

The JAL Group's Growth Story

The JAL Group supports society's progress and development through its business activities by increasing corporate value through the provision of the highest level of services to customers. In this section, we look back at JAL's history and review progress under the previous Medium Term Management Plan.

JAL Group History 04

Financial and Non-financial Highlights . . . 08

Since its establishment, the JAL Group has developed its business to meet the needs of the times. Following its bankruptcy in 2010, when the Group was given the opportunity to restructure, it has been progressing steadily, focused on the goals of delivering unparalleled service to its customers and contributing to the betterment of society. Going forward, the JAL Group is committed to continuing to create new values under the company slogan—FLY INTO TOMORROW—as it seeks to become the world's most preferred and valued airline group.

A
1951
Establishment of Japan Airlines



Head Office Building at the time of establishment

1970

Lists on first sections of a number of stock exchanges

E 1983
Sets world record for international scheduled air traffic data

G 1987
Completes privatization



Holds full privatization kick-off ceremony

H 1992
Establishes Service Committee

2002
Business integration of Japan Airlines and Japan Air System



Business integration press conference

K

2010

Files for reorganization proceedings under the Corporate Reorganization Act



January 19, 2010 Press Conference

2017
Publishes Medium Term Management Plan

2012
Relists on First Section of
Tokyo Stock Exchange

B 1954
Launches first international route,
Tokyo=San Francisco



Operates first international flight
(February 2, 1954, Haneda to San Francisco)

1970
Introduces jumbo jet



JAL's second Boeing 747 lands at Haneda

F 1985
Japan Airlines flight 123
accident

A March 31, 1951: Japan Airlines Co., Ltd. and four other Japanese companies apply for an airline company license. Subsequently, they unite into a single company, Japan Airlines, with Aiichiro Fujiyama as the shareholders' representative. Company registration is completed on August 1 of the same year, marking the birth of Japan Airlines Co., Ltd., the first Japanese-owned private-sector airline company of the post-war period.

B February 2, 1954: Japan Airlines achieves its much awaited breakthrough into the international market with the launch of the Tokyo=San Francisco route. At the time, the service consists of two flights a week with First Class service only. Only five of the 21 passengers on the first flight are fare-paying passengers.

February 2, 1970: Japan Airlines stock is listed on the first sections of Tokyo, Osaka, and Nagoya stock exchanges, respectively.

D

July 1, 1970: JAL's first commercial flight operated with the Boeing 747 (jumbo jet) departs from Tokyo International Airport bound for Honolulu, carrying 320 passengers, three flight crew members, and 18 cabin attendants, as well as 6.4 tons of baggage, 1.3 tons of cargo, and 11 kg of mail. From then on, Japan Airlines enters the age of mass transport.

E According to 1983 international scheduled air traffic data (total of passengers, cargo and mail) issued by the International Air Transport Association (IATA), Japan Airlines achieves a 5.6% year-on-year increase in air traffic to 4,559 million ton/kilometers, making it first of the then 126 IATA member airlines. (In the previous year it came second to Pan American World Airways.)

F

August 12, 1985: Japan Airlines flight 123 crashes into the ridges of Mount Osutaka, causing the loss of 520 precious lives. In the face of the pain and grief of the bereaved families and the resulting public mistrust over airline safety, Japan Airlines pledges to ensure that such an accident will never recur.

G

November 18, 1987: JAL is launched as a fully fledged private-sector enterprise following the completion of the amendments to the Articles of Incorporation and other procedures necessary for complete privatization at an extraordinary general meeting of shareholders held the previous day. While regulations restricting the issue of new shares, the appointment of directors, and other matters are lifted, this also means the loss of government funding and assistance. Subsequently, all government-held stocks are sold off in December 1987.

H

To mark the United Nations Decade of Disabled Persons (1983–1992), initiatives to make air travel fully accessible are expanded to the company level from the previous departmental level.

1

Japan Airlines and Japan Air System decide to integrate their businesses. The decision reflects their ambition to become a world top-class airline playing the central role in Japan's air transport business of the 21st century. It is also motivated by the belief that it is important to respond to societal needs for the maintenance and expansion of air transport services by building a strong business foundation and corporate structure that can withstand intense global competition.

