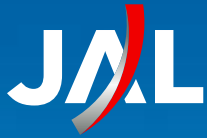


Dream Skyward.



CSR Report

2006



Corporate Policy of the JAL Group

The Japan Airlines Group, as an overall air-transport enterprise, will act as a bridge to bring peoples, their cultures and their hearts closer together and thus contribute to world peace and prosperity.

- 1 We will prioritize safety and quality.
- 2 We will think and act from the standpoint of the customer.
- 3 We will strive to maximize corporate value.
- 4 We will fulfill our responsibility as a corporate citizen.
- 5 We will appreciate hard work and take on a positive attitude.



Company Profile (as of March 31, 2006)

Holding Company

Company Name: Japan Airlines Corporation

Date of Foundation: October 2, 2002

Company Activities:

As the holding company of a group of air-transport companies and related businesses, administration of these companies' operations and support services

President & CEO: Haruka Nishimatsu

Head Office: 2-4-11 Higashi-Shinagawa,
Shinagawa-ku, Tokyo 140-8605 Japan

Paid-in Capital: ¥100,000,000,000

Shares Issued: ¥1,982,383,250

Number of Stockholders: 329,922

JAL Group

Constituent Companies:

Japan Airlines Corporation, 275 subsidiaries and 97 affiliated companies. The main 12 group companies are as follows:

Japan Airlines International Co., Ltd.

Japan Airlines Domestic Co., Ltd.

Japan Asia Airways Co., Ltd.

Japan TransOcean Air Co., Ltd.

JALways Co., Ltd.

JAL EXPRESS Co., Ltd.

Japan Air Commuter Co., Ltd.

AGP Corporation

JALPAK Co., Ltd.

JAL Tours Co., Ltd.

JAL Hotels Co., Ltd.

JALUX Inc.

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Cover illustration: Eizin Suzuki

Editorial Policy

Through this report on corporate social responsibility (CSR), we in the JAL Group hope to make our CSR activities clear and easy to understand as part of our efforts towards more effective communication with our stakeholders. This CSR report essentially covers the period from April 1, 2005 to March 31, 2006, but we also include events before or after this period. The report covers activities at the group level, though on occasion we limit our discussion to specific group units, such as Japan Airlines Corporation and Japan Airlines Corporation together with Japan Airlines International Co., Ltd. and Japan Airlines Domestic Co., Ltd. (collectively referred to as JAL).

Publication of Related Reports in English

The group released the Environmental Report 2004 and CSR Report 2005.

These reports are also available on the company website:

<http://www.jal.com/en/environment/report/2004/>

<http://www.jal.com/en/corporate/csr2005/>

The next English CSR report is due to be published in August 2007.

Published by the CSR Committee, Japan Airlines Corporation

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This CSR report is printed on paper made from plantation timber imported mainly from Chile and South Africa. The use of plantation timber contributes to expanding forests worldwide. In processing the pulp used as the raw material for this paper, an elemental-chlorine-free (ECF) process was employed, which emits virtually no organic chlorinated compounds, significantly reducing the negative environmental effect of waste-water processing.

Discussion Between President & CEO and Safety Advisory Group Chairman

JAL Group Faces Improvement Measures

Haruka Nishimatsu, president and CEO, and Kunio Yanagida, chairman of the Safety Advisory Group, exchanged frank views about how to create a stable “safety culture” (see pages 10–11) as proposed by the Safety Advisory Group.



Haruka Nishimatsu

President & CEO and chairman of the CSR Committee

No Profits Without Safety

Nishimatsu: We have been rebuilding the safety structure of the JAL Group since we were issued the Operational Improvement Order Related to the Securing of Safety on Air Transport by the Ministry of Land, Infrastructure and Transport in March 2005. I am extremely sorry for inconveniencing passengers with the various problems that have occurred. I was appointed president and CEO after being in the financial division, and this has been a year in which I’ve been made painfully aware of the direct relationship between safety and company survival — in the form of profits.

When thinking about our stakeholders — customers, investors, shareholders and employees — we should probably consider our employees first and foremost. If our employees can work enthusiastically, that is certain to have a positive impact on safety issues. In addition to safety, an enthusiastic attitude towards work will have a positive effect in such areas as improved service quality and punctuality. That will lead to a recovery in the trust that society places in us and the renewed support of our customers. These factors are crucial to the whole recovery process. If we can’t ensure safety, we won’t generate profit. If we’re unable to carry out the necessary reforms to our organization and corporate culture, increasing the motivation and satisfaction of our stakeholders, we won’t win back the trust of those stakeholders.

Yanagida: In the proposals presented by the Safety Advisory Group, we pointed out that if employees are not motivated, they are unlikely to engage positively in their work. And without this positive motivation, there’s little hope for safety. If staff are put in a position where they can engage actively in their work, business performance will improve.

Nishimatsu: As a publicly traded company, our ultimate objective is to meet the expectations of our inves-

tors, but that alone is insufficient as a corporate goal. We have to revert to our original starting point — ensuring the safety of our customers. And we need to make a new start to win back the valuable trust we have lost.

Badly Shaken Trust

Yanagida: At one time, the state held a 50% stake in JAL, and it was partly a government-run enterprise. Some elements in the company then adopted the attitude that the government would always provide JAL with financial support. That was useful in helping propel JAL in its early years. But the company has now privatized and is publicly listed on the stock exchange in line with global trends for national airlines.

As a publicly listed company, JAL is obliged to make profits for its shareholders. But JAL is also an airline with a well-defined public role. And since the company is responsible for preserving the lives of its passengers, that means it cannot engage merely in the pursuit of profits. If the company fails to ensure safety, it will lose trust along with its customers, and ultimately JAL won't be able to maintain its position as a corporate entity.

Nishimatsu: It's perhaps better to view profits not as the objective, but as a result. The desirable situation is probably more one of JAL achieving specific goals and profit being generated in line with those efforts. First of all, we need to ensure that all JAL employees fully understand safety awareness and the viewpoint of the customer. We need to provide safe transportation every day and show our wholehearted commitment to providing our customers with the very best service.

Yanagida: For JAL, safety and business performance must be viewed as two sides of the same coin if the company is to operate as an airline. So what is it that connects these two factors? It is clearly trust. And I believe trust is what has been called into question over the past year. For an airline, trust is at the core of everything,



Kunio Yanagida

Born in Tochigi in 1936, he graduated from Tokyo University's Faculty of Economics and later worked as a reporter on social issues for broadcaster NHK before becoming a writer in 1974. Winner of numerous prizes for his writing, including a Ministry of Land, Infrastructure and Transport award to commemorate 50 years of civil-aviation development for his efforts at spreading the ideas of aviation security in 2002, he became chairman of the Safety Advisory Group in 2005.

but with JAL that trust has been badly shaken. We should be grateful that no accidents involved the loss of human life. However, cases that in the past might have been trivialized or brushed aside have now been put firmly in the spotlight and are being debated by society at large. We can probably regard this as being a trend of the times. The values and concerns of Japanese passengers, which

different people with different jobs all have their own feelings about their duties. My aim as president and CEO is to ensure that all those efforts are directed towards the same goal.

Yanagida: For a long period, Japanese employees attached special importance to the company they worked



**Without safety,
we can't recover
trust; without trust,
we can't restore
business.**

constitute the majority of JAL customers, are changing. Japanese passengers now look for a safety system that is verifiable and transparent. And JAL was caught up in a very difficult year, with the business stance of the company being called into question.

Building Teamwork

Yanagida: What is the prime issue that an airline president and CEO faces in times like these?

Nishimatsu: The answer is simple — building teamwork. The airline industry covers a wide range of jobs: from work carried out at the airport and in the cabin to the duties covered by mechanics and management. Perhaps no other industry embraces so many disparate occupations under the umbrella of a single organization. And

for. That had both positive and negative implications for the postwar history of this country. Indeed, a special awareness of the role of the company has been the underlying power of Japanese firms. Over the last 10 years or so, however, we've seen the streamlining of management — and in some cases of the company itself. There have been repeated corporate spin-offs and the subcontracting of responsibilities in answer to various imperatives, such as cost cutting. At the same time, we've also witnessed more mergers and acquisitions. Overall, it has been a difficult period from the point of view of industrial organization. In a situation like this, it's extremely difficult for a company to work as a unified operation or to increase the team spirit.

Nishimatsu: Following the bursting of the asset "bubble" in 1991, we entered the so-called lost decade of

the 1990s, which was a severe period for the Japanese economy. The JAL Group made an ordinary loss of ¥53.8 billion in 1992, and it was from that point that we started implementing various structural reform measures, including spin-offs, aimed at reducing costs and raising productivity. We attempted to cut costs while maintaining quality, but now I see that things have begun to unravel at JAL.

Yanagida: How do you mean “unravel”?

Nishimatsu: There is some distance between companies in the group network and the parent headquarters, and this impedes customer feedback being conveyed to the top. Spinning off operations was an unavoidable step we had to take to survive, but I do have my regrets about having pursued that course. We must improve communication among the various members of the group and make the workplace itself a place of increased communication.

More Bottom-up Management

Yanagida: You say you were obliged to implement reforms in order to survive, but the distortions created by that policy continue. It is vitally important how you intend to address those distortions since these could damage your product value.

Nishimatsu: Absolutely correct! I believe a major failing of JAL is that it has not put a mechanism in place to follow up on the results of past decisions. We must also implement checks a little more frequently following planning and action. If we spin off operations, we have to review the complete ramifications of that decision.

Yanagida: We at the Safety Advisory Group felt the same way when we went to various work sites and spoke directly to employees. One major consequence reported was that it is increasingly difficult to maintain teamwork. As far as the relationship between headquarters and spun-off operations is concerned, one point we highlighted was that plans formulated in the head office are often simply passed along to subsidiaries without adequate discussion. As a result, those companies do precisely what they have been directed to do. These affiliates thus fall into a passive mode, merely following directions, and

that militates against a creative approach to their work. This is especially true today, where young people, which you tend to get in JAL subsidiaries, place a high priority on lifestyle and their own values. If we lose the sense of participation or the joy in creating, there's the risk of deterioration in the workplace. For me, that is perhaps the major consequence of the fragmentation of JAL into an assortment of group companies.

Nishimatsu: We do in fact hear that kind of argument in all our business operations. We must pursue a more bottom-up style of management, so that our staff can work in an environment that allows them to develop their talents and abilities freely, while maintaining a full sense of participation.

Safety and Winning back Trust

Yanagida: For various reasons, such as the sudden escalation in the price of oil, JAL's business results have progressively declined.

Nishimatsu: We've made good progress in cutting costs and have also disposed of non-profitable operations. On that level, we can still match the performance of airlines in North America and Europe. Now, we have to establish revenue balances and achieve our revenue forecasts. If we can't raise our revenues, we won't be able to get back on track and recover our original verve.

Yanagida: Even in this day and age, communication by word of mouth is still very important for one company to be able to distinguish itself from its rivals. A company can be evaluated in ways other than simple price, such as someone telling their friends, “JAL is just that little bit different,” after having a JAL employee say a few kind words when they were needed, or receiving good service performed with real sincerity.

Nishimatsu: I believe we must continue to offer dedicated service in an unassuming manner so that more customers will want to fly with JAL. In October this year, JAL International and JAL Japan will merge. With this, we in management will unify our motivation to create a spirit of new enterprise. Safety is the most important issue, and we will promote this to win back the trust of society and stakeholders.



Resolution on Flight Safety

For the JAL Group, flight safety is the very foundation of our existence as an airline as well as a social responsibility. With a renewed sense of the dangers involved in not implementing safety measures and a heightened awareness of the need for safety, each member of the JAL Group has pledged to maintain the safety of every JAL flight.



United to Promote Safety

Report for 2005

Between December 2004 and March 2005, the JAL Group was responsible for a series of safety incidents, which culminated in the Ministry of Land, Infrastructure and Transport issuing the company with a Business Improvement Order and an Administrative Warning. We express our deepest apologies to our customers and everyone involved for the incidents and inconvenience we caused.

Improving Operations



The common factor in the safety incidents that led to the issuing of the Business Improvement Order and Administrative Warning was human error. To resolve this issue, the company is now united in its efforts to review its safety awareness and safety organizational system, and we have implemented the following reform measures.

Safety Awareness

To reaffirm and deepen our awareness of the fundamental importance of flight safety to us as an airline, the JAL Group designated April and May 2005 as an Emergency Safety Awareness Improvement period, with the aim of making all group companies exert a concerted effort to improve safety awareness.

Emergency Safety Meetings

The CEO and other executives visited local offices, overseas offices, airports and group companies and conducted Emergency Safety Meetings. A firm effort was made to promote safety awareness as well as open up the lines of communication between management and staff through direct dialogue. Over 220 meetings involving 5,530 employees were held in April and May at domestic and overseas offices, operating bases and group companies. The opinions and desires expressed at these meetings are undergoing close consideration by a follow-up review committee to the Emergency Safety Meetings established by JAL. Interim and final results are reported to the newly created Flight Safety Committee, and feedback from those meetings is printed in *Corporate Safety*, an in-house JAL Group newsletter.

Ongoing Safety Meetings

In all, over 235 meetings were held between July 2005 and March 2006, and approximately 2,800 employees from JAL's domestic offices centered on Haneda and Narita as well as staff from over-



seas offices had the opportunity to exchange opinions with the CEO and other members of the JAL Board of Directors. The executives explained the company's present position and basic ideas as well as the safety efforts JAL is making. For their part, employees were able to explain their desires to management, express their frank opinions and make proposals for improvement from the workplace viewpoint. As a result, management and employees were able to reach a common awareness of the necessity to unite in their efforts to rebuild JAL.

Improving Procedures and Manuals

In light of the Business Improvement Order and Administrative Warning, JAL designated the period from April to December 2005 as one for improving procedures and manuals. During this time, safety-related work manuals and procedures were reviewed across all divisions of the company.

The objective here was to improve manuals so as to make them easier to understand as well as easier to use for employees working in flight, maintenance, cabin, airport and cargo operations. To this end, manual-improvement committees were established in each division, and safety proposals were collected from employees. As a result, JAL received approximately 2,600 safety proposals from the flight, maintenance and cabin divisions, and about 650 from the airport and cargo divisions. After carefully reviewing each proposal, JAL adopted approximately 700 and has incorporated them in updated manuals. The company has also implemented measures to ensure thorough compliance and familiarization among flight crew, flight attendants and mechanics regarding procedures and manuals updated or changed as a result of this review.

Safety-Management Activities



Safety Audit

The company conducts internal audits of the structure of operational activities related to safety. These reviews cover not only operations on the flight deck and in the passenger cabin, but all safety-related operations, including ground-based handling at airports as well as operations at headquarters. If problems are discovered, corrective measures are immediately implemented and activity reports made to company management. Audits were conducted at 23 domestic offices, 18 overseas offices and 23 headquarter staff divisions in 2005.

IOSA Accreditation

The IATA Operational Safety Audit (IOSA) program is an internationally recognized and accepted evaluation system operated by the International Air Transport Association (IATA), which sets strict safety standards and assesses operational management and control systems for airlines. Japan Airlines International was audited on 744 items in December 2004, with all items passing the audit. IOSA audits are repeated every two years, with the next audit being scheduled for October 2006. JAL is also engaged in a variety of other safety-related activities.

Safety Incidents in 2005

The JAL Group has set about implementing a variety of safety-improvement measures and has devoted considerable managerial effort into rebuilding its safety system. It was, therefore, distressing to witness further safety incidents in 2005. Those events and the measures put into effect as a result are listed below.

Emergency Landing by Flight 047

On May 8, 2005, JAL flight 047, flying from São Paulo to Narita via New York, had to make an emergency landing at New Chitose Airport. This resulted after its rapid descent owing to a drop in cabin pressure at approximately 11,000 meters at a point about 370 kilometers southeast of New Chitose Airport. This descent and landing were achieved without injuries to passengers.

Temporary Measures: JAL carried out functional tests on the pressurization systems on all 747-400 aircraft in its fleet. We removed all cabin-pressure controllers that had been in use for extended periods and tested them at our component-maintenance facility. In addition, we implemented detailed inspections of internal circuit boards for these controllers. The Ministry of Land, Infrastructure and Transport classified the flight-047 event as a serious incident, and an investigation into the causes is being carried out by the Aircraft and Railway Accidents Investigation Commission. JAL is fully prepared to implement any necessary additional measures upon receipt of the accident-investigation report.

Damage to Landing Gear on Flight 778

On May 30, 2005, JAL flight 778, scheduled to fly from Sydney to Kansai International Airport, suffered damage to part of the left-wing landing gear while being towed from the parking apron. The Australian Transport Safety Bureau classified this event as a serious incident, and an investigation is ongoing. According to the interim report, it is assumed that the damaged forward trunnion suffered reduced fatigue strength as a result of skipping shot peening and inadequate wall thickness owing to inappropriate mechanical processing during manufacture, and that long usage led to fatigue failure.

