MESSAGE FROM THE PRESIDENT

We will embrace challenge to become a truly global airline, create new values one step ahead of competitors and achieve sustainable growth through the joint efforts of every staff.

Yuji Akasaka
Representative Director,
Executive President
Introduction: Safety and Sense of Security

We thank you for your continued warm support of the JAL Group. I have recently been appointed President of Japan Airlines in June 2018. Since joining JAL, I have spent a major part of my career in the Maintenance and Corporate Safety divisions. Therefore, I have a deep conviction that flight safety is the basis of existence of the JAL Group and our social responsibility. Before my appointment as President, I held dual positions as General Manager of the JAL Engineering & Maintenance Division and President of JAL Engineering Co., Ltd. I was engaged in organizational operations and corporate management, and also aircraft maintenance technological development. Going forward, I will draw on my past experience to fulfill my duty of leading the Group along the right path as JAL President.

The most important role as President is to rigorously pursue safety and sense of security, and further, on developing a road map for growth, implement the Medium Term Management Plan and get positive results. JAL’s strengths lie in the competencies of the frontlines to deliver safe operations and the abilities of every staff who supports daily flight safety. On the other hand, the management team will create work environments, where each staff can achieve self-growth, demonstrate his or her ability as a professional and work with a sense of responsibility, pride and motivation. I will work together with them and do my best to create a company which “delivers unparalleled service to our customers” and “contributes to the betterment of society” as stated in our Corporate Policy.

JAL Vision: JAL in 10 Years’ Time

In April 2017, the JAL Group established the JAL Vision, which outlines the company we aspire to be 10 years from now. In the Medium Term Management Plan- Rolling Plan 2018 announced in February 2018, we incorporated the concept of the Grand Design, which describes JAL in concrete and quantitative terms when the JAL Vision turns into reality.

(1) Transform JAL into a truly global airline

At present, 60% of users of JAL Group international flights are Japanese passengers, indicating that the JAL Brand has yet to penetrate overseas markets. Meanwhile, the number of inbound visitors to Japan is growing rapidly, presenting an excellent opportunity to inspire them to use JAL flights and discover the merits of flying with JAL. To become an airline that is recognized and supported internationally, we aim to serve 500 major cities worldwide and achieve 50% of revenue from overseas sales in our international passenger business. To achieve these targets, we will launch initiatives to nurture professionals who understand diverse cultures and flexibly adapt to diversity, which has gained momentum worldwide.

JAL Vision

To continue to be “the world’s most preferred and valued airline” in order to realize the JAL Group Corporate Policy, we will maintain flight safety and strive to achieve the following goals through the joint efforts of every staff who supports the “Wings of JAL”:

1 Transform JAL into a truly global airline × 2 Create new values one step ahead of competitors = 3 Achieve sustainable growth
(2) Create new values one step ahead of competitors

Various industries are promoting the use and application of new technologies to their operations. Likewise, the airline industry will quickly adopt cutting-edge technologies in its services and business processes to create new values that cater to customers and social needs and to deliver fresh, new experiences. For example, I think that there are still many people who feel inconvenienced or stressed at the airport, on board or before and after their trip when using aircraft. By incorporating new technologies and systems, I feel that we can resolve these problems and provide stress-free services to every customer. To achieve this, JAL has opened a facility that tests and verifies new technologies and services called JAL Innovation Lab. Through these efforts, we aim to stimulate air travel demand and create new businesses.

Meanwhile, the most important factor to attain growth in the airline industry is to ensure flight safety. Therefore, we will expand our safety systems and safety culture, which we have cultivated through long years of experience, and on this foundation, drive development in the airline industry.

Furthermore, as the sustainable growth of a company is founded on a sustainable society, we will contribute to resolving social issues by incorporating initiatives to achieve the SDGs in our business activities. For example, as the airline industry consumes large amounts of fossil fuel, we have an obligation to responsibly deal with CO₂ emissions and climate change. We will respond by switching to highly fuel-efficient, operating eco-flights (fuel-saving flight methods) and promoting the practical use of biojet fuel on a full scale.

To meet the expectations of all our stakeholders, we will realize the JAL Vision. Further, we will increase corporate value through initiatives to increase both the economic and social value of the JAL Group.

(3) Achieve sustainable growth

To continue to grow in the intensely competitive airline industry, it is essential that we place emphasis on profitability and maintain a firm financial base. Therefore, we raised the notch for profitability, targeting an operating margin of 10% or above, sales turnover of two trillion yen, operating profit of 250 billion yen and market capitalization of three trillion yen.

This would place us among the world’s top five airline companies and I believe this level is attainable.

Medium Term Management Plan-Rolling Plan 2018: An Important Process to Realize the JAL Vision

The JAL Group Medium Term Management Plan for Fiscal Years 2017 to 2020 is an important step in laying the groundwork for realizing the JAL Vision. The year 2020 is the final year of the Plan and represents a milestone when flight slots at Tokyo’s two airports will be expanded, coinciding with the Olympic and Paralympic Games Tokyo 2020. To build momentum to realize the JAL Vision, which goes beyond the period of the Medium Term Management Plan, we have established management targets in three areas; safety, customer satisfaction, and finance.

Safety targets: We are pursuing a wide range of initiatives to reach the targets of zero aircraft accidents and zero serious incidents. Regrettably, however, a serious incident occurred on May 24, 2018, in which a 767 aircraft suffered engine damage after take-off from Kumamoto Airport and engine parts fell to the ground over Mashiki Town in Kumamoto Prefecture. We offer our
sincere apologies for the damage or inconvenience caused and will make every effort to prevent a recurrence. We will scrutinize this and all past incidents as well as incidents occurring at other airlines, and make continuous efforts to achieve our safety targets. To respond systematically, the Flight Safety Research Department was established in April 2018. We will also share JAL Group’s know-how on safety with society.

Customer satisfaction targets: Amid efforts to achieve the world’s top level of customer satisfaction, JAL was awarded the highest 5-star rating for its service from the international airline rating company SKYTRAX on July 17, 2018. This certification represents global recognition of JAL’s service rooted in Japanese-style hospitality. Going forward, we will continue to listen to global customer feedback and strive to provide the world’s finest quality of service.

Financial targets: To maintain the current high level of profitability, our financial targets are an operating profit margin of 10% or above and Return on Invested Capital (ROIC) of 9% or above, both of which we successively recorded in our financial statements for the fiscal year ended March 2018. On maintaining profitability and balancing a firm financial base and high capital efficiency, we will distribute management resources strategically to increase corporate value. Regarding capital investment, we compiled a 440 billion yen budget for growth investments, which represents roughly two-thirds of 660 billion yen, or total investment for a three-year period from 2018. Following the revamp of our passenger service system for the first time in 50 years in November 2017, we will steadily make improvements in other areas, including route expansion, the introduction of highly fuel-efficient aircraft, service quality upgrades and new business launches.

(1) Full Service Carrier business: Refining our network, products and services

The full service carrier business has been and will continue to be our core business. Efforts to continuously refine our FSC business are essential for growth.

As we see a major business opportunity in 2020 when flight slots at Tokyo’s two airports will be expanded, we will seize the opportunity to improve our international routes. In particular, we will improve routes linking Southeast Asia, a market with significant growth potential, and North America.

Further, in addition to JAL Group-operated flights, we will forge partnerships with overseas airlines and expand our global network. By using our partners’ resources, we aim to improve
connectivity and raise presence in overseas markets, which would otherwise take time to achieve through our own efforts.

In domestic passenger operations, the cutting-edge Airbus A350 will be put into service on major routes from 2019. As the A350 is fitted with the latest, advanced cabin facilities, we hope to deliver a totally new passenger experience. We are also making efforts in domestic network operations and routes linking outlying islands to spread inbound visitors across regions in Japan. During the period of the Medium Term Management Plan, we will renew small aircraft operating on outlying island routes, in particular, to the latest model, equipped with outstanding levels of safety and efficiency.

(2) New businesses: Expanding business domains
To offer customers and regions with new values, we will actively develop and foster new businesses and growth businesses. While ambitious goals are vital, it is essential that the businesses serve the needs of the relevant region and are profitable. To achieve this, we will expand businesses in areas where we can make optimal use of JAL’s assets our know-how and customer base and where we can leverage our strengths.

One of these new challenges is the establishment of a new low-cost carrier (LCC) business to operate on medium- to long-haul international routes, which we announced in May 2018. Adopting a new business model, the new company will cater to diversified needs and price-sensitive customers. It will be a new type of airline, which balances low costs and high quality, harnessing JAL’s know-how and strengths. We will differentiate the new LCC from our FSC business by further refining our FSC services. We are in the preparatory phase to launch operations in the 2020 summer timetable with hopes of impressing customers and have them say, “JAL’s LCC has high standards.”

Further, amid the increase of foreign carrier entrants into the Japanese market, we will actively invest in infrastructure to cater to their needs, such as the maintenance business, airport handling business and tourism-related business for inbound visitors. By developing our FSC, LCC and incidental businesses, we will contribute to achieving the targets of the Japanese government; make Japan a tourism-oriented nation and attract 40 million inbound visitors a year, and realize growth of the JAL Group from fiscal year 2021 onward.

(3) Innovation: Human resources × Technology
The JAL Vision expresses the base for innovation generation as “Human resources × Technology.” A wide range of technological advancements have been made in recent times, but it is the role of
humans to determine and decide how to combine human resources and technology and what projects best suit the JAL Group. Likewise, to apply new technologies to new systems, the willpower and creativity of humans will be required. I see the key to success as human engagement in system operation. To create sustainable innovations consecutively, it is essential that we demarcate human domains and technological domains in a balanced manner and nurture human resources capable of adapting to new systems and creating innovations for the future.

The most important qualities of human resources in the future will be willpower and creativity. And to stimulate these qualities it will evidently be increasingly important to develop individual abilities and diversity.

The JAL Group is a team of professionals working in a variety of job types, and by its nature, is composed of team members with diverse willpower. I feel that we can develop their willpower and creativity by utilizing them in society as well as in each job type, and by collaborating with other airlines, while applying their knowledge and know-how.

