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.
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.

JAL GROUP HISTORY

1951 Establishment of Japan Airlines

1954 Launches first international route, Tokyo-San Francisco

1970 Sets world record for international scheduled air traffic data

1983 Complete privatization

1985 Japan Airlines Flight 123 accident

2002 Business integration of Japan Airlines and Japan Air System

2007 Joins oneworld alliance

2011 Concludes corporate reorganization proceedings under the Corporate Reorganization Act

2017 Publishes Medium Term Management Plan

2012 Relists on First Section of Tokyo Stock Exchange

2010 Files for reorganization proceedings under the Corporate Reorganization Act

2007 Relists on First Section of Tokyo Stock Exchange
Overview of Fiscal Years 2012–2016 JAL Group Medium Term Management Plan

Achievement of management targets

1. Flight safety

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft accidents</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Serious incidents</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Irregular operations</td>
<td>69</td>
<td>75</td>
<td>70</td>
<td>73</td>
<td>66</td>
</tr>
<tr>
<td>Customer injuries</td>
<td>23</td>
<td>11</td>
<td>12</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Irregularities due to human error</td>
<td>54</td>
<td>62</td>
<td>65</td>
<td>63</td>
<td>48</td>
</tr>
</tbody>
</table>

For further information, please refer to P128 Data on Incidents.

2. Becoming number one in customer satisfaction

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention rate / Recommendation Intention rate</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Repeat Intention rate</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Domestic flights</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Recommendation Intention rate</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Operating margin (%)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity ratio (%)</td>
<td>10.0</td>
<td>15.0</td>
<td>20.0</td>
<td>25.0</td>
<td>10.0</td>
</tr>
</tbody>
</table>

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 in 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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>¥1,336.6</td>
</tr>
<tr>
<td>2016</td>
<td>¥1,288.9</td>
</tr>
</tbody>
</table>

Consolidated operating revenue declined 3.6% year on year to ¥1,288.9 billion yen, reflecting a drop in fuel surcharge revenue and a negative impact from the stronger yen on international routes and falling passenger unit revenue on domestic routes amid price competition with other carriers.

Profit attributable to owners of parent (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>¥174.4</td>
</tr>
<tr>
<td>2016</td>
<td>¥164.1</td>
</tr>
</tbody>
</table>

Non-operating profit declined due to a drop in gain on sales of aircraft, but the company recorded deferred income tax of ¥31.6 billion yen under a new tax effect accounting policy. As a result, profit attributable to owners of parent totaled ¥164.1 billion yen, down 5.9% year on year.

Shareholders’ equity

As of March 31, 2017, total assets stood at ¥1,728.7 billion yen, up 149.8 billion yen year on year, liabilities totaled ¥725.3 billion yen, up 17.0 billion, and net assets totaled ¥1,003.3 billion yen, up 132.8 billion yen. As a result, shareholders’ equity was ¥972.0 billion yen and equity ratio increased 2.8 percentage points to 56.2%.

Interest-bearing debt (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>¥116.0</td>
</tr>
<tr>
<td>2016</td>
<td>¥116.0</td>
</tr>
</tbody>
</table>

Interest-bearing debt totaled ¥116.0 billion yen at the end of fiscal year 2016, up ¥23.4 billion yen year on year.

Cash flow from operating activities

*1 Excludes fixed deposit account deposits and withdrawals
*2 Free cash flows= Operating cash flows + Investment cash flows

The JAL Group’s Growth Story

Management Strategies Designed to Create Value
Performance and Strategies by Business
A Business Base that Supports Value Creation
Financial / Data Section

Ⅱ Ⅲ Ⅳ Ⅴ
FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Non-financial Data
(As of March 31, 2017)

Number of group companies
137 companies

Number of employees
11,449 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: 99.7%

On-time arrival rate
Domestic and International routes total: 91.6%

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

- U.S.A./Canada: 8
- Europe/Middle East: 5
- East Asia: 13
- Southeast Asia/India: 8
- Australia/Guam/Tahiti: 2

Countries/Regions where we fly to: 54 countries/regions
Airports: 344 (including airports in Japan)

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 Kilotons
Water consumption: 426 thousand m³

Customer injuries: 8 cases
Irregularities due to human error: 48 cases
Irregular operations: 66 cases

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

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.

* Only JAL Group direct flights shown on the map.
In fiscal year 2017, the JAL Group initiated the JAL Group Medium Term Management Plan for Fiscal Years 2017 – 2020, under the key words “Challenge, Leading to Growth.” In this section, we outline the plan’s initiatives and explain the JAL Group’s value creation cycle.

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