



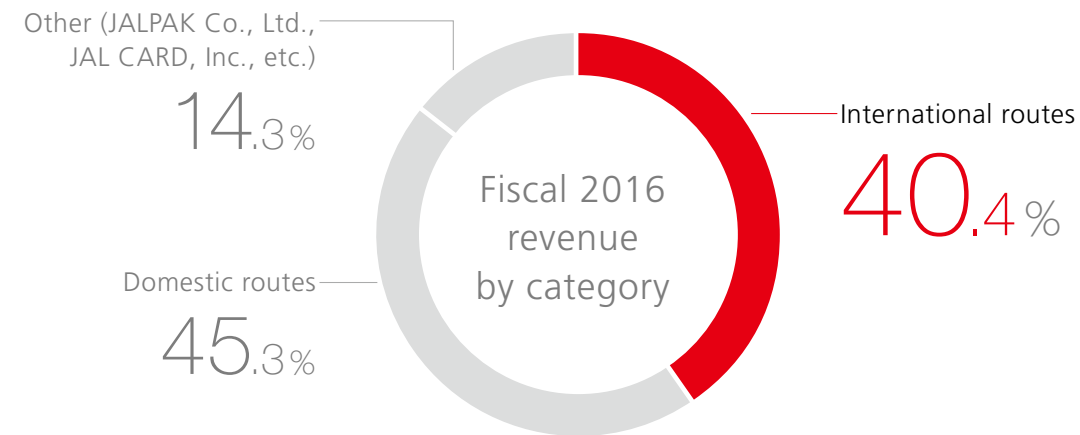
Performance and Strategies by Business

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

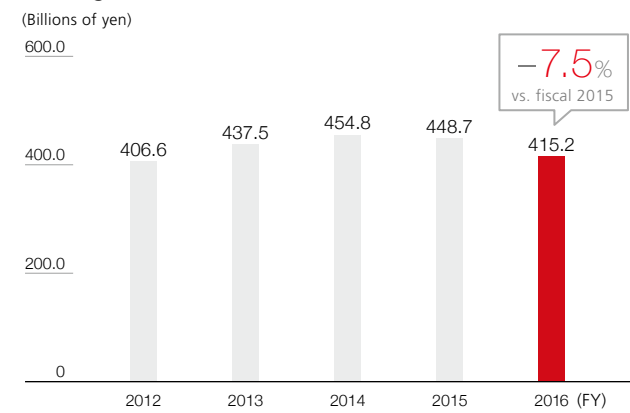
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AT A GLANCE

