

# FLY INTO TOMORROW

JAL REPORT 2020

Fiscal year ended March 2020





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

- Chapter 1

**The Formula for Success  
(The Formula for Life and Work)**

The Result of Life and Work  
= Attitude × Effort × Ability
- Chapter 2

**Have the Right Attitude**

Base Criteria for Decision-Making on  
"Doing What Is Right as a Human Being"

Have a Beautiful Mind  
Be Humble and Honest  
Always Be Cheerful and Positive  
A Small Good Is Like a Great Evil, While a  
Great Good May Appear Merciless  
Wrestle in the Center of the Ring  
Grasp Matters Simply  
Possess Opposing Extremes
- Chapter 3

**Accumulate Tedious Efforts  
with Passion**

Work Earnestly  
Accumulate Tedious Efforts  
Work with Voluntary Attention  
Fire Yourself Up  
Strive for Perfection
- Chapter 4

**Ability Will Improve**

Ability Will Improve

Part 2 To Become a Wonderful JAL

- Chapter 1

**Each of Us Makes JAL What It Is**

Each of Us Makes JAL What It Is  
Discuss Frankly  
Lead by Example  
Be the Center of the Vortex  
Valuable Lives Are Entrusted to Us in Our Work  
Be Thankful  
Put Yourself in the Customer's Position
- Chapter 2

**Have a Keen Sense of Profitability**

Maximize Revenues and Minimize Expenses  
(Measure Your Inflow and Control Your Outflow)  
Elevate Our Cost-Consciousness  
Pursue Profit Fairly  
Manage the Company Based on Accurate Figures
- Chapter 3

**Unite Our Hearts**

Make the Best Baton Pass  
Align Mental Vectors  
"Workfloor" Management  
Follow the Merit System
- Chapter 4

**Possess a Fighting Spirit**

Maintain an Ardent Desire  
Never Give Up Until We Succeed  
Boast and Make It Come True  
Possess True Courage
- Chapter 5

**Be Creative in Our Work**

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

Editorial Policy

The JAL Group has published this JAL Report 2020 to inform stakeholders about its business activity outcomes in the previous year, its strategies for the future, and to provide an understanding of the Group's pursuit of both economic value and social value and efforts to achieve sustainable growth. This JAL Report has been collated from a wide range of both financial and non-financial information that the JAL Group has deemed to be of particular importance to the Group's management, all of which is made available on the Group's corporate website.

Period covered by the report

Primarily April 2019 to March 2020 (FY2019)

Scope of the report

This report covers 137 JAL Group companies, comprising Japan Airlines Co., Ltd., 81 subsidiaries and 55 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 2020

JAL corporate website

 <https://www.jal.com/en/>

Offers a comprehensive insight into the JAL Group's business approach and activities in general, as well as investor relations and sustainability 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.

About products, services, events, etc.  
Some of the products, services, events, etc. contained within this report have been suspended due to extenuating circumstances. For the latest information, please refer to sources such as the company's website.

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Yuji Akasaka  
Representative Director,  
Executive President



# Message from the President

## Looking Back at Fiscal Year 2019

### Medium Term Management Plan Progress and Our Three Management Goals

Fiscal year 2019 was to be the year we set the stage for our final push toward our objectives concluding in 2020. Inspired by the theme "Challenge, Leading to Growth," all of us at the JAL Group had made steady progress toward achieving the goals of the JAL Group Medium Term Management Plan for Fiscal Years 2017-2020. A few examples include our responses to development of airports in Tokyo metropolitan area, the introduction of the cutting-edge Airbus A350, and the opening of JAL SMART AIRPORT with all new facilities. Indeed, there were many such projects, and employees throughout the JAL Group undertook them with high hopes and expectations.

Meanwhile, by capturing the solid demand from the tourism and business travel sectors, the Group's performance throughout fiscal year 2019 was robust—until February 2020. At that point, our situation was thrown into turmoil by the global spread of COVID-19. Worldwide travel restrictions and other drastic measures resulted in a sudden drop in demand for air travel; the impact on the JAL Group has been immense and we have had to take measures without precedent in our company history.

Progress toward achieving our three management goals pertaining to Safety, Customer Satisfaction, and Finance as set forth in the Medium Term Management Plan is shown in the table below. The Safety targets are still a way off yet, and our efforts to reach the financial targets have been compromised by COVID-19, but we fully achieved our Customer Satisfaction targets as measured by the Net Promoter Score (NPS).\*

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

	Target	FY2019 Results
Safety	Aircraft accidents: 0 Serious incidents: 0	Target not met Aircraft accidents: <b>1</b> Serious incidents: <b>1</b>
	Achieve the world's top customer satisfaction by FY2020	Target met NPS (Compared to FY2017 initial results) Domestic flights: <b>Up 7.6 pts</b> International flights: <b>Up 8.2 pts</b>
Finance	Operating margin: At least 10% ROIC: At least 9%	Target not met Operating margin: <b>7.1%</b> ROIC: <b>5.1%</b>

### Business Improvement Order and Measures Taken in Response

In October 2019, we received our second order from authorities for business improvement following an alcohol-related incident. This follows our first such order received in December 2018, the details of which were reported in last year's JAL Report. We started off 2019 with the aim to prevent the recurrence of such incidents, to rebuild a sense of confidence in our safety and security, and to restore the trust of our customers and the general public through consolidated efforts.

The fact that flight crew subsequently failed pre-flight alcohol tests on three occasions, resulting in a second official Business Improvement Order, is therefore regrettable, as I have worked for so many years in aviation safety and I apologize unreservedly. The cause of these incidents was our failure to implement quickly enough the recurrence prevention measures in response to the initial improvement order, and I believe that our Group-wide initiatives aimed at preventing recurrence of such incidents were insufficient, despite the fact that this issue was our top priority.

Thus, in response to our second Business Improvement Order, I have personally taken over as general safety manager and will oversee safety. Moreover, we will act with urgency to implement recurrence prevention measures, which will focus on two main initiatives.

The first is more stringent testing for alcohol. Flight crews will only be allowed to assume their duties on a flight after taking multiple tests: by using one's own breathalyzer, a self-alcohol test at home or a hotel, and a test after arriving at work in the presence of a third-party witness. At-home tests involve new facial-recognition technology to prevent individuals from submitting other people's results.

Second is a comprehensive overhaul of our awareness regarding the importance of this issue. I and all the other JAL executive officers have spoken directly with flight crews to ensure they are fully aware of the risks involved. We communicated to them our intention that this issue should not be one of the flight crews alone, but something that all JAL Group employees should work at. Airlines tend to be structured into "silos," wherein flight crews, maintenance engineers, and other functions each have their own organization, and authority and responsibility are assigned within those discrete groups. Our dialogue was aimed at impressing on the flight crews the executives' hopes, requirements, and views, and at encouraging them to not only discuss their day-to-day concerns with their immediate colleagues, but also to air them outside of the silo. Sitting down with all 2,500 or so JAL Group flight crew members operating throughout Japan and around the world was not a simple task, but doing so served not only as a chance for frank discussion—not least about the impact that alcohol-related incidents can have on the company

and those around you—but also to replenish the lines of communication between crew members and the company. What is more, I believe it is vital that this communication should not be a one-off event, but an ongoing effort. Since beginning these initiatives, there have been no failed tests, and we are determined to ensure this remains so by strengthening our existing measures.

### The Human Touch: The Decisive Factor in Customer Satisfaction

In terms of our Customer Satisfaction target, our performance in fiscal year 2019 has already far exceeded the goal set for fiscal year 2020, and there is a palpable feeling that customer satisfaction is increasing every year.

Our efforts in this area include, on international routes, the renovation of our lounges and the launch of self-service check-in kiosks at Narita Airport, thus boosting passenger convenience. On domestic routes, we have introduced the Airbus A350 and the Boeing 787, redesigned passenger seats and cabin interiors, and upgraded the functionality of the personal monitor installed in every seat for a more comfortable flight. These and other efforts earned us our second 5-Star Airline rating from Skytrax for the second consecutive year as well as the first World's Best Economy Class Airlines award ever given to a Japanese airline. However, in addition to these tangible, physical improvements, another decisive factor in the dramatic upswing in customer satisfaction was the human touch. From cabin attendants and airport staff to sales staff, and call center operators, and many others, there has been a marked change in awareness among our staff across all touchpoints.

These days, the customers' needs have become diversified, each having different requirements, and it is vital that we cater to personal needs. I see that the determination to provide attentive service tailored to the needs of the situation and individual customer is taking hold among our staff by using, for example, our personal data sharing systems. Although it is nearly impossible to grasp the needs of a customer instantaneously upon first encounter, it is very possible to learn about them over time by referring to the wealth of personal data retained by JAL Mileage Bank and JAL CARD to provide more personalized service. We also have a system for recording experiences of customers service gained by cabin attendants. I believe our use of these data and systems to deliver each customer more personalized service has contributed to our improvement in customer satisfaction.

Even in this digital age when IT is routinely used to make work more efficient and marketing more effective, the human touch remains vitally important, and I look forward to combining these to the JAL Group's benefit.



## Message from the President

### COVID-19: Impact on Our Business and Challenges to Be Addressed

#### Actions Taken So Far and Outlook for the Future

In response to the unprecedented turmoil caused by COVID-19, I identified three main issues that we need to address and overcome.

First is stopping the virus's spread. The JAL Group must not play a part in the transmission of the virus; our role must be to prevent and stop its global spread. To stop the movement of people, we have suspended many international flights, partially suspended or reduced our domestic flights, and are using smaller aircraft in some cases. We have implemented thorough infection control measures for our employees, instituted a system wherein virtually all Group staff can work remotely, and are encouraging staff in support departments to work from home.

The second issue is fulfilling our mission as a public transport provider. While flights have been suspended or reduced significantly, there is still a need to secure the means for the movement of people and goods where this is necessary. For instance, the JAL Group is responding to societal demand by operating extra flights to repatriate Japanese nationals stranded overseas and also cargo-only flights.

The third issue is to uphold the group's financial performance. To this end, and keeping a variety of potential scenarios in mind, we are working diligently to cut costs and scale back investments to soften the blow to our bottom line, while raising capital dynamically to maintain immediate liquidity. Meanwhile, we are using the downtime created by the significant reduction in flights as an opportunity for human resource development. Simulators and online conferencing systems are being used to help flight crews and cabin attendants maintain their qualifications, and to help us provide intensive training and education related to safety services. Many JAL Group employees are thinking hard about what they themselves can do in this situation, which has resulted in a number of employee-led initiatives to contribute to society, such as making masks and face shields to donate to local hospitals and kindergartens.

As we are unable to establish a master plan for fiscal year 2020 under the unforeseeable circumstances, projecting future COVID-affected scenarios amid today's rapidly changing conditions is even more difficult. As things stand, demand for air travel is less than 10 percent of what it was at the same time last year, and will take a considerably long time to recover. For now, we believe that, by the end of fiscal year 2020, demand may possibly return by 70–80 percent on domestic flights and by 40–50 percent on international flights, and subsequently return to pre-COVID levels in one year (on domestic routes) and three to four years (on international routes).

#### Ensuring Safe and Secure Air Travel

We want passengers to fly JAL with a sense of security, so safety is—and will always be—our paramount concern. Today, 35 years after the accident of Japan Airlines Flight 123 in 1985, we continue to take steps to ensure safety—the basis of business continuity for the JAL Group—and achieve our management goals: evolve the Safety Management System, evolve the Security Management System, and emphatically pass on lessons learned from accidents. In light of which, the recent series of alcohol-related incidents are a salutary lesson that our actions can pose a risk to safety. Meanwhile, ensuring the safety of flights from take-off to landing amid the COVID-19 crisis is a safety risk unlike anything we had imagined before. The Company is implementing a broad range of measures to stop its spread. For instance, it goes without saying that aircraft interiors and airport facilities are thoroughly disinfected, and that cabin attendants and ground staff wear face masks and face shields at all times when serving customers. Moreover, customers are asked to take temperature checks, maintain physical distance from others while waiting, and wear face masks while on board aircraft. We are also trialing touchless check-in kiosks. Our greatest concern—and the factor that has exceeded our previous thinking about safety—is that when a person infected with a virus travels on an aircraft, we become a medium for transmitting it to other countries and regions, thus worsening the pandemic. To prevent this, there was no choice but to ground the world's aircraft. We must consider this situation very seriously, and we should not think that finding a solution is not part of our job. Air transport operators must band together to create a system for reliably preventing the travel of infected people prior to boarding and after disembarking. Only then can we honestly say that air travel is safe and secure.

To achieve this, there must be a major improvement of air transport systems, just as sweeping security measures were required in the aftermath of the terrorist attacks of September 11, 2001. In that case, there was global recognition of the need for stronger security measures, and airport security checks changed dramatically as a result. I believe that COVID-19 is just as much of a global risk, and a similarly robust approach is needed to counter it. Tokyo is set to host the Olympic and Paralympic Games in 2021 (Tokyo 2020), and Japan needs to act. As an official airline partner of Tokyo 2020, the JAL Group is dedicated not only to preventing the spread of COVID-19, but also to helping make Tokyo 2020 a successful event by maintaining our function as a public transport operator without compromising customer safety.

### Initiatives to Achieve the SDGs

#### Tackling Climate Change is Our Highest Priority

The Sustainable Development Goals (SDGs) were set by the United Nations General Assembly to tackle issues that must be resolved if the world is to achieve sustainable growth and development. As the world faces such many and varied social issues, in order for the JAL Group to achieve growth into the future, our business management must therefore contribute to the realization of a sustainable society. To that end, the JAL Group identified 22 actionable issues across four key areas related to environment, social, and corporate governance (ESG), and posted these on our website in July 2020.

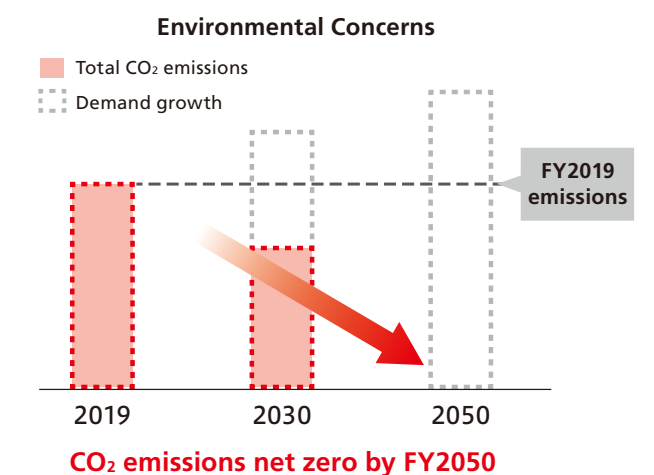
The COVID-19 pandemic is a typical example of how a regional risk can quickly develop into a global problem; not only has the virus caused damage to people's health, it has also had a huge socioeconomic impact.

In future, I believe that there will be increased scrutiny of measures to contain the spread of the virus, and the world will attach greater importance to how businesses incorporate ESG into their management practices. For the most part, we are already headed in the right direction, but we must accelerate our efforts.

Of all these challenges, it is our view that fighting climate change is most vital to the JAL Group. Global warming caused by CO<sub>2</sub> emissions is an issue in which we have no small involvement, and we have a duty to work even harder to counter it. The JAL Group has therefore established a Sustainability Committee under the Group Management

Council, which I chair, to conduct risk and opportunity analysis of the impact of climate change, and decide on the best way to approach each one.

In June 2020, we set a new long-range goal of zero CO<sub>2</sub> emissions by 2050, and seek to reduce our CO<sub>2</sub> output through four main initiatives: developing and using sustainable aviation fuel; renewing our fleet to more fuel-efficient aircraft; consuming less fuel in daily operations; and emissions trading.



## Message from the President

### Social Change is Accelerating Progress toward Sustainability

COVID-19 is causing a broad rethink and the emergence of the "new normal." Remote work has become widely accepted and ongoing initiatives for workstyle innovation are accelerating even more. The JAL Group has remote work and online training systems in place for nearly all of our approximately 36,000 employees, and they are widely used in the current situation.

If remote work were to become accepted as normal practice, it would provide further momentum to efforts to diversify the workforce by opening up more options to people with disabilities or health problems and people with time restrictions due to childbirth, childcare or nursing care. Recently, working remotely has given rise to added benefits at the JAL Group such as increased communication between cabin attendants and airport staff and information exchanges between overseas staff, all of whom previously had few opportunities to interact. The removal of organizational barriers and locational restrictions has resulted in improvements in diversity.

Accordingly, I think there will be a broad reconsideration of the meaning of "region," as people come to see it as a place to live, work, or travel to. "Workation" is now in the spotlight as a new workstyle. Until now, vacations were limited to specific times of the year and seasons, which meant that everywhere you went was crowded with other holidaymakers. However, a working holiday frees you from the need to take leave at specific times. More options and the freedom to work and rest away from the crowds will surely provide added value to the aviation business. The new normal and improved workstyles will potentially lead to swifter advances in digital technology as well. I hope they provide further momentum to achieving a sustainable society and bring us closer to reaching the SDGs. The JAL Group is working to ride this wave and doing our part to help make the sustainable development goals a reality.

### Compiling a New Medium Term Management Plan

#### Restoring Business Scale, Rebuilding Financial Strength

Under normal circumstances, we would have announced a new Medium Term Management Plan starting fiscal year 2020 this spring. Unfortunately, the coronavirus has changed the external environment that forms the basis of our plan, and we must reset new targets and initiatives. Normally, a medium term management plan covers three or four years—roughly how long it will take for demand for international flights to return to pre-COVID-19 levels. For that reason, I believe the next plan will set forth the process of recovering from the huge drop in demand caused by

COVID-19 to normal levels.

Moreover, in order to optimize the scale of our operations to the decline in demand, it is vital that we first immediately stabilize our financial strength by reviewing our fleet and investments.

Thus, the process of restoring business operations back to their former scale and rebuilding our financial standing will form the core of the next Medium Term Management Plan. Unlike other airlines, the JAL Group experienced bankruptcy a decade ago and underwent a business revitalization process. We went through a painful experience to rebuild including the establishment of the JAL Philosophy and the amoeba management system. In order to harness that hard-won resilience for further good, we have spent the past 10 years patiently building up "stocks," not only of financial resources, but also of resourcefulness and systems that enable us to react flexibly to difficult times, like the current COVID-19-driven economic downturn, which is becoming a test of endurance.

Even amid the current trying circumstances, we receive comments along the lines that JAL is weathering the storm with ease. It may look that way from the outside, but if that is the case, it is because those "stocks," painstakingly amassed over the past decade, enable us to forge a shared attitude that allows each individual to consider how he or she should act—not because anything is "easy." I believe successful business management depends on preparation. Just as we are surviving thanks to the "stocks" built up by my predecessor, Yoshiharu Ueki, now it is my turn to prepare. I look forward to using the hard experience of COVID-19 to pave the way for future generations of JAL Group employees to seek growth once demand recovers, to tailoring our next Medium Term Management Plan to reflect this, and to steadily building up new "stocks."

#### Building a Sustainable Business Structure

In the wake of the company's bankruptcy 10 years ago, we adopted a policy of selection and concentration as we reviewed and rebuilt our business. More recently, we have positioned international passenger operations as the driver of growth and enhanced our full service carrier business with high-yield business travelers as our target market. On the other hand, even before COVID-19, it was thought that we had reached a juncture where it was necessary to consider expanding our business fields as a means of preparing for unforeseen difficulties by diversifying risk. Those unforeseen difficulties have now arisen, and it is therefore vital that we review our business domains and use the next Medium Term Management Plan as a blueprint for building a sustainable business structure.

In terms of capturing demand, I look forward to expanding into the LCC business in addition to our full service carrier

business. To date, our focus on business travelers meant there was no particular need to pursue LCC demand aggressively, but business demand may not rebound to previous levels post COVID due to rise of new normal lifestyles. There may also be changes in tourist demand, as people reconsider the value of real experiences. The LCC business model is more profitable than full service when it comes to tourist demand, and I believe that LCC operations will become increasingly important in future.

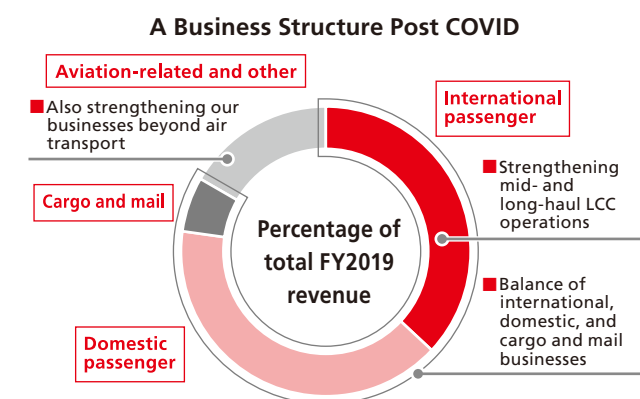
With that in mind, we have established ZIPAIR Tokyo, a new mid- and long-haul LCC. Operations began in June 2020 with its Narita-Bangkok route, and a Narita-Seoul route was opened in September 2020. These are operating as cargo-only flights for the time being due to COVID-19, but preparations are well underway to begin passenger flights. Moving forward, we are working to build a solid LCC network centered on ZIPAIR Tokyo supported by our existing LCC partners Jetstar Japan and Spring Airlines Japan.

Moreover, because domestic demand is expected to recover before international demand, we will work on stimulating demand in the domestic sector. Similarly, the upheaval caused by COVID-19 has highlighted the importance of cargo operations, and we will seek further growth in that area, too.

Our business in domains other than air transport must also come under review. At present, our businesses beyond air transport, also excluding airline businesses such as airport and maintenance businesses, make up just 10 percent of total revenues. I look forward to investing new efforts into non-aviation business domains such as our frequent flyer program and credit card businesses.

Also on the horizon are a variety of service businesses in regional Japan. These are part of the aforementioned efforts to stimulate domestic demand. In addition to

boosting tourism, I feel that air mobility and mobility as a service (MaaS) will be better received by small and mid-sized rural cities than big cities. Harnessing these various initiatives to unlock new domestic demand in regions across Japan will surely help revitalize communities.

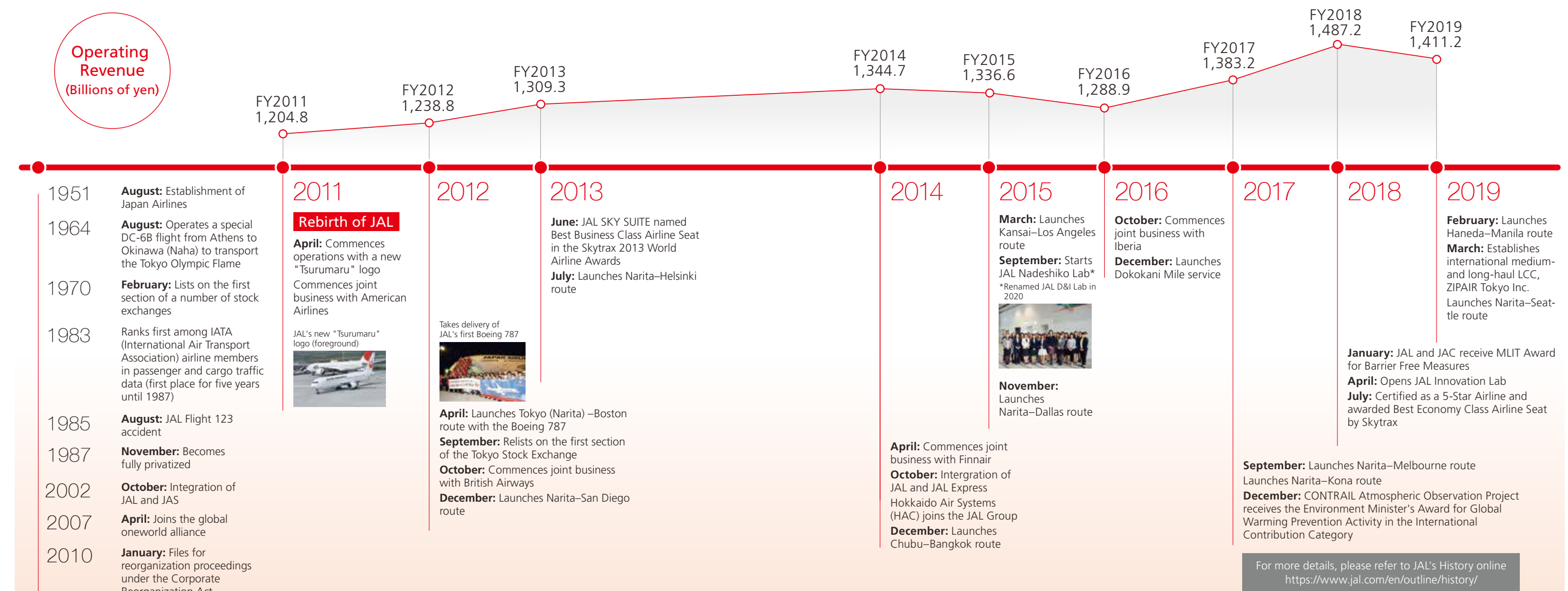


At the JAL Group, the unprecedented changes in the business environment have not compromised our dedication to fulfilling our mission as a public transport provider and our focus on safety in doing so. In the mid-to-long term, we will work on rebuilding our strong financial standing, ensuring its flexibility and high level of risk-resistance; tackle head-on the environmental issues and other challenges that society faces; contribute to Japan's efforts to increase the number of foreign visitors and boost tourism, thereby encouraging the revitalization of communities and economies. In addition, we will continue playing our part in efforts to achieve the SDGs by 2030, and to reduce our CO<sub>2</sub> emissions to net zero by 2050. We will not stop in our endeavors toward business sustainability and the realization of a sustainable society. I look forward to the continued support and cooperation of all our stakeholders.





# History of the JAL Group



## FY2019 Topics

**April:**  
Ranks as Japan's best airline for the third consecutive year in the Tripadvisor® Travelers' Choice™ Awards



**June:**  
Wins two categories in the Skytrax World Airline Awards

**July:**  
Chosen as a Tokyo 2020 Olympic Torch Relay Supporting Partner  
Decides new JAL Group uniform designs



**August:**  
Operates the JAL LGBT ALLY charter flight, the first of its kind in Japan

**September:**  
Inaugurates the Airbus A350  
Starts accepting domestic reservations 330 days in advance

**October:**  
Certified as a Gold company in the PRIDE Index for LGBT Initiatives (fourth consecutive year) and receives second commendation for Best Practice  
Certified as a 5-Star Airline by Skytrax for the second consecutive year



Receives FTE Accessibility Leadership Award  
Receives award for Excellence in Corporate Disclosure in the Transportation category from the Securities Analysts Association of Japan

**November:**  
Awarded the highest commendation in the Japan Institute of Information Technology's 37th Information Technology Awards  
Conducts tour for seniors, "Let's travel again."



**December:**  
Joins The Valuable 500, an international initiative to promote inclusion of people with disabilities



**2020 January:**  
Awarded a B ranking by the Carbon Disclosure Project (CDP)

**February:**  
Partially begins JAL SMART AIRPORT services at Haneda  
Launches Narita–Vladivostok route

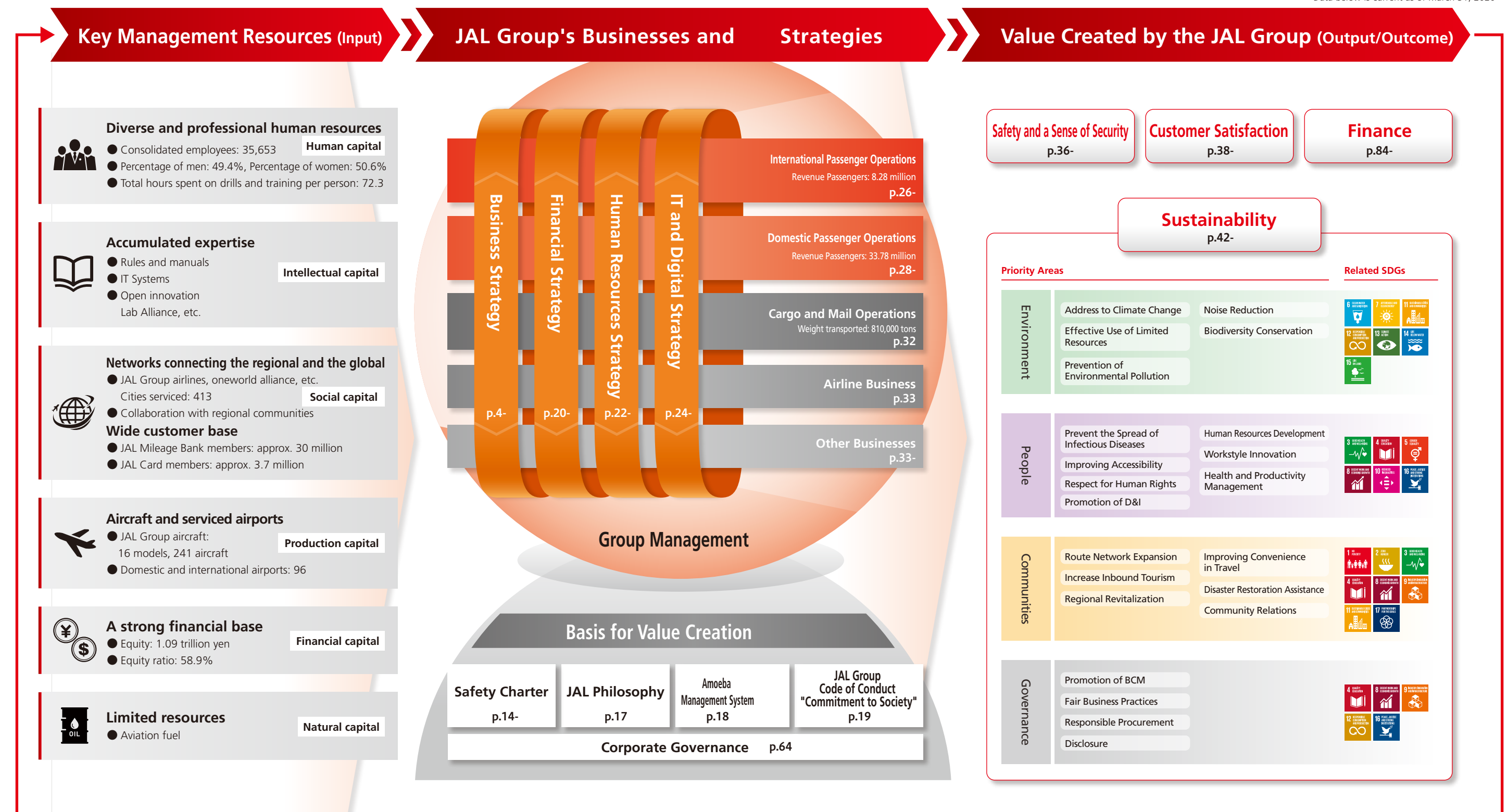
**March:**  
Ten JAL Group companies recognized under the 2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program in the Large Enterprise category  
Transports the Olympic flame on a special aircraft, "Tokyo 2020 Go," from Athens to Japan Air Self-Defense Force's Matsushima Air Base in cooperation with ANA



# The JAL Group Value Creation Process

The JAL Group aims to, as stated in our Corporate Policy, contribute to the betterment of society, with the belief that safety is the basis of existence of the Group. With the ideas laid out in our JAL Philosophy, the amoeba management system and our "Commitment to Society," we conduct business using the Group's managerial resources to create new economic and social values for society. Further, while taking into account the advancement of rapid urbanization, climate change, resource scarcity, demographic changes, shifts in global economic power, technological advances and other such megatrends, we seek innovation in our business structures, and continue to offer value demanded by society.

Data below is current as of March 31, 2020





# Basic Concept on Value Creation

## Safety

### Safety Charter

The JAL Group has established a Safety Charter based on its Corporate Policy in order to indicate in greater detail its fundamental policy regarding safety.

In response to a Business Improvement Order for incidents of inappropriate alcohol consumption, the Safety Charter was revised in July 2019 based on the report of the Verification Committee, which was installed with the objective of resolving essential underlying problems. In the newly revised Safety Charter, it is clearly stated that "Safety: The protection of lives" to ensure that decisions and actions are aimed at protecting lives with a shared awareness among all organizations that safety is our first priority.

All JAL Group staff carry a card printed with the Safety Charter, and each individual performs his or her day-to-day duties as a professional in conformance with this Safety Charter.

#### Safety Charter

Safety: The protection of lives.

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

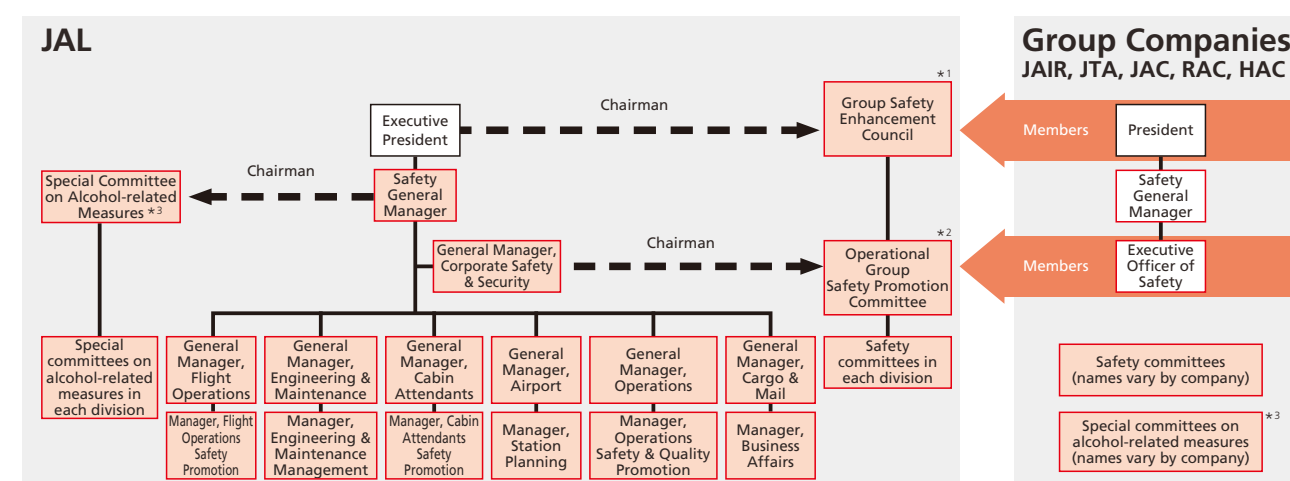
We take to heart our mission and responsibility as safety professionals to ensure a safe operation on every flight with the best of our knowledge, skills and abilities. To accomplish this, we will act according to the following principles.

- 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

To maintain uniform high levels of safety across the JAL Group, all Group airlines including Japan Airlines manage safety according to Group shared policies confirmed at the Group Safety Enhancement Council.\*1

In addition, the Operational Group Safety Promotion Committee\*2 has been established as a committee under the Group Safety Enhancement Council to maintain and strengthen coordination on safety initiatives among divisions and Group airlines.



\*1 Council responsible for maintaining flight safety throughout the Group, and promoting safety management, according to the Group's principles and policies.

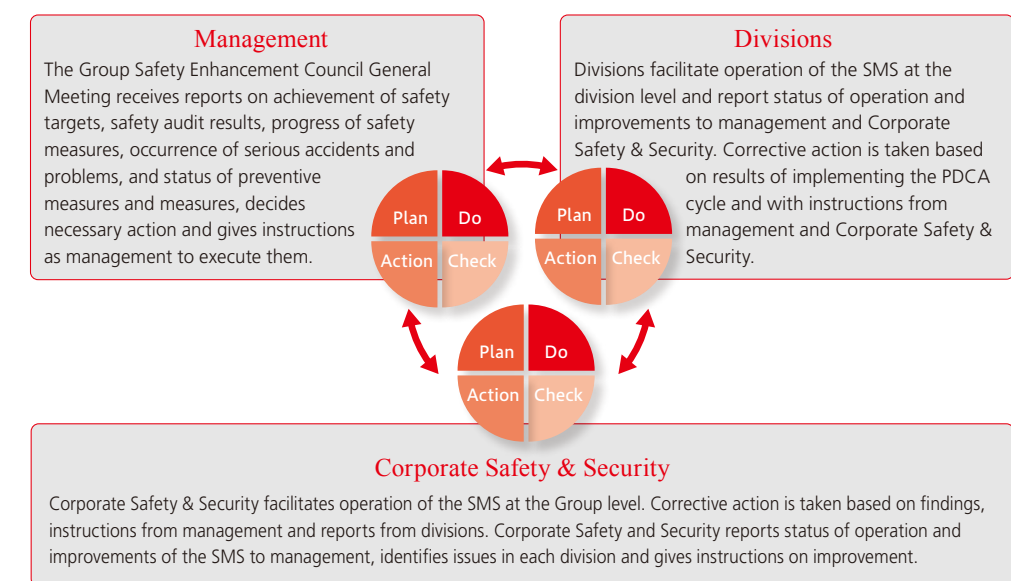
\*2 Committee placed under the Group Safety Enhancement Council General Meeting responsible for increasing safety in air transport of the JAL Group by maintaining and strengthening coordination on safety initiatives among divisions and Group airlines.

\*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 divisions implement and organically link their PDCA safety cycles to ensure the proper functioning and continued improvement of the SMS.

#### PDCA Cycle as Part of the SMS



### Cultivating a safety culture

On August 12, 1985, JAL Flight 123 crashed on the ridge of Mt. Osutaka and 520 precious lives were lost. To engrave valuable lessons in our minds, we established the Safety Promotion Center in April 2006. To date, more than 260,000 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 are made aware, from the depths of their consciousness, of the vital importance of safety by ascending the ridge 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) through news footage and video interviews. In fiscal 2019, 1,758 employees attended the Safety Seminar for New Employees, 260 employees participated in the Safety Promotion Seminar and 128 employees in the Safety Seminar for New Managers.

Since December 2019, JAL Group Safety Seminar has been conducted for all JAL Group staff. Here, the significance of the Business Improvement Order for inappropriate alcohol-related incidents is again reviewed, and the extent to which the consumption of alcohol affects safety and the Company's critical situation are reaffirmed. In addition to

questions such as the root cause of the incidents and why they could not be prevented, fundamental issues uncovered by the Verification Committee regarding the background to the incidents are being treated as an opportunity for deeper thinking through discussion with colleagues about the proper way to act and behave. We are cultivating awareness of "Safety First" in relation to safety on the job. A total of 10,816 employees underwent this education in fiscal 2019. It is being continued in fiscal 2020 with the intention of educating all relevant staff.



Display of aircraft wreckage in the Safety Promotion Center

Further, given the lessons of the aircraft accident that occurred at New Chitose Airport in February 2016, in addition to being provided with knowledge that all airline staff should possess, emergency evacuation training for all JAL Group staff is being conducted since November 2016 in order to increase safety awareness. As part of this training, staff learn in a classroom environment about appropriate actions and responses in the event of an emergency. They also rehearse such procedures as sliding down an evacuation slide, the proper use of life vests and oxygen masks, and riding in lifeboats in order to enhance their safety awareness. In fiscal 2019, in addition to offering this training in English, a course was also established to provide training to staff with impairments, culminating in the education of a total of 4,624 staff. In fiscal 2020, through the introduction of teaching materials that utilize virtual reality, we are facilitating the training of each and every one of our staff, including those working in overseas or other remote locations whose participation until now has been difficult.



Training using an emergency evacuation slide



Learning about the correct use of lifeboats

**Safety Advisory Group**

In August 2005, JAL 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 expert's viewpoint. In fiscal 2019, we welcomed members from the Safety Advisory Group to speak at Safety Talks ~Stories to Pass On to Future

Generations~. These talks based on a proposal from the Safety Advisory Group. The members provided us with inspections of the Flight Operations Division and the Cabin Attendants Division, Group airlines and other workplaces, engaging in dialogue with staff at those locations.

After a second Business Improvement Order was issued for repeated incidents of inappropriate alcohol consumption, concerns were aired that a certain slackness was beginning to set in with respect to our safety culture. This culture ought to have been instilled in our organizations and their staff, in both organizational practices and climate. The Safety Advisory Group members held hearings and informal meetings with flight crews, and analyzed records of the hearings of the individuals involved in the incidents. In March 2020, they submitted a proposal entitled "Organizational and Awareness Reform using Lessons Learned from Alcohol-related Incidents."

The proposal, in which five experts considered a broad range of themes from different perspectives, contains many valuable suggestions. The JAL Group is striving to put the proposal to good use through substantive reforms to both organization and awareness.



Fiscal 2019 Safety Talks

**■ 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 Ltd. Fields of expertise include nano and micro processing, production processing science, healthcare engineering, the science of failure, the science of danger, and the science of creativity.
Shinichi Kamata	Professor Emeritus, National Defense Academy of Japan Fields of expertise include organizational theory and business administration
Shigeru Haga	Senior Technology Advisor, Research Institute for Social Safety, Professor Emeritus, Rikkyo University Fields of expertise include traffic psychology, industrial psychology and ergonomics
Akinori Komatsubara	Professor, Faculty of Science and Engineering, Waseda University Fields of expertise include human life engineering

# JAL Philosophy

## Basic Concept

As we stand on the starting 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 a chance to rebuild the company. Spurred by serious reflection, we are resolved to part with the past and create a brand new JAL. "Were we too dependent on others?" "How conscious were we about profitability?" "Are we serving our customers with feelings that come from the bottom of our hearts?" Based on these reflections, we found it necessary to change the awareness of every employee and established the JAL Philosophy that is a mindset, a set of values or an attitude that everyone working on JAL services and products should share and have in their mind. If everybody used the JAL Philosophy as a common criterion for decision-making, staff members could work as a team, where each member trusts one another. JAL would become a company that contributes to the advancement of society, and all staff members would work with pride and reassurance. As we repeatedly study, understand and practice the JAL Philosophy in our everyday work, it will drive us toward our ambitious goal of becoming "the world's most preferred and valued airline."

## Fiscal 2019 Initiatives and the Future

### JAL Philosophy Workshops

In order to deepen understanding of the JAL Philosophy, JAL Philosophy Workshop is held three times a year for all staff involved with JAL products and services in Japan and overseas. As we enter the tenth year since the establishment of the JAL Philosophy, in order to further extend growth of the JAL Group, it is necessary to transition away from a conventional phase in which "staff members go to take classes" to the next phase in which "they learn and practice the JAL Philosophy of their own volition." Hence, the appellation of these workshops has been changed from "JAL Philosophy Education" to "JAL Philosophy Workshop." The facilitators who conduct JAL Philosophy Workshop are assembled from many different workplaces such as Flight Operation, Cabin, Maintenance and Airport, and are also in charge of the creation of teaching materials.



Conducting the JAL Philosophy Workshop (online)

### Leader's Workshop

In addition to the JAL Philosophy Workshop, Leader's Workshop is held once a month for directors and vice presidents, and twice a year for managers, to repeatedly study the awareness, values and attitudes required of leaders, reaffirm their mission and roles, and put these lessons into practice. This workshop, in which leaders in all types of jobs assemble in one place, provide the opportunity for both serious discussion and friendly competition among the leaders. By moving all of these workshops online in fiscal 2020, the participation of both domestic and overseas branch offices was made easier, contributing to the improvement of communication across divisions.



Leader's Workshop in fiscal 2019

### JAL Philosophy Convention

The JAL Philosophy Convention is held annually in an effort to promote the JAL Philosophy. Ten people were chosen to present from a field of over 400 applicants for the 9th JAL Philosophy Convention held in 2019. Their presentations were given on the theme of "lessons learned through failing at challenges," and staff were able to learn from the presenters' "attitude to challenges" and "approach to practicing the JAL Philosophy." We will continue to offer these opportunities to strive for self-growth. We will make continuous efforts to promote wider application of the JAL Philosophy as we aim to realize the Corporate Policy to deliver unparalleled service to our customers and contribute to the betterment of society.



Fiscal 2019 JAL Philosophy Convention



## Amoeba Management System

### Basic Concept

The amoeba management system is a business management system that promotes "management by all" by dividing organizations into the smallest units and presenting the unit's result of work 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 employee are consolidated to conduct sound and flexible corporate management.

#### Benefits of introducing the amoeba management system

The introduction of the amoeba management system has enabled us to clarify the role and responsibility and grasp the revenue and expenses of each unit, and thereby visualize the achievements and profitability of each department. As a result, members in each department have developed a sense of responsibility over figures and feel more motivated and creative in their work attitude.

In the amoeba management system, every department 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 department 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 fixed, the difference between the target and result is analyzed, and reasons for the difference are clarified and used to create the next month's plan. In addition to the annual plan prepared at the start of each fiscal year, monthly targets are set and achieved, which facilitates prompt responses to changes in the environment, that is, proactive management. Operating a monthly management cycle at each activity level enables all staff to participate in management.

After each department confirms its results and targets, business results, projections, issues and countermeasures are reported by General Managers of divisions and presidents of Group companies at the Group Company Business Performance Report Meeting. The meeting is attended by around 140 participants, including the President, all directors, presidents of Group companies, and online observers, who hold earnest discussions on JAL Group management with the goal of realizing the Corporate Policy.

### Fiscal 2019 Initiatives and the Future

In response to the sudden decline in demand from the spread of COVID-19 beginning in the fourth quarter, the amoeba management system was utilized to its fullest extent to improve earnings through supply adjustments and cost reductions based on a swift analysis of demand trends toward the end of the fiscal year.

