

# Review of Operations



## Air Transport Segment

### International Operations

#### International Passenger Business

We stepped up measures to improve profitability, products and services in order to become the world's most preferred airline group by customers.

In our international route network, we launched nonstop service between Narita and Boston as well as San Diego by Boeing 787s fleet. The inauguration of the Narita-Helsinki route was postponed due to the grounding of Boeing 787s, but was subsequently launched on July 1, 2013.

In FY2013 we will consider launching or increasing the frequency of routes between Haneda Airport and China to make maximum use of the expanding international slots from FY2014. Also, we will improve our capability to support at Narita International Airport as our hub.

#### Route Network

● Implemented ● Scheduled

- Launched routes between Narita-Boston, and Narita-San Diego
- Increased flights between Narita-Singapore, and Narita-Delhi
- Changed aircraft for routes between Narita/Haneda-Singapore, Haneda-Moscow, and Haneda-Beijing
- Postponed the launch of the Narita-Helsinki route until July 1, 2013
- Considering launching and increasing flights between Haneda and China in FY2013
- Making maximum use of planned expansion of slots from FY2014
- Improving Narita's capability as a hub for connecting international flights

#### Flight Operations Using Boeing 787s (as of July 1, 2013)



With respect to alliances, our joint businesses with American Airlines on transpacific routes and with British Airways on European routes are going smoothly and are steadily showing a synergetic effect.

Looking forward, we would like to further enhance our alliances hand in hand with our partners, expand the scope of our business and actively seek new partners.

As for collaboration with the oneworld alliance, which has inducted new partners, we would like to maximize the networks of the member airlines in our continuing effort to improve customer convenience.

#### Alliances and Business Strategy

● Implemented ● Scheduled

- Began joint business with British Airways
- Maintained an alliance with American Airlines with favorable results
- Further development of joint business to improve customer convenience, expansion of the scope of our business and addition of new partners
- Making maximum use of the oneworld® alliance network including our new partners\*

\* Malaysia Airlines (joined February 2013), Qatar Airways (to join in FY2013), SriLankan Airlines (to join in FY2013), TAM Airlines (to join in FY2014), US Airways (to join as a joint venture with American Airways)

#### Member Airlines of the oneworld® Alliance (as of July 1, 2013)



On international routes, we launched JAL SKY SUITE 777, which offers greater comfort and high quality amenities in every class under the theme of "a class above the highest quality." The service has been well received by customers. These flights started on the London route and will be progressively expanded to the other North America and Europe routes.

We are also the only Japanese carrier offering an in-flight Internet service called "JAL SKY Wi-Fi," which many customers have already used. This service will be gradually expanded throughout our network.

In addition, we will reconfigure our 767 aircraft and install full flat seats in our business class.



### Enhancing the JAL Brand (High quality, full service)

● Implemented ● Scheduled

- JAL SKY SUITE 777 deployed on the New York route from May 2013, following its introduction on the London route
- Expand JAL SKY SUITE 777 routes
- Install full-flat Business Class seats on 767 aircraft (to be introduced on the Vancouver route from December 2013)



JAL SKY SUITE 777 first class



JAL SKY SUITE 777 business class



BEST BUSINESS CLASS AIRLINE SEAT

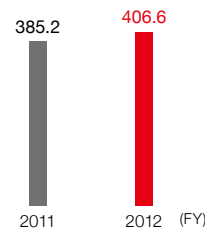
In 2013, JAL SKY SUITE 777 was named "Best Business Class Airline Seat" by SKYTRAX.

- Began our in-flight "JAL SKY Wi-Fi" Internet connection service on flights to New York, Chicago, Los Angeles and Jakarta
- Began offering "JAL SKY Wi-Fi" on flights to London and Frankfurt from April 2013
- "JAL SKY Wi-Fi" to be progressively launched on the other Europe routes

As a result, international supply for FY2012 increased by 4.0% year-on-year when measured in available-seat-kilometer (ASK), demand in terms of revenue-passenger-kilometer (RPK) increased by 12.3%, load-factor (L/F) increased by 5.6 points to 76.1%, and international passenger revenue increased by 5.5% to 406.6 billion yen.

