

FLY INTO TOMORROW

JAL REPORT 2019

Fiscal year ended March 2019



The JAL Group adopts the Corporate Policy as its universal management goal and management rationale, and established the Safety Charter as the Group’s safety policy based on the Corporate Policy.

The JAL Group also established the JAL Philosophy as a mindset, values and attitude expected of all Group employees, with the hope that application of this Philosophy will lead to realization of the Corporate Policy.

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.

SAFETY CHARTER

Safety: The protection of lives.
This is the commitment and basic foundation of business continuity for the JAL Group.
We take to heart our mission and responsibility as safety professionals to ensure a safe operation on every flight with the best of our knowledge, skills and abilities.

To accomplish this, we will act according to the following principles.

- Stop immediately when safety concern arises.
- Comply with rules and strictly follow standard operating procedures.
- Always check and confirm; never rely on assumptions.
- Promptly communicate information without omission to ensure safety.
- Deal with problems quickly and appropriately without underestimation.

JAL PHILOSOPHY

| Part 1 | In Order to Lead a Wonderful Life | Part 2 | To Become a Wonderful JAL |
|-----------|---|-----------|---|
| Chapter 1 | The Formula for Success (The Formula for Life and Work) The Result of Life and Work = Attitude × Effort × Ability | 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 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 2 | Have a Keen Sense of Profitability Maximize Revenues and Minimize Expenses (Measure Your Inflow and Control Your Outflow) Elevate Our Cost-Consciousness Pursue Profit Fairly Manage the Company Based on Accurate Figures |
| Chapter 3 | Accumulate Tedious Efforts with Passion Work Earnestly Accumulate Tedious Efforts Work with Voluntary Attention Fire Yourself Up Strive for Perfection | Chapter 3 | Unite Our Hearts Make the Best Baton Pass Align Mental Vectors “Workfloor” Management Follow the Merit System |
| Chapter 4 | Ability Will Improve Ability Will Improve | 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 |

EDITORIAL POLICY

The JAL Group has published this JAL Report 2019 to inform stakeholders about business activity outcomes in the previous year, medium- and long-term management strategies, and to provide an understanding of the Group's pursuit of both economic value and social value and efforts to achieve sustainable growth.

Period covered by the report

Primarily April 2018 to March 2019 (fiscal 2018)

Scope of the report

This report covers 142 JAL Group companies, comprising Japan Airlines Co., Ltd., 83 subsidiaries and 58 affiliates.

Reference guidelines

The International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC), and the Guidance for Collaborative Value Creation issued by the Ministry of Economy, Trade and Industry, were used as references in creating this report. The GRI Standard issued by the Global Reporting Initiative (GRI) was also used as references for ESG information.



Date of publication

September 2019

JAL corporate website

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

About forward-looking statements
This report includes forward-looking statements about JAL Group businesses and outlooks. These statements reflect current JAL Group analysis related to existing information and various trends. Actual performance may differ from current forecasts as a result of business risks and uncertainties.

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MESSAGE FROM THE PRESIDENT



Yuji Akasaka
Representative Director,
Executive President

JAL REPORT 2019

Our Approach to Safety and Sense of Security

In fiscal 2018, the JAL Group was involved in the causation of serious problems and suffered a considerable loss of trust from its customers and stakeholders. In October 2018, an alcohol-related incident by a copilot caused significant concern and inconvenience to society. As President of the JAL Group responsible for safety, I feel deep remorse and express my sincerest apologies.

Maintaining flight safety is the greatest mission of the JAL Group. Precious lives of our customers are entrusted to us in our business. This means that the behavior of every employee can pose a risk to the lives of our customers. This alcohol-related incident threatened safety, the basic foundation of our business, and betrayed the trust of society, which is totally unacceptable.

What I find most regrettable is that our organization should have and could have prevented such an incident from happening. As a group of safety professionals, we are determined to restore public trust by identifying inherent issues within the organization and engaging all organizations in working towards resolving those issues quickly and thoroughly.

Background to Receiving the Business Improvement Order

On October 28, 2018, a copilot assigned to JAL flight 44 underwent an alcohol (breath) test conducted by the London police authorities before starting duty. This was because the driver of the bus carrying the copilot notified the authorities after noticing alcohol on his breath. The test showed a breath alcohol concentration that exceeded regulations defined under British law and the copilot was detained by authorities. After a further blood alcohol test conducted by the authorities, the copilot was found to have violated British law and was subsequently arrested and taken into custody. Not only did the copilot consume excess alcohol the previous day in violation of the company's Operations Manual but he is also suspected of slipping through the pre-flight alcohol test conducted by the company. In addition, the captain and second in command assigned to the same flight, who were present at the copilot's pre-flight test, did not notice that test procedures were not followed.

In addition, the flight was scheduled to operate with a three-man complement consisting of the captain, second in command and copilot, but was allowed to fly without the copilot with the approval of JAL's relevant department in Tokyo. However, approval was wrongly given due to misinterpretation of the Operations Manual and the flight should have been operated with a three-man complement. Since June 2016, we have been replacing alcohol detectors

used for pre-flight alcohol tests with the new model that were more precise and prevented improper testing. At the time of the London incident, we had completed distribution of the new detectors to all airports in Japan but distribution to overseas airports was considerably behind schedule and had not been completed. Also, even though a large volume of historical test data had been missing, nobody noticed and the situation was left as it was. On December 21, 2018, this series of incidents resulted in the issuance of a Business Improvement Order to Japan Airlines by the Ministry of Land, Infrastructure, Transport and Tourism.

Since then, we interviewed all persons concerned, conducted reproduction experiments and verification tests as much as possible, and based on the findings, established recurrence prevention measures such as improvement of tests including distribution of new breathalyzers, and awareness reform including education to increase knowledge on alcohol, and submitted a report to the Civil Aviation Bureau on January 18, 2019.

| | |
|--------------------|---|
| 2016 June 27 | Violation of laws and regulations by cockpit crew (Komatsu incident) After flight duty, a copilot went drinking with the captain at the destination (Komatsu), and assaulted the captain and allegedly interfered in the execution of duties of with a policeman who came to the scene. He was immediately arrested. |
| July 13 | Serious Reprimand |
| 2017 July 13 | 20 alcohol-related incidents occurred caused by alcohol consumption by cockpit crew. <ul style="list-style-type: none">• The copilot in the London incident was suspended from flight duty immediately before duty twice in a row due to poor health.• A cabin attendant involved in an onboard alcohol consumption incident was suspected of alcohol consumption while on duty. |
| 2018 May 22 | Inappropriate conduct by a cabin attendant A cabin attendant consumed alcohol in a lavatory during duty aboard JAL flight 8791 (Honolulu-Kansai) |
| June 6 | Serious Reprimand |
| October 28 | Scheduled flight delayed due to alcohol consumption by cockpit crew (London incident) A copilot assigned to JAL044 (London-Haneda) was arrested for drinking in excess of the legal alcohol limit set under British aviation law. The flight was scheduled to be operated by two captains and one copilot but was operated with two captains, because staff simplistically interpreted the Manual as allowing a two-pilot complement. |
| November 28 | Delayed scheduled flights due to alcohol consumption by cockpit crew (flight delay) The pre-flight alcohol test of a captain assigned to JAL flight 3741 (Kagoshima-Yakushima) showed that he was above the prescribed limit. It was clear that normal operations would be hindered, and as a result a total of four flights were delayed. |
| December 17 | Alcohol consumption by an on duty cabin attendant (onboard alcohol consumption incident) After receiving a report from an overseas-based cabin attendant that a cabin attendant aboard JAL flight 786 (Narita-Honolulu) "smelled of alcohol," the cabin attendant took an alcohol test and was tested positive. |
| December 21 | Business Improvement Order |
| 2019 January 11 | Serious Reprimand |
| January 18 | Business Improvement Advisory JAL reported on corrective measures concerning the Business Improvement Order and Business Improvement Advisory, and JAC reported on corrective measures concerning the Serious Reprimand. |

| Types of Aviation Safety-related Adverse Dispositions, etc. | | |
|---|-------------------------|--|
| ↑ | Adverse Disposition | Business License Rescission Business Suspension Order Business Improvement Order |
| | Administrative Guidance | Business Improvement Advisory Serious Reprimand Verbal Guidance |

Message from the President

Business Activities and Strategy

ESG Management

Financial Data/Corporate Information

MESSAGE FROM THE PRESIDENT

However, on November 28, 2018 during the Civil Aviation Bureau’s onsite inspection period in relation to these matters, JAC flight 3751 was delayed because a cockpit crew tested position in the pre-flight alcohol test, and on December 17 prior to receipt of the Business Improvement Order, an on-duty cabin attendant on JAL flight 786 was found to have consumed alcohol while onboard. These events showed that the London incident was not a special case limited to a specific individual. They meant that the measures formulated in response to the London incident were just stopgap measures, and made us aware that we had to delve deeper in the root cause if we were to truly attempt to prevent recurrence.

Establishment of In-house Verification Committee

Based on this awareness, we established an in-house Verification Committee led by myself as company president. I personally selected persons with expertise in an objective position to serve on the committee. The committee started by reviewing the facts and the few years leading to the issuance of the Business Improvement Order. We then looked at lessons learned from the Mount Osutaka accident and other past incidents related to the current problems. In addition, we gathered opinions from employees involved in the incidents, JAL Group employees in frontline sections, frontline back offices and Head Office departments, external directors with extensive knowledge, the Safety Advisory Group, and the bereaved families who know Japan Airlines well. Based on this information, the committee members raised questions, exchanged opinions, and considered and verified issues that were the underlying and root cause of these cases and measures and methods to solve them. As a result, we identified the following six substantive issues.

- 1. Are you being aware of issues which could lead to safety problems?
- 2. Can you speak up when you think that something is wrong?
- 3. Aren’t you concealing unfavorable information?
- 4. Do you give individual, personal attention to staff?
- 5. Do you understand the purposes of your duty?
- 6. Aren’t you thinking nothing but to fly the aircraft?

Issues relating to organizational culture and employee awareness as well as safety issues were consistent with my own feelings that there was an organizational culture of avoiding trouble, lacking concern for others, underestimating risks, and mistaking the purpose and method.

To resolve these issues, we formulated measures based on the following three pillars and are progressively putting them into action.

- 1. Awareness with safety as basic foundation
- 2. A framework and culture to solve problems thoroughly
- 3. Organizations that ensure safety

We also established the following three points that management should particularly continually implement. This is a message from the Committee directed to not only current management, but also future management.

- 1. Continuously pass on lessons learned. Do not let them forgotten
- 2. Continuously develop human resources who can solve problems through decision-making and actions with an understanding of root problems
- 3. Develop environments where staff can concentrate on their work with peace of mind

We concluded the in-house Verification Committee report with the following words.

Start now to raise awareness and think about the verifications by the Committee and recommendations in this Report, voluntarily put them into action, and change your awareness through action. These measures may continue for a long time but we must reach the goal. We would like to build a company where every staff thinks, “It is my pride and joy to work for JAL. I will fulfill my responsibility as a professional.” “JAL is a trustworthy company. JAL is safe and provides a sense of security. I can put my trust in staff who work for JAL.” To customers and society, this is the “corporate value of JAL Group.” Let’s work together and move forward, believing that this will lead to the happiness of every staff!

These are continuing initiatives, but I feel that we can overcome them as long as we are aware of our problems and issues. The reason is that we have rebuilt the company based on these reflections. I promise to draw on lessons learned from these incidents including recommendations from the Verification Committee and grow into a company that can continually provide even higher levels of safety and sense of security.

Future Measures 1. Awareness to Put Top Priority on Safety

1. Learn what real safety is!
We revised the Safety Charter to clarify the JAL Group’s renewed focus on safety. To help everyone associate their own jobs with safety, and think and increase safety awareness, we provide safety education to all Group employees once a year.

2. Apply lessons learned from incidents!
When deliberate violations occur, or people turn a blind eye to those violations, we will quickly share what happened, what was wrong, and what disciplinary action was taken throughout the company, and raise the sense of urgency within the organization to prevent recurrence and warn others who might make the same mistake.

3. Understand each other better!
We conduct cross-assignments to understand different duties between jobs, to strengthen ties between mutually related professionals, and to remove hazards.

4. Let’s start from communication!
Workplaces that encourage employees to speak up are important for removing hazards. We are strengthening initiatives that deepen mutual bonds because lively communication within the workplace leads to mutual understanding and removes walls between different workplaces and jobs.

Group-wide Measures

Awareness to put top priority on safety

- 1. Learn what real safety is!
- 2. Apply lessons learned from incidents!
- 3. Understand each other better!
- 4. Let’s start from communication!

A framework and corporate culture to solve problems thoroughly

- 1. Practice the JAL Philosophy with a sense of responsibility!
- 2. It is the leader’s duty to solve problems!
- 3. Distribute information to the right people!

Organizations that ensure safety

- 1. Organizations that give individual, personal attention!
- 2. Health management is safety management!
- 3. If you are hesitant, consult!
- 4. The Operation Division oversees daily flight safety!
- 5. Do not overlook latent risks!

Future Measures 2. A Framework and Corporate Culture to Solve Problems Thoroughly

1. Practice the JAL Philosophy with a sense of responsibility!
We will review JAL Philosophy Education that we provide to all employees, and provide venues to learn lessons from alcohol-related incidents and other failures reflect on whether we are ignoring unfavorable problems in ourselves or in the organization and think of how we correct this from actual situations and not only concepts. We will also link education with organizational management to provide opportunities for sharing decisions within workplaces and for reviewing implementation. In this way, we provide educational opportunities for thinking about how to practice the JAL Philosophy with an awareness of our rigorous responsibilities.

2. It is the leader’s duty to solve problems!
We will work to improve problem-solving capabilities of leaders in order to increase sensitivity to issues within the organization and enable them to accurately assess the situation, analyze factors multilaterally and make the right decisions even when faced with difficulties in dealing with issues. We will introduce and gradually expand external training starting with Managers, regardless of in frontline sections or back offices, to strengthen their assessment capabilities to grasp their level of awareness, crisis management capabilities, and problem-solving capabilities.

3. Distribute information to the right people!
We will revise internal communication systems to ensure that the right information is provided at the right time to the right people and organizations without bias. While revising information and communication tools for each level, we will make sure to provide optimal and clear information so that frontlines always feel a sense of unity with management. In this way, we will provide opportunities for every employee to treat events as their own problem and think of actions to take, and for management to grasp developments across the Group. We will ensure that necessary information is shared in workplaces in an accurate and timely manner in order to improve organizational performance and encourage mutual communication.

MESSAGE FROM THE PRESIDENT

Future Measures 3.
Organizations that Ensures Safety

1. Organizations that give individual, personal attention!

We will review the way organizations should be in order to pay individual attention to employees and respond appropriately to those who need individual care. We will develop environments to support individuals, where organization leaders apply mentoring management. We will increase the number of frontline support departments and frontline managers, and actively provide opportunities for direct dialogue with frontline employees, to understand their situation in more detail and respond as necessary.

2. Health management is safety management!

As precious lives are entrusted to us in our work, the air transportation business must take greater responsibility than other industries and have reaffirmed that health problems as not only private matters but also pose a risk to safety. To prevent increase communication within the organization, with the employees' understanding, to learn about their health conditions and drinking habits. We will also realize management that pays individual attention to employees by strengthening coordination within the organization, and with health management organizations and industrial physicians.

3. If you are hesitant, consult!

We will establish an internal safety hotline to create an environment that facilitates whistle blowing on hazards and prevents personal problems, such as drinking. The hotline will deal with problems that are difficult to discuss including consultation on safety concerns that may lead to unsafe events.

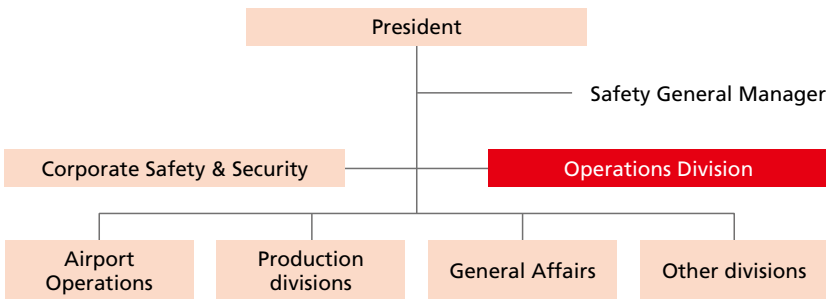
4. The Operation Division oversees daily flight safety!

The new Operations Division was established as an independent division reporting directly to the President, responsible for making the final decision and executing quick and accurate action with safety as top priority in daily operations and in the event of irregularities. The operations oversight function was previously established in the Airport Operations Division, but by separating it, decision on the premise of safety can be made independently without being influenced by the objectives of other divisions.

5. Do not overlook latent risks!

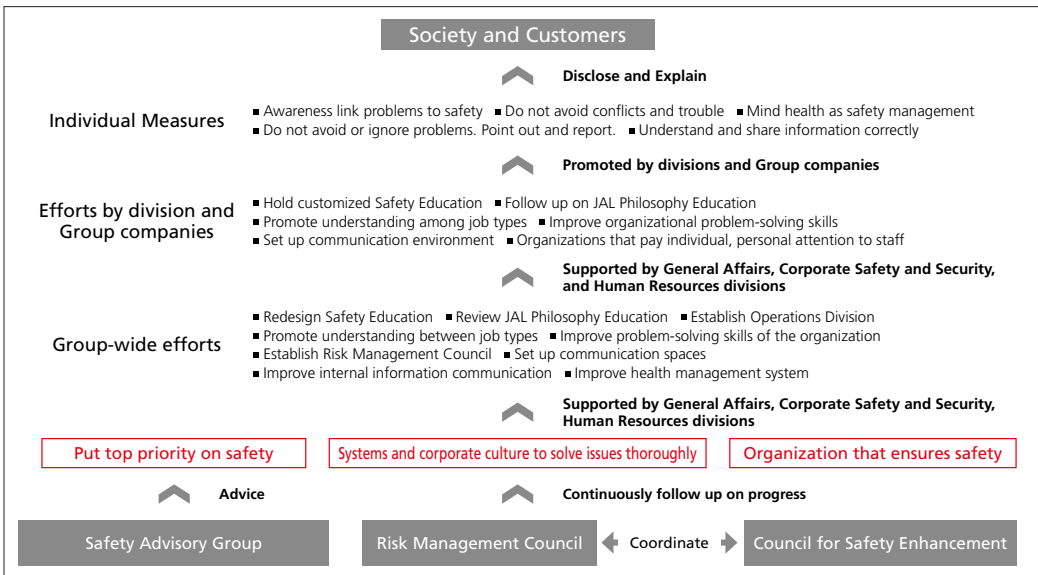
The Risk Management Council was newly established directly under the President to provide a mechanism to detect latent risks on frontlines and implement measures continuously. Taking over the purpose of the in-house Verification Committee, the Council detects potential and new risks and implements preventive measures. It also continuously confirms and verifies measures set out in the JAL Group Medium Term Management Plan from the perspective of safety as the highest priority.

■ Establishment of the Operations Division



■ Deployment Flow of Measures to Resolve Issues

For reliable realization of problem solving, we will deploy company-wide initiatives at each division, and respond voluntarily and independently at each workplace.



On the In-house Verification Committee Report



Kunio Yanagida
Chairperson
JAL Safety Advisory Group

When cockpit crew, cabin attendants, maintenance engineers and employees in jobs that directly affect safety consume alcohol in violation of regulations and then attempt to work, and these incidents continually occur, it indicates not only laxness in the awareness of employees in the air transport business, which is entrusted with the passengers' lives, but also defects in the organization that could not prevent the problem from spreading. It means that the company's safety culture is on very shaky ground. Looking at the problem from this perspective, issues that the JAL Group as a whole must address go beyond just eliminating alcohol-related incidents. A lax safety culture within an organization means that terrible accidents could happen anywhere and anytime, which indicates the possibility of severe hidden risk. The in-house Verification Committee Report, with due consideration to this situation, probes the root causes of this laxity in the organization and lax awareness, identifies problems and lists specific issues, and then puts forward measures to ensure resolution. Among the extremely diverse measures put forward are (1) an organization-focused transformation starting with establishment of

the Risk Management Council, Operations Division, and opportunities for communication, (2) measures to improve the crisis management and problem-solving capabilities of the Mission Director and workplace leaders, (3) innovations in information handling and the way communication is done, and (4) measures to ensure personal issues are not ignored, such as initiatives to form individual relationships in the workplace and the establishment of an internal safety hotline. The overall picture goes beyond the innovative organization and awareness reform advised by the Safety Advisory Group in 2005, and proposes measures that will greatly change ideas and practice around safety initiatives. However, the scope of these new initiatives is so extensive and broad that any attempt to introduce all of them at once could cause considerable confusion. Therefore, the proposed measures must be separated into groupings according to factors such as ► the level of urgency, ► whether they are to be implemented along with organizational reform, or ► whether they require serious attention such as with awareness reform, and then they must be implemented on the frontline one at a time. For issues that individual employees will need to learn, such as leadership improvement, information handling, and communication problems, a handbook will have to be developed with a series of scripts for confirming model case studies and failures, and workshops will have to be held in each workplace to ensure proper implementation. It is anticipated that issues identified and advice proposed in the in-house Verification Committee Report will penetrate deep into the hearts and minds of all directors and employees.

Achieving the Long-term Targets of the “Grand Design”



Looking Back at Fiscal 2018

I was appointed President one year ago but fiscal 2018 was a year of many problems for management and business. Receiving a Business Improvement Order in response to alcohol-related incidents was very regrettable and caused a serious loss of trust from our customers and the general public. Then there was the incident in May, where engine trouble on JAL flight 632 resulted in engine parts falling to the ground near Mashiki Town in Kumamoto Prefecture, and caused grave concern to nearby residents. While July brought heavy rains across Western Japan, September saw Typhoon Jebi strike Kansai International Airport and force its closure, and the Hokkaido Eastern Iburi Earthquake, which resulted in a large-scale power outage at New

Chitose Airport. This was the first time we had experienced the closing of two major airports at the same time. It was a year we were reminded of the significant impact of natural disasters and the threat they pose to the air transportation business. We would like to offer our best wishes to all those affected by the disasters. The incidents at Kansai International and New Chitose airports were not just natural disasters but led to secondary or human disasters, when the bridge collapsed and power outages occurred, which expanded and prolonged the effects of the situation. We are now more aware than ever of the importance of preparing for natural disasters and predicting and preventing secondary disasters.

Progress of the Medium Term Management Plan

When I was appointed President in April 2018, we appointed a new management team, which will take over and continue to implement the JAL Group Medium Term Management Plan for Fiscal Years 2017–2020 launched in 2017 under the theme, “Challenge, Leading to Growth.” Despite the U.S. and China trade war and European political instability in fiscal 2018, major world economies maintained moderate growth. As a result, it was a fairly good year for international air travel and international air freight demand JAL achieved an increase in both revenues and profits over the previous year in fiscal 2018. However, our business is founded on safety and sense of security, and the trust of customers and society. That is why we remain vigilant in operations by asking ourselves whether our strong performance is not concealing a laxity or latent issues, or whether we can view our positive results as a true reflection of the JAL Group. The progress of our three management targets for fiscal 2018—Safety, Customer Satisfaction, and Finance—is detailed below.

JAL Group Medium Term Management Plan - Rolling Plan 2019: Positioning and Aspirations

In February 2019, we announced the JAL Group Medium Term Management Plan - Rolling Plan 2019, which was based on the current JAL Group Medium Term Management Plan for Fiscal Years 2017–2020. Rolling Plan 2019 is a revision of the Medium Term Management Plan in response to events of fiscal 2018. Above all else, it was the repeated alcohol-related incidents that created the urgency for us to rebuild the foundation of safety and sense of security. In addition to ensuring implementation of measures to prevent recurrence of alcohol-related incidents and similar acts, we will rebuild the foundation of the company, including our corporate culture and human resources development, in line with advice received from the in-house Verification Committee, which verified these issues in depth. At the same time, it is essential that we quickly restore the trust of our customers and the general public. To achieve this, we have decided to expedite implementation of the current JAL Group Medium Term Management Plan for Fiscal Years 2017–2020 and accelerate initiatives to achieve the JAL Vision and Grand Design, the company profile we aspire to achieve in ten years’ time.

| 3 management targets JAL Target | | Indicator | FY2018 Results | Review of FY2018 |
|---|---|---|---|---|
| Safety Realize “Zero Aircraft Accidents” and “Zero Serious Incidents” | Aircraft accidents | 1 incident | 1 incident | <ul style="list-style-type: none">• Aircraft Accident (June 2018): Cabin attendant fractures left leg due to sudden turbulence during cruising.• Serious Incident (May 2018): Aircraft suffers engine trouble after takeoff and metallic parts fall from engine while returning to departure airport. Enforced countermeasures such as shortening inspection intervals.• Improved use of database and internal audits to speedily gather information, and launched new practices. Responses to a Business Improvement Order and Business Improvement Advisory <ul style="list-style-type: none">• Incorporated tighter drinking management with reviewed alcohol inspection criteria in the Safety Management System.• Set up an in-house Verification Committee to identify essential problems and consider corrective action. |
| | Serious incidents | 1 incident | | |
| Customer Satisfaction Achieve the world’s top customer satisfaction by FY2020 | NPS*1 (Net Promoter Score) Compared to FY2017 initial results | Domestic +1.3 Points International +2.2 Points | Domestic +1.3 Points International +2.2 Points | <ul style="list-style-type: none">• Domestic flights (▲0.4pt from FY2017-end result): Trended up in FY2018 but dropped from end of OCT when drinking incident occurred.• International flights (+0.2pt over FY2017-end result): Evaluation of Japanese passengers declines as with domestic flights, but on winning SKYTRAX 5-STAR rating, evaluation of non-Japanese passengers improved. |
| | Operating profit margin | 11.8 % | | |
| Finance Achieve “10% or above operating profit margin” and “9% or above ROIC*2 (Return on Invested Capital)” | Return on Invested Capital (ROIC) | 9.5 % | 11.8 % 9.5 % | <ul style="list-style-type: none">• Operating profit margin (▲0.8 points year on year)• ROIC (▲0.6 points year on year)• Due to upfront investments and expenses to handle the development of airports in metropolitan area in fiscal 2020, the operating profit margin and ROIC dropped. Nevertheless, the “10% or above operating profit margin” and “9% or above return on invested capital (ROIC)” targets were achieved. |

*1 A performance indicator that measures the customers’ intention to recommend to others.
*2 A performance indicator that measures profit that a company generates from capital invested for business activities.
Return on invested capital (ROIC) = Net operating profit after tax (NOPAT) / Fixed assets, including future rental expenses under operating leases

MESSAGE FROM THE PRESIDENT

We decided to expedite achievement of targets because these plans aim to fulfill expectations of customers, regions and communities, improve services and make greater contributions to society and we felt it would lead to restoring public trust and increase corporate value. We will implement Rolling Plan 2019, contribute to achieving the government's target of welcoming 40 million foreign visitors to Japan by 2020, and support the successful delivery of the Olympic and Paralympic Games Tokyo 2020 (Tokyo 2020). Furthermore, we will further drive initiatives to create new value, develop human resources, and solve social issues.

We will solidify the foundation of our organization, make preparations for fiscal 2020, and accelerate initiatives to achieve the long-term targets specified in the Grand Design to ensure that we achieve the Medium Term Management Plan.

JAL Group Medium Term Management Plan - Rolling Plan 2019: Priorities

1. Development of airports in Tokyo metropolitan area, attracting foreign visitors to Japan, revitalizing regional Japan

Coinciding with Tokyo 2020, metropolitan airports are undergoing a broad expansion of capacity. As an official airline partner of Tokyo 2020, JAL will contribute to the success of the Games and prepare for business expansion in international passenger operations in particular. While assisting to meet the government's target of 40 million visitors in 2020 and making preparations to enter an era of 60 million visitors in 2030, it is essential that efforts are made to attract foreign visitors to regional Japan and to revitalize regions so that they are ready to accept them. We will comprehensively connect all our businesses including international and domestic passenger operations, cargo and mail operations and other businesses, and develop overall strategies to achieve these targets.

2. Dramatically improving services

As the needs of our customers become more diverse, we must take advantage of new technologies and dramatically improve our services so that we can provide a stress-free travel experience to all our customers and personalized services to each and every one of them. During the period of the Medium Term Management Plan in particular, we will work to improve comfort and convenience by deploying our new flagship Airbus A350 aircraft on domestic routes and realizing the concept of JAL SMART AIRPORT.

3. Tackling social issues

The world and the JAL Group are facing increasingly diverse and complex social issues. The Group's business is air transportation, which has a major impact on the environment and society, and therefore, we must deal with these issues with a sense of ownership. In the past, the Group tackled social issues individually, but going forward, we will take a more concrete approach to integrated efforts in line with the broad social challenges defined in the Sustainable Development Goals (SDGs). We will also have to make efforts to achieve the SDGs as a "business." Therefore, we will re-examine our businesses from that perspective and incorporate this approach in our future business plans.

ESG Management Toward Achievement of SDGs

The following are examples of important initiatives to achieve the SDGs and how they relate to our businesses.

1. Environment

There is no more time to waste with regard to the problem of global warming. The air transportation business emits large amounts of CO₂ due to its reliance on fossil fuels. From the perspective of sustainable business, we feel the extreme urgency of this problem. The JAL Group began using its aircraft to take atmospheric observations in 1993 as part of the CONTRAIL Project. By continuing our work on that project, we have taken a leading role in relation to this issue. We have also been developing operational and maintenance procedures for reducing fuel consumption, and as part of our commitment to developing alternative fuels, we invested in September 2018 in Fulcrum BioEnergy, Inc., a U.S. sustainable aviation fuel company.

2. Diversity and Inclusion

The air transportation business is one that has traditionally promoted the advancement and active participation of women. Lately, we have also seen greater representation of women in pilot and aircraft engineer roles, and with women currently accounting for 49.8% of the JAL Group's



MESSAGE FROM THE PRESIDENT

workforce, new female perspectives and energy are driving our business considerably.

Female participation has proven that leveraging the individuality of each employee to achieve diversity creates new value. In future recruitment plans, we intend to further accelerate Diversity and Inclusion through an even more diverse workforce, including not only women but also people with disabilities and foreign workers. We are already feeling a strong positive effect in the workplace, with a more open atmosphere in frontline divisions and a greater commitment to work. We will continue developing human resources to create vibrant work environments and improve competitiveness for the JAL Group.

3. Human Rights

As an airline with global operations, it is critical that we operate our business with due consideration to the human rights of a range of stakeholders. In our Code of Conduct, established in July 2019, we specify our efforts to develop a corporate culture that respects the human rights of all stakeholders, and commit ourselves to incorporating human rights due diligence mechanisms into our business processes. In accordance with this policy, the JAL Group aims to conduct highly effective human rights initiatives as a trusted member of society.

4. Regional Revitalization

In light of the size of volatility within international passenger operations, the importance of stable domestic passenger operations is huge, but domestic passenger operations are dependent on vitality in regional Japan.

Considering future growth of inbound demand, regional Japan tourist destinations also make a strong contribution to international passenger operations. The JAL Group, which operates at many airports and offices across Japan, aims to contribute to community-based development and revitalization that is genuinely needed by the region. In regions with dramatically shrinking populations in particular, we should focus on fundamental issues to achieve sustainable cities and communities, such as human resources development and exchanges.

Establishing a New Medium Term Management Plan

We have decided to bring forward Rolling Plan 2019 one year and implement initiatives for fiscal 2020, the final year of the JAL Group Medium Term Management Plan for Fiscal Years 2017–2020. In other words, while finishing off this Medium Term Management Plan, we are also establishing a new Medium Term Management Plan for implementation from fiscal 2020. Particularly important in the new plan is the creation of a concrete blueprint for realizing our Grand Design, which are long-term targets which was outlined in the current plan.

During the period of the new plan, effects of Japan's declining population and aging society will appear, and advances in AI and other technological innovations will be felt. Therefore, we must consider business strategies that focus on human resources more than ever before.



With the development of airports in metropolitan area, the air transportation business will experience a temporary increase in competition as flight numbers increase sharply. Despite this, we envision a steady increase in air travel demand across the Asia Pacific region and a comparatively quick return to a tight supply and demand situation. In this environment, we will work steadily to improve our competitiveness and achieve sustainable business growth. While serving all air travel markets as both a full service carrier and low-cost carrier, we will expand our global network by making full use of partnerships with global airlines.

On the other hand, growth in the air transportation business also means increased volatility risks, which is a feature of this business that is greatly impacted by social conditions. We will also have to meet a new range of service needs in response to the creation of a tourism-oriented country, an increase in inbound demand, regional revitalization, diversifying markets and other changes. In view of these assumptions, we strongly believe that we need to enhance services and expand businesses in areas other than the air transportation business. We will therefore tackle new business domains created through new technologies. From the long-term perspective, establishing concrete targets related to achieving the SDGs by 2030, and incorporating them into our business strategies will contribute to business expansion and development and the creation of a sustainable society.

We are also steadily promoting a number of initiatives in the current Medium Term Management Plan that head in the direction of the new Medium Term Management Plan. In other words, the new plan will become the starting line and "seed" for growth, and will present a concrete road map toward the Grand Design and an evolved Grand Design.

Future of the JAL Group

Recent innovations in technology will not only change the way people work but also dramatically change the way people create value. More than ever, I think the future will put to the test not only human capabilities, but human character and human nature. This also applies to organizations and companies, which are groupings of people. I would like every employee of the JAL Group to become a person respected by society, and for our Group itself to become a company composed of respectful employees.

Now and always, the Group's greatest strength and asset is its service capabilities. The heart of our services will make great contributions in a range of areas in the future. I would like to build a company that creates services and innovations that protect and enrich lives and society. We need to free ourselves from of the traditional concept of a "full service carrier" and instead grow together as a "super full service provider" that enriches lives.

With this picture of the future in mind, we remain steadfast to our commitment to rebuild the foundation of safety and sense of security. We aspire to become "the world's most preferred and valued airline," never forgetting the support we have received from society. We will do our utmost to live up to the expectations of our stakeholders.

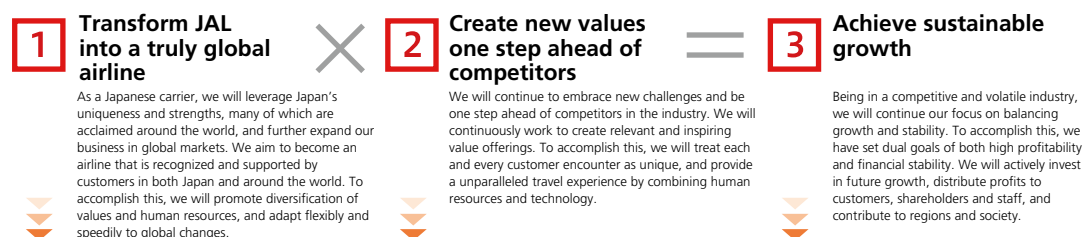
I would appreciate your continued support.

赤坂祐二

Yuji Akasaka
Representative Director,
Executive President

JAL Vision

To continue to be "the world's most preferred and valued airline" in order to realize the JAL Group Corporate Policy, we will maintain flight safety and strive to achieve the following goals through the joint efforts of every staff who supports the "Wings of JAL":



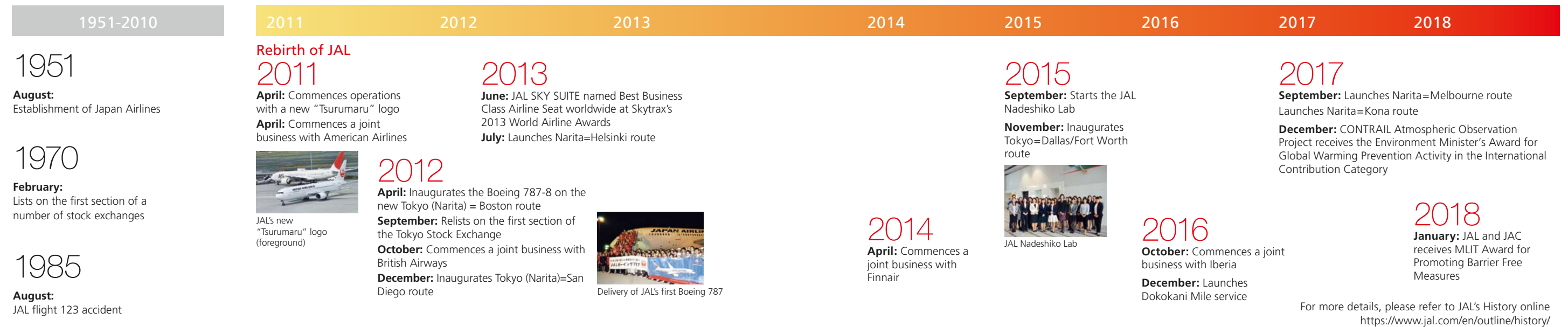
Within this 10-Year Grand Design period, we will

- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Serve over 500 major cities in the world • Have 50% of revenue from overseas sales for international passenger operations • Professionals who can dynamically accommodate multi-cultural and diversified markets and environments | <ul style="list-style-type: none"> • Provide a stress-free travel experience for all our customers • Create new businesses and services that stimulate air travel demand • Adopt new technology to improve quality and productivity, and assign optimal human resources to value-added business fields | <ul style="list-style-type: none"> • Maintaining the profit margin target of 10% or above, achieve Operating Revenue 2 trillion yen / operating profit 250 billion yen / market capitalization 3 trillion yen • Maintain safe operations and lead development of the aviation industry • Actively contribute to tackling social issues such as SDGs |
|---|---|--|

HISTORY OF THE JAL GROUP

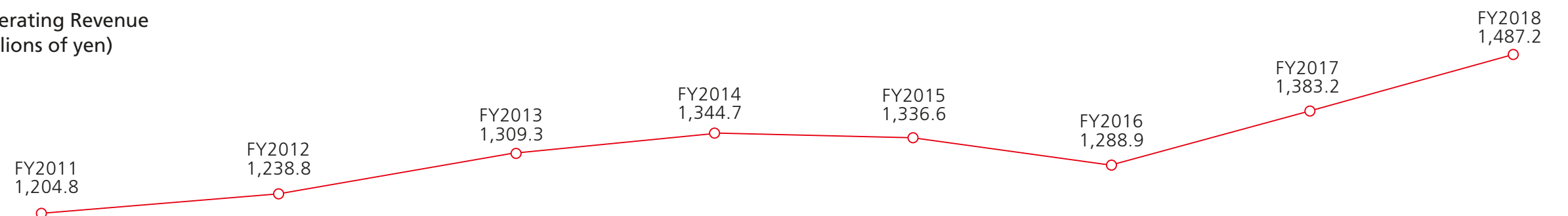
Since its establishment, the JAL Group has developed its business to meet the needs of the times.

Following bankruptcy in 2010, the Group was given the opportunity to restructure, and since then has been progressing steadily focused on the goals of delivering unparalleled service to customers and contributing to the betterment of society.



2010
January:
 Files for reorganization proceedings under the Corporate Reorganization Act

Operating Revenue
(Billions of yen)



FY2018 Topics

April: Awarded fourth place, 2018 Top 10 Airlines - World, and first place, Best Airline - Japan (second consecutive year) from TripAdvisor® Travelers' Choice™ awards

May: Opens JAL Innovation Lab

July: Certified as 5-Star Airline and Best Economy Class Airline Seat by Skytrax

September: Signs comprehensive partnership agreement with Garuda Indonesia

Receives Grand Prize in Ikuboss Award 2018, the first in the transportation industry

October: Starts code sharing with Garuda Indonesia

Starts code sharing with Vietjet Air

JAL STEAM SCHOOL and Dokokani Mile receive 2018 Good Design Award

Receives Award for Excellence in Corporate Disclosure - Industries - Transportation from the Securities Analysts Association of Japan

Certified as a Gold company in the PRIDE Index for LGBT initiatives (third consecutive year)

November: Launches JAL Global WALLET

Receives Most Consistent Winner award for on-time performance from Cirium

Receives Asia Pacific Airline of the Year 2018 award from airline think tank CAPA

Receives Jisa Biz award for promoting staggered commuting from the Tokyo Metropolitan Government

January (2019): Establishes JAL Business Aviation Co., Ltd. business jet company

Recognized by Cirium as the best Asia-Pacific Major Mainline Airline in 2018 for on-time performance (seventh consecutive year, ninth win)

Establishes Japan Airlines Innovation Fund

February: Launches Haneda=Manila route

Starts code sharing with Fiji Airways

Starts code sharing with Vistara

Starts code sharing with Aeromexico

March: Establishes ZIPAIR international medium- and long-haul low-cost carrier

Launches Narita=Seattle route

Seven companies of the JAL Group selected in White 500 category of 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program

Receives second prize in the Advanced Category, 2019 J-Win Diversity Awards

Selected as a Fiscal 2018 Tokyo Sports Promotion Model Company



VALUE CREATION PROCESS

To realize the JAL Group Corporate Policy and continue to be “the world’s most preferred and valued airline,” we use the Group’s management resources for business development, bringing together the individual strengths of the JAL team, to offer new value to customers and society.

Safety is the basis of existence of the Group, and the JAL Philosophy and the amoeba management system support our value creation.

Key Management Resources

Financial capital

Financial foundation for growth

Equity: 1.16 trillion yen

(Equity ratio: 57.4%)

Production capital

Aircraft to meet a wide range of needs

Number of Group aircraft: 235

Intellectual capital

Accumulated operational know-how

Total hours on drills and training: 2.4 million hours/year

Human capital

Diverse human resources with considerable experience

Consolidated employees: 34,003

Social capital

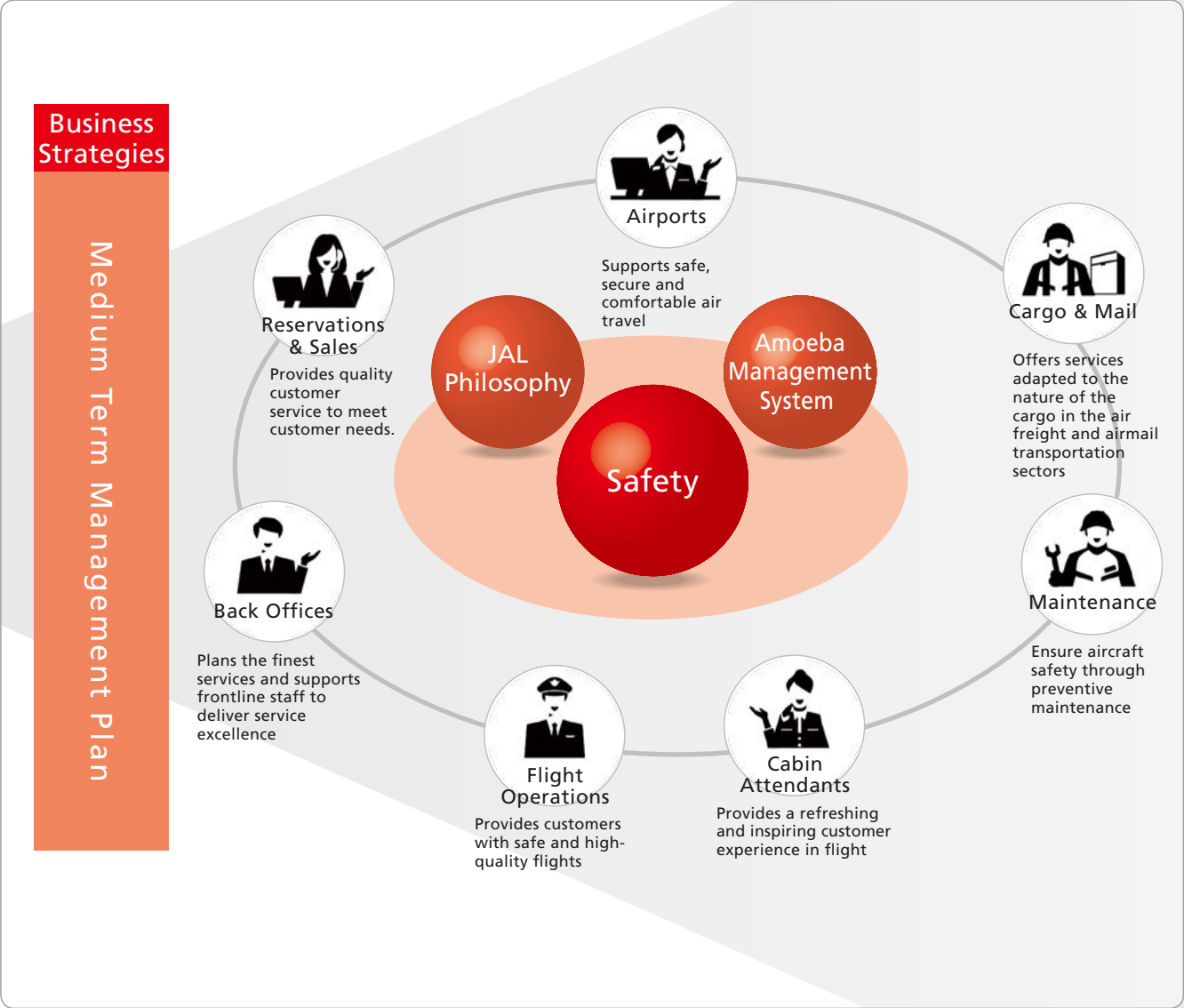
Global network

Airports serviced: 95

Natural capital

Limited natural resources

As of March 31, 2019



Quality Provided to Customers

On-time operations

Comfort

Convenience

Safety and Sense of Security

Medium- and Long-term Targets

Achieve the Grand Design*
Transform JAL into a truly global airline

Cities serviced: 500

Percentage of revenue from overseas sales in international passenger operations: 50%

Professionals who actively participate in a diversifying industry

×

Create new values one step ahead of competitors

Providing a stress-free travel experience for all our customers

Creating new businesses and services

Assign optimal human resources to value-added business fields

II

Achieve sustainable growth

Operating profit margin : 10% or above

Operating Revenue : 2 trillion yen

Operating profit : 250 billion yen

Total market capitalization : 3 trillion yen

Contribute to development of the aviation industry

Contribute to solving social issues including SDGs

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

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.

