



JAPAN AIRLINES



FLY INTO TOMORROW

JAL REPORT 2017

Fiscal year ended March 2017

The JAL Group will strive to achieve corporate rationale and follow it as a universal business purpose and fundamental goal by practicing the JAL Philosophy.

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 PHILOSOPHY

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

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Editorial Policy
This *JAL Report 2017* 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 2016 to March 2017 (fiscal 2016)

Scope of the report
The JAL Group

Date of publication
September 2017

JAL corporate website

Offering a comprehensive insight into JAL's business approach and activities, as well as investor and CSR information.



The JAL Group's Growth Story

The JAL Group supports society's progress and development through its business activities by increasing corporate value through the provision of the highest level of services to customers. In this section, we look back at JAL's history and review progress under the previous Medium Term Management Plan.

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JAL GROUP HISTORY

Since its establishment, the JAL Group has developed its business to meet the needs of the times. Following its bankruptcy in 2010, when the Group was given the opportunity to restructure, it has been progressing steadily, focused on the goals of delivering unparalleled service to its customers and contributing to the betterment of society. Going forward, the JAL Group is committed to continuing to create new values under the company slogan— FLY INTO TOMORROW—as it seeks to become the world’s most preferred and valued airline group.

A

1951

Establishment of Japan Airlines

Head Office Building at the time of establishment

B

1954

Launches first international route, Tokyo=San Francisco

Operates first international flight (February 2, 1954, Haneda to San Francisco)

C

1970

Lists on first sections of a number of stock exchanges

D

1970

Introduces jumbo jet

JAL's second Boeing 747 lands at Haneda

E

1983

Sets world record for international scheduled air traffic data

F

1985

Japan Airlines flight 123 accident

G

1987

Completes privatization

Holds full privatization kick-off ceremony

H

1992

Establishes Service Committee

I

2002

Business integration of Japan Airlines and Japan Air System

Business integration press conference

J

2007

Joins oneworld alliance

March 1, 2007 oneworld Governing Board meeting

K

2010

Files for reorganization proceedings under the Corporate Reorganization Act

January 19, 2010 Press Conference

L

2011

Concludes corporate reorganization proceedings under the Corporate Reorganization Act

M

2012

Relists on First Section of Tokyo Stock Exchange

N

2017

Publishes Medium Term Management Plan

A

March 31, 1951: Japan Airlines Co., Ltd. and four other Japanese companies apply for an airline company license. Subsequently, they unite into a single company, Japan Airlines, with Aiichiro Fujiyama as the shareholders' representative. Company registration is completed on August 1 of the same year, marking the birth of Japan Airlines Co., Ltd., the first Japanese-owned private-sector airline company of the post-war period.

B

February 2, 1954: Japan Airlines achieves its much awaited breakthrough into the international market with the launch of the Tokyo=San Francisco route. At the time, the service consists of two flights a week with First Class service only. Only five of the 21 passengers on the first flight are fare-paying passengers.

C

February 2, 1970: Japan Airlines stock is listed on the first sections of Tokyo, Osaka, and Nagoya stock exchanges, respectively.

D

July 1, 1970: JAL's first commercial flight operated with the Boeing 747 (jumbo jet) departs from Tokyo International Airport bound for Honolulu, carrying 320 passengers, three flight crew members, and 18 cabin attendants, as well as 6.4 tons of baggage, 1.3 tons of cargo, and 11 kg of mail. From then on, Japan Airlines enters the age of mass transport.

E

According to 1983 international scheduled air traffic data (total of passengers, cargo and mail) issued by the International Air Transport Association (IATA), Japan Airlines achieves a 5.6% year-on-year increase in air traffic to 4,559 million ton/kilometers, making it first of the then 126 IATA member airlines. (In the previous year it came second to Pan American World Airways.)

F

August 12, 1985: Japan Airlines flight 123 crashes into the ridges of Mount Osutaka, causing the loss of 520 precious lives. In the face of the pain and grief of the bereaved families and the resulting public mistrust over airline safety, Japan Airlines pledges to ensure that such an accident will never recur.

G

November 18, 1987: JAL is launched as a fully fledged private-sector enterprise following the completion of the amendments to the Articles of Incorporation and other procedures necessary for complete privatization at an extraordinary general meeting of shareholders held the previous day. While regulations restricting the issue of new shares, the appointment of directors, and other matters are lifted, this also means the loss of government funding and assistance. Subsequently, all government-held stocks are sold off in December 1987.

H

To mark the United Nations Decade of Disabled Persons (1983–1992), initiatives to make air travel fully accessible are expanded to the company level from the previous departmental level.

I

Japan Airlines and Japan Air System decide to integrate their businesses. The decision reflects their ambition to become a world top-class airline playing the central role in Japan's air transport business of the 21st century. It is also motivated by the belief that it is important to respond to societal needs for the maintenance and expansion of air transport services by building a strong business foundation and corporate structure that can withstand intense global competition.

J

April 1, 2007: With the aim of further expanding its network, Japan Airlines becomes an official member of oneworld, one of the three major global airline alliances. This makes it possible for JAL to offer greater added value in convenience and comfort to its customers through e-ticket links, improved mileage programs, shared airport lounges, and code-share flights, among others.

K

January 19, 2010: Japan Airlines files an application for support from the Enterprise Turnaround Initiative Corporation of Japan (ETIC), and ETIC decides to support its restructuring. On the same day, Japan Airlines files petitions for commencement of reorganization proceedings under the Corporate Reorganization Act with the Tokyo District Court, and the Court enters an order commencing the proceedings.

L

March 28, 2011: Fourteen months after the commencement of corporate reorganization proceedings under the Corporate Reorganization Act, the Court decides to conclude proceedings and allow Japan Airlines to transform to a joint stock company from a company under reorganization.

M

September 19, 2012: Japan Airlines is relisted on the Tokyo Stock Exchange. After the bankruptcy of January 19, 2010, its business was scaled down to 60% due to the withdrawal of unprofitable routes and other measures. In addition, the number of Group companies was halved, staff numbers were reduced by 40% resulting in a 20% decline in personnel costs, and company pensions were reduced by up to 53%. A new Corporate Policy is established, the JAL Philosophy is adopted, and the amoeba management system is introduced. As a result, operating income for fiscal year 2011 reaches 204.9 billion yen, enabling JAL to repay the financial support from ETIC in full.

Overview of Fiscal Years 2012–2016 JAL Group Medium Term Management Plan

**Management Targets
(Three Targets)**

1.

We are aware that flight safety is the foundation and social responsibility of the JAL Group. JAL maintains the highest standards of safety in the transport sector.

2.

JAL will provide unparalleled service to deliver a refreshing and inspiring travel experience to customers. Our goal is to become number one in customer satisfaction by fiscal year 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 five consecutive years and an equity ratio of 50% or above by fiscal year 2016.

Key initiatives (five categories)

Safety initiatives

Route network

Products and services

Group management

Human resources management

**Surviving future competition
(three areas for differentiation)****Enhancement of the JAL Brand**

As a full-service carrier, we will maintain safety and provide customers with unparalleled services to enhance the JAL Brand.

Route network, Products and services

Rather than simply products expansion of business scale, we will build a network of highly convenient routes and provide products and services that lead the competition in order to become the preferred airline group of customers worldwide.

Cost competitiveness

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

Achievement of management targets

1. Flight safety

Indicators	2012	2013	2014	2015	2016
Aircraft accidents	1 case	0 case	2 cases	1 case	1 case
Serious incidents	2 cases	1 cases	0 cases	3 cases	0 cases
Irregular operations	69 cases	75 cases	70 cases	73 cases	66 cases
Customer injuries	23 cases	11 cases	12 cases	12 cases	8 cases
Irregularities due to human error	54 cases	62 cases	65 cases	63 cases	48 cases

(FY)

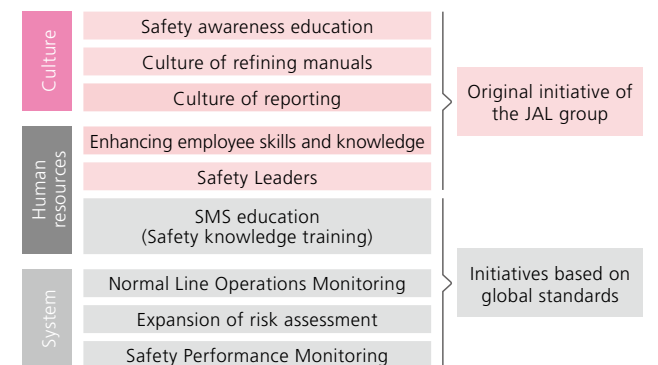
2. Becoming number one in customer satisfaction

Repeat Intention rate / Recommendation Intention rate	2012	2013	2014	2015	2016
International flights					
Repeat Intention rate	3 rd	1 st	1 st	1 st	1 st
Recommendation Intention rate	2 nd	2 nd	1 st	2 nd	1 st
Domestic flights					
Repeat Intention rate	6 th	6 th	3 rd	5 th	3 rd
Recommendation Intention rate	3 rd	2 nd	3 rd	3 rd	3 rd

(FY)

Maintaining flight safety

To maintain flight safety, the foundation of the JAL Group, we strive to build an advanced Safety Management System and ensure that all employees can respond with sufficient knowledge and awareness. To support these aims, JAL has accumulated multiple safety layers by pursuing three initiatives: cultivating a safety culture, nurturing safety professionals, and evolving safety systems to maintain safety. Aiming to be the leading company for safety in the transport sector, we not only deploy cutting-edge systems that lead the aviation industry, but are also continuously refining JAL Group-specific initiatives.

**Delivering unparalleled service**

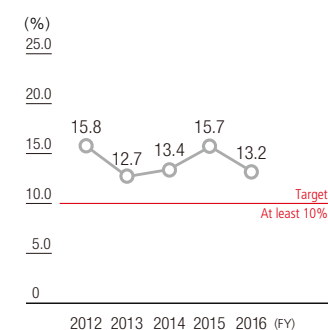
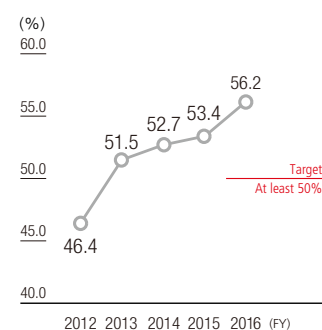
One of the management targets of the JAL Group Medium Term Management Plan for Fiscal Years 2012-2016 was to become number one for Repeat Intention and recommendation Intention in both international flights and domestic long-distance flights in the Japanese Customer Satisfaction Index (JCSI) survey.

JCSI survey results released in November 2016 showed that JAL had successfully ranked number one in both indicators for international flights. This was attributable to the expansion of routes operated with JAL SKY SUITE-configured aircraft, in-flight meals created in collaboration with famous chefs and restaurants, and other product and service enhancement initiatives.

As for domestic flights, JAL ranked third in both indicators. However, Group-wide value creation initiatives bore fruit and consequently, we improved our score in not only the two key indicators but also all JCSI survey items. Among the measures contributing to this accomplishment were the expansion of routes offering JAL SKY NEXT services and an in-flight Internet service for free campaign, which were part of our initiatives to offer a refreshing and inspiring travel experience.

We plan to publish the results of surveys covering the period from August 2016 to July 2017 in the fall of 2017. The JAL Group is firmly committed to putting in united efforts to become the world's most preferred and valued airline group.

3. Operating margin of 10% or above for five consecutive years / Equity ratio of 50% or above by fiscal year 2016

Operating margin**Equity ratio****Achievement of financial targets**

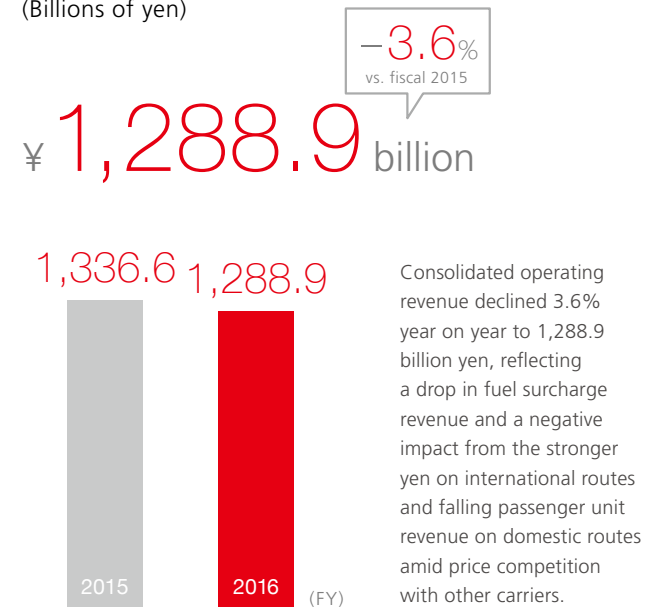
Under the amoeba management system, the JAL Group aims to achieve high profitability through the conscious commitment of each employee to 'maximize revenues and minimize expenses.' At the same time, we strive to increase corporate value by establishing systems to flexibly respond to changes in the business environment.

Drawing on the lessons learned from our bankruptcy, we established financial targets aimed at maintaining high profitability and building a financial foundation resilient to economic fluctuations and event risks. These targets — an operating margin of 10% or above for five consecutive years and an equity ratio of 50% or above by fiscal year 2016— were achieved through the united efforts of the JAL Group.

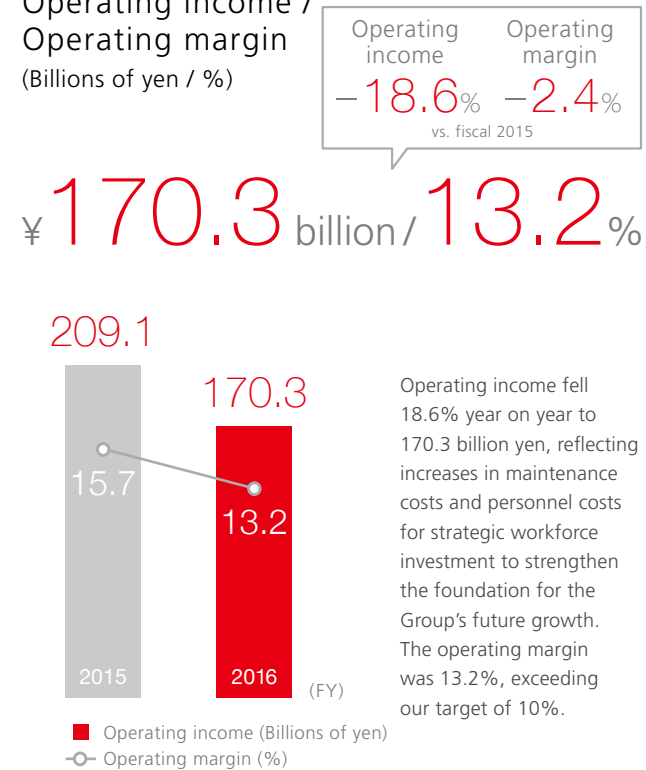
FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Financial Data

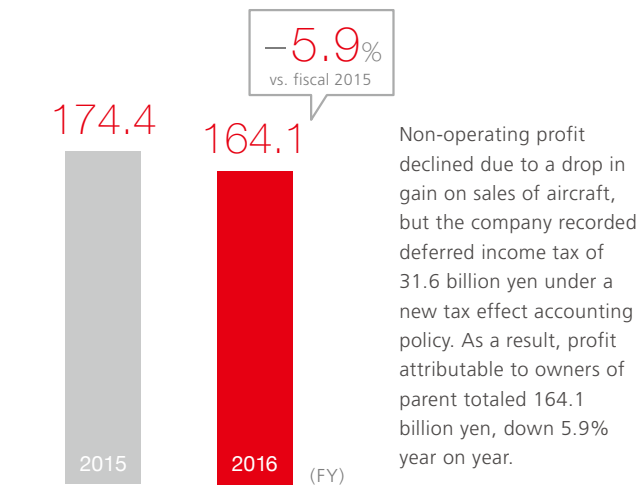
Operating revenue (Billions of yen)



Operating income / Operating margin (Billions of yen / %)



Profit attributable to owners of parent (Billions of yen)



Shareholders' equity



As of March 31, 2017, total assets stood at 1,728.7 billion yen, up 149.8 billion yen year on year, liabilities totaled 725.3 billion yen, up 17.0 billion, and net assets totaled 1,003.3 billion yen, up 132.8 billion yen. As a result, shareholders' equity was 972.0 billion yen and equity ratio increased 2.8 percentage points to 56.2%.

Interest-bearing debt



Interest-bearing debt totaled 116.0 billion yen at the end of fiscal year 2016, up 23.4 billion yen year on year.

Equity ratio

56.2%

Debt-to-equity ratio

0.1 times

Cash flow from operating activities



Cash flow from investing activities*1



Free cash flow*2



FY 2016

After adjusting net profit before income tax to reflect 162.7 billion yen in non-cash items such as depreciation, and to reconcile operating accounts receivable and payable, and other items, operating activities provided net cash of 253.1 billion yen. Investing activities used net cash of 215.5 billion yen, mainly for the purchase of fixed assets. As a result, free cash flow was 37.5 billion yen.

ROE

18.1%

ROA

10.3%

EBITDA*3

¥ **266.1** billion

EBITDA margin*4

20.6%

Air transport revenues per ASK*5*6

¥ **13.3**

Unit cost*7

¥ **9.4**

Net profit per share

¥ **456.56**

Dividend per share

¥ **94.00**

*1 Excludes fixed deposit account deposits and withdrawals

*2 Free cash flows= Operating cash flows + Investment cash flows

*3 EBITDA= Operating income / Depreciation expense

*4 EBITDA margin= EBITDA / Operating revenue

*5 ASK (Available Seat Kilometers): A unit of passenger transport capacity: Total number of seats × Distance flown (km).

*6 Air transport revenue per ASK: (Air transport revenue – fuel surcharge) / ASK

*7 Unit cost: Consolidated air transport costs (excluding fuel costs) / ASK

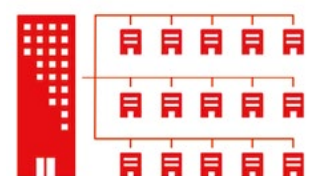
FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Non-financial Data

(As of March 31, 2017)

Number of group companies

137
companies



81 subsidiaries
(including 52 consolidated subsidiaries)
56 affiliated companies
(including 13 accounted for by the equity method)

Number of employees

11,449
people



Consolidated employees 
32,753 people

Traffic results

Domestic passengers **32.57**
million passengers



International passengers **8.39**
million passengers



Number of group aircraft

Large aircraft 777 **40** aircraft



Medium-sized aircraft 787/767 **70** aircraft



Small aircraft 737 **64** aircraft

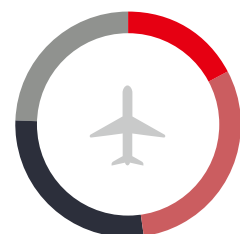


Regional jet **56** aircraft



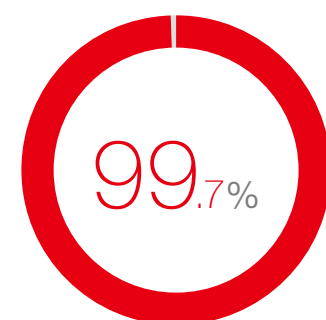
Average fleet age **9.5** years

TOTAL
230 aircraft



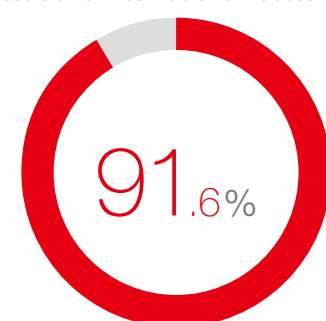
Operational rate

Domestic and International routes total



On-time arrival rate

Domestic and International routes total



Number of countries, regions and destinations served by the JAL Group (including code-share flights)



Repeat intention rate / Recommendation intention rate

International flights

Repeat intention rate **1st** Recommendation intention rate **1st**

Domestic flights

Repeat intention rate **3rd** Recommendation intention rate **3rd**

Number/ratio of women in management positions

846 people

16.3%

Aircraft accidents / Serious incidents

Aircraft accidents **1** case Serious incidents **0** cases

* For details of aircraft accidents and serious incidents, please refer to P.128: Data on Incidents.

Customer injuries

8 cases

Irregularities due to human error

48 cases

Irregular operations

66 cases

CO₂ emissions per revenue ton kilometer

vs. fiscal 2005 **84.6%**

Volume of industrial waste

3,436 tons

Electric power consumption

113 million kWh

Heat consumption (crude oil equivalent)

44,936 Kiloliters

Water consumption

426 thousand m³

Management Strategies Designed to Create Value

Awards and Recognition



Best Economy Class Airline Seat

Skytrax 2017 World Airline Awards
JAL was ranked first for Best Economy Class Airline Seat in the Skytrax 2017 World Airline Awards. This marks the third time JAL has received a World Airline Award, following awards for the Best Business Class Airline Seat in 2013 and a previous award for the Best Economy Class Airline Seat in 2015.



Best Airline for On-time Performance in the Asia-Pacific Region

FlightStats 2016 Airline On-time Performance Service Awards
FlightStats, Inc. ranked JAL first for on-time performance in the mainline and network categories for Asia-Pacific major airlines, based on flights on domestic and international routes between January and December 2016.



JAL Selected as a Leading Company in Employee Health Management

Health & Productivity Stock
JAL was selected as a Health & Productivity Stock in 2017 for the third consecutive year by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, which recognized our management commitment and strategic initiatives in employee health management.

* "Health management" is a registered trademark of NPO Workshop for the Management of Health on Company and Employee.



JAL Selected as a Company that Empowers Female Employees

Nadeshiko Brand Enterprise
JAL was selected for inclusion in the Nadeshiko Brand list of enterprises for the third consecutive year by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. Companies on the list are recognized for initiatives in diversity management.



JAL Selected as a Competitive IT Strategy Company for the Second Consecutive Year

Competitive IT Strategy Company Stock Selection
JAL was selected as a Competitive IT Strategy Company in 2017 for the second consecutive year by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, which recognized our use of advanced IT to increase corporate value and improve profitability.



JAL Selected as a Company that Helps Cancer Patients Balance Treatment and Work Commitments

Top Award in the Tokyo Work Circle Project
The Tokyo Metropolitan Government has recognized our initiatives to support employee health through our health promotion program, JAL Wellness 2016, as well as our efforts to create more flexible working practices with various holiday leave schemes. This is the first time JAL has received this award.



Basic Achievement Grand Prize for Diversity and Inclusion

2017 J-Win Diversity Award
JAL received the Basic Achievement Grand Prize from the Japan Women's Innovative Network, recognizing JAL as a leading company in promoting diversity and inclusion.



Selected as a Telework Pioneer 100 Company by the Ministry of Internal Affairs and Communications

Chairman's Prize in the 17th Telework Promotion Awards
JAL received certification under the Law for Measures to Support the Development of the Next Generation in June 2008 in recognition of our efforts to nurture future generations. JAL received the Chairman's Award in the 17th Telework Promotion Awards, the first time an airline has won this award.



Certified as a Gold Company in the Pride Rating System

Japan's First Rating System for Corporate LGBT Programs
JAL received a Gold ranking in the Pride rating system, established by Work with Pride, an LGBT volunteer group.



JAL Granted "Kurumin" Certification for Nurturing Future Generations

4th Action Plan Currently Being Implemented
Since June 2008, JAL has been certified with the "Kurumin" mark as a company that supports future generations.



JAL Secures Top Place in Best Free Attraction Ranking 2016

JAL Factory Tours – SKY MUSEUM
JAL Factory Tours – SKY MUSEUM, the flagship component of the JAL SORAICU educational program, came top in the Best Free Attractions Ranking 2016 by TripAdvisor, the world's largest travel website.

In fiscal year 2017, the JAL Group initiated the JAL Group Medium Term Management Plan for Fiscal Years 2017 – 2020, under the key words "Challenge, Leading to Growth." In this section, we outline the plan's initiatives and explain the JAL Group's value creation cycle.

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MESSAGE FROM THE PRESIDENT



Yoshiharu Ueki
Representative Director,
President

The JAL Vision and our new Medium Term Management Plan were established to realize the JAL Group Corporate Policy. We aspire to be an airline that not only achieves corporate growth but also contributes value to society.

01 The JAL Group embraced the challenge of the last five years by working with a strong team spirit toward its goals.

When we formulated our previous medium term management plan—the JAL Group Medium Term Management Plan for Fiscal Years 2012-2016—our two goals were to regain the trust of society through sincere responses to the 2010 bankruptcy and to build a solid financial base by establishing a high profitability structure to promote sustainable growth. To reach these goals, we established targets in three areas: safety, customer satisfaction, and finance. Specifically, they were zero aircraft accidents and zero serious incidents; number one in customer satisfaction by fiscal year 2016; and an operating margin of 10% or above for five consecutive years and an equity ratio of 50% or above by fiscal year 2016. In spite of these challenging goals, every JAL Group staff member worked determinedly over the five-year period to accomplish and fulfill the plan.

The JAL Philosophy and the amoeba management system, both introduced after our bankruptcy, generated a dramatic change in the awareness and behavior of JAL Group executives and employees. All JAL Group employees now put in joint efforts each day to realize the JAL Group Corporate Policy: deliver unparalleled service to customers, increase corporate value, and contribute to the betterment of society. As a result, we were able to achieve our financial targets, thought to be the most challenging of the three, of an operating margin of 10% or above for five consecutive years and an equity ratio of 50% or above by fiscal year 2016. I believe that this has enabled us to create a firm foundation to enter a new growth phase. Regarding our safety target, one aircraft accident occurred in fiscal year 2016, and consequently we were not able to achieve the targeted zero record for five years. As for customer satisfaction, we reached our target for international flights, but fell short of our target for domestic flights. We take these results seriously and will continue to push forward determinedly to reach our customer satisfaction target.

It is regrettable that we did not fully achieve all the targets set out in the previous Medium Term Management Plan. It is significant, however, that all JAL Group employees worked in unison to fulfill our yearly rolling plans, updated by reviewing the progress made each year and the direction of our policy under the five-year plan. I think we can compare finishing the plan to crossing the finish line of a marathon. By implementing the JAL Philosophy and the amoeba management system over the past five years, the JAL Group has laid a solid business foundation, and established a high-profitability structure and a strong financial base. I believe that this strategy has enabled us to regain the trust of all stakeholders and fulfill their expectations for sustainable growth.

02

The JAL Vision— our first step toward implementing the JAL Group Corporate Policy

The JAL Group regards the 2020 Olympic and Paralympic Games in Tokyo as a major turning point, when an expansion of flight slots at Tokyo metropolitan airports is expected. Bearing this in mind, we established a new JAL Group Medium Term Management Plan for Fiscal Years 2017-2020 under the key phrase “Challenge, Leading to Growth.”

If I were to compare the JAL Group when we initiated the previous medium term management plan to an aircraft in flight, I would say we were in the phase of having taken off and climbing through thick clouds and poor visibility. Now that we have finished the previous plan, I would say the aircraft has finished climbing and is in the cruising phase of the flight. Having reached this point and begun considering what is most important for the next phase, we have concluded that we should steadfastly implement our Corporate Policy and gain public recognition as a company that makes valuable contributions to society. We therefore established the JAL Vision to indicate what kind of company we aspire to be in ten years’ time through the process of implementing the Corporate Policy.

The JAL Vision, which outlines our ideal future profile, expresses our wish to bring happiness to customers worldwide including Japan, and to communities and society as well as individual customers. It also encapsulates our determination to become an airline that meets a broad range of societal needs. To realize these ambitions, we envisage transforming JAL into a true global airline that is one step ahead of its competitors in value creation, and thereby ensuring sustainable growth. The new Medium Term Management Plan translates this vision into concrete measures so that we may realize it.

JAL Vision

To customers worldwide,
From region to society



To realize the JAL Group Corporate Policy and become
“the world’s most preferred and valued airline,”
everyone at JAL will put in joint efforts to ensure flight safety and to:

1

Transform JAL into a true global airline

×

2

Create new values one step ahead of our competitors

=

3

Continue sustainable growth



03

New Medium Term Management Plan:
To realize the JAL Vision

The new Medium Term Management Plan identifies two growth drivers for the JAL Group to concentrate on, under the key words “JAL Focus.”

The first growth driver is to refine our full-service carrier business. We aim to achieve steady growth by positioning it as the core business domain of JAL and by maximizing its strengths. As part of active investments in “hard” services, we will proceed with expanding international routes operated with JAL SKY SUITE-configured aircraft, while on domestic routes, we will deploy the A350 for the first time in fiscal year 2019.

As for our route network, we will steadily expand routes, primarily international routes, to further improve customer convenience. We launched the route between Haneda and New York in April 2017, and will open routes between Narita and Melbourne and between Narita and Kona in September this year.

In addition to these improvements in “hard” services and routes, we will further refine our spirit of hospitality, which is the JAL Group’s greatest strength, to deliver the finest service and a pleasant travel experience at all customer touch points before, during, and after the flight.

The second growth driver is the expansion of our business domains. As well as further expanding our airline-related businesses such as providing services relating to airport handling and aircraft maintenance, and in the travel agency and credit card sectors, we will devote our energy to entering new business domains, and meet the challenge of creating and cultivating new revenue sources. We target a revenue increase of 10% and 30% in our core business domain and new business domains, respectively, in fiscal year 2020 compared to fiscal year 2016.



As with the previous plan, the new Medium Term Management Plan sets management targets in the three areas of safety, customer satisfaction, and finance. To reach our safety target, which was not achieved in the previous plan as mentioned above, we will further accumulate safety layers to achieve zero aircraft accidents and zero serious incidents. Regarding customer satisfaction, we aspire to provide unparalleled service to deliver a refreshing and inspiring travel experience to every customer, and thereby become the preferred airline in each global region. As for finance, we set a new management target of achieving a 9% or above return on invested capital (ROIC)* by fiscal year 2020, in addition to the target of 10% or above operating margin. We will continuously strive to maintain an equity ratio of approximately 60%.

To reach these management targets, the new Medium Term Management Plan sets out concrete initiatives under five headings: Safety; Network & Products; Divisional Profitability Management; Human Resources; and Innovation. By tackling these areas, we believe that we will be able to progress steadily step by step to achieve sustainable growth for the JAL Group.

* Return on invested capital (ROIC) (%) = Operating profit (excluding tax)/fixed assets (including future rental expenses under operating leases)
 * For an outline of the new Medium Term Management Plan, please refer to P.24-27: Outline of JAL Group Medium Term Management Plan for Fiscal Years 2017-2020.

04

Initiatives Relating to the Environment, Society, and Corporate Governance

The JAL Group recognizes that a company that seeks to contribute value to society as well as corporate growth and profits will gain trust from society. Therefore, we believe that initiatives relating to the environment, society, and corporate governance are essential.

Environmental initiatives

Under the key phrase “Living in Harmony with the Planet,” we are taking steps to reduce CO₂ emissions, industrial waste, and electric power consumption. We particularly believe that reducing fuel consumption contributes significantly to reducing impacts on the environment. We therefore enforce various measures, including renewing our fleet with state-of-the art aircraft, which have improved mileage performance, applying optimal flight courses and flying techniques, and reducing aircraft weight through optimal onboard loads. Since 1993, we have been participating in the CONTRAIL Project by conducting atmospheric observations using our aircraft. This project has received an array of awards such as the Environment Excellence Award, the Minister of the Environment Prize, and the Special Global Environment Prize. It is a valuable asset of ours that we have been engaged in these activities since the days when environmental issues did not draw such strong public attention. Going forward, we remain committed to conducting environment-conscious business operations.

Social initiatives

Our social initiatives focus on nurturing the next generation through JAL SORAIKU and other related projects, and on contributing to communities through support for disaster recovery, regional revitalization, and support to developing countries. Regarding regional revitalization, the JAPAN PROJECT, launched in May 2011, promotes for instance attractive regional tourist destinations and local products through our in-flight magazines, in-flight meals, and other JAL Group media. In fiscal year 2015, the project further evolved into the JAL NEW-JAPAN PROJECT, in which we collaborate with regional communities to promote revitalization of industries and economies. Through this project, we assist in attracting domestic and inbound demand, and continue supporting regions across Japan.

Corporate governance initiatives

With regard to corporate governance, we are working to further improve our corporate governance system, compliance, risk management, and related activities, which form the business base of corporate activities. As a corporation that supports public infrastructure, we recognize the importance of establishing a business continuity plan in the event of a natural disaster, major fire, terrorist attack, or other emergency situations, and are reinforcing relevant activities.

05

Closing words

The JAL Group was given the opportunity to rebuild the company after the 2010 bankruptcy through the support of all stakeholders. Having pulled through the five-year period up to the end of fiscal year 2016, we are once again ready to take off on a renewed path toward growth. To ensure JAL remains one of the world’s most preferred and valued airlines, we will maintain the highest standards of flight safety and draw on the strengths of everybody in the JAL Group to meet the high expectations of our stakeholders. I hope we can count on your continued support and understanding as we move into a new phase of growth.”

Yoshiharu Ueki
Representative Director, President

MESSAGE FROM THE CFO



Promoting active investments for growth and effective use of business resources while raising business management awareness across the JAL Group

Review of the JAL Group Medium Term Management Plan for Fiscal Years 2012-2016

Looking back over the JAL Group Medium Term Management Plan for Fiscal Years 2012-2016, we can point to success in meeting both of our financial targets: an operating profit margin of 10% or above for five consecutive years and an equity ratio of 50% or above by fiscal year 2016. Major contributing factors were firstly the change in the awareness of all employees achieved by sharing the principles set out in the JAL Philosophy, and secondly a profit-conscious approach to business activities through the introduction of the business management techniques of the amoeba management system. In concrete terms, each organization visualizes its profitability status each month for reporting at the Group Earnings Report Session. This measure has resulted in frank discussions, leading to higher profit consciousness. Additionally, consistent implementation of the PDCA cycle, with feedback from monthly business results, enables timely adjustment of performance targets. In this way, we have established a system that enables each organization to react flexibly to changes in the business environment. That is the reason for our success in realizing a high profitability business structure.

Financial strategy under the JAL Group Medium Term Management Plan for Fiscal Years 2017-2020

Financial Policy

The financial policy of the new Medium Term Management Plan is to realize an increase in corporate value in a way that combines profitability with stability by building on the solid financial foundation and business management system which we have established so far and by maintaining the potential for sustainable growth.

Our profitability targets are to achieve an operating profit margin of 10% or above each fiscal year and return on invested capital (ROIC)* of 9% or above by fiscal year 2020. Management of individual investment projects will continue to be based on net present value (NPV) as we have done up till now. Going forward, the key performance indicator applied to company-wide investment will be ROIC, which indicates the efficiency of return on fixed assets (including future rental expenses under operating leases). Unlike return on equity (ROE), which measures the efficiency of return on shareholders' equity, this will enable us as the finance department to monitor the effective use of invested capital as a whole.

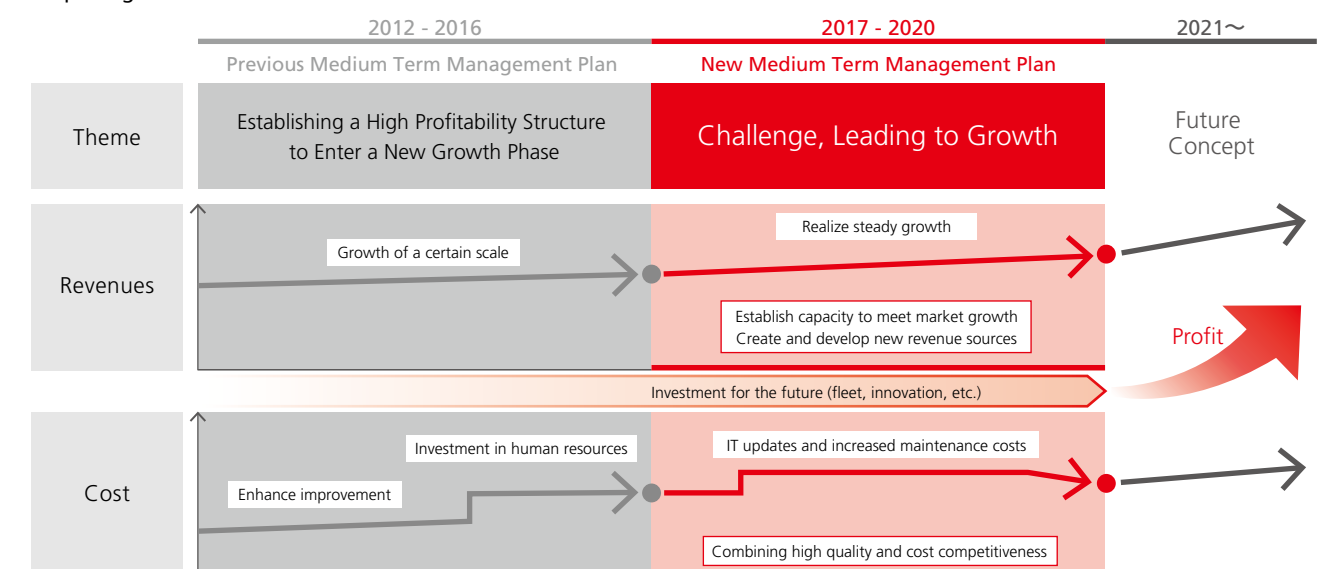
Regarding stability, in view of future risks which need to be considered given the particular nature of the aviation business, we will continue to maintain an equity ratio of approximately 60% and an improvement in our credit rating.

As for growth potential, we envisage that increased expenditures in the initial stage of the plan, which are allocated to advance investment for sustainable growth, will be balanced by revenue-increasing measures and cost control measures, leading to higher revenues and profits in the later stages. In fiscal year 2016, the increase in expenses was mainly attributable to a review of the salary system and higher base salaries as key human resource investments in order to solidify our foundation for future growth.

In fiscal year 2017, the increase in expenses will mainly be attributable to investments in IT system upgrades and rising aircraft maintenance costs.

Regarding IT systems, we are updating our passenger service system for the first time in fifty years. The new system, which will go live in November 2017, is expected to produce enhanced

Steps to growth



MESSAGE FROM THE CFO

online functions that will contribute to advanced revenue management and greater customer convenience. It should also generate revenue increases through a more flexible fare system. Additionally, it will help reduce system maintenance and management costs and enable us to switch to variable costs linked to customer demand, which together with other benefits will contribute to greater cost efficiency at the entire company level. As fiscal year 2017 will include the period of transition to the new system, relevant increases in depreciation expenses, training needs for system cutover, and other demands will result in a front-loaded increase in costs in the short term, but I believe the benefit to build an IT platform to serve as the basis for sustainable growth will justify our medium-term investments.

As for maintenance costs, we expect an increase in engine maintenance costs, notably for 787 aircraft, with particular increases in fiscal years 2016 and 2017. However, our aim is to reduce overall maintenance costs for fiscal year 2020—three years from now—to fiscal year 2017 levels by increasing maintenance cost efficiency through effective use of information technology among other things.

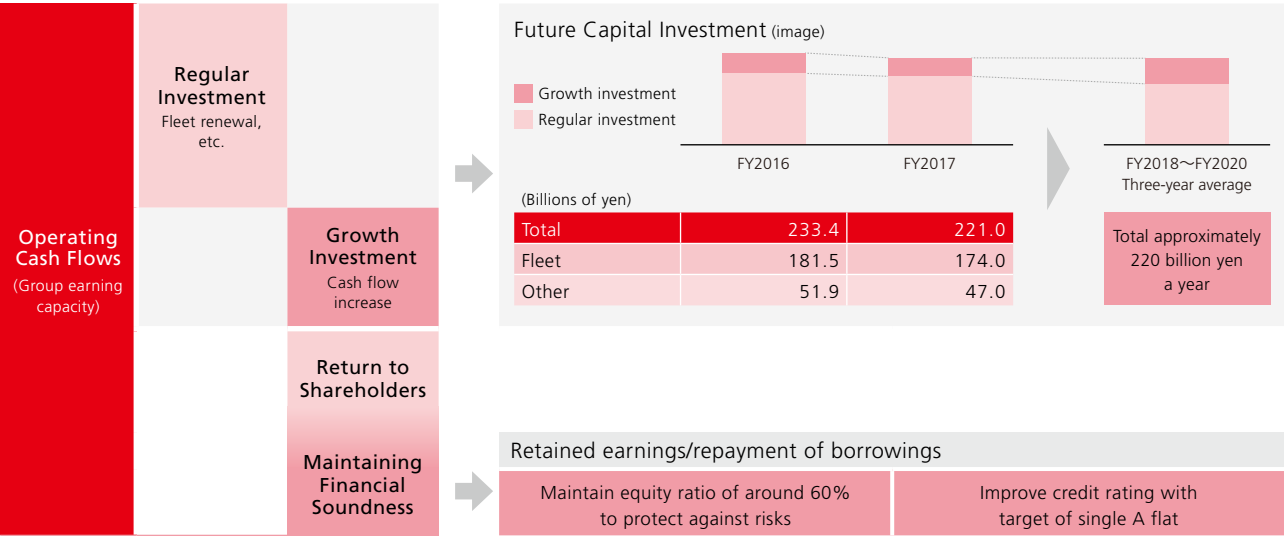
As a consequence of these capital expenditures required for long-term growth, a reduction in profits is forecast for fiscal year 2017. However, from fiscal year 2018, we aim to establish a sustainable trend of higher profits on higher revenues.