Temporary Measures: JAL implemented an emergency inspection of the forward trunnions on all 747-400 aircraft in its fleet and confirmed that there were no similar defects. The company also measured the wall thickness of the forward trunnions and performed non-destructive inspections on them. JAL has also fully established a maintenance program for periodic inspection.



We are prepared to implement any necessary additional measures upon receipt of the official investigation report.

Damage to Nose-Gear Wheels of Flight 1002

On June 15, 2005, two tires from the nose-gear wheels on JAL flight 1002 from New Chitose Airport became separated as the plane landed at Haneda Airport. There was also damage to part of the wheels, and the aircraft became stranded on the runway. Three passengers complained of neck pain and of feeling sick, with one receiving treatment at the airport clinic.

Temporary Measures: JAL implemented visual checks of all tires and wheels on all aircraft in its fleet, confirming that there were no similar defects. The Ministry of Land, Infrastructure and Transport classified this event as a serious incident, and an investigation into the causes is being carried out by the Aircraft and Railway Accidents Investigation Commission. The company is prepared to implement any necessary additional measures upon receipt of the accident report.

Engine Trouble on JALways Flight 58

On August 12, 2005, JALways flight 58 (DC-10) from Fukuoka to Honolulu encountered left-wing engine trouble shortly after takeoff and immediately returned to Fukuoka Airport. In the process, some engine parts fell on the Sharyo district of Fukuoka. As a result, several people were slightly injured and windscreens of automobiles parked around Sharyo were damaged. Investigation revealed that the probable cause was erosion of the turbine blades inside the engine. The erosion produced holes in the blade, through which the cooling air escaped, and the blade overheated, leading to failure.

Countermeasures: The company shortened the borescope-inspection interval from 2,500 to 1,000 hours for 747 aircraft using the same type of turbine blade. By October 2005, all DC-10 aircraft had been decommissioned.

Problems with Emergency Escape Slide on JAA Flight 209

On December 26, 2005, a flight engineer on Japan Asia Airways (JAA) flight 209 from Narita to Taipei discovered that the slide packs storing the emergency escape slides, positioned by the emergency exits on the upper deck of the aircraft, were not in their correct position in front of the emergency doors, but were to the rear. The attendant responsible for the upper-deck cabin had made a preflight check and mistakenly given the OK.

Measures to Prevent Recurrence: The reason why the slide packs were not in their correct position could not be identi-

fied. The crew had failed to discover the problem with the slide packs prior to the flight, and JAL put the cabin crew of the flight through retraining. To prevent recurrence of the problem, JAL modified the slide packs so that they could be fixed in position.

Failure of Thrust Reversers on Flight 3913

On January 7, 2006, the left-engine thrust reversers on JAL flight 3913 from Itami to Kagoshima failed to operate upon landing at Kagoshima Airport. The pilot performed a normal landing, and there were no injuries to passengers or crew. Checks revealed that the safety lock pin, which is used during maintenance to prevent activation of the thrust reversers, had been left in place on the left engine.

Upon investigation, it was found that when repair work was carried out on the left engine at Itami Airport, the mechanic had disabled the thrust reversers by inserting the safety lock pin without a streamer, attached to the hydraulic-control unit of the aircraft as a safety precaution. However, the mechanic failed to remove the safety lock pin when the work was completed.

Countermeasures: The company has fully enforced the use of safety lock pins with streamers stored in the tool room when disabling the thrust reversers.

Time Limit Exceeded for Mandatory Tests on an MD-87

On March 20, 2006, it was discovered that the time limit for carrying out inspection of the main-gear section of an MD-87, mandated by the Ministry of Land, Infrastructure and Transport as being 450 flights, had been exceeded by 41 flights (10 days). JAL rushed an inspector to New Chitose Airport to perform the necessary inspection. On March 22, reconfirmation of the contents of the inspection revealed that it had not been carried out in accordance with the manual.

Countermeasures: The aircraft underwent further inspection at New Chitose Airport. Inspection of the main gear of all MD-87 aircraft was completed by March 26. On March 22, JAL was issued with a written reprimand by the Ministry of Land, Infrastructure and Transport. On April 5, the company submitted a reply to the ministry, detailing the results of investigations into the causes and measures to prevent a recurrence of the incident.

We are promoting safety awareness by following the advice of the Safety Advisory Group: improving communication between management and staff, continuing regular education of managers in charge of safety and making effective use of the Safety Promotion Center.

Recommendations of Safety Advisory Group

Establishment of Safety Advisory Group



Despite implementing measures for improvement in the wake of the Business Improvement Order and Administrative Warning, JAL continued to be responsible for safety incidents. Thus it was that on August 3, 2005, the JAL Group established the Safety Advisory Group.

Under the chairmanship of well-known writer Kunio Yanagida, the Safety Advisory Group is made up of five independent experts with knowledge and hands-on experience in such areas as safety, crisis management, defect analysis, organizational operation and corporate culture. Over the five-month period from August to December 2005, the committee met 30 times, conducted 130 hours of interviews and made site inspections. Among its activities, the committee interviewed those directly connected with the safety incidents as well as other parties involved. The committee observed flights and visited important work sites, including TAECO, a maintenance factory in Xiamen, China, to which JAL contracts maintenance work. In addition, the committee climbed Mount Osutaka (the site where JAL flight 123 crashed in 1985) and made an inspection tour of the Ministry of Land, Infrastructure and Transport's Air Traffic Services Department at Haneda Airport.

The committee finalized the results of its investigations and analysis in a report titled *Recommendations Aimed at Revitalizing the JAL Group as a Company with High Safety Standards*. Some 25,000 copies of the report have been printed and distributed to employees in the JAL Group so that they become fully familiarized with the recommendations. Kunio Yanagida also conducted a series of lectures, each lasting over two hours, at JAL headquarters in Tokyo as well as at offices and operational bases in Sapporo, Haneda, Narita, Nagoya, Osaka, Fukuoka and Okinawa so

as to promote greater understanding of the contents of the report. More than 2,000 JAL Group employees attended these lectures, which also included spirited Q&A sessions. These lectures helped staff acquire a better grasp of the recommendations.

Summary of December 2005 Proposals



Revamping Our Mentality

JAL must change its mentality from one of thinking that someone else will take care of a particular situation to one where the employee says "I will do it," and JAL must shift its stance from one of passivity to one of being active. JAL must address the problem of overreliance on manuals and think about how each individual's job fits into the whole scheme of things. In addition to making these efforts, JAL must aim to do something extra for its customers, with each employee taking the standpoint of "What would I do if I or my family were the passengers?"

Revamping Our Organization

JAL must establish a central safety organization as a powerful staff division, reporting directly to the CEO as well as to the corporate planning division. JAL must remove the partitions that make parts of the JAL Group operate as closed segments and isolated cultures. JAL must undertake mandatory personnel exchanges and periodically arrange opportunities for reciprocal checking of work and for information-exchange councils to meet.

Central Organization Responsible for Safety

Most of the time of existing safety-promotion sections is

Safety Advisory Group Members

Kunio Yanagida (chairman), nonfiction writer; **Yotaro Hatamura**, professor, Kogakuin University; professor emeritus, Tokyo University; **Shinichi Kamata**, professor, National Defense Academy; **Shigeru Haga**, professor, Department of Psychology, College of Arts, Rikkyo University; **Akinori Komatsubara**, professor, School of Science and Engineering, Waseda University



Kunio Yanagida
visits JAL Engine
Technologies, Ltd.

taken up with organizational adjustments and administrative operations related to safety. There has been no development of a professional staff responsible for safety, even at headquarters. The newly established central organization responsible for safety must be led by a senior member of management trusted throughout the company who is capable of strong leadership. That person has to be responsible for promoting safety-related education and development throughout the entire group.

JAL must establish a safety-promotion archive to prevent the lessons of past accidents from being forgotten and to use them as a basis for reestablishing safety measures.

Human Error

The practice of carrying out unequivocal verbal communication needs to be established. This manner of speaking should remove any doubts about what it is that the other party is attempting to do and ensure that one's own ideas are properly understood by the other party. JAL must establish a corporate culture in which it is possible to say "Stop! That's dangerous!" This must be a culture where the true meaning of the manual is correctly understood so as to prevent employees from falling into the trap of letting the manual decide their actions.

Rapid Information

The central safety organization must gather information and also rapidly transmit analyses, countermeasures and related information to the workplace and promote "horizontal" development of risk information. Professional staff responsible for safety must be thoroughly acquainted with details of past incidents and JAL must submit relevant data in a timely fashion to those who need it.

Improving Communication

Communication between management and staff and across different group segments is not proceeding smoothly. The lack of adequate communication is a major obstacle to establishing safety. JAL must implement cross-segment personnel exchanges and interchanges between headquarters and local offices as well as among the safety councils working in different segments.

Revealing Defects

Errors are not reduced by punishment. Where committing errors leads to punishment, they tend to be concealed. It is

important that errors be reported immediately and that the details of each case be presented in a format that can be accessed by everyone. That would be a major contribution to establishing safety measures. Nurturing a culture where this practice is recognized will increase communication in the workplace.

Pride and Motivation

JAL must no longer simply continue old ways of doing things, but attempt to establish new practices. When staff participate right from the planning stage, they will be motivated to do their best. For that reason, JAL must include important staff from related organizations (including those from subsidiaries and contractors) at the planning stage of projects and operations.

Cultivating a Culture of Safety

If you are a passenger experiencing the operations of an airline, you adopt a first-person perspective. Where a family member is the passenger, this becomes the second-person perspective. Airline staff carrying out their duties without properly considering the position of the passenger is a third-person perspective. Trying to adopt a first- or second-person perspective could lead airline staff to become excessively emotional and unable to make professional judgments. From the third-person perspective, there is a tendency to treat human beings as inanimate objects. What is needed is for JAL to maintain its consideration for the first- and second-person perspectives, while calmly dealing with its duties as professionals. This we term the "second-to-third-person perspective."

Ultimately, safety is created by passengers, airlines, the administrative authorities and the media.

Extract from Safety Advisory Group Recommendations

The recommendations of the Safety Advisory Group are not meant to be individual prescriptions for the series of incidents and problems recently experienced by JAL. They are a set of third-party investigations and analyses concerning significant elements of fundamental revisions, outlining what is necessary to create a stable "safety culture." What this means is establishing a corporate culture that ensures safety amid the sharp changes seen in the economic and social environments and in the organization of JAL.

Safety Measures in Medium- to Long-Term Management Plan

The 2006–2010 medium-term management plan was drawn up in March 2006 based on the JAL Group Corporate Reform Initiatives, announced in November 2005 as a vision for revitalizing the JAL Group. The plan includes measures for achieving the recommendations made by the Safety Advisory Group. We plan to carry out a series of safety investments, amounting to approximately ¥60 billion over the five-year period from fiscal 2006 to 2010. We intend to strengthen and utilize the IT operations that support flight safety, along with expanding our maintenance facilities. At the same time, we will step up such measures at the group level as increased hiring of engineering staff and mechanics in our group companies.

Awareness of Issues

- Analysis of safety issues and measures to deal with them are not being properly communicated among group companies. This is particularly true in the case of human errors leading to incidents.
- We have not fully developed our abilities in handing on requisite skills and training professionals in the area of transportation safety.
- We still lack an awareness of the crucial central role of safety owing to our not having established a safety culture that continuously learns from the past, and our educational efforts to promote safety have been insufficient.

Medium-Term Response Initiatives

- In response to the Safety Advisory Group, we have established the Corporate Safety Division, responsible for all safety improvement and for promoting safety improvement as a group.
- The company will tackle issues resulting from human error. We will make investments centered on strengthening our maintenance base and improving flight quality. We aim to reinvent ourselves as a company with high safety standards and recover the trust of our customers.

Concrete Activities

1. Reconstruction of Safety Systems

In addition to setting up the Corporate Safety Division and establishing its authority with regard to safety issues, we

have allocated professional staff under the senior vice president and promoted safety improvements as a group. We will create a safety-information database and collect data on safety information and failings. We will share this information and analyze it within the group, utilizing it as basic data for horizontal development and for formulating safety measures. JAL will also continue the Safety Advisory Group, made up of external advisors who provide advice to the JAL Group safety system.

2. Employee Activities

We will periodically review the extent to which unequivocal verbal communication is widespread throughout the company and review too the simplification of company manuals. In addition, we will prepare an educational program under the theme of “Safety as Our Ultimate Priority” and implement safety education and training towards establishing a safety culture. By the efficient utilization of the Safety Promotion Center and having new employees climb Mount Osutaka, we aim to nurture a corporate culture that continues to learn from the lessons of the past. JAL also aims to establish opinion-exchange and research venues for employees, starting with the flight crew and air-traffic controllers, and conduct periodic opinion exchanges.

3. Promoting Safety PR

While unveiling PR activities involving pilots and mechanics, the company will also host study tours of aircraft hangars and hold flight classes for children.

4. Strengthening Maintenance

JAL will expand maintenance-related investment. Measures will include the introduction of an integrated IT maintenance system, a 777 dock at Narita Airport, a large-engine test facility and purchasing of spare engines, aiming to strengthen the maintenance base through increased hiring and the transmission of vital skills.

5. Flight Performance

We will take active steps to prevent safety incidents arising by staying abreast of flight performance, while extracting and analyzing unsafe elements. JAL will improve the crew-related information base, transmitting safety information to the crew in a rapid and timely manner.

Safety Promotion Center

On April 24, 2006, following recommendations of the Safety Advisory Group, JAL established the Safety Promotion Center at Haneda Airport to reaffirm the awareness of flight safety. A major exhibit is the aft pressure bulkhead from JAL flight 123. Wreckage from the aft fuselage is on display, as are newspaper reports of the accident and photographs of the crash site. The center presents information on major accidents that have involved JAL as well as panels displaying details of aviation accidents from around the world.

A main objective of the Safety Promotion Center is to establish safety awareness among JAL Group staff. Following a specific proposal from the Safety Advisory Group that accident sites and wreckage material have a powerful educational value, we will reflect on past incidents and have all our employees fully grasp the importance of flight safety.

It is our strong belief that this Safety Promotion Center will operate as a basis for establishing safety within the company, and we will use it as the starting point for a pledge on flight safety. We have to be constantly aware that the responsibility for the lives and property of our customers is entrusted to us.



The wrecked vertical stabilizer of JAL flight 123 (top); the aft pressure bulkhead (above left); records of aviation disasters (above right)

Guide to Safety Promotion Center

TEL 03-3747-4491 FAX 03-3747-4493

Address: Daini Sogo Building 2F, Haneda Kuko 1-7-1,
Ota-ku, Tokyo 144-0041

Access: five minutes' walk from Seibijo Station on the Tokyo Monorail

Opening hours: Monday to Friday 10:00 to 12:00, 13:00 to 16:00

(closed holidays and during the year-end holiday period)

Size: exhibition area approximately 600 square meters

The center is open to all those with an interest in aviation safety. Visits can be made by members of the general public. However, reservations are required and should be made the day before the intended visit, so as not to conflict with staff-education days and for reasons of site security. The center offers daily one-hour guided tours for groups of up to 10 people at 10:00, 11:00, 13:00, 14:00 and 15:00. Safety Promotion Center staff will accompany visitors at all times during visits and explain the facilities and exhibits.

Establishing a New System

My Personal Pledge to Promote Safety

Kiyoshi Kishida, General Manager, Corporate Safety Division

We inaugurated the Corporate Safety Division on April 1, 2006. This move was based on a recommendation by the Safety Advisory Group to establish a central organization responsible for safety to report to top management. Both the company, which was responsible for a series of safety incidents, and I are now in the position where we have to devote all our efforts to getting to grips with flight safety. That is one reason we established the Corporate Safety Division in Terminal 1 of Haneda Airport, close to the maintenance and flight-operation areas. And that is where I work from an office along with my staff to fulfill our safety-promotion duties.

Information Disclosure

Reporting to me are two deputy general managers, both

very professional and with long experience at maintenance headquarters. One of these will continue as safety advisor, a position created last year to serve as a liaison between management and staff.

We have also assigned to the center staff members of department-head status with extensive backgrounds in flight, maintenance, passenger-cabin, airport and cargo operations. Along with the two deputy general managers, other staff also possess the experience and management capabilities necessary to give directives to each division. To achieve the rapid disclosure of safety-related information, we have included staff from the PR division, who will carry out their original duties in addition to safety matters. The Corporate Safety Division is an organization that has been delegated with strong authority. And as the officer respon-



sible and a professional, I pledge to be a severe judge of issues as my staff and I pursue safety.