* Grand Design: A business plan with numerical targets to be achieved by FY2027

18

19

JAL GROUP'S BASIC STANCE ON VALUE CREATION

To continue to be “the world’s most preferred and valued airline” and realize the JAL Group Corporate Policy, we use the Group’s diversified capital for business development, bringing together the individual strengths of the JAL team, to offer new value to society. Safety is the utmost priority for the Group. In any and all situations, we will ensure safe and reliable air travel for our customers. For this reason, all members of the Group, from those directly involved in flight operations to those involved in business operations, will apply the best of their knowledge, technologies and capabilities to their jobs as safety professionals.

Safety and Sense of Security

Safety Charter

The JAL Group has created a Safety Charter as a code of conduct based on the Group’s basic stance on safety. As recommended by the in-house Verification Committee established to examine alcohol-related incidents, we revised the Safety Charter and further clarified the definition and positioning of safety. To achieve the Group shared awareness and rebuild safety as a professional organization with safety as the main priority in all organizations, all employees have engraved in their minds the new Safety Charter as they work to rebuild safety and sense of security for JAL.

Group safety management system

To maintain uniform and high levels of safety across the JAL Group, all Group airlines including Japan Airlines manage safety according Group shared policies confirmed at the Group Council for Safety Enhancement General Meeting.*¹ In addition, the Group Operational Safety Promotion

Committee*² has been established as a committee under the Group Council for Safety Enhancement General Meeting to maintain and strengthen coordination on safety initiatives among divisions and Group airlines.

Safety Charter

Safety: The protection of lives.

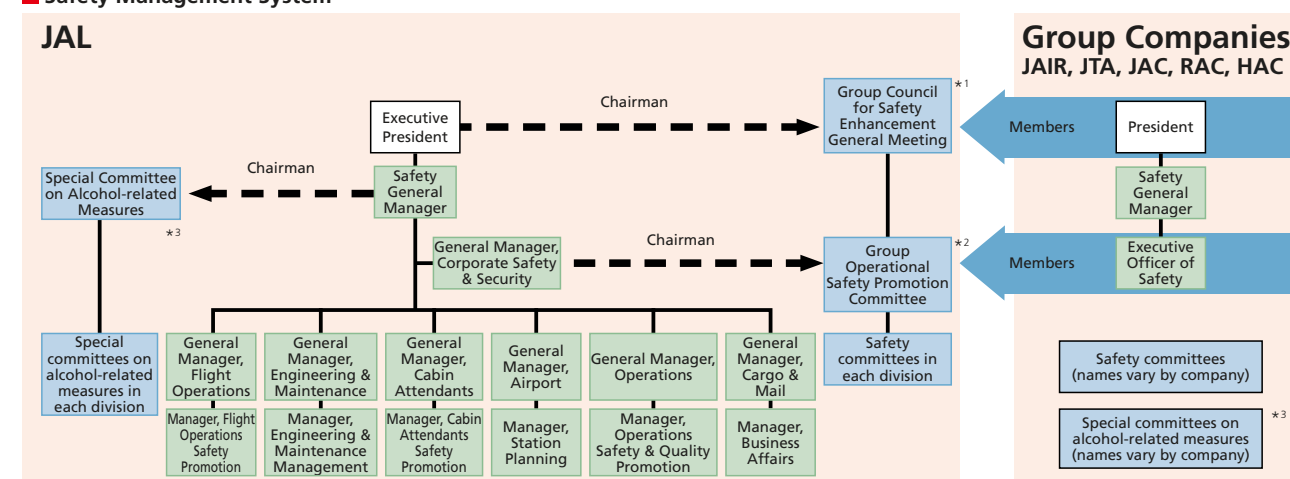
This is the commitment and basic foundation of business continuity for the JAL Group.

We take to heart our mission and responsibility as safety professionals to ensure a safe operation on every flight with the best of our knowledge, skills and abilities.

To accomplish this, we will act according to the following principles.

- Stop immediately when safety concern arises.
- Comply with rules and strictly follow standard operating procedures.
- Always check and confirm; never rely on assumptions.
- Promptly communicate information without omission to ensure safety.
- Deal with problems quickly and appropriately without underestimation.

Safety Management System

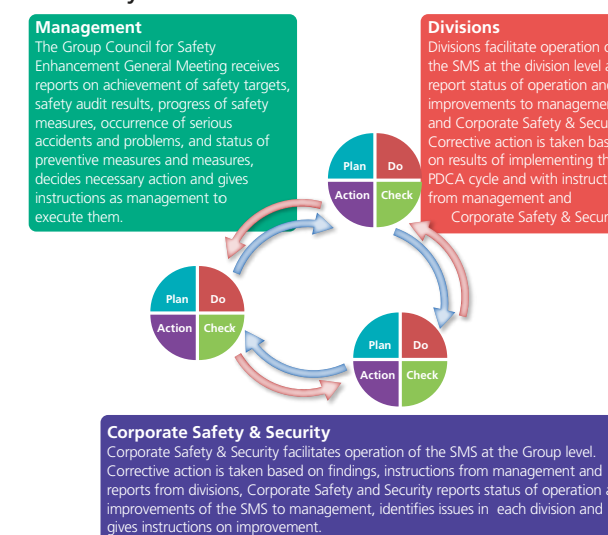


*¹ Council responsible for maintaining flight safety throughout the Group, and promoting safety management, according to the Group’s principles and policies.
 *² Committee placed under the Group Council for Safety Enhancement General Meeting responsible for increasing safety in air transportation of the JAL Group by maintaining and strengthening coordination on safety initiatives among divisions and Group airlines.
 *³ Committees responsible for managing alcohol-related risks of the JAL Group.

Continuous improvements through the Safety Management System (SMS)

To ensure a high level of safety, management, Corporate Safety & Security and each division implement and organically link their PDCA safety cycle to ensure proper functioning of the SMS.

PDCA Cycle as Part of the SMS



Passing on an austere safety culture and cultivating safety awareness

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 safety and to instill lessons learned in our minds, we established the Safety Promotion Center in April 2006. To date, more than 240,000 people inside and outside the Company have visited the center.

The JAL Group continuously conducts Safety Awareness Education based on the Three Actuals Principle (the actual place, objects and people) to ensure that lessons learned from past accidents are passed on and that employees maintain a high level of safety awareness. Employees learn what can and must be done to realize safety by ascending the ridges of Mt. Osutaka, the site of the JAL 123 accident (the actual site), seeing aircraft debris at the Safety Promotion Center (actual objects), and meeting people who experienced the accident (actual people) by watching news footage of the accident and video interviews. In fiscal year 2018, 1,909 employees attended the Safety Seminar for New Employees, 375 employees participated in the Safety Promotion Seminar and 209 employees, in the Safety Seminar for New Managers.

Safety Advisory Group

In August 2005, the JAL Group established the Safety Advisory Group, comprising a panel of five experts with extensive knowledge and experience in human factors, analysis of failures and defects, organizational management and culture, and safety to provide the Group with wide-ranging advice and recommendations on safety from an objective specialist’s viewpoint. In fiscal 2018, the members provided valuable advice and recommendations and pointed out issues to be addressed through dialogues with employees and inspections at 11 locations centered on Flight Operations and Cabin Attendants divisions of Japan Airlines and Group airlines, and follow-up meetings with Group management, and the in-house Verification Committee.

Safety Advisory Group Members

| | |
|------------------------|---|
| Kunio Yanagida (Chair) | Non-fiction writer, critic |
| Yotaro Hatamura | Professor Emeritus, University of Tokyo, Representative of Hatamura Institute for the Advancement of Technology |
| Shinichi Kamata | Professor Emeritus, National Defense Academy of Japan |
| Shigeru Haga | Senior Technology Advisor, Research Institute for Social Safety, Professor Emeritus, Rikkyo University |
| Akinori Komatsubara | Professor, Faculty of Science and Engineering, Waseda University |

Fiscal year 2018 in retrospect

As a result of inappropriate alcohol-related incidents by copilots and cabin attendants since May 2018, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) issued administrative dispositions and administrative instructions, that is, a Business Improvement Order and a Business Improvement Advisory related to Securing Safety in Air Transportation. As a scheduled air transportation operator, we understand the extremely grave nature of the situation that caused a serious loss of trust from customers and society. We express our deepest apologies and are aware that drinking problems are serious problems that affect safety. We are therefore making Group-wide efforts to prevent recurrence within our SMS.

* For more details on the background to this drinking problem and measures taken, please refer to the Message from the President.

The JAL Group establishes yearly safety targets according to the JAL Group Medium Term Management Plan for Fiscal Years 2017–2020. Although we aimed for zero aircraft accidents and zero serious incidents in fiscal year 2018, one aircraft accident and one serious incident occurred. Again, we apologize to those affected for any inconvenience or concerns caused.

Details of this aircraft accident and serious incident are available on the following page.

Data on Incidents

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

Aircraft accident (1 incident)
Cabin attendant on JAL flight 514 injured due to turbulence (June 24, 2018)

On June 24, 2018, JAL flight 514 (New Chitose Airport to Tokyo International Airport) encountered sudden turbulence while cruising, causing a cabin attendant to fall and sustain injury. A medical examination revealed that she sustained a fractured left leg. On the same day, the event was rated an Aircraft Accident by the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). None of the passengers were injured.

Investigations are under way by the Japan Transport Safety Board, MLIT to clarify the cause. JAL is fully cooperating with investigations and will implement necessary measures. The following measures are being taken.

- Cabin attendants: Guidance on “flexible response to the service plan when turbulence is expected” and “responses to turbulence” were added to the regular safety training for cabin attendants.
- Flight Dispatchers: To improve work efficiency, system improvements have been made to automatically download pilot reports (PIREP) on turbulence to ground systems.
- Cockpit crew: To prevent injury due to turbulence, a regulation was established to put absolute priority on maintaining safety in the cabin in the Seat Belt Sign Policy, clearing stating that the Company will fully support the captain’s decision on the use of the seat belt sign to protect the safety of passengers and cabin attendants.

Serious incident (2 incidents)
Air Turn Back of JAL flight 632 after takeoff (May 24, 2018)

On May 24, 2018, JAL flight 632 (Kumamoto Airport to Tokyo International Airport) experienced engine trouble with its left engine while climbing after takeoff and returned to Kumamoto Airport. Engine parts fell to the ground near Mashiki Town, Kamimashiki District in Kumamoto Prefecture. A post-arrival inspection revealed damage to the turbine and other parts in the rear of the engine. The event was rated a Serious Incident by the Civil Aviation Bureau, MLIT.

Investigations are under way by the Japan Transport Safety Board, MLIT to clarify the cause. JAL is fully cooperating

with investigations and will implement necessary measures. The following measures are being taken.

- A general inspection of high pressure turbine rotor blades on engines of all 35 JAL Boeing 767 aircraft installed with the same engine type were examined with a borescope, and no problems were found.
- The interval of borescope inspections of high-pressure turbine rotor blades on this engine type were shortened from every 400 flights to every 200 flights.
- The insides of engines are being washed with water to remove dirt and wash away any particles that could cause metal corrosion.
- Seven engines using high-pressure turbine rotor blades manufactured around the same date as the malfunctioned engine were unloaded from aircraft.

RAC flight 804 experiences runway incursion at landing (June 14, 2018)

On June 14, 2018, RAC flight 804 (Miyako Airport to Naha Airport) was cleared for landing by air traffic control (ATC), but clearance was cancelled when another aircraft crossed the stop line and entered the runway during approach. The RAC flight continued approach according to ATC instructions, was cleared for landing and landed safely. None of the passengers or crew members were injured. The event was rated a Serious Incident by the Civil Aviation Bureau, MLIT because it corresponded to “a situation prescribed in Civil Aeronautics Law Enforcement Regulations Article 166, Paragraph 4 (Serious Incident).”

As no problems have been pointed out against the JAL Group as of date, this case is not included in fiscal 2018 results of management goals in the Medium Term Management Plan.

Investigations are under way by the Japan Transport Safety Board, MLIT to clarify the cause. JAL is fully cooperating with investigations and will implement necessary measures

- * 1 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.
- * 2 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.

JAL Group Safety Report (only in Japanese)

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 on six JAL Group airlines in a readily accessible form.



JAL Philosophy

Basic stance

As we stand on the start line of revitalization, we deeply reflect and regret the significant inconvenience caused to many people, and at the same time, we are filled with gratitude for being granted the last chance to rebuild the company. We are resolved to part with the past and create a brand new JAL.

“Have we left matters to others?”

“How conscious of profits have we been?”

“Have we dealt with customers with deepest feelings of sincerity?”

Based on these reflections, we found it necessary to change the awareness of every employee and established the JAL Philosophy as the Group shared mindset, values and attitude expected of all persons engaged in JAL products and services.

As we study, understand and practice the JAL Philosophy as the shared criteria for decision-making in our everyday work, it will bind the minds of everyone who supports the “Wings of JAL” and drive us forward toward our ambitious goal of becoming “the world’s most preferred and valued airline.”



Leader Workshops

Fiscal 2018 initiatives

To deepen our understanding of the JAL Philosophy and put it to practice, we conduct JAL Philosophy Education seminars three times a year for everyone engaged in JAL products and services. Facilitators are selected from various divisions, such as Cockpit Crew, Cabin Attendants, Engineering & Maintenance, Airports and Sales. Education seminars are conducted in the United States, Europe, Asia-Oceania and China using Japanese or English teaching materials.

In addition to JAL Philosophy Education, Leader Workshops are held once a month for directors and Vice Presidents, and three times a year for organization leaders to encourage mindset change from the leaders down.

In December 2018, we held our eighth JAL Philosophy Presentation Meeting, where 10 employees or groups were selected from among 400 applicants to give presentations on the theme, “How to learn, understand and apply the JAL Philosophy.” The JAL Philosophy Presentation Meeting will continue as a venue to share examples of how to apply the philosophies including failures and concerns and to seriously focus on putting it into practice.

We will conduct initiatives that promote wider application of the JAL Philosophy as we aim to realize the Corporate Policy that states that we will “deliver unparalleled service to our customers” and “contribute to the betterment of society.”



The eighth JAL Philosophy Presentation Meeting

Amoeba Management System

Basic stance

The amoeba management system is a business management system that promotes “management by all” by dividing operations into the smallest units and presenting results of work in organization in an understandable way. It is based on the idea that “business management should involve every employee and not management alone. “Through “management by all,” the capabilities of every employees are consolidated to conduct sound and flexible corporate management.

Benefits of introducing the amoeba management system

The introduction of the amoeba management system has clarified the roles and responsibilities of each organization, and enabled us to identify revenue and costs of each unit and visualize achievements and profitability of each unit. As a result, members in each unit have developed a sense of responsibility over figures and feel more motivated and creative in their work attitude.

In the amoeba management system, every unit prepares an annual plan for revenues and costs (Master Plan) and implements a monthly management cycle (PDCA) to accomplish the annual plan. The monthly management cycle requires each unit to set action targets at the start of each month for the coming month based on the current environment. After business results for the month are released, the difference between the target and result is analyzed, and reasons for the difference are clarified and used to create next month’s plan. In addition to the annual plan prepared at the start of each fiscal year, monthly targets are set, which facilitates prompt responses to changes in the environment. Operating a monthly management cycle at each level of activities enables all staff to participate in management.

After each division confirms its results and targets, business results and projections, issues and measures are reported by General Managers of divisions and presidents of related companies at the Group Earnings Announcement Session. The session is attended by around 160 participants, including the President, all directors, presidents of major related companies and observers, who hold earnest discussions on JAL Group management with the common aim of realizing the Corporate Policy.

Fiscal 2019 initiatives

Up till now, we have focused on operating and instilling the amoeba management system, but to ensure future growth and promote human resources development through this system, we will further refine our business management through “management by all” while developing human resources. We will also review the current amoeba management system with a focus on creating mechanisms that more clearly visualize achievements and increase effects as we aim to realize muscular management system through efficient use of management resources.

Rigorous profitability management

We will pursue initiatives to continue and deepen improvement of hourly profitability, unit revenue and productivity of each division and Group company. We will also reinforce cost control according to changes in the market environment and fluctuations in revenues to maximize profitability and improve risk resilience.

Management by all

We will work to bring together individual strengths, increase execution capabilities to achieve targets, visualize management data more easily, and draw creativity and initiative from every employee to achieve targets. We will also devote more energy to nurturing leaders with management awareness to lead staff.

Efficient use of management resources

We will work as a team to implement muscular management by improving profitability of each Group division and company, make efficient investments, improve asset utilization, and optimize inventories to achieve efficient use of management resources.



Group Earnings Announcement Session

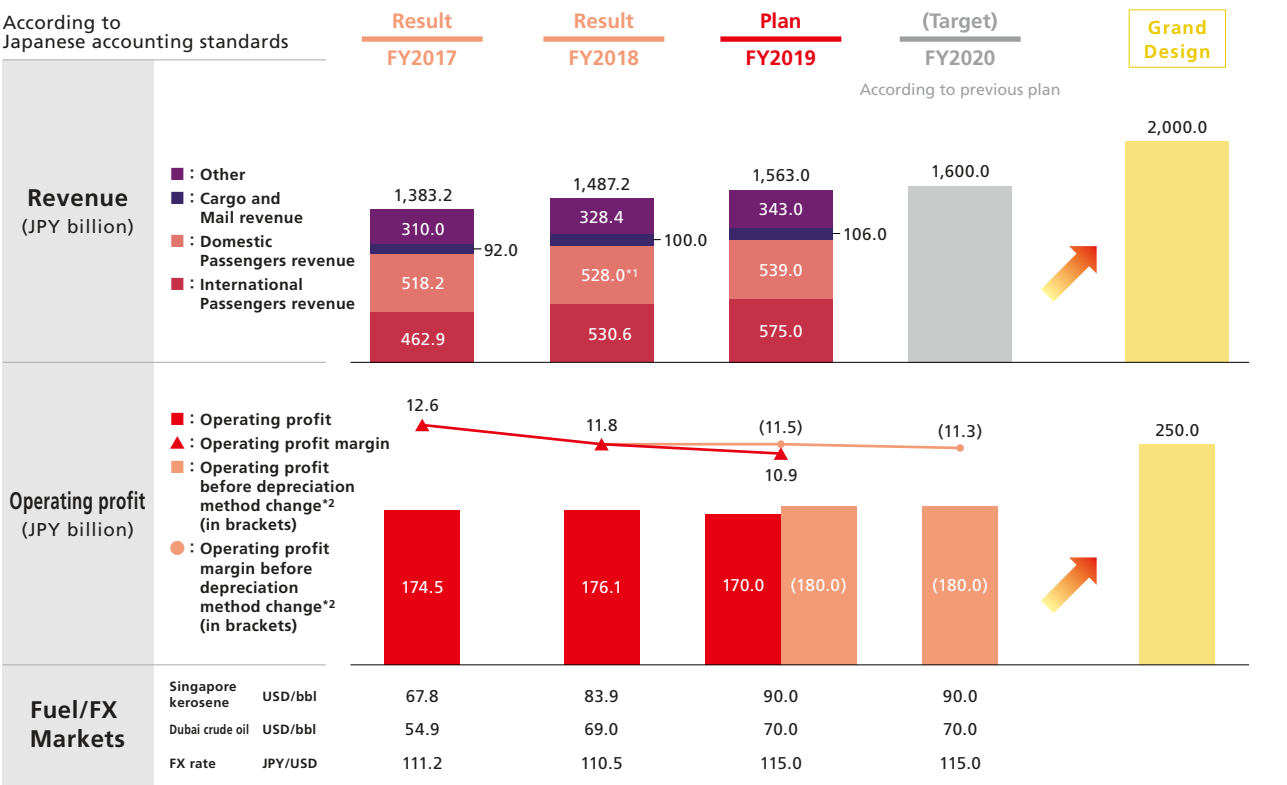
MEDIUM TERM MANAGEMENT PLAN - ROLLING PLAN 2019

In February 2019, the JAL Group announced the JAL Group Medium Term Management Plan - Rolling Plan 2019. JAL will strive to restore public trust and increase corporate value by rebuilding safety and sense of security and meeting the expectations of all stakeholders including customers, regions and communities.

Medium term revenue and profit targets

Our projections for fiscal 2019 are 1.563 trillion yen in revenue and 170 billion yen in operating profit. Although we expect a decline in profit at the operating profit stage, this is attributable to a depreciation expense increase of roughly 10 billion yen due to the change in the depreciation method of aircraft components from fiscal 2019. The operating profit forecast in real terms prior to the

depreciation method change is substantially higher at 180 billion yen. In fiscal 2019, we will continue to focus on achieving our management goals and an operating profit of 180 billion yen, which is one of the targets of our Medium Term Management Plan, earlier than planned.



*1 Reflects the change of the settlement adjustment method for domestic sectors on international itineraries from FY2018.
*2 The depreciation method is changed to a new method in which assets are classified to each components, for example, based on economic lives of components, such as aircraft fuselage, engines and cabin interior, and each component is depreciated separately.

Focus Point 1
Expand Networks



Tadao Nishio
Managing Executive Officer
General Manager of Corporate Strategy
Planning

The development of airports in Tokyo metropolitan area scheduled in fiscal 2020 will offer enormous business opportunities. The additional flight slots at Haneda and Narita airports combined will bring an increase of approximately 100 flights per day. On the other hand, the capacity increase is expected to intensify competition among airlines and produce dramatic changes in the business environment.

In such an external environment, we will divide our passenger business portfolio from fiscal 2020 into separate business domains based on routes and pricing to meet the diversifying needs of our customers. With our full service carrier business maintaining steady growth, we will continue efforts to improve our competitiveness in the high-end traveler market and achieve our targets in the Ground Design of serving 500 major cities worldwide and achieving 50% of revenue from overseas sales in our international passenger business.

In the low-cost carrier (LCC) business, which is a growing business domain, we have established ZIPAIR to tap medium- and long-haul international markets and preparations are in progress to launch services. We are also strengthening coordination with our LCC partners on the increasingly competitive domestic routes and short-haul international routes. In this way, we are building the optimal passenger business portfolio through business expansion and cooperation with our partner airlines.

■ Passenger Business Portfolio from FY2020



Topic ZIPAIR Established as Japan's First International Medium- and Long-haul Low-Cost Carrier

Background to establishment of ZIPAIR

As travel needs and values have become diversified, demand of price-sensitive customers on international medium- and long-haul routes is expected to grow. The JAL Group will actively utilize the improved functions of Narita International Airport and contribute to achieving the Japanese government's target of 60 million foreign visitors to Japan per year by fiscal 2030.

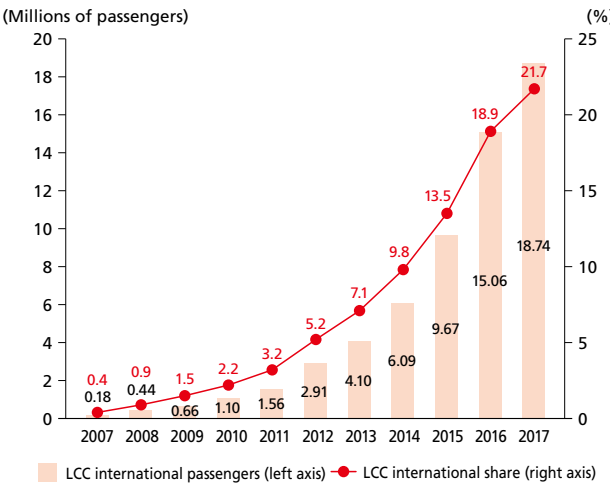
While refining its full service carrier business, the Group has invested in Jetstar Japan, which operates on domestic and international short-haul routes. To further meet the needs of customers with diversifying values, we have established ZIPAIR to operate on medium- and long-haul routes alongside Jetstar Japan. By organically leveraging these two carriers, we hope to create new demand.

What ZIPAIR aims to achieve

ZIPAIR targets price-sensitive customers on international medium- and long-haul routes that are expected to increase, with the aim to become a new airline that offers values sought by customers with diversifying values. Service launches are planned between Tokyo-Narita and Bangkok on May 14, 2020, and between Tokyo-Narita and Seoul on July 1, 2020 with preparations under way for services to North America.

ZIPAIR will meet diversifying customer needs and serve destinations on JAL Group's route network as a JAL Group airline that delivers different values from those of a full service carrier.

■ Changes in LCC Passenger Traffic on International Routes



Source: Civil Aviation Bureau (MLIT) - Calendar year statistics



Focus Point 2 Innovate Better Products and Services

A total of 40 million overseas visitors to Japan are expected in fiscal 2020. In this environment, JAL aims to provide a comfortable travel experience combined with personalized and timely services to realize stress-free travel for all customers.

JAL has ordered 18 new Airbus A350-900 aircraft^{*1}, boasting cutting-edge technology, and the first JAL A350-900 entered service on a domestic route (Tokyo-Haneda and Fukuoka) on September 1, 2019. The environmentally-friendly A350 provides passengers with enhanced comfort and quiet cabins through the latest low noise engines and cabin pressure and humidity equivalent to nearly ground level. In ground services, we will install new self-check-in machines

and self-baggage drops and use facial authentication, to name a few, to realize our concept of JAL SMART AIRPORT from 2020.

Furthermore, maintaining stable operations is our basic mission, the premise of for all business activities of the JAL Group. We are pursuing various initiatives such as flight scheduling optimization and use of standby aircraft to improve quality of on-time operations. We are also strengthening our disaster response capacity by revising and multilingualizing our Business Continuity Plan (BCP)^{*2}, including swift flight operations recovery plan taking into account recent natural disasters.

^{*1} 13 large-sized Airbus A350-1000 are on order.

^{*2} Response measures to ensure business continuity in the event of unexpected situations.



Airbus A350 First Class (domestic routes)

Focus Point 3 Expand Business Domains

As part of the Grand Design, the JAL Group aims to stimulate air travel demand, and maintain flight safety and lead development of the aviation industry. To accomplish this, we are creating new businesses that complement our core full service carrier business. We do not intend to simply diversify our businesses, but instead are implementing co-creation initiatives with partner companies in areas where JAL Group strengths can be leveraged, such as its know-how and customer base in the air transportation business. Specifically, we are targeting three areas—airline businesses, travel and logistics and market development. In the area of airline-related business, an increasing number of airlines is flying to regions across Japan, triggered by the increase of inbound demand. We will leverage the operational know-how we have accumulated over the years

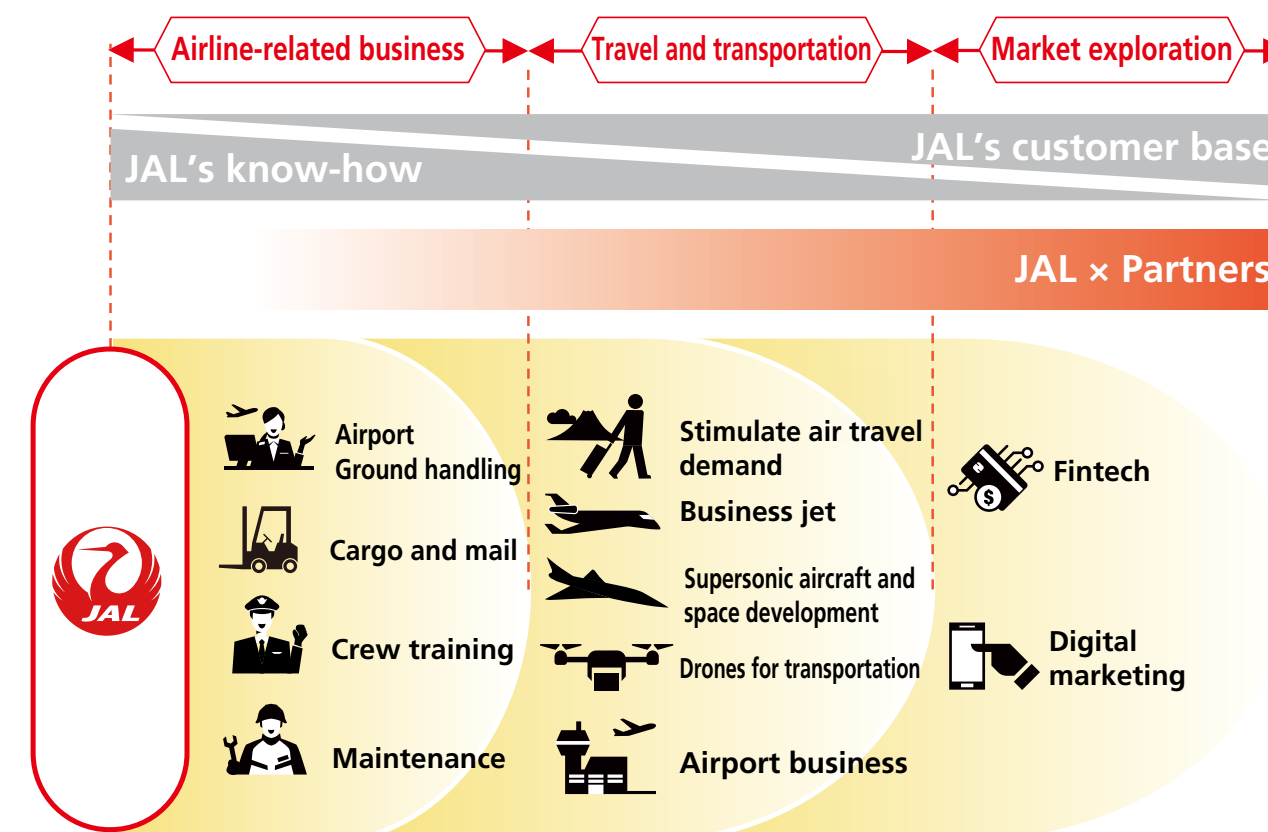
to provide services in airport handling, maintenance, crew training and cargo handling, and contribute to reaching the government's inbound demand targets and to revitalizing regional Japan.

In the area of travel and transportation, we are working to establish new transportation methods, including business jets and drones, stimulate air travel demand, and develop airport infrastructure.

In the area of new market exploration, we are combining our customer base with our partners' know-how to develop new business models in Fintech, digital marketing and other fields.

Through these businesses, we aim to create new value and maximize our own corporate value.

Business Portfolio



Focus Point 4 Human Resources × Technology

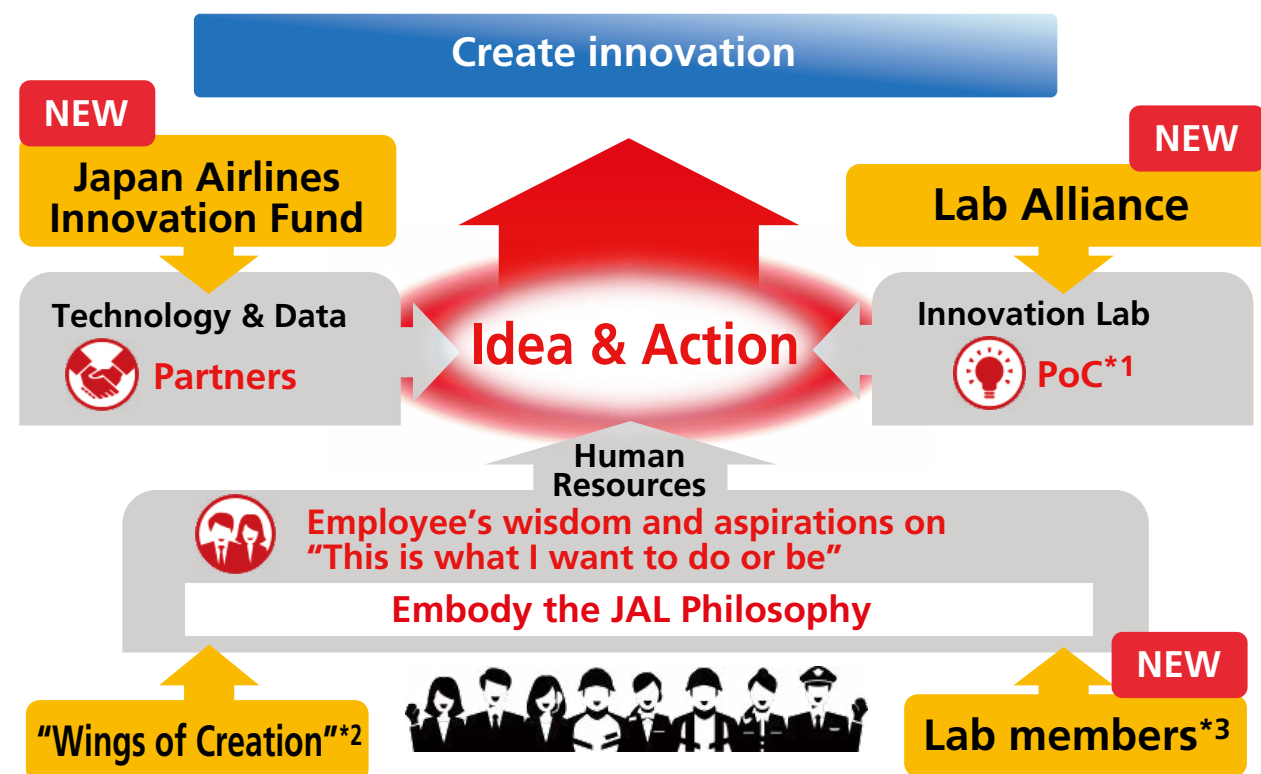
The JAL Group is developing professionals who can accommodate cultural diversity and actively participate in a diversifying world. We will improve quality and productivity by combining our know-how and technologies. By assigning the optimal human resources to value-added business fields, the Group aims achieve sustainable growth.

As part of these efforts, we opened the JAL Innovation Lab in 2018 as an open innovation base. From here, we created the Lab Alliance in collaboration with NTT Communications, NTT DOCOMO, KDDI, IBM, SAP, CTC, Nikkei and other companies, where we are promoting

the use of new technologies across national and industrial borders. In January 2019, we also established the Japan Airlines Innovation Fund to more flexibly and speedily drive collaboration and co-creation with domestic and overseas startups that have cutting-edge technologies and business models.

Going forward, the JAL Group will continue to combine its human resources, one of its greatest strengths, and advanced technologies to realize innovation and accelerate growth.

■ Platform for Innovation Creation



*1 Proof of Concept

*2 An intrapreneur audition program

*3 In-house system of activities at the Innovation Lab where the skills, knowledge and specializations of employees are utilized.

Topic Contributing to 2020 and Society

Japan will be in the global spotlight in 2020 as it hosts the Olympic and Paralympic Games Tokyo 2020. As an Official Airline Partner of Tokyo 2020, we will contribute to the success of the Games and create a unique JAL legacy to realize the Tokyo 2020 Games Vision of "Sport has the power to change the world and our future*." We are focusing particularly on the following two initiatives to achieve this.

* Tokyo 2020 Games Vision (website of the Tokyo Organising Committee of the Olympic and Paralympic Games)

Attracting more foreign visitors to Japan

The Japanese government has set the annual inbound tourist target of 40 million by 2020, and 60 million by 2030. As Tokyo 2020 is attracting worldwide attention, now is an excellent opportunity to showcase the attractions of regional Japan. To contribute to these targets, the JAL Group will provide opportunities to experience rural Japan. Specifically, we are planning a Visit Regional Japan for Free Campaign (tentative name) for foreign visitors. By traveling to regions across Japan through this campaign, we would like to cultivate motivation to visit again and inspire even more international tourists to visit Japan from and after 2020. By bringing visitors to various destinations in Japan, we will also be contributing to regional revitalization.

Realizing the JAL SMART AIRPORT concept

Looking ahead to 2020, we are installing the latest facilities and equipment including new self-check-in machines, self-baggage drops, and new boarding pass readers for domestic flights at Haneda Airport and will progressively expand them to all major airports in Japan. For international flights at Narita and Haneda airports, we will introduce technologies to enable facial authentication at check-in and baggage check-in counters, boarding gates and other locations through joint efforts with airport management companies.

Regarding service, we will provide seamless service of providing customers with timely information on their booked flights, boarding and other details by email and smartphone apps, and JAL staff will offer personalized serviced to every customers with tablets. Through these initiatives, we aim to help create airports where every customer can enjoy stress-free travel experience.



FINANCIAL STRATEGY

We will strategically allocate capital to increase corporate value, while maintaining a firm financial structure as well as high capital efficiency at the same time.



Hideki Kikuyama
Director, Senior Managing Executive Officer
General Manager of the Finance & Accounting Division

My Role as the CFO of the JAL Group

I have been newly appointed as CFO since April 2019. I engaged in strategic route planning for the JAL Group growth for a long time. In the highly competitive airline industry, my mission is to implement our financial strategies that lead to our further growth and value creation through my experience and judgement that have been developed by engaging in the strategic route planning as JAL Group's core business.

We will strategically allocate capital to enhance corporate value, while maintaining the high level of profitability and solid financial structure that we have been working hard to bring to the current outstanding levels. Moreover, we will build trust with our customers, shareholders, society, staff and all other stakeholders through proactive communication to ensure orchestration with all the stakeholders.

Review of the Fiscal Year 2018

International air travel demand and international air freight demand remained strong in the first-half of the fiscal year through increasing inbound passenger demand, backed up by moderate economic growth. Although it slowed down in the second-half of the fiscal year, it still remained on a path of growth in general. On the other hand, many natural disasters struck Japan in 2018. Despite them, domestic air travel demand remained to be robust due to special discount fares to aim recovery of leisure demand. The JAL Group recorded higher revenues and operating profits than the previous year through strong air travel demand. From February to March 2019, a new check-in system was progressively introduced to airports in Japan. The passenger service system renewal project, in which we invested 80 billion yen and spent six years, was finally completed. This new system generates yield management with greater precision. The effects of the new system appeared earlier than our plan.

Financial Strategy in the Medium Term Management Plan - Rolling Plan 2019

In the Medium Term Management Plan for Fiscal Years 2017 to 2020, we have set a financial target of at least 9% ROIC (Return On Invested Capital), as a measurement of investment efficiency to check its contribution in the enhancement of corporate value, together with an operating profit margin target of 10% or higher for every year in order to achieve high profitability. We are also well aware of the need to improve capital efficiency, aiming to achieve a ROE (Return On Equity) target of 10% or higher at the same time.

In the Grand Design, based on a stable profitability and a firm financial structure, we will aim for a sales turnover of 2 trillion yen, an operating profit of 250 billion yen and total market capitalization of 3 trillion yen through making growth investments actively, while emphasizing profitability with a target of operating profit margin of at least 10%. To achieve the above indicators and the Grand Design, we will implement financial strategies, while maintaining a firm financial structure and improving asset efficiency and capital efficiency at the same time.

Improve asset efficiency and capital efficiency

In the previous JAL Group Medium Term Management Plan for Fiscal Years 2012 to 2016, we had placed a priority on increasing equity capital amounts and building a solid financial base that would establish a firm financial structure and high resilience to risk. We targeted operating profit margin of 10% or above and a shareholders' equity ratio

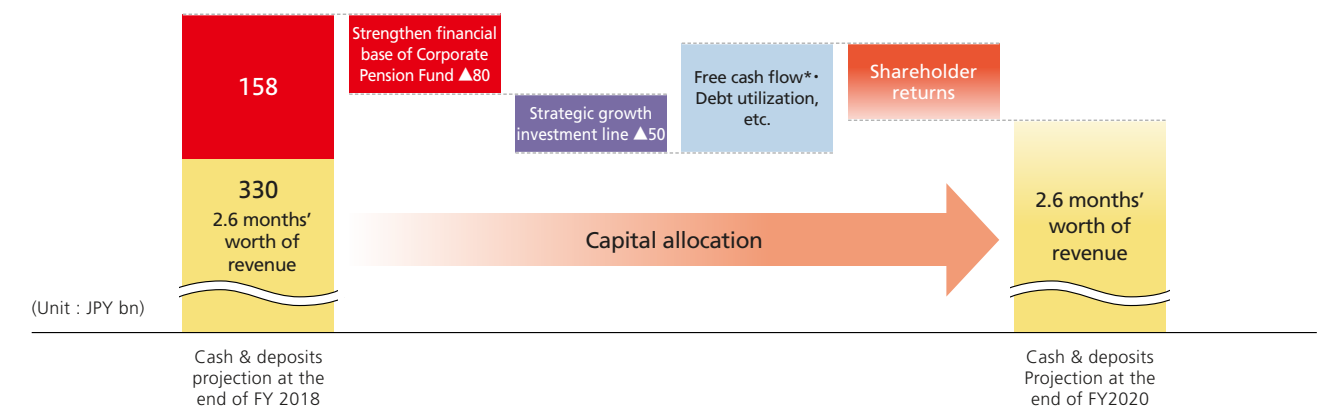
of at least 50%. We have achieved a shareholders' equity ratio of around 60%, showing the progress we have made in creating a solid financial base. We have stepped forward to the next stage, considering the improvement of capital efficiency that includes the management of appropriate level of cash and deposit amounts on hand. Therefore, our basic policy is to strategically allocate capital to increase corporate value, while maintaining a firm financial structure and high capital efficiency.

We are targeting a Single A Flat credit rating or higher (issued by a Japanese credit agency) to support the strong funding capabilities. Our high capital efficiency and a firm financial structure were highly evaluated by a Japanese credit agency, Rating & Investment Information, Inc. and the outlook of JAL's rating was improved to positive in May 2019. We will continue to strive for a Single A Flat credit rating.

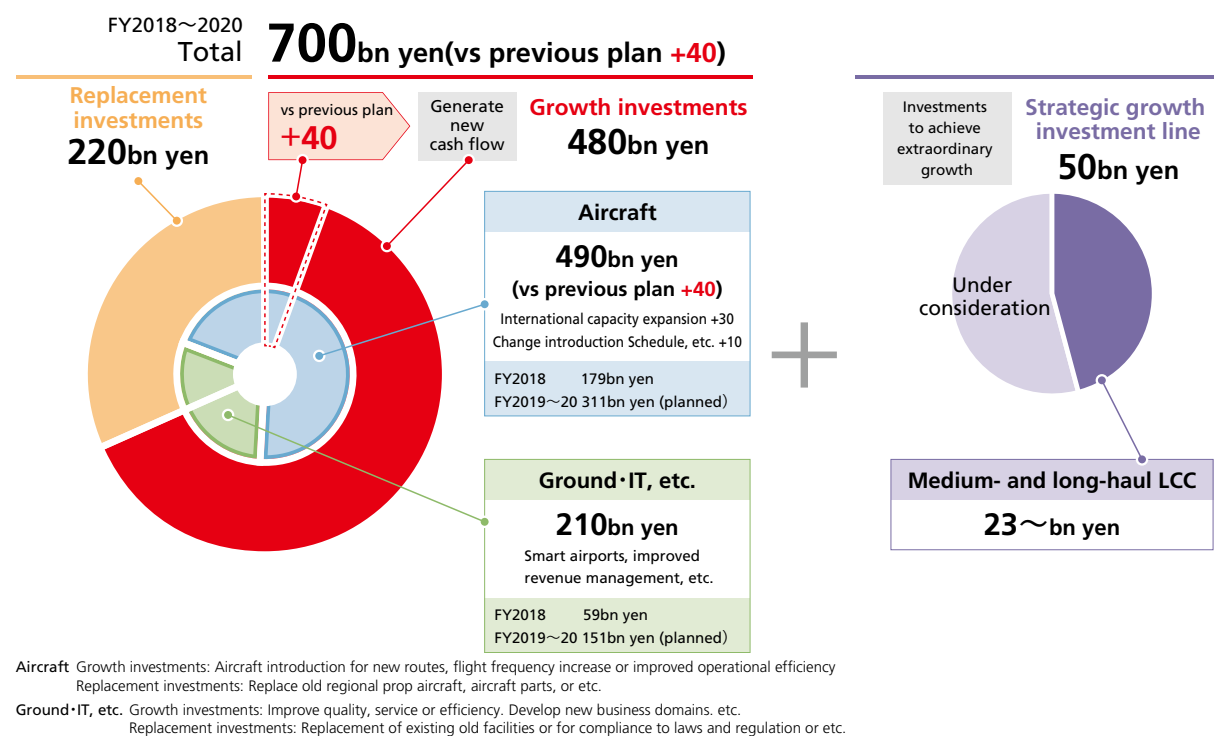
Investment in additional aircraft and preparatory costs will rise in the fiscal year 2019 for the purpose of preparation for capacity expansion in the fiscal year 2020. Moreover, we expect temporary supply-demand imbalance will occur in the fiscal year 2020. As a result, we assume there will be a temporary drop in ROE and ROIC. However, we will aim to return to the target level ROE of 10% or above and ROIC of 9% or above through continuing profit growth and appropriate capital allocation.

Strategical capital allocation to increase corporate value

We aim to maintain cash and deposit amounts on hand from the perspective of stable operation and to treat any exceeding amounts as additional capital that can be allocated. The appropriate level of cash and deposit on



*Free cash flow = Cash Flow from operating activities + cash flow from investing activities
*Forecast in Rolling Plan 2019 (February 2019)



hand is equivalent to approximately 2.6 months of annual operating revenue. To reach this amount, we considered the amount of capital required for normal operations, including seasonality and possible declines in cash flow, in the event of an economic crisis as severe as the global financial crisis in 2008.

We will strategically allocate the additional capital consisting of the free cash flow to be generated and excessive cash and deposits on hand for further allocation. We plan to use interest-bearing debts to fund growth investments, while ensuring financial stability. We will also utilize the 50-billion yen strategic growth investment line effectively for extraordinary growth. By the first half of the fiscal year 2019, approximately 80 billion yen will be injected to the Corporate Pension Fund for strengthening its financial base, reducing debts relating to JAL retirement benefits, and proactively mitigating potential financial risk.