* Return on invested capital (ROIC) (%) = operating income (excluding tax)/fixed assets (including future rental expenses under operating leases)

Allocation of Cash Flows

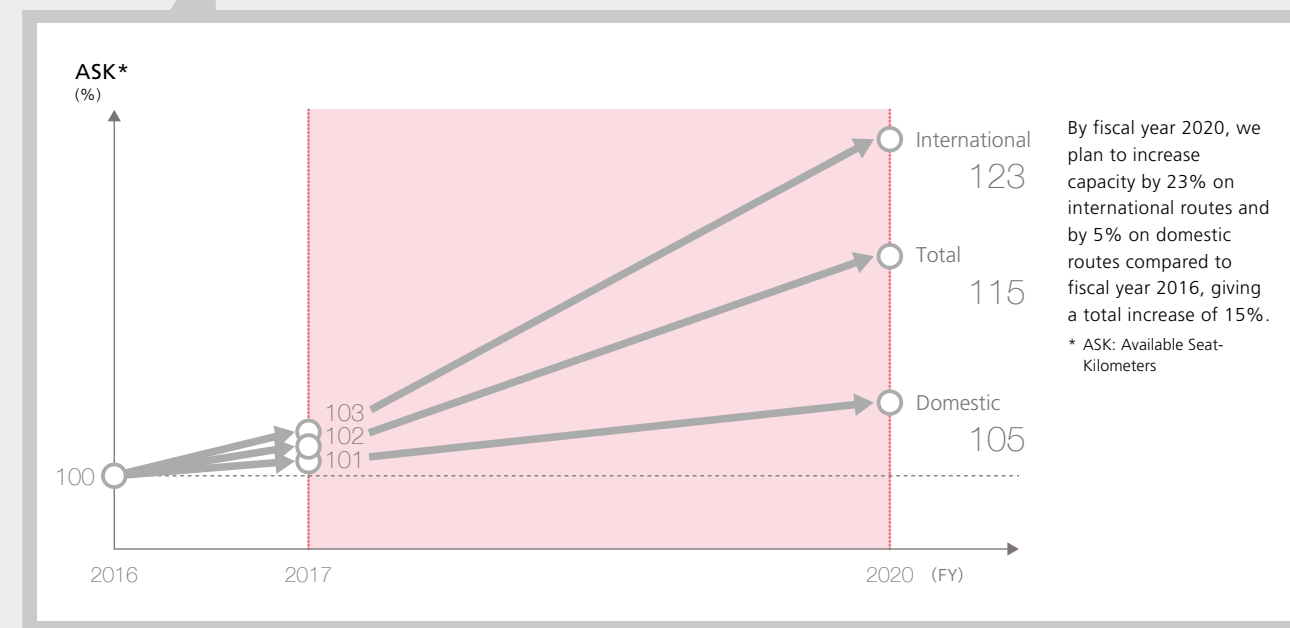
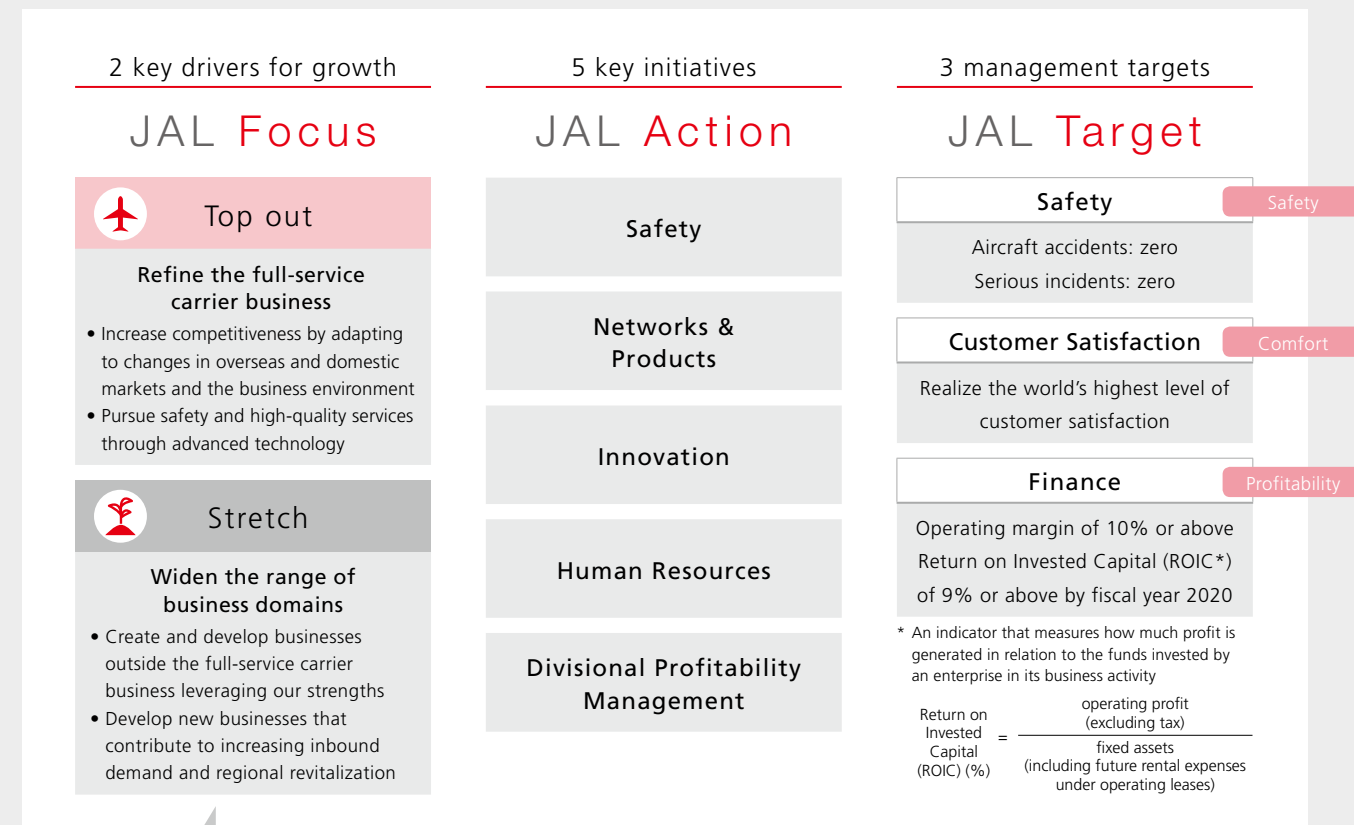
With financial stability required as an absolute precondition and with the aim of achieving sustainable growth in the medium to long term, allocation of cash flows is carried out focusing on three areas: investment for growth, shareholder return, and financial soundness. Our investment plan for the three years from fiscal year 2018 to fiscal year 2020 foresees a yearly average of approximately 220 billion yen. Going forward, we plan to increase the proportion allocated to investment for growth so that this growth can drive an increase in operating cash flows. Additionally, we continue to view shareholder return as one of our main management priorities. With continuous payment of a stable dividend as the basis of our policy in this area, we decided to raise the dividend payout ratio to 30% from fiscal year 2017. Additionally, to increase outlets for shareholder return, we will introduce an interim dividend. It is also our policy to give flexible consideration to share buy backs and additional shareholder return options depending on the economic environment and financial conditions.

Allocation of cash flows



OUTLINE OF JAL GROUP MEDIUM TERM MANAGEMENT PLAN FOR FISCAL YEARS 2017-2020

We regard the year 2020, the year of the Olympic and Paralympic Games in Tokyo, as a major turning point in realizing the JAL Vision, as capacity expansion of flight slots is expected at Tokyo metropolitan airports. To coincide with this significant year, we established the new JAL Group Medium Term Management Plan for Fiscal Years 2017-2020 under the key words "Challenge, Leading to Growth."



JAL Focus

2 KEY DRIVERS FOR GROWTH

Top out

Refine the full-service carrier business

Under the new Medium Term Management Plan, we will continue to work on refining our full-service carrier business, which is our core business, and aim for steady growth. To realize this, we will strive to maximize profit by adapting quickly, in terms of revenues and expenses, to changes in the market and business

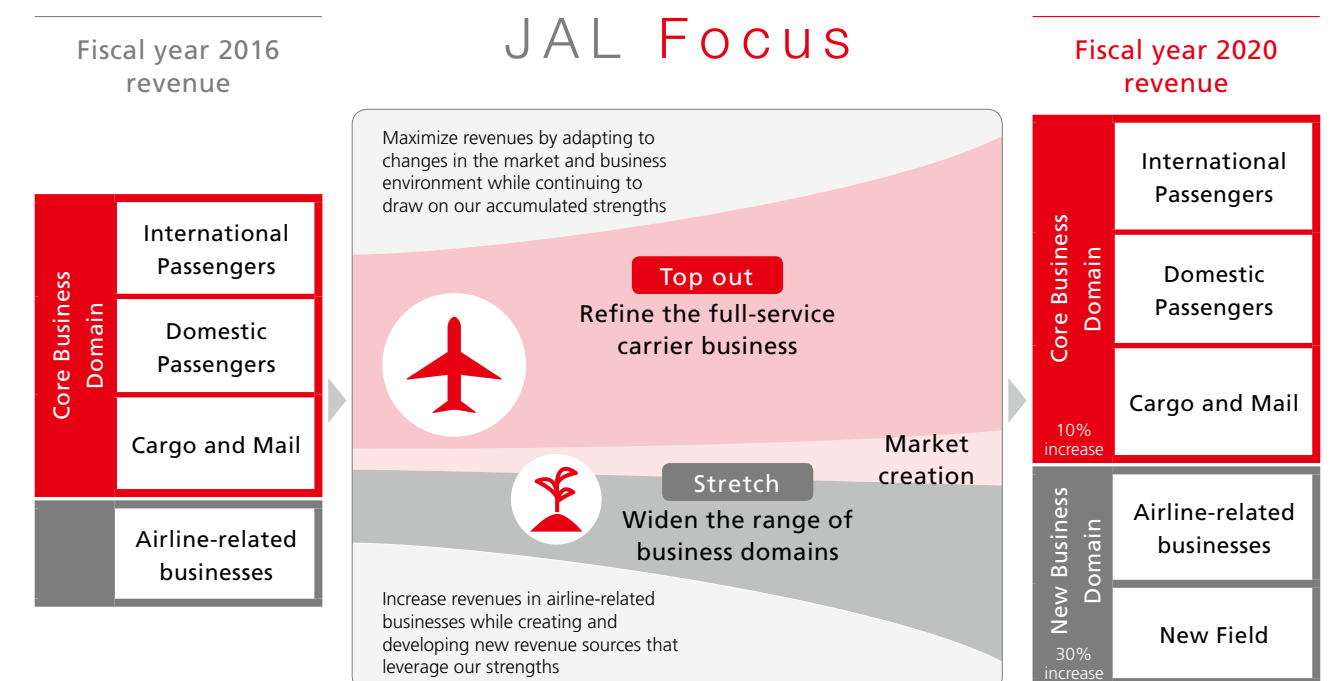
environment, while retaining the strengths we have built so far. Meanwhile, we will adapt to global changes as well as make investments to refine safety and services so that we become the customers' choice of airline.

Stretch

Widen the range of business domains

After making the necessary preparations, we will expand our business domains by creating and developing new revenue sources leveraging our strengths. In domains outside the full-service carrier business, we will work to increase revenues in our airline-related businesses such as providing services for airport handling and aircraft maintenance and in the travel

agency and credit card business sectors. Furthermore, we will strive to create and develop new businesses that optimize JAL's expertise and other advantages, while carefully investigating feasibility and monitoring growth. In this way, we will widen the scope of growth into the future.



JAL Action

5 KEY INITIATIVES

Safety

We will maintain our safety targets of zero aircraft accidents* and zero serious incidents.* Under the new Medium Term Management Plan, we aim to establish a stable record of zero incidents by introducing a new approach, for instance rolling out a range of initiatives to evolve our safety management system to proactively prevent accidents through multi-layered defenses, evolving our security management system to protect

customers from terrorist threats, and generating a culture that gives top priority to safety and ensures that lessons learned from accidents are passed on.

* For an explanation of terms, please refer to P.110.

Network & Products

On international routes, our growth strategy is to continuously offer a network and product lineup to cater to customer needs, and implement promotional measures for international customers. As part of this strategy, we will increase fully flat seats in Business Class and increase aircraft fitted with New Spacious Economy seats that offer more legroom.

On domestic routes, we will realize stable growth by delivering high-value services and stimulating new air travel demand. Initiatives include introducing the latest A350 aircraft

Divisional Profitability Management

We will maximize revenues and minimize expenses through strict cost control, reduction of fixed costs by shifting to variable costs, and other measures. In parallel, we will promote "muscular management," which increases the ability to generate cash by making efficient use of management resources. Meanwhile, we will take advantage of "management by all," involving speedy implementa-

tion of the PDCA cycle and harnessing the creative talents of all employees, to consolidate the strengths of each employee, and thereby increase effectiveness in reaching our targets.

Human Resources

To allow diverse human resources to express themselves individually, we will maintain a work environment that improves productivity, and pursue initiatives to develop global human resources and promote diversity. Additionally, by nurturing leaders who accelerate change on their own initiative and encourage staff to work as a professional team, we aim to make

the JAL Group an entity filled with energy for value creation and human resources who can translate ideas into reality.

Innovation

We will embrace the challenge of innovation by improving and changing existing businesses through the use of IT and other tools, contributing to regional communities and society, and developing new revenue sources. To address the issues of inbound demand and regional revitalization, we will strive to improve trans-

port infrastructure to meet the growth in inbound demand and enforce measures to promote tourism to regional Japan. We will also collaborate with regional communities through projects such as the JAL-NEW JAPAN PROJECT and contribute to developing regional economies and reversing population decline.

JAL Target

3 MANAGEMENT TARGETS

Safety

Maintaining awareness that ensuring flight safety is the foundation and social responsibility of the JAL Group, we will accumulate multiple safety layers as the leading company for safety in the transport sector. Consequently, we will be able to maintain flight safety and reach our target of zero aircraft accidents and zero serious incidents.

Customer Satisfaction

We will provide customers with unparalleled service to deliver a refreshing and inspiring travel experience with the aim of realizing the world's highest level of customer satisfaction by fiscal year 2020.

* Using Net Promoter Score (NPS), a numerical indicator of customer loyalty, we will work to improve customers' willingness to recommend JAL to others.

Finance

We aim for sustainable growth by undertaking proactive investments for future growth and making effective use of management resources, and at the same time maintaining both the high profitability and the strong financial stability that we

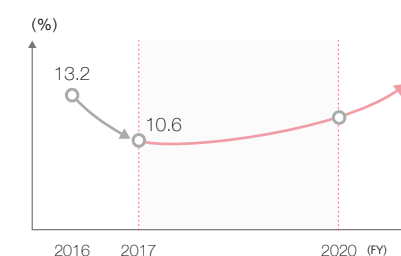
have built so far. To reach these goals, we set the financial targets of an operating margin of 10% or above and return on invested capital (ROIC)* of 9% or above by fiscal year 2020.

* For an explanation of terms, please refer to P.24.

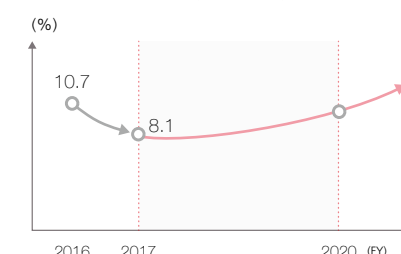
Profitability

- Continue to pursue profitability
- Strong awareness of return on resources and assets

Operating margin: 10% or above



Return on invested capital (ROIC): 9% or above by fiscal year 2020

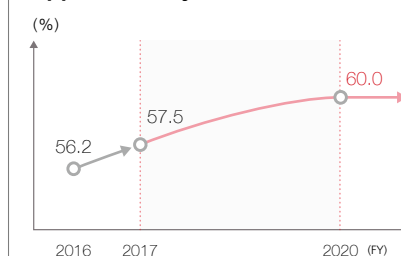


Return on equity (ROE): maintain at 10% or above

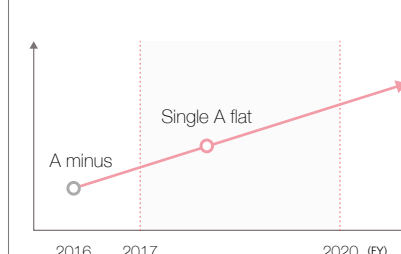
Stability

- Equity ratio: maintain at an appropriate level
- Improve credit rating

Equity ratio: maintain at approximately 60%



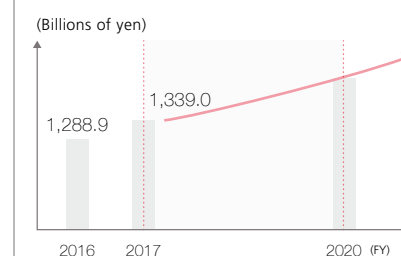
Credit rating



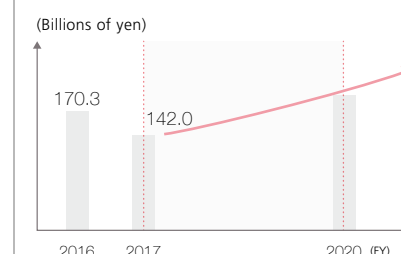
Growth potential

- By controlling cost increases, we will achieve a turnaround to increased revenues and profits from fiscal year 2018

Operating revenue

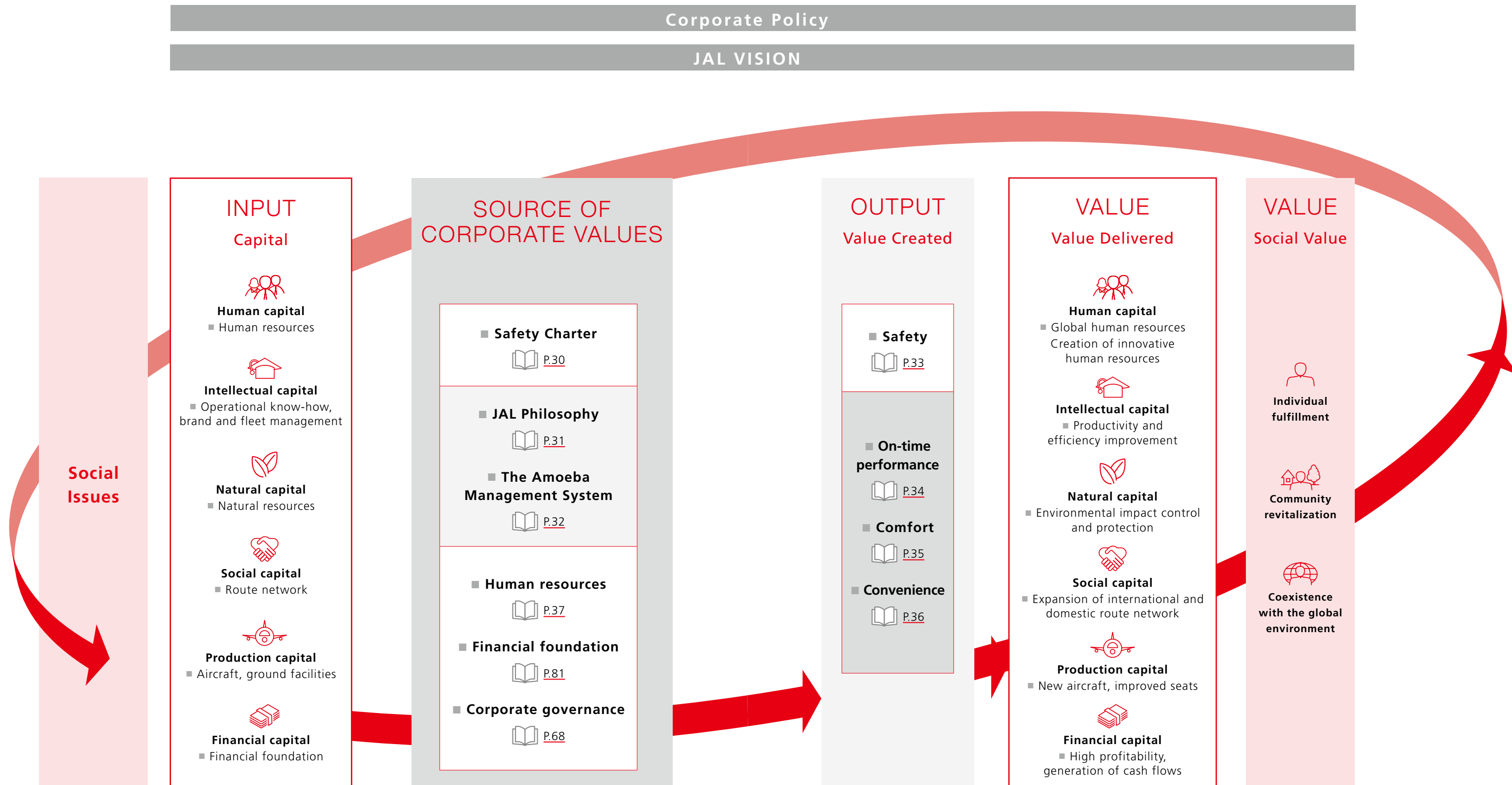


Operating income



JAL GROUP VALUE CREATION CYCLE

The JAL Group's initiatives for value creation are guided by the JAL Corporate Policy and the JAL Vision. We maintain an awareness of social issues when using the Group's assets to develop our business. By enhancing the JAL Brand, we enhance corporate assets and create social value.



SOURCE OF CORPORATE VALUES

SAFETY CHARTER

JAL PHILOSOPHY

Flight safety is the foundation and social responsibility of the JAL Group. To fulfill this responsibility, JAL established the Safety Charter. All JAL Group employees carry a safety card imprinted with the Safety Charter, on which they base their conduct at work each day.

Safety Charter

Safety in flight operations is the very foundation and social responsibility of the JAL Group. To carry out our mission of assuring safety, the management will exert its strong resolve and the employees will bear an awareness of their individual roles and responsibilities, and together we will combine our utmost knowledge and capabilities to ensure the safety and reliable operation of each and every flight.

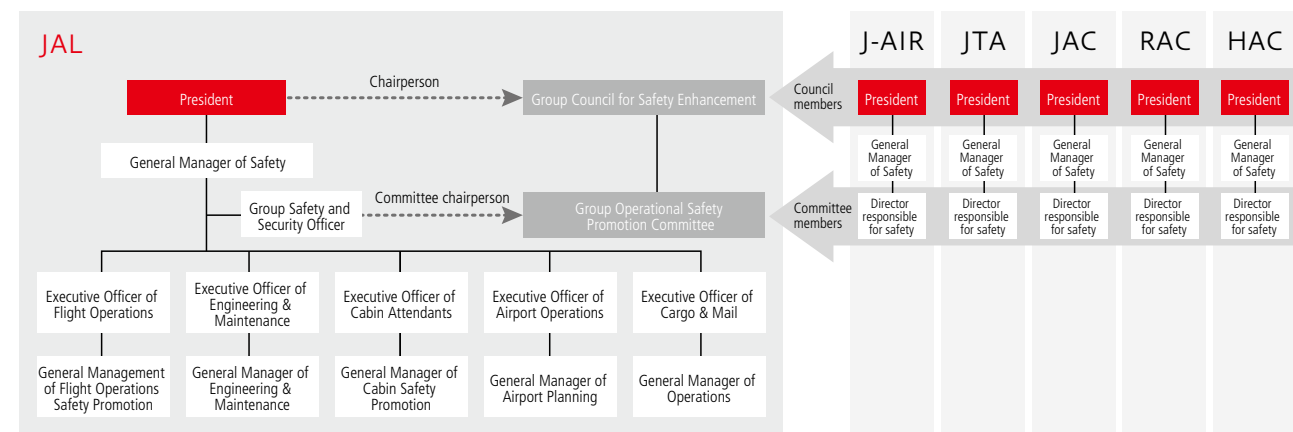
In order to carry out our mission, we will;

- Perform our duties in compliance with regulations, faithfully following the basics.
- Be sure to make checks, without relying on assumptions.
- Relay information thoroughly, promptly and accurately, and ensure transparency.
- Respond to problems and issues quickly and precisely.
- Maintain a constant awareness of issues, and make necessary reforms without hesitation.

Safety Management System

To maintain the highest safety standards and attain further improvement, the JAL Group has established a safety management system (SMS), which it strives to continuously improve and strengthen. Under the system, JAL employees, who are equipped with strong safety awareness, are trained for example to make a detailed report on any event, however trivial it may appear, that occurs on the frontline of day-to-day flight operations. Risk factors are then systematically identified and evaluated,

Safety Management System



and appropriate action is taken 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.

Safety Advisory Group

The JAL Group established the Safety Advisory Group in August 2005 to receive advice from an objective perspective following an operational improvement order issued by the Ministry of Land, Infrastructure, Transport and Tourism. 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 writer.

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.

Safety Promotion Center

On August 12, 1985, JAL flight 123 crashed on the ridges of Mount Osutaka, and 520 precious lives were lost. 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 the "foundation of safety" and the starting point for providing society with safe, reliable operations. Every employee is continuously reminded that precious lives are entrusted to us in our work. The Safety Promotion Center is open to anyone interested in aviation safety.

In fiscal year 2016, the Center received 17,497 visitors from inside and outside the Group, bringing the cumulative total since fiscal year 2006 to 196,689.

The JAL Philosophy was adopted as a statement of the awareness, values, and attitude to be shared by everyone involved in JAL products and services. Making it the common basis for decision-making in the JAL Group helps build a sense of unity, which supports our committed efforts to deliver unparalleled service to customers, increase corporate value, and contribute to the betterment of society.

About the JAL Philosophy

We adhere to the JAL Philosophy as the shared mindset, values, and attitude of every person engaged in JAL products and services. As JAL Group employees deepen their personal understanding of the JAL Philosophy and employ it as a common basis for decision-making in everyday operations, it becomes a uniting force enabling them to advance together toward the ambitious goal of "becoming the world's most preferred and valued airline group."

To deepen understanding, we conduct JAL Philosophy Education seminars for all JAL Group staff and executives in Japan and overseas regions. The JAL Group spans a wide range of job categories, but all participants in these seminars sit at the same table, regardless of seniority, position, or department, which helps to generate an atmosphere of mutual understanding.

JAL Philosophy Education instructors are selected from various divisions, from Flight Operations and Cabin Attendants to Engineering & Maintenance, Airports, and Sales. They hold seminars in the Tokyo region and also travel to other regions of Japan, adapting the teaching materials to the specific needs of the participants. Education seminars in the United

States, Europe, Asia-Oceania, and China are given by local instructors using multilingual materials.

Practicing the JAL Philosophy More Intensively

The annual JAL Philosophy Presentation Meeting marks its seventh session in 2017. It is greeted enthusiastically each year as employees share their thoughts on the JAL Philosophy and examples of how they have applied it. The presentations by colleagues performing a wide range of roles are enlightening and instructive, and serve as a good opportunity to reflect on how to practice the JAL Philosophy in one's duty.

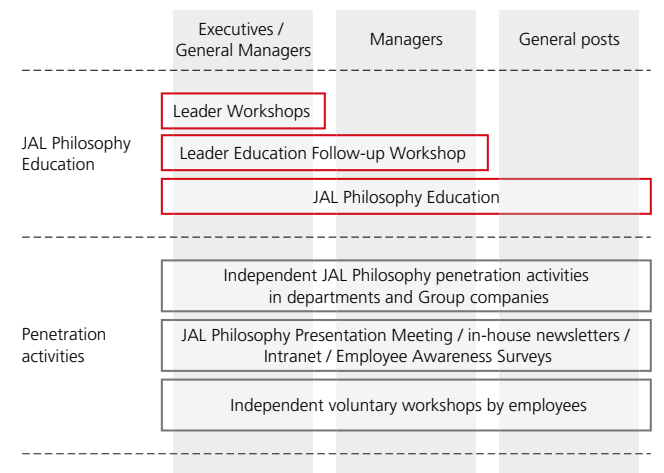
The departments and Group companies have started instituting their own approaches to instilling the JAL Philosophy.

The JAL Group will continue to nurture human resources through diverse activities that promote the 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.



At the 6th JAL Philosophy Presentation Meeting

Overview of the approach to instilling the JAL Philosophy



SOURCE OF CORPORATE VALUES

THE AMOEBA MANAGEMENT SYSTEM

Under the amoeba management system, corporate management is not the responsibility of top management alone; all employees are involved. Organizations are divided into the smallest possible units, and the results of activities conducted by each unit are presented in an easily understandable manner. The system thus encourages participation in management by every employee, that is, “management by all.” We aim to achieve sound and flexible corporate management by consolidating individual strengths in a style of management that encourages full staff participation.

Outline of the Amoeba Management System and How the “Management Cycle” Works

The introduction of the amoeba management system has clarified the roles and responsibilities of each organization and made it possible to identify the revenue and costs of each unit in such a way that staff can see the results of their own efforts. As each department can pinpoint its achievements clearly through revenue and costs, staff feel a sense of responsibility for the figures, and feel more motivated and creative in their work attitude.

Under the amoeba management system, every unit prepares an annual plan for revenues and costs (Master Plan) and implements a monthly management cycle (PDCA cycle) to accomplish the annual plan. The monthly management cycle requires each unit to prepare a forecast of its revenues and costs at the start of each month based on the current environment and to set out an action plan. After business results for the month are released, the difference between the target and result is calculated and reasons for the difference are clarified. The findings are utilized to prepare targets for the following month. Thus, in addition to the annual plan prepared at the start of each fiscal year, monthly targets are also set, which facilitates prompt response to changes in the environment. Operating a stage-by-stage monthly management cycle of this kind enables all employees to participate in management.

After passing through a checking stage by relevant departments, the results and numerical forecasts of each department are presented to senior management by the relevant divisional managers and affiliated company presidents at the Group Earnings Announcement Session. The session is attended by around 120 participants, including the President, all directors, presidents of major affiliated companies, and observers, who join in earnest discussions on JAL Group management with the common aim of realizing the Corporate Policy.

Future Initiatives

Up till now, we focused on embedding the amoeba management system, but to ensure future growth, we will accelerate divisional profitability, which is one of the five key initiatives selected for specific action under the JAL Action Plan in the new Medium Term Management Plan.

Comprehensive profitability management

We will pursue initiatives to improve hourly profitability and unit profitability within each Group department and company. We will also rigorously enforce cost control in response to changes in the market environment and fluctuations in revenues to optimize the balance sheet and improve risk resilience.

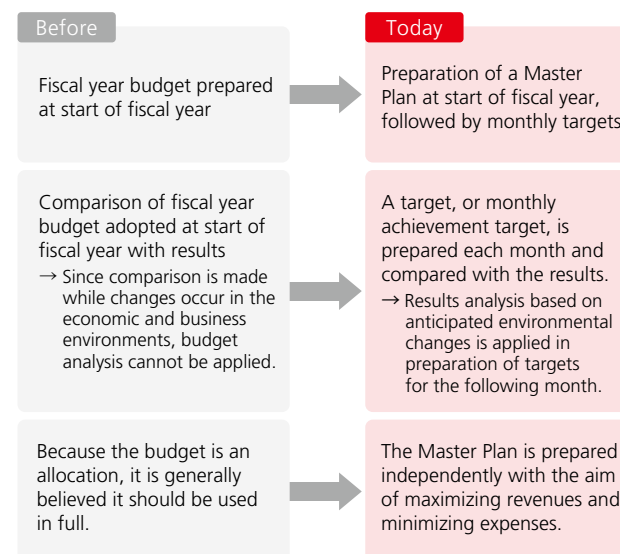
Participatory management

To bring together individual strengths and thereby increase practical effectiveness in reaching our targets, we will visualize management data to make it easier to understand, and encourage all employees to display creativity and initiative to reach our targets. We will also devote our energy to nurture leaders with managerial competencies to motivate employees.

Effective use of management resources

We will work to implement “muscular management” by improving profitability within each Group department and company, undertaking effective investments, improving asset utilization, optimizing inventories, and implementing other measures to increase return on invested capital (ROIC).

Before and after introduction of the amoeba management system



OUTPUT

SAFETY

OUTPUT

Safety

On-time performance

Comfort

Convenience

Unparalleled Service

The JAL Group Corporate Policy commits us to providing customers with unparalleled service. Unparalleled service means delivering the world's highest levels of safety, on-time performance, comfort, and convenience. Of these, absolute priority must be given to guaranteeing safety, which is the foundation of the JAL Group. Flight safety relies on each employee sharing clear values and possessing an awareness of their responsibility as members of the JAL Group. By ensuring that all departments cultivate a safety culture, and continuously accumulating safety layers, we will maintain flight safety and inspire customers to put their confidence in the JAL Group. On this foundation, we seek to deliver improved on-time performance, comfort, and convenience, and thus offer customers a safe and comfortable flight.

Safety targets

With awareness that flight safety is the foundation and social responsibility of the JAL Group, the JAL Group maintains flight safety by accumulating safety layers as the leading company for safety in the transport sector.

Maintaining flight safety (numerical targets)

- Aircraft accidents: zero
- Serious incidents: zero

* Target of 'zero' each fiscal year.

Accumulating safety layers (action targets)

- Evolve the safety management system to the world's highest standard
- Evolve the security management system to the world's highest standard
- Ensure that the lessons learned from past accidents are passed on

* Specific measures will be implemented to meet the action targets.

Maintaining Flight Safety

Maintaining flight safety, which is the foundation of the JAL Group, we continuously strive to realize zero aircraft accidents and zero serious incidents. In addition to efforts to prevent recurrence of similar accidents, we are working to proactively prevent them by detecting precursors to aircraft accidents and serious incidents.

Accumulating Safety Layers

Evolve the safety management system to the world's highest standard

- ① Introduce an integrated safety database
Integrating and analyzing safety data will make it possible to detect precursors to serious malfunctions and take preventive action.
- ② Introduce human factor analysis
This analysis method takes into account organizational, cultural, and other indirect factors to prevent human error.
- ③ Conduct risk management of flight crew fatigue
We will undertake scientific and statistical management of the degree of fatigue among flight crews.

Evolve the security management system to the world's highest standard

- ④ Introduce new security risk management
We will strengthen coordination with partner institutions, collect and evaluate security data, and facilitate rapid response to strengthen security systems. We will also establish adequate detection, monitoring, and preventive systems to deal with the increasingly sophisticated and complex external threats to data security.
- ⑤ Cultivate security awareness among all staff
We will improve awareness and knowledge of security among all staff so that even the smallest signs are not overlooked but responded to appropriately.

Ensure that the lessons learned from past accidents are passed on

- ⑥ Implement safety awareness education based on the PIP principle
We will ensure that lessons learned from past accidents are passed on and will provide education on safety awareness based on “the PIP Principle”* (derived from “place, item and people”) that captures the essence of the issues.
- ⑦ Conduct emergency evacuation training
We will provide training in how to respond to an emergency situation so that all Group employees know how to assist cabin attendants and customers in the event of an emergency.

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

OUTPUT

ON-TIME PERFORMANCE

COMFORT

On-Time Performance – An Important Factor of JAL Service

The JAL Group has declared delivering unparalleled service to customers as part of its Corporate Policy. Maintaining on-time performance, which means valuing the customers' precious time with top priority on safety, is an essential factor in the basic service quality of a public transport operator, and forms a proud part of our mission.

The times presented in our flight schedule are product descriptions and represent a promise to customers and society. To transport customers to their destination within the scheduled timeframe and without endangering safety—a basic value for any airline—requires smooth communication and coordination among numerous departments such as Reservations, Airports, In-Flight, Ground Handling, Cargo, Maintenance, Flight Operations, Cabin Attendants, and Sales, as well as other support departments and head office planning divisions. By proceeding surely and steadily with each flight, we strive to achieve on-time performance in air transport as a competitive product advantage.

Specific initiatives

To further improve on-time performance, the JAL Group aims for improvement on a daily basis by giving serious consideration to not only relevant measures within each department, but also proposed measures and revisions that cross departmental boundaries. As a result, the US-based FlightStats, Inc. which analyzes the on-time arrival rates and other data of airlines, named JAL the most punctual major Asia-Pacific airline in the period from January to December 2016. The award applies to both the mainline category and network category, and is based on combined figures for domestic and international flights.



A Refreshing and Inspiring Travel Experience

To deliver not only safety and on-time performance, but also high levels of convenience and comfort, the JAL Group believes that adopting the customer perspective is extremely important. We ensure the ability to deliver unparalleled service by combining advanced "hard" and "soft" systems with staff dedication to customer care.

Specific initiatives

We have launched various services in response to the customers' wish to use time at the airport effectively and reduce waiting time. Among these are a smartphone app that informs customers of waiting times at security checkpoints at Haneda Airport, and the JAL Express Tag Service, which speeds up the baggage check-in procedure and reduces waiting time. We are also renovating lounges at airports in Japan and overseas so that waiting time can be spent more comfortably.

Meanwhile, JAL SKY SUITE-configured aircraft, which offer spaciousness and high quality, have been introduced on an increased number of international routes. On domestic routes, JAL SKY NEXT seating, which features genuine leather-covered seats, has been introduced on all domestic aircraft and in-flight Wi-Fi service is now available free of charge. As for in-flight meals, we are now delivering top-quality cuisine on Europe, North America, Australia, and Southeast Asia routes in collaboration with professional chefs based on the concept of 'your exclusive restaurant in the sky.' On all international routes from Japan, we have a brand-new in-flight menu for children called BEDD for Kids, and serve halal-certified meals for Muslim customers as part of efforts to meet diverse dietary needs.

Delivering comfort that exceeds the customers' expectations means not only comfort in "hard" and "soft" services, but also the personal touch of JAL Group employees, who are dedicated to customer care.

Underpinning the JAL Group's human services is the JAL Philosophy, which outlines the awareness, values, and mindset to be shared by all employees. Not only staff in departments that have direct contact with customers, such as Reservations, Airports, Cabin Attendants, and Flight Operations, but all employees, including Maintenance, Cargo, Ground Handling, and back office departments, receive JAL Philosophy Education to develop the right attitude. It is on that basis that staff acquire the required knowledge and skills to ensure that customers have a safe and pleasant journey.

Providing JAL Philosophy Education to all staff regardless of job category also promotes active cooperation between staff in different work areas. To give an example from the airport department, when special care is needed by a customer using a wheelchair or baby stroller, a 'baton pass' takes place from Reservations and Ticketing or Sales, and the information is also passed on to flight crew, cabin attendants, and ground handling staff. This kind of cooperation between departments in making preparations ensures a smooth journey for the customer.

We would like not only departments who serve customers one on one but also all employees to be able to respond to individual requests. The roughly 33,000 members of the JAL Group, each responsible for different work areas, develop fine sensitivity and the ability to cater to customer needs and pass them on to the next department. In this way, we deliver a travel experience that stays in the memory and the heart of each customer.



OUTPUT

CONVENIENCE

For Greater Convenience

We believe that the JAL Group route network is one of its strengths and an important factor when customers choose the JAL Group. As well as offering a route network and timetable that meets the needs of customers and society, we also deliver highly convenient products and services that accurately meet customer needs at every touch point up to arrival at the destination. Additionally, as well as enhancing the 'time value' of customers through high-speed transportation, one of the great advantages of air transport, we believe that delivering quality service for an appropriate fare is also an important factor in improving customer convenience.

Specific initiatives

On international routes, we increased seasonal flight frequency to meet robust demand on the Narita = Honolulu and Narita = Bangkok routes. On the Haneda = Honolulu route, a new First Class service was introduced during the year-end holidays in response to customer demand, with promotional measures stepped up to deliver a higher-quality travel experience for customers flying to Hawaii. To meet high demand during the summer period, the Narita = Moscow route was increased to five flights a week.