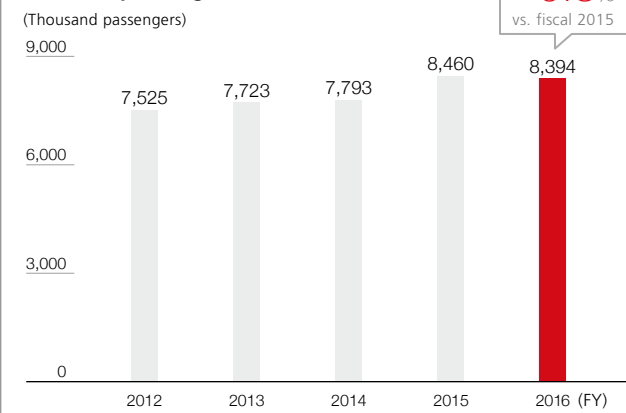
International Passenger Operations



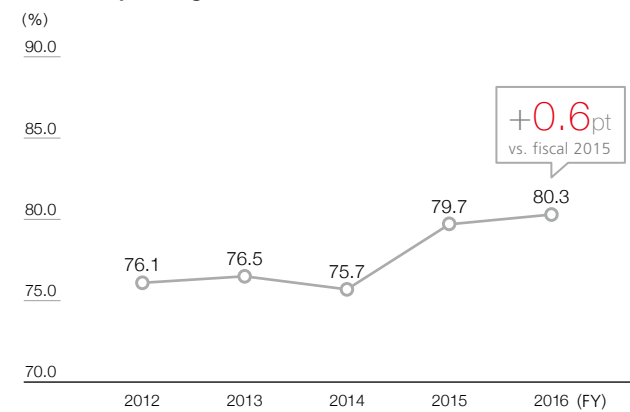
Passenger revenues



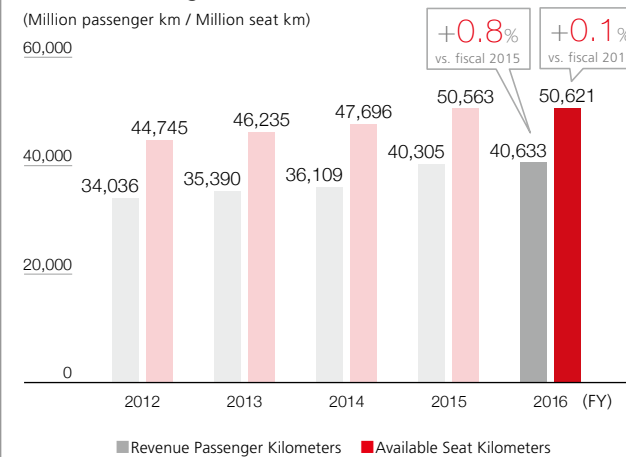
Revenue passengers carried*



Revenue passenger load factor*

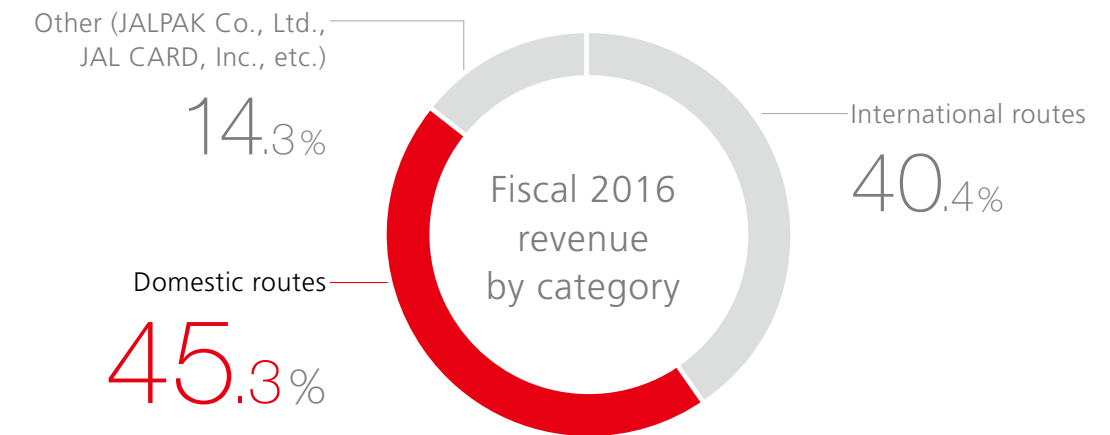


Revenue Passenger Kilometers* / Available Seat Kilometers*

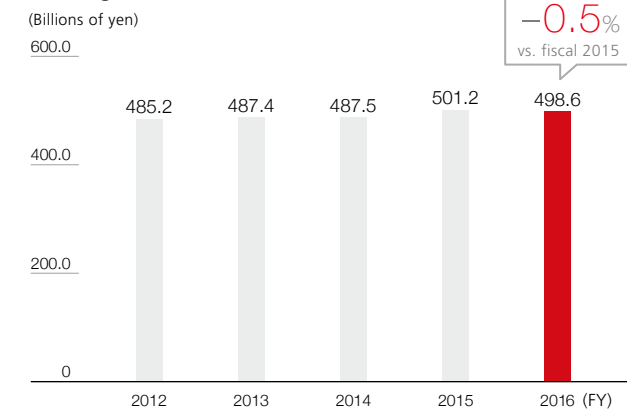


* From fiscal year 2015, revenue passengers carried, revenue passenger kilometers, available seat kilometers, and revenue passenger load factor include code-share tickets sold by other companies for JAL-operated flights.