Capital investment plan

For our capital investment plan, we will make growth investments, such as state-of-the-art aircraft or IT system, actively to generate new cash flows and then enhance corporate value. In principle, capital investment will be conducted within operating cash flow and we will ensure there is always sufficient free cash flow to fund dividends for our shareholders. In Rolling Plan 2019, we plan to increase the total investment to 700 billion yen, during the fiscal years 2018 to 2020, 40 billion yen up from 660 billion

yen during the same period in the Rolling Plan 2018. Of the total investment, 480 billion yen will be used for growth investment. The additional 40 billion yen is for investment for aircraft to strengthen our international passenger business, which will lead our growth.

As of today, we will allocate about 23 billion yen to the mid- and long-haul LCC "ZIPAIR Tokyo" from the Strategic Growth Investment Line. The remaining amounts will be also used to enhance corporate value through an extraordinary increase of competitiveness or return.

Enhancement of Shareholder Returns

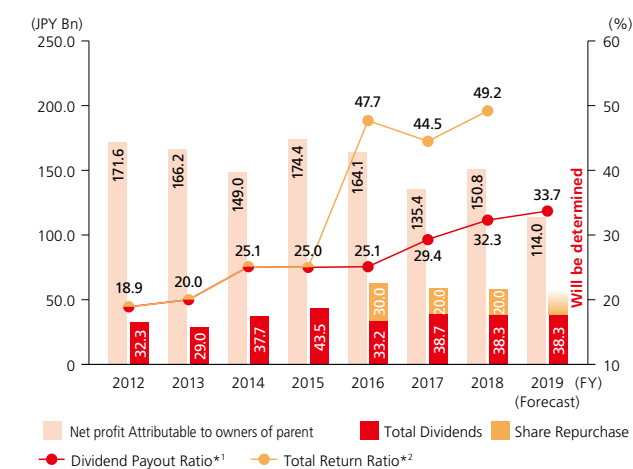
We regard shareholder returns as one of our most important management matters. Our fundamental policy is to actively implement shareholder returns through continuous and stable dividends and flexible share repurchases, while securing internal reserves for making investments for corporate growth in the future and changing business environments and to build a strong financial structure. For the fiscal year 2019 and the following years, we will focus on "Total Return", which combines dividends and share buybacks.

In order to maintain a stable dividend level despite the upcoming effective tax rate increase, we will decide the dividend per share level, considering its continuity, stability

and predictability with reference to a payout ratio of approximately 35%. In addition, we will proactively and flexibly consider share repurchases, considering its financial position and other factors. As a result, we seek to achieve a total payout ratio, which combines the total dividends paid out and the total amounts of the share repurchases, of approximately 35% to 50% through appropriately sharing periodic profit and allocating capital among all of its stakeholders.

At the same time, we continuously strive to improve capital efficiency through monitoring a total return on equity ratio, which is calculated by dividing the sum of total dividends paid out and share repurchases by shareholders' equity. We make its efforts to maintain this ratio at approximately 3% or above.

Total Shareholder Return History (FY2012~FY2019)



1 Dividend payout ratio=Total dividends/Net profit attributable to owners of parent

2 Total return ratio=(Total amount of dividend + Amount of share repurchase)/Net profit attributable to owners of parent

*FY2013~2018 net profit attributable to owners of parent excludes effects of deferred income tax

Appropriate Risk Management

Airlines are exposed to various risks in their operations. We are steadily working to strengthen the Group's risk resilience. Our policy is to conduct business operations focused on profitability rather than business scale. For example, for international passengers, we select new routes with profitability as our first priority and optimize our cabin configuration. Also, to enhance our network, we will expand alliances with partner airlines globally. Moreover, we use derivatives and other tools to mitigate risks which have a major impact on the financial performance of airlines, such as those related to fluctuations in fuel prices and exchange rates. As a result, we have been able to eliminate most of the market risks over a three-year time span.

Building Trust with Our Investors Through Close Communication

To provide investors a clearer picture of our business and make it easier for them to evaluate us, we have improved the quality of information content provided at briefings about our management plan and financial results. We intend to build a relationship of trust with our investors through more direct communication not only between them and the CEO or CFO, but also senior management of each business. In addition, we collect information from meetings with investors such as the topics discussed and questions raised, and report back to the Board of Directors. Our proactive IR approach was highly evaluated and we were honored with the 2018 Award for Excellence in Corporate Disclosure in the Transportation Industry by the Securities Analysts Association of Japan in October 2018. We will continue to further improve disclosures in quantity and quality to realize constructive dialogue with markets and investors.

To Our Shareholders and Investors

Flight safety is the essential foundation of the JAL Group and we will steadily thrive to rebuilt and maintain concrete safe operations. In the fiscal year 2020, the airport capacity in Tokyo will be expanded and the Olympic and Paralympic Games Tokyo 2020 will be held. As inbound passenger demand is expected to increase continuously, along with these big events, the airline industry in Japan is a growing industry with big opportunities.

Therefore, we will set a new medium term management plan initiated from the fiscal year 2020 to realize our long-term goal, the Grand Design, after reviewing our initiatives and accomplishments by then. Moreover, to improve international comparability of financial information in capital markets and communication with our stakeholders, we plan to apply International Financial Reporting Standards (IFRS) from the fiscal year 2020. The JAL Group will courageously challenge this major business opportunity of the development of airports in metropolitan area in 2020. To ensure its success, we will strategically allocate our capital strategically and enhance shareholder returns in order to increase corporate value with its clear financial and capital policies.

I hope this message gives our shareholders and investors a better understanding of the financial strategies of the JAL Group and raises your expectation toward the increase of the JAL Group's corporate value and shareholder returns, as we grow into the future.

HUMAN RESOURCES STRATEGY

We create work environments that support motivated and active participation of all employees, and implement initiatives from a long-term perspective



Takuya Oda
Executive Officer, General Manager of
Human Resource Management

At the core of the JAL Group's human resources strategy is a commitment to creating a company where employees work happily and enthusiastically with motivation. To achieve this, we not only deal with immediate issues but also implement initiatives from a long-term perspective. Changing demographics is a social trend that requires attention when developing a long-term human resources strategy. Japan's declining population and aging society are particularly important issues affecting the Group's operations. Though happening at different times, all jobs are at risk of labor shortages. In addition to developing human resources across the entire aviation industry, the pillar of our initiatives is to promote diversity, which includes senior employees and foreign workers, and implementing technology-based operating process innovation.

Nurturing Professionals to Achieve True Diversity

To promote diversity, we have implemented measures that allow all employees to actively participate in the workplace regardless of their personal attributes. However, we believe a diversity of attributes alone is not enough. Going forward, it will become increasingly important for every one of our diverse employees to display a high level of expertise in their work. When each member of a group consisting of a wide range of attributes has diverse expertise, that group will improve its capabilities and will survive in a rapidly changing world.

For this reason, our human resources strategy includes the nurturing of professionals. Following a career path, these people will acquire the solid expertise needed to lead our organization forward. In this way, we can nurture professionals who will remain active at work into their senior years.

In an era when millions can expect to live for a century, so it is important to create work environments where senior employees remain highly motivated at work. In addition to developing systems for staff to feel secure in their jobs, this includes mechanisms for managers, for example, to acquire the ability to actively participate even after years in a management position. In that sense, our initiatives to nurture professionals and promote the active participation of senior employees are closely related.

(For more details on Diversity & Inclusion, please refer to page 61)

Using Technology to Streamline Work

To support the creation of new value, we are driving technology-based operating process innovation to free people from mundane work and creating work environments where people can focus on creative and professional work that cannot be replaced by automation. In fiscal 2017, we introduced Robotic Process Automation (RPA) and automated a number of operations. While operations that were automated are still limited, there have been cases where use of RPA for simple tasks has freed our employees from data counting tasks that previously took several days to complete. We will widely share information on these examples within the Group and increase achievements in this field.

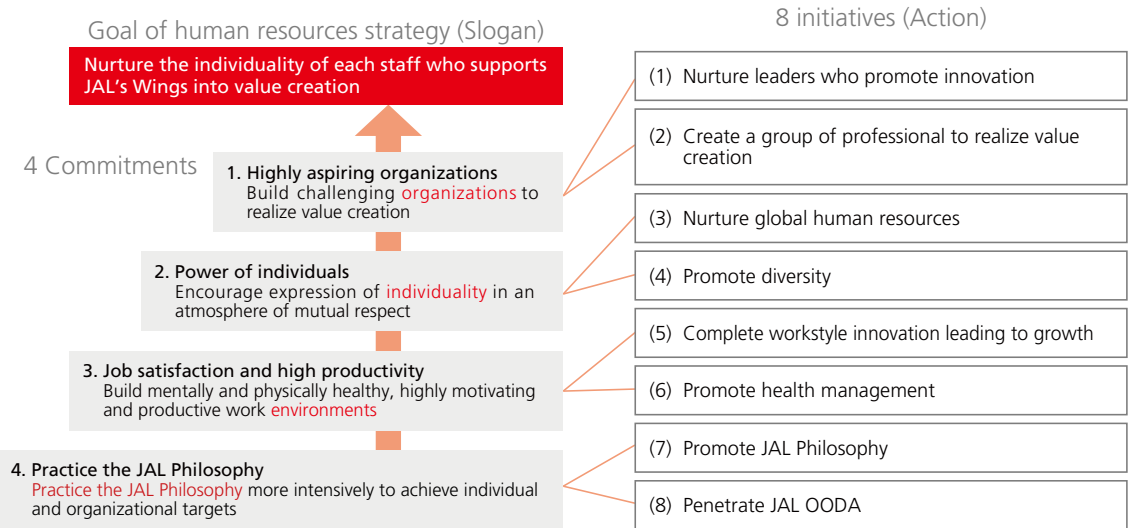
Currently, specialist staff are in charge of RPA, but the speed in work progress and delivery is limited, needless to say. Therefore, we have established a so-called end-user computing system for workplaces to independently operate IT systems and have their members promote RPA of workplace tasks. We are looking to senior employees to lead this movement.

Health and Awareness Reform, the Foundation for Individual Workplace Motivation

To enable all employees to be motivated at work, a foundation comprising health and awareness reform must first be created.

We have continuously promoted health management, in which we established and addressed priority issues in accordance with our JAL Wellness 2020 health promotion plan and produced results. However, these initiatives were mainly directed at the organizational level and not necessarily the individual level. Accordingly, we will take a new approach to health management, such as adopting the data health approach and using broad-ranging data to meet the individual health needs of each employee. Regarding awareness reform, we introduced JAL OODA* in fiscal 2018 to develop independent-minded human resources. In the initial fiscal year, we held workshops led by a mentor where five or so mentees conducted any activity they wished without having to produce results. We also held mentoring management training sessions for advanced-grade management. Going forward, we will continue to expand JAL OODA initiatives, including collaboration with activities by volunteer employee groups, and cultivate a culture of independency while working in teams.

* JAL OODA is JAL's original OODA loop (Observe, Orient, Decide and Act), designed to promote organizational and individual independency.



JAL GROUP BUSINESS ACTIVITIES

International Passenger Operations

External operating environment of international passenger operations

The world's major economies such as Japan and the U.S. have been affected by U.S.-China trade friction and political uncertainty in Europe, but have maintained a steady, moderate growth. Demand for international air travel and international airfreight has also remained generally strong. Crude oil prices, which affect JAL Group's fuel purchasing costs and international passenger and international cargo revenues, are fluctuating due to OPEC's decision to reduce crude oil production and expectations of U.S.-China trade discussions, making the outlook unclear.

The Japanese government has set a target of attracting 40 million overseas visitors to Japan in 2020, the year of the Olympic and Paralympic Games Tokyo 2020, and to achieve this, public-private partnerships are in progress. In 2019, the G20 Osaka Summit and the Rugby World Cup JAPAN will be held, giving rise to expectations of an increase in inbound demand. In 2020, the development of airports in metropolitan area is scheduled, offering an opportunity for significant growth in international passenger operations. Therefore, we regard 2019 as an important year for making

preparations.

On the other hand, LCCs continue to enter the Japanese market and intensifying competition is expected. There is also the risk of a major decline in air travel demand due to global economic trends with concerns of rising protectionism, natural disasters, adverse weather, terrorist attacks, regional conflicts, war, and the outbreak and spread of diseases. As international passenger operations is vulnerable to global trends, we will continue to keep watch on the external operating environment.

Fiscal 2018 results

In international passenger operations, we saw both strong outbound demand and strong inbound demand, with inbound demand reaching 31.19 million in 2018 and surpassing the 30 million mark for the first time. In order to meet growing demand, we expanded seat capacity by revamping cabin configurations and also supply by operating flights year round on routes introduced in fiscal year 2017 (Tokyo-Narita=Kona, Tokyo-Narita=Melbourne, and the second flight between Tokyo-Haneda=London) and increasing seasonal flights (Tokyo-Narita=Guam, Tokyo-Narita=Bangkok, Kansai=Honolulu). As a result, available seat kilometers rose 6.0% over the previous year, passenger

traffic increased 6.3%, revenue passenger kilometers grew 6.3%, and the load factor reached a record high of 81.3%. Furthermore, in addition to improving revenue management backed by high load factors, we also increased fuel surcharges, resulting in an increase in revenue per passenger to 39.3 billion yen. While minimizing flight cancellations caused by typhoons and earthquakes and their impact on leisure demand, the passenger service system that was updated in November 2017 operated steadily and produced positive results, such as greater revenue management precision and increased revenue from overseas online sales channels. As a result, international passenger revenue increased 14.6% year on year to 530.6 billion yen.

Future strategy

We see the development of airports in metropolitan area in fiscal year 2020 as a tremendous business opportunity and plan to actively expand supply. In addition to the new Tokyo-Narita=Bengaluru route and Tokyo-Narita=Vladivostok route, we will continue to expand our network and revamp cabin configurations to increase seat capacity. As a result, available seat kilometers on international routes is expected to increase roughly 13% year on year in fiscal year 2020 (up 15% over fiscal year 2018). To build an optimal network while controlling aircraft numbers and fixed costs, we will promote partnerships with other airlines and strive to achieve the JAL Vision goal of serving 500 major cities worldwide as early as possible. On Hawaii routes, where our competitor is expanding supply, we will soon launch a joint business with Hawaiian Airlines, and expand our network

between Japan and Hawaii and remote islands other than Oahu. At the same time, we will steadily capture repeaters by offering new styles of travel that cater to individual needs.

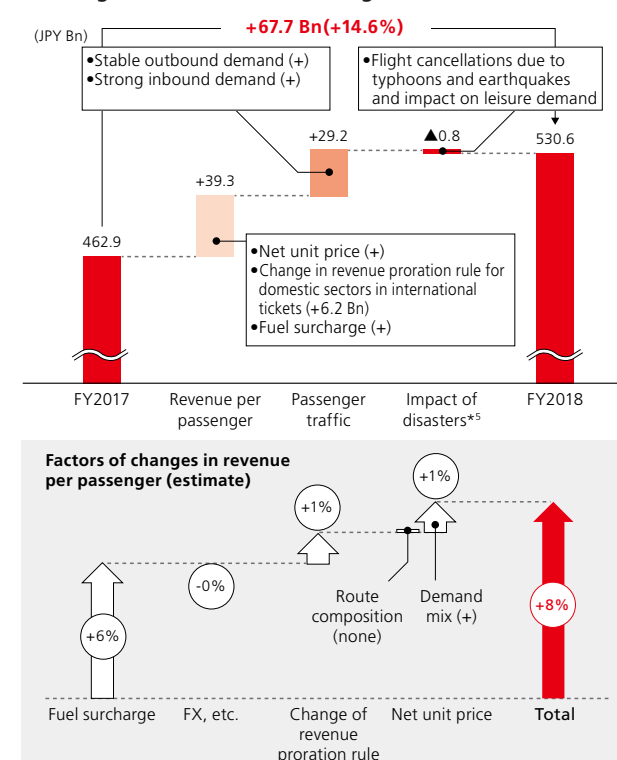
In order to aggressively capture inbound demand on international routes, which is expected to grow continuously, we will strive to enhance our competitive advantage in overseas markets. By providing products and services that meet the needs of not only Japanese passengers but also foreign passengers, we were awarded the world's top 5-Star airline rating in 2018 by Skytrax. The preference indicator of foreign passengers has also improved. We will continue to provide better products and services, increase our presence overseas through active sales promotions, and endeavor to achieve the JAL Vision goal of 50% of revenue from overseas sales in international passenger operations.

International Passenger Operations

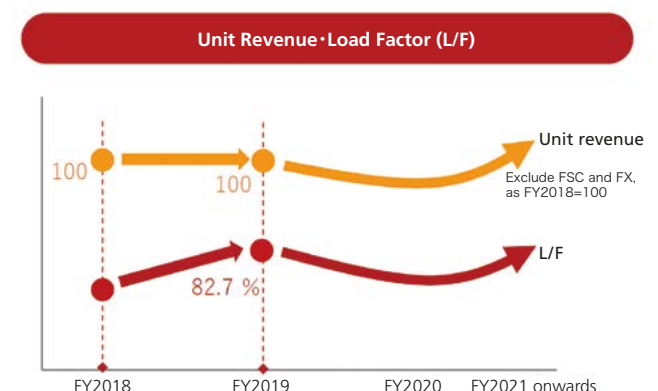
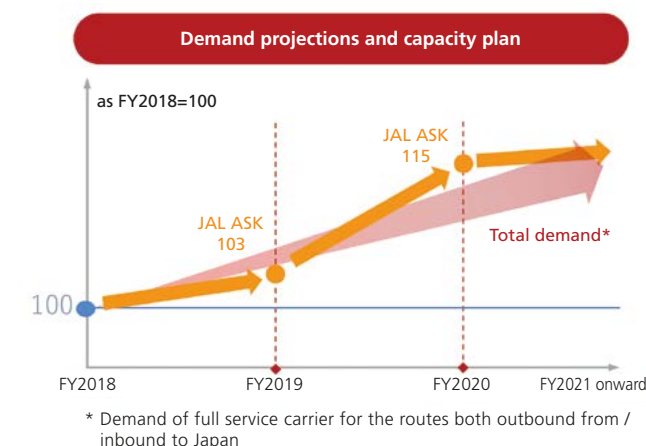
| | FY 2018 | YoY |
|--|-----------------|-----------------|
| Passenger Revenue*1 (JPY Bn) | 530.6 (524.4) | +14.6% (+13.3%) |
| Revenue Passengers (1,000) | 9,128 | +6.3% |
| Available Seat Kilometers (MN seat km) | 54,925 | +6.0% |
| Revenue Passenger Kilometers (MN passenger km) | 44,659 | +6.3% |
| L/F (%) | 81.3% | +0.3pt |
| Revenue per Passenger*1*2 (JPY) | 58,136 (57,453) | +7.8% (+6.6%) |
| Yield*1*3 (JPY) | 11.9 (11.7) | +7.8% (+6.6%) |
| Unit Revenue*1*4 (JPY) | 9.7 (9.5) | +8.2% (+6.9%) |

*1 Effect of change in revenue proration rule for domestic sectors in international tickets excluded in figures in brackets
 *2 Revenue per passenger = Passenger revenue / Revenue passengers
 *3 Yield = Passenger revenue / Revenue passenger kilometers
 *4 Unit revenue = Passenger revenue / Available seat kilometers

Change in International Passenger Revenue



*5 Effects arising out of heavy rain in July in Western Japan, typhoon from July to September and the earthquakes in Hokkaido in September



Domestic Passenger Operations

External operating environment of domestic passenger operations

While we face changes in the macro environment such as a declining working-age population in Japan, there are also projections of new growth due to expectations of moderate economic development in the lead to the Olympic and Paralympic Games Tokyo 2020 and increasing inbound tourists. The Rugby World Cup will be holding games throughout Japan in 2019, bringing more foreign visitors to Japan who will not only stay in major metropolitan areas but also travel to regional cities. Therefore, the need for transportation is expected to continue to increase. In addition to rising inbound visitor numbers, the use of air travel for business and leisure is also rising in Japan. Total demand is expected to continue to grow, centered on major routes departing from Haneda. We will increase supply comparable to the growth of total demand, steadily capture demand, and take various steps to offer greater convenience and comfort. Due to the opening of new routes by our competitor, the operating environment is expected to intensify. As a company that has operated in the skies of Japan for many years, JAL has gained the trust of customers and will continue to contribute to realizing safe operations and

revitalize regional economies.

Fiscal 2018 results

As we were affected by flight cancellations and a decline in leisure demand due to damages from high waves by Typhoon Jebi at Kansai International Airport in September and the 2018 Hokkaido Eastern Iburi Earthquake, we quickly adjusted supply and demand by quickly shifting aircraft to routes with strong demand such as to Kyushu and strived to improve profitability. We further expanded routes operated with the Embraer 190 centered on Osaka-Itami Airport routes and expanded services of Boeing 737-800 aircraft installed with JAL SKY NEXT cabin interiors on Okinawa-Naha routes operated by Japan Transocean Air. By increasing seat capacity, available seat kilometers increased 1.1% year on year, passenger traffic rose 2.4%, revenue passenger kilometers grew 2.2%, and the load factor reached a record high of 72.5%. To restore leisure demand to Hokkaido and contribute to the restoration of disaster areas, we offered Support Sakitoku special reduced fares and sold travel products such as Hokkaido Support Discount and Let's Go with JAL Hokkaido Recovery Discount. Further, for inbound tourists, we offered reduced time-limited domestic discount fares called the JAL Japan Explorer Pass on routes between Hokkaido and the Kansai area (Kansai, Itami, and Nanki Shirahama) to restore leisure demand.

In products and services, we offered enhanced inflight services such a wider selection of video program channels in inflight Wi-Fi services and new inflight satellite television aboard JAL SKY NEXT-configured aircraft. From 2016, as part of our project to expand and improve facilities, we renovated the Diamond Premium Lounge and Sakura Lounge at Itami Airport in March to offer greater relaxation, comfort and functionality in spacious areas. As a result, domestic passenger revenue rose 1.9% year on year to 528 billion yen.

Future strategy

On domestic routes, strong business demand and increased leisure demand including inbound demand are expected to produce strong total demand growth centered on major routes from Haneda. While expanding supply to meet and steadily capture growing demand, we will further improve convenience and comfort. The cutting-edge Airbus A350-900 and the domestic-configured Boeing 787-8 will be put into service on domestic routes from the fall of 2019. Through the introduction of new aircraft, we plan to increase available seat kilometers on domestic routes by approximately 3% year on year in fiscal year 2019 and by approximately 1% year on year in fiscal year 2020. While expanding supply, we will also maintain and improve unit revenue and load factors.

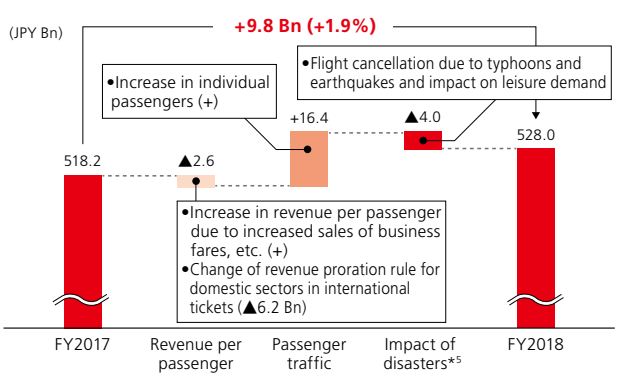
In route operations, we will introduce the new A350 aircraft in September 2019 and launch services on the Tokyo-Haneda=Fukuoka route. The new aircraft will be equipped with First Class, Class J and Economy Class with all seats and interior designs renewed and installed with a personal monitor to offer inflight entertainment for every passenger. In products and services, we will extend reservation and purchasing periods of domestic tickets from September 2019, making it possible to book and purchase airline tickets 330 days in advance. In conjunction with our renewed domestic flight reservation web page in May 2019, we will do our best to provide greater convenience when planning trips without any fuss or stress. From FY2020, we will advance initiatives for realizing our concept of "JAL SMART AIRPORT" at major airports in Japan, where new technologies will be used to reduce waiting times at the airport. From 2020, we will implement these initiatives at major airports in Japan, further improving the convenience and comfort of domestic travel. Against the background of the Olympic and Paralympic Games Tokyo 2020, we will also support efforts to attract the growing number of inbound visitors to regions across Japan and expand the traveling non-resident population.

Domestic Passenger Operations

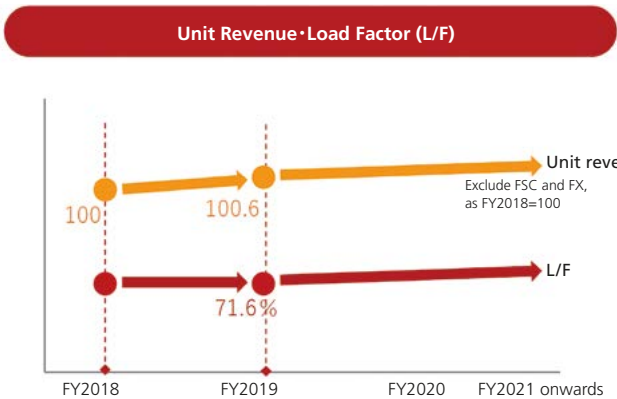
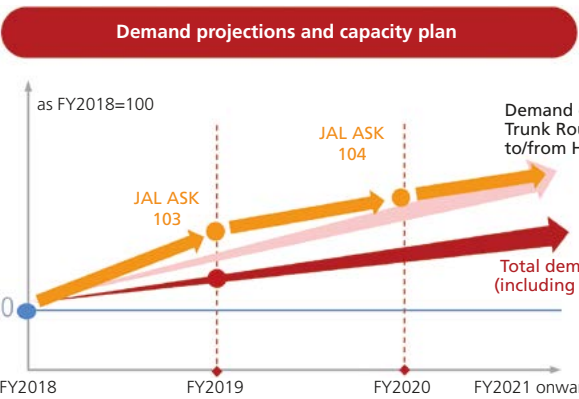
| | FY2018 | YoY |
|--|-----------------|----------------|
| Passenger Revenue*1 (JPY Bn) | 528.0 (534.3) | +1.9% (+3.1%) |
| Revenue Passengers (1,000) | 34,859 | +2.4% |
| Available Seat Kilometers (MN seat km) | 36,116 | +1.1% |
| Revenue Passenger Kilometers (MN passenger km) | 26,195 | +2.2% |
| L/F (%) | 72.5% | +0.7pt |
| Revenue per Passenger*1*2 (JPY) | 15,149 (15,328) | ▲ 0.5% (+0.7%) |
| Yield*1*3 (JPY) | 20.2 (20.4) | ▲ 0.2% (+0.9%) |
| Unit Revenue*1*4 (JPY) | 14.6 (14.8) | +0.8% (+2.0%) |

*1 Effect of change of revenue proration rule for domestic sectors in international tickets excluded from figures in brackets
*2 Revenue per Passenger = Passenger Revenue / Revenue Passengers
*3 Yield = Passenger Revenue / Revenue Passenger Kilometers
*4 Unit Revenue= Passenger Revenue / Available Seat Kilometers

Change in Domestic Passenger Revenue



*5 Effects arising out of heavy rain in July in Western Japan, typhoon from July to September and the earthquakes in Hokkaido in September



JAL Group Airlines

Using JAL Group's Strengths to Maintain Vital Air Links and Revitalize Regional Economies

JAL Group's regional network provides air links to regional cities and outlying islands as an airline with close ties with each region. We will continuously contribute to regional economies by introducing new, comfortable aircraft, providing a highly convenient network and high-quality services, expanding the non-resident population and communicating the charms of regional Japan.

Japan Transocean Air Co., Ltd. (JTA)

Since its establishment in 1967 to connect Okinawa's main island and outlying islands, JTA has worked with integrity to maintain safe operations and aviation security for 52 years. It maintains a record of zero fatalities in the company's history. In addition to connecting Okinawa's main island and outlying islands, JTA operates 70 daily scheduled flights on 12 routes between Okinawa and Haneda, Chubu, Kansai, Komatsu, Okayama and Fukuoka respectively with a fleet of 12 Boeing 737 aircraft. As a JAL Group airline, JTA offers high-quality service with a touch 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 36th anniversary in 2019, operates flights on 18 routes mainly to outlying islands in Kagoshima Prefecture such as the Amami Islands, which have been designated as Japan's 34th national park. The cutting-edge ATR42-600 turboprop was introduced to routes in 2017 and the new "Amami Islands Hopping Route" was established in July 2018 to further support the regional network as the "Wings of the Region." In addition, JAC is expanding a cooperative project to share aviation technologies with other companies. As an initiative beyond the JAL Group, JAC has lent ATR shared business aircraft to Amakusa Airlines since June 2018. JAC will continue to grow and develop together with the region, aiming to become a valued and trusted airline of the region.

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

J-AIR, JAL Group's principal member airline covering regional routes, is based at Osaka International Airport (Itami) and operates 232 daily flights on 36 routes (roughly 30% of these flights are on JAL Group domestic routes). Over the past few years, the company has introduced the new Embraer 190 with a Class J cabin and has been expanding its network. It plans to operate the Japan-made Mitsubishi SpaceJet from 2021 and continue growing as a competitive regional airline. Communicating the appeal of regional Japan and the Japan brand, J-AIR will continue moving forward together with the people of the regions it serves.

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

Established in September 1997 to provide convenient air links to destinations across Hokkaido, HAC celebrated its 22nd anniversary in 2019. The airline 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. HAC will continue to focus on flight safety to maintain support from Hokkaido residents, while striving to attract more individual and group passengers and 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 34th anniversary in 2019, 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 nine islands. From April 2018, RAC began offering a year-round service for the first time with its five DHC8-Q400 Cargo-Combi aircraft (Q400CC). Making maximum use of the features of the Q400CC, such as its jet-equivalent cruising speed, high level of cabin comfort, and double the cargo space of standard models, RAC is improving convenience for outlying island residents and tourists and using the expanded cargo capacity to transport fresh seafood and agricultural products from the islands at higher speeds and in larger volumes to promote local industries and contribute further to the region.

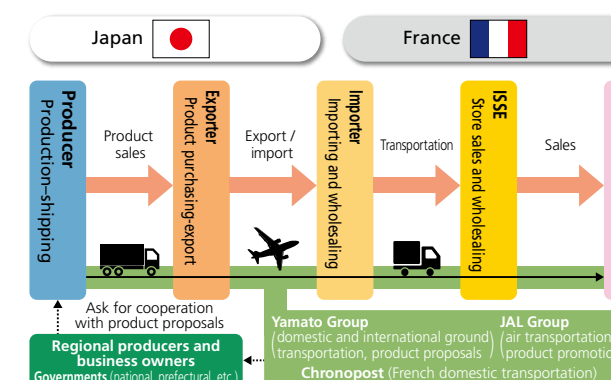


Cargo and Mail Business

Review of fiscal 2018

In fiscal year 2018, JAL's Cargo and Mail Division worked to maximize cargo business profitability, increase the value of transportation services, expand into new business domains. In international cargo operations, we strengthened partnerships with foreign airlines, such as launching an European cargo sales partnership with Azerbaijan-based Silk Way West Airlines and undertaking Japanese global sales agent (GSA) operations for Vietnam-based Vietjet Air Cargo. We also partnered with the Yamato Group and started a new project, offering total service from export and import procedures for fresh Japanese agricultural and fishery products to local sales in order to expand sales channels to Japanese producers and contribute to enriching the lifestyles of French consumers.

In domestic cargo operations, we introduced new simplified cold insulated containers, providing refrigerated transportation for fresh foods even during the summer, and captured demand for new fresh food cargo.

**Growth strategy reflecting the external environment**

External environmental factors which have a major impact on international cargo operations include additional slots at Narita and Haneda airports as a result of the developments of airports in metropolitan area scheduled in 2020. Fiscal year 2019 is positioned as a year of preparation for the years 2020 onwards. While additional slots represent business opportunities, an increase in supply is expected to bring intensifying competition and dramatic changes in the operating environment.

In domestic cargo, we will update business processes by shifting to paperless manifests and developing a reservation portal site. We will strive to offer customers greater convenience in terms of both reservations and transportation. The introduction of the A350, planned in September 2019, will change the supply-demand environment, and therefore, we will accelerate development and sales initiatives and expand into new business domains.

Other Businesses

JALPAK Co., Ltd.

In fiscal year 2018, JALPAK strove to expand its lineup of high-quality added-value products and increase sales of dynamic package products. Although we conducted timely sales promotions to increase sales, higher sales prices from higher fuel surcharge and increased competition resulted in a 3.9% year on year decline in the number of overseas travelers handled to 222,000. The number of domestic travelers handled remained strong despite natural disasters, rising 6.8% year on year to 2,718,000, partly attributable to demand prompted by the 35th anniversary of the Tokyo Disney Resort and high demand for travel to the Okinawa region. With regard to inbound demand, JALPAK expanded the Visit Japan Package to Thailand and also to Australia in July and to Singapore in December. As a result, operating revenue (prior to intercompany transactions elimination) increased 4.0% year on year to 182 billion yen.

In fiscal year 2019, JALPAK will strive to enhance the range of value-added products to contribute to improving JAL brand values and promoting sales of package products, and further, respond to diverse customer values in a determined effort to create value that exceeds customer expectations.

JALCARD., Inc.

In fiscal year 2018, the addition of the JAL Card Suica CLUB-A Gold Card to the product lineup in July and membership campaigns resulted in an increase in membership of 4.5% year on year to 3,579,000. The increase in users of the new option to pay the annual membership fee with mileage, which was launched in fiscal year 2017, and new initiatives such as using LINE to introduce members led to positive results in the Japan Customer Satisfaction Index (JCSI) survey of credit card companies; 1st place in three indicators including loyalty and the recommendation intention rate, and 2nd place in the remaining 3 indicators. Further, JALCARD enhanced data marketing, renewed call centers, and thus improved the system for providing services to meet customer needs. As a result, operating revenue (prior to intercompany transactions elimination) increased by 6.1% year on year to 19.4 billion yen.

In fiscal year 2019, JALCARD will continue to embrace the challenge of providing values expected by customers. We will further pursue customer satisfaction by providing timely and stress-free services, and endeavor to offer new and attractive products and services.

VALUE PROVIDED BY JAL GROUP —COMMITMENT TO QUALITY

The JAL Group declares its commitment in the Corporate Policy to deliver unparalleled service to our customers, and aims to provide the world's best on-time performance, comfort and convenience with top priority on safety.

Safety and Sense of Security

To rebuild safe and sense of security, we are working to eliminate safety risks caused by alcohol consumption and promote measures to prevent objects from falling off aircraft. We are also working to detect and solve Group-wide issues relating to injuries and safety disruptive conduct at the airport and in flight to ensure sense of security for every customer.

Elimination of safety risks caused by alcohol consumption

We regard drinking as a safety issue and will eliminate behavior that affects flight safety caused by alcohol consumption. Specifically, we will eliminate the effects of drinking on safety by implementing alcohol consumption measures, monitoring the situation through internal audits, and raising awareness among all employees.

Further promotion of measures to prevent falling objects off aircraft

As flight routes are planned to pass over the city center due to the development of airports in metropolitan area, we are further promoting measures to prevent objects from falling off aircraft. While improving daily inspections and implementing swift measures through collection and analysis wide-ranging information on irregularities, we will promote measures in cooperation with other airlines and aircraft manufacturers.

Efforts to ensure sense of security for every customer

In addition to flight safety, we will address a broad range of safety issues including customer injuries and safety disruptive conduct in order to restore customer trust and provide greater ease of mind. We will also use safety management methods to help resolve issues such as quality control of inflight meals. The JAL Group also uses third-party audit and assessment processes to maintain and improve safety.

IATA Operational Safety Audit (IOSA)

Japan Airlines, Japan Transocean Air and J-AIR were audited for IOSA* renewal in February and March 2018, and received certification from the International Air Transportation Association (IATA) in June 2018.

IATA member airlines are required to renew their IOSA registration every two years. Japan Airlines has continually renewed since 2004 and Japan Transocean Air since 2010. J-AIR renewed its registration since its first IOSA registration in 2016.

The next renewal audit is planned for February 2020.

* IOSA is an international safety audit program for confirming the effective functioning of safety management systems of airlines.



Transport safety management assessment

In fiscal year 2018, three of the six JAL Group airlines, Japan Airlines, J-AIR and Ryukyu Air Commuter, underwent a Transport Safety Management Assessment conducted by the Secretariat of the Minister of Land, Infrastructure, Transport and Tourism. The assessment, applicable to all transportation operators including air, rail, sea and vehicular operators, checks the operation of company-wide safety management systems, identifies areas that need improvement, and offers advice. JAL uses assessment findings as reference to conduct original initiatives.

(For more details, please refer to the JAL Group Safety Report)

(Japanese only)

Comfort

To ensure flights are comfortable and enjoyable, the JAL Group values the customer's perspective. We work to improve both "hard" and "soft" services in order to deliver enhanced high-quality services.

On international routes, we renovated our First Class Lounge at Narita International Airport, and at Honolulu Daniel K. Inouye International Airport, renovated Sakura Lounge located in the Main Building and opened a new Sakura Lounge. In inflight meal service, we introduced the JAL Luana Style service of styling your own meal time and menu for Business Class on flights from Japan to Hawaii. In addition, we are developing special inflight menus such as vegetarian meals and Hindu vegetarian meals to cater to diverse needs. Furthermore, we are continuing to expand routes operated with JAL SKY SUITE-configured aircraft designed to evoke a "one class higher" feel.

On domestic routes, we have improved a host of services such as renovating lounges at Osaka Itami Airport and opening a new Sakura Lounge at Okayama Momotaro Airport. We improved connectivity to our complimentary inflight Wi-Fi service, increased video programs to 70 channels, and introduced live television programs. Going forward, we are planning to introduce new Airbus A350 aircraft that offer quiet cabins and personal monitors and power outlets in every seat as we endeavor to provide greater comfort in flight.

Through these initiatives, JAL was recognized for the world's finest quality and received the 5-Star rating at the Skytrax

2018 World Airline Awards. In June 2019, JAL was the first Japanese airline to receive the World's Best Economy Class Award, which is presented to airlines excelling in overall assessment of Economy Class. JAL also received the Best Economy Class Airline Seat Award for the third consecutive year and our fourth win. At the TripAdvisor® Travelers' Choice™ Awards 2019, JAL was named first place for the Best Airline in Japan for the third consecutive year and took fifth place in the Top 10 Airlines in the World. We will continue to create products and services that meet diverse customer needs and offer the spirit of Japanese-style hospitality in order to provide the world's finest quality of service.



Certified as 5-Star Airline by Skytrax



Named, Best Airline - Japan for the third consecutive year at TripAdvisor Travelers' Choice Awards



Sakura Lounge Hale at Honolulu Airport



Special inflight menus offering new vegetarian meals

Convenience

We feel that JAL Group’s extensive route network is one of our greatest strengths and an important factor when customers choose to fly with us. In addition to offering routes and flight schedules that meet the needs of customers and society, we will provide highly convenient products and services that appropriately fulfill customer needs at every stage of the customer journey until arrival at the destination.

On domestic routes, we launched the new Amami Islands Hopping Route (Tokunoshima-Okinoerabu-Naha) operated by Japan Air Commuter. On international routes, we launched new services between Tokyo-Haneda and Manila and between Tokyo-Narita and Seattle, and increased flight frequency between Tokyo-Narita and Moscow. We are also expanding partnerships with global airlines to achieve our target of serving 500 cities worldwide.

We also improved our frequent flyer program with regard to award tickets for JAL Mileage Bank members, such as introducing JAL international award ticket PLUS and extending reservation acceptance of domestic award tickets to one day prior to departure.

The JAL Group remains firmly committed to delivering a refreshing and inspiring travel experience through unparalleled service to all our customers.



The ceremony to launch Narita=Seattle route

On-time Operations

One basic factor of quality for public transportation operators is on-time operations with safety as top priority. The times in our flight schedules represent our products and our commitment to customers and society. The basic value offered by an airline is to fly to destinations according to scheduled times. To provide this value, we strive to ensure seamless communication between many divisions, from reservations, airports, cargo, maintenance, flight operations, cabin attendants, sales and other support divisions to Head Office planning divisions.

As a result, we were recognized and awarded by Cirium, a company that analyzes on-time performance of airlines and other indicators, as the Best Mainline Airline in the Asia-Pacific region (seventh consecutive year, ninth win) for on-time performance of domestic and international flights operated in calendar year 2018. We were also recognized by Flight Global as the Most Consistent Winner in the Major International Airline category and Asia Pacific Major Mainline Airline category as an airline with the best on-time arrival performance in the past five years (2013–2017). The JAL Group will continue to ensure the safe operation of every flight and provide the world’s top on-time performance.



Best Mainline Airline in the Asia-Pacific region
Most Consistent Winner award (2013–2017)

Passing the Baton to Maintain the World's top On-time Operations

Reservations and ticketing
Trained personnel provide accurate reservation and ticketing services and inform customers of the departure time and other necessary information.



Spot-in
Aircraft marshallers guide aircraft to the proper parking spot after landing.



Check-in
Check-in personnel perform boarding procedures of passengers and baggage and provide information on the boarding gate and boarding time.



Fueling
The appropriate amount of fuel is loaded depending on weather conditions, the number of passengers and crew and cargo weight. Environmental considerations are given to avoid waste.



Security checkpoints
Cooperation from passengers to prepare for inspections in advance ensures smooth and strict security checks to maintain aviation safety.



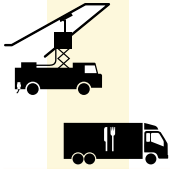
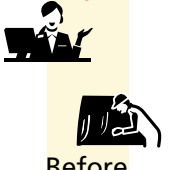
Flight dispatch
Various information affecting operations such as weather information and airport conditions is gathered and provided to cockpit crew for determining the appropriate altitude, flight course and flight method.



Cockpit crew
After receiving reports from the cockpit crew on the previous flight and maintenance conditions from aircraft engineers, cockpit crew conduct briefing with cabin attendants, and strive to achieve on-time departure and safe operations.



Baggage claim
Passengers are asked not to pick up someone's baggage by mistake. Baggage is returned quickly to ensure a smooth end to the trip.



Airport
Seat assignments for passengers traveling in groups and passengers requiring assistance are checked in advance to ensure smooth boarding the next day.

Maintenance
Aircraft engineers inspect approximately 50 check items to detect dents and other damage on arrival aircraft. They take necessary action based on reports of problems or malfunctions from cockpit crew.

Cabin cleaning and loading of cabin service goods
Personnel quickly clean seats and lavatories, and tidy and replenish cabin service goods such as blankets, pillows and inflight magazines to create a comfortable cabin environment.

Catering
To provide safe and secure inflight meals, attention is paid to hygiene and meals are delivered on time.

Boarding gate
Airport staff share passenger information with cabin attendants before boarding begins. They assist passengers to ensure smooth boarding such as announcing the order of boarding by types of passengers.

Load control Baggage and cargo loading
Baggage and cargo are loaded accurately and speedily according to a detailed plan based on data on the number of passengers, the size and weight of baggage and cargo, etc.

Cabin attendants
Cabin attendants aim for on-time departure by showing passengers to their seats and making sure baggage is stowed appropriately. They provide attentive service to ensure a comfortable flight for every passenger.

Welcoming passengers at the arrival gate
Connecting passengers are informed of the shortest route to reach the boarding gate of their next flight. Passengers requiring assistance when disembarking are given support.

RISK MANAGEMENT

Basic Stance

The JAL Group manages risks by dividing them into three categories: (1) operational risks associated with aviation safety, aviation security and other issues related to air transportation; (2) corporate risks associated with management in general, excluding risks related to air transportation; and (3) strategic risks associated with business operations that may have a material impact on corporate revenues and expenditures. We have established the following six committees in order to identify, analyze and assess existing risks and implement appropriate measures to mitigate those risks.

Risk Management Council

The Risk Management Council is headed by the President, and primarily comprises General Managers of divisions responsible for managing frontline departments. The Council takes responsibility for overall risk management encompassing operational risks, corporate risks and strategic risks to stabilize Group-wide management activities. It also functions as a venue for reporting on progress, sharing information and making decisions on various matters such as establishment of JAL Group Basic Policies on Risk Management, regular risk assessments, and implementation of measures when risks eventuate.

1. Risk Management Committee

Organized as a committee under the Risk Management

Council, the Risk Management Committee is headed by the General Manager of General Affairs, and comprises leaders of relevant departments. Its role is to conduct administrative work in support of the Risk Management Council, including any preparations that will contribute to decision making and implementation of the decisions made.

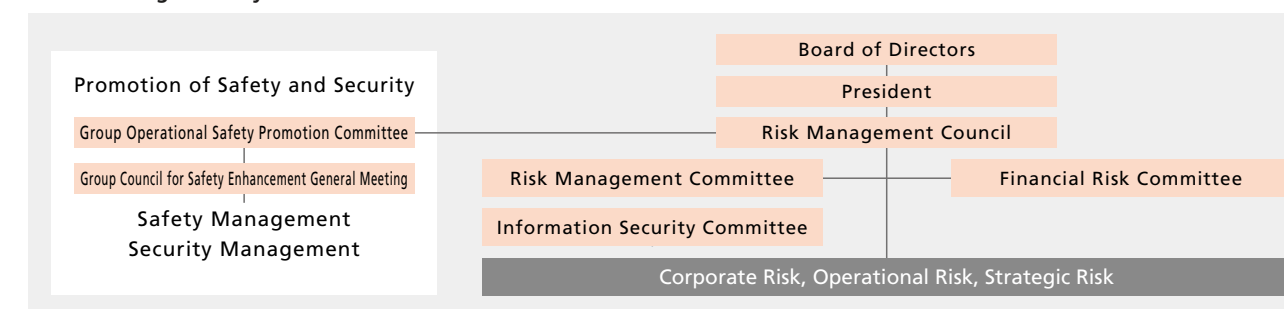
1-1. Information Security Committee

The Information Security Committee is headed by the General Manager of General Affairs and the General Manager of IT Planning, and comprises leaders of relevant departments. The Committee conducts activities specific to information management, upgrades information security measures, and strives to reduce corporate risk.