Comprehensive Safety Measures

The safety organizations established in the flight, maintenance, passenger-cabin, airport and cargo divisions will continue to investigate problems and produce countermeasures. The Corporate Safety Division works across departmental divisions and produces medium- to long-term safety measures. In cases where departmental safety measures are judged to be insufficient, we shall issue the necessary directives to the departments involved.

Many aviation incidents are complicated in nature, and investigations into the causes tend to be conducted in a vertical fashion. But such an approach makes it impossible to obtain optimal results. The Corporate Safety Division aims to promote comprehensive safety measures by providing a lineup of professional staff with responsibility for the various issues involved.

Accident Prevention Through Safety Promotion Center

With its display of the wreckage of JAL flight 123 from Mount Osutaka, the Safety Promotion Center has been established as a place to affirm the importance of flight safety

and allow people to reflect on past accidents. The center has been set up to exhibit case studies not only of JAL accidents but also various aviation accidents from around the world. I believe we must use the center as the starting point for each and every JAL employee to learn about the importance of flight safety.

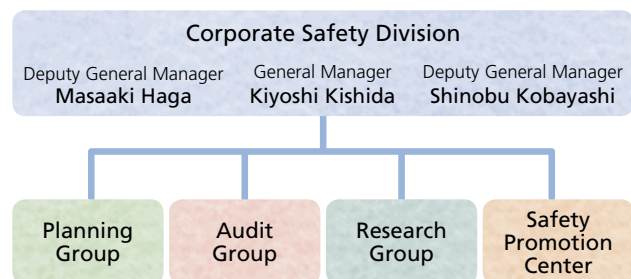
Overall Aviation Safety

I participated in field operations for 35 years as a member of a flight crew. And I intend to use that experience to contribute to achieving aviation safety. It is my aim to ensure that the opinions of the relatives of those who died in the JAL flight 123 accident on Mount Osutaka, their prayers for the prevention of a reoccurrence and their strong will are reflected in my work. I believe that the product we provide should be secure, safe, dependable and comfortable. It is the combination of hardware, software, infrastructure and human elements that determines the quality of a service. If JAL staff can maintain their love for their work and society, their workplace will become fault-free. It is the job of management to create and promote the methods needed to produce a quality service. And it is my desire that JAL become united in its efforts to provide the kind of personal service that will ensure that our customers feel safe and satisfied with every JAL flight.

Reorganizing Central Safety Organization

Following the recommendations of the Safety Advisory Group, the company strengthened its safety organization. And to promote safety improvement throughout the entire group, we have newly established the Corporate Safety Division, which reports to the CEO.

- A Planning Group, Audit Group, Research Group and the Safety Promotion Center have also been established and report to the general manager of the Corporate Safety Division.
- As well as promoting a safety culture, sharing data and optimizing safety levels throughout the JAL Group, the Cor-



porate Safety Division carries out research mainly of latent factors and output, is in close liaison with external organizations and provides support for various JAL departments and group companies.



Together with Our Stakeholders

Through an active dialogue with our customers, shareholders, investors and the local society where our operations are based, we are making efforts to reestablish a relationship based on mutual trust with our stakeholders.



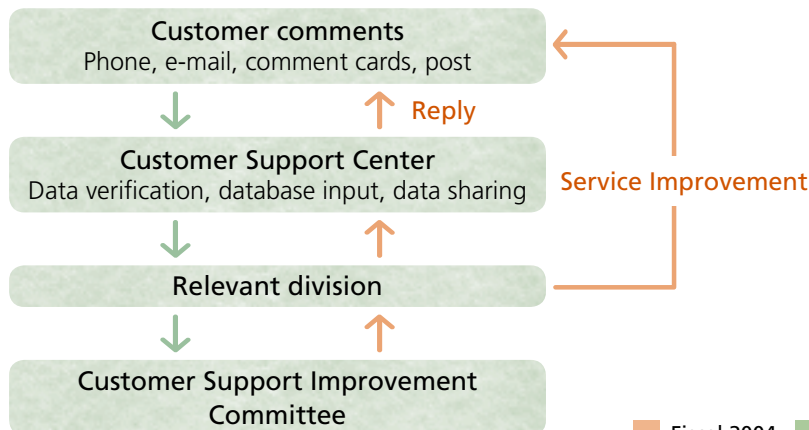
Together with Our Customers

Thinking and Acting from the Customers' Standpoint

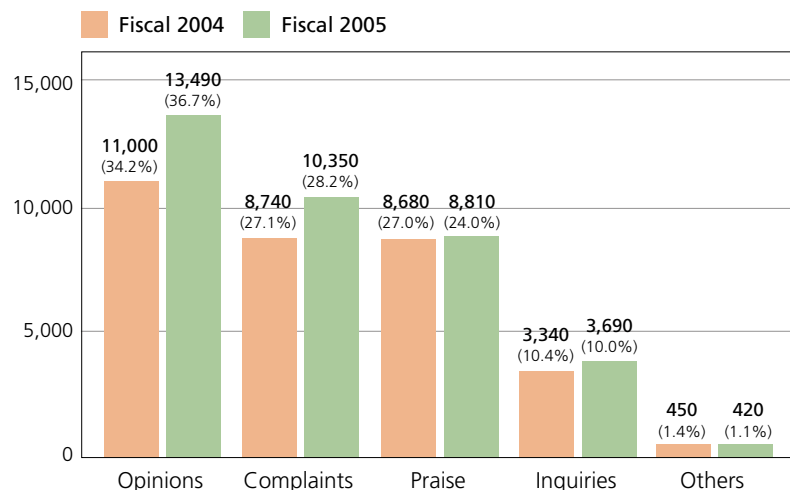
Shaping Customers' Comments into Concrete Responses

For more than half a century, JAL has enjoyed a relationship of close cooperation with its customers, receiving their valuable support at each step of the way. Our aim is to see our work from the standpoint of our customers, come up with new ideas to satisfy their needs and expectations and thereby provide a better service.

At JAL, we adhere to the principle of always being there for our customers and make efforts to include the opinions and feedback we receive from them on a daily basis in improving our service. The company has set up a Customer Support Center to respond directly to customer comments, and approximately 80 full-time staff cater to customer proposals, opinions and wishes. Our customers can contact us via a toll-free comment line, the comment cards placed onboard the aircraft or by post. The company takes great pains to provide an honest and appropriate answer to every communication. Customer comments are analyzed and fed into a database. This information is forwarded to the appropriate division in a timely fashion, and this is then used as a vital link in company-wide efforts to improve service.



In fiscal 2005, JAL received 36,760 customer comments, a 14% increase over the previous year. Of these, 13,490 were customer opinions, a 23% increase and 36.7% of the total. The company also received 10,350 customer complaints, an 18% rise, making up 28.2% of all customer comments forwarded to JAL.



Together with Our Customers

As part of my ground-based cabin-operations training, I handle replies to customer comments related to cabin operations in the Customer Support Center. At this center, I come into direct contact with a variety of customer comments, from complaints to praise. When I'm on duty as a regular member of the cabin crew, however, my contact with the ground staff is rather limited. I was not, therefore, aware just how the customer comments I pick up onboard were put to use in the company. I have to respond honestly to every customer comment, and that has broadened the way I view service.



I've become keenly aware that every comment we receive is just one among thousands or tens of thousands from JAL customers.

Mio Iida
Customer Support Center

JAL introduced à la carte meals in First Class on long-haul flights in 1998, enabling passengers to eat whenever they wish after the first meal service. This service was introduced in response to numerous customer comments, indicating that they wanted to spend their time freely on the plane. We did not aim to put together a deluxe menu, but decided to offer instead more the kind of fare that passengers might choose to eat at home as a light meal, such as curry and *ramen* noodles. Last year, we extended this First Class service to Executive Class, where it is now available on our London, Paris, New York and Chicago routes. Looking ahead, we will be constantly considering our passengers' tastes and wishes as we aim to provide them with menus that match their needs.



Seiji Tanaka
Planning Division

Dealing with Customer Comments

My job is to take the diverse comments we receive, identify issues requiring improvement and then work in conjunction with various divisions to make those improvements come about. Often, however, issues are resolved with a touch of on-site ingenuity — even before a proposal for improvement has been submitted. An example of this can be seen in an incident following the suspension of our service allowing pets into the passenger cabin on international flights in April 2006. One passenger commented, "I'm worried my pet may



be rather cold in the cargo area." We all considered how we might tackle the question. One division came up with a proposal, which was to use a thermal mat in the cargo area. That idea was quickly adopted. This shows an optimal situation, in which various divisions come up with ideas and proposals at the same time to deal with a problem.

Naoaki Kamekawa
Customer Support Center

I'm responsible for responding to comments and opinions received in English. In many cases, I can see that dissatisfactions voiced by non-Japanese customers are a case of linguistic misunderstandings. We occasionally receive complaints from non-Japanese customers who feel that they weren't treated the same way as Japanese. When we look into these, we find that in the great majority of cases misunderstandings arose as a result of incomplete on-site explanations. I feel that in the confined space of an airport or aircraft, where our staff comes into contact with many different customers, there may be cases where we're unable to provide a complete, satisfactory English explanation. Once I make a detailed explanation of the situation in a letter, I find that almost all customers are satisfied. Some even write back full of praise, thanking me for having explained things clearly. Of course, I simply do what the job demands, but I admit that it is at such times that I feel the greatest pleasure.



Emiko Hatayama
Customer Support Center

Assuring All Our Passengers a Pleasant Flight

Universal Design as a Guiding Principle

Universal design is a central concept to the workings of the JAL Group. The principle of universal design is to create goods, services and environments that are easily usable and accessible by as broad a range of the population as possible. This concept aims to standardize design to make commodities and public spaces as easy to use and access for people with disabilities as for those without.

With universal design, we do our utmost to understand our diverse customers and set up facilities in accordance with their different needs. The group also aims to offer services that meet our customers' high level of expectation, and we will continue improving the quality of our service.

Our basic thinking is that the JAL Group offers a helping hand to all our customers. We aim to make products and services safe and easy for customers to understand and use.

Universal Design Workshop

In fiscal 2005, some 80 JAL staffers attended workshops to study ideas related to universal design (see box, right), and all attained Class 2 Universal Design Coordinator Grade. In fiscal 2006, 200 JAL staffers are scheduled to take part in this workshop.

The Universal Design Coordinator is a qualification sponsored and accredited by the Institute of Advanced Studies in Universal Design, a nonprofit organization (NPO) certified by the Cabinet Office. The qualification attests that



the holder maintains specialized knowledge of areas including social welfare and medicine, understands universal design theory and can utilize this in products and services.

Refining Hardware and Software

JAL is aiming to provide a service that is easier for its customers to use, including automatic check-in machines on domestic and international flights, ticketless service and user-friendly cabin interiors and onboard facilities. We are pursuing ease of use along with ease of understanding in all our communications.



This passageway is easy to follow even for passengers with imperfect color vision: facilities at Kobe Airport designed in a black-and-white pattern (above left). JAL vehicle at Kobe Airport for use by passengers with special needs (above right)

Workshop Attendee Comments

The good thing about universal design is that those with disabilities are not viewed as some different class of human being. Its results benefit all customers.

Yukiko Ikeuchi, Reservation and Ticketing Procedures Department

An aircraft is a confined environment, and this presents difficulties not only for elderly passengers and those with special needs, but also for crew members. With universal design, though, we're able to provide more comfortable conditions for everyone onboard.

Tomotake Mori, Station Operation Planning Department

Though we'd intended to introduce a number of functions for the sake of convenience, it resulted in such areas as our timetable and homepage becoming more complex. I feel we must make documentation and services in general easier to understand, not only for our passengers, but also our staff.

Ayako Izuma, Station Operation Planning Department

I think I've become a lot more aware of what is going on around me after having studied universal design. I also believe I'll be in a position to offer opinions and make proposals from the standpoint of people with disabilities.

Miho Fujita, Training Department, Cabin Attendants Division

Having studied universal design, I'm able to understand the difference between that and barrier-free theories so much better. I also feel we can apply universal design to many different areas. There's no limit to its possible applications.

Keiko Miyazaki, Passenger Services Planning Department

Together with Our Customers



Becoming Care-Fitters



In an effort to promote universal design, JAL staff at all domestic airports in January 2006 began working towards acquiring a care-fitter* qualification. In the future, we plan to use such qualified staff as key individuals as we look to systematize a high-level care-fitter education in the company. Our aim is to have all airport staff acquire care-fitter and service techniques.



At present, some 290 staff in our airport division have commenced distance learning towards acquiring the care-fitter qualification. By the end of September 2006, we plan to conduct practical instruction and complete final testing and are making efforts aimed at ensuring that all 290 participants receive accreditation.

*The notion of being a "care-fitter" is one that originated in Japan and is directed at acquiring particular skills by those who frequently deal with senior citizens and people with disabilities. To this end, a care-fitter qualification is awarded by the Nippon Care-Fit Service Association, an NPO. The qualification is given to those who participate in training courses (correspondence courses and two days of practical instruction) hosted by the association following the passing of a certification test.

Seeing from the Other Person's Perspective

I received my care-fitter instructor qualification in January and am now teaching airport staffers aiming to qualify as Class 2 care-fitters. In the two days of practical instruction, apart from teaching the basic thinking behind being a care-fitter and how to operate wheelchairs, the course includes a simulation of the environment as experienced by elderly customers and those with disabilities.

Through this simulation, which I also studied when I qualified, I was able

to gain a deep understanding of how other people deal with certain situations. This was something that before I'd considered only in a theoretical fashion. Staff who attended the classes also told me that afterwards they felt they were able to provide a more comprehensive service to customers in general.

Eriko Kamimizu

JALSKY Tokyo Co., Ltd., Passenger Services Planning Department
(Care-fitter instructor)



JAL Smile Support



Carefree Journeys

For domestic flights, the JAL Group has established the Smile Support Desk to help passengers with special needs, such as expectant mothers, passengers with babies, children traveling alone and elderly passengers. Full details are listed alongside our timetable, on our homepage and in pamphlets at airports.



Services for expectant mothers and passengers with babies

- Priority seating
- *Mama & Baby Odekake Guide* (only in Japanese)
- Loan of strollers
- Priority boarding



Support for children traveling alone and elderly passengers

- Priority seating
- Guidance to the arrivals lounge upon landing
- Original JAL toys for children



Smile Support Desk

☎0120-25-0001

(available seven days a week from 06:30 to 22:00)

Service with a Smile

JAL Smile Support was established to help passengers with special needs, and the support desk receives numerous inquiries. Typical requests and inquiries would be a granddaughter wanting someone to accompany her elderly grandmother to the bus stop after a flight or a mother concerned about the inflight effects of air pressure on her baby. As one of the JAL staff who comes directly into contact with customers in such cases, I attempt to ease concerns. JAL Smile Support has been going just three years, and there are still a number of matters we're unable to deal with. Occasionally, customers come back with a severe assessment of the work we do, and I hope to play a role in addressing those shortcomings in future.



Hitomi Yamada

JAL Smile Support Desk,
JAL Navia Fukuoka Co., Ltd.



Together with Our Customers

Priority Guest Support



Assistance for Safe Transport

Consistent Teamwork

In the JAL Group, we refer to passengers with disabilities and those with illness or injury as priority guests and give them precedence over our other customers. Established in a pioneering move in 1994, the JAL Priority Guest Center coordinates all efforts by JAL towards the treatment of priority guests.

JAL has systems in place to ensure that passengers with disabilities or with injuries have problem-free travel. In serious cases, where the passenger is fitted with such equipment as artificial respirators, we send out advance notification and give appropriate instructions to each division at each stage of the journey so as to provide constant support for the passenger.

Case Study: Overseas Organ Transplants

Once a passenger in need of an organ transplant has received a certificate of admission to hospital, we decide on the flight details so as to transport the person in time for the operation. We supply any medical equipment the passenger may need onboard and determine whether an ambulance will be necessary at the airport of departure or arrival. Sometimes, an accompanying physician with sterilized medical equipment, passenger transport by charter flight and even hosting a press conference before departure are required. But we respond to all demands by close information exchange among all concerned departments before departure.

In fiscal 2005, JAL transported 15 passengers overseas for organ transplants.



Appropriate and Flexible Response

The JAL Priority Guest Center responds flexibly to a variety of situations, such as passengers suffering from panic syndrome, autism, kidney diseases or passengers fitted with pacemakers or artificial anuses. The Priority Guest Center is staffed by eight experienced employees, who make committed responses to each of the approximately 100 communications that arrive at the center every day. All these staffers are aiming to qualify as certified care-fitters.

Supporting Heart-Transplant Recipients

JAL established the Priority Guest Center in 1994. At first, our lack of experience showed in our response to the needs of certain passengers. With time, though, we established intra-organizational links that cut across jurisdictional lines: the various departments worked together like a single project team to ensure that passengers were transported safely to their destinations. Those efforts were recognized in the Dream Skyward Award (details about the award on page 29), which the Priority Guest Center received in recognition of its transporting passengers overseas for heart transplants.