1 April 1, 2007: With the aim of further expanding its network, Japan Airlines becomes an official member of **oneworld**, one of the three major global airline alliances. This makes it possible for JAL to offer greater added value in convenience and comfort to its customers through e-ticket links, improved mileage programs, shared airport lounges, and code-share flights, among others.

K

January 19, 2010: Japan Airlines files an application for support from the Enterprise Turnaround Initiative Corporation of Japan (ETIC), and ETIC decides to support its restructuring. On the same day, Japan Airlines files petitions for commencement of reorganization proceedings under the Corporate Reorganization Act with the Tokyo District Court, and the Court enters an order commencing the proceedings.

L

March 28, 2011: Fourteen months after the commencement of corporate reorganization proceedings under the Corporate Reorganization Act, the Court decides to conclude proceedings and allow Japan Airlines to transform to a joint stock company from a company under reorganization.

M

September 19, 2012: Japan Airlines is relisted on the Tokyo Stock Exchange. After the bankruptcy of January 19, 2010, its business was scaled down to 60% due to the withdrawal of unprofitable routes and other measures. In addition, the number of Group companies was halved, staff numbers were reduced by 40% resulting in a 20% decline in personnel costs, and company pensions were reduced by up to 53%. A new Corporate Policy is established, the JAL Philosophy is adopted, and the amoeba management system is introduced. As a result, operating income for fiscal year 2011 reaches 204.9 billion yen, enabling JAL to repay the financial support from ETIC in full.

Overview of Fiscal Years 2012–2016 JAL Group Medium Term Management Plan

Management Targets
(Three Targets)

1.

We are aware that flight safety is the foundation and social responsibility of the JAL Group. JAL maintains the highest standards of safety in the transport sector.

2.

JAL will provide unparalleled service to deliver a refreshing and inspiring travel experience to customers. Our goal is to become number one in customer satisfaction by fiscal year 2016.

3.

JAL aims to establish sufficient levels of profitability and financial stability to absorb the impact of economic fluctuations and risk factors by achieving an operating margin of 10% or above for five consecutive years and an equity ratio of 50% or above by fiscal year 2016.

Key initiatives (five categories)

Safety initiatives

Route network

Products and services

Group management

Human resources management

Surviving future competition
(three areas for differentiation)

Enhancement of the JAL Brand

As a full-service carrier, we will maintain safety and provide customers with unparalleled services to enhance the JAL Brand.

Route network, Products and services

Rather than simply products expansion of business scale, we will build a network of highly convenient routes and provide products and services that lead the competition in order to become the preferred airline group of customers worldwide.

Cost competitiveness

We will continuously strive to improve cost efficiency, maintain and enhance cost competitiveness to reinforce our resilience to risks, and build a business foundation for sustainable growth.

Achievement of management targets

1. Flight safety

Indicators	2012	2013	2014	2015	2016
Aircraft accidents	1 case	0 case	2 cases	1 case	1 case
Serious incidents	2 cases	1 cases	0 cases	3 cases	0 cases
Irregular operations	69 cases	75 cases	70 cases	73 cases	66 cases
Customer injuries	23 cases	11 cases	12 cases	12 cases	8 cases
Irregularities due to human error	54 cases	62 cases	65 cases	63 cases	48 cases



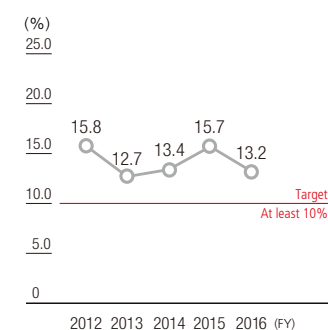
For further information, please refer to P.128 Data on Incidents.