In addition to introducing new technologies, we will nurture human resources who can harness new technologies and reform corporate awareness with speed.

In Closing: In Pursuit of New Challenges

We have been able to move to a new phase of embracing new challenges for growth through the support of many parties since our bankruptcy. I would like to make our challenges come true and create new values that will genuinely benefit society. This is also part of my responsibility as an engineer.

The JAL Group has a management philosophy known as the JAL Philosophy. I repeatedly remind JAL Group staff that in addition to practicing it, they must never forget the background that led to its formation. The JAL Philosophy was created based on reflections and lessons learned from our bankruptcy. With this in mind, each staff will remain committed to thinking about what he or she can do for the customer and for society.

In any era, JAL’s greatest asset is its human resources. Our workplaces are wide-ranging and staffed by extremely outstanding professionals. By introducing the JAL Philosophy, the mental vectors of all staff have been aligned and team skills and teamwork have improved significantly. I strongly feel that we have reached the stage to fully demonstrate our strengths for the benefit of society and become a company, where every staff feels fulfilled, valued and happy working for JAL and seek long-term employment with sense of security.

We aspire to become “the world’s most preferred and valued airline,” never forgetting the support we received from many people in society. We will do our utmost to live up to the expectations of our stakeholders. I would appreciate your continued support.

Yuji Akasaka
Representative Director, Executive President
To realize the JAL Group Corporate Policy and continue to be “the world’s most preferred and valued airline,” we use the JAL Group’s capital for business development, bringing together the individual strengths of the JAL team to offer new value to customers and society. With flight safety as our very foundation, we support value creation through the JAL Philosophy and the amoeba management system.
The Amoeba Management System

Cargo & Mail
Offers services adapted to the nature of the cargo in the air freight and airmail transport sectors

Maintenance
Ensures aircraft safety through proactive action to prevent accidents

Cabin Attendants
Delivers to passengers a refreshing and inspiring flight experience

Nurture Future Generation
Contribute to Communities
Coexist with the Earth

Value delivered to customers

Safety
On-time operations
Comfort
Convenience

Value delivered to society

JAL REPORT 2018

Business Outline
A Business Base that Supports Value Creation
Management Strategies Designed to Create Value
Financial / Data Section
About the JAL Group

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JAL
Philosophy

The Amoeba Management System

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SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

1. NO POVERTY
2. ZERO HUNGER
3. GOOD HEALTH AND WELL-BEING
4. QUALITY EDUCATION
5. LIFE ON LAND
6. CLEAN WATER ANDSanitation
7. AFFORDABLE AND RENewable ENERGY
8. DECENT WORK AND ECONOMIC
GROWTH
9. INDUSTRY, INNOVATION AND
INTEGRATED INFRASTRUCTURE
10. REDUCED INEQUALITY
11. SUSTAINABLE CITIES AND
COMMUNITIES
12. RESPONSIBLE CONSUMPTION AND
PRODUCTION
13. LIFE BELOW WATER
14. LIFE ON LAND
15. LIFE ON LAND
16. EARTH SYSTEMS AND
LIFE SUPPORTING SERVICES
17. PARTNERSHIP FOR THE
GOALS

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About the JAL Group
Flight safety is the foundation and social responsibility of the JAL Group. To fulfill this responsibility, JAL established the Safety Charter.

Safety in flight operations is the very foundation and social responsibility of the JAL Group. To carry out our mission of assuring safety, the management will exert its strong resolve and staff will bear an awareness of their individual roles and responsibilities, and together we will combine our utmost knowledge and capabilities to ensure the safety and reliable operation of each and every flight.

In order to carry out our mission, we will:

- Perform our duties in compliance with regulations, faithfully following the basics.
- Be sure to make checks, without relying on assumptions.
- Relay information thoroughly, promptly and accurately, and ensure transparency.
- Respond to problems and issues quickly and precisely.
- Maintain a constant awareness of issues, and make necessary reforms without hesitation.

All JAL Group staff carry a safety card imprinted with the Safety Charter, on which they base their conduct at work each day.

Safety Awareness Education

To maintain flight safety, the JAL Group provides education to impart the knowledge and skills required in everyday duties. We carry out safety awareness education to nurture staff equipped with a constant high level of safety awareness.

Safety seminars

Based on the so-called the “Three Actuals” (the actual site, item and people), we organize a commemorative ascent of Mount Osutaka, the scene of the JAL flight 123 accident. This forms part of a safety seminar in which participants directly confront the aircraft accident and learn for themselves what they can do and what they need to do to maintain flight safety. In fiscal year 2017, a safety seminar for new recruits was completed by 1,902 participants, a safety awareness seminar by 459 and a safety seminar for newly appointed managerial staff by 289.

JAL Group emergency evacuation training

Since November 2016, all JAL Group staff have undergone emergency evacuation training to acquire knowledge of emergency situations and ensure the ability to respond appropriately. Up to the end of fiscal year 2017, the training had been completed by 5,339 participants. The cumulative figure is due to reach 10,000 by the end of fiscal year 2018.

Safety Advisory Group

The JAL Group established the Safety Advisory Group in August 2005 to receive advice from an objective perspective following an operational improvement order issued by the Ministry of Land, Infrastructure, Transport and Tourism. The Safety Advisory Group is a panel of five experts from outside the JAL Group who have extensive knowledge and experience in areas such as human factors, analysis of failures and imperfections, organizational management and culture, and safety. The panel is chaired by Mr. Kunio Yanagida, a non-fiction writer.

Follow-up meetings with management

The members of the Safety Advisory Group hold annual follow-up meetings with management. The progress of JAL Group’s safety measures is examined and the members offer advice where appropriate.

Members also carry out observations and staff dialogs at a wide range of worksites, where they pick up on points for discussion and other issues that need to be addressed.

Safety Promotion Center

On August 12, 1985, JAL flight 123 crashed on the ridges of Mount Osutaka and 520 precious lives were lost. To reaffirm the importance of flight safety and to instill the lessons learned from this accident in our minds, we established the Safety Promotion Center in April 2006.

For all JAL Group staff, this facility serves as the “safety foundation” from which they work to deliver safe and reliable operations in response to society’s needs, constantly mindful that precious lives are entrusted to us in our work.

The Safety Promotion Center is open to the general public. In fiscal year 2017, the Center received 20,091 visitors from inside and outside the Group, bringing the cumulative total since fiscal year 2006 to 216,780.

SAFETY CHARTER

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About the JAL Philosophy

We adhere to the JAL Philosophy as the shared mindset, values and attitude of every person engaged in JAL products and services. As JAL Group staff deepen their personal understanding of the JAL Philosophy and employ it as a common basis for decision-making in everyday work, it becomes a uniting force enabling them to advance together toward the ambitious goal of “becoming the world’s most preferred and valued airline.”

To deepen understanding of the JAL Philosophy, we conduct JAL Philosophy Education seminars three times a year for all operatives in Japan and overseas who handle JAL products and services. The JAL Group spans a wide range of job categories, but all participants in these seminars sit at the same table, regardless of seniority, position or department, which helps generate an atmosphere of mutual understanding.

JAL Philosophy Education facilitators are selected from various divisions, from Cockpit Crew and Cabin Attendants to Engineering & Maintenance, Airports and Sales. They hold seminars in the Tokyo region and also travel to other regions of Japan, adapting the teaching materials to the specific needs of the participants. Education seminars in the United States, Europe, Asia-Oceania and China are given using Japanese or English teaching materials.

In addition to JAL Philosophy Education, study meetings are held once a month for directors and divisional general managers and three times a year for other managerial staff.

Promoting More Intensive Practice and Penetration of the JAL Philosophy

The annual JAL Philosophy Presentation Meeting marks its eighth session in 2018. It is greeted enthusiastically each year as staff share their thoughts on the JAL Philosophy and examples of how they have applied it. Participants come not only from Japan; each year there are also many applications from China, Southeast Asia and other regions. The presentations by colleagues performing a wide range of roles are enlightening and instructive, and serve as a good opportunity for participants to reflect on how to practice the JAL Philosophy in their duties. Starting from fiscal year 2016, the various departments and Group companies have begun planning and implementing independent initiatives to ensure practical application of the JAL Philosophy. In addition voluntary study meetings are organized by staff on a continuous basis as part of activities to create a culture that promotes the study and practical application of the JAL Philosophy.

The JAL Group will continue to nurture human resources through diverse activities that promote the wider application of the JAL Philosophy. This will enable every JAL Group staff to provide customers with unparalleled service, increase corporate value and contribute to the betterment of society.

Overview of the approach to instilling the JAL Philosophy

<table>
<thead>
<tr>
<th>Executives / General Managers</th>
<th>Managers</th>
<th>General posts</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAL Philosophy Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leader Workshops</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Penetration activities

- Independent activities in departments and Group companies to promote practical application of the JAL Philosophy
- JAL Philosophy Presentation Meeting / in-house newsletters / Intranet / Employee Awareness Surveys
- Independent voluntary workshops by staff

At a JAL Philosophy study meeting held in an overseas region
THE AMOEBA MANAGEMENT SYSTEM

About the Amoeba Management System

Under the amoeba management system, corporate management is not the responsibility of top management alone; all staff are involved. Organizations are divided into the smallest possible units and the results of activities conducted by each unit are presented in an easily understandable manner. The system thus encourages participation in management by every staff, that is, “management by all.”

We aim to achieve sound and flexible corporate management by bringing together individual strengths in a style of management that encourages full staff participation.

Outline of the Amoeba Management System and How the Management Cycle Works

The introduction of the amoeba management system has clarified the roles and responsibilities of each organization and made it possible to identify the revenue and costs of each unit. As staff in each department can see the results of their efforts clearly reflected in the revenue and costs, they develop a sense of responsibility for the results and feel more motivated and creative in their work attitude.