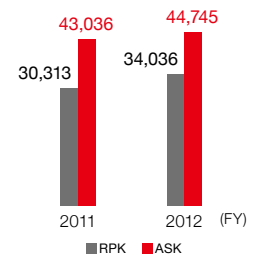
#### Operating Revenue

(JPY Bn)



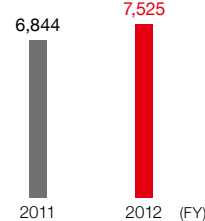
#### Revenue-Passenger-Kilometer (RPK) / Available-Seat-Kilometer (ASK)

(Mn passenger-km, Mn seat-km)



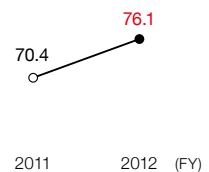
#### Revenue Passengers Carried

(Thousand passengers)



#### Load-Factor

(%)



### International Cargo

International cargo operations experienced sluggish inbound and outbound demand on the whole, but sales sections responded flexibly by pursuing measures such as seeking new customers, improving services to existing customers, and capturing transit cargo in order to maximize revenue.

The volume of international cargo increased by 4.9% year-on-year on a revenue-cargo-ton-kilometer basis (RCTK). However, revenue declined by 6.1% to 50.4 billion yen due to intense competition.



## Air Transport Segment

### Domestic Operations

#### Domestic Passenger Business

We strove to improve profitability by enforcing measures to stimulate demand and adjusting capacity according to demand.

New departure and arrival slots at Tokyo (Haneda) have been used to launch services from Tokyo (Haneda) to Nagoya and we also resumed the flights between Fukuoka and Hanamaki as well as Niigata and Sapporo. At Itami, flights were increased by using slots for low-noise jets.

In our partnership with Jetstar Japan, we launched code-share flights and aligned our mileage programs.

We will continue to improve our route network with more convenience to customers in order to achieve further growth in revenue.

#### Route Network

● Implemented ● Scheduled

- Launched (resumed) the Fukuoka-Hanamaki and Niigata-Sapporo routes
- Launched the Haneda-Chubu route
- Launched (resumed) Itami routes to Matsuyama, Hakodate and Misawa
- Increased flight frequencies at Itami
- Started codesharing and mileage tie-up with Jetstar Japan, which will enable us to utilize its network for improved connections to our international services

#### ► Routes Launched/Resumed in FY2012



On our domestic routes, we have installed first class on all Boeing 777-200s and Class J on all 737-800s. We will launch new services to improve the customer's convenience at the airport and onboard as part of our JAL Smart Style program.

In addition, in 2012 JAL was recognized by FlightStats as the most punctual airline for on-time arrivals in the Major International Airlines category and the Asia Major Airlines category. JAL Group operator J-AIR ranked first in the Asia Regional Airlines category.

We will continue to enhance the JAL brand as a full-service carrier by reinforcing our image through measures in the area of hardware, such as by refurbishing our aircraft, and by offering the highest level of service to customers through the united effort of all employees.

#### JAL Smart Style

JAL Smart Style is our concept for service that maximizes the value of customers' time by offering convenience and simplicity at each point of contact between the customer and JAL. Under this concept, we began offering the JAL Touch & Go service in August 2012, which enables passengers to board a plane after simply using a mobile device from which their boarding pass can be scanned.



JAL Touch & Go  
This Android free app can be downloaded from Google Play.



### Enhancing the JAL Brand: Convenience and Simplicity

● Implemented ● Scheduled

- Introduced first class on all 777-200 aircraft
- Introduced Class J on all 737-800 aircraft
- To enhance JAL Smart Style, we will progressively introduce new services to improve convenience at airports and during flights.



First class

#### ► First class in-flight meals



Breakfast

JAL collaborates with restaurants that are committed to offering seasonal ingredients and tastes and are highly regarded for the care with which they treat their guests. We change our in-flight menu every 10 days in order to offer passengers the best ingredients of each season.

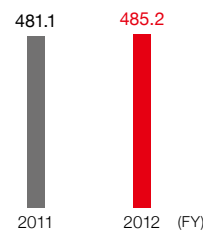


Dinner

As a result, domestic supply for FY2012 increased by 2.6% year-on-year when measured in available-seat-kilometer (ASK), demand in terms of revenue-passenger-kilometer (RPK) increased by 3.4%, load-factor (L/F) increased by 0.5 points to 63.1%, and domestic passenger revenue increased by 0.9% to 485.2 billion yen.