From October 30, 2016, flights which had been operated by Hokkaido Air System Co., Ltd. (HAC) switched flight code from the HC flight code to the JL flight code. Meanwhile, the Haneda = Yamagata route, using the Haneda Airport Policy Contest Slot awarded in fiscal year 2014, will continue to operate two flights a day through the cooperation of regional governments and other parties. To improve customer comfort, the new Embraer 190 aircraft model with Class J seating was introduced successively on regional routes to and from Osaka, starting with the Itami = Kagoshima route. We further upgraded products and services on domestic routes with JAL SKY NEXT seats offering a pioneering standard of seat specs to all routes operated with the 777-300, 777-200, 767-300, and 737-800 (excluding aircraft owned by Japan Transocean Air Co., Ltd.). By offering free in-flight Wi-Fi service, we delivered new value and greater convenience so that passengers can connect with family and friends from the skies just as they would on the ground.

Going forward, we will continue to respect the customer perspective as we work to improve customer convenience and comfort by embracing the challenge of further expanding our route network and improving products and services. In this way, we remain firmly committed to delivering unparalleled service so that all customers may enjoy a refreshing and inspiring travel experience.

TOPICS

JAL ranks number one in two indicators of the International Airlines category in the JCSI survey

In the 4th Japan Customer Satisfaction Index survey conducted in 2016 by Service Productivity and Innovation for Growth* (Head Office: Shibuya-ku, Tokyo), JAL placed first in the International Airlines category in the indicators Repeat Intention and Recommendation Intention.

One of JAL's management targets was to rank first in these two indicators of the International Airlines category and the Domestic Routes category of this survey by fiscal year 2016. This result means the target has been achieved in the first of the two categories.

Recent improvements to our international routes have seen an expansion in routes operated with JAL SKY SUITE-configured aircraft and improved in-flight meals based on collaborative agreements. On domestic routes, a promotional campaign to offer free in-flight Wi-Fi service has been one of the benefits for customers. In this way, the JAL Group has united to embrace the challenge of creating new value in order to deliver a refreshing and inspiring travel experience to every customer.

* Website of Service Productivity and Innovation for Growth:

HUMAN RESOURCES STRATEGY

VALUE-UP

OUR POLICY



Under the new Medium Term Management Plan, we aim to further enhance human resources opportunities guided by the key phrase 'Linking the contribution of individual strengths to value creation.'

Linking the contribution of individual strengths to value creation

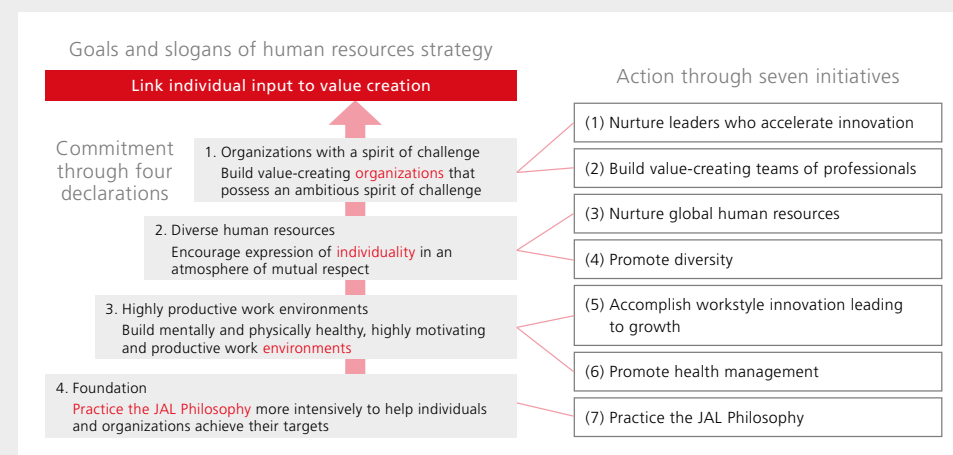
To deliver high-quality service to customers and make contributions to society, it is essential to encourage the personal growth of individual employees. To do that, we have established a variety of systems and structures for recruitment, education, personnel management, and other areas to enable employees to develop their potential to the maximum.

Under the new Medium Term Management Plan, Human Resources Management has adopted the slogan 'Linking the contribution of individual strengths to value creation' and is working to further enhance human resources opportunities through the following four measures:

- **Build mentally and physically healthy, highly motivating and productive work environments**
Through workstyle innovation, wellness promotion, and measures to develop highly productive work environments, we aim to create professional opportunities for diverse human resources, and thus develop conditions for consistent personal growth.
- **Encourage expression of individuality in an atmosphere of mutual respect**
We will continue efforts to cultivate global human resources and promote diversity to make JAL a truly global airline where diverse human resources can express their individuality.



- **Build value-creating organizations that possess an ambitious spirit of challenge**
To realize our aim of staying one step ahead in value creation, we are working to create organizations possessing a spirit of challenge. In response to dramatic changes in the business environment, JAL will nurture leaders who consistently embrace the challenge of accelerating innovation on their own initiative and encourage each employee to act as a member of a professional team. In this way, we aim to transform the JAL Group into a company full of value-creating energy, richly endowed with human resources who strive to put ideas into reality.
- **Practice the JAL Philosophy more intensively to achieve targets**
The basis for these measures is the JAL Philosophy. Deepening efforts to ensure its full permeation by moving from “understanding” to “practice” will help each individual and organization achieve their targets.



Diversity and Inclusion

In 2014, JAL Group top management declared their commitment to diversity. Since then, we have aspired to be a company where everyone can work in a positive atmosphere regardless of gender, career, nationality, age, sexual orientation, gender identity, disability, or other personal attributes. We will continue to promote diversity and inclusion, developing the abilities of each employee in an atmosphere of mutual respect for individuality, and thereby grow as a team that creates unprecedented new value.



To respond to diverse customer needs, we give opportunities to employees from a wide range of backgrounds

Examples of Diversity and Inclusion Initiatives

Career opportunities for female employees

We announced numerical targets of a 20% ratio of female managers within the JAL Group, and a 15% or higher ratio of female managers at section head level or higher in JAL by fiscal year 2023. We are continuing with related initiatives centered on improving work environments, strengthening human resources cultivation, and developing the corporate culture.



Researchers from Nadeshiko Lab present the results of their activities

In fiscal year 2016, we introduced group mentoring as a means of instilling awareness of women's career development. We also introduced a career continuity support system offering employment opportunities within the JAL Group to employees who relocate due to marriage, a partner's work transfer, or to care for a family member. Meanwhile, we held seminars in Shanghai and Beijing, where female employees— who form the mainstay of our operations in mainland China— assembled to think about what was needed to achieve further career advancement including workstyles for women.

Cultivating global human resources

As part of our aspiration to become a truly global airline, we are strengthening human resources cultivation measures in both domestic and overseas regions.

In Japan, from fiscal year 2016 we enhanced training for staff who are transferred overseas by adding a lecture on diverse cultures to the program, among other things. We also introduced a system of intern training at overseas companies for young mid-level employees, with little experience of working overseas. For staff in overseas regions, we implemented such measures as global training to help nurture human resources to lead the JAL Group in the future. The number of employees sent on long-term assignments to Japan was 26, an increase of five over fiscal year 2015, some of whom were assigned to organizational manager posts in Japan.

LGBT* initiatives

The JAL Group also strives to promote understanding of LGBT and participates in discussions with LGBT students, LGBT Ally events, and other activities. We have also made LGBT Ally stickers to distribute to employees who participate in LGBT-related training in order to raise employee awareness. We will continue to promote various forms of training and activities that contribute to a more accurate awareness and understanding of LGBT issues.

* LGBT is a general term for the sexual minority groups Lesbian, Gay, Bisexual, and Transgender.



Opportunities for the elderly

The JAL Group has established systems to support diverse life plans after retirement. Employees who wish to continue working are given active opportunities to suit their abilities and experience in an environment that allows them to work over the long term with a sense of security. Making use of their accumulated rich experience and knowledge, they contribute to maintaining and improving the quality of customer service and nurturing aviation professionals.



This senior specialist works on the frontline of aircraft maintenance to support safety in the skies

Employment of people with disabilities

The JAL Group actively promotes the employment of people with disabilities, ensuring that individual employees grow day by day in an environment that does not see disabilities as barriers to employment. In fiscal year 2016, the coffee shop 'Kilatto,' run by

employees with low-level intellectual disabilities, opened a branch at Narita in addition to the one at Haneda. Through these initiatives, the employment rate of people with disabilities in fiscal year 2016 reached 2.56%. We have expanded these activities into the agricultural field, and now use agricultural produce grown by the disabled as ingredients for in-flight meals. By creating an environment in which everyone, regardless of disability status, can work together in an atmosphere of mutual respect, we are expanding the scope of activities into a wide range of fields.

Workstyle Innovation

The Workstyle Innovation Promotion Office, established in fiscal year 2014, plays the central role in offering opportunities for workstyle reform. These include use of IT tools that allow more freedom in the way of working, improvement of the office environment, and introduction of telework. To improve work efficiency by streamlining the work process, we will implement initiatives in fiscal year 2017 to visualize total work hours, review work processes, and integrate common tasks. In this way, we hope to set up a cycle of accelerated personal growth for speedier decision-making and value creation, leading to corporate growth.

In fiscal year 2016, we set up the IT Service Desk, which offers on-the-spot troubleshooting of problems with IT equipment, and a Business Support Center, which provides translation

and other services common to all departments. Going forward, we will support the review of work processes in other departments to boost work efficiency and improve the productivity of the entire JAL Group.



At the fully renovated Fukuoka Airport office, frontline and back-office departments have merged, significantly improving communication and information sharing

continue working while dealing with other personal demands such as illness, childrearing, and nursing care of family members, integrating this activity with diversity promotion, including women's career advancement and workstyle innovation.



Cabin attendants perform stretch exercises before flight duty

Practicing the JAL Philosophy

The awards are open to all JAL Group employees and all employees who handle JAL services and products, including employees of entrusted companies, subcontractors, companies we invest in, and other partner companies.

In fiscal year 2016, a new award was introduced in the Effort and Ambition category for efforts that contribute significantly to invigorating the workplace through unwavering efforts and ambitious setting of challenging new initiatives and higher goals.

Supporting Employees' Development Through Promotion of Health Management

The mental and physical health of employees is an essential precondition in pursuing the material and intellectual growth of all employees, as advocated in the JAL Group Corporate Policy. Based on this principle, we worked from fiscal year 2012 to enhance health in cooperation with employees, society, and health insurance associations through health promotion measures called JAL Wellness 2016 in the previous Medium Term Management Plan.

In fiscal year 2017, JAL's Executive Vice President was appointed Health Management Officer, and under his strong leadership, enhanced health promotion measures will be implemented under JAL Wellness 2020. We will also support employees who

CASE STUDY**Building a Professional Team with an Ambitious Spirit of Challenge**

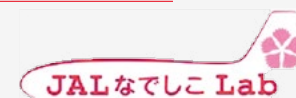
The JAL Nadeshiko Lab is a cross-departmental project engaged in investigating what is needed to ensure that JAL is a company that offers opportunity to all employees. Having entered its second year in October 2016, it has further expanded the scope of its activities. In addition to the existing research team, a new team has been formed to carry out projects proposed by the researchers in the first year. For example, the new team gave in-house nursing care seminars and distributed nursing care badges. It also regularly organizes events such as panel discussions with 'ikubosu'—a term for managers who understand the needs of working parents—and lunchtime networking clubs to promote interactions among employees, all of which contribute to women's career advancement.

Among other initiatives in fiscal year 2016 was the startup of a new Innovation Lab, in which 31 enthusiasts from different departments and job categories got together to innovate with robots, virtual reality, and other advanced technologies. The Lab has carried out experimentation and testing with these technologies to explore new business models in collaboration with various companies.

Into the future, JAL will continue advancing in a spirit of challenge to deliver fresh value to customers and realize innovative products and services.



A trial of robot-assisted baggage transport at Fukuoka Airport

**TOPICS****Come see Mom and Dad at work! Office tours**

As an initiative to promote Premium Friday, we organized office tours for family members of employees to visit the office.

The children enjoyed wide-ranging hands-on experiences, from exchanging business cards with the company president to taking a guided tour, where they saw a different side of Mom and Dad up close at work.



Come see Mom and Dad at work! Exchanging business cards with an executive was a valuable experience

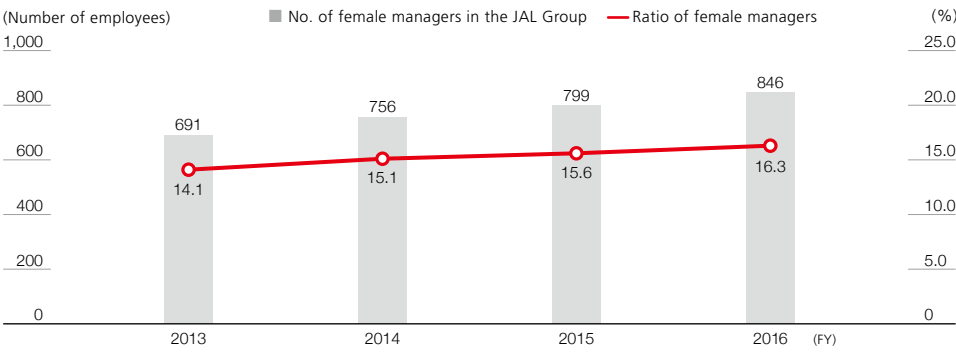
2017 Global Summit of Women (GSW) in Tokyo

The Global Summit of Women for female leaders in business and government circles was held in Tokyo and attracted more than 1,300 participants from 62 countries. JAL, which has signed the Women's Empowerment Principles (WEPs), served as the official airline for the Summit, and has supported worldwide activities for women's career advancement since 1990.

VALUE-UP

ACHIEVEMENTS

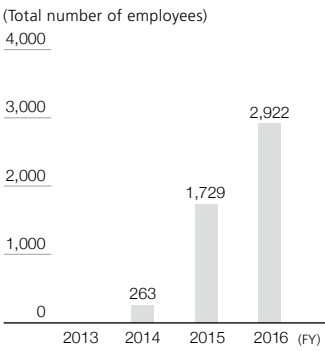
JAL Group Ratio of Female Managers



We have been working to promote diversity since fiscal year 2014, aiming to become a company where diverse human resources including women can participate. The current number of female executives is nine.

Workstyle Innovation

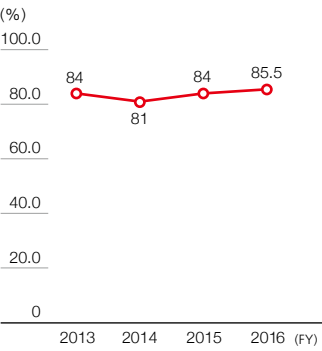
Number of telework cases



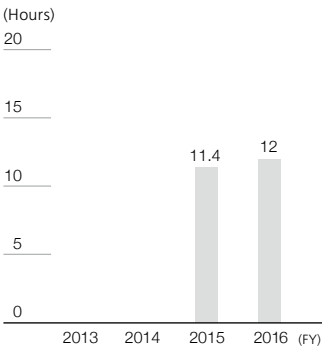
Telework has become accepted as a workstyle that enables employees to work from anywhere, at any time. It also allows logging of work time in units of hours and working even from outside the home.

Total work hours (paid vacation/average overtime hours)

Ratio of paid holiday taken



Monthly average overtime hours



By encouraging varied workstyles and creating a corporate ethos that is fair to employees whose time is limited by duties such as childcare or nursing care, JAL seeks to become a company where all can participate.

We advocate a healthy work-life balance that allows all employees to perform their duties efficiently in order to improve productivity and use the time left over for physical and mental recreation and self-development. We believe that when these personal and learning experiences are fed back into the workplace, new value will be created, which will in turn lead to corporate growth. Consequently, we are taking measures to encourage planned taking of paid holiday and to limit work hours to an appropriate level.

In fiscal year 2016, the average paid holiday taken was 17 days, or 85.5% of the total entitlement, while in back-office departments the monthly average of overtime work was 12 hours. In fiscal year 2017, we will strive to achieve our declared targets of 20 days of paid holiday taken (100%), and 1,850 hours of total work time.

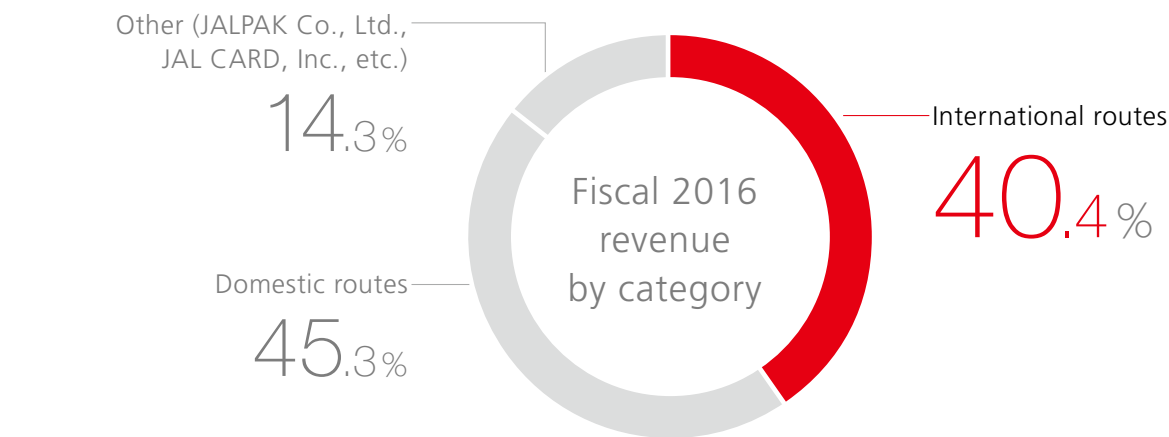
Performance and Strategies by Business

The JAL Group has three businesses: international passenger operations, domestic passenger operations and other businesses. In this section, we review operating performance and outline our strategies for each business in the new Medium Term Management Plan.

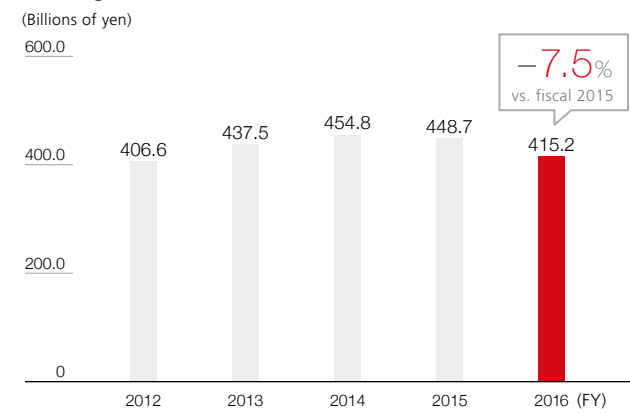
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AT A GLANCE

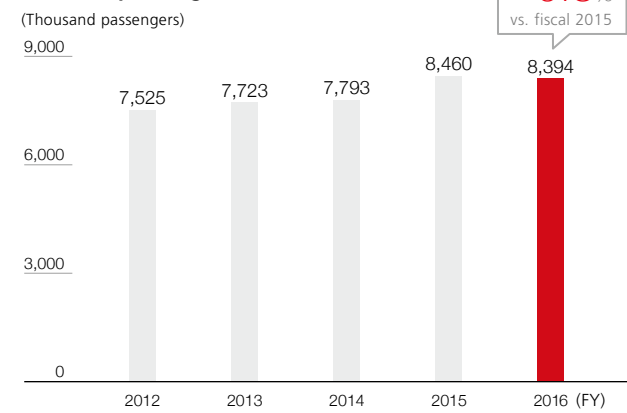
International Passenger Operations



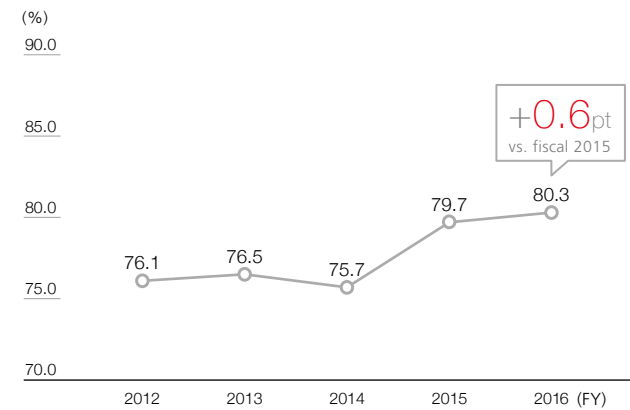
Passenger revenues



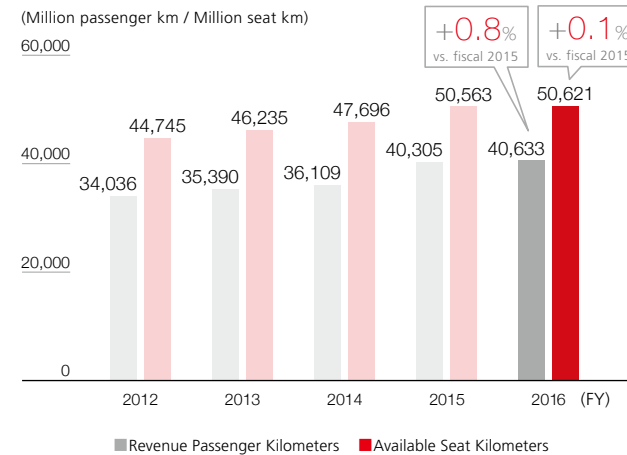
Revenue passengers carried*



Revenue passenger load factor*

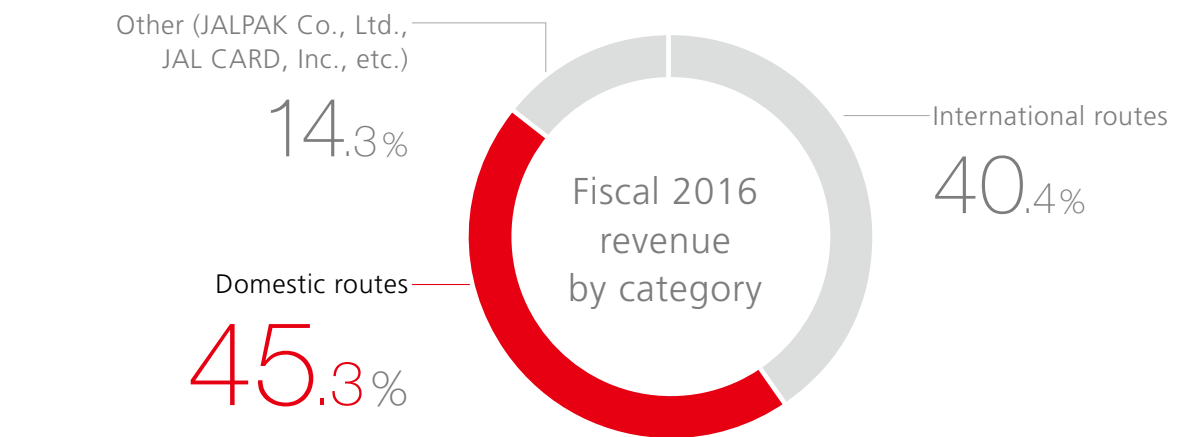


Revenue Passenger Kilometers* / Available Seat Kilometers*

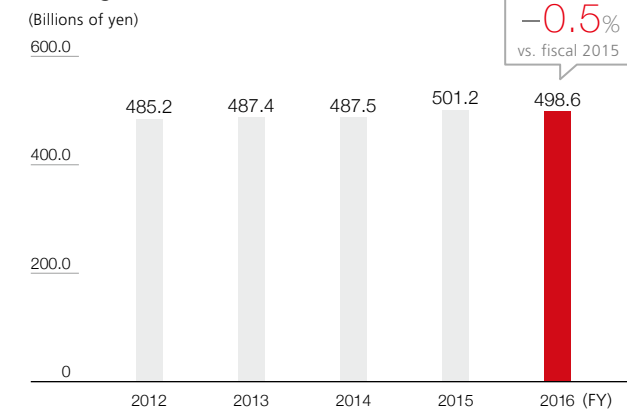


* From fiscal year 2015, revenue passengers carried, revenue passenger kilometers, available seat kilometers, and revenue passenger load factor include code-share tickets sold by other companies for JAL-operated flights.

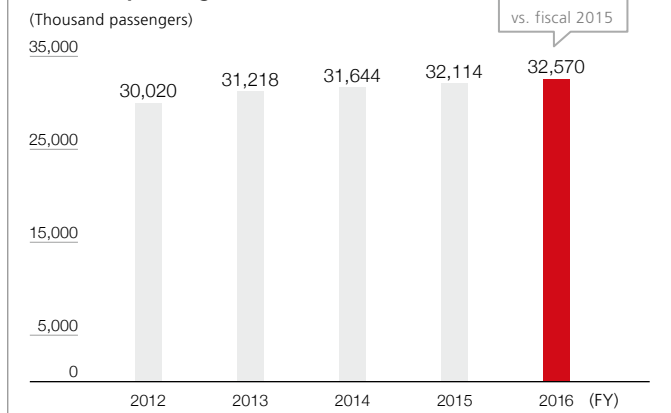
Domestic Passenger Operations



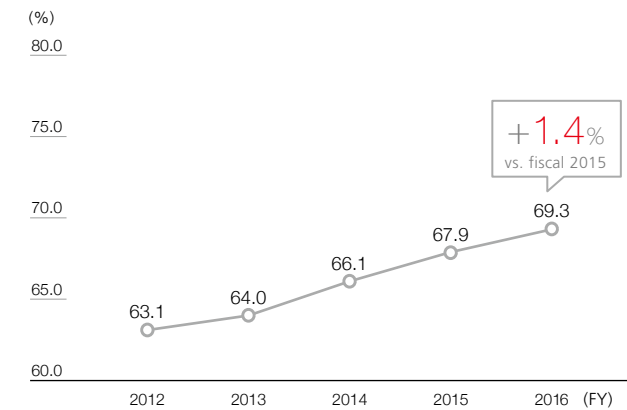
Passenger revenues



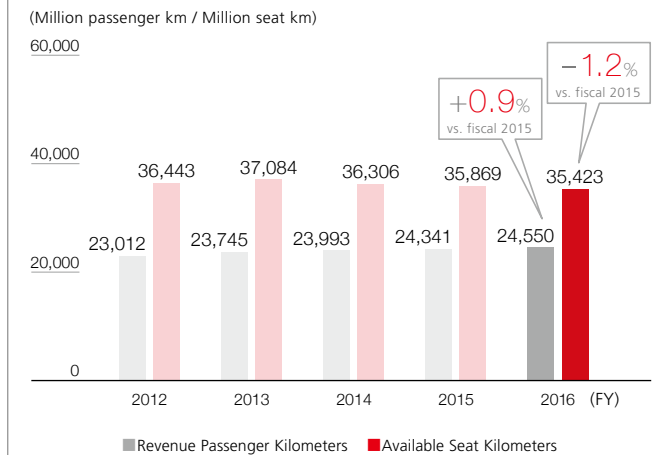
Revenue passengers carried



Revenue passenger load factor*



Revenue Passenger Kilometers* / Available Seat Kilometers*



INTERNATIONAL PASSENGER OPERATIONS

We are strengthening cooperation with **oneworld** alliance members and other airline partners to create an even more convenient route network connecting Japan and the world. We are also rolling out high-quality, full-service JAL SKY SUITE-configured aircraft to lift the levels of inflight convenience and comfort.

Medium Term Management Plan – Growth Strategy

Expanding our routes and network to improve customer convenience

We aim to increase customer convenience by improving our route network, including addressing an expected increase in demand for connections for flights originating in North America and Southeast Asia. We will also work more closely with our joint business partners and other companies to create useful network services. Taking advantage of the expected increase in flight slots at Tokyo metropolitan airports in 2020, we will optimize this business opportunity by building a highly convenient route network.

Welcoming Customers into Comfortable Cabins

We are introducing aircraft with our new JAL SKY SUITE configuration, which offers fully-flat Business Class seats and “New Spacious Economy” seats, on Europe, North America, and Honolulu routes. The new configuration will also be introduced onto medium-haul routes.

Leveraging JAL's Strengths to Attract More Overseas Customers

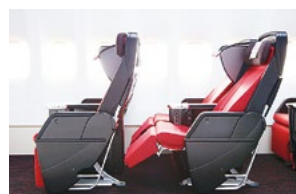
We aim to attract more overseas customers to the JAL Brand by actively conducting sales promotions to raise brand visibility and by building a stronger business base, including reinforcing and expanding our online services.



First Class / JAL SUITE



Business Class / JAL SKY SUITE III



Premium Economy Class / JAL SKY PREMIUM



Economy Class / JAL SKY WIDER

Fiscal 2016 Results

In fiscal year 2016, we actively worked to tap buoyant inbound demand for international flights. Outbound demand from Japan was also strong.

To address rising demand, we added more flights on Hawaii routes (Narita = Honolulu, Kansai = Honolulu) and on the Narita = Bangkok route. In partnerships with other carriers, China Airlines expanded its code-share arrangement to all flights between Japan and Taiwan, while Russian airline S7, a member of the **oneworld** alliance, increased its code-share flights to a total of 19, extending the reach of our global route network.

In marketing and services, we upgraded the Sakura Lounge at Bangkok's Suvarnabhumi International Airport to improve comfort for passengers. We also set up the “On Trip JAL” website to offer travel tips and seasonal travel information. We aim to spur demand for travel by showcasing the attractiveness of each region with interesting and detailed content about possible destinations.

In products, we are gradually introducing aircraft fitted with the JAL SKY SUITE configuration onto more routes. The new configuration has fully-flat seats when reclined with unobstructed aisle access in Business Class and “New Spacious Economy” seats with more room than the industry norm in Economy Class. Aircraft with this configuration have recently been added to routes between Kansai and Honolulu and between Chubu and Honolulu.



Upgraded Sakura Lounge at Suvarnabhumi International Airport

International Cargo

Import and export cargo volume handled by JAL cargo operations increased from the second quarter of fiscal year 2016, reflecting rising global demand for semiconductors amid advances in IoT and self-driving technologies. As a result, revenue cargo ton kilometers rose 9.5% from the previous fiscal year.



Special thermal storage and vacuum insulation materials keep the temperature inside containers steady at around 5°C

We also added new products to our lineup, including the JAL CARGO Charter Service, which provides transport services using freighters chartered from and operated by our partner carriers, and a new version of our fixed-temperature airfreight container.

Medium Term Management Plan and Outlook for Fiscal Year 2017

Under the new Medium Term Management Plan, we plan to increase capacity on international routes at an average annual rate of 5%, in line with market growth. By 2020, we plan to increase available seat kilometers (ASK) by 23% compared with the fiscal year 2016 level. Demand for flights originating in overseas markets is projected to grow at a rapid pace. We will actively target that demand, aiming to lift the ratio of inbound passenger demand to around 50% of total demand in international passenger operations by fiscal year 2020.

We will also expand the number of routes with JAL SKY SUITE-configured aircraft and increase market share, mainly by focusing on expected stable demand from business passengers, and maintain high load factors to support passenger unit revenue.

In fiscal year 2017, the first year of the new Medium Term Management Plan, we forecast continued strong demand on outbound and inbound routes. Against this backdrop, we aim to further increase yields using our revenue management system while maintaining high load factors.

We are continuing to expand our route network. In April 2017 we launched a new route between Haneda and New York, which improved connections to North America from domestic airports. We will also add a new Narita = Melbourne route on September 1, 2017 and a Narita = Kona route on September 15. The Japan–Australia Economic Partnership Agreement (Japan–Australia EPA) came into effect from 2015. Our new route to Melbourne, Australia's second biggest city in terms of population, will seek to capitalize on closer ties between the two countries. The new route to Kona, the gateway to the Island of Hawaii famed for its natural beauty, will be our second direct destination in Hawaii.

In marketing and services, we renewed our online JAL Guide to Japan, providing information about Japan through JAL's worldwide websites, in March 2017. We also added Korean and Thai language support to the guide's smartphone site, bringing the total number of languages to nine (English, Simplified Chinese, Hong Kong Traditional Chinese, Taiwan Traditional Chinese, French, German, Russian, Korean, Thai) aiming to showcase Japan in overseas markets and stimulate inbound demand.

TOPICS

New Narita = Melbourne, Narita = Kona Routes Added

JAL will launch flights between Narita and Melbourne on September 1, 2017 and between Narita and Kona on September 15.

Melbourne is Australia's second most populous city and is growing rapidly. Many Japanese companies are already based in Melbourne, but with the start of the Japan–Australia EPA in January 2015, ties between the two countries are set to become even closer. Our new route to Melbourne, along with our existing route to Sydney, will strengthen the JAL network in Oceania.



JAL customers can now fly to Melbourne and Kona from Narita

The route to Kona on the Island of Hawaii, a popular destination in the Hawaii archipelago, will mark the start of JAL flights to Kona Airport for the first time in nearly seven years since October 2010. The Island of Hawaii, also known as the Big Island, is a highly appealing destination with a stunning natural environment. The new route will give first-time visitors to Hawaii the urge to return again, while customers who have only experienced Honolulu will have the opportunity to see a different side of Hawaii.



DOMESTIC PASSENGER OPERATIONS

We are increasing convenience and simplicity with JAL SKY NEXT configured aircraft. Our focus is on improving convenience for passengers by adding more services such as in-flight Wi-Fi. We are also playing our part in revitalizing regional economies as a regional partner and by providing vital links for residents in outlying islands and regional cities through our extensive domestic network.

Medium Term Management Plan – Growth Strategy

Our domestic passenger operations face a major risk from Japan's shrinking working age population. However, we see new growth opportunities ahead, such as rising inbound demand in the lead-up to the 2020 Olympics and Paralympics in Tokyo. To adequately address major changes in the operating environment and generate steady growth, we will focus on two key strategies in the new Medium Term Management Plan.

First, we will maintain and enhance our high-value-added services. During the previous Medium Term Management Plan (fiscal 2012 – 2016), we worked to refine our full-service carrier business. We implemented a variety of initiatives to achieve that goal, such as introducing JAL SKY NEXT-configured aircraft featuring genuine leather seats and LED cabin lighting, and the first in-flight Wi-Fi service on domestic routes. These initiatives were welcomed by customers. We will continue to extend these initiatives under the new plan in conjunction with stepped up efforts to create new value, such as the introduction of the new A350 and upgraded in-flight Wi-Fi services. Our goal is to set our services apart from those of our competitors to ensure customers continue to choose JAL.

Second, we will work to generate new demand. We face the real risk of contraction in the domestic travel market. To achieve stable growth in these conditions, we need to create new sources of growth to compensate for falling demand. Specifically, we will implement initiatives to attract more international visitors to Japan and extend our reach from the domestic market into overseas markets. We plan to set airfares and launch marketing campaigns that encourage more people to enjoy the charms of all Japan's regions, not just its major cities and famous tourist spots, which will lead to growth in the number of visitors and revitalize regional economies.

By implementing those two key strategies, we aim to overcome tough competition in the market and generate stable growth.

Fiscal 2016 Results

In fiscal year 2016, we took steps to stimulate demand to counter the impact of the Kumamoto earthquakes and negative

calendar effects of the Silver Week holidays in September. As a result, revenue passengers carried increased from the previous year. However, passenger unit revenue declined amid the challenging market climate, leading to a drop in passenger revenue.

To help the Kumamoto region recover from the earthquakes, we provided full support for recovery efforts. We offered specially reduced fares on flights to and from Kyushu in response to increased demand for flights to Kyushu in order to return home, help as volunteers, or such, and provided free transport of relief supplies and volunteer groups heading to affected regions. We also launched a marketing campaign to stimulate recovery in tourism demand in the Hokkaido region, which was hit by successive typhoons. The campaign included tie-ups with travel companies to provide special products during the campaign period, as well as other initiatives to encourage travel throughout Hokkaido.

In product initiatives, we completed the revamp of all applicable JAL SKY NEXT aircraft* which were launched in May 2014. We began to offer in-flight Wi-Fi services for free aboard JAL SKY NEXT-operated flights, helping to create a more enjoyable and comfortable in-flight experience for domestic passengers.

On Itami routes, we improved product competitiveness with the introduction of the Embraer 190, which is the first regional jet in our fleet to be equipped with a Class J cabin.

In airport services, we raised the quality of services at domestic airport lounges. We fully renovated Sakura Lounges at New Chitose, Naha, Fukuoka and Hiroshima airports, added new Diamond Premier Lounges, the top-class lounge for domestic passengers, at New Chitose, Itami and Fukuoka airports, and improved the food and beverage menu and service hours.



Embraer 190 equipped with a Class J cabin



Diamond Premier Lounge at New Chitose Airport

* 777-300, 777-200, 767-300 and 737-800 (excluding aircraft operated by Japan Transocean Air Co., Ltd.)

Outlook for Fiscal 2017

In fiscal year 2017, the first year of our new Medium Term Management Plan, we expect the market climate to be more challenging due to new routes launched by other carriers and increased price competition. In response, we will assign aircraft to meet demand and strive to boost profitability. We will also extend initiatives implemented through to fiscal year 2016 to realize high-value-added services that support our position as a full-service carrier.

In route operations, we aim to increase convenience and comfort on our regional network. We plan to further increase routes operated with the Embraer 190, centered on Itami

routes. On routes to outlying islands in Kagoshima Prefecture operated by Japan Air Commuter Co., Ltd. we will introduce the advanced ATR42-600 turboprop.

In product initiatives, we started providing Japan's only free in-flight Wi-Fi service on flights operated with JAL SKY NEXT-configured aircraft. We also plan to progressively introduce JAL SKY NEXT configuration on the 737-800 fleet operated by Japan Transocean Air Co., Ltd.

In marketing, we introduced an innovative new mileage award service called Go Somewhere with Miles. The service, which has been very popular with customers since its launch in December 2016, is designed to stimulate the domestic travel market by encouraging

customers to discover new destinations in Japan on routes from Haneda Airport. The final destination is selected by JAL, but customers need less than half the normal number of required miles to qualify for domestic reward tickets.

The new service was expanded to Itami Airport routes from April 2017 as part of efforts to offer new value to JAL customers.



Go Somewhere with Miles is an innovative new mileage award service

TOPICS

Overseas Marketing Campaigns to Generate New Demand

The number of international visitors to Japan continues to grow strongly. In 2016, 24.03 million people visited Japan, exceeding the record set in 2015. To attract more overseas visitors to regional Japan, we began offering Japan Explorer Pass airfares online from fiscal year 2015. Customers can now buy these tickets on overseas JAL websites in 22 countries and regions worldwide with multiple language support. We also set up the "Explore Japan" promotional website, which provides tourist information about regional Japan and a range of other useful content such as booking services for hotels, traditional Japanese inns, tours, activities and transport through one convenient website. In addition to showcasing the charms of regional Japan, the site is a one-stop portal for travel services, allowing visitors to seamlessly organize accommodation and travel experiences in Japan.

In fiscal year 2017, we will create even more opportunities for overseas customers to experience regional Japan. We will continue to use the Japan Explorer Pass to stimulate demand, create highly convenient systems to encourage wider use of domestic routes, and upgrade content and services on our new Explore Japan website.



Promotional website Explore Japan

OTHER BUSINESSES

Businesses in this segment are working to increase the JAL Group’s corporate value by improving convenience for customers.

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

JAL GROUP AIRLINES

Maintaining Vital Air Links to Revitalize Regional Economies

Our regional network provides vital transport links to residents in regional cities and outlying islands. JAL Group airlines are progressively switching from propeller aircraft to regional jets on regional routes to improve comfort and convenience for customers using our regional network. We are committed to contributing to regional communities and revitalization projects through our highly convenient network and high-quality services.

Japan Transocean Air Co., Ltd. (JTA)

Established as Southwest Air Lines in 1967 before the return of Okinawa to Japan, JTA has been providing vital air links to Okinawa residents for 50 years. In addition to connecting Okinawa’s main island and outlying islands, JTA operates 70 scheduled flights each day on 13 routes between Okinawa and Haneda, Chubu, Kansai, Komatsu, Okayama, and Fukuoka airports with a fleet of 12 737 aircraft. Targeting inbound demand, JTA offers the highest level of service in the JAL Group combined with a hint of Okinawa culture. The airline is also doing its part to support the regional economy by widely promoting Okinawa as an appealing destination for tourists.



Japan Air Commuter Co., Ltd. (JAC)

JAC was established to initially operate flights on four routes linking the Amami Islands. The airline, which marks its 34th anniversary in 2017, is committed to its mission of maintaining and enhancing the regional network centered on Kagoshima and vital air links with isolated islands. Today, JAC operates flights on 22 routes, mainly serving outlying islands in Western Japan, such as Tanegashima, Yakushima, and the Amami Islands, as well as destinations such as Oki and Tajima. The airline is working to improve customer convenience by introducing the advanced ATR42-600 turboprop onto routes from 2017 and adding a new service linking Tokunoshima, Okinoerabu (stopover) and Naha on Okinawa from fiscal year 2018.