Under the amoeba management system, every unit prepares an annual plan for revenues and costs (Master Plan) and implements a monthly management cycle (PDCA) to accomplish the annual plan. The monthly management cycle requires each unit to set action targets at the start of each month for the coming month based on the current environment. After business results for the month are released, the difference between the target and result is calculated and reasons for the difference are clarified. The findings are utilized to prepare targets for the following month. Thus, in addition to the annual plan prepared at the start of each fiscal year, monthly targets are also set, which facilitates prompt response to changes in the environment. Operating a stage-by-stage monthly management cycle of this kind enables all staff to participate in management.

After passing through a stage where the results and targets are checked by the relevant department, they are presented to senior management by the relevant divisional managers or affiliated company presidents at the Group Earnings Announcement Session. The session is attended by around 160 participants, including the President, all directors, presidents of major affiliated companies and observers, who join in earnest discussions on JAL Group management with the common aim of realizing the Corporate Policy.

Future Initiatives

Up till now, we have focused on operating and embedding the amoeba management system, but to ensure future growth and promote human resources development, we will work on consolidating divisional profitability based on full staff participation, which is one of the five key initiatives selected for specific action under the “JAL Action” in the new Medium Term Management Plan.

Rigorous profitability management

We will pursue initiatives to continue and intensify the improvement of hourly profitability, unit revenue and productivity within each Group department and company. We will also reinforce cost control in response to changes in the market environment and fluctuations in revenues to optimize the balance sheet and improve risk resilience.

Management by all

We will work to bring together individual strengths, increase practical effectiveness in reaching our targets, visualize management data more accessibly and encourage all staff to display creativity and initiative in reaching targets. We will also devote increased energy to nurturing leaders with the managerial flair to motivate staff.

Increase effective use of management resources

We will work as a team to implement “muscular management” by improving profitability within each Group department and company, undertaking effective investments, improving asset utilization, optimizing inventories and implementing other measures to increase return on invested capital (ROIC).
Maintaining Flight Safety

To maintain flight safety, which is the foundation of the JAL Group, we will continue working to realize zero aircraft accidents and zero serious incidents. In addition to our focus on efforts to prevent recurrence of similar accidents, we will work to proactively prevent aircraft accidents by detecting precursors to accidents and serious incidents.

Accumulating Safety Layers

Evolve the safety management system to the world’s highest standard
1. Introduce an integrated safety database for risk management
   Integrating and analyzing disparate safety data will improve the quality of analysis and response and raise the efficiency of risk management.
2. Take measures against human error through the Human Factor Analysis and Classification System
   This analysis method seeks to prevent human error by including environmental and organizational factors in its analysis and response measures.

Evolve the security management system to the world’s highest standard
1. Ensure reliable operation of the security management system
   We will maintain a high level of security across the Group through systematic analysis, evaluation and management of security risks.
2. Cultivate security awareness among all staff
   We will improve security awareness and knowledge among all staff to ensure appropriate action and reporting.

Pass on lessons learned from accidents
1. Implement safety awareness education based on the Three Actuals Philosophy
   We will ensure that lessons learned from past accidents are passed on and will provide education on safety awareness based on the Three Actuals Philosophy (the actual site, item and people) that captures the essence of the issue.
2. Conduct emergency evacuation training
   We will provide training in how to respond to an emergency situation so that all Group staff know how to assist cabin attendants and customers in the event of an emergency.

* "Conduct risk management of Flight crew fatigue" was one of the safety targets addressed in fiscal year 2017. We have now completed the creation of corresponding systems within the JAL Group and have therefore completed the response to this issue as a safety target. It will now be implemented as a policy measure by the Flight Operations Division and Group companies.
Mr. Kunio Yanagida × Yuji Akasaka  Dialog

The Safety Advisory Group, an external panel of safety specialists established in 2005, provides JAL with advice based on the members’ vast experience and extensive knowledge. We invited Mr. Kunio Yanagida, who observed JAL’s safety initiatives for many years as Chairperson of the Safety Advisory Group, to talk about the safety philosophies he advises the JAL Group to adopt and the issues to be addressed toward their realization.

Management Fulfills Its Responsibility for Safety

Yanagida: Over the course of ten years, Safety Management System (SMS) has become a keyword in safety issues and it has become widely recognized that organizations as well as frontline workers have a responsibility for safety. The JAL Group has also introduced SMS. What are your thoughts on SMS?

Akasaka: We introduced SMS to reflect on the series of safety issues that arose in 2005. As you mentioned, I feel the emphasis is currently placed on so-called “organizational factors” when dealing with accidents and problems such as malfunctions. Against this background, the essence of SMS is to properly clarify management’s direct involvement and responsibility for safety. As President, I, too, will fulfill my direct responsibility for safety. This is how I interpret SMS.
Yanagida: It’s reassuring to hear your firm commitment directly from you. In the management crisis of 2005, I had the strong impression that JAL’s safety had fallen into a crisis, whereas in the bankruptcy of 2010, JAL’s financial base triggered the crisis. They were both crises but quite different in nature. In the sense that the company’s pillars had both nearly collapsed, it was a period when you delved into the heart of the problem and asked yourselves what JAL aspired to be. Under the leadership of the then President, Mr. Ueki, the entire staff worked together to rebuild the company and we are starting to see the results of your efforts. Now the baton to fulfill management responsibilities has been passed on to you. I feel that it is extremely important that you decide what you intend to do in the next five and ten years, and not merely carry on from your predecessor.

Akasaka: Up till now, we worked hard to recover what we lost in the aftermath of our safety issues and bankruptcy. Our initiatives are moving in the right direction and we have gradually regained customer trust. I honestly think that this was the result of the competencies of our frontline workers. It was an accomplishment that came from hard work, while management backed them up. The frontlines are JAL’s life lines that must never be changed. Going forward, we will move to the next phase of creating unprecedented innovations in management and safety. My responsibility is to deliver innovations and values, centered on safety and an ease of mind, in particular.

Deal with Events in Society with a Sense of Ownership

Yanagida: When the former President, Mr. Ueki, took office, he asked the then Honorary Chairman Mr. Inamori, “On implementing reforms, will you give me the authority to ground all flights if I think there is a dangerous situation?” I think this was the first step in rebuilding the company. As Mr. Ueki has had countless experiences, as a pilot, of making speedy decisions under pressure, he is a man of decisive character. This served as the driving force of reforms and motivated staff to join hands to revitalize the company. This attitude inspired customers to put their confidence in JAL. To me, it seems significant that in this era you, Mr. Akasaka with your engineering background, will be standing at the helm and manage the company as top management. Safety is a precondition, but in order to increase trust, you need to add the element of an ease of mind. I feel that JAL’s next goal will be to seek ways of building sense of trust. Safety is not simply establishing manuals but delivering something extra as well. In reality, I think that it will be very challenging work.

Akasaka: I agree. In the current social environment, the second to third person perspective which you advocated has gained greater attention. For instance, people today have access to real-time information. But we live in an insecure world, where the impact and fear arising from this accessibility is not happening to others but could even happen to us. In other words, events seen through the eyes of the third party not long ago can be seen through our own eyes. From here on, we must consider how to deliver sense of security from the first and second person perspectives.

Yanagida: Access to real-time information will even change the quality of information. No matter how technically safe operations may be, it is the passengers who feel uneasy and wonder what the consequences would be if something went wrong. I feel that management requires a new factor of quality; the ability to instill an organizational culture where minor events are thoroughly dealt with from the users’ first and second person perspectives.

Akasaka: I would like to share our past experiences and knowledge with other companies, instead of keeping them to ourselves, and have them applied in society.

Yanagida: JAL opened the Safety Promotion Center in 2006, and since then has welcomed approximately 220,000 visitors. Half of the visitors were from other companies. This is meaningful in that sharing lessons learned from accidents widely with society

* The second to third person perspective: a concept advocated by Mr. Kunio Yanagida. The first person perspective is how the passenger would feel, the second person perspective is how the staff’s family and closely related people would feel, and the third person perspective is making decisions and taking actions as professionals, based on expertise and procedures. The second to third person perspective means to put yourself in the first and second person perspectives, while maintaining a cool, objective attitude as a professional.
the Center not only symbolizes our resolve to prevent the recurrence of aircraft accidents, but also signifies the public nature of our business, that is, widely sharing lessons drawn from accidents with society. As JAL stands at the forefront of safety, this is an important corporate activity and social contribution activity. The Center is exactly the base for conducting CSR activities.

Akasaka: JAL has reached the phase of sharing vast experiences and knowledge from the past with external parties. Therefore, we must continue to make optimal use of the Safety Promotion Center for the benefit of society. When I used the words, “a nation oriented toward safety and an ease of mind” I meant delivering safety and an ease of mind to Japanese society. It is significant that we are engaged in creating, improving and delivering safety and an ease of mind.

Yanagida: In this sense, I see the opening and development of the Safety Promotion Center as symbolic and an indication of a change in corporate value. In order to be entrusted with precious human lives and transport them with an ease of mind, you should cultivate a future-oriented attitude of learning from past failures in a positive manner and issuing forward-looking messages. In the past, many companies wasted a great deal of energy on concealing or ignoring their mistakes to protect their organization or cover up for individuals. In the coming age, management will play the role of flag bearer, who takes the initiative to cultivate a safety culture in the company and in society.

Akasaka: Management especially should see and feel the severity of the aircraft wreckage and victims’ belongings and stretch their imagination until they can envision the serious impact their decisions and judgment could have on safety. This is the attitude that they must possess.

Yanagida: One of the important lessons we learned from the Great East Japan Earthquake is how to “expect the unexpected.” We must include factors that were previously excluded based on the probability theory in all probable situations, instead of making excuses for failures because it was beyond expectations. Likewise, when it comes to safety, we should not maintain safety by simply following the manual. We should factor in the possibility of pitfalls in the manual or consider procedures for situations that cannot be dealt with the manual alone. I think this feeds into the question of creating employee education programs and work environments, where individuals learn to think of the essence of problems for themselves, instead of merely obeying orders. When this approach has penetrated organizations, genuine safety will permeate organizations and an ease of mind will improve. We live in an Internet society, where information can be searched and obtained online. This can mislead people into thinking that all work can be done through the Internet. JAL is implementing initiatives to nurture independent thinking, but I feel that the first step is to raise self-awareness.

