



HISTORY OF THE JAL GROUP

Since its establishment, the JAL Group has developed its business to meet the needs of the times.

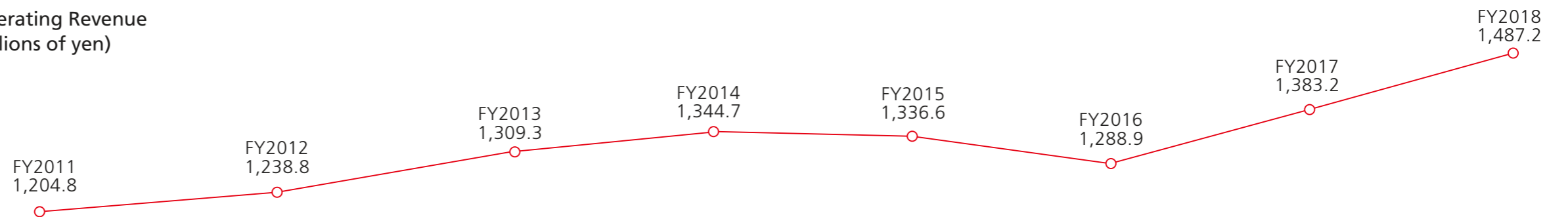
Following bankruptcy in 2010, the Group was given the opportunity to restructure, and since then has been progressing steadily focused on the goals of delivering unparalleled service to customers and contributing to the betterment of society.

1951-2010	2011	2012	2013	2014	2015	2016	2017	2018
<p>1951 August: Establishment of Japan Airlines</p> <p>1970 February: Lists on the first section of a number of stock exchanges</p> <p>1985 August: JAL flight 123 accident</p>	<p>Rebirth of JAL 2011 April: Commences operations with a new "Tsurumaru" logo April: Commences a joint business with American Airlines</p>  <p>JAL's new "Tsurumaru" logo (foreground)</p>	<p>2012 April: Inaugurates the Boeing 787-8 on the new Tokyo (Narita) = Boston route September: Relists on the first section of the Tokyo Stock Exchange October: Commences a joint business with British Airways December: Inaugurates Tokyo (Narita)=San Diego route</p>	<p>2013 June: JAL SKY SUITE named Best Business Class Airline Seat worldwide at Skytrax's 2013 World Airline Awards July: Launches Narita=Helsinki route</p>  <p>Delivery of JAL's first Boeing 787</p>	<p>2014 April: Commences a joint business with Finnair</p>	<p>2015 September: Starts the JAL Nadeshiko Lab November: Inaugurates Tokyo=Dallas/Fort Worth route</p>  <p>JAL Nadeshiko Lab</p>	<p>2016 October: Commences a joint business with Iberia December: Launches Dokokani Mile service</p>	<p>2017 September: Launches Narita=Melbourne route Launches Narita=Kona route December: CONTRAIL Atmospheric Observation Project receives the Environment Minister's Award for Global Warming Prevention Activity in the International Contribution Category</p>	<p>2018 January: JAL and JAC receives MLIT Award for Promoting Barrier Free Measures</p>

For more details, please refer to JAL's History online <https://www.jal.com/en/outline/history/>

2010
January:
Files for reorganization proceedings under the Corporate Reorganization Act

Operating Revenue (Billions of yen)



FY2018 Topics

April: Awarded fourth place, 2018 Top 10 Airlines - World, and first place, Best Airline - Japan (second consecutive year) from TripAdvisor® Travelers' Choice™ awards

May: Opens JAL Innovation Lab

July: Certified as 5-Star Airline and Best Economy Class Airline Seat by Skytrax

September: Signs comprehensive partnership agreement with Garuda Indonesia
Receives Grand Prize in Ikuboss Award 2018, the first in the transportation industry

October: Starts code sharing with Garuda Indonesia
Starts code sharing with Vietjet Air
JAL STEAM SCHOOL and Dokokani Mile receive 2018 Good Design Award
Receives Award for Excellence in Corporate Disclosure - Industries - Transportation from the Securities Analysts Association of Japan
Certified as a Gold company in the PRIDE Index for LGBT initiatives (third consecutive year)

November: Launches JAL Global WALLET
Receives Most Consistent Winner award for on-time performance from Cirium
Receives Asia Pacific Airline of the Year 2018 award from airline think tank CAPA
Receives Jisa Biz award for promoting staggered commuting from the Tokyo Metropolitan Government

January (2019): Establishes JAL Business Aviation Co., Ltd. business jet company
Recognized by Cirium as the best Asia-Pacific Major Mainline Airline in 2018 for on-time performance (seventh consecutive year, ninth win)
Establishes Japan Airlines Innovation Fund

February: Launches Haneda=Manila route
Starts code sharing with Fiji Airways
Starts code sharing with Vistara
Starts code sharing with Aeromexico

March: Establishes ZIPAIR international medium- and long-haul low-cost carrier
Launches Narita=Seattle route
Seven companies of the JAL Group selected in White 500 category of 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program
Receives second prize in the Advanced Category, 2019 J-Win Diversity Awards
Selected as a Fiscal 2018 Tokyo Sports Promotion Model Company