These harsh conditions have persisted into fiscal 2020 as well, and reduction of variable costs based on supply adjustments, decreases in fixed costs, and investment control are being steadily managed and executed through amoeba management.

The amoeba management system is being employed, aiming at even more muscular management focusing on the following three areas.

#### 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 managerial resources

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



Group Company Business Performance Report Meeting

## JAL Group Code of Conduct

### Basic Concept

The JAL Group Code of Conduct, "Commitment to Society," was established in July 2019 as a guideline for professional behavior to be observed by all staff. Based on the attitude espoused in the JAL Philosophy, it is more firmly grounded in the company's business and activities.

The 10 principles of the United Nations Global Compact and Charter of Corporate Behavior of Keidanren (Japan Business Federation) were used as reference.

By behaving in accordance with the "Commitment to Society," all JAL Group staff can more securely implement the JAL Philosophy in actual practice, while further linking these practices to the realization of the Corporate Policy and to the achievement of SDGs and other goals of society.

#### 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

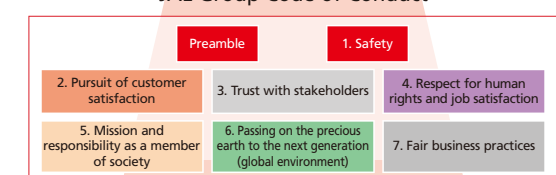
Full text of the JAL Group Code of Conduct

<https://www.jal.com/en/sustainability/codeofconduct/>

#### JAL Group Corporate Policy

SUSTAINABLE  
DEVELOPMENT  
GOALS

#### JAL Group Code of Conduct



#### JAL Philosophy

### Fiscal 2019 Initiatives and the Future

In fiscal 2019, the JAL Group Code of Conduct "Commitment to Society" was newly adopted. Efforts have been devoted to promoting understanding among staff through education programs including new employee orientation, and videos and group discussions on "What We Can Do Today." In fiscal 2020, we will strive toward further diffusion of these attitudes through the incorporation of new case studies and other means.



e-Learning video for all staff

# Financial Strategy

## Measures in the unprecedented situation and JAL Groups' future initiatives

Hideki Kikuyama

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



## The Situations in the Fiscal Year 2019

The airline industry has been facing unprecedentedly difficult situations due to the worldwide travel restrictions caused by the spread of COVID-19. Up to December 2019, the international passenger demand decreased due to the rising uncertainty in the global economy caused by U.S.-China trade frictions, the political situation in Hong Kong and the Japan-South Korea relationship. However, the JAL Group made progress in preparing to expand its network by enhancing codeshare partnership programs and approval of antitrust immunity for the joint-business with Malaysia Airlines Berhad and by obtaining additional slots at Haneda Airport from the fiscal year 2020 as we desired. For the domestic passenger business, we were able to capture both business and leisure demand. The 10-consecutive day long holidays to commemorate the beginning of the new Reiwa era also supported the steady domestic demand. We improved our products and services by introducing new aircraft such as A350.

The JAL Group responded quickly to the rapidly falling demands in international and domestic air transport with the spread of COVID-19 since January 2020, however, it's revenue and profit both declined year-on-year. Amid the current unforeseeable situations, we all will survive this difficult time with the strong and firm financial base that we have steadily constructed to date to prepare for any unexpected risks.

## Financial Strategy 2020

To this rapidly-decreasing demand due to the worldwide travel restrictions, we are making utmost efforts to reduce cost by reducing our capacity. In the fiscal year 2020, we will minimize operation-linked costs such as fuel, maintenance or landing fee. In addition, we will reduce at least 90 billion Japanese yen of fixed cost by reviewing outsourcing, office rent, performance-linked bonus, employee allocation or advertisement cost. Also, capital expenditure including aircraft will be reduced at least by 80 billion Japanese yen. We are making good progress in those reduction, thus we will set further goals and strive to achieve them. For cargo operation, most of airlines reduced their cargo capacity by cancellation of passenger flights and the demand-supply situation became tightened. In such circumstances, the JAL Group has been striving to support logistics domestically and globally by operating passenger aircraft for cargo flights. Our fleet turnover and profit will be improved at the same time.

In addition, just in case when the COVID-19 infection would last longer than expected, we have secured about 500 billion Japanese yen of liquidity since February 2020 to the end of June 2020. We will ensure enough amounts of liquidity at hand in a timely manner with our steadfast financing ability that has been one of our important management goals. We will prepare for the COVID-19 impacts when it lasts longer than expected. Also, we will prepare for possible dynamic changes in demand in the new normal. Specifically, overall demand recovery to the pre-COVID19 level may take a long time. Also, demand itself, especially business travel demand, may change fundamentally. Therefore, we will review our business portfolio to include low-cost airlines, not only JAL brand, especially in the international passenger business. We will reconstruct our strong financial structure as our first priority in the new mid-term management plan we would like to present by the end of this fiscal year, through reducing interest-bearing debts that is expected to increase inevitably.

## To Our Shareholders and Investors

It is yet unclear when the COVID-19 spread would abate and diminish. Then, we determined to pursue liquidity at hand as our first priority, and we regret that we have determined not to pay interim dividends.

We regard shareholder returns as one of our most important management matters. Our fundamental policy is to actively implement shareholders 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. The COVID-19 impact is not small for the JAL Group performance in a short run, yet it is temporally so that no fundamental change will be caused to our business structure. Thus, we have no plan to change our shareholder returns policy.

When the spread of the COVID-19 abates and air transport demand recovers both in Japan and the world, and then we believe that our performance is on the rise again, we will realize continuous and stable shareholder return.

## Toward the New Mid-term Management Plan

We are expecting big changes in our business environment. Probably it takes for a while for international passenger business to recover, and demand change may occur especially in business travel demand. In the new normal, new values will appear with new lifestyle and workstyle. More attentions will be given to social issues such as environments or local economy. Amid the changing environment, we will focus on four major tasks:

(1) Reconstruction of a firm financial structure

We will improve our profitability and reduce fixed cost through cost restructuring with new technology. At the same time, we will improve profitability and reduce capital expenditure. Through those measures, we will aim to reduce interest-bearing debts and recover strong financial structure as soon as possible, and then aim for shareholder return.

(2) Improvement of safety and comfort measures

We will aim for safe and stress-free travel by further heightened hygiene standards and promoting minimal contact during travel

(3) Restructuring the business structure

We will shift from the current business structure that relies on business travel demand to a new business structure that can maintain good profitability even with leisure and VFR demand through enhancement of LCC business. Also, we will realize new business portfolio with less airline domain.

(4) Accelerated initiatives for social issues facing society

We will contribute to local revitalization with our network. Also, we will spread the Japanese culture to the rest of the world. We will aim for zero CO<sub>2</sub> emission on an actual basis through sustainable aviation fuel (SAF), carbon offset and new generation aircraft.

We will create the new mid-term management plan to tackle those matters. We will strive to work altogether to live up to your expectations.



# Human Resources Strategy

Building environments that help employees demonstrate their potential

Takuya Oda

Executive Officer  
General Manager, Human Resources



## New Normal Workstyles

Our emphasis on building environments that help employees to demonstrate their potential is reflected in our Corporate Policy, and is the foundation of the JAL Group's human resources strategy. At the same time, the "new normal" emerging in the wake of the pandemic is generating one new challenge after another. For example, remote work practices spread almost instantly as part of the "new normal." This shift presents us with multiple challenges relating to those who cannot commute to their worksites amid the current environment, including how human resources development and health maintenance should be carried out; how to enable employees to engage in active, effective communication now that in-person opportunities are fewer than before; and how to enable human resources to play an active role in more diverse fields than ever before amid a temporary personnel surplus. In response, we reviewed our human resources strategy to clarify which aspects of it we would change and which we would maintain. This exercise demonstrated the increasing importance of expanding the scope of engagement for each individual in the JAL Group's diverse workforce, further enhancing their capacity to think and act independently, and maintaining their mental and physical health.

## Promoting Remote Work and Expanding the Scope of Employee Engagement

The JAL Group has been active in promoting workstyle innovation, for example with the introduction of remote work and super flex time systems, mainly for support departments. However, until now, these efforts assumed that personnel would regularly commute to a worksite. With the shift to the "new normal," where commuting to a worksite is not necessarily required, finding the best approach to defining new workstyles has become a challenge. Upgraded digital environments will of course enable personnel to work from home, but that is just the beginning of workstyle innovation. The roles that employees play may further diversify—they may shift their base of activity away from large cities, work in multiple teams, or hold employment inside the group and have a sideline occupation outside at the same time.

Human resources development has undergone a major shift, from in-person to largely online development. We are also experimenting with in-person and online engagement for frontline units. Until the advent of COVID-19, our approach to human resources was to prepare for personnel shortages by hiring and developing specialists. In the current environment, however, we have a personnel surplus. This has made it important to expand the scope of employee engagement. By creating more opportunities for them to use their specialized expertise not only in connection with the aviation business, but for the broader benefit of society, we will promote engagement by our employees across a broader range of areas than ever before.

## Promoting Deeper Diversity and Employee Autonomy (JAL OODA)

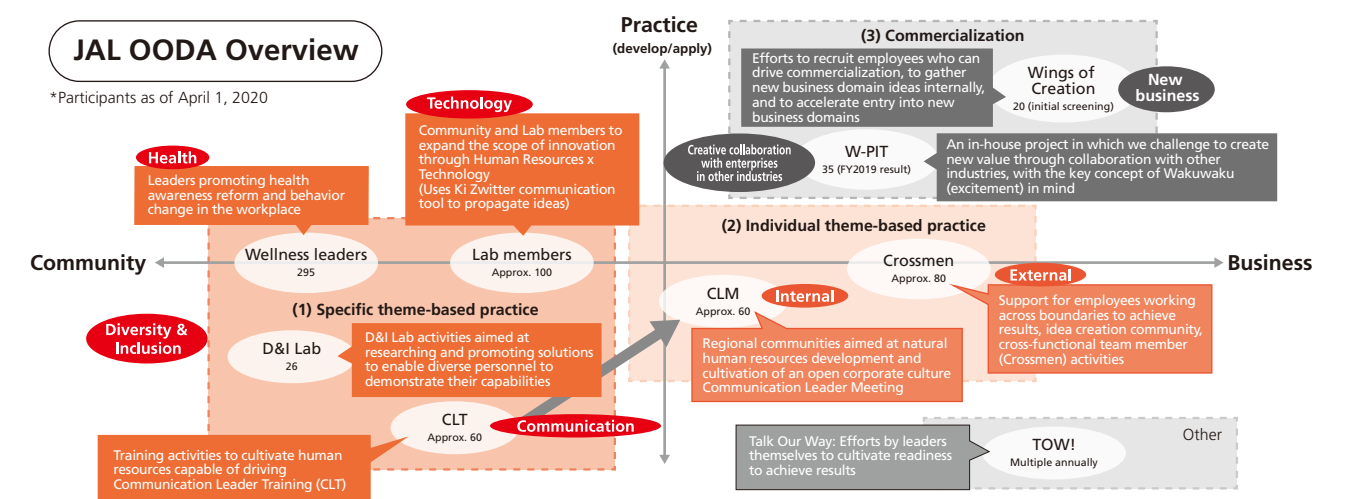
In April 2018, we launched JAL OODA, an initiative geared toward becoming an organization of individuals with enhanced capacity for autonomous judgment and independent action. To this end, we conducted awareness reform training for managers and, to create opportunities to put training into practice, we implemented a wide range of team-based activities. For example, we created the Wakuwaku Platform Innovation Team (W-PIT) team under the slogan, "Bring the startup spirit to JAL!" In the current social distancing environment, the team is giving online presentations of original business ideas generated by employees themselves. We are convinced that although these efforts are taking place amid daunting challenges, the resulting increase in personnel exchanging independent, diverse points of view, with active collaboration from colleagues, will be an ongoing driver of new value creation for the JAL Group. We have also seen cabin attendants with medical certification step forward and, in consultation with managers and the company, contribute their expertise on the medical frontline to help ease the burden on care facilities that are dealing with COVID-19. These initiatives were not undertaken at the direction of the company. Employees originated the ideas independently, and by acting on them, expanded the scope of their engagement. It is highly rewarding to see employees contributing to society in this way. It brings home again the importance of cultivating even more employees capable of taking an independent perspective.

Achieving this will certainly require not just more independent thinking, but also a deeper commitment to diversity. Underpinning this conviction is our belief that diverse human resources will not confine themselves to conventional job areas. Instead, by creating a corporate culture that enables them to demonstrate their distinctive human assets in new fields and job areas, they will create significant synergy effects. Active participation in the workplace by women is one facet of our diversity efforts, and we recently saw a woman who began as a cabin attendant ascend to the post of president in one of

the group companies. Women also lead training and human resources development units. These and other examples demonstrate how more and more women are leveraging frontline expertise, accumulated as cabin attendants, to assume leadership roles in other areas. In addition, employees with impairments are operating cafes and massage rooms, and otherwise providing important meal and health support to JAL Group employees on a daily basis. It is impressive to see so many examples of employees with diverse backgrounds being active in so many areas, and we will accelerate this trend as we build a company that can generate new value with the power of human resources.

## Health Management

With the rise in online conferencing and education, opportunities for face to face communication are fewer than before, and we see an increasing number of challenges relating to employee health. For example, presenteeism—employees coming to work even when they are in poor physical or psychological condition—has been a problem from before. In an environment where patterns of worksite use are changing, with fewer opportunities for managers and employees to communicate face to face, we believe that undertaking to communicate in detail, and treating employees actively as individuals, is becoming increasingly important. Under its JAL Wellness 2020 health promotion plan, the JAL Group has established priority challenges and is promoting efforts to meet those challenges, which are showing steady progress. We are striving to enhance lively work environments where employees can demonstrate their potential in top health condition. In addition to efforts aimed at preventing the five major diseases designated by Japan's Ministry of Health, Labour and Welfare—cancer, stroke, heart disease, diabetes, and mental illness—we are incorporating a data health approach that incorporates stress checks, and considering measures to increase engagement levels. We are also accelerating the move toward health management in new workstyles, and will continue striving to enhance environments where employees can maintain healthy minds and bodies, and work with energy and motivation.



# IT and Digital Strategy

## Down-to-earth Innovation using Human Resources and Technology

Tomohiro Nishihata

Managing Executive Officer  
Senior VP - Innovation



### Human Resources x Technology

Technology is advancing at an astonishing pace with AI, IoT, Robotics and other technologies, and this process will continue. The JAL Group will not merely utilize these advanced technologies but also combine them with its strengths in human resources and facilitate productive partnerships with external collaborators. Our aim is to create innovation through the fusion of human resources and technology.

To this end, we are pursuing three objectives: maximizing Customer Experience (CX) by offering new value and superior services; innovating employee workstyles and enhancing operational quality and productivity while maximizing our Employee Experience (EX) by broadening their creative scope; and creating new business areas. To achieve these objectives, the entire Group is working toward rapid implementation in three layers: building a next-generation IT foundation, digitizing business processes, and promoting further Digital Transformation (DX).

### Establishing Next-generation IT Infrastructure to Support DX

Ensuring reliable systems operation and strengthening information security are increasingly critical for promoting digitalization and DX, and they are essential for conducting business. Moreover, we are promoting establishing next-generation IT infrastructure that can introduce systems quickly and develop software flexibly. We are also working to minimize system operation costs by leveraging clouds. Under our long-standing efforts to bolster our information security against the ever-expanding challenge of computer viruses, and our emphasis on leveraging clouds and mobile communications, nearly all of JAL Group employees were able to shift smoothly to a remote work approach, even amid the COVID-19 crisis.

We are also promoting the use of Robotic Process Automation (RPA). For example, our Operations Division uses RPA to conduct a detailed analysis of the proper quantity of reserve fuel for our aircraft. This led to maintaining flight safety and reducing fuel costs through more appropriate refueling. Our Sales Division applied RPA to advance seat assignment for group travelers, and to issuing our business report at our more than 200 domestic and international offices. The result was annual savings of over 20,000 person-hours of labor.

### Digitalizing Business Processes

For over half a century, the JAL Group used a proprietary passenger service system that we upgraded continuously. However, we recently migrated from this legacy system to a global platform managed by the Amadeus IT Group. Dubbed the SAKURA Project, this company-wide large-scale system migration, which took over seven years, was completed on time in March 2019. Our passenger service systems for domestic and international flights have been merged into a single platform to serve the global market and will serve as a complete foundation for promoting DX in the passenger domain. This will enhance the convenience of transfers to our domestic and international flights, and boost efficiency by unifying the functions of the domestic mobile application. Unifying passenger information into a single system will, for example, enable us to offer appropriate information and services when they are needed, and by making more of our system operation costs variable, we can match them more closely to our business performance.

At our airports, we are promoting the JAL SMART AIRPORT concept, which was created using Design Thinking. By putting people (customers and employees) at the center of our technology use, we are realizing a smooth, convenient airport experience, from check-in counter to boarding gate. Moreover, to meet the need for remote and non-contact operations amid the COVID-19 pandemic, we are working on various measures, including the use of avatars and Ticketing Kiosk's shift to touchless.

We are working to bring our operations into the digital domain. For example, we have developed a mobile application to unify multiple existing systems and paper-based operations in our aircraft maintenance. This has not only yielded operational efficiencies but has enhanced our systems infrastructure. In our cargo and mail operations, we worked with the industry as a whole to realize paperless tracking, automated cargo space location, and dynamic information browsing.

### Progressive DX

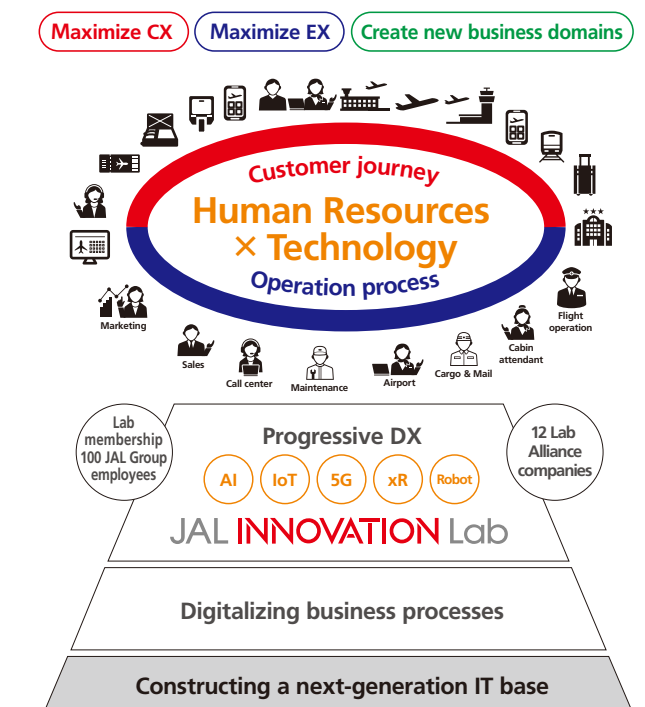
In April 2018, we established the JAL Innovation Lab near our head office as a setting for ongoing DX. Approximately 250 enterprises are pooling their technology and strengths at the Lab, including the 12 members of the Lab Alliance, a partnership formed to realize open innovation. In addition, around 100 employees from a wide range of divisions are Lab members. The Lab collaborates with internal and external parties to carry out detailed simulations of the customer journey. Instead of empty discussions, it is creating and testing actual prototype systems based on strong awareness of the need for rapid response, with a focus on

five core technologies: AI, IoT, 5G, xR, and Robotics.

Our objective is to maximize CX and EX and create new business domains. In the CX domain, we have begun to offer such new journey options as JAL xR Traveler, which combines VR with smell and touch feedback, and Online Trips that combine digital images with the ability to order food products from the depicted location.

In the EX domain, we have established a 5G base station in the JAL Innovation Lab in collaboration with KDDI Corporation and are conducting joint verification testing. Currently we are working on verification testing related to maintenance operations, with a goal of enhancing productivity and quality by using the capabilities of 5G to realize more advanced remote support for maintenance operations and forecasting.

In new business domains, we are combining the operations expertise of the JAL Group with advanced technology, with emphasis on MaaS (Mobility as a Service) and Area Mobility. In overall recognition of our DX efforts, we were awarded the IT Grand Prize at the 37th IT Awards for fiscal 2019. The JAL Group will work in unison to become the most advanced DX enterprise and realize innovation on a firm footing through the fusion of human resources and technology.





# JAL Group Business Activities

## International Passenger Operations

### External Environment of International Passenger Operations

In the midst of growing uncertainty in the future of the world economy due to U.S.-China trade friction and other factors, Japan has been buffeted by a succession of large-scale natural disasters, although their effect on the Japanese economy has been negligible, and demand for air transport has overall remained strong. However, the spread of COVID-19 since January 2020 has caused a large downturn in both the world and Japanese economies.

The price of crude oil, which affects both fuel costs and international passenger revenue, generally remained within a certain range even while being influenced by such factors as changes in international affairs. However, since March 2020, crude oil prices have been dropping sharply due to failure to agree on further cuts to oil production among OPEC+ members and concern over the slowdown of the global economy. COVID-19 has spread on a global scale, and drastic measures such as travel restrictions have been imposed around the world. As such, the movement of people across borders has dropped precipitously, and there has been a dramatic contraction in demand for travel. This drop is only temporary, and in the mid-to-long term, international passenger demand to and from Japan is forecast to grow. We are continuing to monitor other external factors that impact international passenger traffic, including natural disasters, inclement weather, terrorist attacks and regional conflicts.

### International Passenger Operations

	FY2019	YoY
Passenger Revenue (JPY Bn)	476.2	- 10.3%
Revenue Passengers (1,000)	8,277	- 9.3%
Available Seat Kilometers (MN seat km)	54,324	- 1.1%
Revenue Passenger Kilometers (MN passenger km)	41,905	- 6.2%
L/F (%)	77.1%	- 4.2 pts
Revenue per Passenger*1 (JPY)	57,530	- 1.0%
Yield*2 (JPY)	11.4	- 4.4%
Unit Revenue*3 (JPY)	8.8	- 9.3%

\*1 Passenger revenue/Revenue passengers (RPK)

\*2 Passenger revenue/Revenue passenger kilometers

\*3 Passenger revenue/Available seat kilometers (ASK)

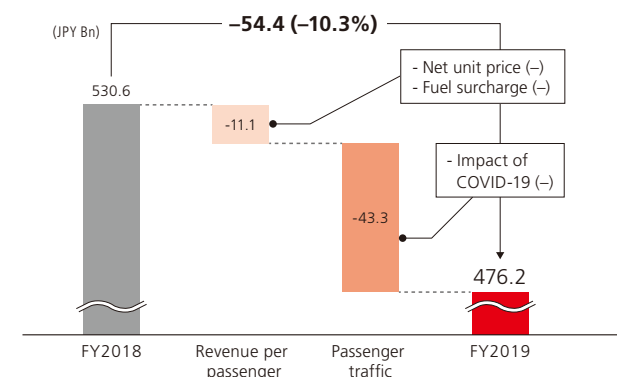
### Fiscal 2019 Results

Passenger demand for international flights has seen a decrease due to fewer business trips and other reduced business demand accompanying the slowdown of the global economy. By region, there has been a prominent worsening of the supply-demand balance owing to increases in seat availability of competitors on European and China routes. Additionally, passenger demand on Hong Kong and South Korea routes has fallen due to political instability and a deterioration of Japan-South Korea relations.

Further, since January 2020, COVID-19 infections originating in China have spread worldwide, and countries have imposed entry restrictions and heightened quarantine. This has resulted in major constraints on the movement of goods and people. Passenger demand, particularly in East Asia, had plummeted sharply by February, and from March onwards, all other regions including Europe and North America followed suit. To cope with this drop in demand, expedient measures were taken in the fourth quarter, such as suspension and reduction of flights and a change to smaller aircraft.

On the one hand, on February 28 Japan Airlines became the first Japanese airline to establish a Narita-Vladivostok route, however from March 29, we postponed the start of most operations on new international routes and international routes with increased flights at both Haneda and Narita airports. As a result, available seat kilometers declined by 1.1% from the previous year, passenger traffic declined by 9.3%, revenue passenger kilometers fell by 6.2%, and the load factor was 77.1%. In addition to a decline in outbound business demand, a decrease in fuel surcharge revenue led to a decrease in revenue per passenger from the previous year, resulting in international passenger revenue of 476.2 billion yen, a decline of 10.3% from the previous year.

### Change in International Passenger Revenue



### Future Strategy

The spread of COVID-19 throughout the world has been unrelenting, and there seems to be no end to the pandemic in sight. Although we have suspended flights and assigned smaller aircraft, we will proceed with the timely resumption of flights in accordance with recovery of passenger demand while keeping an eye on the eventual relaxation of entry restrictions imposed by the relevant governments. Not knowing when these entry restrictions will be lifted, we are currently undertaking measures to enable rebooking across all fares in order to provide passengers with peace of mind when making reservations with us.

Due to the influence of the virus, it is anticipated that a slump in demand for international flights will be unavoidable for the time being. However, we are constructing an optimized network at both Haneda and Narita airports in anticipation of the recovery in demand, and are also aiming to capture passenger demand over a broad range of customer profiles through synergy achieved with the newly established LCC, ZIPAIR. Moreover, JAL's extensive domestic network from Haneda will be utilized in an effort to take inbound tourists to regional areas. In 2019, a new service, JAL Bid Upgrade was started for international flights, using a bidding format for upgrades from Economy Class to Premium Economy Class.\* Looking ahead, we have plans to successively unveil other new services accessible with payment of an additional fee to enable us to further address the various needs of our customers.

\*For routes on which Premium Economy Class is not available, upgrades to Business Class are offered instead.



The boarding gate for the first JAL flight to Vladivostok

### Column

#### Responses to COVID-19

##### Rescuing stranded citizens on extra flights

The global spread of COVID-19 has resulted in lockdown in cities, a ban on international flights, and other measures, leaving many people stranded overseas. To help them return to their countries, the JAL Group operated extra flights from various cities. On extra flights between Tokyo (Haneda and Narita) and Moscow (Sheremetyevo), we were able to assist persons returning from Russia by switching cargo flights from London and Helsinki to passenger flights via Moscow rather than making a simple round trip between the two cities, while securing the necessary revenue. The Tokyo (Narita)-Bangalore route, which was scheduled to begin service on March 29 2020, was postponed, but we operated three extra flights to repatriate stranded persons from southern India. These extra flights were used not only by Japanese expatriates, but also by citizens of other nations, and many returned home via Japan.

Expatriate employees of Japanese corporations were unable to return home or were unable to assume new posts for a prolonged period. In response, JAL acted in concert with the local Chamber of Commerce and with the Japan External Trade Organization (JETRO) to operate extra flights to Guangzhou.



Checking-in to an extra flight while observing social distancing

# Domestic Passenger Operations

## External Environment of Domestic Passenger Operations

In addition to moderate economic growth in the lead up to the Tokyo 2020 Olympic and Paralympic Games and the continuing slump in inbound demand, the expansion of travel needs prompted by the rising trend of experiential travel mainly among the younger generation led us to perceive favorable market conditions for stimulating demand for air travel in Japan.

In addition to the increase in inbound demand, business and tourism demand in Japan had remained strong, centered on flights departing from Haneda. However, with the global spread of COVID-19, people were asked to refrain from traveling around Japan and we faced a marked drop in demand for air travel. Even so, the decrease in domestic demand from COVID-19 is only temporary, and the forecast for Japanese domestic demand growth remains unchanged in the medium- to long-range.

Looking forward, we are striving to create further passenger demand through new measures such as those products developed in line with the Tokyo 2020 Olympic and Paralympic Games scheduled to be held in 2021 and with the new normal.

### Domestic Passenger Operations

	FY2019	YoY
Passenger Revenue (JPY Bn)	514.6	- 2.6%
Revenue Passengers (1,000)	33,783	- 3.1%
Available Seat Kilometers (MN seat km)	36,199	+ 0.2%
Revenue Passenger Kilometers (MN passenger km)	25,443	- 2.9%
L/F (%)	70.3%	- 2.2 pts
Revenue per Passenger*1 (JPY)	15,233	+ 0.6%
Yield*2 (JPY)	20.2	+ 0.3%
Unit Revenue*3 (JPY)	14.2	- 2.8%

\*1 Passenger revenue/Revenue passengers (RPK)

\*2 Passenger revenue/Revenue passenger kilometers

\*3 Passenger revenue/Available seat kilometers (ASK)

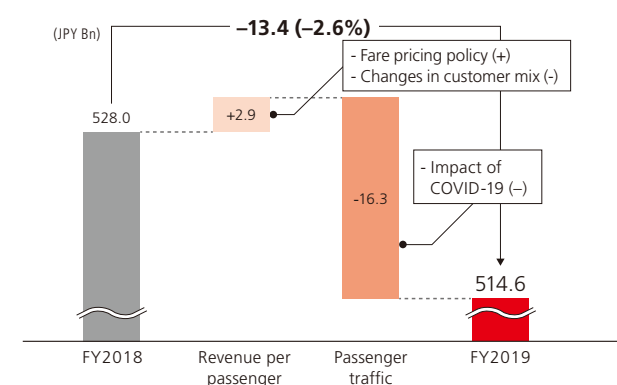
## Fiscal 2019 Results

Demand for domestic flights of both business and leisure passengers remained strong. In peak demand periods such as Golden Week, which with the beginning of the new Reiwa era in Japan became a 10 day holiday, and the summer vacation period, flights were increased mainly on routes between Haneda and Okinawa (Naha) and between Haneda and New Chitose to cope with robust passenger demand.

From September 1, the Airbus A350-900 installed with state-of-the-art cabin specifications was put into service mainly on the Haneda-Fukuoka route, and from October 27, the Boeing 787-8 was introduced mainly on the Haneda-Itami route. In addition, we improved and expanded our products and services such as accepting reservations and purchases of domestic tickets 330 days in advance from September. As a result, despite the impact of Typhoon Hagibis in October, domestic passenger revenue remained strong up until the third quarter.

However, with the spread of COVID-19 on entering the fourth quarter, beginning in February, requests from the Japanese government calling for self-restraint in organizing events and the shutdown of major theme parks, the request to Tokyo citizens to stay indoors, and other factors brought about a dramatic drop in passenger demand. In order to cope with this slump, we quickly suspended and reduced flights, and assigned smaller aircraft in March in efforts to minimize the impact on profitability. As a result, available seat kilometers rose by 0.2% over the previous year, passenger traffic declined by 3.1% from the previous year, revenue passenger kilometers fell by 2.9%, and the load factor was 70.3%. Domestic passenger revenue was 514.6 billion yen, a decline of 2.6% from the previous year.

### Change in Domestic Passenger Revenue



## Future Strategy

Since the lifting on June 19, 2020 of restrictions on travel across prefectural borders, passenger demand hit its lowest point and has since been slowly recovering. However, we are still in the midst of efforts to restart economic activities while preventing the renewed spread of infections, and it is expected that more time will be needed until a complete recovery can be achieved. Given such circumstances, efforts are being made to stimulate demand in parallel with measures devised to continuously prevent the spread of infections so that customers can board JAL flights with peace of mind. As an example, we have eliminated cancellation fees for some fares to facilitate rebooking. In addition to stimulation of travel demand in concert with the "Go To Travel" campaign being conducted by the Japanese government, new efforts are underway to identify needs that have emerged from the COVID-19 pandemic and create new demand. For example, we are developing travel products to match lifestyles and workstyles in the new normal, and tapping into new demand that combines work and leisure, such as "workation," in which work is done remotely during a vacation, and "bleisure," in which one takes a holiday while at a business trip destination. And, with the recovery of inbound demand, we are striving to attract foreign visitors to regions across Japan, in cooperation with local governments and regional tourism businesses.

In the area of products and services, the state-of-the-art Airbus A350-900 has been introduced and airport terminals are being renovated. In particular, the domestic passenger terminal at Haneda Airport has seen a renovation and reopening as a JAL SMART AIRPORT, featuring greater convenience with the installation of a self-bag-drop system. Going forward, we will continue to provide customers an environment where they can use our services with a sense of security through new automated and touchless services and enjoy personalized services that use digital technology.



The first Airbus A350 to enter service on domestic routes

## Column

### Responses to COVID-19

#### Touchless Services at Airports and Thorough Cabin Disinfection

The JAL Group has undertaken various efforts to provide safe and secure flights to all our customers. At our airports, all ground staff wear masks. Transparent partitions have been erected to prevent airborne infection at counters, reception areas and between lounge seats that face each other. Moreover, hand sanitizers have been placed near airport counters and in lounges, baggage claim areas, and other locations, and a search function to locate them has been added to the JAL mobile application. Cleaning activities have also been reinforced, and places likely to be touched by customers, such as self-service check-in kiosks, strollers, wheelchairs, counters, and lounge areas are periodically wiped with disinfectant. In some domestic lounges, air sanitization is being performed with chlorine dioxide sprayers. In aircraft cabins, fresh air is constantly taken in from outside and circulated throughout the cabin before being discharged outside so that all air is replaced within approximately two to three minutes. Due to this excellent ventilation, the cabin environment is not conducive to infections. Other measures are also being thoroughly implemented on board aircraft. During overnight parking, aircraft are carefully disinfected, and in addition to preparations to greet customers the following day, cabin attendants always wear masks and gloves, and also special gowns when cleaning lavatories. Moreover, disinfectant wipes are distributed to customers, hand sanitizers are provided in lavatories, and other measures are being taken for the thorough prevention of the spread of infection.



A self-service check-in kiosk that can be used without touching the screen (undergoing trials)



# JAL Group Airlines

## Domestic Carriers

### Lifeline Routes Leveraging JAL Group's Strengths and Regional Revitalization

The JAL Group provides route networks between regional cities and remote islands as a community-based airline group. We will continuously contribute to regional revitalization by successively introducing new aircraft and providing a highly convenient network and high-quality services.

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

Since its establishment to connect Okinawa's main island and remote islands, JTA has worked with integrity to maintain safe operations and aviation security. It maintains a record of zero fatalities in the company's history. In addition to connecting Okinawa's main island and remote islands, JTA operates routes linking Okinawa and Haneda, Chubu, Kansai, Komatsu, Okayama and Fukuoka respectively with a fleet of Boeing 737 aircraft. As a JAL Group airline, JTA offers high-quality service with a touch of Okinawa culture. JTA is also doing its part to support the regional economy by widely promoting Okinawa as an appealing destination for tourists.



Established	June 1967
Headquarters	Okinawa Pref.
Number and type of aircraft	13 (Boeing 737-800)
Number of routes	12
Number of employees	798

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

JAC routes are being expanded, primarily to remote islands in Kagoshima Prefecture, such as the Amami Islands. In February 2020, the SAAB 340B, in service for 27 years, was retired, thereby completing a transition to all-ATR aircraft. In addition to steadily advancing a cooperative project to share aviation technologies with other companies, in October 2019 we established Essential Air Service Alliance LLP, the first such endeavor in the aviation industry, with the cooperation of other carriers. Through efforts aimed at maintaining operations on the lifeline routes of remote islands, JAC will continue to grow and develop together with local communities, aiming to become a valued and trusted airline of the region.



Established	July 1983
Headquarters	Kagoshima Pref.
Number and types of aircraft	2 (SAAB340B) 7 (ATR42-600) 2 (ATR72-600)
Number of routes	19
Number of employees	389

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

J-AIR operates more than 30% of the JAL Group's domestic flights, and performs a principal role in the Group's regional services. Operating Embraer 170 and Embraer 190, the latter provided with Class J service, J-AIR has won favor with a broad range of customers, whether for business, leisure, homecoming or other purposes, through its wide range of the regional network. Moreover, by offering refreshments particular to each destination as part of inflight services, it strives to promote the charm of each region in Japan. J-AIR will continue to grow and develop with a step with the people of such regions, striving to become the best-loved regional airline.



Established	August 1996
Headquarters	Osaka Pref.
Number and types of aircraft	18 (Embraer 170) 14 (Embraer 190)
Number of routes	36
Number of employees	724

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

HAC operates routes connecting Sapporo Okadama Airport with Hakodate, Kushiro, Rishiri, and Misawa, and linking Hakodate Airport with Okushiri. In spring 2020, the carrier began operation of the ATR42-600, the successor to the SAAB 340B, with plans for successive renewals until fiscal 2021. The ATR42-600 has a solid record of operation in cold regions, a spacious cabin, greatly improved amenities, and 30% more seats. Going forward, HAC will continue to contribute to the further development of communities and society in the region, providing a safe and comfortable travel experience and new value and inspiration.



Established	September 1997
Headquarters	Hokkaido Pref.
Number and types of aircraft	3 (SAAB340B) 1 (ATR 42-600)
Number of routes	5
Number of employees	82

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

RAC operates routes connecting Okinawa's remote islands using DHC8-400CC aircraft and strives for safe operations each day as a trusted airline that contributes to customers and communities with staff that take pride in connecting the thriving islands. The carrier will continue operations that have been accident-free since its founding, as all employees join together to protect their social mission and role of supporting the lifeline routes of the Okinawa islands. Hewing to the catchphrase, "the islands are linked by the sky," RAC will strive to provide safety and peace of mind to its customers.



Established	December 1985
Headquarters	Okinawa Pref.
Number and type of aircraft	5 (DHC8-400CC)
Number of routes	12
Number of employees	132

## International Carriers

### ZIPAIR Tokyo Inc.

In July 2018, a new LCC was established to provide diversifying value desired by customers, targeting price-sensitive customers on international medium- and long-haul routes, for which future expansion is anticipated. The Boeing 787 has been used on the Tokyo (Narita)–Bangkok route since June 3, 2020, and the Tokyo (Narita)–Seoul route since September 12, 2020 (as of the end of September, both are being operated as cargo-only flights due to the spread of COVID-19).

The name ZIPAIR draws on the English-language mimetic word "zip," which expresses the swift flight of an arrow, to convey the impression of an airline with flights that seem to zip by. The name also incorporates the concept of "movement to various locations" found in the American phrase "zip code," as well as referencing the ".zip" digital file format, to suggest an airline filled with creative innovations typical of the Japanese, aimed at meticulously calculated travel experiences.

Established	July 2018
Headquarters	Chiba Pref.
Number and type of aircraft	2 (Boeing 787-8)
Number of routes	2
Number of employees	154

\*Data in tables as of the end of March 2020, except for the number of routes, which are as of the end of September 2020.



Inaugural flight on the Bangkok route

Preparations are underway for the inauguration of flights on Hawaii and North America routes from Narita Airport, where development is in progress. ZIPAIR will provide values different from those of full-service carriers in the JAL Group, and will cater to the diversifying needs of customers. It will play an important role in the JAL Group network, while contributing to an increase in overseas tourists, with a target of 60 million visitors in fiscal 2030.

### Column

#### Uniforms Designed to Be Easy to Work In

Drawing on the concept of mixing-and-matching, new uniforms were designed with combinations suited to the tasks for the day, the weather, the wearer's mood or physical condition, and other factors. Moreover, sneakers were introduced to help alleviate fatigue. Our believe is that uniforms that can be combined selectively according to the wearer's preferences, in the same way as everyday clothes, will motivate staff and allow them a more personal workstyle so they can focus on their work. This thinking is the basis for introducing uniforms that achieve practicality in order to optimize staff performance, and thereby improve the service we offer customers.



ZIPAIR uniforms

#### Cabin Features

Two types of seats are installed, the premium ZIP Full-Flat seats and Standard seats. ZIP Full-Flat seats are equipped with a 180-degree reclining function and are designed to emphasize privacy. The seats, which also feature a reading light and electric charging facility, allow passengers to stretch out as though on their sofa at home. While Standard seats are not equipped with an entertainment monitor, they have a power socket and tablet holder for the passenger to use his or her own smartphone or tablet in comfort.



A ZIP Full-Flat seat



## Cargo and Mail Operations

### Review of Fiscal 2019

Continuing from our work in 2018, we have been endeavoring to maximize cargo business profitability, increase the value of transport services, and expand into new business domains.

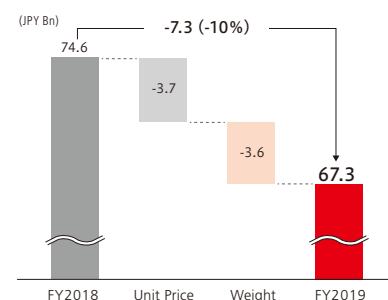
In international cargo operations, due to trade friction between the U.S. and China, the worldwide demand for air freight has declined. However, coordination with overseas carriers owning freighters has been strengthened, and in August, codeshare with U.S. Kalitta Air for scheduled cargo flights began. From October, we increased capacity by using space on China Cargo Airlines, expanded our network, actively captured demand for air cargo transport from Asia to North America through Japan, and responded to a broad range of customer needs.

In domestic cargo operations, demand has dropped due to poor catches or bad harvests of perishables owing to inclement weather, but as part of efforts to create new cargo demand, cargo pickup points for agricultural products were established at New Chitose Airport and Asahikawa Airport in coordination with Nouseken Corporation. By having producers deliver farm products directly to airports, the lead time from harvest to shipment was greatly reduced, and by creating a physical distribution network that exploits the strengths of air freight, we were able to transport products with their freshness intact.

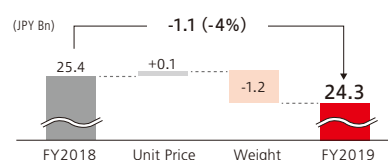
With respect to new business domains, we established JAL Hongyuan Co., Ltd. with the objective of building product distribution channels between Japanese firms and Chinese companies that operate e-commerce websites, as part of the rapidly growing trans-border e-commerce business from Japan to China. Moreover, with an eye on regional vitalization and future expansion of air freight, we held demonstration tests for unmanned helicopters to transport cargo between airports in remote islands, the first such tests in Japan.

As a result of these efforts, international cargo and mail revenue was 67.3 billion yen, a decline of 10% from the previous year, transported tonnage was 425,000 tons, domestic cargo and mail revenue was 24.3 billion yen, a decline of 4% from the previous year, and transported tonnage was 385,000 tons.

#### Changes in International Cargo and Mail Revenue



#### Changes in Domestic Cargo and Mail Revenue



### Future Strategy

In international cargo operations, in addition to the JAL passenger flight network, we are forming partnerships with other carriers at the same time as providing a stable cargo transport network that meets demand. With the spread of COVID-19, transport services that are even safer and provide an even greater sense of security are being sought. In response to such mounting needs, we are improving services at airports, which include preparing cold storage facilities to enable transport with more rigorous temperature control, and the expansion of the logistics business to support e-commerce, for which speed is at a premium. Moreover, in existing business domains such as the airport warehouse business, greater efficiency and reduced manpower are being promoted through the introduction of technology, and efforts are being made to create new air cargo demand not only through more extensive physical distribution activities, but also by promoting overseas exports of local products, while entering into the domain of product distribution channels.

As for domestic cargo operations, in April 2020 we reformed business processes in which cargo information and handling had until then been managed using printed materials, introducing paperless air waybills for the first time in Japan. Moreover, we established reservation portal sites, to improve the customers' convenience for reservations and transport. In the future, we will continue to introduce technology and increase the number of channels we have with customers to help create new demand for air cargo.

#### Column

##### Responses to COVID-19

##### Transporting goods in passenger cabins and operating cargo only flights

In order to transport as much medical equipment as possible, including urgently needed goods such as masks, protective gear and medical items for treating COVID-19, we loaded passenger cabins with masks and protective gear, on satisfying safety and security requirements. Passenger aircraft were operated as cargo-only flights, using cargo space to transport both international and domestic cargo. In this way, there has been continuous transport of parcels for home delivery, demand for which has increased as people stay indoors, as well as daily essentials such as medical supplies and food. As a result, we were able to improve profitability while fulfilling our role as transportation infrastructure.



Loading medical supplies into the cabin

## Airline Businesses

### Contracted service domain

In the past several years, with increases in the number of foreign visitors to Japan, there has been a wave of foreign carriers entering the Japanese market and operating flights to rural regions. The JAL Group supports growth in inbound demand, and in order to build a business portfolio that does not depend excessively on air transport businesses (international passenger, domestic passenger, cargo and mail) on its own network, has established a system to provide foreign carriers with services such as airport handling, aircraft maintenance, and cargo handling using the knowhow on operations accumulated over the years. Due to the spread of COVID-19 from early 2020 onward, flights by foreign carriers decreased considerably from the previous fiscal year, but signs of recovery by European and American carriers are evident, mainly at airports in the Tokyo metropolitan area. Going forward, as countries remove entry restrictions and Japan prepares a system to accept travelers, it is anticipated that progress toward recovery, albeit gradual, will steadily be made. The JAL Group, with its record of high quality, will respond reliably to the requests of foreign carriers to support the recovery of inbound demand, contributing to the revitalization of regional economies.

(Service contracts as of January 2020: In 29 airports in Japan: 23 countries; 52 carriers, approx. 8,500 flights monthly)



Airport handling of foreign carriers

### JAL Business Aviation Co., Ltd.

In January 2019, in response to the increasing demand for business jets in Japan, JAL Business Aviation Co., Ltd. was founded as a joint venture together with Marubeni Corporation based on the three pillars of business jet charters, management of aircraft for owners, and operations support and ground handling. Based on knowhow and branding cultivated in the airline business, and drawing on the marketing ability and industry knowledge of a trading company, the company provides handling services for business jets and, as a further option for traveling, business jet charter services, thereby maximizing the time value of customers, and further contributing to the vitalization of the Japanese economy.