Akasaka: We see it as a problem when people become over-dependent on the Internet and data. It has also become a major issue in human resources development. I would like to build a framework for the young generation to learn ways of thinking through training so that they can recognize the fun and value of thinking at an early stage.

Yanagida: Yes, this is very important. As automation proceeds, we have been hearing for some time now that reading skills and creativity are declining. With advances in AI such as self-driving cars, it will become very difficult to nurture humans who think independently. All the more, we should seriously come to grips with this problem.

Akasaka: If we only believed in what instruments and figures indicated without looking at the actual situation on the frontline, we would not be able to detect what is actually happening. The greatest risk at present is over-dependence on machines when making decisions. If we can clarify tasks required by machines, we will be able to create a society where human resources and technology can coexist. We are in a transition period, but we need to take scientific approaches and rectify the current situation.

Learning from Case Studies at Other Companies

Yanagida: The specialized in-house magazines, published by JAL’s Flight Operations and Maintenance divisions have undergone a major change. The heart of problems at other airlines is presented carefully in detail, as if the incident occurred at JAL. Further, lessons learned are expanded horizontally across divisions. I think that is a
very important change.

In fiscal year 2018, a Aviation Safety Research Department was created in the Corporate Safety and Security Division. This strikes me as being an important unit. By creating an independent department within an organization and not outside it like a research center, communication with frontlines can be maintained and risk information can be analyzed, accumulated and fed back without being rushed by day-to-day events.

Akasaka: Information from the past and outside the organization is a true gold mine. The biggest goals of the Aviation Safety Research Department are to comprehensively handle and disseminate internal and external information, and nurture human resources capable of carrying out this task.

Yanagida: I look forward to seeing this Department become an important pillar of JAL's safety initiatives. From the outset, the Safety Advisory Group has recommended the importance of drawing on past lessons within and outside the company. Now this task is being performed by an independent department. As JAL has information-gathering capability, I urge you to nurture staff with intuitive ability to say, “This is a case that JAL needs to look into.”

Furthermore, what is naturally very important for JAL is that all staff members approach their work enthusiastically and with motivation. I think this is where the root of safety issues will lie. Scientific studies show that human error decreases when people feel motivated and are given the freedom to act independently at work. It might be difficult, but, for example, if you were to ask staff to conduct self-analysis and indicate the cause when reporting their mistakes, it would become a shared asset of the organization. I think that creating an environment of praise and vitalizing the workplace would lead to motivating staff to work with a sense of fulfillment.

Akasaka: We need to utilize the individuality of every staff. While showing an understanding for individual situations, we will work together in an atmosphere of mutual respect. We need each and every staff. As President, I would like to create workplaces where each staff feels motivated at work.
ON-TIME OPERATIONS

Flight safety and on-time operations are our most important customer commitments and must be stringently observed so that customers can use our services with trust and confidence. Through collaboration across job categories and proposed improvements, we work continuously to achieve the world’s highest levels of safety and on-time operations.

1. **Reservations and ticketing**
   - Trained personnel provide accurate reservation and ticketing services and inform customers of the departure time and other necessary information.

2. **Airport**
   - To ensure a smooth boarding procedure the following day, seat assignments for passengers traveling in groups and passengers requiring assistance are checked in advance.

3. **Pre-arrival, immediately post-arrival**
   - The aircraft marshalls work with the wing tip wardens to guide aircraft to the proper parking spot after landing.

4. **Check-in**
   - Check-in personnel manage passengers, baggage check-in procedures and providing information of the location of the boarding gate and the boarding time.

5. **Cabin cleaning and stocking**
   - The personnel who clean the seats, restrooms and other facilities and tidy and replenish cabin service goods such as blankets, pillows and inflight magazines play a vital role in maintaining a comfortable cabin environment.

6. **Spot-in**
   - The aircraft marshalls work with the wing tip wardens to guide aircraft to the proper parking spot after landing.

7. **Maintenance**
   - Maintenance engineers inspect the aircraft after landing based on some 50 designated checkpoints, including looking for dents or other damage. Measures are taken in response to any reports of problems or malfunctions from the cockpit crew.

8. **Fueling**
   - The appropriate amount of fuel is loaded depending on weather conditions, the number of passengers and crew and cargo weight. Avoiding waste to promote eco-friendly operations is an important consideration in this procedure.

9. **Catering**
   - To ensure not only hygiene but also on-time operations, the catering trucks must leave the processing center and deliver the meals according to a strict timetable.
Achieving further improvement on our record of on-time performance is the subject of day-to-day cross-departmental activities. In January 2018, the US-based company FlightStats, part of FlightGlobal named JAL the most punctual Asia Pacific airline in both the Mainline and Network categories based on the on-time arrival rate. It was JAL’s sixth successive year in the top position and its eighth year overall.

Security checkpoints
Obtaining passenger cooperation in advance enables the security check to be conducted both smoothly and rigorously in order to maintain flight safety.

Operations control
All relevant information (such as information on weather and airport conditions) is gathered and passed on to the cockpit crew for use in determining the appropriate route, flight path and altitude.

Cockpit crew
After receiving reports from the cockpit crew on the previous flight and the aircraft’s condition from maintenance engineers, the cockpit crew decides the flight plan and briefs the cabin attendants.

Baggage pick-up
Passengers are asked to make sure they pick up the correct baggage. Every effort is made to ensure a smooth end to the trip by avoiding unnecessary delay in baggage reclaim.

Boarding gate
Before boarding begins, ground staff pass the passenger informations to the cabin crew. Efficient procedures—for instance arranging for different groups of customers to board in the optimal order—ensure a smooth boarding process.

Load control
Baggage and cargo loading
Swift and accurate loading is carried out with the help of a detailed plan based on data showing the number of passengers, the size and weight of baggage and cargo, etc.

Cabin attendant
The cabin attendant quickly prepare to welcome the passengers. By directing passengers to their seats, making sure that baggage is stowed appropriately and carrying out other safety checks, the cabin attendant facilitate on-time departure.

Welcoming passengers at the arrival gate
Connecting passengers are informed of the shortest route to their next flight’s boarding gate to help ensure a smooth connection. Support is provided to facilitate disembarkation of passengers requiring help.
COMFORT

For a More Comfortable Travel Experience

Flight safety and on-time operations are absolute fundamentals for the JAL Group. To ensure customers’ experience more comfortable and pleasant, our staffs are strongly encouraged to have the customers perspective to improve our products and services.

Specific Initiatives

International routes

We have expanded the number of international routes operating with JAL SKY SUITE-configured aircraft—whose concept is to offer all customers a “one-class quality upgrade”—thus realizing an unprecedented level of inflight comfort.

Among our lounge facilities, the Sakura Lounge in the Narita Airport satellite zone has benefited improved food menus, and refurbishment, while the First Class lounge at Haneda Airport now offers a new exciting teppan grill dining experience featuring fresh fish caught in the morning at Tokyo Haneda Market.*1 At overseas airports, Sakura Lounge at Manila’s Ninoy Aquino International Airport has been given a complete redesign and an improved menu, while Sakura Lounge at airports in Honolulu, Bangkok, Frankfurt, and San Francisco has been given an upgraded menu and improved furnishings and layout.

For inflight meals on European, North American, Australian and Southeast Asian routes, we are collaborating with professional chefs to deliver top-quality inflight meals based on the concept of an “exclusive restaurant in the sky.” Specifically, there has been a very positive customer response to the Shiseido Parlour for the Resort inflight menu being offered on Premium Economy and Economy Class flights on JAL’s Honolulu route, as well as to the AIR Series menu offered on Premium Economy and Economy Class flights to Europe, North America, Australia and Southeast Asia. Meanwhile, the brand new BEDD for Kids range and halal-compliant inflight meals for Muslim customers are now offered on all international routes from Japan as part of an enhanced response to diverse needs.

Domestic routes

In the pursuit of “convenience and simplicity,” all 77 aircraft serving JAL’s domestic routes are now JAL SKY NEXT-configured aircraft with leather-covered seats and complimentary inflight Wi-Fi.

In our lounge service we have opened a new Diamond Premier Lounge—the top-class lounge for domestic passengers—at Naha Airport. The lounges at Kagoshima, Komatsu, Matsuyama, and other airports have been upgraded to elegant spaces of high quality based on a Japanese-style design concept, with the catering service also enhanced. In the Spring of 2019, the refurbishment is scheduled for the lounge at Itami Airport (Osaka).

As a result of these initiatives, the JAL Group was able to improve its level of customer satisfaction in fiscal year 2017 as measured by Net Promoter Score (NPS).*2 Additionally, in the TripAdvisor 2018 Travelers’ Choice Awards for the world’s favorite airlines, JAL was chosen as Japan’s best airline, while in the 2017 World Airline Awards operated by SKYTRAX, JAL won the award for the world’s Best Economy Class Airline Seat.

*1 Tokyo Haneda Market: http://hanedaichiba.jp
*2 International routes: 2.0 point improvement; domestic routes: 1.7 point improvement

TOPICS

JAL Awarded 5-Stars in SKYTRAX World Airline Star Rating

At the SKYTRAX 2018 World Airline Awards ceremony, JAL won the top ranking of 5-Stars in the World Airline Star Rating, acknowledging that JAL equals the highest standards of quality among world airlines. Additionally, JAL received the Best Economy Class Airline Seat for the second consecutive year and the third time overall. Not content with our 5-Star rating, we will continue refining our efforts to offer the world’s highest level of service.
Becoming the Network of Choice for Customers

We believe that the JAL Group route network is one of its strengths and an important factor when customers choose the JAL Group. As well as offering a route network and timetable that meet the needs of customers and society, we also deliver highly convenient products and services that accurately meet customer needs at every stage up to arrival at the destination. As well as offering customers “time value” through high-speed transportation—one of the great advantages of air transport—we believe that delivering quality service for an appropriate fare is also an important factor in improving customer convenience.