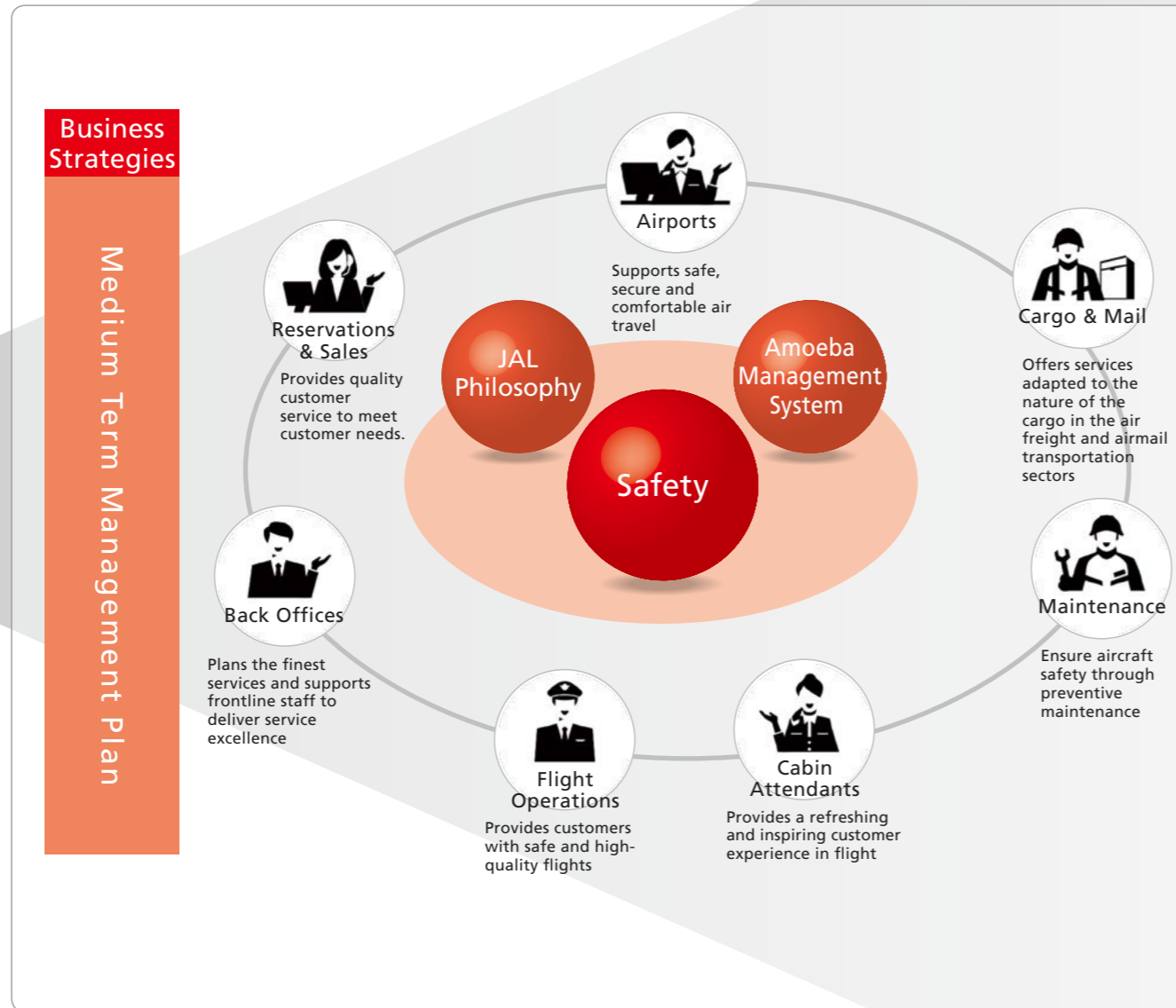


VALUE CREATION PROCESS

To realize the JAL Group Corporate Policy and continue to be “the world’s most preferred and valued airline,” we use the Group’s management resources for business development, bringing together the individual strengths of the JAL team, to offer new value to customers and society.
Safety is the basis of existence of the Group, and the JAL Philosophy and the amoeba management system support our value creation.

Key Management Resources	
Financial capital Financial foundation for growth Equity: 1.16 trillion yen (Equity ratio: 57.4%)	
Production capital Aircraft to meet a wide range of needs Number of Group aircraft: 235	
Intellectual capital Accumulated operational know-how Total hours on drills and training: 2.4 million hours/year	
Human capital Diverse human resources with considerable experience Consolidated employees: 34,003	
Social capital Global network Airports serviced: 95	
Natural capital Limited natural resources	

As of March 31, 2019



Quality Provided to Customers

On-time operations

Comfort

Convenience

Safety and Sense of Security

Medium- and Long-term Targets

Achieve the Grand Design*
Transform JAL into a truly global airline

Cities serviced: **500**

Percentage of revenue from overseas sales in international passenger operations: **50%**

Professionals who actively participate in a diversifying industry

×
Create new values one step ahead of competitors

Providing a stress-free travel experience for all our customers

Creating new businesses and services

Assign optimal human resources to value-added business fields

II
Achieve sustainable growth

Operating profit margin : **10%** or above
Operating Revenue : **2 trillion yen**
Operating profit : **250 billion yen**
Total market capitalization : **3 trillion yen**

Contribute to development of the aviation industry

Contribute to solving social issues including SDGs

JAL GROUP CORPORATE POLICY

The JAL Group Will:
Pursue the material and intellectual growth of all our employees;

Deliver unparalleled service to our customers;

and

Increase corporate value and contribute to the betterment of society.

* Grand Design: A business plan with numerical targets to be achieved by FY2027

Message from the President

Business Activities and Strategy

ESG Management

Financial Data/Corporate Information

JAL GROUP'S BASIC STANCE ON VALUE CREATION

To continue to be “the world’s most preferred and valued airline” and realize the JAL Group Corporate Policy, we use the Group’s diversified capital for business development, bringing together the individual strengths of the JAL team, to offer new value to society. Safety is the utmost priority for the Group. In any and all situations, we will ensure safe and reliable air travel for our customers. For this reason, all members of the Group, from those directly involved in flight operations to those involved in business operations, will apply the best of their of their knowledge, technologies and capabilities to their jobs as safety professionals.

Safety and Sense of Security

Safety Charter

The JAL Group has created a Safety Charter as a code of conduct based on the Group’s basic stance on safety. As recommended by the in-house Verification Committee established to examine alcohol-related incidents, we revised the Safety Charter and further clarified the definition and positioning of safety. To achieve the Group shared awareness and rebuild safety as a professional organization with safety as the main priority in all organizations, all employees have engraved in their minds the new Safety Charter as they work to rebuild safety and sense of security for JAL.