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

The JAL Group’s principal member airline covering regional routes, J-AIR is based at Osaka International Airport (Itami) and operates 198* daily flights on 31 routes in a network connecting various regions to meet customer needs. The company is introducing the new Embraer 190 with a Class J cabin and expanding its regional network to remain competitive and continue expanding as a regional airline. J-AIR is also actively supporting regional communities, such as running flight experience events and airline classes for children from areas affected by earthquakes.

* As of June 2017



Hokkaido Air System Co., Ltd. (HAC)

HAC was established in September 1997 to provide convenient air links to destinations across Hokkaido Prefecture. The airline is marking its 20th anniversary in 2017. HAC currently has a fleet of three SAAB 340B aircraft, which operate 26 daily flights linking Hakodate, Kushiro, Rishiri Island, and Misawa with Okadama Airport in Sapporo, and Okushiri with Hakodate Airport. The airline will continue to focus on flight safety to maintain support from Hokkaido residents while working to attract more private and small group customers, in addition to business travelers. HAC will also do its part to support the development of the regional economy and communities in Hokkaido.



Ryukyu Air Commuter Co., Ltd. (RAC)

A regional airline celebrating its 32nd anniversary in 2017, RAC provides convenient connections to outlying islands in the Okinawa region. Based at Naha Airport on the main island of Okinawa, the airline operates between 41 and 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. The airline is working to improve convenience for customers and businesses in outlying islands, encouraging more tourists to visit the islands and focusing on contributing to local industries.



JALPAK Co., Ltd.

JALPAK Co., Ltd. worked to increase sales by rapidly launching new products, offering more high-value-added products and conducting well-timed marketing campaigns to match changing demand. Also, to capture growing inbound demand, the company began sales of the JAL Visit Japan Dynamic Package for overseas visitors to Japan.

In fiscal year 2016, JALPAK handled 241,000 customers traveling to overseas destinations, down 0.6% from the previous fiscal year. Despite upgrades to the smartphone online booking system to improve usability and active promotion of Business Class and Premium Economy Class tickets, passenger numbers declined year on year amid weak demand for trips to Europe and a drop in available seats on flights to Honolulu due to the introduction of new aircraft. The number of domestic customers handled was 2,510,000, up 3.3% from the previous fiscal year. Growth was supported by a campaign promoting cheaper JAL airfares to Kyushu, stepped up sales and procurement activities, and effective online marketing. As a result, operating revenue (before elimination of intercompany transactions) increased 0.2% year on year to 172.5 billion yen.

In fiscal year 2017, we will continue to listen to customer feedback and make booking systems more user-friendly to respond accurately to diversifying customer needs, aiming to provide a pleasant travel experience that customers can only enjoy with JALPAK. We will also continue to implement new initiatives to attract as many overseas visitors to Japan as possible.



JAL CARD, Inc.

JAL CARD, Inc. stepped up efforts to sign up new members, running effective marketing campaigns using online advertising and direct mail, and accepting credit card applications at airports and other locations using tablet devices. As a result of these efforts, the number of members as of March 31, 2017 totaled 3,272,000, an increase of 143,000 from the end of the previous fiscal year. To improve communication with customers, we upgraded “MyJALCARD,” a dedicated online service that customers can access after enrollment, and enhanced the service menu for members. The number of transactions was firm, supported by an increase in retail partners offering double miles on purchases and initiatives to enroll or encourage members to switch to more prestigious cards. As a result, operating revenue (before elimination of intercompany transactions) was steady at 20.4 billion yen. Also, for the second consecutive year, JAL CARD was ranked top for Recommendation Intention and Meeting Customer Expectations in the credit card category of the 2016 Japanese Customer Satisfaction Index (JCSI) survey. We also received the highest ranking for “Awareness of Quality,” highlighting JAL CARD’s good reputation with customers.

We will continue to work on improving customer satisfaction in fiscal year 2017 by actively offering new services and enhancing the appeal of our mileage award program.



GROUP COMPANIES

The JAL Group comprises Japan Airlines Co., Ltd., 81 subsidiaries (52 consolidated subsidiaries) and 56 affiliated companies (13 equity-method affiliates) supplying a range of air transport products and services to customers and business partners.

Air Transport Business Segment

JAL, 27 consolidated subsidiaries, three non-consolidated subsidiaries and three equity-method affiliates

Main Companies

Air Transport Business

JAPAN TRANSOCEAN AIR CO., LTD.
JAPAN AIR COMMUTER CO., LTD.
J-AIR CO., LTD.
HOKKAIDO AIR SYSTEM CO., LTD.
RYUKYU AIR COMMUTER CO., LTD.

Airport Passenger Handling

JAL SKY CO., LTD.
JALSKY SAPPORO CO., LTD.
JALSKY OSAKA CO., LTD.
JALSKY KYUSHU CO., LTD.
JAL SKY AIRPORT OKINAWA COMPANY, LTD.

Ground Handling

JAL GROUND SERVICE CO., LTD.

Maintenance

JAL ENGINEERING CO., LTD.
JAL MAINTENANCE SERVICE CO., LTD.

Cargo

JAL CARGO SERVICE CO., LTD.
JAL KANSAI AIRCARGO SYSTEM CO., LTD.
JAL CARGO SERVICE KYUSHU CO., LTD.

Passenger Sales

JAL NAVIA CO., LTD.
JAL MILEAGE BANK CO., LTD.

Airport-Related Business

JAL ROYAL CATERING CO., LTD.

Other Segments

25 consolidated subsidiaries, 26 non-consolidated subsidiaries, 10 equity-method affiliates and 43 non-equity method affiliates

Main Companies

Maintenance

JAL AIRTECH CO., LTD.

Passenger Sales

JALPAK CO., LTD.
JAL SALES CO., LTD.

Cargo

JUPITER GLOBAL, LTD.

Airport-Related Business

JAL ABC, INC.
OKINAWA FUELING FACILITIES CO., LTD.

Others

JAL INFORMATION TECHNOLOGY CO., LTD.
AXESS INTERNATIONAL NETWORK, INC.
JAL CARD, INC.

A Business Base that Supports Value Creation

The JAL Group strives to create sustainable value in order to realize its Corporate Policy. In this section, we look at the steps JAL is taking to achieve that goal and explain the Group's business base.

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JAL GROUP CSR

Flight safety is the foundation and social responsibility of the JAL Group. The highest priority in our CSR activities is to ensure the safe operation of every flight. This is also the basis of our corporate value. In addition to ensuring flight safety, our mission is to communicate the JAL Group's firm commitment to safety and our safety initiatives to the society, while striving to realize the JAL Group Corporate Policy by resolving various issues facing society.

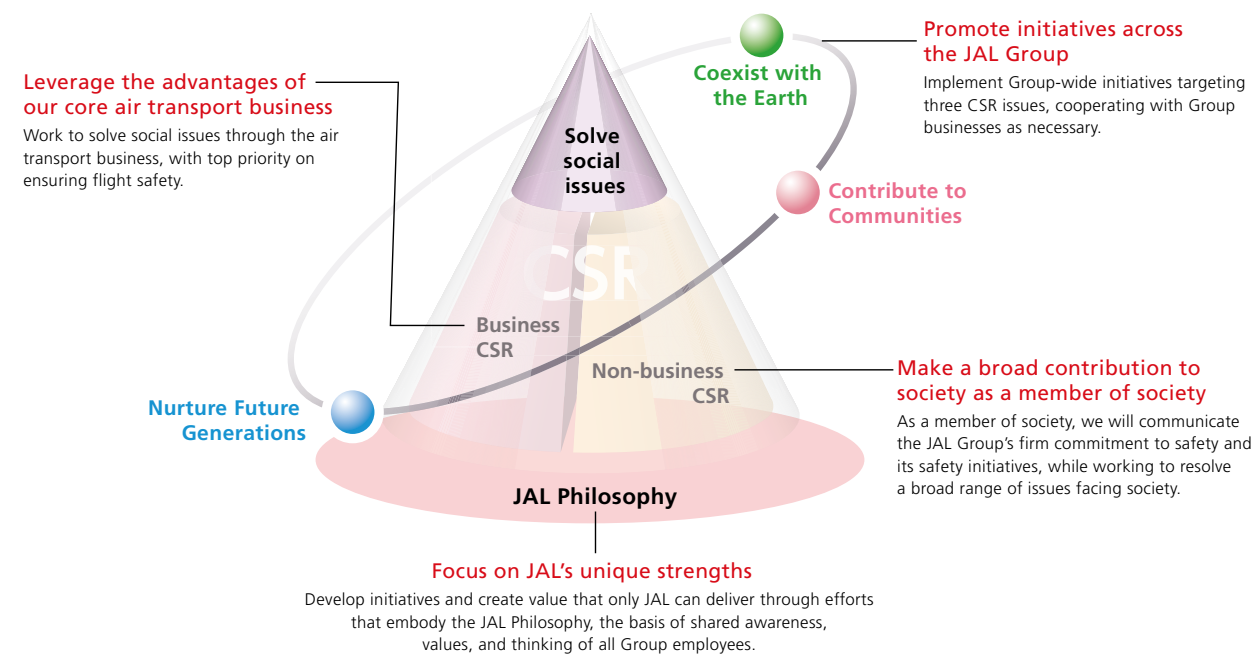
JAL Group Basic CSR Policy

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.

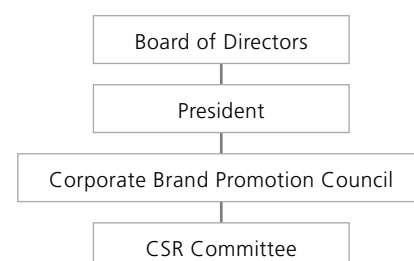
JAL Group Corporate Policy

The JAL Group will: Pursue the material and intellectual growth of all our employees;
Deliver unparalleled service to customers; and
Increase corporate value and contribute to the betterment of society.



CSR Management

CSR Promotion Framework



The JAL Group CSR Committee meets every six months, leading Group efforts to build a better society and create a sustainable future. The committee is tasked with understanding current social expectations of the JAL Group, identifying issues, and developing appropriate responses, while referring to ISO 26000 and the United Nation's Sustainable Development Goals (SDGs). The effective implementation of this PDCA cycle is used to improve and promote our CSR activities.

JAL Group's Key CSR Issues (Materiality)

Ensuring flight safety is the Group's universal priority issue.

Issues facing society are always changing due to developments in society and the environment. The JAL Group has

therefore used ISO 26000 and SDGs to identify the Group's three key issues (materiality) – Coexist with the Earth, Contribute to Communities, and Nurture Future Generations.

Coexist with the Earth



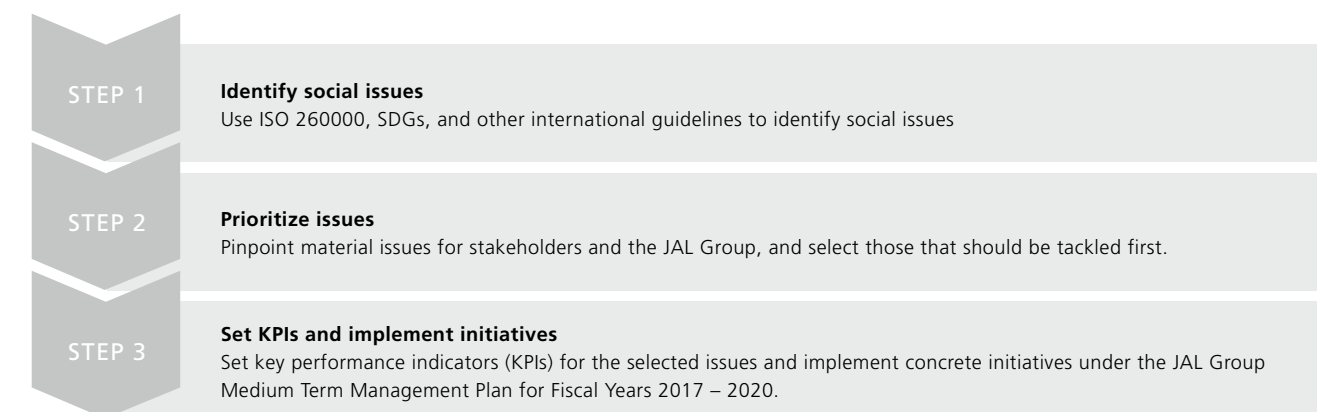
Contribute to Communities



Nurture Future Generations



Material CSR Issue Selection Process



■ Basis for Selection of Material Issues

[Stakeholder perspective]

- Requirements in international guidelines
- Dialog with internal and external stakeholders

[JAL Group perspective]

- JAL Philosophy
- JAL Group Medium Term Management Plan for Fiscal Years 2017 – 2020 (JAL Vision)

Coexist with the Earth

JAL Group Stance on Coexist with the Earth

The JAL Group views environmental protection as an important issue. We have developed guidelines highlighting areas that the Group needs to tackle and created related action plans. The JAL Group's approach to environmental issues is summed up in our Environmental Guidelines and concrete initiatives are translated into Action Plans.

Environmental Guidelines and concrete initiatives

Low-Carbon Initiatives

The vast majority of JAL's CO₂ emissions are generated from fuel used by our aircraft. We are implementing a range of initiatives to reduce CO₂ emissions.

Tackling climate change

As part of our response to climate change, we are working to reduce emissions of greenhouse gases in our air transport business, such as actively introducing fuel-efficient aircraft into our fleet in line with business plans. In daily flight operations, our flight crews execute Eco Flight operations through intelligent operational choices and timing while ensuring flight safety. We also optimize aircraft loads such as fuel and onboard consumables to reduce aircraft weight. We actively reduce the environmental impact of ground support equipment (power, air conditioning equipment) for aircraft at airports and the Engineering & Maintenance Division regularly cleans aircraft engines to restore fuel efficiency. These are just some of the many initiatives deployed across our business, from flight operations to maintenance, to reduce CO₂ emissions.

The JAL Group also uses its unique position as an airline to help realize a low-carbon society and meet public expectations about the environment. We have been a committed long-term participant in the CONTRAIL Project, a joint research project involving various public research groups that takes advantage of the broad reach and high frequency of flights by commercial aircraft to conduct atmospheric observations. We also support research aimed at improving the accuracy of satellite systems used to monitor large-scale forest fires.

JAL is also part of a joint industry-government-academia project working to develop and introduce domestic aviation biofuel. The project team, which is made up entirely of Japanese organizations, is working to use biofuel on commercial flights in time for the 2020 Olympics and Paralympics in Tokyo, aiming to help create a low-carbon, sustainable society.

CONTRAIL Project – using passenger aircraft in atmospheric observations

The JAL Group is part of the CONTRAIL Project, run jointly by the National Institute for Environmental Studies, the Meteorological Research Institute, JAMCO CORPORATION, and the JAL Foundation. The project, which aims to improve our understanding of the mechanisms of global warming, uses JAL's scheduled international flights. Automated observation equipment and manual pumps operated by researchers on board the aircraft are used to take air samples. By observing conditions in the upper atmosphere, researchers can understand the distribution, movement, and seasonal changes of greenhouse gases. Super-computers have been used to conduct advanced analysis of gathered data since 1993, leading to a better understanding of the world's carbon cycle and enabling researchers to make highly accurate long-term forecasts of climate change on a global scale. The CONTRAIL Project also provides information that will be useful for our planet in the future, such as the development of measures to reduce global warming and address climate change. Moreover, there are hopes that the project will provide a scientific basis for developing national strategies on emissions trading schemes by providing accurate data on the volume and distribution of greenhouse gas emissions.



Aircraft with a project logo



CONTRAIL Project logo



Automatic air Sampling Equipment (ASE)

CONTRAIL Project

Atmospheric observation project with Tohoku University

The JAL Group supports Tohoku University's greenhouse gas research project, which uses JAL aircraft to make atmospheric observations. Since 1979, the Center for Atmospheric and Oceanic Studies at Tohoku University's Graduate School of Science has been conducting research into global changes in greenhouse gases, using monthly scheduled domestic flights operated by the JAL Group* to measure CO₂ concentrations in the atmosphere. The program, which has been running for more than 30 years, has been gradually expanded to include other gases such as methane and nitrous oxide. This project is now the world's longest study of greenhouse gas using aircraft. Flights are currently operated by JAL Group subsidiary J-AIR Co., Ltd.

* Flights initially operated by Toa Domestic Airlines, then Japan Air System (JAS) prior to its merger with Japan Airlines.

Monitoring forest fires

The JAL Group is cooperating with a project run by the Japan Aerospace Exploration Agency (JAXA) to monitor large-scale forest fires using satellites, as part of efforts to protect the global environment and prevent disasters caused by fire. The project was launched in 2003 by researchers at Hokkaido University. JAL Group flight crew report any fires seen from the cockpit to the research team, which uses the information to improve the accuracy of forest fire detection satellites.



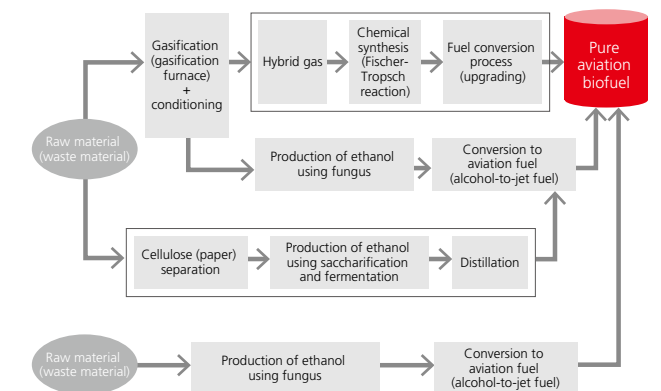
A Siberian forest fire seen from the cockpit on a JAL flight

Aviation Biofuel

Many countries are developing aviation biofuel as a highly effective way of achieving large reductions in CO₂ emissions. Aviation biofuel is projected to be widely used worldwide from 2030, but commercial aviation biofuel is already being produced in the US. Unlike the US, Japan does not have sufficient land to grow plants to make aviation biofuel. However, using municipal waste and other waste materials has significant cost advantages in Japan in terms of raw material procurement and transportation. We view waste materials as the most promising option for manufacturing low-cost aviation biofuel in Japan and believe JAL has a vital role to play in actively driving development by bringing related companies together.

Our roadmap envisages commercial flights powered by domestic aviation biofuel by 2020 and full-scale commercial production from 2030. To achieve this timeline, we will participate in Japanese industry-government-academia teams and actively drive development, aiming to significantly reduce CO₂ emissions from aircraft and contribute to global efforts to create a recycling-based society.

Process of converting waste to aviation biofuel



Eco-First Commitment

As an airline responsible for a vital part of public infrastructure, the JAL Group is fully aware of its responsibility to the global environment. We are therefore working to step up our environmental initiatives. In 2010, we fulfilled our Eco-First Commitment, leading to official certification as an Eco-First Company. We also joined the Eco-First Promotion Council in fiscal year 2016. Controlling the environmental impact of our operations and protecting the environment remains one of the JAL Group's

priority issues. We will continue to implement our Sky Eco program, which aims to ensure the Earth and its abundant resources are passed on to future generations so that they can continue to view and enjoy our beautiful planet from the skies.



Maintenance

Engine water washing

Minute atmospheric dust particles accumulate in aircraft engines during flight. Engines take in and compress air in the combustion process, causing accumulated dust to reduce fuel efficiency, which leads to higher CO₂ emissions. We regularly wash the interior of engines with water, removing any dust and dirt and restoring engine performance, which improves fuel efficiency by around 1%. This process 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

Reduced use of auxiliary power unit (APU) and closure of window shades

Closing window shades blocks out sunlight, lowers cabin temperatures, and reduces use of air-conditioning. This shortens the operating time of the APU at the rear of the aircraft, reducing CO₂ emissions.

In flight

CONTRAIL Project using passenger aircraft for atmospheric observations / reporting forest fires, and helping Tohoku University with atmospheric observations

We participate in several projects run by external research bodies, contributing to society by using the unique characteristics of our aircraft while ensuring flight safety.

During descent

Use of continuous descent operations (CDO)

Our flight crews actively use a sloped descent approach called CDO to reduce CO₂ emissions, only when safety criteria and other specified conditions are met.

At landing

Reduced flap, delayed flap & delayed landing gear and idle reverse initiatives

To prevent an unnecessary increase in air resistance, our flight crews reduce the use of flaps (devices at the back of the main wings designed to increase lift) and delay deployment of landing gear and flaps, while ensuring safety at all times. Reverse thrust is employed when engines are idling, only when specified runway conditions are met. These approaches help to lower CO₂ emissions.

While taxiing

Engine out taxi – use of only one engine on the ground

When taxiing to parking spots, our flight crews shut down one of the aircraft's two engines to reduce CO₂ emissions, only when specified conditions are met.

Reducing Waste

The JAL Group is working to realize a recycling-based society and protect the environment by ensuring the effective use of the Earth's limited natural resources. By promoting the 3Rs (reduce, reuse, recycle) and reducing waste, we are targeting a final disposal rate of less than 2% for industrial waste generated by our domestic business sites. In fiscal year 2016, the total volume of waste declined 1.1% year on year and the final disposal rate improved 0.1 percentage points. As a result, we achieved our final disposal rate target of less than 2%.

To reduce waste from our operations while also improving business efficiency, we have ended the use of paper manuals for flight crews and cabin crews and replaced them with digital manuals in iPads. We are also promoting paperless meetings as part of workstyle innovation. New workstyles such as hot-desking have resulted in surplus office equipment, which is reused and recycled, to help reduce the Group's environmental impact (around 56 tons of equipment was reused or recycled in fiscal year 2016).

We are also recycling cabin waste based on standardized procedures for beverage cans, newspapers, in-flight magazines and plastic bottles. The JAL Group also continues to work with the International Air Transport Association (IATA) and airport operators on comprehensive initiatives to dispose in-flight waste.

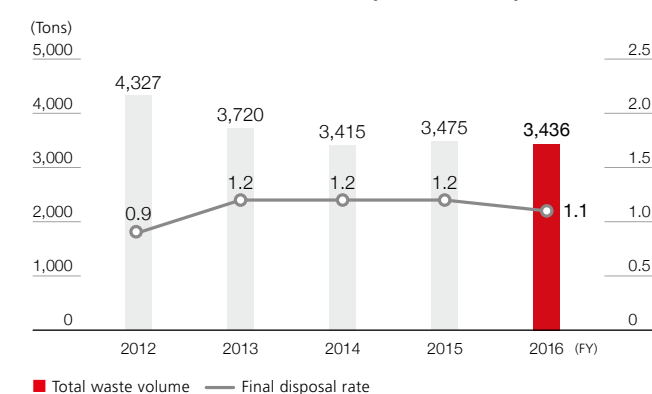
Every year, we recover around 800 tons of cargo packing materials (polyethylene sheets), which are recycled to make plastic products such as fencing stakes and gardening supplies.

Also, when the JAL Group switched to new uniforms in 2013, we recovered around 180 tons of old uniforms and supplied them to recycling facilities for materials recycling. The uniforms were ultimately used to make thermal and noise insulation materials for vehicle interiors.



Polyethylene sheets used as cargo packing materials

Total waste volume and final disposal rate (Japan)

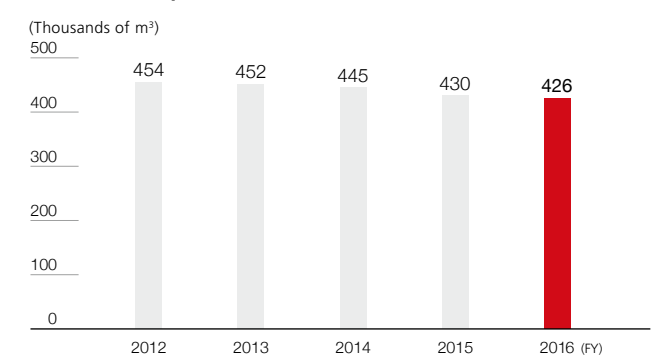


Saving Water Resources

The JAL Group is working to reduce its use of water amid rising concern about water resources worldwide. In fiscal year 2016, we reduced water usage by 0.9% year on year by reusing waste water and implementing water-saving measures.

In particular, we are focusing on efficient use of water at our aircraft maintenance facilities, which use large volumes of water. By washing more aircraft by hand, we have reduced water usage by 40% compared with automated aircraft cleaning equipment used previously. In maintenance procedures and parts cleaning processes, our maintenance teams use large amounts of pure water. Approximately 240m³ of pure water is recycled and recirculated daily by our reprocessing facilities.

Water use (Japan)

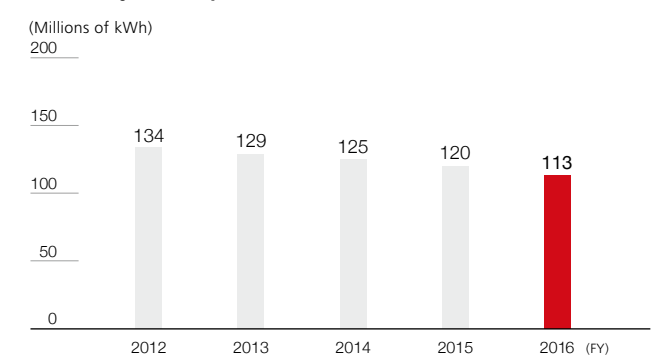


Reducing Electricity Use

The JAL Group is working to reduce energy consumption at its ground facilities (offices, workshops, etc.) We have been introducing LED lights and other types of energy-saving lighting at our maintenance facilities (hangars, docks), helping to reduce the Group's domestic electricity use by 5.8% year on year to 113 million kWh in fiscal year 2016.

Also, in fiscal year 2016, we were awarded certification as an Excellent Operator for Energy Conservation (S-Class) by the Ministry of Economy, Trade and Industry for the second consecutive year. Going forward, we will continue to implement initiatives that reduce the Group's impact on the environment as part of our efforts to create a sustainable society.

Electricity use (Japan)



Contribute to Communities

Our Stance on Supporting Communities

Our aviation business connects people and helps to spread Japanese culture around the world.

Through the JAL Group's core air transport business, we are harnessing our unique position and strengths as an airline to implement activities that contribute to society. Guided by the JAL Group Basic CSR Policy, our initiatives are designed to bring people together, revitalize regional economies, and support industry, as well as support communities worldwide.

Helping Communities Recover from Disasters

The JAL Group helps regions and communities recover from major disasters. One initiative is JAL's VISIT TOHOKU! Campaign, a regional support project. The project is a way of expressing the JAL Group's gratitude to society by supporting the Tohoku region from a broad perspective, such as promoting regional industries and tourism and helping communities recover from the earthquake.

JAL is also a partner in the Tohoku Cotton Project, an earthquake disaster recovery project launched in 2011 by agricultural corporations, apparel firms and other companies in the affected region. JAL Group volunteers actively support regional agricultural corporations by helping sow cotton seeds and by weeding and harvesting the cotton fields. Cotton harvested by farmers with the support of JAL Group employees is used to design and make original products, which are provided to passengers on flights and can be bought using JAL miles. In fiscal year 2016, we made roughly 20,000 handkerchiefs using the Tohoku cotton.

We also continue to run the JAL Gifts of Smiles Project, where we take elementary school children affected by the Great East Japan Earthquake on family trips to Okinawa.

Another JAL initiative is the Kyushu Support Project, launched to help the Kyushu region recover from major damage caused by the 2016 Kumamoto Earthquakes. Also, through our JAL NEW-JAPAN PROJECT, we are working with regional partners to develop and promote products that highlight the Kyushu region. We have selected a wide range of food items, which are included in in-flight meals and served in airport lounges.

We also run a Recovery Support Training Program, which gives employees the opportunity to visit areas affected by disasters to see, experience and learn from recovery efforts on the ground. Participants visited Kumamoto Castle and Aso Shrine, which were both heavily damaged by the Kumamoto earthquakes. During the visit, JAL employees heard firsthand from residents about the earthquakes and the situation after the disaster. Participants were also given the opportunity to take

part in volunteer activities, such as harvesting rice cultivated with spring water that emerged after the earthquake near Ubu Shrine in Aso City. JAL will continue to run programs that provide support to the region.

In April 2017, one year after the earthquakes, we invited elementary school children from Kumamoto Prefecture to take part in airline classes and flight experiences called Ashita no Tsubasa (Wings of Tomorrow) at Aso Kumamoto Airport. The classes are designed to give children – society's future leaders – an opportunity to think about future career prospects by giving them deeper insight into work in the field of aviation and their hometowns, and by motivating them to set and strive to reach their goals. The classes are run by JAL Group volunteers.



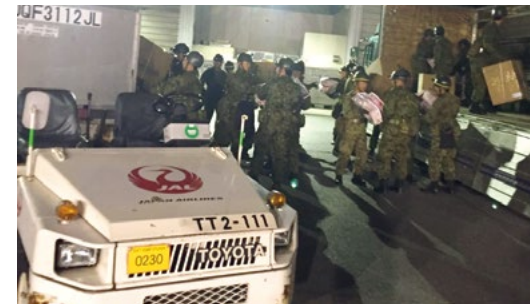
Families enjoy trips to Okinawa through the JAL Gifts of Smiles Project

Providing Disaster Relief

The JAL Group has been a member of the Joint Committee for Coordinating and Supporting Voluntary Disaster Relief since fiscal year 2008. We make recommendations from a business standpoint about volunteer activities during major disasters. Through the committee, companies, social welfare councils, NPOs, and the Central Community Chest of Japan work together to create a framework to support volunteer activities after disasters. JAL also helps to transport relief supplies and volunteers to affected areas.

On April 17, 2016, the day after the Kumamoto earthquakes, we transported 3,000 blankets on an emergency flight from Itami Airport to Aso Kumamoto Airport at the request of Kumamoto City. The blankets were provided by AEON Co., Ltd., with which we have an emergency relief supply transport agreement. We also used a total of 49 scheduled flights to transport roughly 50 tons of emergency evacuation tents, medicine, food, and other items to the affected area.

Overseas, the JAL Group donated 10 tons of water to the Republic of Palau, which was affected by drought. The water was transported to Palau on May 7, 2016 in the cargo hold of a chartered aircraft.



Sending relief supplies to the area affected by the Kumamoto earthquakes



Water donated to the drought-affected Republic of Palau

JAL NEW-JAPAN PROJECT

We launched the JAL NEW-JAPAN PROJECT nearly two years ago to enhance the appeal of Japan's regions, under the slogan "Revitalizing Communities Together." Focusing on themes such as promoting regional tourism and supporting innovation in agricultural and marine products, we are working with residents and regional groups to raise awareness of hidden tourist spots and identify, commercialize, and sell local specialties as part of a broad package of support for the sustainable development of Japan's regions.

In tourism promotion initiatives, we teamed up with regional businesses and groups to develop new travel products in Mie Prefecture aimed at attracting visitors after the G7 Ise-Shima Summit in May 2016. The Ise Shrine in Mie Prefecture is rebuilt every 20 years in a ceremony called *shikinen sengu* that goes back more than 1,300 years, ensuring the shrine is always new and beautiful through a process of perpetual renewal called *tokowaka*. Inspired by the spirit of this long-standing Ise tradition, JAL, Ise City and Mie Prefecture co-created and sell Tokowaka Wedding Tours. Wedding couples who take part in the tours mark the important milestone in their lives by visiting Ise Shrine as an expression of gratitude to their partner.

In initiatives to support innovation in agricultural and marine products, we ran promotional campaigns for rice and products made with Japanese indigo (*ai*) from Aomori Prefecture in conjunction with the start of the JAL NEW-JAPAN PROJECT. We also promoted Seiten no Hekireki – Aomori Prefecture's first A-grade rice brand – in JAL's international lounges at Haneda and Narita airports, explaining the story behind the brand's development and offering samples for tasting, which proved popular with passengers.

A PR team was also set up in Aomori Prefecture to promote Seiten no Hekireki. These efforts led to a three-fold increase in rice fields and rice harvested over the previous fiscal year. Targeting the health food properties of Japanese indigo, a species of flowering plant that is also used as dye, we teamed up with a company called Aomori Ai, which is developing related products, to create a type of cake called financier containing Japanese indigo. JAL serves these cakes to passengers during flights and they are also available for purchase on the JAL Group website. Passengers on JAL's international flights can buy a deodorant spray that makes use of the antibacterial properties of Japanese indigo. The spray is exclusive to JAL and the packaging is designed by JAL and Aomori Ai. These products illustrate the steady progress we are making in supporting innovation in agricultural and marine products.

Going forward, the JAL Group plans to work more closely with regional businesses and groups to develop regional economies and boost the number of permanent residents through activities aimed at "Revitalizing Communities Together."

Cultural Exchanges

The JAL Group has supported art exhibitions for roughly 40 years, using its expansive international and domestic route network to transport paintings and other artworks for display at exhibitions. Using the expertise gained from transporting artworks, we provide customized transport services to museums for around 30 events each year. Through the JAL Group's core air transport business, we aim to help connect future generations to high culture and society by continuing to bridge Japan and the world as the "Wings of Japan."

Nurture Future Generations

JAL Group Stance on Nurture Future Generations

As part of its CSR activities, the JAL Group is working to nurture future generations based on the theme of “bright futures.” To support those efforts, we launched JAL SORAIKU in November 2016 as a new educational program to give children a deeper connection with Japan and the world and the global environment.

Targeting a total of one million participants by the end of fiscal year 2020, the program will feature various activities centered on hands-on experiences that JAL can provide as an airline. By giving children an insight into the wonders of the sky, we hope to lead them on a new journey of discovery and learning that encourages them to think about their future prospects.

Encouraging interest in airline industry careers

JAL runs a range of programs designed to make its business more accessible, boost interest in study, and encourage people to think about their careers. Examples include the recently renewed JAL Factory Tours – SKY MUSEUM and JAL Career Talk for Students, which features talks by flight crew, cabin crew, and other JAL employees about their jobs and motivation.

Encouraging interest in Japan and the world

JAL also runs a number of programs to cultivate interest in new experiences and encourage people to think about Japan and the world. Examples include workshops to discuss how to address social issues facing developing countries, opportunities to interact with the people and culture of Japan’s regional communities in the primary sector by staying at private lodgings and farmhouses, and the JAL Origami Plane National Competition, a new addition to our program lineup.

Encouraging interest in the Earth

We are expanding our JAL Sky Eco Classes, which explain in a straightforward way the Group’s efforts to reduce CO₂ emissions from aircraft and other environmental initiatives. We have also launched a new program with HAKUTO – a private team aiming to send a robotic rover to the moon – to spur interest in space. These are just some of the programs aimed at stimulating curiosity in our planet and space. We want these activities to encourage people to think about our planet, fostering an interest in protecting the global environment that is passed on to future generations.

JAL SORAIKU

The JAL Group runs a wide range of programs aimed at nurturing future generations.

- JAL Factory Tours – SKY MUSEUM
- JAL Paper Plane Classes
- JAL Sky Eco Classes
- JAL Career Talk for Students
- JAL Safety Demonstrations by Cabin Attendants
- JAL Job Interview Simulation for Students

JAL Factory Tours – SKY MUSEUM

JAL Factory Tours are run at the JAL Maintenance Center adjacent to Haneda Airport. The tours are free and give visitors the opportunity to learn about how airlines operate and get a close view of aircraft maintenance. We started these tours in the mid-1950s, soon after the Company was founded. The tours were significantly expanded in 2013 and renamed JAL Factory Tours – SKY MUSEUM. Admission to the fun hands-on museum is free and is geared for all ages from elementary school students upwards. One of the main goals of the museum is to use our special position as an airline to explain to children – society’s future leaders – how aircraft and airports work and inspire them to have ambitious goals and envision a prosperous future. The museum welcomed over 120,000 visitors in fiscal year 2016.

JAL Paper Plane Classes

JAL Paper Plane Classes are run by around 720 JAL Group employee volunteers who have been certified as instructors by the Origami Airplane Association. The JAL Group started training instructors 10 years ago in 2007. JAL holds Paper Plane Classes in Japan and overseas and also runs a national competition.

In fiscal year 2016, we held 204 classes attended by a total of 25,063 people, as part of learning programs to encourage people to think about their own future from the perspective of aircraft and the future of Japan and the world through human interaction. We plan to hold paper plane competitions across Japan for contestants who progress through qualifying rounds. The finalists will be invited to the JAL Origami Plane National Competition in November 2017. We are also planning to hold a JAL Origami Plane World Competition in 2020. Going forward, the JAL Group will continue to use its Paper Plane Classes to nurture future generations and promote international exchange between Japan and the world.

SKY BATON: Passing the Baton to Younger Generations to Create the Future of the Tohoku Region

The JAL Group works with its customers to support the development of areas affected by disasters. SKY BATON was launched by the JAL Group to support the Tohoku recovery effort by helping the younger generation who will be entrusted with Tohoku’s future. Through the program, children who live in disaster-stricken areas receive support for their studies. JAL’s support involves matching miles contributed by customers to the program through JAL Charity Miles. JAL also cooperates with Chance for Children (CFC), a public interest incorporated association, by donating JAL/CFC education vouchers to many children in the program.



JAL/CFC education voucher presentation ceremony

JAL Scholarship Program

Through the JAL Scholarship Program, college students from across Asia and Oceania are invited to Japan to promote mutual understanding and prepare young men and women for leadership roles in shaping the region’s future. It offers opportunities to experience Japanese culture, such as the tea ceremony and Zen meditation, and workshops with Japanese students. Established in 1975, the program is currently operated by JAL and the JAL Foundation. To date, a total of 1,564 overseas students have taken part in the program.

In 2016, the program was conducted in the Tokyo area and in Ishikawa Prefecture for about three weeks starting on June 27, with 26 students from 15 countries and regions taking part.

We have recently set up alumni organizations overseas to create a network of previous participants who are playing active roles around the world. We also launched a new exchange program in 2015 for Japanese and Korean junior high school students. In the program’s second year, Korean junior high school students visited Wakayama Prefecture.



JAL Scholarship – Japanese and Korean Exchange Program (2016)

World Children’s Haiku

This poetry project is designed to spread the joy of haiku, the world’s shortest form of poetry, and develop artistic sensitivity through the writing of poetry. Another goal is to foster deeper interest in and understanding of Japanese culture and Japan.

The project dates back to a haiku contest hosted by JAL on an American radio program in 1964. Since the creation of the JAL Foundation in 1990, we have hosted the biennial World Children’s Haiku Contest. Children aged 15 and younger from around the world, including Japan, submit haiku with an attached drawing. More than 680,000 works from 52 countries and regions have been submitted to date. Grand prize-winning haiku from each country are collected and published the following year in an anthology called “Haiku by World Children,” which is donated to educational institutions and libraries in Japan and overseas. In fiscal year 2016, the 14th anthology was published under the theme “Morning.”



Award ceremony for the World Children’s Haiku Contest

The 14th Haiku by World Children – “Morning”

Support for UNICEF

In 1991, JAL launched the Change for Good fundraising campaign for UNICEF on flights between Tokyo (Narita) and New York to collect foreign coin donations from passengers.

The campaign was expanded in 2006 to include all international flights operated by JAL. Donation boxes were also installed in customs areas and lounges at airports in Japan. We also continue to support fundraising efforts by transporting donated coins to different countries free of charge. Foreign coins collected during the campaign are donated to UNICEF, which uses the funds to protect the lives, health and rights of children.

At the end of each year, JAL cabin crew and other employees volunteer to collect donations for UNICEF through street fundraising activities.



Recovered UNICEF donation boxes

Other Initiatives

Protecting Human Rights

The JAL Group has been a signatory to the United Nations Global Compact since December 2004. As part of our support for its principles, we have made a public commitment to protecting human rights in all our business activities.

To realize the JAL Group Corporate Policy, we are working to reinforce respect for human rights across the Group by putting our action policy – the JAL Philosophy – into practice. Educating our workforce about human rights is a vital step in eliminating discrimination based on gender, age, nationality, race, ethnicity, religion, social status, disability, sexual orientation, gender identity, and other attributes. To address this issue, we are working to raise employee awareness of human rights through various internal educational programs, such as training courses for new hires and managers.

We have also established a number of hotlines that employees can use to report harassment that infringes human rights. To support our work in this area, we run e-learning courses for all JAL Group employees to give them a better understanding of actions that constitute sexual harassment and power harassment, aiming to ensure our personnel are never victims or perpetrators of harassment of any kind. We have also established clear rules and run internal training courses to prevent discrimination of employees who take maternity leave, childcare leave, family-care leave and other necessary breaks from work.

On March 25, 2016, the President released a message for all employees, calling for the Group to improve its understanding about the LGBT community (sexual minorities). We are taking a number of concrete steps in this area, including providing e-learning modules for all JAL Group employees, establishing a counseling hotline, and distributing “LGBT Ally” stickers for staff undergoing training to show their support for the LGBT community.