Specific Initiatives

International routes
On international routes, we increased seasonal flight frequency to meet robust demand on the Narita = Guam, Narita = Bangkok and Kansai = Honolulu routes. On the Haneda = Honolulu route, First Class service was offered during the summer peak demand period, with promotional measures stepped up to deliver a high-quality travel experience for customers flying to Hawaii. To meet high demand during the July to October summer period, frequency on the Narita = Moscow route was increased to daily operation.

Domestic routes
On domestic routes, flight frequency was increased on the Haneda = New Chitose and Haneda = Naha routes during some busier periods such as the summer, the year-end period and other periods of expected high demand. We began adding the new JAL SKY NEXT-configuration to our fleet from fiscal year 2014 and are now successively introducing it on the 737-800 aircraft operated by Japan Transocean Air Co., Ltd. We are also switching to complimentary inflight Wi-Fi service available on JAL SKY NEXT-configured aircraft as part of initiatives to offer new value on domestic routes.

Elsewhere, in addition to further expanding the number of routes operated with Embraer 190 aircraft, chiefly on flights to and from Itami Airport, we have introduced the most advanced turboprop ATR42-600 aircraft on routes to outlying islands in Kagoshima Prefecture operated by Japan Air Commuter Co., Ltd. These measures make a significant contribution to improved comfort and convenience on regional network routes.

Going forward, the JAL Group will continue to respect the customer perspective as we work to improve customer convenience and comfort by embracing the challenge of further expanding our route network and improving products and services. In this way, we remain firmly committed to delivering unparalleled service so that all customers may enjoy a refreshing and inspiring travel experience.
MESSAGE FROM THE CFO

We will strategically allocate capital to increase corporate value, while maintaining a firm financial structure as well as high capital efficiency at the same time.

Norikazu Saito
Director, Senior Managing Executive Officer
General Manager of the Finance & Accounting Division

My Role as the CFO of the JAL Group

The JAL Group is aiming to be an airline equipped with both stability and growth in the highly competitive and fast-changing airline industry. As the Chief Financial Officer of the JAL Group, my mission is to ensure that the company thrives with our customers, shareholders, society, staff and all other stakeholders through strategically allocating capital to enhance corporate value, while maintaining the high level of profitability and solid financial structure that we have been working hard to bring to the current outstanding levels.

Review of Fiscal Year 2017 Ended March 31, 2018

In the fiscal year 2017, overall air demand continued to be robust through increasing domestic passenger demand and inbound passenger demand, backed up by moderate economic recovery. The JAL Group recorded higher revenues and operating profits than the previous year. In November 2017, we revamped our passenger service system for reservations, ticketing and boarding procedures for both domestic and international passengers – the first major upgrade in about 50 years. We invested 80 billion yen and spent six years to complete the system transformation project, bringing us in line with global standards. The new passenger service system allows for greater precision and sophistication in revenue management, also bringing with it the renewal of the JAL e-commerce website, and it is expected to increase revenue further while reducing IT system maintenance costs. Through the improved usability of overseas websites, we are already seeing benefits, such as a sharp increase in sales through those websites.

Financial Strategy in the Medium Term Management Plan - Rolling Plan 2018

In April 2017, we presented the JAL Group Medium Term Management Plan for Fiscal Years 2017 to 2020 and the JAL Vision, which describes the conceptual image of the company we aspire to be. Furthermore, in February 2018, we presented the
Rolling Plan 2018 as a roadmap covering the period of the JAL Group Medium Term Management Plan from the second year onwards. The Rolling Plan 2018 includes a new concept called the Grand Design, which provides qualitative and specific details of the company itself when we achieve the JAL Vision. Based on a stable profitability and a sound financial structure, we will aim for a sales turnover of 2 trillion yen, an operating profit of 250 billion yen, and total market capitalization of 3 trillion yen through making growth investments actively, while emphasizing profitability with a target of operating profit margin of at least 10%.

In the Medium Term Management Plan, we have set a financial target of at least 9% ROIC (return on invested capital), as a measurement of investment efficiency to check its contribution in the enhancement of corporate value, together with an operating profit margin target of 10% or higher for every year in order to achieve high profitability.

The Grand Design aims for a market capitalization of 3 trillion yen 10 years from now. In finalizing the Grand Design, we took into account dialogues held with our investors and other stakeholders, concluding that it was important to express JAL Group’s corporate value by adopting a quantitative target such as market capitalization. Currently, JAL's valuation is at a disappointing EV/EBITDA multiple of roughly 4 times, which is lower than the industry average of around 6 times for global airlines.

To close this gap, we have set quantitative targets for corporate value that should reflect our strong will to transform JAL into a truly global airline. Guided by the above indicators, we will steadily implement management initiatives to increase profit and achieve our targets through their realization.

We have undertaken to more clearly explain our capital investment plan in detail in the Rolling Plan 2018. In the three years of the plan (fiscal years 2018 to 2020), we intend to invest a total of 660 billion yen, of which 440 billion yen, or two-thirds of the total, should be spent for growth investments to generate new cash flows and increase corporate value. For example, we will invest in the following: state-of-the-art aircraft to increase efficiency and expand capacity to cater to robust demand, enhancements in safety, quality and service, ground facilities and IT drive greater efficiency and expansion into new business domains.

In addition to our capital investment plan, we have budgeted 50 billion yen for strategic growth investment to support the JAL Group in embracing new challenges. It will be allocated to investment projects which would dramatically improve competitiveness, generate strong returns, and thereby increase corporate value. To ensure effectiveness of our investments, we are targeting ROIC of 9% each fiscal year.

In principle, capital investment will be conducted within operating cash flow and we will ensure there is always sufficient free cash flow to fund dividends for our shareholders. We are also well aware of the need to improve capital efficiency. We intend to use debt financing flexibly, taking advantage of the current favorable financial environment that allows us to secure funds at low interest rates over long periods. We will use debt financing in a disciplined way, taking into account the Group’s ability to repay debts by operating cash flow and maintaining our shareholders’ equity ratio at the current level in order to maintain financial stability. Also, we are targeting a Single A Flat credit rating or higher (issued by a Japanese credit agency) to support the Group’s strong funding capabilities.

Strategic Capital Allocation to Increase Corporate Value

In the previous JAL Group Medium Term Management Plan for Fiscal Years 2012 to 2016, we had placed a priority on increasing equity capital amounts and building a solid financial base that would establish a sound financial structure and high resilience to risk. We targeted operating profit margin of 10% or above and a shareholders’ equity ratio of at least 50%. We have achieved a shareholders’ equity ratio of around 60%, showing the progress we have made in creating a solid financial base. We have stepped forward to the next stage, considering the improvement of capital efficiency that includes the management of an appropriate level of cash and deposit amounts on hand. Therefore, our basic policy is to strategically allocate capital to increase corporate value, while maintaining a sound financial structure and high capital efficiency.

In the Rolling Plan 2018, we made it clear to our investors the level of liquidity we need to maintain. From the perspective of stable operation, we aim to maintain cash and deposit on hand at an equivalent level of roughly 2.6 months of annual sales turnover and to treat any exceeding amounts as additional capital that can be allocated. To reach this amount, we considered the amount of liquidity required for normal operations, including seasonality and possible declines in cash flow, in the event of an economic crisis as severe as the global financial crisis in 2008.

As explained earlier, we plan to use interest-bearing debts to
fund growth investments, while ensuring financial stability. We will strategically allocate the additional capital consisting of the free cash flow to be generated and debt usage. Specifically, we plan to inject about 80 billion yen into the corporate pension fund to strengthen the fund’s financial base and proactively mitigate potential financial risk. We have also set a strategic growth investment line of 50 billion yen, and the remaining capital will be used to further improve shareholder returns.

Shareholder returns are one of our highest priority management matters. We are targeting a dividend payout ratio of around 30%. In addition, with our ROE benchmark of 10% or above, and the maintenance of a dividend on equity ratio (DOE) of at least 3%, we intend to pay stable and highly predictable dividends. We will always consider and conduct share repurchase in a timely manner, considering factors that include liquidity levels, projected funding needs (growth investment, etc), free cash flow forecasts, and share prices at that time.

Human resources are the most important factor which drives sustainable growth of the JAL Group. As the JAL Group values its human resources, we view the management resource allocation to human resources as important as returns for other stakeholders. In fiscal year 2017, we introduced and disclosed a new performance-linked stock remuneration system for executive officers. For employees, we introduced a new system that pays annual bonuses based on the Group’s performance achievement to its profit target. As the quality of human resources is the most significant key factor that differentiates us in the airline business, we trust that our shareholders and investors recognize the importance of investing in human resources.

**Appropriate Risk Management**

Airlines are exposed to various risks in their operations. We are steadily working to strengthen the Group’s risk resilience. Our policy is to conduct business operations focused on profitability rather than business scale. We have also established a Financial Risk Committee as a management organization, which runs a financial simulation each month based on global economic trends, fuel prices, exchange rates and recent demand trends, and shares the simulation results with top management. In this way, we have established a system to respond quickly to any event risk.

In addition, we use derivatives and other tools to mitigate risks which have a major impact on the financial performance of airlines, such as those related to fluctuations in fuel prices and exchange rates. As a result, we have been able to eliminate most of the market risks over a three-year time span.

### Capital investments for fiscal years 2018-2020

<table>
<thead>
<tr>
<th>Total Capital Investments</th>
<th>660 billion yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement investments</td>
<td>220 billion yen</td>
</tr>
<tr>
<td>Growth investments</td>
<td>440 billion yen</td>
</tr>
</tbody>
</table>

#### Aircraft

1. **Replacement investments**
   - Replace old regional prop aircraft, aircraft parts, etc.

2. **Growth investments**
   - Introduce aircraft that will contribute to route expansion, flight frequency increase, or operational efficiency improvement.

3. **Replacement investments**
   - Replacement of existing old facilities or for compliance to laws and regulations, etc.