Group safety management system

To maintain uniform and high levels of safety across the JAL Group, all Group airlines including Japan Airlines manage safety according Group shared policies confirmed at the Group Council for Safety Enhancement General Meeting.*1 In addition, the Group Operational Safety Promotion

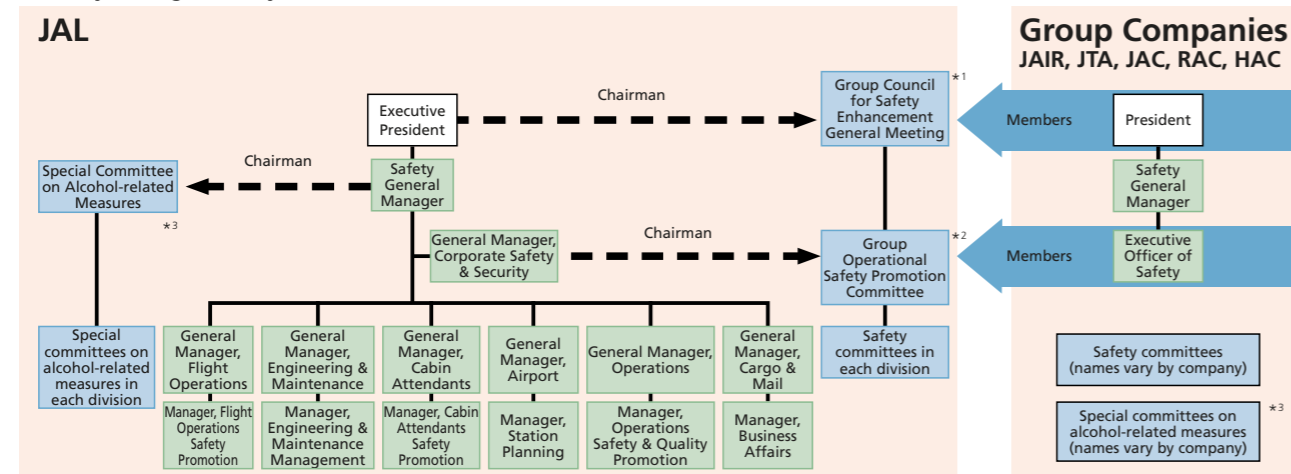
Committee*2 has been established as a committee under the Group Council for Safety Enhancement General Meeting to maintain and strengthen coordination on safety initiatives among divisions and Group airlines.

Safety Charter

Safety: The protection of lives.
This is the commitment and basic foundation of business continuity for the JAL Group.
We take to heart our mission and responsibility as safety professionals to ensure a safe operation on every flight with the best of our knowledge, skills and abilities.
To accomplish this, we will act according to the following principles.

- Stop immediately when safety concern arises.
- Comply with rules and strictly follow standard operating procedures.
- Always check and confirm; never rely on assumptions.
- Promptly communicate information without omission to ensure safety.
- Deal with problems quickly and appropriately without underestimation.

Safety Management System



*1 Council responsible for maintaining flight safety throughout the Group, and promoting safety management, according to the Group’s principles and policies.
*2 Committee placed under the Group Council for Safety Enhancement General Meeting responsible for increasing safety in air transportation of the JAL Group by maintaining and strengthening coordination on safety initiatives among divisions and Group airlines.
*3 Committees responsible for managing alcohol-related risks of the JAL Group.

Continuous improvements through the Safety Management System (SMS)

To ensure a high level of safety, management, Corporate Safety & Security and each division implement and organically link their PDCA safety cycle to ensure proper functioning of the SMS.

PDCA Cycle as Part of the SMS



Safety Advisory Group

In August 2005, the JAL Group established the Safety Advisory Group, comprising a panel of five experts with extensive knowledge and experience in human factors, analysis of failures and defects, organizational management and culture, and safety to provide the Group with wide-ranging advice and recommendations on safety from an objective specialist’s viewpoint. In fiscal 2018, the members provided valuable advice and recommendations and pointed out issues to be addressed through dialogues with employees and inspections at 11 locations centered on Flight Operations and Cabin Attendants divisions of Japan Airlines and Group airlines, and follow-up meetings with Group management, and the in-house Verification Committee.

Safety Advisory Group Members

Kunio Yanagida (Chair)	Non-fiction writer, critic
Yotaro Hatamura	Professor Emeritus, University of Tokyo, Representative of Hatamura Institute for the Advancement of Technology
Shinichi Kamata	Professor Emeritus, National Defense Academy of Japan
Shigeru Haga	Senior Technology Advisor, Research Institute for Social Safety, Professor Emeritus, Rikkyo University
Akinori Komatsubara	Professor, Faculty of Science and Engineering, Waseda University

Fiscal year 2018 in retrospect

As a result of inappropriate alcohol-related incidents by copilots and cabin attendants since May 2018, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) issued administrative dispositions and administrative instructions, that is, a Business Improvement Order and a Business Improvement Advisory related to Securing Safety in Air Transportation. As a scheduled air transportation operator, we understand the extremely grave nature of the situation that caused a serious loss of trust from customers and society. We express our deepest apologies and are aware that drinking problems are serious problems that affect safety. We are therefore making Group-wide efforts to prevent recurrence within our SMS.

* For more details on the background to this drinking problem and measures taken, please refer to the Message from the President.

The JAL Group establishes yearly safety targets according to the JAL Group Medium Term Management Plan for Fiscal Years 2017–2020. Although we aimed for zero aircraft accidents and zero serious incidents in fiscal year 2018, one aircraft accident and one serious incident occurred. Again, we apologize to those affected for any inconvenience or concerns caused.

Details of this aircraft accident and serious incident are available on the following page.

Passing on an austere safety culture and cultivating safety awareness

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 safety and to instill lessons learned in our minds, we established the Safety Promotion Center in April 2006. To date, more than 240,000 people inside and outside the Company have visited the center.