Supply Chain Initiatives

Building strong partnerships with suppliers

The JAL Group needs the cooperation and support of many suppliers to operate its flights and provide products and services to customers on a daily basis. As explained below, we are working to build strong partnerships with suppliers based on mutual trust by ensuring fair and transparent procurement activities. Showing our appreciation for the work carried out by suppliers is also a key part of our business relationships.

- 1. Fair and transparent procurement**
When selecting suppliers, we assess a broad range of factors, such as the company's reputation and its corporate social responsibility (CSR) initiatives, in addition to the quality and cost of its products and services and delivery performance. We also work to ensure fair and transparent procurement activities by offering numerous opportunities for many suppliers in Japan and overseas to do business with the JAL Group.
- 2. To ensure our customers access safe and reliable services in the lead-up to the 2020 Olympics and Paralympics in Tokyo, we will implement a range of environmental initiatives to support the creation of a sustainable society, such as sharply reducing CO₂ emissions from our aircraft and taking steps to reduce the effects of heat on our customers during the event.**
- 3. Promoting procurement based on CSR**
We are working with suppliers to promote procurement activities in line with the JAL Group CSR Policy. Specific initiatives are aimed at legal compliance, protecting the global environment, respecting human rights, appropriate labor practices, fair business practices, and responding to consumer issues.

JAL Group Supplier Code of Conduct

We established the JAL Group Supplier Code of Conduct in April 2016. The code, which is available in Japanese, English, and Chinese, is based on the principles of the United Nations Global Compact and covers four key areas: (1) human rights, (2) health and safety, (3) business management, and (4) the environment. We ask all our suppliers to understand and comply with the Supplier Code of Conduct.

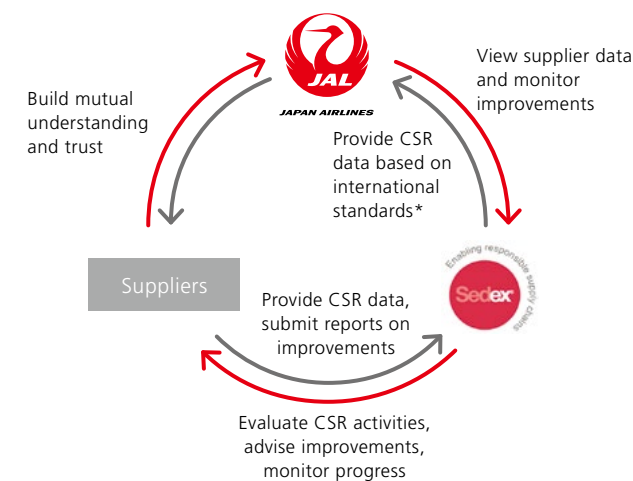
JAL Group Supplier Code of Conduct

Building a sustainable supply chain

In 2015, the JAL Group became a global member of the Sedex platform, operated by Sedex Information Exchange Limited, as part of our efforts to build a sustainable supply chain by promoting ethical and responsible supply chain business activities and strengthening risk management.

Sedex is a London-based NPO focusing on global supply chains. The NPO works to increase ethical business practices in supply chains through its online platform, which allows member companies to share information with customers and suppliers worldwide. Sedex also monitors efforts by suppliers to improve responsible practices.

The JAL Group primarily uses Sedex's CSR information platform for suppliers that provide products used directly by our customers, such as inflight meals and merchandise, but we are encouraging more of the Group's suppliers to become Sedex members to increase mutual understanding and trust.



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

Communication meetings* with suppliers

The JAL Group holds annual communication meetings with suppliers, primarily companies that indirectly provide materials to the Group. The meetings are used as a forum to ensure suppliers understand the Group's basic stance on procurement and to share information and ideas. In fiscal year 2016, a total of 46 companies participated in these meetings.

During these communication meetings, we explain the JAL Group's basic approach to procurement, the JAL Group Supplier Code of Conduct, and criteria that have to be met to secure orders. We also encourage suppliers to become members of Sedex and talk about ways of working with them to optimize the management and increase the competitiveness of the entire supply chain. Suppliers are also invited to join JAL Factory Tours-SKY MUSEUM to give them a deeper understanding of the JAL Group.

* Communication meetings with suppliers are held every year and are organized by the Procurement Division. Similar meetings are also run by the Airport Operations Division and the IT Planning Division.



A communication meeting for suppliers

Tokyo 2020 Olympics and Paralympics – JAL Group Action Plan

JAL has developed an action plan for the upcoming Tokyo 2020 Olympics and Paralympics in its role as an official partner in the passenger air transport services category. In addition to providing safe and reliable transport services to all competitors and parties involved in the Olympics and Paralympics, we aim to help make the event a success by implementing activities in the following six areas. We will also actively work to create a legacy for the public after the games have finished.



- (1) Nurture future generations through support for sports**
Help deepen understanding of issues facing the disabled and create a more caring society by using the Tokyo 2020 Paralympics as an opportunity to promote disabled sports in Japan.
- (2) Improve accessibility to generate demand**
Make travel more accessible for the disabled, the aged and other groups that face limitations in air travel.
- (3) Improve and promote the basic quality of our services (safety, on-time operations)**
Promote Japan's reputation for service quality in areas such as safety and on-time operations, particularly to overseas customers, to increase the number of visitors to Japan.
- (4) Create an eco-friendly society**
Implement a range of environmental initiatives to support the creation of a sustainable society, such as sharply reducing CO₂ emissions from our aircraft and taking steps to reduce the effects of heat on our customers during the event.
- (5) Grow inbound demand and revitalize regional economies**
Help revitalize regional economies by exploring and implementing ways of encouraging more of Japan's growing number of overseas visitors to see regional areas, not just the main venues in Tokyo.
- (6) Deliver a sophisticated customer experience**
In the lead-up to 2020, when the world's eyes will be on Japan, use advanced services and cutting-edge technologies to create an airline experience that inspires renewed excitement in air travel.

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.

Every employee in the JAL Group reinforces compliance by putting the JAL Philosophy into practice in their work each day. Employees also use the Group's Intranet to view a range of regulations and handbooks related to compliance, such as JAL Group Regulations on Preventing Insider Trading, the JAL Group Handbook on Protecting Personal Information, Information Security Action Handbook, Guide to the Antimonopoly Act, and Group Hotline Regulations.

We have also set up a Group Hotline with contact points in the Company and a law firm, which can be used by any person working in the JAL Group. This enables us to promptly identify and remedy cases of misconduct, power harassment and other issues, and reinforce compliance management.

We are implementing a wide range of initiatives to support this framework. We run classroom compliance training courses for all Group employees at our business sites, publish compliance newsletters four times each year, hold seminars about laws and regulations organized by the Legal Affairs Department, run practical exercises on how to deal with targeted email attacks and other threats, and provide e-learning on information security twice a year. Through these initiatives, we are working to foster a culture of compliance across the entire JAL Group, ensure business activities are in tune with accepted social standards and reduce legal risk.

In addition, an executive from each JAL Group company is given overall responsibility for compliance at their companies. They comprise the JAL Group Compliance Network, which is responsible for swiftly sharing relevant information and strengthening the compliance framework at each Group company. This includes sending email newsletters four times each year containing useful information, such as news about compliance developments inside and outside the Group and compliance case studies.

Risk Management

The JAL Group manages risks by dividing them into three categories: (1) corporate risks associated with management in general, 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, analyze and assess existing risks and implement appropriate measures to mitigate those risks.

1. Risk Management Committee

The Risk Management Committee is headed by the Executive Office of General Affairs, and primarily comprises general managers responsible for supervising operations departments. The Committee takes responsibility for overall risk management—encompassing corporate risks, operational risks, and strategic risks—to stabilize 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 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 of IT Planning, and comprises the leaders 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, with the Corporate Safety and Security Department serving as Secretariat, 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 committee under the Group Council for Safety Enhancement General Meeting, the Group Operational Safety Promotion Committee maintains and strengthens collaborative, safety-related measures among departments, divisions and Group airlines 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, leaders of departments responsible for JAL safety management appointed by the Chairperson, and Executive Officers responsible for safety at Group airlines.

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 leaders of relevant departments and divisions. The Committee identifies financial risks as appropriate and strives to facilitate improvements in corporate management. More specifically, it conducts regular simulations of financial conditions 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, it calculates the estimated financial impact and, if necessary, pursues collaborative responses with the Risk Management Committee.

Information Security Measures

An incident involving the unauthorized disclosure of personal information from the JAL Group occurred in September 2014. 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 caused to customers and other people affected by the breach. We responded by strengthening information security as a top priority and by taking steps to prevent any recurrence.

Specifically, we implemented previously planned information security measures ahead of schedule to establish a robust system to detect and monitor increasingly advanced and complex cyber-attacks, while continuing to upgrade preventive measures to the highest level.

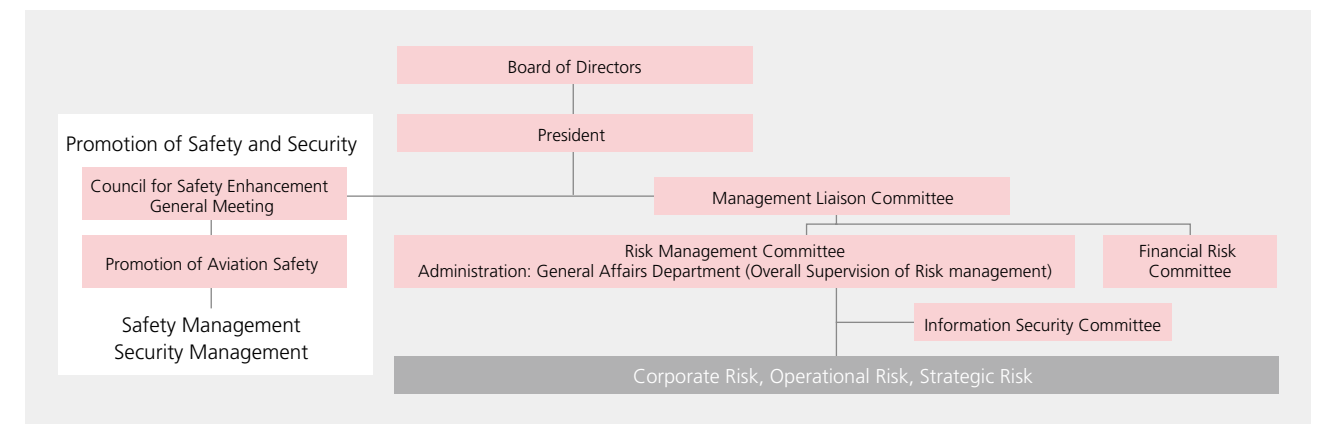
Business Continuity Plan (BCP)

When responding to specific risks that threaten our ability to fulfill our responsibilities as a provider of transport services to the public, such as pandemic influenza, unidentified infectious diseases, or 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 necessary to ensure the safety of our employees and their families and to maintain air transport operations essential to the JAL Group, including reservations, information provision, payments, and settlements. We conduct regular reviews and revisions as required to enhance practical application of the BCP.

During the outbreak of Ebola hemorrhagic fever in West Africa in 2014, we activated our BCP, which includes measures to respond to pandemic influenza or unidentified infectious diseases. We coordinated our response with relevant government 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 employees 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 exercises are conducted regularly throughout the JAL Group to foster staff awareness of risk management and reinforce preparedness for unexpected situations.

Risk Management System



CORPORATE GOVERNANCE

Basic Stance on Corporate Governance

The JAL Group aims to contribute to society through its business operations. As the leading company for safety in Japan's transport sector, we work to ensure safe operations – the cornerstone of our business – while offering the highest level of service to customers. We also endeavor to fulfill our economic responsibility to all stakeholders by generating an adequate level of profits through the provision of high-quality products and services based on fair competition, while also meeting our wider responsibilities to society.

In line with this thinking, 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 oversight, while at the same time engaging in rapid 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 oversight through the election of candidates for the positions of Director, Audit & Supervisory Board Member, and Executive Officer, decides their remuneration, and makes important decisions.

In order to separate the management oversight functions and business executive functions, the board appoints a Director who is not a business executive director as Chairperson, and an appropriate number of three or more External 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 External 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.

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 each fiscal year. The Company has also introduced a remuneration system for Directors (excluding External Directors) based on sound financial incentives designed to promote sustained growth.

External 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 External Directors" (described below) established by the Company are not appointed. Furthermore, one External Director among the External Directors is appointed Lead

Independent External Director to improve coordination with the Audit & Supervisory Board Members and internal divisions.

Board of Audit & Supervisory Board Members

The Board of Audit & Supervisory Board Members 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 dismissing accounting auditors and executing rights concerning auditors' remuneration.

Audit & Supervisory Board Members

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

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

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

Establishment of Various Committees

Corporate Governance Committee

(Chairperson: Kimie Iwata, Lead Independent External Director)
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 External Directors (Kimie Iwata, Eizo Kobayashi and Masatoshi Ito) in addition to Director and Chairperson Masaru Onishi.

Nominating Committee

(Chairperson: Masatoshi Ito, Director, External, Independent)
When submitting a proposal to the General Meeting of Shareholders concerning the appointment of candidates to the positions of Director and Audit & Supervisory Board Member, the Nominating Committee makes 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 External Directors (Kimie Iwata, Eizo Kobayashi and Masatoshi Ito), President Yoshiharu Ueki and Executive Vice President Tadashi Fujita.

Compensation Committee

(Chairperson: Eizo Kobayashi, Director, External, Independent)
The Compensation Committee discusses matters concerning the amounts of compensation paid to Directors, Executive Officers and Audit & Supervisory Board Members based on requests from the Board of Directors and reports back to the board. The Compensation Committee members are the same as the Nominating Committee members.

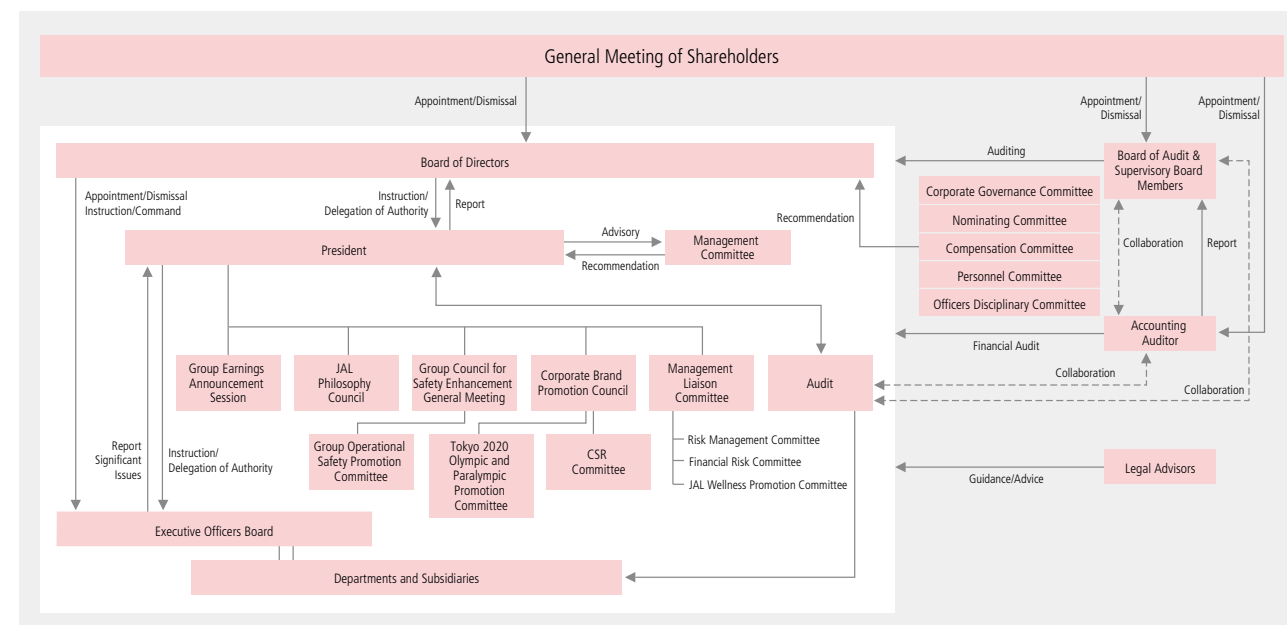
Personnel Committee

(Chairperson: Yoshiharu Ueki, President)
When appointing or dismissing 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, External, 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



Composition of Voluntary Committees

The Chairperson ◎ Board Member ○	Director, Chairperson Masaru Onishi	Representative Director, President Yoshiharu Ueki	Director Tadashi Fujita	External Director Kimie Iwata	External Director Eizo Kobayashi	External Director Masatoshi Ito
Corporate Governance Committee	○			◎	○	○
Nominating Committee		○	○	○	○	◎
Compensation Committee		○	○	○	◎	○
Personnel Committee		◎	○	○	○	○
Officers Disciplinary Committee		○	○	◎	○	○

Evaluating the Effectiveness of the Board of Directors

In accordance with the Fundamental Policies of Corporate Governance, the Company is working to improve the effectiveness of the Board of Directors in order to increase corporate value. In January 2017, as part of these efforts, the Company conducted its second survey of executives who participate in Board of Directors meetings to evaluate the effectiveness of the board. The results of the survey are discussed by the Board of Directors, which evaluates recommendations from the Corporate Governance Committee, passes resolutions on measures to resolve any anticipated issues and implements those measures.

1. Measures to Address Issues Highlighted by the Previous Survey

The previous survey on the effectiveness of the Board of Directors raised key issues related to discussions about medium- and long-term management strategy. In response, the Board of Directors continued to discuss and develop the new medium term management plan, which is due to start in fiscal year 2017. Steady progress was also made in several other areas, including enhanced reporting to the Board of Directors through regular reporting and timely and responsive reports on developments such as responses to the Kumamoto earthquakes. Information provided to External Directors was also improved through briefings and more opportunities for business site inspections.

2. Results of Second Survey

The survey confirmed that the Board of Directors needs to further expand the scope of discussion to improve the quality of discussion about medium- and long-term management strategy. The Board of Directors was praised for the dynamic nature of debate during meetings, but the results of the survey highlighted the need for broader and more active input from External Directors, and for greater information sharing with them about the airline industry and the operating environment. Another issue was procedures for holding meetings, notably the need to make resolution discussion points clearer to enhance the effectiveness of discussion by the Board of Directors.

3. Responses

The Board of Directors will clearly set out the broad strategic direction of the Group's management strategy and actively discuss topics such as business strategy, human resources development and Group-wide risk management as part of more active debate at meetings. It will also confirm whether the results of its discussions are reflected in strategy implementation.

We will continue to strengthen support systems for meeting-related procedures, such as ensuring the Board of Directors has access to appropriate materials for discussing resolutions and is adequately briefed. We will also work to enhance the quality of discussion by the Board of Directors by drawing on the expertise of External Directors and encouraging active contribution from company executives.

Standards for Independence of External Directors

We have set out the following standards to determine whether External Directors and External Audit & Supervisory Board Members qualify as independent (in principle, a person to whom none of the following apply shall be judged to be 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 External 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 External Directors

During the selection process for External 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 on the Standards for Independence of External Directors presented above.

Training Policy for Directors and Audit & Supervisory Board Members

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 Company provides opportunities for Audit & Supervisory Board Members to sufficiently understand their roles and responsibilities by providing corporate information and opportunities for participation in external training programs and associations, the cost of which is covered by the Company.

To give External Directors and External Audit & Supervisory Board Members a deeper understanding of the JAL Group, we arrange tours of airports, sales offices, maintenance facilities, flight operation offices, aircraft cabins, freight facilities and other sites and provide training on safety.

Remuneration Policy for Directors (excluding External Directors) and Executive Officers

Basic Policy

1. To support the sustained and steady growth of the Company and the JAL Group and to improve corporate value over the medium and long term, the Company will encourage the performance of duties consistent with its Corporate Policy and management strategies and provide strong incentives for the achievement of specific management targets.
2. To encourage a healthy entrepreneurial spirit, the Company will establish appropriate proportions for annual incentives (performance-linked bonuses) linked to fiscal year performance and for long-term incentives (performance-linked share-based remuneration) linked to corporate value in accordance with medium- to long-term performance, designed to promote alignment of interests with its shareholders.
3. The Company will reward the management team appropriately based on the Company's business performance.

Remuneration Levels and Composition

1. The Company will set appropriate remuneration levels based on the Company's operating environment and with reference to objective data on remuneration in the marketplace.
2. Taking into account factors including the position of the Company's business and the effectiveness of incentive remuneration, the Company sets proportions for (1) the amount of fixed basic remuneration*, (2) the amount of annual incentives (performance-linked bonuses) to be paid according to the degree of achievement against targets, and (3) the amount of long-term incentives (performance-linked share-based remuneration) to be issued according to the degree of achievement against targets, as follows:
Guideline in the case of 100% achievement against targets:
(1) : (2) : (3) = 50% : 30% : 20%
The above ratio is for guidance only and adjustments can be made to reflect changes in the price of the Company's shares or other factors.

* This amount excludes allowances in cases where an Executive Officer serves concurrently as a Director or where an Executive Officer has representative authority.

Framework for Incentive Remuneration

1. Annual incentives (performance-linked bonuses)

The amount to be paid every fiscal year as an annual incentive will vary from approximately 0 to 200 depending on the degree of achievement, with 100 representing the amount to be paid when achievement is in line with performance targets. The indices for evaluating performance will include profit attributable to owners of parent, indicators related to safe flight operations and individual evaluation indices for each officer. These indicators will be reviewed as necessary in accordance with changes in business conditions, the roles of officers and other factors.

2. Long-term incentives (performance-linked share-based remuneration)

The number of shares to be granted every fiscal year as a long-term incentive will vary from approximately 0 to 220 depending on the degree of achievement, with 100 representing the number to be granted when achievement is in line with performance targets. The performance evaluation period will be three years, with performance for three consecutive fiscal years evaluated every year. The indices for evaluating performance will be items prioritized in the medium term management plan, including consolidated operating margin, consolidated ROIC, and customer satisfaction. These items will be considered for review in every medium term management plan period.

With respect to common stock granted to eligible Directors and Executive Officers through the share-based remuneration plan, the Company will establish a target number of held shares for each position and impose limits on share sales in order to further promote the aligning of interests with shareholders.

Procedures for Determining Remuneration

Matters related to remuneration for Directors and Executive Officers will be decided by the Board of Directors following a deliberation and recommendation process by the Company's voluntarily established Compensation Committee. A majority of the members of the Compensation Committee will be External Directors and the Chairperson will be appointed from among the External Directors.

Succession Planning for Senior Management Positions

The Nominating Committee is responsible for examining succession plans for President and other senior management positions to ensure the Company realizes its Corporate Policy, medium- and long-term management strategies and management plan.

OUR EXTERNAL DIRECTORS DISCUSS JAL

JAL's Corporate Governance Continues to Evolve



The JAL Group Board of Directors includes three External Directors who monitor Group management and provide appropriate advice. Here, Kimie Iwata, our Lead Independent External Director who has observed the long rebuilding process of the JAL Group, takes the lead role in a discussion among our External Directors. They speak frankly as they give their opinions and suggestions, evaluating the current state of corporate governance, identifying relevant issues, and indicating their expectations of the JAL Group.

From the time of our bankruptcy up to now, what is your assessment of JAL's efforts in the area of corporate governance?



Kimie Iwata
External Director

Iwata: I think JAL's governance has reached a good standard through two key drivers. Firstly, right after the bankruptcy in 2010, JAL adopted the approach set out in the new Corporate Policy and the JAL Philosophy under the guidance of the then Chairman Dr. Kazuo Inamori. They provided a psychological reference point around which employees have been able to unite in their work. I believe this was very significant. Another important factor was the adoption of the business management techniques of the amoeba management system. One more major impetus was that the Corporate Governance Code, which was applied to Japanese corporations from June 2015, was discussed repeatedly by the Board of Directors in terms of how it should be applied to benefit management operations. As a result, the JAL Group took the approach of strengthening governance by complying fully with each principle of the Corporate Governance Code. Today, JAL has achieved compliance not just on paper but in practice. I believe these initiatives have made possible the stable standard of governance that JAL has reached.



Eizo Kobayashi
External Director

Kobayashi: The company went through an extremely difficult experience of a bankruptcy, but I am impressed by how it used the event as an opportunity to earnestly improve governance. I think there is no doubt that JAL is today one of Japan's leading companies in this area and can easily bear comparison with other corporations.

Ito: I also feel that the governance of the JAL Group has advanced considerably. To give a concrete example, while discussing the formulation of the New Medium Term Management Plan, which was launched in April 2017, and while working on the compensation system for Executive Officers, the External Directors benefited from effective information provision in advance. Also, our opinions are evaluated adequately by the Board of Directors. There is an approach of actively accepting a wide range of opinions, so that a free and frank exchange of views takes place at Board meetings.

And what is your assessment of the current state of corporate governance?

Iwata: The standard of governance has risen greatly in the past five years. There has also been an evident change in the operation of the Board of Directors. When I first took office as an External Director, matters of essential importance were decided by the Management Committee. Discussions at Board meetings simply followed the same line, and the time spent on these meetings was very short. Nowadays, practical matters can be left to the Management Committee or other executive councils so that more important discussions can take place at Board meetings. Among the outcomes of this improvement are the New Medium Term Management Plan and the new compensation system for Corporate Officers.



Masatoshi Ito
External Director

Kobayashi: In terms of information disclosure, as Mr. Ito said, External Directors receive ample briefing in advance so we can attend Board meetings equipped with a good understanding of the topics for discussion. In 2016, when the New Medium Term Management Plan was being drafted, we were involved in discussions from the brainstorming stage, and joined company directors in presenting our opinions on the plan. Through these discussions, we were able to further deepen our understanding of the JAL Group. It also gave us the opportunity to exchange opinions with executive officers who are not members of the Board of Directors. That was a very valuable experience for External Directors. My impression is that the JAL management team has a strong commitment to sharing information with External Directors and that their contact with us is based on an attitude of openness.

Iwata: Yes, I agree. Of the companies whose management I have been involved in, JAL has the most advanced attitude when it comes to information disclosure to External Directors. There is an open atmosphere in which External Directors can access information at any time. The fact that company directors and External Directors work alongside each other in the same open office is, I think, a good indication of this attitude. It allows us to exchange views at close quarters in an open atmosphere. We are also free to take part in meetings of all the executive councils, including the Management Committee, the once monthly Group Earnings Announcement Session, leader workshops, the Corporate Brand Promotion Council, and the Group Council for Safety Enhancement General Meeting. Moreover, if there are any unclear points in the materials we receive in advance or any other issue, we are given the opportunity to have it explained, which means that we can go to the meetings thoroughly prepared.

Ito: I agree. Having an advance briefing is a very efficient system and is very beneficial. If I were to ask for an improvement, it would be for the process leading to the adoption of items for discussion to be set out a bit more clearly.

Iwata: It's important that External Directors act as effective advisors to the president, and at the same time, that we bring to our roles individual strengths that we can make use of. I have previously been engaged in operations to promote corporate social responsibility and career advancement for women. I have drawn on this experience to give a considerable number of talks to JAL staff. The period before the bankruptcy must have been difficult in many ways. It would also have been inaccurate to say that JAL's corporate social responsibility initiatives were adequate. Today however, JAL is one of Japan's most progressive companies, having for instance been selected as a Nadeshiko Brand for three consecutive years. JAL is also tackling workstyle innovation, which is closely relevant to women's career advancement, by introducing telework and free-address offices among other things. For instance, the target of reducing overtime by half in two years has already been achieved across around 30% of all organizations, and the number of holidays increased by two days from the previous fiscal year. These are among the clear results of JAL's activities in the field of corporate social responsibility. When I see these improvements, I feel that I have fulfilled at least part of my duty as an External Director.

Kobayashi: My experience at a general trading company cannot be applied without modification to JAL, which is in a different industry, but I think there are definitely areas where I can make a contribution. For instance, general trading companies place emphasis on areas such as risk management and the allocation of management resources. Therefore, I think I can present opinions from the viewpoint of a general trading company in areas such as effecting major business transformation in a difficult market environment and carrying out risk management from a global perspective. I believe that I can also make increasing contributions in the strategy for new business domains that was presented under the heading JAL Focus in the new Medium Term Management Plan. I hope my suggestions will be incorporated effectively in management operations.

Ito: As mentioned in the JAL Group Corporate Policy, JAL is committed to providing unparalleled service, which clearly identifies JAL's work as being part of the service industry. Recognizing that corporate value arises from social value, JAL founds its basic value on safety, on-time operations, comfort, and convenience for the customer. But it would be difficult to stand out among the world's airline companies on the strength of basic values alone. So it's important to see how much added value JAL can deliver on the "soft" side. This means that it needs to refine the added value which is uniquely JAL and which goes beyond the basic values of safety, on-time operations, comfort, and convenience. For that reason, JAL needs to place the customer even more at the center of its operations and consistently deliver unparalleled service. I believe that thinking about what the customer wants from a long-term perspective will help to distil a uniquely JAL quality and enhance the JAL Group brand. In my work with a food manufacturer, I gave top priority to thinking about what the customer wanted and was always thinking about how we could deliver greater value. I think I can draw on this experience in the pursuit of quality that is uniquely JAL.

Iwata: To create value, and protect value from impairment, JAL has decided to center its business activity around the two pillars of safety and brand strategy. This approach is reflected in the councils and committees it operates. In addition to Board meetings and CSR Committee meetings, I attend meetings of the Group Council for Safety Enhancement General Meeting and the Corporate Brand Promotion Council to present my opinions.

Can you tell us about important tasks and responses for the future and your expectations of the JAL Group?



Kobayashi: JAL is one of Japan's leading companies in the area of corporate governance, but further strengthening and improvement of governance is always possible. To avoid being bound by conventional thinking and to think outside the box, one important point is to constantly apply the PDCA cycle so that corporate governance is addressed through the comprehensive abilities of the entire JAL Group. The introduction of a new compensation system for executive officers is one example of how things are taking shape, and I hope that we can continue implementing initiatives of this kind.

Iwata: The implementation of succession planning leaves room for improvement. In addition to serving as advisors to the president, I think that External Directors also need to work on revitalizing the Nominating Committee.

Ito: Recently, there has been a focus on how to integrate environmental, social, and corporate governance issues into management operations. I think that studying and responding to these issues is a self-evident duty of a corporate citizen. This is because JAL is able to continuously generate profits by operating a business that serves society. As the use of aircraft increases customer convenience, it can also generate interaction between people and produce other huge benefits. I would like to see each employee reflect more deeply than before on what constitutes JAL's business activities and what value it can bring to customers and society. In this way, JAL can proceed even more effectively with business activities that serve society across the whole of its value chain.

Iwata: I think that JAL's activities relating to the environment, society, and corporate governance are of a good standard, including when compared to those of other companies. But operating aircraft itself uses large amounts of resources and generates CO₂ emissions. Therefore, I look forward to seeing further improvement on the environmental front. Across all of its business activities, I think that JAL is a very honest company. On the other hand, it can be quite conservative in some aspects. It is important to conduct business activities honestly and reliably, of course, but personally I would like to see the company become a little more adventurous. The company succeeded in achieving good results from the previous medium term management plan, but merely carrying on the same things in the new Medium Term Management Plan will not lead to sustainable growth. As the keyword of the new Medium Term Management Plan is 'challenge,' I am excited about the future. I hope to see JAL become a company with a stronger spirit of challenge than ever before.

Profiles of External Directors

Kimie Iwata			Eizo Kobayashi			Masatoshi Ito		
April	1971	Joined the Ministry of Labor	April	1972	Joined ITOCHU Corporation	April	1971	Joined Ajinomoto Co., Inc.
August	2003	Retired from Ministry of Health, Labour and Welfare	June	2004	President and Chief Executive Officer of ITOCHU Corporation	April	2003	Representative Director, President of Ajinomoto Frozen Foods Co., Inc.
December		Full-time Advisor of Shiseido Company, Limited	April	2010	Representative Director Chairman of ITOCHU Corporation	June	2009	Representative Director, President & Chief Executive Officer of Ajinomoto Co., Inc.
June	2008	Representative Director, Executive Vice President, of Shiseido Company, Limited	July		External Audit & Supervisory Board Member of Asahi Mutual Life Insurance Company (to present)	June	2015	Representative Director & Chairman of the Board of Ajinomoto Co., Inc. (to present)
March	2012	Audit & Supervisory Board Member (External), Kirin Holdings Company, Limited	June	2011	Director Chairman of ITOCHU Corporation	February	2016	Chairman of the JAA Council, Japan Advertisers Association Inc. (to present)
June		Advisor of Shiseido Company, Limited	June	2013	Director (External), OMRON Corporation (to present)	June		External Director of the Company (to present)
July		External Director of the Company (to present)	June	2015	External Director of the Company (to present)	June		External Director of Yamaha Corporation (to present)
July		President of Japan Institute for Women's Empowerment & Diversity Management (to present)	June	2016	Chairman of ITOCHU Corporation (to present)			
October	2015	Audit and Inspection Commissioner of the Tokyo Metropolitan Government (to present)			External Director of Japan Exchange Group, Inc. (to present)			
March	2016	Director of the Board (External), Kirin Holdings Company, Limited (to present)						
April		External Director of STRIPE INTERNATIONAL INC. (to present)						

BOARD OF DIRECTORS AND OFFICERS

Directors



A

Masaru Onishi
Director, Chairman

B

Yoshiharu Ueki
Representative Director, President
Chairman of the Management Committees,
Chairman of the Council for Group Safety Enhancement,
Chairman of the Corporate Brand Promotion Council,
Chairman of the JAL Philosophy Committee

C

Tadashi Fujita
Representative Director,
Executive Vice President
Aide to the President,
Chief Wellness Officer,
Chairman of the JAL Wellness
Promotion Committee

D

Junko Okawa
Representative Director, Senior Managing Executive Officer
General Manager of the Communication Division,
Chairman of the Committee for Tokyo 2020 Olympic and Paralympic Promotion,
Chairman of the CSR Committee

J

Masatoshi Ito
External Director

I

Eizo Kobayashi
External Director

H

Kimie Iwata
External Director

E

Norikazu Saito
Director, Senior Managing
Executive Officer
General Manager of the
Finance & Accounting Division

F

Hideki Kikuyama
Director, Senior Managing
Executive Officer
General Manager of the Managing
Division Route Marketing





G

Toshinori Shin
Director, Senior Managing
Executive Officer
General Manager of the Flight Operations Division,
Safety General Manager

BOARD OF DIRECTORS AND OFFICERS

(As of July 1, 2017)	
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 External Director for the Japan Airport Terminal Co., Ltd., Chairman of the JAL Foundation and Representative Director of the Air Traffic Service Research Institute (ATSRI).
Yoshiharu Ueki Representative Director, President Chairman of the Management Board Meeting, Chairperson of the Council for Group Safety Enhancement, Chairman of the Corporate Brand Promotion Council, Chairman of the JAL Philosophy 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 have been 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.
Tadashi Fujita Representative Director, Executive Vice President, Executive Officer Aide to the President, Chief Wellness Officer, Chairman of the JAL Wellness Promotion Committee	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 Managing Division Passenger Sales, 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.
Junko Okawa Representative Director, Senior Managing Executive Officer General Manager of the Communication Division, Chairman of the Committee for Tokyo 2020 Olympic and Paralympic Promotion, Chairman of the CSR Committee	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 as Senior Managing Executive Officer and General Manager of the Communication Division, she is contributing substantially to implementing promotional measures designed to raise the JAL Brand values ahead of the Tokyo 2020 Olympic and Paralympic Games.
Norikazu Saito Director, Senior Managing Executive Officer General Manager of the Finance and Accounting Division	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 the Finance and Accounting Division, 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.
Hideki Kikuyama Director, Senior Managing Executive Officer General Manager of the 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 Director, Senior Managing Executive Officer and General Manager of the Managing Division Route Marketing, he is using his expertise to assess and implement improvement and stabilization of reliable route revenues and expenditures.
Toshinori Shin Director, Senior Managing Executive Officer General Manager of the Flight Operations Division, Safety General Manager	While employed as a flight crew member, Director Shin acquired considerable workplace experience and insight into flight safety. Today, as Director, Senior Managing Executive Officer, General Manager of the Flight Operations Division and Safety General Manager, he is applying his highly developed management perspectives and capabilities to overcoming challenges and achieving a wide range of targets at Headquarters.
Kimie Iwata Independent External Director	External 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, an audit and inspection commissioner for the Tokyo Metropolitan Government and Director of the board (External) of Kirin Holdings Company, Limited, among other capacities.
Eizo Kobayashi Independent External Director	External 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, External Director of OMRON Corporation and External Auditor of Asahi Mutual Life Insurance Co., among other capacities.
Masatoshi Ito Independent External Director	External 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., President of the Japan Advertisers Association Inc. and External Director of Yamaha Corporation, among other capacities.

Audit & Supervisory Board Members

(As of July 1, 2017)	
	Hisao Taguchi Audit & Supervisory Board Member Mr. Taguchi has served in various departments, 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.
	Yasushi Suzuka Audit & Supervisory Board Member 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.
	Hiroyuki Kumasaka Audit & Supervisory Board Member (Independent External 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 External Auditor in March 2011.
	Shinji Hatta Audit & Supervisory Board Member (Independent External Auditor) Professor Hatta is an authority on financial auditing and corporate internal control and has served as an External 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.
	Osamu Kamo Audit & Supervisory Board Member (Independent External 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.

