flow of passengers through airport security checkpoints has been facilitated by installing tables for temporary placement of personal items as well as explanatory panels clarifying the flow of inspections just in front of entrances to inspection areas. This has made it easier for passengers to prepare in advance and reduced waiting times.



### Enhancing cabin comfort

We always aspire to provide products and services that ensure every passenger, from small children to elderly passengers and passengers requiring special assistance of any kind, a safe, comfortable trip on a JAL Group flight.

We make extensive use of Universal Design for our products and services to meet the needs of our passengers. Examples include JAL SKY SUITE and JAL SKY NEXT and other special aircraft seating configurations and a wide range of special in-flight meal options for passengers with allergies or other health conditions. In addition to developing new products and services, we naturally recognize the importance of ease of use of onboard facilities. The lights turn on automatically in the cabin lavatories when the door is locked, for example, to remind passengers to lock the door. We will continue to seek out and adopt facility enhancements to improve usability for passengers.

In addition to our superior facilities and services, we provide hands-on education to ensure that each cabin attendant offers customers timely service in a true spirit of hospitality.



Easy-to-hold eco-friendly UD mugs

### Travel assistance

#### Priority guest support

The JAL Group refers to passengers with reduced mobility and sick or injured passengers as “priority guests,” who are to be given precedence in provision of services.

The Priority Guest Center we launched in 1994, the first facility of its kind in the airline business in Japan, has handled a wide range of situations. Its experienced staff members are always standing by to respond with care to customer needs.

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

#### JAL Smile Support

We have established Smile Support Counters at several airports\*<sup>1</sup> for customers taking advantage of our JAL Priority Guest Support or JAL Family Service, in addition to expectant mothers and those traveling with small children. Our Service Care-fitters and trained support staff can assist customers with all their boarding procedures using lower counters and chairs, which are part of our Universal Design. We also have strollers and wheelchairs available for use inside the airports in which the counters have been installed.

<sup>\*1</sup> Counters are installed at eight Japanese airports (Haneda, Narita, Itami, Kansai, New Chitose, Chubu, Fukuoka and Naha). Support is also available at our information counters at other airports.

### Program for actual pre-flight experience

The JAL Group maintains a special focus on activities in support of customers who hesitate to fly due to disabilities. One of these activities is flight training for children with autism or other developmental disorders.



While the ability to use public transport freely is essential to facilitating the social engagement of children with these disorders, the special atmosphere of airports and the high levels of noise produced by aircraft raise additional hurdles between them and air travel, and may even cause some children to give up on flying completely. We host a program to enable both these children and their guardians to develop a positive attitude toward aircraft through a series of airline classes and hangar tours with flight and cabin crews in cooperation with local rehabilitation centers. Many participants have commented to the effect, “I may now actually be prepared to take my first-ever flight!”

We held an event at Haneda Airport to which we invited physically challenged customers who had no experience of air travel and felt uncertain about airport procedures to bring their service dogs and gain a hands-on experience and understanding of the flow of events up to a departure gate and beyond, until they were actually seated in the cabin.



Photo courtesy of Japanese Society of Service Dog Research

## Considering the significant environmental burden associated with air transport, we have taken up the challenges involved in promoting our Sky Eco program into the future in every aspect of our business, from maintenance and the flight itself to handling after landing.

### Our Eco-First Commitment and Sky Eco



We are currently promoting a Sky Eco program by steadily implementing our Action Plan (pages 78-79) through corporate activities in several different departments. As a CO<sub>2</sub> reduction target for aircraft by fiscal 2020, we are working on "reducing CO<sub>2</sub> emissions per revenue-ton-kilometer from JAL Group aircraft by 23% below the fiscal 2005 level." As of fiscal 2015, we had achieved a 14.9% reduction. In fiscal 2016, we stepped up efforts by joining the Eco-First Promotion Council.

### Environmental Guidelines

As an airline company responsible for an extremely important aspect of social infrastructure, the JAL Group is fully aware of its responsibility with respect to the global environment. We have therefore placed management of our environmental impact and protection of the environment as core themes in all of our business operations. We will continue to implement the Sky Eco program with the aim of passing on a bounteous Earth to future generations to ensure their enduring ability to view and enjoy our beautiful planet from the skies.

Maintenance	<b>Engine water washing</b> Minute atmospheric dust particles accumulate in aircraft engines during flight. Since engines intake and compress air in the combustion process, this accumulated dust reduces their mileage performance and adds to their CO <sub>2</sub> emissions. We give the engine interior a regular washing with water, removing any adhering dust and dirt and recovering engine performance while also achieving a 1% improvement in fuel efficiency. This washing is conducted at intervals of 200 to 300 days for the Boeing 777 (PW4000 engine), 767 (CF6 engine) and 737-800 (CFM56 engine).
While parked	<b>Reduced auxiliary power unit (APU) usage time/Shades Closed Exercise</b> Closing the window shades blocks out sunlight, lowers cabin temperatures and reduces air-conditioner use. This shortens the time the APU at the rear of the aircraft is in operation, lessening CO <sub>2</sub> emissions.
In flight	<b>CONTRAIL project using passenger aircraft for atmospheric observations/Reporting on forest fires</b> We participate in the CONTRAIL project, a social contribution activity that takes advantage of the special characteristics of aircraft. In this context, we cooperate fully with external research institutes in conducting atmospheric observations and reporting on forest fires.
On descent	<b>Use of CDO (continuous descent operations)</b> Upon securing safety and other specified conditions, we make positive use of CDO as if descending a slope as a means of reducing CO <sub>2</sub> emissions.
At landing	<b>Reduced flap, delayed flap &amp; delayed gear, and idle reverse</b> To prevent air resistance from increasing, while securing safety at the same time, we employ approaches such as reduced use of flaps (devices at the back of the main wings designed to increase lift) and delayed gears and flaps. If runway conditions and other factors meet set standards, reverse thrust is employed when the engine is idling, a procedure that lowers CO <sub>2</sub> emissions.
While taxiing	<b>Engine Out Taxi using only one of the twin engines</b> If certain conditions are met, the flight crew use only one of the aircraft's twin engines while taxiing to its parking slot to reduce CO <sub>2</sub> emissions.

### CONTRAIL Atmospheric Greenhouse Gases Observation Project by Passenger Aircraft

In 1979, the JAL Group participated in a Tohoku University greenhouse gas research project by conducting observations of CO<sub>2</sub> concentrations in the atmosphere using aircraft on scheduled domestic flights (operated by Toa Domestic Airlines, since renamed Japan Air System (JAS)). This led to the current program of observations between Sendai and Sapporo. In 1984, we began a two-year program of measuring concentrations of CO<sub>2</sub> in international airspace — between Narita and Sydney, for example — again in cooperation with Tohoku University. This was the first-ever attempt at atmospheric observation by aircraft on scheduled international flights. Currently, the JAL Group takes advantage of these and other results by participating in the CONTRAIL Project. This is a joint research project conducted by the National Institute for Environmental Studies, the Meteorological Research Institute, JAMCO CORPORATION and the JAL Foundation for the purpose of elucidating the mechanisms of global warming. It is an environmental activity taking advantage of the wide range of coverage and high frequency of flights by aircraft on regular passenger flight routes. Most notably, aircraft on flights from Australia to Japan have continued observations since 1993, achieving the longest observation record of greenhouse gases using international scheduled flights. Observation is carried out by automatic observation equipment installed in aircraft cargo bays and by manual pumps operated by researchers or JAL Group employees who board with special permission. By analyzing air samples and measurement data collected at a participating research institute, we have assisted in clarifying many facts, thus contributing to global research activities in this field.



**WEB** CONTRAIL project  
<http://www.jal.com/en/csr/environment/social/detail01.html>

### Aviation biofuels

Many countries are developing aviation biofuel with the aim of significantly reducing CO<sub>2</sub> emissions. In January 2009, a JAL Boeing 747-300 became the first airliner in Asia to conduct a test flight using non-food biofuel. We participated in the founding of Initiatives for Next Generation Aviation Fuels (INAF), a group of 50 major companies and organizations that explores the potential for biofuel production in Japan.

We have seen promising results for several manufacturing processes using municipal waste, which offers a significant cost advantage in terms of raw material procurement. Going forward, we will actively promote studies targeting future commercialization.

### Cabin waste recycling

Since 2007, JAL has been pursuing efforts to recycle all the waste generated onboard aircraft. We have been recycling beverage cans, newspapers, in-flight magazines and plastic bottles, for example, using standardized procedures at numerous airports. We incinerate all our food waste, such as leftover meals from international flights, to comply with quarantine and other restrictions. Besides pursuing self-help efforts, such as reducing food waste, and cooperating with the International Air Transport Association (IATA) in efforts to formulate common international rules, we will continue to implement initiatives to achieve a steady increase in the ratio of recycled waste.

### Actions toward biodiversity

#### Izumi City's migrating cranes

As part of its biodiversity conservation activities, the JAL Group has resumed its support of conservation activities concerned with the winter migration of cranes to the area around Izumi City, Kagoshima Prefecture. In February 2015, we announced our co-sponsorship of the Kagoshima-ken Tsuru Hogokai (Kagoshima Prefecture Crane Protection Association). In fiscal 2016, we are proceeding with plans to extend support to other environmental protection activities.

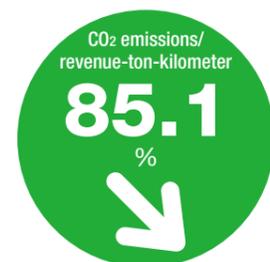


#### OISCA Children's Forest Program in Thailand

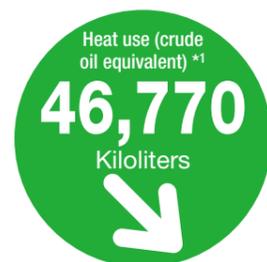
The OISCA Children's Forest Program was organized in 1991 as a program for developing children's ability to contribute to creating a sustainable affluent society and to promote global greening through such activities as planting and nurturing seedlings at their schools. (As of end fiscal 2015, some 4,700 schools in 36 countries and regions had participated.) The JAL Group supports this laudable



program by providing air transport and collecting contributions through charity mile donations. Charity miles donated by customers in fiscal 2015 totaled 1,701,000 miles, or the equivalent of some 8,500 seedlings.



(Comparison with FY2005)



\*1 Airports, offices, maintenance centers (Japan)

## We are formulating targeted plans to protect the environment in different areas of our business operations and to achieve results through continuous action.

We have positioned control of our environmental impact and protection of the environment as core themes in our operations, and we are creating plans for action in these areas. Our philosophy and commitment to these efforts are specified in our Action Plans.

### Action Plan 1 We actively pursue initiatives to prevent global warming.

Commitment	Status
We are working to reduce CO <sub>2</sub> emissions per revenue-ton-kilometer from JAL Group aircraft by 23% below the fiscal 2005 level by fiscal 2020.	<ul style="list-style-type: none"> <li>We increased the number of 787-8/-9 aircraft with lower fuel consumption in our fleet. With these aircraft logging a significantly higher proportion of our total flight time, CO<sub>2</sub> emissions per revenue-ton-kilometer for fiscal 2015 improved by 1.5% year-on-year, contributing to a decline of 14.9% from the fiscal 2005 level.</li> <li>We achieved our target of 1.5% average annual improvement (average figure for fiscal 2005 to fiscal 2015).</li> </ul>
We are upgrading our fleet with aircraft featuring lower fuel consumption and noise levels (e.g., Boeing 787, 737-800 and Embraer 170)	<ul style="list-style-type: none"> <li>We introduced six fuel-efficient 787-8/-9, one 737-800 and two Embraer 170 aircraft and retired eight older aircraft (777-200/300 and 767-300 models).</li> </ul>
We conduct "Eco Flights."	<ul style="list-style-type: none"> <li>We achieved an annual reduction in CO<sub>2</sub> emissions of approximately 42,000 tons, mainly through five Eco Flight activities introduced in our daily operations: engine out taxi, idle reverse, reduced flap, delayed flap and delayed gear.</li> </ul>
We are working on weight reduction.	<ul style="list-style-type: none"> <li>We introduced 2,900 of the world's most advanced cargo containers and 1,500 lightweight pallets, which are about 40% lighter than conventional models. This led to a reduction in annual CO<sub>2</sub> emissions of approximately 6,900 tons.</li> </ul>
We are cutting CO <sub>2</sub> emissions by washing aircraft engines and pursuing other CO <sub>2</sub> reduction activities.	<ul style="list-style-type: none"> <li>We wash engines with water once every 200 to 300 days for 777, 767 and 737-800 aircraft. We have installed new Eco Power equipment to enhance washing efficiency. Result: Reduction of annual CO<sub>2</sub> emissions by approximately 25,000 tons.</li> </ul>
We work together with the relevant ministries and air traffic control and other aviation authorities in various countries to introduce the latest approaches to fuel-efficient aviation, and we will continue this collaboration proactively into the future.	<ul style="list-style-type: none"> <li>Our Haneda-San Francisco route obtained certification for adopting operation methods that reduce environmental impact.</li> <li>We have been implementing CDO (continuous descent operations) at San Francisco International Airport, Kansai International Airport and Naha Airport.</li> <li>We have been operating UPR (user preferred routes) on flights to Hawaii, Australia, the West Coast of North America (Los Angeles, San Francisco and Vancouver) and Palau.</li> <li>We extended our efficient selection of alternative airports (alternatives for Ho Chi Minh City).</li> <li>The estimated annual reduction in CO<sub>2</sub> emissions resulting from the above efforts was approximately 6,000 tons.</li> </ul>
We are collaborating in the research and development of aviation biofuel made from inedible plants.	<ul style="list-style-type: none"> <li>We are participating with an all-Japan team of industry, government and academia in a project organized to produce aviation biofuel from municipal waste, with realization planned for about 2020 (the year of the Tokyo 2020 Olympic and Paralympic Games). The project will contribute further to realization of a recycling-based society.</li> </ul>
We promote energy-saving activities in our ground facilities (offices, factories, etc.).	<ul style="list-style-type: none"> <li>We continue to adopt LED lighting in our maintenance facilities (hangars and docks), replace desktop PCs with laptop PCs, and other energy-saving activities, while upgrading to electricity-saving lighting in our offices.</li> <li>We have been awarded certification as an Excellent Operator for Energy Conservation (S-Class) from the Ministry of Economy, Trade and Industry.</li> </ul>

### Action Plan 2 We actively promote programs aimed at solving social and environmental issues and raising environmental awareness.

Commitment	Status
We are contributing to long-term conservation of the environment through ongoing environmental and social activities, while also striving to raise environmental awareness among the children who will lead the next generation, as well as among our employees and society at large.	<ul style="list-style-type: none"> <li>We implemented the Sky Eco Project, in which our pilots have taken the initiative.</li> <li>In fiscal 2014, we held 16 Sky Eco classes in which JAL flight crew captains offered environmental awareness education for children.</li> <li>We contributed to reducing CO<sub>2</sub> emissions in cooperation with passengers by implementing the Shades Closed Exercise and improving on-time performance.</li> </ul>
We will continue to participate with our aircraft in atmospheric observation and forest fire reporting projects.	<ul style="list-style-type: none"> <li>We are participating in the Siberian Forest Fire Reporting Project. Since 2003, our pilots have been reporting any fires they spot during summer flights over Siberia to a research team led by Hokkaido University and JAXA that is conducting a cooperative research project studying early fire detection by satellite.</li> </ul>

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

Commitment	Status
We are targeting a final disposal rate of less than 2% for industrial waste from domestic worksites.	<ul style="list-style-type: none"> <li>The total volume of waste increased by 1.8% in fiscal 2015 from fiscal 2014. The final disposal rate was 1.2%, easily meeting our target of less than 2%.</li> </ul>
We work to reduce water usage.	<ul style="list-style-type: none"> <li>We reduced water usage by 3.0% year-on-year by reusing wastewater and implementing water-saving measures.</li> </ul>
We work to reduce chemical emissions (in accordance with the PRTR Act).	<ul style="list-style-type: none"> <li>The total volume of PRTR substances handled in fiscal 2015 (462 chemicals) decreased by 4.0% year-on-year to 64 tons (as compared with a total volume in fiscal 2014 of 66.5 tons).</li> </ul>
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"> <li>We continue to recycle beverage cans, newspapers, in-flight magazines and plastic bottles in accordance with our regulations. We are promoting comprehensive efforts to dispose of in-flight waste in collaboration with the IATA and airport companies.</li> <li>The total volume of recycled waste in fiscal 2015 was 2,600 tons.</li> </ul>

### Action Plan 4 We work to preserve the environment around airports.

Commitment	Status
We introduce low-noise aircraft and noise abatement procedures and respond to other airport noise issues.	<ul style="list-style-type: none"> <li>We actively practice "noise reduction at source" and "noise abatement procedures" as responsibilities of airlines under the Balanced Approach to Aircraft Noise Management recommended by the ICAO. All JAL aircraft are compliant with ICAO Chapter 4, the most stringent standard for noise.</li> <li>We practice noise abatement procedures during takeoff and operate under even stricter rules when taking off from Haneda and Itami airports.</li> <li>As for noise abatement procedures upon landing, we practice reduced flap, delayed flap and idle reverse. At San Francisco International Airport, Kansai International Airport, Kagoshima Airport, and Naha Airport, we conduct CDO (continuous descent operations) that achieve significant reductions in both noise and CO<sub>2</sub> emissions.</li> </ul>
We pursue efforts to reduce NO <sub>x</sub> emissions from aircraft, automobiles and other vehicles. <small>(NO<sub>x</sub>, HC, CO and other aircraft engine emissions are strictly regulated by the ICAO. Similar restrictions have been established under Japan's Civil Aeronautics Act. The restrictions on NO<sub>x</sub> emission are particularly stringent.)</small>	<ul style="list-style-type: none"> <li>All JAL aircraft engines are compliant with the regulation values and the ICAO's CAEP6 and CAEP8 NO<sub>x</sub> standards. (The applicable standards differ depending on the date of issue of an aircraft's Certificate of Airworthiness.)</li> </ul>

### Action Plan 5 We give due consideration to biodiversity.

Commitment	Status
We convey the importance of biodiversity to our customers and society at large and adhere to the JAL Group Policy on Biodiversity in our business operations.	<ul style="list-style-type: none"> <li>We formulated and adhere to the JAL Group Biodiversity Policy in recognition of the possible indirect impact of the JAL Group's air transport business on biodiversity.</li> </ul>
We are participating in the United Nations Decade of Biodiversity initiative. We also promote activities that convey the importance of protecting the natural beauty of Japan, including its cranes and other wildlife.	<ul style="list-style-type: none"> <li>We have painted the United Nations Decade of Biodiversity logo on our aircraft, contributed to the JAL Endemic Rabbit's Forest and served Rainforest Alliance Certified™ coffee on our flights in consideration of biodiversity.</li> </ul>

**Initiatives unique to the JAL Group, which serves as wings connecting Japan with the rest of the world, contribute to the revitalization of regional economies, development of Japanese industry and evolution of international communication.**



The Olympic torch transported from Athens in the summer of 1964 and City of Tokyo crew members

**Activities for the Tokyo 2020 Olympic and Paralympic Games**

In 1964, JAL transported the Olympic torch from Athens to Tokyo. In the years since, we have supported athletes in many other Olympic and Paralympic Games. Going forward, the JAL Group will continue to transmit values unique to JAL with the "Tradition," "Innovation" and "the Spirit of Japan": to help overseas visitors enjoy their stay in Japan; to ensure that passengers with disabilities can travel comfortably without stress; and, finally, to enable more travelers to experience the many tourist attractions to be found in every corner of Japan. In 2020, the Olympic torch will return to Tokyo. The JAL Group will take advantage of our decades of experience and the united efforts of all our employees to assure the success of the Tokyo 2020 Olympic and Paralympic Games.