4. **Growth investments**
   - Improve quality, service or efficiency. Develop new business domains, etc.

**Investment to achieve extraordinary growth**

- **Strategic growth investment line**: 50 billion yen

**Generate new cash flow**

- **Ground·IT, etc.**: 210 billion yen (3) + (4)
- **Aircraft**: 450 billion yen (1) + (2)
Building Trust with Our Investors Through Close Communication

To provide investors a clearer picture of our business and make it easier to evaluate, we have improved the quality of information content provided at briefings of our management plan and financial results, and increased opportunities for communication. We also proactively disclose data which had not been previously disclosed, e.g., simulations of impacts of fuel prices and exchange rates on profit and expected benefits of our new passenger service system, including costs and revenue forecasts and projected timing of those benefits.

Additionally, capital policy disclosure has been made more detailed than it had previously been, including the amount of capital available for allocation, and the basis for our calculations. Based on this clearer disclosure policy, we intend to build a more trustworthy relationship with our investors through more opportunities for direct feedback and interactive communication.

At the same time, the Board of Directors has said they require more feedback from our investors. Therefore, we collect information from meetings with investors such as the topics discussed and questions raised, and report back to the Board.

To Our Shareholders and Investors

Flight safety is the top priority of the JAL Group and we will steadily work to maintain safe operations. Meanwhile, the airline industry, particularly in Japan, is now an industry experiencing great growth. As demand for air travel is strong domestically and internationally, the expansion of airport slots at Tokyo’s two airports represents a major business opportunity for the airline industry. The JAL Group will challenge this opportunity with courage. To ensure success, we will develop a clear financial policy, strategically allocate our capital to increase corporate value, flexibly respond to changes in the market and stand ahead of our rivals, and maintain stable management and a sound financial base.

I hope this message gives our shareholders and investors a better understanding of the financial strategies of the JAL Group and raises your expectation toward the increase of the JAL Group’s corporate value and shareholder returns, as we grow into the future.

Capital Allocation

(1) Maintain approx. 2.6 months’ worth of revenue as standard cash on hand required for stable management and recognize the excess amount as additionally allocatable capital.
(2) Actively promote further growth investments and create maximum free cash flows.
(3) Utilize interest-bearing debt for growth investments and improve capital efficiency.
(4) Strategically allocate additional capital.

*1 Free cash flow (3-year aggregate) = Cash flow from operating activities - Cash flow from investing activities
*2 3-year aggregate new debts used (new procurements - repayment of new procurements)
*3 Indicates dividends yield of shareholders’ equity DOE (Dividends on Equity Ratio) = Total Dividends / Equity
Announced in April 2017, the JAL Group Medium Term Management Plan for Fiscal Years 2017-2020 presented the JAL Vision of the company we aspire to be. In Rolling Plan 2018, we presented a new concept called the Grand Design, which outlines the concrete, quantitative profile that will result from realization of the JAL Vision.

**JAL Vision**

To realize the JAL Group Corporate Policy and become “The world’s most valued and preferred airline,” we will focus on the following while continuing our unwavering efforts and determination in maintaining flight safety:

1. **Transform JAL into a truly global airline**
   - As a Japanese carrier, we will leverage Japan’s uniqueness and strengths, many of which are acclaimed around the world, and further expand our business in global markets. We aim to become an airline that is recognized and supported by customers in both Japan and around the world. To accomplish this, we will promote diversification of values and human resources, and adapt flexibly and speedily to global changes.

2. **Create new values one step ahead of competitors**
   - We will continue to embrace new challenges and be one step ahead of competitors in the industry. We will continuously work to create relevant and inspiring value offerings. To accomplish this, we will treat each and every customer encounter as unique, and provide unparalleled travel experience through intertwining highest service quality and latest digital technology.

3. **Achieve sustainable growth**
   - Being in a competitive and volatile industry, we will continue our focus on balancing growth and stability. To accomplish this, we have set dual goals of both high profitability and financial stability. We will actively invest in future growth, pass on benefits to customers, shareholders and staff, and contribute to regions and the society at large.

**Within this 10-Year Grand Design period, we will**

- Service over 500*1 major cities in the world
- Have 50%*2 of revenue from overseas sales for international passenger operations
- As a group of professionals that are able to dynamically accommodate with multi-cultural and diversified markets and environments
- Provide a stress-free travel experience for all our customers
- Create new businesses and services that stimulate air travel demand
- Adopt new technology and source capabilities to improve quality and productivity, and to innovate customer experience
- Aiming to maintain the target of profit margin 10% or above, achieve Operating Revenue 2 tn yen/Operating profit 250 bn yen/Market capitalization 3 tn yen
- Maintain safe operations and lead development of the airline industry
- Actively contribute to tackling social issues such as SDGs*3

*1 As of March 2018, 343 cities, including alliances and codeshares
*2 FY2016 30%+
*3 Global Sustainable Development Goals
Positioning of Rolling Plan 2018
The pursuit of our vision continues

In fiscal year 2017, the first year of our Medium Term Management Plan, we accelerated initiatives to “transform JAL into a truly global airline” and launched initiatives to “create new values one step ahead of competitors.” We have identified fiscal year 2018 as a year to accelerate growth through innovation. The JAL Group’s initiatives will contribute to the success of the Tokyo 2020 Olympic and Paralympic Games and to reaching the target of attracting 40 million overseas visitors to Japan annually. In parallel, we will make steady progress with our sights set on the next stage of growth from fiscal year 2021.

<table>
<thead>
<tr>
<th>FY 17</th>
<th>2018～2019</th>
<th>2020</th>
<th>2021～</th>
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<tbody>
<tr>
<td><strong>Challenge to transform JAL into a truly global airline</strong></td>
<td><strong>Challenge to create new values one step ahead of competitors</strong></td>
<td><strong>Challenge to achieve sustainable growth</strong></td>
<td><strong>Achieve the JAL Vision</strong></td>
</tr>
<tr>
<td>JAL Focus</td>
<td>[Growth Initiatives]</td>
<td>JAL Focus</td>
<td></td>
</tr>
<tr>
<td>Full Service Carrier Business</td>
<td>Expand networks</td>
<td>New Businesses</td>
<td>Expand business domains</td>
</tr>
<tr>
<td>Expansion of global traffic using the dual hub network of Narita and Haneda, and cooperating with our partner airlines.</td>
<td>A personalized and timely delivered service that will provide an exceptional travel experience to customers worldwide.</td>
<td>Develop and cultivate growth businesses by leveraging JAL’s assets; knowledge and customer base.</td>
<td></td>
</tr>
<tr>
<td>[So far]</td>
<td>[Growth Initiatives]</td>
<td>[Growth Initiatives]</td>
<td></td>
</tr>
<tr>
<td>Service system</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Launched a world-class passenger service system</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnerships</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expanded partnerships with global partners</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundation for innovation</td>
<td>Human Resources</td>
<td>Technology</td>
<td></td>
</tr>
<tr>
<td><strong>FY2020 Targets</strong></td>
<td>Revenue</td>
<td>Operating profit</td>
<td>EBITDA</td>
</tr>
<tr>
<td></td>
<td>1,600 billion yen</td>
<td>180 billion yen</td>
<td>350 billion yen</td>
</tr>
</tbody>
</table>

Inbound demand
- 2017 result: 28.69 million
- 2020 target: 40 million
- 2030 target: 60 million
JAL Focus

2 key drivers for growth

Refine Our Full Service Carrier (FSC) Business [Top Out]

Networks
We see the expansion in functions scheduled for 2020 at metropolitan airports as a business opportunity and will be rolling out new routes with potential to expand economic contacts with Japan and increase the number of overseas visits to provincial areas. In addition to our own flight operations, we will also actively expand tie-ups with new business partners beyond the scope of existing alliances to enhance our global network.

JAL Operation As of February 2018 90 cities
• Increase flight frequency on international routes such as Asia and resort routes, and operate additional charter flights, in FY2018. Open new routes between Amami Islands, aiming to become a registered World Natural Heritage Site, and Okinawa.
• Serve new destinations on the west coast of North America in FY2019 and improve connectivity between North America and Asia.
• Increase international flights, with the expansion of flight slots scheduled for 2020 at metropolitan airports.

Airline Partners As of February 2018 253 cities
• Expand global network with existing joint business partners, oneworld members and other codeshare partners.
• Forge partnerships with new airline partners and increase destinations of codeshare flights in the Hawaiian Islands, Asia, Russia, etc.
• Coordinate with each partner to increase JAL’s presence in overseas markets.

New Partners From FY2018

AEROFLOT Russian Airlines Hawaiian Airlines VISTARA Vietjet Aviation Joint Stock Company AeroMexico

Servicing over 500*1 major cities in the world

*1 As of March 2018, 343 cities, including alliances and codeshares

Having 50%*2 of revenue from overseas sales for international passenger operations

*2 FY2016 30%+
Products and services
To ensure that all customers enjoy a stress-free experience, we aim to provide customers worldwide with a comfortable travel environment combined with personal and timely service. In fiscal year 2018, we will introduce inflight satellite television, and from fiscal year 2019, when we introduce Japan’s first Airbus A350-900 aircraft, each seat on domestic routes will have an individual monitor and power supply. We will also enhance multilingual service provision and expand the range of inflight menus catering to diverse dietary needs as part of measures to support an optimal travel experience for all customers.

Excellent Quality & Comfort
• Introduce inflight satellite TV in FY2018 and personal monitors and seat power supply on domestic routes in FY2019.
• Introduce the A350, fitted with cutting-edge inflight facilities on domestic routes from FY2019.
• Improve services to ensure peace of mind for every customer, meeting diverse needs, including the provision of multilingual services and variety of meal choices.