The JAL Group continuously conducts Safety Awareness Education based on the Three Actuals Principle (the actual place, objects and people) to ensure that lessons learned from past accidents are passed on and that employees maintain a high level of safety awareness. Employees learn what can and must be done to realize safety by ascending the ridges of Mt. Osutaka, the site of the JAL 123 accident (the actual site), seeing aircraft debris at the Safety Promotion Center (actual objects), and meeting people who experienced the accident (actual people) by watching news footage of the accident and video interviews. In fiscal year 2018, 1,909 employees attended the Safety Seminar for New Employees, 375 employees participated in the Safety Promotion Seminar and 209 employees, in the Safety Seminar for New Managers.

JAL GROUP'S BASIC STANCE ON VALUE CREATION

Data on Incidents

The JAL Group undertakes active disclosure of safety data so that customers can put their confidence in our services.

Aircraft accident (1 incident)

Cabin attendant on JAL flight 514 injured due to turbulence (June 24, 2018)

On June 24, 2018, JAL flight 514 (New Chitose Airport to Tokyo International Airport) encountered sudden turbulence while cruising, causing a cabin attendant to fall and sustain injury. A medical examination revealed that she sustained a fractured left leg. On the same day, the event was rated an Aircraft Accident by the Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). None of the passengers were injured.

Investigations are under way by the Japan Transport Safety Board, MLIT to clarify the cause. JAL is fully cooperating with investigations and will implement necessary measures. The following measures are being taken.

- Cabin attendants: Guidance on "flexible response to the service plan when turbulence is expected" and "responses to turbulence" were added to the regular safety training for cabin attendants.
- Flight Dispatchers: To improve work efficiency, system improvements have been made to automatically download pilot reports (PIREP) on turbulence to ground systems.
- Cockpit crew: To prevent injury due to turbulence, a regulation was established to put absolute priority on maintaining safety in the cabin in the Seat Belt Sign Policy, clearing stating that the Company will fully support the captain's decision on the use of the seat belt sign to protect the safety of passengers and cabin attendants.

Serious incident (2 incidents)

Air Turn Back of JAL flight 632 after takeoff (May 24, 2018)

On May 24, 2018, JAL flight 632 (Kumamoto Airport to Tokyo International Airport) experienced engine trouble with its left engine while climbing after takeoff and returned to Kumamoto Airport. Engine parts fell to the ground near Mashiki Town, Kamimashiki District in Kumamoto Prefecture. A post-arrival inspection revealed damage to the turbine and other parts in the rear of the engine. The event was rated a Serious Incident by the Civil Aviation Bureau, MLIT.

Investigations are under way by the Japan Transport Safety Board, MLIT to clarify the cause. JAL is fully cooperating

with investigations and will implement necessary measures. The following measures are being taken.

- A general inspection of high pressure turbine rotor blades on engines of all 35 JAL Boeing 767 aircraft installed with the same engine type were examined with a borescope, and no problems were found.
- The interval of borescope inspections of high-pressure turbine rotor blades on this engine type were shortened from every 400 flights to every 200 flights.
- The insides of engines are being washed with water to remove dirt and wash away any particles that could cause metal corrosion.
- Seven engines using high-pressure turbine rotor blades manufactured around the same date as the malfunctioned engine were unloaded from aircraft.

RAC flight 804 experiences runway incursion at landing (June 14, 2018)

On June 14, 2018, RAC flight 804 (Miyako Airport to Naha Airport) was cleared for landing by air traffic control (ATC), but clearance was cancelled when another aircraft crossed the stop line and entered the runway during approach. The RAC flight continued approach according to ATC instructions, was cleared for landing and landed safely. None of the passengers or crew members were injured. The event was rated a Serious Incident by the Civil Aviation Bureau, MLIT because it corresponded to "a situation prescribed in Civil Aeronautics Law Enforcement Regulations Article 166, Paragraph 4 (Serious Incident)."

As no problems have been pointed out against the JAL Group as of date, this case is not included in fiscal 2018 results of management goals in the Medium Term Management Plan.

Investigations are under way by the Japan Transport Safety Board, MLIT to clarify the cause. JAL is fully cooperating with investigations and will implement necessary measures

- *1 Aircraft accident
A situation arising from the operation of an aircraft and resulting in fatal or serious injury, an aircraft crash, collision, or fire, damage to the aircraft during flight requiring major repair, or other situation classified as an aircraft accident by the Ministry of Land, Infrastructure, Transport and Tourism.
- *2 Serious incident:
An incident not amounting to an aircraft accident, but where a recognized danger of an accident occurring was present, such as runway excursion, an emergency evacuation, fire or smoke on board, abnormal depressurization, encounter with abnormal weather conditions, or other situation classified as a serious incident by the Ministry of Land, Infrastructure, Transport and Tourism.

JAL Group Safety Report (only in Japanese)

The JAL Group Safety Report is published yearly in accordance with the Civil Aeronautics Act (Article 111-6: Publication of Safety Reports by Domestic Air Carriers). The report presents safety initiatives and other relevant data on six JAL Group airlines in a readily accessible form.



JAL Philosophy

Basic stance

As we stand on the start line of revitalization, we deeply reflect and regret the significant inconvenience caused to many people, and at the same time, we are filled with gratitude for being granted the last chance to rebuild the company. We are resolved to part with the past and create a brand new JAL.

"Have we left matters to others?"

"How conscious of profits have we been?"

"Have we dealt with customers with deepest feelings of sincerity?"

Based on these reflections, we found it necessary to change the awareness of every employee and established the JAL Philosophy as the Group shared mindset, values and attitude expected of all persons engaged in JAL products and services.

As we study, understand and practice the JAL Philosophy as the shared criteria for decision-making in our everyday work, it will bind the minds of everyone who supports the "Wings of JAL" and drive us forward toward our ambitious goal of becoming "the world's most preferred and valued airline."