### JAL Guide to Japan

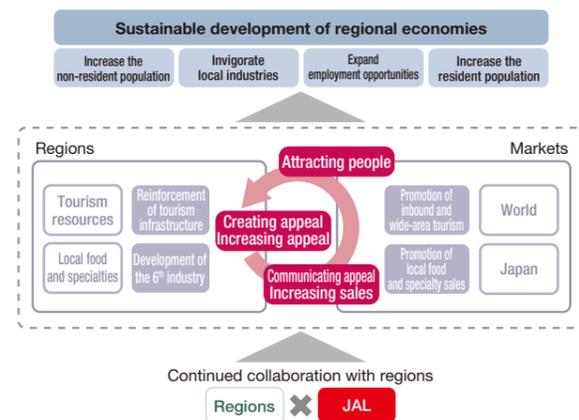
In 2004, JAL launched an information and guidance website designed to stimulate interest in Japan and extend a welcome to overseas visitors. We wanted to create a website portraying the charms of different parts of Japan to people overseas while contributing to local community revitalization and regional development. Today, the website is presented in seven different languages\*1 and targets 26 regions around the world, and we plan to expand its accessibility by adding more languages in the near future. In 2014, the site's design and content were revamped, leading to receipt of a Grand Prix award in the Promotional Site category at the 2014 Japan Web Grand Prix.

\*1 English, French, German, Russian, Simplified Chinese, Traditional Hong Kong Chinese and Traditional Taiwan Chinese.



### JAL NEW-JAPAN PROJECT

We continued development of the JAPAN PROJECT for collaboration with regional communities we introduced in May 2011, and established a new JAL NEW-JAPAN PROJECT in September 2015. Founded on promotion of tourism and development of the 6th industry of agricultural and aquatic products, and conducted in cooperation with local governments in Japan, the project is intended to expand our range of activities from exploration and creation of tourism resources and local specialties to promotion, sales and purchasing of these commodities to support sustainable development of regional economies.



In Aomori Prefecture, we offered Aomori Ai Financier ("Aomori indigo petit fours") on our domestic flights. Widely known as a dye, indigo also has health benefits. We collaborate with the region to reactivate the indigo industry by promoting planting of indigo and indigo product development.



Planting indigo



Aomori indigo petit fours, a confectionary treat served on flights from Itami Airport to Aomori Airport

### Development of human resources with a spirit of warm hospitality

Following deregulation and as a special service supporting the development of limited-area licensed guide interpreters (area guides), JAL dispatches cabin attendants and airport staff to conduct development and follow-up training for qualified persons in an area of Kyushu designated as the Kyushu Asia Tourism Island Special District. We upgrade trainees' practical skills by sharing know-how accumulated by our employees through extensive experience in serving customers. The training includes role-playing to communicate such skills as manners, personal grooming and optimal complaint management.



### Tohoku regional support activities

JAL's VISIT TOHOKU! regional support project is a means of expressing the JAL Group's gratitude to society through support for Tohoku from a wide range of perspectives. We make use of our air transport business to tackle the challenges involved in promoting industry, creating tourism demand and supporting disaster victims in the Tohoku region.

#### Tohoku Cotton Project

Initiated in 2011, the Tohoku Cotton Project is an earthquake disaster reconstruction effort, in which JAL cooperates with agricultural corporations and clothing manufacturers in cultivation, spinning, commercialization and sales of cotton grown on agricultural land impacted by the tsunami and no longer suitable for growing rice. The project regenerates agriculture, and creates new industrial and employment opportunities. JAL Group employee volunteers participate in such fieldwork as sowing seeds, weeding and harvesting. Over 300 employee volunteers have traveled to Tohoku to work in the fields so far.

JAL employees even design and develop original products using the cotton they harvested for use as complimentary gifts or items to be exchanged for mileage points.

In fiscal 2015, we commercialized 12,000 original handkerchiefs.



#### Charter flights between Taipei and Aomori/Akita

Between November 5 and 14, 2015, we operated two almost fully occupied round-trip international charter flights carrying a total of 365 passengers between Taipei and Aomori and Akita airports in cooperation with the municipal governments of the two prefectures.

When the aircraft landed at Aomori Airport, the welcoming ceremony for passengers included a performance of traditional Nebuta Bayashi music and a gathering of local citizens, including the governor of Aomori prefecture. This was the first time a Boeing 787 had landed at Aomori Airport. After the arrival of the charter flight, JAL held an airline class for kindergarten children from the local community.

As it was also the first JAL international charter flight to Akita Prefecture, passengers were welcomed by an exciting show featuring Namahage folklore demons, enchanting Akita Maiko dancers and local residents. The visitors enjoyed the special attractions of Tohoku during their four-night stay in the region.

In hopes of encouraging our visitors to pass on their impressions of the beauty and charm of Tohoku to people back home in Taiwan and to visit again in the future, we presented them with gifts at the two airports. These included apples embellished with "natural product of Aomori" logos, famous confectionaries from an Akita bakery and other local specialties. They also received specialty products from other prefectures on the return flight.



Unveiling the Boeing 787 to kindergarten children in the city of Aomori



Welcoming passengers from Taiwan at the Akita Airport arrival gate

#### JAL Gifts of Smiles Project

This project was conceived by JAL Group employees as a way of helping children impacted by the Great East Japan Earthquake of 2011 make a fresh start by taking them on a family trip. The costs are met by donations from JAL Group employees, which are then matched by the JAL Group. Employee volunteers accompany the families to provide assistance. Since introducing the project in the summer of 2013, we have invited 60 families (145 people) from Miyagi and Iwate prefectures to join us on four-day trips to Okinawa. We feel fortunate to have the opportunity to share these wonderful times reflected in the bright smiles of families as they enjoy the brilliant sunshine and blue seas of Okinawa.



#### Creating a bright future with Tohoku children through Ashitaba no Tsubasa ("Wings of Tomorrow")

In March 2015, we cooperated with Benesse Holdings in a two-day event in which we invited elementary school children from Aomori, Miyagi and Iwate prefectures to participate in airline classes and flight experiences at Aomori, Sendai and Hanamaki airports, respectively.

Both our companies wanted to provide children who will be tomorrow's leaders with an opportunity to learn about their hometowns and work related to aviation as one of their future career opportunities. The event was held on March 12-13, the first weekend of the sixth year since the earthquake disaster. A variety of JAL Group staff, including flight and cabin crew, participated as volunteers.



## We conduct many programs to help ensure that the children who will take the lead in the next generation can foster their dreams and create a bright future.

### A JAL Paper Plane class

*Paper Plane* (folded paper airplanes) is a craft whose practitioners fold single sheets of paper into aerodynamic shapes with no cutting, pasting or power source to create paper airplanes that can fly gracefully.

The JAL Group has hosted JAL Paper Plane classes since 2007 with technical guidance by the Paper Plane Association.

Approximately 450 employees from many departments and in jobs ranging from sales, reservations and back offices to flight and cabin crew, aircraft mechanics and airport staff have taken the association's instructor development course and qualified as certified instructors. They have visited many different regions of Japan and various overseas countries to hold the classes.

In fiscal 2015, we held 130 classes on Airplane Day at locations such as elementary schools and public halls from Hokkaido to Okinawa and Haneda and other airports. Classes were also held in various locations in North America, Europe and Asia.

We have taught the craft of folding and flying *Paper Plane* and shared the pleasures of this activity with some 10,500 parents and children over the years.



Mastering the knack of folding, and adding a little flight theory, is all it takes to transform a sheet of paper into a gracefully flying *Paper Plane*.

Class members experience the wonder of flight, new surprises and unexpected pleasure together.



### JAL Factory Tours – SKY MUSEUM

The JAL Group also hosts free tours in which visitors can view aircraft resting their wings in a hangar following a flight.

We began these tours in the mid-1950s, soon after the Company's founding, and renewed them in July 2013 under the name "JAL Factory Tours – SKY MUSEUM." Besides giving visitors from children to adults a closer look at airplanes in the hangar tour, the museum invites them to improve their knowledge of airlines and learn about the history of JAL and its pioneering undertakings in the world's skies since its foundation in 1951. They can also learn about the work of staff who support flights, try on uniforms and enjoy an opportunity for hands-on experience in the actual work. Experienced and knowledgeable flight crew, cabin crew, mechanics and airport staff serve as guides for the museum guests. The facility welcomed over 120,000 visitors in fiscal 2015.



### SKY BATON: Passing the baton to younger generations to create the future of the Tohoku region

The JAL Group launched SKY BATON to help the young people who will be entrusted with the future of Tohoku, and to contribute to development of the next generation, by offering opportunities for learning support in disaster-stricken areas and assisting children whose lives have been impacted by the disaster. Chance for Children (CFC), a public interest incorporated association, issues education vouchers to pay for tutoring or private lessons for children who face financial difficulties due to the earthquake. Aiming to create an environment in which children can envision their futures and pursue their hopes and dreams through study, the JAL Group has cooperated with CFC in presenting JAL/CFC education vouchers to many children through this ongoing program.

JAL supports the activity by matching the miles contributed through JAL Charity Miles, and by working together with its customers to implement initiatives for redevelopment of disaster-stricken areas.



Nurturing the Next Generation 

**JAL Scholarship Program**

The JAL Scholarship Program invites college students from across Asia and Oceania to Japan to promote mutual understanding and prepare young men and women to assume leadership roles in shaping the region's future. It offers opportunities to experience Japanese culture, such as the tea ceremony and Zen meditation, and to participate in workshops with Japanese students. Established in 1975, the program is currently operated by JAL and the JAL Foundation. To date, a total of 1,538 students have been invited to participate.

In 2015, the program was conducted in the Tokyo area and in Ishikawa Prefecture for about three weeks beginning July 1 with 24 participants from

13 countries and regions.

We have recently organized alumni organizations in other countries to develop a vertical network connecting previous participants who are now playing active roles around the world. In another new initiative, moreover, we launched an exchange program in 2015 between Japanese and Korean junior high school students.



**World Children's Haiku**



This poetry project spreads the joy of haiku, the world's shortest form of poetry, worldwide and develops sensitivity by creating and improving an understanding and

interest in Japanese culture and Japan itself among the world's children. The beginning of the project dates back to a haiku contest JAL hosted on an American radio program in 1964. Since the creation of the JAL Foundation in 1990, we have hosted the biennale World Children's Haiku Contest, to which children 15

years old or younger from Japan and around the world submit their pictures and haiku they have written. The Grand prize-winning haiku from each country are collected and published the following year in an anthology titled "Haiku by World Children," which is donated to domestic and overseas educational institutions and libraries. We have received more than 680,000 works from 52 countries and regions so far.



**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.

This campaign was expanded in 2006 to include all international flights operated by JAL. Passengers are simply asked to make voluntary donations of foreign coins that are left unused after they travel. We also provide support by transporting coins collected in airport customs areas and lounges in Japan to

different countries free of charge.

JAL cabin crew participate in an activity hosted by the Japan Committee for UNICEF at each year-end by collecting donations for UNICEF on the street.



**Programs for nurturing the next generation**

**JAL Factory Tours – SKY MUSEUM –**

A free tour that gives visitors an opportunity to view aircraft close up while they are in the hangar for maintenance.

**JAL SORAIKU**

This is the inclusive name for the various next-generation programs conducted by the JAL Group. There are five classes available.

- JAL Paper Plane class
- JAL Sky Eco Classes
- JAL Career Talk for Students
- JAL Safety Demonstrations by Cabin Attendants
- JAL Job Interview Simulation for Students

**Wings of Japan Scholarship**

JAL has established a scholarship to provide financial support for students enrolled in pilot training courses at private universities.

**Support for UNICEF**



<https://www.jal.com/en/csr/society/activity.html>

We have contributed to UNICEF's activities over the years as a member of the Steering Committee of UNICEF's Change for Good Program.



**Corporate Governance**

**JAL Group Corporate Governance**

Corporate Governance..... 88

Risk Management System..... 92

Lead Independent Outside Director Discusses JAL Corporate Governance..... 94

Members of the Board of Directors..... 95

Corporate Auditors and Executive Officers ..... 96

# The JAL Group has voluntarily established five committees, a majority of whose members are Outside Directors, in order to enhance management transparency and management monitoring for the purpose of strengthening enterprise value.

## Status of Corporate Governance

We maintain an awareness that our corporate group is a member of society at large with the duty of fulfilling our corporate social responsibility and contributing to society as we develop our business, in addition to fulfilling our financial responsibility of earning adequate profits by providing high-quality products through fair competition while maintaining flight safety as the leading company in safety in the transport sector 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 enhance corporate value and achieve accountability by establishing a corporate governance system that results in a high level of 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 that adheres to the Fundamental Policies of Corporate Governance as a key set of rules pursuant to the Companies Act, relevant laws and regulations and the Articles of Incorporation, and reviews it at least once a year.

## Corporate Governance System

### Board of Directors

The Board of Directors ensures a high level of management transparency and strong management monitoring through the election of candidates for the positions of Director, Corporate Auditor and Executive Officer, decides their remuneration and makes important decisions.

In order to separate the management-monitoring function and business execution function, the Board appoints a Director who is not a business executive director as Chairperson, and an appropriate number of three or more Outside Directors who qualify as highly independent to provide appropriate advice. In order to carry out efficient decision-making, the Board may delegate decision-making concerning matters set forth in the Administrative Authority Criteria Table to the President pursuant to Regulations for Kessai (written approval) and Administrative Authority approved by the Board. The Management Committee has been established for the purpose of contributing to appropriate and flexible decision-making concerning management issues by the Board of Directors and the President.

The Board of Directors has established the Corporate Governance Committee, which comprises the Chairperson of the Board and Outside Directors, to evaluate the effectiveness of the Board of Directors with reference to self-evaluations by each Director once a year, review the operation, etc., of the Board appropriately, and disclose a summary of its findings. The Lead Independent Outside Director serves as Chairman of the Corporate Governance Committee.

### Directors

Legal considerations are explained to the Directors to ensure that they are aware of their responsibilities, including the "fiduciary duty of loyalty" and the "duty of ensuring prudent management." The term of office is set at one year in order to confirm their accountability in each fiscal year.

Outside Directors are appointed from among persons with vast knowledge and experience in various fields in order to ensure diversity. Those who do not qualify as highly independent as defined by the "Standards for Independence of Outside Directors" (described below) established by the Company are not appointed. Furthermore, one Outside Director among the Outside Directors is appointed Lead Independent Outside Director to improve coordination with the Corporate Auditors and internal divisions.

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

### Board of Corporate Auditors

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

### Corporate Auditors

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

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

Outside Corporate Auditors are appointed from among persons with vast knowledge and experience in various fields, and those who do not qualify as highly independent as defined by the "Standards for Independence of Outside Directors" (described below) established by the Company are not appointed. Outside Corporate Auditors ensure sound management by conducting audits from a neutral and objective standpoint, with the cooperation of internal audit departments and accounting auditors.

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

## Establishment of Various Committees

We have established the following committees under the Board of Directors to build a corporate governance system that results in a high level of management transparency and strong management monitoring. The majority of each committee comprises Outside Directors.

### Corporate Governance Committee

(Chairperson: Kimie Iwata, Director, Outside, Independent)

The Corporate Governance Committee inspects initiatives under the JAL Group Fundamental Policies at least once a year, conducts analyses and evaluations to verify whether they contribute to sustainable growth and enhancement of corporate value in the medium to long term, and provides necessary recommendations and reports to the Board of Directors. The committee comprises three Outside Directors (Iwata, Kobayashi and Ito) in addition to Director and Chairperson Onishi.

### Nominating Committee

(Chairperson: Masatoshi Ito, Director, Outside, Independent)

When submitting a proposal to the General Meeting of Shareholders concerning the appointment of candidates to the positions of Director and Corporate Auditor, the Nominating Committee makes a comprehensive judgment of the personality, knowledge, ability, experience and performance, of the candidate in response to inquiries from the Board of Directors and reports back to the Board. The Nominating Committee considers a succession plan for top management members such as the President, moreover, in order to realize our Corporate Policy, medium- to long-term management strategies and management plan. The committee comprises three Outside Directors (Iwata, Kobayashi and Ito), President Ueki and Executive Vice President Fujita.

### Compensation Committee

(Chairperson: Eizo Kobayashi, Director, Outside, Independent)

The Compensation Committee discusses matters concerning the amounts of compensation paid to Directors, Executive Officers and Corporate Auditors based on an inquiry from the Board of Directors and reports back to the Board. The Compensation Committee determines a compensation scheme that provides sufficient incentives for attaining sustainable growth. The Compensation Committee members are the same as the Nominating Committee members.

### Personnel Committee

(Chairperson: Yoshiharu Ueki, President)

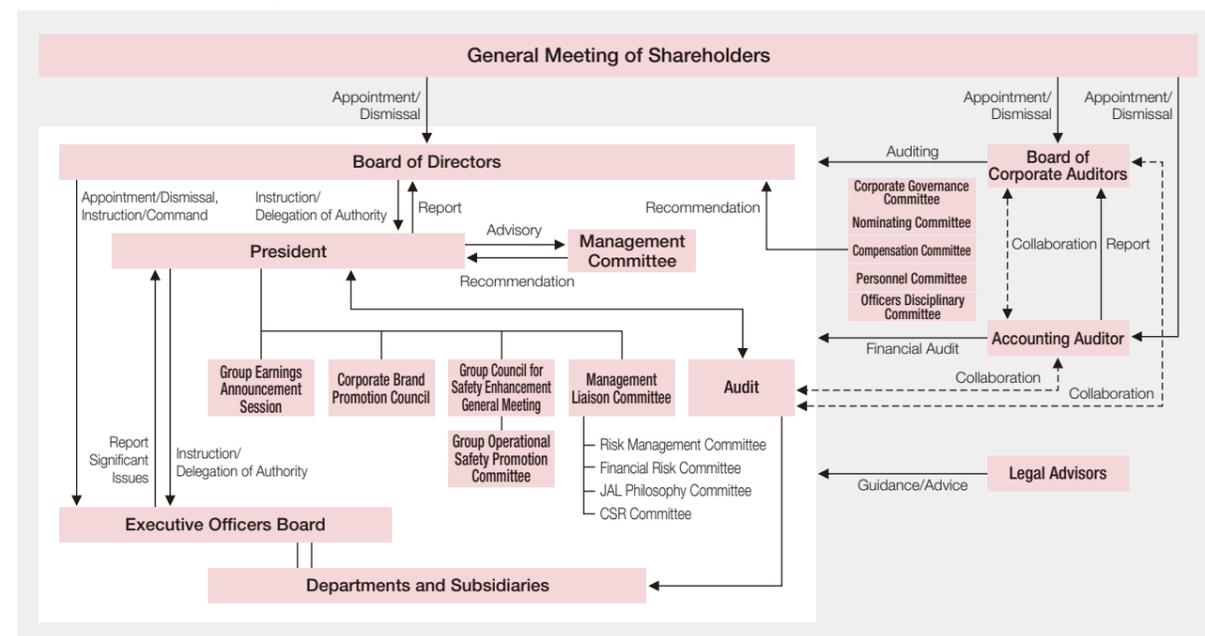
When appointing or removing an Executive Officer, the Board of Directors consults the Personnel Committee and takes the Personnel Committee's response into account before making a decision. The Personnel Committee members are the same as the Nominating Committee members.