Executive Officers

(As of July 1, 2017)

MANAGING EXECUTIVE OFFICERS

Nobuyoshi Gondo General Manager, Corporate Safety & Security, Family Assistance & Support	Yuji Akasaka General Manager, Engineering & Maintenance, President, JAL Engineering Co., Ltd.
Ryuzo Toyoshima General Manager, Corporate Control	Hideo Ninomiya General Manager, Managing Division Passenger Sales, General Manager, Domestic Passenger Sales, President, JAL Sales Co., Ltd.
Shinichiro Shimizu General Manager, Secretary's Office	Tadao Nishio General Manager, Corporate Planning

EXECUTIVE OFFICERS

Tetsuya Onuki President, J-AIR Co., Ltd.	Hideki Oshima Managing Division Route Marketing (International Relations and Alliances)
Munemitsu Erikawa Senior Vice President, China, Vice President and Regional Manager, Beijing	Eri Abe General Manager, Cabin Attendants
Kiyoshi Marukawa President, Japan Transocean Air Co., Ltd.	Kazuko Yashiki Vice President, Haneda Airport, President, JAL Sky Co., Ltd.
Akira Yonezawa General Manager, Managing Division Route Marketing (International Route Marketing)	Takuya Oda General Manager, Human Resources
Toshiki Oka General Manager, IT Planning	Yoriyuki Kashiwagi Deputy General Manager, Managing Division Passenger Sales General Manager, International Passenger Sales, General Manager, Web Sales Senior Vice President for Eastern Japan Area
Hiroyuki Hioka General Manager, General Affairs	Hiroo Iwakoshi General Manager, Cargo & Mail
Hidetsugu Ueda Human Resources, in charge of Education, Vice President, Human Resources Management	Atsushi Maeda General Manager, Procurement
Hoshiko Nakano Senior Vice President for Western Japan Area	Yasuyuki Sato Managing Division Route Marketing (Products and Services Planning)
Hiroki Kato President, Japan Air Commuter Co., Ltd.	Shunsuke Honda Managing Division Route Marketing (Domestic Route Marketing)
Tomohiro Nishihata Managing Division Route Marketing (Passenger System Planning) Deputy General Manager of Digital Innovation Promotion	William Hiroyuki Saito Digital Innovation Promotion
Takahiro Abe General Manager, Airport Operations	

Financial / Data Section

Financial information, ESG data, and
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FINANCIAL DATA — SIX-YEAR SUMMARY

			Billions of yen				Thousands of U.S. dollars*1
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016
Years ended March 31							
Operating revenue	1,204.8	1,238.8	1,309.3	1,344.7	1,336.6	1,288.9	11,489,143
Operating expenses	999.8	1,043.5	1,142.5	1,165.0	1,127.4	1,118.6	9,970,888
Operating income	204.9	195.2	166.7	179.6	209.1	170.3	1,518,245
Ordinary income	197.6	185.8	157.6	175.2	209.2	165.0	1,470,835
Profit attributable to owners of parent	186.6	171.6	166.2	149.0	174.4	164.1	1,463,356
Cash flow from operating activities	256.6	264.8	247.9	261.1	312.3	253.1	2,256,466
Cash flow from investing activities*2	-62.4	-129.0	-166.7	-199.2	-207.2	-215.5	-1,921,436
Cash flow from financing activities	-274.4	-60.6	-61.9	-67.3	-49.6	-53.5	-477,145
Free cash flow*3	194.1	135.8	81.2	61.8	105.1	37.5	335,020
Depreciation and amortization	81.2	81.0	82.7	85.8	88.5	95.7	853,703
EBITDA*4	286.1	276.2	249.5	265.5	297.7	266.1	2,371,949
EBITDAR	318.4	307.1	281.0	292.7	321.1	286.2	2,551,804
Capital investment (Purchase of non-current assets)	98.6	121.8	164.5	198.6	210.6	233.1	2,077,948
As of fiscal year-end							
Total assets	1,087.6	1,216.6	1,340.1	1,473.3	1,578.9	1,728.7	15,409,368
Net assets	413.8	583.1	711.0	800.7	870.5	1,003.3	8,943,693
Interest-bearing debt	208.4	160.1	134.2	100.5	92.6	116.0	1,034,602
Shareholders' equity	388.5	565.0	690.2	776.4	843.0	972.0	8,664,444
Per share data (yen, U.S. dollars)*5							
Profit attributable to owners of parent	514.52	473.36	458.45	411.06	481.29	456.56	4.06
Net assets	1,071.19	1,558.15	1,903.53	2,142.00	2,325.79	2,749.71	24.5
Dividends	—	95.00	80.00	104.00	120.00	94.00	0.8
Average number of shares during the fiscal year (thousands of shares)	362,704	362,671	362,639	362,584	362,500	359,594	—
Key Performance Indices							
Operating margin (%)	17.0	15.8	12.7	13.4	15.7	13.2	—
ROE (%)	63.6	36.0	26.5	20.3	21.5	18.1	—
ROA (%)	17.9	16.9	13.0	12.8	13.7	10.3	—
Equity ratio (%)	35.7	46.4	51.5	52.7	53.4	56.2	—
D/E ratio (Times)	0.5	0.3	0.2	0.1	0.1	0.1	—
EBITDA margin (%)*6	23.8	22.3	19.1	19.8	22.3	20.6	—
EBITDAR margin (%)*7	26.4	24.8	21.5	21.8	24.0	22.2	—
Unit cost (yen)*8	8.3	8.4	8.6	8.7	9.1	9.4	—
Unit cost (yen) (Including fuel cost)	11.3	11.5	12.2	12.3	11.7	11.7	—
Dividend payout ratio (%)	—	20.1	17.5	25.3	24.9	20.2	—
Number of employees	30,875	30,882	31,472	31,534	31,986	32,753	—
Business data							
International passenger operations							
Passenger revenues	385.2	406.6	437.5	454.8	448.7	415.2	3,701,025
Available seat kms (million seat kms)*9, 11	43,036	44,745	46,235	47,696	50,563	50,621	—
Revenue passenger kms (million passenger kms)*10, 11	30,313	34,036	35,390	36,109	40,305	40,633	—
Revenue passengers carried (1,000)*11	6,844	7,525	7,723	7,793	8,460	8,394	—
Revenue passenger load factor (%)*11	70.4	76.1	76.5	75.7	79.7	80.3	—
Yield (yen)*10, 11	12.7	11.9	12.4	12.6	11.1	10.2	—
Unit revenue (yen)*11	9.0	9.1	9.5	9.5	8.9	8.2	—
Domestic passenger operations							
Passenger revenues	481.1	485.2	487.4	487.5	501.2	498.6	4,444,495
Available seat kms (million seat kms)*9	35,523	36,443	37,084	36,306	35,869	35,423	—
Revenue passenger kms (million passenger kms)*10	22,264	23,012	23,745	23,993	24,341	24,550	—
Revenue passengers carried (1,000)	28,965	30,020	31,218	31,644	32,114	32,570	—
Revenue passenger load factor (%)	62.7	63.1	64.0	66.1	67.9	69.3	—
Yield (yen)	21.6	21.1	20.5	20.3	20.6	20.3	—
Unit revenue (yen)	13.5	13.3	13.1	13.4	14.0	14.1	—
International cargo operations							
Cargo revenue	53.7	50.4	54.2	60.3	54.2	43.3	386,225
Revenue cargo ton-km (million ton kms)	1,314	1,378	1,512	1,754	1,724	1,887	—
Domestic cargo operations							
Cargo revenue	25.0	25.0	25.4	24.2	23.3	22.2	198,413
Revenue cargo ton-km (million ton kms)	355	360	366	356	363	357	—

*1 US dollar amounts are provided for convenience only, based on the exchange rate of ¥112.19/USD on March 31, 2017.

*2 Excluding deposits and withdrawals from deposit accounts

*3 Free cash flow = Cash flow from operating activities + Cash flow from investing activities

*4 EBITDA = Operating income + Depreciation expense

*5 Japan Airlines Co., Ltd. conducted a 2-for-1 stock split on October 1, 2014. Figures for profit per share, net assets per share and dividend per share have been calculated assuming the stock split was conducted at the start of fiscal 2011.

*6 EBITDA margin = EBITDA/Operating revenue

*7 EBITDAR margin = EBITDAR/Operating revenue
EBITDAR = Operating income + Depreciation expense + Aircraft lease

*8 Unit cost = Consolidated air transport cost (excluding fuel costs and fuel costs for resale to a related company)/ASK

*9 ASK (available seat kilometers). A unit of passenger transport capacity: Total number of seats x Distance flown (kms)

*10 RPK (revenue passenger kilometers). Total flight distance covered by revenue passengers: Number of revenue passengers x Distance flown (kms).

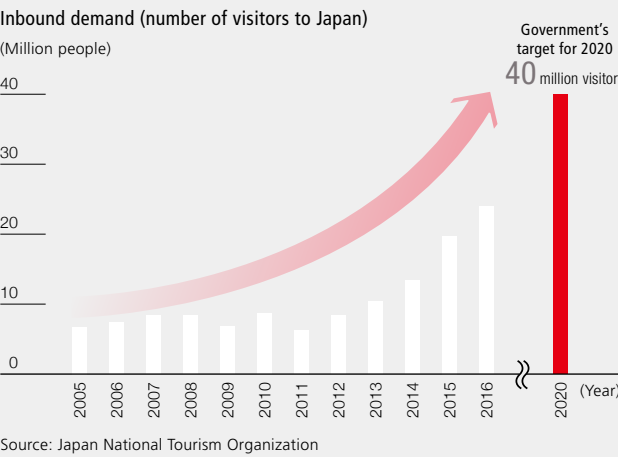
*11 From fiscal 2015, revenue passengers carried, revenue passenger kilometers, available seat kilometers and load factor include codeshare tickets sold by other companies for JAL-operated flights.

EVALUATION AND ANALYSIS OF FINANCIAL CONDITIONS

Economic Conditions

Economic trends in Japan and overseas affect demand for the JAL Group's passenger and cargo services. In the fiscal year ended March 31, 2017 (fiscal 2016), the Japanese economy continued to recover at a moderate pace, supported by an improving employment and income environment. However, growth in consumer spending and capital investment lacked momentum. Overseas, there were signs of weakness in resource-producing countries and in emerging economies in Asia, including slower growth in China.

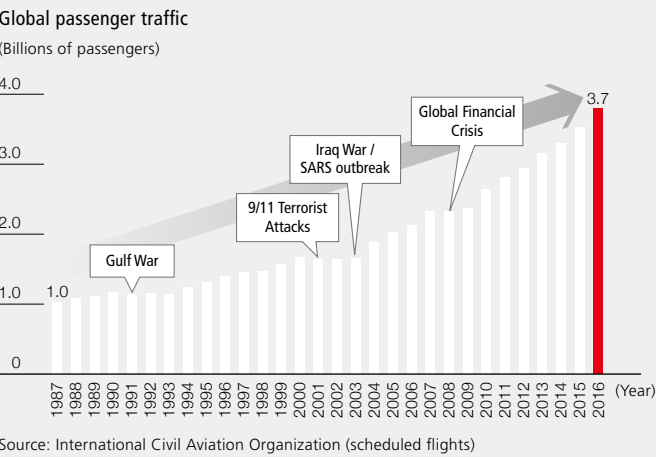
Crude oil prices, which impact our fuel procurement costs, the Group's international passenger revenues and international cargo revenues, were lower than the level in the previous fiscal year, but fuel prices started to rise from December 2016 after the Organization of the Petroleum Exporting Countries (OPEC) agreed to cut back production. In the first three quarters of the fiscal year, the



Japanese yen strengthened against the US dollar, but weakened from December 2016 amid growing expectations that the Federal Open Market Committee (FOMC) would raise interest rates.

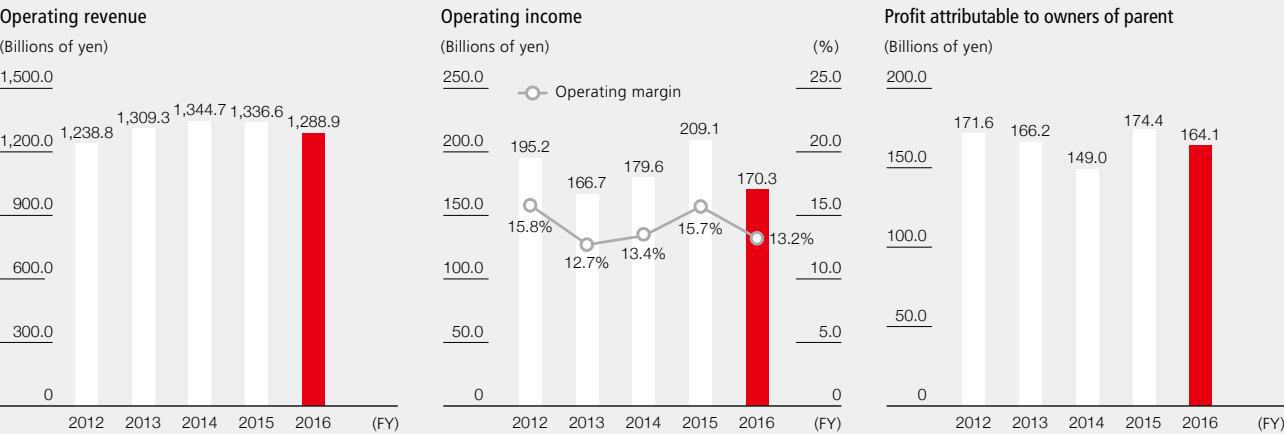
In 2016, global passenger traffic (scheduled flights) continued to grow overall, reaching 3.79 billion passengers, partly due to the entry of more low-cost carriers (LCC) into the air travel market (source: ICAO).

According to the Japan National Tourism Organization (JNTO), roughly 24 million people visited Japan in 2016. The Japanese government is aiming to increase the number of visitors to 40 million in 2020. In addition to providing overseas travel services to Japanese customers, the JAL Group will step up efforts to tap into this projected growth in inbound demand.



an operating margin of more than 10% for five consecutive fiscal years and an equity ratio of 50% or higher at the end of fiscal 2016.

As a result, consolidated operating revenue declined 3.6% year on year to 1,288.9 billion yen, operating expenses fell 0.8%



Analysis of Consolidated Operating Results

1. Earnings Summary

Operating revenue

¥1,288.9 billion

Operating income

¥170.3 billion

Profit attributable to owners of parent

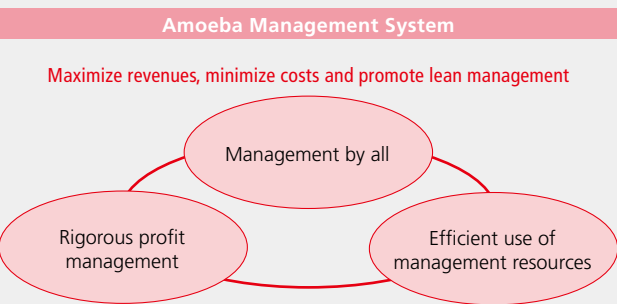
¥164.1 billion

JAL Group

The JAL Group comprises Japan Airlines Co., Ltd. (JAL), 81 subsidiaries and 56 affiliated companies.

Operating in the economic climate described above, the JAL Group worked towards its Rolling Plan 2016 in the JAL Group Medium Term Management Plan for Fiscal Years 2012 – 2016. Specifically, the Group focused on instilling greater focus on profits among its staff through the JAL Philosophy and amoeba management system and worked to improve management efficiency to provide the highest level of service to customers, backed up by a firm commitment to operational safety.

To achieve the targets in the Medium Term Management Plan, the Group focused on three key areas – safety, customer satisfaction and finance. While some safety and customer satisfaction targets were missed, the Group achieved two key financial goals:



In fiscal 2016, consolidated operating revenues declined 3.6% year on year to 1,288.9 billion yen, reflecting a drop in fuel surcharge revenues and a negative impact from the stronger yen on international routes and falling prices on domestic routes amid competition from other carriers.

Operating expenses decreased 0.8% year on year to 1,118.6 billion yen. Maintenance costs and personnel costs increased, but fuel costs declined due to the stronger yen and lower fuel prices. The Group also continued cost reduction efforts from the previous fiscal year using its amoeba management system and other approaches.

Consolidated operating income fell 18.6% year on year to 170.3 billion yen and profit attributable to owners of parent declined 5.9% to 164.1 billion yen.

Fiscal 2016 Consolidated Operating Results				
	Fiscal 2015	Fiscal 2016	YoY change (billions of yen)	YoY change (%)
Operating revenue	1,336.6	1,288.9	-47.6	-3.6
Air transportation segment	1,205.2	1,159.3	-45.8	-3.8
Operating expenses	1,127.4	1,118.6	-8.8	-0.8
Air transportation segment	1,014.3	1,006.2	-8.1	-0.8
Operating income	209.1	170.3	-38.8	-18.6
Air transportation segment	190.8	153.1	-37.6	-19.7
Operating margin (%)	15.7	13.2	-2.4pt	—
Ordinary income	209.2	165.0	-44.2	-21.1
Profit attributable to owners of parent*1	174.4	164.1	-10.2	-5.9
ASK (million seat kilometers)*2	86,432	86,045	-387	-0.4
RPK (million passenger kilometers)*3	64,647	65,183	+535	+0.8
EBITDA margin (%)*4	22.3	20.6	-1.6pt	—
EBITDAR margin (%)*5	24.0	22.2	-1.8pt	—
Unit cost (yen)*6	9.1	9.4	+0.3	+3.2
Including fuel	11.7	11.7	-0.0	-0.4

*1 Profit attributable to owners of parent

*2 ASK (available seat kilometers). A unit of passenger transport capacity: Total number of seats x Distance flown (kms)

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

*4 EBITDA margin = EBITDA/Operating revenue

EBITDA = Operating income + Depreciation expense

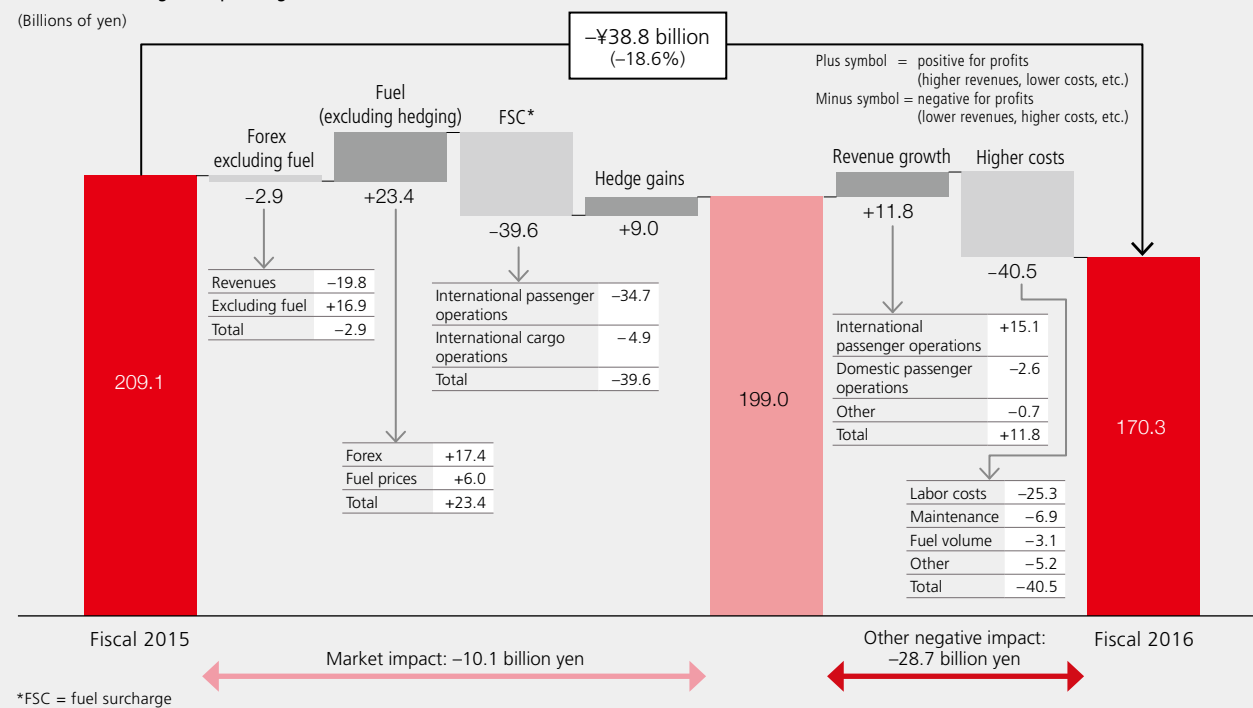
*5 EBITDAR margin = EBITDAR/Operating revenue

EBITDAR = Operating income + Depreciation expense + Aircraft lease

*6 Unit cost = Consolidated air transport cost (excluding fuel costs) / ASK

Fiscal 2016 Changes in operating income

(Billions of yen)



2. Segment Earnings

(1) Air transportation segment

Operating revenue ¥1,159.3 billion Operating income ¥153.1 billion

In the air transportation segment, operating revenue declined 3.8% year on year to 1,159.3 billion yen and operating income fell 19.7% to 153.1 billion yen.

* Figures for operating revenue and operating income are before elimination of intra-segment transactions.

Air transportation segment sales by business

	(Millions of yen)		
	Fiscal 2015	Fiscal 2016	YoY change (%)
International passenger operations	514,237	468,017	91.0
Passenger revenues	448,780	415,218	92.5
Cargo revenues	54,273	43,334	79.8
Mail service revenues	10,337	8,699	84.2
Luggage revenues	845	764	90.4
Domestic passenger operations	528,511	525,150	99.4
Passenger revenues	501,274	498,628	99.5
Cargo revenues	23,363	22,260	95.3
Mail service revenues	3,575	3,959	110.7
Luggage revenues	297	301	101.2
Other revenues	162,453	166,224	102.3
Total	1,205,202	1,159,392	96.2

① International passenger operations

	Fiscal 2015	Fiscal 2016	YoY change (%)
Passenger revenues (billion yen)	448.7	415.2	-7.5
ASK (million seat kilometers)	50,563	50,621	+0.1
RPK (million passenger kilometers)	40,305	40,633	+0.8
Revenue passengers carried (1,000)	8,460	8,394	-0.8
Load factor (%)	79.7%	80.3%	+0.6pt
Yield*1 (yen)	11.1	10.2	-8.2
Unit revenue*2 (yen)	8.9	8.2	-7.6
Revenue per passenger*3 (yen)	53,047	49,461	-6.8

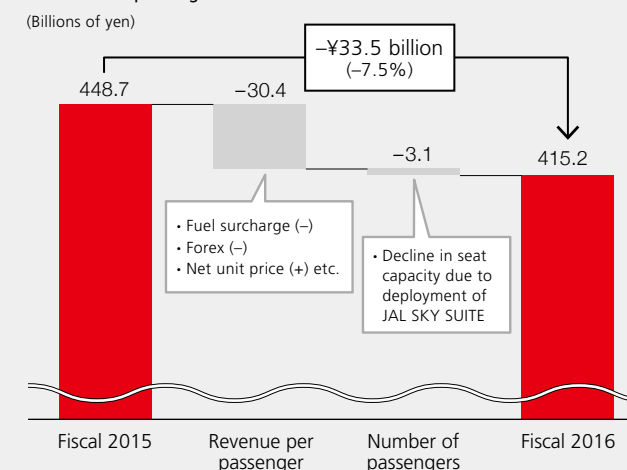
*1 Yield = Passenger revenues / RPK

*2 Unit revenue = Passenger revenues / ASK

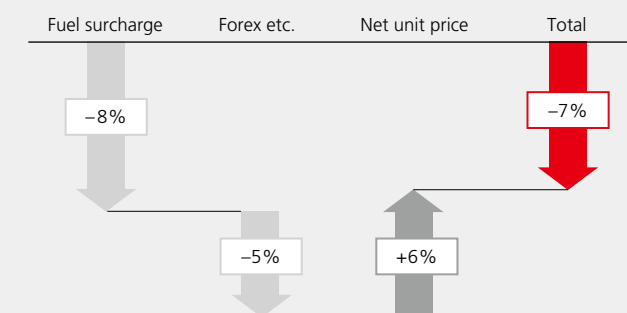
*3 Revenue per passenger = Passenger revenues / Passengers

International passenger revenues

(Billions of yen)



Factors affecting unit prices (estimate)



In route operations, the Group increased the number of flights on some routes in response to strong demand, such as Narita = Honolulu, Kansai = Honolulu and Narita = Bangkok. In alliances with other carriers, Iberia joined the Group's joint business on flights between Japan and Europe and Iberia began offering JAL codeshare flights on its Narita = Madrid route. China Airlines also expanded its codeshare agreement with JAL to all flights between Japan and Taiwan, while Russian airline S7 started codeshare flights on routes between Moscow and Novosibirsk, Tyumen, Kaliningrad, and Omsk, helping to extend the reach of the JAL route network.

In products, we steadily introduced aircraft with the JAL SKY SUITE configuration onto more routes. The new configuration has a full-flat seat in business class and "New Spacious Economy" seats in economy class.

In marketing and services, FlightStats, Inc. named JAL the most punctual major airline in the Asia-Pacific region in 2016 on both domestic and international routes. JAL also received FlightStats' top award for network performance.

Revenues from international routes by geographic segment

• Passenger revenues (%)

	Fiscal 2016 YoY change	Share of total	
		Fiscal 2015	Fiscal 2016
America	-4.3	25	26
Europe	-6.6	15	15
Asia / Oceania	-10.6	35	34
China	-15.5	11	10
Hawaii / Guam	+0.3	14	15
All routes / total	-7.5	100	100

• ASK (Million seat kilometers)

	Fiscal 2015	Fiscal 2016	YoY change (%)
America	13,282	14,322	+7.8
Europe	7,660	7,490	-2.2
Asia / Oceania	18,102	17,836	-1.5
China	3,454	3,506	+1.5
Hawaii / Guam	8,064	7,465	-7.4
All routes	50,563	50,621	+0.1

• RPK (Million passenger kilometers)

	Fiscal 2015	Fiscal 2016	YoY change (%)
America	10,497	11,335	+8.0
Europe	5,801	5,976	+3.0
Asia / Oceania	14,639	14,371	-1.8
China	2,453	2,577	+5.1
Hawaii / Guam	6,913	6,372	-7.8
All routes	40,305	40,633	+0.8

• Revenue passengers carried (1,000)

	Fiscal 2015	Fiscal 2016	YoY change (%)
America	1,112	1,194	+7.4
Europe	641	660	+3.0
Asia / Oceania	4,208	4,047	-3.8
China	1,307	1,381	+5.7
Hawaii / Guam	1,190	1,109	-6.8
All routes	8,460	8,394	-0.8

• Load factor (%)

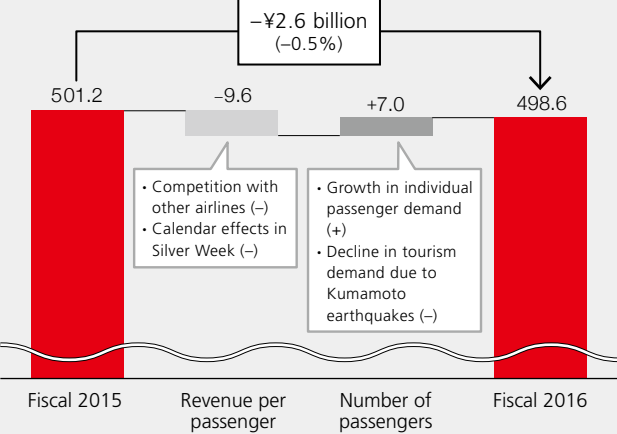
	Fiscal 2015	Fiscal 2016	YoY change (pt)
America	79.0	79.1	+0.1
Europe	75.7	79.8	+4.1
Asia / Oceania	80.9	80.6	-0.3
China	71.0	73.5	+2.5
Hawaii / Guam	85.7	85.4	-0.4
All routes	79.7	80.3	+0.6

② Domestic passenger operations

	Fiscal 2015	Fiscal 2016	YoY change (%)
Passenger revenues (billion yen)	501.2	498.6	-0.5
ASK (million seat kilometers)	35,869	35,423	-1.2
RPK (million passenger kilometers)	24,341	24,550	+0.9
Revenue passengers carried (1,000)	32,114	32,570	+1.4
Load factor (%)	67.9%	69.3%	+1.4pt
Yield* ¹ (yen)	20.6	20.3	-1.4
Unit revenue* ² (yen)	14.0	14.1	+0.7
Revenue per passenger (yen)* ³	15,609	15,309	-1.9

*1 Yield = Passenger revenues / RPK
 *2 Unit revenue = Passenger revenues / ASK
 *3 Revenue per passenger = Passenger revenues / Passengers

Domestic passenger revenues
(Billions of yen)



(2) Other Businesses

In other businesses, we worked to maximize the corporate value of the JAL Group by improving convenience for customers. Financial results for the two main companies in this segment were as follows.

JALPAK Co., Ltd. worked to increase sales by rapidly launching new products, offering more high-value-added products and rolling out well-timed marketing campaigns in line with changing demand. Also, to capture growing inbound demand, the company began sales of the JAL Visit Japan Dynamic Package for overseas visitors to Japan. Despite upgrades to the smartphone online booking system to improve usability and active promotion of business class and premium economy class tickets, the number of passengers handled by JALPAK for travel to overseas destinations declined year on year amid weak demand for trips to Europe and a drop in available seats on flights to Honolulu due to the introduction of new aircraft. The number of passengers handled by JALPAK for domestic destinations increased year on year. Growth was supported by a campaign

In route operations, the Group introduced the Embraer 190 on domestic routes, the first regional jet with JAL's Class J configuration. The aircraft was initially introduced onto the Itami = Kagoshima route, followed by Itami = Sendai, Itami = Fukuoka and Itami = Nagasaki in an effort to improve passenger comfort on Itami routes.

In products, we completed the roll out of the JAL SKY NEXT configuration on all 77 aircraft that were earmarked for the upgrade. We also ran a Stay Connected for Free Campaign on all flights equipped with in-flight Wi-Fi services, delivering greater comfort for passengers.

In marketing and services, we introduced a new service called Go Somewhere with Miles, aiming to generate new demand for travel to regional Japan and further stimulate domestic air travel. We also fully refurbished Sakura Lounges at New Chitose, Naha, Fukuoka and Hiroshima airports, and added new Diamond Premier Lounges – the highest grade of passenger lounge on our domestic network – at New Chitose, Itami and Fukuoka airports.

promoting cheaper JAL airfares to Kyushu, stepped up sales and procurement activities and effective online marketing that led to strong demand for the JAL Dynamic Package.

	Fiscal 2015	Fiscal 2016	YoY change (%)
Overseas travelers handled (1,000)	243	241	99.4
Domestic travelers handled (1,000)	2,429	2,510	103.3
Operating revenue (billions of yen)*	172.2	172.5	100.2

* Before elimination of consolidated transactions

JAL CARD, Inc. stepped up efforts to sign up new members, running effective marketing campaigns using online advertising and direct mail and accepting credit card applications at airports and bank branches using tablet PCs. As a result of those efforts, the number of cardholders increased year on year. Also, the company enhanced services for cardholders with the launch of

MyJALCARD, a dedicated online service that customers can access after signup. The number of transactions was firm, supported by an increase in the number of retail partners offering double miles on purchases and initiatives to sign up or encourage members to switch to more prestigious cards.

	Fiscal 2015	Fiscal 2016	YoY change (%)
Number of Cardholders (1,000)	3,129	3,272	104.5
Operating revenue (billions of yen)*	20.4	20.4	100.1

* Before elimination of consolidated transactions

3. Analysis of Factors Affecting Operating Expenses

Operating expenses **¥1,118.6** billion

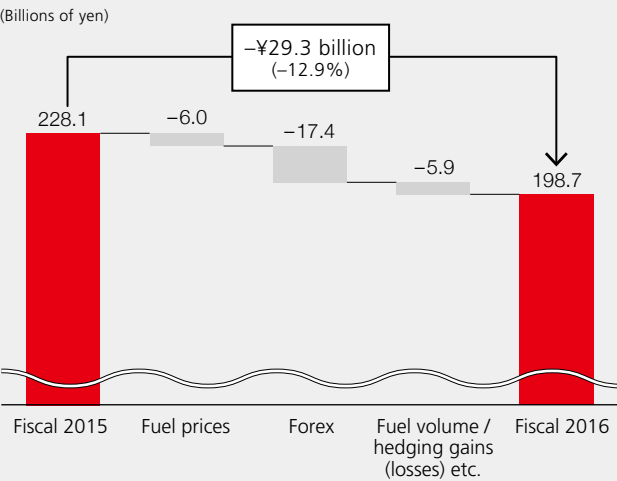
Breakdown of main operating expenses

	Fiscal 2015	Fiscal 2016	YoY change (Billions of yen)	YoY change (%)
Fuel costs	228.1	198.7	-29.3	-12.9
Landing and navigation fees	82.2	81.1	-1.1	-1.4
Maintenance costs	47.9	48.9	+1.0	+2.2
Air transport sales commissions* ¹	24.4	15.9	-8.4	-34.7
Aircraft costs* ²	98.4	100.4	+1.9	+2.0
Service costs* ³	36.3	37.9	+1.6	+4.6
Personnel costs	249.9	273.3	+23.3	+9.3
Travel agency costs	82.3	81.5	-0.8	-1.0
Other	277.5	280.4	+2.8	+1.0
Total operating expenses	1,127.4	1,118.6	-8.8	-0.8

*1 From fiscal 2016, international cargo operation sales commissions are offset by cargo revenues.
 *2 Aircraft costs = Depreciation + Leasing fees + Insurance premiums and Other costs related to aircraft.
 *3 Service costs = Costs related to in-flight services, Airport lounges, Cargo and other items.

Operating expenses decreased 0.8% year on year to 1,118.6 billion yen. Maintenance costs and personnel costs increased, but fuel costs declined due to the stronger yen and lower fuel prices. The Group also continued to implement cost reduction efforts from the previous fiscal year using its amoeba management system and other approaches.

Factors affecting changes in fuel costs



(1) Fuel costs

As shown in the table below, fuel costs declined 29.3 billion yen year on year due to a drop in fuel prices and favorable exchange rates.

Fuel and foreign exchange markets

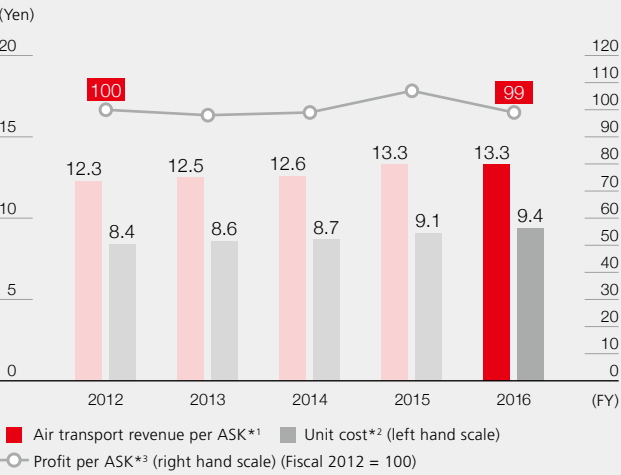
	Fiscal 2015	Fiscal 2016	YoY change (%)
Singapore Kerosene (USD/bbl)	60.0	57.2	-4.6
Dubai Crude (USD/bbl)	47.2	45.6	-3.3
Forex rate (JPY/USD)	120.5	108.6	-9.9

(2) Personnel costs

Personnel costs increased 23.3 billion yen year on year, reflecting strategic investment in personnel to strengthen foundations for the Group's future growth. Specific steps included overhauling pay structures and raising base wages.

(3) Profit management and cost control

The Group's unit costs have been rising since fiscal 2012 due to improvements in service provision. However, air transportation revenue per ASK is also increasing. The Group will continue to focus on maximizing profits per ASK.



*1 Air transport revenue per ASK: (Air transport revenue – fuel surcharge – revenue from resale of fuel to related companies) / ASK
 *2 Unit cost = Consolidated air transport cost (excluding fuel costs and fuel costs for resale to a related company) / ASK
 *3 Profit per ASK = Air transport revenue per ASK – Unit cost

4. Profit Attributable to Owners of Parent

Profit attributable to owners of parent ¥164.1 billion

Ordinary income declined 21.1% year on year to 165.0 billion yen, reflecting a decline in non-operating income, due mainly to a drop in gain on sales of flight equipment.
Profit attributable to owners of parent declined 5.9% year on

year to 164.1 billion yen, which included the booking of income taxes – deferred of 31.6 billion yen due to the application of new tax effect accounting policies.

5. Cash Flows

Cash provided by operating activities ¥253.1 billion
Cash used in investing activities*2 -¥215.5 billion
Cash used in financing activities -¥53.5 billion

The JAL Group primarily uses cash for investments that increase corporate value and to return profits to shareholders and maintain a solid financial position. The Group conducts capital investment based on strict investment criteria, aiming to secure an appropriate level of return and maximize free cash flow.

(1) Cash flow from operating activities

After adjusting profit before income taxes and non-controlling interests of 162.7 billion yen for non-cash items such as depreciation and amortization, and reconciling operating accounts receivable and payable and other items, operating activities provided net cash (inflow) of 253.1 billion yen, a decline of 59.2 billion yen compared with the previous fiscal year.

(2) Cash flow from investing activities

Investing activities used net cash (outflow) of 215.5 billion yen, a decline of 8.3 billion yen compared with the previous fiscal year, mainly due to cash used for the purchase of non-current assets.

(3) Cash flow from financing activities

Financing activities used net cash (outflow) of 53.5 billion yen, an increase of 3.8 billion yen compared with the previous fiscal year, mainly reflecting cash used for cash dividends paid and for the purchase of treasury shares.

Cash flows (Billions of yen)			
	Fiscal 2015	Fiscal 2016	YoY change
Income before income taxes	207.3	162.7	-44.6
Depreciation and amortization	88.5	95.7	+7.2
Other	16.4	-5.4	-21.8
Cash flow from operating activities	312.3	253.1	-59.2
Capital investments*1	-210.6	-233.1	-22.4
Other	3.4	17.5	+14.1
Cash flow from investing activities*2	-207.2	-215.5	-8.3
Free cash flow*3	105.1	37.5	-67.5
Repayment of interest-bearing debt*4	-27.6	-25.0	+2.6
Cash dividends, other	-21.9	-28.5	-6.5
Cash flow from financing activities	-49.6	-53.5	-3.8
Total cash flow*5	55.5	-15.9	-71.4
EBITDA	297.7	266.1	-31.6
EBITDAR	321.1	286.2	-34.9

*1 Purchase of non-current assets
*2 Excluding deposits and withdrawals from time deposits
*3 Cash flow from operating activities + Cash flow from investing activities
*4 Repayment of loans + Repayment of lease obligations
*5 Cash flow from operating activities + Cash flow from investing activities + Cash flow from financing activities

6. Capital Investment and Aircraft Procurement

Capital investment ¥233.1 billion

Capital investment during fiscal 2016 totaled 233.1 billion yen (including expenditure for intangible fixed assets). Capital investment by segment is as follows:
The air transportation segment invests in new aircraft to improve operating efficiency. It also invests in intangible fixed assets such as measures to improve the Group's ability to respond to diversifying customer needs and systems to increase efficiency and

enhance passenger convenience.
In fiscal 2016, capital investment in the air transportation segment totaled 231.5 billion yen. Capital investment was mainly used to purchase 17 new aircraft (two Boeing 787-8, five Boeing 787-9, two Boeing 737-800, five Embraer 190, two Bombardier DHC-8-400CC and one ATR42-600), purchase leased aircraft and make advance payments for aircraft.

Fiscal 2016 Fleet

		As of end-fiscal 2015 (March 31, 2016)			As of end-fiscal 2016 (March 31, 2017)			Change
		Owned	Leased	Total	Owned	Leased	Total	
Large	Boeing 777-200	12	0	12	12	0	12	—
	Boeing 777-200ER	11	0	11	11	0	11	—
	Boeing 777-300	4	0	4	4	0	4	—
	Boeing 777-300ER	13	0	13	13	0	13	—
Large subtotal		40	0	40	40	0	40	—
Medium	Boeing 787-8	23	0	23	25	0	25	+2
	Boeing 787-9	3	0	3	8	0	8	+5
	Boeing 767-300	9	0	9	6	0	6	-3
	Boeing 767-300ER	28	4	32	29	2	31	-1
Medium subtotal		63	4	67	68	2	70	+3
Small	Boeing 737-400	12	0	12	11	0	11	-1
	Boeing 737-800	22	29	51	26	27	53	+2
	Small subtotal	34	29	63	37	27	64	+1
Regional jet	EMBRAER 170	17	0	17	17	0	17	—
	EMBRAER 190	0	0	0	5	0	5	+5
	Bombardier CRJ-200	9	0	9	5	0	5	-4
	Bombardier DHC8-Q400	8	2	10	7	2	9	-1
	Bombardier DHC8-Q400CC	2	0	2	4	0	4	+2
	SAAB 340B	13	0	13	12	0	12	-1
	Bombardier DHC8-Q300	1	0	1	1	0	1	—
	Bombardier DHC8-Q100	4	0	4	2	0	2	-2
	ATR42-600	0	0	0	1	0	1	+1
Regional subtotal		54	2	56	54	2	56	—
Total		191	35	226	199	31	230	+4

Fiscal 2017 Fleet Plan

	End-fiscal 2016	End-fiscal 2017
	230 aircraft 84 international 146 domestic (Excluding regional aircraft, total is 174)	226 aircraft 85 international 141 domestic (Excluding regional aircraft, total is 174)
Total aircraft		
International routes	24 large	24 large
	50 medium	51 medium
	10 small	10 small
	16 large	16 large
	20 medium	20 medium
Domestic routes	54 small	53 small
	56 regional	52 regional

7. Financial Position

Shareholders' equity ¥972.0 billion Equity ratio 56.2%

(1) Assets

As of March 31, 2017, total assets stood at 1,728.7 billion yen, an increase of 149.8 billion yen compared with the end of the previous fiscal year, primarily due to aircraft purchases and advance payments for aircraft.

(2) Liabilities

Liabilities totaled 725.3 billion yen, an increase of 17.0 billion yen from the end of the previous fiscal year, mainly due to the issue of corporate bonds and an increase in borrowings.

(3) Net assets

Net assets totaled 1,003.3 billion yen, an increase of 132.8 billion yen from the end of the previous fiscal year, primarily due to the booking of profit attributable to owners of parent and an increase in accumulated other comprehensive income, against cash dividends paid and the purchase of treasury shares.
As a result, shareholders' equity totaled 972.0 billion yen as of

March 31, 2017 and the shareholders' equity ratio increased 2.8 percentage points to 56.2%.

Consolidated financial position (Billions of yen)			
	End-fiscal 2015	End-fiscal 2016	YoY change
Total assets	1,578.9	1,728.7	+149.8
Cash and deposits*1	420.3	404.0	-16.2
Interest-bearing debt*2	92.6	116.0	+23.4
Future rental expenses under operating leases	96.9	76.4	-20.4
Shareholders' equity	843.0	972.0	+128.9
Equity ratio (%)	53.4	56.2	+2.8pt
D/E ratio (Times)*3	0.1x	0.1x	+0.0x
ROE (%)*4	21.5	18.1	-3.5pt
ROA (%)*5	13.7	10.3	-3.4pt

*1 Including negotiable certificates of deposit
*2 Including account payable installment purchase
*3 D/E ratio = Balance sheet interest-bearing debt / Shareholders' equity
*4 ROE = Profit attributable to owners of parent / Average of start-of-year and year-end shareholders' equity
*5 ROA = Operating income / Average of start-of-year and year-end total assets

8. Credit Ratings

JAL's current credit ratings are shown in the table on the right.