Leader Workshops

Fiscal 2018 initiatives

To deepen our understanding of the JAL Philosophy and put it to practice, we conduct JAL Philosophy Education seminars three times a year for everyone engaged in JAL products and services. Facilitators are selected from various divisions, such as Cockpit Crew, Cabin Attendants, Engineering & Maintenance, Airports and Sales. Education seminars are conducted in the United States, Europe, Asia-Oceania and China using Japanese or English teaching materials.

In addition to JAL Philosophy Education, Leader Workshops are held once a month for directors and Vice Presidents, and three times a year for organization leaders to encourage mindset change from the leaders down.

In December 2018, we held our eighth JAL Philosophy Presentation Meeting, where 10 employees or groups were selected from among 400 applicants to give presentations on the theme, "How to learn, understand and apply the JAL Philosophy." The JAL Philosophy Presentation Meeting will continue as a venue to share examples of how to apply the philosophies including failures and concerns and to seriously focus on putting it into practice.

We will conduct initiatives that promote wider application of the JAL Philosophy as we aim to realize the Corporate Policy that states that we will "deliver unparalleled service to our customers" and "contribute to the betterment of society."



The eighth JAL Philosophy Presentation Meeting

Amoeba Management System

Basic stance

The amoeba management system is a business management system that promotes "management by all" by dividing operations into the smallest units and presenting results of work in organization in an understandable way. It is based on the idea that "business management should involve every employee and not management alone. "Through "management by all," the capabilities of every employees are consolidated to conduct sound and flexible corporate management.

Benefits of introducing the amoeba management system

The introduction of the amoeba management system has clarified the roles and responsibilities of each organization, and enabled us to identify revenue and costs of each unit and visualize achievements and profitability of each unit. As a result, members in each unit have developed a sense of responsibility over figures and feel more motivated and creative in their work attitude.

In 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 analyzed, and reasons for the difference are clarified and used to create next month's plan. In addition to the annual plan prepared at the start of each fiscal year, monthly targets are set, which facilitates prompt responses to changes in the environment. Operating a monthly management cycle at each level of activities enables all staff to participate in management.

After each division confirms its results and targets, business results and projections, issues and measures are reported by General Managers of divisions and presidents of related companies at the Group Earnings Announcement Session. The session is attended by around 160 participants, including the President, all directors, presidents of major related companies and observers, who hold earnest discussions on JAL Group management with the common aim of realizing the Corporate Policy.

Fiscal 2019 initiatives

Up till now, we have focused on operating and instilling the amoeba management system, but to ensure future growth and promote human resources development through this system, we will further refine our business management through "management by all" while developing human resources. We will also review the current amoeba management system with a focus on creating mechanisms that more clearly visualize achievements and increase effects as we aim to realize muscular management system through efficient use of management resources.

Rigorous profitability management

We will pursue initiatives to continue and deepen improvement of hourly profitability, unit revenue and productivity of each division and Group company. We will also reinforce cost control according to changes in the market environment and fluctuations in revenues to maximize profitability and improve risk resilience.

Management by all

We will work to bring together individual strengths, increase execution capabilities to achieve targets, visualize management data more easily, and draw creativity and initiative from every employee to achieve targets. We will also devote more energy to nurturing leaders with management awareness to lead staff.

Efficient use of management resources

We will work as a team to implement muscular management by improving profitability of each Group division and company, make efficient investments, improve asset utilization, and optimize inventories to achieve efficient use of management resources.



Group Earnings Announcement Session

MEDIUM TERM MANAGEMENT PLAN - ROLLING PLAN 2019

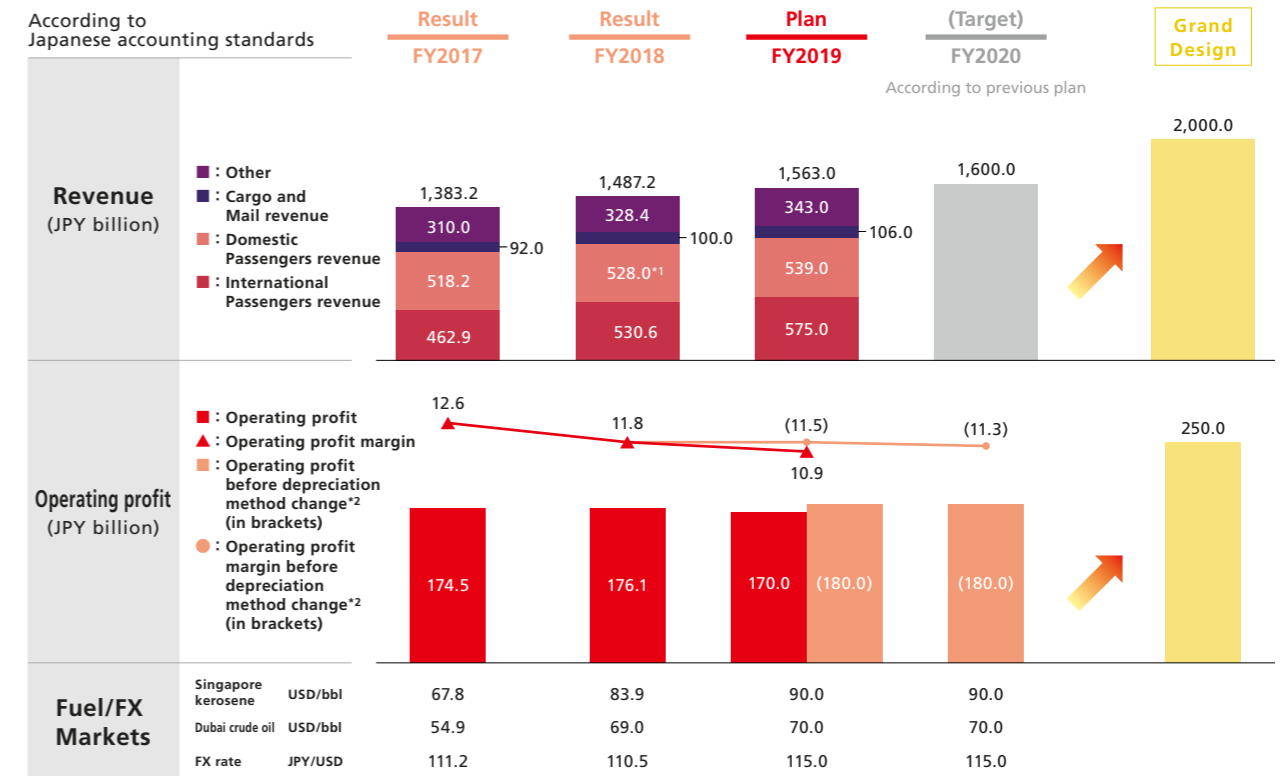
In February 2019, the JAL Group announced the JAL Group Medium Term Management Plan - Rolling Plan 2019. JAL will strive to restore public trust and increase corporate value by rebuilding safety and sense of security and meeting the expectations of all stakeholders including customers, regions and communities.