2. Becoming number one in customer satisfaction

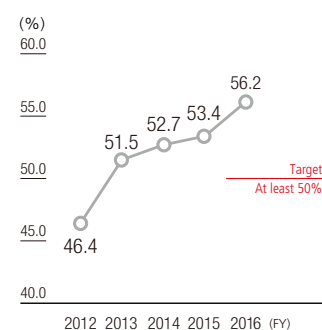
Repeat Intention rate / Recommendation Intention rate	2012	2013	2014	2015	2016
International flights					
Repeat Intention rate	3 rd	1 st	1 st	1 st	1 st
Recommendation Intention rate	2 nd	2 nd	1 st	2 nd	1 st
Domestic flights					
Repeat Intention rate	6 th	6 th	3 rd	5 th	3 rd
Recommendation Intention rate	3 rd	2 nd	3 rd	3 rd	3 rd

3. Operating margin of 10% or above for five consecutive years / Equity ratio of 50% or above by fiscal year 2016

Operating margin

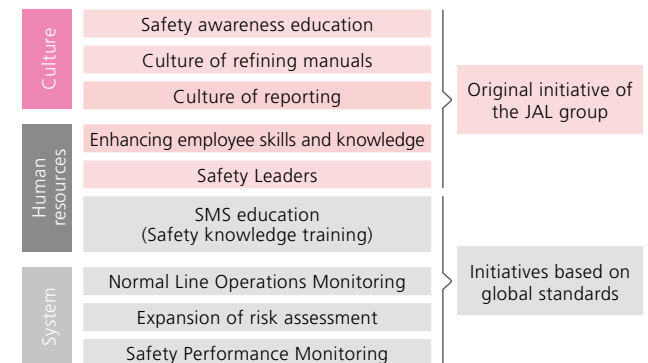


Equity ratio



Maintaining flight safety

To maintain flight safety, the foundation of the JAL Group, we strive to build an advanced Safety Management System and ensure that all employees can respond with sufficient knowledge and awareness. To support these aims, JAL has accumulated multiple safety layers by pursuing three initiatives: cultivating a safety culture, nurturing safety professionals, and evolving safety systems to maintain safety. Aiming to be the leading company for safety in the transport sector, we not only deploy cutting-edge systems that lead the aviation industry, but are also continuously refining JAL Group-specific initiatives.



Delivering unparalleled service

One of the management targets of the JAL Group Medium Term Management Plan for Fiscal Years 2012-2016 was to become number one for Repeat Intention and recommendation Intention in both international flights and domestic long-distance flights in the Japanese Customer Satisfaction Index (JCSI) survey.

JCSI survey results released in November 2016 showed that JAL had successfully ranked number one in both indicators for international flights. This was attributable to the expansion of routes operated with JAL SKY SUITE-configured aircraft, in-flight meals created in collaboration with famous chefs and restaurants, and other product and service enhancement initiatives.

As for domestic flights, JAL ranked third in both indicators. However, Group-wide value creation initiatives bore fruit and consequently, we improved our score in not only the two key indicators but also all JCSI survey items. Among the measures contributing to this accomplishment were the expansion of routes offering JAL SKY NEXT services and an in-flight Internet service for free campaign, which were part of our initiatives to offer a refreshing and inspiring travel experience.

We plan to publish the results of surveys covering the period from August 2016 to July 2017 in the fall of 2017. The JAL Group is firmly committed to putting in united efforts to become the world's most preferred and valued airline group.

Achievement of financial targets

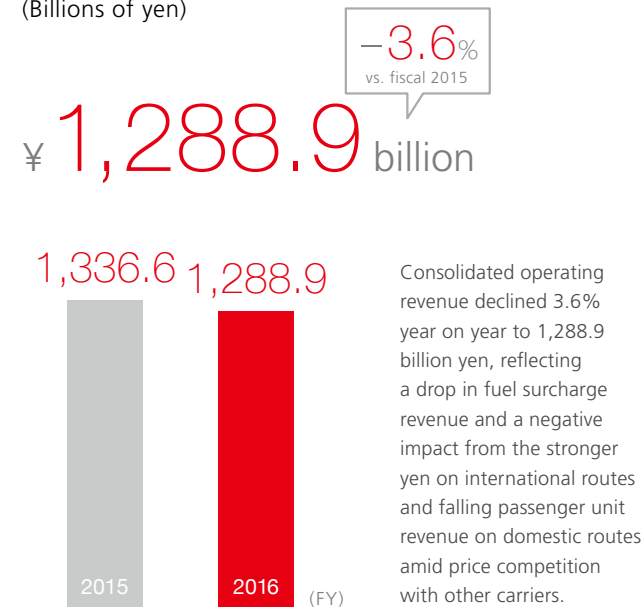
Under the amoeba management system, the JAL Group aims to achieve high profitability through the conscious commitment of each employee to 'maximize revenues and minimize expenses.' At the same time, we strive to increase corporate value by establishing systems to flexibly respond to changes in the business environment.