Rating & Investment Information, Inc. (R&I)	Issuer rating	A- (stable)
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating	A (stable)*

* Rating changed in July 2017

9. Retirement Benefit Obligations

Retirement benefit obligations ¥477.5 billion

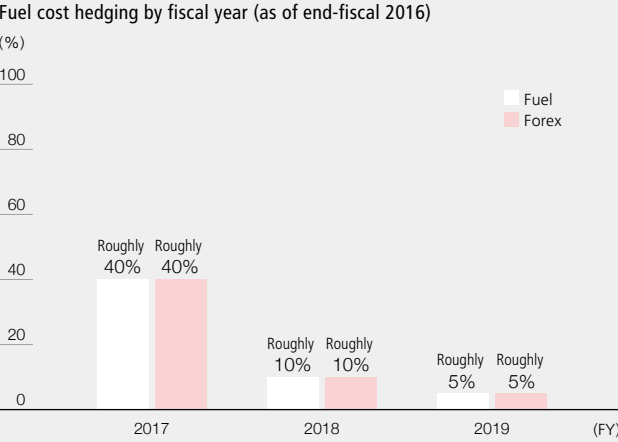
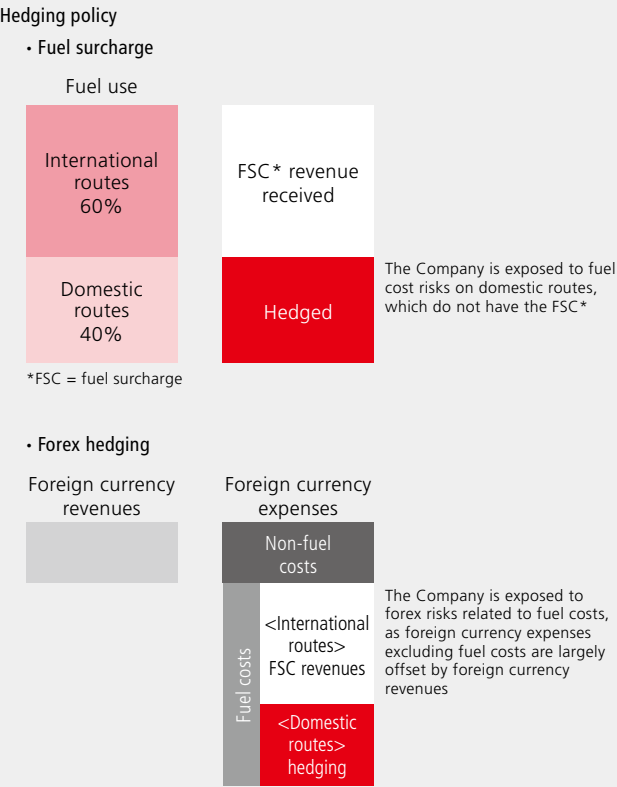
The Company and its major consolidated subsidiaries have established defined-benefit retirement plans such as corporate pension plans and lump-sum retirement plans, as well as defined-contribution pension plans. When employees retire, and on other occasions, the Company and its consolidated subsidiaries may also provide premium severance packages, which are not included in calculations of the actuarial difference for retirement benefit obligations in retirement benefit accounting.
As of March 31, 2017, the Company and 39 consolidated subsidiaries had lump-sum retirement plans. The Group also had three corporate pension funds, including the Japan Airlines Welfare

Pension Fund. Certain overseas subsidiaries have defined-benefit retirement plans.
The Japan Airlines Welfare Pension Fund also introduces an option similar to a cash-balance plan as well as other alternatives. The JAL Group Pension Fund, which is used by some domestic consolidated subsidiaries, uses a cash balance pension plan.
Simplified accounting methods are used to calculate retirement benefit liabilities, assets and expenses for defined-benefit corporate pension plans and lump-sum retirement plans at some consolidated subsidiaries.

10. Fuel and Exchange Rate Hedging

(1) Policy

On international routes, fuel surcharges allow the Company to hedge some of its fuel costs. As a result, the Company uses fuel hedging for fuel used on domestic routes, which equates to approximately 40% of all fuel consumed by the Group's air transport operations. In addition, the Company's foreign currency revenues are roughly the same as its foreign currency expenses, excluding fuel costs. Consequently, the Company uses fuel and exchange rate hedging to mitigate fuel cost risks.

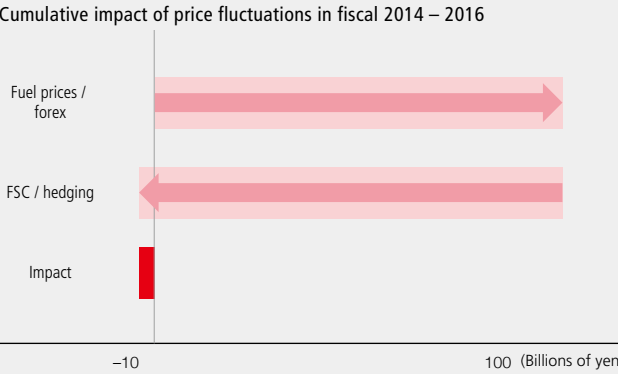


Sensitivity to fuel costs (without hedging)

Impact on fuel costs (fiscal 2017)	
Crude oil (change in 1 US\$/bbl)	2.6 billion yen/year
Forex (change in 1 yen/US\$)	1.5 billion yen/year

(2) Controlling the risk of price fluctuations

The impact of fluctuations in fuel prices is mitigated by hedging and fuel surcharges, but the benefits of those actions take time to feed through to earnings in each fiscal year. However, over a medium-term timeframe, the Company has been largely successful in mitigating the risk of fluctuations in fuel prices. Based on cumulative changes in prices for the last three fiscal years, the Company has offset the impact of those changes through hedging and fuel surcharges.



11. Distribution of Profits to Shareholders

The Company regards shareholder return as one of its most important management issues. The Company's fundamental policy is to actively return profits to shareholders through continuous and stable dividends, while ensuring sufficient internal reserves to invest in corporate growth, adapt to changes in the operating environment and build a strong financial structure.

In addition, following approval from shareholders at the Ordinary General Meeting of Shareholders on June 22, 2017, the Articles of Incorporation were revised to enable the Board of Directors to approve resolutions allowing the payment of interim dividends, based on a record date of September 30 each year.

For fiscal 2016, the Company will pay a year-end dividend of 94 yen per share, in line with its dividend policy of allocating roughly 25% of profit attributable to owners of parent after deducting deferred income taxes. From fiscal 2017, the Company will lift the ratio to roughly 30% to increase shareholder returns.

Also, taking into account conditions in the operating environment and the Group's financial position, the Company will return additional profits to shareholders as necessary through share buybacks and other means, review its future financial targets and flexibly consider further increases in shareholder returns.

12. Business Outlook and Issues to Be Addressed

The Company expects the airline market – the Group's main business field – to expand over the medium to long term, supported by economic globalization. Asia is a particularly promising growth market for the airline sector. The pace of change in the Group's market and business climate and advances in technology are likely to accelerate. To generate sustained and stable growth in that environment, the Company will implement initiatives during the four years of the JAL Group Medium Term Management Plan (fiscal 2017 – 2020). Based on the theme, “Challenge, Leading to Growth,” the Company will continue to refine its full-service carrier business and steadily expand its business domains by creating and developing new sources of earnings.

In international passenger operations, the Company anticipates further growth in demand from overseas customers due to the upcoming 2020 Summer Olympics and Paralympics in Tokyo and an expected increase in the number of take-off and landing slots at Tokyo metropolitan airports. However, the competitive environment is likely to become more challenging as domestic and international airlines, including low-cost carriers (LCC), increase the supply of available seats. Against that backdrop, the Company will reinforce its network, including through joint businesses on Pacific and European routes and alliances with other airlines, and introduce new aircraft with highly competitive cabin configurations, aiming to raise the Group's presence in overseas markets, as well as in Japan, to become a highly regarded global airline.

In domestic passenger operations, the competitive environment is likely to become tougher, including increased competition with railway companies, amid sluggish growth in total transport demand due to Japan's falling population and aging society. Against that backdrop, the Company will introduce new aircraft such as the Airbus 350, expand the number of routes with in-flight Wi-Fi services, upgrade airport lounges and take other steps to boost competitiveness by making its services more convenient and comfortable. The Company will also work to increase the number of travelers by encouraging more people, including overseas visitors, to experience Japan's regions, helping to revitalize local economies.

The Group faces the risk of significant short-term fluctuations in demand in the airline market due to various factors, including natural disasters, wars, terrorist incidents and outbreaks of disease. To mitigate the impact of those risks, the Company will leverage its strengths in areas outside its full-service carrier business to create and develop new sources of earnings that can support stable growth in the future.

Under the JAL Group Corporate Policy, “the JAL Group aims to pursue the material and intellectual growth of all our employees, deliver unparalleled service to our customers and increase corporate value and contribute to the betterment of society.” To achieve those goals, all Group employees will work as one to increase corporate value by reinforcing the Group's businesses and financial position and addressing society's needs and issues.

Principal Business Risks

The JAL Group has identified a number of risks that could have a material impact on investment decisions. The list is not exhaustive and the JAL Group may be affected by unforeseen risks not described below. This report also contains forward-looking statements based on information available to the Company as of March 31, 2017. The JAL Group is exposed to the following principal risks due to the nature of its business activities, centered on the scheduled air transportation business and unscheduled air transportation business.

(1) Risks related to the operating environment, including the international climate and economic trends

① **Operating environment**

The JAL Group's air transportation business operates in Japan and markets worldwide. Demand for air travel may be affected by trends in the global economy, natural disasters and adverse weather conditions, terrorist attacks, regional conflicts, war, the outbreak and spread of infectious diseases, and other events.

In addition, the JAL Group's services are partly dependent on maintenance companies, airport personnel, sky marshals, fuel suppliers, luggage handling companies, security companies, and other third parties, which could affect the Group's business operations.

② **Competitive environment**

The Group faces severe competition in Japan and overseas in areas such as routes, services, and pricing. On domestic routes, the Group competes with other major Japanese airlines, new low-cost airlines, and bullet train services. On international routes, the Group competes with major domestic and international airlines, and competition is intensifying on both domestic and international routes. Alliances, codeshare agreements, and reciprocal air frequent flyer programs between overseas and Japanese airlines are contributing to the challenging environment on international routes. Significant deterioration in this competitive climate and operating environment could affect the Group's operations.

The JAL Group is a member of the **oneworld** alliance, which includes a number of other airlines. The Group has also formed joint businesses with airline partners. The joint businesses extend across international borders and have received antitrust immunity (ATI) approval. However, the JAL Group's alliance strategy may be affected by changes in operating conditions at other **oneworld** member airlines or joint business partners, and by changes in the **oneworld** alliance membership or major developments in the Group's alliance relationships.

(2) **Aircraft risk**

In the air transportation business, the JAL Group places orders for aircraft with the Boeing Company, Airbus SAS, Embraer SA, Bombardier Inc., ATR, and Mitsubishi Aircraft Corporation to increase efficiency by switching to more fuel-efficient aircraft and reducing aircraft types in the fleet. However, the delivery of new aircraft may be delayed due to technical, financial, and other reasons at aircraft manufacturers, which could force adjustments to fleet plans that affect the Group's operations over the medium and long term.

(3) **Market risk**

① **Fuel price volatility risk**

Fluctuations in fuel prices have a significant impact on the JAL Group's operating performance. The Company charges a fuel surcharge to partly cover the impact of higher fuel prices. However, changes in fuel prices are not immediately reflected in the fuel surcharge and it is inappropriate to ask customers to cover the entire increase in fuel prices. The Group also uses crude oil hedging transactions to mitigate the risk of fuel price volatility. However, a sudden and steep drop in oil prices may not contribute to an improvement in the Group's operating performance, as the benefits of the decline would not be reflected in business results immediately due to hedge contract positions and other factors.

② **Exchange rate volatility risk**

The JAL Group operates in countries other than Japan. As a result, some of its revenues and expenses are denominated in foreign currencies. In particular, the price of aviation fuel, one of the Group's main costs, is largely linked to the US dollar. Fluctuations in US dollar exchange rates therefore have a greater impact on the Group's expenses than on its revenues. To mitigate the impact of exchange rate volatility on profits, the JAL Group uses foreign currency revenues to offset foreign currency expenses and foreign currency hedging transactions. The price of new aircraft is also closely linked to the US dollar, which means the Group is also exposed to the risk of exchange rate fluctuations when recording the value of assets and depreciation costs related to aircraft. To mitigate this risk, the Group uses hedging transactions to diversify opportunities for foreign currency exchange.

③ Capital and financial market risk

The JAL Group needs to make significant capital investments, such as procuring new aircraft. To meet funding needs for these investments, the Group may procure funds from financial institutions or capital markets. The Group's ability to secure funds and its funding costs are affected by trends in capital and financial markets, and by changes in its credit rating, which may limit the Group's access to funds and lead to higher funding costs.

(4) Disaster risk

The majority of the JAL Group's passengers use aircraft departing from or arriving at Haneda and Narita airports. Consequently, these airports play a vital role in the JAL Group's air transportation business. In addition, the Group's Information System Center, which plays an important role in managing the Group's flights, reservations and other services, and the Operation Control Center, which is tasked with controlling the operation and scheduling of the Group's fleet worldwide, are both located in the Tokyo area. Consequently, a major earthquake or volcanic eruption in the Tokyo area could lead to the protracted closure of Haneda or Narita airports, while a fire, terrorist attack or other incident at these key facilities could lead to a prolonged outage of the Group's information systems and operational capabilities, which would have a severe impact on the Group's operations.

(5) Flight safety risk

The JAL Group implements a wide range of measures on a daily basis to ensure the safe operation of its flights. However, a single fatal accident has the potential to undermine customer trust in the Group's flight safety and lead to a loss of public support. The Group must also provide compensation for any passenger fatalities or injuries in the event of an accident, which could have a severe impact on the Group's operating performance. In addition, safety issues related to the same aircraft type operated by the Group or safety issues on codeshare flights could undermine customer trust in the Group's flight safety and lead to a loss of public support, which could affect the Group's operating performance. To limit the impact of legal damages related to air accidents and to ensure those affected by any accident receive sufficient compensation, the Group has purchased liability insurance that provides an internationally recognized level of compensation and coverage.

(6) Regulatory and litigation risk

The Group's operations are subject to various international legal restrictions and national and local government laws and regulations. Revisions to these laws and regulations may result in even tighter restrictions on the Group's operations, which could lead to a significant increase in costs.

① Regulatory risk

The JAL Group conducts its operations in accordance with various rules and regulations, such as Japan's Civil Aeronautics Act and other regulations governing airline businesses, bilateral aviation agreements and other international arrangements, Japan's Antimonopoly Act and other similar antitrust laws overseas, and rules on taxes and public dues such as landing fees. Revisions to these rules and regulations or notifications of legally enforceable airworthiness directives could have an impact on the Group's operating performance. Moreover, the allocation of flight slots at Haneda and Narita airports and the timing of the launch of new routes could also affect the Group's operating performance.

In addition, amid growing pressure on companies in recent years to fulfill their corporate social responsibility to the environment, such as preventing global warming, the JAL Group is facing tighter restrictions on CO₂ emissions, noise pollution, harmful substances, and other environment issues. A further tightening of environmental regulations that leads to a higher cost burden through emission charging mechanisms or other schemes could have an impact on the Group's operating performance.

② Litigation risk

The JAL Group's business activities are exposed to the risk of various types of litigation, which could affect the Group's operations and operating performance. In the event that litigation is filed against the Group, developments in the subsequent legal case may require additional costs and the booking of provisions, which could also affect the Group's operating performance.

(7) IT system and customer data handling risk

The JAL Group's operations are dependent on a large number of IT systems. Failures in these IT systems caused by flaws in computer programs, computer viruses, and other cyber-attacks may lead to the loss of critical data, as well as issues in flight operations, which could affect the Group's operations. Large-scale failures in power systems, communication networks, and other infrastructure that support IT systems could also result in significant disruption to the Group's operations.

In addition, inadequate handling of customers' personal information by the Group or unauthorized access that results in the disclosure of such information could damage public trust in the Group's business, systems and corporate brand and undermine customer and market trust in the JAL Group, which could affect the Group's financial position and operating performance.

(8) Personnel and labor relations risk

The JAL Group's business is dependent on securing personnel who have national certificates and other legally required qualifications related to the operation of aircraft. However, due to the considerable amount of time required by employees to acquire these qualifications and skills during the course of their duties, the JAL Group may not be able to secure sufficient personnel when required, which could affect the Group's business operations.

In addition, many of the Group's employees are members of labor unions. A collective strike by Group employees or other labor disputes could affect the Group's aircraft operations.

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)
	2017	2016	2017
ASSETS			
Current assets:			
Cash and deposits (Notes 5, 7 and 10)	¥ 392,075	¥ 420,333	\$ 3,494,741
Notes and operating accounts receivable (Note 7)	142,745	128,148	1,272,350
Securities (Notes 5, 7 and 8)	12,000	—	106,961
Flight equipment spare parts and supplies	21,118	20,314	188,234
Deferred tax assets (Note 12)	7,436	16,725	66,280
Other	51,450	44,429	458,597
Allowance for doubtful accounts	(493)	(709)	(4,394)
Total current assets	626,332	629,242	5,582,779
Non-current assets:			
Investment securities (Notes 6, 7, 8 and 10)	82,680	84,931	736,964
Tangible fixed assets, net:			
Flight equipment (Note 10)	671,387	560,601	5,984,374
Ground property and equipment (Notes 10 and 16)	51,708	51,142	460,896
Advances on flight equipment and other purchases	101,832	116,929	907,674
Total tangible fixed assets	824,928	728,673	7,352,954
Intangible assets:			
Software	95,738	79,866	853,355
Long-term loans receivable (Note 10)	7,303	8,169	65,094
Deferred tax assets (Note 12)	61,457	6,172	547,793
Net defined benefit asset (Note 11)	1,240	1,090	11,052
Other (Note 10)	29,359	41,027	261,689
Allowance for doubtful accounts	(264)	(245)	(2,353)
Total non-current assets	1,102,444	949,686	9,826,579
Total assets	¥1,728,777	¥1,578,928	\$15,409,368

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 4)
	2017	2016	2017
LIABILITIES			
Current liabilities:			
Operating accounts payable (Note 7)	¥ 159,218	¥ 145,413	\$ 1,419,181
Short-term loans payable (Notes 7 and 10)	5,372	5,792	47,883
Current portion of long-term loans payable (Notes 7 and 10)	13,037	10,851	116,204
Lease obligations (Notes 7 and 10)	5,712	13,254	50,913
Accounts payable—installment purchase (Notes 7 and 10)	181	178	1,613
Income taxes payable	10,829	19,333	96,523
Advances received	96,453	83,365	859,729
Deferred tax liabilities (Note 12)	173	0	1,542
Asset retirement obligations (Note 19)	249	234	2,219
Other	73,372	90,128	653,997
Total current liabilities	364,601	368,552	3,249,852
Non-current liabilities:			
Bonds payable (Notes 7 and 10)	20,000	—	178,269
Long-term loans payable (Notes 7 and 10)	65,802	51,331	586,522
Lease obligations (Notes 7 and 10)	5,300	10,373	47,241
Long-term accounts payable—installment purchase (Notes 7 and 10)	666	847	5,936
Deferred tax liabilities (Note 12)	353	358	3,146
Reserve for loss on antitrust litigation	5,965	6,294	53,168
Net defined benefit liability (Note 11)	238,481	236,310	2,125,688
Asset retirement obligations (Note 19)	3,538	3,723	31,535
Other	20,676	30,578	184,294
Total non-current liabilities	360,783	339,818	3,215,821
Total liabilities	725,384	708,371	6,465,674
Contingent liabilities (Note 17)			
NET ASSETS (Note 13)			
Shareholders' equity:			
Common stock:			
Authorized: 700,000,000 shares in 2017 and 2016			
Issued: 353,715,800 shares in 2017 and 362,704,000 shares in 2016	181,352	181,352	1,616,472
Capital surplus	183,047	183,042	1,631,580
Retained earnings	647,701	557,905	5,773,250
Treasury shares, at cost:			
199,873 shares in 2017 and 203,395 shares in 2016	(531)	(538)	(4,733)
Total shareholders' equity	1,011,569	921,761	9,016,570
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities (Note 8)	13,828	14,767	123,255
Deferred losses on hedges (Note 9)	(667)	(24,777)	(5,945)
Foreign currency translation adjustment	232	427	2,067
Remeasurements of defined benefit plans (Note 11)	(52,898)	(69,079)	(471,503)
Total accumulated other comprehensive income	(39,504)	(78,662)	(352,116)
Non-controlling interests	31,328	27,457	279,240
Total net assets	1,003,393	870,557	8,943,693
Total liabilities and net assets	¥1,728,777	¥1,578,928	\$15,409,368

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)
	2017	2016	2017
Operating revenue:			
Passenger:			
Domestic	¥ 498,628	¥ 501,274	\$ 4,444,495
International	415,218	448,780	3,701,025
Incidental and other revenue	375,120	386,606	3,343,613
Total operating revenue	1,288,967	1,336,661	11,489,143
Operating expenses:			
Wages, salaries and benefits	273,316	249,999	2,436,188
Aircraft fuel	198,794	228,162	1,771,940
Landing fees and other rent	81,140	82,250	723,237
Aircraft maintenance	48,967	47,906	436,464
Aircraft rent	20,177	23,471	179,846
Depreciation and amortization	95,777	88,528	853,703
Other	400,461	407,151	3,569,489
Total operating expenses	1,118,634	1,127,469	9,970,888
Operating income	170,332	209,192	1,518,245
Non-operating income (expenses):			
Interest income	874	887	7,790
Dividend income	979	1,556	8,726
Interest expenses	(843)	(1,172)	(7,514)
Gain on sales of flight equipment	1,875	5,798	16,712
Loss on sales and disposal of flight equipment	(8,458)	(3,978)	(75,389)
Loss on sales and disposal of supplies	(1,837)	(1,121)	(16,374)
Share of profit of entities accounted for using equity method	2,180	651	19,431
Foreign exchange gains (losses)	203	(3,837)	1,809
Compensation income	1,381	2,193	12,309
Compensation expenses	(1,285)	—	(11,453)
Subsidy income for aircraft purchase	6,692	7,063	59,648
Settlement of facility restitution	—	2,201	—
Loss on reduction of aircraft	(6,959)	(6,972)	(62,028)
Impairment loss (Note 15)	(505)	(2,714)	(4,501)
Other	(1,853)	(2,366)	(16,516)
Total non-operating income (expenses)	(7,553)	(1,810)	(67,323)
Profit before income taxes	162,778	207,381	1,450,913
Income taxes—current (Note 12)	23,570	26,834	210,090
Income taxes—deferred (Note 12)	(31,657)	(436)	(282,173)
Total income taxes	(8,087)	26,398	(72,083)
Profit	170,865	180,983	1,522,996
Profit attributable to			
Owners of parent	164,174	174,468	1,463,356
Non-controlling interests	6,690	6,514	59,630
Other comprehensive income (Note 14)			
Valuation difference on available-for-sale securities	(971)	(9,461)	(8,654)
Deferred gains (losses) on hedges	23,923	(9,005)	213,236
Foreign currency translation adjustment	(257)	4,588	(2,290)
Remeasurements of defined benefit plans, net of tax	16,152	(55,877)	143,970
Share of other comprehensive income of entities accounted for using equity method	308	(453)	2,745
Total other comprehensive income	39,155	(70,209)	349,006
Comprehensive income	210,021	110,773	1,872,011
Comprehensive income attributable to			
Owners of parent	203,331	104,323	1,812,380
Non-controlling interests	¥ 6,689	¥ 6,449	\$ 59,622

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, 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						
	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	Non-controlling interests	Total net assets
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

CONSOLIDATED FINANCIAL STATEMENTS

Millions of yen					
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury shares	
Balance at April 1, 2016	¥181,352	¥183,042	¥557,905	¥ (538)	¥ 921,761
Changes of items during period					
Dividends of surplus			(43,500)		(43,500)
Profit attributable to owners of parent			164,174		164,174
Purchase of treasury shares				(29,944)	(29,944)
Retirement of treasury shares			(29,944)	29,944	—
Changes of scope of equity method, etc.		4	(934)	7	(922)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	4	89,795	7	89,808
Balance at March 31, 2017	¥181,352	¥183,047	¥647,701	¥ (531)	¥1,011,569

	Accumulated other comprehensive income						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	Non-controlling interests	
Balance at April 1, 2016	¥14,767	¥(24,777)	¥ 427	¥(69,079)	¥(78,662)	¥27,457	¥ 870,557
Changes of items during period							
Dividends of surplus							(43,500)
Profit attributable to owners of parent							164,174
Purchase of treasury shares							(29,944)
Retirement of treasury shares							—
Changes of scope of equity method, etc.							(922)
Net changes of items other than shareholders' equity	(938)	24,110	(195)	16,181	39,157	3,870	43,027
Total changes of items during period	(938)	24,110	(195)	16,181	39,157	3,870	132,835
Balance at March 31, 2017	¥13,828	¥ (667)	¥ 232	¥(52,898)	¥(39,504)	¥31,328	¥1,003,393

Thousands of U.S. dollars (Note 4)					
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury shares	
Balance at April 1, 2016	\$1,616,472	\$1,631,535	\$4,972,858	\$ (4,795)	\$8,216,070
Changes of items during period					
Dividends of surplus			(387,735)		(387,735)
Profit attributable to owners of parent			1,463,356		1,463,356
Purchase of treasury shares				(266,904)	(266,904)
Retirement of treasury shares			(266,904)	266,904	—
Changes of scope of equity method, etc.		35	(8,325)	62	(8,218)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	35	800,383	62	800,499
Balance at March 31, 2017	\$1,616,472	\$1,631,580	\$5,773,250	\$ (4,733)	\$9,016,570

	Accumulated other comprehensive income						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	Non-controlling interests	
Balance at April 1, 2016	\$131,624	\$(220,848)	\$ 3,806	\$(615,732)	\$(701,149)	\$244,736	\$7,759,666
Changes of items during period							
Dividends of surplus							(387,735)
Profit attributable to owners of parent							1,463,356
Purchase of treasury shares							(266,904)
Retirement of treasury shares							—
Changes of scope of equity method, etc.							(8,218)
Net changes of items other than shareholders' equity	(8,360)	214,903	(1,738)	144,228	349,023	34,495	383,519
Total changes of items during period	(8,360)	214,903	(1,738)	144,228	349,023	34,495	1,184,018
Balance at March 31, 2017	\$123,255	\$ (5,945)	\$ 2,067	\$(471,503)	\$(352,116)	\$279,240	\$8,943,693

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)
	2017	2016	2017
Cash flows from operating activities			
Profit before income taxes	¥ 162,778	¥ 207,381	\$ 1,450,913
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	95,777	88,528	853,703
Loss on sales and disposal of non-current assets and impairment loss	6,459	3,526	57,571
Decrease in net defined benefit liability	(3,589)	(10,741)	(31,990)
Interest and dividend income	(1,854)	(2,444)	(16,525)
Interest expenses	843	1,172	7,514
Foreign exchange gains	(8)	(421)	(71)
Share of profit of entities accounted for using equity method	(2,180)	(651)	(19,431)
Decrease (increase) in notes and operating accounts receivable	(14,609)	14,193	(130,216)
Increase in flight equipment spare parts and supplies	(801)	(449)	(7,139)
Increase in operating accounts payable	13,952	731	124,360
Other, net	27,974	21,152	249,344
Subtotal	284,742	321,977	2,538,033
Interest and dividend income received	2,312	2,975	20,607
Interest expenses paid	(862)	(1,259)	(7,683)
Proceeds from settlement of facility reconstitution	—	2,190	—
Income taxes paid	(33,039)	(13,489)	(294,491)
Net cash provided by operating activities	253,153	312,394	2,256,466
Cash flows from investing activities			
Payments into time deposits	(363,892)	(400,309)	(3,243,533)
Proceeds from withdrawal of time deposits	411,381	318,607	3,666,824
Purchase of non-current assets	(233,125)	(210,660)	(2,077,948)
Proceeds from sales of non-current assets	8,427	7,642	75,113
Purchase of investment securities	(342)	(6,345)	(3,048)
Proceeds from sales and redemption of investment securities	1,134	273	10,107
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	39	—
Payments of loans receivable	(386)	(319)	(3,440)
Collection of loans receivable	1,485	1,669	13,236
Other, net	7,239	486	64,524
Net cash used in investing activities	(168,077)	(288,915)	(1,498,146)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	(360)	5,686	(3,208)
Proceeds from long-term loans payable	27,895	19,002	248,640
Repayments of long-term loans payable	(11,169)	(7,952)	(99,554)
Proceeds from issuance of bonds	19,875	—	177,154
Purchase of treasury shares	(29,992)	—	(267,332)
Cash dividends paid	(43,481)	(37,695)	(387,565)
Dividends paid to non-controlling interests	(2,807)	(3,264)	(25,020)
Repayments for lease obligations	(13,491)	(25,411)	(120,251)
Net cash used in financing activities	(53,531)	(49,636)	(477,145)
Effect of exchange rate change on cash and cash equivalents	(292)	(141)	(2,602)
Net increase (decrease) in cash and cash equivalents	31,251	(26,299)	278,554
Cash and cash equivalents at beginning of period	92,951	119,287	828,514
Increase in cash and cash equivalents resulting from merger	58	—	516
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(36)	—
Cash and cash equivalents at end of period (Note 5)	¥ 124,261	¥ 92,951	\$ 1,107,594

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, 2017 and 2016 amounted to ¥395,080 million (\$3,521,525 thousand) and ¥364,355 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 is principally 5 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.

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 17 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. 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 k. 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.

k. 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.

l. Revenue Recognition

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

m. 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.

n. 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, 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

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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.

For the fiscal year ended March 31, 2017 (Changes in depreciation method)
Due to amendments to the Japanese Corporation Tax Act, the Company and its consolidated domestic subsidiaries adopted “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issue Task Force No. 32, June 17, 2016) from the current fiscal year. According to this adoption, some consolidated domestic subsidiaries of the Company changed the depreciation method of facilities attached to buildings and structures acquired since April 1, 2016 from the declining-balance method to the straight-line method. The impact on the consolidated statements is immaterial.

4. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. A rate of JPY 112.19 = USD 1.00, the approximate exchange rate prevailing on March 31, 2017, 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, 2017 and 2016 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and deposits	¥ 392,075	¥ 420,333	\$ 3,494,741
Securities	12,000	—	106,961
Time deposits with a maturity of more than three months	(279,813)	(327,382)	(2,494,099)
Cash and cash equivalents	¥ 124,261	¥ 92,951	\$ 1,107,594

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, 2017 and 2016 amounted to ¥35,244 million (\$314,145 thousand) and ¥39,431 million, respectively. Bonds of affiliates which were included in “Investment securities” in the consolidated balance sheets on March 31, 2017 and 2016 amounted to ¥3,330 million (\$29,681 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, issuance of bonds, 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 currency 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, 2017 and 2016 were as follows:

As of March 31, 2017	Millions of yen		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	¥392,075	¥392,075	¥ —
(2) Notes and operating accounts receivable	142,745	142,745	—
(3) Securities and investment securities			
(i) Investment securities of non-consolidated subsidiaries and affiliates	15,735	17,009	1,273
(ii) Other investment securities	46,723	46,723	—
Total	597,280	598,554	1,273
Liabilities			
(1) Operating accounts payable	159,218	159,218	—
(2) Short-term loans payable	5,372	5,372	—
(3) Bonds payable	20,000	20,013	13
(4) Long-term loans payable	78,839	78,839	—
(5) Lease obligations	11,012	11,012	—
(6) Long-term accounts payable—installment purchase	847	847	—
Total	275,290	275,303	13
Derivatives*	¥ (588)	¥ (550)	¥ 37

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

As of March 31, 2017	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	\$3,494,741	\$3,494,741	\$ —
(2) Notes and operating accounts receivable	1,272,350	1,272,350	—
(3) Securities and investment securities			
(i) Investment securities of non-consolidated subsidiaries and affiliates	140,253	151,608	11,346
(ii) Other investment securities	416,463	416,463	—
Total	5,323,825	5,335,181	11,346
Liabilities			
(1) Operating accounts payable	1,419,181	1,419,181	—
(2) Short-term loans payable	47,883	47,883	—
(3) Bonds payable	178,269	178,384	115
(4) Long-term loans payable	702,727	702,727	—
(5) Lease obligations	98,154	98,154	—
(6) Long-term accounts payable—installment purchase	7,549	7,549	—
Total	2,453,783	2,453,899	115
Derivatives*	\$ (5,241)	\$ (4,902)	\$ 329

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

As of March 31, 2016	Millions of yen		
	Book value	Fair value	Difference
Assets			
(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)
Liabilities			
(1) Operating accounts payable	145,413	145,413	—
(2) Short-term loans payable	5,792	5,792	—
(3) Bonds payable	—	—	—
(4) Long-term loans payable	62,183	62,183	—
(5) Lease obligations	23,627	23,627	—
(6) 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.

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(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 mainly 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) Bonds payable
The fair value of bonds payable is determined based on the market price.
- (4) Long-term loans payable, (5) Lease obligations, and (6) 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
	2017	2016	2017
Investment securities of non-consolidated subsidiaries and affiliates	¥19,509	¥24,552	\$173,892
Held-to-maturity securities	3,330	3,330	29,681
Other securities	9,381	6,040	83,617

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

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

As of March 31, 2017	Millions of yen			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	¥392,075	¥—	¥—	¥—
Notes and operating accounts receivable	142,745	—	—	—
Investment securities				
Negotiable certificates of deposit	12,000	—	—	—
Held-to-maturity securities	—	—	—	3,330

As of March 31, 2017	Thousands of U.S. dollars			
	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	\$3,494,741	\$—	\$—	\$—
Notes and operating accounts receivable	1,272,350	—	—	—
Investment securities				
Negotiable certificates of deposit	106,961	—	—	—
Held-to-maturity securities	—	—	—	29,681

As of March 31, 2016	Millions of yen			
	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				
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, 2017 and 2016. 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, 2017 and 2016 were summarized as follows:

As of March 31, 2017	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥15,410	¥34,229	¥18,819
	15,410	34,229	18,819
Unrealized loss:			
Stocks	499	493	(6)
Negotiable certificates of deposit	12,000	12,000	—
	12,499	12,493	(6)
Total	¥27,910	¥46,723	¥18,813

As of March 31, 2017	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	\$137,356	\$305,098	\$167,742
	137,356	305,098	167,742
Unrealized loss:			
Stocks	4,447	4,394	(53)
Negotiable certificates of deposit	106,961	106,961	—
	111,409	111,355	(53)
Total	\$248,774	\$416,463	\$167,688

As of March 31, 2016	Millions of yen		
	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

Proceeds from sales of securities classified as other securities for the year ended March 31, 2016 amounted to ¥273 million. For the year ended March 31, 2016, the aggregate gain realized on those sales totaled ¥265 million. Neither of them was applicable for the year ended March 31, 2017.

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, 2017 and 2016, which met the criteria required for the application of hedge accounting, are summarized as follows:

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As of March 31, 2017		Millions of yen			Thousands of U.S. dollars		
		Contract amount		Estimated fair value	Contract amount		Estimated fair value
Type of derivative	Major hedged items	Total	Maturing after 1 year			Total	
Forward foreign currency exchange contracts:							
Buy:							
USD	Operating accounts payable	¥36,805	¥ 4,548	¥ 1,197	\$328,059	\$ 40,538	\$ 10,669
EUR	Operating accounts payable	2,020	—	44	18,005	—	392
Others	Operating accounts payable	1,330	—	84	11,854	—	748
Currencies options:							
Buy:							
Call option	Operating accounts payable	67,232	17,318	1,918	599,269	154,363	17,095
Sell:							
Put option	Operating accounts payable	60,885	15,129	(1,268)	542,695	134,851	(11,302)
Commodity swap:							
Received variable/pay fixed	Aircraft fuel	68,359	18,550	(2,565)	609,314	165,344	(22,863)
Method of hedge accounting: Special treatment (Note 2. k)							
Forward foreign currency exchange contracts:							
Buy:							
USD	Operating accounts payable	593	—	40	5,285	—	356
EUR	Operating accounts payable	305	—	(7)	2,718	—	(62)
Others	Operating accounts payable	80	—	4	713	—	35
Total				¥ (550)			\$ (4,902)

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

As of March 31, 2016		Millions of yen		
Type of derivative	Major hedged items	Contract amount		Estimated fair value
		Total	Maturing after 1 year	
Forward foreign currency exchange contracts:				
Buy:				
USD	Operating accounts payable	¥53,335	¥ 1,801	¥ (3,146)
EUR	Operating accounts payable	3,176	—	(149)
Others	Operating accounts payable	1,182	—	(62)
Currencies options:				
Buy:				
Call option	Operating accounts payable	85,238	23,650	1,890
Sell:				
Put option	Operating accounts payable	78,875	21,322	(3,089)
Commodity swap:				
Received variable/pay fixed	Aircraft fuel	77,531	21,620	(25,013)
Method of hedge accounting: Special treatment (Note 2. k)				
Forward foreign currency exchange contracts:				
Buy:				
USD	Operating accounts payable	1,166	—	(75)
EUR	Operating accounts payable	217	—	(11)
Others	Operating accounts payable	157	—	(13)
Total				¥(29,672)

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, 2017 was 1.0%. Long-term debt on March 31, 2017 and 2016 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rate
	2017	2016	2017	2017
Long-term loans:				
Current portion of long-term loans payable	¥ 13,037	¥10,851	\$116,204	0.8%
Long-term loans payable (excluding current portion) due 2018 to 2030	65,802	51,331	586,522	0.5%
Lease obligations:				
Current portion of lease obligations	5,712	13,254	50,913	0.8%
Lease obligations (excluding current portion) due 2018 to 2026	5,300	10,373	47,241	2.0%
Long-term accounts payable—installment purchase:				
Current portion of long-term accounts payable—installment purchase	181	178	1,613	2.0%
Long-term accounts payable—installment purchase (excluding current portion) due 2021	666	847	5,936	2.0%
Bonds payable				
Bonds payable due 2021 to 2026	20,000	—	178,269	0.3%
Total	¥110,699	¥86,837	\$986,710	

The aggregate annual maturities of long-term debt within 5 years subsequent to March 31, 2017 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 18,931	\$168,740
2019	11,888	105,963
2020	10,874	96,924
2021	8,870	79,062
2022	17,835	158,971
2023 and thereafter	42,298	377,021
Total	¥110,699	\$986,710

Assets pledged as collateral as of March 31, 2017 for long-term and short-term debt of ¥76,012 million (\$677,529 thousand) are flight equipment and others totaling ¥155,401 million (\$1,385,159 thousand). Assets pledged as collateral as of March 31, 2016 for long-term and short-term debt of ¥58,333 million are flight equipment and others totaling ¥145,192 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 (\$445,672 thousand) with three banks. There were no loan payables outstanding on March 31, 2017 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, 2017, the Company and 39 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.

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For the years ended March 31, 2017 and 2016

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
	2017	2016	2017
Balance at beginning of period	¥473,346	¥424,673	\$4,219,146
Service cost	12,736	12,851	113,521
Interest cost	3,497	3,200	31,170
Actuarial loss	12,840	58,524	114,448
Benefit paid	(26,125)	(25,858)	(232,863)
Reclassification of retirement benefit obligations due to the change from simplified method	1,512	—	13,477
Other	(223)	(45)	(1,987)
Balance at end of period	¥477,584	¥473,346	\$4,256,921

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

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of period	¥240,874	¥238,110	\$2,147,018
Expected return on plan assets	3,669	3,646	32,703
Actuarial gain	1,126	653	10,036
Contributions paid by the employer	16,338	18,012	145,627
Benefit paid	(19,666)	(19,547)	(175,291)
Reclassification of retirement benefit obligations due to the change from simplified method	280	—	2,495
Other	(221)	—	(1,969)
Balance at end of period	¥242,402	¥240,874	\$2,160,638

(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
	2017	2016	2017
Balance at beginning of period	¥ 2,748	¥3,098	\$ 24,494
Retirement benefit cost	781	183	6,961
Contributions paid by the employer	(148)	(163)	(1,319)
Benefit paid	(172)	(235)	(1,533)
Reclassification of retirement benefit obligations due to the change from simplified method	(1,161)	—	(10,348)
Other	11	(132)	98
Balance at end of period	¥ 2,059	¥2,748	\$ 18,352

(4) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset)

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded retirement benefit obligations	¥ 389,708	¥ 390,109	\$ 3,473,642
Plan assets	(245,737)	(244,800)	(2,190,364)
	143,971	145,308	1,283,278
Unfunded retirement benefit obligations	93,269	89,911	831,348
Total net defined benefit liability (asset)	237,240	235,220	2,114,626
Net defined benefit liability	238,481	236,310	2,125,688
Net defined benefit asset	(1,240)	(1,090)	(11,052)
Total net defined benefit liability (asset)	¥ 237,240	¥235,220	\$ 2,114,626

(5) Retirement benefit costs

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥12,736	¥12,851	\$113,521
Interest cost	3,497	3,200	31,170
Expected return on plan assets	(3,669)	(3,646)	(32,703)
Past service costs amortization	(28)	(18)	(249)
Net actuarial loss amortization	6,442	1,366	57,420
Retirement benefit cost based on the simplified method	781	183	6,961
Other	(676)	(692)	(6,025)
Subtotal	19,083	13,244	170,095
Reclassification of retirement benefit obligations due to the change from simplified method	70	—	623
Total	¥19,153	¥13,244	\$170,719

(6) Remeasurements of defined benefit plans in other comprehensive income

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Past service costs	¥ (28)	¥ (18)	\$ (249)
Actuarial gains	(5,271)	(56,504)	(46,982)
Total	¥(5,300)	¥(56,522)	\$(47,241)

(7) Remeasurements of defined benefit plans in accumulated other comprehensive income

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Past service costs that are yet to be recognized	¥ (370)	¥ (399)	\$ (3,297)
Actuarial losses that are yet to be recognized	75,656	70,385	674,356
Total	¥75,286	¥69,986	\$671,058

(8) Plan assets

Year ended March 31	2017	2016
	%	%
General insurance fund	90	91
Bond	4	3
Other	6	6
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	2017	2016
	%	%
Discount rate	0.4–1.2	0.6–1.2
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 ¥1,581 million (\$14,092 thousand) and ¥1,564 million for the fiscal years ended March 31, 2017 and 2016, respectively.