Medium term revenue and profit targets

Our projections for fiscal 2019 are 1.563 trillion yen in revenue and 170 billion yen in operating profit. Although we expect a decline in profit at the operating profit stage, this is attributable to a depreciation expense increase of roughly 10 billion yen due to the change in the depreciation method of aircraft components from fiscal 2019. The operating profit forecast in real terms prior to the

depreciation method change is substantially higher at 180 billion yen.

In fiscal 2019, we will continue to focus on achieving our management goals and an operating profit of 180 billion yen, which is one of the targets of our Medium Term Management Plan, earlier than planned.



*1 Reflects the change of the settlement adjustment method for domestic sectors on international itineraries from FY2018.
 *2 The depreciation method is changed to a new method in which assets are classified to each components, for example, based on economic lives of components, such as aircraft fuselage, engines and cabin interior, and each component is depreciated separately.

Focus Point 1
Expand Networks



Tadao Nishio
Managing Executive Officer
General Manager of Corporate Strategy Planning

The development of airports in Tokyo metropolitan area scheduled in fiscal 2020 will offer enormous business opportunities. The additional flight slots at Haneda and Narita airports combined will bring an increase of approximately 100 flights per day. On the other hand, the capacity increase is expected to intensify competition among airlines and produce dramatic changes in the business environment.

In such an external environment, we will divide our passenger business portfolio from fiscal 2020 into separate business domains based on routes and pricing to meet the diversifying needs of our customers. With our full service carrier business maintaining steady growth, we will continue efforts to improve our competitiveness in the high-end traveler market and achieve our targets in the Ground Design of serving 500 major cities worldwide and achieving 50% of revenue from overseas sales in our international passenger business.

In the low-cost carrier (LCC) business, which is a growing business domain, we have established ZIPAIR to tap medium- and long-haul international markets and preparations are in progress to launch services. We are also strengthening coordination with our LCC partners on the increasingly competitive domestic routes and short-haul international routes. In this way, we are building the optimal passenger business portfolio through business expansion and cooperation with our partner airlines.

Passenger Business Portfolio from FY2020



Topic ZIPAIR Established as Japan's First International Medium- and Long-haul Low-Cost Carrier

Background to establishment of ZIPAIR

As travel needs and values have become diversified, demand of price-sensitive customers on international medium- and long-haul routes is expected to grow. The JAL Group will actively utilize the improved functions of Narita International Airport and contribute to achieving the Japanese government's target of 60 million foreign visitors to Japan per year by fiscal 2030.

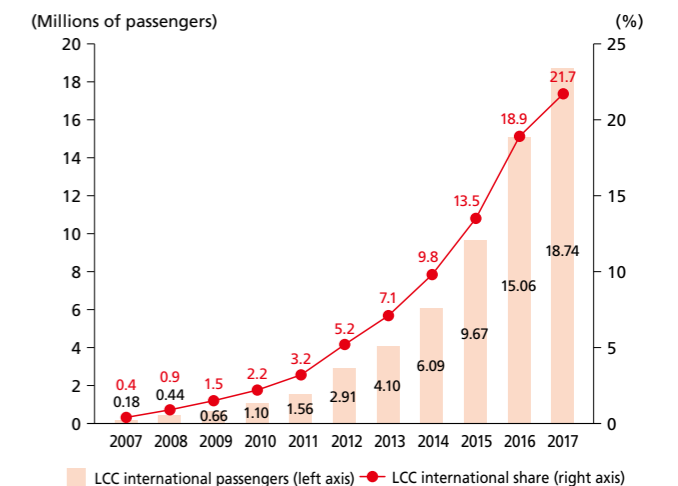
While refining its full service carrier business, the Group has invested in Jetstar Japan, which operates on domestic and international short-haul routes. To further meet the needs of customers with diversifying values, we have established ZIPAIR to operate on medium- and long-haul routes alongside Jetstar Japan. By organically leveraging these two carriers, we hope to create new demand.

What ZIPAIR aims to achieve

ZIPAIR targets price-sensitive customers on international medium- and long-haul routes that are expected to increase, with the aim to become a new airline that offers values sought by customers with diversifying values. Service launches are planned between Tokyo-Narita and Bangkok on May 14, 2020, and between Tokyo-Narita and Seoul on July 1, 2020 with preparations under way for services to North America.

ZIPAIR will meet diversifying customer needs and serve destinations on JAL Group's route network as a JAL Group airline that delivers different values from those of a full service carrier.

Changes in LCC Passenger Traffic on International Routes



Source: Civil Aviation Bureau (MLIT) - Calendar year statistics



Focus Point 2
Innovate Better Products and Services

A total of 40 million overseas visitors to Japan are expected in fiscal 2020. In this environment, JAL aims to provide a comfortable travel experience combined with personalized and timely services to realize stress-free travel for all customers.