Noriko Oba
JAL Priority Guest Center


Inflight Support

On international routes, the JAL Group provides special meals, such as ones for diabetics and low-calorie fare. We also offer inflight explanations in Braille, boards for written communication, toilets for use with inflight wheelchairs and stretchers on both international and domestic routes. Seeing-eye, service and hearing dogs may be taken into the aircraft on all flights.

Priority Guest Center

<http://www.jal.co.jp/en/jalpri/>

 **0120-747-707** (available daily from 09:00 to 17:00)

 **0120-747-606** (reservations and information for those with hearing and speech disabilities)

Peanut-Free Flights

In the pressurized atmosphere of an aircraft passenger compartment, there is a danger that passengers with peanut allergies might ingest airborne peanut dust. This can set off such symptoms as palpitations and respiratory problems. For these passengers, we provide meals and snacks that do not contain peanuts. Depending on the seriousness of the symptoms, we may remove peanut products from all inflight snacks and meals. Since 2001, we have operated 242 peanut-free flights, including 26 on domestic routes.

Cargo Carrier Responsibility

Our objective at JAL Cargo is not just to carry cargo from one point to another. We make efforts to ensure we fulfill our social responsibilities as an international carrier by constantly considering what is necessary from the standpoint of the customer and acting accordingly. Even where unforeseen circumstances lead to delays and cancellations, we develop alternative courses of action to avoid any inconvenience to customers, including transporting goods via alternative routes on our partner airlines in the WOW cargo alliance.



Tay Swee Huat

Cargo marketing & sales manager,
Singapore Cargo Office



Noriko Omura

Cabin attendant

Learning Sign Language

After a number of volunteers from the cabin crew got together with the desire to provide a better service for customers with hearing disabilities, the JAL Sign Language Class started up in 1995. The classes were carried out in a role-play format based on inflight service situations and were designed to have the students learn sign language as a conversational skill, not simply set vocabulary patterns. I've participated in the classes for about seven years and have seen a gradual increase in the

number of cabin-crew members wishing to attend. Many of our passengers with hearing disabilities are delighted when we communicate with them in sign language, and that is extremely fulfilling. Of course, some passengers do not wish to use sign language, so we have to exercise care how we respond when we first meet them.

I would like to expand our sign-language circle not just among cabin crew but to other divisions in close contact with our customers.

Passengers Taken Sick Onboard



All attempts are made to maintain the inflight environment as close as possible to that on the ground. Within the plane, however, such factors as atmospheric pressure, humidity and turbulence do, of course, make conditions very different to those before takeoff. These differences may have an adverse effect on the health of our passengers, and so JAL has an inflight medical system in place to deal with the eventuality of a passenger taking sick while onboard.

Medical Education and Training

Cabin crew receive 16 hours of medical education as part of their induction training when they join the company. They study introductory aeronautical medicine, health and hygiene and how to deal with a number of conditions that tend to occur onboard, including cardiopulmonary resuscitation (CPR) and automated external defibrillator (AED)



Cabin crew receiving AED training

protocols. Following the completion of their induction training, cabin crew also receive approximately 2½ hours of first-aid training every year to maintain their knowledge and skills.

Onboard Pharmaceuticals and Medical Equipment

All JAL Group aircraft with over 60 seats carry a doctor's kit. The company reviews the types and amount of pharmaceuticals and medical equipment in this kit on an annual basis. In fiscal 2005, JAL experienced 394 cases of onboard sickness demanding medical assistance by cabin crew on international flights and 272 on domestic flights.

In 85% of such cases on international routes, a request was made for help from physicians onboard, while help was requested in 88% of similar cases on domestic routes. The doctor's kit was used in approximately 31% of cases on international flights and 9% on domestic flights.

Doctor's Kit. This is the set of pharmaceuticals and medical equipment carried onboard to be administered by a physician. A 1993 directive from the predecessor of the Ministry of Land,

Infrastructure and Transport requires that airlines provide emergency pharmaceuticals and medical equipment on aircraft with over 60 passenger seats.

AED. JAL began carrying AED equipment on its aircraft in October 2001, the first instance of such equipment being deployed in locations other than hospitals in Japan. This move had a major impact on emergency medical systems in this country.

Resuscitation Kit. This contains such equipment as an Ambu bag, endotracheal tubes and a laryngoscope.

Medicine Kit. Included are nonprescription drugs, such as those for gastrointestinal complaints and colds, as well as adhesive plasters.

Ground Medical Support

JAL maintains a ground-based support system known as telemedicine, whereby a JAL doctor on 24-hour call uses a satellite telephone to communicate medical instructions to the crew in case there is no physician onboard.

Food Safety



To prevent such incidents as food poisoning from occurring inflight, the JAL Group has imposed stricter safety and sanitation management at its food-preparation plants. In October 2005, the group began implementing rigorous third-party safety and sanitation inspections using a consultant specializing in food quality and safety and sanitation standards. As part of those activities, JAL, along with Air Canada, Aeroflot, KLM, Northwest Airlines and others, participates in the IATA Catering Quality Assurance (ICQA) program. This program was introduced in January 2006 to enhance inflight meal safety and sanitation throughout the IATA.

As well as making efforts in safety and sanitation, the JAL Group takes every care with such food-related issues as bird flu, BSE, residual pesticides and food tampering. In March 2006, however, it was discovered that U.S. beef, which the group had prohibited (in line with Japanese government policy), had found its way into inflight meals intended for infants on a JALways flight departing from Guam. To avoid such incidents in future, we have made strenuous efforts to keep our overseas contractors thoroughly informed about restricted food materials in addition to making menu checks immediately prior to takeoff.

Together with Our Shareholders and Investors

Meeting Expectations

Disclosure and Communication

The JAL Group promotes active communication with our shareholders and investors, providing them with business data in a speedy and impartial format. The group will continue such activities, thereby putting shareholders and investors in a position where they fully understand JAL and are able to make responsible investment decisions. JAL also seriously listens to the opinions and proposals made by shareholders and investors and makes efforts to see that these ideas are reflected in management decisions.

Timely Release of Accurate Data

The company aims to provide timely disclosure of information, including the posting of updated information on the JAL homepage for the benefit of shareholders and investors. JAL also periodically provides investors with various kinds of data, notable among which is the company's annual report, published in English. JAL posts this information for shareholders and investors on the company website at:

<http://www.jal.com/en/ir/index2.html>

PR Activities Aimed at Diversified Investors

The JAL Group hosts five briefing sessions each year for institutional investors and analysts, coinciding with the quarterly results and medium-term business plan. Videos and other materials presented at these briefings are available on our website. The company also gives briefings to individual investors, and we value the two-way communication with investors achieved through direct dialogue. The materials distributed at these briefings and presentation images are available on our website at:

<http://www.jal.com/en/ir/management/setsumeikai.html>

Socially Responsible Investment Index

The CSR activities of the JAL Group have been acknowledged and in September 2005 were included in the FTSE4Good Index Series, designed by the global certification body to measure the performance of companies that meet globally recognized corporate-responsibility standards.



Shareholder Activities

Shareholders Benefit Program

So that shareholders can better understand and support the JAL Group, we operate the Shareholders Benefit Program and invite them to use group products and services.

Shareholders Desk

For matters relating to the Shareholders Benefit Program, the group operates an inquiry counter known as the Shareholders Desk, which handles telephone calls and letters from our shareholders.

Shareholder Events in Fiscal 2005

As part of the Shareholders Benefit Program, JAL conducts a variety of events so that our investors get better acquainted with the JAL Group and our business. In fiscal 2005, JAL was pleased to show investors around our maintenance facility at Haneda Airport in August and October. With the cooperation of Central Japan International Airport (Centrair), we also hosted a lecture presentation titled "Sky Tales." Following an explanation from pilots and cabin attendants, who spoke about their training and job responsibilities, we provided investors with a close-up view of aircraft taking off and landing from the Centrair Sky Deck against the backdrop of Ise Bay.



"Sky Tales" lecture presentation (left) held on January 20, 2006, at Centrair; visit to the maintenance facility at Haneda Airport in August 2005 (below)



Together with Our Employees

A Comfortable Workplace

Training and Development



JAL Staff — an Indispensable Asset

As in any business, human resources are an indispensable asset in the JAL Group, powering our efforts to increase our corporate value. Employees are our most highly valued stakeholders, and the JAL Group and its employees are partners joined by the firmest of links. The mutual development of the company and its staff also makes a contribution to the development of society as a whole. The JAL Group supports the development of its employees, both as members of the organization and of society, through career development, and we aim to create a workplace in which employees can give full expression to their abilities and talents while feeling they have a secure future.

Furthering Employee Careers

The JAL Group conducts various education and training programs so that staff may acquire knowledge and enhance their skills, improve safety and service from the customers' standpoint and develop strong links within the group through interdepartmental exchanges.

In addition to launching CSR Safety Education, a program designed to establish a corporate culture that prioritizes safety issues, the JAL Group has since 2005 vastly increased opportunities for employees to participate in training exchanges among the departments within the group.

One program that the JAL Group has developed is the *Shigoto Genki Program*. In this, employees are encouraged to take the initiative and work on improving their own skills and make lifestyle choices so they can give full expression to their capabilities. JAL also operates the *Kokoro Genki Program*, a plan that helps employees manage stress.

The JAL Group aims to enhance its education and training programs, strengthening efforts towards human-asset development. In fiscal 2005, the JAL Group conducted 263 in-house group-education and/or training sessions, with 4,763 employees taking part.

Balancing Personal and Professional Life



The JAL Group has established an environment in which employees can develop their ideas about improving the balance between their professional and personal lives. The group aims to enhance support systems for achieving this balance in a variety of ways. In addition to support for self-development and career development, these systems include support for bringing up children, increasing leisure time and rehiring retired employees.

Maternity, Child and Family Care

Maternity and child-care leave is a policy aimed at actively supporting JAL Group employees. The JAL Group allows female employees to take maternity and child-care leave up until the end of the month of their child's third birthday.

A Worker and a Mother

I am a mother with four sons, aged 5, 6, 12 and 16. I became eligible for discretionary employment when I turned 40, some two years after my youngest son was born. The timing worked out well as I'd always thought I wanted to continue working as long as possible, but I'd just reached the stage when bringing up the kids and looking after the house were becoming a burden. If the company hadn't provided this system, I would probably have been forced to stop work. I want to continue working as long as I have the understanding and cooperation of my family. At the moment, I've little time for anything except work and my family. But the discretionary labor system also allows me to take on a second job, so once I have a little more free time on my hands, I'd like to try that different working challenge.



Yuko Sumiya
Cabin attendant

This system compares favorably with the legal requirement for a single year of leave, extendible by six months in certain cases. Almost 40% of those applying for maternity and child-care leave take the full period offered. Some 70% of those whose maternity and child-care leave drew to a close in fiscal 2004 returned to the workplace, underscoring the effectiveness of this system in retaining staff.

The group also provides a system for leave of absence to care for parents and close relatives for up to 18 months. This too compares favorably with the legally mandated 93 days. In all, 63 staffers took advantage of this system in fiscal 2004.

The company introduced a system of “discretionary labor” for cabin crew in May 2000, which allows those over the age of 40 to adjust their work schedules to accommodate personal circumstances. Under this system, employees may be required to work just 10 days a month, which is half the normal workload.

Staff Taking Maternity and Child-Care Leave

Fiscal 2003: 692
Fiscal 2004: 771
Fiscal 2005: 782

Paternity Leave

The JAL Group introduced a system of child-care leave for male employees in fiscal 2005 to support efforts by our staff to balance work with child rearing. The participation of fathers in the child-rearing process is a social necessity, particularly against the backdrop of the severe decline in Japan’s birthrate. JAL actively supports these initiatives, with seven employees having taken paternity leave in 2005.

Promoting Work-Life Balance

The operations division at JAL headquarters has been actively involved in reducing the work burdens on employees and implemented the following initiatives in fiscal 2005:

- Work-Life Balance Day — a system to ensure all staff leave the office at the end of standard working hours on Wednesdays
- Flexibility in working hours
- *Work-Life Balance Communication* — a weekly educational publication
- Special summer vacations — for longer holidays

Our First Child

Just before my wife gave birth, I discovered that a system of child-care leave for male employees had been introduced. I decided to apply for leave under this system so that I could better support my wife and help her adjust to life with the baby. It was wonderful for her and



me to have this opportunity to work together in bringing up our child. I highly recommend this system to all my colleagues.

Yushi Kanakura

JAL Aviation Technologies Co., Ltd.
First Landing Gear Maintenance Department

Safety in the Workplace



The JAL Group maintains numerous divisions, including those for operations, maintenance, passenger cabin, airport and cargo. Each is involved in activities to prevent industrial accidents and to create a comfortable working environment.

The maintenance division aims to heighten safety awareness and play an educational role in promoting staff safety and health for all personnel, from new employees to divisional heads. Staff and management make every effort to maintain a high level of communication to improve the safety of the daily working environment.

An example of safety control is seen with aircraft paints, which contain large amounts of organic solvents. Because of this, the company ensures that ventilation equipment is in operation in the hangars when painting is done. JAL also stipulates that all workers wear appropriate protective clothing. Conscious of the need to improve both the working and the global environment, JAL is making efforts to reduce the amount of organic solvents released into the environment by introducing organic-solvent-free paint-stripping agents and electrostatic paints.

Together with Our Employees

Reemployment System



In line with the growing demand for employment opportunities for senior citizens, JAL in April 2006 introduced a system to provide reemployment opportunities to all employees who reach official retirement age but wish to continue working. With this system, retired employees desiring reemployment are rehired by the JAL Group Senior Center and posted to group companies.

Staff with Disabilities



The JAL Group is developing an environment in which employees with physical disabilities can feel completely fulfilled in their work. The group established JAL Sunlight Co., Ltd. in 1995 to promote employment of people with disabilities and create an environment where they can work effectively. JAL Sunlight was accredited as a special subsidiary under a law related to the promotion of employment for the physically disabled, and a large number of such staff are actively engaged, working mainly in business-service operations. At present, physically disabled staff make up 1.48% of the JAL workforce (combined figure for JAL, JAL International, JAL Domestic and JAL Sunlight), which is below the legally mandated figure of 1.8%. The company thus needs to engage in further activities aimed at promoting employment

of those with physical disabilities.

We promote the employment of people with visual disabilities. In 2006, JAL Sunlight began operating a welfare facility where JAL employees can receive massages.

Pledge on Promoting Human Rights



The JAL Group does not discriminate based on gender, age, nationality, race, religion, social station or physical disability and positions this initiative as a code of company conduct. To tackle discrimination, it is necessary to be firmly aware of the issue. And the company promotes human rights at various in-house training venues as it attempts to further the awareness of respecting human rights among its employees.

✪ <http://www.jal.com/en/corporate/action.html>

Working Environment for Female Staff



Approximately half the staff in the JAL Group (including consolidated domestic affiliates) are women, and these employees are active in a broad array of work settings. As an example, the company has 11 female flight-crew members and 54 female mechanics, all of whom are engaged in securing safe flights on a daily basis. When new staff are employed, such issues as gender and nationality are irrelevant



Kazuko Yashiki

Kobe Airport station manager

Airport Station Manager

Starting in September 2005, I participated in preparations for the opening of the new Kobe Airport and became station manager in November. I'm the sixth woman to be appointed station manager by JAL, and because of the efforts of the women who did this work before me, I felt little pressure when I assumed the position. The station manager is the senior JAL official at the airport, responsible for all JAL operations there. In this position, I have to utilize the skills of various experts to provide a superior

service. It's also the station manager's job to promote teamwork. Fortunately, Kobe is a relatively small airport, we don't have so many employees and so I get to know everybody. At Kobe Airport, it's possible for staff working in different areas to communicate through normal everyday exchanges. And that's probably the ideal format in terms of teamwork. I want to make this an airport that conveys a sense of human warmth to our customers, and that's something I probably couldn't achieve at a larger airport.

to the JAL Group: of far greater importance are the spirit of perseverance and capacity to accept challenge on the part of prospective employees.

And while the JAL Group looks to employ motivated staff with talent, we also aim to create a comfortable working environment for our female employees. This includes fully fledged maternity and child-care systems along with employment support. In fiscal 2006, JAL hired 57 people as general office workers, and of these 10 were women. In fiscal 2006, 7.4% of our managers were women, an increase from the fiscal 2005 figure of 7.0%.

Dream Skyward Award



In 2004, the Dream Skyward Award was established to recognize achievements made in promoting an understanding of the JAL corporate philosophy, increasing individual and organizational vitality and helping shape a dynamic corporate culture. The Occasional Prize is awarded on an ad hoc basis. The Annual Prize goes to particularly noteworthy recipients of the Occasional Prize. In 2005, the Occasional Prize was awarded to 1,904 recipients, and 51 group companies, overseas offices and subcontractors won the Annual Prize. The Dream Skyward Award has the following divisions: Safety and Quality, Customer Service, Good Corporate Citizen and Effort and Challenge.