2. Financial Risk Committee

The Financial Risk Committee is chaired by the General Manager of Finance and Accounting and includes the President, Executive Vice President and leaders of relevant departments. The Committee identifies financial risks appropriately and strives to facilitate improvements in corporate management. More specifically, it conducts regular simulations of financial conditions and checks the content. In the event of a major financial crisis, large-scale disasters or other major risk-generating events that the Committee determines will have a serious, quantifiable impact on the JAL Group, it will calculate the estimated financial impact and deal with the risk jointly with the Risk Management Council, as necessary.

Risk Management System



Group Operational Safety Promotion Committee

The Group Operational Safety Promotion Committee is headed by the President of Japan Airlines and comprises executive officers and presidents of Group airlines appointed by the Safety General Manager and Chairman. The role of the Committee is to ensure safety for the Group as a whole and promote safety management by establishing key policies related to safety management, clarify the status of corporate activities and review organizations, systems and measures, as necessary.

Group Council for Safety Enhancement General Meeting

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 transportation operations as a whole. The Committee comprises the General Manager of Japan Airlines Corporate Safety & Security (who serves as Chairperson), leaders of departments responsible for Japan Airlines safety management administrator appointed by the Chairperson, and the Safety Manager or Safety Director of each Group airline.

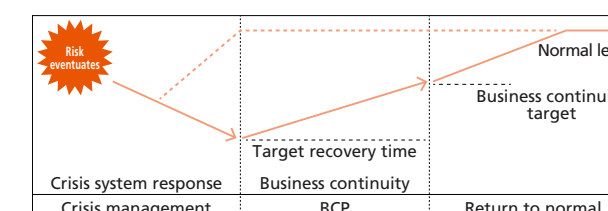
Exercises, reviews, education and training are conducted regularly for each type of disaster or purpose in order to increase the crisis management awareness of every employee.

Business Continuity Plan (BCP)

To respond to specific risks that threaten our ability to fulfill our responsibilities as a public transportation operator 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 basic matters such as policies and procedures necessary to ensure the safety of JAL Group staff and their families and maintain air transportation operations essential to the Group, including reservations, information provision, payments and settlements. It is reviewed regularly and revised as required to improve its application. During the outbreak of Ebola hemorrhagic fever in West Africa in 2014, we activated our BCP regarding responses to pandemic influenza or unidentified infectious diseases. We coordinated our actions with relevant government bodies, developed necessary systems and added the Policy for Handling the Ebola Virus Disease (International Flights) to our BCP. In fiscal 2018, we reviewed regulations related to earthquakes and expanded our strategies and BCP to include a potential earthquake below Tokyo in particular.

Crisis Management

When risks (operational risks) associated with aviation safety, aviation security and other issues related to air transportation eventuate, or when such risks are suspected or confirmed, we report quickly (within a target of 15 minutes) to the Integrated Operation Center (IOC). The JAL Group determines the applicable crisis management level according to the situation, from Phase I to Phase III, and responds appropriately. In Phase III, a Head Office crisis management team and a local crisis management team situated in the disaster-affected area, headed by the President or Executive Vice President, are mobilized and teams rapidly implement crisis systems.

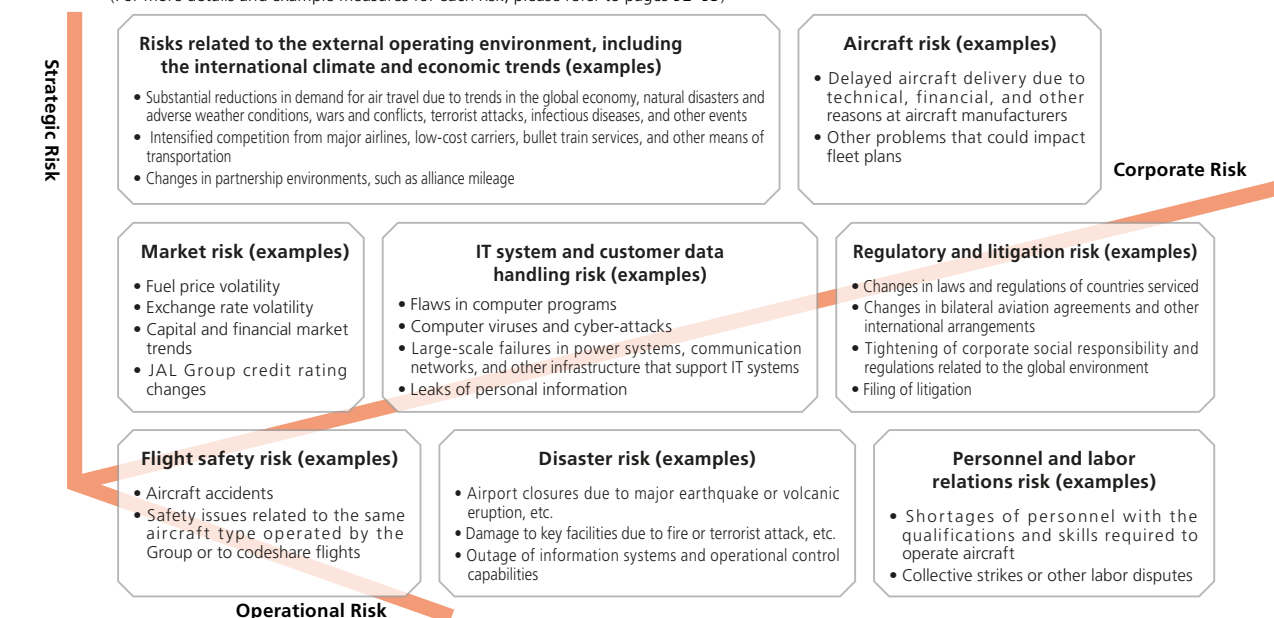


Information Security Measures

The JAL Group fell victim to a data security breach 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 all those affected by this incident. In response, we are strengthening information security as a top priority issue and taking steps to prevent recurrence. Specifically, information security measures were moved up ahead of schedule to build a robust system to detect and monitor increasingly sophisticated and complex cyber-attacks, while preventive measures are being continuously upgraded to the highest level.

Principal Business Risks

(For more details and example measures for each risk, please refer to pages 92–93)



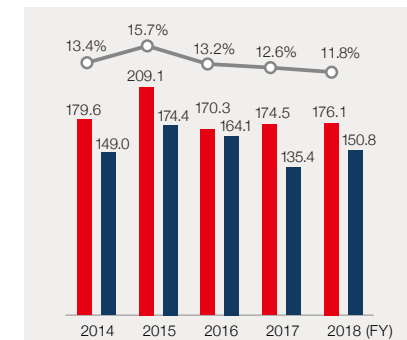
FINANCIAL AND NON-FINANCIAL HIGH LIGHTS

Financial Data (As of March 31, 2019)

Operating profit margin

11.8%

■ Operating profit (Billions of yen)
■ Net profit attributable to owners of parent (Billions of yen)
○ Operating profit margin (%)

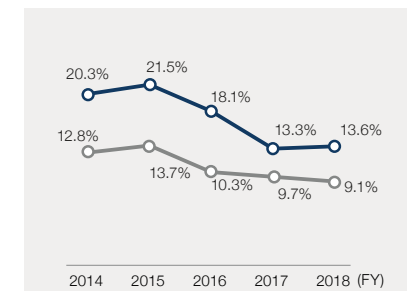


We have been achieving an operating profit margin of 10% or above continually, while emphasizing profitability.

ROE**4

13.6%

○ ROE (%) ○ ROA**5 (%)

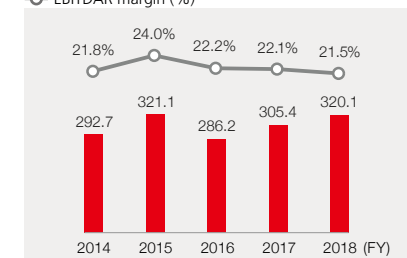


We strive to improve asset efficiency and capital efficiency, and have been achieving ROE of 10% or above.

EBITDAR margin**7

21.5%

■ EBITDAR (Billions of yen)
○ EBITDAR margin (%)

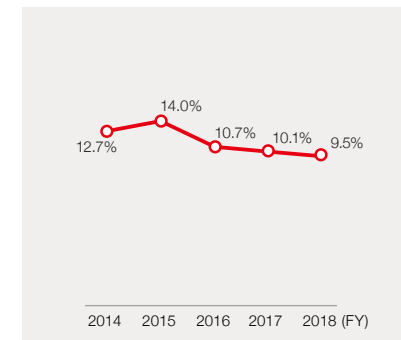


We maintain a high level of profitability and solid financial structure. We will strategically allocate capital to enhance corporate value.

ROIC**1

9.5%

○ ROIC (%)

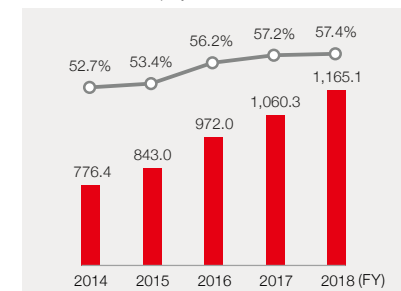


We have been achieving ROIC of 9% or above by focusing on investment efficiency to enhance corporate value.

Shareholders' equity ratio

57.4%

■ Shareholders' equity (Billions of yen)
○ Shareholders' equity ratio (%)

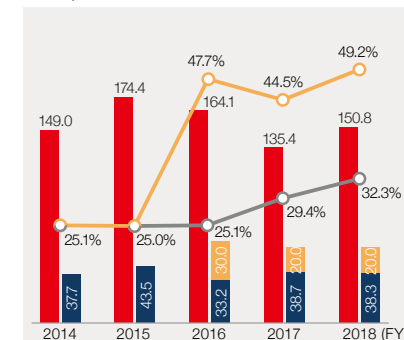


Equity ratio reached approximately 60%. Having built a strong financial structure, we will maintain the current level.

Total return ratio**2

49.2%

■ Net profit attributable to owners of parent (Billions of yen)
■ Total dividends (Billions of yen) ■ Share repurchase (Billions of yen)
○ Payout ratio (%)**3 ○ Total return ratio (%)

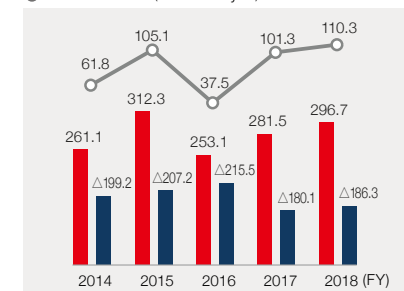


We will focus on "Total Return", which combines dividends and share repurchases. For the total return ratio, we will aim at a range of approximately 35% to 50%.

Free cash flow

¥110.3 billion

■ Cash flow from operating activities ■ Cash flow from investing activities**6
○ Free cash flow (Billions of yen)



We ensure there is always sufficient free cash flow to fund dividends for our shareholders through high profitability and cash flow generation ability.

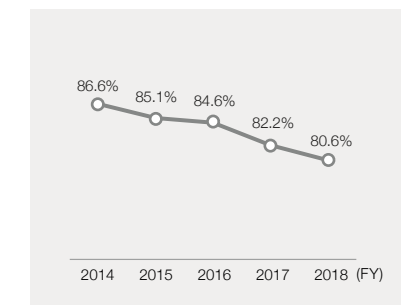
Non-Financial Data

Environment

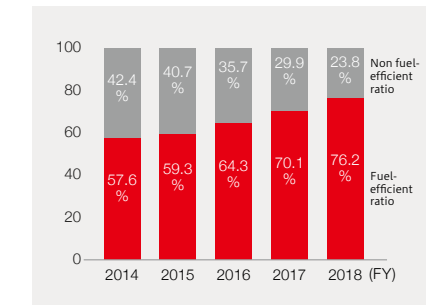
The JAL Group recognizes the impact of its air transportation business on the environment and understands that it must strive to reduce that impact and protect the environment through measures in all aspects of its business.

CO₂ reductions

○ CO₂ emissions per revenue ton kilometer (vs. fiscal 2005)



Fuel-efficient aircraft share

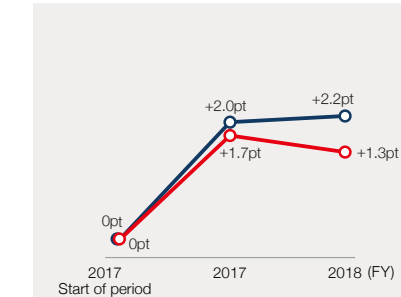


Customers and communities

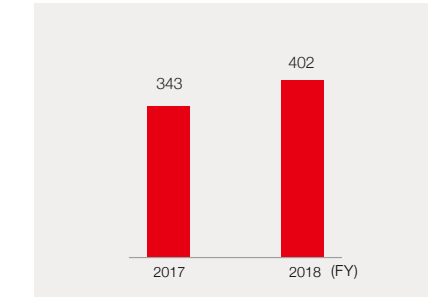
From fiscal 2017, the JAL Group has used Net Promoter Score (NPS)* as a performance indicator for customer satisfaction in the Medium Term Management Plan. Customer evaluations and opinions are shared internally to improve products and services with the aim of achieving the world's top customer satisfaction. By serving 500 cities worldwide, as targeted in the Grand Design, the Group will contribute to expanding the travelling non-resident population among regions.

NPS*

○ Domestic ○ International



Cities serviced



Targeting 500 cities from end of fiscal 2017

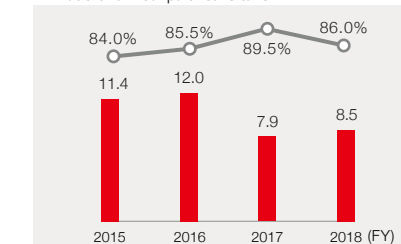
* A performance indicator that measures the customers' intention to recommend to others.

Human rights, Diversity and Inclusion

In 2014, JAL Group top management declared our commitment to diversity. Since then, we have aspired to be a company where everyone can work in a positive atmosphere regardless of gender, age, nationality, race, religion, disability, sexual orientation, or other personal attributes.

Average monthly overtime and rest day work hours per employee*

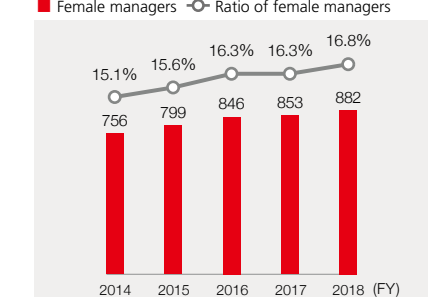
■ Average monthly overtime and rest day work hours per employee
○ Ratio of annual paid leave taken



* Japan Airlines only

Ratio of female managers

■ Female managers ○ Ratio of female managers



Governance

The JAL Group has established committees for corporate governance, nomination of candidates for director positions, selection of executive officers, and determination of director remuneration to achieve strong management oversight based on highly transparent management. The majority of committee members are independent external directors.

Composition of each committee



ESG MANAGEMENT APPROACH

Positioning within the Medium Term Management Plan

The JAL Group aims to fulfill its social mission and role as an air transportation operator and become a company that society can put their confidence in by proactively solving social issues.

Therefore, we have included our resolve to “contribute to resolving social issues” such as the SDGs in our 10-Year Grand Design, starting from the new Medium Term Management Plan for Fiscal Years 2017 to 2020.

Specifically, we have incorporated ESG management perspectives in our Medium Term Management Plan, identified four areas of focused activities: Environmental, Social (Customer and Community), Social (Human Rights and

D&I*1), and Governance.

Initiatives to achieve the SDGs

Based on the ESG management approach, the JAL Group has begun defining specific KPIs and progress management in four areas to achieve the SDGs by 2030, while maintaining flight safety.

Furthermore, we are committed to raising awareness of the SDGs internally and externally. We will fulfill our corporate mission to deepen understanding of the importance of these initiatives by more people and contribute to the development of a sustainable society.



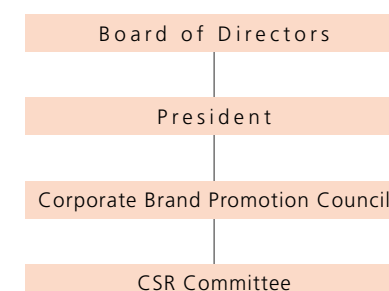
*1 Diversity & Inclusion: Application and creation of different experiences and perspectives on accepting differences
 *2 A state of achieving environment considerations, fair business practices, and respect for human rights, etc.

Promotion Framework

The JAL Group holds CSR Committee meetings to contribute to the realization of a sustainable society. The Committee implements the PDCA cycle effectively to establish initiatives, sets KPIs, checks progress and considers action policies in relation to the 14 priority issues in the above table, and improves and promotes each initiative.

Meetings were held every six months up till fiscal year 2018, but to further drive ESG management, the frequency of meetings has been increased to quarterly from fiscal 2019.

Promotion Framework



Establishment of the JAL Group Code of Conduct

To achieve the SDGs, the JAL Group Code of Conduct, “Commitment to Society” was established as concrete behavioral guidelines to be observed by all officers and employees to achieve the SDGs. The 10 principles of the UN Global Compact*3 and Charter of Corporate Behavior of Keidanren (Japan Business Federation) were used as reference.

Acting in line with this Code of Conduct is a way of practicing the JAL Philosophy and realizing the Corporate Policy.

Policy development associated with the Code of Conduct

To shape the Code of Conduct as behavioral guidelines of the JAL Group, we develop policies, codes and action plans that lead to steady implementation of the Code of Conduct, and disclose results and issues to establish a PDCA cycle.

At the same time, the Group will deal with social needs and issues by strengthening its check function through communication with external stakeholders.



JAL Group Code of Conduct

- 1. Safety**
- 2. Pursuit of customer satisfaction**
- 3. Trust with stakeholders**
 - (1) Information disclosure and dialogue
 - (2) Prohibiting insider trading
- 4. Respect for human rights and job satisfaction (human rights and labor)**
 - (1) Respecting human rights and diversity
 - (2) Safe and comfortable work environments
- 5. Mission and responsibility as a member of society**
 - (1) Contributing to regional revitalization through our business
 - (2) Responsibility as a company that plays a role in social infrastructure
 - (3) Responsibility as a corporate citizen
- 6. Passing on the precious earth to the next generation (global environment)**
 - (1) Global environmental preservation initiatives
 - (2) Disclosure of environmental information and dialogue
- 7. Fair business practices**
 - (1) Reinforcing compliance
 - (2) Preventing corruption
 - (3) Fair business relations with business partners
 - (4) Free and fair competition
 - (5) Management of personal information and intellectual property
 - (6) Eliminating relations antisocial forces

*3 The United Nations Global Compact is a framework for participating businesses around the world to implement the Ten Principles in the areas of human rights, labor, the environment and anti-corruption. The JAL Group has been a signatory to the Global Compact since December 2004.



ENVIRONMENT

Environmental Management

Basic stance

The JAL Group recognizes the considerable impact of its air transportation business on the environment, and is working to reduce that environmental impact and protect the environment through a range of measures in all aspects of its business activities.

With this awareness, we included “Passing on the precious earth to the next generation” in the JAL Group Code of Conduct.

JAL Group Code of Conduct
[Commitment to Society]
Passing on the precious earth to the next generation (global environment)

We sincerely accept the fact that our air transportation business impacts the environment significantly. To fulfill our responsibility of passing on the precious earth to the next generation, we raise awareness of every employee and preserve the environment in every aspect.

(1) Global environmental preservation initiatives

The JAL Group complies with laws and regulations and strives to respond to climate change, effectively use limited resources, prevent environmental pollution, reduce noise, and preserve biodiversity to reduce impacts of operations on the environment. In addition, we pursue the development of environmentally-friendly technologies to solve environmental issues, in coordination with stakeholders.

(2) Disclosure of environmental information and dialogue

The JAL Group actively discloses environmental information, maintains dialogue with stakeholders and expands environmental preservation initiatives to society.

Building a promotion framework and Environmental Management System (EMS)

JAL Group environmental activities are conducted across the Group by a dedicated department under the control of the responsible executive officer. Progress of specific activities is confirmed at quarterly meetings of the CSR Committee.

We are currently rebuilding a system of observation, aggregation and management of environmental data. The system will collect environmental impact data such as CO₂ emissions, waste and water usage, including not only direct emissions from business activities, but also indirect emissions and supply chain emissions.

We are also considering building a unified EMS of the JAL Group, including all business units and business offices, and operating according to international standards (ISO 14001).

Tackling Climate Change

CO₂ Emissions reduction target and progress

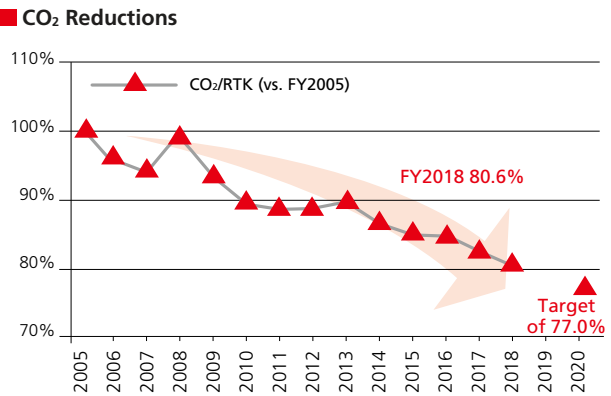
At the general assembly of the International Civil Aviation Organization (ICAO) convened in 2010, two aspirational global CO₂ reduction goals were agreed on for the international aviation sector: 2% annual fuel efficiency improvement, and carbon neutral growth for international flights from 2020 onwards. Additionally, at the general assembly convened in 2016, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was adopted. The scheme obliges airlines operating internationally to purchase or otherwise trade CO₂ emissions rights from 2021 onwards for any amount exceeding the average CO₂ emission level of 2019 and 2020. Airlines throughout the world are working to achieve these goals.

We are implementing our emissions reduction targets in three phases—short term, medium term, and long term. The JAL Group’s short-term target is to reduce CO₂ emissions from aircraft to 23% per revenue ton kilometer below the fiscal 2005 level by fiscal 2020.

To achieve this short-term target, we have steadily implemented measures to reduce fuel consumption during daily flights and renew aircraft to fuel-efficient aircraft such as the Airbus A350 and Boeing 787 under a plan. As a result, CO₂ emissions in fiscal 2018 were 1.6% lower than the previous year. As of the end of fiscal 2018, we have reduced emissions by 19.4% from the fiscal 2005 level.

For our medium-term target, we aim for carbon neutral growth from 2020 onwards, which we will achieve by carbon offsetting according to the CORSIA.

For our long-term target, we are considering setting an aggressive target, taking into account the International Air Transport Association (IATA) target of “a 50% reduction in total CO₂ emissions in 2005 by 2050.”



Operational methods and other measures

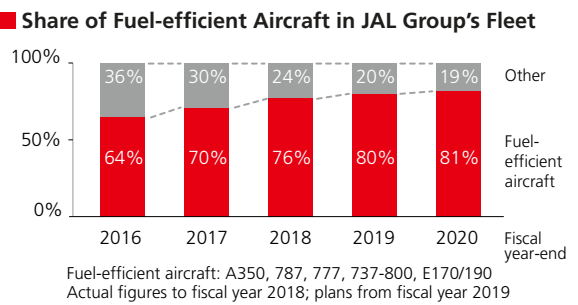
In addition to “Eco Flight” activities in daily operations by cockpit crews with top priority on safety, we are conducting various activities in workplaces, such as reduction of aircraft weight and regular engine washing to improve fuel economy.

Specifically, we are implementing CO₂ emission reduction initiatives through the cross-organizational Fuel-Saving Project and implementing the PDCA cycle to monitor and share progress in order to achieve our goal.



Aircraft renewal to fuel-efficient aircraft

Renewing aircraft to fuel-efficient aircraft such as the Airbus A350 and Boeing 787 can reduce CO₂ emissions by approximately 15-25% per aircraft. The JAL Group will continue to renew its fleet to more fuel-efficient aircraft under a plan to further reduce its CO₂ emissions.



Engine water washing

We regularly wash aircraft engines to remove dust and other small airborne particles stuck inside the engines to maintain and improve, fuel economy.

Reduced use of auxiliary power unit (APU) (closed cabin shades exercise)

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, and reduces CO₂ emissions.

Lightened aircraft weight

The amount of water loaded onboard aircraft is being optimized based on past usage records to reduce aircraft weight.

Ascent with early acceleration

Ascending after takeoff while accelerating from an earlier point is effective for reaching cruising altitude earlier in the flight and reducing fuel consumption. Therefore, JAL is actively utilizing this approach to reduce CO₂ emissions.

Reduced air resistance

Setting flaps at shallow angles and delaying the timing for lowering the wheels and flaps, while maintaining safety, is being conducted to minimize air resistance in flight and reduce CO₂ emissions.

Reverse thrust measures

When certain conditions are met to allow the aircraft to stop safely, the engines’ reverse thrusters, which are used to decelerate when landing, are deployed at minimum output (idling) to reduce CO₂ emissions.

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

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

ENVIRONMENT

Use of Sustainable Aviation Fuel(SAF)

For many years, the airline industry has been working to reduce CO₂ emissions by using less fuel. However, to achieve further reductions in emissions, it is necessary to look at changing the actual fuel used.

With this in mind, Europe, the U.S., and other countries around the world have been developing and using SAF in practical applications, with full-scale use expected to start from 2030.

The JAL Group also is following this trend by making concrete investments, using SAF for scheduled services, and disseminating information to become a leading airline in the use of SAF.

Using SAF for JAL flights

JAL has a record of SAF use, including conducting Asia's first test flight using SAF produced from non-edible feedstocks in 2009, and using SAF to fly from Chicago O'Hare International Airport to Narita International Airport in November 2017 and from San Francisco International Airport to Haneda International Airport in January 2019. In June 2019, when JAL took delivery of a new Airbus A350, the maiden flight from the Airbus plant at Toulouse, France, to Haneda International Airport was powered by SAF.

Investment in U.S. SAF manufacturer

In September 2018, JAL formed a strategic partnership with the Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN) and Marubeni Corporation to invest in Fulcrum BioEnergy, Inc. in California, U.S.A. This was the first investment by a Japanese company in a general waste-based SAF manufacturing business.

Fulcrum has developed a process to manufacture SAF from general waste, which normally goes to landfill, that meet the fuel standard of ASTM International, an international standards organization. Its first production plant is currently under construction in Nevada, with operation to start in 2020. The company has plans to construct multiple plants as well, including one already announced for Indiana. All this made Fulcrum one of the companies most likely to achieve mass production of SAF.

For this reason, the JAL Group is working to build a closer relationship with Fulcrum and using Fulcrum's SAF in its flights from North America and other areas to reduce CO₂ emissions.

Japanese domestic initiatives

The Japanese government established the Committee for the Study of a Process Leading to Introduction of Bio Jet Fuel for the Olympic Games and Paralympic Games Tokyo 2020 as part of efforts to achieve domestic SAF production ahead of Tokyo 2020. As a member of the committee, JAL will use domestically produced SAF for flights during 2020. As a member of the All Japan Team, it will also connect stakeholders and develop supply chains, from manufacturing to use of SAF to expand use of Japan-made SAF by 2030.

Publicizing SAF to increase use

The JAL Group is employing a range of channels to publicize SAF and further increase general awareness. This includes articles about SAF in its inflight magazine SKYWARD and PR magazine Ashita no Tsubasa ("Wings of Tomorrow"), where topics on SAF are raised to present its significance and mechanisms, and JAL Group's hopes for the future.

JAL also launched a project to turn used clothing into SAF over the Internet, social media and other channels to invite everyone to donate their used clothes.

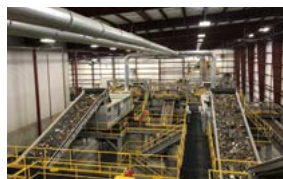


Activities about the utilization of SAF

(only in Japanese)

Fulcrum BioEnergy's SAF manufacturing process

Collection and pre-processing of general waste



Gasification and elimination of impurities
Note. Plant under construction (as of May 2019)



Synthetic gas (SAF extract)
Note. Plant under construction (as of May 2019)



Flying on SAF!

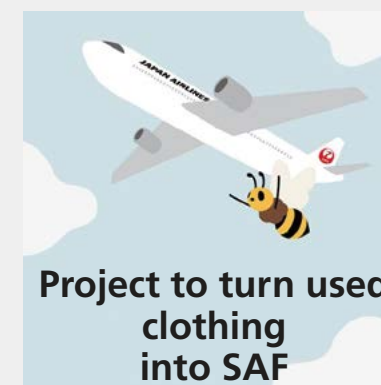


Fulcrum's SAF plant under construction in Nevada (May 2019)



SAF manufacturing plant in Nevada (artist's impression)

Project to turn used clothing into SAF



In October 2018, JAL launched a project to convert cotton clothing, collected from customers across Japan, into domestically produced SAF. During the campaign in 2018 (about three months), around 50 companies helped collect approximately 250,000 pieces of clothing. With technical support from the Green Earth Institute Co., Ltd., and using a bioprocess technology developed by the Research Institute of Innovative Technology for the Earth (RITE), the project started converting the used clothing into SAF in February 2019.

Phase1



Clothing collected with the support of JEPLAN, Inc.

Phase2



Sugar solution is made after the saccharification of cotton fibers.

Phase3



Corynebacterium used to convert and condense sugar solution into alcohol (isobutanol)

Phase4



A catalytic reaction of alcohol (isobutanol) creates SAF (Photo: Koatsu Chemical Industries, Ltd.)

Flying on SAF!

ENVIRONMENT

Response to the Energy Conservation Act

The JAL Group has established a target of reducing average annual per-unit energy consumption by at least 1% for ground facilities. For the fourth consecutive year since 2016, we received an S Class good business operator classification in the Business Operator Classification Evaluation System under the Act on the Rational Use of Energy (Energy Conservation Act), which is administered by the Ministry of Economy, Trade and Industry.

Effective Use of Limited Resources

The JAL Group promotes the 4Rs (Reduce, Reuse, Recycle, Refuse) in all business processes in line with the JAL Group Environmental Policy to achieve a recycling-based society. We continue to conduct activities such as abolishing printed manuals for cockpit crew, recycling beverage cans and newspapers from aircraft cabins and offices, and reusing air cargo packing materials in recycled plastic products. As a Group, we aim to achieve a ratio of final disposal rate of at least 2% for industrial waste generated from domestic offices.

As part of water-saving and recycling efforts, the JAL Group is committed to reusing the large volumes of pure water that are used in washing parts.

Environmental Pollution Prevention

JAL Group companies in Japan manage hazardous chemical substances and strive to reduce amounts handled and released, according to the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Law).

Specifically, engines used on JAL Group aircraft comply with all regulations and ICAO CAEP6/CAEP8 standards stipulated by NOx regulations (applicable standards vary according to the type certification period).

Biodiversity Initiatives

Protecting the Red-crowned Crane

The JAL Group is taking steps to protect the red-crowned crane, one of Japan's designated protected species. Once a year since 2016, volunteer JAL Group staff have helped maintain the crane's feeding grounds in Tsurui Village, Hokkaido.

Detection of forest fires

The vast Russian Siberian taiga (coniferous forest zone), a habitat to many species of fauna and flora, absorbs CO₂ gases on the Earth. To cooperate in containing forest fires, we began reporting in 2003 forest fires detected while flying over Siberia.

Noise Reduction

The JAL Group is taking active steps to reduce noise near airports.

Specifically, we are committed to "reduction of noise at source" and "noise abatement operational procedures" which are principal elements of the Balanced Approach, adopted by the International Civil Aviation Organization (ICAO), that airlines should follow. The ratio of ICAO Chapter 4 standard compliant aircraft is 100%, and the ratio of ICAO Chapter 14 standard compliant aircraft is 38%. As part of our noise abatement operational procedures, we follow noise abatement procedures at take off, and at Haneda Airport and Itami Airport in particular, which are close to residential areas, we operate under even tighter procedures.

During landing, we operate with reduced flap, delayed flap and idle reverse and other noise abatement procedures. At San Francisco International Airport and Kansai International Airport, we also follow continuous descent operations (CDO), which dramatically reduce noise and CO₂ emissions.

Using Aircraft to Address Climate Change CONTRAIL Project Atmospheric Observations

The JAL Group began atmospheric observations in 1993 with the Meteorological Research Institute and the Nikko Foundation (currently JAL Foundation), which became the current CONTRAIL Project in 2005 with the addition of the National Institute for Environmental Studies (NIES) and JAMCO Corporation. Through the project, greenhouse gas data collected by scheduled international flights is published by the NIES and used in research studies globally. In 2018, we conducted 1,424 observations and 37 samplings using JAL aircraft. The published data was used in three peer-reviewed papers, nine international institute presentations, and six domestic institute presentations. In March 2019, the CONTRAIL Project was awarded the 1st Japan Open Innovation Prize, Minister of the Environment Award.



CUSTOMERS AND REGIONS

Regional Revitalization Activities

JAL Group's business activities are supported by exchanges of people and goods between regions and coexist with those regions. However, these regions face numerous problems, such as depopulation due to a shrinking population, aging population, falling birthrate, and concentration of population in the Tokyo area. This is why we are striving to use our business activities to solve problems faced by regional communities driven by our policy to pay attention to the needs of regions, think and work collaboratively, and build the future of regions to contribute to the development of a sustainable society. Specifically, recognizing that connecting regions with the world is a contribution unique to JAL, we are energizing regions by enhancing regional attractiveness and value, and helping expand consumption through the circulation and transportation of people and goods, domestically and internationally.

Among these activities are measures aimed at bringing foreign visitors to regions. Even though the economic benefits produced by inbound visitors has been tremendous, there are still many regions that have problems in increasing the duration of stay or attracting repeaters. We are taking steps to realize sustainable regional growth backed by the increase of foreign visitors and energize regional economics to bring smiles to residents, such as increasing repeaters by creating added-value and developing environments to welcome visitors.

We believe that one of the most important aspects of regional revitalization measures is their continuity. We do not implement short-term measures, but instead continuously carry on measures from a medium- and long-term perspective.

NEW JAPAN PROJECT

Through the NEW JAPAN PROJECT, launched in 2015, we not only promote popular local delicacies through our inflight magazine, inflight videos, and inflight meals on domestic flights, but also use the expertise and networks developed by the JAL Group to promote flows of goods and people to regions through tourism promotion and regional industry support. Our aim is to realize sustainable regional development and create new demand for air travel. We will bring energy to regions and their residents by discovering and creating hidden regional resources, commercializing them, and selling them. Through this, we hope to connect regions, people, and goods.

(only in Japanese)

Tourism promotion

To increase the nonresident population, we provide support for the creation and promotion of unique regional content, formulation of inbound strategies, and development of tourism infrastructure.

Regional industry support

We will support regions in increasing the value of regional specialties, developing products, expanding sales channels, conducting promotions, and energizing local industries.

Promotion of lesser known regions

In our promotion of lesser-known regions, which we began in May 2011, we discover the allure of individual areas, serve food from those areas in inflight meals, and promote regions through various JAL Group media each month.

Collaboration

We collaborate with other companies and organizations with the same drive to revitalize regions to hold events, create travel products, expand sales channels for regional specialties, and revitalize regions.

JAL 47+ 新 JAPAN PROJECT



CUSTOMERS AND REGIONS

Support for Disaster Relief and Recovery Efforts

JAL will continue to fulfill its role as a company responsible for Japan's air transportation infrastructure by providing support to affected areas in relief and recovery phases after a disaster.

Post-disaster phase—Relief phase

JAL cooperates with a network of government organizations, regional public organizations, NGOs, and NPOs in the transportation of relief supplies and volunteers to disaster stricken areas. We aim to support the flow of people and goods and contribute to a swift recovery of the affected areas.

■ Fiscal 2018 Support Activity Results

| | July 2018 heavy rains | 2018 Hokkaido Eastern Iburi Earthquake |
|--|--|--|
| Relief donations | 5,000,000 yen | 5,000,000 yen |
| Charity miles | 45,016,500 yen | 16,016,000 yen |
| Employee donations | 3,478,788 yen | 1,453,385 yen |
| Emergency relief supplies (including relief service flights) | - | 31 flights, 112 tons |
| Free flights | 489 people | - |
| Free transportation | 1.2 tons | - |
| Dokokani Mile | 2,452,000 yen (To Central Community Chest of Japan) | - |

Recovery phase

In addition to providing economic support to affected areas such as promoting industrial development and tourism demand, we feel that providing emotional support to the residents is also our important duty. Based on this idea, we assist with publicity of regional products in collaboration with prefectural governments and conduct recovery support training in which employees travel to affected areas and listen to those who experienced the disasters first-hand. We have also created relief donation tours, part of the proceeds of which are donated to affected areas, to bring many customers to these areas and assist with their recovery through travel.



At the antenna shop of Iwate Prefecture

Nurturing the Next Generation

This program, which only JAL could carry out, provides opportunities for children to make new discoveries and have new learning experiences, prompting them to think about their own futures, the future of our earth, and the future of the environment.

JAL SORAIKU®

In 2013, we reorganized the various workshops and classes offered to young people as a united next-generation educational program, which we have implemented since 2016 under the name JAL SORAIKU®. Our target is for a total of one million people to participate between fiscal years 2016 and 2020.

■ JAL SORAIKU® Participants

| Fiscal year | Number of participants |
|-------------|------------------------|
| FY2016 | 152,323 |
| FY2017 | 191,300 |
| FY2018 | 197,469 |

■ Content of JAL SORAIKU®

- JAL Factory Tour—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 STEAM SCHOOL

(only in Japanese)

<JAL Factory Tour—SKY MUSEUM>

JAL Factory Tour—SKY MUSEUM is run at the JAL Maintenance Center adjacent to Haneda Airport. The tours are free and give visitors the opportunity to learn about various types of jobs in an airline and observe aircraft maintenance services at close distance. The SKY MUSEUM attracted over 140,000 visitors in fiscal year 2018.

<JAL Paper Plane Classes>

JAL Paper Plane Classes are held by approximately 1,700 JAL Group staff volunteers, who are certified instructors by the Japan Origami Airplane Association. In fiscal year 2018, 48,081 people centered on elementary school students participated in these classes. A total of 2,895 people took part in qualifying competitions at 34 locations throughout Japan for the JAL Origami Plane National Competition, in which competitors try to maintain the longest flight times with their paper airplanes.

HUMAN RIGHTS, DIVERSITY & INCLUSION

Diversity & Inclusion

Basic stance

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, age, nationality, race, ethnicity, religion, social class, disability, sexual orientation, gender identity, career or other personal attributes. Leveraging diverse ideas generated by diverse individuality, we will promote value creation, provide unparalleled service to our customers, and contribute to the betterment of society.

Career opportunities for female employees

The JAL Group have been increasing career opportunities for female employees and has set the target of 20% female managers in the JAL Group and at least 15% female organizational managers in JAL by the end of fiscal year 2023.

Our efforts have primarily focused on improving work environments, strengthening human resources development and nurturing the corporate culture. In fiscal year 2018, we abolished core time from our flextime system, introduced annual paid leave on an hourly basis, and eliminated impression-based evaluation in the new personnel evaluation system.

As of March 31, 2019, there were 13 female directors and 882 female managers (ratio of female managers: 16.8%).

Cultivating global human resources

In fiscal year 2018 we established the new Global Promotion Office in the Human Resources Strategy Department, responsible for reviewing the organizational operating system, and recruitment, development and assignment of human resources necessary for globalization. Employees in the Japan region centered on young mid-management staff will be provided more work experience and interactions in different cultures through overseas postings and internships at overseas companies. Employees in overseas regions will have more opportunities to learn about the company through training and work experience in regions other than their place of employment. We are also taking steps to develop a Group shared foundation to more firmly instill cross-border personnel transfers and exchanges.

Promoting understanding for LGBT

The JAL Group has established a system that applies the same benefits for employees married to same-sex partners under law to employees (and their partner and families) registered as opposite-sex partners as defined by the company. We also participate in LGBT-related events and seminars to contribute to promoting understanding of LGBT in and outside the company.

In recognition of these initiatives, Japan Airlines Co., Ltd. was awarded the highest GOLD rating for the third year in a row in the PRIDE Index, an evaluation index established by voluntary organization “work with Pride” concerning LGBT and other sexual minority-related initiatives implemented by corporations and other organizations.



Group photo at Tokyo Rainbow Pride 2019

Opportunities for people with disabilities

The JAL Group also takes a positive approach to promoting the active involvement of employees with disabilities. We promote their employment, develop worker-friendly environments such as providing training opportunities with consideration to characteristics of each disability, and hold seminars to increase understanding of disabilities. We are also expanding our range of activities, such as opening a new coffee shop “SKY CAFE Kilatto” run by staff with mild intellectual disabilities in Tennozu Building, JAL Head Office in addition to those at Haneda and Narita offices, and a massage room “Largo” run by visually impaired employees at Haneda.

JAL has also been a member of ACE* since September 2016 and is participating in industry, academia and government partnerships.

* ACE is short for Accessibility Consortium of Enterprises, which aims to develop a new employment model for people with disabilities that contributes to corporate growth. Activities include seminars for human resources management and employees with disabilities and publication of educational booklets to increase awareness, develop role models and provide recommendations to management and society.



Reemployment of senior employees

The JAL Group has a program for employees to continue working even after retirement if they wish. At JAL, roughly 80% of retirees continue to play an active role in various workplaces (as of March 31, 2019). By improving opportunities and working terms for continued employment, we will pass on know-how to the younger generation using the experience and knowledge of senior employees accumulated over many years of service.

Health Management

Basic stance

The driving force to becoming the world’s most preferred and valued airline is the vitality of every JAL Group employee. That vitality is dependent on their physical and mental health. We regard the health of our employees and their families as the basis of life for every individual and a precious asset for JAL.

Promotion framework

Health management in the JAL Group is promoted based on the JAL Wellness 2020 health promotion program, led by the Chief Wellness Officer (CWO). Specifically, the JAL Wellness Promotion Committee, chaired by the CWO and composed of directors, holds discussions and makes decisions on health matters, while wellness leaders play the central role in activities at the workplace level, complemented by a support system comprised of executive officers.

Workstyle Innovation

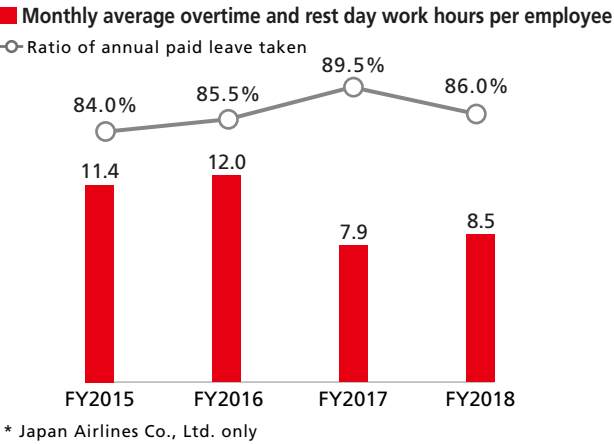
Basic stance

We continue to move forward with a range of initiatives to innovate workstyles and create a basis for all employees to work with motivation. Innovations include the use of IT tools that give people more freedom in workstyles, improvements to offices and work environments, the introduction of “workation,” “bleisure” and other programs to encourage employees to take long vacations, and improvement of teleworking to promote flexible workstyles. In fiscal year 2018, we launched initiatives using AI and robotics to speed up work process reviews and integrate common tasks. Carrying on from the previous year, in fiscal year 2019, we will further expand communication spaces that spark cross-section communication for value creation activities and for workstyle innovation with increased work efficiency.

Optimizing work hours

JAL seeks to cultivate a climate where employees with time limitations due to parenting, nursing care or other obligations can work in a fair manner and become a company where all employees can participate. We feel that increasing work efficiency and productivity will generate more free time for employees to refresh themselves physically and mentally and to achieve self-development, and that feeding back their experience to values to the company will lead to corporate growth. Therefore, we are taking measures to encourage employees to take annual paid leave under a plan and to optimize work hours. In fiscal year 2018, the average annual paid leave taken was 17.2 days, or 86% of the total entitlement, while the average monthly overtime total was 8.5 hours (excluding general JAL staff on shift work). The actual average for total work hours* in fiscal year 2018 was 1,874 hours, against a target figure of 1,850 hours, representing a 98.7% achievement of the target.

* Total work hours (annual) = standard number of work days per year x standard number of work hours per day (8 hrs.) + overtime and rest day work hours – [(number of days of annual leave + number of days of special leave + number of days of work absence) x standard number of work hours per day (8 hrs.)]



SKY TERRACE communication space in the Tennozu Building

Respect for Human Rights

Basic stance

To realize the JAL Group Corporate Policy, we are promoting respect for human rights by practicing our behavioral guidelines in the JAL Philosophy. Having a correct understanding of human rights is essential to eliminate discrimination based on gender, age, nationality, race, ethnicity, religion, social class, disability, sexual orientation, gender identity, career and other personal attributes. Therefore, we are securing time to deepen understanding and increase awareness of human rights through internal training seminars, such as Seminars for New Employees and for New Managers.

Respect for human rights stipulated in the Code of Conduct
Based on the view that respect for human rights is a universal value and is consistent with the realization of the Corporate Policy, the JAL Group has stipulated “Respect for human rights and job satisfaction (human rights and labor)” in the Group’s Code of Conduct in order to fulfill its responsibility to respect human rights of all stakeholders.

JAL Group Code of Conduct: Commitment to Society
Respect for human rights and job satisfaction

- (1) Respect for human rights and diversity**
The JAL Group is committed to fulfilling its responsibility to respect the human rights of all people. This means that we respect all stakeholders including customers and everyone who works for the JAL Group, do not discriminate based on gender, age, national or regional origin, race, ethnicity, religion, social status, disability, sexual orientation, gender identity or other attributes, and respect diversity so that everyone can exercise their originality. We also conduct ourselves in a way so that we do not cause harm to anyone or become involved in human rights violations in our business activities. Regarding respect for human rights, we will always address any issues, publicly disclose the current situation, and continue to make improvements through human rights due diligence* conducted in accordance with our Human Rights Policy.
- * A process to preemptively identify, prevent and mitigate any adverse impacts that our business activities may have on human rights
- (2) Highly rewarding work environments**
The JAL Group takes steps to continuously be an organization that ambitiously embraces challenges and creates value. In addition, through healthcare management and continuous workstyle innovation, we create work environments that are healthy and safe, both mentally and physically, where employees find work rewarding.