JAL has ordered 18 new Airbus A350-900 aircraft*1, boasting cutting-edge technology, and the first JAL A350-900 entered service on a domestic route (Tokyo-Haneda and Fukuoka) on September 1, 2019. The environmentally-friendly A350 provides passengers with enhanced comfort and quiet cabins through the latest low noise engines and cabin pressure and humidity equivalent to nearly ground level. In ground services, we will install new self-check-in machines

and self-baggage drops and use facial authentication, to name a few, to realize our concept of JAL SMART AIRPORT from 2020.

Furthermore, maintaining stable operations is our basic mission, the premise of for all business activities of the JAL Group. We are pursuing various initiatives such as flight scheduling optimization and use of standby aircraft to improve quality of on-time operations. We are also strengthening our disaster response capacity by revising and multilingualizing our Business Continuity Plan (BCP)*2, including swift flight operations recovery plan taking into account recent natural disasters.

*1 13 large-sized Airbus A350-1000 are on order.

*2 Response measures to ensure business continuity in the event of unexpected situations.



Airbus A350 First Class (domestic routes)

Focus Point 3
Expand Business Domains

As part of the Grand Design, the JAL Group aims to stimulate air travel demand, and maintain flight safety and lead development of the aviation industry. To accomplish this, we are creating new businesses that complement our core full service carrier business. We do not intend to simply diversify our businesses, but instead are implementing co-creation initiatives with partner companies in areas where JAL Group strengths can be leveraged, such as its know-how and customer base in the air transportation business. Specifically, we are targeting three areas—airline businesses, travel and logistics and market development. In the area of airline-related business, an increasing number of airlines is flying to regions across Japan, triggered by the increase of inbound demand. We will leverage the operational know-how we have accumulated over the years

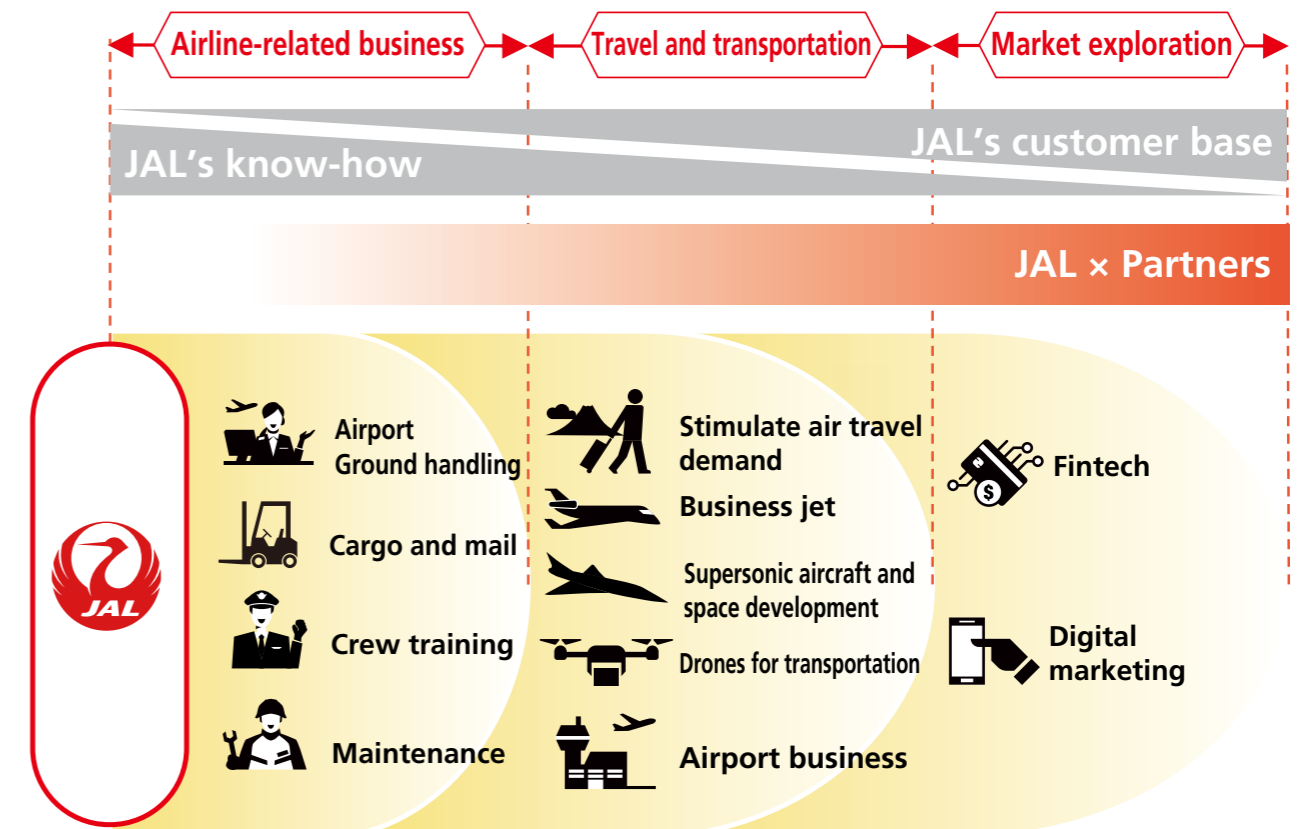
to provide services in airport handling, maintenance, crew training and cargo handling, and contribute to reaching the government's inbound demand targets and to revitalizing regional Japan.

In the area of travel and transportation, we are working to establish new transportation methods, including business jets and drones, stimulate air travel demand, and develop airport infrastructure.

In the area of new market exploration, we are combining our customer base with our partners' know-how to develop new business models in Fintech, digital marketing and other fields.

Through these businesses, we aim to create new value and maximize our own corporate value.