Personal & Timely
• Provide timely information on flight delays, cancellations, etc., to each customer, and ensure a smooth recovery procedures with mobile apps from FY2018.
• Introduce new mobile device functions such as providing timely travel information and campaign coupons that suit customer needs from FY2019.
• Provide stress-free service at touchpoints such as at the airport, leveraging IoT, biometric authentication and high-precision position technology.
Expand Business Domains [Stretch]

Aspiring to be a company that offers new value to customers, local communities, and society, the JAL Group will seek to launch growth businesses that build on its store of expertise and its customer base. We will therefore work to promote joint projects with partners in other industry sectors that stimulate demand for inbound travel to Japan and support regional revitalization. We will also seek to expand the provision of commissioned services in airline-related business domains, and to create new businesses and services that stimulate air travel demand.

**2018—2020 Challenge to create new values one step ahead of competitors**

Airline-related and New business domain revenue target +100 billion yen (1.3 fold increase from FY2016)

- **Stimulate inbound travel demand and support regional revitalization**
  - Introduce high-quality Japanese products collaborating with the agriculture and fishing industry
  - Participate in developing travel business
    - Contribute to expansion of regional nonresident population through investment and collaboration with ALL JAPAN Tourism Oriented Country Fund, Hyakusen Renma Inc., etc.

- **LCC Partner strategy**
  - Deepen relations with foreign-affiliated Japanese LCC partner to capture overseas travel demand and contribute to bringing more inbound visitors and dispersing travel across Japan by offering inexpensive fares.
  - Expand ground handling business
    - Expand ground handling services to meet the increasing number of foreign carriers ahead of the Olympic and Paralympic Games Tokyo 2020.

- **Contribute to the airline industry**
  - Expand provision of comprehensive maintenance services
    - Expand provision and support of MRO*, including management advisory, leveraging JAL’s knowledge.
  - Expand capacity for providing pilot training
    - Expand capacity to provide pilot training. Alleviating pilot shortages will allow the industry to meet growing travel demand.

- **Create new value offerings**
  - Establish Fin Tech Company
    - Enter the international brand prepaid card business through the joint business /provide new financial products and services as a neobank.
  - Expand ground handling business
    - Enter into new businesses leveraging JAL’s strengths. Collaborate with external partners, and cutting-edge technologies to achieve improved customer services and materialize new business creation opportunities.

- **Participate in supersonic aircraft development**

**2021—Challenge for sustainable growth**

- **Appealing air transport products and services for global markets**

- **Maintaining safe operations and lead development of the airline industry**

- **Creating new businesses and services that stimulate air travel demand**

**TOPICS**

**Establishment of a New International Low-Cost Carrier Business in the Medium- to Long-Haul Market**

As one of our initiatives to expand our business domains, we have established T.B.L. Co., Ltd., to prepare the launch of a low-cost carrier business operating medium- to long-haul flights to and from Japan.

The new carrier, a JAL consolidated subsidiary, will be based at Narita International Airport and will operate medium- to long-haul services to Asia, Europe, North America, and other regions.

Preparations are under way with a target of operational launch for the 2020 summer schedule.

Corporate Name: T. B. L. Co., Ltd.
Location of Head Office: Narita, Chiba Prefecture
Investment Amount: 980 million yen (Shareholder: Japan Airlines 100%)
Representative Director: Shingo Nishida
Foundation for Innovation
Human Resources × Technology

By combining advanced technology with the human resources which are JAL Group’s strength, we aim to realize innovation and thereby accelerate growth. By nurturing human resources who can link individual ideas and customer needs with the creation of new concepts, we will work to create a constant flow of new products, services, and businesses, in this way achieving sustainable growth.

To build a foundation that cultivates innovation by joining Technology and Human Resources together

Cultivate innovation in every possible domain and become a company that sustainably grows

Technology & Data Partners
• Put ideas into action with cutting-edge technology by collaborating with over 100 partner companies.
• Innovate businesses reform leveraging data value. AI, Robots, VR/AR, IoT, Big Data, Blockchain, Wearable Devices, 3D Printing, Drones, etc.

Innovation Lab PoC*1
• Establish JAL Innovation Lab and promote open innovation.
• Put ideas into action speedily and turn unknown domains into business opportunities

Employee’s wisdom and aspirations on “This is what I want to do or be”

Highly aspiring organizations
• Build a highly specialized professional team utilizing technology and the individuality and talents of each employee.
• Improve the quality and speed of decision-making through autonomous breakthrough leaders incorporating OODA*2 principles.

The power of individuality
• Improve services to achieve the inbound visitors target by improving intercultural communication skills.
• Create environments where diverse human resources can take active part, as a leading company of diversity management.
• Achieve JAL Group female manager ratio of 20% by FY2023 and 30% thereafter.

Job satisfaction and high productivity
• Practice new workstyles ahead of other entities such as the “workation” model through coordination with local governments.
• Realize operation process innovation utilizing AI and robotics.
• Create a health management model through industry-academia collaboration.

Embody the JAL Philosophy

*1 Proof of Concept
*2 OODA: Observe/Orient/Decide/Act. A decision-making process to enhance speed and creativity through the OODA Loop.
Progress of Medium Term Targets

The JAL Group will work to achieve management targets in three areas, safety, customer satisfaction and finance, while upholding our policy to maintain flight safety, the basis of the Group’s existence, and to realize our overarching management goal, the Corporate Policy.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>FY2017 result</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft accidents</td>
<td>0</td>
<td>• Implement a risk management system which grasps signs of serious trouble based on data, utilizing a most advanced integrated safety database.</td>
</tr>
<tr>
<td>Serious incidents</td>
<td>1</td>
<td>• Reinforce recurrence prevention and proactive prevention utilizing new human factor analysis methods.</td>
</tr>
<tr>
<td>NPS (Net Promoter Score)</td>
<td>Domestic +1.7 Points, International +2.0 Points</td>
<td>• Further refine JAL’s strengths and utilize ICT/IoT capabilities to deliver exceptional customer service and meet needs of diversified customer groups around the world.</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>12.6%</td>
<td>• Continue profitability-focused management, maximize revenues and minimize expenses, and achieve “10% or above operating profit margin.”</td>
</tr>
<tr>
<td>Return on Invested Capital (ROIC)</td>
<td>10.1%</td>
<td>• Undertake “Lean management” with emphasis on asset efficiency while investing for growth, and achieve “9% or above Return On Invested Capital (ROIC).”</td>
</tr>
</tbody>
</table>

3 management targets

JAL Target

Safety
Realize “Zero Aircraft Accidents” and “Zero Serious Incidents”

Customer Satisfaction
Achieve world top-level customer satisfaction by FY2020

Finance
Achieve “10% or above operating profit margin” and “9% or above ROIC (Return on Invested Capital)”
Medium Term Revenue and Profit Targets

Looking ahead toward fiscal year 2020, we expect to gradually increase capacity such as upgauging on domestic flights, given the increase of international flight slots at Narita and Haneda airports. We also aim to increase revenue in operations outside the full service carrier business. As a result, our targets for fiscal year 2020 are sales turnover of 1.6 trillion yen and operating profit of 180 billion yen.
Creating Systems to Practice the JAL Philosophy and Embrace Challenges for Personal Growth

The most important goal of the JAL Group is to realize the Corporate Policy, which first states that we will “Pursue the material and intellectual growth of all employees.” First of all, my greatest mission as General Manager of Human Resource Management is to create an environment where every staff is actively involved in and enthusiastic about work.

On creating a positive work environment, we will work to nurture human resources who challenge themselves with courage. This will be approached from two aspects: cultivate staff awareness to think and act independently and provide them with opportunities to take on challenges.

To develop human resources capable of adapting speedily and appropriately to the rapidly changing external environment, we have introduced JAL OODA as a tool to improve the quality and speed of decision-making. We took the elements of OODA, Observe, Orient, Decide and Act, and arranged them to create JAL OODA. To promote this decision-making process, we have launched three initiatives: promote employee autonomy through education seminars, demonstrate autonomy and independence without waiting for orders, and support autonomous self-governing organizations by reviewing business practices.

Under the slogan of our human resources strategy, “Link the contribution of individual strengths to value creation,” we will further refine and vigorously promote the following four measures as set out in Rolling Plan 2018.

- Build mentally and physically healthy, highly motivating and productive work environments
  We will develop highly productive work environments through workstyle innovation, wellness activities and other measures to provide opportunities for the active participation of diverse human resources and create an environment essential to the attainment of sustainable growth.

- Encourage expression of individuality in an atmosphere of mutual respect
  We will continue working to cultivate global human resources and
promote diversity in order to make JAL a truly global airline where diverse human resources express their individuality.

■ Build challenging organizations that realize value creation
To “create value one step ahead of competitors,” we will build organizations that possess a challenging spirit. Given the dramatically changing environment, we will nurture leaders who meet challenges and spontaneously propel reforms. We will also encourage professional development among staff. In these ways, we aim to become a company that has gathered momentum for value creation and where staff work enthusiastically to turn their ideas into reality.

■ Practice the JAL Philosophy more intensively to achieve targets
The basis of these measures is to practice the JAL Philosophy more intensively. For the philosophies to permeate the company, we will encourage each staff to practice them on improving his or her understanding and link their efforts to the achievement of individual and organizational targets.

Human Resources × Technology = Innovation
An important issue in our human resources strategy is building systems which promote independent thinking to create new businesses and services. The basis of generating new ideas and innovations is termed as “Human Resources × Technology.” In other words, we will combine the ambitions of “what I want to be or do” of each staff who practice the JAL Philosophy and the rapid evolution of technologies to design, create and deliver new value.

Our greatest emphasis is on developing human resources who use their own discretion and judgment and providing them with opportunities to voluntarily meet challenges. Therefore, we have established evaluation criteria to accurately evaluate their challenges and entirely reviewed our employee education programs. We will build a framework to nurture diverse human resources to welcome a diverse range of guests under the management policy, “Transform JAL into a truly global airline.”

Supporting JAL Professionals and Realizing the Corporate Policy
Workstyle innovation is the very essence of our Corporate Policy and an issue we have tackled based on a roadmap planned out in 2015. Our target total work hours* is 1,850 hours and we are very close to hitting it. Regarding health management, a Health Management Officer was newly appointed last year and began releasing messages from the management concerning employee health. We also expanded our support system for mental health from cockpit crew and cabin attendants to ground staff and Group company staff.