(For details of supply chain initiatives, please refer to the section starting on P.77)

Modern Slavery Act Statement

In accordance with the provisions of Section 54(1) of the UK’s Modern Slavery Act, the JAL Group discloses statements on steps taken to prevent modern slavery and human trafficking in the JAL Group and its supply chains. We consecutively disclosed our second statement in fiscal year 2018 and to assist in updating the content, we held a workshop, engaging the services of an external speaker and lawyer. At the workshop, in addition to legal matters relating to the Modern Slavery Act, we gained an in-depth, comprehensive understanding of the UN’s Guiding Principles on Business and Human Rights through case study of human rights issues at companies, initiatives by various stakeholders, such as NGOs and investors, and corporate valuation. Going forward, the JAL Group will continue working to prevent modern slavery and human trafficking, while enhancing our knowledge of the laws and guidelines of other countries.

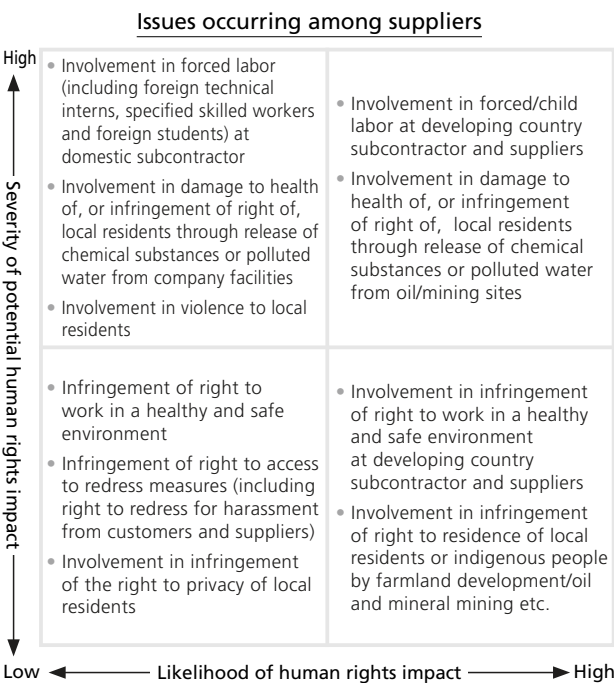
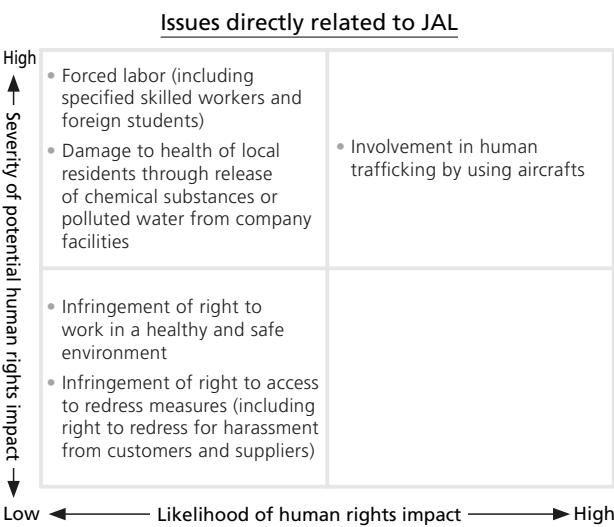
Modern Slavery Act Statement



Initiatives in Fiscal Year 2018

In fiscal year 2018, the JAL Group identified issues at each stage of the value chain by business. Further, while referring to issues raised by NGOs and civil society, and reflecting the opinions of specialists, we assessed the impact of issues identified using a plot graph with b(1) severity of potential human rights impact on one axis; and (2) likelihood of human rights impact on the other axis. We then clarified high-priority human rights issues and countermeasures.

■ Important Human Rights Issues Identified in the Air Transportation Business



Initiatives in Fiscal Year 2019

In fiscal year 2019, we will deal with issues in order of priority. Since the first half of fiscal year 2019, we have been working on three issues of particularly high priority: establishment of grievance mechanism, prevention of infringement of the right to work of foreign workers in Japan; and initiatives to prevent human trafficking.

Grievance mechanism

In fiscal year 2019, we will continue to review operating results of hotlines in the Group, and progressively open hotlines for customers and workers such as suppliers in the supply chain. We will also address human rights risks at suppliers through cross-section collaboration including procurement departments and product and service planning departments.

Preventing infringement of the right to work for foreign workers in Japan

The JAL Group will take steps to develop environments where all employees can work with motivation regardless of nationality. When accepting foreign workers applying the new “specified skilled worker” visa, we will create an environment that ensures job satisfaction as well as fulfilling standards.

Human trafficking prevention initiatives

In fiscal year 2019, we will provide education on the prevention of human trafficking, centered on divisions that could potentially be the scene of human trafficking and establish procedures to prevent human trafficking with reference to measures considered by international agencies.

(For details of supply chain initiatives, please refer to the section starting on P.77)

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 transportation sector, we will provide unparalleled service to our customers while maintaining flight safety, the basic foundation of the JAL Group. We also endeavor to fulfill our economic responsibility of making profits by providing high-quality products through fair competition and fulfill our corporate social responsibilities. In line with this thinking, we have established the JAL Philosophy in accordance with the JAL Group Corporate Policy and will make speedy and appropriate decisions. At the same time, we will strive to establish a corporate

governance system that results in a high level of management transparency, increase corporate value and achieve accountability. The Board of Directors has established corporate governance that adheres to the Fundamental Policies of Corporate Governance as important policies in accordance with the Companies Act and relevant laws and regulations, and reviews it at least once a year. For the Fundamental Policies of Corporate Governance and the Corporate Governance Report, please refer to the JAL website.

Evolution of Improvement of JAL’s Corporate Governance System

- FY2012 JAL formulates Fundamental Policies of Corporate Governance
- FY2015 Corporate Governance Committee established
- FY2015 New Management Committee established to clarify separation of oversight and executive functions
- FY2015 Authority over matters subject to resolution of the Board of Directors delegated to executive function.
- FY2015 Board effectiveness evaluated (questionnaire format)
- FY2015 Discussions begin on succession planning for senior management positions
- FY2016 Number of External Directors increased from 2 to 3
- FY2017 New remuneration system introduced for officers, including performance-linked remuneration and share-based remuneration
- FY2017 JAL formulates Training Policy for Directors and Audit & Supervisory Board members
- FY2017 Board effectiveness evaluated (independent organization engaged to conduct 3rd assessment using a questionnaire and interview format)
- FY2017 Succession plans formulated for the President and other company leaders (compliance with the Corporate Governance Code)
- FY2018 Compliance with the revised Corporate Governance Code
- FY2019 Risk Management Council established (oversight function of the Board of Directors strengthened)
- FY2019 Board effectiveness evaluated (4th assessment using knowledge and experience gained from third party organization, anonymous questionnaire format)

Board of Directors and Directors

Board of Directors

The Board of Directors ensures strong management oversight based on a high level of management transparency through the election of candidates for the positions of Director, Audit & Supervisory Board member and Executive Officer, decides their remuneration, and makes important decisions. To separate the management oversight function and executive function, the Board appoints a Director who does not serve concurrently as an Executive Officer as Chairperson, and an appropriate number of three or more External Directors who qualify as highly independent. External Directors provide advice on JAL's management and proper supervision of the execution of duties from practical and multilateral perspectives. 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 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, comprised of the Chairperson of the Board and External Directors, which reviews the Fundamental Policy of Corporate Governance every year. The Committee evaluates Board effectiveness in terms of board composition, culture, oversight, board operations, discussions on management strategies and dialogue with shareholders, takes appropriate action and discloses its findings.

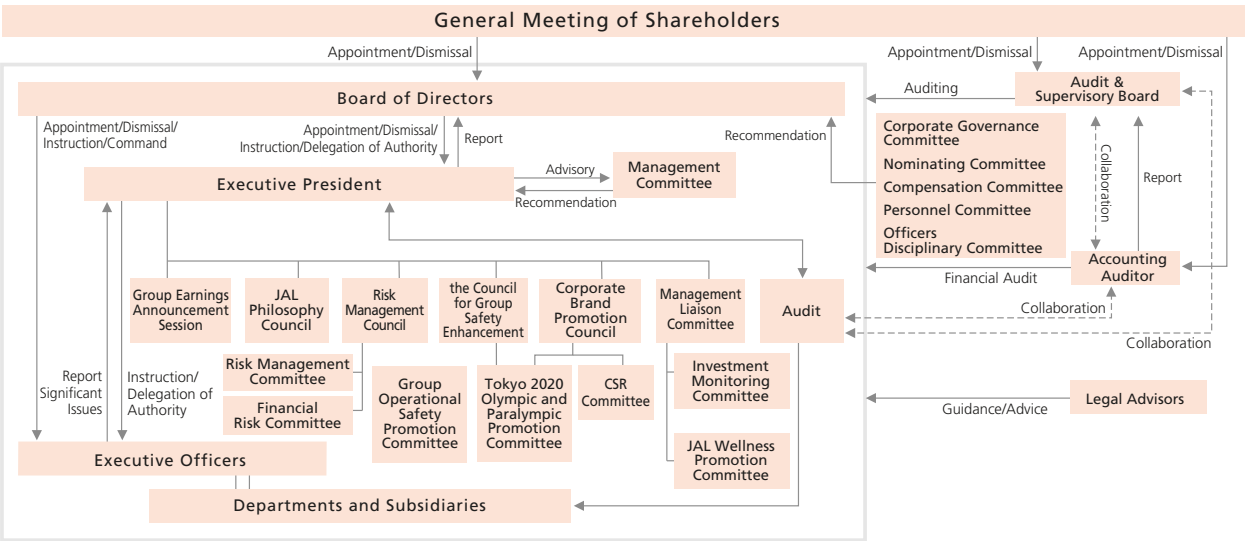
Directors

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 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 to ensure diversity. Those who do not qualify as highly independent as defined by the "Standards for Independence of External Directors" 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. For the standards used in determining the independence of External Directors, please refer to the JAL Group's Fundamental Policies of Corporate Governance.

Key Topics of Discussion by the Board of Directors

- Reviews of corporate governance and establishment of response policies
- Decision of directors, including oversight of succession plans for the President and other company leaders
- Establishment and progress management of medium- to long-term strategies
- Establishment and review of capital policy, including shareholder returns
- Risk management system, including monitoring of responses to events
- Decision and oversight of other important execution of duties

Corporate Governance System



Establishment of Various Committees

To build a corporate governance system that results in high management transparency and strong management monitoring, various committees have been established under the Board of Directors. External Directors make up the majority of each of the committees, ensuring independence from JAL's executive management.

| (FY2018) | | | | | |
|------------------------------------|---|---|--|---|--|
| Committee | Corporate Governance Committee | Nominating Committee | Compensation Committee | Personnel Committee | Officers Disciplinary Committee |
| Chairperson | Eizo Kobayashi | Masatoshi Ito | Eizo Kobayashi | Yuji Akasaka | Eizo Kobayashi |
| Board member | Yoshiharu Ueki Masatoshi Ito Sonoko Hatchoji | Yoshiharu Ueki Yuji Akasaka Eizo Kobayashi Sonoko Hatchoji | Yoshiharu Ueki Yuji Akasaka Masatoshi Ito Sonoko Hatchoji | Yoshiharu Ueki Eizo Kobayashi Masatoshi Ito Sonoko Hatchoji | Yoshiharu Ueki Yuji Akasaka Masatoshi Ito Sonoko Hatchoji |
| Number of meetings | 3 | 7 | 3 | 2 | 2 |
| Functions | The Corporate Governance Committee inspects initiatives under the JAL Group Fundamental Policies of Corporate Governance 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. | 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 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. | 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. | Any disciplinary action imposed on Directors or Executive Officers is determined by the Officers Disciplinary Committee. |
| Key topics of discussion in FY2018 | <ul style="list-style-type: none">• Deliberations and recommendations regarding board effectiveness• Revision of the Fundamental Policies of Corporate Governance in accordance with updates to the Corporate Governance Code | <ul style="list-style-type: none">• Candidates for the positions of Director and Audit & Supervisory Board member• Responses to the Corporate Governance Code and to the evaluated board effectiveness | <ul style="list-style-type: none">• Officer remuneration (basic remuneration, annual incentives, long-term incentives) | <ul style="list-style-type: none">• Structure of Executive Officers | <ul style="list-style-type: none">• Disciplinary actions against officers |

Audit & Supervisory Board and Audits

Audit & Supervisory Board
The Audit & Supervisory Board 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
Audit & Supervisory Board members monitor important matters concerning corporate management, business operations and the execution of duties by reviewing important Kessai (written approval) documents, as well as participating in board meetings and other important meetings. Furthermore, Audit & Supervisory Board members and staff members conduct an annual audit of each business site, subsidiary and affiliated company and report the results to the Representative Directors. They also share information with internal audit departments and accounting auditors and hold regular meetings with corporate auditors of subsidiaries to improve and strengthen auditing within the JAL Group.
Audit & Supervisory Board members are provided with company information, and opportunities to participate in external training and external associations, etc. External Audit & Supervisory Board members are appointed from among persons with vast knowledge and experience in various fields, and those who do not qualify as highly independent as defined by the "Standards for Independence of External Directors" established by the Company are not appointed. External Audit & Supervisory Board members ensure sound management by conducting audits from a neutral and objective standpoint, with the cooperation of internal audit departments and accounting auditors.

Successors to the President and Other Leaders

The Company defines the President and other board members as persons with qualities to steadily get positive results toward realizing the Corporate Policy by working together with every staff based on a firm commitment to flight safety, which is the foundation of the JAL Group, and display of initiative in practicing the JAL Philosophy. The Company assists candidates for President and other posts to quickly acquire grounding and discipline necessary for management through practical and diverse experiences. The Nominating Committee holds ongoing discussions on potential successors to the president and other company leaders responsible for reforming the Group and driving growth to ensure the Corporate Policy and management strategies are maintained, and reports on these discussions to Directors.

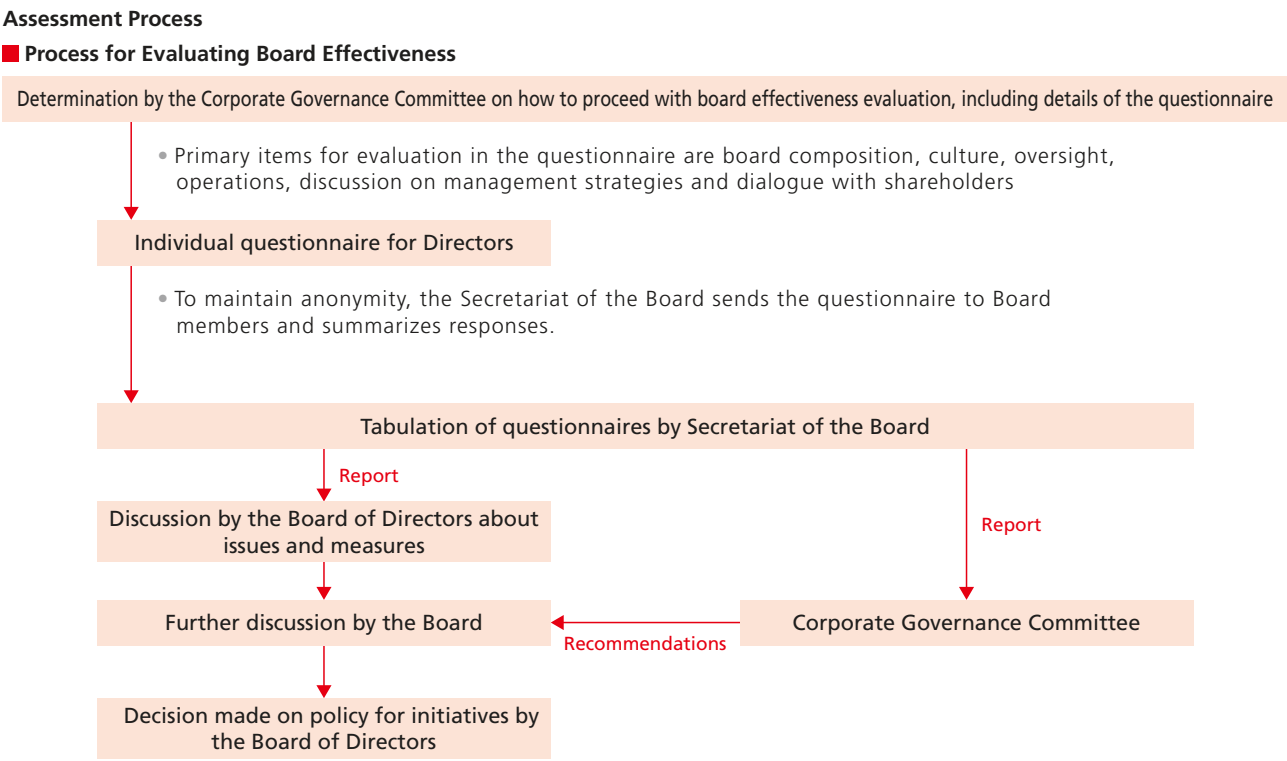
Support and Training Policy for Directors and Audit & Supervisory Board members

Legal considerations are explained to Directors to ensure that they are aware of their responsibilities including the fiduciary duty of loyalty and the duty of care as a prudent manager and opportunities are provided for continuous participation in external training, affiliated organizations and such. We provide opportunities to Audit & Supervisory Board members for continuous participation in external training, affiliated associations, etc., in addition to providing corporate information.
To deepen the understanding of the Company of Directors and Audit & Supervisory Board members, we provide safety education such as a memorial climb up Mt. Osutaka and visits to the Safety Promotion Center, in addition to visiting frontlines. We also provide advance explanations on agenda items to be submitted for deliberation, as necessary, and opportunities to explain other matters at their request. In addition, the Forum of Independent External Officers, comprised of External Directors and Audit & Supervisory Board members, and sponsored by the Lead Independent External Director, is held several times a year. The participants are briefed on JAL's international network strategy, competition strategy, human resources strategy, and risk management, in order to deepen their understanding of the Company's business.
In fiscal year 2018, newly appointed External Directors and External Audit & Supervisory Board members were given safety education, including field visits and a tour of the Safety Promotion Center, and were provided opportunities to deepen their understanding about JAL's history and the JAL Philosophy.

Evaluating Board Effectiveness

Under the Fundamental Policies of Corporate Governance, every year the JAL Group assesses board effectiveness and appropriately reviews board operations, while referring to evaluations of individual Directors and other resources.

Board effectiveness was assessed this year for the fourth time; details are as follows. Moreover, at least once every three years, an independent organization is involved in the evaluation, the most recent evaluation conducted in fiscal year 2017.



Results of assessment
It was confirmed that the Board of Directors conducts free and open-minded discussions, with the opinions of External Directors respected by internal Directors, who have been appointed in a good balance including from frontline divisions given the importance of flight safety. In addition, External Directors have been highly accessible to information as requested, and the roles of External Directors are being appropriately fulfilled through efforts centering on the Lead Independent External Director.

Future issues and initiatives for Board enhancement
On the other hand, several needs have been confirmed by the Board of Directors, including the need to shift toward strategic discussions in order to present JAL's overall direction when formulating the next Medium Term Management Plan starting in 2020, strengthening preventive and continuous risk management in order to support sound growth, bolstering the oversight function of the Board by enhancing its monitoring capacity, and promoting constructive dialogue with shareholders. Going forward, we will steadily put such initiatives into action.

Remuneration of Directors

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

Basic policy

- 1. To support the sustainable and steady growth of the Company and the JAL Group and to increase 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. Considering factors including the nature of the Company's business and the effectiveness of incentive remuneration, fixed remuneration and performance-linked remuneration are comprised as follows.

(Assuming 100% achievement against targets)
(1) Amount of fixed basic remuneration: * 50%
(2) Amount of annual incentives (performance-linked bonuses) to be paid according to the degree of achievement against targets: 30%
(3) Amount of long-term incentives (performance-linked share-based remuneration) to be issued according to the degree of achievement against targets: 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.

- Performance Evaluation Indices
 - Net profit attributable to owners of parent
 - Indices related to safe flight operations
 - Individual evaluation indices for each officer, etc.

Evaluation indices will be considered for review as necessary in accordance with changes in business conditions, the roles of each officer 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.

- Performance Evaluation Indices
 - Indices prioritized in the Medium Term Management Plan
 - Consolidated operating profit margin
 - Consolidated ROIC
 - Customer satisfaction, etc.

Evaluation indices will be considered for review for each 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 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 (refer to P.67).

Compliance

Compliance promotion system

To promote compliance with all applicable 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 focusing on elevating staff awareness through various measures.

- 1. Every JAL Group staff is encouraged to practice the JAL Philosophy in their day-to-day work and can view the following regulations and handbooks related to compliance on the Group's Intranet.
 - * JAL Group Regulations on Preventing Insider Trading
 - * JAL Group Handbook on Protecting Personal Information
 - * Information Security Action Handbook
 - * Guide to the Antimonopoly Act
 - * Group Hotline Regulations
- 2. The following diverse initiatives are implemented for Group employees. Furthermore, in fiscal year 2018, we dedicated special efforts to alcohol-related training.

- * Face-to-face compliance education, including measures at individual business sites
- * The publication of quarterly compliance newsletters
- * Seminars about laws and regulations organized by the Legal Affairs Department
- * Practical exercises on how to deal with targeted email attacks and other threats
- * Biannual e-learning on information security

Through these initiatives, we aim 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, a director from each JAL Group company is given overall responsibility for compliance at their respective company. These directors 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 quarterly email newsletters containing useful information, such as news about compliance developments inside and outside the Group and compliance case studies.

Whistle blowing contact point

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

Corruption prevention measures

In order to pursue profit in a fair manner, the JAL Group has, based on the global tide of business scope expansion and efforts to prevent bribery and prevent money laundering, stipulated corruption prevention as part of the JAL Group Code of Conduct "Commitment to Society." The JAL Group complies with anti-corruption laws and regulations in countries and regions where it conducts air transport business, such as Japan's Unfair Competition Prevention Act, the U.S. Foreign Corrupt Practices Act, the British Bribery Act, and the Chinese Commercial Bribery Act. We will take steps to prevent bribery and corruption which could lead to suspected bribery, and prevent corruption as a member of society.

JAL Group Code of Conduct "Commitment to Society" - Preventing Corruption

We do not give or accept bribes of any form, whether direct or indirect, in our business activities domestically or internationally. In addition, we do not give or accept undue cash, gifts or entertainment or any other benefits in excess of social norms.

FY2018 Actual Remuneration Paid to Directors and Audit & Supervisory Board members

| | Number of officers | Total amount of remuneration, etc. (millions of yen) | Total amount for each type of remuneration, etc. (millions of yen) | | |
|--|--------------------|--|--|---------|----------------------------------|
| | | | Basic remuneration | Bonus*1 | Share-based remuneration, etc.*2 |
| Directors | 13 | 519 | 278 | 181 | 60 |
| (including External Directors) | (4) | (36) | (36) | (-) | (-) |
| Audit & Supervisory Board members | 6 | 78 | 78 | - | - |
| (including External Audit & Supervisory Board members) | (4) | (29) | (29) | (-) | (-) |

*1 Annual incentives (performance-linked bonuses) *2 Long-term incentives (performance-linked share-based remuneration)

BOARD OF DIRECTORS

(As of June 30, 2019)

Directors



1.Yoshiharu Ueki (DOB:September 16, 1952)

Representative Director, Chairman

Governance Nominating Compensation
Personnel Disciplinary

Since joining the company, Chairman Ueki has acquired very high levels of insight into flight safety and frontline experience as cockpit crew. As Representative Director and President since 2012, he has demonstrated strong leadership and decision-making capabilities, overseeing the preparation of the Medium Term Management Plan and executing it responsibly. From 2018, he continues to help strengthen the oversight function of the Board as Chairman of the Board and as a member of the Corporate Governance Committee, the Nominating Committee, Compensation Committee and other committees.

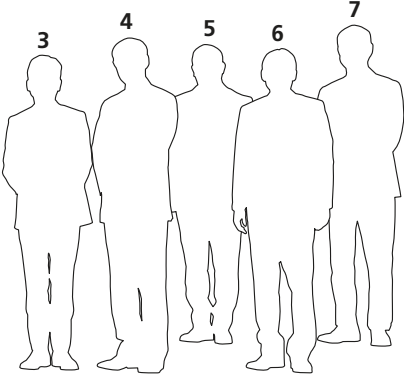
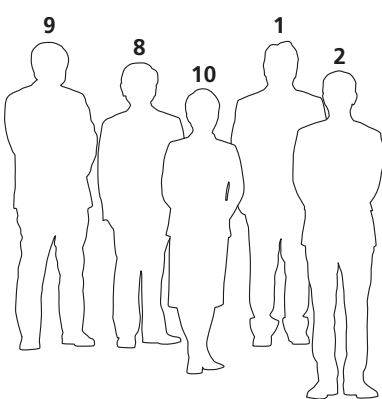
2.Yuji Akasaka (DOB:January 3, 1962)

Representative Director, Executive 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, General Manager of JAL SDGs, Chairman of the Risk Management Council

Nominating Compensation Personnel Disciplinary

Since joining the company, President Akasaka has served mainly in the Engineering & Maintenance Division and has acquired very high levels of frontline experience and insight into flight safety. He also gained extensive knowledge and a network of connections in the airline maintenance industry. From 2014, he has brought his strong leadership and decision-making capabilities to JAL Engineering Co., Ltd. as President and has strengthened the of flight safety foundation. As Representative Director and President since 2018, he aims to realize the Corporate Policy through joint efforts with all employees by maintaining flight safety, the basic foundation of the JAL Group, and guiding employees in practicing the JAL Philosophy by showing by example.



3.Tadashi Fujita (DOB:October 25, 1956)

Representative Director, Executive Vice President

Aide to the President, Chief Wellness Officer, Chairman of the JAL Wellness Promotion Committee

Since joining the company, Executive Vice President Fujita has worked mainly in the sales department at Head Office. As General Manager of Managing Division Passenger Sales, he assumed overall responsibility for the entire passenger sales division and achieved positive results. As Representative Director and Executive Vice President serving as Aide to the President since 2016, he is contributing significantly to further improving and strengthening the management team.

4.Hideki Kikuyama (DOB:March 19, 1960)

Director, Senior Managing Executive Officer

General Manager, Finance & Accounting Division

Since joining the company, Director Kikuyama has held successive positions in IT systems, passenger reservations, human resources and industrial affairs, corporate planning and other divisions at Head Office and branch offices in the Americas and other regions, and has exercised exceptional leadership and strong planning and coordination capabilities to achieve positive results. As Director, Senior Managing Executive Officer of Managing Division Route Marketing since 2016, he has contributed greatly to maximizing route profitability. As Director, Senior Managing Executive Officer of the Finance & Accounting Division since 2019, he has assured highly transparent information disclosures that are comprehensible for shareholders and investors, and has demonstrated precise management decision-making capabilities that support shareholders' interests.

5.Shinichiro Shimizu (DOB:December 13, 1962)

Director, Senior Managing Executive Officer

General Manager, Secretary's Office

Since joining the company, Director Shimizu has held successive positions in personnel and industrial affairs divisions related to cockpit crew and cabin attendants, and has exercised exceptional leadership and strong planning and coordination capabilities to achieve positive results. As General Manager of Human Resources since 2013 and the Secretary's Office since 2016, he is making considerable contributions to improving and stabilizing JAL's presence through precise evaluation of JAL's position from a high-level perspective.

6.Ryuzo Toyoshima (DOB:August 17, 1959)

Director, Senior Managing Executive Officer

General Manager, Managing Division Route Marketing

Since joining the company, Director Toyoshima has held successive positions in industrial affairs related to cockpit crew, including Vice President, and has exercised exceptional leadership and strong planning and coordination capabilities to achieve positive results. As General Manager of Corporate Control since 2015, he has contributed significantly to the expansion of the amoeba management system within the JAL Group.

7.Nobuyoshi Gondo (DOB:May 3, 1956)

Director, Managing Executive Officer, Safety General Manager

General Manager, Corporate Safety & Security Manager, Family Assistance & Support

Since joining the company, Director Gondo has acquired very high levels of insight into flight safety and frontline experience as a cockpit crew. Drawing on his experience acquired as General Manager, Corporate Safety & Security, he has contributed greatly to maintaining safety, the basic foundation of the JAL Group.

8.Eizo Kobayashi (DOB:January 7, 1949)

External Director

Governance Nominating Compensation
Personnel Disciplinary

As the head of management at a global general trading company, External Director Kobayashi has extensive experience and vast business insight into global business management and leadership of diversified group companies. He brings practical and diverse perspectives to the management and provides sound business supervision for JAL.

9.Masatoshi Ito (DOB:September 12, 1947)

External Director

Governance Nominating Compensation
Personnel Disciplinary

As the head of global enterprises, External Director Ito has great business insight and extensive experience in marketing and business strategy. He brings practical and diverse perspectives to the management and provides sound business supervision for JAL.

10.Sonoko Hatchoji (DOB:January 15, 1950)

External Director

Governance Nominating Compensation Personnel Disciplinary

External Director Hatchoji has experience in financial product development, loans and risk management at banks, and vast knowledge and extensive experience in customer-centric marketing and management strategy in hotel management. She also has diverse perspectives in areas such as education reforms at universities. She draws on this experience to provide JAL with management advice and sound business supervision.



JAL Group Corporate Governance for Sustainable Growth

The JAL Group has three independent External Directors. They actively contribute to meetings of the Board of Directors and various voluntary committees, and their experience and knowledge are drawn upon when formulating Group strategies and making management decisions. Going forward, we will continue to realize sustainable growth for the JAL Group by incorporating objective advice offered by External Directors in management.



Eizo Kobayashi
External Director

Lead Independent External Director

Attendance at Board of Directors meetings: 89.5% (17 of 19 meetings)

Main concurrent positions: Senior Representative for Business Community Relations of ITOCHU Corporation, External Director of OMRON Corporation, External Director of Japan Exchange Group, Inc.

Build a Corporate Climate That Tolerates Mistakes

During the four years since I was appointed as an External Director at JAL, I have been heavily involved in strengthening governance, most recently as chairperson of the Corporate Governance Committee. From time to time, we have reviewed board operations, taking into account the results of the first four annual evaluations of board effectiveness. Looking ahead, I will contribute to realizing the vibrant operation of the Board of Directors, while responding sincerely to external requests for stronger governance.

When considering JAL's management issues from a medium- and long-term perspective, one element that is both a strength and a potential weakness is human resources. While I fully appreciate that employees have advanced capabilities including hospitality, considering international flight slots will expand and competition will intensify due to the development of airports in metropolitan area, being a work force with strong conservative and specialist elements could also be a drawback. It is advised to improve development of human resources capable of managing the next-generation and creating new value by further strengthening cross-section personnel exchanges, assigning overseas human resources to important posts and collaborating with other companies. Another issue is building a corporate climate that tolerates mistakes. Only by pursuing challenges will JAL be able to pioneer a new age. Through clearly communicating my ideas at Board meetings and other committee meetings, I will continue to contribute my efforts to building a vibrant corporate climate.



Masatoshi Ito
External Director

Attendance at Board of Directors meetings: 100% (19 of 19 meetings)

Main concurrent positions: Representative Director and Chairman of Ajinomoto Co., Inc., President of the Japan Advertisers Association Inc., External Director of Yamaha Corporation, External Director of NEC Corporation

Develop into an Enterprise That Creates New Value

As chairperson of the Nominating Committee, I am also involved in the appointment of candidates to the positions of Director, and I get a real feeling of JAL's open corporate culture each day. For instance, we can prepare carefully before meetings, because reference materials for Board meetings are provided to us in advance. We are also involved in discussions from the early stages of review when drafting Medium Term Management Plans.

On the other hand, one area where I feel there are issues to resolve is the ability to create new ideas for the future. Up until now, all airlines have operated businesses with a focus on "hard" services, namely, establishing routes and attracting customers. Nowadays, however, customer needs are diversifying. Imagination and creativity, which is the ability to look ahead 10 and 20 years from now and create new systems, are needed to survive in the aviation industry. I feel that such experience is still lacking, both at the organizational and individual levels.

Application of artificial intelligence (AI) and other technological innovations is advancing at a rapid pace worldwide. Looking ahead, I will draw on my experiences at a consumer goods company, where we developed global management, and offer advice at Board meetings and other meetings to create a company capable of offering new value in addition to air transportation.



Sonoko Hatchoji
External Director

Attendance at Board of Directors meetings: 100% (15 of 15 meetings)

Main concurrent positions: Special Advisor to the President and Chief Strategy Officer of Tsuda University, External Director of Daicel Corporation, External Director of Maruha Nichiro Corporation

Don't Forget Experiences from the Bankruptcy

JAL's Board of Directors and various committees readily seek and accept critical opinions. They are also very open forums where participants engage in substantive discussion. The same is also true of the Management Committee and other executive meetings. This corporate culture seems to have been cultivated from the fact that many officers and employees who experienced the bankruptcy, learned lessons and reflected them in the JAL Philosophy are taking active participation in operations.

In order to continuously instill the JAL Philosophy throughout the Company, and to candidly discuss current issues, monthly workshop-style conferences are held, attended by over 200 directors and Vice President including the President and Chairman of the Board. While it appears that current favorable performance is supported by these efforts, I feel that it is essential not be complacent with the status quo but instead secure diversity in the Board if we are to take the company to the next stage, a global airline. With regard to female managers, there is a considerable number of talented women actively involved as executive officers, general managers and Vice Presidents, and I expect it is only a matter of time before we see sustainable development of female directors. The next issue is appointing human resources from overseas to important posts.

"Be humble, avoid arrogance, and continue to extend efforts." The words of Honorary Adviser Dr. Kazuo Inamori are displayed in a room where directors work together side by side and not in private rooms. It is almost 10 years since the bankruptcy. Going forward, I will continue to play my role as an External Director to maintain this corporate climate and increase corporate value.

• Figures for attendance at Board of Directors meetings are from fiscal 2018.
• Ms. Sonoko Hatchoji was newly appointed at the 69th Ordinary General Meeting of Shareholders on June 19, 2018, and became a member of the Board of Directors on the same date. The number of meetings that she was eligible to attend is therefore different to other external members of the Board of Directors.

(As of July 1, 2019)



Yasushi Suzuka
Audit & Supervisory Board Member

During his career at JAL, Mr. Suzuka has engaged primarily in maintenance operations such as maintenance planning and engineering. He has made a substantial contribution to the Board with his extensive insight into production. He has been a member of JAL's Audit & Supervisory Board since July 2012, he is also chairperson of the Japan SAP Users' Group.

Main concurrent positions:Nil



Norikazu Saito
Audit & Supervisory Board Member

Working primarily in finance and accounting departments, Mr. Saito made a substantial contribution to management of the JAL Group with his extensive knowledge of finance, accounting, investor relations (IR), and other fields, before serving as Director, Senior Managing Executive Officer and General Manager of the Finance and Accounting Division from June 2014. He has been a member of the Audit & Supervisory Board since June 2019.

Main concurrent positions:Nil



Shinji Hatta
External Audit & Supervisory Board Member
Independent Officer

Attended 19 of 19 Board of Directors meetings
Attended 13 of 13 Audit & Supervisory Board meetings

Professor Hatta is an authority on financial auditing theory and corporate internal control and has served as an External Audit & Supervisory Board Member for JAL since July 2012.

Main concurrent positions:Professor at Ohara Graduate School of Accounting, Professor Emeritus at Aoyama Gakuin University, external Audit & Supervisory Board Member for the Development Bank of Japan Inc. and a council member on the Japanese government's Financial Services Agency Business Accounting Council, among other positions.



Osamu Kamo
External Audit & Supervisory Board Member
Independent Officer

Attended 19 of 19 Board of Directors meetings
Attended 13 of 13 Audit & Supervisory Board meetings

Since his certification as an attorney in April 1973, Mr. Kamo has accumulated extensive experience and expertise in compliance and corporate governance. He has served as an External Audit & Supervisory Board Member for JAL since June 2016.

Main concurrent positions:Attorney for the Ginza Sogo Law Firm, committee chairperson for CHANS (Office for Government Procurement Challenge System, under the jurisdiction of the Japanese Cabinet Office), and External Auditor for Azearth Corporation, among other positions.



Shinsuke Kubo
External Audit & Supervisory Board Member
Independent Officer

Attended 15 of 15 Board of Directors meetings since being appointed as a member of the Audit & Supervisory Board
Attended 9 of 9 Audit & Supervisory Board meetings

After joining Sanwa & Co. Tokyo Marunouchi Office (current Deloitte Touche Tohmatsu LLC), Mr. Kubo cultivated extensive experience and achievements and gained deep insight into accounting through his involvement in many corporate audits, share listings, corporate reorganization proceedings, M&A deals and other projects. He has served as an External Audit & Supervisory Board Member for JAL since June 2018.

Main concurrent positions:Managing Partner of Kyoei Accounting Office and Representative Director of Japan Enterprise Sustainable Transformation Advisory Co., Ltd., among other positions.

Note: The number of Board of Directors meetings and Audit & Supervisory Board meetings attended by Independent External Auditors are the actual attendances for fiscal year 2018. Mr. Shinsuke Kubo was newly appointed at the 69th Ordinary General Meeting of Shareholders on June 19, 2018, and became a member of the Audit & Supervisory Board on the same date. The number of meetings that he was eligible to attend is therefore different to other external members of the Audit & Supervisory Board.

SUPPLY CHAIN INITIATIVES

Supply Chain Management

Basic stance

◇ With our suppliers
The JAL Group is aware of the need to gain the cooperation and support of many suppliers to operate its flights and provide products and services to customers daily. Therefore, we strive to build strong partnerships with suppliers based on mutual trust by ensuring fair and transparent procurement activities and showing our appreciation for their support, as explained below.

1. Fair and transparent procurement

When selecting suppliers, we comprehensively assess a broad range of factors, such as product and service quality, costs and delivery, the company's reputation and corporate social responsibility (CSR) and sustainability initiatives. We also ensure fair and transparent procurement activities by offering numerous opportunities for domestic and international suppliers to do business with the JAL Group and conduct fair and transparent procurement activities at all times.

2. To provide safe and reliable services to customers

To deliver peace of mind to customers when they board our flights, we cultivate a culture of safety as top priority with our suppliers and conduct rigorous quality management to offer the finest hospitality.

3. Promoting sustainable procurement activities

We work with suppliers to build sustainable supply chains, including initiatives aimed at legal compliance, global environment preservation, respecting of human rights, appropriate labor practices and fair business practices.

Revision of the Supplier Code of Conduct

The JAL Group has observed the JAL Group Supplier Code of Conduct since April 2016, but given the recent global focus on supply chain management, we significantly revised the code in July 2019. The revised code covers eight key areas on the major premise of securing safety: (1) quality assurance, (2) human rights and labor, (3) safety and sanitation of work environment, (4) global environment, (5) business management, (6) expansion to suppliers, (7) contribution to regions and society, and (8) establishment of internal promotion systems. Commentary on social background and examples of specific initiatives has also been added. As in the past, we ask all our suppliers to understand and comply with the Supplier Code of Conduct, as we aim to establish sound supply chains with considerations for sustainability to achieve the Sustainable Development Goals.

JAL Group Supplier Code of Conduct

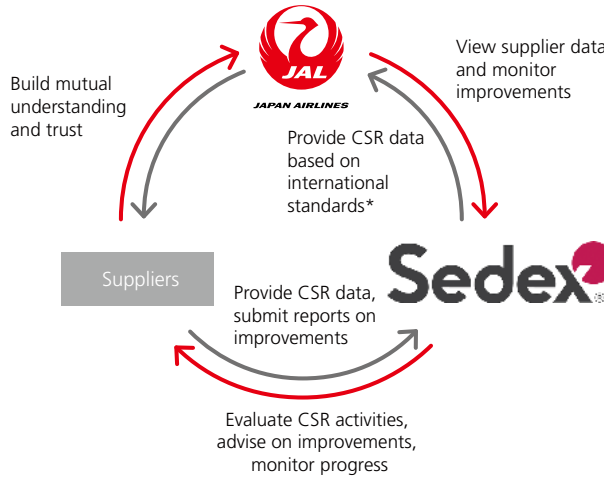
Cooperating with suppliers and monitoring

To verify compliance with the JAL Group Supplier Code of Conduct, we utilize Sedex Information Exchange Limited (Sedex*1), which we joined in 2015.

Using the CSR information platform provided by Sedex, we select certain Group suppliers based on transaction volume regardless of product type or domestic/overseas location and ask them to become Sedex members and to respond to a self-assessment questionnaire. In fiscal year 2018, 150 suppliers answered the self-assessment questionnaire. Going forward, we will continue to conduct supply chain risk assessments based on results of the self-assessment questionnaire using Sedex, and request improvements as needed of suppliers with a high likelihood of risks materializing.

By coordinating with suppliers through Sedex, we hope to contribute to the achievement of the SDGs and help resolve other social issues. In addition, as an Official Airline Partner of the Olympic and Paralympic Games Tokyo 2020, we are actively promoting initiatives based on the Sustainable Sourcing Code.*2

*1 Sedex, the Supplier Ethical Data Exchange, is a non-profit organization established in the U.K. in 2004 that provides a platform for managing and sharing corporate ethical information with the aim of ensuring responsible business practices on supply chains.
*2 Guidelines established by the Tokyo Organising Committee of the Olympic and Paralympic Games to ensure that services truly necessary for the Olympic Games are procured with consideration for economic rationality, transparency and also other ethical principles and to ensure procurement with consideration for sustainability.



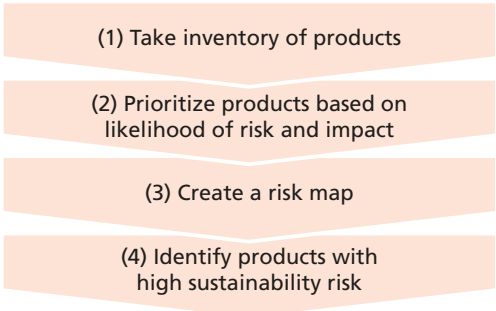
* International standards: ISO 14001, SA 8000, OHSAS 18001, Ethical Trading Initiative (ETI) Base Code, etc.

SUPPLY CHAIN INITIATIVES

Identifying High-Risk Products

To provide customers with safe and reliable services including inflight meals and cabin service products used in flight, we are mindful to procure goods and services with consideration to sustainability of the environment, human rights, labor and other social issues. In fiscal year 2018, we screened all products procured by the JAL Group, and identified those products with particularly high risk. Going forward, we will conduct supplier audits when serious issues are detected and further achieve sustainable procurement by interviewing and engaging experts and NPOs.

■ Process for Identifying High-Risk Products



Auditing Suppliers that Provide Products with High Sustainability Risk

As part of JAL Group's efforts to address products identified as having high sustainability risk, SMETA*3 audits were conducted against seven suppliers. Based on results of the audits, we worked with tier 1 suppliers on items that needed immediate improvement, and confirmed requests for improvement and results of corrective measures.

*3 SMETA (Sedex Members Ethical Trade Audit) is an auditing scheme designed to improve corporate ethics in global supply chains and is widely accepted as an international standard. It enables strengths and weaknesses (nonconformities) of companies to be identified against international standards and clarifies necessary action to further improve the company. For further details, please see the official Sedex website.

Use of Certified Products

Nowadays, responsible procurement requires environmental and social impacts to be considered, and a typical means for this is "certification" programs. The JAL Group promotes the use of certified materials by comparing the standards used in various certification programs, setting a high, international third-party certification as the standard benchmark, and using safety-related certification programs for inflight meals and cabin service products.

<Adoption of FSC® certified products>

Having established sustainable procurement standards for paper, in September 2018, we began using FSC® certified*4 goods for cabin service products in cabins and lounges. Currently, We have already adopted FSC certified paper cups, paper hand towels and menu cards, and by fiscal year 2020, we aim to have adopted FSC® certified products for all onboard paper cabin service products including sanitary products and magazines such as SKYWARD.*5

*4 FSC® certification
FSC® certification is a global forest certification scheme that delivers products from well-managed forests, which are managed in environmentally, socially, and economically appropriate manner, to consumers in a visible way, thereby returning economic benefits to producers.
*5 These details are written with prior approval under FSC® promotional license (FSC®N003038).



Logo for responsible forest management

<Adoption of ASIAGAP certified products>

Having established sustainable procurement standards for agricultural products, in December 2018, we began using ASIAGAP certified*6 frilly leaf lettuce in select inflight meals in Business Class and Economy Class. The lettuce is sourced through JAL Agriport.*7

The Wagoen farm, where this lettuce is produced, is one of the largest plant factories in Japan where light, water and air are all completely artificially controlled. The farm has also acquired ASIAGAP certification. Since vegetables are grown in a completely closed environment, there is no

need to worry about pests or disease or use pesticides. As vegetables stay fresh for a long time, JAL customers can enjoy their crispness. We have also reduced food waste because little waste is generated during cooking. In fiscal year 2020, we will use a variety of ASIAGAP certified vegetables in a wider range of dishes.

*6 ASIAGAP certification
ASIAGAP certification is a global standard for farm management and is given to farms conforming to many prescribed standards for food safety and environmental conservation, such as pesticide and fertilizer management.
*7 JAL Agriport
JAL Agriport is an agricultural joint venture with WAGO Co., Ltd. Located in Narita, Chiba Prefecture, it operates tourist farms and sells private brand products.