### Officers Disciplinary Committee

(Chairperson: Kimie Iwata, Director, Outside, Independent)

Any disciplinary action imposed on Directors or Executive Officers is determined by the Officers Disciplinary Committee. The Officers Disciplinary Committee members are the same as the Nominating Committee members.

## Corporate Governance System



**In-house governance bodies, including one under the direct control of the President**

**Management Committee (Newly Established)**

The Management Committee is a body established by the Company for the purpose of contributing to appropriate and flexible decision-making by the Board of Directors and the President. The Committee deliberates important issues requiring a resolution of the Board of Directors and matters requiring approval by the President that must be confirmed by the Management Committee before they are presented to the Board or to the President. The Management Committee was established in February 2016 to replace the Managing Executive Officers Committee for the purpose of more clearly differentiating the auditing and executive functions.

**Group Earnings Announcement Session (Convened 12 times in fiscal 2015)**

The Group Earnings Announcement Session is attended by the Directors, Executive Officers and presidents of major subsidiaries to share the status of Group earnings and consider ways to improve business performance.

**Corporate Brand Promotion Council (Convened 12 times in fiscal 2015)**

The Corporate Brand Promotion Council establishes important policies on the corporate brand (corporate value) based on the JAL Group Corporate Policy and strategies, clarifies the status of corporate activities, manages the progress of various corporate brand enhancement measures and shares information.

**Group Council for Safety Enhancement General Meeting (Convened 13 times in fiscal 2015)**

The Corporate Safety and Security Department has been established directly under the President for the purpose of rigorously promoting safety. The Group Council for Safety Enhancement General Meeting, which serves as secretariat for the Corporate Safety and Security Department, shares information on safety in daily operations, decides countermeasures, considers important measures related to safety and checks policies.

**Management Liaison Committee (Convened 24 times in fiscal 2015)**

The Management Liaison Committee checks the progress of matters related to management and shares information among the Directors.

**Internal Auditing**

The Internal Auditing Department, an independent body under the direct control of the President, carries out operations with the Chief Auditor as Head of Internal Auditing and Auditing Department personnel as internal auditors. These auditors pass on information on important issues and conditions related to internal control, discovered through their internal auditing activities to auditing corporations, the corporate auditors and other relevant parties. They seek guidance, advice and other forms of mutual assistance and cooperation when necessary.

**Board of Directors and Board of Corporate Auditors Meetings and attendance**

Meetings	Number of meetings held	Average rate of attendance	
		Directors	Corporate Auditors
Board of Directors	19	93%	89%
Board of Corporate Auditors	12	—	100%

**Standards for Independence of Outside Directors**

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

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

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

**Selection of Outside Directors**

During the selection process for Outside Directors, the Company consistently strives to ensure comprehensive diversity while nominating candidates with a wealth of experience in various fields who are also equipped with insight, specialized knowledge and other strengths. Selection of nominees is also based, moreover, on the "Standards for Independence of Outside Directors" presented above. The JAL Group's current Outside Directors were chosen for the reasons summarized below.

	Name	Independent Officers	
Outside Directors	Kimie Iwata	○	Throughout her many years serving in government and corporate positions, Ms. Iwata has accumulated a diverse range of experience and accomplishments in activities promoting more active roles for women, corporate social responsibility (CSR) and many other fields, while also cultivating deep insight, attributes that we believe make her a promising member who can make a significant contribution to JAL's management as an Outside Director. She also serves as chairperson for the Japan Institute for Women's Empowerment & Diversity Management and as a Tokyo municipal corporate auditor, among other positions.
	Eizo Kobayashi	○	Mr. Kobayashi has accumulated wide-ranging experience and a fund of knowledge concerning management during his time serving as head of management for a general trading company, where he takes responsibility for global corporate management and a diverse range of other tasks for the corporate group as a whole. We therefore believe he is equipped to make significant contributions to JAL's management. He currently serves as Chairman of ITOCHU Corporation, as an outside auditor for OMRON Corporation and as an outside auditor for Asahi Mutual Life Insurance Co., among other capacities.
	Masatoshi Ito	○	Mr. Ito is a top executive in a global corporation who excels in marketing that incorporates the customer's perspective. He possesses a diverse range of experience and insight into management, attributes that equip him to make a significant contribution to JAL's management as an Outside Director. He serves as Representative Director and Chairman of the Board of Ajinomoto Co., Inc. and as Head Director of the Japan Advertisers Association Inc.
Outside Auditors	Hiroyuki Kumasaka	○	Mr. Kumasaka has accumulated extensive experience and accomplishments as a certified public accountant. His rich fund of wide-ranging insights into the accounting field make him a perfect fit for the position of Outside Auditor, in which has served JAL since March 2011. He is also an outside director (auditing committee member) of Matsuda Sangyo Co., Ltd.
	Shinji Hatta	○	A professor of Aoyama Gakuin University, Prof. Hatta is an authority on financial auditing and corporate internal control. He brings wide-ranging experience and deep insight in these areas to the position of Outside Auditor for JAL, which he has occupied since July 2012. Professor Hatta also serves as an outside auditor for the Development Bank of Japan Inc., as a council member on the Japanese government's Financial Services Agency Business Accounting Council and in various other positions.
	Osamu Kamo	○	Since earning certification as an attorney in April 1973, Mr. Kamo has accumulated a broad range of experience and cultivated deep knowledge in the fields of compliance and corporate governance. He serves as an attorney at Ginza Sogo Law Firm, as a committee member at CHANS (Office for Government Procurement Challenge System, under the jurisdiction of the Japanese Cabinet Office) and in various other capacities.

**Issues for Corporate Governance**

We have established a corporate governance framework based on the stipulations of the Corporate Governance Code implemented by the Tokyo Stock Exchange as part of ongoing efforts to increase our corporate value. Because the JAL Group considers the following two issues to be of particular importance, we have clearly expressed them in the Group's Fundamental Policies of Corporate Governance. The committees established by the Board of Directors also focus on these issues in their discussions and deliberations.

**Succession planning for Chief Executive Officers and other top management**

The Nominating Committee considers the succession plan for members of top management such as the President in order to realize our Corporate Policy, medium- to long-term management strategies and management plan.

**Directors' roles/responsibilities and compensation for management personnel**

With the objectives of ensuring sustained, steady growth and strengthening corporate value over the medium to long term, the Compensation Committee is considering the introduction in fiscal 2017—the first year of the next Medium Term Management Plan—of performance-linked compensation and compensation for management personnel in the form of JAL shares. This is expected to give managers strong motivation to pursue efforts in close sync with JAL's Corporate Policy and strategies.

**Fundamental Policies on the Internal Control System**

The JAL Group has established the following Fundamental Policies on the Internal Control System in order to increase the effectiveness of the Fundamental Policies on Corporate Governance. These policies will help to ensure compliance with the Companies Act and the Ordinance for Enforcement of the Companies Act in our business activities. We make adjustments in our system of internal control, moreover, evaluate and verify its operation and institute improvements as necessary.

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.
2. We have developed a system concerning the preservation and management of information concerning the execution of the duties of directors
3. We have developed regulations and other systems concerning risk management with respect to losses.
4. We have developed a system to ensure that the duties of the Directors are executed efficiently.
5. We have developed a system to ensure that the duties of all JAL Group personnel are executed appropriately.
6. We have developed an employee system that assures the ability to respond should Corporate Auditors require that employees by assigned to support their duties, to maintain the independence of such employees from Directors and to ensure that the instructions given these employees by the Corporate Auditors are effective.
7. We have developed a system governing reports, etc., to Corporate Auditors.
8. We have developed a system for advance payment or repayment of costs arising from the execution of duties by the Corporate Auditors and a 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.

Please visit the following page for details on adjustments and operation of JAL's internal control system:

[http://www.jal.com/en/outline/corporate/governance/internal\\_control.html](http://www.jal.com/en/outline/corporate/governance/internal_control.html)

# Solving governance-related problems and fostering a more robust management framework through information disclosure and the establishment and operation of a sounder risk management system.

## Promoting Compliance

To promote compliance with all laws, regulations and rules governing our corporate activities, we have designated the General Affairs Department of Japan Airlines Co., Ltd. to oversee all compliance matters, and are implementing various measures in a focused effort to elevate employee awareness.

We have created the JAL Group Compliance Network comprising directors from each JAL Group company, which seeks to cultivate a climate of compliance throughout the JAL Group by sharing relevant information promptly, publishing in-house newsletters and mail magazines about compliance regularly and providing information over the Intranet.

In addition to these efforts, we offer compliance training and various seminars on laws and regulations organized by the Legal Affairs Department in both one-on-one and e-learning formats as part of proactive efforts to disseminate relevant knowledge throughout the Group. In these ways, we promote activities rooted in widely accepted social standards as well as legal-risk prevention measures.

## Risk Management System

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

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

### 1. Risk Management Committee

The Risk Management Committee is headed by the Executive Officer of General Affairs, and its membership primarily comprises general managers responsible for supervising operations departments. The Committee takes responsibility for overall risk management—encompassing corporate risk, operational risk and strategic risk—for the purpose of stabilizing Group-wide management activities. It has also established the JAL Group Basic Policies on Risk Management. When existing risks are identified, it reports on the progress of responses to them and shares information with Group management via the Management Liaison Committee.

### 2. Information Security Committee

The Information Security Committee is headed by the Executive Officer of General Affairs and the Executive Officer for IT Planning, and its membership comprises the heads of relevant departments. The Committee carries out activities specific to information management, upgrades information security measures and strives to reduce corporate risk.

### 3. Group Council for Safety Enhancement General Meeting

The Corporate Safety and Security Department promotes safety rigorously under the direct control of the President. The Group Council for Safety Enhancement General Meeting, which serves as secretariat for the Corporate Safety and Security Department, shares information on safety in daily operations, determines countermeasures, considers important measures related to safety and checks policies.

### 4. Group Operational Safety Promotion Committee

Organized as a subdivision of the Group Council for Safety Enhancement General Meeting, the Group Operational Safety Promotion Committee maintains and strengthens collaborative, safety-related pursuits among departments/divisions as well as among Group airline companies with the aim of enhancing the safety of Group air transport operations as a whole. The Committee comprises the Executive Officer (who serves as Chairperson) of the JAL Operational Safety Promotion Committee, heads of departments responsible for JAL safety management appointed by the Chairperson, and Executive Officers responsible for safety at Group airline companies.

### 5. Financial Risk Committee

The Financial Risk Committee is chaired by the Executive Officer of Finance and Accounting and includes the President, Executive Vice President and heads of the relevant departments/divisions. The Committee identifies financial risk as appropriate and strives to facilitate improvements in corporate management. More specifically, it conducts regular financial condition-based simulations and reviews the results. In the event of a major financial crisis, large-scale disaster or other major risk-generating event that the Committee expects to exert a large, quantifiable impact on the Group, moreover, it calculates the estimated financial impact of the risk in question and, if necessary, pursues collaborative responses with the Risk Management Committee.

## Business Continuity Plan (BCP)

When responding to specific risks that threaten our ability to fulfill our responsibilities as a provider of public transportation, such as the emergence of pandemic influenza or unidentified viral infectious diseases or occurrence of earthquakes, we have established a business continuity plan (BCP) that enables us to continue business effectively in emergency situations based on guidelines established 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 essential to the JAL Group, including reservations and guidance, as well as payment and settlement operations. We conduct regular reviews and implement revisions as required for enhancing practical application of the BCP.

We responded according to our BCP during the Ebola outbreak in West Africa in 2014. We coordinated our operations with the relevant governmental bodies, developed the necessary systems and added the "Policy for Handling the Ebola Virus Disease (International Flights)" to our BCP.

We introduced a safety confirmation system in 2007 to facilitate speedy confirmation of the safety of all JAL Group staff and their families in the event of a large-scale disaster. The Group-wide system was upgraded in 2014 to make safety-related information available more quickly. Communication and other practice exercises are conducted regularly throughout the JAL Group to foster staff awareness of risk management and reinforce preparedness for unexpected situations.

## Information Security Measures

An incident involving leakage of personal information from JAL Group data occurred in September 2014 when hackers attacked the JAL Mileage Bank's systems and gained illegal access to the customer information management system. We deeply regret the inconvenience and concern this has caused to many customers and persons involved. We have responded by strengthening information security as a top priority and taking steps to prevent a reoccurrence.

Specifically, we pushed forward with 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 that these measures are making steady progress.

## Risk Management System



Lead Independent Outside Director Discusses JAL Corporate Governance

**JAL provides its Outside Directors with full, highly detailed information disclosure reflecting its sincere efforts to achieve greater management transparency. Working to support the JAL Group's growth, I try to motivate executives and other Group employees.**



**Kimie Iwata**  
Outside Director

**Thorough Disclosure of Information to Outside Directors and Establishment of Effective Committees by JAL**

JAL's Outside Directors can participate in meetings of the Board of Directors and the Management Committee and communicate information to these bodies. We are also invited to participate in important meetings of the Group Earnings Announcement Session. I think very highly of JAL's detailed and thorough disclosure of information to Outside Directors as well as of the Group's impressive management transparency.

As a company with a Board of Corporate Auditors, JAL has voluntarily established various committees. The Group added a fifth committee to oversee corporate governance in October 2015 in response to the establishment of the Corporate Governance Code. This marked a new addition to the four existing committees organized to oversee nominations, personnel, compensation and disciplinary measures for corporate officers.

Outside Directors serve as heads of four of the five committees, excluding only the Personnel Committee, and a majority of each committee's membership comprises Outside Directors to ensure sufficient independence from JAL's executive management. The decisions resulting from committee deliberations are reflected in concrete measures, leading to what I consider highly effective operations.

Issues such as succession planning for chief executive officers and other top management personnel, a new compensation framework including performance-linked compensation and compensation in the form of JAL shares, and other issues raised in the Corporate Governance Report are being appropriately deliberated, for example, by the Nominating Committee, Compensation Committee and/or other committees. The Corporate Governance Committee evaluated the effectiveness of the Board of Directors and, following a resolution by the Board, disclosed the results of its evaluation in May 2016. The Personnel Committee is continually striving to secure successors to central management positions at the earliest possible date from among executive officer nominees and other personnel.

**Efforts to Strengthen the Governance Functions of the Board of Directors**

As concerns the JAL Board of Directors, I felt its members needed more time for discussion to reach a true understanding of the management environment, management-related issues and other such conditions, and to then engage in thorough deliberations of business plans, strategies and other matters based on that understanding. In order to secure sufficient discussion time to these ends, we assigned a portion of the items in pending Board resolutions to the executive staff in February 2016. We abolished the Managing Executive Officers Committee, formerly the second-highest decision-making body after the Board of Directors, at the same time, thus clarifying the President's role as chief executive, and created the Management Committee to serve in an advisory capacity. We also increased the number of Outside Directors serving the General Meeting of Shareholders from two to three. I believe that Outside Directors can make use of their wide-ranging experience and expertise, cultivated through endeavors outside of the JAL Group, to encourage even freer and more open discussions by the Board of Directors.

**My Role as a JAL Outside Director and My Expectations for the JAL Group**

As an independent Outside Director, I seek to employ my unique perspectives, decision-making skills and other capabilities cultivated through experience working outside the JAL Group, and to express my opinions in a frank, unreserved manner. I hope to continue doing so in the future. Fully aware of my responsibility for serving the shareholders, moreover, I work to motivate JAL management and other employees with the goal of raising shareholder value over the medium-to-long term.

The most notable characteristic of the JAL Group's corporate governance is the sincere dedication, rooted in the JAL Philosophy, of the management personnel and the employees who serve them. It is my hope that the Group can retain the spirit of humility, earnest devotion and passion promoted by the JAL Philosophy as its members endeavor to revitalize the Group and accomplish even greater things in the future.

Members of the Board of Directors



**Masaru Onishi**  
Director, Chairman

Reappointed



**Yoshiharu Ueki**  
Representative Director, President  
Chairman, Management Meeting Executive Officers, Chairman, Council for Group Safety Enhancement, Chairman, Corporate Brand Promotion Council, Chairman, JAL Philosophy Committee, Chairman, CSR Committee

Reappointed



**Tadashi Fujita**  
Representative Director, Executive Vice President  
Aide to the President

Reappointed



**Junko Okawa**  
Representative Director, Senior Managing Executive Officer  
Communication Division

Reappointed



**Norikazu Saito**  
Director, Senior Managing Executive Officer  
Finance & Accounting

Reappointed



**Toshiaki Norita**  
Director, Senior Managing Executive Officer  
Corporate Planning  
Business Creation Strategy

Reappointed



**Hideki Kikuyama**  
Director, Senior Managing Executive Officer  
Managing Division Route Marketing

Newly appointed



**Toshinori Shin**  
Director, Senior Managing Executive Officer  
Flight Operations  
Safety General Manager

Newly appointed



**Kimie Iwata**  
Outside Director

Reappointed Outside Independent



**Eizo Kobayashi**  
Outside Director

Reappointed Outside Independent



**Masatoshi Ito**  
Outside Director

Newly appointed Outside Independent

Corporate Auditors and Executive Officers

Corporate Auditors



**Hisao Taguchi**  
Corporate Auditor

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

Reappointed



**Yasushi Suzuka**  
Corporate Auditor

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

Reappointed



**Hiroyuki Kumasaka**  
Outside Auditor

Mr. Kumasaka has acquired a wealth of experience and advanced knowledge in accounting in the course of a career as a certified public accountant. He became a JAL Outside Auditor in March 2011. He also serves as an outside director (auditing committee member) for Matsuda Sangyo Co., Ltd.

Reappointed

Outside

Independent



**Shinji Hatta**  
Outside Auditor

Professor Hatta is an authority on financial auditing and corporate internal control and has served as an Outside Auditor for JAL since July 2012. A professor of Aoyama Gakuin University, he also serves as an outside auditor for the Development Bank of Japan Inc. and as a council member on the Japanese government's Financial Services Agency Business Accounting Council, among other positions.

Reappointed

Outside

Independent



**Osamu Kamo**  
Outside Auditor

Since his certification as an attorney in April 1973, Mr. Kamo has accumulated extensive experience and expertise in the fields of compliance and corporate governance. An attorney for the Ginza Sogo Law Firm, he also serves as a committee member for CHANS (Office for Government Procurement Challenge System, under the jurisdiction of the Japanese Cabinet Office), among other capacities.