Drawing on the lessons learned from our bankruptcy, we established financial targets aimed at maintaining high profitability and building a financial foundation resilient to economic fluctuations and event risks. These targets — an operating margin of 10% or above for five consecutive years and an equity ratio of 50% or above by fiscal year 2016— were achieved through the united efforts of the JAL Group.

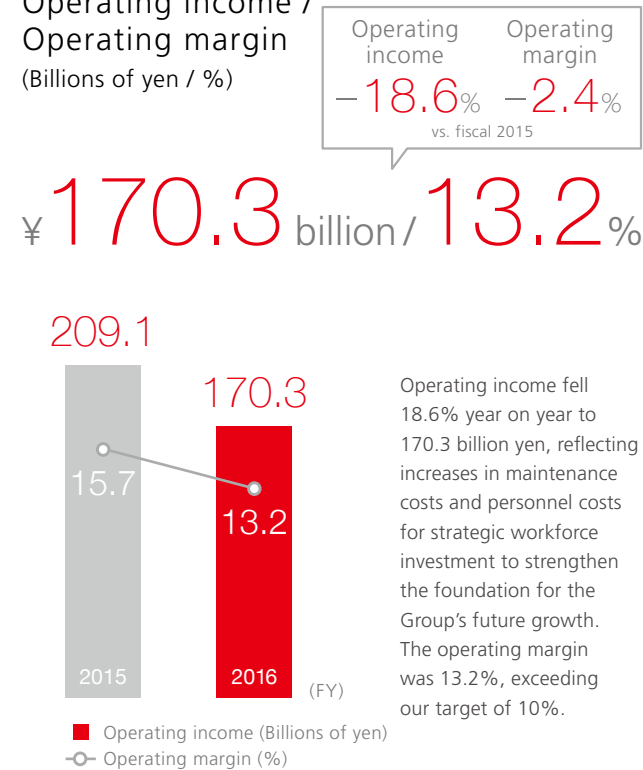
FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Financial Data

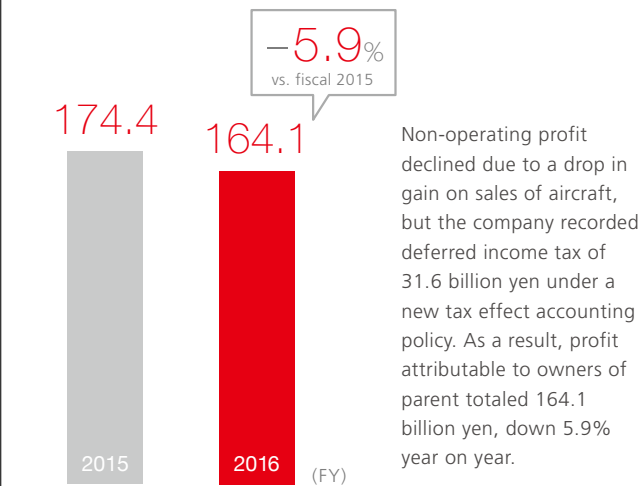
Operating revenue (Billions of yen)



Operating income / Operating margin (Billions of yen / %)



Profit attributable to owners of parent (Billions of yen)