Good Corporate Citizen Division Winner Japan Wheelchair Basketball

Before joining JAL, I was a member of the Japan Wheelchair Basketball Federation for a number of years. At present, I'm involved in promoting sports activities for the physically disabled as a member of the organizing committee at the federation. Because of JAL's connection with the Japan Wheelchair Basketball Federation, we've been able

to forge closer ties with other groups involved in sports for the disabled. As a result, JAL has become an official sponsor of the Paralympics.

Satomi Kitajima

JAL Engine Technologies Co., Ltd.
Administration Department



Staff in Overseas Offices



Wang Lei

Shanghai Office

I'm responsible for providing the links between flight management and flight-crew members at the JAL office in Shanghai Pudong International Airport as well as assisting in matters relating to flight-policy decisions. I built up various kinds of experience over a four-year period before becoming flight operations manager. Things get very busy for me if the weather worsens, aircraft have problems or there's a closing down of airspace. And it's on those occasions when I manage to find quick solutions to such problems — and make sure that work at each affected division is flowing smoothly again — that I feel most satisfied.



Quengo Kanatani

Administration supervisor, São Paulo Office

After graduation, I was looking for an opportunity to travel around the world, a good career in a multinational company and a new challenge to develop my knowledge. All this I thought I'd find in JAL. I now handle various contract agreements in the São Paulo Office in addition to my accounting duties, which include budget analysis and financial reports. I'm lucky to be in a place where I feel comfortable with the people I work with. Occasionally, I go to the airport to visit the check-in counter, watch the passengers' smiling faces and witness the efforts of our staff — in such areas as maintenance, passenger services and cargo handling. And that sight makes me very proud to be working for JAL.



Patrick Furrow

Administration, the Americas Office, Los Angeles

I joined JAL because I wanted to work in an international company with links to Japan. More importantly, I wanted a job that presented me with challenges and kept me happy. JAL offered me those challenges. I handle various legal, insurance and tax-based work in the administrative section of the Americas Office. The future holds many challenges for this airline, and I want to play a significant role in meeting these challenges.



Together with Society

Being Trusted and Needed by Society

Air Transport as a Bridge to Society

The JAL Group corporate philosophy is to contribute to world peace and prosperity, and the group's numerous corporate activities have long been in line with such aims.

The JAL Group is engaged in CSR-based activities that are directed at contributing to society in a way that allows the group to give full expression to the characteristics and strengths of its main business of air transport. JAL employees are engaged in volunteer activities that help them become aware that they are all full members of society, and the company also collaborates on projects with civil society. In fiscal 2005, the group was even more involved in such activities than in the previous year.

Within the PR department, the JAL Group created a Social Activities section dedicated full time to addressing CSR matters. In April 2003, we drew up a set of Social Conduct Guidelines and Priority Fields of Activity. Group employees have participated in various activities while realizing the full potential of the characteristics of JAL's core business.

Social Conduct Guidelines

- The JAL Group will fulfill its responsibilities as a corporate citizen as outlined in the Code of Conduct. Through active participation in social activities by every employee, JAL aims to become a group trusted by society and one that people will positively choose to do business with.
- As an air-transport business with a network that unites the world, the JAL Group will use its unique characteristics to encourage greater human interaction and support cultural activities.
- As a corporate citizen, the group will support activities that help the younger generation. We will also help those with financial or physical difficulties and participate in activities that show respect for nature.
- The group will actively plan and participate in various social activities, including those at the local level.

Priority Fields of Activity

- 1 International exchange among young people
- 2 Education and social welfare of young people
- 3 Art and cultural activities
- 4 Environment-conservation activities

Topics in Fiscal 2005

Wings of Love

Now in its 19th year, the Wings of Love program invites children from children's homes across Japan for a three-day trip to Tokyo. The theme of the latest program was "Having Fun in Tokyo with Friends from Faraway," and the company hosted 19 children from six areas around Japan. Altogether, 48 JAL Group volunteers also came to Tokyo from around the country to lend their support to the program.

Thanks to the cooperation of the Mori Art Museum, the children toured Roppongi Hills and enjoyed the Paper Museum before going on a tour of the maintenance facilities at Haneda. The children and volunteers exchanged albums they had made as mementos of the trip. JAL aims to maintain year-round mutual-exchange programs with the local outlets of facilities that cooperated with this year's Wings of Love.



Global Citizens' Month

Following the participation of the JAL Group in the UN Global Compact at the end of 2004, the company has declared June of each year Global Citizens' Month. The company hosted the JAL Global Citizens' Seminar 2005 in our maintenance facility at Haneda Airport, attracting 119 participants, mainly parents with children who had applied to attend from Tokyo's Ota and Shinagawa wards. The first section of the seminar was the Earth Lecture, conducted by Toshifumi Sakata of Tokai University, which was followed by a tour of the maintenance plant.

Pink Ribbon Campaign



JAL participates in the Pink Ribbon campaign, which serves to highlight the importance of early detection and treatment of breast cancer. In October 2005, we initiated our Pink Scarf Flights, which are designed to inform customers about this campaign: the cabin crew on three domestic flights wore pink scarves, and ground staff at the boarding gates distributed Pink Ribbon badges and cards to passengers. At this time, Pink Ribbon badges were also sold in-house, and from this the company was able to make a donation

of ¥620,000 from the sale of 620 badges to Akebono Kai, the Breast Cancer Patients' Network.



Pink Scarf Flights

With the start of Breast Cancer Month on October 1, the cabin crew on three flights participated in the Pink Ribbon campaign by wearing pink scarves and aprons. I did a little reading beforehand about breast cancer so I'd be able to answer passengers' questions, and that made me aware of my own ignorance. I'd always assumed breast cancer had nothing to do with me, but I realized it was a much closer concern than I'd imagined. So I went for a checkup myself. Breast cancer concerns women everywhere and can't be viewed simply as somebody else's problem. That's a point I want to communicate to those around me, regardless of whether or not we're in the campaign period.



Sayaka Nagai
Cabin attendant

Together with Society

Picture Books for Children

The Send Picture Books to Laos and Cambodia campaign began in 2003 and was conducted four times in fiscal 2004, collecting 114 picture books. In 2005, the campaign was held 10 times in seven locations throughout Japan, resulting in 477 donated books. The campaign was conducted by the Shanti Volunteer Association.

Pasting translated text into the books gives participants the experience of engaging in an activity promoting international cooperation. JAL employees were able to appreciate something about living conditions for

children in Laos and Cambodia and learn the true meaning of volunteer activities. Participants paid part of the participation costs to the Shanti Volunteer Association, the balance being covered by the Volunteer J Fund (see page 33).



Books for Cambodia

I helped by cutting out the Khmer translations and pasting them over the Japanese sections of the picture books to be sent to Cambodian children. The task itself was fun as it reminded me of school handicraft classes I had as a child. But I also learned how difficult it is to be a volunteer. What impressed

me was the caring attitude of the NGO members as they explained the spirit of the campaign. It occurred to me that if I had the chance, I'd like to go myself and hand over the books to the children. But after seeing the way the NGO members approached their work, I realized that this is not the kind of thing you just do on a whim.

Most of us are busy with our day-to-day work and don't find time to think about others. It's gratifying, though, to consider that some people out there are happier today because we spent just a few hours working as volunteers. Other JAL staffers I worked with in these volunteer activities seemed to feel the same way, and I'm glad I was able to participate.



Kiyomi Otsuka
JALSKY Nagoya Co., Ltd.
General Affairs Division

Support for Disaster Victims

Following a request from Japan Platform — an umbrella organization bringing together government, the business community and nongovernmental organizations (NGOs) — the JAL Group set up a series of emergency flights between Narita and Islamabad, ferrying free winter blankets to the victims of the Pakistan earthquake of October 2005.

Blankets from Hiroshima Prefecture collected by Japan Platform and those purchased with donations from JAL Group companies were transported to Islamabad. There, they were given to Japanese NGOs for distribution to earthquake victims. JAL also contributed ¥1.15 million in donations. The company forwarded donations to the Japan Red Cross Society in response to an appeal from the Keidanren (a major business organization) and cooperated with earthquake efforts by expanding free shipping of relief materials on flights to New Delhi and transporting humanitarian support staff.

The JAL Group canvassed for emergency donations throughout the group for the victims of Hurricane Katrina and forwarded ¥1.5 million through the Japan Red Cross Society.



Shinagawa Terakoya Project

Following a request from Shinagawa Ward, the JAL Group extended its cooperation to the Shinagawa Terakoya Project, which arranges for working people to lecture at junior high schools in the Shinagawa area, where JAL maintains its headquarters. Six participants from the JAL Group — flight crew, cabin crew and mechanics — visited junior high schools in the area to talk about working at JAL.

It is our hope that these activities provide young people with some ideas to help them consider their own career plans and also raise their awareness of society.



Volunteer Activities by JAL Group Staff



The JAL Group maintains a volunteer organization for staff called Volunteer J. The group has 348 registered staffers, and the *Volunteer J Tsushin* magazine goes out to 769 group employees. Funds from donations and proceeds from charity bazaars and charity concerts are forwarded to the Volunteer J Fund and used to support staff volunteer activities and cover participation costs.

The Volunteer J Emergency Support Fund makes donations to humanitarian groups and purchases aid material to be sent to disaster areas. The JAL Group supports the activities of Volunteer J and makes air tickets and company facilities available to staff participating in social activities planned by the organization.

Listening to Pilots



Eiichi Tsuchida
MD-90 captain

In September 2005, I visited Ito Junior High School in Shinagawa Ward to talk about my job as a JAL pilot. I received a number of written questions from the students beforehand, and my talk was an attempt to answer those questions. One child asked me how I felt being responsible for the lives of so many people. I replied that I don't really see that responsibility as pressure: if anything, that for me is the challenge of the job. I later received a letter saying how the talk had inspired the students, and that really pleased me.

As a working adult, I enjoy talking to children about my job. And if just one kid out there decides he or she wants to be a pilot after hearing me, I'm delighted. Haneda Airport is close to Shinagawa Ward, so aircraft are seen up close by local students. It all begins with a kid watching an aircraft overhead and thinking, "I'd like to fly a plane like that!" Children today enjoy computer games, but instead of looking down at their screens, from time to time they ought to try looking up at the sky.

Together with Society

Earthwatch

Earthwatch is an international NGO engaged in volunteer-dispatch activities and supporting field research. Earthwatch Japan is a nonprofit organization (NPO) set up to handle activities in Asia. Since 2005, JAL has played a role as a corporate member, supporting the activities of Earthwatch Japan by offering transport, providing data to employees who participate in projects and covering participation costs. The company has also hosted an in-house seminar, introducing Earthwatch activities to JAL employees.

In 2005, JAL Group employees also participated in such ventures as the Tanzawa Nature Project (see box, below) and protecting sea turtles in the Amami Islands, southwest Japan.

JAL Sky School in Hong Kong

The 22nd JAL Sky School was held by JAL's Hong Kong office. In all, 144 elementary school students went on a sightseeing flight over Hong Kong. This program was run by TVB and the Leisure and Cultural Department and was supported by Shell Hong Kong and AFSC Refueling.



JAL Group Young Green Squad

Every year, young employees from the JAL Group engage in a variety of volunteer activities, learning how to plan and participate as volunteers in the process. In fiscal 2005, 47 employees representing 40 group companies participated in the following activities:

- Visiting nursery schools and old people's homes
 - Soba (buckwheat noodle)-making classes, Japanese-language classes and visits to Toshogu Shrine, Nikko, with international students
 - Supporting Japanese classes for non-Japanese children and taking them on a tour of Kamakura
 - Visiting children's wards in hospitals
- Former members of the JAL Group Young Green Squad also participate in activities aimed at environmental protection of areas of natural beauty.

Tanzawa Nature Project

I participated in the Tanzawa Nature Project in October 2005. We checked what small animals had built nests in the nesting boxes we had set up the previous year. Six volunteers split into two groups to look inside the 130 nesting boxes for signs of animal



Tanzawa Nature Project

life. Though the climbing was at times a little difficult, I was overjoyed when our group found a baby flying squirrel in one of the nesting boxes.

I think volunteer work is satisfying, especially if the activity coincides with one's own interests. Happily, that was the case on this occasion. A thing that made a strong impression on me was when one person at the briefing pointed out that anybody who works a five-day week has over 100 days off a year: there are people who would derive enormous benefit if we devoted some of those days to volunteer activities.



Nami Usui

Access International Network,
Product Planning Division

Other Activities

Cooperation with UNICEF

- Painting the UNICEF symbol on our aircraft
- Collecting donations and selling UNICEF cards onboard
- Transporting coins collected for Change for Good campaign
- Informing passengers of UNICEF activities
- Offering transport assistance during UNICEF-related seminars
- Helping with street donations for UNICEF's Hand-in-Hand with Children campaign

Supporting the World Wildlife Fund (WWF)

- Running advertisements in the JAL in-flight magazine
- Collecting in-house donations
- Hosting seminars for board members
- Educating our Narita staff about endangered flora and fauna

KIDS Project

JAL offsets the participation costs of employees who volunteer to take part in the KIDS Project (hosted by KIDS, an NPO) and donates prizes. In this project, volunteers spend time at Tokyo Disneyland with mentally and physically disabled children.

Donations to Environmental Activities

- Wild Bird Society of Japan
- Japan National Trust
- Japan Society of Aerospace and Environmental Medicine

Collaboration Programs with JAL Foundation

The JAL Foundation collaborates with scholarship programs and the Fulbright Program as well as organizes lectures by globally minded citizens.

Support of the Arts

The JAL Group supports art exhibitions,

music programs and cultural seminars, notably those by physically disabled artists.



Local-Community Activities

- With Santa Claus on the Airplane, cabin crew and maintenance personnel don Santa outfits and bring gifts to children and elderly people in the Narita area.



- Formed in 1995 by JAL Group staff at Kansai Airport, Love-Wing is a volunteer group, whose members visit children's homes and hold charity bazaars.
- Charity concerts by employee volunteer group Ensemble J



Local-Community Sports

Among employees' sports and cultural activities supported by the group are JAL Rabbits (women's basketball) and JAL Wings (rugby).

Marunouchi Citizens' Environmental Forum

The JAL Group, Tokio Marine & Nichido Fire Insurance and Mitsubishi Corporation cosponsor this ecological forum.

Maintenance-Facility Tours and Aviation Classes

The JAL Group organizes tours of its maintenance facility at Haneda Airport and holds aviation classes throughout Japan.

Cooperation with International Aid Organizations

- The JAL Group provided air tickets for Chinese who raised Japanese war orphans left behind in China so they could visit those children who later returned to Japan
- Transport for the Lee Su Hyon scholarship fund
- Providing air tickets to NGO staff attending training courses connected with the Office of the UN High Commissioner for Refugees
- Use of the JAL Building for the Japan Association for Refugees for advanced training courses and providing air tickets for overseas seminars
- Help with the World Food Programme essay contest
- Hosting in-house volunteer programs for Caring for Young Refugees, an NPO
- Amnesty International Japan conducted a lecture for Narita Airport staff, "Coexisting in a Multicultural Environment"; JAL assisted with transport for speakers at domestic seminars
- Children Without Borders: JAL provides air tickets for staff engaged in constructing schools in Cambodia
- The symposium "Learn about Fair Trade" was held in the JAL Building
- Spoiled-Postcard Collection campaign: the JAL Group contributed unusable postcards with prepaid stamps to Shapla Neer (Citizens' Committee in Japan for Overseas Support)
- Citizens towards Overseas Disaster Emergency (CODE) conducted a lecture for Osaka Airport staff on reconstruction support for victims of the October 2005 Pakistan earthquake
- The JAL Group exempts wheelchairs from excess-baggage fees



Environmental Report

The JAL Group recognizes the environmental impact of the greenhouse gases it emits as an air-transport organization. We are also aware of such problems as noise and atmospheric pollutants and are making efforts towards improvement.



An unpainted cargo aircraft, its lighter airframe reducing CO₂ emissions

Minimizing Environmental Burden

Environmental Action Program

The JAL Group has established a Basic Environmental Policy along with its Environmental Action Guidelines (both initiated October 2002). We have also created a set of priority items and action plans related to environmental protection while promoting environmental activities. The group has adopted environment-management systems and environmental audits and supports worthy environmental efforts. We promote environmental activities in such ways as establishing an environmental subcommittee, directors committee, project teams and environmental study groups — all organized under the CSR committee.

Basic Environmental Policy

(established October 2002)

In its capacity as a public transportation organization, the JAL Group exerts an impact on the environment in such ways as consuming fossil fuels and emitting noise. We recognize that dealing with the environment is a vital management issue, and our aim is one of symbiosis with the global environment while striving to reduce the environmental burden in all our business activities.