Newly appointed

Outside

Independent

Managing Executive Officer

**Nobuyoshi Gondo**  
Corporate Safety & Security

**Kiyoshi Ishizeki**  
IT Planning

**Ryuzo Toyoshima**  
Corporate Control

**Shinichiro Shimizu**  
Secretariat

**Yuji Akasaka**  
Engineering & Maintenance,  
President, JAL Engineering

**Hideo Ninomiya**  
Managing Division Passenger Sales,  
Domestic Passenger Sales,  
President, JAL Sales

Executive Officer

**Tsuyoshi Yamamura** Cargo & Mail

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

**Munemitsu Erikawa** Senior Vice President, China, Vice President and Regional Manager, Beijing, District Sales Manager, Beijing

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

**Akira Yonezawa** Managing Division Route Marketing (International Route Marketing)

**Toshiki Oka** Purchasing

**Jun Kato** Managing Division Route Marketing (Products and Services Planning)

**Hiroyuki Hioka** General Affairs

**Hidetsugu Ueda** Human Resources, Officer Responsible for Education, Vice President, Human Resources Management

**Tadao Nishio** Managing Division Route Marketing (Domestic Route Marketing)

**Hoshiko Nakano** Senior Vice President for Western Japan Area

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

**Tomohiro Nishihata** Managing Division Route Marketing (Passenger System Planning)

**Takahiro Abe** Airport Operations

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

**Eri Abe** Cabin Attendants

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

**Takuya Oda** Human Resources

**Yoriyuki Kashiwagi** Deputy General Manager, Managing Division Passenger Sales International Passenger Sales, Web Sales, Senior Vice President for Eastern Japan Area

Financial Data



Financial Data

Evaluation and Analysis of Financial Conditions by Management ..... 98

Consolidated Financial Statements ..... 102

Consolidated Balance Sheets

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Changes in Net Assets

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

(As of July 1, 2016)

## Evaluation and Analysis of Financial Conditions by Management

## Analysis of Financial Conditions and Operating Results

## Economic conditions

The Japanese economy continued its moderate recovery in the fiscal year ended March 31, 2016 (fiscal 2015), with consumer spending remaining strong overall. Overseas economies including the U.S. economy also trended toward recovery, although weakness was observed in countries such as China and the emerging countries of Asia. The number of international visitors to Japan, which affects our passenger revenues, rose to 21,359 thousand in 2015, a significant increase of 45.6% from the previous year. Fuel prices, which impact our fuel purchasing costs and international passenger and international cargo revenues, declined from the year before, but the yen remained weak against the U.S. dollar.

## JAL Group

The JAL Group comprises Japan Airlines Co., Ltd. ("JAL" hereinafter), 87 subsidiaries, and 59 affiliated companies.

Operating under these economic conditions, the JAL Group worked to increase profit consciousness of its staff based on the JAL Philosophy and the amoeba management system and improve management efficiencies to provide the finest service founded on a firm commitment to flight safety, and thus achieve the targets of Rolling Plan 2015, introduced on February 18, 2015 as an adjunct to the JAL Group Medium Term Management Plan.

As a result, consolidated operating revenues decreased 0.6% from the previous year to 1,336.6 billion yen, operating expenses decreased 3.2% to 1,127.4 billion yen, operating income increased 16.4% to 209.1 billion yen, ordinary income increased 19.4% to 209.2 billion yen, and net income attributable to owners of the parent company increased 17.1% to 174.4 billion yen.

## Analysis of Consolidated Operating Results (Overview)

Consolidated operating revenues decreased 0.6% from the previous year to 1,336.6 billion yen in fiscal 2015.

Operating expenses decreased 3.2% to 1,127.4 billion yen due to the sharp drop in fuel prices. The JAL Group will continue to do its best to maximize revenues and minimize expenses.

As a result, consolidated operating income was 209.1 billion yen, the operating margin was 15.7% and the EBITDAR margin was 24.0%. The operating margin exceeded our target of 10% or above, as in the previous year.

## Consolidated Operating Results (Billions of yen)

	Fiscal 2014	Fiscal 2015	Year-on-year
Operating revenues	1,344.7	<b>1,336.6</b>	-0.6%
Air transportation segment	1,196.2	<b>1,205.2</b>	+0.7%
Operating expense	1,165.0	<b>1,127.4</b>	-3.2%
Air transportation segment	1,034.6	<b>1,014.3</b>	-2.0%
Operating profit	179.6	<b>209.1</b>	+16.4%
Air transportation segment	161.5	<b>190.8</b>	+18.1%
Operating margin (%)	13.4	<b>15.7</b>	+2.3pt
Ordinary income	175.2	<b>209.2</b>	+19.4%
Net income *1	149.0	<b>174.4</b>	+17.1%
ASK (million seat kilometers) *2	84,003	<b>84,196</b>	+0.2%
RPK (million passenger kilometers) *3	60,103	<b>62,411</b>	+3.8%
EBITDA margin (%) *4	19.8	<b>22.3</b>	+2.5pt
EBITDAR margin (%) *5	21.8	<b>24.0</b>	+2.3pt
Unit cost (yen) *6	8.9	<b>9.3</b>	+0.5
Including fuel	12.3	<b>12.0</b>	-0.3

\*1 Net income attributable to owners of the parent company

\*2 ASK (available seat-kilometers). A unit of passenger transport capacity: Total number of seats x distance flown (km)

\*3 RPK (revenue passenger-kilometers). Total flight distance covered by revenue passengers: Number of revenue passengers x distance flown (km).

\*4 EBITDA margin = EBITDA/operating revenue  
EBITDA = operating income + depreciation expense

\*5 EBITDAR margin = EBITDAR/operating revenue  
EBITDAR = operating income + depreciation expense + aircraft lease

\*6 Unit cost = consolidated air transport cost (excluding fuel cost and transactions with affiliates where revenues and expenses are internally settled) / ASK

## Analysis of Changes in Operating Revenues

Operating revenues decreased by 8 billion yen from the previous year, although domestic passenger operations were strong. International passenger operations also experienced a year-on-year decline in operating revenues of 6 billion yen due to lower fuel surcharge revenues, despite a significant rise in passenger numbers due to robust inbound demand. Domestic passenger operations saw operating revenues rise by 13.7 billion yen from the year before, as the number of passengers increased due to changes in customer mix because of improved revenue management and the introduction of various measures to stimulate demand.

Operating expenses fell by 37.5 billion yen from the previous year due to the dramatic drop in fuel prices.

In international passenger operations, ASK increased 1.3% from the year before and RPK increased 5.4%, raising the load factor by 3.1 percentage points to 78.8%. Unit passenger revenue decreased 4.8%. When the approximately 11% decrease in unit passenger revenue resulting from lower fuel surcharge revenues is taken into consideration, unit passenger revenue excluding fuel surcharge rose approximately 6%.

Although unit passenger revenue caused to decrease revenue by 21.5 billion yen due to lower fuel surcharge revenues and other factors, net unit passenger revenue increased due to improvement in revenue management. Revenues in relation to revenue passengers carried increased 15.4 billion yen, bolstered by strong inbound demand, primarily on the North America, Southeast Asia, and China routes. As a result, international passenger revenues ended at 448.7 billion yen, down 6 billion yen from the previous year.

## International passenger operations (operating results)

	Fiscal 2014	Fiscal 2015	Year-on-year
Passenger revenues (billion yen)	454.8	<b>448.7</b>	-1.3%
ASK (million seat kilometers)	47,696	<b>48,327</b>	+1.3%
RPK (million passenger kilometers)	36,109	<b>38,069</b>	+5.4%
Revenue passengers carried (unit: 1,000)	7,793	<b>8,080</b>	+3.7%
Load factor (%)	75.7	<b>78.8</b>	+3.1pt
Yield (yen) *1	12.6	<b>11.8</b>	-6.4%
Unit revenue (yen) *2	9.5	<b>9.3</b>	-2.6%
Unit passenger revenue (yen) *3	58,362	<b>55,537</b>	-4.8%

\*1 Yield = Passenger revenues / RPK

\*2 Unit revenue = Passenger revenues / ASK

\*3 Unit passenger revenue = Passenger revenues / Passengers

In domestic passenger operations, ASK decreased by 1.2% from the year before, while RPK increased by 1.5%, resulting in year-on-year growth of the load factor of 1.8 points to 67.9%. Efficient revenue management and the introduction of demand stimulation measures contributed to year-on-year increases in yield of 1.3% and in unit passenger revenue of 1.3%. As a result, domestic passenger revenues increased 2.8% from the previous year to 501.2 billion yen.

## Domestic passenger operations (operating results)

	Fiscal 2014	Fiscal 2015	Year-on-year
Passenger revenues (billion yen)	487.5	<b>501.2</b>	+2.8%
ASK (million seat kilometers)	36,306	<b>35,869</b>	-1.2%
RPK (million passenger kilometers)	23,993	<b>24,341</b>	+1.5%
Revenue passengers carried (unit: 1,000)	31,644	<b>32,114</b>	+1.5%
Load factor (%)	66.1	<b>67.9</b>	+1.8pt
Yield (yen) *1	20.3	<b>20.6</b>	+1.3%
Unit revenue (yen) *2	13.4	<b>14.0</b>	+4.1%
Unit passenger revenue (yen) *3	15,407	<b>15,609</b>	+1.3%

\*1 Yield = Passenger revenues / RPK

\*2 Unit revenue = Passenger revenues / ASK

\*3 Unit passenger revenue = Passenger revenues / Passengers

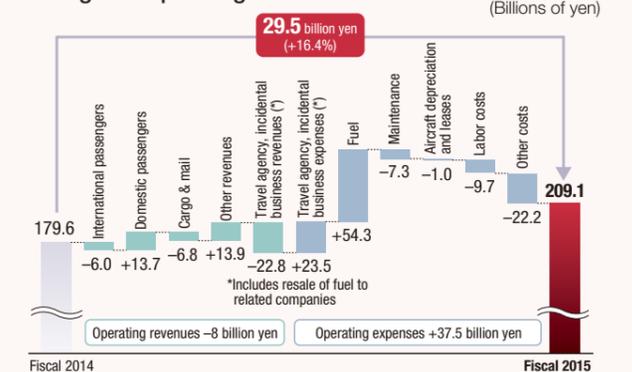
Unit passenger revenue caused to increase revenue by 6.4 billion yen from the previous year with support from changes in the customer mix achieved through revenue management. Revenues in relation to passenger numbers increased by 7.3 billion yen year-on-year, boosted by the new "Ultra Sakitoku" discount fare and an increase in the number of international visitors to Japan, despite the decrease in ASK of 1.2% year-on-year.

## Analysis of Changes in Operating Expenses

Fuel costs decreased by 54.3 billion yen year-on-year to 228.1 billion yen due to a significant decline in fuel prices. Maintenance costs increased by 7.3 billion yen year-on-year mainly due to the impact of the weaker yen. Personnel costs increased by 9.7 billion yen year-on-year due to a raise of the base salary and bonus and the impact of foreign exchange rates.

Expenses of travel agency/incidental business, etc. were about level with revenue. However, the year-on-year expenditure decrease of 23.5 billion yen stems partly from a substantial reduction of incidental distribution business in aircraft parts, conducted by engineering and maintenance subsidiaries. The decrease also reflects an accounting change from the previous fiscal year, whereby resale of fuel to related companies is recorded as a net amount. From fiscal year 2016 onwards, this year-on-year difference by the accounting change will not occur since the revised accounting will be used in future years. "Other expenses" increased by 22.2 billion yen year-on-year mainly due to increased expenses for service enhancement and the impact of the weaker yen.

## Changes in operating income



## Analysis of Financial Conditions and Operating Results

### Cash flows

JAL conducts appropriate capital investments based on strict investment principles. It also strives to secure an appropriate return on investment and maximize free cash flows.

#### Fiscal 2015 cash flows

Cash flow from operating activities

After adjusting non-cash items such as depreciation, etc. with net income before income taxes and non-controlling interests of 207.3 billion yen, cash flow from operations (inflow) was 312.3 billion yen (an increase of 51.2 billion from the previous year).

Cash flow from investing activities

Due largely to expenditures for the acquisition of fixed assets, cash flow from investing activities (outflow) was 288.9 billion yen (an increase of 58.3 billion yen from the previous year). (Includes deposits and withdrawals from deposit accounts.)

Cash flow from financing activities

As a result of payments of dividends and repayment of interest-bearing debt, cash flow from financing activities (outflow) was 49.6 billion yen (a decrease of 17.6 billion yen from the previous year).

Cash flow	(Billions of yen)		
	Fiscal 2014	Fiscal 2015	Difference
Net income before income taxes and non-controlling interests	169.9	207.3	+37.4
Depreciation and amortization	85.8	88.5	+2.6
Other	5.3	16.4	+11.1
Cash flow from operating activities	261.1	312.3	+51.2
Capital expenditures *1	-198.6	-210.6	-12.0
Other	-0.6	3.4	+4.0
Cash flow from investing activities *2	-199.2	-207.2	-7.9
Free cash flow *3	61.8	105.1	+43.2
Repayment of interest-bearing debt *4	-51.1	-33.3	+17.7
Cash dividends, other	-16.2	-16.2	-0
Cash flow from financing activities	-67.3	-49.6	+17.6
Total cash flow *5	-5.4	55.5	+60.9
EBITDA	265.5	297.7	+32.1
EBITDAR	292.7	321.1	+28.4

\*1 Expenditure due to purchases of fixed assets

\*2 Excluding deposits and withdrawals from deposit accounts

\*3 Cash flow from operating activities + Cash flow from investing activities

\*4 Repayment of long-term debt + Repayment of lease debt

\*5 Cash flow from operating activities + Cash flow from investing activities + Cash flow from financing activities

### Financial Condition

Total assets for the 2015 consolidated fiscal year increased by 105.5 billion yen from the previous year to 1,578.9 billion yen, primarily due to aircraft purchases and advance payments for aircraft.

Liabilities totaled 708.3 billion yen, an increase of 35.7 billion yen from the previous year, primarily due to an increase in retirement benefit obligations.

Net assets were 870.5 billion yen, up 69.8 billion yen from the previous year, primarily due to recording of net income attributable to owners of the parent company and despite a change in the method of calculating retirement benefit obligations and to payments of dividends. Shareholders' equity was 843.0 billion yen at year-end as a result, and the shareholders' equity ratio rose by 0.7 points from the previous year to 53.4%.

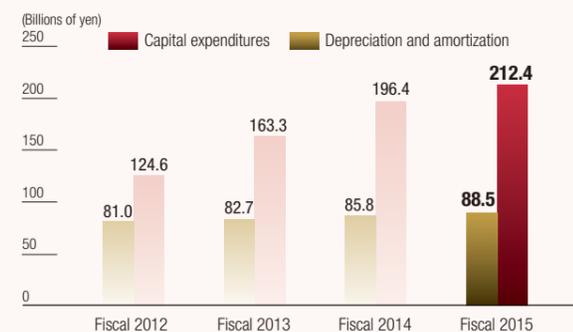
### Capital investment

Total capital expenditures during the consolidated fiscal year were 212,435 million yen (including expenditures for intangible fixed assets). Capital expenditures by segment were as detailed below:

The air transportation segment invested in purchases of new aircraft to improve operating efficiency and intangible fixed assets such as measures for increasing competitiveness by responding to diverse customer needs and systems to improve customers' convenience and efficiency. Capital investment activities included new purchases of 11 aircraft (three Boeing 787-8, three Boeing 787-9, one Boeing 737-800, two Embraer E170 and two Bombardier DHC-8-400CC), purchases of leased aircraft, and advance payments for aircraft. Capital expenditures were 208,925 million yen.

Other capital expenditures during the consolidated fiscal year totaled 3,510 million yen, mainly for software.

### Capital investment and depreciation and amortization



### Credit ratings

JAL's current credit ratings are as indicated below:

Rating & Investment Information, Inc.	Issuer rating	A- (stable)
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating	A- (positive)

### Hedging against Risk

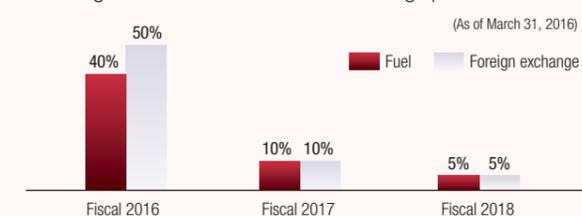
#### <Policy>

**[Fuel prices]** The JAL Group's business performance is strongly impacted by changes in fuel prices. The Group's fuel costs in fiscal 2015 were approximately 228 billion yen, which accounted for approximately 20% of consolidated operating expenses for the year. In an airline industry environment with extremely severe competition, it is difficult to raise prices by increasing fares or asking customers to pay a fuel surcharge for increased portions of fuel costs. We seek to reduce risks posed by fluctuation in fuel prices by conducting hedging transactions using crude oil commodity derivatives.

**[Exchange rates]** The JAL Group conducts business extensively in domestic and international markets, and it receives revenues and pays expenses partially in foreign currencies. Since jet fuel prices, especially, which account for the largest percentage of total costs, are impacted by the value of the U.S. dollar, fluctuations in the dollar's exchange rate have a greater impact on expenses than on revenues. To reduce risks to profitability caused by currency fluctuations, foreign currencies received as revenues are used, as a rule, for paying expenses incurred in foreign currencies. We also conduct derivative transactions. Because aircraft purchase prices are generally set in amounts linked to the U.S. dollar, the capitalized amount and depreciation cost involve risk of increasing or decreasing due to exchange rate fluctuations. To reduce the resulting foreign currency exchange rate risk, we conduct derivative transactions to spread out opportunities for acquiring foreign currencies.

#### <Hedge ratio>

The hedge ratio for fuel costs is shown in the graph below:



#### <Sensitivity>

The impact of fuel costs (without hedging) is as indicated below:

Influence on fuel costs (fiscal 2016)	
Crude oil (change in 1 US\$/bbl)	2.7 billion yen/year
FX (change in 1 yen/US\$)	1.0 billion yen/year

### Distribution of Profits to Shareholders

We regard the return of profits to our shareholders as a management issue of the highest priority. We will return profits to our shareholders actively through regular dividend payments, while securing ample internal reserves for investments to respond to opportunities for future corporate growth and changes in the business environment, and to build a strong financial foundation.

Our policy is to allocate approximately 25% of net income attributable to owners of the parent company after deducting deferred income taxes as the total amount of dividends for our shareholders.

In fiscal 2015, we paid a dividend of 120 yen per share in light of our financial results, financial conditions, and the future business environment.

The dividend to be paid in fiscal 2016 will be disclosed when our earnings forecast becomes clearer.

### Future Business Environment and Issues

We recognize that the environment surrounding the JAL aviation business contains a mixture of negative and positive factors. We will respond proactively to business opportunities and resolve issues one after another, turning them into opportunities for corporate growth.

We will make no significant change in the fiscal year to March 2018 or beyond in our current policy of emphasizing ensuring profitability over the pursuit of merit of scale. We will strive to establish business management structures that give customers a stronger impression of growth, building on the foundation for profitability and stability we have constructed over the past five years.

To achieve these objectives, we will focus on the following targets in fiscal year 2016:

- Completion of our current Medium Term Management Plan.
- Development of a new management plan as a basis for growth, and preparations for implementing the new management plan in fiscal 2017 and beyond.

Environmental awareness from fiscal 2017 forward and issues for the next Medium Term Management Plan

We will seize business opportunities proactively to achieve corporate growth.