12. INCOME TAX

The significant components of deferred tax assets and liabilities and the related valuation allowances on March 31, 2017 and 2016 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Net defined benefit liability	¥ 69,467	¥ 71,370	\$ 619,190
Operating accounts payable	10,535	10,442	93,903
Non-recurring depreciation	3,918	3,148	34,922
Deferred liability on flight equipment	2,080	3,347	18,539
Deferred losses on hedges	1,919	10,170	17,104
Reserve for loss on antitrust litigation	1,788	1,885	15,937
Lease obligations	1,343	4,323	11,970
Asset retirement obligations	1,133	1,188	10,098
Tax loss carryforwards	176,161	197,977	1,570,202
Other	8,786	8,660	78,313
	277,134	312,513	2,470,220
Valuation allowance	(197,685)	(276,975)	(1,762,055)
	79,449	35,538	708,164
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	5,722	6,167	51,002
Deferred gains on hedges	1,719	658	15,322
Leased assets	1,000	3,022	8,913
Other	2,638	3,150	23,513
	11,081	12,998	98,769
Net deferred tax assets	¥ 68,367	¥ 22,539	\$ 609,385

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, 2017 and 2016 were as follows:

Year ended March 31	2017	2016
	%	%
Statutory rate	30.2	32.0
Share of loss of entities accounted for using equity method	(0.4)	(0.1)
Changes in valuation allowance	(36.6)	(20.8)
Decrease in deferred tax assets due to a change in the tax rate	—	0.4
Other	1.8	1.2
Effective tax rate	(5.0)	12.7

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation

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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 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 as of March 31, 2016, income taxes—deferred expense recognized for the fiscal year ended March 31, 2016 increased by ¥925 million, valuation difference on available-for-sale securities increased by ¥308 million, deferred gains (losses) on hedges decreased by ¥327 million, and remeasurements of defined benefit plans decreased by ¥20 million.

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 a 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, 2017, the shareholders approved dividends of surplus amounting to ¥33,236 million (\$296,247 thousand). Such appropriations have not been accrued in the Consolidated Financial Statement as of March 31, 2017.

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, 2017 were as follows:

Year ended March 31, 2017	Thousands of shares			On March 31, 2017
	On April 1, 2016	Increase	Decrease	
Number of shares of stock authorized:				
Common stock	700,000	—	—	700,000
Preferred stock	50,000	—	—	50,000
Total	750,000	—	—	750,000
Number of shares of stock in issue:				
Common stock	362,704	—	8,988	353,715
Total	362,704	—	8,988	353,715
Number of shares of common stock in treasury:				
Common stock	203	8,988	8,991	199
Total	203	8,988	8,911	199

The decrease in common stock of 8,988 thousand shares is due to the retirement of treasury shares.

The increase in common stock in treasury of 8,988 thousand shares is due to the purchase.

The decrease in common stock in treasury of 8,991 thousand shares consists of 8,988 thousand shares resulting from the retirement of treasury shares and 3 thousand shares due to the changes of scope of equity method, etc.

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
Total	750,000	—	—	750,000
Number of shares of stock in issue:				
Common stock	362,704	—	—	362,704
Total	362,704	—	—	362,704
Number of shares of common stock in treasury:				
Common stock	203	—	—	203
Total	203	—	—	203

14. OTHER COMPREHENSIVE INCOME

Reclassification adjustments for each component of other comprehensive income including tax effect for the years ended March 31, 2017 and 2016 were as follows:

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Valuation difference on available-for-sale securities, net of taxes:			
Unrealized holding gains arising during the period	¥ (1,414)	¥(14,159)	\$ (12,603)
Less: Reclassification adjustment included in profit	—	—	—
Pre-tax amount	(1,414)	(14,159)	(12,603)
Tax expense	443	4,697	3,948
Valuation difference on available-for-sale securities, net	(971)	(9,461)	(8,654)
Deferred gains (losses) on hedges, net of taxes:			
Deferred gains (losses) arising during the period	18,053	(34,237)	160,914
Less: Reclassification adjustment included in profit	13,596	22,219	121,187
Pre-tax amount	31,650	(12,017)	282,110
Tax expense (benefit)	(7,726)	3,012	(68,865)
Deferred gains (losses) on hedges, net of taxes	23,923	(9,005)	213,236
Foreign currency translation adjustment:			
Translation adjustment arising during the period	(257)	(247)	(2,290)
Less: Reclassification adjustment included in profit	—	4,836	—
Foreign currency translation adjustment	(257)	4,588	(2,290)
Remeasurements of defined benefit plans:			
Remeasurements of defined benefit plans arising during the period	(11,713)	(57,871)	(104,403)
Less: Reclassification adjustment included in profit	6,413	1,348	57,161
Pre-tax amount	(5,300)	(56,522)	(47,241)
Tax expense	21,453	645	191,220
Remeasurements of defined benefit plans	16,152	(55,877)	143,970
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	308	(453)	2,745
Total other comprehensive income	¥ 39,155	¥(70,209)	\$ 349,006

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, 2017 and 2016, respectively.

The Company has 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, 2017:

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

An impairment loss of ¥505 million (\$4,501 thousand) was recognized as non-operating expenses in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2017.

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 on flight equipment 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.

16. LEASES

As Lessee

The following amounts represent the related lease expenses, depreciation and interest expenses for the periods ended March 31, 2016, 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

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finance leases currently accounted for as operating leases whose contracts were entered into prior to April 1, 2008:

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Lease expenses	¥—	¥2	\$—
Depreciation equivalent	—	2	—
Interest expenses equivalents	—	0	—

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, 2017 and 2016.

Future rental expenses under noncancelable operating leases outstanding on March 31, 2017 and 2016 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Within 1 year	¥15,468	¥19,015	\$137,873
Over 1 year	60,983	77,900	543,568
Total	¥76,451	¥96,915	\$681,442

17. CONTINGENT LIABILITIES

On March 31, 2017 and 2016, contingent liabilities for guarantees for bank loans of employees amounted to ¥150 million (\$1,337 thousand) and ¥186 million, respectively.

On March 31, 2017, contingent liabilities for guarantees, for lease obligations of Jetstar Japan Co., Ltd. amounted to ¥4,400 million (\$39,219 thousand).

The Company guarantees for damage resulting from a breach of the obligation, assertion or guarantee on the contract regarding stock transfer reservation concluded between Fukuoka Airport Holdings Co., Ltd. (transferor) in which the Company holds an investment and the Ministry of Land, Infrastructure, Transport and Tourism Civil Aviation Bureau (transferee), capped at ¥7,867 million (\$70,122 thousand) on March 31, 2017.

18. 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, 2017 and 2016 since the Company had no equity instruments issued that had a dilutive effect on earnings per share.

Year ended March 31	Yen		U.S. dollars
	2017	2016	2017
Earnings per share of common stock:			
Basic	¥456.56	¥481.29	\$4.06

The following table sets forth the computation of basic earnings per share of common stock for the years ended March 31, 2017 and 2016:

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Earnings (allocable to) available for shareholders of common stock:			
Profit attributable to owners of parent	¥164,174	¥174,468	\$1,463,356
Appropriations for payment of preferred dividend	—	—	—
	¥164,174	¥174,468	\$1,463,356

Year ended March 31	Thousands of shares	
	2017	2016
Weighted-average number of shares of common stock outstanding	359,594	362,500

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.

As of March 31	Yen		U.S. dollars
	2017	2016	2017
Net assets per share of common stock	¥2,749.71	¥2,325.79	\$24.50

19. ASSET RETIREMENT OBLIGATIONS

a. Asset retirement obligations recognized in the consolidated balance sheets on March 31, 2017 and 2016

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, 2017 and 2016. 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, 2017 and 2016 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, 2017 and 2016:

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of period	¥ 3,957	¥ 3,419	\$ 35,270
Increase due to purchases of tangible fixed assets	10	484	89
Accretion due to the passage of time	55	54	490
Decrease due to settlement	(235)	(0)	(2,094)
Balance at end of period	¥3,788	¥3,957	\$33,764

b. Asset retirement obligations not recognized in the consolidated balance sheets as of March 31, 2017 and 2016

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 an important role in 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.

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Year ended March 31, 2017	Millions of yen				
	Air transportation	Other	Total	Eliminations	Consolidated
Net sales					
External	¥1,044,915	¥244,051	¥1,288,967	¥ —	¥1,288,967
Intersegment	114,476	29,440	143,917	(143,917)	—
Total	1,159,392	273,491	1,432,884	(143,917)	1,288,967
Operating income	153,191	17,400	170,591	(259)	170,332
Assets	1,673,011	167,188	1,840,199	(111,422)	1,728,777
Depreciation and amortization	93,397	2,386	95,784	(7)	95,777
Impairment loss	505	—	505	—	505
Investments in entities accounted for using equity method	7,820	20,510	28,331	—	28,331
Capital expenditure	¥ 231,562	¥ 1,633	¥ 233,196	¥ —	¥ 233,196

Year ended March 31, 2017	Thousands of U.S. dollars				
	Air transportation	Other	Total	Eliminations	Consolidated
Net sales					
External	\$ 9,313,798	\$2,175,336	\$11,489,143	\$ —	\$11,489,143
Intersegment	1,020,376	262,411	1,282,797	(1,282,797)	—
Total	10,334,183	2,437,748	12,771,940	(1,282,797)	11,489,143
Operating income	1,365,460	155,094	1,520,554	(2,308)	1,518,245
Assets	14,912,300	1,490,221	16,402,522	(993,154)	15,409,368
Depreciation and amortization	832,489	21,267	853,765	(62)	853,703
Impairment loss	4,501	—	4,501	—	4,501
Investments in entities accounted for using equity method	69,703	182,814	252,526	—	252,526
Capital expenditure	\$ 2,064,016	\$ 14,555	\$ 2,078,580	\$ —	\$ 2,078,580

Year ended March 31, 2016	Millions of yen				
	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

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, 2017 and 2016, export sales of domestic consolidated subsidiaries, and sales of consolidated subsidiaries outside Japan, for the years ended March 31, 2017 and 2016 were as follows:

Year ended March 31	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Asia and Oceania	¥214,298	¥243,785	\$1,910,134
North America	186,398	197,552	1,661,449
Europe	72,586	79,997	646,991
Total	¥473,283	¥521,334	\$4,218,584

Information about amortization and unamortized balances of goodwill by segment for the years ended March 31, 2017 and 2016 were as follows:

Year ended March 31, 2017	Millions of yen				
	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	¥—	¥455	¥455	¥—	¥455
Unamortized balance	—	—	—	—	—


Year ended March 31, 2017	Thousands of U.S. dollars				
	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	\$—	\$4,055	\$4,055	\$—	\$4,055
Unamortized balance	—	—	—	—	—

Year ended March 31, 2016	Millions of yen				
	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	¥—	¥849	¥849	¥—	¥849
Unamortized balance	—	455	455	—	455

21. RELATED PARTY INFORMATION

There are no material transactions that need to be presented for the years ended March 31, 2017 and 2016.

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, 2017 and 2016, 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 misstatement, 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, 2017 and 2016, 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, 2017 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.



June 23, 2017
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.

CONSOLIDATED SUBSIDIARIES
(As of March 31, 2017)

Corporate Name	Paid-in Capital (Millions of yen)	Ratio of Voting Rights			Corporate Name	Paid-in Capital (Millions of yen)	Ratio of Voting Rights		
		Direct (%)	Indirect (%)	Total (%)			Direct (%)	Indirect (%)	Total (%)
Air Transport Business Segment									
Air Transport Business									
JAPAN TRANSOCEAN AIR CO., LTD.	4,537	72.8	—	72.8	JAL AIRTECH CO., LTD.	315	66.6	3.4	70.0
JAPAN AIR COMMUTER CO., LTD.	300	60.0	—	60.0	Cargo				
J-AIR CO., LTD.	200	100.0	—	100.0	JUPITER GLOBAL, LTD.	HKD 1,000 1,960	46.4	4.6	51.0
HOKKAIDO AIR SYSTEM CO., LTD.	490	57.3	—	57.3	Passenger Sales				
RYUKYU AIR COMMUTER CO., LTD.	396	—	74.5	74.5	JALPAK CO., LTD.*1	80	96.4	1.2	97.7
Airport Passenger Handling									
JAL SKY CO., LTD.	100	100.0	—	100.0	JAL SALES CO., LTD.	460	100.0	—	100.0
OKINAWA AIRPORT SERVICE CO., LTD.	33	66.7	33.3	100.0	JAL JTA SALES CO., LTD.	30	16.7	83.3	100.0
JALSKY OSAKA CO., LTD.	30	100.0	—	100.0	JALPAK INTERNATIONAL HAWAII, INC.	USD 1,000 1,000	—	100.0	100.0
JALSKY KYUSHU CO., LTD.	30	100.0	—	100.0	JALPAK INTERNATIONAL (CHINA) CO., LTD.	USD 1,000 600	—	100.0	100.0
JALSKY SAPPORO CO., LTD.	30	100.0	—	100.0	JALPAK INTERNATIONAL (EUROPE) B.V.	EUR 1,000 1,600	—	100.0	100.0
JALSKY KANAZAWA CO., LTD.	10	100.0	—	100.0	JALPAK INTERNATIONAL (FRANCE) S.A.S.	EUR 1,000 160	—	100.0	100.0
JALSKY SENDAI CO., LTD.	10	100.0	—	100.0	EURO-CREATIVE TOURS (U.K.) LTD.	GBP 1,000 100	—	100.0	100.0
JAL HAWAII, INCORPORATED	USD 1,000 100	100.0	—	100.0	JALPAK INTERNATIONAL ASIA PTE. LTD.	SGD 1,000 146	—	100.0	100.0
Ground Handling									
JAL GROUND SERVICE CO., LTD.	100	99.8	0.2	100.0	JAL SATELLITE TRAVEL CO., LTD.	HKD 1,000 750	—	100.0	100.0
JAL GROUND SERVICE OSAKA CO., LTD.	10	—	100.0	100.0	PT. TAURINA TRAVEL DJAYA*2	IDR 1,000 500,000	—	49.0	49.0
JAL GROUND SERVICE KYUSHU CO., LTD.	10	—	100.0	100.0	Airport-Related Business				
JAL GROUND SERVICE SAPPORO CO., LTD.	10	—	97.7	97.7	OKINAWA FUELING FACILITIES CO., LTD.*3	100	40.0	20.0	60.0
Maintenance									
JAL ENGINEERING CO., LTD.	80	100.0	—	100.0	JAL ABC, INC.	100	51.0	—	51.0
JAL MAINTENANCE SERVICE CO., LTD.	10	100.0	—	100.0	Others				
Cargo									
JAL KANSAI AIRCARGO SYSTEM CO., LTD.	100	69.2	—	69.2	JAL INFORMATION TECHNOLOGY CO., LTD.	702	100.0	—	100.0
JAL CARGO SERVICE CO., LTD.	50	100.0	—	100.0	AXESS INTERNATIONAL NETWORK, INC.	700	100.0	—	100.0
JAL CARGO HANDLING CO., LTD.	50	—	100.0	100.0	JAL CARD, INC.	360	50.6	—	50.6
JAL CARGO SERVICE KYUSHU CO., LTD.	20	40.0	40.0	80.0	JAL FACILITIES CO., LTD.	180	85.0	—	85.0
Passenger Sales									
JAL NAVIA CO., LTD.	50	100.0	—	100.0	JAL BRAND COMMUNICATIONS CO., LTD.	100	100.0	—	100.0
JAL MILEAGE BANK CO., LTD.	40	100.0	—	100.0	JTA INFORMATION & COMMUNICATION CO., LTD.	50	—	100.0	100.0
JAL PASSENGER SERVICES AMERICA INCORPORATED	USD 1,000 205	100.0	—	100.0	JAL SUNLIGHT CO., LTD.	20	100.0	—	100.0
Airport-Related Business									
JAL ROYAL CATERING CO., LTD.	2,700	51.0	—	51.0	OFFICIAL FILING CO., LTD.	10	50.0	4.0	54.0

*1 Operating revenue (excluding operating revenue between consolidated subsidiaries) of JALPAK CO., LTD accounts for over 10% of consolidated operating revenue.
*2 Although JAL's ownership is 50% or less, the company is considered a subsidiary because JAL has substantial control.
*3 Effective June 2, 2017, OKINAWA FUELING FACILITIES CO., LTD. became an equity-method affiliate due to a decline in the Company's equity stake following the sale of shares.

ESG DATA

Environmental Data (E)

	FY2013	FY2014	FY2015	FY2016	Unit
Environment					
CO ₂ Emissions					
Scope 1	820	840	854	875	10,000 tons
Scope 2	8.07	7.88	7.60	7.15	10,000 tons
CO ₂ Emissions/RTK (Comparison with FY 2005)	89.6	86.6	85.1	84.6	%
NOx (LTO cycle)	6.26	6.12	5.78	5.30	1,000 tons
CO (LTO cycle)	4.39	4.38	4.43	4.24	1,000 tons
HC (LTO cycle)	0.72	0.7	0.72	0.71	1,000 tons
Electricity Use* ¹	129	125	120	113	Million kWh
Heat Use (crude oil equivalent)* ¹	49,633	48,494	46,770	44,936	1,000 liters
Water Use	452	445	430	426	1,000 m ³
Industrial Waste	3,720	3,415	3,475	3,436	Tons
Ratio of Final Disposal	1.2	1.2	1.2	1.1	%

*1 Airports, Offices, Maintenance Centers (Japan)

Social Data (S)

	FY2013	FY2014	FY2015	FY2016	Unit
Human Resources					
Consolidated Staff Headcount* ²	31,472	31,534	31,986	32,753	Persons
Ground Staff	23,084	23,093	23,367	24,055	Persons
Flight Crew	2,405	2,446	2,519	2,570	Persons
Cabin Attendants	5,983	5,995	6,100	6,128	Persons
Average age* ²	37.4	38.3	37.4	38.2	Years
Ground Staff	37.5	38.7	37.7	38.6	Years
Flight Crew	42.1	42.7	41.1	43.8	Years
Cabin Attendants	35	35.1	35	34.9	Years
Ratio of Men* ²	53.3	53.2	52.3	52.5	%
Ratio of Women* ²	46.7	46.8	47.7	47.5	%
Managerial Staff* ²	15.6	15.9	16.0	15.9	%
General Staff* ²	84.4	84.1	84.0	84.1	%
Ratio of Disabled Staff* ³	2.00	2.04	2.28	2.56	%
Ratio of Female Managers* ²	14.1	15.1	15.6	16.3	%
Training Period per Person* ⁴	62.5	60.2	62.8	66.4	Hours/Person
Training Cost per Person* ⁴	311,704	318,249	380,997	403,519	Yen/Person
Childcare Leave Applicants	702	779	782	781	Persons
Nursing Care Leave Applicants	62	51	42	65	Persons
Ratio of Local Hires at Overseas Offices* ²	92.0	90.8	90.4	89.9	%
Ratio of Locally Hired Managerial Staff at Overseas Offices* ²	62.1	62.8	60.8	61.9	%
Average Years of Continuous Service	13.5	14.4	13.9	14.2	Years
Community Contribution					
Participation in Voluntary Activities	915	1,044	909	1,506	Persons
Total Hours of Voluntary Activities	3,144	4,436	3,182	5,271	Hours

*2 As of the fiscal year-end

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

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

Governance Date (Japan Airlines Co., Ltd.) (G)

(As of July 1, 2017)

Corporate governance-related items	Topics discussed
Formulation of Fundamental Policies of Corporate Governance	Yes
Organization Form	Company with companies with Audit & Supervisory Board
Directors	
Term of Office Stipulated	1 year
Chairperson of the Board	Chairman
Number of Directors (of which, External Directors)	10 (of which, three External Directors)
Number of Board of Directors meetings	18 (Fiscal year 2016)
External Director attendance at Board of Directors meetings	94% (Fiscal year 2016)
Audit & Supervisory Board Members	
Number of Audit & Supervisory Board Members (of which, External Members)	Five (of which, three External Members)
External Audit & Supervisory Board Member attendance at Board of Directors meetings	92%(Fiscal year 2016)
Key meetings attended by Audit & Supervisory Board Members	Management Committee, Group Earnings Announcement Session, Group Council for Safety Enhancement General Meeting, Management Liaison Committee, Risk Management Committee
Number of Audit & Supervisory Board meetings	13 (Fiscal year 2016)
External Audit & Supervisory Board Member attendance at Audit & Supervisory Board meetings	100% (Fiscal year 2016)
Appointment of independent External Directors and External Audit & Supervisory Board Members	Six (three External Directors, three External Audit & Supervisory Board Members)
Accounting Auditor	KPMG AZSA LLC
Internal Auditing	Audit

(FY 2016)

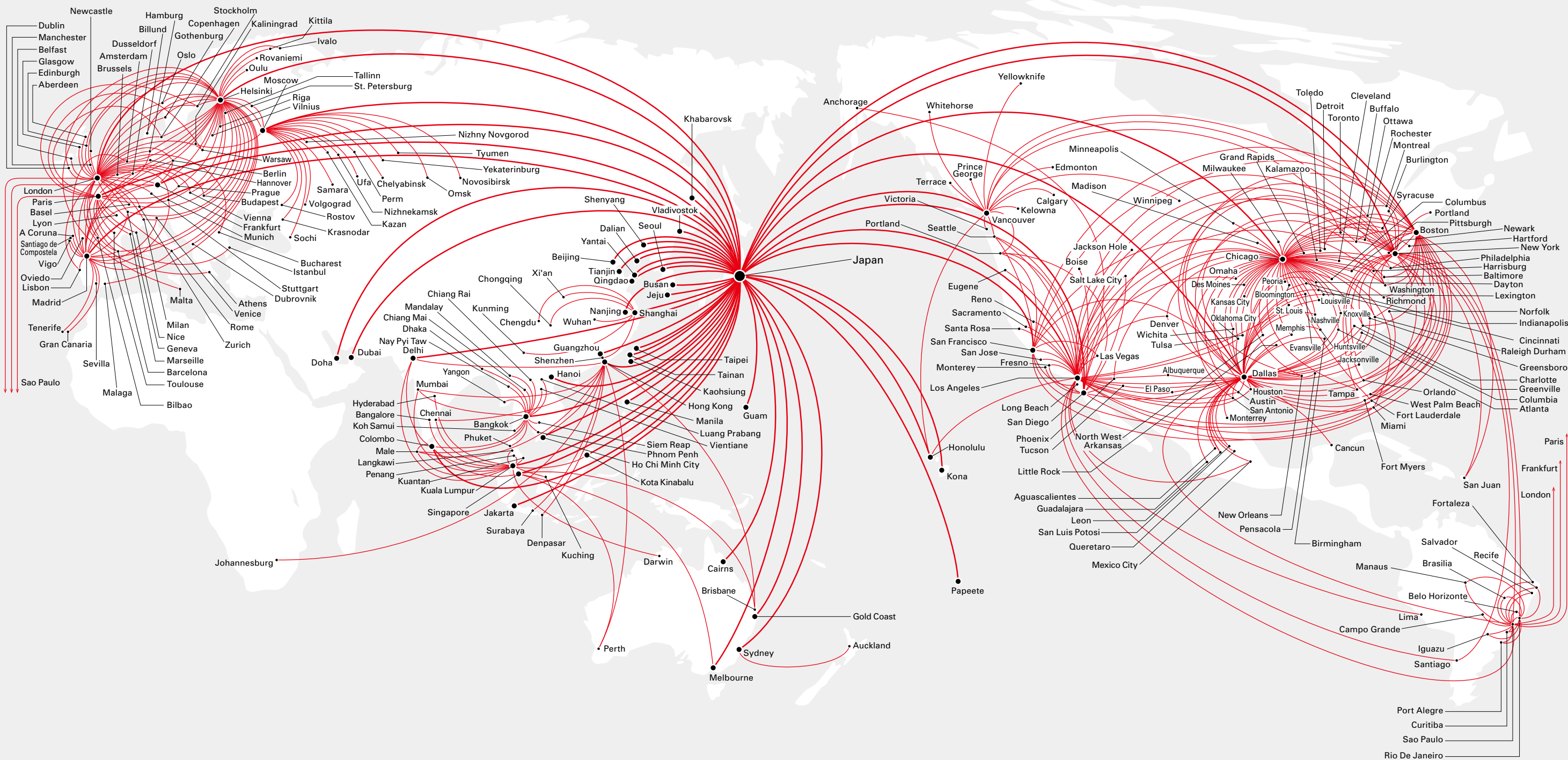
Establishment of Committee	The Chairperson	Composition (number of members)	Number of meetings
Corporate Governance Committee	Kimie Iwata (Lead Independent External Director)	4	1
Nominating Committee	Masatoshi Ito (External Director)	5	3
Compensation Committee	Eizo Kobayashi (External Director)	5	10
Personnel Committee	Yoshiharu Ueki (Representative Director, President)	5	4
Officers Disciplinary Committee	Kimie Iwata (External Director)	5	2

(FY 2016)

Bodies directly controlled by the President	Topics discussed	Composition	Number of meetings
Management Committee	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.	A forum for discussion attended by the President, Vice President, Senior Managing Executive Officers, Managing Executive Officers, Full-time Directors, other Directors, and Audit & Supervisory Board Members.	35
Group Earnings Announcement Session	The Group Earnings Announcement Session is attended by the management teams of Japan Airlines and all its major subsidiaries to share the status of the JAL Group earnings and consider ways to improve business performance.	Chairman, President, Directors, Executive Officers, Area Managers, Presidents of major subsidiaries, Audit & Supervisory Board Members	12
JAL Philosophy Council	This body is tasked with promoting the JAL Philosophy. It is responsible for developing basic policies for initiatives, planning and implementing related measures and evaluating the impact of those measures.	Chairman, President, Vice President, General Manager of Managing Division Route Marketing, General Manager of Managing Division Passenger Sales, General Manager of Cargo & Mail, General Manager of Flight Operations, General Manager of Engineering & Maintenance, General Manager of Cabin Attendants, General Manager of Airport Operations, General Manager of General Affairs, General Manager of Human Resources, General Manager of Corporate Control, General Manager of Communication Division	4
Group Council for Safety Enhancement General Meeting	This body is tasked with ensuring safe flight operations across the Group and promoting safety management, in line with the Group's principles and policies. • Determines key policies related to safety management • Clarifies the status of management systems and regularly overhauls those systems • Addresses day-to-day flight safety issues, etc.	President of Japan Airlines, Safety General Manager for Japan Airlines, Executives nominated by the chairperson, Presidents of Group airlines	12
Corporate Brand Promotion Council	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, and where necessary, overhauls related organizations, systems and policies to strengthen the corporate brand.	President, Vice President, Senior Managing Executive Officers, Managing Executive Officers, Executive Officers nominated by the chairperson, Presidents of Group airlines	12
Management Liaison Committee	The Management Liaison Committee monitors the progress of management projects and shares information. The Management Liaison Committee checks the progress of matters related to management and shares information.	President, Vice President, Senior Managing Executive Officers, Managing Executive Officers, Directors, Executive Officers, Audit & Supervisory Board Members	24

INTERNATIONAL ROUTE MAP

(As of June 28, 2017)



●

The routes above include code-share flights.

●

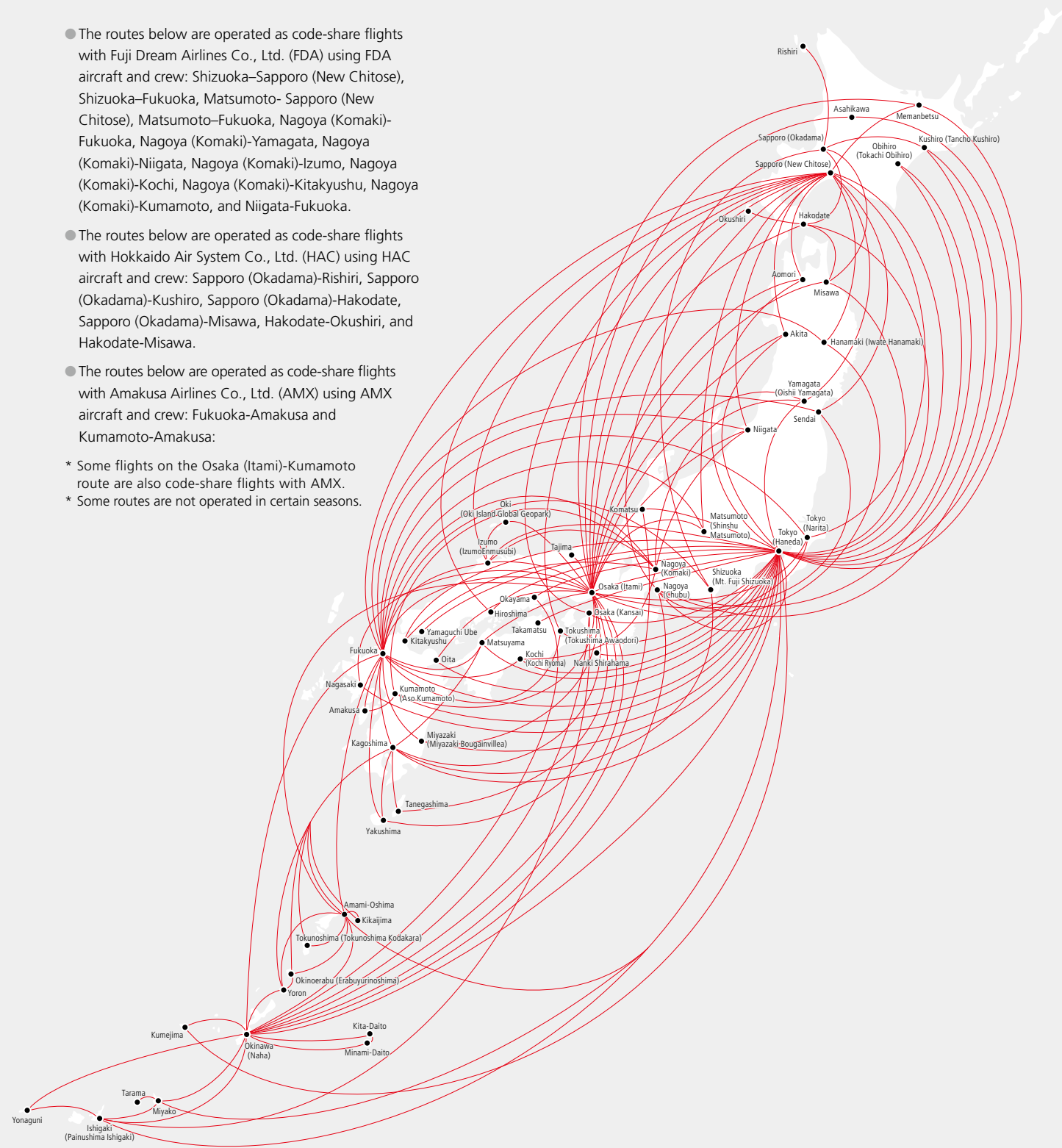
The map has been altered to highlight the cities on JAL's route network.

DOMESTIC ROUTE MAP

(As of June 28, 2017)

- 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.



GLOSSARY

ASK	Abbreviation for Available Seat Kilometer. A unit for passenger transport capacity. Total number of seats × distance travelled (in kilometers)	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.
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.	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.
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.	Normal line operation monitoring	A proactive preventive program to identify latent risks in daily operations and normal operations, and implement preventive measures.
ROE	Abbreviation for Return on Equity. Calculated by dividing current net income by shareholders' equity. Indicates the rate of return on shareholders' investment.	Fleet management	A management approach to manage aircraft flexibly according to demand trends in order to maximize revenues and minimize expenses.
RPK	Abbreviation for Revenue Passenger Kilometers. The total distance flown by each revenue passenger. Number of revenue passengers × distance flown (in kilometers).	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.
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.	Marshaller	A specialist who uses hand signals to guide aircraft on the ground to a specified position.
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.	Unit cost	Consolidated air transport costs (excluding fuel costs and transactions with affiliated companies in which revenues and expenses are settled internally) / ASK.
Irregular operation	An occurrence in which the aircraft diverts due to aircraft system malfunction, etc., but with no immediate effect on flight safety.	Unit revenue	Revenue from passenger flights / ASK.
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.	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.
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.	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.
Code-share	To place the flight number of an airline on a flight operated by another airline, indicating that the flight number on reservations systems and timetables, and operating the flight as if it were its own flight. A flight undertaken jointly.	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 nonrevenue passengers are excluded.

DATA ON INCIDENTS

Safety issues occurring in fiscal year 2016 and countermeasures

The JAL Group undertakes active disclosure of safety data so that customers can put their confidence in our services.

In fiscal year 2016, there were no serious incidents,*¹ but one aircraft accident*² occurred. In other safety indicators, there were eight cases of customer injury on board or at the airport,*³ 66 irregular operations due to aircraft system malfunctions or other causes,*⁴ and 48 irregularities*⁵ due to human error. These figures showed little change from the previous year. We apologize once again for the inconvenience and concern caused.

In response to the aircraft accident reported below, the JAL Group is committed to cooperating fully with the investigative body and implementing the necessary countermeasures.

Aircraft accidents

Cabin attendant injury due to turbulence on JAL flight 646 (November 10, 2016)

On November 10, 2016, while JAL flight 646 (Kagoshima-Haneda) was on its ascent from Kagoshima Airport and the seatbelt sign was illuminated, a cabin attendant who left her seat in order to ensure the safety of a child moving around in its seat was affected by sudden turbulence and sustained an injury. Medical examination resulted in the diagnosis of a sacral bone fracture and the incident was therefore recognized as an aircraft accident on November 11, 2016 by the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism.

Investigation of the case was referred to the Japan Transport Safety Board of the Ministry of Land, Infrastructure, Transport and Tourism. JAL is cooperating fully with the activities of the investigative body and will implement the necessary countermeasures.

As interim measures, all organizations have been informed in writing of the circumstances of the accident, and cabin attendants have been reissued with a document listing precautions to follow when leaving a seat as an extraordinary measure to respond to an urgent situation. As a further measure, customers accompanied by children are being assisted with a stepped-up level of announcements and direct staff contacts at the airport and on board. Going forward, we will continue to take cross-departmental preventive action through hardware and software measures.

*1 Serious incident: An incident not amounting to an aircraft accident, but where a recognized danger of an accident occurring was present, such as runway excursion, an emergency evacuation, fire or smoke on board, abnormal depressurization, encounter with abnormal weather conditions, or other situation classified as a serious incident by the Ministry of Land, Infrastructure, Transport and Tourism.

*2 Aircraft accident: A situation arising from the operation of an aircraft and resulting in fatal or serious injury, an aircraft crash, collision, or fire, damage to the aircraft during flight requiring major repair, or other situation classified as an aircraft accident by the Ministry of Land, Infrastructure, Transport and Tourism.

*3 Customer injury: A case where a customer sustains an injury on board or at the airport and is examined at a medical institution (in-house statistics).

*4 Irregular operation: A situation where an aircraft diverts from its destination due to an aircraft system malfunction or other cause, but with no immediate impact on flight safety.

*5 Irregularity due to human error: An irregularity caused by human error of a kind which needs to be eliminated by the relevant department (Flight Operations, Maintenance, etc.) in view of its impact on overall flight safety (in-house statistics).

Fiscal year 2016 management indicators and results

Indicator	Result	Summary
Aircraft accidents	1	November 10, 2016 JAL flight 646 Injury to cabin attendant due to turbulence
Serious incidents	0	—

In fiscal year 2017, we will be working to achieve the following goals:

1. Realize zero aircraft accidents and zero serious incidents
We will take preventive action by detecting precursors to aircraft accidents and serious incidents.
2. Evolve the safety management system to the world's highest standard
In addition to preventing recurrences of aircraft accidents and serious incidents, we will integrate and analyze safety data to facilitate preventive action by detecting precursors to serious irregularities, thus intercepting accidents before they happen.
3. Evolve the security management system to the world's highest standard
In response to the increasing terrorism threat worldwide, we will strengthen security systems and develop staff awareness of security protection to protect customers from the threat of terrorism.
4. Ensure that lessons learned from past accidents are passed on
More than 30 years have passed since the JAL flight 123 accident and staff with direct experience of the accident are now reaching retirement. We will ensure that lessons learnt from past accidents are passed on securely so that we continue to give absolute priority to safety.

JAL Group Safety Report

The JAL Group Safety Report is published yearly in accordance with the Civil Aeronautics Act (Article 111-6: Publication of Safety Reports by Domestic Air Carriers). The report presents safety initiatives and other relevant data from the six companies of the JAL Group in a readily accessible form.



STOCK INFORMATION / CORPORATE INFORMATION

(As of March 31, 2017)

Stock Information

- Stock Exchange The First Section of the Tokyo Stock Exchange
- 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 within Japan))
Open: 9:00 am to 5:00 pm (Japan time)

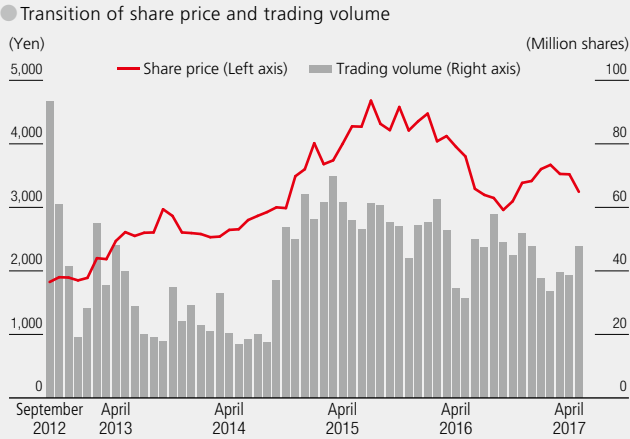
- Method of official announcement
Electronic public notice at:

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.



- 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 353,715,800 (Number of shares per unit: 100)
Number of Shareholders 127,583
- Major Shareholders

Shareholders Name	Number of shares	Percentage of Shares Against Total Number of Issued Shares (%)
Japan Trustee Services Bank, Ltd. (Trust account)	17,606,000	4.97
The Master Trust Bank of Japan, Ltd. (Trust account)	15,938,000	4.50
Kyocera Corporation	7,638,400	2.15
Japan Trustee Services Bank, Ltd. (Trust account 5)	6,619,600	1.87
Japan Trustee Services Bank, Ltd. (Trust account 9)	6,568,000	1.85
Daiwa Securities Group Inc.	5,000,000	1.41
Japan Trustee Services Bank, Ltd. (Trust account 1)	4,907,800	1.38
Japan Trustee Services Bank, Ltd. (Trust account 2)	4,852,900	1.37
STATE STREET BANK AND TRUST COMPANY	4,425,900	1.25
Japan Trustee Services Bank, Ltd. (Trust account 7)	4,179,100	1.18

Company Profile

Corporate Name	Japan Airlines Co., Ltd.
Headquarters	Nomura Real Estate Bldg., 2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8637, Japan Phone: +81 (0)3-5460-3121
Established	August 1, 1951
Representative Director, President	Yoshiharu Ueki
Capital	181,352 million yen
Employees	Consolidated Employees 32,753 people Employees 11,449 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



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/
Corporate information	www.jal.com/en/outline/corporate/
CSR information	www.jal.com/en/csr/
Investor Relations	www.jal.com/en/investor/