Environmental Action Guidelines

(established October 2002)

- 1 We will comply with environmental laws and regulations and engage in environment-protection activities.
- 2 We will promote the efficient use of various energy sources and resources.
- 3 We will promote waste reduction and proper waste disposal and recycling.
- 4 We will select environment-friendly products and materials, including aircraft.
- 5 We will enhance environmental awareness and make social contributions.

Sky Eco [2010]

Following due reflection on the direct and indirect impact of our operations on the environment, the JAL Group implemented Sky Eco [2010] in October 2002. Sky Eco [2010]

is an action plan that sets specific environmental goals for the group to achieve by 2010:

1. Promotion of environmental management
2. Measures against global warming
3. Reduction of aircraft noise
4. Measures to reduce air pollution
5. Promotion of resource recycling
6. Management of chemicals
7. Environmental communication
8. Promotion of environmental education and awareness
9. Promotion of social activities relating to the environment

ISO 14001 Accreditation

The JAL Group is promoting efforts to acquire ISO 14001 accreditation, an International Organization for Standardization qualification related to the quality of environmental management systems, mainly in field operations with relatively high environmental impact. By fiscal 2005, the company had acquired accreditation at the following sites.

Company/division	Main operations	Staff (approx.)
Narita Cargo Office	Air-cargo and mail-transport operations	2,500
Narita Maintenance Division	Line maintenance and inspections	1,530
Dock Maintenance Department (Haneda)	Regular aircraft maintenance, replacement of engines and landing gear	160
Haneda Maintenance Division	Line maintenance and overhaul	1,400
JAL Aviation Technologies (Haneda and Narita)	Maintenance of landing gear, control surfaces and electronic, hydraulic and pneumatic components	1,000
JAL Engine Technologies (Narita)	Aircraft engine maintenance	780
AGP	Aircraft power supply	600
Hotel Nikko Tokyo at Odaiba	Hotel management	750

JAL is also promoting the introduction of Ecostage (an evaluation and support system for environmental management) to company divisions and group companies that have relatively light impact on the environment. We have acquired Ecostage 1 accreditation at JAL Simulator Engineering Co., Ltd. (120 staff) at Haneda Airport, at Japan TransOcean Air (250 staff), based in Naha, and at Nitto Aircraft Maintenance Co., Ltd. (220 staff), also at Haneda.

Fiscal 2005 Activity Report

Introducing New Equipment

In fiscal 2005, the company decommissioned 17 older DC-10 and 747 aircraft and introduced 12 new aircraft, including 777s and 767s.



We also plan to retire more 747s and introduce 737-800s and 777s in fiscal 2006, along with 787s (see photo, above) in fiscal 2008 to promote more efficient fuel consumption.

Team -6% Campaign

JAL is now taking part in the Team -6% Campaign, which is promoted by the Ministry of the Environment and sets a reduction target of 6% below 1990 levels for Japan's greenhouse gases by 2012. Activities in fiscal 2005 were as follows:

- Promoting the campaign on JAL's timetables, inflight magazines, website and posters
- Raising thermostat levels in summer, lowering them in winter and encouraging the use of appropriate clothing
- Raising awareness of the campaign among JAL staff and their families

E-learning-Based Environmental Education

In line with Sky Eco [2010], JAL commenced an e-learning course in October 2005 with the aim of providing all domestic employees of the JAL Group with a basic environmental education in such areas as global warming, environmental pollution and waste materials. This is a self-schooling program using in-house PC networks and CD-ROM teaching materials.

Fiscal 2005 Environmental Accounting

JAL has been conducting environmental accounting since fiscal 1999 as one tool for quantitative evaluation of our environmental activities.

1. Scope of Data Collection

Data for environmental accounting were collected from domestic operations by JAL and other JAL Group airline companies (Japan Asia Airways, JALways, Japan TransOcean Air, JAL EXPRESS, J-AIR, Ryukyu Air Commuter, Japan Air Commuter, Hokkaido Air System) along with the operating bases of JALUX, JAL Logistics and AGP.

2. Main Environmental Impact

CO ₂ (10,000 metric tons)	1,712	Aircraft emissions (1,696), electricity and thermal energy (converted), vehicle emissions, etc.
NOx (metric tons)	10,630	Aircraft emissions (10,454), ground power, vehicle emissions, etc.

Glossary

- APU** Auxiliary Power Unit. Power units mounted on the aircraft apart from the engine in order to supply air pressure, hydraulic pressure and electrical power to the aircraft.
- GPU** Ground Power Unit. Vehicle- or ground-based equipment mounted with an alternator to provide an external supply of AC electrical power or cooling and heating air to aircraft on the ground.
- ATK** Available Ton-Kilometer. An indicator of available traffic volume, being the combined total of available tonnage in each sector multiplied by the distance of the sector.

Environmental Accounting Data Collection Results

Million yen; 2004 figures in parentheses

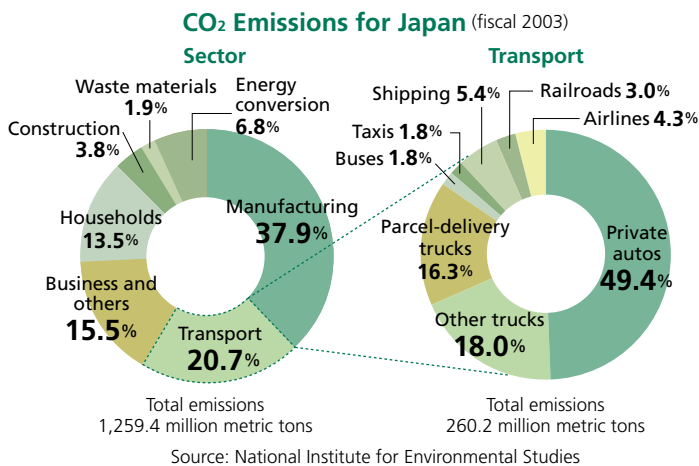
Environment-protection costs		Major activity	Cost		Economic benefit		Environment benefit
Category	Subcategory		Investment	Expenditure	Real	Estimated	
Operation	Pollution control	Subsidence protection, Kiso and Haneda M3 buildings; environment-friendly reconstruction, Haneda hangar	152 (-)	596 (661)	- (-)	- (-)	CO ₂ (10,000 metric tons) reduction through use of GPUs instead of APUs (estimate) 16.0 (15.0)
	Global environment protection	Purchase and lease of fuel-efficient aircraft and engines; power control system, Haneda M1 Building	3,388 (507)	10,721 (7,960)	- (-)	Reduction 1,618 (19,366)	
	Resources recycling	Waste management and reduction; recycling polyethylene packing sheets	- (-)	1,291 (1,315)	Income 12 (8)	Reduction 56 (5)	
Up- or downstream operations		Decreased use of polystyrene foam; recycling plastic bags to wrap inflight shopping goods	- (-)	2 (1)	- (-)	- (-)	NOx (metric tons) reduction through use of GPUs instead of APUs 416 (312)
Management activities		Promoting environmental management system	- (-)	398 (313)	- (-)	- (-)	
Research and development		New tropospheric-observation project	- (-)	349 (104)	- (-)	- (-)	
Social activities		Hosting environmental seminar; contribution to environmental action group	- (-)	17 (18)	- (-)	- (-)	
Environment damage			- (-)	- (-)	- (-)	- (-)	
Total			3,540 (507)	13,374 (10,372)	12 (8)	1,674 (19,371)	

Environmental Conservation

Global Warming

Air Transport and Global Warming

Aircraft engines use fossil fuels, and when burning, these fuels generate carbon dioxide (CO₂). This accounts for the majority of greenhouse gases, which are believed to be the cause of global warming. The amount of CO₂ emitted by commercial aircraft in Japan is estimated to be approximately 0.9% of total domestic CO₂ emissions, and 2%–3% of worldwide totals.



Reducing Aircraft Fuel Consumption

The amount of CO₂ emitted by aircraft is approximately proportional to the amount of fuel consumed. The JAL Group is targeting fuel-consumption cuts of 20% per transported ton by 2010 compared with 1990 levels. In line with this, we are making various efforts towards reducing fuel consumption, such as the following measures:

Division	Measures
Company-wide	Phasing in fuel-efficient aircraft, decommissioning older aircraft
Flight operations	Improved cruise-performance monitoring system adopted in all aircraft in fiscal 1994
	Selection of optimal flight altitude, speed, route
	Auto-landing under low-visibility conditions
	Selection of shorter domestic routes, using area navigation
	Operation of Communications, Navigation, Surveillance/ Air Traffic Management (CNS/ATM)
	Optimizing aircraft center of gravity to reduce wind drag
	Use of flight simulators in flight-crew training and testing
Other divisions	GPU use with aircraft parked at airports
	Reducing volume and weight of cabin-service goods
	Local purchase of cabin-service goods and cargo fittings
	Efficient engine testing in aircraft maintenance
	Determining optimum fuel load in flight planning
	Direct inbound cargo flights from Europe using 747-400Fs

Global Environmental Working Group

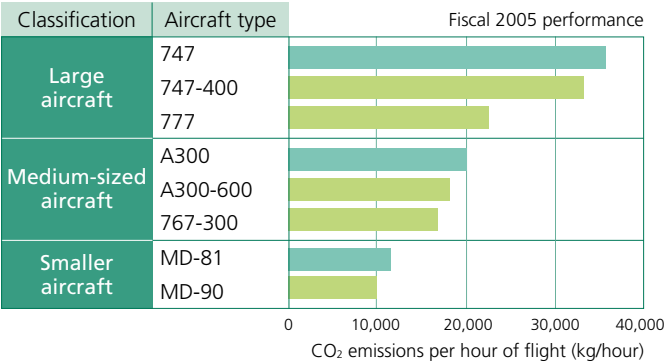
One of the important features of this working group is to promote awareness activities by hosting monthly meetings. In those meetings, we discuss ideas to reduce CO₂ emissions that can be effected by the pilot. For example, when the aircraft is on the ground, the APU provides air-conditioning and electricity, but we can reduce CO₂ emissions by cutting the usage time. We can also reduce CO₂ emissions by altering altitude and speed during the flight. Of course, ensuring safety is our top priority, and passenger comfort is also important, so it is not always possible to give precedence to CO₂ reduction. The working group provides ideas to meet particular conditions that occur during flight so that crews can make their flights more eco-friendly, while taking into account such factors as weather, punctuality and passenger comfort.



Hideki Kudo

747-400 captain, Global Environmental Working Group leader

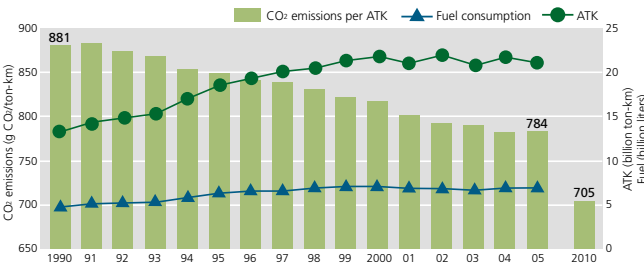
Aircraft CO₂ Emissions



Changes in Aircraft CO₂ Emissions

The graph below shows changes in estimated emissions per available ton-kilometer (ATK) emitted by commercial operation of JAL Group aircraft. The total CO₂ emissions in fiscal 2005 were 16,875,000 metric tons, down 0.8% from the previous fiscal year.

CO₂ Emissions per ATK



NB: For aircraft operated by JAL, Japan Asia Airways (JAA), JALways, Japan TransOcean Air (JTA), JAL EXPRESS (JEX), J-AIR, Ryukyu Air Commuter (RAC), Japan Air Commuter (JAC) and Hokkaido Air System (HAC)

ATK is calculated by using the great-circle distance.

CO₂ Emissions Per ATK for Freighters

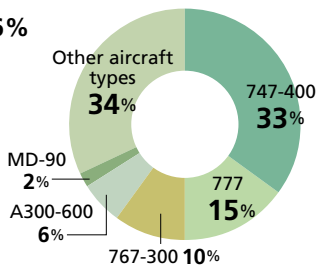
Aircraft	Fiscal 2003	Fiscal 2004	Fiscal 2005
747F, 747-400F	550	537	520

ATK Percentage of Five Low-CO₂-Emission Aircraft

Fiscal 2005 performance: **65.6%**

Fiscal 2010 target: **>75.0%**

We aim to increase the ATK percentage of these five low-CO₂-emission aircraft.



Domestic JAL Energy Saving

The annual consumption of electricity, thermal energy and water in the domestic operational bases of JAL for the last five years is shown in the following charts. Total consumption at domestic offices in fiscal 2005 was as follows:

Electricity: 222 million kWh (2.4% decrease from previous year)

Thermal energy (converted into crude oil):

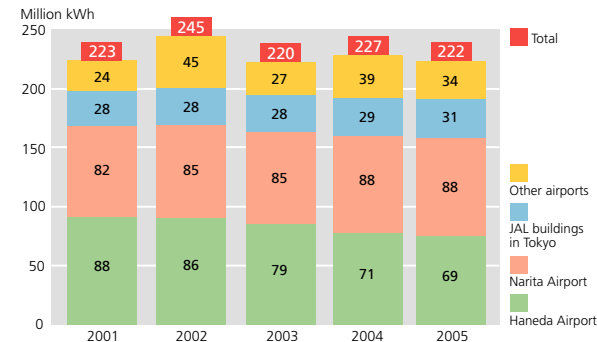
16,809 kiloliters (4.9% decrease from previous year)

Total electricity and thermal energy:

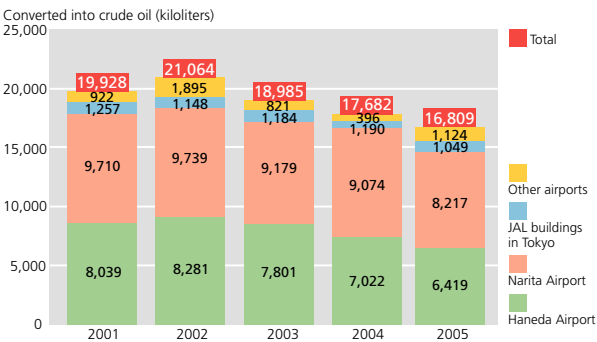
2.83 billion MJ (3.0% decrease from previous year)

Water: 705,000 cubic meters (1.5% increase from previous year)

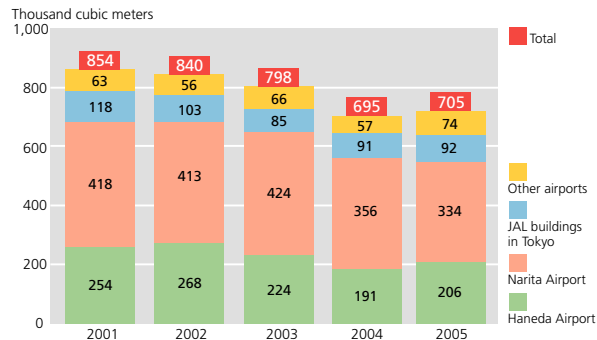
Electricity Consumption



Thermal Energy Consumption



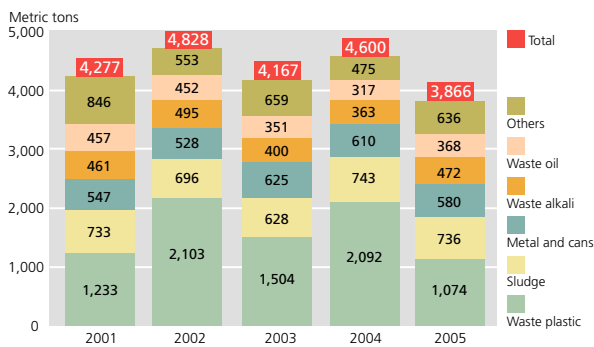
Water Consumption



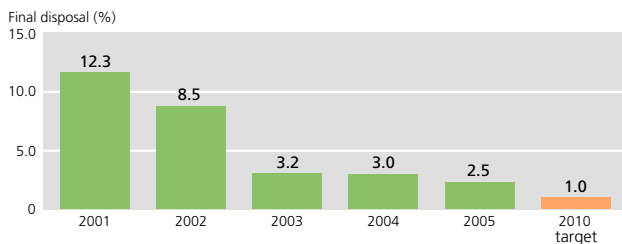
Waste Reduction and Recycling

Industrial waste in the Kanto area (Tokyo and environs) accounts for the great majority of waste produced by JAL. Changes in waste amounts and final disposal percentages are shown in the charts below.

Industrial Waste in the Kanto Area



Industrial-Waste Final Disposal Percentages in the Kanto Area



General office waste produced by JAL in fiscal 2005 for the Kanto area amounted to 5,423 metric tons, of which 3,328 tons was disposed. The amount of disposed to total waste was reduced 46.5% compared with the 2001 figure.