Environmental changes surrounding JAL	
2016	2020
Changes in the macro environment	Contraction of the working-age population and progress of aging in Japan Growth of the global economy (especially in the Asia-Pacific region) Progress of technologies contributing to improved customer satisfaction and business productivity
Changes in customers	Diversification of customer values Increase in inbound demand/regular use by passengers
Changes in the competitive environment	Expansion of LLC use and increased entry by overseas carriers into the Japanese market Increase in inbound/outbound flights to/from the Tokyo metropolitan area Introduction to operation of the linear Shinkansen ("bullet train")
Awareness of issues	
International routes	• Ensure that we capture demand in countries and regions with significant growth potential and make this a driver for growth.
Domestic routes	• Establish a structure for increased selection of JAL by customers in the mature market and expand inbound passenger demand. • Contribute to regional revitalization
Business operations	• Cultivate new businesses (in fields other than air transportation) from a long-term perspective. • Cater to the world leveraging Japan's values (market, human resources/organization, customer base, etc.).

## Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEETS

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
<b>ASSETS</b>			
Current assets:			
Cash and deposits (Notes 5, 7 and 10)	¥ 420,333	¥ 364,988	\$ 3,730,324
Notes and operating accounts receivable (Note 7)	128,148	142,150	1,137,273
Flight equipment spare parts and supplies	20,314	19,754	180,280
Deferred tax assets (Note 12)	16,725	12,448	148,429
Other	44,429	76,931	394,293
Allowance for doubtful accounts	(709)	(817)	(6,292)
<b>Total current assets</b>	<b>629,242</b>	<b>615,455</b>	<b>5,584,327</b>
Non-current assets:			
Investment securities (Notes 6, 7, 8 and 10)	84,931	93,185	753,736
Tangible fixed assets, net:			
Flight equipment (Note 10)	560,601	491,295	4,975,159
Ground property and equipment (Notes 10 and 17)	51,142	50,210	453,869
Advances on flight equipment and other purchases	116,929	97,752	1,037,708
<b>Total tangible fixed assets</b>	<b>728,673</b>	<b>639,258</b>	<b>6,466,746</b>
Software	79,866	61,668	708,785
Long-term loans receivable (Note 10)	8,169	9,343	72,497
Deferred tax assets (Note 12)	6,172	3,860	54,774
Net defined benefit asset (Note 11)	1,090	1,974	9,673
Other (Note 10)	41,027	48,868	364,101
Allowance for doubtful accounts	(245)	(258)	(2,174)
<b>Total non-current assets</b>	<b>949,686</b>	<b>857,899</b>	<b>8,428,168</b>
<b>Total assets</b>	<b>¥ 1,578,928</b>	<b>¥ 1,473,354</b>	<b>\$ 14,012,495</b>

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
<b>LIABILITIES</b>			
Current liabilities:			
Operating accounts payable (Note 7)	¥ 145,413	¥ 144,846	\$ 1,290,495
Short-term loans payable (Notes 7 and 10)	5,792	106	51,402
Current portion of long-term loans payable (Notes 7 and 10)	10,851	7,807	96,299
Lease obligations (Notes 7 and 10)	13,254	25,123	117,625
Accounts payable—installment purchase (Notes 7 and 10)	178	174	1,579
Income taxes payable	19,333	7,443	171,574
Advances received	83,365	78,770	739,838
Deferred tax liabilities (Note 12)	0	181	0
Provision for loss on business of subsidiaries and associates	—	3,889	—
Asset retirement obligations (Note 20)	234	—	2,076
Other	90,128	104,730	799,858
<b>Total current liabilities</b>	<b>368,552</b>	<b>373,074</b>	<b>3,270,784</b>
Non-current liabilities:			
Long-term loans payable (Notes 7 and 10)	51,331	43,809	455,546
Lease obligations (Notes 7 and 10)	10,373	22,548	92,057
Long-term accounts payable—installment purchase (Notes 7 and 10)	847	1,025	7,516
Deferred tax liabilities (Note 12)	358	2,317	3,177
Reserve for loss on antitrust litigation	6,294	5,858	55,857
Net defined benefit liability (Note 11)	236,310	191,635	2,097,177
Asset retirement obligations (Note 20)	3,723	3,419	33,040
Other	30,578	28,914	271,370
<b>Total non-current liabilities</b>	<b>339,818</b>	<b>299,528</b>	<b>3,015,779</b>
<b>Total liabilities</b>	<b>708,371</b>	<b>672,603</b>	<b>6,286,572</b>
<b>Contingent liabilities (Note 18)</b>			
<b>NET ASSETS</b> (Note 13)			
Shareholders' equity:			
Common stock:			
Authorized: 700,000,000 shares in 2016 and 2015			
Issued: 362,704,000 shares in 2016 and 2015	181,352	181,352	1,609,442
Capital surplus	183,042	183,042	1,624,440
Retained earnings	557,905	421,137	4,951,233
Treasury shares, at cost:			
203,395 shares in 2016 and 2015	(538)	(538)	(4,774)
<b>Total shareholders' equity</b>	<b>921,761</b>	<b>784,992</b>	<b>8,180,342</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities (Note 8)	14,767	24,334	131,052
Deferred losses on hedges (Note 9)	(24,777)	(15,612)	(219,888)
Foreign currency translation adjustment	427	(4,101)	3,789
Remeasurements of defined benefit plans (Note 11)	(69,079)	(13,136)	(613,054)
<b>Total accumulated other comprehensive income</b>	<b>(78,662)</b>	<b>(8,516)</b>	<b>(698,100)</b>
Non-controlling interests	27,457	24,275	243,672
<b>Total net assets</b>	<b>870,557</b>	<b>800,751</b>	<b>7,725,922</b>
<b>Total liabilities and net assets</b>	<b>¥ 1,578,928</b>	<b>¥ 1,473,354</b>	<b>\$ 14,012,495</b>

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

## Consolidated Financial Statements

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Operating revenue:			
Passenger:			
Domestic	¥ 501,274	¥ 487,555	\$ 4,448,651
International	448,780	454,857	3,982,783
Incidental and other revenue	386,606	402,299	3,431,008
Total operating revenue	1,336,661	1,344,711	11,862,451
Operating expenses:			
Wages, salaries and benefits	249,999	240,208	2,218,663
Aircraft fuel	228,162	282,561	2,024,866
Landing fees and other rent	82,250	81,650	729,943
Aircraft maintenance	47,906	40,603	425,150
Aircraft rent	23,471	27,202	208,297
Depreciation and amortization	88,528	85,897	785,658
Other	407,151	406,897	3,613,338
Total operating expenses	1,127,469	1,165,021	10,005,937
Operating income	209,192	179,689	1,856,514
Non-operating income (expenses):			
Interest income	887	808	7,871
Dividend income	1,556	1,097	13,809
Interest expenses	(1,172)	(1,665)	(10,401)
Gain on sales of flight equipment	5,798	3,154	51,455
Loss on sales and disposal of flight equipment	(3,978)	(6,954)	(35,303)
Share of profit (loss) of entities accounted for using equity method	651	(2,609)	5,777
Foreign exchange gains (losses)	(3,837)	1,889	(34,052)
Gain on sales of investment securities	265	121	2,351
Compensation income	1,198	846	10,631
Subsidy income for aircraft purchase	7,063	—	62,681
Settlement of facility restitution	2,201	—	19,533
Loss on reduction of aircraft	(6,972)	—	(61,874)
Loss on cancellation of leases	(1,020)	(1,454)	(9,052)
Impairment loss (Note 15)	(2,714)	(881)	(24,085)
Provision for loss on business of subsidiaries and associates	—	(3,889)	—
Other	(1,738)	(250)	(15,424)
Total non-operating income (expenses)	(1,810)	(9,788)	(16,063)
Profit before income taxes	207,381	169,901	1,840,441
Income taxes—current (Note 12)	26,834	14,656	238,143
Income taxes—deferred (Note 12)	(436)	1,319	(3,869)
Total income taxes	26,398	15,976	234,274
Profit	180,983	153,925	1,606,167
Profit attributable to:			
Owners of parent	174,468	149,045	1,548,349
Non-controlling interests	6,514	4,880	57,809
Other comprehensive income (Note 14)			
Valuation difference on available-for-sale securities	(9,461)	17,610	(83,963)
Deferred losses on hedges	(9,005)	(22,515)	(79,916)
Foreign currency translation adjustment	4,588	1,333	40,717
Remeasurements of defined benefit plans, net of tax	(55,877)	1,058	(495,891)
Share of other comprehensive income of entities accounted for using equity method	(453)	355	(4,020)
Total other comprehensive income	(70,209)	(2,157)	(623,083)
Comprehensive income	110,773	151,768	983,075
Comprehensive income attributable to:			
Owners of parent	104,323	146,572	925,834
Non-controlling interests	¥ 6,449	¥ 5,196	\$ 57,232

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

	Shareholders' equity					Millions of yen
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at April 1, 2014	¥ 181,352	¥ 183,043	¥ 332,067	¥ (130)	¥ 696,332	
Cumulative effects of changes in accounting policies			(30,965)		(30,965)	
Restated balance	181,352	183,043	301,102	(130)	665,367	
Changes of items during period						
Dividends of surplus			(29,010)		(29,010)	
Profit attributable to owners of parent			149,045		149,045	
Purchase of treasury shares				(408)	(408)	
equity charge balance		(0)			(0)	
Net changes of items other than shareholders' equity						
Total changes of items during period	—	(0)	120,034	(408)	119,625	
Balance at March 31, 2015	¥ 181,352	¥ 183,042	¥ 421,137	¥ (538)	¥ 784,992	

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2014	¥ 6,450	¥ 6,887	¥ (5,187)	¥ (14,193)	¥ (6,044)	¥ 20,775	¥ 711,064
Cumulative effects of changes in accounting policies							(30,965)
Restated balance	6,450	6,887	(5,187)	(14,193)	(6,044)	20,775	680,099
Changes of items during period							
Dividends of surplus							(29,010)
Profit attributable to owners of parent							149,045
Purchase of treasury shares							(408)
equity charge balance							(0)
Net changes of items other than shareholders' equity	17,883	(22,499)	1,085	1,056	(2,472)	3,499	1,026
Total changes of items during period	17,883	(22,499)	1,085	1,056	(2,472)	3,499	120,651
Balance at March 31, 2015	¥ 24,334	¥ (15,612)	¥ (4,101)	¥ (13,136)	¥ (8,516)	¥ 24,275	¥ 800,751

## Consolidated Financial Statements

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2015	¥ 181,352	¥ 183,042	¥ 421,137	¥ (538)	¥ 784,992
Changes of items during period					
Dividends of surplus			(37,700)		(37,700)
Profit attributable to owners of parent			174,468		174,468
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	136,768	—	136,768
Balance at March 31, 2016	¥ 181,352	¥ 183,042	¥ 557,905	¥ (538)	¥ 921,761

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2015	¥ 24,334	¥ (15,612)	¥ (4,101)	¥ (13,136)	¥ (8,516)	¥ 24,275	¥ 800,751
Changes of items during period							
Dividends of surplus							(37,700)
Profit attributable to owners of parent							174,468
Net changes of items other than shareholders' equity	(9,566)	(9,165)	4,529	(55,942)	(70,145)	3,182	(66,962)
Total changes of items during period	(9,566)	(9,165)	4,529	(55,942)	(70,145)	3,182	69,805
Balance at March 31, 2016	¥ 14,767	¥ (24,777)	¥ 427	¥ (69,079)	¥ (78,662)	¥ 27,457	¥ 870,557

Thousands of U.S. dollars (Note 4)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2015	\$ 1,609,442	\$ 1,624,440	\$ 3,737,460	\$ (4,774)	\$ 6,966,560
Changes of items during period					
Dividends of surplus			(334,575)		(334,575)
Profit attributable to owners of parent			1,548,349		1,548,349
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,213,773	—	1,213,773
Balance at March 31, 2016	\$ 1,609,442	\$ 1,624,440	\$ 4,951,233	\$ (4,774)	\$ 8,180,342

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2015	\$ 215,956	\$(138,551)	\$(36,395)	\$(116,577)	\$(75,576)	\$ 215,433	\$7,106,416
Changes of items during period							
Dividends of surplus							(334,575)
Profit attributable to owners of parent							1,548,349
Net changes of items other than shareholders' equity	(84,895)	(81,336)	40,193	(496,467)	(622,515)	28,239	(594,266)
Total changes of items during period	(84,895)	(81,336)	40,193	(496,467)	(622,515)	28,239	619,497
Balance at March 31, 2016	\$ 131,052	\$(219,888)	\$ 3,789	\$(613,054)	\$(698,100)	\$ 243,672	\$7,725,922

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)
	2016	2015	2016
<b>Cash flows from operating activities</b>			
Profit before income taxes	¥ 207,381	¥ 169,901	\$ 1,840,441
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	88,528	85,897	785,658
Loss on sales and disposal of noncurrent assets and impairment loss	3,526	6,108	31,292
Decrease in net defined benefit liability	(10,741)	(5,686)	(95,323)
Interest and dividend income	(2,444)	(1,905)	(21,689)
Interest expenses	1,172	1,665	10,401
Foreign exchange losses (gains)	(421)	943	(3,736)
Share of (profit) loss of entities accounted for using equity method	(651)	2,609	(5,777)
Decrease in notes and operating accounts receivable	14,193	1,975	125,958
Decrease (increase) in flight equipment spare parts and supplies	(449)	851	(3,984)
Increase (decrease) in operating accounts payable	731	(4,392)	6,487
Other, net	21,152	15,730	187,717
Subtotal	321,977	273,700	2,857,445
Interest and dividend income received	2,975	2,360	26,402
Interest expenses paid	(1,259)	(1,768)	(11,173)
Proceeds from settlement of facility reconstitution	2,190	—	19,435
Income taxes paid	(13,489)	(13,152)	(119,710)
Net cash provided by operating activities	312,394	261,139	2,772,399
<b>Cash flows from investing activities</b>			
Payments into time deposits	(400,309)	(427,960)	(3,552,618)
Proceeds from withdrawal of time deposits	318,607	396,645	2,827,538
Purchase of non-current assets	(210,660)	(198,635)	(1,869,542)
Proceeds from sales of non-current assets	7,642	3,538	67,820
Purchase of investment securities	(6,345)	(5,287)	(56,309)
Proceeds from sales and redemption of investment securities	273	243	2,422
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 16)	39	76	346
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation (Note 16)	—	169	—
Payments of loans receivable	(319)	(287)	(2,831)
Collection of loans receivable	1,669	1,859	14,811
Other, net	486	(920)	4,313
Net cash used in investing activities	(288,915)	(230,559)	(2,564,030)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans payable	5,686	(84)	50,461
Proceeds from long-term loans payable	19,002	15,342	168,636
Repayments of long-term loans payable	(7,952)	(18,465)	(70,571)
Cash dividends paid	(37,695)	(28,989)	(334,531)
Dividends paid to non-controlling interests	(3,264)	(2,046)	(28,966)
Repayments for lease obligations	(25,411)	(32,638)	(225,514)
Other, net	—	(441)	—
Net cash used in financing activities	(49,636)	(67,323)	(440,504)
Effect of exchange rate change on cash and cash equivalents	(141)	1,037	(1,251)
Net decrease in cash and cash equivalents	(26,299)	(35,705)	(233,395)
Cash and cash equivalents at beginning of period	119,287	155,252	1,058,635
Increase in cash and cash equivalents resulting from merger	—	4	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(36)	(264)	(319)
Cash and cash equivalents at end of period (Note 5)	¥ 92,951	¥ 119,287	\$ 824,911

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

## 1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

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

The balance sheet date of 6 of the consolidated subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period between the balance sheet date of each subsidiary and the consolidated balance sheet date have been adjusted, if necessary. The differences between the acquisition and the fair value of the net assets at the respective dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are recorded as goodwill amortized by the straight-line method over a period of 3 to 5 years.

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

### b. Securities

Securities, except for investment securities of non-consolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities, or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of net assets, net of taxes. Non-marketable

securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving-average method.

### c. Inventories

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

### d. Tangible Fixed Assets (excluding leased assets)

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

Accumulated depreciation of tangible fixed assets on March 31, 2016 and 2015 amounted to ¥364,355 million (\$3,233,537 thousand) and ¥336,569 million, respectively.

Depreciation of tangible fixed assets is computed as follows:

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

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

The estimated useful lives are principally as follows:

Flight equipment: from 12 to 20 years

Other: from 2 to 65 years

### e. Software (excluding leased assets)

Computer software intended for internal use is amortized by the straight-line method based on its estimated useful life which 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 principally based on the benefit formula.

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 amortized by the straight-line method over a period which is less than the average remaining years of service of the active participants in the plans.

### i. Reserve for Loss on Antitrust Litigation

Estimated future loss is accrued in order to provide for penalties and compensation potentially arising from price cartels.

### j. Provision for Loss on Business of Subsidiaries and Associates

Provision for loss on business of subsidiaries and associates is provided for estimated future loss generated from the business of subsidiaries.

### k. Foreign Currency Translation

Revenues and expenses in foreign currencies are translated at the rates prevailing at the time of the transaction. Except as noted in 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.

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

### l. Derivatives and Hedge Accounting

Derivatives positions are stated at fair value.

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

### 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. Valuation allowance is recorded to reduce deferred tax assets to their net realizable value if it is

more likely than not that some portion or all of the deferred tax assets will not be realized.

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

### 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/CHANGES IN PRESENTATION

For the fiscal year ended March 31, 2015

(Application of Accounting Standard for Retirement Benefits, etc.) Effective from the year ended March 31, 2015, the Company and its consolidated domestic subsidiaries have adopted Article 35 of Statement No. 26 and Article 67 of 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 period.

As a result of the application, retained earnings have decreased by ¥30,965 million at the beginning of period. In addition, operating income has increased by ¥2,301 million and profit before income taxes has increased by ¥2,302 million in the fiscal year ended March 31, 2015.

Due to these changes, net assets per share of common stock have decreased by ¥79.17 and earnings 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, application of the "Revised Accounting Standard for Business Combination" (ASBJ Statement No. 21, September 13, 2013; hereinafter, "Statement No. 21"), the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter, "Statement No. 22"), and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter, "Statement No. 7") (together, the "Business Combination Accounting Standards"), is permitted. The Company and its domestic subsidiaries have adopted these accounting standards from the fiscal year ended March 31, 2015, except for Article 39 of Statement No. 22 and, as

## Consolidated Financial Statements

a result, changed the accounting policies: to recognize differences as capital surplus arising from changes in the Company's ownership interest of subsidiaries, over which the Company continues control; and to record 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 period and into the future.

As a result, the effects of these changes on profit before income taxes for the fiscal year ended March 31, 2015 and capital surplus at the beginning of the period were immaterial.

In the consolidated statements of cash flows of the fiscal year ended March 31, 2015, 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 period in the consolidated statements of changes in net assets, earnings 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."

For the fiscal year ended March 31, 2016

(Changes in accordance with the application of "Revised Accounting Standard for Business Combinations" and other standards)

The presentation of profit was amended and the reference to "minority interests" was changed to "non-controlling interests" in accordance with Article 39 of "Revised Accounting Standard for Consolidated Financial Statements" (ABSJ Statement No. 22, September 13, 2013) and others. To reflect these changes in presentation, consolidated statements of the prior year presented herein were reclassified.