Shareholders' equity



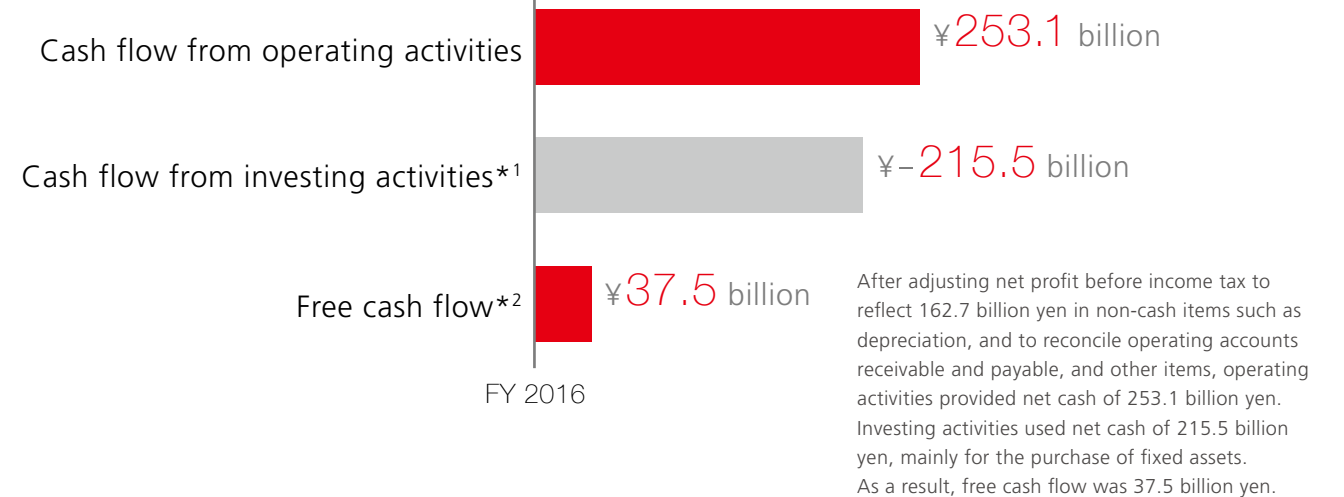
Interest-bearing debt



Cash flow from operating activities

Cash flow from investing activities*1

Free cash flow*2



ROE

18.1%

ROA

10.3%

EBITDA*3

¥266.1 billion

EBITDA margin*4

20.6%

Air transport revenues per ASK*5*6

¥13.3

Unit cost*7

¥9.4

Net profit per share

¥456.56

Dividend per share

¥94.00

*1 Excludes fixed deposit account deposits and withdrawals

*2 Free cash flows= Operating cash flows + Investment cash flows

*3 EBITDA= Operating income / Depreciation expense

*4 EBITDA margin= EBITDA / Operating revenue

*5 ASK (Available Seat Kilometers): A unit of passenger transport capacity: Total number of seats × Distance flown (km).

*6 Air transport revenue per ASK: (Air transport revenue – fuel surcharge) / ASK

*7 Unit cost: Consolidated air transport costs (excluding fuel costs) / ASK

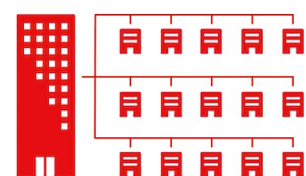
FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Non-financial Data

(As of March 31, 2017)

Number of group companies

137
companies



81 subsidiaries
(including 52 consolidated subsidiaries)
56 affiliated companies
(including 13 accounted for by the equity method)

Number of employees

11,449
people



Consolidated employees 
32,753 people

Traffic results

Domestic passengers **32.57**
million passengers



International passengers **8.39**
million passengers



Number of group aircraft

Large aircraft 777 **40** aircraft



Medium-sized aircraft 787/767 **70** aircraft



Small aircraft 737 **64** aircraft



Regional jet **56** aircraft



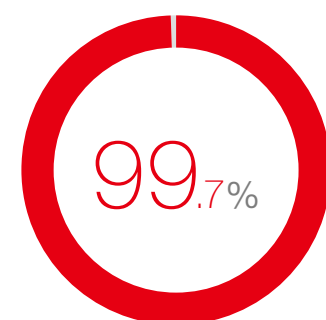
Average fleet age **9.5** years

TOTAL
230 aircraft



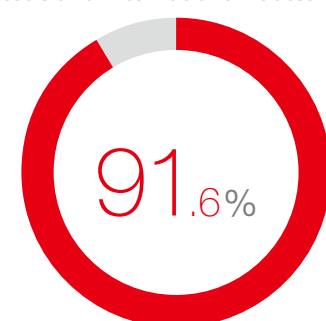
Operational rate

Domestic and International routes total



On-time arrival rate

Domestic and International routes total



Number of countries, regions and destinations served by the JAL Group (including code-share flights)



Repeat intention rate / Recommendation intention rate

International flights

Repeat intention rate **1st** Recommendation intention rate **1st**

Domestic flights

Repeat intention rate **3rd** Recommendation intention rate **3rd**

Number/ratio of women in management positions

846 people

16.3%

Aircraft accidents / Serious incidents

Aircraft accidents **1** case Serious incidents **0** cases

* For details of aircraft accidents and serious incidents, please refer to P.128: Data on Incidents.