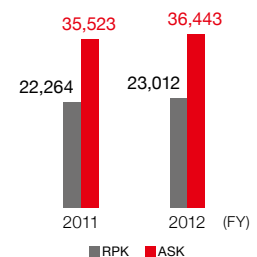
#### Operating Revenue

(JPY Bn)



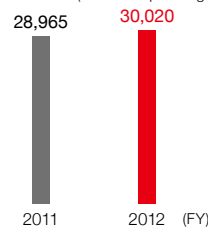
#### Revenue-Passenger-Kilometer (RPK) / Available-Seat-Kilometer (ASK)

(Mn passenger-km, Mn seat-km)



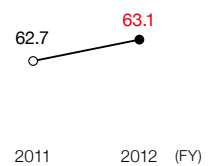
#### Revenue Passengers Carried

(Thousand passengers)



#### Load-Factor

(%)



#### Domestic Cargo

Domestic cargo operations encountered sluggish demand from the second half of the fiscal year while we strove to capture perishables and home delivery parcels by improving customer relations.

The volume of domestic cargo increased by 1.2% year-on-year on an RCTK basis, and revenue increased by 0.2% to 25.0 billion yen.





## Air Transport Segment

### Aircraft Investment and Fleet

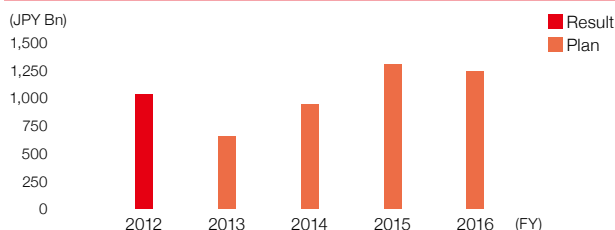
Investment in aircraft totaled 103.0 billion yen in FY2012.

After revising the assumed foreign exchange rate from 85 yen to 95 yen per U.S. dollar, we expect the aircraft investment to increase starting in FY2013. We plan to invest approximately 517.0 billion yen by FY2016.

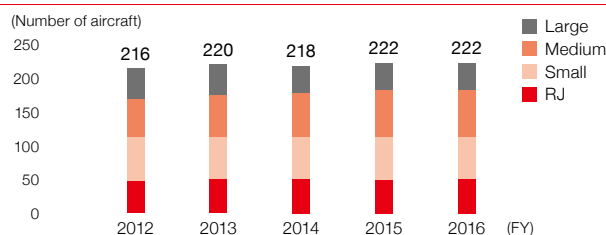
By the end of FY2016, the JAL Group's fleet will consist of 222 aircraft (83 international and 139 domestic aircraft), in line with the original Medium Term Management Plan.

#### Aircraft Investment and Fleet

##### Amount Invested in Aircraft (JAL Group)



##### Changes in the Number of Aircraft (JAL Group)



Figures are as of the end of the fiscal year. Large: 777, Medium: 787/767, Small: 737/MD90, RJ (Regional Jet or smaller): E170/CRJ/Q100-Q400/SAAB

● Implemented ● Scheduled

- Invested 103.0 billion yen in aircraft in FY2012
- Invest 517.0 billion yen by FY2016, introduce 33 787 aircraft by the end of FY2016, and start introducing 787-9 aircraft in FY2015
- Upgrade six 767 aircraft for improving fuel efficiency in FY2013 (winglet installation)
- Receive E170 ahead of schedule to develop domestic network sooner
- Retire aged 777 and 767 aircraft to optimize fleet efficiency

## Others

We strive to maximize the JAL Group's corporate value and improve our profit margin. The financial results of two major companies in this segment are as follows.

JALPAK Co., Ltd. offered additional products to respond to changes in demand and the timely JAL Dynamic Package to maximize revenue and improve cost efficiency. The number of overseas JALPAK customers increased by 3.4% from the previous year to 323,000. The number of its domestic customers increased by 3.3% to 1,972,000. As a result, operating revenue (prior to intercompany transaction elimination) increased by 5.5% from last year to 161.6 billion yen.



JALCARD, Inc. aggressively carried out activities to increase members and promote the use of JAL Card. In December 2012, it issued a new brand card, the JAL American Express® Card, for the first time in six years, and by adding platinum cards to its lineup, it targeted top tier customers. As for member services, it extended call center service hours from October 2012 in order to improve service quality from the customer's standpoint. As a result, the number of members increased by approximately 120,000 from that of March 31, 2012 to 2.76 million as of March 31, 2013, and operating revenue (prior to intercompany transaction elimination) increased by 7.4% from the previous year to 17.3 billion yen.