In the sense that we operate aircraft safely, JAL Group’s human resources are already a professional team. On top of this, it can be said that human resources who can meet challenges to realize the Corporate Policy are true professionals. By supporting true professionals, we will support the company in realizing the Corporate Policy.

* Total work hours (annual) = standard number of work days per year x standard number of work hours per day (8 hrs) + overtime and rest day work hours – [(number of days of annual paid leave + number of days of special leave + number of days of work absence) x standard number of work hours per day (8 hrs)]

Goal of human resources strategy (Slogan)

<table>
<thead>
<tr>
<th>4 declarations (Commitment)</th>
<th>7 initiatives (Action)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link the contribution of individual strengths to value creation</td>
<td>(1) Nurture leaders who promote innovation</td>
</tr>
<tr>
<td>1. Challenging organizations build challenging organizations to realize value creation</td>
<td>(2) Create a professional team to realize value creation</td>
</tr>
<tr>
<td>2. Diverse human resources encourage expression of individuality in an atmosphere of mutual respect</td>
<td>(3) Nurture global human resources</td>
</tr>
<tr>
<td>3. Environments to increase labor productivity build mentally and physically healthy, highly motivating and productive work environments</td>
<td>(4) Promote diversity</td>
</tr>
<tr>
<td>4. Base Practice the JAL Philosophy more intensively to achieve individual and organizational targets</td>
<td>(5) Accomplish workstyle innovation leading to growth</td>
</tr>
<tr>
<td></td>
<td>(6) Promote health management</td>
</tr>
<tr>
<td></td>
<td>(7) Practice the JAL Philosophy</td>
</tr>
</tbody>
</table>
Cultivating global human resources

With the aim of developing human resources who respect and can adapt to diverse cultures, we are working to nurture a mental approach that is understanding of other cultures and to improve intercultural communication abilities.

For staff in our Japan region, in addition to overseas postings, we offer other opportunities to experience working in or interacting with other cultures. These include external training schemes, chiefly through the JAL Global Challenge Program, a program launched in fiscal year 2017 through which young mid-level staff can access internships at overseas enterprises. In fiscal year 2018, we will also promote e-learning programs in understanding other cultures and introduce initiatives to raise the overall level of English-language skills and stimulate foreign language study.

For staff in overseas regions, we provide training courses to get to know the whole of JAL and long- and short-term postings to the Japan region. Additionally, we promote interaction with staff in the Japan region and create opportunities to cultivate mutual understanding. By progressing with this global approach, we aim to “stay one step ahead in value creation.”

Diversity and Inclusion

In 2014, JAL Group top management declared their commitment to diversity. Since then, we have aspired to be a company where everyone can work in a positive atmosphere regardless of gender, age, nationality, race, ethnicity, religion, social class, disability, sexual orientation, gender identity, career or other personal attributes.

In initiatives to date, we have established an organization for the promotion of diversity in the Human Resources Division to create a foundation for welcoming diverse human resources. Regarding individual measures, we decide on key performance indicators and then check their progress in meetings attended by the relevant directors.

Building on this foundation, we will extend measures to promote human resources diversity going forward with the aim of becoming a leading company in diversity management.

Career opportunities for female employees

We announced numerical targets of a 20% ratio of female managers within the JAL Group and a 15% or higher ratio of female managers at section head level or higher in JAL by fiscal year 2023. We are continuing with related initiatives centered on improving work environments, strengthening human resources cultivation and developing the corporate culture. The current number of female executives is 10.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Female Managers in the JAL Group</th>
<th>Ratio of Female Managers in the JAL Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>691</td>
<td>14.1</td>
</tr>
<tr>
<td>2014</td>
<td>756</td>
<td>15.1</td>
</tr>
<tr>
<td>2015</td>
<td>799</td>
<td>15.6</td>
</tr>
<tr>
<td>2016</td>
<td>846</td>
<td>16.3</td>
</tr>
<tr>
<td>2017 (FY)</td>
<td>853</td>
<td>16.3</td>
</tr>
</tbody>
</table>

The JAL Nadeshiko Lab entered its third year of operation in fiscal year 2017, during which it extended the range of activity of its researchers beyond the Tokyo region to bring its activities closer to a greater number of staff.

* The JAL Nadeshiko Lab is a cross-departmental project, including Group companies in its remit, which was founded in September 2015 to promote professional opportunities for women and other diverse human resources.

Participation in JAL Global Challenge Program

This training program has as its objective to develop human resources who will help JAL “stay one step ahead in value creation” as it transforms into a truly global airline. It offers staff the opportunity to experience working at an overseas venture business in a different industry sector.

I went to work at a venture business in India that employs around 200 people in IT development. Before then, I had only a vague idea of India, but after I started actually working with them, I was impressed by the keenness to study and the friendliness of Indian people.

From my experience of working at the venture business and living in India, I learned to take the unexpected in my stride and to cultivate a wide variety of interests. I also understood that building relationships of trust with people regardless of language and culture is important when operating in an international context. I feel that my mission now is to share my experience with as many colleagues as possible to ensure that JAL can build trust with people around the world.
**LGBT* initiatives**

The JAL Group works to promote understanding of LGBT and also to ensure that its in-house systems are LGBT-friendly. As part of this, in fiscal 2017, JAL established a system under which staff can register their same-sex partner, who then, along with their family members, enjoys the same benefits as afforded to the legally married opposite-sex partners of staff and their families. The JAL Group believes in offering professional opportunities to diverse human resources and continues to roll out initiatives to create a work environment where all staff can feel secure and confident.

* A general term for the sexual minority groups Lesbian, Gay, Bisexual and Transgender.

**Opportunities for people with disabilities**

The JAL Group actively promotes the employment of people with disabilities and aims to create an environment in which having a disability is not seen as a career barrier. For the JAL Group, promoting opportunities for people with disabilities is important as a means of ensuring diversity in human resources. Initiatives are implemented on a Group-wide basis, with training given to reinforce coordination with the human resources managers of Group companies. In this way, we ensure that each Group company actively promotes the employment of people with disabilities.

**Opportunities for senior staff**

The JAL Group has put in place systems that offer active opportunities to staff who wish to continue working after retirement age. Around 75% of those reaching retirement age take advantage of these systems (as of July 2018).

To demonstrate that JAL is an organization with high aspirations, we will expand opportunities for senior staff in the future. We believe that it is important not only to benefit from the experience and knowledge which they have built up over their many years of service, but also to transmit to junior staff the special approach and attitudes to work that are the mark of veterans.
Workstyle Innovation

We continue to move forward with a range of initiatives to innovate workstyles and create a basis that enables everybody to work with positive efficiency. Innovations include the utilization of IT tools, changes in the office layout and enhancement of teleworking systems, which of all allow staff to determine when and where they work.

In fiscal year 2017, we introduced the “workation” system, in which teleworking is used to enable staff to spend some time on work tasks during vacations. It is hoped that this will encourage staff to take longer vacations.

In fiscal year 2018, we will launch initiatives using artificial intelligence and robotics to speed up the review of work processes and the integration of common tasks.

Total work hours*

By encouraging varied workstyles and creating a corporate ethos that is fair to staff whose time is limited by duties such as childcare or nursing care, JAL seeks to become a company where all can participate.

We advocate a healthy work-life balance that allows all staff to perform their duties efficiently in order to improve productivity and use the time saved for physical and mental recreation and self-development. We believe that when these experiences are fed back into the workplace, new value will be created, which will in turn lead to corporate growth. Consequently, we are taking measures to encourage staff to plan taking paid leave and to limit work hours to an appropriate level.

In fiscal year 2017, the average annual paid leave taken was 17.9 days, or 89.5% of the total entitlement, while the average monthly overtime total was 7.9 hours (excluding general JAL staff on shift work). The actual average for total work hours in fiscal year 2017 was 1,888 hours, against a target figure of 1,850 hours, representing an 81.5% fulfilment of target.

New workstyle using satellite office

The department I work for is responsible for systems including the personnel evaluation system and the salary system. As these are important topics for both the company and for staff, we are expected to undertake wide-ranging discussion of the best way to design and operate the systems.

As we approached the new fiscal year, we decided to hold an overnight camp where we could remove ourselves from the day-to-day work routine and take time to discuss the issues we need to tackle.

When we were discussing the camp venue, we found out that a satellite office had been set up at Kamiyama in Tokushima Prefecture. We decided to use it for our camp in the hope that the location would allow us to take a broader view and would stimulate insights from new perspectives.

As part of workstyle innovation, we have a system of teleworking in place, so we were able to use the in-house infrastructure and materials in the usual way, but the relaxed mood in the rich natural setting of the camp led to lively discussions.

It became clear to me that workstyle innovation not only leads to flexible work patterns, but is also a way of stimulating new ideas.

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* Total work hours (annual) = standard number of work days per year x standard number of work hours per day (8 hrs) + overtime and rest day work hours – [(number of days of annual leave + number of days of special leave + number of days of work absence) x standard number of work hours per day (8 hrs)]
Promotion of Health Management

The good mental and physical health of all staff is an essential precondition for driving forward efforts to become the world’s most preferred and valued airline and also for promoting the material and intellectual growth of all staff as advocated in the JAL Group Corporate Policy.

Accordingly, the JAL Group has formulated the JAL Wellness 2020 health promotion plan in coordination with the Medium Term Management Plan. Focusing on the key themes of lifestyle-related illness, cancer, mental health, smoking and women’s health, we cooperate through the plan with staff, companies and health insurance associations to enhance the health of the precious asset represented by our staff and their families.

In recent years, we have coordinated with initiatives in diversity and inclusion and in workstyle innovation to support staff to continue working when they face a range of issues, including the challenge of combining work commitments with cancer treatment.

Going forward, the JAL Group will redouble its efforts to promote health management through two main approaches: strong leadership from management headed by the Health Management Officer, and initiatives introduced at individual locations by Wellness Leaders, who are appointed to workplaces throughout Japan to promote health.