#### 4. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. A rate of JPY 112.68 = USD 1.00, the approximate exchange rate prevailing on March 31, 2016, has been used in translation. The convenience translations should not be construed 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, 2016 and 2015 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and deposits	¥ 420,333	¥ 364,988	\$ 3,730,324
Time deposits with a maturity of more than three months	(327,382)	(245,700)	(2,905,413)
Cash and cash equivalents	¥ 92,951	¥ 119,287	\$ 824,911

#### 6. INVESTMENT SECURITIES OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investment securities of non-consolidated subsidiaries and affiliates which were included in "Investment securities" in the consolidated balance sheets on March 31, 2016 and 2015 amounted to ¥39,431 million (\$349,937 thousand) and ¥34,302 million, respectively, and bonds of affiliates which were included in "Investment securities" in the consolidated balance sheets on March 31, 2016 and 2015 amounted to ¥3,330 million (\$29,552 thousand) and ¥3,330 million, respectively.

#### 7. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The Company utilizes derivatives in order to mitigate the risks of fluctuations in interest rates and foreign currency exchange rates on receivables and payables. 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 fuel purchase 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 assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

The book value of financial instruments in the consolidated balance sheets, their fair value, and the differences as of March 31, 2016 and 2015 were as follows:

As of March 31, 2016	Millions of yen		
	Book value	Fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	¥ 420,333	¥ 420,333	¥ —
(2) Notes and operating accounts receivable	128,148	128,148	—
(3) Securities and investment securities			
(i) Investment securities of non-consolidated subsidiaries and affiliates	14,878	13,090	(1,787)
(ii) Other investment securities	36,129	36,129	—
Total	599,490	597,702	(1,787)
<b>Liabilities</b>			
(1) Operating accounts payable	145,413	145,413	—
(2) Short-term loans payable	5,792	5,792	—
(3) Long-term loans payable	62,183	62,183	—
(4) Lease obligations	23,627	23,627	—
(5) Long-term accounts payable—installment purchase	1,025	1,025	—
Total	238,043	238,043	—
Derivatives*	¥ (29,571)	¥ (29,672)	¥ (100)

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

As of March 31, 2016	Thousands of U.S. dollars		
	Book value	Fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	\$ 3,730,324	\$ 3,730,324	\$ —
(2) Notes and operating accounts receivable	1,137,273	1,137,273	—
(3) Securities and investment securities			
(i) Investment securities of non-consolidated subsidiaries and affiliates	132,037	116,169	(15,859)
(ii) Other investment securities	320,633	320,633	—
Total	5,320,287	5,304,419	(15,859)
<b>Liabilities</b>			
(1) Operating accounts payable	1,290,495	1,290,495	—
(2) Short-term loans payable	51,402	51,402	—
(3) Long-term loans payable	551,854	551,854	—
(4) Lease obligations	209,682	209,682	—
(5) Long-term accounts payable—installment purchase	9,096	9,096	—
Total	2,112,557	2,112,557	—
Derivatives*	\$ (262,433)	\$ (263,329)	\$ (887)

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

As of March 31, 2015	Millions of yen		
	Book value	Fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	¥ 364,988	¥ 364,988	¥ —
(2) Notes and operating accounts receivable	142,150	142,150	—
(3) Securities and investment securities			
(i) Investment 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)
<b>Liabilities</b>			
(1) Operating accounts payable	144,846	144,846	—
(2) Short-term loans payable	106	106	—
(3) Long-term loans payable	51,617	51,617	—
(4) Lease obligations	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 net liabilities are enclosed in parentheses.

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

##### Assets

(1) Cash and deposits and (2) Notes and operating accounts receivable

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

(3) Securities and investment 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) Operating accounts payable and (2) Short-term loans payable

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

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

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

##### Derivatives

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

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Investment securities of non-consolidated subsidiaries and affiliates	¥ 24,552	¥ 19,653	\$ 217,891
Held-to-maturity securities	3,330	3,330	29,552
Other securities	6,040	5,447	53,603

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.

## Consolidated Financial Statements

(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, 2016	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	¥ 420,333	¥ —	¥ —	¥ —
Notes and operating accounts receivable	128,148	—	—	—
Investment securities	—	—	—	3,330
Held-to-maturity securities	—	—	—	3,330

Thousands of U.S. dollars				
As of March 31, 2016	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	\$ 3,730,324	\$ —	\$ —	\$ —
Notes and operating accounts receivable	1,137,273	—	—	—
Investment securities	—	—	—	29,552
Held-to-maturity securities	—	—	—	29,552

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 deposits	¥ 364,988	¥ —	¥ —	¥ —
Notes and operating accounts receivable	142,150	—	—	—
Investment securities	—	—	—	3,330
Held-to-maturity securities	—	—	—	3,330

The redemption schedule for short-term and long-term debt subsequent to the consolidated balance sheet date is described in "Note 10. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT."

## 8. INVESTMENT SECURITIES

No trading securities were held on March 31, 2016 and 2015. Securities classified as other securities are included in "Investment securities" in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities on March 31, 2016 and 2015 were summarized as follows:

Millions of yen				
As of March 31, 2016	Acquisition cost	Carrying value	Unrealized gain (loss)	
Unrealized gain:				
Stocks	¥ 15,870	¥ 36,095	¥	20,225
	15,870	36,095		20,225
Unrealized loss:				
Stocks	40	33		(6)
	40	33		(6)
Total	¥ 15,910	¥ 36,129	¥	20,218

Thousands of U.S. dollars				
As of March 31, 2016	Acquisition cost	Carrying value	Unrealized gain (loss)	
Unrealized gain:				
Stocks	\$ 140,841	\$ 320,331	\$	179,490
	140,841	320,331		179,490
Unrealized loss:				
Stocks	354	292		(53)
	354	292		(53)
Total	\$ 141,196	\$ 320,633	\$	179,428

Millions of yen				
As of March 31, 2015	Acquisition cost	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

Proceeds from sales of securities classified as other securities for the years ended March 31, 2016 and 2015 amounted to ¥273 million (\$2,422 thousand) and ¥54 million, respectively. For the years ended March 31, 2016 and 2015 the aggregate gain realized on those sales totaled ¥265 million (\$2,351 thousand) and ¥0 million, respectively.

## 9. DERIVATIVES AND HEDGING ACTIVITIES

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

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

The contract amount and the estimated fair value of the open derivatives positions on March 31, 2016 and 2015, 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, 2016	Type of derivative	Major hedged items	Contract amount			Contract amount		
			Total	Maturing after 1 year	Estimated fair value	Total	Maturing after 1 year	Estimated fair value
Forward foreign currency exchange contracts:								
Buy:								
	USD	Operating accounts payable	¥ 53,335	¥ 1,801	¥ (3,146)	\$ 473,331	\$ 15,983	\$ (27,919)
	EUR	Operating accounts payable	3,176	—	(149)	28,186	—	(1,322)
	Others	Operating accounts payable	1,182	—	(62)	10,489	—	(550)
Currencies options:								
Buy:								
	Call option	Operating accounts payable	85,238	23,650	1,890	756,460	209,886	16,773
Sell:								
	Put option	Operating accounts payable	78,875	21,322	(3,089)	699,991	189,226	(27,413)
Commodity swap:								
	Received variable/pay fixed	Aircraft fuel	77,531	21,620	(25,013)	688,063	191,870	(221,982)
Method of hedge accounting: Special treatment (Note 2.1.)								
Forward foreign currency exchange contracts:								
Buy:								
	USD	Operating accounts payable	1,166	—	(75)	10,347	—	(665)
	EUR	Operating accounts payable	217	—	(11)	1,925	—	(97)
	Others	Operating accounts payable	157	—	(13)	1,393	—	(115)
	Total				¥ (29,672)			\$ (263,329)

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, 2015	Type of derivative	Major hedged items	Contract amount		
			Total	Maturing after 1 year	Estimated fair value
Forward foreign currency exchange contracts:					
Buy:					
	USD	Operating accounts payable	¥ 37,248	¥ 1,690	¥ 3,624
	EUR	Operating accounts payable	3,284	—	(211)
	Others	Operating accounts payable	1,303	—	(32)
Currencies options:					
Buy:					
	Call option	Operating accounts payable	183,843	28,723	19,433
Sell:					
	Put option	Operating accounts payable	97,158	26,186	(869)
Commodity swap:					
	Received variable/pay fixed	Aircraft fuel	113,996	30,971	(36,044)
Commodity options:					
Buy:					
	Call option	Aircraft fuel	158,887	—	13
Method of hedge accounting: Special treatment (Note 2.1.)					
Forward foreign currency exchange contracts:					
Buy:					
	USD	Operating accounts payable	1,102	—	226
	EUR	Operating accounts payable	282	—	(19)
	Others	Operating accounts payable	80	—	2
	Total				¥ (13,876)

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

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

The weighted-average interest rate for short-term loans payable outstanding on March 31, 2016 was 1.0%. Long-term debt on March 31, 2016 and 2015 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rate
	2016	2015	2016	2016
Long-term loans:				
Current portion of long-term loans payable	¥ 10,851	¥ 7,807	\$ 96,299	1.1%
Long-term loans payable (excluding current portion) due 2017 to 2029	51,331	43,809	455,546	0.8%
Lease obligations:				
Current portion of lease obligations	13,254	25,123	117,625	0.7%
Lease obligations (excluding current portion) due 2017 to 2026	10,373	22,548	92,057	1.4%
Long-term accounts payable—installment purchase:				
Current portion of Long-term accounts payable—installment purchase	178	174	1,579	2.0%
Long-term accounts payable—installment purchase (excluding current portion) due 2021	847	1,025	7,516	2.0%
Total	¥ 86,837	¥ 100,488	\$ 770,651	

The aggregate annual maturities of long-term debt within 5 years subsequent to March 31, 2016 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 24,283	\$ 215,504
2018	16,107	142,944
2019	8,161	72,426
2020	8,036	71,317
2021	6,209	55,102
2022 and thereafter	24,039	213,338
Total	¥ 86,837	\$ 770,651

## Consolidated Financial Statements

Assets pledged as collateral as of March 31, 2016 for long-term and short-term debt of ¥58,333 million (\$51,687 thousand) are flight equipment and others totaling ¥145,192 million (\$1,288,533 thousand). Assets pledged as collateral as of March 31, 2015 for long-term and short-term debt of ¥49,448 million are flight equipment and others totaling ¥171,605 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 (\$443,734 thousand) with three banks. There were no loan payables outstanding on March 31, 2016 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, 2016, the Company and 42 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, 2016 and 2015

#### a. Defined benefit plans

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

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of period	¥ 424,673	¥ 396,449	\$ 3,768,840
Cumulative effect of changes in accounting policies	—	30,229	—
Restated balance	424,673	426,678	3,768,840
Service cost	12,851	12,813	114,048
Interest cost	3,200	3,221	28,399
Actuarial loss	58,524	4,176	519,382
Benefit paid	(25,858)	(22,353)	(229,481)
Past service costs	—	(6)	—
Other	(45)	143	(399)
Balance at end of period	¥ 473,346	¥ 424,673	\$ 4,200,798

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

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of period	¥ 238,110	¥ 233,331	\$ 2,113,152
Expected return on plan assets	3,646	3,613	32,357
Actuarial gain	653	3,102	5,795
Contributions paid by the employer	18,012	16,586	159,850
Benefit paid	(19,547)	(18,522)	(173,473)
Balance at end of period	¥ 240,874	¥ 238,110	\$ 2,137,681

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

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of period	¥ 3,098	¥ 3,249	\$ 27,493
Retirement benefit cost	183	192	1,624
Contributions paid by the employer	(163)	(190)	(1,446)
Benefit paid	(235)	(254)	(2,085)
Increase on partial termination of defined benefit plan	—	17	—
Increase by merger	—	43	—
Other	(132)	39	(1,171)
Balance at end of period	¥ 2,748	¥ 3,098	\$ 24,387

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

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligations	¥ 390,109	¥ 339,880	\$ 3,462,096
Plan assets	(244,800)	(241,887)	(2,172,523)
	145,308	97,993	1,289,563
Unfunded retirement benefit obligations	89,911	91,667	797,932
Total net defined benefit liability (asset)	235,220	189,661	2,087,504
Net defined benefit liability	236,310	191,635	2,097,177
Net defined benefit asset	(1,090)	(1,974)	(9,673)
Total net defined benefit liability (asset)	¥ 235,220	¥ 189,661	\$ 2,087,504

(5) Retirement benefit costs

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 12,851	¥ 12,813	\$ 114,048
Interest cost	3,200	3,221	28,399
Expected return on plan assets	(3,646)	(3,613)	(32,357)
Past service costs amortization	(18)	(24)	(159)
Net actuarial loss amortization	1,366	1,475	12,122
Amortization of unrecognized severance benefit obligation at transition	—	680	—
Retirement benefit cost based on the simplified method	183	192	1,624
Other	(692)	(685)	(6,141)
Subtotal	13,244	14,059	117,536
Loss on partial termination of defined benefit plan, net	—	20	—
Total	¥ 13,244	¥ 14,079	\$ 117,536

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

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service costs	¥ (18)	¥ (18)	\$ (159)
Actuarial losses (gains)	(56,504)	401	(501,455)
Benefit obligation at transition	—	680	—
Total	¥ (56,522)	¥ 1,063	\$ (501,615)

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service costs that are yet to be recognized	¥ (399)	¥ (417)	\$ (3,541)
Actuarial losses that are yet to be recognized	70,385	13,881	624,645
Total	¥ 69,986	¥ 13,463	\$ 621,104

(8) Plan assets

Year ended March 31	2016		2015	
		%		%
General insurance fund	91	89		
Bond	3	3		
Other	6	8		
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

Year ended March 31	2016		2015	
		%		%
Discount rate	0.6–1.2	0.6–1.8		
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 a total of ¥1,564 million (\$13,880 thousand) and ¥1,579 million for the fiscal years ended March 31, 2016 and 2015, respectively.

## 12. INCOME TAX

The significant components of deferred tax assets and liabilities and the related valuation allowances on March 31, 2016 and 2015 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liability	¥ 71,370	¥ 60,834	\$ 633,386
Operating accounts payable	10,442	9,413	92,669
Deferred losses on hedges	10,170	12,845	90,255
Lease obligations	4,323	11,284	38,365
Deferred liability on flight equipment	3,347	3,018	29,703
Non-recurring depreciation	3,148	3,634	27,937
Reserve for loss on antitrust litigation	1,885	1,837	16,728
Asset retirement obligations	1,188	1,075	10,543
Tax loss carryforwards	197,977	247,720	1,756,984
Other	8,660	8,060	76,854
	312,513	359,723	2,773,455
Valuation allowance	(276,975)	(316,836)	(2,458,067)
	35,538	42,887	315,388
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	6,167	10,863	54,730
Leased assets	3,022	7,181	26,819
Deferred gains on hedges	658	6,373	5,839
Other	3,150	4,659	27,955
	12,998	29,077	115,353
Net deferred tax assets	¥ 22,539	¥ 13,809	\$ 200,026

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, 2016 and 2015 were as follows:

Year ended March 31	2016		2015	
		%		%
Statutory rate	32.0	34.3		
Share of profit (loss) of entities accounted for using equity method	(0.1)	0.5		
Changes in valuation allowance	(20.8)	(27.5)		
Decrease in deferred tax assets due to a change in the tax rate	0.4	1.0		
Other	1.2	1.1		
Effective tax rate	12.7	9.4		

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, 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 have 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 as of March 31, 2015, income taxes—deferred expense recognized for the fiscal year ended March 31, 2015 increased by ¥1,627 million, valuation difference on available-for-sale securities increased by ¥1,020 million, deferred gains (losses) on hedges decreased by ¥370 million, and

## Consolidated Financial Statements

remeasurements of defined benefit plans decreased by ¥16 million.

On March 29, 2016, amendments to the Japanese tax regulations were promulgated. 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, 2016 to March 31, 2018 and on or after April 1, 2018 have changed from 31.5% to 30.2% and 30.0%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥963 million (\$8,546 thousand) as of March 31, 2016, income taxes—deferred expense recognized for the fiscal year ended March 31, 2016 increased by ¥925 million (\$8,209 thousand), valuation difference on available-for-sale securities increased by ¥308 million (\$2,733 thousand), deferred gains (losses) on hedges decreased by ¥327 million (\$2,902 thousand), and remeasurements of defined benefit plans decreased by ¥20 million (\$177 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 shareholders, or by the Board of Directors if certain conditions are met, but neither additional paid-in capital nor the legal reserve is available for distribution by resolution of the Board of Directors.

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

At the annual shareholders' meeting held on June 22, 2016, the shareholders approved dividends of surplus amounting to ¥43,508 million (\$386,119 thousand). Such appropriations have not been accrued in the Consolidated Financial Statement as of March 31, 2016.

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, 2016 were as follows:

Year ended March 31, 2016	Thousands of shares			On March 31, 2016
	On April 1, 2015	Increase	Decrease	
Number of shares of stock authorized:				
Common stock	700,000	—	—	700,000
Preferred stock	50,000	—	—	50,000
<b>Total</b>	<b>750,000</b>	<b>—</b>	<b>—</b>	<b>750,000</b>
Number of shares of stock in issue:				
Common stock	362,704	—	—	362,704
<b>Total</b>	<b>362,704</b>	<b>—</b>	<b>—</b>	<b>362,704</b>
Number of shares of common stock in treasury:				
Common stock	203	—	—	203
<b>Total</b>	<b>203</b>	<b>—</b>	<b>—</b>	<b>203</b>

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			On March 31, 2015
	On 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
<b>Total</b>	<b>400,000</b>	<b>350,000</b>	<b>—</b>	<b>750,000</b>
Number of shares of stock in issue:				
Common stock	181,352	181,352	—	362,704
<b>Total</b>	<b>181,352</b>	<b>181,352</b>	<b>—</b>	<b>362,704</b>
Number of shares of common stock in treasury:				
Common stock	33	169	—	203
<b>Total</b>	<b>33</b>	<b>169</b>	<b>—</b>	<b>203</b>

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.