Vegetable factory of the Wagoen

<Introduction of sustainably sourced marine products>

Having established sustainable procurement standards for marine products (wild and aquaculture), in June 2019, we began using such marine products in select inflight meals in Business Class. The marine products are sourced through AEON Co., Ltd. In fiscal year 2020, we will start to use and offer a variety of sustainably sourced MSC certified*8 and ASC certified*9 marine products in menus.

*8 The Marine Stewardship Council (MSC) operates a certification program for sustainable and environmentally and socially conscious fisheries, and for the natural marine products caught by those fisheries.
*9 The Aquaculture Stewardship Council (ASC) operates a certification program for marine products bred at environmentally and socially conscious aquaculture farms.



<Deeper relationship with sustainable coffee>

JAL CAFÉ LINES is an onboard service that aspires to serve the best tasting coffee. We began introducing coffee sourced for sustainability in 2011 ahead of other airlines. Now, Rainforest Alliance certified*10 coffee beans are used in Economy Class on all flights. Then, in December 2018, we began offering Doi Tung coffee on board flights to and from Bangkok. Doi Tung coffee was the outcome of a project in impoverished mountain areas of Thailand to convert fields of poppies grown for opium production into coffee plantations. The coffee was developed collaboratively by the Mae Fah Luang Foundation, which tackles poverty in Thailand, and Mi Cafeto Co., Ltd., which provided local guidance on coffee cultivation technologies.

*10 Rainforest Alliance certification
Rainforest Alliance certification indicates that a farmer has been audited and assessed as meeting standards required for environmental, social and economic sustainability.

The JAL Group remains committed to reducing various risks along supply chains through the procurement of recommended certified materials, ensuring reliability and safety for customers and striving for sustainable procurement.



Doi Tung coffee plantation

SUPPLY CHAIN INITIATIVES

Pursuing Food Safety for Inflight Meals and Lounge Meals

JAL believes that health management at catering companies preparing inflight meals requires direct management and direct guidance, rather than being outsourced to an external agency. For this reason, hygiene audits are conducted by professional auditors familiar with FSSC22000*11—the global standard for food hygiene management—to confirm that inflight catering companies at all destinations we serve are operated properly in accordance with HACCP*12

management methods. In fiscal year 2018, more than 100 hygiene audits were conducted and guidance provided to all inflight catering companies and JAL lounges.

*11 FSSC 22000 certification: FSSC 22000 is the world's foremost international standard for food safety management systems, consisting of ISO 22000 plus additional requirements, designed to reduce risks associated with the safe provision of food.
*12 Hazard Analysis and Critical Control Point (HACCP): HACCP is a method of process control whereby hazards, such as contamination by microbes, metal or other impurities, are predicted for each process, from the receipt of ingredients to the serving of meals, and particularly important processes are constantly monitored and recorded to help prevent those hazards.

<Pursuing safety for cabin service products>

JAL is also pursuing safety for tableware used for inflight meal. During hygiene audits, careful checks are made to see whether inspections are being conducted in accordance with the Food Sanitation Act, and whether used tableware is being properly washed at prescribed temperatures. Regarding toys offered to children, given that children may put the toys in their mouths, we are introducing products that have undergone an ST Standard*13 Conformity Test. This test verifies whether inspections have been conducted

in accordance with the Food Sanitation Act, and whether the toy has been designed to prevent accidental ingestion. In fiscal year 2018, all toys had passed the ST Standard Conformity Test.

*13 The toys safety standard comprises mechanical safety, flammable safety and chemical safety. Toys featuring the ST logo mean that they are recommended by the Japan Toy Association as having been carefully produced with regard to safety.

Dialogue with External Expert

To better understand how social conditions and the business environment are changing and to reflect those changes in our initiatives, JAL engaged in dialogue with an external expert on the global supply chain of the aviation business.



Takeshi Shimotaya
Managing Director,
Sustainavision Ltd.

Mr.Shimotaya is a sustainability-CSR consultant. After working for a major heavy industry manufacturer from 1991, he moved to the United Kingdom in 2007, and earned an MSc in Environmental Assessment and Management from the University of East Anglia, and an MBA from the University of Lancaster. He founded Sustainavision in 2010, and has since worked to bridge the sustainability gap between Europe and Japan.

■ Setting Clear Standards

While supply chain management requires a multifaceted perspective, social issues in particular require respect for human rights and the right to work and an order of priority according to guiding principles on business and human rights. This requires you to think of the obvious risks to people involved in your supply chains. You need to understand that, if these risks eventuate, they could also pose a risk to your company, and have a solid understanding of what should really be prioritized. When prioritizing initiatives, I think it is important you clarify the basis on which priorities have been set, for instance, whether you select areas where JAL buys an extensive range of services or products with higher transaction values, or areas with higher human rights risks in the country where you operate. I also think it is important that, once clarified, this should be clearly described in JAL Group policies.

■ Required Initiatives

The key to addressing human rights and labor issues in supply chains is to listen to the views of workers, community members and other people who are rights-holders but are unable to complain directly or to express their views to the company. To achieve this, you need to create highly effective grievance mechanisms for handling complaints or opinions. By selecting and auditing those suppliers found in the analysis of self-assessment questionnaires as requiring further auditing, you could verify conditions of workers, community members and other people involved. However, since auditing all suppliers is impossible, you need to build a user-friendly mechanism to receive complaints directly from workers and be able to implement remedial measures quickly when human rights violations are revealed. In addition, when building such a mechanism, a major factor in enhancing its effectiveness will be third-party intervention, creating a situation that protects any workers expressing complaints or opinions from being disadvantaged by reason of such expression.

As for environmental issues on the supply chain, action is needed to deal with single plastic related to Ocean plastic pollution, a prominent issue in recent years which countries have begun regulating. Consideration will also need to be given to the procurement of raw materials, including paper.

■ Conclusion

The JAL Group is already investigating and shedding light on human rights issues. Once these human rights impact assessments have been conducted, it is essential that human rights due diligence be undertaken from high priority areas where there is significant risk, even if there are difficult obstacles to overcome. While it seems likely that supply chain issues will be ranked high in priority, it is important in supply chain management to clearly convey JAL Group's philosophy on respecting human rights and your Supplier Code of Conduct to tier 1 suppliers and to exercise your influence (leverage) in seeking action from tier 2 and subsequent suppliers further upstream. Holding a series of study and training sessions to develop a deeper understanding for supply chain management both inside and outside JAL, and readily disclosing Group information should also serve as a valuable initiative in enhancing corporate loyalty.

(For more details on our human rights initiatives, please refer to pages 63–64)



FINANCIAL DATA — EIGHT-YEAR SUM MARY

| | | | | | | | | Billions of yen | Thousands of U.S. dollars*1 |
|---|----------|----------|----------|----------|----------|----------|----------|-----------------|-----------------------------|
| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2018 |
| Years ended March 31 | | | | | | | | | |
| Operating revenue | 1,204.8 | 1,238.8 | 1,309.3 | 1,344.7 | 1,336.6 | 1,288.9 | 1,383.2 | 1,487.2 | 13,399,954 |
| Operating expenses | 999.8 | 1,043.5 | 1,142.5 | 1,165.0 | 1,127.4 | 1,118.6 | 1,208.6 | 1,311.1 | 11,812,784 |
| Operating income | 204.9 | 195.2 | 166.7 | 179.6 | 209.1 | 170.3 | 174.5 | 176.1 | 1,587,170 |
| Ordinary income | 197.6 | 185.8 | 157.6 | 175.2 | 209.2 | 165.0 | 163.1 | 165.3 | 1,489,863 |
| Net profit attributable to owners of parent | 186.6 | 171.6 | 166.2 | 149.0 | 174.4 | 164.1 | 135.4 | 150.8 | 1,358,744 |
| Cash flow from operating activities | 256.6 | 264.8 | 247.9 | 261.1 | 312.3 | 253.1 | 281.5 | 296.7 | 2,673,366 |
| Cash flow from investing activities*2 | △62.4 | △129.0 | △166.7 | △199.2 | △ 207.2 | △ 215.5 | △ 180.1 | △ 186.3 | △ 1,679,358 |
| Cash flow from financing activities | △274.4 | △60.6 | △61.9 | △67.3 | △ 49.6 | △ 53.5 | △ 55.8 | △ 37.0 | △ 333,696 |
| Free cash flow*3 | 194.1 | 135.8 | 81.2 | 61.8 | 105.1 | 37.5 | 101.3 | 110.3 | 994,008 |
| Depreciation and amortization | 81.2 | 81.0 | 82.7 | 85.8 | 88.5 | 95.7 | 110.8 | 124.1 | 1,118,154 |
| EBITDA*4 | 286.1 | 276.2 | 249.5 | 265.5 | 297.7 | 266.1 | 285.4 | 300.2 | 2,705,324 |
| EBITDAR*5 | 318.4 | 307.1 | 281.0 | 292.7 | 321.1 | 286.2 | 305.4 | 320.1 | 2,884,782 |
| Capital investment (Purchase of non-current assets) | 98.6 | 121.8 | 164.5 | 198.6 | 210.6 | 233.1 | 208.0 | 222.1 | 2,001,315 |
| As of fiscal year-end | | | | | | | | | |
| Total assets*6 | 1,087.6 | 1,216.6 | 1,340.1 | 1,473.3 | 1,578.9 | 1,728.7 | 1,853.9 | 2,030.3 | 18,292,891 |
| Net assets | 413.8 | 583.1 | 711.0 | 800.7 | 870.5 | 1,003.3 | 1,094.1 | 1,200.1 | 10,813,001 |
| Interest-bearing debt | 208.4 | 160.1 | 134.2 | 100.5 | 92.6 | 116.0 | 125.7 | 142.3 | 1,282,511 |
| Shareholders' equity | 388.5 | 565.0 | 690.2 | 776.4 | 843.0 | 972.0 | 1,060.3 | 1,165.1 | 10,497,639 |
| Per share data (yen, U.S. dollars)*7 | | | | | | | | | |
| Net profit attributable to owners of parent | 514.52 | 473.36 | 458.45 | 411.06 | 481.29 | 456.56 | 383.23 | 432.10 | 3.89 |
| Net assets | 1,071.19 | 1,558.15 | 1,903.53 | 2,142.00 | 2,325.79 | 2,749.71 | 3,019.52 | 3,340.15 | 30.09 |
| Dividends | — | 95.00 | 80.00 | 104.00 | 120.00 | 94.00 | 110.00 | 110.00 | 0.99 |
| Average number of shares during the fiscal year (thousands of shares) | 362,704 | 362,671 | 362,639 | 362,584 | 362,500 | 359,594 | 353,334 | 349,006 | — |
| Key Performance Indices | | | | | | | | | |
| Operating margin (%) | 17.0 | 15.8 | 12.7 | 13.4 | 15.7 | 13.2 | 12.6 | 11.8 | — |
| ROE (%) | 63.6 | 36.0 | 26.5 | 20.3 | 21.5 | 18.1 | 13.3 | 13.6 | — |
| ROA (%) | 17.9 | 16.9 | 13.0 | 12.8 | 13.7 | 10.3 | 9.7 | 9.1 | — |
| Equity ratio (%) | 35.7 | 46.4 | 51.5 | 52.7 | 53.4 | 56.2 | 57.2 | 57.4 | — |
| D/E ratio (Times) | 0.5 | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | — |
| EBITDA margin (%) *8 | 23.8 | 22.3 | 19.1 | 19.8 | 22.3 | 20.6 | 20.6 | 20.2 | — |
| EBITDAR margin (%) *9 | 26.4 | 24.8 | 21.5 | 21.8 | 24.0 | 22.2 | 22.1 | 21.5 | — |
| Unit cost (yen)*10 | 8.3 | 8.4 | 8.6 | 8.7 | 9.1 | 9.4 | 10.1 | 10.4 | — |
| Unit cost (yen) (Including fuel cost) | 11.3 | 11.5 | 12.2 | 12.3 | 11.7 | 11.7 | 12.5 | 13.1 | — |
| Dividend payout ratio (%) | — | 20.1 | 17.5 | 25.3 | 24.9 | 20.6 | 28.7 | 25.5 | — |
| Number of employees | 30,648 | 30,636 | 31,020 | 30,978 | 31,331 | 32,047 | 33,038 | 34,003 | — |
| Business data | | | | | | | | | |
| International passenger operations | | | | | | | | | |
| Passenger revenues | 385.2 | 406.6 | 437.5 | 454.8 | 448.7 | 415.2 | 462.9 | 530.6 | 4,781,322 |
| Available seat kms (million seat kms)*11,13 | 43,036 | 44,745 | 46,235 | 47,696 | 50,563 | 50,621 | 51,836 | 54,925 | — |
| Revenue passenger kms (million passenger kms)*12,13 | 30,313 | 34,036 | 35,390 | 36,109 | 40,305 | 40,633 | 42,013 | 44,659 | — |
| Revenue passengers carried (1,000)*13 | 6,844 | 7,525 | 7,723 | 7,793 | 8,460 | 8,394 | 8,585 | 9,128 | — |
| Revenue passenger load factor (%) *13 | 70.4 | 76.1 | 76.5 | 75.7 | 79.7 | 80.3 | 81.0 | 81.3 | — |
| Yield (yen)*13 | 12.7 | 11.9 | 12.4 | 12.6 | 11.1 | 10.2 | 11.0 | 11.9 | — |
| Unit revenue (yen)*13 | 9.0 | 9.1 | 9.5 | 9.5 | 8.9 | 8.2 | 8.9 | 9.7 | — |
| Domestic passenger operations | | | | | | | | | |
| Passenger revenues | 481.1 | 485.2 | 487.4 | 487.5 | 501.2 | 498.6 | 518.2 | 528.0 | 4,758,068 |
| Available seat kms (million seat kms)*11 | 35,523 | 36,443 | 37,084 | 36,306 | 35,869 | 35,423 | 35,714 | 36,116 | — |
| Revenue passenger kms (million passenger kms)*12 | 22,264 | 23,012 | 23,745 | 23,993 | 24,341 | 24,550 | 25,643 | 26,195 | — |
| Revenue passengers carried (1,000) | 28,965 | 30,020 | 31,218 | 31,644 | 32,114 | 32,570 | 34,033 | 34,859 | — |
| Revenue passenger load factor (%) | 62.7 | 63.1 | 64.0 | 66.1 | 67.9 | 69.3 | 71.8 | 72.5 | — |
| Yield (yen) | 21.6 | 21.1 | 20.5 | 20.3 | 20.6 | 20.3 | 20.2 | 20.2 | — |
| Unit revenue (yen) | 13.5 | 13.3 | 13.1 | 13.4 | 14.0 | 14.1 | 14.5 | 14.6 | — |
| International cargo operations | | | | | | | | | |
| Cargo revenue | 53.7 | 50.4 | 54.2 | 60.3 | 54.2 | 43.3 | 56.0 | 65.4 | 590,107 |
| Revenue cargo ton-km (million ton kms) | 1,314 | 1,378 | 1,512 | 1,754 | 1,724 | 1,887 | 2,233 | 2,429 | — |
| Domestic cargo operations | | | | | | | | | |
| Cargo revenue | 25.0 | 25.0 | 25.4 | 24.2 | 23.3 | 22.2 | 22.4 | 21.8 | 196,891 |
| Revenue cargo ton-km (million ton kms) | 355 | 360 | 366 | 356 | 363 | 357 | 364 | 343 | — |

- *1 US dollar amounts are provided for convenience only, based on the exchange rate of ¥110.99/USD on March 31, 2019.
- *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 EBITDAR = Operating income + Depreciation expense + Aircraft leases
- *6 Total Assets amount as of the end of March, 2018 has been changed due to the revision of the accounting standards and other regulations regarding indication of deferred tax assets and liabilities from FY2018 (It was 1,854.2Bn when disclosed on April 27, 2018)
- *7 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.
- *8 EBITDA margin = EBITDA / Operating revenue
- *9 EBITDAR margin = EBITDAR / Operating revenue
- *10 Unit cost = Consolidated air transport cost (excluding fuel costs) / ASK
- *11 ASK (available seat kilometers). A unit of passenger transport capacity: Total number of seats x Distance flown (kms)
- *12 RPK (revenue passenger kilometers). Total flight distance covered by revenue passengers: Number of revenue passengers x Distance flown (kms).
- *13 From FY2015, 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

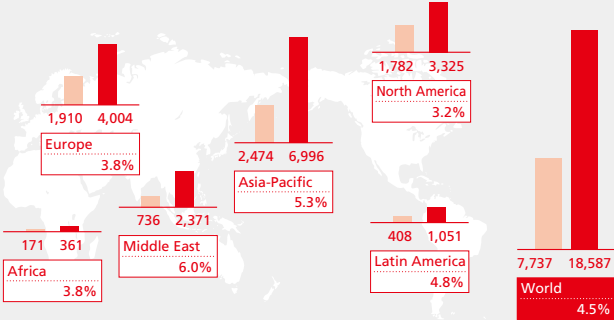
In fiscal year 2018, the international air travel demand and the international air freight demand remained strong in the first-half of the fiscal year. It slowed down in the second-half of the fiscal year, but overall it went well. The domestic air travel demand remained robust.

Crude oil prices, which affect fuel costs and international passenger and international cargo revenues, increased significantly over the previous year in the first-half of the fiscal year but dropped in the second-half of the fiscal year due to the slowdown of the Chinese economy. However, fuel prices rose again from January 2019, partly attributable to the OPEC agreement to cut oil production and expectations for progress in U.S.-China trade talks, which left fuel price projections unclear.

Air Passenger Traffic Forecast

Compound Annual Growth Rate 2018-2037

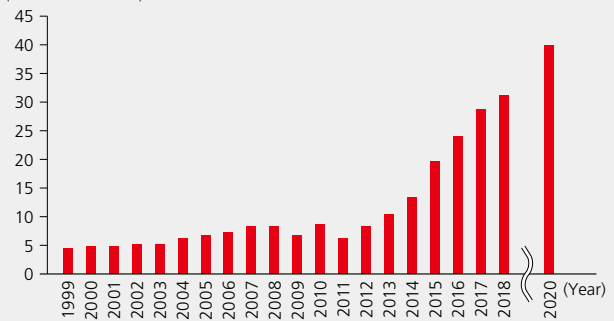
RPK in Billions
2017
2037



Source: Japan Aircraft Development Corporation

Number of visitors to Japan

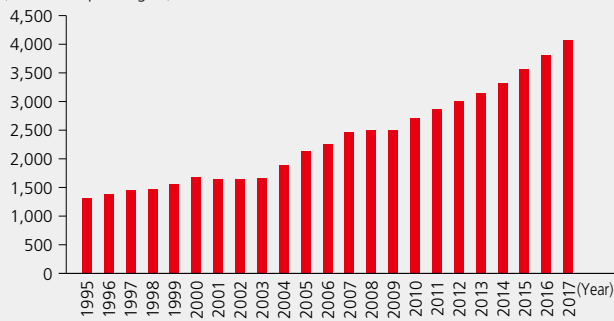
(Millions of visitors)



Source: Japan National Tourism Organization

Global passenger traffic

(Millions of passengers)



Source: International Civil Aviation Organization (scheduled flights)

JAL Group

The JAL Group comprises Japan Airlines Co., Ltd. (JAL), 83 subsidiaries and 58 affiliated companies.

On April 28, 2017, the JAL Group released the JAL Group Medium Term Management Plan for Fiscal Years 2017-2020. To achieve the goals in the plan, the Group focused on instilling greater focus on profits among its staff through the JAL Philosophy and Divisioned profitability management system and worked to improve management efficiency to provide the highest level of service to

customers, backed by a firm commitment to operational safety.

The operating revenue for the consolidated fiscal year increased 7.5% year over year to 1,487.2 billion yen, the operating expenses increased 8.5% year over year to 1,311.1 billion yen, the operating profit increased 0.9% year over year to 176.1 billion yen and the ordinary profit increased 1.3% from the previous year to 165.3 billion yen. Net profit attributable to owners of parent was 150.8 billion yen, up 11.4% from the previous year.

Analysis of Consolidated Operating Results

1. Earnings Summary

| Operating revenue | Operating profit | Profit attributable to owners of parent |
|-------------------|------------------|---|
| ¥1,487.2 billion | ¥176.1 billion | ¥150.8 billion |

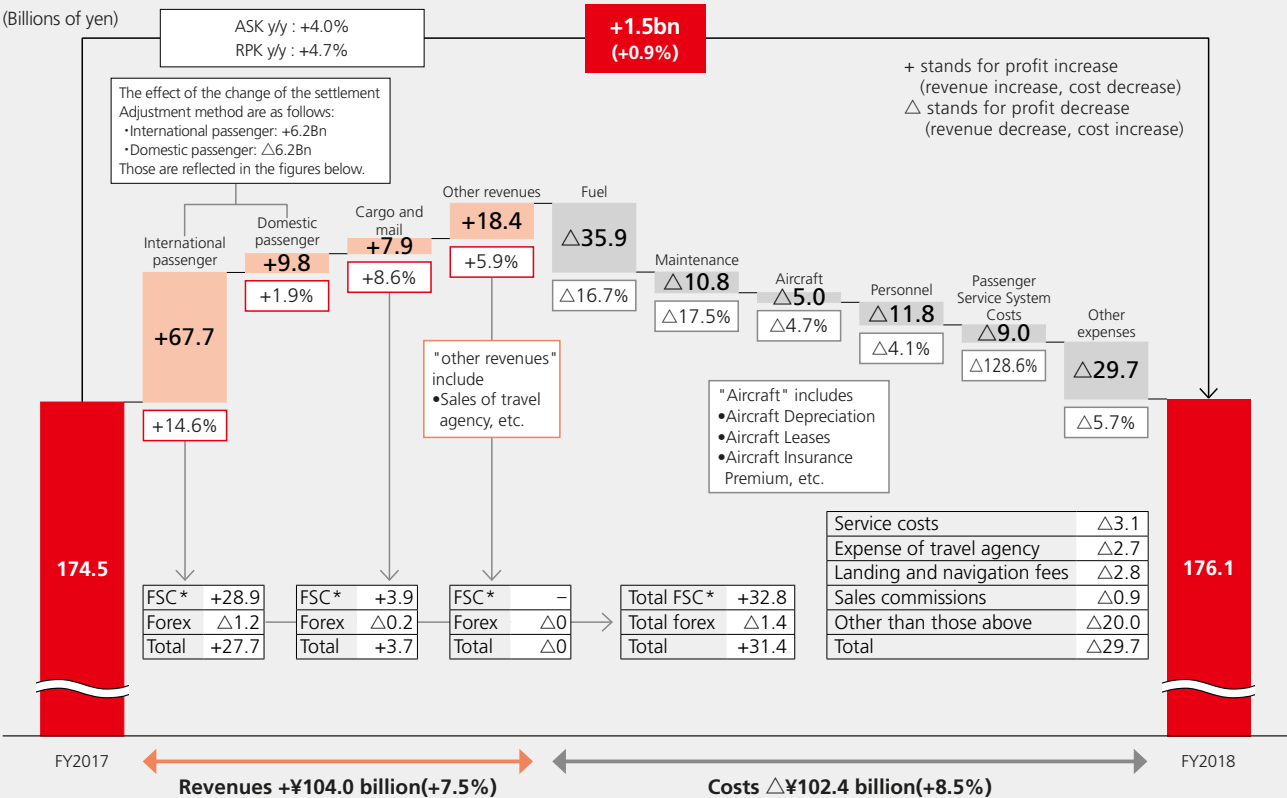
In fiscal year 2018, consolidated operating revenues increased by 7.5% year over year to 1,487.2 billion yen. International passenger revenues rose by 67.7 billion yen, reflecting the revenue management measures that led to firm high yield demand for both outbound and inbound, together with an increase in fuel surcharge revenues and forex factors. Domestic passenger revenues also increased by 9.8 billion yen because of an increase in individual passengers etc.

Operating expenses increased by 8.5% year over year to 1,311.1 billion yen. Fuel costs increased by 35.9 billion yen due to higher fuel prices, maintenance costs rose by 10.8 billion yen mainly due to a rise in engine maintenance costs, and personnel costs rose by 11.8 billion yen due to an increase in headcount amid business

expansion and growth in profit-linked bonus payments. However, the Group continued its cost reduction efforts using its Divisioned profitability management system and other approaches. As a result, consolidated operating profit rose by 0.9% year over year to 176.1 billion yen.

Ordinary income increased by 1.3% year over year to 165.3 billion yen. Expense of loss on sales and disposal of flight equipment increased, however, non-operating expenses decreased due to foreign exchange loss of 2.4 billion yen in the previous fiscal year. Net profit attributable to owners of parent increased by 11.4% to 150.8 billion yen, partly reflecting a decline in income taxes – deferred from 32.1 billion yen.

Fiscal year 2018 Changes in operating profit



*FSC = Fuel Surcharge

2. Segment Earnings

(1) Air transportation segment

The operating revenue increased 8.0% year over year to 1,357.6 billion yen and the operating profit increased 0.7% year over year to 162.3 billion yen.

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

| | |
|-------------------|------------------|
| Operating revenue | Operating profit |
| ¥1,357.6 billion | ¥162.3 billion |

| Components of Revenues from the Air Transportation Segment (Millions of yen) | | | |
|--|-----------|-----------|----------------|
| | FY2017 | FY2018 | YoY change (%) |
| International operations | 529,563 | 606,095 | +14.5 |
| Passenger operations | 462,919 | 530,679 | +14.6 |
| Cargo operations | 56,036 | 65,496 | +16.9 |
| Mail-service operations | 9,858 | 9,123 | △7.5 |
| Luggage operations | 749 | 795 | +6.2 |
| Domestic operations | 544,706 | 553,799 | +1.7 |
| Passenger operations | 518,239 | 528,098 | +1.9 |
| Cargo operations | 22,444 | 21,853 | △2.6 |
| Mail-service operations | 3,718 | 3,547 | △4.6 |
| Luggage operations | 304 | 301 | △1.2 |
| Total revenues from international and domestic operations | 1,074,269 | 1,159,895 | +8.0 |
| Other revenues | 182,995 | 197,708 | +8.0 |
| Total revenues | 1,257,265 | 1,357,603 | +8.0 |

① International passenger operations

| | FY2017 | FY2018 | YoY change (%) |
|--|--------|-----------------|----------------|
| Passenger revenues* ¹ (billion yen) | 462.9 | 530.6 (524.4) | +14.6 (+13.3) |
| Passengers (1,000) | 8,585 | 9,128 | +6.3 |
| ASK (million seat kilometers) | 51,836 | 54,925 | +6.0 |
| RPK (million passenger kilometers) | 42,013 | 44,659 | +6.3 |
| L/F (%) | 81.0% | 81.3% | +0.3pt |
| Revenue per passenger* ^{1,2} (yen) | 53,919 | 58,136 (57,453) | +7.8 (+6.6) |
| Yield* ^{1,3} (yen) | 11.0 | 11.9 (11.7) | +7.8 (+6.6) |
| Unit revenue* ^{1,4} (yen) | 8.9 | 9.7 (9.5) | +8.2 (+6.9) |

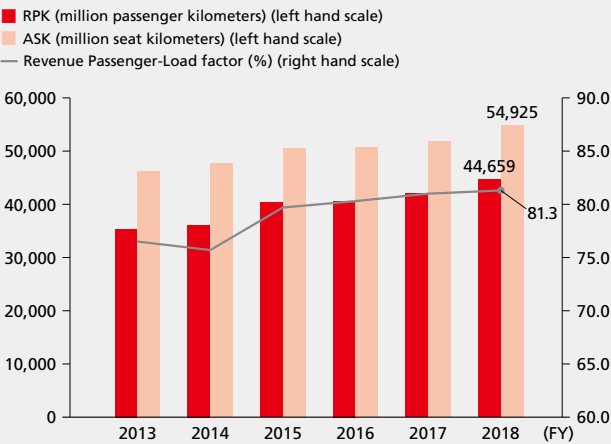
*¹ The effect of the change of the settlement adjustment method for domestic sectors on international itineraries is excluded in the figures in parentheses

*² Revenue per passenger = Passenger revenues / Passengers

*³ Yield = Passenger revenues / RPK

*⁴ Unit revenue = Passenger revenues / ASK

International passengers



Revenues of international routes by geographic segment

| ● Passenger revenues (%) | Component Ratio (%) | | |
|--------------------------|---------------------|--------|--------|
| | FY2018YoY | | FY2018 |
| | FY2017 | FY2018 | |
| America | +13.4 | 26 | 26 |
| Europe | +12.8 | 16 | 16 |
| Asia / Oceania | +11.5 | 33 | 33 |
| China | +24.4 | 11 | 11 |
| Hawaii / Guam | +19.2 | 14 | 14 |
| Total | +14.6 | 100 | 100 |

| ● ASK (Million seat kilometers) | Component Ratio (%) | | |
|---------------------------------|---------------------|--------|---------------------|
| | FY2018 | | Component Ratio (%) |
| | FY2017 | FY2018 | |
| America | 14,971 | 15,581 | +4.1 |
| Europe | 7,962 | 7,790 | △2.2 |
| Asia / Oceania | 18,042 | 19,322 | +7.1 |
| China | 3,292 | 3,422 | +4.0 |
| Hawaii / Guam | 7,569 | 8,808 | +16.4 |
| Total | 51,836 | 54,925 | +6.0 |

| ● RPK (Million passenger kilometers) | Component Ratio (%) | | |
|--------------------------------------|---------------------|--------|---------------------|
| | FY2018 | | Component Ratio (%) |
| | FY2017 | FY2018 | |
| America | 11,735 | 12,714 | +8.3 |
| Europe | 6,571 | 6,580 | +0.1 |
| Asia / Oceania | 14,936 | 15,661 | +4.9 |
| China | 2,610 | 2,870 | +10.0 |
| Hawaii / Guam | 6,158 | 6,831 | +10.9 |
| Total | 42,013 | 44,659 | +6.3 |

| ● Revenue passengers carried (1000.0) | Component Ratio (%) | | |
|---------------------------------------|---------------------|--------|---------------------|
| | FY2018 | | Component Ratio (%) |
| | FY2017 | FY2018 | |
| America | 1,230 | 1,332 | +8.4 |
| Europe | 733 | 734 | +0.1 |
| Asia / Oceania | 4,146 | 4,270 | +3.0 |
| China | 1,409 | 1,554 | +10.3 |
| Hawaii / Guam | 1,066 | 1,236 | +15.9 |
| Total | 8,585 | 9,128 | +6.3 |

| ● Load Factor (%) | Component Ratio (pt) | | |
|-------------------|----------------------|--------|----------------------|
| | FY2018 | | Component Ratio (pt) |
| | FY2017 | FY2018 | |
| America | 78.4 | 81.6 | +3.2 |
| Europe | 82.5 | 84.5 | +1.9 |
| Asia / Oceania | 82.8 | 81.1 | △1.7 |
| China | 79.3 | 83.9 | +4.6 |
| Hawaii / Guam | 81.4 | 77.6 | △3.8 |
| Total | 81.0 | 81.3 | +0.3 |

② Domestic passenger operations

| | FY2017 | FY2018 | YoY change (%) |
|--|--------|-----------------|----------------|
| Passenger revenues* ¹ (billion yen) | 518.2 | 528.0 (534.3) | +1.9 (+3.1) |
| Passengers (1,000) | 34,033 | 34,859 | +2.4 |
| ASK (million seat kilometers) | 35,714 | 36,116 | +1.1 |
| RPK (million passenger kilometers) | 25,643 | 26,195 | +2.2 |
| L/F (%) | 71.8% | 72.5% | +0.7pt |
| Revenue per passenger* ^{1,2} (yen) | 15,227 | 15,149 (15,328) | △0.5 (+0.7) |
| Yield* ^{1,3} (yen) | 20.2 | 20.2 (20.4) | △0.2 (+0.9) |
| Unit revenue* ^{1,4} (yen) | 14.5 | 14.6 (14.8) | +0.8 (+2.0) |

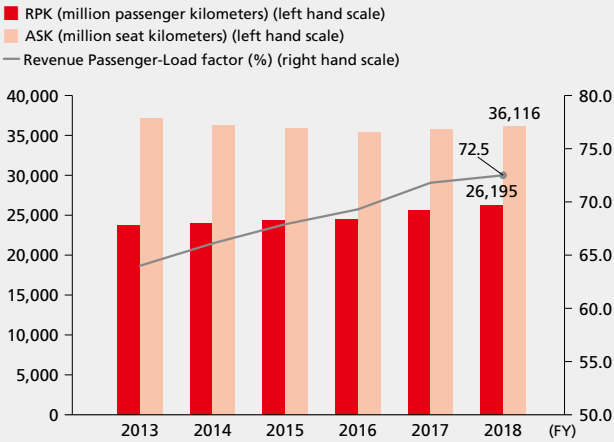
*¹ The effect of the change of the settlement adjustment method for domestic sectors on international itineraries is excluded in the figures in parentheses

*² Revenue per passenger = Passenger revenues / Passengers

*³ Yield = Passenger revenues / RPK

*⁴ Unit revenue = Passenger revenues / ASK

Domestic passengers



(2) Other Businesses

In other businesses, JAL established JAL Agriport Co., Ltd. in April to operate a tourist farm near Narita Airport to provide an entertaining activity for international visitors, who are expected to increase toward 2020. In addition, JAL Payment Port Co., Ltd. started a prepaid card business JAL Global WALLET from November and will provide new financial services such as exchanging currencies for international travelers. Results of JALPAK Co., Ltd. and JAL Card Co., Ltd. are shown on the right.

| JALPAK CO.,Ltd. | FY2017 | FY2018 | YoY change (%) |
|--|--------|--------|----------------|
| Overseas travelers handled (10,000 number of travelers) | 23.1 | 22.2 | △3.9 |
| Domestic travelers handled (10,000 number of travelers) | 254.5 | 271.8 | +6.8 |
| Operating Revenue (before elimination of consolidated transactions, billions of yen) | 175.1 | 182.0 | +4.0 |

| JAL Card Co.,Ltd | FY2017 | FY2018 | YoY change (%) |
|--|--------|--------|----------------|
| Memberships (10,000 number of members) | 342.6 | 357.9 | +4.5 |
| Operating Revenue (before elimination of consolidated transactions, billions of yen) | 18.3 | 19.4 | +6.1 |

3. Analysis of Factors Affecting Operating Expenses

Operating expenses
¥1,311.1 billion

| Major Operating Expense Items | | (Billions of yen) | | |
|-----------------------------------|---------|-------------------|--------|--------|
| | FY2017 | FY2018 | YoY | YoY(%) |
| Fuel | 215.2 | 251.2 | +35.9 | +16.7 |
| Landing and navigation fees | 83.5 | 86.3 | +2.8 | +3.4 |
| Maintenance | 62.0 | 72.9 | +10.8 | +17.5 |
| Sales commissions (Air Transport) | 17.9 | 18.9 | +0.9 | +5.5 |
| Aircraft *1 | 107.1 | 112.2 | +5.0 | +4.7 |
| Service *2 | 42.2 | 45.3 | +3.1 | +7.5 |
| Personnel | 290.3 | 302.1 | +11.8 | +4.1 |
| Expenses of travel agency | 83.8 | 86.6 | +2.7 | +3.3 |
| Other | 306.1 | 335.2 | +29.0 | +9.5 |
| Total operating expenses | 1,208.6 | 1,311.1 | +102.4 | +8.5 |

*1 Aircraft= Aircraft Depreciation+ Aircraft Leases+ Aviation Insurance Premium, etc.
*2 Services= Expenses regarding inflight services, airport lounges, cargo equipment, etc.

Fuel costs increased by 35.9 billion yen due to higher fuel prices in the market. Maintenance costs rose by 10.8 billion yen due to higher engine maintenance costs. Personnel costs increased by 11.8 billion yen due to an increase in headcount in accordance with the capacity growth and profit-linked bonus payments. However, the Group continued its cost reduction efforts using its Divisoned

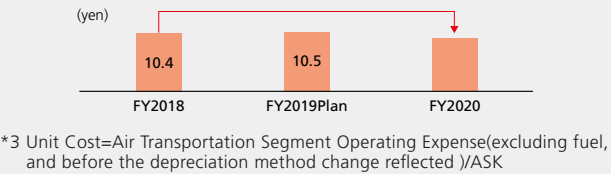
profitability management system and the total operating expenses increased by 8.5% year over year to 1,311.1 billion yen.

(1) Fuel costs

Fuel costs increased by 35.9 billion yen year on year due to higher prices, foreign exchange rates and other factors. The Group's fuel consumption is rising due to capacity expansion, but it continues to take steps to limit the rise of fuel usage through actively introducing fuel-efficient aircraft and efficient operational practices.

(2) Unit cost*3

Unit Cost will rise temporarily in fiscal year 2019 due to upfront costs for capacity expansion in fiscal year 2020. However, we plan to reduce Unit Cost by improving productivity in fiscal year 2020.



4. Net Profit Attributable to Owners of Parent

Net profit attributable to owners of parent
¥150.8 billion

Ordinary income increased by 1.3% year over year to 165.3 billion yen. Expense of loss on sales and disposal of flight equipment increased, however, non-operating expenses decreased due to foreign exchange loss of 2.4 billion yen in the previous fiscal year.

Net profit attributable to owners of parent rose by 11.4% to 150.8 billion yen, mainly due to a decline in income taxes – deferred from 32.1 billion yen.

5. Cash Flows

Cash flow from operating activities
¥296.7 billion

Cash flow from investing activities
△¥186.3 billion

Cash flow from financing activities
△¥37.0 billion

The JAL Group primarily uses cash flow for investments that increase corporate value, shareholder returns and maintenance of a firm financial structure. The Group conducts capital investments in accordance with strict investment discipline and aims to maximize free cash flow through securing an appropriate level of investment return.

Cash Flow from Operating Activities

As a result of adjusting net profit before income tax deferred etc. of 156.2 billion yen with non-cash items, such as depreciation costs, and net defined benefit liabilities and debts and credits in operating activities, cash flow from operating activities (inflow) increased by 15.1 billion yen year on year to 296.7 billion yen.

Cash Flow from Investing Activities

Excluding deposits and withdrawals from fixed deposit accounts, cash flow from investing activities (outflow) increased by 6.2 billion yen year on year to 186.3 billion yen, mainly for expenditures for acquiring fixed assets.

Cash Flow from Financing Activities

Cash flow from financing activities (outflow) declined by 18.8 billion yen year on year to 37.0 billion yen due to payment of dividends, share repurchases and issuance of bonds.

| Cash flows | | (Billions of yen) | | |
|---------------------------------------|--------|-------------------|-------|--|
| | FY2017 | FY2018 | YoY | |
| Cash flow from operating activities | 281.5 | 296.7 | +15.1 | |
| Depreciation and amortization | 110.8 | 124.1 | +13.2 | |
| Cash flow from investing activities*1 | △180.1 | △186.3 | △6.2 | |
| Investments*2 | △211.9 | △226.2 | △14.3 | |
| Free cash flow*3 | 101.3 | 110.3 | +8.9 | |
| Cash flow from financing activities | △55.8 | △37.0 | +18.8 | |
| Total cash flow*4 | 45.5 | 73.2 | +27.7 | |
| EBITDA | 285.4 | 300.2 | +14.8 | |
| EBITDAR | 305.4 | 320.1 | +14.7 | |

*1 Excluding deposits and withdrawals from deposit accounts
*2 Investment, capital contribution or etc.
*3 Cash Flow from Operating Activities + Cash Flow from Investing Activities
*4 Cash flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities

6. Capital Investment and Aircraft Procurement

Capital investment
¥223.4 billion

Capital investment during the fiscal year 2018 totaled 223.4 billion yen (including expenditure for intangible fixed assets). In the air transportation segment, investment is made for aircraft to improve operating efficiency. It also includes 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 year 2018, capital investment totaled 221.7 billion yen. Capital investment was mainly used to purchase 17 new aircraft (six Boeing 787-9, five Boeing 737-800, two Embraer 190, one Embraer 170, one ATR72-600 and two ATR42-600), purchase leased aircraft and make advance payments for aircraft. Two of the six new Boeing 787-9 and one of the two new ATR42-600 were converted to operating lease aircraft in fiscal year 2018.

| Fiscal 2018 Fleet | | As of end of FY2017 (March 31, 2018) | | | As of end of FY2018 (March 31, 2019) | | | Diff. |
|-------------------|------------------------|--------------------------------------|--------|-------|--------------------------------------|--------|-------|-------|
| | | Owned | Leased | Total | Owned | Leased | Total | |
| Large-sized | 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-sized subtotal | 40 | 0 | 40 | 40 | 0 | 40 | — |
| Medium-sized | Boeing 787-8 | 25 | 0 | 25 | 25 | 0 | 25 | — |
| | Boeing 787-9 | 10 | 1 | 11 | 14 | 3 | 17 | +6 |
| | Boeing 767-300 | 6 | 0 | 6 | 6 | 0 | 6 | — |
| | Boeing 767-300ER | 28 | 1 | 29 | 29 | 0 | 29 | — |
| | Medium-sized subtotal | 69 | 2 | 71 | 74 | 3 | 77 | +6 |
| Small-sized | Boeing 737-400 | 8 | 0 | 8 | 3 | 0 | 3 | △5 |
| | Boeing 737-800 | 34 | 23 | 57 | 42 | 20 | 62 | +5 |
| | Small-sized subtotal | 42 | 23 | 65 | 45 | 20 | 65 | — |
| Regional | EMBRAER 170 | 17 | 0 | 17 | 18 | 0 | 18 | +1 |
| | EMBRAER 190 | 12 | 0 | 12 | 14 | 0 | 14 | +2 |
| | Bombardier DHC8-Q400 | 5 | 1 | 6 | 1 | 0 | 1 | △5 |
| | Bombardier DHC8-Q400CC | 5 | 0 | 5 | 5 | 0 | 5 | — |
| | SAAB 340B | 10 | 0 | 10 | 8 | 0 | 8 | △2 |
| | Bombardier DHC8-Q300 | 1 | 0 | 1 | 0 | 0 | 0 | △1 |
| | ATR42-600 | 4 | 0 | 4 | 5 | 1 | 6 | +2 |
| | ATR72-600 | 0 | 0 | 0 | 1 | 0 | 1 | +1 |
| | Regional Total | 54 | 1 | 55 | 52 | 1 | 53 | △2 |
| | Total | 205 | 26 | 231 | 211 | 24 | 235 | +4 |

7. Financial Position

Shareholders' equity
¥1,165.1 billion

Equity ratio
57.4%

The assets at the fiscal year-end increased by 176.3 billion yen from the end of the previous fiscal year to 2,030.3 billion yen, mainly due to procurement of aircraft and advance aircraft payments. The liabilities increased by 70.3 billion yen from the end of the previous fiscal year to 830.1 billion yen due to increase advances received and bonds payable. The net assets increased by 106.0 billion yen from the end of the previous fiscal year to 1,200.1 billion yen, as a result of paying dividends and acquiring own shares, and also net profit attributable to owners of parent in the current fiscal year and an increase in accumulated other comprehensive income. As a result of the above, shareholders' equity ended at 1,165.1 billion yen, and the equity ratio rose by 0.2 percentage points from the end of the previous fiscal year to 57.4%.

| Consolidated financial position | | (Billions of yen) | | |
|---|----------------|-------------------|--------|--|
| | End of FY 2017 | End of FY 2018 | YoY | |
| Total assets*1 | 1,853.9 | 2,030.3 | +176.3 | |
| Cash and deposits*2 | 448.8 | 522.0 | +73.2 | |
| Interest-bearing debt*3 | 125.7 | 142.3 | +16.5 | |
| Future rental expenses under operating leases | 67.4 | 81.1 | +13.7 | |
| Shareholders' equity | 1,060.3 | 1,165.1 | +104.7 | |
| Shareholders' equity ratio (%) | 57.2% | 57.4% | +0.2pt | |
| D/E ratio (%)**4 | 0.1x | 0.1x | +0.0x | |
| ROIC(%) *5 | 10.1% | 9.5% | △0.6pt | |
| ROE(%) *6 | 13.3% | 13.6% | +0.2pt | |
| ROA(%) *7 | 9.7% | 9.1% | △0.7pt | |

*1 Total Assets amount as of the end of March, 2018 has been changed due to the revision of the accounting standards and other regulations regarding indication of deferred tax assets and liabilities from FY2018 (It was 1,854.2Bn when disclosed on April 27, 2018)
*2 Certificate of Deposits etc. included
*3 Accounts Payable-installment Purchase included
*4 On-balance sheet Interest-bearing Debt / Shareholders' Equity
*5 NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year
*6 (Net profit attributable to owners of parent) / (Average of shareholder's equity at beginning and end of a fiscal year)
*7 (Operating profit) / (Average of total assets at beginning and end of a fiscal year)

8. Credit Ratings

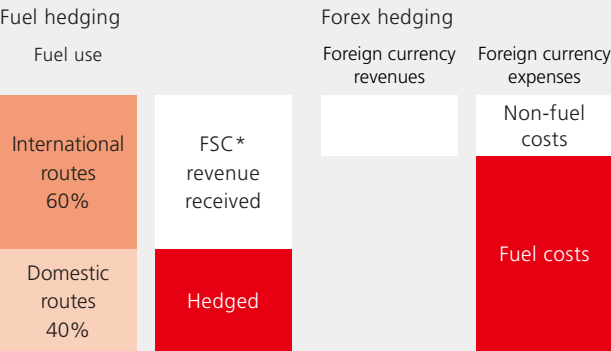
JAL's current credit ratings are shown in the table on the right.

| | | |
|---|-------------------------|---------------|
| (as of May 2019) | | |
| Rating & Investment Information, Inc. (R&I) | Issuer rating | A- (positive) |
| Japan Credit Rating Agency, Ltd. (JCR) | Long-term issuer rating | A (stable) |

9. Fuel and Exchange Rate Hedging

(1) Hedging Policy

On international routes, fuel surcharges allow the Company to offset some of its fuel costs. As a result, the Company uses fuel hedging for fuel used on domestic routes, which is equivalent 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 only for fuel costs.