Example of a business jet available for charter use

## Other Businesses

### JALPAK Co., Ltd.

Efforts were made to strengthen dynamic package purchases and to initiate joint business with Rakuten Inc., but owing to a slump in package tours, the number of overseas travelers handled in fiscal 2019 was 183,202, a decline of 18% from the previous year. The number of domestic travelers was 2,606,388, a 4% year-over-year decline, in spite of efforts to strengthen dynamic package price competitiveness and reinforce the supply system through establishment of new business locations. As a result, operating revenue was 2.021 billion yen, a decline of 15.5% from the previous year. In fiscal 2020, due to the effect of COVID-19, declines in profitability are expected for all businesses, but through extensive reduction of selling, general and administrative expenses, a review of operations, and re-allocation of human resources, efforts are being made to maintain productivity and build a flexible system while demand recovers. In addition, JALPAK is working to provide safe and secure travel and achieve its important strategic goals; stronger sales of dynamic packages, restructuring of a business model for overseas travel, adapting to digital marketing for the domestic travel business, community relations and increasing corporate value, and health and productivity management, in an effort to contribute to regional revitalization and the early recovery of the Japanese economy.



### Overview of JALPAK Co., Ltd.

	FY2018	FY2019	YoY (%)
Overseas travelers handled (tens of thousands)	22.2	18.3	-17.8
Domestic travelers handled (tens of thousands)	271.8	260.6	-4.1
Operating revenue (JPY Bn) (before elimination of consolidated transactions)	182.0	169.6	-6.9

### JALCARD., Inc.

In fiscal 2019, in addition to intensified efforts to increase new online enrollments and aided by moves toward cashless transactions by the public and private sectors, the number of members rose to 3.72 million, an increase of 3.9% over the previous year. Boosting usage through measures on social media using the keywords "mile-trips" and "mile-meals," the company introduced an automated readout system and chatbot for membership applications to improve customer convenience and productivity.

These efforts met with success, and while there was a surge in demand before the rise in sales tax in October followed by a downward rebound, the volume of transactions up to the third quarter was generally solid compared with the previous year. However, in the fourth quarter the effect of COVID-19 was felt, and card usage



## Topic

## Toward Tokyo 2020 and Beyond

dropped dramatically, particularly for air travel, vacations and restaurants. Moreover, the effect on general consumption trends increased and became a factor in reduced revenue. As a result of these trends, operating revenue was 20.1 billion yen, an increase of 3.4% over the previous year.

Entering fiscal 2020, the business environment is becoming increasingly harsh, however JALCARD is making efforts to flexibly accommodate both the environment and changes in customer needs, and lay the groundwork for recovery in demand.

## ■ Overview of JALCARD, Inc.

	FY2018	FY2019	YoY (%)
Memberships (tens of thousands)	357.9	372.0	+3.9
Operating revenue (JPY Bn) (before elimination of consolidated transactions)	19.4	20.1	+3.4



## JAL Digital Experience Co., Ltd.

JAL Digital Experience Co., Ltd., which was established in February 2019, manages a member organization, Class Explorer, which invites customers with vigorous consumption habits and a keen interest in travel and new experiences from among JAL Mileage Bank members based on AI-based data extraction. The company creates ideas not only limited to air transport but also everyday life in collaboration with partner companies. It uses a digital marketing strategy to better understand personal interests and preferences and promote closer relationships between the members, partner companies and JAL Group at touchpoints over websites and mobile applications.

Services began at the end of October 2019, and 50,000 customers were welcomed as members. In the future, while expanding membership and the number of partner companies, JAL Digital Experience will strive to offer better proposals, drawing on JAL Group's knowhow and services, and new proposals based on member feedback to meet the challenge of evolving into a business that can further enrich the lives of all members.



The Class Explorer logo

## JAL Payment Port Co., Ltd.

JAL Payment Port Co., Ltd., established in September 2017, has been developing a JAL Global WALLET service as a fintech business in partnership with the SBI Group since November 2018.

JAL Global WALLET is a prepaid card with currency-conversion functions. In addition to use at stores in Japan and stores and ATMs overseas, the product can be used to convert Japanese yen into 14 different currencies and earn JAL miles. It is now being used by approximately 200,000 customers.

In April 2020, a JAL NEOBANK service was started exclusively for JAL Mileage Bank members, acting as a banking agent for SBI Sumishin Net Bank, Ltd. The service not only allows users to earn miles for banking transactions, such as depositing money using a dedicated mobile application, it also enables transfers to the JAL Global WALLET from bank accounts. In the future JAL Payment Port will further expand the functions offered to improve convenience for customers.



## JAL Agriport Co., Ltd.

Since the founding of JAL Agriport Co., Ltd. in April 2018, the company has opened Strawberry Port Ichigonomi, a facility for strawberry picking, and Dining Port Goryokaku, a restaurant in an old renovated Japanese-style house, both in a suburban area near Narita Airport. The company makes the most of its location close to the airport, and in addition to residents of the area, its facilities are visited by both Japanese and foreign guests who are using Narita Airport. It also developed and sells as a private brand its original Tsurusora sweet potato shochu liquor, which is offered in international Business Class service and available for purchase in inflight shopping, and has earned praise from customers. JAL Agriport will continue efforts to develop and sell privately branded products that use the agricultural produce of the region while utilizing JAL Group brands and touchpoints, thus contributing to the development of the regional economy.



Strawberry picking at Strawberry Port Ichigonomi

## ■ As an Official Airline Partner of the Olympic and Paralympic Games Tokyo 2020

JAL is an official airline partner of the Olympic and Paralympic Games Tokyo 2020 (Tokyo 2020). The Tokyo 2020 Games are the first Games in history to be postponed, however preparations are underway for the Games to be held in 2021 as a celebration that underlines solidarity and cooperation to a degree never before seen, and as proof of the world's recovery and rejuvenation.\*1 JAL, with the slogan "Fly for it!,"\*2 is engaged in various efforts to ensure the success of the Games in 2021 and to realize the Tokyo 2020 Games Vision of "Sport has the power to change the world and our future."\*3

The issue with the highest priority in the Tokyo 2020 Games being held in 2021 is the provision of an environment that affords safety and a sense of security for all persons, beginning with the athletes and the spectators. JAL, as an official airline partner of the Games, will undertake as its mission to ensure that persons around the world, and everyone throughout Japan, can feel secure when they travel to Tokyo, aiming at providing safety and a sense of security whenever people travel by plane. Through the success of Tokyo 2020, JAL will make full use of the network it has built, connecting people to people, places to places, and the past to the present and to the future, to contribute to the revitalization not only of Tokyo and distressed areas, but of regions throughout Japan.

\*1 Positioning, principles and roadmap to the Games following postponement (Website of the Tokyo Organising Committee of the Olympic and Paralympic Games)

<https://tokyo2020.org/en/news/positioning-principles-and-roadmap-to-the-games-following-postponement>

\*2 Tokyo 2020 Games Vision (Website of the Tokyo Organising Committee of the Olympic and Paralympic Games)

<https://tokyo2020.org/en/games/games-vision/>

\*3 "Fly for it!" specially prepared website

<https://www.flyforit.jp/en/>



"Everyone's JAL 2020 Jet" No. 1, a jet with special livery

## ■ As a Tokyo 2020 Olympic Torch Relay Supporting Partner

On March 20, 2020, JAL and ANA cooperated as Tokyo 2020 Olympic Torch Relay Supporting Partners to transport the Tokyo 2020 Olympic Sacred Flame (flame) from Athens to Japan by special transport aboard "Tokyo 2020 Go" (a Boeing 787-8 aircraft). The flame, which was lit at the Temple of Hera in the city of Olympia in Greece, was firmly immobilized in a specially fabricated torch cradle to fasten the lantern in which the sacred flame burns to a seat until the aircraft landed at the Matsushima Base of the Japan Air Self-Defense Force in Miyagi Prefecture.

In this way, it was transported safely under the watchful eyes of staff who had undergone special training to provide against accidents.

The flame was successfully carried from Greece to Japan through the efforts and cooperation of many different persons in relevant government offices and organizations, and remains burning while a new start to the Games is awaited. At airports, within planes, on the JAL website, via social media, and in other ways as well, we have used our points of contact with our customers to convey throughout Japan the magnificence of the Tokyo 2020 Games and the Tokyo 2020 Olympic Torch Relay, contributing to realization of the concept "Hope Lights Our Way"\*4 of the Tokyo 2020 Olympic Torch Relay.

\*4 Tokyo 2020 Olympic Torch Relay Concept (Website of the Tokyo Organising Committee of the Olympic and Paralympic Games)

<https://tokyo2020.org/en/torch/>



Photo from Tokyo 2020



JAL and ANA staff at the ceremony marking the departure of "Tokyo 2020 Go"



"Tokyo 2020 Go" upon arrival at the Matsushima Base of the Japan Air Self-Defense Force

# JAL Group Value Creation

## Safety and a Sense of Security

### Review of Fiscal 2019

In December 2018 and October 2019, JAL received a Business Improvement Order regarding alcohol-related incidents. As an air transport operator, we are taking this extremely seriously and deeply regret to have received two such orders in a short period, causing significant damage to the trust of our customers and society. Management and staff together are striving to restore this damaged trust by rebuilding our safety systems and implementing updated prevention measures against recurrence.

The JAL Group sets yearly fiscal targets related to safety based on the JAL Group Medium Term Management Plan for Fiscal Years 2017-2020. In fiscal 2019, although we were aiming at numerical targets of zero aircraft accidents and zero serious incidents, one aircraft accident\*<sup>1</sup> and three serious incidents\*<sup>2</sup> occurred during that period. We sincerely apologize once again to those affected for any inconvenience or concerns caused. The Japan Transport Safety Board of the Ministry of Land, Infrastructure, Transport and Tourism has been mandated with the investigation to clarify their causes. The JAL Group will fully cooperate with the investigating agency and take the necessary measures.

\*1 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 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 or similar incident, fire or smoke on board, abnormal decompression, encounter with abnormal weather conditions, or other situation classified as a serious incident by the Ministry of Land, Infrastructure, Transport and Tourism.

Aircraft accident	October 12, 2019 A cabin attendant was injured due to turbulence on Japan Air Commuter Flight 3763
Serious incidents	July 21, 2019 Japan Transocean Air Flight 212 experiences runway incursion at landing* <sup>3</sup>
	October 3, 2019 Japan Airlines Flight 2163 experiences runway incursion at landing* <sup>3</sup>
	January 8, 2020 Runway excursion of Japan Air Commuter Flight 3830

\*3 At present no issues implicating JAL Group have been identified.

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

For details on aircraft accidents and serious incidents please refer to our JAL Group Safety Report.

### JAL Group Safety Report

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



The JAL Group Safety Report can be downloaded from the following URL (in Japanese only).

 <https://www.jal.com/ja/flight/report/>

### Specific Initiatives

We strive to deliver enhanced safety and a sense of security through the elimination of safety risks caused by alcohol consumption, promotion of measures to prevent parts departing from aircraft,\*<sup>4</sup> and efforts to ensure a sense of security for every customer.

In addition, we consistently operate the Security Management System introduced throughout the JAL Group and will take all the necessary steps in preparation for the Olympic and Paralympic Games Tokyo 2020 (postponed to 2021).

\*4 Since July 2020 the confirmed loss of an aircraft part has been referred to as in-flight part loss, and an aircraft part or ice block that has fallen off an aircraft and been discovered on the ground has been referred to as an part departing from aircraft.

#### Eliminating 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. In addition, we rigorously enforce safety procedures such as alcohol tests and third-party checks of fitness to commence work.



Alcohol testing before flight

#### Promoting measures to prevent the parts departing from aircraft

With the enhancements to the functionality of our operations in Tokyo metropolitan airports, flight routes traversing the inner city have been brought into operation. In response, we have been strengthening measures to prevent parts departing from aircraft by evaluating the relevant risks of each type of part and by comprehensively implementing countermeasures for all aircraft types.

#### Providing peace of mind to every customer

In addition to flight safety, we strive to protect customers from injury and to prevent the interference of unruly passengers, and address a wide range of safety issues with a view to restoring customer trust and providing peace of mind. We will also use safety management methods to help resolve issues such as quality control.

#### Reliable operation of the Security Management System

By systematically analyzing, evaluating, and managing security risks, we maintain high safety levels across the entire JAL Group. In fiscal 2020, in addition to monitoring and improving our security management system through audits, we strive to strengthen the collection, analysis, and utilization of external company security-related information with a view to reinforcing security management systems across the entire group. In

addition, we are taking all necessary steps in preparation for the Tokyo 2020 Olympic and Paralympic Games (postponed to 2021) in cooperation with the Japanese government and through upgrades of our security check equipment.

### External Evaluations

The JAL Group strives to maintain and improve safety by utilizing the results of audits and evaluations conducted by third parties.

#### IATA Operational Safety Audit (IOSA)

Japan Airlines, Japan Transocean Air and J-AIR were audited for IOSA renewal in February 2020, and in June 2020 received new certifications from the International Air Transport Association (IATA).

IOSA is an international safety audit program to ensure that an airline's safety management system is functioning effectively. IATA member airlines must take the IOSA audit every two years. Non-member airlines can take the examination voluntarily. Japan Airlines has been accredited IOSA certification continuously since 2004, Japan Transocean Air since 2010, and J-AIR since 2016. The next renewal audit is scheduled for February 2022.



IOSA Certificate (JAL)

#### JCAB On-site Safety Audit

In fiscal 2019, JAL Group airlines underwent a combined total of 81 safety audits and on-site audits\*<sup>5</sup> by the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. Concerning matters identified in audits as inappropriate or recommended for improvement, we analyze their respective main causes, consider countermeasures, and take corrective action such as the following.

- Appropriate description of entrusted companies in Regulations of Management of Entrusted Company
- Appropriate approval of entrusted companies operating procedures
- Appropriate reporting of emergency response-exercises

\*5 The Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism accesses airlines' Head Office departments, flight operations and maintenance bases, and training facility, etc., and conducts inspections of the status of safety management systems formation and the status of operations implementation at each department such as flight operation and maintenance.

#### Transportation Safety Management Assessment

In fiscal 2019, among the Group's airlines, Japan Transocean Air and Japan Air Commuter underwent a Transportation Safety Management Evaluation\*<sup>6</sup> conducted by the Secretariat of the Minister of Land, Infrastructure, Transport and Tourism. The airlines will consider the measures necessary to address the recommendations made by the evaluators. In the Fiscal 2019 Safety Management System Status Checklist, Japan Airlines, J-AIR, Ryukyu Air Commuter, and Hokkaido Air System reported on the status of top management and safety manager, who are the key persons in efforts to ensure safety, and on matters such as the status of yearly initiatives to improve safety management system.

\*6 The Secretariat of the Minister of Land, Infrastructure, Transport and Tourism evaluates the operational status of safety management systems, identifies areas for improvement, and issues advice regarding all modes of transportation (aviation, railroad, maritime and road) across the entire Company.

### Column

#### Renewing our inflight safety video

As part of the restoration efforts surrounding safety and a sense of security, in September 2019 the JAL Group renewed its inflight safety video for domestic and international flights. This new video incorporates the lessons learned from recent global aircraft accidents and advice from the Safety Advisory Group to help passengers ensure safer air travel. This video demonstrates in specific detail the potential risks that arise from inappropriate behavior, promoting appreciation of the purpose and raising awareness of the necessity of compliance with prescribed conduct. To this end, for each perilous scene in an assumed emergency, the video draws a more realistic image than conventional inflight safety videos. In line with the growing number of foreign tourists visiting Japan, the new video supports 11 foreign languages in addition to Japanese and English.



Slide damaged by baggage or high heels

#### Inflight safety video

 <https://www.youtube.com/embed/oW8ciB731n0>



# Customer Satisfaction

## Review of Fiscal 2019

The JAL Group, in aiming to be the world's most preferred and valued airline, attaches the highest value to customer feedback and is constantly working on the development and enhancement of its products and services. In fiscal 2019, in order to improve comfort, convenience, and on-time operations, we implemented various initiatives such as introducing new aircraft and equipment, and renovating airport lounges.

### Pursuing customer satisfaction as KPI

Beginning in fiscal 2017, we have been sharing customer feedback within the Group and using it to improve our products and services with NPS (Net Promoter Score, indicating the customers' willingness to recommend a particular service to others) as a KPI. Although we set an increase of 5.3 points for domestic flights and 4.5 points for international flights over the beginning of fiscal 2017 as targets to be achieved by fiscal 2020, we were able to significantly surpass these initial target values ahead of schedule in fiscal 2019 owing to improvements in comfort, convenience and on-time operations.

### Fiscal 2019 NPS Results

Customer satisfaction	NPS	
Achieve the world's top customer satisfaction by FY2020	FY2017 Comparison with initial scores	A <b>7.6</b> point improvement on domestic flights
		An <b>8.2</b> point improvement on international flights

## Specific Initiatives

The JAL Group has identified the comfort of customers' surroundings, the pursuit of convenience through IT and digitalization, and on-time operations to the customers' destinations as the three main values contributing to raising customer satisfaction. Consequently, we have been engaged in a wide range of efforts to enhance these values.

### Improving comfort

In September 2019, we introduced the state-of-the-art Airbus A350 to our domestic routes so that our passengers may enjoy their time on board to the fullest, even on short flights. Its cabin ambience features comfortable air pressure and humidity comparable to those at ground level, while newly-developed engines make for a quieter inflight experience. Furthermore, all seats are equipped with a personal monitor, and power and USB power sources to provide a relaxing, entertaining, and convenient cabin interior. In addition, beginning in October, we will bring the

Boeing 787 aircraft into operation on domestic flights. Again, like the Airbus A350, all seats in all classes will be equipped with power and USB power sources, a personal monitor, and complimentary inflight Wi-Fi service. Meanwhile, Hokkaido Air System has put into service the state-of-the-art ATR42-600, manufactured by ATR of the Airbus Group, and has increased seat availability. Cabin space is now even roomier than before, and LED lighting affords a bright and spacious atmosphere.

For our international flights, the Boeing 777-300ER was introduced in August 2019, offering full-color LED cabin lighting that creates a relaxing environment, with optimal illumination that is always appropriate for the scenario. In addition, the end of May 2020 saw the completion of the transition to high-speed inflight Wi-Fi, further enhancing cabin comfort.

On the ground, airport lounges have been renovated and expanded to provide greater comfort prior to departure. Specifically, in April 2019 the international JAL First Class Lounge at Narita Airport was renovated, in August the Sakura Lounge THE DINING was expanded, and in October the JAL First Class Lounge JAL's SALON was renovated and reopened. At Haneda Airport, the international First Class Lounge was reopened on March 29, 2020.



The interior of the Airbus A350, designed in pursuit of comfort

### Improving convenience

Utilizing IT and digitalization, we have worked to enhance the convenience of making reservations, navigating our airports and using our mobile apps. Extending the reservation and purchasing periods for airline tickets to 330 days prior to boarding, thereby enabling early reservations, has made planning more convenient for customers returning from or planning travel.

In addition, as part of our efforts to realize timely and personal communication, we have significantly upgraded the design and features of the JAL mobile app. From before boarding until after arrival, passengers using the new app can bring up useful information about travel and transportation such as local climate data, information

on airport facilities, and airport access information. Additionally, enhanced flight information of reserved flights and boarding gate notifications make for an even smoother boarding experience. Furthermore, with its renovations completed in September 2020, the Haneda Airport Domestic Terminal reopened as a JAL SMART AIRPORT, with a self-service baggage drop system and self-service check-in kiosks, removing the need to visit a service counter when checking in and providing enhanced convenience.



Gates have been installed with the ability to read QR codes from mobile devices, etc.

### On-time operations

One basic factor of quality for public transport operators is on-time operations with safety as top priority. We have made a commitment to our customers and to society to deliver our passengers safely to their destinations. To this end, many of our departments, such as reservations, airports, cargo, maintenance, flight operations, cabin attendants, sales, support divisions and Head Office planning departments, are working to ensure smooth communication and cooperation. In 2019, with the understanding and cooperation of our customers, we strengthened our efforts towards on-time operations, entailing reviews of boarding times for some aircraft, as well as changes to the cut-off times at domestic security checkpoints. As a result, we were recognized and highly praised by Cirium, a company that analyzes on-time performance of airlines and other indicators, ranking fourth in the Mainline Airline category in the Asia-Pacific region, and third in the Network category.

\*Cirium: On-Time Performance 2019

## External Evaluation

In 2019, for the second consecutive year, we achieved the top 5-Star rating in the World Airlines Star Rating, an airline quality ranking program introduced by the International air transport rating organisation, Skytrax. In addition, our overall Economy Class service was rated the world's best, making us the first Japanese airline to receive the award. Our Economy Class seats were also recognized as the best in the world, being chosen for the Best Economy Class Airline

Seats at the World Airline Awards 2019. In addition, at the Travelers' Choice™ World's Top 10 Airlines 2020 Awards, hosted by the world's largest travel site in Tripadvisor®, we were chosen as Japan's Best Airline for the fourth consecutive year. Finally, in the survey of international airline satisfaction conducted by Recruit Lifestyle Co., Ltd.'s overseas travel research institute, the AB-Road Research Center, we received the highest rank in a total of four categories; overall satisfaction, service by cabin attendants and aircraft equipment and amenities, among various other awards.



Best of the Best

## Future Strategy

With the spread of COVID-19, the external environment of the JAL Group and the products and services that our customers desire have changed significantly. Currently, to ensure that our customers can use our services with a sense of security, we are taking proactive countermeasures against infectious diseases, such as disinfecting parked aircraft overnight, distributing disinfectant wipes in aircraft cabins, and installing hand sanitizers in lavatories. Looking forward, in addition to current improvements in comfort, convenience, and on-time operations, we will offer products and services tailored to the requirements of the New Normal to ensure that all customers can use our services with a sense of security. These will include enhanced hygiene and cleanliness measures, expanded automation through the use of IT and digitization, and touchless interface solutions. In addition, we will enhance the ability of employees to think and act autonomously and actively utilize IT and digitization in human services to provide services that meet the needs of every customer.

The JAL Group will continue to create value for society by improving customer satisfaction, with the aim of becoming the world's most preferred and valued airline.

# Financial and Non-financial Highlights

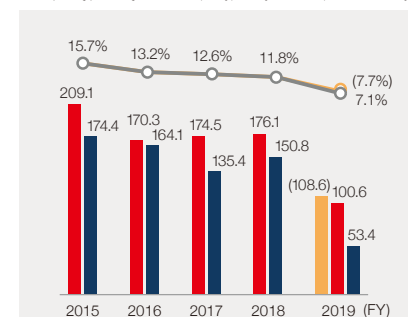
## Financial Data (As of March 31, 2020)

(JPY Bn)

### Operating profit margin

7.1 %

■ Operating profit ■ Operating profit before depreciation method change\*1  
■ Net profit attributable to owners of parent  
○ Operating profit margin (%) ○ Operating profit margin (%) before depreciation method change



The spread of COVID-19 infections since January 2020 caused a rapid decline in demand for both international and domestic flights. As a result, both revenue and profit decreased in fiscal 2019 from the previous year. The operating margin fell from out target of 10% to 7.1%.

### ROE\*6

4.7 %

○ ROE (%) ○ ROA\*7 (%)  
○ ROA (%) before depreciation method change

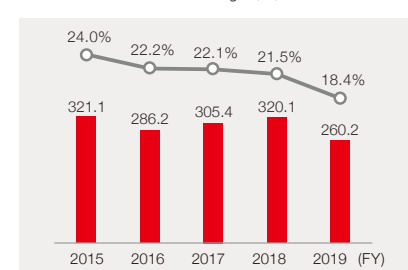


ROE was 4.7% due to a significant decrease in net profit from the spread of COVID-19 and income taxes-deferred.

### EBITDAR margin\*9

18.4 %

■ EBITDAR ○ EBITDAR margin (%)

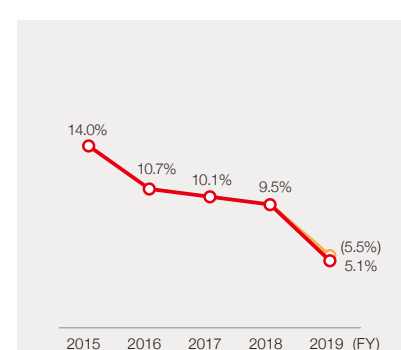


To date, we have maintained high profitability and steadily built a strong and sound financial base. Based on this solid foundation, we will make joint efforts throughout the Group to overcome this unprecedented crisis.

### ROIC\*2

5.1 %

○ ROIC (%) ○ ROIC (%) before depreciation method change

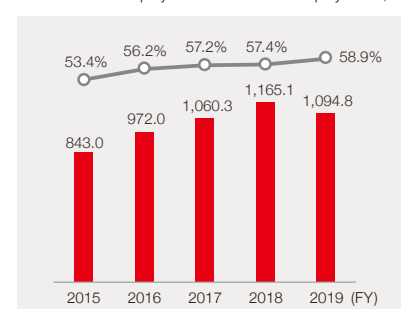


ROIC was 5.1% due to the significant decline in profit resulting from the global spread of COVID-19. To survive this unprecedented situation, we will review our investment plan for fiscal 2020 and scale back on investments by approximately 80 billion yen.

### Shareholders' equity ratio

58.9 %

■ Shareholders' equity ○ Shareholder's equity ratio (%)

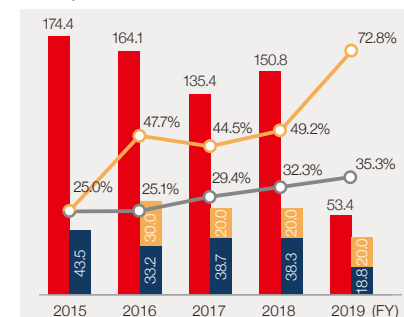


The ratio reached around 60% indicating that the Company has built a solid financial structure. Although we project an increase in interest-bearing debt in fiscal 2020, we will quickly rebuild a sound financial position through cost restructure reform, profitability improvement, and investment control.

### Total return ratio\*3

72.8 %

■ Net profit attributable to owners of parent  
■ Total dividends ■ Share repurchase  
○ Payout ratio (%)\*5 ○ Total return ratio (%)

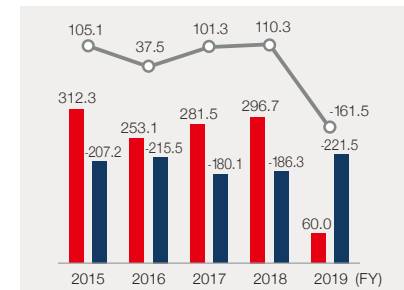


We determined that our top priority was to secure liquidity on hand in preparation for the prolonged impact of the spread of COVID-19. Therefore, we decided not to pay year-end dividends for fiscal 2019. (Annual dividend per share for fiscal 2019 was 55 yen, which was already paid as interim dividend.)

### Free cash flow\*8

-¥161.5 billion

■ Cash flow from operating activities ■ Cash flow from investing activities  
○ Free cash flow



Cash flow from operating activities decreased, mainly attributable to the 82.7 billion yen one-time contribution to the pension fund and a decrease in advances received resulting from an increase in booking cancellations prompted by the spread of COVID-19. In fiscal 2020, in addition to rigorous cash flow management, we will take all possible measures to secure liquidity on hand through extensive financing.

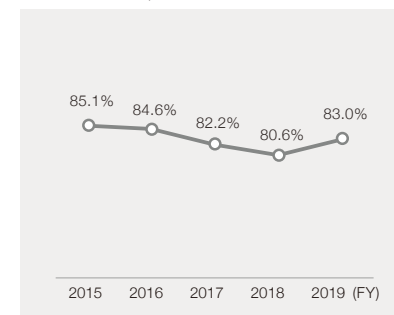
- \*1 Before the depreciation method change, all components attached to aircraft were depreciated altogether with aircraft. With the new method, assets are classified to each component, based on economic lives of components such as engines and cabin interiors, and depreciated separately
- \*2 ROIC (Return on Invested Capital) = NOPAT/Average Fixed Assets (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year
- \*3 Total return ratio = (Total amount of dividends + Amount of share repurchases)/net profit attributable to owners of parent\*4
- \*4 Net profit attributable to owners of parent for fiscal 2015–2018 excludes the effects of income taxes-deferred
- \*5 Payout ratio = Total dividends/Net profit attributable to owners of parent\*4
- \*6 ROE (Return On Equity) = Net profit attributable to owners of parent/Average of shareholder's equity at beginning and end of a fiscal year
- \*7 ROA (Return On Assets) = Operating profit/Average of total assets at beginning and end of a fiscal year
- \*8 Free cash flow = Cash flow from operating activities + Cash flow from investing activities
- \*9 EBITDAR margin = EBITDAR/Operating revenue  
EBITDAR = Operating Profit + Depreciation and Amortization + Aircraft Leases

## Non-financial Data (As of March 31, 2020)

### Environment

#### CO<sub>2</sub> reductions

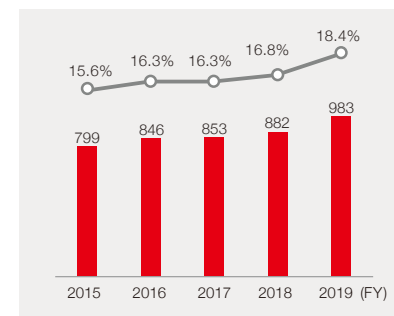
○ CO<sub>2</sub> emissions per revenue ton kilometer (vs. fiscal 2005)



During fiscal 2019, the COVID-19 pandemic led to a dramatic drop in demand. Due to this and other factors, CO<sub>2</sub> emissions decreased 240,000 tons year-on-year. CO<sub>2</sub> emissions per revenue ton kilometer, on the other hand, rose by 2.4%, making for a 17.0% reduction overall.

#### Ratio of female managers

■ Female managers ○ Ratio of female managers

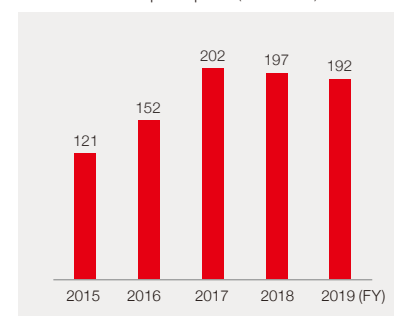


As of March 2020, the percentage of female managers is 8.4%, and is steadily increasing. The JAL Group has set itself the target of raising the percentage of female managers in the JAL Group to 20% by the end of fiscal 2023, and 30% by the end of fiscal 2030.

### Communities

#### Nurturing the next generation—JAL SORAIKU®

■ JAL SORAIKU® participants (thousands)\*2

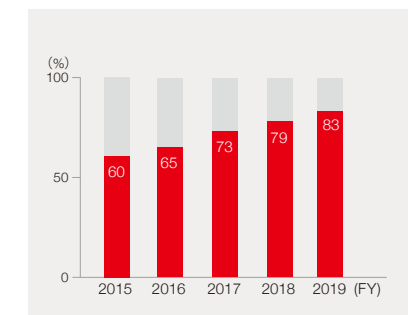


Hands-on experiences of the wonder of the skies gives JAL SORAIKU® participants an opportunity to think about their own futures, and about the future of the world and the environment. That is the goal behind the activities that we provide, which include JAL Origami Plane Classes and JAL Career Talks for Students.

\*2 The name JAL SORAIKU® has been in use since fiscal 2016.

#### Percentage of fuel-efficient aircraft

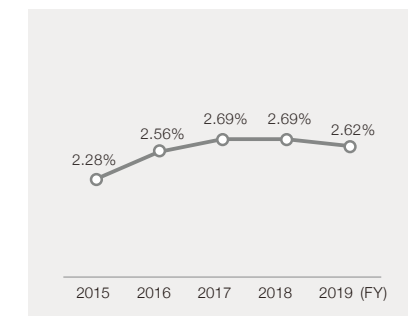
■ Non-fuel-efficient aircraft ■ Fuel-efficient aircraft



The JAL Group is continuing to renew fleet to fuel-efficient aircraft such as the Airbus A350 and the Boeing 787, which produce 15-25% fewer CO<sub>2</sub> emissions than previous aircraft. The JAL Group will carry on systematically changing to newer aircraft to reduce our impact on the environment.

#### Ratio of disabilities\*1

○ Ratio of disabilities

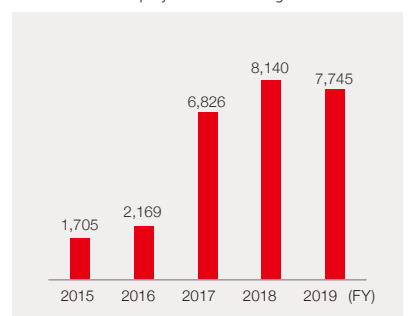


The JAL Group is actively working to promote roles for employees with disabilities.

\*1 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.

#### Number of employees volunteering

■ Number of employees volunteering



The JAL Group is proactively supporting volunteer activities, which give every JAL employee the opportunity to connect directly with society.

### People

#### NPS

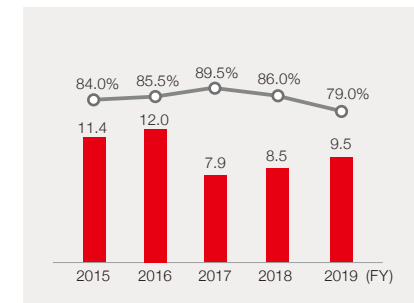
○ Domestic ○ International



In order to deliver unparalleled service to our customers, beginning in fiscal 2017, we have been sharing customer feedback within the Group and using it to improve our products and services with NPS (Net Promoter Score, indicating the customers' willingness to recommend a particular service to others).

#### Monthly average overtime and rest day work hours per employee

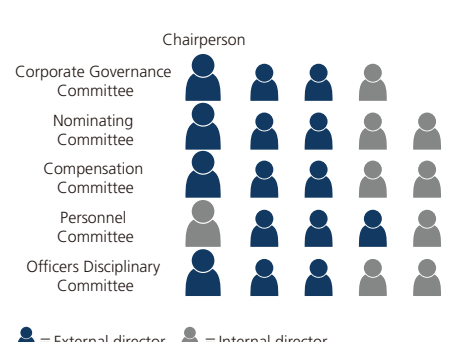
■ Monthly average overtime and rest day work hours per employee  
○ Ratio of annual paid leave applicants



In fiscal 2019, there was a decrease in the ratio of actual annual paid leave applicants and the amount of overtime worked compared to the previous year. Despite this, as fiscal 2019 had two fewer work days (16 hours), total work hours decreased by 11.9 hours. The success rate for our target of keeping total annual work hours down to 1,850 hours rose from 98.7% to 99.4%.

### Governance

#### Composition of each committee



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.



# Sustainability Management

## Basic Concept

With the aggravation of events that threaten the sustainability of society itself, such as changing population dynamics and global climate change, the JAL Group recognizes the need to accelerate the speed of our sustainability initiatives. Thus, we have identified priority areas we need to tackle to resolve social issues through our business operations and are working to reflect these in our management strategy. In fiscal 2019, through the process described below, we set out four priority areas: Environment, Human, Communities, and Governance, and classified 22 issues to be tackled by these respective priority areas in order to achieve the Sustainable Development Goals (SDGs). Targets to achieve the SDGs have been set for all divisions, from frontline divisions involved in flight operations to support departments, and initiatives are underway. For further details, please visit our website.

<https://www.jal.com/en/sustainability/sustainability-management/>

### Priority Areas and Issues to be Tackled to Achieve the SDGs

Priority Areas	Issues we are Tackling	Related SDGs
<b>E Environment</b>	<div>Address to Climate Change</div> <div>Noise Reduction</div> <div>Effective Use of Limited Resources</div> <div>Biodiversity Conservation</div> <div>Prevention of Environmental Pollution</div>	
<b>S People</b>	<div>Prevent the Spread of Infectious Diseases</div> <div>Promotion of D&amp;I</div> <div>Health and Productivity Management</div> <div>Improving Accessibility</div> <div>Human Resources Development</div> <div>Respect for Human Rights</div> <div>Workstyle Innovation</div>	
<b>Communities</b>	<div>Route Network Expansion</div> <div>Improving Convenience in Travel</div> <div>Increase Inbound Tourism</div> <div>Disaster Restoration Assistance</div> <div>Regional Revitalization</div> <div>Community Relations</div>	
<b>G Governance</b>	<div>Promotion of BCM</div> <div>Responsible Procurement</div> <div>Fair Business Practices</div> <div>Disclosure</div>	

### Process for Identifying Priority Areas and Issues to be Tackled

#### 1. Increase knowledge

Based on our stance that Group-wide action should be taken to achieve the SDGs rather than action by specific departments, all officers identified and re-organized existing measures and created new plans, with reference to the ATAG\*1 guidelines that highlight SDG initiatives in the aviation industry, with the aim of contributing to achieving those of the 17 goals/169 targets of the SDGs that are applicable to their particular business area.

\*1 Air Transport Action Group (ATAG): A not-for-profit association in the air transport industry

#### 2. Define priorities

To achieve the SDGs, approximately 420 initiatives submitted by JAL divisions were grouped into similar topics based on their degree of importance for JAL Group businesses and stakeholders, and discussions and recommendations by the Board of Directors. Four priority areas were then established, namely, Environment, Human, Communities, and Governance, and 22 issues were classified into these respective priority areas.

#### 3. Decide and incorporate

Initiatives for each of the four priority areas and 22 issues were decided upon, followed by action items with reference to inputs such as international standards guidelines (such as ISO 26000), applicable domestic and international laws, industry targets and questions set by the Dow Jones Sustainability Indices (DJSI) and Financial Times Stock Exchange (FTSE). Next, quantitative targets for 2023 and 2030 were set for each initiative. We incorporated requests from society regarding the issues to be solved, by reflecting the content of dialogue with outside experts into our sustainability management framework to ensure that it encompasses all matters of importance to stakeholders in relation to the issues to be tackled, the action items for each issue, and the level of the goals set.

## Promotion System

Numerical targets and KPIs for initiatives in each of the 22 issues were established in accordance with our medium- to long-term policy on sustainability. The initiatives are looped through a PDCA cycle which is in operation under the following promotion system.

#### Progress Management Method

- A managing department is appointed for each initiative to proactively manage the numbers.
- The ESG Promotion Department compiles the results every six months, and progress is shared and discussed by all officers at Group Management Council.
- The Sustainability Promotion Committee (Secretariat: ESG Promotion Department) checks progress and holds discussions with relevant officers at its meetings.



# Environment

# Environmental Management

## Basic Concept

In the JAL Group Code of Conduct "Commitment to Society," we state that we are facing the fact that the air transport business significantly impacts the environment, and, that in order to fulfill the responsibility of passing on this precious Earth to the next generation, we are endeavoring to raise the awareness of every employee and strive to preserve the environment in every aspect.

## JAL Group Code of Conduct and Environment Policy

**JAL Group Code of Conduct "Commitment to Society"**  
**Passing on the Precious Earth to the Next Generation**  
Under the Code of Conduct, we have clearly stated our awareness of contemporary environmental issues and compiled a program of specific initiatives designed to solve those issues in the JAL Group Environmental Policy released on August 1, 2019.

#### Environmental Policy (excerpt)

The environment must be safeguarded so that all living creatures may grow and live on this planet. In order to realize the policy advocated in 'Passing on our precious Earth to the next generation' within the JAL Group Code of Conduct "Commitment to Society," the JAL Group will set up its own driving force and strive to sustainably conserve the environment as a member of the society, and undertake all preventive measures for any counteracting phenomena, based on this Policy.

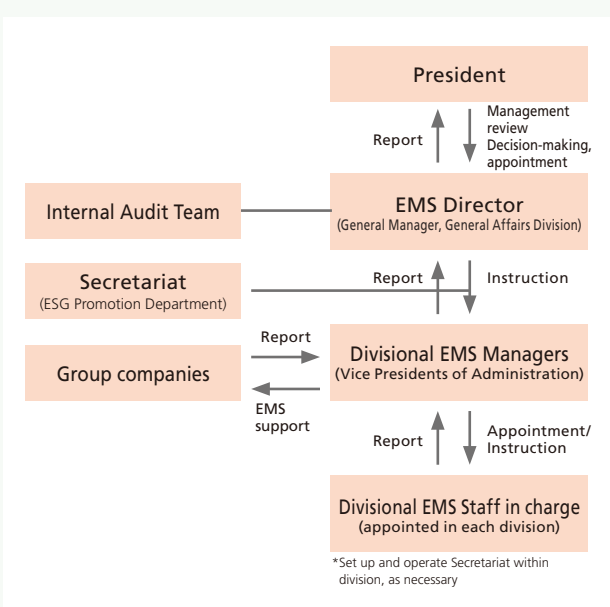
- Compliance with laws and regulations
- Mitigating impacts of operations on the environment
- (1) Address to climate change
- (2) Effective use of limited resources
- (3) Prevention of environmental pollution
- (4) Noise reduction
- (5) Biodiversity conservation
- Pursuit of environment-friendly technologies
- Enhancing awareness
- Information disclosure
- Continual Improvement

Full text of the JAL Group Environmental Policy  
<https://www.jal.com/en/sustainability/environment-management/policy/>

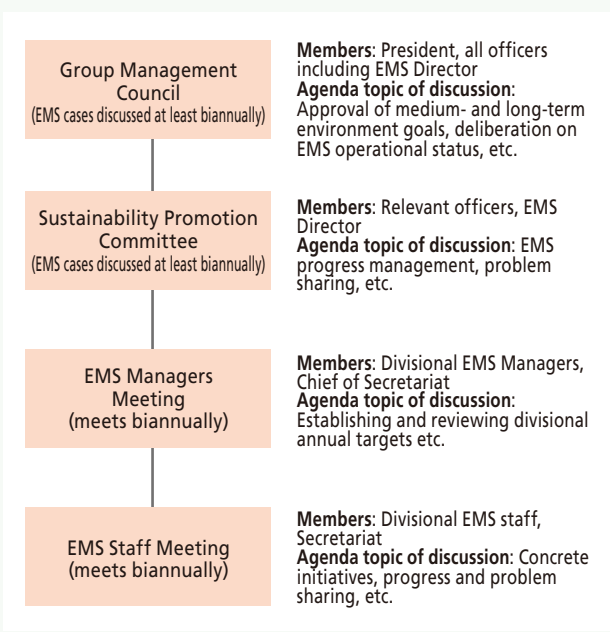
## Environmental Management System

The JAL Group builds and operates an Environmental Management System (EMS) and strives to achieve our environmental goals.

### EMS Promotion Structure



### EMS Committees



# Address to Climate Change

## Basic Concept

The JAL Group is aware that as the world faces a variety of issues including climate change, resource shortages, demographic changes, and rapid urbanization, addressing to climate change is a particularly important challenge. Not only does climate change have a major impact on our business, it also leads to the aggravation of social problems, such as poverty and famine, which stem from the aforementioned issues. Based on this perception, it is our corporate responsibility to steadily drive our initiatives to address climate change starting with reducing our CO<sub>2</sub> emissions.

### Governance, strategy, risk management, indices and goals

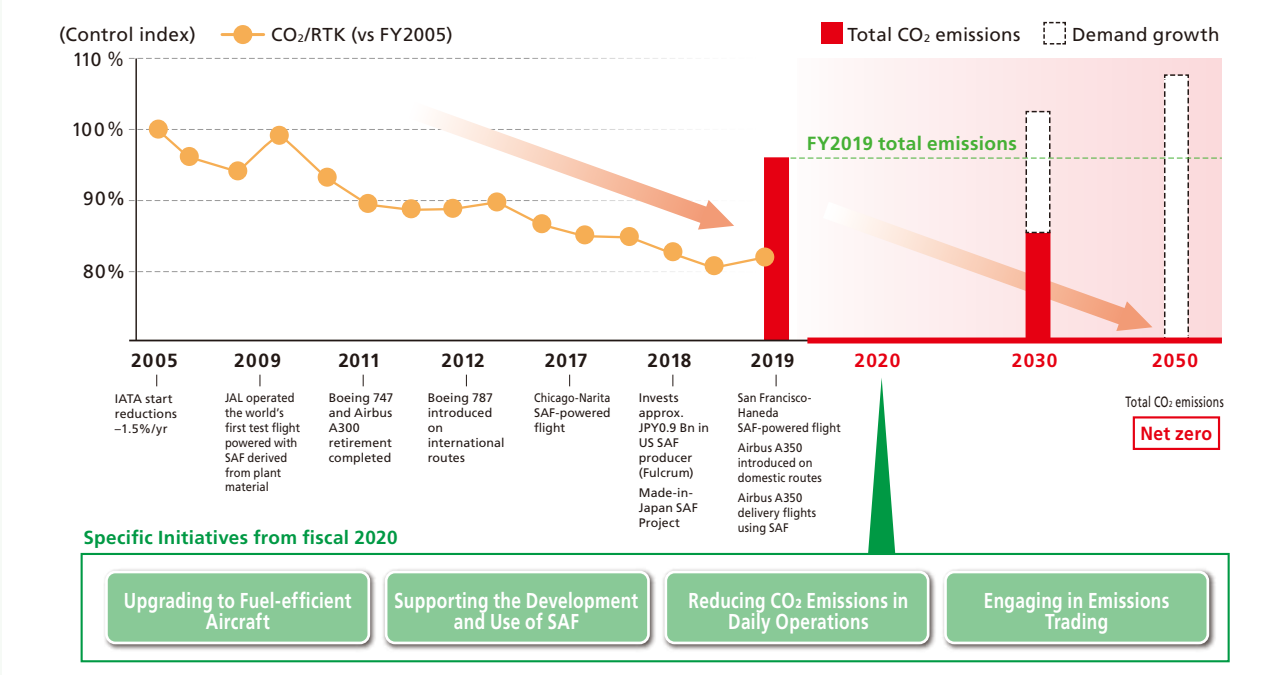
The JAL Group is aware that the risks and opportunities relating to climate change are an important management challenge. The Group Management Council, with the President as chair and all officers as members, is the forum at which we supervise and manage those risks and opportunities. At this forum we work to minimize climate change risks based on the global laws and regulations and political trends relating to climate change, and also examine projects that make the most of the business opportunities. Furthermore, the Sustainability Promotion Committee, which promotes efforts to achieve the Sustainable Development Goals (SDGs), was formed below this Group Management Council, with the officers in charge of playing a central role in driving our climate change response. Specifically, the JAL Group, as an emitter of large amounts of CO<sub>2</sub> in its daily flight operations, is aware of the significant financial impact that climate change will have on business due to restrictions on CO<sub>2</sub> emissions as well as increases in the price of fuel-efficient aircraft, changes in crude oil and Sustainable Aviation Fuel (SAF)

prices, and changes in the percentages of each type of fuel used, among others.