### 14. OTHER COMPREHENSIVE INCOME

Reclassification adjustments for each component of other comprehensive income including tax effect for the years ended March 31, 2016 and 2015 were as follows:

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Valuation difference on available-for-sale securities, net of taxes:			
Unrealized holding gains arising during the period	¥(14,159)	¥ 25,198	\$(125,656)
Less: Reclassification adjustment included in profit	—	—	—
Pre-tax amount	(14,159)	25,198	(125,656)
Tax expense	4,697	(7,588)	41,684
Valuation difference on available-for-sale securities, net	(9,461)	17,610	(83,963)
Deferred gains (losses) on hedges, net of taxes:			
Deferred gains (losses) arising during the period	(34,237)	(29,577)	(303,842)
Less: Reclassification adjustment included in profit	22,219	(1,546)	197,186
Pre-tax amount	(12,017)	(31,123)	(106,647)
Tax benefit	3,012	8,608	26,730
Deferred gains (losses) on hedges, net of taxes	(9,005)	(22,515)	(79,916)
Foreign currency translation adjustment:			
Translation adjustment arising during the period	(247)	1,333	(2,192)
Less: Reclassification adjustment included in profit	4,836	(0)	42,917
Foreign currency translation adjustment	4,588	1,333	40,717
Remeasurements of defined benefit plans:			
Remeasurements of defined benefit plans arising during the period	(57,871)	(1,068)	(513,587)
Less: Reclassification adjustment included in profit	1,348	2,131	11,963
Pre-tax amount	(56,522)	1,063	(501,615)
Tax expense	645	(4)	5,724
Remeasurements of defined benefit plans	(55,877)	1,058	(495,891)
Share of other comprehensive income of entities accounted for by the equity method:			
Share of other comprehensive income of entities accounted for by the equity method arising during the period	(453)	355	(4,020)
<b>Total other comprehensive income</b>	<b>¥(70,209)</b>	<b>¥ (2,157)</b>	<b>\$(623,083)</b>

### 15. IMPAIRMENT LOSS ON NON-CURRENT ASSETS

Assets are attributed or allocated to cash-generating units which generated largely independent cash flows for calculating impairment loss. 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, 2016 and 2015, respectively.

The Company and certain consolidated subsidiaries have recognized impairment loss on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2016:

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

An impairment loss of ¥2,714 million (\$24,085 thousand) was recognized mainly on flight equipment as non-operating expenses in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2016.

The Company and certain consolidated subsidiaries have recognized impairment loss 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 on flight equipment was recognized as non-operating expenses in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2015.

### 16. SUPPLEMENTARY CASH FLOW INFORMATION

There are no material transactions that need to be presented for the year ended March 31, 2016.

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
Current assets	¥ 579
Non-current assets	876
Current liabilities	(503)
Non-current liabilities	(422)
Non-controlling interests	(243)
Expenditure for purchase of shares of common stock	286
Gain on step acquisition	(80)
Cash and cash equivalents held by subsidiaries	(282)
Net proceeds	¥ 76

The assets and liabilities of a subsidiary excluded from 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
Current assets	¥ 560
Non-current assets	2
Current liabilities	(217)
Non-controlling interests	(9)
Foreign currency translation adjustment	(7)
Gain on sales of shares	72
Proceeds from sales of shares of common stock	401
Cash and cash equivalents held by subsidiaries	(231)
Net proceeds	¥ 169

### 17. LEASES

#### As Lessee

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets on March 31, 2016 and 2015, and the related depreciation and interest expenses for the periods ended March 31, 2016 and 2015, 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:

## Consolidated Financial Statements

Millions of yen			
As of March 31, 2016	Acquisition cost	Less accumulated depreciation	Net book value
Ground property and equipment	¥ —	¥ —	¥ —
Total	¥ —	¥ —	¥ —

Thousands of U.S. dollars			
As of March 31, 2016	Acquisition cost	Less accumulated depreciation	Net book value
Ground property and equipment	\$ —	\$ —	\$ —
Total	\$ —	\$ —	\$ —

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

Millions of yen				Thousands of U.S. dollars	
Year ended March 31	2016	2015	2016	2015	2016
Lease expenses	¥ 2	¥ 93	\$ 17		
Depreciation equivalent	2	85	17		
Interest expenses equivalents	0	1	0		

The present value of future rental expenses under finance leases accounted for as operating leases outstanding on March 31, 2016 and 2015 were as follows:

Millions of yen				Thousands of U.S. dollars	
As of March 31	2016	2015	2016	2015	2016
Within 1 year	¥ —	¥ 2	\$ —		
Over 1 year	—	—	—		
Total	¥ —	¥ 2	\$ —		

Depreciation equivalent is calculated by the straight-line method on the assumption that the useful lives of the related assets are the same as the lease term and the residual value is zero.

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

No impairment loss has been recognized on leased property under finance leases accounted as operating leases for the years ended March 31, 2016 and 2015.

Future rental expenses under noncancelable operating leases outstanding on March 31, 2016 and 2015 were as follows:

Millions of yen			Thousands of U.S. dollars	
As of March 31	2016	2015	2016	2015
Within 1 year	¥ 19,015	¥ 24,024	\$ 168,752	
Over 1 year	77,900	101,071	691,338	
Total	¥ 96,915	¥ 125,096	\$ 860,090	

## 18. CONTINGENT LIABILITIES

On March 31, 2016 and 2015, contingent liabilities for guarantees, principally for employees, amounted to ¥186 million (\$1,650 thousand) and ¥227 million, respectively.

## 19. AMOUNTS PER SHARE

Basic earnings per share is computed based on the earnings available for distribution to or allocable to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted earnings per share are computed based on earnings available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the potentially dilutive securities to be issued upon the conversion of convertible bonds. However, diluted earnings per share have not been presented for the years ended March 31, 2016 and 2015 since the Company had no equity instruments issued that had a dilutive effect on earnings per share.

Yen			U.S. dollars	
Year ended March 31	2016	2015	2016	2015
Earnings per share of common stock:				
Basic	¥ 481.29	¥ 411.06	\$ 4.27	

The following table sets forth the computation of basic earnings per share of common stock for the years ended March 31, 2016 and 2015:

Millions of yen			Thousands of U.S. dollars	
Years ended March 31	2016	2015	2016	2015
Earnings (allocable to) available for shareholders of common stock:				
Profit attributable to owners of parent	¥ 174,468	¥ 149,045	\$ 1,548,349	
Appropriations for payment of preferred dividend	—	—	—	
	¥ 174,468	¥ 149,045	\$ 1,548,349	

Thousands of shares		
Year ended March 31	2016	2015
Weighted-average number of shares of common stock outstanding	362,500	362,584

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

Yen			U.S. dollars	
As of March 31	2016	2015	2016	2015
Net assets per share of common stock	¥ 2,325.79	¥ 2,142.00	\$ 20.64	

The Company undertook a two-for-one stock split on October 1, 2014. The previous year's figures for earnings 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 on March 31, 2016 and 2015

The Company and its consolidated subsidiaries, in connection with some buildings and land, have entered into real estate lease contracts with terms ranging from 1 to 46 years for the years ended March 31, 2016 and 2015. Asset retirement obligations have been recognized in light of the obligation of the Company and its consolidated subsidiaries to the owners of the buildings and land to remove the facilities from leased real estate at the end of those contracts. The liabilities on March 31, 2016 and 2015 have been calculated with expected useful lives ranging from 1 to 46 years and discount rates ranging from 0.1% to 2.5%.

The following table summarizes the changes in the aggregate carrying amount of asset retirement obligations for the years ended March 31, 2016 and 2015:

Millions of yen			Thousands of U.S. dollars	
Year ended March 31	2016	2015	2016	2015
Balance at beginning of period	¥ 3,419	¥ 4,405	\$ 30,342	
Increase due to purchases of tangible fixed assets	484	—	4,295	
Accretion due to the passage of time	54	62	479	
Decrease due to settlement	(0)	(1,049)	(0)	
Balance at end of period	¥ 3,957	¥ 3,419	\$ 35,117	

b. Asset retirement obligations not recognized in the consolidated balance sheets as of March 31, 2016 and 2015

The Company and its consolidated subsidiaries have rented lots and buildings from domestic service airports based on permission for national property use and a real estate rental contract for national property, and have an obligation to remove the facilities from leased real estate. The Company and its consolidated subsidiaries have a large role of public traffic, and depend on the trends of the aviation administration of each country. For this reason, the time of building removal and withdrawal cannot be determined at the discretion of the Company and its consolidated subsidiaries alone in regard to rented airport related facilities. Moreover, since there is also no schedule for building removal and withdrawal at present, asset retirement obligations cannot be reasonably estimated. Therefore, the asset retirement obligations corresponding to the debt concerned have not been calculated.

## 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 under the same conditions used in transactions with third parties.

## Consolidated Financial Statements

Millions of yen

Year ended March 31, 2016	Air transportation	Other	Total	Eliminations	Consolidated
Net sales					
External	¥ 1,090,787	¥ 245,874	¥ 1,336,661	¥ —	¥ 1,336,661
Intersegment	114,415	28,734	143,149	(143,149)	—
Total	1,205,202	274,609	1,479,811	(143,149)	1,336,661
Operating income	190,811	18,466	209,277	(84)	209,192
Assets	1,517,665	167,193	1,684,858	(105,929)	1,578,928
Depreciation and amortization	86,416	2,112	88,528	(0)	88,528
Impairment loss	2,504	209	2,714	—	2,714
Investments in entities accounted for using equity method	7,229	24,871	32,100	—	32,100
Capital expenditure	¥ 208,925	¥ 3,510	¥ 212,435	¥ —	¥ 212,435

Thousands of U.S. dollars

Year ended March 31, 2016	Air transportation	Other	Total	Eliminations	Consolidated
Net sales					
External	\$ 9,680,395	\$ 2,182,055	\$ 11,862,451	\$ —	\$ 11,862,451
Intersegment	1,015,397	255,005	1,270,402	(1,270,402)	—
Total	10,695,793	2,437,069	13,132,862	(1,270,402)	11,862,451
Operating income	1,693,388	163,880	1,857,268	(745)	1,856,514
Assets	13,468,805	1,483,785	14,952,591	(940,086)	14,012,495
Depreciation and amortization	766,915	18,743	785,658	(0)	785,658
Impairment loss	22,222	1,854	24,085	—	24,085
Investments in entities accounted for using equity method	64,155	220,722	284,877	—	284,877
Capital expenditure	\$ 1,854,144	\$ 31,150	\$ 1,885,294	\$ —	\$ 1,885,294

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 loss	881	—	881	—	881
Investments in entities accounted for using equity method	2,818	24,011	26,830	—	26,830
Capital expenditure	¥ 194,227	¥ 2,250	¥ 196,477	¥ (13)	¥ 196,464

(Application of Accounting Standard for Retirement Benefits, etc.)  
As mentioned in "CHANGES IN ACCOUNTING POLICY/CHANGES IN PRESENTATION," 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, the operating income of the air transportation segment has increased by ¥2,303 million and operating income of other has decreased by ¥1 million for the fiscal year ended March 31, 2015.

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

As mentioned in "CHANGES IN ACCOUNTING POLICY/CHANGES IN PRESENTATION," the Company has recognized differences as capital surplus arising from 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 the fiscal year ended March 31, 2015 were immaterial.

## Information by Geographical Area

Operating revenue from overseas operations, which include international passenger and cargo services of domestic consolidated airline subsidiaries rendered during the years ended March 31, 2016 and 2015, export sales of domestic consolidated subsidiaries, and sales of consolidated subsidiaries outside Japan, for the years ended March 31, 2016 and 2015 were as follows:

Millions of yen

Thousands of U.S. dollars

Year ended March 31	2016	2015	2016
Asia and Oceania	¥ 243,785	¥ 247,832	\$ 2,163,516
North America	197,552	193,505	1,753,212
Europe	79,997	90,944	709,948
Total	¥ 521,334	¥ 532,282	\$ 4,626,677

Information about amortization and unamortized balances of goodwill by segment for the years ended March 31, 2016 and 2015 were as follows:

Millions of yen

Year ended March 31, 2016	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	¥ —	¥ 849	¥ 849	¥ —	¥ 849
Unamortized balance	—	455	455	—	455

Thousands of U.S. dollars

Year ended March 31, 2016	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	\$ —	\$ 7,534	\$ 7,534	\$ —	\$ 7,534
Unamortized balance	—	4,037	4,037	—	4,037

Millions of yen

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

## 22. RELATED PARTY INFORMATION

There are no material transactions that need to be presented for the years ended March 31, 2016 and 2015.

## Independent Auditor's Report



### 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 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 23, 2016  
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



## Corporate Data

### Corporate Data

Group Companies.....	124
ESG Data.....	126
Domestic Route Map.....	127
International Route Map.....	128
Stock Information / Corporate Information.....	130

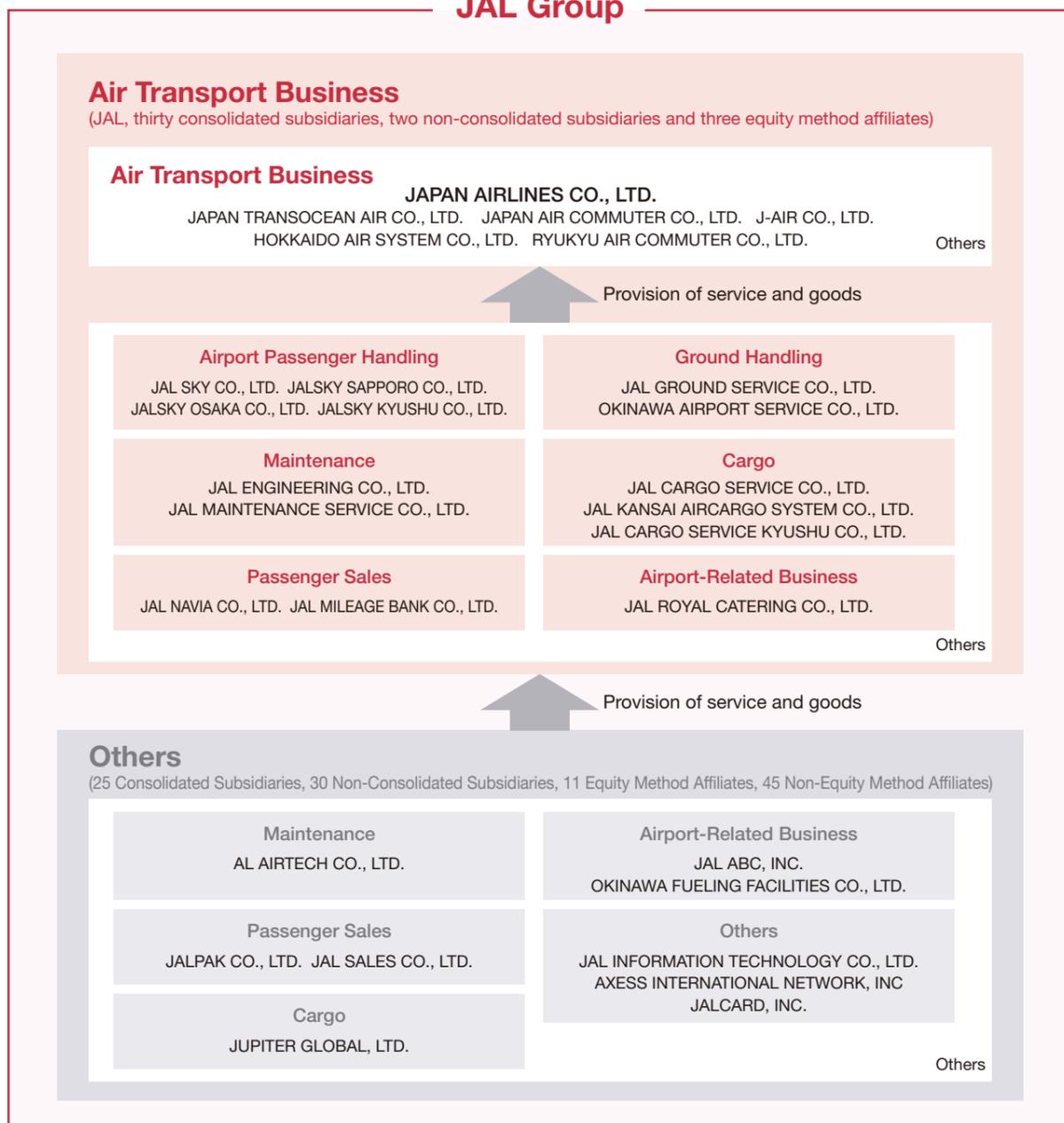
Group Companies

(As of March 31, 2016)

Group Total	Air Transport Business	Others
Number of Subsidiaries 87 (Consolidated Subsidiaries 55)	Number of Subsidiaries 32 (Consolidated Subsidiaries 30)	Number of Subsidiaries 55 (Consolidated Subsidiaries 25)
Affiliated Companies 59 (Equity Method Affiliates 14)	Affiliated Companies 3 (Equity Method Affiliates 3)	Affiliated Companies 56 (Equity Method Affiliates 11)

Customers and Business Associates

JAL Group



Consolidated Subsidiaries (As of March 31, 2016)

Corporate Name	Paid-in Capital (Millions of yen)	Ratio of Voting Rights			
		Direct (%)	Indirect (%)	Total (%)	
<b>Air Transport Business Segment</b>					
<b>•Air Transport Business</b>					
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	
<b>•Airport Passenger Handling</b>					
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. *1	30	51.0	49.0	100.0	
JTA SOUTHERN SKY SERVICE CO., LTD. *1	20	—	100.0	100.0	
JALSKY KANAZAWA CO., LTD.	10	100.0	—	100.0	
JALSKY SENDAI CO., LTD.	10	100.0	—	100.0	
JAL HAWAII, INCORPORATED	USD 1,000	100	100.0	—	100.0
<b>•Ground Handling</b>					
JAL GROUND SERVICE CO., LTD. *2	100	99.8	0.2	100.0	
JAL GROUND SERVICE TOKYO CO., LTD. *2	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. *1,3	33	70.6	29.4	100.0	
<b>•Maintenance</b>					
JAL ENGINEERING CO., LTD.	80	100.0	—	100.0	
JAL MAINTENANCE SERVICE CO., LTD.	10	100.0	—	100.0	
<b>•Cargo</b>					
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	
<b>•Passenger Sales</b>					
JAL NAVIA CO., LTD.	50	100.0	—	100.0	
JAL MILEAGE BANK CO., LTD.	40	100.0	—	100.0	
JAL PASSENGER SERVICES AMERICA INCORPORATED	USD 1,000	205	100.0	—	100.0
<b>•Airport-Related Business</b>					
JAL ROYAL CATERING CO., LTD.	2,700	51.0	—	51.0	
<b>Other segments</b>					
<b>•Maintenance</b>					
JAL AIRTECH CO., LTD.	315	66.6	3.4	70.0	
<b>•Cargo</b>					
JUPITER GLOBAL, LTD.	HKD 1,000	1,960	46.4	4.6	51.0
<b>•Passenger Sales</b>					
JALPAK CO., LTD. *4	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	
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 *5	IDR 1,000	500,000	—	49.0	49.0
<b>•Airport-Related Business</b>					
OKINAWA FUELING FACILITIES CO., LTD.	100	40.0	20.0	60.0	
JAL ABC, INC.	100	51.0	—	51.0	
<b>•Others</b>					
JAL INFORMATION TECHNOLOGY CO., LTD.	702	100.0	—	100.0	
AXESS INTERNATIONAL NETWORK, INC.	700	100.0	—	100.0	
JAL CARD, 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	
JPRO CO., LTD.	10	—	100.0	100.0	
JLC INSURANCE COMPANY LIMITED	USD 1,000	2,000	100.0	—	100.0

\*1 On July 1, 2016, JAL Sky Naha Co., Ltd., JTA Southern Sky Service Co., Ltd., and Okinawa Airport Service Co., Ltd. merged, with Okinawa Airport Service Co., Ltd. as the surviving company.  
 \*2 On April 1, 2016, JAL Ground Service Co., Ltd. and JAL Ground Service Tokyo Co., Ltd. merged, with JAL Ground Service Co., Ltd. as the surviving company.  
 \*3 JAL Sky Airport Okinawa Co., Ltd. changed its corporate name to Okinawa Airport Service Co., Ltd. on July 1, 2016.  
 \*4 Operating revenue (excluding operating revenue between consolidated subsidiaries) of JALPAK CO., LTD accounts for over 10% of consolidated operating revenue.  
 \*5 Although JAL's ownership is 50% or less, the company is considered a subsidiary because JAL has substantial control.