For the past five years, JAL has not had to report significant violations of laws relating to waste materials. We incinerate the leftover food from our inflight meal services

Recycling Performance at Airports

Recycled goods		Metric tons		
		Fiscal 2003	Fiscal 2004	Fiscal 2005
Aluminum drink cans on international flights	Narita	27.8	35.0	36.6
	Kansai	20.9	23.8	20.9
Inflight newspapers	Narita	11.8	55.1	21.2
	Haneda	—	21.5	38.9
Polyethylene packing sheets	Narita	1,201	1,151	1,163
	Kansai	360	264	265
	Nagoya	—	—	1,290
Water recycled from maintenance facilities	Narita	about 54,000/year		
	Haneda	about 114,000/year		

on international flights arriving in Japan within the period stipulated by plant-quarantine regulations.

Milk and Sugar on Domestic Flights

As part of its domestic refreshment service, JAL originally distributed milk and sugar as a single set. Since July 2005, we have been providing them separately to accommodate passengers who wish only one or the other but dislike the thought of the waste that this involves.

Recycling Inflight Magazines

JAL has been involved for some time in recycling the paper from its offices, aiming to help create a recycling-oriented society that does not waste precious materials. Since April 2005, the company has recycled leftover copies of its inflight magazines, *Skyward* and *JEN Guide*. We have also achieved major cost reductions by manufacturing a container for use when this paper piles up and rationalizing transportation methods. Before recycling the magazines, we used to incinerate them, but now we deliver 15 to 20 tons a month to a recycled-paper company for reuse as magazine paper and cardboard. We also aim to increase these efforts and to expand our recycling of newspapers as well.



Naoki Kato (left)

Facility Maintenance Services Dept., JALUX

Takayuki Yokoyama (right)

Maintenance Service Department, Airport Ground Service Co., Ltd.

Noise-Reduction Measures

Airlines from member countries of the International Civil Aviation Organization (ICAO), which includes Japan, operate their aircraft in accordance with ICAO aircraft-noise standards. The Japanese Civil Aeronautics Law has also established noise standards, and all aircraft are inspected for compliance with these standards as part of their airworthiness certification on delivery.

Air and Water Pollution

Aircraft-Engine-Emission Regulations

Aircraft engines emit several air pollutants, such as carbon monoxide (CO), sulfur oxides (SOx), hydrocarbons (HC) and nitrogen oxides (NOx). ICAO regulates four substances — HC, CO, NOx and smoke and soot emitted from aircraft engines — through its Emission Certification System and Fuel Emission Certification System. In Japan, the Civil Aeronautics Law establishes engine-emission standards. In phasing in new types of aircraft, the JAL Group promotes the selection of low-emission aircraft engines that comply with these standards.

Conservation Activities in Cargo Operations

In 1992, JAL began operating cargo aircraft with unpainted exteriors. This saves approximately 150 kg of paint with each aircraft and dispenses with the need for paint remover in periodic repainting. The lighter aircraft consumes less fuel and emits less CO₂. Since November 2005, we have deployed 747-400Fs and have thus been able to operate direct flights on some inbound routes from Europe, avoiding the need for a stopover in Anchorage. In this way, we have been able to provide a faster service. Starting this fiscal year, all cargo flights from Europe are direct flights.



Anti-ice and De-icing Fluid

The amount of anti-ice and de-icing fluid (principal ingredient, propylene glycol) used to free aircraft of snow and ice in winter varies with the climate and amount of snow. JAL is engaged in reduction efforts by modifying the spraying device employed.

Managing Chemical Usage

The JAL Group utilizes over 2,400 chemicals in aircraft materials, paints and hydraulic oil. We have created a database of the chemicals used and keep track of this data via material-safety data-sheet (MSDS) management and our intranet. The group is striving to shift to alternative, environment-friendly products. In fiscal 2005, the group as a whole reduced the use of substances regulated by the Pollutant Release and Transfer Register (PRTR) law by 34% and their emission into the environment by 35%, compared with fiscal 2001 levels. Over the past five years, the group generated no health hazards; no complaints were made and there were no accidents related to chemicals.

Green Procurement

JAL has expanded the scope of its eco-friendly purchasing of stationery and office supplies. The company set a purchase target ratio of 50% for such materials for fiscal 2005 and achieved 45.9%. The company will continue to promote green procurement.

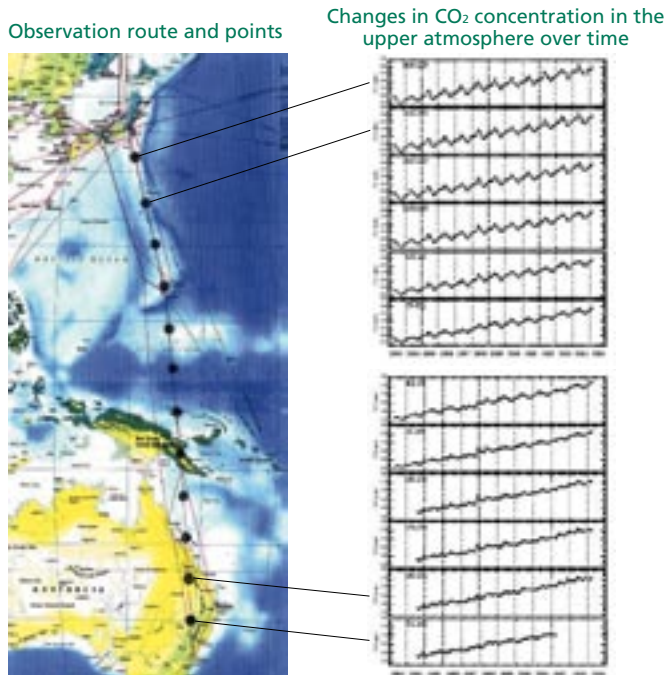
Glossary

- MSDS** Material-Safety Data-Sheet. A fixed-format document listing the names, harmful effects and cautionary notes on the handling of chemical substances.
- PRTR** Pollutant Release and Transfer Register. A law to promote improved management of specified chemical substances emitted into the environment.

Environmental Social Activities

Tropospheric Observation

As part of studies into the mechanisms behind global warming, JAL and the JAL Foundation set up a joint project in 1993 with the Meteorological Research Institute, supported by the Ministry of Land, Infrastructure and Transport. The concentration of greenhouse gases is periodically observed in the atmosphere using automatic samplers installed on our aircraft on regular routes between Australia and Japan. Conducting observations twice a month, the company had made 278 observations by the end of 2005.



New Tropospheric Project

JAL commenced a new tropospheric-observation project in November 2005, expanding both the area under observation and the data collected. The company developed continuous CO₂-measuring equipment (CME) as a cooperative project between industry and academia, using special coordination funds for promoting science and technology allocated by the Ministry of Education, Culture, Sports, Sci-

ence and Technology. With the introduction of CME, it has become possible to gather data on CO₂ concentrations on various JAL routes around the globe. CME will have been installed on five JAL Group aircraft by the end of 2006.

Atmospheric Measuring

	Previous	Current
Organization	JAL; JAL Foundation; MRIJMA	JAL; JAL Foundation; JAMCO Corp.; JAXA; MRIJMA; National Institute for Environmental Studies; Tohoku University
Method	Flask sampling (12 points) 2 aircraft	Flask sampling (12 points) 2 aircraft Automatic measurement CO ₂ 5 JAL, 1 JAXA aircraft
Substances measured	CO ₂ ; CH ₄ ; CO	CO ₂ (sampling and continuous data); CH ₄ ; CO; N ₂ O; H ₂ ; SF ₆ ; carbon in CO ₂ , stability of oxygen isotopic ratios, etc.

MRIJMA, Meteorological Research Institute, Japan Meteorological Agency
JAXA, Japan Aerospace Exploration Agency

Siberian Forest-Fire Reporting

The Siberian taiga is the world's largest forest, but it is releasing CO₂ owing to the outbreak of numerous forest fires, thereby exacerbating the problem of global warming. To help tackle this, we at Hokkaido University are intensifying efforts to develop a satellite-based early-warning system for fires in the taiga. Such systems have, however, produced false identification of fires and been impaired by weather conditions. JAL's European flights pass over Siberia every day, and we've gained the cooperation of JAL pilots in forwarding fire-detection information during June and July, when fires are frequent. Summer 2005 marked the third year of this cooperative endeavor and had relatively few fires, but thanks to JAL we still picked up reports of 30 fire outbreaks. Cross-checking this information with satellite data allows us to improve detection capabilities.

Masami Fukuda

Professor, Institute of Low Temperature Science, Hokkaido University



Corporate Governance

Company Organization

- 1 To integrate the management of Japan Airlines Corporation, as a holding company, and that of our operating companies, all board members of the holding company and operating companies shall double as board members of both the holding company and of the operating company for which they are responsible. We also aim to integrate our operating companies by creating a single company out of Japan Airlines International Co., Ltd., which is responsible for international passenger and cargo operations, and Japan Airlines Domestic Co., Ltd., which is responsible for domestic passenger operations, in October 2006.
- 2 Japan Airlines Corporation adopts an executive management system in order to expedite decision making. As of June 28, 2006, Japan Airlines Corporation has 18 directors (including three external directors) and six executive officers. The directors and executive officers serve a one-year term, which enables the company to clarify executive responsibilities for each specific year.
- 3 We employ the corporate auditor system. JAL has a board of five corporate auditors, three of whom are external auditors. We have also created an Office of Corporate Auditors and allocated full-time employees (corporate auditing bureau staff) to assist the auditors in the execution of their duties. To ensure the independence of the Office of Corporate Auditors staff from company directors, said staff shall receive operational directives and orders from the corporate auditors. Personnel matters relating to the bureau shall be carried out with the agreement of the corporate auditors.
- 4 We have instituted an Executive Compensation Advisory Committee with the group CEO, external directors and external auditors as members. This board reports on matters pertaining to executive compensation to the Board of Directors. JAL discloses the separate total amounts of compensation for internal and external directors in the financial statement.
- 5 For our major subsidiaries and affiliates, we have adopted a system whereby operating companies manage their own operations according to guidelines established by the holding company. Through this, we aim to clarify the allocation of responsibility, facilitate the smooth execution of management operations and enhance the corporate governance of the overall group.
- 6 Working closely with our legal counsel and by contracting with outside attorneys, we are working to strengthen our management of legal risks.
- 7 To promote our emphasis on results for each fiscal year, we discontinued retirement bonuses for board members as of fiscal 2004.

Internal Control Systems

Basic Philosophy

To ensure safety, which is the very foundation of our operations, the JAL Group does not stop at merely fulfilling its economic responsibility of making appropriate profits by providing viable products through fair competition, but aims to become an organization that fulfills its responsibilities as a fully fledged member of society.

With this aim, JAL has established a Basic Policy on Internal Control Systems, in line with article 362, section 5 and section 4, part 6 of the Company Law, and article 100, sections 1 and 3 of the enforcement regulations of the Company Law in order to ensure the validity and effectiveness of operations, the authenticity of financial reports and compliance with related laws and regulations.

JAL aims to minimize risk by identifying potential events that may impact on operations, while maintaining and raising corporate value and achieving operational targets.

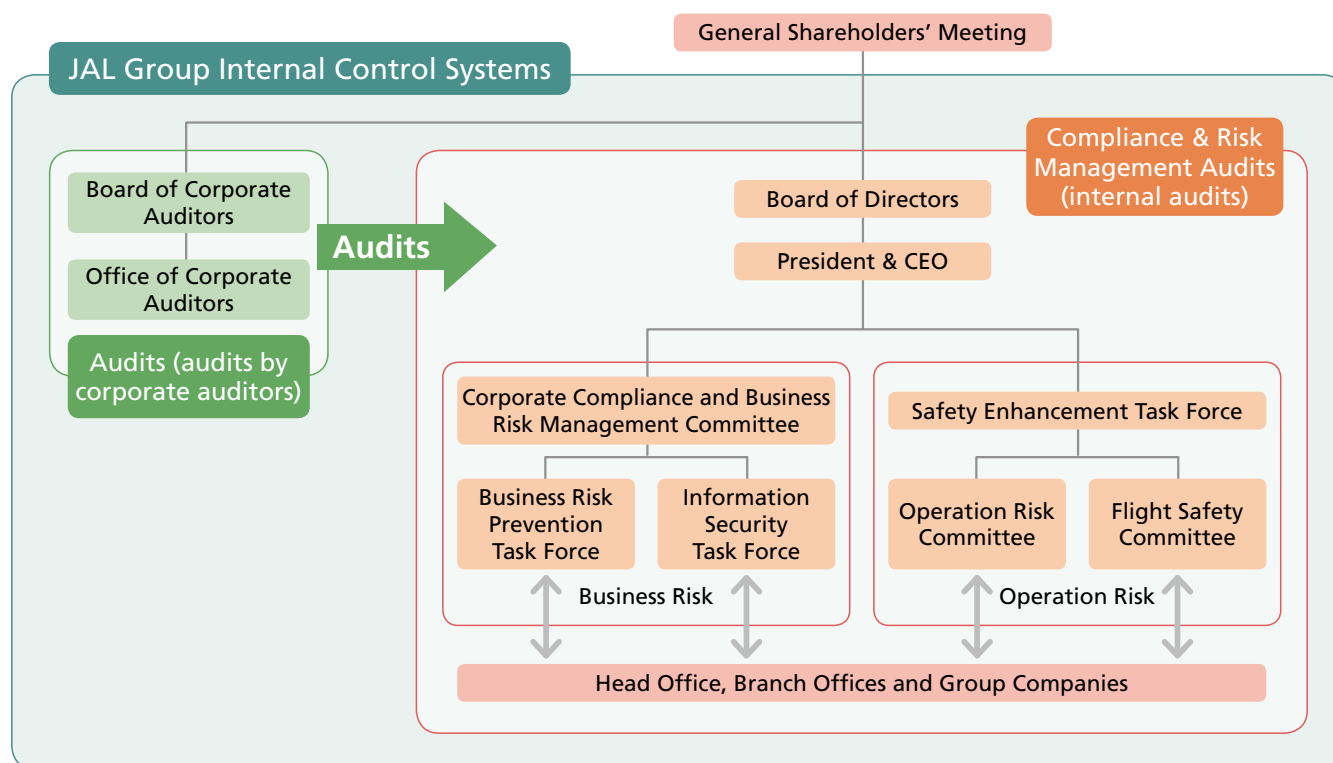
Compliance

Compliance at the JAL Group

To establish a common concept of compliance, the JAL Group has set the definition and content of compliance as described below. We strive to disseminate this repeatedly through various educational and awareness activities, such as issuing messages. Compliance does not end simply with observing laws and regulations. It also means conforming to in-house manuals and procedures, common sense in the social environment, agreements or sets of rules (including contracts) and even matters that individuals decide for themselves.

Compliance Promotion Structure

We promote compliance through the Corporate Compliance and Business Risk Management Committee. This committee is responsible for planning and promoting philosophy and policies on issues that require coherence and unity in the group



strategy. It also monitors the status of activities at each company in the group at the same time as implementing various measures related to compliance.

Major Activities Undertaken in Fiscal 2005

1. Educational Activities

- JAL implemented collective education in various ways, including training newly promoted management staff, business-leader management training, management training for non-Japanese staff, training for overseas assignments, newly hired staff-education leader training, training for newly hired staff.
- The company implemented an e-learning-based Introduction to Compliance course for approximately 60,000 employees in domestic group companies as well as for external contractors.

2. Compliance Network Activities

The company set up the JAL Group Compliance Network, an information network with the objective of compliance information sharing, raising awareness and establishing and reinforcing compliance-promotion structures. About 100 domestic group companies have signed up so far. The main activities include the following:

- Publishing a Japanese internal communication magazine, *Mamoru-kun*, to provide employees throughout the company with a variety of information and educational materials

- Overall support of group company efforts to establish systems and enforcement measures
- Fielding questions and responding with advice to requests for discussions from group companies
- Conducting education programs and providing training materials for group companies

3. JAL Group Compliance Month

To promote compliance activities and adherence to the Group Code of Conduct, the company designates a JAL Group Compliance Month as a group-wide undertaking each year. In October 2005, the company implemented a series of activities targeting employees across the entire group. These included self-evaluation check sheets, along with compliance-awareness surveys for each division, while also inviting visiting lecturers to conduct seminars and hosting compliance meetings at each branch office (operational division).

4. Law for Protection of Informants in the Public Interest

The JAL Group had already instituted a compliance-consultation and counseling center ahead of the April 2006 enforcement of the Whistleblower Protection Act and has now expanded the functions of this center and repositioned it as an integrated consultation center for the entire group. We have also established Group Hotline Regulations, clarifying operations and systems related to consultations and publicized this development throughout the group.