With the trend to decarbonize based on the Paris Agreement and Intergovernmental Panel on Climate Change (IPCC) reports, the financial impact that climate change related risks and opportunities have on business, shown on the table below, is expected to keep increasing. We are responding by exploring ways to deal with the conceivable changes in advance and begin the necessary preparations, and we will then widely provide disclosure. The international aviation sector is working to address climate change. At the general assembly of the International Civil Aviation Organization (ICAO) convened in 2010, two global CO<sub>2</sub> reduction goals were agreed on: "Improvement of fuel efficiency by 2% annually," 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), which mandates that from 2021 onwards, airlines operating international flights purchase CO<sub>2</sub> emission credits for any excess CO<sub>2</sub> emissions over their 2019 volume, was adopted.

The JAL Group is taking steps to reduce CO<sub>2</sub> emissions based on the four major pillars of: Upgrading to Fuel-efficient Aircraft, Supporting the Development and Use of SAF, Reducing CO<sub>2</sub> Emissions in Daily Operations, and Engaging in Emissions Trading. In June 2020, we set a new long-term goal of Zero CO<sub>2</sub> Emissions with the aim to achieve net zero CO<sub>2</sub> emissions by 2050.

## CO<sub>2</sub> Emissions Reduction Targets and Progress



## CO<sub>2</sub> Emissions Reduction Targets

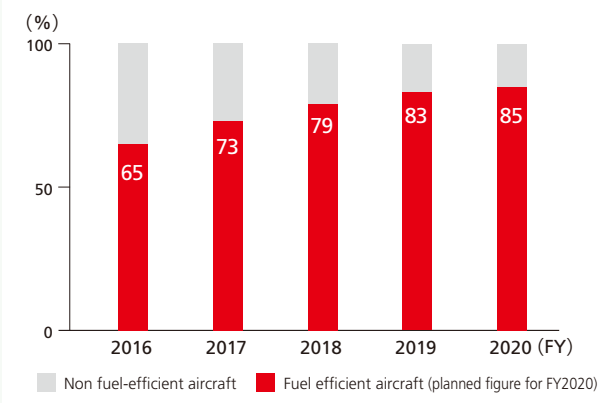
The short-term target has been set as, "by fiscal 2020, reduce the amount of CO<sub>2</sub> emitted per revenue ton kilometer by JAL Group aircraft by 23% compared to the fiscal 2005 level." To achieve this short-term target, we have steadily implemented measures by upgrading to fuel efficient aircraft such as the Airbus A350 and the Boeing 787, and reducing fuel consumption in daily flight operations. As a result, CO<sub>2</sub> emissions in fiscal 2018 were 1.6% lower than the previous year, and we have achieved 19.4% of cumulative total reduction since fiscal 2005. Due to a major fall in demand with the spread of COVID-19, which occurred in the fourth quarter, total emissions in fiscal 2019 were 240,000 tons lower than the previous year. However, the amount of CO<sub>2</sub> emitted per revenue ton kilometer increased by 2.4%. As a result, the cumulative reduction was only 17.0%. The medium- to long-term target is to achieve growth without increasing CO<sub>2</sub> emissions beyond 2020. We will achieve this target by upgrading to fuel-efficient aircraft and reducing fuel consumption in daily operations, supporting the development and use of SAF in accordance with the CORSIA scheme, and engaging in emissions trading. In addition, we are striving to reduce total CO<sub>2</sub> emissions through our long-term goal of Zero CO<sub>2</sub> Emissions, aiming to achieve net zero CO<sub>2</sub> emissions by 2050. In addition, the oneworld alliance, of which the JAL Group is a member, announced in September 2020, that all 13 member airlines have committed to net zero CO<sub>2</sub> emissions by 2050.

## Specific Initiatives

### Upgrading to Fuel-efficient Aircraft

The JAL Group is upgrading its fleet to more fuel-efficient aircraft in order to mitigate impacts of operations on the environment. In September 2019, we introduced the Airbus A350 on domestic routes, and in October 2019, we introduced the Boeing 787, which was in service on international routes since 2012, on domestic routes as well. These aircraft are low-noise in addition to being fuel efficient and are capable of providing CO<sub>2</sub> emissions reductions of around 15 to 25% compared to conventional aircraft. The JAL Group will continue to contribute to mitigate environmental impact through our planned program of upgrading to new aircraft types.

### Progress in Increasing the Percentage of Fuel-efficient Aircraft



## Risks and Opportunities Related to Climate Change

Climate Change Risks			Impact Summary
Transition Risks	Government Regulations	Targets/regulations on the aviation industry to reduce carbon emissions and improve fuel efficiency	- Cost increases from purchasing CO <sub>2</sub> credits with the adoption of the CORSIA scheme - Increased capital outlay on aircraft with improved fuel efficiency
		Targets/policies on carbon missions and fuel efficiency of each country	- Increased operating costs due to restrictions at airports used and payment of new environmental taxes, etc.
	Market	Carbon pricing	- Increased operating costs due to soaring carbon prices
	Technology	High fuel prices	- Increased costs due to price rises in line with further increases in air travel demand and increased demand for crude oil
Physical Risks	Assessment	Adoption of alternative fuels	- Increased capital outlay in upfront development investments for switching to alternative fuel
		Changing demand	- Slowdown in aviation demand growth due to modal shift acceleration to rail and maritime transport
	Chronic	Changing rain and weather patterns	- Periods when aircraft are unable to takeoff/land at certain airports during weather disasters such as floods
		Increasing average temperatures	- Reduced aircraft takeoff performance due to abnormal temperature rises in summer - Increased pandemic risks due to infectious diseases arising from changes in ecosystems etc. - Costs of infrastructure modifications, such as construction works to increase the height of breakwaters at airports to handle rising sea levels, reflected in landing fees
Opportunities	Acute	Extreme weather	- Impact on flight operations such as cancelling countless flights due to tropical cyclones, typhoons, and natural disasters, among others - Costs incurred due to aircraft damage and operating facilities disaster recovery costs, and supply chain disruptions
		Adoption of alternative fuels	- Secure competitive advantage by procuring new SAF - Minimize the degree of price fluctuations by diversifying aviation fuel sources
	Technology	Improved fuel efficiency	- Profit potential with improvement in fuel efficiency through technical improvement of each aircraft, improvement in flight status and use of infrastructure facilities, among others
		Development of next-generation aircraft	



## Supporting the Development and Use of Sustainable Aviation Fuel

Until now, the airline industry has been working to reduce CO<sub>2</sub> emissions by cutting the quantity of fuel used. However, to achieve further reductions in CO<sub>2</sub> emissions in future, we need to change the quality of the fuels we use. The development and practical application of Sustainable Aviation Fuel (SAF) is underway in Europe, the U.S., and other countries around the world, and it is expected that use of SAF will become widespread after 2030. Given this trend, the JAL Group is also actively investing in SAF, using it on scheduled flights, and disseminating information in order to become the leading airline in the adoption of SAF.

### Use of SAF on JAL flights

In 2009, we conducted the first test flight in Asia using SAF made from non-edible raw materials. We also operated our flights powered by SAF from Chicago O'Hare International Airport to Narita Airport in November 2017 and from San Francisco International Airport to Haneda Airport in January 2019. In addition, since June 2019, upon receipt of Airbus A350 aircraft, we have used SAF on the delivery flights from Airbus' plant in Toulouse, France to Haneda Airport.

### Investment in SAF production company

In September 2018, the JAL Group, together with Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN) and Marubeni Corporation, acquired a stake in Fulcrum BioEnergy, Inc. ("Fulcrum") located in California, USA. This was the first investment by a Japanese company in an SAF manufacturing business. Fulcrum has developed a process to produce SAF from general waste that is normally disposed of in landfill. The production technology has also been certified to fuel standard by ASTM International, an international standardization and standards-setting organization. Fulcrum's first production plant is currently under construction in Nevada and is expected to be completed in early 2021. The company is one of the most likely companies to achieve mass production of SAF, with plans for a rollout of multiple plants in future, including already announced plans for plant construction in Indiana. Therefore, the JAL Group will strengthen its relationship with Fulcrum and proceed with refueling our aircraft with SAF supplied by Fulcrum, mainly on flights departing from North America, in order to reduce CO<sub>2</sub> emissions.

\*3 The world's largest private sector international standardization and standards-setting organization



Fulcrum's currently under construction SAF production plant (as of Jun 2020)

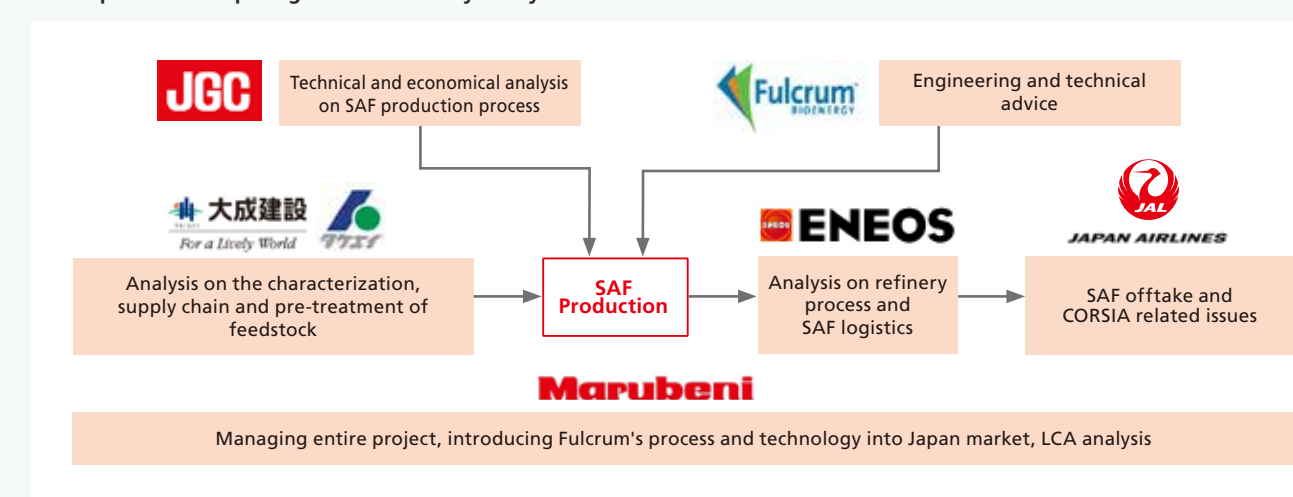
### Efforts towards the Adoption of Domestically Produced SAF

The Japanese government has established a "Roadmap Study Committee for the Introduction of Bio-Jet Fuel for the Tokyo 2020 Olympic and Paralympic Games" (commonly referred to as the "Roadmap Study Committee"), which has been studying the feasibility of producing SAF in Japan and introducing it for use in time for the milestone of the Tokyo 2020 Olympic and Paralympic Games. The JAL Group, as a member of the Roadmap Study Committee, is working to operate our flights using domestically produced SAF, and we are also contributing as a member of this "All Japan" effort to develop the SAF supply chain from production to use, linking the various stakeholders, with the aim of achieving the government's objective of the widespread adoption of domestically produced SAF by 2030. As part of this effort, in October 2018, we launched a project to produce domestic SAF using cotton from clothing collected throughout Japan, and succeeded in doing so in late March 2020. Although commercialization of SAF is progressing worldwide, this is the very first time SAF has been fully produced in Japan. In this project, about 50 companies cooperated and approximately 250,000 garments were collected across the country over the course of three months in 2018. Starting from January 2019, cotton from the collected garments was then turned into SAF through a bioprocess developed by the Research Institute of Innovative Technology for the Earth (RITE), with technical support from biotech venture company Green Earth Institute, Co., Ltd. This success proved that it is possible to produce SAF using Japanese technological capabilities.

### The Manufacturing Process Used to Produce Japan's First SAF



### Companies Participating in the Feasibility Study and Their Roles



### Working to build a domestic supply chain

From February 2020, we have started a feasibility study on SAF production and sales in Japan through the use of industrial and municipal waste, including plastic waste with Marubeni Corporation, ENEOS Corporation, JGC Japan Corporation, Taisei Corporation and TAKEEI CORPORATION. Based on the results of this joint study, all parties will aim to install demonstration equipment and conduct tests in the early 2020s, and start construction of commercial equipment around 2025.

### Toward the future

The JAL Group is conscious of the need to establish SAF production and supply systems within Japan, as well as to ensure that SAF is available within a sustainable price range in order to promote the use of SAF on every aircraft both arriving in and departing from Japan.

The JAL Group is contributing to reducing environmental impact by proactively working in collaboration with a broad range of stakeholders as we strive to solve these challenges one by one, with the objective of the commercialization and deployment of SAF in the future in Japan and overseas.

## Reducing CO<sub>2</sub> Emissions in Daily Operations

We are conducting various activities to improve fuel economy in our daily operations at each of our workplaces with "Safety First" as our top priority, such as eco-flight initiatives through aircraft operating techniques, reducing aircraft weight and washing engine interiors regularly. We are also implementing and driving CO<sub>2</sub> emission reduction initiatives cross-organizationally and continuously looping through the PDCA cycle to drive each of these initiatives forward as we monitor and share progress within the organization in order to achieve CO<sub>2</sub> emission reductions from a daily operations perspective.



## Effective Use of Limited Resources

### Engaging in Emissions Trading

### Purchasing Carbon Credits

The JAL Group is implementing initiatives designed to reduce our CO<sub>2</sub> emissions including upgrading to fuel-efficient aircraft and supporting the development and use of Sustainable Aviation Fuel (SAF). In addition to these initiatives, we have been reducing our CO<sub>2</sub> emissions by purchasing various emission credits designated in March 2020. These carbon credits are designed to help cut global CO<sub>2</sub> emissions efficiently by allowing companies to purchase CO<sub>2</sub> emission reductions made by companies in industries other than aviation. In future, the JAL Group will continue to select and purchase the above-mentioned credits and work together with other non-aviation industries to devise measures that will help further reduce CO<sub>2</sub> emissions.

### Column

#### JAL Carbon Offsets

Carbon offsets are a mechanism of compensating for CO<sub>2</sub> emissions using carbon absorptions or reductions made elsewhere. In response from feedback from customers who have a keen interest in protecting the environment and preventing global warming, the JAL Group, in collaboration with blue dot green Inc., offers passengers the option to offset the CO<sub>2</sub> emitted by the aircraft they fly on through our JAL Carbon Offsets program. Passengers can choose to offset the carbon emissions for the distance they fly against either a Japanese government-certified responsible forest thinning and management project in the town of Oguni in Kumamoto Prefecture, or a deforestation prevention project in the Rimba Raya Biodiversity Reserve in Indonesia.

<https://www.jal.bluedotgreen.co.jp/en/home>



JAL Carbon Offsets carbon calculator web page

### Column

#### CONTRAIL Project

The JAL Group began working on atmospheric observation using aircraft in cooperation with the Meteorological Research Institute (MRI) and the Japan Airlines Foundation (now the JAL FOUNDATION) in 1993. In 2005, the National Institute for Environmental Studies (NIES) and aircraft parts manufacturer JAMCO Corporation joined the efforts to expand and enhance the scope of these atmospheric observations, and with each party putting their expertise to use, the CONTRAIL Project was born. The CONTRAIL Project is the world's first planned ongoing, global-scale continuous measurement of greenhouse gases using equipment installed on scheduled passenger flights, and this joint public-private project continues its activities today. The project involved the development of two original types of equipment for atmospheric observation: Automatic air Sampling Equipment (ASE) and Continuous CO<sub>2</sub> Measuring Equipment (CME), which then underwent stringent environmental testing before obtaining certification to be installed on commercial aircraft. These two kinds of observation equipment are currently in service on Boeing 777 aircraft owned by the JAL Group.

The observed data for atmospheric greenhouse gases, mainly taken from samples on international routes, are used under the quality control by MRI and NIES, in research being conducted not only for understanding the global carbon cycle, but also for atmospheric transport, validation of satellite observations and validation for transport models. Today, in line with the advancement of the open science movement, observed data are opened to public, and are playing an important role in various research throughout the world.

Since its commencement in 2005, CME has been used on over 23,000 flights, and in fiscal 2019 alone, the published data was used in three peer-reviewed papers, 11 presentations in international conferences, and three presentation in domestic conferences. In March 2019, the CONTRAIL Project won the Environment Minister Award at the inaugural Japan Open Innovation Prize.



JAL Group aircraft equipped with atmospheric observation instruments

### Basic Concept

To reduce its environmental impact and contribute to realize resource-recycling society, the JAL Group promotes the 4Rs\*<sup>1</sup> in all aspects of its business, particularly through initiatives to minimize use of new resources onboard aircraft and at airports.

\*<sup>1</sup> Refuse, Reduce, Reuse, Recycle

### Reduction of Plastic Usage

In order to address global issues caused by the massive use of plastics, such as ocean pollution from waste plastics, the plastic working group meets monthly to discuss reduction methods and targets for plastic products, etc. In September 2019, JAL stopped providing plastic straws and stirrers in its inflight service and in all lounges. We reduced approximately 2 million plastic straws and 4 million plastic stirrers per year respectively, which is equivalent to around 3.6 tons in total. In fiscal 2018 approximately 887.6 tons of disposable plastics were used onboard aircraft, which dropped in fiscal 2019 by around 10 tons to 877.4. Also from October 2019, Japan Transocean Airline (JTA) introduced wooden straws on Class J seats on flights from Naha to Fukuoka. JTA is using timber from Okinawa to help conserve local forests and revitalize sustainable forestry.



Wooden straws

### Recycle

#### Recycling polyethylene sheets

When transporting daily essentials such as pharmaceuticals and food products, the JAL Group uses polyethylene sheets to protect the products from water damage. To ensure these plastics are not disposed of as waste, for around 40 years we have supplied them to RIPRO Corporation, a company that manufactures and sells recycled land markers used in land registry investigations and other products. Information eco markers are one such example. Equipped with RFID tags, they have been installed in a number of tourist spots to provide information related to the spot to visitors via their smartphones, which is contributing to regional revitalization.



Cargo covered with polyethylene sheets



Information eco marker in front of the Miracle Lone Pine Tree (which alone survived the 2011 tsunami) in Rikuzentakata

#### Recycling cabin waste

The JAL Group has worked to recycle cabin waste since 1993. Cabin attendants separate aluminum cans, glass bottles, and plastic bottles onboard before handing them over to a recycling specialist. Each year these efforts lead to more than 25 tons of recycled plastic bottles and around 30 tons of recycled aluminum. We also recycle newspapers, inflight magazines, and other recyclable materials used on our flights.

#### Recycling old uniforms

When we renew our uniforms, old maintenance and ground handling staffs' uniforms are recycled into soundproofing materials for use in cars and cloths used to wipe grease and dirt from machinery. Some employees also came up with the idea of reusing these old uniforms to make bags for onboard documents and tote bags to be used in the office for shopping and buying lunch.



### Saving Water Resources

As part of our water-saving and recycling efforts, we gauge and manage the amount of water we use and strive to reuse the large amounts of pure water used to clean components.

### Reducing Food Loss & Waste

Disposing food that could have been eaten is not only "Mottainai", it also damages environment. The greenhouse gas emissions from food product supply chain, including production, distribution, and processing is estimated to be between 21% and 37% of the world's total.\*<sup>2</sup> In addition to controlling CO<sub>2</sub> emissions generated in flight, the JAL Group also takes steps to reduce emissions from food waste on board aircraft and in airport lounges. Although around three tons of offcuts and scraps are generated each month when preparing inflight meals for departure flights from Narita Airport, we recycle them into animal feed instead of simply burning them.

Looking ahead, we will seek to effectively use our food resources and mitigate global warming by offering a meal-canceling service for our passengers and examining ways to use offcuts from the food preparation process.

\*<sup>2</sup> IPCC (Intergovernmental Panel on Climate Change) Special Report on Greenhouse Gas Fluxes (August 2019)



## Prevention of Environmental Pollution

### Basic Concept

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).

### Specific Initiatives

In April 2020, in agreement with the Tokyo Metropolitan Government, Bureau of Environment project to improve the air environment, JAL Engineering signed up to be a ClearSky Supporter. Aiming to create clear, pollution-free skies, JAL Engineering is currently engaged in efforts to reduce its emissions of nitrogen oxides (NOx) and volatile organic compounds (VOCs), both of which contribute to air pollution. To reduce emissions of NOx contained in exhaust gases from motor vehicles, JAL Engineering has formulated its own NOx reduction plan, which includes switching to EVs, light vehicles, and other low-pollution, low-fuel-consumption vehicles, and promoting eco-friendly driving. Moreover, as some of the paints, cleaning agents, and adhesives used in aircraft maintenance contain VOCs, JAL Engineering has also formulated a VIC emissions reduction plan for VOC emission. It details how, during chemical smog alerts, employees will temporarily stop their painting work to minimize emission of VOCs, which cause photochemical smog, into the atmosphere.

JAL Group is also working to prevent air pollution by minimizing the amount of CO<sub>2</sub>, NOx, CO, HC, and other pollutants released from aircraft. Specifically, engines used on JAL Group aircrafts comply with all regulations and ICAO CAEP6/CAEP8 standards stipulated by NOx regulations (applicable standards vary according to the type certification period).



An EV used at the Haneda Maintenance Zone



## Noise Reduction

### Basic Concept

To fulfill its responsibility as an organization that sustains social infrastructure, the JAL Group proactively works to reduce noise so that it can exist in harmony with communities in the vicinity of airports and flight paths.

### Specific Initiatives

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. 100% of JAL Group's aircrafts, except for turboprop, are compliant to ICAO Chapter 4 standard, whilst 46% of them are compliant to ICAO Chapter 14 standard.

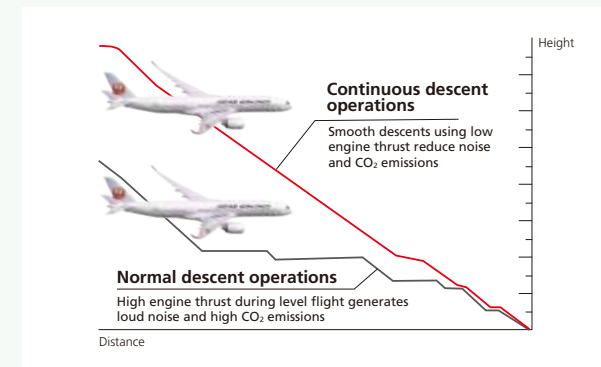
As part of our noise abatement operational procedures, we follow noise abatement procedures at take off, and at Haneda Airport and Itami Airport in particular, which are close to residential areas, we operate under even stricter procedures. Noise abatement procedures during landing include reduced flap, delayed flap and idle reverse operations.

At Helsinki Airport and Kagoshima Airport, we also follow continuous descent operations (CDO), which dramatically reduce noise and CO<sub>2</sub> emissions.

#### Ratio of ICAO standard compliant aircraft



#### Continuous Descent Operations



## Biodiversity Conservation

### Basic Concept

The JAL Group recognizes the direct and indirect impact of the air transport business on biodiversity conservation. By minimizing our impact on ecosystems, we will strive to protect biodiversity.

### Specific Initiatives

#### UNESCO World Natural Heritage sites

Several million years ago, the Amami archipelago, namely Amami-Oshima Island, Tokunoshima Island, Iriomote Island and the northern part of Okinawa Island, drifted from the continent resulting in a rich repository of rare species such as Amami rabbits and Iriomote cats. A movement is emerging to register and conserve the biodiversity and rich nature of these islands as a Natural World Heritage site, and the JAL Group is actively involved in this movement. Japan Transocean Air (JTA), Ryukyu Air Commuter (RAC), based in Okinawa, and Kagoshima-based Japan Air Commuter (JAC) and JAL Kagoshima-office are engaged in explaining and protecting the natural environment together with the region, participating in liaison meetings on preventing poaching and smuggling of animals, erecting road signs to prevent roadkill of endangered species, and establishing and promoting the Amami Trail that explores the Amami archipelago.

In 2019, they initiated a joint venture to promote world heritage sites in Okinawa and a community to promote world heritage sites in Kagoshima by engaging local communities. All participating organizations are making good use of their strengths to protect and promote the local natural environment.

#### Protecting the red-crowned crane

The JAL Group is engaged in activities to protect red-crowned cranes, a special natural monument in danger of extinction. Every year since 2016, Group employees have volunteered to clean and maintain the crane's feeding grounds in Tsurui Village, Hokkaido. Tsurui Village is famous for being a wintering ground for red-crowned cranes, with over 600 of them arriving each year. To create a natural winter feeding ground for the cranes, a spot where they can find their own food naturally, the JAL Group works with Tsurui Village and help the Wild Bird Society of Japan to remove fallen trees and prune branches.



Maintaining the wintering ground of red-crowned cranes

#### Preventing illegal wildlife trade

In June 2018, the JAL Group signed the Buckingham Palace Declaration by the United Wildlife Transport Taskforce to reduce illegal wildlife trade promoted by the International Air Transport Association (IATA).

Illegal wildlife trade is a crime with a global scale, following drugs and human traffic, where the trade amounts to several trillion yen. The JAL Group has helped to protect endangered or rare species. For example, Ishigaki Airport staff found and prevented coconut crabs, an endangered species, from being taken outside the island, and Amami Airport staff noticed that rare frogs and snakes were about to be taken outside the island. The most important stage at which to stop illegal wildlife trade is during transportation. As such, to fulfill our duty as an air transport operator, in February 2020 we invited a speaker from the World Wide Fund for Nature Japan to hold a workshop and talk about, among other topics, the current state of illegal wildlife trade, and what to do when we discover live animals during the transportation process.

The JAL Group will continue to provide opportunities to raise staff awareness and will strengthen our activities by cooperating with other related parties to share information and to eradicate illegal wildlife trade.

#### Official Supporter of International Year of Plant Health 2020

The United Nations General Assembly declared 2020 as the International Year of Plant Health (IYPH) to raise global awareness on the importance on how to protect plants from the spread of pests and diseases. The JAL Group is communicating internally and externally about the importance of plant quarantine as the Official Supporter of International Year of Plant Health 2020 certified by the Ministry of Agriculture, Forestry and Fisheries (MAFF).

Not only is it a must to take care when taking plants in and out of Japan but there are also regulations in transporting plants within Japan. For example, it is prohibited to take sweet potatoes and other plants from the Nansei Islands, namely the Amami archipelago in Okinawa and Kagoshima Prefectures, and Ogasawara Islands. In February 2020, the JAL Group invited an official from MAFF to hold an in-house workshop and address damage by plant pests, plant quarantine and its relationship with the aviation industry. It is critically important to stop the invasion and outbreak of pests because enormous eradication costs are incurred. We have also teamed up with MAFF to create a video about plant protection, which will be shown on our flights between September and December 2020.



A workshop about preventing illegal wildlife trade and plant protection

## People

## Prevent the Spread of Infectious Diseases

## Basic Concept

The JAL Group is responsible for transport infrastructure and implements measures to ensure safe and secure travel and deliver peace of mind to every customer. We will make continuous efforts to provide air transport in accordance with guidelines of the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA), and play a leading role in preventing the spread of infectious diseases across the industry through the Scheduled Airlines Association of Japan.

## Specific Initiatives

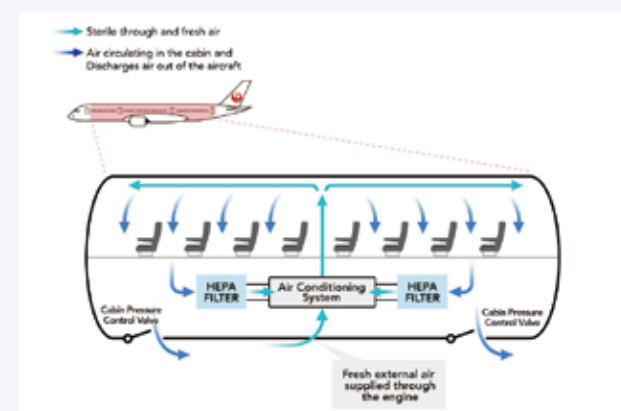
## Preventing infection among our customers

To prevent the spread of infection of customers, the JAL Group is thoroughly disinfecting aircraft cabins and installing hand sanitizers in airports. Further, to ensure that passengers can use onboard lavatories with peace of mind, we are improving our cleaning measures. We also understand that avoiding direct contact can prevent infection of our customers; therefore, we are installing baggage drop points and self-service check-in kiosks. We will continue to proactively make use of IT and digital technologies to promote touchless services.

Meanwhile, we are also actively communicating information regarding hygiene management. Specifically, we provide key points on our website (see below) on making preparations at home, check-in procedures at the airport, boarding, spending time onboard, and cabin ventilation measures so as to ensure an enjoyable and relaxing flight. Looking ahead, we will take heed of customer feedback of our infection prevention measures and continue to work to make improvements.

A new travel experience with safety as our number one priority

<https://www.jal.co.jp/jp/en/info/2020/other/flysafe/index.html>



Cabin air is replaced approximately every 2 to 3 minutes

## Preventing infection among our employees

Understanding that preventing the spread of infection of our employees can stop the virus from spreading to customers, the JAL Group is making every effort to minimize risk of in-house infection. In addition to taking employees' temperatures when they come to work, we are thoroughly disinfecting aircraft cabins and cockpits. For JAL employees working in the office, we are limiting the number of days they come into work, where possible. For staff who come to work, we take steps to maintain social distancing and minimize contact through diagonal seating plans and installing table partitions made by our maintenance engineers. In these ways, the entire JAL Group is coming together to minimize the risk of infection.



A table partition in an office

## Toward the Future

The COVID-19 pandemic continues to have global repercussions. For the aviation industry, which supports the movement of people and goods, it is vital that we continue operations while thoroughly implementing infection prevention measures. Since before the pandemic, the JAL Group has considered thorough cleanliness as a key element of customer comfort and has continued to maintain the highest standards. As a result, at the Skytrax World Airline Awards in 2019, we were awarded second place in the World's Best Airline Cabin Cleanliness category. We will continue to make improvements as we seek to claim top spot.

In addition, we are working to build smooth check-in procedures that reduce congestion and minimize close-contact among passengers. Examples include our JAL Touch & Go service of checking in online or over our app and boarding with a QR code they receive, and also self-service check-in kiosks and baggage drop points. We will make further use of IT and digital technologies to promote touchless measures and eliminate any worries our customers might have.

The JAL Group will continue to implement rigorous infection prevention measures, and ensure that its customers can fly in safety and with a sense of security.

## Improving Accessibility

## Basic Concept

The JAL Group strives to improve accessibility and create a society in which all can enjoy travel, sports, and culture.

## JAL Group Service Policy on Accessibility

Based on the JAL Philosophy which constitutes the basic mindset of employees, we will:

1. Provide a stress-free travel experience for all our customers.
2. Offer various travel options to all our customers.
3. Co-create well-being through travel, with our customers and society.

## Specific Initiatives

## Accessible environments

Up until now, the JAL Group has implemented a range of measures to create accessible environments for customers who feel barriers in transport. These include our provision of wooden wheelchairs to ensure stress-free passage through metal detectors at security checkpoints, use of the Mirai Speaker to ensure clear communication without having to raise our voices, and introduction of remote sign-language services when making flight reservations at our JAL PLAZA Yurakucho Ticket Office. In July 2020, we teamed up with Japan Airport Terminal Co., Ltd. and WHILL, Inc. to launch the world's first autonomous driving personal electric vehicle (EV) service at Haneda Airport. In this way, we are proactively implementing the latest technologies.



Mirai speaker

## Enhancing information

To eliminate any worries before traveling, we have improved the quality of information we provide. For customers that require special assistance, we have set up a dedicated website where they can view videos on how to board and use aircraft. To motivate customers to travel, we are publishing articles on accessible tourism\* and interviews with athletes with disabilities.

\*An initiative that seeks to ensure everyone can enjoy traveling without coming up against any barriers to movement or communication.

<https://www.jal/en/jalpri/>

## Expanding travel options

For customers using wheelchairs, we have set up a dual skiing tour so that they can enjoy skiing while seated, as well as an accessible surfing tour to Hawaii.



Dual skiing tour

## Employee education

We held lectures for all JAL Group employees to increase their understanding of people with disabilities. Staff with hearing impairment are teaching how to communicate in sign language in order to improve the skills of all staff.



Staff with hearing impairment teaching sign language

## External Evaluation

In September 2019, the JAL Group won the FTE Accessibility Leadership Award at the Future Travel Experience Global Awards, a ceremony that recognizes international airlines and airports that undertake outstanding work to improve the customer experience both on the ground and in the air. To further our efforts, in December 2019 we joined The Valuable 500, a global initiative that promotes the social advancement of people with disabilities, and announced our commitment to become a company, which provides an accessible cabin environment and where employees with disabilities can work with a sense of fulfillment.





## Respect for Human Rights

### Basic Concept

To eliminate discrimination against gender, age, nationality, race, ethnicity, religion, social status, impairment, sexual orientation, gender identity, career, or other personal attributes, the JAL Group believes that thorough understanding of human rights is essential. As such, we are allocating time during Seminars for New Employees, Seminars for New Managers and other courses to deepen the understanding and raising awareness of human rights.

### Code of Conduct and JAL Group Human Rights Policy

Based on the view that respect for human rights is a universal value and is consistent with the realization of the Corporate Policy, in fiscal 2019, the JAL Group 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 the human rights of all individuals.

Further, in line with the International Bill of Human Rights, the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights, we have put together the JAL Group Human Rights Policy to announce our efforts to prevent or reduce any negative impacts on the rights of our stakeholders.

#### JAL Group Human Rights Policy (excerpt)

##### What we aim for

The JAL Group takes steps to prevent and mitigate adverse impacts on human rights of all stakeholders including our customers and business partners, people in regions where we conduct business, and JAL Group employees. In addition, all JAL Group officers and employees fulfill their responsibilities to respect the human rights of all people.

As an air transport operator, we strive to prevent physical and mental pain to customers when providing products and services, prevent human trafficking using aircraft, and human rights violations in regions where we conduct business.

We also request our partners and suppliers in our corporate activities to support this Human Rights Policy and respect human rights of their stakeholders.

Full text of the JAL Group Human Rights Policy

 [https://www.jal.com/en/sustainability/codeofconduct/pdf/human-rights\\_en1908.pdf](https://www.jal.com/en/sustainability/codeofconduct/pdf/human-rights_en1908.pdf)

### Specific Initiatives

To promote ethical, responsible business practices at Japan Airlines and throughout the supply chain, as well to strengthen our risk management structure, in fiscal 2018 we evaluated human rights-related risks at all of our Group companies, and uncovered hidden risks in each stage of our value chain. We then sought the advice of outside experts to prioritize risks based on their severity and likelihood, and we are incorporating these findings into our human rights initiatives. Of the issues uncovered, perhaps the most important for the JAL Group is its potential contribution to human trafficking via air transport. As such, in fiscal 2019, we held seminars on the prevention of human trafficking, mainly at divisions that could potentially be involved. In addition, in line with measures currently under consideration by international institutions, we established reporting procedures for suspected human trafficking incidents.



Human trafficking prevention training

### Toward the Future

Looking ahead, the JAL Group will continue to specify human rights risks that pose the biggest threat and implement measures to prevent and reduce these risks. In particular, to specify, assess, and counter the potential violation of workers' human rights in our supply chain, we will strengthen our PDCA cycle and implement more efficient measures. We will also create opportunities for dialogue with external experts on human rights, and while taking on board their opinions, examine and continuously make improvements to our risk assessment processes, countermeasures, and education.

### Modern Slavery Act Statement

In accordance with the provisions of Section 54 (1) of the UK's Modern Slavery Act, the JAL Group has disclosed steps taken to prevent modern slavery and human trafficking in the JAL Group and its supply chains. We disclosed our third consecutive statement in fiscal 2019. Going forward, the JAL Group will continue working to prevent modern slavery and human trafficking, in line with the laws and guidelines of other countries.

## Promotion of D&I

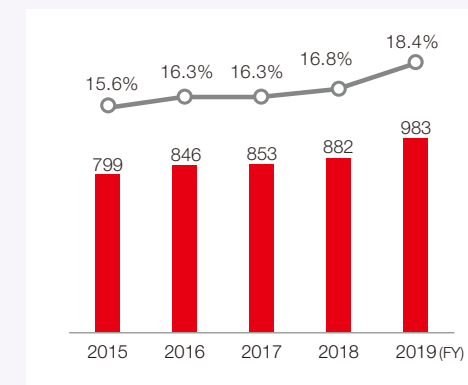
### Basic Concept

In 2014, the JAL Group declared its commitment to diversity. Since then, we have aspired to be a company where everyone can work in a positive atmosphere. Leveraging diverse ideas generated by diverse individuality, we will promote new value creation, provide unparalleled service to our customers, and contribute to the betterment of society.

### Career Opportunities for Female Employees

The JAL Group has set itself the target of raising the percentage of female managers in the JAL Group to 20% by the end of fiscal 2023, and 30% by the end of fiscal 2030. As of March 2020, the percentage of female managers is 18.4%, and is steadily increasing. Moreover, in fiscal 2019, we teamed up with Waris Co., Ltd. to launch the Work Again Program and support the reemployment of women with career experience.

■ No. of female managers    ○ Percentage of female managers



### Cultivating Global Human Resources

In fiscal 2018, to ensure that all our employees can play active roles on the global stage, we established the new Global Promotion Office in the Human Resources Strategy Department. We are expanding opportunities for young and mid-career employees to experience working in different cultures, and holding regular international exchange sessions to interact with employees who are playing active roles in various countries and regions. Initiatives like these have increased the number of employees finding success beyond their home country or region. In 2020, one of our female employees in Singapore was selected among the Women to Watch 2020 by *Campaign Asia-Pacific*, one of Asia's most popular marketing and advertising magazines. The work of our global employees is steadily creating value for the JAL Group.

### Opportunities for People with Disabilities

In fiscal 2019, a massage room run by staff with vision impairment was opened in JAL Head Office, and the coffee shop "SKY CAFÉ Kilatto" is run by staff with mild intellectual impairments, expanding their range of activities.

### Promoting Understanding of LGBTQ

The JAL Group is continuing with activities to promote understanding of the LGBTQ community. In fact, for four consecutive years, Japan Airlines has received a gold rating on the Pride Index of "work with Pride," a private organization which recognizes companies and organizations that foster awareness of LGBTQ and other sexual minorities. In particular, the LGBT Ally Charter flight we operated in fiscal 2019 was well-received, and among the companies recognized by Work with Pride, JAL was selected as a "best practice" company for our particularly advanced activities in the LGBTQ field. In September 2020, our activities were also recognized at the 6th Japan Tourism Awards.



LGBT Ally Charter flight

### Passing on the Experience and Expertise of Senior Employees

In fiscal 2019, 72% of senior employees over the retirement age continued to play an active role in various workplaces, utilizing their long-accumulated experience and expertise, and passing on their techniques to the younger generation.

## Human Resources Development

### Basic Concept

In line with its Corporate Policy, the JAL Group is committed to developing professionals throughout the Group who accommodate different cultures and actively engage in a world of diversity.

### Specific Initiatives

#### In-house training and workshops

In 2012, we established "qualities expected of JAL Group staff" based on the JAL Philosophy and introduced new education and training programs. The JAL Group joint entrance ceremony for new employees and joint new employee orientation began in 2013, where they together, learn, despite the company they belong to, the mindset and knowledge needed to provide unparalleled service to our customers while maintaining flight safety.

In addition to new employee education seminars, we conduct training programs to promote interaction beyond companies and job types, such as Leader's Workshops, JAL Philosophy Workshops, seminars for new managers, and seminars on career building and business skills. Not only does the Group provide standardized education and training programs, we also provide specialized job training and company-specific education and training courses to develop leaders and safety and service professionals. In fiscal 2019, the average training hours per employee was 72.3 hours.

#### Developing professionals beyond company walls

The JAL Group is also focusing on education to transmit knowledge and experience cultivated in the aviation business to university students, who will become the next generation of leaders. Through education, we aim to deepen understanding of the aviation industry, develop human resources for the tourism industry and contribute to vitalizing regional economies and industries. We offer lectures at universities on the airline business that introduce the industry's history, features and latest business models, and hospitality management to understand the meaning of hospitality while sharing JAL's approaches. In addition, we hold problem-solving classes where we discuss issues in the aviation industry, explore solutions through the students' flexible and creative thinking, and use group discussions to help them reach conclusions, thereby improving teamwork-building. These activities broaden the career options of university students.

The JAL Group is also actively working on human resources development overseas. We initiated a partnership with a vocational training school in Myanmar in 2018 and have

made similar arrangements in Fiji and Nepal. We aim to train overseas airline personnel by providing education on the airline business and JAL Group's operating system and business through online lessons, e-learning and instructors sent to local schools. We hope that the active participation of overseas human resources in the aviation industry will lead to increased corporate diversity and inclusion as well as the creation of new business ideas.



Partnership with Myanmar vocational training schools

### Toward the Future

In 2020, we made at-home online learning possible in order to help prevent the spread of COVID-19. By incorporating online learning, we have not only made education available regardless of location or region, but also created greater opportunities for conversation on work, culture and customs, deepening mutual understanding among employees beyond borders and regions, prompting many employees to voice their appreciation of this progress in diversity and inclusion.

The JAL Group plans to continue to make maximal use of digital technology to enable employees to be actively involved while enjoying greater freedom of lifestyle and workstyle options to provide ever better instruction and training, and to fulfill its Corporate Policy.



Joint online instruction in Japan and overseas regions

## Workstyle Innovation

### Basic Concept

We have been quick to introduce measures to develop a foundation to improve employee motivation. Innovations include the use of IT tools that give people more freedom in workstyles, improvements to offices and work environments, and the introduction of "workation," "bleisure" that leverage the features of an airline, thus encouraging employees to take long vacations. We will continue to move forward with a range of initiatives to innovate workstyles.

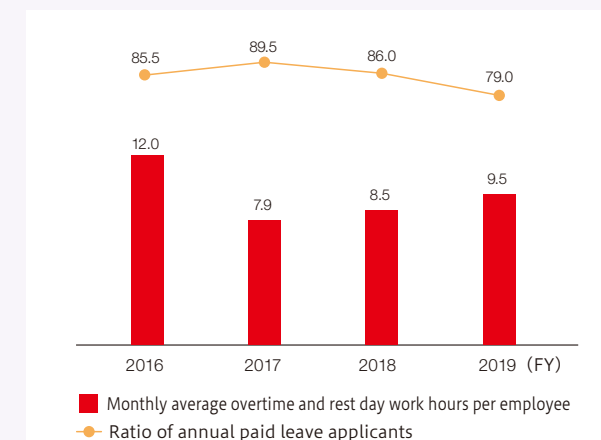
### Specific Initiatives

#### Optimizing work hours

The JAL Group 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 achieve professional advancement. 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 and 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 2019, the rate of annual paid leave taken was 15.8 days, or 79% of the total entitlement, and the average monthly overtime and rest day work hours was 9.5 hours (excluding general staff on shift work). The actual work hour total in fiscal 2019 was 1,862 hours, against our target of 1,850 hours, representing a 99.4% achievement of the target.

#### Monthly Average Overtime and Rest Day Work Hours per Employee



\*In fiscal 2019, there was a decrease in the ratio of actual annual paid leave applicants and the amount of overtime worked compared to the previous year. Despite this, as fiscal 2019 had two fewer work days (16 hours), total work hours decreased by 11.9 hours. The success rate for our target of keeping total annual work hours down to 1,850 hours rose from 98.7% to 99.4%.

#### Remote work, workations and bleisure

In order to realize workstyles unconstrained by time and space, the JAL Group is promoting remote work. The defining characteristic of our remote work system is that every employee is eligible to apply for it, regardless of position or reason. Since beginning trials of our work-from-home system in fiscal 2014, we have gradually improved and updated it, resulting in the system that is in place today. In July 2017, we introduced "workation," which permits employees to work remotely while on vacation. This enables employees to attend sudden meetings without requiring them to alter their long vacation plans. In addition, since May 2019, the introduction of "bleisure" has allowed employees to take vacations while at business trip locations. In these ways, we are progressing with diversifying ways of taking leave.