ESG Data

►Environmental Data (E)

	FY2013	FY2014	FY2015	Unit
<b>Environment</b>				
CO <sub>2</sub> Emissions	820	840	<b>854</b>	10,000 tons
CO <sub>2</sub> Emissions/RTK (Comparison with FY 2005)	89.6	86.6	<b>85.1</b>	%
NO <sub>x</sub> (LTO cycle)	6.26	6.12	<b>5.78</b>	1,000 tons
CO (LTO cycle)	4.39	4.38	<b>4.43</b>	1,000 tons
HC (LTO cycle)	0.72	0.70	<b>0.72</b>	1,000 tons
Electricity Use * <sup>1</sup>	129	125	<b>120</b>	Million kWh
Heat Use (crude oil equivalent) * <sup>1</sup>	49,633	48,494	<b>46,770</b>	1,000 liters
Water Use * <sup>1</sup>	452	445	<b>430</b>	1,000 m <sup>3</sup>
Industrial Waste * <sup>1</sup>	3,720	3,415	<b>3,475</b>	Tons
Ratio of Final Disposal * <sup>1</sup>	1.2	1.2	<b>1.2</b>	%

\*<sup>1</sup> Airports, Offices, Maintenance Centers (Japan)

►Social Data (S)

	FY2013	FY2014	FY2015	Unit
<b>Human Resources</b>				
Consolidated Staff Headcount * <sup>2</sup>	31,472	31,534	<b>31,986</b>	Persons
Ground Staff	23,084	23,093	<b>23,367</b>	Persons
Flight Crew	2,405	2,446	<b>2,519</b>	Persons
Cabin Attendant	5,983	5,995	<b>6,100</b>	Persons
Average age * <sup>2</sup>	37.4	38.3	<b>37.4</b>	Years
Ground Staff	37.5	38.7	<b>37.7</b>	Years
Flight Crew	42.1	42.7	<b>41.1</b>	Years
Cabin Attendant	35.0	35.1	<b>35.0</b>	Years
Ratio of Men * <sup>2</sup>	53.3	53.2	<b>52.3</b>	%
Ratio of Women * <sup>2</sup>	46.7	46.8	<b>47.7</b>	%
Managerial Staff * <sup>2</sup>	15.6	15.9	<b>16.0</b>	%
General Staff * <sup>2</sup>	84.4	84.1	<b>84.0</b>	%
Ratio of Disabled Staff * <sup>3</sup>	2.00	2.04	<b>2.28</b>	%
Ratio of Female Managers * <sup>2</sup>	14.1	15.1	<b>15.6</b>	%
Training Period per Person * <sup>4</sup>	62.5	60.2	<b>62.8</b>	Hours/Person
Training Cost per Person * <sup>4</sup>	311,704	318,249	<b>380,997</b>	Yen/Person
Childcare Leave Applicants	702	779	<b>782</b>	Persons
Nursing Care Leave Applicants	62	51	<b>42</b>	Persons
Ratio of Local Hires at Overseas Offices * <sup>2</sup>	92.0	90.8	<b>90.4</b>	%
Ratio of Locally Hired Managerial Staff at Overseas Offices * <sup>2</sup>	62.1	62.8	<b>60.8</b>	%

Community Contribution

Participation in Voluntary Activities	915	1,044	<b>909</b>	Persons
Total Hours of Voluntary Activities	3,144	4,436	<b>3,182</b>	Hours

\*<sup>2</sup> As of the fiscal year-end \*<sup>3</sup> 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.  
\*<sup>4</sup> Past data have been revised in accordance with improvements made in the accuracy of data collection.

►Governance Data (Japan Airlines Co., LTD.) (G)

(As of the end of each fiscal year)

	FY2013	FY2014	FY2015	Unit
<b>Governance</b>				
Executives	7	9	<b>9</b>	Persons
Female Directors	2	2	<b>2</b>	Persons
External Directors	2	2	<b>2</b>	Persons
Auditors	5	5	<b>5</b>	Persons
Outside Auditors	3	3	<b>3</b>	Persons
Director Remuneration	294	386	<b>414</b>	Millions of yen
Directors Total (Including external directors)	228	320	<b>339</b>	Millions of yen
Auditors Total (Including external auditors)	66	66	<b>75</b>	Millions of yen

Note: Total 11 directors (including three outside directors) and five auditors (including three outside auditors) after the 67th Ordinary General Meeting of Shareholders on June 22, 2016

Domestic Route Map

(As of June 14, 2016)

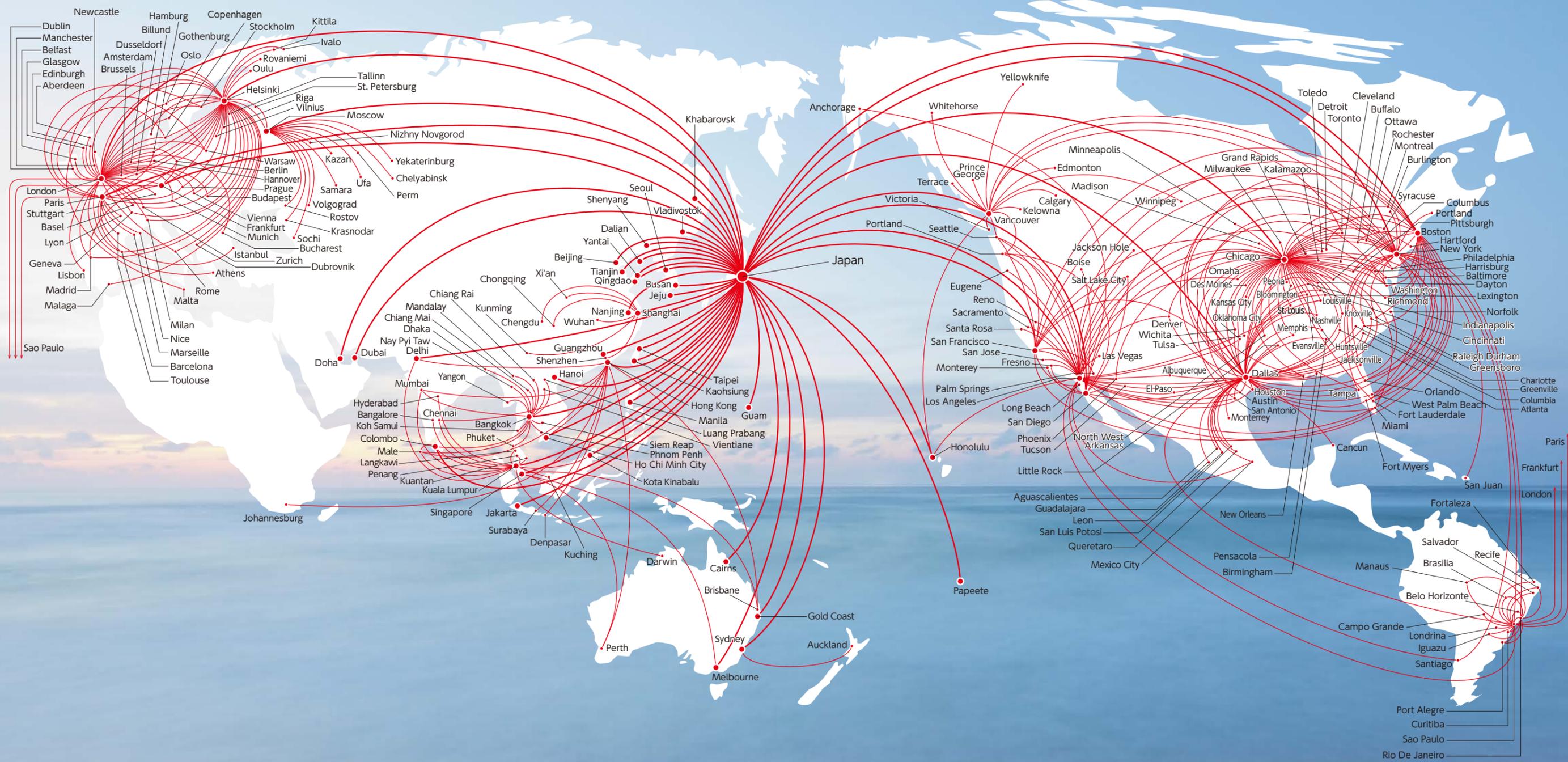
●The routes below are operated as code-share flights with Fuji Dream Airlines Co., Ltd. (FDA) using FDA aircraft and crew: Shizuoka-Sapporo (New Chitose), Shizuoka-Fukuoka, Matsumoto-Sapporo (New Chitose), Matsumoto-Fukuoka, Nagoya (Komaki)-Fukuoka, Nagoya (Komaki)-Yamagata, Nagoya (Komaki)-Niigata,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

●The routes below are operated as code-share flights with Hokkaido Air System Co., Ltd. (HAC) using HAC aircraft and crew: Sapporo (Okadama)-Rishiri, Sapporo (Okadama)-Kushiro, Sapporo (Okadama)-Hakodate, Sapporo (Okadama)-Misawa, Hakodate-Okushiri, and Hakodate-Misawa.

●The routes below are operated as code-share flights with Amakusa Airlines Co., Ltd. (AMX) using AMX aircraft and crew: Fukuoka-Amakusa and Kumamoto-Amakusa.

\*Some flights on the Osaka (Itami)-Kumamoto route are also code-share flights with AMX.  
\*Some routes are not operated in certain seasons.





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

Stock Information / Company Information

(As of March 31, 2016)

Stock Information

- **Stock Exchange** The first section of the Tokyo Stock Exchange
- **The Stock Code** 9201
- **Number of shares per unit** 100 shares
- **Account closing date** March 31
- **Ordinary General Meeting of Shareholders** June each year
- **Date of Finalizing Shareholders Eligible to Exercise Voting Rights at the Ordinary General Meeting of Shareholders** March 31
- **Date of Finalizing Shareholders to Receive Year-end Dividends** March 31  
\* We do not apply the interim dividends system.
- **Shareholder Registry Administrator**  
Mitsubishi UFJ Trust and Banking Corporation

● **Contact**  
Stock Transfer Agency Department  
Mitsubishi UFJ Trust and Banking Corporation  
10-11, Higashisuna 7-Chome, Koto-ku, Tokyo 137-8081, Japan  
Phone: 0120-232-711 (toll free (Only with Japan))  
Open: 9:00 am to 5:00 pm (Japan time)  
Website: <http://www.tr.mufg.jp/daikou/>

● **Method of official announcement**  
Electronic public notice at:  
URL <http://www.jal.com/ja/corporate/publicnotices/>  
Provided, however, that if the electronic notice cannot be made due to an accident or any unavoidable reason, the public notice shall be published in the Nihon Keizai Shimbun.

● **Limitation on listing or recording of Citizens of Foreign Countries and Other Persons in Register of Shareholders and Register of Beneficial Shareholders**

The Articles of Incorporation lay down the following provision concerning the Civil Aeronautics Act, Article 120-2.

Article 12. Limitation on listing or recording of Citizens of Foreign Countries and Other Persons in Register of Shareholders and Register of Beneficial Shareholders 12.1 If the Company receives from a person, who falls into one of the categories listed in the items below, a request for listing or recording his or her name and address in the register of shareholders (including the register of beneficial shareholders; hereinafter the same), and if the acceptance of such request causes the total voting rights owned by persons, who fall into one of the categories listed in the items below, to represent one-third or more of the Company's total voting rights, the Company shall refuse such listing or recording.

- (1) A person who does not have Japanese citizenship
  - (2) A foreign country, foreign public body or similar entity
  - (3) A corporation or other organization established under foreign laws and regulations
2. When the Company intends to list or record all shares held by any of the shareholders listed in the items of the following- paragraph, upon notification from a book-entry institution in accordance with Article 151. Paragraph (1) or (8) of the Act on Book-Entry Transfer of Company Bonds, Shares, etc.. and thereby the total number of voting rights held by such persons listed in the items of the preceding paragraph will account for more than a third of the Company's voting rights, the Company shall list or record such shareholders in the register of shareholders in accordance with measures provided for in the Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism to list or record only a part of the shares so that the total number of voting rights held by such shareholders in the items of the preceding paragraph accounts for less than a third of the Company's voting rights.

● **Transition of share price and trading volume**



\*Trading volume refers to the average trading volume per day in the month.

- **Total number of shares to be issued** 750 million  
(Common stock) (700 million)  
(Class 1 Preferred stock) (12.5 million)  
(Class 2 Preferred stock) (12.5 million)  
(Class 3 Preferred stock) (12.5 million)  
(Class 4 Preferred stock) (12.5 million)
- **Outstanding Issued Shares**  
Common stock 362,704,000 (Number of shares per unit: 100)  
Number of Shareholders 105,163
- **Major Shareholders**

Shareholders Name	Number of shares	Percentage of Shares Against Total Number of Issued Shares (%)
Japan Trustee Services Bank, Ltd.(Trust account)	21,048,400	5.80
The Master Trust Bank of Japan, Ltd.(Trust account)	16,050,600	4.42
Kyocera Corporation	7,638,400	2.10
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,470,700	1.50
Daiwa Securities Group Inc.	5,000,000	1.37
MSCO CUSTOMER SECURITIES	4,541,100	1.25
STATE STREET BANK AND TRUST COMPANY	4,464,400	1.23
Japan Trustee Services Bank, Ltd. (Trust account 6)	3,924,500	1.08
Japan Trustee Services Bank, Ltd. (Trust account 5)	3,922,100	1.08
Japan Trustee Services Bank, Ltd. (Trust account 1)	3,904,400	1.07

Company Profile

- **Corporate Name** Japan Airlines Co., Ltd.
- **Headquarters** Nomura Real Estate Bldg., 2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo  
Phone: +81 3 (5460) 3121  
Website: <http://www.jal.com/jp>
- **Established** August 1, 1951
- **Representative Director, President** Yoshiharu Ueki
- **Capital** 181,352 million yen
- **Employees** Consolidated Employees 31,986 people  
Employees 11,224 people
- **Capital and Paid-in Capital** 355,845 million yen (Amount is rounded down to the nearest million yen)
- **Businesses** 1. Scheduled and non-scheduled air transport services  
2. Aerial Work Services  
3. Other Related Business

Glossary

- **ASK**.....  
Abbreviation for Available Seat Kilometer. A unit for passenger transport capacity. Total number of seats × distance travelled (in kilometers)
- **Irregular operation**.....  
An occurrence in which the aircraft diverts due to aircraft system malfunction, etc., but with no immediate effect on flight safety.
- **Fleet management**.....  
A management approach to manage aircraft flexibly according to demand trends in order to maximize revenues and minimize expenses.
- **Full-service carrier**.....  
An airline which has an extensive route network and provides conventional services. It offers several classes of seats (First, Business, Economy, etc.), and includes services such as meals, drinks, and entertainment in the fare. It is also called a network carrier or legacy carrier.
- **Marshaller**.....  
A specialist who uses hand signals to guide aircraft on the ground to a specified position.
- **Unit cost**.....  
Consolidated air transport costs (excluding fuel costs and transactions with affiliated companies in which revenues and expenses are settled internally) / ASK.
- **Unit revenue**.....  
Revenue from passenger flights / ASK.
- **Revenue management system**.....  
A method of forecasting changes in demand and controlling inventory to maximize revenues, for example, setting advance discount fares in phases to secure the optimum number of revenue passengers.
- **Load control**.....  
To control aircraft weight. Cargo and passengers are loaded taking into account the center of gravity, loading weight limitations, and loading/unloading sequences.
- **Load factor**.....  
The usage rate of revenue passenger seats. It represents how many revenue passengers boarded against the total number of seats available. An indicator for measuring sales of seats. Calculated by RPK (Revenue Passenger Kilometers) / ASK (Available Seat Kilometers). Different from seat occupancy rate, because non-revenue passengers are excluded.
- **LCC**.....  
Abbreviation for Low Cost Carrier. An airline operating at reduced fares by cutting costs through simplified services and limited baggage allowance. LCCs have emerged in many countries since airline deregulation.
- **ROA**.....  
Abbreviation for Return on Assets. Calculated by dividing operating income by total assets (net assets + liabilities). Indicates how much profit is earned from assets invested in the business.
- **ROE**.....  
Abbreviation for Return on Equity. Calculated by dividing current net income by shareholders' equity. Indicates the rate of return on shareholders' investment.
- **RPK**.....  
Abbreviation for Revenue Passenger Kilometers. The total distance flown by each revenue passenger. Number of revenue passengers × distance flown (in kilometers).
- **SMS (Safety Management System)** ....  
A system to proactively prevent accidents by identifying and managing accident risk factors in every sector of the airline. Activities should be conducted organizationally based on mutual trust, in which safety policies and safety information are shared by everyone from top management to frontline staff.
- **Alliance**.....  
Member airlines of an alliance promote business partnership by such means as operating code-share flights to their respective airports, simplifying procedures at connecting airports, participating in frequent-flyer programs of all members, and sharing airport lounge services for top-tier members.  
The three major airline alliances are the **oneworld** alliance, Star Alliance, and Sky Team.
- **Incident**.....  
An occurrence with risks of an aircraft accident according to the Civil Aeronautics Act, Article 76-2. Sixteen items and equivalent situations such as engine damage and fire inside an aircraft are defined in the Ordinance for Enforcement of the Civil Aeronautics Act.
- **Open Skies Agreement**.....  
An agreement signed by countries or regions allowing the free movement of people and goods. Airlines are given more freedom in selecting the number of flights, destinations and other conditions.
- **Code-share**.....  
To place the flight number of an airline on a flight operated by another airline, indicating that flight number on reservations systems and timetables, and operating the flight as if it were its own flight. A flight undertaken jointly.
- **Serious incident**.....  
An occurrence which did not result in an aircraft accident, but had the risk of causing an accident, as rated by the Ministry of Land, Infrastructure, Transport and Tourism, such as deviation from a runway, emergency evacuation, fire, smoke and abnormal cabin decompression, and encountering abnormal weather conditions.
- **Diversity**.....  
A management approach which provides equal opportunity in employment regardless of gender, age, race, nationality, belief, values or disability to enable everyone to reach his or her potential.
- **Normal line operation monitoring**.....  
A proactive preventive program to identify latent risks in daily operations and normal operations, and implement preventive measures.





Japan Airlines Co., Ltd.  
Finance Department, Corporate Brand Promotion Department

Nomura Real Estate Building, 2-4-11 Higashi-Shinagawa,  
Shinagawa-ku, Tokyo 140-8637, Japan  
Tel.: +81 (0)3-5460-3068 (Finance) +81 (0)3-5460-6837 (Corporate Brand Promotion Division)

Corporate website [www.jal.com/en/](http://www.jal.com/en/)  
Corporate information <http://www.jal.com/en/outline/corporate/>  
CSR information <http://www.jal.com/en/csr/>  
Investor Relations <http://www.jal.com/en/investor/>