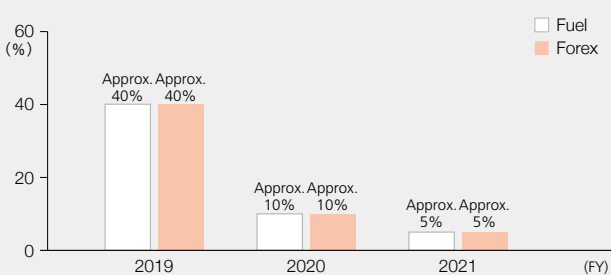
The Company is exposed to fuel cost risks on domestic routes, which do not have the FSC*.

The Company is exposed to forex risks related to fuel costs, as foreign currency expenses excluding fuel costs are largely offset by foreign currency revenues.

(2) Overcome Market Risks

The impact of volatility in fuel prices is mitigated by hedging and fuel surcharges, however there is some time lag of their effects in each 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.

Fuel cost hedging by fiscal year (as of end-fiscal year 2018)

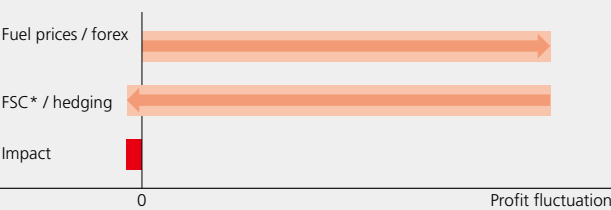


Profit Impact by Fuel and FX Markets in fiscal year 2019 (*1)
(including hedging and fuel surcharge)

| Singapore Kerosene (USD/bbl) | FX Rate(JPY/USD) | | | |
|------------------------------|------------------|---------|------------------|--------|
| | US\$75 | US\$80 | US\$90 | US\$95 |
| JPY 115 | +3.0bn | +5.0bn | (Forecast) 0.0bn | △6.5bn |
| JPY 110 | +9.0bn | +5.5bn | +1.5bn | +1.0bn |
| JPY 105 | +10.0bn | +12.5bn | +9.0bn | +2.5bn |

*1 Forecast on April 26, 2019
The fuel surcharge applicable from April to July 2019 has been already determined as below:
*April-May: Japan outbound/ Zone JPY7,000, others excluding Japan outbound/ Zone USD70
June-July: Japan outbound/ Zone JPY8,000, others excluding Japan outbound/ Zone USD70
With the fuel surcharges above, the recent fuel prices and the exchange rates from April to May, the impact on profit will be approximately negative 7.0 billion yen (not included in the profit impact matrix chart above)

Cumulative impact of price fluctuations in fiscal 2016-2018



*FSC = fuel surcharge

10. Retirement Benefit Obligations

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, 2019, 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.

11. Distribution of Profits to Shareholders

The company regards shareholder returns as one of our most important management matters. Our fundamental policy is to actively implement shareholder returns through continuous and stable dividends and flexible share repurchases, while securing internal reserves for making investments for corporate growth in the future and changing business environments and to build a strong financial structure.

In order to maintain a stable dividend level despite the upcoming effective tax rate increase, the company will decide the dividend per share level, considering its continuity, stability and predictability with reference to a payout ratio of approximately 35%. In principle, income tax deferred is no longer excluded from fiscal year 2019. In addition, the company will proactively and flexibly consider share repurchases, considering its financial position and other factors. As a result, the company seeks to achieve a total payout ratio, which combines the total dividends paid out and the total amounts of the share repurchases, of an approximately 35% to 50% range through appropriately sharing periodic profits and allocating capitals among all of its stakeholders.

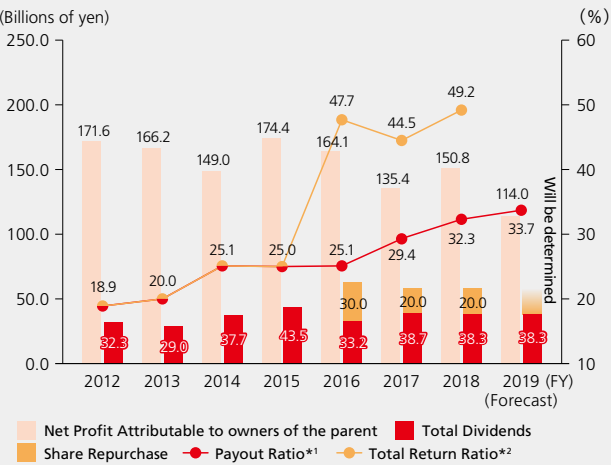
At the same time, the company continuously strives to improve capital efficiency through monitoring a total return on equity ratio, which is calculated by dividing the sum of total dividends paid out and share repurchases by shareholders' equity. The company makes its efforts to maintain this ratio at approximately 3% or above.

Based on this policy, the company plans to pay a year-end dividend of 55 yen per share for fiscal year 2018. The annual dividend is 110 yen per share, including the interim dividend of 55 yen per share. The dividend forecast in the fiscal year ending March 31, 2020 is 110 yen per share, with the estimated interim dividend of 55 yen.

The Company's policy is to pay dividends from capital surplus twice a year through an interim dividend and a year-end dividend. The Ordinary General Meeting of Shareholders approves the year-end dividend and the Board of Directors approves the interim dividend. The Articles of Incorporation state that the Company may pay an interim dividend after approval by the Board of Directors, based on a record date of September 30.

The company will continuously strive to increase capital efficiency and maintain stable shareholder return.

Total Shareholder Return History (FY2012-2019)



1 Dividend payout ratio=Total dividends/Net profit attributable to owners of parent
2 Total return ratio=(Total amount of dividend + Amount of share repurchase)/Net profit attributable to owners of parent
*FY2013~2018 net profit attributable to owners of parent excludes effects of deferred income tax

12.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, 2019. 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 concerning the external management environment such as international affairs 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 has partnerships with global partner airlines in various forms such as joint business, alliance, codeshare, frequent flyer program, and so forth. The JAL Group's alliance strategy may be affected by changes in operating conditions at other partner airlines including oneworld members or joint business partners, and by changes in the oneworld alliance membership or major developments in the Group's alliance relationships.

(2) Risks concerning introduction of aircraft

In the air transportation business, the JAL Group places orders for aircraft with the Boeing Company, Airbus SAS, Embraer SA, 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) Risks concerning changes in market environments

① Fuel price volatility risk

Fluctuations in fuel prices have a significant impact on the JAL Group's operating performance. The Group 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) Risks concerning disasters

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 Integrated Operations Control, 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. To mitigate the risk of a shutdown at the Operation Control Center in Tokyo, the Group transferred some functions to the Operation Control Center at Osaka International Airport in April 2018 and started 24-hour operations.

*The name of 'the Operation Control Center' was changed to 'the Integrated Operations Control' due to reorganization on April 1, 2019.

(5) Risks concerning air safety

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 JAL Group, the same aircraft type operated by the Group or 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) Risks concerning legal regulations and litigations

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, such as a new greenhouse gas trading system to be implemented from fiscal 2020 at earliest, 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) Risks concerning handling of IT (information system) and customer information

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) Risks concerning human resources and industrial affairs

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

(1) Consolidated Balance Sheets

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

| As of March 31 | Millions of yen | | Thousands of U.S. dollars (Note 4) |
|--|-----------------|-------------|------------------------------------|
| | 2019 | 2018 | 2019 |
| Assets | | | |
| Current assets: | | | |
| Cash and deposits (Notes 5, 7 and 10) | ¥ 462,064 | ¥ 417,842 | \$ 4,163,113 |
| Notes and operating accounts receivable (Note 7) | 153,112 | 151,262 | 1,379,511 |
| Securities (Notes 5, 7 and 8) | 60,000 | 30,999 | 540,589 |
| Flight equipment spare parts and supplies | 21,929 | 21,996 | 197,576 |
| Other | 65,095 | 58,924 | 586,494 |
| Allowance for doubtful accounts | (661) | (533) | (5,955) |
| Total current assets | 761,539 | 680,492 | 6,861,329 |
| Non-current assets: | | | |
| Investment securities (Notes 6, 7, 8 and 10) | 101,289 | 90,757 | 912,595 |
| Tangible fixed assets, net: | | | |
| Flight equipment (Notes 10 and 16) | 733,961 | 704,134 | 6,612,857 |
| Ground property and equipment (Note 16) | 53,478 | 52,728 | 481,827 |
| Advances on flight equipment and other purchases | 141,776 | 123,902 | 1,277,376 |
| Total tangible fixed assets | 929,216 | 880,765 | 8,372,069 |
| Intangible assets: | | | |
| Software | 92,076 | 95,551 | 829,588 |
| Long-term loans receivable (Note 10) | 7,240 | 7,715 | 65,231 |
| Deferred tax assets (Note 12) | 96,625 | 66,036 | 870,573 |
| Net defined benefit asset (Note 11) | 2,486 | 2,119 | 22,398 |
| Other | 40,129 | 30,891 | 361,555 |
| Allowance for doubtful accounts | (275) | (334) | (2,477) |
| Total non-current assets | 1,268,788 | 1,173,504 | 11,431,552 |
| Total assets | ¥ 2,030,328 | ¥ 1,853,997 | \$ 18,292,891 |

| As of March 31 | Millions of yen | | Thousands of U.S. dollars (Note 4) |
|--|-----------------|-----------|------------------------------------|
| | 2019 | 2018 | 2019 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Operating accounts payable (Note 7) | ¥ 185,650 | ¥ 177,937 | \$ 1,672,673 |
| Short-term loans payable (Notes 7 and 10) | 65 | 3,150 | 585 |
| Current portion of long-term loans payable (Notes 7 and 10) | 13,287 | 14,555 | 119,713 |
| Lease obligations (Notes 7 and 10) | 2,461 | 2,389 | 22,173 |
| Accounts payable—installment purchase (Notes 7 and 10) | 190 | 185 | 1,711 |
| Income taxes payable | 21,738 | 14,074 | 195,855 |
| Advances received | 129,108 | 107,506 | 1,163,239 |
| Asset retirement obligations (Note 19) | — | 393 | — |
| Other | 101,896 | 76,653 | 918,064 |
| Total current liabilities | 454,399 | 396,846 | 4,094,053 |
| Non-current liabilities: | | | |
| Bonds payable (Notes 7 and 10) | 50,000 | 20,000 | 450,491 |
| Long-term loans payable (Notes 7 and 10) | 73,524 | 80,696 | 662,438 |
| Lease obligations (Notes 7 and 10) | 2,504 | 4,319 | 22,560 |
| Long-term accounts payable—installment purchase (Notes 7 and 10) | 312 | 480 | 2,811 |
| Deferred tax liabilities (Note 12) | 169 | 227 | 1,522 |
| Reserve for loss on antitrust litigation | 5,936 | 5,931 | 53,482 |
| Net defined benefit liability (Note 11) | 212,672 | 230,084 | 1,916,136 |
| Asset retirement obligations (Note 19) | 8,657 | 3,595 | 77,998 |
| Other | 22,015 | 17,687 | 198,351 |
| Total non-current liabilities | 375,793 | 363,023 | 3,385,827 |
| Total liabilities | 830,192 | 759,869 | 7,479,881 |

Contingent liabilities (Note 17)

NET ASSETS (Note 13)

| | | | |
|---|-------------|-------------|---------------|
| Shareholders' equity: | | | |
| Common stock: | | | |
| Authorized: 700,000,000 shares in 2019 and 2018 | | | |
| Issued: 349,028,700 shares in 2019 and 353,715,800 shares in 2018 | 181,352 | 181,352 | 1,633,949 |
| Capital surplus | 183,050 | 183,049 | 1,649,247 |
| Retained earnings | 822,554 | 731,106 | 7,411,064 |
| Treasury shares, at cost: 201,957 shares in 2019 and 2,555,957 shares in 2018 | (535) | (10,535) | (4,820) |
| Total shareholders' equity | 1,186,421 | 1,084,972 | 10,689,440 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities (Note 8) | 20,371 | 16,469 | 183,539 |
| Deferred gains on hedges (Note 9) | 1,837 | 6,360 | 16,551 |
| Foreign currency translation adjustment | 99 | (30) | 891 |
| Remeasurements of defined benefit plans (Note 11) | (43,596) | (47,436) | (392,792) |
| Total accumulated other comprehensive income | (21,287) | (24,637) | (191,792) |
| Non-controlling interests | 35,001 | 33,792 | 315,352 |
| Total net assets | 1,200,135 | 1,094,127 | 10,813,001 |
| Total liabilities and net assets | ¥ 2,030,328 | ¥ 1,853,997 | \$ 18,292,891 |

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

CONSOLIDATED FINANCIAL STATEMENTS

(2) Consolidated Statement of Income and Comprehensive Income

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

| | Millions of yen | | Thousands of U.S. dollars (Note 4) |
|---|-----------------|-----------|------------------------------------|
| Years ended March 31 | 2019 | 2018 | 2019 |
| Operating revenue: | | | |
| Passenger: | | | |
| Domestic | ¥ 528,098 | ¥ 518,239 | \$ 4,758,068 |
| International | 530,679 | 462,919 | 4,781,322 |
| Incidental and other revenue | 428,483 | 402,099 | 3,860,555 |
| Total operating revenue | 1,487,261 | 1,383,257 | 13,399,954 |
| Operating expenses: | | | |
| Wages, salaries and benefit | 302,156 | 290,354 | 2,722,371 |
| Aircraft fuel | 251,223 | 215,270 | 2,263,474 |
| Landing fees and other rent | 86,383 | 83,552 | 778,295 |
| Aircraft maintenance | 72,926 | 62,084 | 657,050 |
| Aircraft rent | 19,918 | 19,996 | 179,457 |
| Depreciation and amortization | 124,104 | 110,860 | 1,118,154 |
| Other | 454,389 | 426,571 | 4,093,963 |
| Total operating expenses | 1,311,101 | 1,208,691 | 11,812,784 |
| Operating profit | 176,160 | 174,565 | 1,587,170 |
| Non-operating income (expenses): | | | |
| Interest income | 1,068 | 816 | 9,622 |
| Dividend income | 1,376 | 1,446 | 12,397 |
| Interest expenses | (803) | (798) | (7,234) |
| Gain on sales of flight equipment | 1,494 | 1,761 | 13,460 |
| Loss on sales and disposal of flight equipment | (14,474) | (11,964) | (130,408) |
| Loss on sales and disposal of supplies | (845) | (1,737) | (7,613) |
| Share of profit of entities accounted for using equity method | 1,317 | 2,521 | 11,865 |
| Foreign exchange losses | (486) | (2,495) | (4,378) |
| Gain on sales of investments in securities | 103 | 829 | 928 |
| Compensation income | 393 | 267 | 3,540 |
| Subsidy income for aircraft purchase | 2,548 | 5,477 | 22,957 |
| Loss on reduction of aircraft | (2,548) | (5,475) | (22,957) |
| Impairment loss (Note 15) | (7,898) | (1,209) | (71,159) |
| Other | (1,165) | (1,523) | (10,496) |
| Total non-operating income (expenses) | (19,920) | (12,084) | (179,475) |
| Profit before income taxes | 156,240 | 162,480 | 1,407,694 |
| Income taxes—current (Note 12) | 33,223 | 24,974 | 299,333 |
| Income taxes—deferred (Note 12) | (32,127) | (3,488) | (289,458) |
| Total income taxes | 1,096 | 21,485 | 9,874 |
| Profit | 155,144 | 140,995 | 1,397,819 |
| Profit attributable to: | | | |
| Owners of parent | 150,807 | 135,406 | 1,358,744 |
| Non-controlling interests | 4,337 | 5,588 | 39,075 |
| Other comprehensive income (Note 14): | | | |
| Valuation difference on available-for-sale securities | 3,868 | 2,590 | 34,849 |
| Deferred gains (losses) on hedges | (4,505) | 6,969 | (40,589) |
| Foreign currency translation adjustment | 25 | (296) | 225 |
| Remeasurements of defined benefit plans, net of tax | 3,845 | 5,481 | 34,642 |
| Share of other comprehensive income of entities accounted for using equity method | 71 | 70 | 639 |
| Total other comprehensive income | 3,305 | 14,814 | 29,777 |
| Comprehensive income | 158,449 | 155,809 | 1,427,597 |
| Comprehensive income attributable to: | | | |
| Owners of parent | 154,156 | 150,274 | 1,388,917 |
| Non-controlling interests | ¥ 4,292 | ¥ 5,535 | \$ 38,670 |

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

(3) Consolidated Statements of Changes in Net Assets

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

| | Millions of Yen | | | | | | |
|--|---|----------------------------------|---|---|--|---------------------------|------------------|
| | Shareholders' equity | | | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | | |
| Balance at April 1, 2017 | ¥ 181,352 | ¥ 183,047 | ¥ 647,701 | ¥ (531) | ¥ 1,011,569 | | |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | (51,790) | | (51,790) | | |
| Profit attributable to owners of parent | | | 135,406 | | 135,406 | | |
| Purchase of treasury shares | | | | (9,999) | (9,999) | | |
| Change of scope of consolidation, etc. | | 2 | (211) | (3) | (213) | | |
| Net changes of items other than shareholders' equity | | | | | | | |
| Total changes of items during period | — | 2 | 83,405 | (10,003) | 73,403 | | |
| Balance at March 31, 2018 | ¥ 181,352 | ¥ 183,049 | ¥ 731,106 | ¥ (10,535) | ¥ 1,084,972 | | |
| | Accumulated other comprehensive income | | | | | | |
| | Valuation difference on available-for-sale securities | Deferred gains(losses) on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance at April 1, 2017 | ¥ 13,828 | ¥ (667) | ¥ 232 | ¥ (52,898) | ¥ (39,504) | ¥ 31,328 | ¥ 1,003,393 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | (51,790) |
| Profit attributable to owners of parent | | | | | | | 135,406 |
| Purchase of treasury shares | | | | | | | (9,999) |
| Change of scope of consolidation, etc. | | | | | | | (213) |
| Net changes of items other than shareholders' equity | 2,640 | 7,027 | (262) | 5,461 | 14,867 | 2,463 | 17,331 |
| Total changes of items during period | 2,640 | 7,027 | (262) | 5,461 | 14,867 | 2,463 | 90,734 |
| Balance at March 31, 2018 | ¥ 16,469 | ¥ 6,360 | ¥ (30) | ¥ (47,436) | ¥ (24,637) | ¥ 33,792 | ¥ 1,094,127 |
| | Millions of Yen | | | | | | |
| | Shareholders' equity | | | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | | |
| Balance at April 1, 2018 | ¥ 181,352 | ¥ 183,049 | ¥ 731,106 | ¥ (10,535) | ¥ 1,084,972 | | |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | (39,377) | | (39,377) | | |
| Profit attributable to owners of parent | | | 150,807 | | 150,807 | | |
| Purchase of treasury shares | | | | (9,999) | (9,999) | | |
| Retirement of treasury shares | | | (19,999) | 19,999 | — | | |
| Change of scope of consolidation, etc. | | 0 | 17 | | 18 | | |
| Net changes of items other than shareholders' equity | | | | | | | |
| Total changes of items during period | — | 0 | 91,447 | 9,999 | 101,448 | | |
| Balance at March 31, 2019 | ¥ 181,352 | ¥ 183,050 | ¥ 822,554 | ¥ (535) | ¥ 1,186,421 | | |
| | Accumulated other comprehensive income | | | | | | |
| | Valuation difference on available-for-sale securities | Deferred gains(losses) on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance at April 1, 2018 | ¥ 16,469 | ¥ 6,360 | ¥ (30) | ¥ (47,436) | ¥ (24,637) | ¥ 33,792 | ¥ 1,094,127 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | (39,377) |
| Profit attributable to owners of parent | | | | | | | 150,807 |
| Purchase of treasury shares | | | | | | | (9,999) |
| Retirement of treasury shares | | | | | | | — |
| Change of scope of consolidation, etc. | | | | | | | 18 |
| Net changes of items other than shareholders' equity | 3,902 | (4,522) | 130 | 3,839 | 3,349 | 1,209 | 4,559 |
| Total changes of items during period | 3,902 | (4,522) | 130 | 3,839 | 3,349 | 1,209 | 106,007 |
| Balance at March 31, 2019 | ¥ 20,371 | ¥ 1,837 | ¥ 99 | ¥ (43,596) | ¥ (21,287) | ¥ 35,001 | ¥ 1,200,135 |

Thousands of U.S. dollars (Note 4)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at April 1, 2018 | \$ 1,633,949 | \$ 1,649,238 | \$ 6,587,133 | \$ (94,918) | \$ 9,775,403 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (354,779) | | (354,779) |
| Profit attributable to owners of parent | | | 1,358,744 | | 1,358,744 |
| Purchase of treasury shares | | | | (90,089) | (90,089) |
| Retirement of treasury shares | | | (180,187) | 180,187 | — |
| Change of scope of consolidation, etc. | | 0 | 153 | | 162 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | — | 0 | 823,921 | 90,089 | 914,028 |
| Balance at March 31, 2019 | \$ 1,633,949 | \$ 1,649,247 | \$ 7,411,064 | \$ (4,820) | \$ 10,689,440 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|--|---|----------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains(losses) on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at April 1, 2018 | \$ 148,382 | \$ 57,302 | \$ (270) | \$ (427,389) | \$ (221,974) | \$ 304,459 | \$ 9,857,888 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | (354,779) |
| Profit attributable to owners of parent | | | | | | | 1,358,744 |
| Purchase of treasury shares | | | | | | | (90,089) |
| Retirement of treasury shares | | | | | | | — |
| Change of scope of consolidation, etc. | | | | | | | 162 |
| Net changes of items other than shareholders' equity | 35,156 | (40,742) | 1,171 | 34,588 | 30,173 | 10,892 | 41,075 |
| Total changes of items during period | 35,156 | (40,742) | 1,171 | 34,588 | 30,173 | 10,892 | 955,104 |
| Balance at March 31, 2019 | \$ 183,539 | \$ 16,551 | \$ 891 | \$ (392,792) | \$ (191,792) | \$ 315,352 | \$ 10,813,001 |

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

(4) Consolidated Statement of Cash flows

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

| Years ended March 31 | Millions of yen | | Thousands of U.S. dollars (Note 4) |
|---|-----------------|-----------|------------------------------------|
| | 2019 | 2018 | 2019 |
| Cash flows from operating activities | | | |
| Profit before income taxes | ¥ 156,240 | ¥ 162,480 | \$ 1,407,694 |
| Adjustments to reconcile profit before income taxes to net cash provided by operating activities: | | | |
| Depreciation and amortization | 124,104 | 110,860 | 1,118,154 |
| Loss on sales and disposal of non-current assets and impairment loss | 19,271 | 9,882 | 173,628 |
| Decrease in net defined benefit liability | (12,157) | (1,422) | (109,532) |
| Interest and dividend income | (2,445) | (2,262) | (22,029) |
| Interest expenses | 803 | 798 | 7,234 |
| Foreign exchange losses (gains) | 266 | (81) | 2,396 |
| Share of profit of entities accounted for using equity method | (1,317) | (2,521) | (11,865) |
| Increase in notes and operating accounts receivable | (1,852) | (8,621) | (16,686) |
| Decrease (increase) in flight equipment spare parts and supplies | 188 | (876) | 1,693 |
| Increase in operating accounts payable | 7,707 | 18,803 | 69,438 |
| Other, net | 29,823 | 13,780 | 268,699 |
| Subtotal | 320,632 | 300,820 | 2,888,836 |
| Interest and dividend income received | 3,005 | 2,895 | 27,074 |
| Interest expenses paid | (802) | (802) | (7,225) |
| Income taxes paid | (26,117) | (21,370) | (235,309) |
| Net cash provided by operating activities | 296,717 | 281,542 | 2,673,366 |
| Cash flows from investing activities | | | |
| Payments into time deposits | (529,763) | (408,263) | (4,773,069) |
| Proceeds from withdrawal of time deposits | 526,442 | 421,808 | 4,743,148 |
| Purchase of non-current assets | (222,126) | (208,002) | (2,001,315) |
| Proceeds from sales of non-current assets | 33,390 | 22,701 | 300,837 |
| Purchase of investment securities | (4,153) | (2,941) | (37,417) |
| Proceeds from sales and redemption of investment securities | 247 | 1,578 | 2,225 |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | — | 48 | — |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | — | 23 | — |
| Payments of loans receivable | (314) | (1,270) | (2,829) |
| Collection of loans receivable | 833 | 954 | 7,505 |
| Other, net | 5,730 | 6,761 | 51,626 |
| Net cash used in investing activities | (189,713) | (166,600) | (1,709,280) |
| Cash flows from financing activities | | | |
| Net decrease in short-term loans payable | (3,085) | (2,221) | (27,795) |
| Proceeds from long-term loans payable | 10,800 | 30,306 | 97,306 |
| Repayments of long-term loans payable | (19,439) | (13,468) | (175,141) |
| Repayments for lease obligations | (2,649) | (6,004) | (23,867) |
| Proceeds from issuance of bonds | 29,796 | — | 268,456 |
| Purchase of treasury shares | (10,024) | (10,004) | (90,314) |
| Cash dividends paid | (39,347) | (51,749) | (354,509) |
| Dividends paid to non-controlling interests | (3,534) | (2,851) | (31,840) |
| Other, net | 447 | 111 | 4,027 |
| Net cash used in financing activities | (37,037) | (55,883) | (333,696) |
| Effect of exchange rate change on cash and cash equivalents | 2 | (354) | 18 |
| Net increase in cash and cash equivalents | 69,968 | 58,704 | 630,399 |
| Cash and cash equivalents at beginning of period | 182,870 | 124,261 | 1,647,625 |
| Increase in cash and cash equivalents resulting from merger | — | 122 | — |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | (44) | (218) | (396) |
| Cash and cash equivalents at end of period (Note 5) | ¥ 252,795 | ¥ 182,870 | \$ 2,277,637 |

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

Notes to the 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 three 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 five 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 or amortized cost. Cost of securities sold is determined principally by the moving-average method. Investments in investment limited partnership and similar associations (those deemed as securities under Paragraph 2 of Article 2 of the Financial Instruments and Exchange Act of Japan) are stated at net amount equivalent to the Company’s equity on the basis of the most recent financial statements available as of the financial reporting date stipulated in respective partnership contracts.

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 loss, if any, except as indicated in the following paragraph. Accumulated depreciation of tangible fixed assets on March 31, 2019 and 2018 amounted to ¥500,827 million (\$4,512,361 thousand) and ¥436,907 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 five 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 adjustment 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 currency 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 three months or less.

3. CHANGES IN ACCOUNTING POLICY/CHANGES IN PRESENTATION

For the year ended March 31, 2018 Information about changes in accounting policy/changes in presentation for the year ended March 31, 2018 is not applicable. For the year ended March 31, 2019 (Changes due to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”) The Company and its domestic subsidiaries adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018 (hereinafter, “Statement No. 28”)) from the beginning of the current fiscal year and changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of “non-current assets” and “non-current liabilities,” respectively.

As a result, in the consolidated balance sheet of the previous fiscal year, “deferred tax assets” of ¥5,576 million (\$50,238 thousand) classified in “current assets” and “deferred tax liabilities” of ¥230 million (\$2,072 thousand) classified in “non-current liabilities” were presented in “non-current assets” of ¥66,036 million (\$594,972 thousand), and “deferred tax liabilities” classified in “non-current liabilities” were presented in “non-current liabilities” of ¥227 million (\$2,045 thousand). The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation allowance) and 9 of the “Accounting Standard for Tax Effect Accounting,” which are required in paragraphs 3 to 5 of Statement No. 28. However, that additional information corresponding to the previous fiscal year is not disclosed, following the transitional treatments prescribed in paragraph 7 of Statement No. 28.

Accounting Standards Issued but Not yet Effective

The following standard and guidance were issued but not yet adopted.
 -“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)
 -“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)
 (1)Overview
 The International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) co-developed a new comprehensive revenue recognition standard and published “Revenue from Contracts with Customers” in May 2014 (International Financial Reporting Standard (IFRS) No. 15 in IASB, Topic 606 in FASB). Considering IFRS No.15 will be applied from the fiscal year starting January 1, 2018 and Topic 606 from the fiscal year starting December 15, 2017, the ASBJ developed the comprehensive Accounting Standard for Revenue Recognition and published them together with implementation guidance. The fundamental policy for developing the Accounting Standard for Revenue Recognition by the ASBJ was that the accounting standards would incorporate the fundamental policy of IFRS No. 15 as the starting point from the perspective of comparability of financial statements, which is one of the benefits of achieving consistency with IFRS No. 15. If there are matters to be taken into consideration in Japan in actual practice, etc., alternative handling will be added within a range that would not impair financial statement comparability.
 (2)Effective date
 Effective from the beginning of the fiscal year ending March 31, 2021.
 (3)Effects of the application of the standards
 The Company and its domestic consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

4. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. A rate of ¥110.99 = US\$1.00, the approximate exchange rate prevailing on March 31, 2019, 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 on March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
| As of March 31 | 2019 | 2018 | 2019 |
| Cash and deposits | ¥ 462,064 | ¥ 417,842 | \$ 4,163,113 |
| Securities | 60,000 | 30,999 | 540,589 |
| Time deposits with a maturity of more than three months | (269,268) | (265,971) | (2,426,056) |
| Cash and cash equivalents | ¥ 252,795 | ¥ 182,870 | \$ 2,277,637 |

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, 2019 and 2018 amounted to ¥39,210 million (\$353,275 thousand) and ¥37,477 million, respectively. Bonds of affiliates which were included in “investment securities” in the consolidated balance sheets on March 31, 2019 and 2018 amounted to ¥3,330 million (\$30,002 thousand) and ¥3,330 million, respectively. Investments in other securities of non-consolidated subsidiaries and affiliates which were included in “investment securities” in the consolidated balance sheets on March 31, 2019 amounted to ¥1,679 million (\$15,127 thousand).

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, and 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, 2019 and 2018 were as follows:

| | Millions of yen | | |
|---|-----------------|------------|------------|
| As of March 31, 2019 | Book value | Fair value | Difference |
| Assets | | | |
| (1) Cash and deposits | ¥ 462,064 | ¥ 462,064 | ¥ – |
| (2) Notes and operating accounts receivable | 153,112 | 153,112 | – |
| (3) Securities and investment securities | | | |
| (i) Investment securities of non-consolidated subsidiaries and affiliates | 17,145 | 16,075 | (1,069) |
| (ii) Other investment securities | 104,036 | 104,036 | – |
| Total | 736,358 | 735,288 | (1,069) |
| Liabilities | | | |
| (1) Operating accounts payable | 185,650 | 185,650 | – |
| (2) Short-term loans payable | 65 | 65 | – |
| (3) Bonds payable | 50,000 | 50,568 | 568 |
| (4) Long-term loans payable | 86,811 | 86,811 | – |
| (5) Lease obligations | 4,966 | 4,966 | – |
| (6) Long-term accounts payable—installment purchase | 503 | 503 | – |
| Total | 327,997 | 328,565 | 568 |
| Derivatives* | ¥ 2,412 | ¥ 2,419 | ¥ 7 |

* Derivatives assets and liabilities are stated on a net basis, and net liabilities are enclosed in parentheses. Transactions for which hedge accounting has not been applied are omitted as they are not important.

| | Thousands of U.S. dollars | | |
|---|---------------------------|--------------|------------|
| As of March 31, 2019 | Book value | Fair value | Difference |
| Assets | | | |
| (1) Cash and deposits | \$ 4,163,113 | \$ 4,163,113 | \$ – |
| (2) Notes and operating accounts receivable | 1,379,511 | 1,379,511 | – |
| (3) Securities and investment securities | | | |
| (i) Investment securities of non-consolidated subsidiaries and affiliates | 154,473 | 144,832 | (9,631) |
| (ii) Other investment securities | 937,345 | 937,345 | – |
| Total | 6,634,453 | 6,624,813 | (9,631) |
| Liabilities | | | |
| (1) Operating accounts payable | 1,672,673 | 1,672,673 | – |
| (2) Short-term loans payable | 585 | 585 | – |
| (3) Bonds payable | 450,491 | 455,608 | 5,117 |
| (4) Long-term loans payable | 782,151 | 782,151 | – |
| (5) Lease obligations | 44,742 | 44,742 | – |
| (6) Long-term accounts payable—installment purchase | 4,531 | 4,531 | – |
| Total | 2,955,194 | 2,960,311 | 5,117 |
| Derivatives* | \$ 21,731 | \$ 21,794 | \$ 63 |

* Derivatives assets and liabilities are stated on a net basis, and net liabilities are enclosed in parentheses. Transactions for which hedge accounting has not been applied are omitted as they are not important.

| As of March 31, 2018 | Millions of yen | | |
|---|-----------------|------------|------------|
| | Book value | Fair value | Difference |
| Assets | | | |
| (1) Cash and deposits | ¥ 417,842 | ¥ 417,842 | ¥ – |
| (2) Notes and operating accounts receivable | 151,262 | 151,262 | – |
| (3) Securities and investment securities | | | |
| (i) Investment securities of non-consolidated subsidiaries and affiliates | 16,433 | 20,629 | 4,196 |
| (ii) Other investment securities | 69,632 | 69,632 | – |
| Total | 655,170 | 659,366 | 4,196 |
| Liabilities | | | |
| (1) Operating accounts payable | 177,937 | 177,937 | – |
| (2) Short-term loans payable | 3,150 | 3,150 | – |
| (3) Bonds payable | 20,000 | 20,065 | 65 |
| (4) Long-term loans payable | 95,252 | 95,252 | – |
| (5) Lease obligations | 6,708 | 6,708 | – |
| (6) Long-term accounts payable—installment purchase | 666 | 666 | – |
| Total | 303,715 | 303,780 | 65 |
| Derivatives* | ¥ 8,312 | ¥ 8,307 | ¥ (4) |

* Derivatives assets and liabilities are stated on a net basis, and net liabilities are enclosed in parentheses.
 Transactions for which hedge accounting has not been applied are omitted as they are not important.

(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 |
|---|-----------------|----------|------------|---------------------------|
| | 2019 | 2018 | 2019 | |
| Investment securities of non-consolidated subsidiaries and affiliates | ¥ 22,065 | ¥ 21,043 | \$ 198,801 | |
| Held-to-maturity securities | 3,330 | 3,330 | 30,002 | |
| Other securities | 14,711 | 11,318 | 132,543 | |

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, 2019 | Millions of yen | | | |
|---|-----------------|---------------------------------------|---------------------------------------|--------------------|
| | Within one year | More than one year, within five years | More than five years, within 10 years | More than 10 years |
| Cash and deposits | ¥ 462,064 | ¥ – | ¥ – | ¥ – |
| Notes and operating accounts receivable | 153,112 | – | – | – |
| Investment securities: Short-term investments | 60,000 | – | – | – |
| Held-to-maturity securities | – | – | – | 3,330 |
| Other securities with maturity date | – | 1,027 | – | – |

| As of March 31, 2019 | Thousands of U.S. dollars | | | |
|---|---------------------------|---------------------------------------|---------------------------------------|--------------------|
| | Within one year | More than one year, within five years | More than five years, within 10 years | More than 10 years |
| Cash and deposits | \$ 4,163,113 | \$ – | \$ – | \$ – |
| Notes and operating accounts receivable | 1,379,511 | – | – | – |
| Investment securities: Short-term investments | 540,589 | – | – | – |
| Held-to-maturity securities | – | – | – | 30,002 |
| Other securities with maturity date | – | 9,253 | – | – |

| As of March 31, 2018 | Millions of yen | | | |
|---|-----------------|---------------------------------------|---------------------------------------|--------------------|
| | Within one year | More than one year, within five years | More than five years, within 10 years | More than 10 years |
| Cash and deposits | ¥ 417,842 | ¥ – | ¥ – | ¥ – |
| Notes and operating accounts receivable | 151,262 | – | – | – |
| Investment securities: Short-term investments | 30,999 | – | – | – |
| Held-to-maturity securities | – | – | – | 3,330 |
| Other securities with maturity date | – | 2,091 | – | – |

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, 2019 and 2018. 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, 2019 and 2018 were summarized as follows:

| As of March 31, 2019 | Millions of yen | | |
|------------------------|------------------|----------------|------------------------|
| | Acquisition cost | Carrying value | Unrealized gain (loss) |
| Unrealized gain: | | | |
| Stocks | ¥ 15,095 | ¥ 43,294 | ¥ 28,199 |
| | 15,095 | 43,294 | 28,199 |
| Unrealized loss: | | | |
| Stocks | 815 | 742 | (72) |
| Short-term investments | 60,000 | 60,000 | – |
| | 60,815 | 60,742 | (72) |
| Total | ¥ 75,910 | ¥ 104,036 | ¥ 28,126 |

| As of March 31, 2019 | Thousands of U.S. dollars | | |
|------------------------|---------------------------|----------------|------------------------|
| | Acquisition cost | Carrying value | Unrealized gain (loss) |
| Unrealized gain: | | | |
| Stocks | \$ 136,003 | \$ 390,071 | \$ 254,067 |
| | 136,003 | 390,071 | 254,067 |
| Unrealized loss: | | | |
| Stocks | 7,343 | 6,685 | (648) |
| Short-term investments | 540,589 | 540,589 | – |
| | 547,932 | 547,274 | (648) |
| Total | \$ 683,935 | \$ 937,345 | \$ 253,410 |

| As of March 31, 2018 | Millions of yen | | |
|------------------------|------------------|----------------|------------------------|
| | Acquisition cost | Carrying value | Unrealized gain (loss) |
| Unrealized gain: | | | |
| Stocks | ¥ 15,410 | ¥ 38,157 | ¥ 22,747 |
| | 15,410 | 38,157 | 22,747 |
| Unrealized loss: | | | |
| Stocks | 499 | 474 | (25) |
| Short-term investments | 30,999 | 30,999 | – |
| | 31,499 | 31,474 | (25) |
| Total | ¥ 46,910 | ¥ 69,632 | ¥ 22,721 |

Proceeds from sales of securities classified as other securities for the year ended March 31, 2018 amounted to ¥1,496 million. For the year ended March 31, 2018, the aggregate gain realized on those sales totaled ¥764 million, and the aggregate loss realized on those sales totaled ¥2 million. Neither of them was applicable for the year ended March 31, 2019.

9. DERIVATIVES AND HEDGING ACTIVITIES

Certain consolidated subsidiaries utilize forward foreign currency 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 its 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. The contract amount and the estimated fair value of the open derivatives positions on March 31, 2019 and 2018, which met the criteria required for the application of hedge accounting, are summarized as follows:

| As of March 31, 2019 | | Millions of yen | | | Thousands of U.S. dollars | | |
|--|----------------------------|-----------------|-------------------------|----------------------|---------------------------|-------------------------|----------------------|
| | | Contract amount | | | Contract amount | | |
| Type of derivative | Major hedged items | Total | Maturing after one year | Estimated fair value | Total | Maturing after one year | Estimated fair value |
| Forward foreign currency exchange contracts: | | | | | | | |
| Buy: | | | | | | | |
| USD | Operating accounts payable | ¥ 55,926 | ¥ 3,252 | ¥ 687 | \$ 503,883 | \$ 29,299 | \$ 6,189 |
| EUR | Operating accounts payable | 2,513 | 34 | (102) | 22,641 | 306 | (919) |
| Others | Operating accounts payable | 1,287 | – | (27) | 11,595 | – | (243) |
| Currency options: | | | | | | | |
| Buy: | | | | | | | |
| Call option | Operating accounts payable | 80,140 | 19,634 | 363 | 722,047 | 176,898 | 3,270 |
| Sell: | | | | | | | |
| Put option | Operating accounts payable | 69,040 | 15,702 | (134) | 622,038 | 141,472 | (1,207) |
| Commodity swaps: | | | | | | | |
| Received variable/pay fixed | Aircraft fuel | 81,055 | 21,049 | 1,624 | 730,291 | 189,647 | 14,631 |

Method of hedge accounting: Special treatment
(“Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – k. Derivatives and Hedge Accounting”)

| | | | | | | | |
|--|----------------------------|-----|---|---------|-------|---|-----------|
| Forward foreign currency exchange contracts: | | | | | | | |
| Buy: | | | | | | | |
| USD | Operating accounts payable | 919 | – | 29 | 8,280 | – | 261 |
| EUR | Operating accounts payable | 259 | – | (17) | 2,333 | – | (153) |
| Others | Operating accounts payable | 223 | – | (5) | 2,009 | – | (45) |
| Total | | | | ¥ 2,419 | | | \$ 21,794 |

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

| As of March 31, 2018 | | Millions of yen | | |
|--|----------------------------|-----------------|-------------------------|----------------------|
| | | Contract amount | | |
| Type of derivative | Major hedged items | Total | Maturing after one year | Estimated fair value |
| Forward foreign currency exchange contracts: | | | | |
| Buy: | | | | |
| USD | Operating accounts payable | ¥ 41,055 | ¥ 2,476 | ¥ (1,450) |
| EUR | Operating accounts payable | 2,673 | 64 | (27) |
| Others | Operating accounts payable | 1,594 | 2 | (62) |
| Currency options: | | | | |
| Buy: | | | | |
| Call option | Operating accounts payable | 69,659 | 17,343 | 449 |
| Sell: | | | | |
| Put option | Operating accounts payable | 61,946 | 14,691 | (1,299) |
| Commodity swaps: | | | | |
| Received variable/pay fixed | Aircraft fuel | 67,883 | 17,908 | 10,702 |

Method of hedge accounting: Special treatment (“Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – k. Derivatives and Hedge Accounting”)

| | | | | |
|--|----------------------------|-----|---|---------|
| Forward foreign currency exchange contracts: | | | | |
| Buy: | | | | |
| USD | Operating accounts payable | 761 | – | (17) |
| EUR | Operating accounts payable | 258 | – | 15 |
| Others | Operating accounts payable | 183 | – | (2) |
| Total | Aircraft fuel | | | ¥ 8,307 |

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

10. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Certain The weighted-average interest rate for short-term loans payable outstanding on March 31, 2019 was 0.0%. Long-term debt on March 31, 2019 and 2018 consisted of the following:

| As of March 31 | Millions of yen | | Thousands of U.S. dollars | Weighted-average interest rate |
|--|-----------------|-----------|---------------------------|--------------------------------|
| | 2019 | 2018 | 2019 | 2019 |
| Long-term loans: | | | | |
| Current portion of long-term loans payable | ¥ 13,287 | ¥ 14,555 | \$ 119,713 | 0.4% |
| Long-term loans payable (excluding current portion) due 2020 to 2030 | 73,524 | 80,696 | 662,438 | 0.2% |
| Lease obligations: | | | | |
| Current portion of lease obligations | 2,461 | 2,389 | 22,173 | 2.9% |
| Lease obligations (excluding current portion) due 2020 to 2032 | 2,504 | 4,319 | 22,560 | 1.2% |
| Long-term accounts payable—installment purchase: | | | | |
| Current portion of long-term accounts payable—installment purchase | 190 | 185 | 1,711 | 2.0% |
| Long-term accounts payable—installment purchase (excluding current portion) due 2021 to 2026 | 312 | 480 | 2,811 | 2.0% |
| Bonds payable: | | | | |
| Bonds payable due 2021 to 2038 | 50,000 | 20,000 | 450,491 | 0.4% |
| Total | ¥ 142,281 | ¥ 122,626 | \$1,281,926 | |

The aggregate annual maturities of long-term debt within five years subsequent to March 31, 2019 are summarized as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2020 | ¥ 15,939 | \$ 143,607 |
| 2021 | 11,388 | 102,603 |
| 2022 | 20,905 | 188,350 |
| 2023 | 10,400 | 93,702 |
| 2024 | 19,088 | 171,979 |
| 2025 and thereafter | 64,558 | 581,656 |
| Total | ¥ 142,281 | \$ 1,281,926 |

Assets pledged as collateral as of March 31, 2019 for long-term and short-term debt of ¥86,620 million (\$780,430 thousand) are flight equipment and others totaling ¥162,738 million (\$1,466,240 thousand). Assets pledged as collateral as of March 31, 2018 for long-term and short-term debt of ¥94,023 million are flight equipment and others totaling ¥170,397 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 Company entered into loan commitment agreements amounting to ¥50,000 million (\$450,491 thousand) with three banks. There were no loan payables outstanding 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, 2019, the Company and 38 consolidated subsidiaries had adopted a lump-sum severance indemnity plan. Additionally, there were three corporate pension funds, including the Japan Airlines Welfare Pension Fund. Certain foreign subsidiaries have also established contributory defined benefit pension plans.

The Japan Airlines Welfare Pension Fund also introduced an option similar to a cash-balance plan as well as other alternatives. The JAL Group Pension Fund, which was established by certain consolidated subsidiaries, introduced a cash-balance plan option. Some of the consolidated subsidiaries adopt the simplified method for the calculation of retirement benefit obligations.