A Hawaii "bleisure"

#### Communication space

As well as providing more freedom in workstyles, we believe in expanding communication spaces that spark cross-section communication. In March 2019, we launched the SKY TERRACE communication space at JAL Head Office.



Communication space SKY TERRACE

### Toward the Future

We accelerated streamlining with a review of business processes in fiscal 2019, introducing Robotic Process Automation (RPA) that incorporates AI and robotics. As a result of advancements in our IT infrastructure making remote work possible for all employees, we were able to reduce attendance at support departments to 20% or less following the outbreak of COVID-19. We have reduced the number of employees coming to work to a minimum in fiscal 2020 through remote work and other initiatives, and we continue to adapt our communication and business processes to those tasks suitable for remote work.

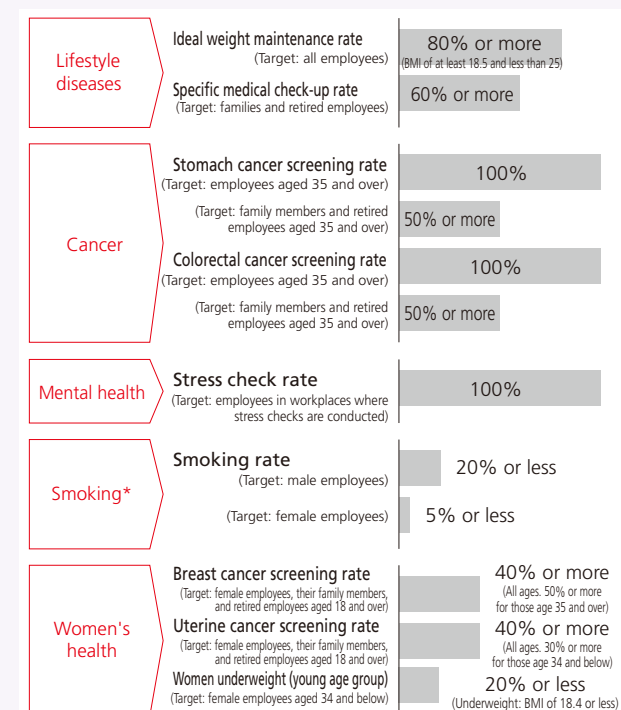


## Health and Productivity Management

### Basic Concept

The JAL Group recognizes that the mental and physical health of all employees is essential to follow its Corporate Policy to pursue the material and intellectual growth of all our employees and deliver unparalleled service to our customers. This thinking was behind the JAL Group's launch of the JAL Wellness health promotion program with initiatives addressing five major health issues: lifestyle diseases, cancer, mental health issues, smoking, and women's health.

#### JAL Wellness 2020 Targets

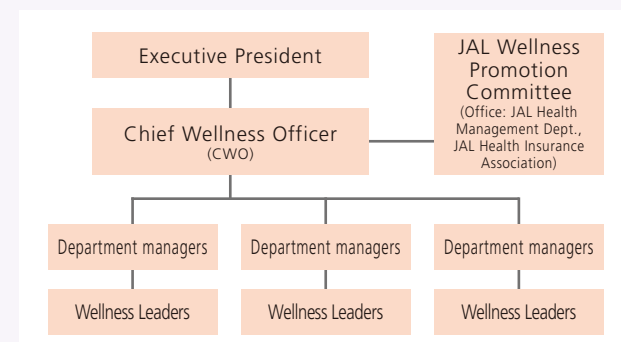


\*Due to gender differences in physical impacts of smoking, male and female targets are set separately. At the end of fiscal 2019, the male smoking rate was 27.9% and the female smoking rate was 5.0%.

### Health Promotion Program

We continue to advance health and productivity management under the strong leadership of the Chief Wellness Officer (CWO) and initiatives led by wellness leaders in each workplace.

#### Wellness Promotion Program Chart



### Specific Initiatives

The JAL Group prioritizes the health of women, who make up over 50% of our employees and play a central role in their workplaces. As a result of complete coverage for gynecological exams, increased opportunities for check-ups, seminars for both men and women and e-learning initiatives to increase awareness, we have met our screening rate targets for employees and we are working toward increasing those numbers, including for family members, throughout the Group. In the event of an illness, our substantial support systems help employees to continue working.

Furthermore, in order to carry out our mission as a gateway to the rest of the world and a public transport operator, we are committed to thorough prevention measures to keep our employees and their family members, and all customers reassured and safe from COVID-19 and other infectious diseases.



### Toward the Future

We will increase health awareness and promote the well-being of every employee so that they can work cheerfully and energetically, which in turn will lead to improvement in productivity and corporate value. To achieve this, we will continue to improve on health and productivity management, effectively using health data to provide every employee and family member with the tailored support they need for their health.

We are also working hard to help society and our customers through health and productivity management. We launched in June 2020 the JAL Wellness & Travel service, awarding miles for wellness activities, as we increase the level of support we provide for customer health.

## Communities Route Network Expansion

### Basic Concept

As the Wings of Japan, the JAL Group fosters interaction of culture and economy, making use of its network and extensive knowledge of the air transport business. Not only do we contribute to economic and social development, we also connect the international community and share the Japanese culture with the world. We will continue to contribute to society by making connections and possibilities a reality through the air transport business, and in an contingency, maintain operations as a transport infrastructure to fulfill our responsibility as a public transport service provider.

### Specific Initiatives

#### Tokyo metropolitan area network

The JAL Group is working to build the optimal network by expanding its route network following development of airports in the Tokyo metropolitan area and promoting airline partnerships.

At Haneda Airport, JAL will offer more international flights to improve convenience for customers in the Tokyo metropolitan area, and improve connectivity to our domestic network for both customers in regional cities and foreign visitors traveling across Japan, as part of efforts to contribute to regional revitalization. At Narita International Airport, we will expand the Group's international route network, including ZIPAIR, and improve Narita's standing as a hub for international connections.

We will cater to all air travel markets both as a full-service carrier and an LCC and expand our global network through airline partnerships.

#### Japan regional network

The JAL Group has regional airlines that operate routes connecting regional cities and outlying islands. We will maintain sustainable lifeline routes essential to them, fulfill our function as a transport infrastructure, connect regions and the world, expand the movement of people and the distribution and consumption of goods, and thereby contribute to regional revitalization.

#### Establishment of Essential Air Service Alliance Limited Liability Partnership

Five airlines, namely, Amakusa Airlines, Oriental Air Bridge, Japan Air Commuter, All Nippon Airways and Japan Airlines, established in October 2019 the Essential Air Service Alliance LLP (EAS LLP), a limited liability partnership to maintain essential and lifeline air links to Japan's outlying islands.



## Increase Inbound Tourism

### Basic Concept

The JAL Group is promoting initiatives to help make Japan a tourism-oriented nation, which is one of the pillars of the Japanese government's growth strategy. To further increase inbound demand and attract more visitors to regions across Japan, we are working with our partner airlines to expand the Group's international route network, offering special fares for exclusive use by foreign visitors to attract them to Japan, and making efforts to contribute to solving social problems through our business activities. Furthermore, to maintain regional economies, communities and environmental sustainability and promote sustainable tourism, we are collaborating with the public and private sectors, NGOs and NPOs to help create region-specific content, develop a welcoming environment for visitors, and attract more travelers to these regions. Because of travel restrictions due to the spread of COVID-19, we expect that travel by people across borders will be limited for the time being. However, we have partnered with the Japan Tourism Agency and the tourism agencies of other countries to revitalize tourism when the demand recovery phase begins. We are also contributing to reach the Japanese government's target of 60 million international tourists in 2030.

### Specific Initiatives

#### Multilingual websites

We have developed a website that caters to 26 regions around the world in order to provide services that meet the needs and preferences of international customers. Customers can now view the JAL website to make reservations, purchase tickets, check in and find out about onboard services in 16 languages, including Japanese, English, and Chinese.



Multilingual websites

#### Support for overseas airlines operating to Japan

JAL established the Ground Handling Strategy Department in the Airport Operations Division in November 2019 to optimize the JAL Group's network and know-how, support foreign carriers serving hub and regional airports in Japan and contribute to the expansion of inbound demand.

## Regional Revitalization

### Basic Concept

The JAL Group's business activities are supported by exchanges of people and products between regions, and we coexist with those regions. However, these regions face numerous problems, such as depopulation, due to declining birthrate and an aging population, and concentration of population in the Tokyo area. While the outbreak of COVID-19 has resulted in a decline in demand for tourism, a shift to the new normal is anticipated in communities such as a rapid migration from rural to urban areas. We will not limit ourselves to continuing our regional contribution or revitalization activities but will promote a multilateral, sustainable approach. Even in this new age, we will work closely with communities, thinking and acting together, to bring out and raise the attractiveness and value of the region, expand the movement and circulation of people and goods, and create more vibrant regions.

### Specific Initiatives

#### Furusato (Home town) Ambassadors

In fiscal 2020, we moved some of the headquarter functions to our satellite offices in the Hokkaido, Tohoku, Chugoku, Shikoku and Kyushu regions, and assigned cabin attendants from these regions as Furusato (home town) Ambassadors as part of our efforts to revitalize regional areas. With their experience and perspective as cabin attendants, they will play a role in planning and designing new regional revitalization plans for the COVID-19 pandemic period and post COVID-19.

#### NEW JAPAN PROJECT

Through the NEW JAPAN PROJECT, launched in 2015, we not only promote popular local delicacies through our inflight magazine, videos, and meals on domestic flights, but also use the Group's expertise and networks to increase the number of travelers and the movement of products, support the revitalization of tourism and regional industries, and thereby develop sustainable regions and create new demand for air travel. Our plan is to partner with community residents to uncover and create hidden regional products, promote sixth sector industrialization and expand distribution channels. Based on the concept of "Growing together with the community," we will work in hands together with the regions, people and products to build a better future together.

<http://japan.jal.co.jp/index.html> (in Japanese only)



NEW JAPAN PROJECT website

#### Tourism promotion

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



JAL is a special sponsor of the Ninja Trial Running Race, part of the Shinobi no Sato Iga ninja theme village project, held in November each year since 2017 in collaboration with the city of Iga, Mie Prefecture, and Mie University. (The race was canceled in 2020 due to COVID-19.)

#### 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.



Thonglor Market "Directly from Japan Special."

A "food special" which was held at Thonglor market, in Bangkok Thailand, where fresh fish, vegetables, and fruits were sent directly from Kyushu to the store.

#### Regional Area Promotion

In our Regional Area Promotion, which we began in May 2011. We reveal the allure of individual regional areas, serve inflight meals using food from the area, and promote the area through various JAL Group media each month. In March 2020, we introduced our 107<sup>th</sup> feature.



Kitami First Class dinner. The first class dinner from our domestic flight, which featured regional specialties from Kitami, Hokkaido, July 2020.

#### Collaboration

We collaborate with other companies and organizations who share the same drive to revitalize regions by holding events, creating travel products, and expanding sales channels for regional specialties in order to energize those regions.



For example, together with Kagawa Nutrition University, we developed products using a Kagawa Prefecture specialty, Obarabeniwase tangerines. Sales were launched in March of 2020 and the products completely sold out.

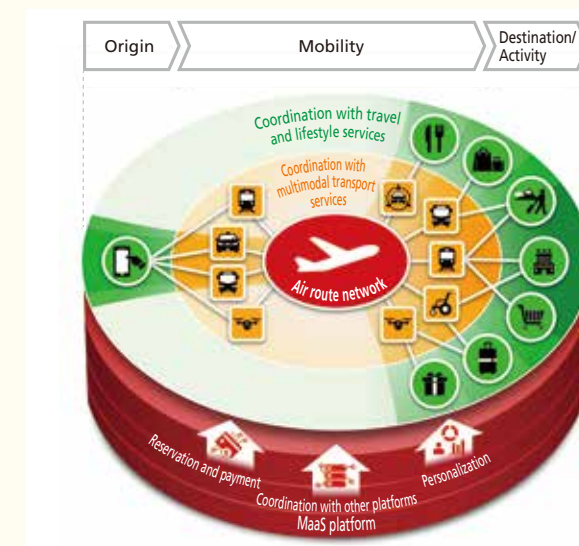
## Improving Convenience in Travel

### Basic Concept

The expansion of Mobility as a Service (MaaS)\*<sup>1</sup> is anticipated to provide a new means of transportation and transport for regional areas undergoing depopulation, and a solution to traffic congestion in cities. JAL Group has begun MaaS initiatives in order to create enhanced transportation experiences by providing seamless movement and personalized services at the destination. We will continue to contribute to solving social issues in terms of mobility and transport through the development of next-generation air mobility services including flying cars, and provide seamless transportation solutions in the field of aviation.

\*<sup>1</sup> Mobility as a Service (MaaS) is the integration of various forms of transport services into a single mobility service accessible on demand.

#### The JAL Group's Aviation Network is the Core of its MaaS Concept



### Specific Initiatives

#### Introduction of autonomous personal driving electric vehicles at Haneda Airport

The JAL Group has introduced the world's first autonomous personal driving electric vehicles as a personal mobility service at Haneda Airport. The service, one of the new JAL SMART AIRPORT services, provides safe, comfortable and seamless mobility to all airport users.



WHILL autonomous personal driving electric vehicles introduced at Haneda Airport

#### Aiming toward flying cars for air mobility

The environmentally friendly electric Vertical Take-Off and Landing (eVTOL)\*<sup>2</sup> 'flying car,' which has been in the spotlight in recent years, is anticipated to provide air mobility solutions with its ability to land and take off without a runway and travel short and medium-length distances inexpensively and easily. The JAL Group has partnered with Sumitomo Corp. and Bell Textron Inc. and has begun studies into providing services using the eVTOL developed by Bell. We are moving into the future with the construction of a next-generation air mobility operations platform with a flying car, building on our expertise in safe and secure air transit operations.

\*<sup>2</sup> Small aircraft with multiple propellers.



The much-anticipated Bell eVTOL flying car

### Toward the Future

We are innovating with medium- and long-term strategies to improve the convenience of mobility. In 2020, in light of COVID-19, we are moving forward with drone logistics demonstration tests and environmental surveys for flying cars as we aim toward providing MaaS and next-generation air mobility services. By providing comprehensive air mobility services offering seamless movement and transport, the JAL Group is shortening distances between people, goods and activities around the world and contributing to the realization of a sustainable society.



## Disaster Restoration Assistance

### Basic Concept

In addition to the swift resumption of air transport and cooperation with transport for recovery efforts, we provide continuous support to boost the morale of disaster victims as part of our mission and responsibility as a transportation infrastructure operator.

### Specific Initiatives

#### From post disaster to the recovery stage

By coordinating with a network of government, local organizations, NGOs and NPOs, we transport disaster relief personnel and supplies to areas struck by disaster, contributing to the speediest possible recovery. Also, in addition to making charitable contributions directly to these areas, we enable JAL Mileage Bank members to help by contributing miles through our Charity Miles program.

#### Fiscal 2019 Charitable Contributions (Unit: JPY)

	Contributions	Donations	Charity Miles	Employee Donations	Other
Typhoon Faxai (Typhoon 15)	5,000,000 (to Chiba Pref.)	A total of 7,000,000 (to 9 municipalities in the Narita area)	2,739,000 (to Chiba community chest society)	615,866 (to the Central Community Chest of Japan)	Personnel support and supplies
Typhoon Hagibis (Typhoon 19)	5,000,000 (to the Central Community Chest of Japan)	A total of 11,000,000 (to 8 refectures and 3 municipalities)	6,469,500 (to the Central Community Chest of Japan)	1,206,472 (to the Central Community Chest of Japan)	Transport of emergency relief supplies

#### Recovery stage

We support economic recovery through industrial development and creation of tourism demand in disaster areas. We also consider supporting the morale of disaster victims to be an important responsibility; therefore, we support sales promotions of local products in coordination with local governments and conduct training to support restoration, in which employees visit affected areas and listen to real-life stories from disaster victims. In addition, we conduct Donation Tours, where a portion of the tour cost is donated to affected areas to support restoration.



Harvesting mustard seeds to support restoration efforts in Kumamoto

## Community Relations

### Basic Concept

As an upstanding corporate citizen, the JAL Group uses its strengths in various activities to contribute to the betterment of society in collaboration with a range of stakeholders.

### Specific Initiatives

#### Nurturing the next generation—JAL SORAIKU®

Hands-on experiences of the wonder of the skies gives JAL SORAIKU® participants an opportunity to think about their own futures, and about the future of the world and the environment. That is the goal behind the activities that we provide, which include JAL Origami Plane Classes and JAL Career Talks for Students.

#### JAL SORAIKU® Participants

FY	FY2016	FY2017	FY2018	FY2019
Participants	152,323	201,983	197,469	191,840

<http://www.jal.com/ja/csr/soraiku/> (in Japanese only)

#### Support for sports

We have implemented the JAL Next Athlete Project, which includes activities to evaluate the sporting abilities of children in the 47 prefectures and advise them on the sport most appropriate for them. In addition, we co-sponsor the Challenge for Tomorrow School "Asuchalle," where para-sports are offered to children to try by staff from the Nippon Foundation Paralympic Support Center.



Sports Abilities Evaluations for the Next Generation

#### Sponsorships, donations, international cooperation, etc.

In fiscal 2019, the JAL Group made donations for the reconstruction of Notre Dame and Shuri Castle. The JAL Group supports education for children impacted by the Great East Japan Earthquake through Chance for Children, providing education coupons through Charity Miles donations from customers and matching the amount with donations from JAL. The JAL Scholarship Program conducted by the JAL Foundation invites university students from Asia and Oceania to Japan to a three-week study program to further mutual understanding and their understanding of Japan. (A total of 1,641 students have participated in the 50 times the program has been held through to fiscal 2019.)

#### Fiscal 2019 Charitable Contributions

Notre Dame Cathedral in Paris	Shuri Castle	Chance for Children
40,000 EURO (approx. JPY 5 million)	JPY 10 million	A total of JPY 6,342,000 (Charity Miles and JAL contributions make up 50% each)

## Topic "What we can do now" during the COVID-19 pandemic

### Physical Support on Medical and Agricultural Frontlines

We have introduced a system for employees with medical qualifications to take concurrent jobs in medical or caregiving, driven by their desire to support medical frontlines. Three cabin attendants made use of this program to work in health centers and care facilities. In the Narita area, we assisted with carnation wrapping and packaging at farms to help with the Mother's Day rush, and with harvesting green onions, a local specialty of Yokoshibahikari town near Narita Airport. This activity not only taught lessons about hourly productivity but also enabled employees to earn extra income.



Green onion harvesting to support agriculture

### Home-made Videos Introduce Aircraft Trivia

We began streaming aviation video lessons made by maintenance engineers in order to bring people staying at home closer to aviation. The videos give explanations on the mechanisms of plane flight, lavatories and other topics of interest. We also made other videos available, such as a flight crew choir singing their support for professional healthcare workers and stretching classes by cabin attendants.



Flight crew choir singing with enthusiasm

### Manufacture of Face Shields and Eco-bags

Maintenance engineers have designed face shields using maintenance scrap materials. Approximately 1,200 face shields have been made and donated to medical facilities with a personal message. Employees in Japan and around the world have also participated in making masks and donating them to kindergartens in their towns. Furthermore, fabrics for uniforms that became unnecessary with the April 2020 uniform makeover were used to make approximately 850 tote bags, and used as gifts to employees who made donations. The donations were given to local governments, while the tote bags contributed to a reduction in the use of plastic bags in company facilities.



New Chitose Airport staff who proposed to make tote bags

### Donations of Food and Supplies

Due to the reduction in visitors to the JAL Agriport Strawberry House, we sent gifts of 10 kg packages of freshly picked strawberries to facilities for children with disabilities in Narita to help boost morale. JAL employees also joined with American Airlines employees in collecting food, disposable diapers, antiseptic solution, masks and medical supplies, donating them to welfare facilities in Taiwan.



Donations of freshly picked strawberries

# Governance Corporate Governance

## Basic Concept

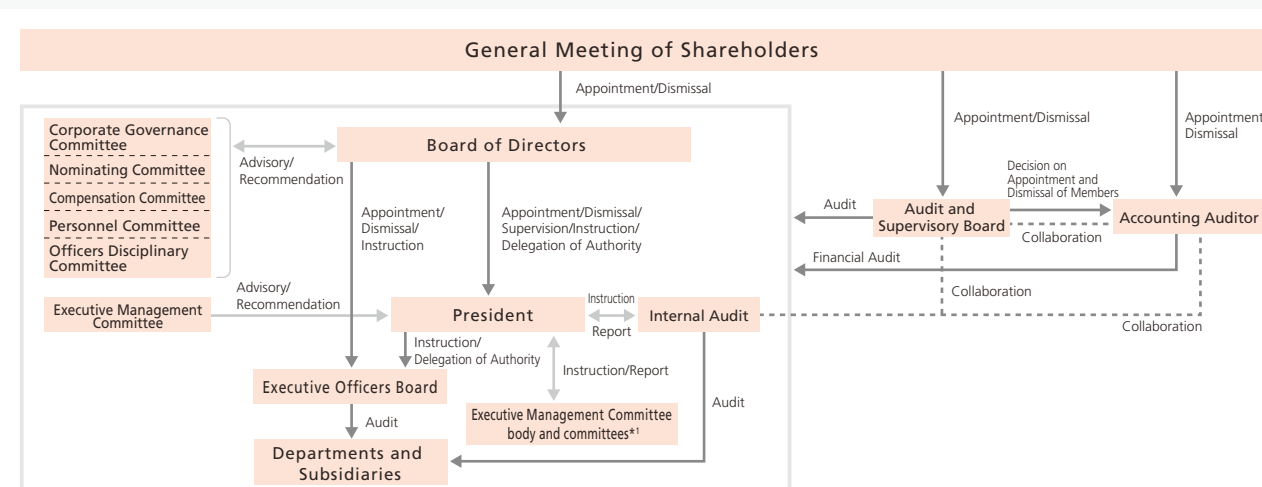
We maintain an awareness that our corporate group is a member of society at large with the duty to fulfill our corporate social responsibility and contribute to society as we develop our business, in addition to fulfilling our financial responsibility of earning adequate profits by providing high quality products through fair competition while maintaining flight safety, which is the core of our business, and providing the finest service to our customers. Taking this into account, we have established JAL Philosophy in accordance with the JAL Group Corporate Policy, and engage in speedy and appropriate management decision making. At the same time, we will strive to increase corporate value and achieve accountability by

establishing a corporate governance system that results in high management transparency and strong management monitoring.

The Board of Directors has established a robust corporate governance regime that adheres to the Fundamental Policies of Corporate Governance as important policies in accordance with the Companies Act and relevant laws and regulations. It is subject to regular review. For the Fundamental Policies of Corporate Governance and the Corporate Governance Report, please refer to the JAL website.

 <https://www.jal.com/en/outline/governance/>

## Corporate Governance System



\*1 Established as follows as a management body directly under the President.

JAL Philosophy Council, Group Earning Announcement Session, Group Safety Enhancement Council, Group Risk Management Council,\*2 Group Management Council.\*3

\*2 Established Risk Management Committee and Financial Risk Committee under this.

\*3 Established Sustainability Promotion Committee, JAL Wellness Promotion Committee, Committee for Tokyo 2020 Olympic Paralympic Promotion Committee, Investment Monitoring Committee under this.

## 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 and Supervisory Board member and Executive Officer, decides their remuneration, and makes important decisions.

- (1) The Board of Directors appoints an appropriate number of three or more External Directors who qualify as highly independent and appoints a Director who does not concurrently serve as Executive Officer as Chairman in order to separate the management monitoring function and business execution function.
- (2) 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 Executive Management Committee has been established for contributing to appropriate and flexible decision-making concerning management issues by the Board of Directors and the President.
- (3) We have established the following committees under the Board of Directors. External Directors make up the majority of each of the committees, ensuring independence from JAL's executive management. The Corporate Governance Committee, which comprises the Chairperson of the Board and External Directors, reviews the Fundamental Policies of Corporate Governance every year.
- (4) The Committee evaluates Board effectiveness in terms of its make-up, operation, culture, oversight, management strategies and dialogue with shareholders, takes appropriate action and discloses its findings.

### Directors

Directors' term of office is set at one year to ensure their accountability each fiscal year. External Directors are appointed from among persons with vast knowledge and experience in various fields to ensure diversity, to offer practical advice from multiple standpoints regarding management, and to provide appropriate oversight regarding the execution of business. Furthermore, one External Director among the External Directors is appointed Lead Independent External Director to improve coordination with the Audit and Supervisory Board members and internal divisions. 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. For the standards used in determining the independence of External Directors, please refer to the JAL Group's Fundamental Policies of Corporate Governance.

## Main Subjects of Deliberation at Board Meetings

### Medium-to-long-term strategies

- Review of FY2017 and FY2018
- Progress toward achieving Grand Design
- Business strategies, production framework, revenue and expenditure plans

### Corporate governance

- Formulating the JAL Group Code of Conduct "Commitment to Society"
- Evaluating Board effectiveness
- Officers' remuneration

### Risk management

- Dealing with alcohol-related incidents
- COVID-19 vigilance and response

### Shareholders

- Shareholder returns policy



Corporate Governance

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.

(FY2020)

Committee	Corporate Governance Committee	Nominating Committee	Compensation Committee	Personnel Committee	Officers Disciplinary Committee*
Chairperson	Eizo Kobayashi	Masatoshi Ito	Eizo Kobayashi	Yuji Akasaka	Sonoko Hatchoji
Board members	Yoshiharu Ueki Masatoshi Ito Sonoko Hatchoji	Yuji Akasaka Shinichiro Shimizu Eizo Kobayashi Sonoko Hatchoji	Yuji Akasaka Shinichiro Shimizu Masatoshi Ito Sonoko Hatchoji	Shinichiro Shimizu Eizo Kobayashi Masatoshi Ito Sonoko Hatchoji	Yuji Akasaka Shinichiro Shimizu Eizo Kobayashi Masatoshi Ito
Functions	The Corporate Governance Committee checks whether activities comply with JAL Group Fundamental Policies of Corporate Governance, conducts analyses and evaluations to determine whether such activities contribute to sustainable growth and enhancement of medium and long term corporate value, and provides necessary findings and reports to the Board of Directors.	When submitting a proposal to the general meeting of shareholders concerning the appointment of candidates to the positions of Director and Audit and Supervisory Board Member, the Nominating Committee comprehensively judges the personality, knowledge, ability, experience, performance and other attributes of each candidate based on an inquiry from the Board of Directors and reports back. Furthermore, it defines qualifications required of the President, etc., and manages the early training status of those candidates. It also reports investigation results to the Board of Directors in the event that a situation occurs where the qualifications of senior management should be called into question.	The Compensation Committee reports back the Board of Directors concerning the amount of compensation for Directors, Executive Officers and Audit and Supervisory Board Members based on an inquiry from the Board of Directors.	When appointing or dismissing an Executive Officer, the Personnel Committee reports back to the Board of Directors based on an inquiry from the Board.	When taking disciplinary action against Directors and Executive Officers, the Officers Disciplinary Committee makes decisions.
No. of meetings, key topics of discussion in FY2019	2 meetings held	2 meetings held	7 meetings held	4 meetings held	4 meetings held
	• Deliberations and recommendations regarding Board effectiveness • Revision of the Fundamental Policies of Corporate Governance in accordance with updates to the Corporate Governance Code	• Candidates for the positions of Director and Audit and Supervisory Board member • Responses to the Corporate Governance Code and to the evaluated Board effectiveness	• Officer remuneration (basic remuneration, annual incentives, long-term incentives)	• Structure of Executive Officers	• Disciplinary actions against officers

\*Eizo Kobayashi was chairperson of the Officers Disciplinary Committee until FY2019.

Audit and Supervisory Board and Audits

Audit and Supervisory Board

Audit and Supervisory Board makes objective, appropriate judgments from an independent 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 and Supervisory Board members

Audit and 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 and 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 cooperate 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 and Supervisory Board members are provided with company information, and opportunities to participate in external training and external associations, etc. External Audit and Supervisory Board members are appointed from among persons with vast knowledge and experience in various fields to ensure sound management by conducting audits from a neutral and objective standpoint.

Successors to the President and Other Leaders

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. 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.

Support and Training Policy for Directors and Audit and 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. In fiscal 2019, directors and Executive Officers attended three external training courses, including one on corporate governance, and participated in a variety of finance industry committees. We provide opportunities to External Audit and Supervisory Board members for continuous participation in external training, affiliated associations, etc., in addition to providing corporate information. To deepen their understanding of the Company, External Directors and External Audit and Supervisory Board members are provided safety education such as a memorial climb up Mt. Osutaka and visits to the Safety Promotion Center, in addition to visiting frontlines. We also offer a variety of opportunities for deepening understanding of the JAL Group's history and Philosophy. Elsewhere, we provide advance explanations on agenda items to be submitted for deliberation at the Board of Directors and other meetings, as necessary, and opportunities to explain other matters at their request. In addition, the Forum of Independent External Officers, which meets several times per year, is comprised of External Directors and External Audit and Supervisory Board members, and sponsored by the Lead Independent External Director, held four meetings in fiscal 2019. The participants interview people from pertinent departments in relation to JAL's international network strategy, competition strategy, human resources strategy, and risk management, in order to deepen their understanding of the Company's business.

Corporate Governance

Evaluation of Effectiveness of the Board of Directors

Under the Fundamental Policies of Corporate Governance, every year the Group assesses the effectiveness of the Board and reviews operation, etc. appropriately, while referring to self-assessment by each Director and Audit and Supervisory Board Member.

Fiscal 2019 Effectiveness Evaluation Process

- (1) The Corporate Governance Committee (Comprised of External Directors and the Chairman of the Board of Directors. Chairperson is an External Director.) decided the way to proceed with the effectiveness evaluation, which includes the details of the questionnaire.

(2) To maintain anonymity, the Secretariat of the Board sent the questionnaire to the members of the Board. Primary items for evaluation in the questionnaire were board composition, operations, culture, oversight, and discussion on management strategies, as well as free description.

(3) The Secretariat of the Board reported to the Board of Directors on the results of assessment and individual opinions provided in the free description column. Then, the Board of Directors discussed the Board's issues and measures.

(4) Later, the Corporate Governance Committee compiled proposals, based on which further discussion was held by the Board of Directors and decisions for future initiatives were made as below.

Overview of the results of assessment

The Board of Directors conducts free and open-minded discussions, while receiving an audit of execution of duties from Audit and Supervisory Board Members, with the opinions of External Directors respected by Directors who have been assigned from within the Company and accordingly 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. As a result of promoting the shift toward strategic discussions and engaging in constructive dialogue with shareholders in FY2019 based on the previous effectiveness assessment, overall evaluation has improved from the previous year.

Overview of future initiatives

The Board has identified the following challenges, and will endeavor to overcome them through the initiatives set forth below.

(1) Deepen discussions on long-term issues and visions for sustained improvement in corporate value in a rapidly changing business environment.

(2) Enhance monitoring by the Board in order to strengthen the management of risks such as investment in new businesses.

(3) Deepen discussions on strategy for human resource diversity, including the promotion of female advancement.

Remuneration of Directors

Policy Regarding Directors' Remuneration, etc.

Basic policy

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

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

3. The Company will provide treatment that is appropriate to the management team of the Company, in accordance with the Company's business performance.

Remuneration levels and remuneration composition ratios

1. The Company will set appropriate remuneration levels with reference to objective data on remuneration in the marketplace, and based on the business conditions of the Company.

2. Taking into account factors including the content of the Company's business and the effectiveness of incentive remuneration, the Company sets the proportions of (A) amount of fixed basic remuneration,\* (B) amount of annual incentive (performance-linked bonus) to be paid according to degree of achievement against targets, and (C) amount of long-term incentive (performance-linked share-based remuneration) to be issued according to the degree of achievement against targets, as follows.

Guideline for the case of 100% achievement against targets  
(A):(B):(C) = 50%:30%:20%

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

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

Fiscal 2019 Actual Remuneration Paid to Directors and Audit and Supervisory Board Members\*1

	Number of Directors and Audit and Supervisory Board Members	Total amount paid (Millions of yen)	Total amount paid by type (Millions of yen)		
			Basic remuneration	Bonuses*2	Share-based remuneration, etc.*3
Directors	12	340	281	25	34
(Of which, External Directors)	(3)	(35)	(35)	(-)	(-)
Audit and Supervisory Board members	6	78	78	-	-
(Of which, External Audit and Supervisory Board Members)	(3)	(29)	(29)	(-)	(-)
Total	18	418	359	25	34

\*1 With regard to short-term incentives, the portion based on evaluation of net profit was not paid due to the effects of COVID-19. With regard to long-term incentives, the decision was made to cancel payment of the portion started in 2017 and payable in 2020.

\*2 Annual incentive (performance-linked bonus)

\*3 Long-term incentive (performance-linked share-based remuneration)

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.

Performance evaluation indices will be considered for review as necessary in accordance with changes in business conditions, the roles of each officer and other factors. Payments were made in July 2020 based on fiscal 2019 outcomes relating to net profit attributable to owners of parent, indices related to safe flight operations, and individual evaluation indices for each officer. The target for net profit attributable to owners of the parent was achieved.

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.

Performance 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 determination of remuneration, etc.

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



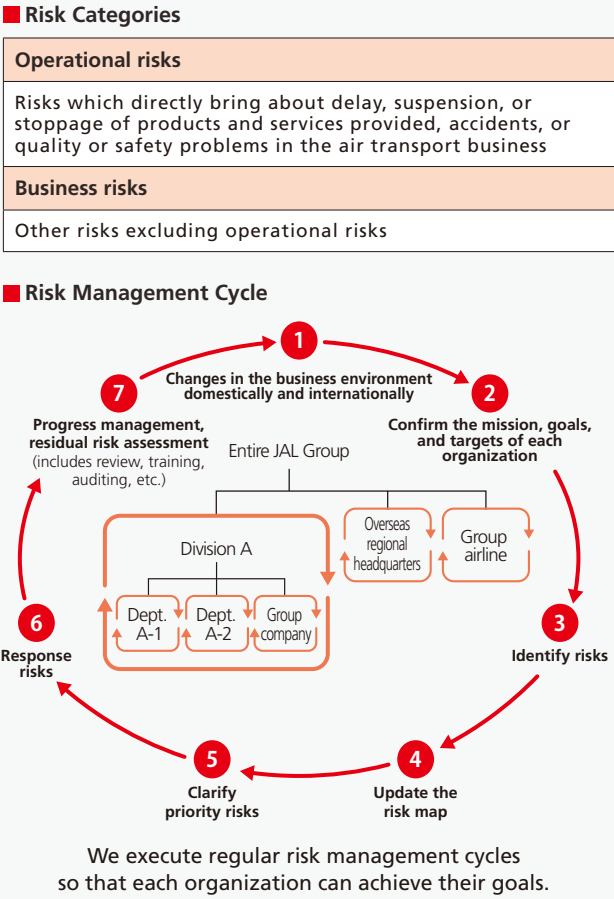
# Robust Risk Management (Promotion of BCM)

BCM: Business Continuity Management

## Basic Concept

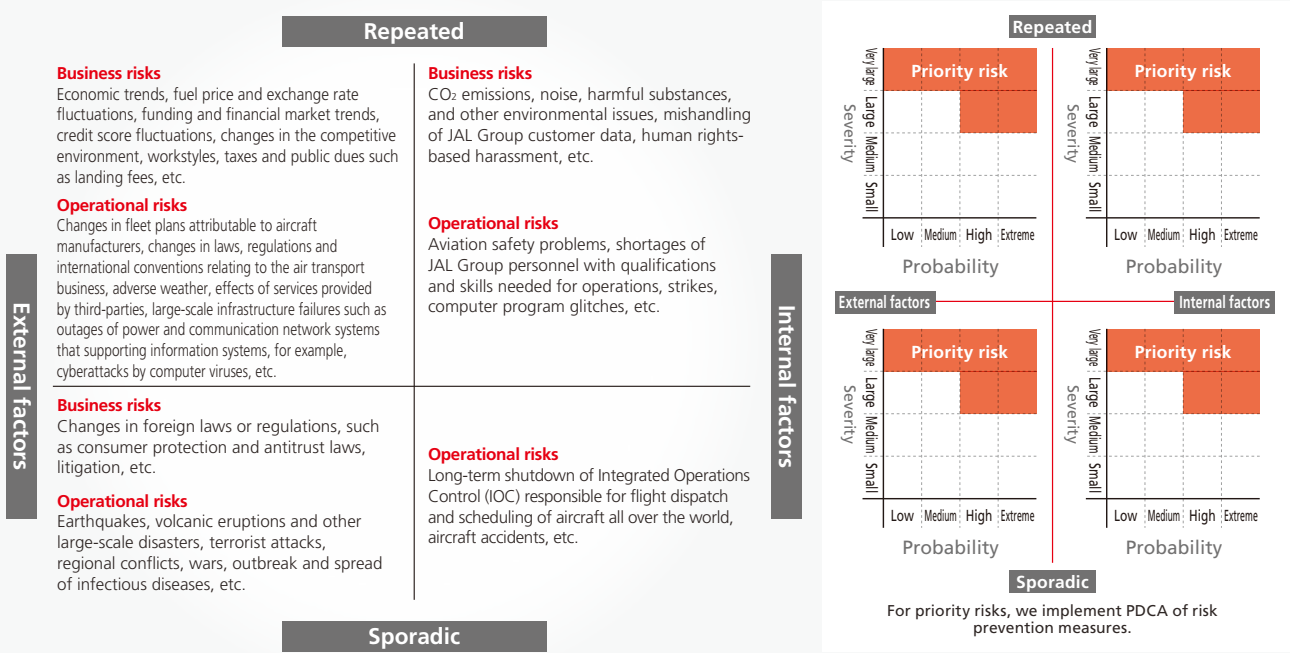
The JAL Group recognizes that trust from society is a managerial resource for aviation infrastructure, where safety is the basic foundation of business continuity. To protect and enhance that trust, we conduct comprehensive risk management of our business activities to achieve stable management of the entire Group and promote activities to fulfill our corporate social responsibility.

Even at Group companies which are not directly involved in air transport, we are coordinating within the Group to enhance the risk mindset and risk practices of all employees. Specifically, we have a standardized Risk Management Manual for the JAL Group, based on JAL Group Basic Policies on Risk Management, to control risks in order to achieve our management goals. Organization leaders bear responsibility for risk management. Risk is defined as "events or behaviors which threaten the achievement of the missions, goals, or targets of individuals or organizations," and is classified into two types: operational risks and business risks. Priority risks are selected from among the risks confronting each organization with reference to risk assessment criteria, and dealt with by effectively allocating resources. All priority risks of the JAL Group are aggregated, and critical risks are identified and treated intensively.

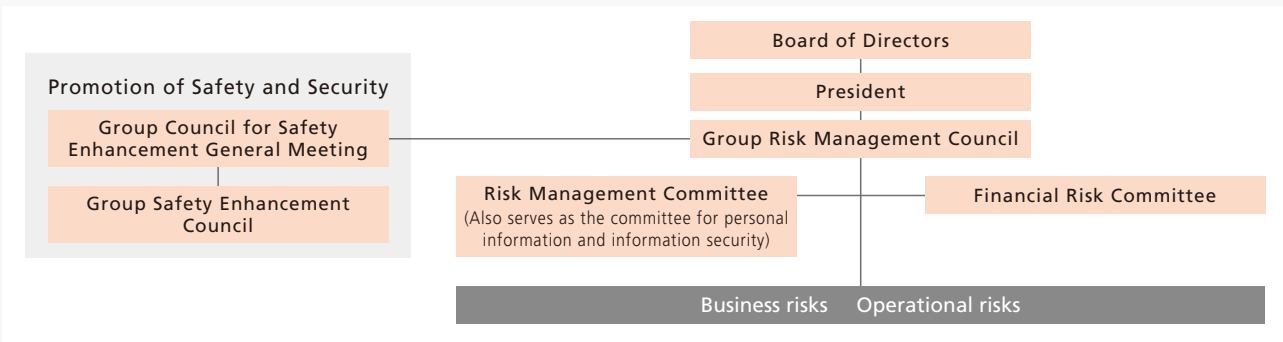


**Risk Map** (For details on each risk, and examples of responses, see pp. 94-95)

After classifying risks based on four characteristics (repeated, sporadic, external factor, internal factor), a risk map is prepared by evaluating risk probability and severity in each category.



## Risk Management System



## Risk Management System

**Group Risk Management Council**

This Council is chaired by the President, and primarily comprises responsible General Managers of frontline divisions. The Council comprehensively manages operational risks and business risks to stabilize Group management. It also functions as a venue for providing progress reports, sharing information and making decisions on various matters, such as establishment of JAL Group Basic Policies on Risk Management, regular risk assessments, implementation of measures when risks eventuate, and risk auditing.

**Risk Management Committee**

Operating under the Group Risk Management Council, the committee is chaired by the General Manager of General Affairs and comprises General Managers of relevant divisions. Its role is to conduct administrative work in support of the Group Risk Management Council, including any preparations that will contribute to making and executing decisions.

The committee also serves as the committee for personal information and information security, comprising General Managers of relevant divisions and chaired by the General Managers of the General Affairs and the IT Planning.

The committee continuously looks at ways to strengthen information management.

**Financial Risk Committee**

This committee is chaired by the General Manager of Finance and Accounting and comprises the President, Executive Vice President and General Managers of relevant divisions. The committee identifies financial risks appropriately and strives to facilitate improvements in corporate management. Specifically, it conducts regular simulations of financial conditions and checks the content.

In case of a risk event which the committee determines will have a serious, quantifiable impact on the Group's business performance, such as a major financial crisis or large-scale disaster, it will calculate the estimated financial impact and deal with the risk jointly with the Risk Management Council, as necessary.

**Group Safety Enhancement Council**

This council is chaired by the President of Japan Airlines and comprises officers and presidents of Group airlines appointed by the general safety manager and Chair. The role of the committee is to ensure safety of the entire Group and promote safety management by establishing important policies on safety management, clarifying the status of corporate activities, and reviewing organizations, systems and measures, as necessary.

**Group Operational Safety Promotion Committee**

Operating under the Group Safety Enhancement Council, the committee maintains and strengthens collaborative, safety measures among departments, divisions and Group airlines with the aim of enhancing overall air transport safety of the Group. The committee comprises the General Manager of JAL Corporate Safety and Security (Chair), General Manager of safety management at JAL appointed by the Chair, and the general safety manager or responsible officer of safety of each Group airline.

## Information Security Measures

The JAL Group fell victim to a data security breach in 2014. Hackers attacked JAL Mileage Bank 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. These steps include creating up a JAL Group Handbook on Protecting Personal Information, and revising information handling categories to strictly distinguish between customer information and other information and thereby ensure proper management. The Risk Management Committee also plays the role of a committee for personal information protection and IT security in order to reduce those risks. A robust system has been established to detect and monitor increasingly sophisticated and complex cyberattacks, and preventive measures will be continuously upgraded to the highest level.

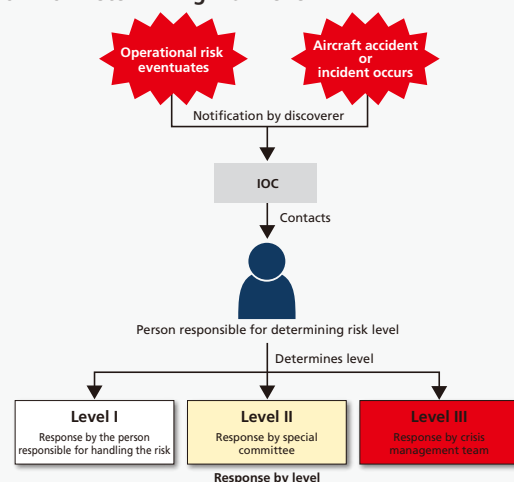
## Fair Business Practices

### ■ Crisis Management System

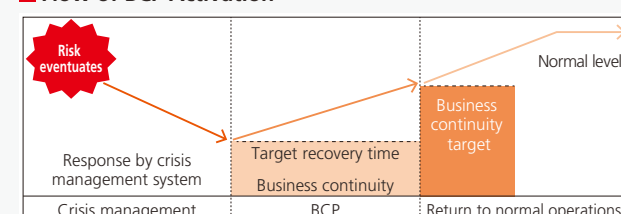
When risks (operational risks) associated with aviation safety, aviation security and other issues related to the air transport business eventuate, or are suspected or confirmed, they are reported quickly (within 15 minutes as a general guideline) to Integrated Operations Control (IOC). In JAL Group, the person responsible for determining the level of risk decides the applicable risk management level (from Level I to Level III) according to the situation and risk response is implemented. Exercises, reviews, education, and training are conducted regularly for each type of disaster or purpose in order to increase risk management awareness of every employee.