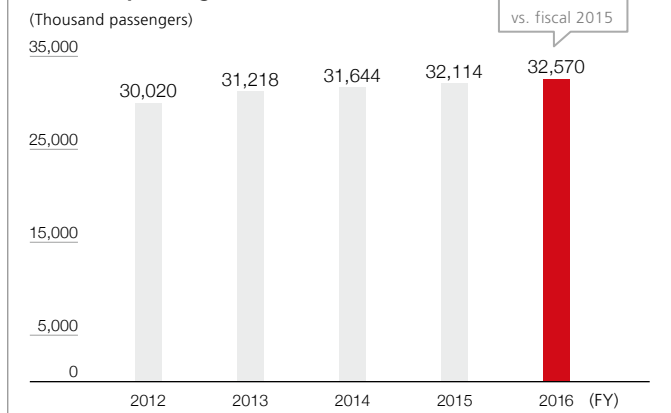
Domestic Passenger Operations



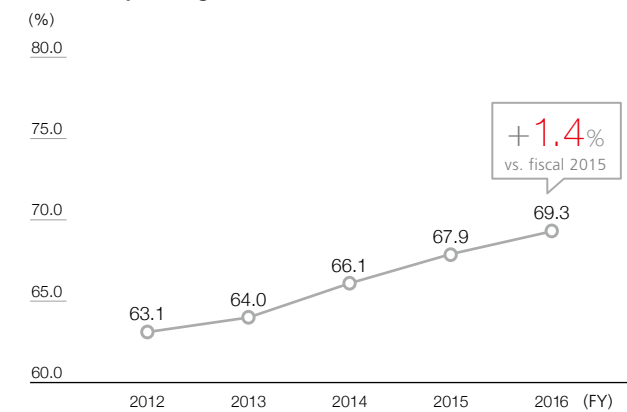
Passenger revenues



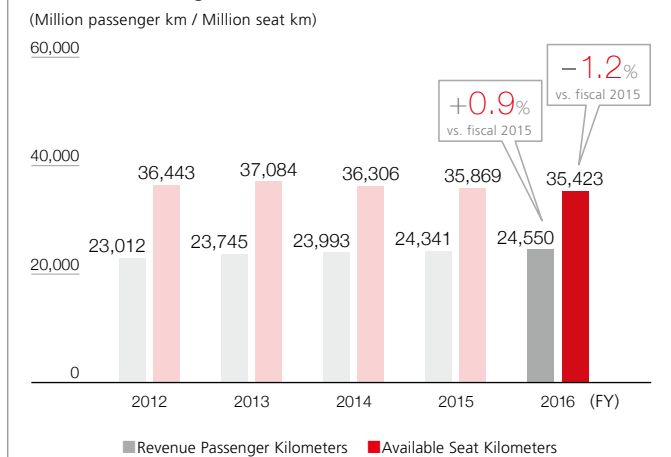
Revenue passengers carried



Revenue passenger load factor*



Revenue Passenger Kilometers* / Available Seat Kilometers*



INTERNATIONAL PASSENGER OPERATIONS

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

Medium Term Management Plan – Growth Strategy

Expanding our routes and network to improve customer convenience

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

Welcoming Customers into Comfortable Cabins

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

Leveraging JAL's Strengths to Attract More Overseas Customers

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



First Class / JAL SUITE



Business Class / JAL SKY SUITE III



Premium Economy Class / JAL SKY PREMIUM



Economy Class / JAL SKY WIDER

Fiscal 2016 Results

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

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

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

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



Upgraded Sakura Lounge at Suvarnabhumi International Airport

International Cargo

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

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



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

Medium Term Management Plan and Outlook for Fiscal Year 2017

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

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

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

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

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

TOPICS

New Narita = Melbourne, Narita = Kona Routes Added

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

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



JAL customers can now fly to Melbourne and Kona from Narita

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



DOMESTIC PASSENGER OPERATIONS

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

Medium Term Management Plan – Growth Strategy

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

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

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

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

Fiscal 2016 Results

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

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

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

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

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

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



Embraer 190 equipped with a Class J cabin



Diamond Premier Lounge at New Chitose Airport

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

Outlook for Fiscal 2017

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

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

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

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

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

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

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



Go Somewhere with Miles is an innovative new mileage award service

TOPICS

Overseas Marketing Campaigns to Generate New Demand

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

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



Promotional website Explore Japan

WEB jal.japantravel.com/

OTHER BUSINESSES

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

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

JAL GROUP AIRLINES

Maintaining Vital Air Links to Revitalize Regional Economies

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

Japan Transocean Air Co., Ltd. (JTA)

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



Japan Air Commuter Co., Ltd. (JAC)

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



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

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

* As of June 2017



Hokkaido Air System Co., Ltd. (HAC)

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



Ryukyu Air Commuter Co., Ltd. (RAC)

A regional airline celebrating its 32nd anniversary in 2017, RAC provides convenient connections to outlying islands in the Okinawa region. Based at Naha Airport on the main island of Okinawa, the airline operates between 41 and 43 daily flights on 12 routes, with connections to the islands of Amami Oshima and Yoronjima to the north, Minamidaitojima and Kitadaitojima to the east, Kumejima to the west, and Miyakojima, Taramajima, Ishigakijima, and Yonagunijima in the Sakishima chain to the southwest. The airline is working to improve convenience for customers and businesses in outlying islands, encouraging more tourists to visit the islands and focusing on contributing to local industries.



JALPAK Co., Ltd.

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

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

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



JAL CARD, Inc.

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

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



GROUP COMPANIES

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

Air Transport Business Segment

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

Main Companies

Air Transport Business

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

Airport Passenger Handling

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

Ground Handling

JAL GROUND SERVICE CO., LTD.

Maintenance

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

Cargo

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

Passenger Sales

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

Airport-Related Business

JAL ROYAL CATERING CO., LTD.

Other Segments

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

Main Companies

Maintenance

JAL AIRTECH CO., LTD.

Passenger Sales

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

Cargo

JUPITER GLOBAL, LTD.

Airport-Related Business

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

Others

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