For the years ended March 31, 2019 and 2018

a. Defined Benefit Plans

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

| Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|-----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Balance at beginning of period | ¥ 471,248 | ¥ 477,584 | \$ 4,245,859 |
| Service cost | 13,131 | 12,946 | 118,307 |
| Interest cost | 3,482 | 3,527 | 31,372 |
| Actuarial loss | 2,280 | 1,363 | 20,542 |
| Benefit paid | (24,323) | (24,169) | (219,145) |
| Other | (1) | (3) | (9) |
| Total | ¥ 465,816 | ¥ 471,248 | \$ 4,196,918 |

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

| Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|-----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Balance at beginning of period | ¥ 245,430 | ¥ 242,402 | \$ 2,211,280 |
| Expected return on plan assets | 3,749 | 3,698 | 33,777 |
| Actuarial gain | 185 | 1,091 | 1,666 |
| Contributions paid by the employer | 28,194 | 17,817 | 254,022 |
| Benefit paid | (19,712) | (19,579) | (177,601) |
| Balance at end of period | ¥ 257,847 | ¥ 245,430 | \$ 2,323,155 |

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

| Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| Balance at beginning of period | ¥ 2,146 | ¥ 2,059 | \$ 19,335 |
| Retirement benefit cost | 400 | 343 | 3,603 |
| Contributions paid by the employer | (124) | (106) | (1,117) |
| Benefit paid | (169) | (149) | (1,522) |
| Decrease due to partial termination of retirement benefit plans | (31) | — | (279) |
| Other | (4) | (0) | (36) |
| Balance at end of period | ¥ 2,216 | ¥ 2,146 | \$ 19,965 |

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

| Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Funded retirement benefit obligations | ¥ 373,012 | ¥ 380,893 | \$ 3,360,771 |
| Plan assets | (261,405) | (248,801) | (2,355,212) |
| | 111,606 | 132,092 | 1,005,550 |
| Unfunded retirement benefit obligations | 98,579 | 95,871 | 888,179 |
| Total net defined benefit liability (asset) | 210,186 | 227,964 | 1,893,738 |
| Net defined benefit liability | 212,672 | 230,084 | 1,916,136 |
| Net defined benefit asset | (2,486) | (2,119) | (22,398) |
| Total net defined benefit liability (asset) | ¥ 210,186 | ¥ 227,964 | \$ 1,893,738 |

(5) Retirement benefit costs

| Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Service cost | ¥ 13,131 | ¥ 12,946 | \$ 118,307 |
| Interest cost | 3,482 | 3,527 | 31,372 |
| Expected return on plan assets | (3,749) | (3,698) | (33,777) |
| Past service costs amortization | (60) | (49) | (540) |
| Net actuarial loss amortization | 7,713 | 7,771 | 69,492 |
| Retirement benefit cost based on the simplified method | 400 | 343 | 3,603 |
| Other | (697) | (670) | (6,279) |
| Total | ¥ 20,221 | ¥ 20,169 | \$ 182,187 |

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

| Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|----------------------|-----------------|---------|---------------------------|
| | 2019 | 2018 | 2019 |
| Past service costs | ¥ (60) | ¥ (49) | \$ (540) |
| Actuarial gains | 5,619 | 7,499 | 50,626 |
| Total | ¥ 5,558 | ¥ 7,449 | \$ 50,076 |

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

| As of March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Past service costs that are yet to be recognized | ¥ (259) | ¥ (320) | \$ (2,333) |
| Actuarial losses that are yet to be recognized | 62,538 | 68,157 | 563,456 |
| Total | ¥ 62,278 | ¥ 67,837 | \$ 561,113 |

(8) Plan assets

| Years ended March 31 | 2019 | 2018 |
|------------------------|------|------|
| | % | % |
| General insurance fund | 91 | 91 |
| Bond | 4 | 4 |
| Other | 5 | 5 |
| Total | 100 | 100 |

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

(9) Actuarial assumptions

| Years ended March 31 | 2019 | 2018 |
|-----------------------------------|---------|---------|
| | % | % |
| Discount rate | 0.4–1.2 | 0.4–1.2 |
| Long-term expected rate of return | 1.0–2.0 | 1.0–2.0 |

b. Defined Contribution Plans

The Company and its consolidated subsidiaries contributed a total of ¥1,629 million (\$14,676 thousand) and ¥1,614 million for the years ended March 31, 2019 and 2018, respectively.

12. INCOME TAX

The significant components of deferred tax assets and liabilities and the related valuation allowances on March 31, 2019 and 2018 were as follows:

| As of March 31 | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Deferred tax assets: | | | |
| Net defined benefit liability | ¥ 64,380 | ¥ 69,633 | \$ 580,052 |
| Operating accounts payable | 11,020 | 11,790 | 99,288 |
| Accrued bonuses | 7,735 | 355 | 69,690 |
| Non-recurring depreciation | 4,827 | 4,826 | 43,490 |
| Deferred liability on flight equipment | 2,943 | 1,625 | 26,515 |
| Asset retirement obligations | 2,482 | 1,194 | 22,362 |
| Impairment loss | 2,274 | 54 | 20,488 |
| Reserve for loss on antitrust litigation | 1,776 | 1,777 | 16,001 |
| Deferred losses on hedges | 880 | 675 | 7,928 |
| Lease obligations | — | 269 | — |
| Tax loss carryforwards ^{*2} | 7,360 | 152,047 | 66,312 |
| Other | 9,728 | 9,203 | 87,647 |
| Subtotal of deferred tax assets | 115,411 | 253,453 | 1,039,832 |
| Valuation allowance for tax loss carryforwards ^{*2} | (567) | — | (5,108) |
| Valuation allowance for deductible temporary differences | (4,605) | — | (41,490) |
| Subtotal of valuation allowances ^{*1} | (5,173) | (174,066) | (46,607) |
| Total deferred tax assets | 110,238 | 79,386 | 993,224 |
| Deferred tax liabilities: | | | |
| Valuation difference on available-for-sale securities | 8,548 | 6,854 | 77,015 |
| Deferred gains on hedges | 1,722 | 3,521 | 15,514 |
| Asset retirement obligations | 629 | 336 | 5,667 |
| Leased assets | — | 202 | — |
| Other | 2,882 | 2,662 | 25,966 |
| Total deferred tax liabilities | 13,782 | 13,577 | 124,173 |
| Net deferred tax assets | ¥ 96,455 | ¥ 65,808 | \$ 869,042 |

*1 Valuation allowances decreased by ¥168,893 million (\$1,521,695 thousand). The main reasons for this are: (1) the valuation allowance for tax loss carryforwards has decreased since the tax loss carryforwards resulting from reorganization expired at the Company and (2) the valuation allowance for deductible temporary differences, etc., based on the estimated amount of future taxable income has decreased owing to the JAL Group's stable performance.

*2 Tax loss carryforwards and the deferred tax assets for that by deadline of carry forward:

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| As of March 31, 2019 | Millions of yen | | | | | | Total |
|----------------------------|-----------------|------|------|------|------|-----------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and beyond | |
| Tax loss carryforwards (a) | ¥ 7,156 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 204 | ¥ 7,360 |
| Valuation allowance | (363) | — | — | — | — | (204) | (567) |
| Deferred tax assets | ¥ 6,792 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 6,792 (b) |

| As of March 31, 2019 | Thousands of U.S. dollars | | | | | | Total |
|----------------------------|---------------------------|------|------|------|------|-----------------|---------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and beyond | |
| Tax loss carryforwards (a) | \$ 64,474 | \$ — | \$ — | \$ — | \$ — | \$ 1,838 | \$ 66,312 |
| Valuation allowance | (3,270) | — | — | — | — | (1,838) | (5,108) |
| Deferred tax assets | \$ 61,194 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 61,194 (b) |

(a) Tax loss carryforwards are the amount resulting from multiplying the statutory rate.
(b) As taxable income against which tax loss carryforwards can be utilized is likely to be earned in the next year, the Company has determined that deferred tax assets for the tax loss carryforwards are recoverable.

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, 2019 and 2018 were as follows:

| Years ended March 31 | 2019 | 2018 |
|---|--------|--------|
| | % | % |
| Statutory rate | 29.9 | 30.2 |
| Share of loss of entities accounted for using equity method | (0.3) | (0.5) |
| Changes in valuation allowance (including the tax loss carryforwards expired) | (30.8) | (14.3) |
| Other | 1.9 | (2.2) |
| Effective tax rate | 0.7 | 13.2 |

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

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 18, 2019, the shareholders approved dividends of surplus amounting to ¥19,189 million (\$172,889 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2019.

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, 2019 were as follows:

| Year ended March 31, 2019 | Thousands of shares | | | |
|---|---------------------|----------|----------|-------------------|
| | On April 1, 2018 | Increase | Decrease | On March 31, 2019 |
| 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 | 353,715 | — | 4,687 | 349,028 |
| Total | 353,715 | — | 4,687 | 349,028 |
| Number of shares of common stock in treasury: | | | | |
| Common stock | 2,555 | 2,333 | 4,687 | 201 |
| Total | 2,555 | 2,333 | 4,687 | 201 |

The increase in common stock in treasury of 2,333 thousand shares is due to the share repurchase.

The decrease in common stock and common stock in treasury of 4,687 thousand shares is due to the retirement of treasury shares.

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, 2018 were as follows:

| Year ended March 31, 2018 | Thousands of shares | | | |
|---|---------------------|----------|----------|-------------------|
| | On April 1, 2017 | Increase | Decrease | On March 31, 2018 |
| 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 | 353,715 | — | — | 353,715 |
| Total | 353,715 | — | — | 353,715 |
| Number of shares of common stock in treasury: | | | | |
| Common stock | 199 | 2,356 | — | 2,555 |
| Total | 199 | 2,356 | — | 2,555 |

14. OTHER COMPREHENSIVE INCOME

Reclassification adjustments for each component of other comprehensive income including tax effect for the years ended March 31, 2019 and 2018 were as follows:

| Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Valuation difference on available-for-sale securities, net of taxes: | | | |
| Unrealized holding gains arising during the period | ¥ 5,562 | ¥ 3,722 | \$ 50,112 |
| Less: Reclassification adjustment included in profit | — | — | — |
| Pre-tax amount | 5,562 | 3,722 | 50,112 |
| Tax expense (benefit) | (1,693) | (1,131) | (15,253) |
| Valuation difference on available-for-sale securities, net of taxes | 3,868 | 2,590 | 34,849 |
| Deferred gains (losses) on hedges, net of taxes: | | | |
| Deferred gains (losses) arising during the period | 5,835 | 12,595 | 52,572 |
| Less: Reclassification adjustment included in profit | (12,252) | (2,702) | (110,388) |
| Pre-tax amount | (6,417) | 9,892 | (57,816) |
| Tax expense (benefit) | 1,912 | (2,923) | 17,226 |
| Deferred gains (losses) on hedges, net of taxes | (4,505) | 6,969 | (40,589) |
| Foreign currency translation adjustment: | | | |
| Translation adjustment arising during the period | 25 | (308) | 225 |
| Less: Reclassification adjustment included in profit | (0) | 11 | (0) |
| Foreign currency translation adjustment | 25 | (296) | 225 |
| Remeasurements of defined benefit plans: | | | |
| Remeasurements of defined benefit plans arising during the period | (2,094) | (271) | (18,866) |
| Less: Reclassification adjustment included in profit | 7,653 | 7,721 | 68,952 |
| Pre-tax amount | 5,558 | 7,449 | 50,076 |
| Tax expense (benefit) | (1,712) | (1,968) | (15,424) |
| Remeasurements of defined benefit plans | 3,845 | 5,481 | 34,642 |
| Share of other comprehensive income of entities accounted for using equity method: | | | |
| Share of other comprehensive income of entities accounted for using equity method arising during the period | 71 | 70 | 639 |
| Total other comprehensive income | ¥ 3,305 | ¥ 14,814 | \$ 29,777 |

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 years ended March 31, 2019 and 2018, respectively.

The Company and certain consolidated subsidiaries have recognized impairment loss on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2019:

| Assets utilized in the Company's and consolidated subsidiaries' operations | Groups of assets | Locations |
|--|---|---|
| Assets to be sold or disposed of | Flight equipment | — |
| Assets to be disposed of | Equipment (Including asset retirement obligation) | Narita International Airport Maintenance district |

An impairment loss of ¥7,898 million (\$71,159 thousand) was recognized as non-operating expenses in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2019. The main breakdown is flight equipment of ¥477 million (\$4,297 thousand) and equipment including removal costs corresponding to asset retirement obligation in the Narita International Airport Maintenance district scheduled for reorganizations of ¥7,421 million (\$66,861 thousand). The recoverable amount of assets to be sold or disposed of is measured by the net realizable value based on a sales agreement (assets that cannot be sold are evaluated as zero), or calculated by discounting future cash flows measured by value in use by 5.0%.

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, 2018:

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

An impairment loss of ¥1,209 million 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, 2018.

16. LEASES

As Lessee

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.

Future rental expenses under non-cancelable operating leases outstanding on March 31, 2019 and 2018 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------|-----------------|----------|---------------------------|
| As of March 31 | 2019 | 2018 | 2019 |
| Within one year | ¥ 14,368 | ¥ 12,278 | \$ 129,453 |
| Over one year | 66,802 | 55,188 | 601,874 |
| Total | ¥ 81,170 | ¥ 67,466 | \$ 731,327 |

17. CONTINGENT LIABILITIES

On March 31, 2019 and 2018, contingent liabilities for guarantees for bank loans of employees amounted to ¥81 million (\$729 thousand) and ¥107 million, respectively.

On March 31, 2019 and 2018, contingent liabilities for guarantees for lease obligations of Jetstar Japan Co., Ltd. amounted to ¥3,680 million (\$33,156 thousand) and ¥4,042 million, respectively.

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 (\$70,880 thousand) on March 31, 2019 and 2018.

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, 2019 and 2018 since the Company had no equity instruments issued that had a dilutive effect on earnings per share.

| | yen | | U.S. dollars |
|-------------------------------------|----------|----------|--------------|
| Years ended March 31 | 2019 | 2018 | 2019 |
| Earnings per share of common stock: | | | |
| Basic | ¥ 432.10 | ¥ 383.23 | \$ 3.89 |

The following table sets forth the computation of basic earnings per share of common stock for the years ended March 31, 2019 and 2018:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
| Years ended March 31 | 2019 | 2018 | 2019 |
| Earnings (allocable to) available for shareholders of common stock: | | | |
| Profit attributable to owners of parent | ¥ 150,807 | ¥ 135,406 | \$ 1,358,744 |
| Appropriations for payment of preferred dividend | — | — | — |
| | ¥ 150,807 | ¥ 135,406 | \$ 1,358,744 |

| | Thousands of shares | |
|---|---------------------|---------|
| Years ended March 31 | 2019 | 2018 |
| Weighted-average number of shares of common stock outstanding | 349,006 | 353,334 |

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

| | yen | | U.S. dollars |
|--------------------------------------|------------|------------|--------------|
| Years ended March 31 | 2019 | 2018 | 2019 |
| Net assets per share of common stock | ¥ 3,340.15 | ¥ 3,019.52 | \$ 30.09 |

19. ASSET RETIREMENT OBLIGATIONS

a. Asset Retirement Obligations Recognized in the Consolidated Balance Sheets on March 31, 2019 and 2018

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, 2019 and 2018. 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, 2019 and 2018 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, 2019 and 2018:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| Years ended March 31 | 2019 | 2018 | 2019 |
| Balance at beginning of period | ¥ 3,988 | ¥ 3,788 | \$ 35,931 |
| Increase due to purchases of tangible fixed assets | 2 | 0 | 18 |
| Increase due to changes in estimated obligations* | 5,031 | 143 | 45,328 |
| Accretion due to the passage of time | 58 | 56 | 522 |
| Decrease due to settlement | (423) | (0) | (3,811) |
| Balance at end of period | ¥ 8,657 | ¥ 3,988 | \$ 77,998 |

* Regarding the buildings in the Narita International Airport Maintenance district, ¥5,001 million (\$45,058 thousand) is recognized as the total cost and the timing of the obligation to restore them to their original condition have become estimable for the year ended March 31, 2019.

b. Asset Retirement Obligations Not Recognized in the Consolidated Balance Sheets as of March 31, 2019 and 2018

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.

20. SEGMENT INFORMATION

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

The accounting policies of the segments are substantially the same as those described in [the significant accounting policies in “Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.” Inter-group sales are recorded under the same conditions used in transactions with third parties.

| Year ended March 31, 2019 | Millions of yen | | | | |
|---|--------------------|-----------|-------------|--------------|--------------|
| | Air transportation | Other | Total | Eliminations | Consolidated |
| Operating revenue: | | | | | |
| External | ¥ 1,234,497 | ¥ 252,764 | ¥ 1,487,261 | ¥ — | ¥ 1,487,261 |
| Intersegment | 123,105 | 35,425 | 158,531 | (158,531) | — |
| Total | 1,357,603 | 288,190 | 1,645,793 | (158,531) | 1,487,261 |
| Segment profit | 162,316 | 13,880 | 176,196 | (36) | 176,160 |
| Assets | 1,971,986 | 189,582 | 2,161,569 | (131,240) | 2,030,328 |
| Depreciation and amortization | 121,863 | 2,249 | 124,113 | (9) | 124,104 |
| Impairment loss | 7,898 | — | 7,898 | — | 7,898 |
| Investments in entities accounted for using equity method | 8,246 | 23,323 | 31,570 | — | 31,570 |
| Increase in tangible fixed assets and intangible assets | ¥ 221,708 | ¥ 1,768 | ¥ 223,477 | ¥ — | ¥ 223,477 |

| Year ended March 31, 2019 | Thousands of U.S. dollars | | | | |
|---|---------------------------|--------------|---------------|--------------|---------------|
| | Air transportation | Other | Total | Eliminations | Consolidated |
| Operating revenue: | | | | | |
| External | \$ 11,122,596 | \$ 2,277,358 | \$ 13,399,954 | \$ — | \$ 13,399,954 |
| Intersegment | 1,109,153 | 319,172 | 1,428,335 | (1,428,335) | — |
| Total | 12,231,759 | 2,596,540 | 14,828,299 | (1,428,335) | 13,399,954 |
| Segment profit | 1,462,438 | 125,056 | 1,587,494 | (324) | 1,587,170 |
| Assets | 17,767,240 | 1,708,099 | 19,475,349 | (1,182,448) | 18,292,891 |
| Depreciation and amortization | 1,097,963 | 20,263 | 1,118,235 | (81) | 1,118,154 |
| Impairment loss | 71,159 | — | 71,159 | — | 71,159 |
| Investments in entities accounted for using equity method | 74,294 | 210,136 | 284,440 | — | 284,440 |
| Increase in tangible fixed assets and intangible assets | \$ 1,997,549 | \$ 15,929 | \$ 2,013,487 | \$ — | \$ 2,013,487 |

| Year ended March 31, 2018 | Millions of yen | | | | |
|---|--------------------|-----------|-------------|--------------|--------------|
| | Air transportation | Other | Total | Eliminations | Consolidated |
| Operating revenue: | | | | | |
| External | ¥ 1,140,333 | ¥ 242,923 | ¥ 1,383,257 | ¥ — | ¥ 1,383,257 |
| Intersegment | 116,931 | 32,386 | 149,318 | (149,318) | — |
| Total | 1,257,265 | 275,310 | 1,532,575 | (149,318) | 1,383,257 |
| Segment profit | 161,261 | 13,401 | 174,662 | (96) | 174,565 |
| Assets | 1,800,285 | 172,840 | 1,973,126 | (119,128) | 1,853,997 |
| Depreciation and amortization | 108,236 | 2,635 | 110,872 | (11) | 110,860 |
| Impairment loss | 1,184 | 25 | 1,209 | — | 1,209 |
| Investments in entities accounted for using equity method | 8,475 | 22,192 | 30,668 | — | 30,668 |
| Increase in tangible fixed assets and intangible assets | ¥ 209,541 | ¥ 1,263 | ¥ 210,804 | ¥ — | ¥ 210,804 |

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

From the beginning of the current fiscal year, the Company and its domestic consolidated subsidiaries adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and changed the method of presentation. Segment assets are indicated using converted figures that reflect changes to the method of presentation on March 31, 2018.

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, 2019 and 2018, export sales of domestic consolidated subsidiaries and sales of consolidated subsidiaries outside Japan for the years ended March 31, 2019 and 2018 were as follows:

| Years ended March 31 | Millions of yen | | Thousands of U.S. dollars |
|----------------------|-----------------|-----------|---------------------------|
| | 2019 | 2018 | 2019 |
| Asia and Oceania | ¥ 274,167 | ¥ 237,359 | \$ 2,470,195 |
| North America | 236,802 | 209,263 | 2,133,543 |
| Europe | 100,944 | 89,247 | 909,487 |
| Total | ¥ 611,914 | ¥ 535,871 | \$ 5,513,235 |

21. RELATED-PARTY INFORMATION

There are no material transactions that need to be presented for the years ended March 31, 2019 and 2018.

22. SUBSEQUENT EVENTS

Share Repurchase

The Company resolved to purchase treasury shares at the meeting of the Board of Directors held on April 26, 2019, in accordance with the Companies Act Article 156, Paragraph 1, applied by replacement under Article 165, Paragraph 3 of the same Act.

As a result, the following was implemented.

- Reasons for share repurchase
To improve capital efficiency and expand shareholders' return
- Details of repurchase
 - Type of shares to be purchased
Common shares of the Company
 - Total number of shares to be purchased
7 million shares (maximum)
(2.0% of total number of issued shares excluding treasury shares)

(3) Total purchase price of shares

¥20 billion (maximum)

(4) Purchase period

May 7, 2019 to September 30, 2019

(5) Other

The Company plans to retire all of the acquired treasury shares by the meeting of the Board of Directors in accordance with the Companies Act Article 178.

CONSOLIDATED SUBSIDIARIES

(As of March 31, 2019)



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, 2019 and 2018, 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes 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, 2019 and 2018, 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, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

KPMG AZSA LLC

June 19, 2019
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

| Corporate Name | Paid-in Capital (Millions of yen) | Ratio of Voting Rights | | |
|---------------------------------------|--------------------------------------|------------------------|-------------|----------|
| | | Direct(%) | Indirect(%) | Total(%) |
| Air Transport Business Segment | | | | |
| Air Transport Business | | | | |
| JAPAN TRANSOCEAN AIR CO., LTD. | 4,537 | 72.8 | — | 72.8 |
| JAPAN AIR COMMUTER CO., LTD. | 300 | 60.0 | — | 60.0 |
| J-AIR CO., LTD. | 200 | 100.0 | — | 100.0 |
| ZIPAIR TOKYO CO., LTD. | 490 | 100.0 | — | 100.0 |
| HOKKAIDO AIR SYSTEM CO., LTD. | 490 | 57.3 | — | 57.3 |
| RYUKYU AIR COMMUTER CO., LTD. | 396 | — | 74.5 | 74.5 |
| Airport Passenger Handling | | | | |
| JAL SKY CO., LTD. | 100 | 100.0 | — | 100.0 |
| JAL SKY AIRPORT OKINAWA COMPANY, LTD. | 33 | 66.7 | 33.0 | 100.0 |
| JALSKY OSAKA CO., LTD. | 30 | 100.0 | — | 100.0 |
| JALSKY KYUSHU CO., LTD. | 30 | 100.0 | — | 100.0 |
| JALSKY SAPPORO CO., LTD. | 30 | 100.0 | — | 100.0 |
| JALSKY KANAZAWA CO., LTD. | 10 | 100.0 | — | 100.0 |
| JALSKY SENDAI CO., LTD. | 10 | 100.0 | — | 100.0 |
| Ground Handling | | | | |
| JAL GROUND SERVICE CO., LTD. | 100 | 99.8 | 0.2 | 100.0 |
| JAL GROUND SERVICE OSAKA CO., LTD. | 10 | — | 100.0 | 100.0 |
| JAL GROUND SERVICE KYUSHU CO., LTD. | 10 | — | 100.0 | 100.0 |
| JAL GROUND SERVICE SAPPORO CO., LTD. | 10 | — | 97.7 | 97.7 |
| Maintenance | | | | |
| JAL ENGINEERING CO., LTD. | 80 | 100.0 | — | 100.0 |
| JAL MAINTENANCE SERVICE CO., LTD. | 10 | 100.0 | — | 100.0 |
| Cargo | | | | |
| JAL KANSAI AIRCARGO SYSTEM CO., LTD. | 100 | 69.2 | — | 69.2 |
| JAL CARGO SERVICE CO., LTD. | 50 | 100.0 | — | 100.0 |
| JAL CARGO HANDLING CO., LTD. | 50 | — | 100.0 | 100.0 |
| JAL CARGO SERVICE KYUSHU CO., LTD. | 20 | 40.0 | 40.0 | 80.0 |
| Passenger Sales | | | | |
| JAL NAVIA CO., LTD. | 50 | 100.0 | — | 100.0 |
| JAL MILEAGE BANK CO., LTD. | 40 | 100.0 | — | 100.0 |
| Airport-Related Business | | | | |
| JAL ROYAL CATERING CO., LTD. | 2,700 | 51.0 | — | 51.0 |

| Corporate Name | Paid-in Capital (Millions of yen) | Ratio of Voting Rights | | |
|---|--------------------------------------|------------------------|-------------|----------|
| | | Direct(%) | Indirect(%) | Total(%) |
| Other Segments | | | | |
| Maintenance | | | | |
| JAL AIRTECH CO., LTD. | 315 | 66.6 | 3.4 | 70.0 |
| Cargo | | | | |
| JUPITER GLOBAL, LTD. | HKD1,000 1,960 | 46.4 | 4.6 | 51.0 |
| Passenger Sales | | | | |
| JALPAK CO., LTD.* ¹ | 80 | 96.4 | 1.2 | 97.7 |
| JAL SALES CO., LTD. | 460 | 100.0 | — | 100.0 |
| JAL JTA SALES CO., LTD. | 30 | 16.7 | 83.3 | 100.0 |
| JALPAK INTERNATIONAL HAWAII, INC. | USD 1,000 1,000 | — | 100.0 | 100.0 |
| JALPAK INTERNATIONAL (EUROPE) B.V. | EUR 1,000 1,600 | — | 100.0 | 100.0 |
| JALPAK INTERNATIONAL (FRANCE) S.A.S. | EUR 1,000 160 | — | 100.0 | 100.0 |
| EURO-CREATIVE TOURS (U.K.) LTD. | GBP 1,000 100 | — | 100.0 | 100.0 |
| JALPAK INTERNATIONAL ASIA PTE. LTD. | SGD 1,000 146 | — | 100.0 | 100.0 |
| JAL SATELLITE TRAVEL CO., LTD. | HKD 1,000 750 | — | 100.0 | 100.0 |
| PT. TAURINA TRAVEL DJAYA* ² | IDR 1,000 500,000 | — | 49.0 | 49.0 |
| Airport-Related Business | | | | |
| JAL ABC, INC. | 100 | 51.0 | — | 51.0 |
| Others | | | | |
| JAL INFORMATION TECHNOLOGY CO., LTD. | 702 | 100.0 | — | 100.0 |
| AXESS INTERNATIONAL NETWORK, INC. | 700 | 100.0 | — | 100.0 |
| JAL CARD, INC. | 360 | 50.6 | — | 50.6 |
| JAL FACILITIES CO., LTD. | 180 | 85.0 | — | 85.0 |
| JAL PAYMENT PORT CO., LTD. | 390 | 16.5 | 68.5 | 84.9 |
| JAL Digital EXPERIENCE CO., LTD. | 140 | 51.0 | — | 51.0 |
| JAL AGRIPORT CO., LTD. | 100 | 49.0 | — | 49.0 |
| JAL BRAND COMMUNICATIONS CO., LTD. | 100 | 100.0 | — | 100.0 |
| JAL BUSINESS AVIATION CO., LTD. | 75 | 51.0 | — | 51.0 |
| JTA INFORMATION & COMMUNICATION CO., LTD. | 50 | — | 100.0 | 100.0 |
| JAL SBI FINTECH CO., LTD. | 45 | 51.0 | — | 51.0 |
| JAL SUNLIGHT CO., LTD. | 20 | 100.0 | — | 100.0 |
| OFFICIAL FILING CO., LTD. | 10 | 50.0 | 4.0 | 54.0 |
| JPRO CO., LTD. | 10 | — | 100.0 | 100.0 |
| JLC INSURANCE COMPANY LIMITED | USD 1,000 2,000 | 100.0 | — | 100.0 |

*1 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 a considered subsidiary because JAL has substantial control.

ESG DATA

Environmental Data (E)

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | Unit |
|---|--------|--------|--------|--------|--------|---------------------|
| Environment | | | | | | |
| CO ₂ Emissions | | | | | | |
| Scope 1 Aircraft | 840 | 854 | 875 | 907 | 933 | 10,000 tons |
| Ground *1*2 | 1.5 | 1.5 | 1.4 | 1.3 | 1.3 | 10,000 tons |
| Scope 2 *1*2 | 6.4 | 6.0 | 5.7 | 5.4 | 5.0 | 10,000 tons |
| Scope 3 | — | — | 44.4 | 46.0 | 47.3 | 10,000 tons |
| CO ₂ Emissions/RTK (Comparison with FY 2005) | 86.6 | 85.1 | 84.6 | 82.2 | 80.6 | % |
| NOx (LTO cycle) | 6.12 | 5.78 | 5.30 | 5.02 | 5.10 | 1,000 tons |
| CO (LTO cycle) | 4.38 | 4.43 | 4.24 | 3.87 | 3.95 | 1,000 tons |
| HC (LTO cycle) | 0.70 | 0.72 | 0.71 | 0.63 | 0.63 | 1,000 tons |
| Electricity Use*1 | 125 | 120 | 113 | 110 | 102 | Million kWh |
| Heat Use (crude oil equivalent)*1 | 48,494 | 46,770 | 44,936 | 43,512 | 41,717 | 1,000 liters |
| Water Use*1 | 445 | 430 | 426 | 435 | 485 | 1,000m ³ |
| General Waste (Aircraft) *1*2 | — | — | — | 4,368 | 4,285 | tons |
| General Waste (Ground) *1*2 | — | — | — | 1,772 | 1,689 | tons |
| Industrial Waste *1 | 3,415 | 3,475 | 3,436 | 3,266 | 3,912 | tons |
| Ratio of Final Disposal | 1.2 | 1.2 | 1.1 | 1.0 | 1.0 | % |

Social Data (Japan Airlines Co., Ltd. and 51 Consolidated Subsidiaries) (S)

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | Unit |
|---|---------|---------|---------|---------|---------|--------------|
| Human Resources | | | | | | |
| Consolidated Staff Headcount*3 | 31,534 | 31,986 | 32,753 | 33,038 | 34,003 | Persons |
| Ground Staff | 23,093 | 23,367 | 24,055 | 23,828 | 24,295 | Persons |
| Cockpit Crew | 2,446 | 2,519 | 2,570 | 2,629 | 2,690 | Persons |
| Cabin Attendants | 5,995 | 6,100 | 6,128 | 6,581 | 7,018 | Persons |
| Average age | 38.3 | 37.4 | 38.2 | 38.6 | 39.1 | Years old |
| Ground Staff | 38.7 | 37.7 | 38.6 | 38.9 | 39.5 | Years old |
| Cockpit Crew | 42.7 | 41.1 | 43.8 | 44.1 | 44.0 | Years old |
| Cabin Attendants | 35.1 | 35.0 | 34.9 | 35.6 | 35.4 | Years old |
| Ratio of Men | 53.2 | 52.3 | 52.5 | 51.6 | 50.2 | % |
| Ratio of Women | 46.8 | 47.7 | 47.5 | 48.4 | 49.8 | % |
| Managerial Staff | 15.9 | 16.0 | 15.9 | 15.8 | 15.5 | % |
| General Staff | 84.1 | 84.0 | 84.1 | 84.2 | 84.5 | % |
| Ratio of Disabled Staff*4 | 2.04 | 2.28 | 2.56 | 2.69 | 2.69 | % |
| Ratio of Female Managers | 15.1 | 15.6 | 16.3 | 16.3 | 16.8 | % |
| Training Period per Person*2 | 60.2 | 62.8 | 66.4 | 64.7 | 70.8 | Hours/Person |
| Training Cost per Person*2 | 318,249 | 380,997 | 403,519 | 422,187 | 470,698 | Yen/Person |
| Childcare Leave Applicants*5 | 779 | 782 | 781 | 843 | 789 | Persons |
| Nursing Care Leave Applicants*5 | 51 | 42 | 65 | 89 | 68 | Persons |
| Ratio of Local Hires at Overseas Offices | 90.8 | 90.4 | 89.9 | 88.4 | 89.8 | % |
| Ratio of Locally Hired Managerial Staff at Overseas Offices | 62.8 | 60.8 | 61.9 | 58.4 | 64.0 | % |
| Average Years of Continuous Service | 14.4 | 13.9 | 14.2 | 14.5 | 14.7 | Years |
| Community Contribution | | | | | | |
| Participation in Voluntary Activities*2 | — | 1,705 | 2,169 | 6,826 | 8,140 | Persons |
| Total Hours of Voluntary Activities*2 | — | 30,000 | 14,063 | 59,551 | 68,288 | Hours |

*1 Airports, Offices, Maintenance Centers (Japan)
*2 Past data have been revised in accordance with improvements made in the accuracy of data collection.
*3 The number of employees until fiscal year 2016 excluded employees planning to retire as of the end of March that fiscal year, but since fiscal year 2017, the number of employees has included these employees and excluded temporary employees (from temporary staffing companies).
*4 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.
*5 Japan Airlines Co., Ltd. only

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

(As of July 1, 2019)

| Corporate governance-related items | Topics discussed |
|--|--|
| Formulation of Fundamental Policies of Corporate Governance | Yes |
| Organization Form | Company 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 | 19 (Fiscal year 2018) |
| External Director attendance at Board of Directors meetings | 96% (Fiscal year 2018) |
| 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 | 100%(Fiscal year 2018) |
| Key meetings attended by Audit & Supervisory Board Members | Management Committee, Group Council for Safety Enhancement General Meeting, Risk Management Council, Group Earnings Announcement Session, Management Liaison Committee |
| Number of Audit & Supervisory Board meetings | 13 (Fiscal year 2018) |
| External Audit & Supervisory Board Member attendance at Audit & Supervisory Board meetings | 100% (Fiscal year 2018) |
| 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 |

| Establishment of Committee | Composition (number of members) | The Chairperson | Number of meetings (Fiscal year 2018) |
|---------------------------------|---------------------------------|---|---------------------------------------|
| Corporate Governance Committee | 4 | Eizo Kobayashi (Lead Independent External Director) | 3 |
| Nominating Committee | 5 | Masatoshi Ito (Independent External Director) | 7 |
| Compensation Committee | 5 | Eizo Kobayashi (Lead Independent External Director) | 3 |
| Personnel Committee | 5 | Yuji Akasaka (Representative Director, Executive President) | 2 |
| Officers Disciplinary Committee | 5 | Eizo Kobayashi (Lead Independent External Director) | 2 |

| Bodies directly controlled by the President | Topics discussed | Composition | Number of meetings (Fiscal year 2018) |
|--|---|--|---------------------------------------|
| 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. | A forum for discussion attended by the President, Vice President, Senior Managing Executive Officers, Managing Executive Officers, other Directors, and Audit & Supervisory Board Members. | 40 |
| 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. The council determines key policies related to safety management, clarifies the status of management systems and regularly overhauls those systems, and addresses day-to-day flight safety issues. | Safety General Manager for Japan Airlines, chairperson, vice chairperson, council members. The chairperson (president) can call Full-time Adviser and Related Managers and ask for opinions. Audit & Supervisory Board Members can attend and express opinions. | 12 |
| Risk Management Council | The Council takes responsibility for overall risk management to stabilize Group-wide management activities. It also makes decisions in relation to establishing the JAL Group Basic Policies on Risk Management, conducts regular risk investigations, takes measures when risks eventuate, and manages BCP. | President, Vice President, General Manager of Managing Division Route Marketing, General Manager of Product / Service Planning, General Manager of Managing Division Passenger Sales, General Manager of Cargo & Mail, General Manager of Corporate Safety & Security, General Manager of Operations, General Manager of Flight Operations, General Manager of Engineering & Maintenance, General Manager of Cabin Attendants, General Manager of Airport Operations, General Manager of Corporate Control, General Manager of Finance & Accounting Division, General Manager of Human Resources, General Manager of Procurement, General Manager of Corporate Planning, General Manager of Innovation Promotion, General Manager of IT Planning, General Manager of Communication Division, General Manager of Secretary's Office, General Manager of General Affairs. Audit & Supervisory Board Members also attend the Council. | — (Established from FY2019) |
| Corporate Brand Promotion Council | The Corporate Brand Promotion Council is tasked with improving corporate brand (corporate value) based on the JAL Group Corporate Policy and strategies, clarifying the status of corporate activities, managing the progress of each measure, and sharing information to strengthen the corporate brand. | President, Brand Communication / Tokyo 2020 Olympic and Paralympic Promotion Department Director, Executive Officers and Presidents of Group airlines nominated by the chairperson. The chairperson can call the suitable person according to the agenda. | 12 |
| JAL Philosophy Council | JAL Philosophy Council 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, General Manager of Safety & Security Division, General Manager of Operation Division. The chairperson (president) can call the suitable person according to the agenda. | 4 |
| Group Earnings Announcement Session | The purpose of The Group Earnings Announcement Session is to share the"performance" of each company and department of the JAL Group and to consider ways to improve the performance. | Directors, Honorary advisor, Chairman, Vice Chairman, President, Executive Officers, Area Managers, Presidents of major subsidiaries, Audit & Supervisory Board Members. Members can include the suitable person as needed. | 12 |
| Management Liaison Committee | The Management Liaison Committee monitors the progress of management projects and shares information. | Chairman, President, Vice President, Senior Managing Executive Officers, Managing Executive Officers, Executive Officers (excluding group airline charge and district charge). The chairperson (president) can call the suitable person according to the agenda. | 22 |

INTERNATIONAL ROUTE MAP

(As of June 28, 2019)

Flight destinations overseas: 350 cities
(Including code-share flights)



• The routes above include code-share flights.
• The map has been altered to highlight the cities on JAL's route network.
• Broken lines (-----) are one-way routes.

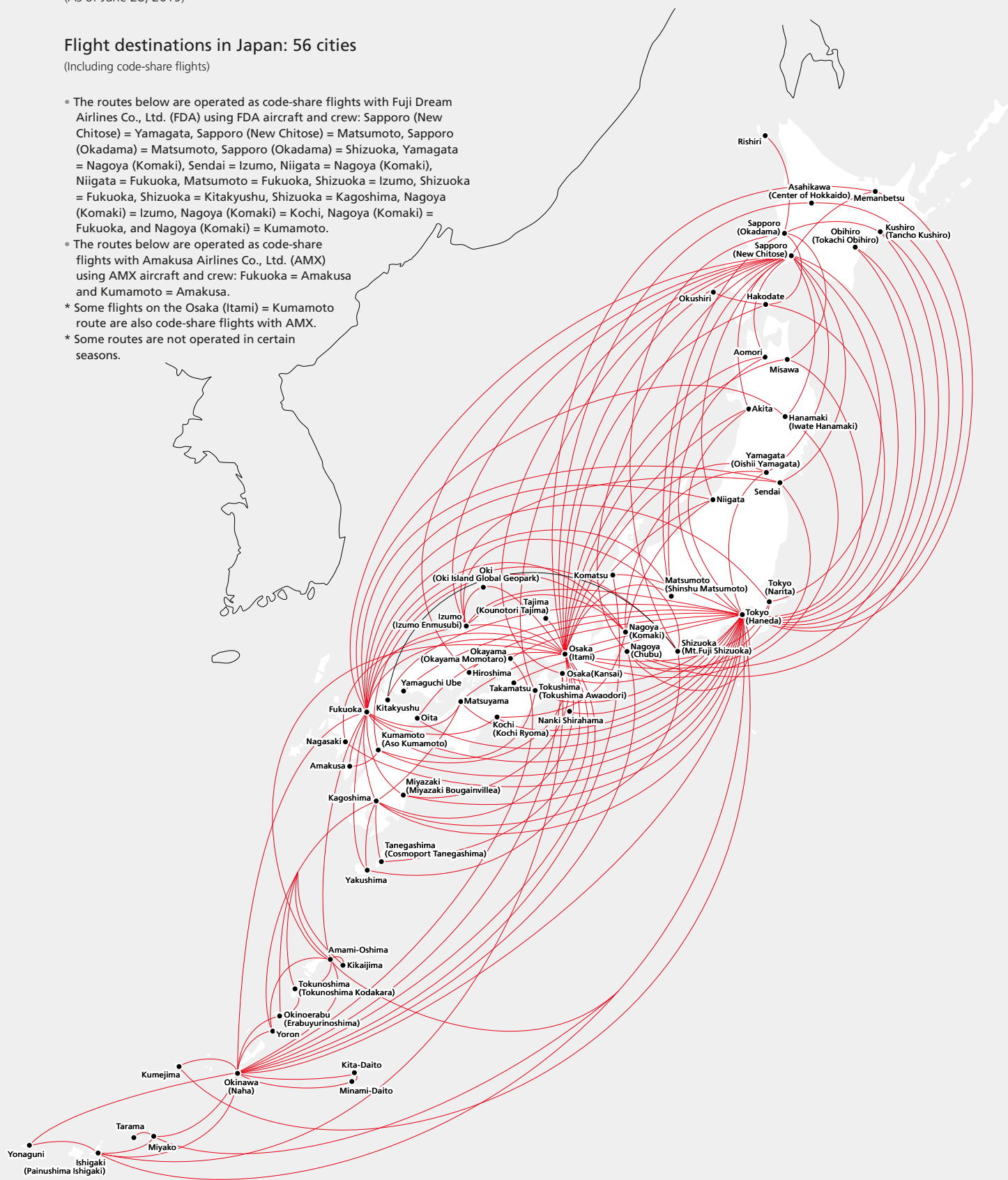
DOMESTIC ROUTE MAP

(As of June 28, 2019)

Flight destinations in Japan: 56 cities

(Including code-share flights)

- The routes below are operated as code-share flights with Fuji Dream Airlines Co., Ltd. (FDA) using FDA aircraft and crew: Sapporo (New Chitose) = Yamagata, Sapporo (New Chitose) = Matsumoto, Sapporo (Okadama) = Matsumoto, Sapporo (Okadama) = Shizuoka, Yamagata = Nagoya (Komaki), Sendai = Izumo, Niigata = Nagoya (Komaki), Niigata = Fukuoka, Matsumoto = Fukuoka, Shizuoka = Izumo, Shizuoka = Fukuoka, Shizuoka = Kitakyushu, Shizuoka = Kagoshima, Nagoya (Komaki) = Izumo, Nagoya (Komaki) = Kochi, Nagoya (Komaki) = Fukuoka, and Nagoya (Komaki) = Kumamoto.
- 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.



STOCK INFORMATION / CORPORATE INFORMATION

(As of March 31, 2019)

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 record for dividend September 30 and March 31
- Shareholder Registry Administrator Mitsubishi UFJ Trust and Banking Corporation
- Date of record for dividend September 30 and March 31
- Shareholder Registry Administrator Mitsubishi UFJ Trust and Banking Corporation

- **Contact**
Stock Transfer Agency Department
Mitsubishi UFJ Trust and Banking Corporation
1-1, Nikko-cho, Fuchu-shi, Tokyo, Japan
Mailing address: ShinTokyo Post Office Post-office box no.29
Phone: 0120-232-711(toll free (Only within Japan))
Open: 9:00 am to 5:00 pm except Sat, Sun and public holidays (Japan time)
Website: www.tr.mufg.jp/daikou/ (only in Japanese)
- **Method of official announcement**
Electronic public notice at:
URL www.jal.com/ja/corporate/publicnotices/ (only in Japanese)
Provided, however, that if the electronic notice cannot be made due to an accident or any unavoidable reason, the public notice shall be published in the Nihon Keizai Shimbun.
- **Limitation on listing or recording of Citizens of Foreign Countries and Other Persons in Register of Shareholders and Register of Beneficial Shareholders**

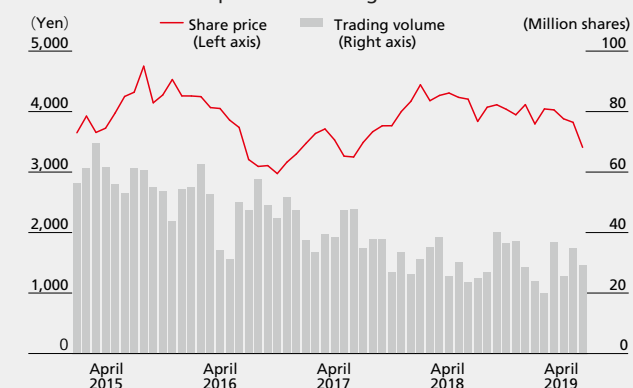
The Articles of Incorporation lay down the following provision concerning the Civil Aeronautics Act, Article 120-2.

Article 12. Limitation on listing or recording of Citizens of Foreign Countries and Other Persons in Register of Shareholders and Register of Beneficial Shareholders 12.1 If the Company receives from a person, who falls into one of the categories listed in the items below, a request for listing or recording his or her name and address in the register of shareholders (including the register of beneficial shareholders; hereinafter the same), and if the acceptance of such request causes the total voting rights owned by persons, who fall into one of the categories listed in the items below, to represent one-third or more of the Company's total voting rights, the Company shall refuse such listing or recording.

- (1) A person who does not have Japanese citizenship
- (2) A foreign country, foreign public body or similar entity
- (3) A corporation or other organization established under foreign laws and regulations

2. When the Company intends to list or record all shares held by any of the shareholders listed in the items of the following paragraph, upon notification from a book-entry institution in accordance with Article 151. Paragraph (1) or (8) of the Act on Book-Entry Transfer of Company Bonds, Shares, etc., and thereby the total number of voting rights held by such persons listed in the items of the preceding paragraph will account for more than a third of the Company's voting rights, the Company shall list or record such shareholders in the register of shareholders in accordance with measures provided for in the Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism to list or record only a part of the shares so that the total number of voting rights held by such shareholders in the items of the preceding paragraph accounts for less than a third of the Company's voting rights.

- Transition of share price and trading volume



- 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 349,028,700 (Number of shares per unit: 100)
Number of Shareholders 144,308
- * The total number of shares issued as of May 23, 2018 was 349,028,700 shares, a decline of 4,687,100 shares due to retirement of treasury stock as resolved at the meeting of the Board of Directors held on April 27, 2018

- Major Shareholders

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

Company Profile

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|--|---|
| 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 Website: www.jal.com/en |
| Established | August 1, 1951 |
| Representative Director, Executive President | Yuji Akasaka |
| Capital | 181,352 million yen |
| Employees | Consolidated Employees 34,003 people Employees 12,750 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, Brand Engagement Promotion Department

Nomura Real Estate Building, 2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8637, Japan
Tel.: +81 (0)3-5460-3121

| | |
|-----------------------|---|
| Corporate website | https://www.jal.com/en/ |
| Corporate information | https://www.jal.com/en/outline/ |
| CSR information | https://www.jal.com/en/csr/ |
| Investor Relations | https://www.jal.com/en/investor/ |