Level I Response by the person responsible for handling the risk
<ul style="list-style-type: none"> <li>The responsible person (leader of organization where the risk has eventuated) responds by assembling people deemed necessary.</li> <li>The responsible person advises the person responsible for determining the level of risk to shift to Level II or III according to the severity of the situation.</li> </ul>
Level II Response by special committee
<ul style="list-style-type: none"> <li>A committee is formed by Vice Presidents of main departments with Vice President of General Affairs as Secretariat and risk response is implemented. Vice President of General Affairs advises the person responsible for determining the risk level to shift to Level III or I according to the situation.</li> </ul>
Level III Response by Command Office
<ul style="list-style-type: none"> <li>A Head Office Command Office chaired by the President (or Executive Vice President) is set up and normal operations quickly shift to the crisis management system.</li> </ul>

### ■ Flow for Determining Risk Level



### ■ Flow of BCP Activation



### ■ Business Continuity Plan (BCP)

To respond to specific risks that threaten our ability to fulfill our responsibilities as a public transport service provider 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 a contingency 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 customers, JAL Group staff and their families, and other affected persons, and to maintain air transport operations essential to the Group, including reservations, information provision, payments, and settlements. The plan 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. The same BCP was activated on January 21, 2020 for the COVID-19 outbreak, and is continuing at present. In fiscal 2018, we reviewed regulations related to earthquakes and expanded our strategies and BCP to include, in particular, a potential earthquake striking Tokyo. In fiscal 2019, we updated the JAL Group Risk Management Manual, including the establishment of regulations on business continuity management as the basis of each BCP. Japan Airlines Co., Ltd. was certified on November 30, 2019 as an Organization Contributing to National Resilience (Resilience Certification) by the Resilience Japan Promotion Council. On March 30, 2020, we received an A rating for BCM (special interest rate II) from the Development Bank of Japan.



In March 2020, we received a DBJ BCM rated loan from the Development Bank of Japan (DBJ), and the rating results commended Japan Airlines for "particularly advanced business continuity initiatives."

### ■ Basic Concept and Promotion System

To promote compliance with all applicable laws, regulations and rules governing our corporate activities, we focus on elevating compliance awareness through various measures, with General Affairs Department of Japan Airlines overseeing all compliance matters.

#### Uploading the regulations and handbooks to the Intranet

Every JAL Group employee 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 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

#### Various activities

The following diverse initiatives are implemented for Group employees. Furthermore, we conducted alcohol-related training throughout fiscal 2019 and took various steps such as setting up a new external hotline for employees seeking consultation.

- Talks and face-to-face dialogue on compliance with frontline staff
- Quarterly publications of compliance newsletters
- Seminars on laws and ordinances by Legal Affairs
- Training based on actual incidents such as target email attacks
- Biannual information security training through e-Learning

Through these activities, 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, an officer from each JAL Group company is given overall responsibility for compliance at their respective company. These officers comprise the JAL Group Compliance Network, which is responsible for swiftly sharing relevant information and strengthening the compliance framework in 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.

### ■ In-house Reporting System

We have established Group Hotlines internally and at outside the Group (open 24 hours a day) as contact points for anyone working for the JAL Group with the aim to uncover unlawful acts, power harassment and other misconduct, take corrective action and reinforce compliance management.

### ■ Anti-Corruption Policy

With the global tide of business scope expansion and efforts to prevent bribery and prevent money laundering, the JAL Group has stipulated corruption prevention as part of the JAL Group Code of Conduct "Commitment to Society" in order to pursue profit in a fair manner. The Company 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, and proactively prevents bribery and corruption which could lead to suspected bribery to prevent corruption as a member of society.

#### JAL Group Code of Conduct "Commitment to Society" — Anti-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.



# Responsible Procurement

## Basic Concept —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 on a daily basis. 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 periods, the company's reputation, and its 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.

### 2. Providing safe and secure services to customers

To deliver a sense of security 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

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.

## Dissemination of the JAL Group Supplier Code of Conduct

In July 2019, the JAL Group made major revisions to the JAL Group Supplier Code of Conduct. 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 have also been added. 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.

## Identifying High-Risk Products and Key Suppliers

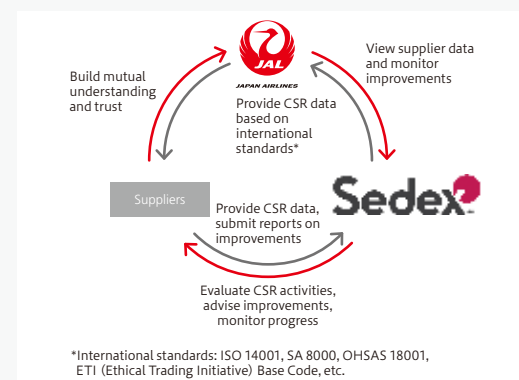
The JAL Group identifies key suppliers by considering factors such as procurement cost, procurement volume, product importance,

and substitutability. Since fiscal 2018, we have screened all products procured by the JAL Group, and to ensure that we provide safe and secure services, we have identified products posing especially high risks to our commitment to sustainability in areas such as the environment, human rights, and labor conditions.

## Cooperating with Suppliers and Monitoring

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

Using the CSR information platform provided by Sedex, we select certain Group suppliers regardless of product type or domestic/overseas location, ask them to become Sedex members and to respond to a self-assessment questionnaire. By fiscal 2019, responses had been received from 293 suppliers. We will continue to conduct supply chain risk assessments based on the results of verification with self-assessment questionnaires and other tools, and request improvements as needed. When a serious issue is confirmed, we conduct an SMETA audit\*\*<sup>2</sup> and other necessary auditing of the supplier. Going forward, we will also further achieve sustainable procurement by consulting and engaging in dialogue with experts and NPOs.



We ensure that our suppliers understand the JAL Group's basic concept towards procurement, and we periodically hold conferences to liaison with our suppliers as forums for information sharing and exchange. In fiscal 2019, we invited outside lecturers to raise awareness of ESG and SDGs for participants from 41 companies.



Supplier liaison conference (Nov 2019)

\*<sup>1</sup> Sedex, the Supplier Ethical Data Exchange, is a non-profit organization that provides a platform for managing and sharing corporate ethical information with the aim of ensuring responsible business practices on supply chains. Established in the U.K. in 2004.

\*\*<sup>2</sup> 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 (non-conformities) of companies to be identified against international standards and clarifies necessary action to further improvements. For further details, please see the official Sedex website (English only).

<https://www.sedex.com/our-services/smeta-audit/>

## Use of Certified Products

Nowadays, responsible procurement requires environmental and social impacts to be considered, and an objective means for this is certification programs. In the JAL Group, we compare the standards of each certification program, and adopt third party certification programs with a global presence as our procurement standards. These programs must have certification requirements ensuring high standards, and must satisfy the three elements of Environment, Society and Governance, and the four elements of safety for food material. We then promote the use of raw materials which have acquired these certifications.

### About the use of certified products

<https://www.jal.com/en/sustainability/certified-products/>

### FSC® certification

Since September 2018, we have adopted FSC® certified goods as service products offered to customers inflight. We are requesting that our suppliers acquire FSC® CoC (Chain-of-Custody) certification, and we have already adopted FSC® certified products for the majority of our paper products, such as paper cups, menu cards, and inflight magazines, as well as for wooden toys.



### ASIAGAP certification

Since December 2018, we have been providing ASIAGAP-certified ingredients for Business and Economy Class inflight meals and lounge meals. In November 2019, our group company JAL Agriport acquired ASIAGAP certification for its independently-operated farms, and the company provides ingredients for inflight and lounge meals.

### MSC/ASC certification

Since June 2019, we have been purchasing MSC/ASC certified marine products through AEON Co., Ltd., for use in Business Class inflight meals. In February 2020, we were the first airline to acquire MSC/ASC CoC (Chain-of-Custody) certification. We have established a traceability management procedure for our inflight meal kitchens to ensure ingredients are sourced from responsibly-managed fishing grounds and aquaculture farms, and we have developed an operational structure that ensures the caterers who prepare inflight meals strictly comply with that procedure.



Inflight meal using MSC-certified and ASIAGAP-certified ingredients

### Rainforest Alliance certification

In 2011, we became the first airline to offer sustainably produced coffee. At some stage in 2020, we are planning to begin using coffee beans that have received Rainforest Alliance certification both inflight and in our lounges.



### GOTS certification

Our First Class loungewear is made entirely from organic cotton that has received GOTS certification, an international standard for organic fibers.

### ST Standard (Japan Toy Safety Standard)

We are continuing our effort to provide toys for children that have passed the inspections for and conform to the ST ("Safety Toy") Standard. Currently, all of the toys we provide have passed these inspections as performed by third-party institutions.

## Food Safety Management for In-flight and Lounge Meals Provided by FSSC 22000

In order to provide safety and a sense of security when enjoying a meal with us, we are conducting food safety management along every step of the process from a meal's conception up to the moment it is served. Food safety auditors with knowledge and expertise on FSSC 22000 food safety management systems conduct food hygiene audits at all of our inflight catering companies and all of our lounges around the world to thoroughly ensure that management standards and processes are being observed, and that appropriate precautions are being taken against potential risks. In accordance with these assessments, they offer guidance on any areas for our improvement.

In addition, although there is an inevitable amount of time between when a meal is prepared and when it is consumed inflight, we conduct inspections of temperature control, the hygiene of staff members and the sanitation of utensils in order to maintain safety.



ASIAGAP certificate



MSC CoC certificate



ASC CoC certificate



# Disclosure

## Basic Concept

The JAL Group emphasizes disclosure in management, and to ensure that all stakeholders understand the Company's stance, posts a wide range of information on the corporate website, including Fundamental Policies of Corporate Governance, Corporate Policy, the company profile, safety and quality information, sustainability information, and IR information. In the JAL Group Safety Report, we report on the Group's safety stance and safety initiatives. We also issue this report, the integrated JAL REPORT, every year to provide comprehensive coverage of financial information, sustainability information, and other topics. On our corporate website, we promptly disclose a wide range of information, and our consolidated report concisely describes matters of particular importance.

JAL corporate website

 <https://www.jal.com/en/>

JAL Group Safety Report (in Japanese only)

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

## External Evaluation

To provide our stakeholders with a deeper understanding of updates, we are working to improve the quality of disclosures and build relationships of trust through interactive communication. Our proactive efforts to disclose information have been highly evaluated and have given us the honor of receiving the top rating of Excellence in Corporate Disclosure in the Transportation Industry from the Securities Analysts Association of Japan for the second year in a row.

Despite the extreme difficulty of disclosing our earnings forecast for fiscal 2020 due to COVID-19, we have been commended for our stance on disclosure. For example, the announcement of the Company's first quarter financial results was highlighted as an example of good disclosure by the Tokyo Stock Exchange for providing detailed information on the extent of the impact of the virus.

Going forward, we will continue our efforts to improve disclosure and information quality so that we may realize better dialogue with stakeholders.



## Topic Embracing New Challenges in Renewing Uniforms

On April 1, 2020, the JAL Group renewed uniform designs in all air transport-related divisions.

### New SDGs-Friendly Uniforms Meeting Quality and Functional Needs

We kept in mind the SDGs from the development and sewing stages. The fabric for the new uniforms was recycled polyester made from collected PET bottles and used fiber products. Considering the durability of polyester, the uniforms will be usable for a long time, which will also promote reuse. When providing cabin attendants and ground staff with their first set of uniforms, we also use reused items.

Our suppliers are asked to join Sedex, and any instances of child and unpaid labor are investigated with the SMETA audit system. As a result of audits conducted in Vietnam and China, where the new uniforms were sewn, we have verified that there were no problems in terms of sustainability at the sewing factories. Local production sites were also visited by the responsible officer, who confirmed that the manufacturing plants were committed to maintaining a human rights-based labor environment.



A production site in Vietnam

## A New Line of Uniforms Created Together with Staff

In August 2018, we launched a New Uniform Project Team, made up of employees who wear uniforms. As part of the uniform selection process, we gathered opinions on uniforms for cabin attendants and ground staff from a broad range of employees through a questionnaire for JAL's 2020 New Uniform Project, the first time JAL has ever used one.

We received a total of more than 50,000 responses, including comments on the design concept, and created the new uniforms together with many employees, thus embodying the slogan "Fly for it!," the prime mover of the project. Inspired by feedback that we should allow trousers, we designed trousers for female JAL cabin attendants for the first time.

For flight crew, we introduced uniforms with a new design for female pilots. In customer service divisions, we changed

the rules on shoes so that staff can freely choose heel height and shape.

We adopted uniforms that allow each employee to be energetic and active while at work, taking into account employee safety, health, and diversity. These uniforms include polo shirts for ground handling staff to help them cope with intense heat, and outerwear with improved functionality and durability for protecting the body from severe weather conditions such as torrential rains and snowstorms during outdoor work. Our aim is to create fresh and inspiring values and provide unparalleled service through the joint efforts of JAL Group staff wearing their new uniforms with pride in order to become the world's most preferred and valued airline.



Unveiling ceremony of new uniforms on June 23, 2019

## Showcasing the Appeal of Okinawa with Kariyushi Wear

Kariyushi wear, worn in the summer by JAL Group staff in the Okinawa area, have been expanded to pilots, in addition to cabin attendants and ground staff. The wear design features colorful flowers from Okinawa, including the Diego (Erythrina variegata, the prefectural flower of Okinawa Prefecture), which express Okinawa-style cheerful and warm utuimuchi ("hospitality" in the Okinawan dialect). The wear also has a fresh, modern sensibility.

By wearing Kariyushi wear sewn entirely in Okinawa, we embody *utuimuchi*, and showcase the appeal of Okinawa.



Kariyushi Wear



## Messages from External Directors



### JAL Group Governance for the New Normal

The JAL Group has three independent External Directors. They contribute actively to meetings of the Board of Directors and voluntary committees and bring their experience and knowledge to management when formulating Group strategies and making management decisions. In these highly uncertain times, we will continue to realize sustainable growth for the JAL Group by incorporating management objective advice offered by the External Directors.



Eizo Kobayashi  
External Director

Lead Independent External Director  
Attendance at Board of Directors meetings:  
95% (19 of 20 meetings)

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

Chairperson, Corporate Governance Committee

Chairperson, Compensation Committee

### In an Era of Change, Strengthen Governance

In fiscal 2019, management conditions through to January were extremely favorable, but were severely impacted by COVID-19 in and after February. There are numerous ways to regard this situation, but from the standpoint of treating change as a management opportunity rather than a risk, the pandemic can be an opportunity to take a leap forward.

To seize this opportunity requires strengthened governance, and I believe the following three points will be important: effective use of managerial resources, that is, capital and human resources; risk management, which is inevitably more important than ever; and stringent monitoring of new challenges and developments, and effective countermeasures at the right time.

Companies do business through the movement of people, products, capital, and information, but the pandemic has halted the movement of people and products. Other countries such as the United States possess an advantage in capital and information, while human resources are an asset for Japanese companies. It is important to develop strong human resources and nurture them into competitive assets. Considering that people who flexibly use resources make innovations, I feel it is necessary to cultivate a culture of continuously challenges in business management while accepting failure. Finally, in highly uncertain times, it is most important that the organization moves ahead firmly with eyes on the future. I will continue to provide support as an External Director and will make my expertise available to the best of my ability.



Masatoshi Ito  
External Director

Attendance at Board of Directors meetings: 100% (20 of 20 meetings)

Main concurrent positions: Chairman of the Board of Ajinomoto, Chairman of the JAA Council, Japan Advertisers Association, NEC Outside Director of NEC Corporation

Chairperson, Nominating Committee

### Management Planning for a Sustainable Future

Following incidents of inappropriate alcohol consumption by flight crew members and an on-duty cabin attendant in fiscal 2019, in October, President Akasaka took over the position of general safety manager responsible for safety issues. I feel that his unifying capabilities have proven effective in promoting Group-wide reforms and new mechanisms for flight safety. I would also like to praise the company for its capital investments in environmentally-friendly flight equipment such as the Airbus A350. However, COVID-19 has transformed the operating environment. The state of emergency declaration led to travel restrictions, which greatly impacted airline companies. Under these conditions, the Company reacted quickly to the rapid changes in markets and implemented countermeasures speedily such as reducing flights and raising capital. Seeing these responses to the unprecedented situation, I received a strong impression of a sense of unity among organizations in the Company.

It is difficult to plan for medium- to long-term growth under unforeseeable conditions. There are optimistic views that air travel will return to pre-COVID-19 levels, while others expect the current restricted lifestyle to stay. In view of recent developments, the latter view is becoming stronger, and perhaps this is natural when considering we are working toward a sustainable society as described by the SDGs.

Before planning actions to achieve medium- to long-term growth, we need to consider what the world will be like in the future and build businesses in line with social developments. I will continue to provide advice by backcasting from 10 to 20 years in the future to support management planning.



Sonoko Hatchoji  
External Director

Attendance at Board of Directors meetings: 100% (20 of 20 meetings)

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

Chairperson, Officers Disciplinary Committee

### An Era Where Integrated Management will be Essential

In experiencing the COVID-19 pandemic, I am struck by the changes in values. This experience has demonstrated the truth in a realistic and concrete way that only when society is healthy can companies conduct business activities. Stakeholders are progressively changing their values and are more attentive than ever from a variety of perspectives to responses by companies toward a sound society and the achievement of the SDGs. We are truly entering an era where integrated management will be essential to balancing economic advancement with the resolution of social problems.

In this era of change, organizations will need systems to understand diversifying values, requiring them to assign human resources with diverse thinking and experience to important positions and combining diversified wisdom. The JAL Group has already achieved an 18.4% representation of women in managerial positions (13.2% as directors), with goals of 20% by fiscal 2023 and 30% by fiscal 2030. These are high levels for a Japanese enterprise, but when considering the diversity of our customers, I feel it is necessary to appoint even more women to higher level positions, and create more opportunities for non-Japanese employees and employees with disabilities to participate.

I often hear comments that in conditions where people must exercise self-restraint on outings and observe travel restrictions in the long term, all the more they will begin to notice the importance of traveling for business and for purposes other than work (trips). I hope the Company's diverse human resources will sense the customers' needs precisely, make efforts to become the customers' airline of choice through efforts based on the JAL Philosophy, and further improve integrated management, which it has already been initiated.

\*Figures for attendance at Board of Directors meetings are from fiscal 2019.

Board of Directors

Directors

Yoshiharu Ueki

(DOB: September 16, 1952)

Director, Chairperson

Chairman of the Board



Governance

Since joining the company, Chairman Ueki has acquired exceptionally high levels of insight into flight safety and frontline experience as a pilot. 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. He continues to help strengthen the oversight function of the Board as Chairman of the Board, a member of the Corporate Governance Committee, the Nominating Committee, the Compensation Committee and other committees since 2018, and as Chairman of the Board and a member of the Corporate Governance Committee since 2020.

Yuji Akasaka

(DOB: January 3, 1962)

Representative Director, Executive President

General safety manager, Oversees JAL SDGs,  
Chair of the Executive Management Council,  
Chair of the Group Safety Enhancement Council,  
Chair of the JAL Philosophy Council,  
Chair of the Group Risk Management Council,  
Chair of the Group Management Council



Nominating Compensation Personnel Disciplinary

Since joining the company, President Akasaka has served mainly in the Engineering & Maintenance Division and has acquired extremely 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 foundations of flight safety. 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 leading by example.

Hideki Kikuyama

(DOB: March 19, 1960)

Representative Director,  
Senior Managing Executive Officer

General Manager of the  
Finance&Accounting Division



Since joining the company, Representative 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 General Manager of Managing Division Route Marketing since 2016, he has contributed greatly to maximizing route profitability. As General Manager of the Finance & Accounting Division since 2019, he has assured highly transparent disclosures comprehensible to shareholders and investors, and has demonstrated precise management decision-making capabilities that support the shareholders' interests.

Tadashi Fujita

(DOB: October 25, 1956)

Director, Vice Chairperson

Chief Wellness Officer,  
Chair of the Tokyo 2020 Olympic  
Paralympic Promotion Committee



Since joining the company, Vice Chairman Fujita has worked mainly in the sales and marketing division 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 Chairperson since 2016, and as Director and Vice Chairperson since 2020, he has served as Aide to the President and is contributing significantly to further improving and strengthening the management team.

Shinichiro Shimizu

(DOB: December 13, 1962)

Representative Director,  
Executive Vice President

Aide to the President



Nominating Compensation Personnel Disciplinary

Since joining the company, Executive Vice President Shimizu has held successive positions in personnel and industrial affairs divisions related to flight crews and cabin attendants, and has exercised strong leadership and planning and coordination capabilities to achieve positive results. As General Manager of Human Resources since 2013 and the Secretary's Office since 2016, he has made considerable contributions to improving and stabilizing JAL's presence through precise evaluation of JAL's position from a high-level perspective. Since April 2020, he has been Aide to the President as Representative Director and Executive Vice President, and is contributing to improving and strengthening JAL's management structure.

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 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. Since 2019, Director Toyoshima is making great contributions to maximizing route profitability as General Manager of Managing Division Route Marketing.

Yuichi Kitada

(DOB: June 22, 1960)

Director, Managing Executive Officer

General Manager of Engineering &  
Maintenance, Representative Director and  
President of JAL Engineering Co., Ltd.



Since joining the company, Director Kitada has acquired very high levels of insight into aircraft maintenance and frontline experience in the Engineering & Maintenance Division. Since 2018, he has served as Executive Officer in the roles of General Manager of Engineering & Maintenance and as Representative Director and President of JAL Engineering Co., Ltd., during which time he used his precise analytical skills and ability to make decisions and take action to contribute significantly to the maintenance of flight safety.

Masatoshi Ito

(DOB: September 12, 1947)

External Director



Governance Nominating Compensation  
Personnel Disciplinary

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

Eizo Kobayashi

(DOB: January 7, 1949)

External Director



Independent

As top management of 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 JAL management and provides sound business supervision for the Company.

Sonoko Hatchoji

(DOB: January 15, 1950)

External Director



Independent

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 possesses 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.



# Audit and Supervisory Board Members

(As of July 1, 2020)



**Yasushi Suzuka**  
Audit and Supervisory Board Member

Since joining the Company, Mr. Suzuka has engaged in maintenance-related operations such as maintenance project and engineering and acquired insight related to aircraft maintenance at the Engineering & Maintenance Division at an extremely high level as well as contributed to safety operation. He has served as Audit and Supervisory Board Member since July 2012 and has extensive experience in the Company's operations and production-related insight. Accordingly, the Company hereby proposes that you elect him as Audit and Supervisory Board Member.

Important positions concurrently assumed outside the Company: none



**Norikazu Saito**  
Audit and Supervisory Board Member

Since joining the Company, Mr. Saito has engaged mainly in finance and accounting departments over the years and has significant knowledge of finance and accounting, investor relations activities, etc. Since 2014, serving as Director, Senior Managing Executive Officer and General Manager of Finance & Accounting, he has been striving to conduct transparent information disclosure understandable to shareholders and investors and considerably contributing to proper management decisions that make for shareholder returns. He has extensive experience in the Company's operations and deep insight, so the Company hereby proposes that you elect him as Audit and Supervisory Board Member.

Important positions concurrently assumed outside the Company: none



**Osamu Kamo**  
External Audit and Supervisory Board Member Independent Officer  
Attended 20 of 20 Board of Directors meetings  
Attended 13 of 13 Audit and Supervisory Board

Mr. Kamo has given guidance to government and companies about compliance and successively held positions as member of an investigation committee on misconduct cases since registered as attorney at law in April 1973 and has extensive experience in and insight into compliance and corporate governance. As an Audit and Supervisory Board Member of the Company, he provides audit and advice on legal and other aspects.

Important positions concurrently assumed outside the Company: Attorney at Law, Managing Partner of Ginza Sogo Law Office. External Audit and Supervisory Board Member of Azeath Corporation



**Shinsuke Kubo**  
External Audit and Supervisory Board Member Independent Officer  
Attended 20 of 20 Board of Directors meetings  
Attended 13 of 13 Audit and Supervisory Board

Since joining Sanwa & Co. Tokyo Marunouchi Office (currently Deloitte Touche Tohmatsu LLC), Mr. Kubo has gained a wealth of experience and accomplishments and deep insight into accounting through practical experience in corporate audits, share listings, corporate revitalization, M&A and other cases. The Company has high expectations he will play his role in the internal audit function appropriately as an External Audit and Supervisory Board Member, who meets the Company's Independence Standards for External Officers.

Important positions concurrently assumed outside the Company: Managing Partner of Kyoei Accounting Office. Representative Director of Japan Enterprise Sustainable Transformation Advisory Co., Ltd. External Audit and Supervisory Board Member of KAWASAKI KISEN KAISHA, Ltd.



**Joji Okada**  
External Audit and Supervisory Board Member Independent Officer

Mr. Okada possesses rich experience and track record along with expertise as a manager in the administration and the finance & accounting department of a general trading company. In addition, through his professional experience as a Full-time Audit and Supervisory Board Member of a general trading company and Chairperson of the Japan Audit and Supervisory Board Members Association, he has significant insight into all aspects of audit work including governance and risk management.

Important positions concurrently assumed outside the Company: Member, Business Accounting Council of Financial Services Agency. Governor (Outside), Japan Exchange Regulation

Note: The number of Board of Directors meetings and Audit and Supervisory Board attended by External Auditors are the actual attendances for fiscal 2019. Mr. Joji Okada was newly appointed at the 71st Ordinary General Meeting of Shareholders on June 19, 2020.

Topic

# JAL and Athletes: Soaring into the Future

The JAL Group supports athletes under the slogan "Fly for it!," identifying athletes, who believe in themselves and their colleagues as they take on new challenges, with JAL, which aims to become the world's most preferred and valued airline. The Company is sharing this thought with the people of Japan, hoping that everyone will also think positively and challenge themselves to do what they can. JAL's dream is to support athletes and to spread our wings and fly.

## Five JAL Athletes

### Anna Doi (joined JAL in 2018): Sprint

Doi was a Japanese record-holder at junior high school and high school level for the 100-meter sprint and, at the 2012 Olympics in London, she was selected to represent Japan and Japanese athletics in the women's 4 x 100 m relay. Doi has one of the all-time top times for the 100 m sprint and leads the competition for women's sprinting.



### Ryoma Yamamoto (joined JAL in 2018): Triple Jump

In his third year of high school, in 2013, Yamamoto took the triple crown of victories in the Inter-High School Sports Festival, the National Sports Festival, and the Japan National Junior and Youth Championships, setting a new Japanese high school record in the process. In 2017, he achieved the sixth-longest jump in Japanese history with 16.87 meters, and was selected to represent Japan at the IAAF World Championships in London. Yamamoto is an athlete you can expect to see hop, skip, and jump into the limelight.



### Naoto Tobe (joined JAL in 2019): High Jump

After setting a new Japanese record, unbroken for 13 years, with 2.35 meters at a competition in Germany on February 2, 2019, Tobe is currently the Japanese men's high jump record-holder. He also conducted research into the high jump as part of his PhD research. As someone who is not only an athlete, but also a researcher, Tobe is a one-of-a-kind jumper.



### Haruka Kitaguchi (joined JAL in 2020): Javelin Throw

Kitaguchi set a Japanese record for the javelin throw on May 6, 2019, and then went on to beat her own record later the same year, on October 27. Currently, she holds the national women's javelin record, which stands at 66 meters. As an athlete, she is continuing to grow as the queen of Japanese javelin throwing, and is looking to move into international competition.



### Koki Kano (joined JAL in 2020): Fencing (Épée)

At an international competition held in Vancouver on February 9, 2019, Kano achieved his first victory in individual competition. On March 24 of the same year, he claimed his first victory in the team event at a competition in Buenos Aires. He is one of the Japanese athletes in the fencing world that carries the hopes of the nation.



From left: Haruka Kitaguchi, Koki Kano, Naoto Tobe, Anna Doi and Ryoma Yamamoto

## Financial Data — Eight-year Summary

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	Billions of yen FY2019* <sup>2</sup>	Thousands of U.S. dollars* <sup>1</sup> FY2019
Years ended March 31									
Operating revenue	1,238.8	1,309.3	1,344.7	1,336.6	1,288.9	1,383.2	1,487.2	1,411.2	12,967,288
Operating expenses	1,043.5	1,142.5	1,165.0	1,127.4	1,118.6	1,208.6	1,311.1	1,310.5	12,042,607
Operating income	195.2	166.7	179.6	209.1	170.3	174.5	176.1	100.6	924,671
Ordinary income	185.8	157.6	175.2	209.2	165.0	163.1	165.3	102.5	942,488
Net profit attributable to owners of parent	171.6	166.2	149.0	174.4	164.1	135.4	150.8	53.4	490,737
Cash flow from operating activities	264.8	247.9	261.1	312.3	253.1	281.5	296.7	60.0	551,594
Cash flow from investing activities	(129.0)	(166.7)	(199.2)	(207.2)	(215.5)	(180.1)	(186.3)	(221.5)	(2,035,955)
Cash flow from financing activities	(60.6)	(61.9)	(67.3)	(49.6)	(53.5)	(55.8)	(37.0)	(30.1)	(276,899)
Free cash flow* <sup>3</sup>	135.8	81.2	61.8	105.1	37.5	101.3	110.3	(161.5)	(1,484,361)
Depreciation and amortization	81.0	82.7	85.8	88.5	95.7	110.8	124.1	138.0	1,268,354
EBITDA* <sup>4</sup>	276.2	249.5	265.5	297.7	266.1	285.4	300.2	238.6	2,193,025
EBITDAR* <sup>5</sup>	307.1	281.0	292.7	321.1	286.2	305.4	320.1	260.2	2,391,059
Capital investment (Purchase of non-current assets)	121.8	164.5	198.6	210.6	233.1	208.0	222.1	239.6	2,201,699
As of fiscal year-end									
Total assets	1,216.6	1,340.1	1,473.3	1,578.9	1,728.7	1,853.9	2,030.3	1,859.3	17,085,013
Net assets	583.1	711.0	800.7	870.5	1,003.3	1,094.1	1,200.1	1,131.8	10,400,036
Interest-bearing debt	160.1	134.2	100.5	92.6	116.0	125.7	142.3	191.7	1,762,188
Shareholders' equity	565.0	690.2	776.4	843.0	972.0	1,060.3	1,165.1	1,094.8	10,059,836
Per share data (yen, U.S. dollars)* <sup>6</sup>									
Net profit attributable to owners of parent	473.36	458.45	411.06	481.29	456.56	383.23	432.10	155.66	1.43
Net assets	1,558.15	1,903.53	2,142.00	2,325.79	2,749.71	3,019.52	3,340.15	3,249.27	29.85
Dividends	95.00	80.00	104.00	120.00	94.00	110.00	110.00	55.00	0.50
Average number of shares during the fiscal year (thousands of shares)	362,671	362,639	362,584	362,500	359,594	353,334	349,006	343,101	—
Key performance indices									
Operating margin (%)	15.8	12.7	13.4	15.7	13.2	12.6	11.8	7.1	—
ROE (%)	36.0	26.5	20.3	21.5	18.1	13.3	13.6	4.7	—
ROA (%)	16.9	13.0	12.8	13.7	10.3	9.7	9.1	5.2	—
Equity ratio (%)	46.4	51.5	52.7	53.4	56.2	57.2	57.4	58.9	—
D/E ratio (times)	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.2	—
EBITDA margin (%)* <sup>7</sup>	22.3	19.1	19.8	22.3	20.6	20.6	20.2	16.9	—
EBITDAR margin (%)* <sup>8</sup>	24.8	21.5	21.8	24.0	22.2	22.1	21.5	18.4	—
Unit cost (yen)* <sup>9</sup>	8.4	8.6	8.7	9.1	9.4	10.1	10.4	10.6	—
Unit cost (yen) (Including fuel cost)	11.5	12.2	12.3	11.7	11.7	12.5	13.1	13.2	—
Dividend payout ratio (%)	20.1	17.5	25.3	24.9	20.6	28.7	25.5	35.3	—
Number of employees	30,636	31,020	30,978	31,331	32,047	33,038	34,003	35,653	—
Business data									
International passenger operations									
Passenger revenues	406.6	437.5	454.8	448.7	415.2	462.9	530.6	476.2	4,375,907
Available seat kms (million seat kms)* <sup>10,12</sup>	44,745	46,235	47,696	50,563	50,621	51,836	54,925	54,324	—
Revenue passenger kms (million passenger kms)* <sup>11,12</sup>	34,036	35,390	36,109	40,305	40,633	42,013	44,659	41,905	—
Revenue passengers carried (1,000)* <sup>12</sup>	7,525	7,723	7,793	8,460	8,394	8,585	9,128	8,277	—
Revenue passenger load factor (%)* <sup>12</sup>	76.1	76.5	75.7	79.7	80.3	81.0	81.3	77.1	—
Yield (yen)* <sup>12</sup>	11.9	12.4	12.6	11.1	10.2	11.0	11.9	11.4	—
Unit revenue (yen)* <sup>12</sup>	9.1	9.5	9.5	8.9	8.2	8.9	9.7	8.8	—
Domestic passenger operations									
Passenger revenues	485.2	487.4	487.5	501.2	498.6	518.2	528.0	514.6	4,728,650
Available seat kms (million seat kms)	36,443	37,084	36,306	35,869	35,423	35,714	36,116	36,199	—
Revenue passenger kms (million passenger kms)	23,012	23,745	23,993	24,341	24,550	25,643	26,195	25,443	—
Revenue passengers carried (1,000)	30,020	31,218	31,644	32,114	32,570	34,033	34,859	33,783	—
Revenue passenger load factor (%)	63.1	64.0	66.1	67.9	69.3	71.8	72.5	70.3	—
Yield (yen)	21.1	20.5	20.3	20.6	20.3	20.2	20.2	20.2	—
Unit revenue (yen)	13.3	13.1	13.4	14.0	14.1	14.5	14.6	14.2	—
International cargo operations									
Cargo revenue	50.4	54.2	60.3	54.2	43.3	56.0	65.4	59.7	548,966
Revenue cargo ton-km (million ton kms)	1,378	1,512	1,754	1,724	1,887	2,233	2,429	2,407	—
Domestic cargo operations									
Cargo revenue	25.0	25.4	24.2	23.3	22.2	22.4	21.8	20.7	190,425
Revenue cargo ton-km (million ton kms)	360	366	356	363	357	364	343	328	—

\*1 US dollar amounts are provided for convenience only, based on the exchange rate of ¥108.83/USD on March 31, 2020.

\*2 The depreciation method was changed in FY2019. Before the depreciation method change, all components attached to an aircraft were depreciated together with the aircraft. With the new method, asset value is assigned to each component, such as engines and cabin interiors, and depreciated separately.

\*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 lease

\*6 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.

\*7 EBITDA margin = EBITDA/Operating revenue

\*8 EBITDAR margin = EBITDAR/Operating revenue

\*9 Unit cost = Consolidated air transport cost (excluding fuel costs) / ASK

\*10 ASK (available seat kilometers). A unit of passenger transport capacity: Total number of seats x Distance flown (kms)

\*11 RPK (revenue passenger kilometers). Total flight distance covered by revenue passengers: Number of revenue passengers x Distance flown (kms).

\*12 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

Amid rising uncertainty in the global economy caused by U.S.-China trade frictions and other factors, Japan went through a series of natural disasters and the consumption tax increase in October, but their impact on the economy was not significant that it remained steady.

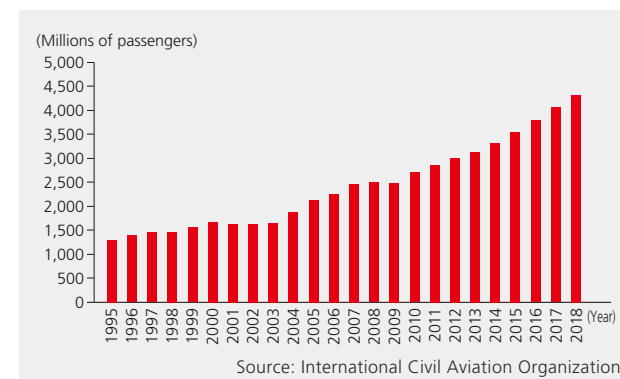
Then, as COVID-19 spread, the world economy and the Japanese economy largely decreased in and after January 2020, and the airline industry including the JAL Group has been globally and significantly affected. Global infection triggered world travel restrictions, which eliminated international travel demands. In Japan, a state of emergency has been declared and domestic travel is discouraged, which causes the domestic air travel demand to fall. This is the unprecedentedly tremendous event risk ever for the airline industry and its end is not foreseeable at this moment. There is no question that the JAL Group has been significantly affected as well.

The JAL Group is providing air transport service to the public in this rapidly-decreasing demand situation by promptly reacting to government travel restrictions globally and taking utmost infection prevention measures to ensure safety of customers and our employees.

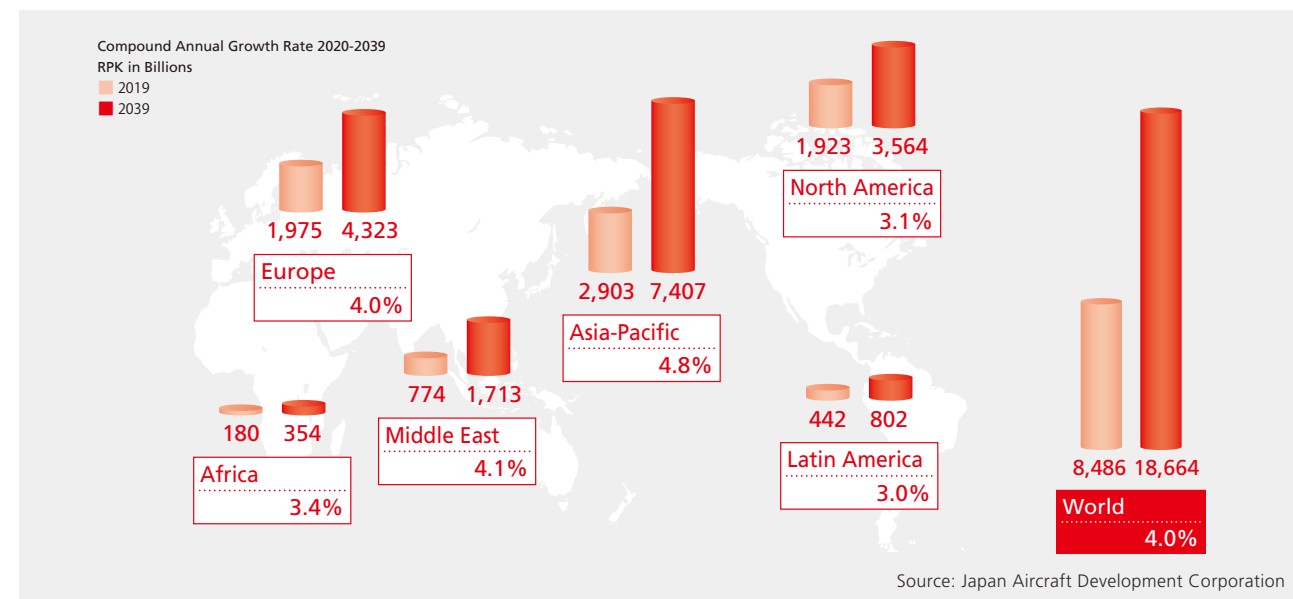
Number of Visitors to Japan



Global Passenger Traffic (scheduled flights)



Air Passenger Traffic Forecast



## JAL Group

In fiscal year 2019, the operating revenue for the consolidated fiscal year decreased 5.1% year over year to 1,411.2 billion yen, the operating expenses decreased 0.0% year over year to 1,310.5 billion yen, the operating profit decreased 42.9% year over year

to 100.6 billion yen and the ordinary profit decreased 38.0% from the previous year to 102.5 billion yen. The net profit attributable to owners of the parent was 53.4 billion yen, down 64.6% from the previous year.

## Analysis of Consolidated Operating Results

### 1. Earnings Summary

Operating revenue	Operating profit	Profit attributable to owners of parent
¥ 1,411.2 billion	¥ 100.6 billion	¥ 53.4 billion

In fiscal year 2019, the consolidated operating revenues decreased by 5.1% year over year to 1,411.2 billion yen. The international passenger revenue decreased by 54.4 billion yen due to weak business demands along with the global economic slowdown and COVID-19 spread. In the domestic passenger operation, both leisure and business travel demand had been robust, however, due to the COVID-19 infection, the domestic passenger revenues also decreased by 13.4 billion yen.

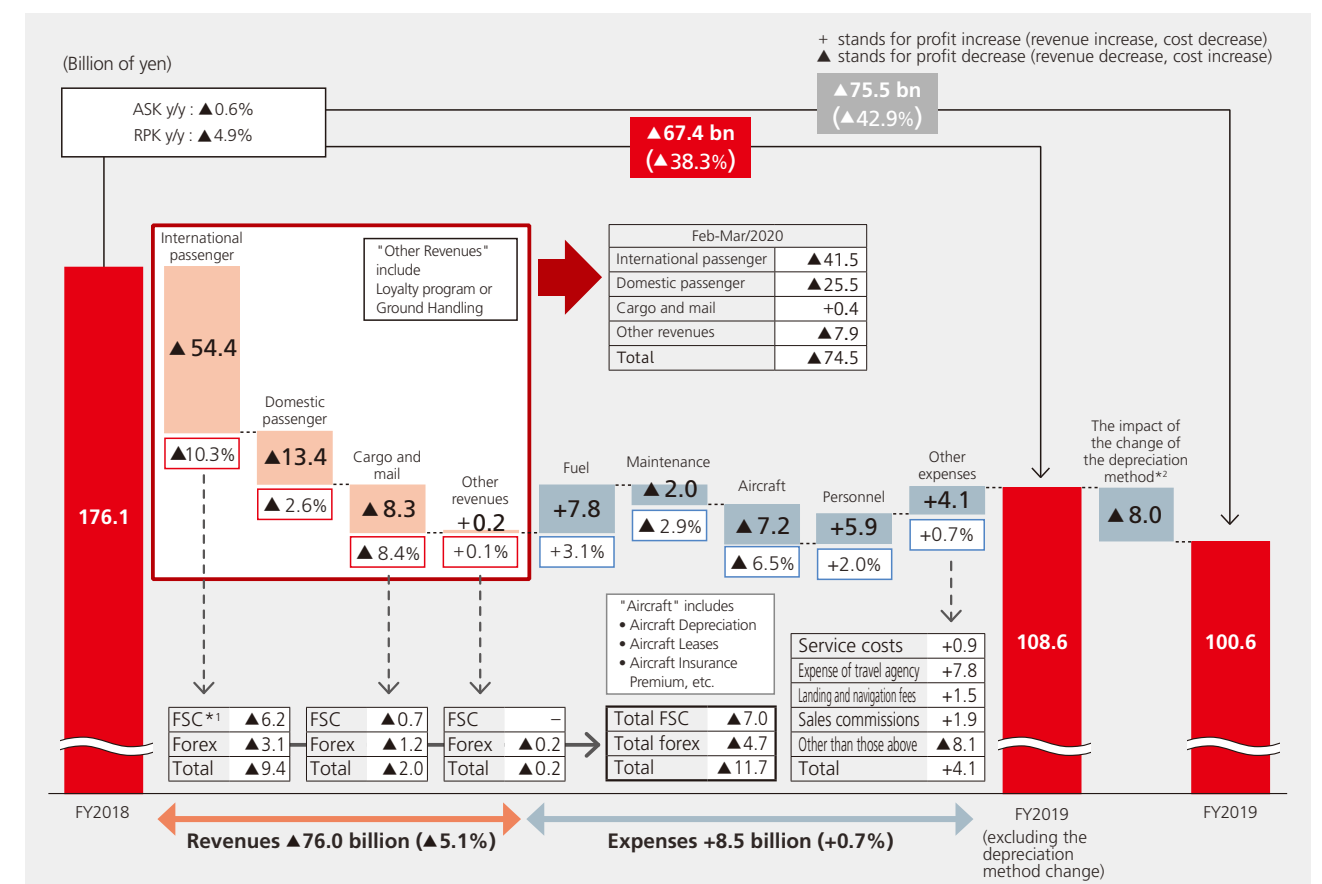
Fuel costs decreased by 7.8 billion yen as a result of less fuel consumption due to the reduction of flight frequency and decline in fuel price in the market. Maintenance costs rose by 2.0 billion yen due to higher engine maintenance costs. Personnel costs decreased by 5.9 billion yen due to a decrease mainly in earnings-

linked bonus payments. The Group continued its cost reduction efforts using its amoeba management system and the total operating expenses decreased by 0.0% year over year to 1,310.5 billion yen.

As a result, consolidated operating profit decreased by 42.9% year over year to 100.6 billion yen.

Ordinary income decreased by 38.0% year over year to 102.5 billion yen and non-operating expenses decreased mainly due to a decrease of expense of loss on sales and disposal of flight equipment. Profit attributable to owners of parent decreased by 64.6% to 53.4 billion yen after others, extraordinary income and losses, and tax expenses.

Fiscal year 2019 Changes in Operating Profit



\*1 FSC = Fuel Surcharge

\*2 The depreciation method is changed to a new method from FY2019. Before the depreciation method change, all components attached to aircraft were depreciated altogether with aircraft. With the new method, assets are classified to each component, based on economic lives of components such as engines and cabin interiors, and depreciated separately. Figures in ( ) do not include the depreciation method change.

## 2. Segment Earnings

Operating revenue  
¥ **1,284.8** billion

Operating profit  
¥ **85.9** billion

### (1) Air Transportation Segment

The operating revenue decreased 5.4% year over year to 1,284.8 billion yen and the operating profit decreased 47.1% year over year to 85.9 billion yen.

\*Figures for operating revenue and operating profit are before elimination of transactions between segments.