Corporate Governance

Risk Management

- 1 We have established two organizations to manage risk: the Safety Enhancement Task Force and the Corporate Compliance and Business Risk Management Committee.
- 2 Given our special corporate characteristics as an airline company, we divide risk into two broad categories: risk from engaging in the air-transport business (operation risk) and risk from other business operations (business risk). We assign risk-management roles to the various committees accordingly. Operation risk is the risk related to our 3S program, namely, Safety, Security and Sanitation.

Safety Enhancement Task Force

- Establish safety philosophy and policies
- Plan company-wide flight safety
- Address operation risk

Corporate Compliance and Business Risk Management Committee

- Establish general risk-management philosophy and policies
- Address business risk

Gathering information and reporting pathways for risk management are set up separately for normal and emergency situations. JAL has established precautionary measures as well as a structure for rapid reporting when such problems occur. Separately, the company has also prescribed the responsibilities of board members when dealing with such emergencies.

- 3 The company has set up an Operation Risk Committee and a Flight Safety Committee as subordinate bodies to the Safety Enhancement Task Force. We have also established a Business Risk Prevention Task Force and an Information Security Task Force as support organizations for the secretariat of the Corporate Compliance and Business Risk Management Committee.

Information Security and Protection of Personal Data

In the JAL Group Code of Conduct, the company has laid down basic principles concerning the handling of data, including client data. As we develop our in-house systems for dealing with data protection, we approach this whole issue as one of the priority tasks of the entire group. In light of the enforcement of the Act on the Protection of Personal Information in April 2005, JAL has been reexamining the management status of the data it holds, and we are making efforts towards thorough implementation of data management. To that end, the company has taken the following steps.

1 JAL Group Basic Policy for Information Security and

Personal-Information Protection

In September 2004, JAL established common basic group policies. Group companies are working to develop their own frameworks based on this initiative.

2 Information Security Regulations and Personal-Information Protection Regulations

In December 2004, JAL developed a set of in-house rules referring to the requirements set down by law and the guidelines issued by relevant government ministries. We have fully implemented personal-information protection at the operational level by including these operational procedures.

3 Standards for Information Security Measures

From 2004 to 2005, the JAL Group performed risk analysis of the data in its possession, establishing appropriate security standards in compliance with ISO 17799. In fiscal 2005, JAL systematized these standards, clarifying areas of authority and responsibility with regard to the owner divisions in charge of the data and user divisions that utilize the data. In this way, we were able to facilitate the implementation of these standards at the operational level.

4 Employee Education and Development

Since 2004, the JAL Group has been implementing e-learning-based education once a month for all group employees. The CEO also issues messages, while JAL prepares and distributes Information Security Action Handbooks and displays educational posters throughout the company.

5 IT System Responses

On an as-needed basis, JAL implements ongoing measures to ensure in-house systems are protected from a variety of threats in the face of changes in the IT environment.

6 Result of Investigations into Information Management

Since 2004, JAL has instituted a self-check framework at each division after investigating what, how much and where important data was being managed. We decided to establish a system to confirm periodically whether this framework complies with the Standards for Information Security Measures.

Leaking of Client Information

In April 2005, JAL was responsible for two separate incidents that led to the leaking of client data. These involved the loss of merchant copies of credit-card receipts for inflight purchases and the loss of air tickets following the completion of boarding procedures. The JAL Group profoundly regrets the incidents and is devoting itself to ensuring there is no reoccurrence.

Audits

Each year, the corporate auditors attend important meetings with the JAL Board of Directors. In addition, along with staff of the Bureau of Corporate Auditors, they visit each of the approximately 100 corporation departments, operational branch offices and group companies and conduct audits, reporting the results to the CEO. In addition to engaging in information exchanges with internal-control divisions and auditing companies, the corporate auditors also hold meetings with full-time auditors at JAL subsidiaries for information exchange and strengthening and expanding auditing efforts.

As well as newly appointing two executive officers for auditing operations to assist the corporate auditors at our operating company, Japan Airlines International Co., Ltd., we have also appointed five group auditors to audit subsidiaries that contract operations from Japan Airlines International. Each group auditor is responsible for operations at three to seven of the 26 group companies handling reservations and ticket issuance, airport, cargo and maintenance operations.

To strengthen and check internal-control functions, the company implements the following internal audits in addition to audits by the corporate auditors:

- 1 Operational Audits — Departmental.** We audit general operations at the department and office levels, focusing on their overall area of operations.
- 2 Operational Audits — Specified Areas.** We select a subject area and audit across companies and organizations with respect to policies, institutions and operations of the two main operating companies and other group companies.
- 3 Accounting Audits.** We conduct audits at the divisional unit (each operational base) to ensure that procedures for complying with accounting regulations and standards are being followed.
- 4 Group Audits.** We audit each group company to promote business operations based on group management policies and the operational mission given to each company. This is also performed to improve each company's internal controls, compliance and risk-management functions.
- 5 Environmental Audits.** We audit the entire group with the objective of promoting business operations based on compliance with environmental laws and ordinances in addition to group policies, rules and regulations related to environmental issues.

Participation in the UN Global Compact

The Global Compact proposed by the UN calls for businesses around the world to implement 10 principles in the areas of human rights, labor, the environment and anti-corruption. The JAL Group has participated in the Global Compact since 2004 and submits CSR reports to the UN Global Compact Office as an update on the results of implementing the 10 principles.

Ten Principles of the Global Compact

Human Rights

- 1** Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2** make sure that they are not complicit in human-rights abuses.

Labor Standards

- 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4** the elimination of all forms of forced and compulsory labor;
- 5** the effective abolition of child labor; and
- 6** the elimination of discrimination in respect of employment and occupation.

Environment

- 7** Businesses should support a precautionary approach to environmental challenges;
- 8** undertake initiatives to promote greater environmental responsibility; and
- 9** encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- 10** Businesses should work against all forms of corruption, including extortion and bribery.



The JAL Group is chosen by 60 million customers each year. We aim to exploit our strength in maintaining contact with all these customers to make a distinctive contribution to Global Compact initiatives.

President & CEO

西松 逸

Haruka Nishimatsu

Third-Party Opinion

This report presents the JAL promotional systems that support the company's safety, environmental and social activities, along with the views of its employees in a multifaceted, comprehensive manner. It is a report that represents the proactive stance and practices of the company towards CSR.

Commendable Points

1. Regarding safety, JAL does not restrict itself to in-house activities, but has established the Safety Advisory Group and Safety Promotion Center to develop a system that incorporates external opinions and ideas. JAL also lists the safety incidents for which it was responsible in fiscal 2005 and reports the temporary countermeasures it introduced as a result. The report details the measures aimed at preventing reoccurrence of such incidents.
2. JAL actively promotes staff education and training in universal design, aiming to provide services that accommodate all users.
3. The company prepares inflight meals free of nuts for passengers with peanut allergies, and in some cases even operates flights in which peanut products are removed from all snacks and meals.
4. It is encouraging to see that many employees return to work after taking maternity leave and leave of absence to care for relatives. This is indicative of effective staff-support systems.
5. The company raises funds for disaster victims and provides emergency transport to disaster areas. I would hope that provisions be made for staff to participate in rescue and relief efforts on a par with those of JAL's competitors.
6. JAL set the ecological action program Sky Eco [2010] as part of its medium- to long-term plans and is following this based on annual priority items.

Room for Improvement

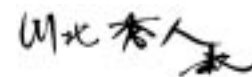
1. JAL needs to set annual targets at each of its work sites so as to achieve thorough implementation of safety efforts. This will demonstrate the motivation towards safety and highlight the results of its efforts. In addition, it will show quantitatively who is doing what, which will in turn lead to a sense of security and a recovery in trust.
2. JAL has to present concrete results that can be properly analyzed with respect to the causes and background of accidents. If motivation or knowledge is found to be lacking, such areas can be addressed by education and training. But I assume that the need exists to raise the level of skills or improve systems and facilities. JAL should not become preoccupied with abstract arguments. It is essential that the company position quality as the foundation of its management. At the same time, JAL needs to have a quantitative grasp of just what is lacking. For it to achieve this, the company should consider adopting an employee-evaluation system, rewarding proactive and spontaneous action while penalizing negative responses and the failure to act.

3. Regarding the employment of the physically disabled, I would like to see JAL learn from the example of other companies that have made pioneering efforts in this area. JAL needs to diversify job and employment classifications so as rapidly to attain legally stipulated levels.

4. Regarding flight-operation procedures, JAL should adopt such measures as promoting fuel efficiency and reward efforts made in this area.

5. JAL should actively call on users to cooperate with efforts to reduce the burden on the environment, such as with energy and waste materials. User cooperation is essential for the future of ecological activities. It is important that JAL offer concrete proposals in this area, stating in its inflight magazine and on its website that in order for the company to be ecologically sound it needs the cooperation of its customers in specified ways.

Hideto "DeDe" Kawakita, representative,
International Institute for Human, Orga-
nization and the Earth (IIHOE)



IIHOE was established in 1994 with the objective of promoting progress that is harmonious with all life on the planet. It supports NPOs and company management that is oriented towards social responsibility.

Hideto "DeDe" Kawakita

After graduating from university in 1987, Mr. Kawakita joined Recruit, which he left in 1991, serving as representative of an NGO promoting international youth exchanges and as political secretary of a Japanese member of parliament before founding IIHOE in 1994.



Reaction to the Third-Party Opinion in the 2005 CSR report

Here are some of the actions that JAL has undertaken in response to the third-party opinion by Ms. One Akiyama in JAL's 2005 CSR report.

Proposal 1

Disseminate CSR information to group employees.

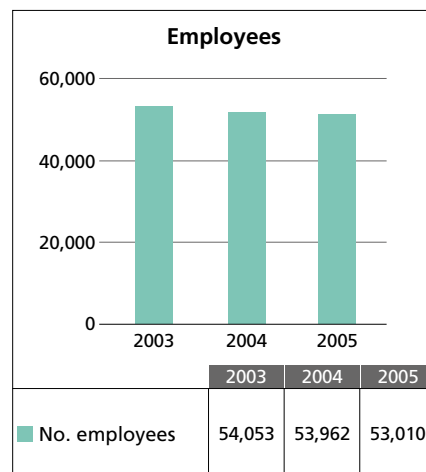
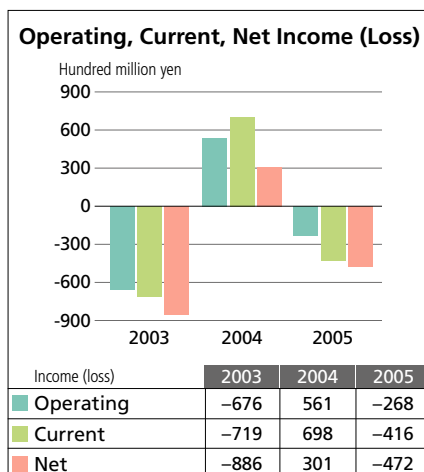
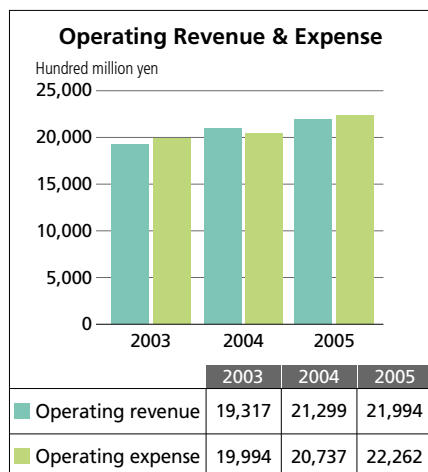
We distribute the CSR report among group companies, making efforts to familiarize staff with its contents and disseminate information about our CSR. We also display CSR content on the JAL intranet and company homepage. We present the CSR report and CSR-related comments in JAL in-house PR magazines. However, we are conscious that this information has not penetrated sufficiently throughout the group. We realize that further efforts are necessary and are aware, too, that we need to come up with new ideas.

Proposal 2

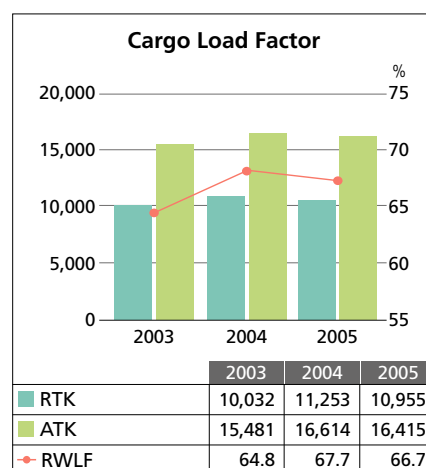
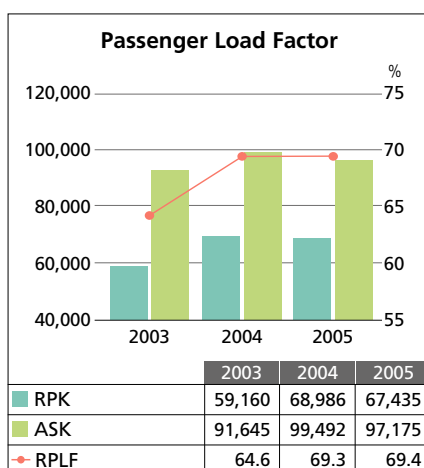
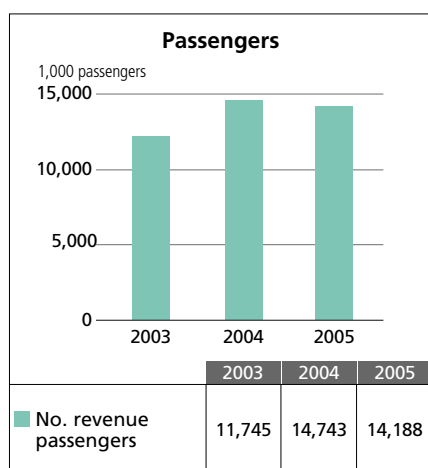
The corporate policy has to be expressed so that it is easy to understand, practiced responsibly, evaluated with integrity to stakeholders and reviewed and updated.

We have followed up with a presentation in this year's report about our activities relating to ensuring flight safety, which was our top priority in fiscal 2005. The JAL Group is making a united effort to achieve the aim of establishing flight safety. We will make additional efforts in the above areas.

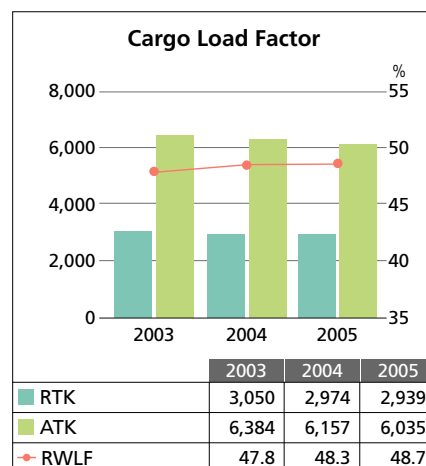
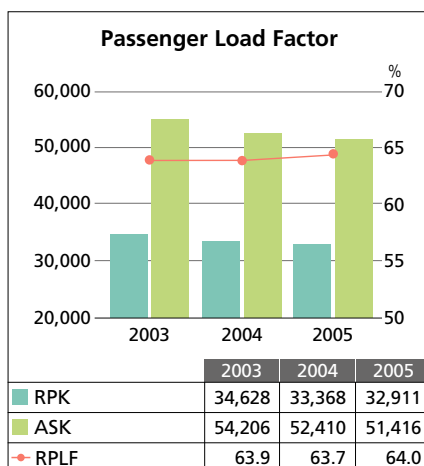
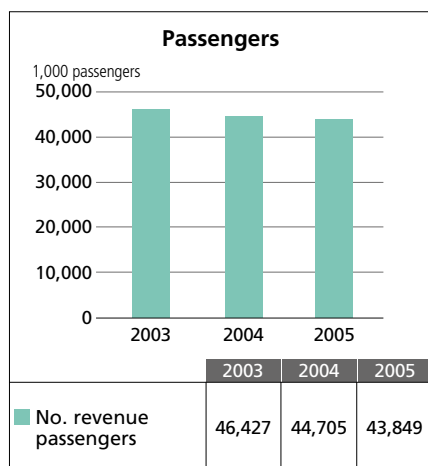
Operating Results and Traffic Statistics



International Traffic Statistics



Domestic Traffic Statistics



RPK, revenue passenger kilometers (million passenger-km)
RTK, revenue ton kilometers (million ton-km)

ASK, available seat kilometers (million seat-km)
ATK, available ton kilometers (million ton-km)

RPLF, revenue passenger-load factor (%)
RWLF, revenue weight-load factor (%)



JAL participates in Team -6% with our Eco-Sky project.

Let's stop global warming together

Team -6%



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