Customer injuries

8 cases

Irregularities due to human error

48 cases

Irregular operations

66 cases

CO₂ emissions per revenue ton kilometer

vs. fiscal 2005 **84.6%**

Volume of industrial waste

3,436 tons

Electric power consumption

113 million kWh

Heat consumption (crude oil equivalent)

44,936 Kiloliters

Water consumption

426 thousand m³

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Awards and Recognition



Best Economy Class Airline Seat

Skytrax 2017 World Airline Awards

JAL was ranked first for Best Economy Class Airline Seat in the Skytrax 2017 World Airline Awards. This marks the third time JAL has received a World Airline Award, following awards for the Best Business Class Airline Seat in 2013 and a previous award for the Best Economy Class Airline Seat in 2015.



Best Airline for On-time Performance in the Asia-Pacific Region

FlightStats 2016 Airline On-time Performance Service Awards

FlightStats, Inc. ranked JAL first for on-time performance in the mainline and network categories for Asia-Pacific major airlines, based on flights on domestic and international routes between January and December 2016.



健康経営銘柄 2017

Health and Productivity

JAL Selected as a Leading Company in Employee Health Management

Health & Productivity Stock

JAL was selected as a Health & Productivity Stock in 2017 for the third consecutive year by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, which recognized our management commitment and strategic initiatives in employee health management.

* "Health management" is a registered trademark of NPO Workshop for the Management of Health on Company and Employee.



JAL Selected as a Company that Empowers Female Employees

Nadeshiko Brand Enterprise

JAL was selected for inclusion in the Nadeshiko Brand list of enterprises for the third consecutive year by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. Companies on the list are recognized for initiatives in diversity management.



攻めのIT経営銘柄2017

Competitive IT Strategy Company

JAL Selected as a Competitive IT Strategy Company for the Second Consecutive Year

Competitive IT Strategy Company Stock Selection

JAL was selected as a Competitive IT Strategy Company in 2017 for the second consecutive year by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, which recognized our use of advanced IT to increase corporate value and improve profitability.



JAL Selected as a Company that Helps Cancer Patients Balance Treatment and Work Commitments

Top Award in the Tokyo Work Circle Project

The Tokyo Metropolitan Government has recognized our initiatives to support employee health through our health promotion program, JAL Wellness 2016, as well as our efforts to create more flexible working practices with various holiday leave schemes. This is the first time JAL has received this award.



Basic Achievement Grand Prize for Diversity and Inclusion

2017 J-Win Diversity Award

JAL received the Basic Achievement Grand Prize from the Japan Women's Innovative Network, recognizing JAL as a leading company in promoting diversity and inclusion.



Selected as a Telework Pioneer 100 Company by the Ministry of Internal Affairs and Communications

Chairman's Prize in the 17th Telework Promotion Awards
JAL received certification under the Law for Measures to Support the Development of the Next Generation in June 2008 in recognition of our efforts to nurture future generations. JAL received the Chairman's Award in the 17th Telework Promotion Awards, the first time an airline has won this award.



Certified as a Gold Company in the Pride Rating System

Japan's First Rating System for Corporate LGBT Programs
JAL received a Gold ranking in the Pride rating system, established by Work with Pride, an LGBT volunteer group.



JAL Granted "Kurumin" Certification for Nurturing Future Generations

4th Action Plan Currently Being Implemented

Since June 2008, JAL has been certified with the "Kurumin" mark as a company that supports future generations.



JAL Secures Top Place in Best Free Attraction Ranking 2016

JAL Factory Tours – SKY MUSEUM

JAL Factory Tours – SKY MUSEUM, the flagship component of the JAL SORAIKU educational program, came top in the Best Free Attractions Ranking 2016 by TripAdvisor, the world's largest travel website.