Components of Revenues from the Air Transportation Segment (Millions of yen)			
	FY2018	FY2019	YoY (%)
International operations			
Passenger operations	530,679	476,230	-10.3
Cargo operations	65,496	59,744	-8.8
Mail-service operations	9,123	7,562	-17.1
Luggage operations	795	842	+5.9
Sub total	606,095	544,379	-10.2
Domestic operations			
Passenger operations	528,098	514,619	-2.6
Cargo operations	21,853	20,724	-5.2
Mail-service operations	3,547	3,627	+2.3
Luggage operations	301	320	+6.5
Sub total	553,799	539,291	-2.6
Total revenues from international and domestic operations	1,159,895	1,083,671	-6.6
Other revenues	197,708	201,128	+1.7
Total revenues	1,357,603	1,284,800	-5.4

### 1) International Passenger Operations

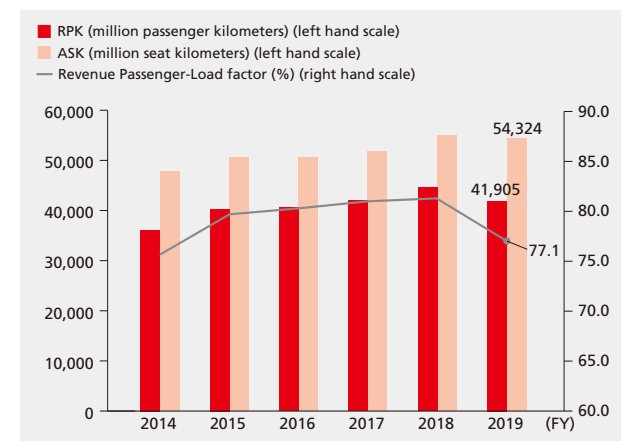
	FY2018	FY2019	YoY (%)
Passenger revenues (billion yen)	530.6	476.2	-10.3
Passengers (1,000)	9,128	8,277	-9.3
ASK (million seat kilometers)	54,925	54,324	-1.1
RPK (million passenger kilometers)	44,659	41,905	-6.2
L/F (%)	81.3%	77.1%	-4.2pt
Revenue per passenger* <sup>1</sup> (yen)	58,136	57,530	-1.0
Yield* <sup>2</sup> (yen)	11.9	11.4	-4.4
Unit revenue* <sup>3</sup> (yen)	9.7	8.8	-9.3

\*1 Revenue per Passenger = Passenger Revenue / Passengers

\*2 Yield = Passenger Revenue / RPK

\*3 Unit Revenue = Passenger Revenue / ASK

#### International Passengers



#### Revenues of international routes by geographic segment

● Passenger revenues (%)			
	FY2019 YoY	Component Ratio FY2018	FY2019
America	-0.2	26	29
Europe	-9.7	16	16
Asia / Oceania	-12.3	33	32
China	-20.6	11	10
Hawaii / Guam	-16.0	14	13
Total	-10.3	100	100

● ASK (Million seat kilometers)			
	FY2018	FY2019	YoY (%)
America	15,581	16,613	+6.6
Europe	7,790	8,021	+3.0
Asia / Oceania	19,322	19,012	-1.6
China	3,422	3,315	-3.1
Hawaii / Guam	8,808	7,361	-16.4
Total	54,925	54,324	-1.1

● RPK (Million passenger kilometers)			
	FY2018	FY2019	YoY (%)
America	12,714	12,967	+2.0
Europe	6,580	6,259	-4.9
Asia / Oceania	15,661	14,576	-6.9
China	2,870	2,392	-16.6
Hawaii / Guam	6,831	5,709	-16.4
Total	44,659	41,905	-6.2

● Revenue passengers carried (1,000)			
	FY2018	FY2019	YoY (%)
America	1,332	1,376	+3.3
Europe	734	709	-3.3
Asia / Oceania	4,270	3,908	-8.5
China	1,554	1,278	-17.8
Hawaii / Guam	1,236	1,004	-18.7
Total	9,128	8,277	-9.3

● Load Factor (%)			
	FY2018	FY2019	YoY (pt)
America	81.6	78.1	-3.5
Europe	84.5	78.0	-6.4
Asia / Oceania	81.1	76.7	-4.4
China	83.9	72.2	-11.7
Hawaii / Guam	77.6	77.5	-0.0
Total	81.3	77.1	-4.2

### 2) Domestic Passenger Operations

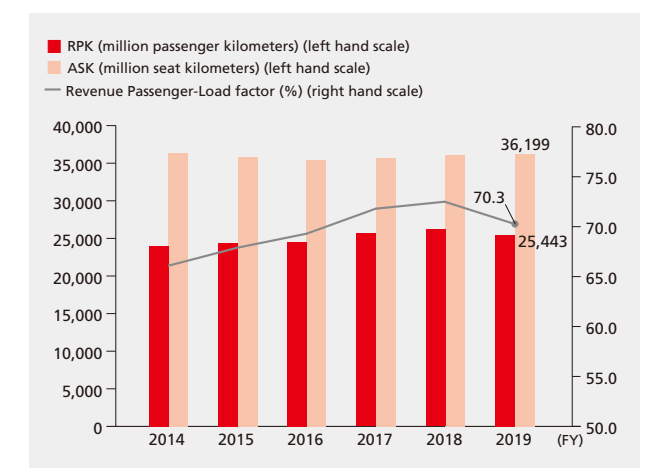
	FY2018	FY2019	YoY (%)
Passenger revenues (billion yen)	528.0	514.6	-2.6
Passengers (1,000)	34,859	33,783	-3.1
ASK (million seat kilometers)	36,116	36,199	+0.2
RPK (million passenger kilometers)	26,195	25,443	-2.9
L/F (%)	72.5%	70.3%	-2.2pt
Revenue per passenger* <sup>1</sup> (yen)	15,149	15,233	+0.6
Yield* <sup>2</sup> (yen)	20.2	20.2	+0.3
Unit revenue* <sup>3</sup> (yen)	14.6	14.2	-2.8

\*1 Revenue per Passenger = Passenger Revenue / Passengers

\*2 Yield = Passenger Revenue / RPK

\*3 Unit Revenue = Passenger Revenue / ASK

#### Domestic Passengers



### (2) Other Businesses

Results of JALPAK Co., Ltd. and JAL Card Co, Ltd. are shown in the table on the right.

#### JALPAK CO., Ltd.

	FY2018	FY2019	YoY (%)
Overseas travelers handled (10,000 number of travelers)	22.2	18.3	-17.8
Domestic travelers handled (10,000 number of travelers)	271.8	260.6	-4.1
Operating Revenue (before elimination of consolidated transactions, billions of yen)	182.0	169.6	-6.9

#### JAL Card Co., Ltd

	FY2018	FY2019	YoY (%)
Memberships (10,000 number of members)	357.9	372.0	+3.9
Operating Revenue (before elimination of consolidated transactions, billions of yen)	19.4	20.1	+3.4

## 3. Analysis of Factors Affecting Operating Expenses

Operating revenue  
¥ **1,310.5** billion

Major Operating Expense Items (Billions of yen)				
	FY2018	FY2019	YoY	YoY (%)
Fuel	251.2	243.4	-7.8	-3.1
Landing and navigation fees	86.3	84.8	-1.5	-1.8
Maintenance	72.9	75.0	+2.0	+2.9
Sales commissions (Air Transport)	18.9	17.0	-1.9	-10.3
Aircraft * <sup>1</sup> * <sup>2</sup>	112.2	127.5 (119.4)	+15.3 (+7.2)	+13.6 (+6.5)
Service * <sup>3</sup>	45.3	44.4	-0.9	-2.0
Personnel	302.1	296.2	-5.9	-2.0
Expenses of travel agency	86.6	78.7	-7.8	-9.1
Other	335.1	343.3	+8.1	+2.4
Total operating expenses* <sup>2</sup>	1,311.1	1,310.5 (1,302.5)	-0.5 (-8.5)	-0.0 (-0.7)

\*1 Aircraft = Aircraft Depreciation + Aircraft Leases + Aviation Insurance Premium, etc.

\*2 The depreciation method is changed to a new method from FY2019. Before the depreciation method change, all components attached to aircraft were depreciated altogether with aircraft. With the new method, assets are classified to each component, based on economic lives of components such as engines and cabin interiors, and depreciated separately. Figures in ( ) do not include the depreciation method change.

\*3 Services = Expenses regarding inflight services, airport lounges, cargo equipment, etc.

Fuel costs decreased by 7.8 billion yen as a result of less fuel consumption due to the reduction of flight frequency and decline in fuel price in the market. Maintenance costs rose by 2.0 billion yen due to higher engine maintenance costs. Personnel costs decreased by 5.9 billion yen due to a decrease mainly in earnings-linked bonus payments. The Group continued its cost reduction efforts using its amoeba management system and the total operating expenses decreased by 0.0% year over year to 1,310.5 billion yen.



4. Profit Attributable to Owners of Parent

Net profit attributable to owners of parent  
¥ **53.4** billion

Ordinary income decreased by 38.0% year over year to 102.5 billion yen and non-operating expenses decreased mainly due a decrease of expense of loss on sales and disposal of flight equipment. Profit attributable to owners of parent decreased by

64.6% to 53.4 billion yen after others, extraordinary income and losses, and tax expenses.

5. Cash Flows

Cash flow from operating activities  
¥ **60.0** billion

Cash flow from investing activities  
-¥ **221.5** billion

Cash flow from financing activities  
-¥ **30.1** billion

The balance of cash and cash equivalents at the end of fiscal year 2019 decreased by 192.9 billion yen from the end of the previous fiscal year to 329.1 billion yen.

Cash Flows from Operating Activities

As a result of adjusting net profit before income tax deferred etc. of 96.5 billion yen with non-cash items, such as depreciation costs, net defined benefit liabilities and debts and credits in operating activities, and 82.7 billion yen of injection to Corporate Pension Fund, cash flow from operating activities (inflow) decreased by 236.6 billion yen year-over-year to 60.0 billion yen.

Cash Flows from Investing Activities

Cash flow from investing activities (outflow) increased by 35.1 billion yen year-over-year to 221.5 billion yen, mainly for expenditures for acquiring fixed assets.

Cash Flows from Financing Activities

Cash flow from financing activities (outflow) decreased by 6.9 billion yen year-over-year to 30.1 billion yen due to share repurchase and payment of dividends and issuance of bonds.

Cash flows	(Billions of yen)		
	FY2018	FY2019	YoY
Cash flow from operating activities*1	296.7	<b>60.0</b>	-236.6
Depreciation and amortization	124.1	<b>138.0</b>	+13.9
Cash flow from investing activities	-186.3	<b>-221.5</b>	-35.1
Investments and capital contribution	-226.2	<b>-245.2</b>	-18.9
Free cash flow*2	110.3	<b>-161.5</b>	-271.8
Cash flow from financing activities	-37.0	<b>-30.1</b>	+6.9
Total cash flow*3	73.2	<b>-191.6</b>	-264.9
EBITDA	300.2	<b>238.6</b>	-61.5
EBITDAR	320.1	<b>260.2</b>	-59.9

\*1 Decrease of Advanced Received by ticket cancellation and 82.7 billion yen of Injection to Corporate Pension Fund are included  
\*2 Cash Flow from Operating Activities + Cash Flow from Investing Activities  
\*3 Cash flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities

6. Capital Investment and Aircraft Procurement

Capital investment  
¥ **241.5** billion

Capital investment during the fiscal year 2019 totaled 241.5 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 2019, capital investment totaled 238.5 billion yen. Capital investment was mainly used to purchase 15 new aircraft (five Airbus A350-900, three Boeing 787-9, four Boeing 787-8, one ATR72-600 and two ATR42-600), purchase leased aircraft and make advance payments for aircraft. One of the five new Airbus A350-900 was converted to an operating lease aircraft in fiscal year 2019. Capital investment will focus on growth investments that will contribute to increasing corporate value, such as the introduction of new aircraft offering excellent fuel efficiency and cabin comfort, and investments in IT to improve customer convenience. In fiscal 2020, however, we will put priority on securing liquidity on hand and take steps to control capital investment.

		As of end of FY2018 (March 31, 2019)			As of end of FY2019 (March 31, 2020)			Diff.
		Owned	Leased	Total	Owned	Leased	Total	
Large-sized	Airbus A350-900	0	0	0	<b>4</b>	<b>1</b>	<b>5</b>	+5
	Boeing 777-200	12	0	12	<b>11</b>	<b>0</b>	<b>11</b>	-1
	Boeing 777-200ER	11	0	11	<b>11</b>	<b>0</b>	<b>11</b>	—
	Boeing 777-300	4	0	4	<b>4</b>	<b>0</b>	<b>4</b>	—
	Boeing 777-300ER	13	0	13	<b>13</b>	<b>0</b>	<b>13</b>	—
	Large-sized subtotal	40	0	40	<b>43</b>	<b>1</b>	<b>44</b>	+4
Medium-sized	Boeing 787-8	25	0	25	<b>29</b>	<b>0</b>	<b>29</b>	+4
	Boeing 787-9	14	3	17	<b>17</b>	<b>3</b>	<b>20</b>	+3
	Boeing 767-300	6	0	6	<b>5</b>	<b>0</b>	<b>5</b>	-1
	Boeing 767-300ER	29	0	29	<b>29</b>	<b>0</b>	<b>29</b>	—
	Medium-sized subtotal	74	3	77	<b>80</b>	<b>3</b>	<b>83</b>	+6
Small-sized	Boeing 737-400	3	0	3	<b>0</b>	<b>0</b>	<b>0</b>	-3
	Boeing 737-800	42	20	62	<b>43</b>	<b>19</b>	<b>62</b>	—
	Small-sized subtotal	45	20	65	<b>43</b>	<b>19</b>	<b>62</b>	-3
Regional	Embraer 170	18	0	18	<b>18</b>	<b>0</b>	<b>18</b>	—
	Embraer 190	14	0	14	<b>14</b>	<b>0</b>	<b>14</b>	—
	DHC-8-400	1	0	1	<b>0</b>	<b>0</b>	<b>0</b>	-1
	DHC-8-400CC	5	0	5	<b>5</b>	<b>0</b>	<b>5</b>	—
	SAAB340B	8	0	8	<b>5</b>	<b>0</b>	<b>5</b>	-3
	ATR42-600	5	1	6	<b>7</b>	<b>1</b>	<b>8</b>	+2
	ATR72-600	1	0	1	<b>2</b>	<b>0</b>	<b>2</b>	+1
	Regional Total	52	1	53	<b>51</b>	<b>1</b>	<b>52</b>	-1
Total		211	24	235	<b>217</b>	<b>24</b>	<b>241</b>	+6

7. Financial Position

Shareholders' equity  
¥ **1,094.8** billion

Equity ratio  
**58.9**%

The assets at the fiscal year-end decreased by 170.9 billion yen from the end of the previous fiscal year to 1,859.3 billion yen, mainly due to Cash and Operating accounts receivable decrease. The liabilities decreased by 102.6 billion yen from the end of the previous fiscal year to 727.5 billion yen due to decrease advances received and net defined benefit liability. The net assets decreased by 68.2 billion yen from the end of the previous fiscal year to 1,131.8 billion yen, as a result of paying dividends and a decrease in accumulated other comprehensive income.

As a result of the above, shareholders' equity ended at 1,094.8 billion yen, and the equity ratio rose by 1.5 percentage points from the end of the previous fiscal year to 58.9%.

Consolidated financial position	(Billions of yen)		
	End of FY2018	End of FY2019	YoY
Total assets	2,030.3	<b>1,859.3</b>	-170.9
Cash and deposits*1*2	522.0	<b>329.1</b>	-192.9
Interest-bearing debt	142.3	<b>191.7</b>	+49.4
Future rental expenses under operating leases	81.1	<b>81.5</b>	+0.3
Shareholders' equity	1,165.1	<b>1,094.8</b>	-70.3
Shareholders' equity ratio (%)	57.4%	<b>58.9%</b>	+1.5pt
D/E ratio (times)*3	0.1x	<b>0.2x</b>	+0.1x
ROIC(%) *4*5	9.5%	<b>5.1% (5.5%)</b>	-4.4pt (-4.0pt)
ROE(%) *6	13.6%	<b>4.7%</b>	-8.8pt
ROA(%) *5*7	9.1%	<b>5.2% (5.6%)</b>	-3.9pt (-3.5pt)

\*1 Certificate of Deposits etc. included  
\*2 82.7 billion yen injection to Pension Fund included to the end of fiscal year 2019  
\*3 D/E Ratio = On-balance sheet Interest-bearing Debt/ Shareholders' Equity  
\*4 ROIC = NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year  
\*5 The depreciation method is changed to a new method from FY2019. Before the depreciation method change, all components attached to aircraft were depreciated altogether with aircraft. With the new method, assets are classified to each component, based on economic lives of components such as engines and cabin interiors, and depreciated separately. Figures in ( ) do not include the depreciation method change.  
\*6 ROE = (Net income attributable to owners of the parent/ (Average of shareholders' equity at beginning and end of a fiscal year)  
\*7 ROA = (Operating profit ) / (Average of total assets at beginning and end of a fiscal year)

8. Credit Ratings

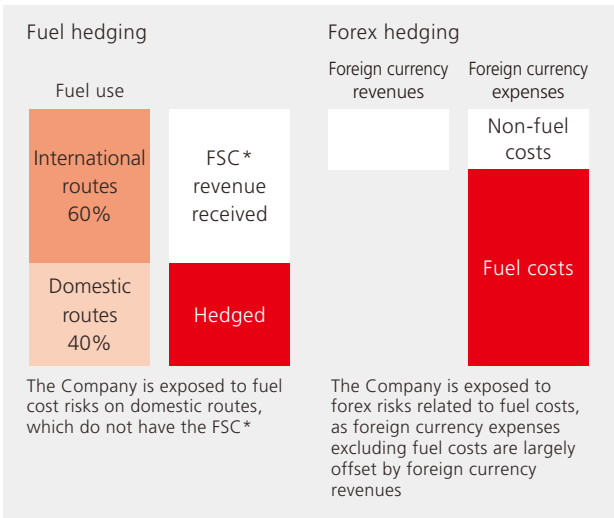
JAL's current credit ratings are shown in the table on the right.

(as of August 2020)		
Rating & Investment Information, Inc. (R&I)	Issuer rating	A- (Negative)
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating	A (Negative)

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.

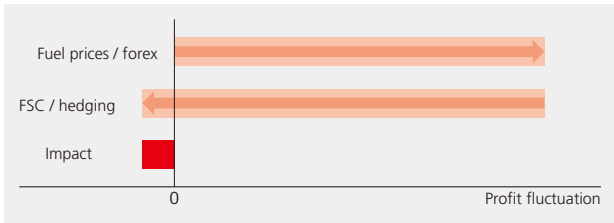


\*FSC = Fuel Surcharge

(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.

Cumulative Impact of Price Fluctuations in FY 2017–2019



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, 2020, 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.

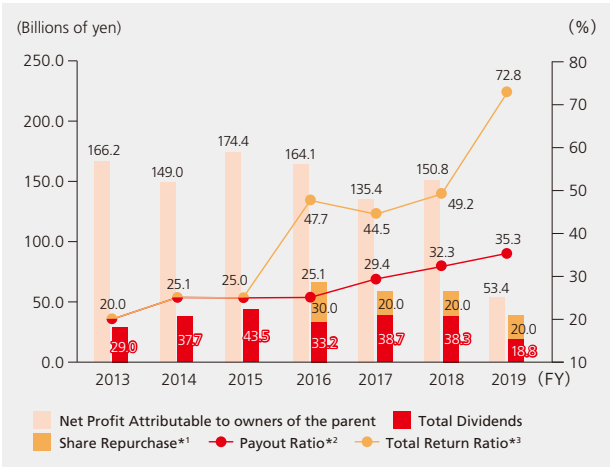
11. Distribution of Profits to Shareholders

JAL 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. JAL will decide the dividend per share level, considering its continuity, stability and predictability with reference to a payout ratio of approximately 35%. In addition, JAL will proactively and flexibly consider share repurchases, considering its financial position and other factors. As a result, JAL 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, JAL 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. JAL makes its efforts to maintain this ratio at approximately 3% or above. The effect of the spread of the COVID-19 infection has a significant impact on the JAL Group, nonetheless it is yet temporary and it does not cause fundamental change to our profit structure, therefore we will not change the above basic policy.

However, the worsened performance in the fourth quarter of fiscal year ending March 2020 and the unforeseeable COVID-19 effect in the new fiscal year ending March 2021 makes cash flow management based on various scenarios with continuous low demand essential. Therefore, we determined not to provide year-end dividend in order to secure liquidity at hand. We regret that we cannot pay dividends to shareholders, but we would like to ask their understanding in this situation.

As a result, the annual dividends per share for fiscal year 2019 was 55 yen that was already paid as interim dividends. Accordingly, the payout ratio becomes 35.3%, the total return ratio becomes 72.8% and the total return on equity ratio becomes 3.4%. When the spread of COVID-19 stops and our performance is determined to go back on its track as air transportation demand comes back in Japan and the world, we will strive to realize stable and continuous shareholder return.

Total Shareholder Return History (FY2013-2019)



\*1 Share repurchase of a particular fiscal year includes ones determined before the approval of financial reports of that fiscal year  
\*2 Dividend payout ratio=Total dividends/Net profit attributable to owners of parent  
\*3 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, 2020. 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 non-scheduled air transportation business.

(1) Pandemic Risk, Natural Disaster Risk and Climate Change Risk

1) Pandemic Risk

The JAL Group operates the air transportation business in Japan and around the world. A global outbreak of an unknown disease, such as COVID-19, which has been spreading around the world since the beginning of 2020, could lead to a sharp decline in air passenger demand caused by government-imposed restrictions on the movement of people such as entry and travel restrictions and voluntary restraint from going out, and voluntary restraint from using aircraft by companies and users to prevent infection. As the Group's air transportation business has a high proportion of fixed costs such as aircraft costs and personnel costs, a short-term sharp decline in demand could seriously affect the operating performance of airlines including the JAL Group.

2) Natural Disaster Risk and Climate Change Risk

The majority of the JAL Group's passengers use aircraft departing from or arriving at Haneda and Narita airports. Consequently, these airports play a vital role in the JAL Group's air transportation business. In addition, the Group's Information System Center, which plays an important role in managing the Group's flights, reservations and other services, and the Integrated Operations Control (IOC), 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 of the Integrated Operations Control in Tokyo, the Group transferred some functions to the Operations Control Center at Osaka International Airport which is in 24-7 operation, but it is not a substitution for all the functions of the IOC in Tokyo. In addition, if climate change caused by global warming, etc. brings more frequent large-scale natural disasters to Japan, it could affect the Group's operating performance.

(2) External Environment Risk such as International Affairs and Economic Trends

1) External Environment Risk

The JAL Group's air transportation business operates in Japan and

markets worldwide. Demand for air travel may be affected by global economy trends, terrorist attacks, regional conflicts, war 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 Risk

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.

(3) Aircraft Delivery Risk

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.

(4) Market Fluctuation Risk

1) Fuel Price Fluctuation 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 Fluctuation 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 expenses, 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 Market Risk 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.

(5) Aviation Safety Risk

The JAL Group implements a wide range of measures on a daily basis to ensure the safe operation of its flights. However, a single fatal accident has the potential to undermine customer trust in the Group's flight safety and lead to a loss of public support. The Group must also provide compensation for any passenger fatalities or injuries in the event of an accident, which could have a severe impact on the Group's operating performance. In addition, safety issues related to the 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) Regulatory Risk, Environmental Compliance Risk and Litigation Risk

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

1) Regulatory Risk

The JAL Group conducts its operations in accordance with various rules and regulations, such as Japan's Civil Aeronautics Act and other regulations governing airline businesses, bilateral aviation agreements and other international arrangements, Japan's

Antimonopoly Act and other similar antitrust laws overseas, and rules on taxes and public dues such as landing fees. Revisions to these rules and regulations or notifications of legally enforceable airworthiness directives could have an impact on the Group's operating performance. Moreover, the allocation of flight slots at Haneda and Narita airports and the timing of the launch of new routes could also affect the Group's operating performance.

2) Environmental Compliance Risk

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 CO<sub>2</sub> 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.

3) 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 a litigation is filed against the Group, developments in the subsequent legal case may require additional costs and the booking of provisions, which could also affect the Group's operating performance.

(7) IT Risk and Customer Data Protection Risk

The JAL Group's operations are dependent on a large number of IT systems. Failures in these IT systems caused by flaws in computer programs, computer viruses, and other cyber-attacks may lead to the loss of critical data, as well as issues in flight operations, which could affect the Group's operations. Largescale failures in power systems, communication networks, other infrastructure that support IT systems and Cloud services for the Group's email communications 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 operating performance.

(8) HR Risk and Industrial Relations Risk

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

# Consolidated Financial Statements

## (1) Consolidated Balance Sheets

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 5)
	2020	2019	2020
<b>Assets</b>			
Current assets:			
Cash and deposits (Notes 6, 8 and 11)	¥ 329,149	¥ 462,064	\$ 3,024,432
Notes and operating account receivable	88,871	153,112	816,603
Securities (Notes 6, 8 and 9)	—	60,000	—
Flight equipment spare parts and supplies	26,491	21,929	243,416
Other	82,432	65,095	757,438
Allowance for doubtful accounts	(950)	(661)	(8,729)
Total current assets	525,995	761,539	4,833,180
Non-current assets:			
Investment securities (Notes 7, 8, 9 and 11)	100,117	101,289	919,939
Tangible fixed assets, net:			
Flight equipment (Notes 11 and 17)	827,937	733,961	7,607,617
Ground property and equipment (Note 17)	59,820	53,478	549,664
Advances on flight equipment and other purchases	110,050	141,776	1,011,210
Total tangible fixed assets	997,807	929,216	9,168,492
Intangible assets:			
Software	95,642	92,076	878,820
Long-term loans receivable (Note 11)	6,691	7,240	61,481
Deferred tax assets (Note 13)	84,632	96,625	777,653
Net defined benefit asset (Note 12)	938	2,486	8,618
Other	48,785	40,129	448,267
Allowance for doubtful accounts	(1,248)	(275)	(11,467)
Total non-current assets	1,333,367	1,268,788	12,251,833
Total assets	¥ 1,859,362	¥ 2,030,328	\$ 17,085,013

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 5)
	2020	2019	2020
<b>Liabilities</b>			
Current liabilities:			
Operating accounts payable (Note 8)	¥ 166,327	¥ 185,650	\$ 1,528,319
Short-term loans payable (Notes 8 and 11)	87	65	799
Current portion of long-term loans payable (Notes 8 and 11)	13,556	13,287	124,561
Lease obligations (Notes 8 and 11)	1,067	2,461	9,804
Accounts payable—installment purchase (Notes 8 and 11)	195	190	1,791
Income taxes payable	4,083	21,738	37,517
Advances received	72,423	129,108	665,469
Asset retirement obligations (Note 20)	255	—	2,343
Other	100,463	101,896	923,118
Total current liabilities	358,460	454,399	3,293,760
Non-current liabilities:			
Bonds payable (Notes 8 and 11)	90,000	50,000	826,977
Long-term loans payable (Notes 8 and 11)	84,770	73,524	778,921
Lease obligations (Notes 8 and 11)	1,988	2,504	18,267
Long-term accounts payable—installment purchase (Notes 8 and 11)	113	312	1,038
Deferred tax liabilities (Note 13)	241	169	2,214
Reserve for loss on antitrust litigation	5,816	5,936	53,441
Net defined benefit liability (Note 12)	151,330	212,672	1,390,517
Asset retirement obligations (Note 20)	8,829	8,657	81,126
Other	25,975	22,015	238,674
Total non-current liabilities	369,065	375,793	3,391,206
Total liabilities	727,525	830,192	6,684,967

### Contingent liabilities (Note 18)

### Net assets (Note 14)

Shareholders' equity			
Common stock:			
Authorized: 700,000,000 shares in 2020 and 2019			
Issued: 337,143,500 shares in 2020 and 349,028,700 shares in 2019	181,352	181,352	1,666,378
Capital surplus	183,049	183,050	1,681,971
Retained earnings	797,911	822,554	7,331,719
Treasury shares, at cost:			
201,851 shares in 2020 and 201,957 shares in 2019	(534)	(535)	(4,906)
Total shareholders' equity	1,161,778	1,186,421	10,675,163
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 9)	17,676	20,371	162,418
Deferred gains (losses) on hedges (Note 10)	(23,146)	1,837	(212,680)
Foreign currency translation adjustment	(28)	99	(257)
Remeasurements of defined benefit plans (Note 12)	(61,467)	(43,596)	(564,798)
Total accumulated other comprehensive income	(66,965)	(21,287)	(615,317)
Non-controlling interests	37,023	35,001	340,191
Total net assets	1,131,836	1,200,135	10,400,036
Total liabilities and net assets	¥ 1,859,362	¥ 2,030,328	\$ 17,085,013

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



(2) Consolidated Statement of Income and Comprehensive Income

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 5)
	2020	2019	2020
Operating revenue:			
Passenger:			
Domestic	¥ 514,619	¥ 528,098	\$ 4,728,650
International	476,230	530,679	4,375,907
Incidental and other revenue	420,379	428,483	3,862,712
Total operating revenue	1,411,230	1,487,261	12,967,288
Operating expenses:			
Wages, salaries and benefits	296,203	302,156	2,721,703
Aircraft fuel	243,420	251,223	2,236,699
Landing fees and other rent	84,833	86,383	779,500
Aircraft maintenance	75,011	72,926	689,249
Aircraft rent	21,552	19,918	198,033
Depreciation and amortization	138,035	124,104	1,268,354
Other	451,541	454,389	4,149,048
Total operating expenses	1,310,597	1,311,101	12,042,607
Operating profit	100,632	176,160	924,671
Non-operating income (expenses):			
Interest income	1,437	1,068	13,204
Dividend income	1,582	1,376	14,536
Interest expenses	(658)	(803)	(6,046)
Gain on sales of flight equipment	1,710	1,494	15,712
Loss on sales and disposal of flight equipment	(2,901)	(14,474)	(26,656)
Loss on sales and disposal of non-current assets	(2,172)	(1,030)	(19,957)
Loss on valuation of flight equipment spare parts and supplies	(1,031)	(1,668)	(9,473)
Share of profit of entities accounted for using equity method	1,381	1,317	12,689
Foreign exchange losses	(1,241)	(486)	(11,403)
Gain on sales of investments in securities	673	103	6,183
Loss on valuation of investment securities	(1,151)	(119)	(10,576)
Provision of allowance for doubtful accounts	(990)	—	(9,096)
Subsidy income for aircraft purchase	2,414	2,548	22,181
Loss on reduction of aircraft	(2,401)	(2,548)	(22,061)
Subsidy income	1,219	630	11,200
Impairment loss (Note 16)	(1,959)	(7,898)	(18,000)
Other	(29)	570	(266)
Total non-operating income (expenses)	(4,118)	(19,920)	(37,838)
Profit before income taxes	96,513	156,240	886,823
Income taxes—current (Note 13)	7,898	33,223	72,571
Income taxes—deferred (Note 13)	31,173	(32,127)	286,437
Total income taxes	39,072	1,096	359,018
Profit	57,441	155,144	527,804
Profit attributable to:			
Owners of parent	53,407	150,807	490,737
Non-controlling interests	4,034	4,337	37,066
Other comprehensive income (Note 15):			
Valuation difference on available-for-sale securities	(2,545)	3,868	(23,385)
Deferred losses on hedges	(23,672)	(4,505)	(217,513)
Foreign currency translation adjustment	(151)	25	(1,387)
Remeasurements of defined benefit plans, net of tax	(17,976)	3,845	(165,175)
Share of other comprehensive income of entities accounted for using equity method	(1,466)	71	(13,470)
Total other comprehensive income	(45,812)	3,305	(420,950)
Comprehensive income	11,628	158,449	106,845
Comprehensive income attributable to:			
Owners of parent	7,729	154,156	71,019
Non-controlling interests	¥ 3,898	¥ 4,292	\$ 35,817

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					Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance as of 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 as of 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		
Balance as of 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 as of March 31, 2019	¥ 20,371	¥ 1,837	¥ 99	¥ (43,596)	¥ (21,287)	¥ 35,001	¥ 1,200,135
Shareholders' equity							
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance as of April 1, 2019	¥ 181,352	¥ 183,050	¥ 822,554	¥ (535)	¥ 1,186,421		
Changes of items during period							
Dividends of surplus			(38,050)				(38,050)
Profit attributable to owners of parent			53,407				53,407
Purchase of treasury shares				(39,999)			(39,999)
Retirement of treasury shares			(39,999)	39,999			—
Change in equity in entities accounted for using equity method, etc.		(0)		0			0
Net changes of items other than shareholders' equity							
Total changes of items during period	—	(0)	(24,642)	0			(24,642)
Balance as of March 31, 2020	¥ 181,352	¥ 183,049	¥ 797,911	¥ (534)	¥ 1,161,778		
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 as of April 1, 2019	¥ 20,371	¥ 1,837	¥ 99	¥ (43,596)	¥ (21,287)	¥ 35,001	¥ 1,200,135
Changes of items during period							
Dividends of surplus							(38,050)
Profit attributable to owners of parent							53,407
Purchase of treasury shares							(39,999)
Retirement of treasury shares							—
Change in equity in entities accounted for using equity method, etc.							0
Net changes of items other than shareholders' equity	(2,694)	(24,983)	(128)	(17,870)	(45,677)	2,022	(43,655)
Total changes of items during period	(2,694)	(24,983)	(128)	(17,870)	(45,677)	2,022	(68,298)
Balance as of March 31, 2020	¥ 17,676	¥ (23,146)	¥ (28)	¥ (61,467)	¥ (66,965)	¥ 37,023	¥ 1,131,836

## (4) Consolidated Statement of Cash flows

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

Thousands of U.S. dollars (Note 5)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019	\$ 1,666,378	\$ 1,681,981	\$ 7,558,154	\$ (4,915)	\$ 10,901,598
Changes of items during period					
Dividends of surplus			(349,627)		(349,627)
Profit attributable to owners of parent			490,737		490,737
Purchase of treasury shares				(367,536)	(367,536)
Retirement of treasury shares			(367,536)	367,536	—
Change in equity in entities accounted for using equity method, etc.		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	(226,426)	0	(226,426)
Balance as of March 31, 2020	\$ 1,666,378	\$ 1,681,971	\$ 7,331,719	\$ (4,906)	\$ 10,675,163

	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 as of April 1, 2019	\$ 187,181	\$ 16,879	\$ 909	\$ (400,588)	\$ (195,598)	\$ 321,611	\$ 11,027,611
Changes of items during period							
Dividends of surplus							(349,627)
Profit attributable to owners of parent							490,737
Purchase of treasury shares							(367,536)
Retirement of treasury shares							—
Change in equity in entities accounted for using equity method, etc.							0
Net changes of items other than shareholders' equity	(24,754)	(229,559)	(1,176)	(164,201)	(419,709)	18,579	(401,130)
Total changes of items during period	(24,754)	(229,559)	(1,176)	(164,201)	(419,709)	18,579	(627,565)
Balance as of March 31, 2020	\$ 162,418	\$ (212,680)	\$ (257)	\$ (564,798)	\$ (615,317)	\$ 340,191	\$ 10,400,036

Years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 5)
	2020	2019	2020
<b>Cash flows from operating activities</b>			
Profit before income taxes	¥ 96,513	¥ 156,240	\$886,823
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	138,035	124,104	1,268,354
Loss on sales and disposal of non-current assets and impairment loss	4,650	19,271	42,727
Decrease in net defined benefit liability	(85,775)	(12,157)	(788,155)
Interest and dividend income	(3,019)	(2,445)	(27,740)
Interest expenses	658	803	6,046
Foreign exchange losses	1,092	266	10,033
Share of profit of entities accounted for using equity method	(1,381)	(1,317)	(12,689)
Decrease (increase) in notes and operating accounts receivable	64,256	(1,852)	590,425
Decrease (increase) in flight equipment spare parts and supplies	(4,522)	188	(41,551)
Increase (decrease) in operating accounts payable	(19,288)	7,707	(177,230)
Increase (decrease) in advances received	(56,874)	21,957	(522,594)
Other, net	(39,307)	7,865	(361,177)
Subtotal	95,038	320,632	873,270
Interest and dividends income received	3,870	3,005	35,560
Interest expenses paid	(650)	(802)	(5,972)
Income taxes paid	(38,227)	(26,117)	(351,254)
Net cash provided by operating activities	60,030	296,717	551,594
<b>Cash flows from investing activities</b>			
Purchase of non-current assets	(239,611)	(222,126)	(2,201,699)
Proceeds from sales of non-current assets	20,023	33,390	183,984
Purchase of investment securities	(5,647)	(4,153)	(51,888)
Proceeds from sales and redemption of investment securities	1,465	247	13,461
Payments of loans receivable	(233)	(314)	(2,140)
Collection of loans receivable	837	833	7,690
Other, net	1,592	5,730	14,628
Net cash used in investing activities	(221,573)	(186,392)	(2,035,955)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans payable	22	(3,085)	202
Proceeds from long-term loans payable	24,882	10,800	228,631
Repayments of long-term loans payable	(13,367)	(19,439)	(122,824)
Repayments of lease obligations	(1,376)	(2,649)	(12,643)
Proceeds from issuance of bonds	39,750	29,796	365,248
Purchase of treasury shares	(40,015)	(10,024)	(367,683)
Cash dividends paid	(38,146)	(39,347)	(350,509)
Dividends paid to non-controlling interests	(2,384)	(3,534)	(21,905)
Other, net	499	447	4,585
Net cash used in financing activities	(30,135)	(37,037)	(276,899)
Effect of exchange rate changes on cash and cash equivalents	(1,236)	(21)	(11,357)
Net increase (decrease) in cash and cash equivalents	(192,914)	73,265	(1,772,617)
Cash and cash equivalents at beginning of period	522,064	448,842	4,797,059
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(44)	—
Cash and cash equivalents at end of period (Note 6)	¥ 329,149	¥ 522,064	\$3,024,432

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, 2020 and 2019 amounted to ¥589,316 million (\$5,415,014 thousand) and ¥500,827 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 8 to 20 years Other: From 2 to 65 years

The Company has modified systems related to some aircraft engine parts and cabin assets in order to ensure depreciation more precisely reflecting the estimated periods over which an asset is expected to be economically usable. As a result, the determination of the useful life of some aircraft engine parts and cabin assets has been changed from the fiscal year ended March 31, 2020. Following this change, operating profit decreased by ¥8,060 million (\$74,060 thousand), and profit before income taxes decreased by ¥5,543 million (\$50,932 thousand) for the fiscal year ended March 31, 2020. For details of the impact on individual business segments

arising from this change, please refer to "Note 21. SEGMENT INFORMATION."

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 retirement benefit obligations, 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. Adoption of Tax Effect Accounting for the Transition from the Japanese Consolidated Corporate Tax System to the Group Tax Sharing System

The Company and its domestic consolidated subsidiaries do not adopt paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but adopt rules of tax laws before amendments for the amounts of deferred tax assets and liabilities, regarding the transition to the group

tax sharing system established by "Act on Partial Amendment of the Income Tax Act and Others" (Act No. 8 of 2020) and related revisions to the single tax payment system, due to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020).

o. Cash Equivalents

Cash equivalents are defined as time deposits with an original maturity of a year or less and highly liquid, short-term investments with an original maturity of three months or less that are exposed to insignificant risk of changes in value.

3. CHANGES IN ACCOUNTING POLICY/CHANGES IN PRESENTATION

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.

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.

For the year ended March 31, 2020  
(Change in Scope of Cash Equivalents in Consolidated Statements of Cash Flows)  
Cash equivalents did not previously include time deposits with an original maturity of longer than three months. However, cash equivalents have included time deposits with an original maturity of a year or less from the year ended March 31, 2020. The change is due to the actual condition that the Company operates time deposits with an original maturity of longer than three months but not exceeding a year integrating with time deposits with an original maturity of three months or less, and clarification of internal regulations considering this condition from the year ended March 31, 2020. Therefore, the Company has decided to include these time deposits in cash equivalents in order to present the actual cash flows more accurately. This change in the accounting policy has been applied

retrospectively, and consolidated statements of cash flows for the year ended March 31, 2019 consist of the figures after the retrospective application.  
Following this change, for the year ended March 31, 2019, "Cash flows from investing activities" increased by ¥3,321 million (\$30,515 thousand), "Net increase (decrease) in cash and cash equivalents" increased by ¥3,297 million (\$30,294 thousand) and "Cash and cash equivalents at end of period" increased by ¥269,268 million (\$2,474,207 thousand), respectively, compared with those before the retrospective application.

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 31, 2020)  
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

(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 and effects of the application of the standards  
Because the Company is applying IFRS from the first quarter of the year ending March 31, 2021, the Company is not applying these ASBJ accounting standards, and will not evaluate their impact on the consolidated financial statements.

The following standards and guidance were issued but not yet adopted.  
- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)  
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)  
- "Accounting Standard for Measurement of Inventories" (ASBJ

Statement No. 9, July 4, 2019)  
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)  
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview  
The ASBJ has promoted an initiative to enhance the comparability of the requirements of Japanese and international accounting standards, primarily in the areas of guidance on the fair value of financial instruments and their disclosure. To this end, the ASBJ has issued the "Accounting Standard for Fair Value Measurement," etc., in consideration of the fact that the IASB and the FASB have prescribed similarly detailed guidance (IFRS No. 13 "Fair Value Measurement" issued by IASB and Accounting Standard Codification Topic 820 "Fair Value Measurement" issued by FASB).  
The ASBJ's fundamental policies for developing the "Accounting Standard for Fair Value Measurement," etc. are (1) to include all requirements of IFRS No. 13 so as to enhance the comparability of financial statements of domestic and overseas companies by prescribing uniform measurement methods, and (2) to allow for exceptional treatments in consideration of established accounting conventions in Japan without compromising the comparability of financial statements.

(2) Effective date and effects of the application of the standards  
Because the Company is applying IFRS from the first quarter of the year ending March 31, 2021, the Company is not applying these ASBJ accounting standards, and will not evaluate their impact on the consolidated financial statements.

4. ADDITIONAL INFORMATION

The airline industry including the JAL Group has been significantly affected by the outbreak of the novel coronavirus since January 2020. Global infections triggered worldwide travel restrictions, which eliminated international travel demand. In Japan, a state of emergency was declared and domestic travel is discouraged, causing plummeting demand for domestic air travel. The JAL Group has therefore prepared its accounting estimates, including those for the recoverability of deferred tax assets, etc., assuming that this crisis, unprecedented in the airline industry, will continue for an indeterminate part of the fiscal year ending March 31, 2021. The impact arising from the spread of the novel coronavirus includes various uncertainties which may affect the JAL Group's consolidated financial position and operating results for the year ending March 31, 2021.

5. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. A rate of ¥108.83 = US\$1.00, the approximate exchange rate prevailing on March 31, 2020, 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.

6. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents in the accompanying consolidated statements of cash flows on March 31, 2020 and 2019 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥ 329,149	¥ 462,064	\$ 3,024,432
Securities	—	60,000	—
Cash and cash equivalents	¥ 329,149	¥ 522,064	\$ 3,024,432



7. 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, 2020 and 2019 amounted to ¥37,598 million (\$345,474 thousand) and ¥39,210 million, respectively. Bonds of affiliates which were included in "investment securities" in the consolidated balance sheets of March 31, 2020 and 2019 amounted to ¥3,330 million (\$30,598 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, 2020 and 2019 amounted to ¥3,554 million (\$32,656 thousand) and ¥1,679 million, respectively.

8. 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 best efforts to identify and mitigate risks of bad debt when major customers experience 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 to 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 attended by 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 quoted market prices where available. When there is no market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating fair value, different assumptions and factors could result in different fair values.

The book value of financial instruments stated in the consolidated balance sheets, their fair value and the differences as of March 31, 2020 and 2019 were as follows:

As of March 31, 2020	Millions of yen		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 329,149	¥ 329,149	¥ —
(2) Notes and operating accounts receivable	88,871	88,871	—
(3) Securities and investment securities			
(i) Investment securities of non-consolidated subsidiaries and affiliates	17,929	10,007	(7,922)
(ii) Other investment securities	40,584	40,584	—
Total	476,534	468,612	(7,922)
Liabilities			
(1) Operating accounts payable	166,327	166,327	—
(2) Short-term loans payable	87	87	—
(3) Bonds payable	90,000	87,075	(2,925)
(4) Long-term loans payable	98,326	98,290	(35)
(5) Lease obligations	3,055	3,055	—
(6) Long-term accounts payable—installment purchase	309	309	—
Total	358,107	355,146	(2,960)
Derivatives*	¥ (28,522)	¥ (28,523)	¥ (0)

\* Derivative 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 due to being insignificant.

As of March 31, 2019	Millions of yen		
	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

\* Derivative 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 due to being insignificant.

As of March 31, 2020	Thousands of U.S. dollars		
	Book value	Fair value	Difference
Assets			
(1) Cash and deposits	\$3,024,432	\$3,024,432	\$ —
(2) Notes and operating accounts receivable	816,603	816,603	—
(3) Securities and investment securities			
(i) Investment securities of non-consolidated subsidiaries and affiliates	164,743	91,950	(72,792)
(ii) Other investment securities	372,911	372,911	—
Total	4,378,700	4,305,908	(72,792)
Liabilities			
(1) Operating accounts payable	1,528,319	1,528,319	—
(2) Short-term loans payable	799	799	—
(3) Bonds payable	826,977	800,101	(26,876)
(4) Long-term loans payable	903,482	903,151	(321)
(5) Lease obligations	28,071	28,071	—
(6) Long-term accounts payable—installment purchase	2,839	2,839	—
Total	3,290,517	3,263,309	(27,198)
Derivatives*	\$ (262,078)	\$ (262,087)	\$ (0)

\* Derivative 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 due to being insignificant.

(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 9. 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 10. DERIVATIVES AND HEDGING ACTIVITIES."

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investment securities of non-consolidated subsidiaries and affiliates	¥ 19,669	¥ 22,065	\$ 180,731
Held-to-maturity securities	4,267	3,330	39,207
Other securities	17,666	14,711	162,326

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 impracticable to measure the fair value.

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

As of March 31, 2020	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	¥ 329,149	¥ —	¥ —	¥ —
Notes and operating accounts receivable	88,871	—	—	—
Investment securities: Held-to-maturity securities	—	—	—	4,267

As of March 31, 2020	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	\$ 3,024,432	\$ —	\$ —	\$ —
Notes and operating accounts receivable	816,603	—	—	—
Investment securities: Held-to-maturity securities	—	—	—	39,207

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	—	—

The redemption schedule for short-term and long-term debt subsequent to the consolidated balance sheet date is described in "Note 11. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT."

9. INVESTMENT SECURITIES

No trading securities were held on March 31, 2020 and 2019.

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, 2020 and 2019 were summarized as follows:

As of March 31, 2020	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥ 15,095	¥ 40,106	¥ 25,010
	15,095	40,106	25,010
Unrealized loss:			
Stocks	815	478	(337)
	815	478	(337)
Total	¥ 15,910	¥ 40,584	¥ 24,673

As of March 31, 2020	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	\$ 138,702	\$ 368,519	\$ 229,807
	138,702	368,519	229,807
Unrealized loss:			
Stocks	7,488	4,392	(3,096)
	7,488	4,392	(3,096)
Total	\$ 146,191	\$ 372,911	\$ 226,711

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

Proceeds from sales of securities classified as other securities for the year ended March 31, 2020 amounted to ¥626 million (\$5,752 thousand). For the year ended March 31, 2020, the aggregate gain realized on those sales totaled ¥593 million (\$5,448 thousand), and the aggregate loss realized on those sales totaled ¥1 million (\$9 thousand). Neither was applicable to the year ended March 31, 2019.

For the year ended March 31, 2020, ¥1,151 million (\$10,576 thousand) of impairment loss on other securities was recognized. With respect to impairment loss on securities for which fair value is impracticable to measure, if the disposal value of the shares falls by 50% or more in comparison to the acquisition cost due to deterioration in the issuing company's financial position, impairment loss is recognized unless there is sufficient evidence for their recoverability.

For the year ended March 31, 2019, significant impairment loss on securities was not recognized.

10. 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-denominated purchase commitments, principally for flight equipment and foreign-denominated 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, 2020 and 2019, which met the criteria required for the application of hedge accounting, are summarized as follows:



As of March 31, 2020		Millions of yen			Thousands of U.S. dollars		
		Contract amount		Estimated fair value	Contract amount		Estimated fair value
		Total	Maturing after one year		Total	Maturing after one year	
Type of derivative	Major hedged items						
Forward foreign currency exchange contracts:							
Buy:							
USD	Operating accounts payable	¥ 44,048	¥ 5,664	¥ 799	\$ 404,741	\$ 52,044	\$ 7,341
EUR	Operating accounts payable	2,028	38	(18)	18,634	349	(165)
Others	Operating accounts payable	996	0	(48)	9,151	0	(441)
Currency options:							
Buy:							
Call option	Operating accounts payable	80,779	22,400	701	742,249	205,825	6,441
Sell:							
Put option	Operating accounts payable	69,125	18,332	(451)	635,164	168,446	(4,144)
Commodity swaps:							
Received variable/pay fixed	Aircraft fuel	81,563	23,705	(29,503)	749,453	217,816	(271,092)

**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	307	—	5	2,820	—	45
EUR	Operating accounts payable	71	—	(4)	652	—	(36)
Others	Operating accounts payable	22	—	(2)	202	—	(18)
Total		¥ (28,523)			\$ (262,087)		

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, 2019		Millions of yen		
		Contract amount		Estimated fair value
		Total	Maturing after one year	
Type of derivative	Major hedged items			
Forward foreign currency exchange contracts:				
Buy:				
USD	Operating accounts payable	¥ 55,926	¥ 3,252	¥ 687
EUR	Operating accounts payable	2,513	34	(102)
Others	Operating accounts payable	1,287	—	(27)
Currency options:				
Buy:				
Call option	Operating accounts payable	80,140	19,634	363
Sell:				
Put option	Operating accounts payable	69,040	15,702	(134)
Commodity swaps:				
Received variable/pay fixed	Aircraft fuel	81,055	21,049	1,624

**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
EUR	Operating accounts payable	259	—	(17)
Others	Operating accounts payable	223	—	(5)
Total		¥ 2,419		

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

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

The weighted-average interest rate for short-term loans payable outstanding on March 31, 2020 was 1.0%. Long-term debt on March 31, 2020 and 2019 consisted of the following:

As of March 31	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rate
	2020	2019	2020	2020
Long-term loans:				
Current portion of long-term loans payable	¥ 13,556	¥ 13,287	\$ 124,561	0.2%
Long-term loans payable (excluding current portion) due 2023 to 2035	84,770	73,524	778,921	0.2%
Lease obligations:				
Current portion of lease obligations	1,067	2,461	9,804	1.4%
Lease obligations (excluding current portion) due 2021 to 2032	1,988	2,504	18,267	1.1%
Long-term accounts payable—installment purchase:				
Current portion of long-term accounts payable—installment purchase	195	190	1,791	2.0%
Long-term accounts payable—installment purchase (excluding current portion) due 2021 to 2026	113	312	1,038	2.0%
Bonds payable:				
Bonds payable due 2021 to 2040	90,000	50,000	826,977	0.4%
Total	¥ 191,691	¥ 142,281	\$ 1,761,380	

The aggregate annual maturities of long-term debt due within five years subsequent to March 31, 2020 are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2021	¥ 14,819	\$ 136,166
2022	24,385	224,065
2023	23,963	220,187
2024	22,651	208,131
2025	22,610	207,755
2026 and thereafter	83,260	765,046
Total	¥ 191,691	\$ 1,761,380

Assets pledged as collateral as of March 31, 2020 for long-term and short-term debt of ¥95,524 million (\$877,735 thousand) are flight equipment and others totaling ¥169,178 million (\$1,554,516 thousand). Assets pledged as collateral as of March 31, 2019 for long-term and short-term debt of ¥86,620 million are flight

equipment and others totaling ¥162,738 million.

Assets pledged as collateral include certain assets set aside for revolving pledges on each company's obligations accompanying syndicated loans taken out by the following three companies with financial institutions, for the core business purposes of each company.

- Tokyo International Airport Terminal Corporation, an affiliate
- Kyushu Kumamoto International Airport Co., Ltd.
- Hokkaido Airports Co., Ltd.

The Company entered into loan commitment agreements amounting to ¥50,000 million (\$459,432 thousand) with three banks. There were no loan payables outstanding under these loan commitment agreements.

12. 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, 2020, 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 use the simplified method for the calculation of retirement benefit obligations.

For the years ended March 31, 2020 and 2019

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
	2020	2019	2020
Balance at beginning of period	¥ 465,816	¥ 471,248	\$ 4,280,216
Service cost	13,437	13,131	123,467
Interest cost	3,445	3,482	31,654
Actuarial loss	33,055	2,280	303,730
Benefit paid	(25,519)	(24,323)	(234,484)
Reclassification of retirement benefit obligations due to the change from the simplified method	393	—	3,611
Other	2	(1)	18
Balance at end of period	¥ 490,630	¥ 465,816	\$ 4,508,223

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

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of period	¥ 257,847	¥ 245,430	\$ 2,369,263
Expected return on plan assets	4,550	3,749	41,808
Actuarial gain (loss)	(778)	185	(7,148)
Contributions paid by the employer	100,258	28,194	921,234
Benefit paid	(19,846)	(19,712)	(182,357)
Balance at end of period	¥ 342,030	¥ 257,847	\$ 3,142,791

(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
	2020	2019	2020
Balance at beginning of period	¥ 2,216	¥ 2,146	\$ 20,362
Retirement benefit cost	506	400	4,649
Contributions paid by the employer	(128)	(124)	(1,176)
Benefit paid	(155)	(169)	(1,424)
Decrease due to partial termination of retirement benefit plans	(352)	(31)	(3,234)
Reclassification of retirement benefit obligations due to the change from the simplified method	(291)	—	(2,673)
Other	(2)	(4)	(18)
Balance at end of period	¥ 1,792	¥ 2,216	\$ 16,466

(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
	2020	2019	2020
Funded retirement benefit obligations	¥ 398,326	¥ 373,012	\$ 3,660,075
Plan assets	(345,577)	(261,405)	(3,175,383)
	52,749	111,606	484,691
Unfunded retirement benefit obligations	97,643	98,579	897,206
Total net defined benefit liability (asset)	150,392	210,186	1,381,898
Net defined benefit liability	151,330	212,672	1,390,517
Net defined benefit asset	(938)	(2,486)	(8,618)
Total net defined benefit liability (asset)	¥ 150,392	¥ 210,186	\$ 1,381,898

(5) Retirement benefit costs

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 13,437	¥ 13,131	\$ 123,467
Interest cost	3,445	3,482	31,654
Expected return on plan assets	(4,550)	(3,749)	(41,808)
Past service costs amortization	(60)	(60)	(551)
Net actuarial loss amortization	7,968	7,713	73,215
Retirement benefit cost based on the simplified method	506	400	4,649
Other	(698)	(697)	(6,413)
Subtotal	20,048	20,221	184,213
Reclassification of retirement benefit obligations due to the change from the simplified method	101	—	928
Loss on partial termination of defined benefit plans, net	63	—	578
Total	¥ 20,214	¥ 20,221	\$ 185,739

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

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Past service costs	¥ (60)	¥ (60)	\$ (551)
Actuarial gains (losses)	(25,865)	5,619	(237,664)
Total	¥ (25,925)	¥ 5,558	\$ (238,215)

(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	¥ (199)	¥ (259)	\$ (1,828)
Actuarial losses that are yet to be recognized	88,404	62,538	812,312
Total	¥ 88,204	¥ 62,278	\$ 810,475

(8) Plan assets

Years ended March 31	2020	2019
	%	%
General insurance fund	80	91
Bond	13	4
Other	7	5
Total	100	100

Current and target asset allocations and 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	2020	2019
	%	%
Discount rate	0.3–0.7	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 ¥1,839 million (\$16,897 thousand) and ¥1,629 million for the years ended March 31, 2020 and 2019, respectively.

13. INCOME TAX

The significant components of deferred tax assets and liabilities and the related valuation allowances on March 31, 2020 and 2019 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Net defined benefit liability	¥ 46,846	¥ 64,380	\$ 430,451
Operating accounts payable	10,781	11,020	99,062
Deferred losses on hedges	9,616	880	88,357
Non-recurring depreciation	4,510	4,827	41,440
Deferred liability on flight equipment	2,750	2,943	25,268
Asset retirement obligations	2,637	2,482	24,230
Impairment loss	2,276	2,274	20,913
Reserve for loss on antitrust litigation	1,741	1,776	15,997
Accrued bonuses	811	7,735	7,451
Tax loss carryforwards <sup>*2</sup>	12,035	7,360	110,585
Other	10,340	9,728	95,010
Subtotal of deferred tax assets	104,347	115,411	958,807
Valuation allowance for tax loss carryforwards <sup>*2</sup>	(1,744)	(567)	(16,024)
Valuation allowance for deductible temporary differences	(6,736)	(4,605)	(61,894)
Subtotal of valuation allowances <sup>*1</sup>	(8,480)	(5,173)	(77,919)
Total deferred tax assets	95,867	110,238	880,887

Deferred tax liabilities:

Valuation difference on available-for-sale securities	7,479	8,548	68,721
Asset retirement obligations	692	629	6,358
Deferred gains on hedges	20	1,722	183
Other	3,284	2,882	30,175
Total deferred tax liabilities	11,476	13,782	105,448

Net deferred tax assets	¥ 84,390	¥ 96,455	\$ 775,429
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\*1 The main reason for the increase in valuation allowances is an increase in the valuation allowance for tax loss carryforwards at consolidated subsidiaries.

\*2 Tax loss carryforwards and associated deferred tax assets by deadline of carry forward:

As of March 31, 2020	Millions of yen						
	2021	2022	2023	2024	2025	2026 and beyond	Total
Tax loss carryforwards (a)	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 12,035	¥ 12,035
Valuation allowance	—	—	—	—	—	(1,744)	(1,744)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 10,291	¥ 10,291 (b)



As of March 31, 2020	Thousands of U.S. dollars						Total
	2021	2022	2023	2024	2025	2026 and beyond	
Tax loss carryforwards (a)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 110,585	\$ 110,585
Valuation allowance	—	—	—	—	—	(16,024)	(16,024)
Deferred tax assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 94,560	\$ 94,560 (b)

(a) Tax loss carryforwards reflect the amounts resulting from multiplying the statutory tax rate.

(b) Of the total tax loss carryforwards of ¥12,035 million (\$110,585 thousand), ¥10,291 million (\$94,560 thousand) has been determined to be recoverable based on the taxable income that the Company and its domestic consolidated subsidiaries expect in the future.

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)

(a) Tax loss carryforwards reflect the amounts resulting from multiplying the statutory tax rate.

(b) Taxable income against which tax loss carryforwards can be utilized is likely to be earned in the next year. The Company has therefore determined that the deferred tax assets for the tax loss carryforwards are recoverable.

The 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, 2020 and 2019 was as follows:

Years ended March 31	2020	2019
	%	%
Statutory rate	29.9	29.9
Share of loss of entities accounted for using equity method	(0.4)	(0.3)
Changes in valuation allowance (including the tax loss carryforwards expired)	10.0	(30.8)
Other	1.0	1.9
Effective tax rate	40.5	0.7

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 generally based on the tax rates applicable in their countries of incorporation.

14. 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 of additional paid-in capital) and retained earnings (except for distributions of 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.

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, 2020 were as follows:

Year ended March 31, 2020	Thousands of shares			
	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
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	349,028	—	11,885	337,143
Total	349,028	—	11,885	337,143
Number of shares of common stock in treasury:				
Common stock	201	11,885	11,885	201
Total	201	11,885	11,885	201

The increase in common stock in treasury of 11,885 thousand shares is due to a share repurchase.

The decrease in common stock in issue and common stock in treasury of 11,885 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, 2019 were as follows:

Year ended March 31, 2019	Thousands of shares			
	As of April 1, 2018	Increase	Decrease	As of 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

15. OTHER COMPREHENSIVE INCOME

Reclassification adjustments for each component of other comprehensive income including tax effect for the years ended March 31, 2020 and 2019 were as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Valuation difference on available-for-sale securities, net of taxes:			
Unrealized holding gains (losses) arising during the period	¥ (3,613)	¥ 5,562	\$ (33,198)
Less: Reclassification adjustment included in profit	—	—	—
Pre-tax amount	(3,613)	5,562	(33,198)
Tax expense (benefit)	1,068	(1,693)	9,813
Valuation difference on available-for-sale securities, net of taxes	(2,545)	3,868	(23,385)
Deferred gains (losses) on hedges, net of taxes:			
Deferred gains (losses) arising during the period	(33,919)	5,835	(311,669)
Less: Reclassification adjustment included in profit	141	(12,252)	1,295
Pre-tax amount	(33,777)	(6,417)	(310,364)
Tax expense (benefit)	10,104	1,912	92,842
Deferred gains (losses) on hedges, net of taxes	(23,672)	(4,505)	(217,513)
Foreign currency translation adjustment:			
Translation adjustment arising during the period	(151)	25	(1,387)
Less: Reclassification adjustment included in profit	—	(0)	—
Foreign currency translation adjustment	(151)	25	(1,387)
Remeasurements of defined benefit plans:			
Remeasurements of defined benefit plans arising during the period	(33,834)	(2,094)	(310,888)
Less: Reclassification adjustment included in profit	7,908	7,653	72,663
Pre-tax amount	(25,925)	5,558	(238,215)
Tax expense (benefit)	7,949	(1,712)	73,040
Remeasurements of defined benefit plans	(17,976)	3,845	(165,175)
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	(1,466)	71	(13,470)
Total other comprehensive income	¥ (45,812)	¥ 3,305	\$ (420,950)

16. 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, 2020 and 2019, respectively.

The Company and certain consolidated subsidiaries have recognized impairment losses on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2020:

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	Software	Shinagawa-ku, Tokyo

An impairment loss of ¥1,959 million (\$18,000 thousand) was recognized in non-operating expenses in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 2020. The main breakdown is flight equipment of ¥523 million (\$4,805 thousand) and software of ¥1,190 million (\$10,934 thousand) due to the decision to cease the operations of AXESS INTERNATIONAL NETWORK, INC. at the end of March, 2021.

The recoverable amount of assets to be sold or disposed of is measured by the net realizable value based on sales agreements (the value of assets that cannot be sold is evaluated as zero). In addition, some associated companies accounted for by the equity method recognized an impairment loss using the same methodology. An impairment loss of ¥279 million (\$2,563 thousand) was recognized as "share of profit of entities accounted for using equity method."

The Company and certain consolidated subsidiaries have recognized impairment losses on the following groups of assets in the accompanying consolidated statements of income and comprehensive income for the year ended March 31, 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 was recognized in 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 and other equipment including removal costs corresponding to asset retirement obligations in the Narita International Airport Maintenance district scheduled for reorganization of ¥7,421 million. The recoverable amount of assets to be sold or disposed of is measured by the net realizable value based on sales agreements (the value of assets that cannot be sold is evaluated as zero), or calculated by discounting future cash flows measured by value in use at a discount rate of 5.0%.

## 17. 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 that the residual value is zero. The 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, 2020 and 2019 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Within one year	¥ 15,239	¥ 14,368	\$ 140,025
Over one year	66,305	66,802	609,252
Total	¥ 81,545	¥ 81,170	\$ 749,287

## 18. CONTINGENT LIABILITIES

As of March 31, 2020 and 2019, contingent liabilities for guarantees for bank loans of employees amounted to ¥60 million (\$551 thousand) and ¥81 million, respectively.

As of March 31, 2020 and 2019, contingent liabilities for guarantees for lease obligations of Jetstar Japan Co., Ltd. amounted to ¥3,315 million (\$30,460 thousand) and ¥3,680 million, respectively.

The Company provides guarantees for damages resulting from breach of an obligation, assertion or guarantee under the stock transfer reservation agreement 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 (\$72,287 thousand) on March 31, 2020 and 2019.

## 19. AMOUNTS PER SHARE

Basic earnings per share is computed based on the earnings available for distribution to or allocable to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted earnings per share are computed based on earnings available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to potentially dilutive securities to be issued upon the conversion of convertible bonds. However, diluted earnings per share have not been stated for the years ended March 31, 2020 and 2019 since the Company had issued no equity instruments with a dilutive effect on earnings per share.

Years ended March 31	Yen		U.S. dollars
	2020	2019	2020
Earnings per share of common stock:			
Basic	¥ 155.66	¥ 432.10	\$ 1.43

The following table sets forth the computation of basic earnings per share of common stock for the years ended March 31, 2020 and 2019:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Earnings (allocable to) available for shareholders of common stock:			
Profit attributable to owners of parent	¥ 53,407	¥ 150,807	\$ 490,737
Appropriations for payment of preferred dividends	—	—	—
	¥ 53,407	¥ 150,807	\$ 490,737

Years ended March 31	Thousands of shares	
	2020	2019
Weighted-average number of shares of common stock outstanding	343,101	349,006

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

As of March 31	Yen		U.S. dollars
	2020	2019	2020
Net assets per share of common stock	¥ 3,249.27	¥ 3,340.15	\$ 29.85

## 20. ASSET RETIREMENT OBLIGATIONS

### a. Asset Retirement Obligations Recognized in the Consolidated Balance Sheets on March 31, 2020 and 2019

The Company and its consolidated subsidiaries have, in connection with some buildings and land, entered into real estate lease contracts with terms ranging from 5 to 46 years for the years ended March 31, 2020 and 2019. 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 facilities from the leased real estate at the end of those contracts. The obligations as of March 31, 2020 and 2019 have been calculated with expected useful lives ranging from 5 to 46 years with discount rates ranging from -0.2% to 2.5%. The following table summarizes the changes in the aggregate carrying amount of asset retirement obligations for the years ended March 31, 2020 and 2019:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of period	¥ 8,657	3,988	\$ 79,546
Increase due to purchases of tangible fixed assets	3	2	27
Increase due to changes in estimated obligations	360	5,031	3,307
Accretion due to the passage of time	63	58	578
Decrease due to settlement	(0)	(423)	(0)
Balance at end of period	¥ 9,084	8,657	\$ 83,469

### b. Asset Retirement Obligations Not Recognized in the Consolidated Balance Sheets as of March 31, 2020 and 2019

The Company and its consolidated subsidiaries have rented lots and buildings from domestic service airports based on permission for national property use and based on a real estate rental contract for national property, and have an obligation to remove their facilities from the leased real estate. The Company and its consolidated subsidiaries have an important role in public traffic, and depend on the trends at the aviation administrations of each country. For this reason, with regard to rented airport-related facilities, the time of building removal and withdrawal cannot be determined at the discretion of the Company and its consolidated subsidiaries alone. Moreover, since there is also no schedule for building removal and withdrawal at present, asset retirement obligations cannot be reasonably estimated. Therefore, the resulting asset retirement obligations have not been calculated.

## 21. SEGMENT INFORMATION

The reportable segments of the Company and its consolidated subsidiaries comprise components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors for decisions about resource allocation and performance assessments. 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.



	Millions of yen				
Year ended March 31, 2020	Air transportation	Other	Total	Eliminations	Consolidated
Operating revenue:					
External	¥ 1,172,684	¥ 238,545	¥ 1,411,230	¥ —	¥ 1,411,230
Intersegment	112,115	36,952	149,067	(149,067)	—
Total	1,284,800	275,497	1,560,298	(149,067)	1,411,230
Segment profit	85,936	15,066	101,003	(370)	100,632
Assets	1,791,385	172,515	1,963,901	(104,538)	1,859,362
Depreciation and amortization	136,226	1,821	138,047	(11)	138,035
Impairment loss	543	1,416	1,959	—	1,959
Investments in entities accounted for using equity method	6,756	24,222	30,979	—	30,979
Increase in tangible fixed assets and intangible assets	¥ 238,643	¥ 2,921	¥ 241,564	¥ (59)	¥ 241,504

	Thousands of U.S. dollars				
Year ended March 31, 2020	Air transportation	Other	Total	Eliminations	Consolidated
Operating revenue:					
External	\$ 10,775,374	\$ 2,191,904	\$ 12,967,288	\$ —	\$ 12,967,288
Intersegment	1,030,184	339,538	1,369,723	(1,369,723)	—
Total	11,805,568	2,531,443	14,337,021	(1,369,723)	12,967,288
Segment profit	789,635	138,436	928,080	(3,399)	924,671
Assets	16,460,396	1,585,178	18,045,584	(960,562)	17,085,013
Depreciation and amortization	1,251,732	16,732	1,268,464	(101)	1,268,354
Impairment loss	4,989	13,011	18,000	—	18,000
Investments in entities accounted for using equity method	62,078	222,567	284,654	—	284,654
Increase in tangible fixed assets and intangible assets	\$ 2,192,805	\$ 26,840	\$ 2,219,645	\$ (542)	\$ 2,219,093

	Millions of yen				
Year ended March 31, 2019	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

## Information Related to Changes in the Reportable Segments, etc.

(Change of the Useful Life)

As described in "Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," the Company has modified systems related to some aircraft engine parts and cabin assets in order to ensure depreciation more precisely reflecting the estimated periods over which an asset is expected to be economically usable. As a result, the determination of the useful life of some aircraft engine parts and cabin assets has been changed from the year ended March 31, 2020.

Following this change, segment profit decreased by ¥8,060 million (\$74,060 thousand) in the air transportation business segment.

## 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, 2020 and 2019, export sales of domestic consolidated subsidiaries and sales of consolidated subsidiaries outside Japan for the years ended March 31, 2020 and 2019 were as follows:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Asia and Oceania	¥ 233,760	¥ 274,167	\$ 2,147,937
North America	225,151	236,802	2,068,832
Europe	90,593	100,944	832,426
Total	¥ 549,505	¥ 611,914	\$ 5,049,205

## 22. RELATED-PARTY INFORMATION

There are no material transactions that need to be presented for the years ended March 31, 2020 and 2019.

## 23. SUBSEQUENT EVENTS

### Borrowing of Significant Funds

Based on the resolution of the board of directors held on April 22, 2020, the Company borrowed funds as summarized below.

- (1) Purpose for funding  
Capital expenditures
- (2) Lending institutions  
MUFG Bank, Ltd., Mizuho Bank, Ltd. and two other banks
- (3) Loan amount  
¥88,479 million (\$813,001 thousand)
- (4) Interest rate  
Base interest rate plus the spread
- (5) Date of borrowing  
June 9, 2020
- (6) Repayment due dates  
From December 9, 2020 to June 9, 2030
- (7) Assets pledged as collateral  
Flight equipment





## Independent Auditor's Report

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

### Opinion

We have audited the accompanying consolidated financial statements of Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to Note 3 to the consolidated financial statements. The Group changed the scope of cash equivalents in consolidated statements of cash flows from the year ended March 31, 2020. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.



## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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 5 to the consolidated financial statements.





Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

大塚敏弘  
Toshihiro Otsuka  
Designated Engagement Partner  
Certified Public Accountant

井上智由  
Tomoyoshi Inoue  
Designated Engagement Partner  
Certified Public Accountant

比留間 郁夫  
Ikuo Hiruma  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
June 22, 2020

Consolidated Subsidiaries (As of March 31, 2020)

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.	9,000	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
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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
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Cargo

JUPITER GLOBAL, LTD.	HKD1,000 1,960	46.4	4.6	51.0
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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
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Others

JAL INFORMATION TECHNOLOGY CO., LTD.	702	100.0	—	100.0
JAL DIGITAL EXPERIENCE CO., LTD.	475	51.0	—	51.0
JAL PAYMENT PORT CO., LTD.	390	16.5	68.5	84.9
JAL CARD, INC.	360	50.6	—	50.6
JAL FACILITIES CO., LTD.	180	85.0	—	85.0
JAL BUSINESS AVIATION CO., LTD.	150	51.0	—	51.0
AXESS INTERNATIONAL NETWORK, INC.	100	100.0	—	100.0
JAL AGRIPORT CO., LTD.*2	100	49.0	—	49.0
JAL HONGYUAN CO., LTD.	100	51.0	—	51.0
JAL BRAND COMMUNICATIONS CO., LTD.	100	100.0	—	100.0
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)

	FY2015	FY2016	FY2017	FY2018	FY2019	Unit
<b>Environment</b>						
CO <sub>2</sub> Emissions						
Scope 1 Aircraft	854	875	907	933	909	10,000 tons
Ground* <sup>1</sup>	1.5	1.4	1.3	1.3	1.3	10,000 tons
Scope 2* <sup>1</sup>	6.0	5.7	5.4	5.0	5.0	10,000 tons
Scope 3* <sup>2</sup>	—	44.4	46.0	47.9	46.6	10,000 tons
CO <sub>2</sub> Emissions/RTK (Comparison with FY2005)	85.1	84.6	82.2	80.6	83.0	%
NOx (LTO cycle)	5.78	5.30	5.02	5.10	5.54	1,000 tons
CO (LTO cycle)	4.43	4.24	3.87	3.95	4.35	1,000 tons
HC (LTO cycle)	0.72	0.71	0.63	0.63	0.66	1,000 tons
Electricity Use* <sup>1</sup>	120	113	110	102	98	Million kWh
Heat Use (Crude oil equivalent)* <sup>1</sup>	46,770	44,936	43,512	41,717	40,153	1,000 liters
Water Use* <sup>1</sup>	430	426	435	485	447	1,000m <sup>3</sup>
General Waste (Aircraft)* <sup>1</sup>	—	—	4,368	4,285	4,188	tons
General Waste (Ground)* <sup>1</sup>	—	—	1,772	1,689	1,722	tons
Industrial Waste* <sup>1</sup>	3,475	3,436	3,266	3,912	3,330	tons
Ratio of Final Disposal	1.2	1.1	1.0	1.0	0.3	%

Social Data (Japan Airlines Co., Ltd. and 55 Consolidated Subsidiaries) (S)

	FY2015	FY2016	FY2017	FY2018	FY2019	Unit
<b>Human Resources</b>						
Consolidated Staff Headcount* <sup>3</sup>	31,986	32,753	33,038	34,003	35,653	Persons
Ground Staff	23,367	24,055	23,828	24,295	25,278	Persons
Cockpit Crew	2,519	2,570	2,629	2,690	2,766	Persons
Cabin Attendants	6,100	6,128	6,581	7,018	7,609	Persons
Average Age	37.4	38.2	38.6	39.1	39.4	Years old
Ground Staff	37.7	38.6	38.9	39.5	40.2	Years old
Cockpit Crew	41.1	43.8	44.1	44.0	43.8	Years old
Cabin Attendants	35.0	34.9	35.6	35.4	35.0	Years old
Ratio of Men	52.3	52.5	51.6	50.2	49.4	%
Ratio of Women	47.7	47.5	48.4	49.8	50.6	%
Managerial Staff	16.0	15.9	15.8	15.5	14.8	%
General Staff	84.0	84.1	84.2	84.5	85.1	%
Ratio of Disabled Staff* <sup>4</sup>	2.28	2.56	2.69	2.69	2.62	%
Ratio of Female Managers	15.6	16.3	16.3	16.8	18.4	%
Training Period per Person	62.8	66.4	64.7	70.8	72.3	Hours/Person
Training Cost per Person	380,997	403,519	422,187	470,698	449,480	Yen/Person
Childcare Leave Applicants* <sup>5</sup>	782	781	843	789	743	Persons
Nursing Care Leave Applicants* <sup>5</sup>	42	65	89	68	53	Persons
Ratio of Local Hires at Overseas Offices	90.4	89.9	88.4	89.8	88.4	%
Ratio of Locally Hired Managerial Staff at Overseas Offices	60.8	61.9	58.4	64.0	56.3	%
Average Years of Continuous Service	13.9	14.2	14.5	14.7	14.4	Years
<b>Community Contribution</b>						
Participation in Voluntary Activities	1,705	2,169	6,826	8,140	7,745	Persons
Total Hours of Voluntary Activities	30,000	14,063	59,551	68,288	51,734	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 2016 excluded employees planning to retire as of the end of March that fiscal year, but since fiscal 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 March 31, 2020)

Corporate governance-related items	Topics discussed
Formulation of Fundamental Policies of Corporate Governance	Yes
Organization Form	Company with Audit and Supervisory Board
Directors	
Term of Office Stipulated	1 year
Chairperson of the Board	Chairperson
Number of Directors	10 (of which, 3 External Directors)
Number of Board of Directors meetings	20 (FY2019)
External Director attendance at Board of Directors meetings	98% (FY2019)
Audit and Supervisory Board Members	
Number of Audit and Supervisory Board Members	5 (of which, 3 External Members)
External Audit and Supervisory Board Member attendance at Board of Directors meetings	100%(FY2019)
Key meetings attended by Audit and Supervisory Board Members	Management Committee, Group Safety Enhancement Council, Risk Management Council, Group Company Business Performance Report Meeting, Management Liaison Committee* <sup>7</sup>
Number of Audit and Supervisory Board meetings	13 (FY2019)
External Audit and Supervisory Board Member attendance at Audit and Supervisory Board meetings	100% (FY2019)
Appointment of independent External Directors and External Audit and Supervisory Board Members	6 (3 External Directors, 3 External Audit and Supervisory Board Members)
Accounting Auditor	KPMG AZSA LLC
Internal Auditing	Internal Audit

Establishment of Committee	Composition (number of members)	Chairperson (FY2019)	Number of meetings (FY2019)
Corporate Governance Committee	4	Eizo Kobayashi (Independent External Director)	2
Nominating Committee	5	Masatoshi Ito (Independent External Director)	2
Compensation Committee	5	Eizo Kobayashi (Independent External Director)	7
Personnel Committee	5	Yuji Akasaka (Representative Director, Executive President)	4
Officers Disciplinary Committee	5	Eizo Kobayashi (Independent External Director)* <sup>6</sup>	4

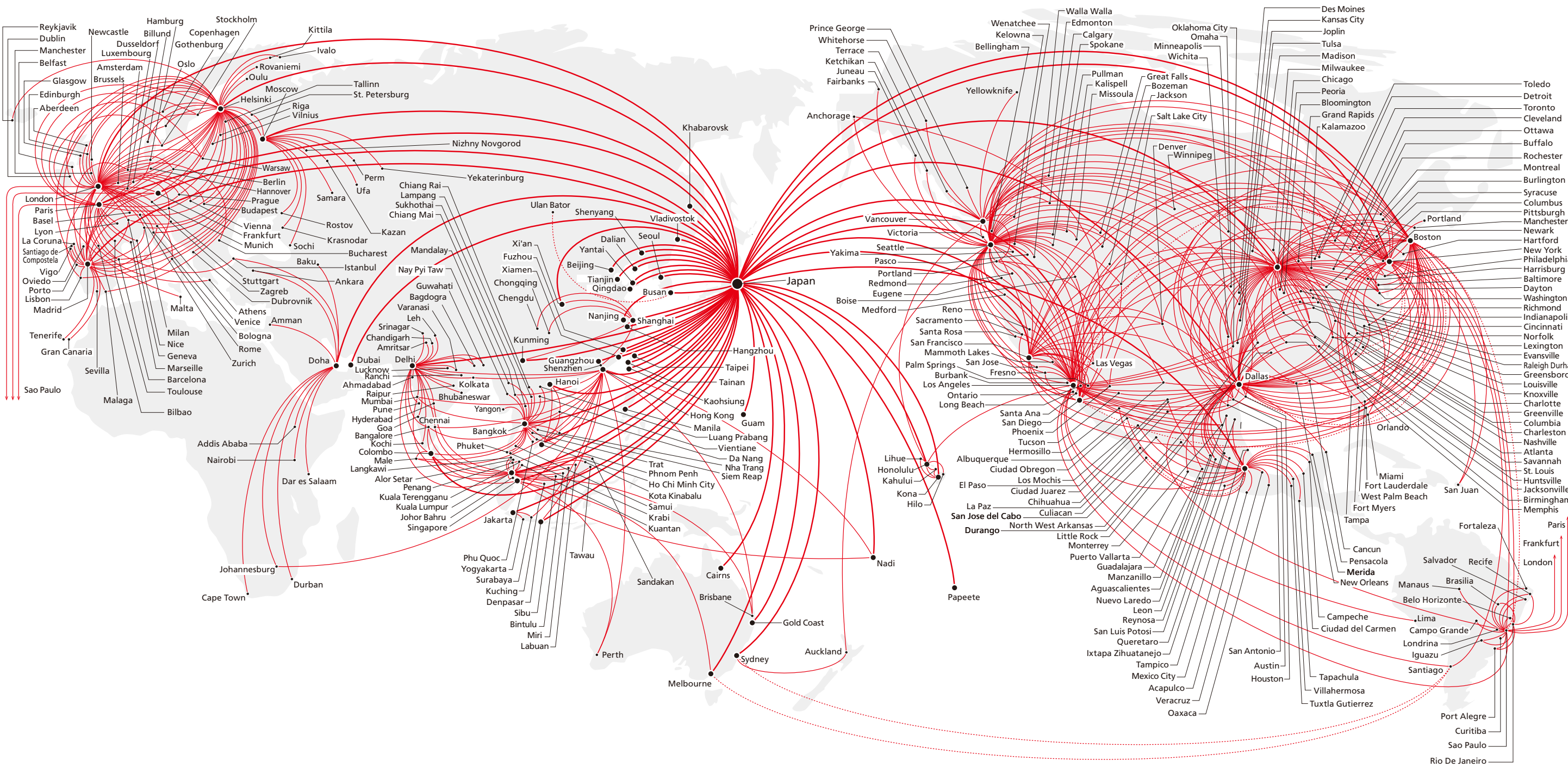
Bodies directly controlled by the President	Topics discussed	Composition	Number of meetings (FY2019)
Executive Management Council	The Executive Management Council is a body established by the Company for the purpose of contributing to appropriate and flexible decision-making by the Board of Directors and the President.	A forum for discussion attended by the President, Vice President, Senior Managing Executive Officers, Managing Executive Officers, other Directors, and Audit and Supervisory Board Members.	38
Group Safety Enhancement Council	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 formulates key policies related to safety management, clarifies the status of management systems and regularly overhauls those systems, addresses issues relating to day-to-day flight safety, and deliberates on important matters as reported upon by the Group Operational Safety Promotion Committee.	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
Group 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, Director of Strategic Corporate Relations at the Policy Management Center, General Manager of General Affairs. Audit & Supervisory Board Members also attend the Council.	3
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.	2
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.	Chairperson, 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.	2
Group Company Business Performance Report Meeting	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, Chairperson, Vice Chairperson, President, Executive Officers, Area Managers, Presidents of Group airlines, Audit & Supervisory Board Members. Members can include the suitable person as needed.	12
Management Liaison Committee* <sup>7</sup>	The Management Liaison Committee monitors the progress of management projects and shares information.	Chairperson, President, Vice President, Senior Managing Executive Officers, Managing Executive Officers, Executive Officers. The chairperson (president) can call the suitable person according to the agenda.	17

\*<sup>6</sup> Replaced by Sonoko Hatchoji (Independent External Director) in fiscal 2020  
\*<sup>7</sup> Became the Group Management Council in fiscal 2020



# International Route Map

(As of September 4, 2020)

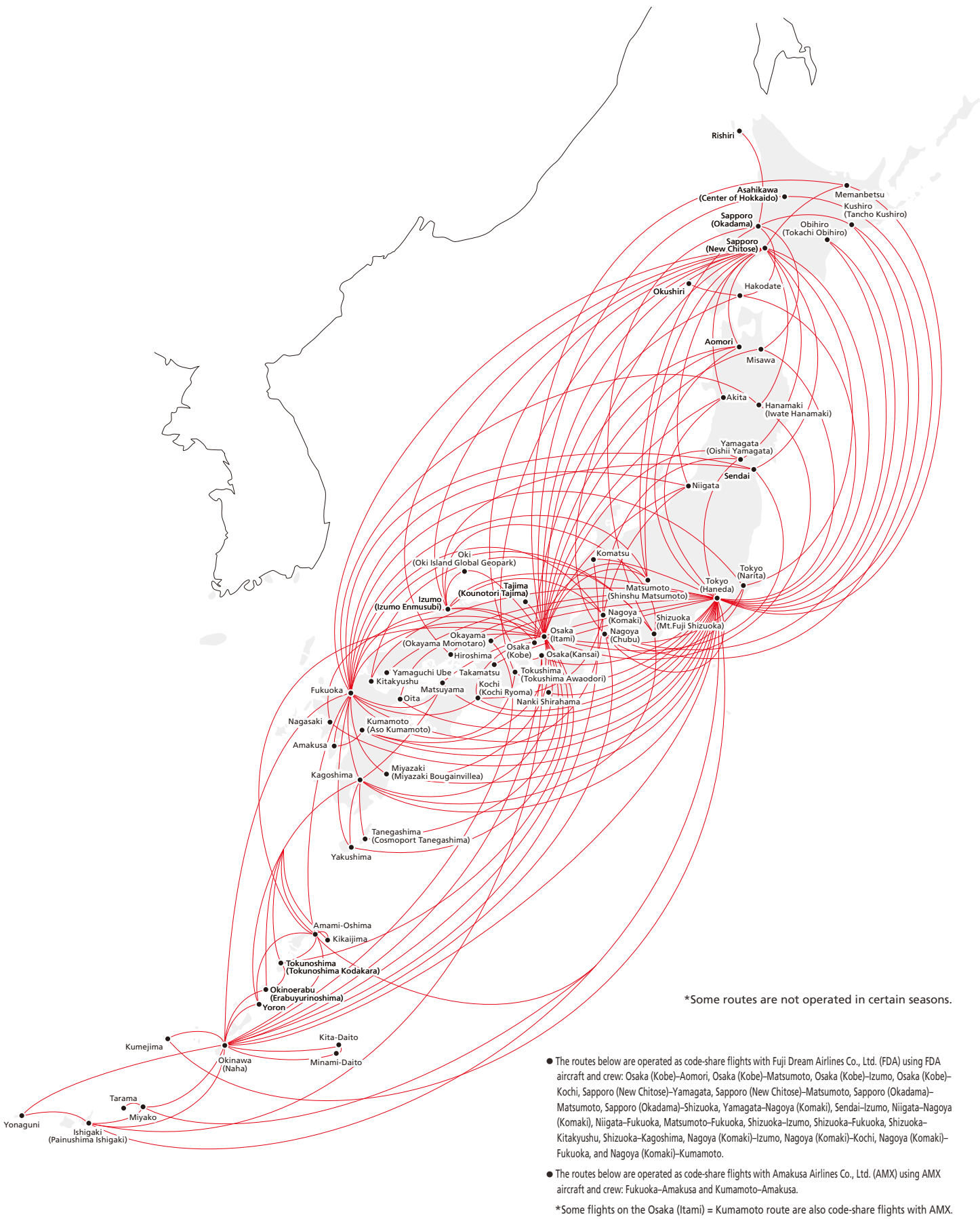


• The routes above include code-share flights.  
• The map has been altered to highlight the cities on JAL's route network.  
• Broken lines (-----) are one-way routes.



# Domestic Route Map

(As of September 4, 2020)



# Stock Information / Corporate Information

(As of March 31, 2020)

## 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/](http://www.tr.mufg.jp/daikou/) (only in Japanese)
- Method of official announcement  
Electronic public notice at:  
URL [www.jal.com/ja/corporate/publicnotices/](http://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.

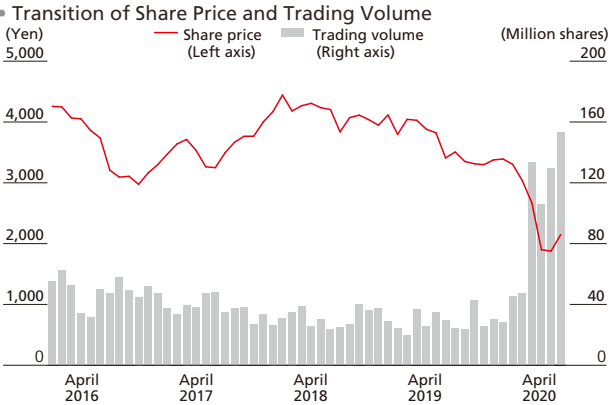
- Limitation on listing or recording of Citizens of Foreign Countries and Other Persons in Register of Shareholders and Register of Beneficial Shareholders

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.



- 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 337,143,500 (Number of shares per unit: 100)  
Number of Shareholders 236,234
- \*The total number of shares issued includes 136,157 shares of treasury stock.
- \*Based on the result of a decision by the Board of Directors on October 23, 2019, 5,818,000 shares of treasury stock were retired on November 8, 2019, and the number of issued shares was reduced by 5,818,000.
- \*Based on the result of a decision by the Board of Directors on October 31, 2019, 6,067,000 shares of treasury stock were retired on March 13, 2020, and the number of issued shares was reduced by 6,067,000.

Shareholder	Number of shares	Percentage of shares against total number of issued shares (excl. treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	25,965,000	7.70
Japan Trustee Services Bank, Ltd. * (Trust account)	14,172,500	4.20
Kyocera Corporation	7,638,400	2.26
Japan Trustee Services Bank, Ltd. * (Trust account 9)	7,028,700	2.08
Japan Trustee Services Bank, Ltd. * (Trust account 5)	6,945,100	2.06
Daiwa Securities Group Inc.	5,000,000	1.48
Japan Trustee Services Bank, Ltd. * (Trust account 7)	4,122,200	1.22
STATE STREET BANK WEST CLIENT - TREATY 505234	3,988,262	1.18
Japan Trustee Services Bank, Ltd. * (Trust account 1)	3,562,600	1.05
CITIBANK, N.A. - NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	3,544,994	1.05

\*On July 27, 2020, Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd., to become Custody Bank of Japan, Ltd.

## Company Profile

Corporate Name	Japan Airlines Co., Ltd.
Headquarters	Nomura Real Estate Bldg., 2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8637, Japan Phone: +81 (0)3-5460-3121 Website: <a href="http://www.jal.com/en">www.jal.com/en</a>
Established	August 1, 1951
Representative Director, Executive President	Yuji Akasaka
Capital	181,352 million yen
Employees	Consolidated Employees 35,653 people Employees 13,869 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, ESG 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 [www.jal.com/en/](http://www.jal.com/en/)  
Corporate information [www.jal.com/en/outline/](http://www.jal.com/en/outline/)  
Sustainability information <https://www.jal.com/en/sustainability/>  
Investor Relations [www.jal.com/en/investor/](http://www.jal.com/en/investor/)