■ Business Portfolio



Focus Point 4
Human Resources × Technology

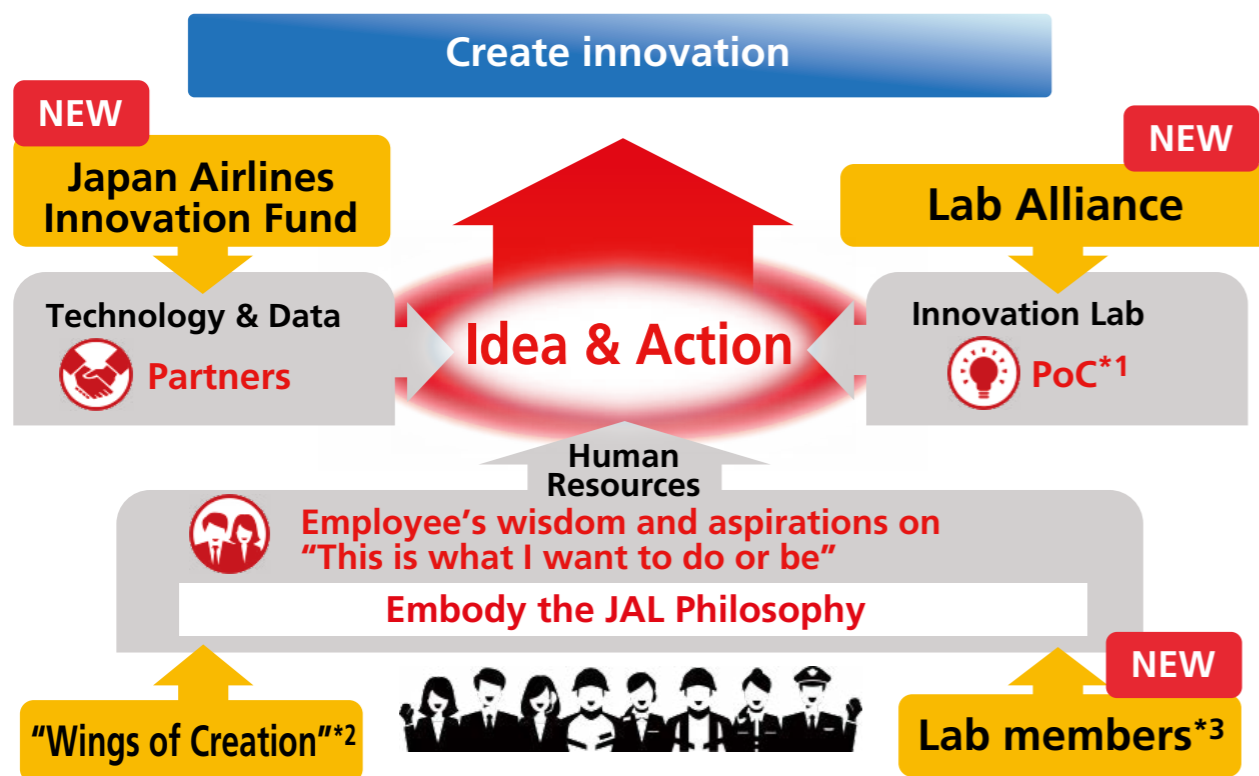
The JAL Group is developing professionals who can accommodate cultural diversity and actively participate in a diversifying world. We will improve quality and productivity by combining our know-how and technologies. By assigning the optimal human resources to value-added business fields, the Group aims achieve sustainable growth.

As part of these efforts, we opened the JAL Innovation Lab in 2018 as an open innovation base. From here, we created the Lab Alliance in collaboration with NTT Communications, NTT DOCOMO, KDDI, IBM, SAP, CTC, Nikkei and other companies, where we are promoting

the use of new technologies across national and industrial borders. In January 2019, we also established the Japan Airlines Innovation Fund to more flexibly and speedily drive collaboration and co-creation with domestic and overseas startups that have cutting-edge technologies and business models.

Going forward, the JAL Group will continue to combine its human resources, one of its greatest strengths, and advanced technologies to realize innovation and accelerate growth.

■ Platform for Innovation Creation



*1 Proof of Concept
*2 An intrapreneur audition program
*3 In-house system of activities at the Innovation Lab where the skills, knowledge and specializations of employees are utilized.

Topic **Contributing to 2020 and Society**

Japan will be in the global spotlight in 2020 as it hosts the Olympic and Paralympic Games Tokyo 2020. As an Official Airline Partner of Tokyo 2020, we will contribute to the success of the Games and create a unique JAL legacy to realize the Tokyo 2020 Games Vision of "Sport has the power to change the world and our future*." We are focusing particularly on the following two initiatives to achieve this.

* Tokyo 2020 Games Vision (website of the Tokyo Organising Committee of the Olympic and Paralympic Games)

Attracting more foreign visitors to Japan

The Japanese government has set the annual inbound tourist target of 40 million by 2020, and 60 million by 2030. As Tokyo 2020 is attracting worldwide attention, now is an excellent opportunity to showcase the attractions of regional Japan. To contribute to these targets, the JAL Group will provide opportunities to experience rural Japan. Specifically, we are planning a Visit Regional Japan for Free Campaign (tentative name) for foreign visitors. By traveling to regions across Japan through this campaign, we would like to cultivate motivation to visit again and inspire even more international tourists to visit Japan from and after 2020. By bringing visitors to various destinations in Japan, we will also be contributing to regional revitalization.

Realizing the JAL SMART AIRPORT concept

Looking ahead to 2020, we are installing the latest facilities and equipment including new self-check-in machines, self-baggage drops, and new boarding pass readers for domestic flights at Haneda Airport and will progressively expand them to all major airports in Japan. For international flights at Narita and Haneda airports, we will introduce technologies to enable facial authentication at check-in and baggage check-in counters, boarding gates and other locations through joint efforts with airport management companies.

Regarding service, we will provide seamless service of providing customers with timely information on their booked flights, boarding and other details by email and smartphone apps, and JAL staff will offer personalized serviced to every customers with tablets.

Through these initiatives, we aim to help create airports where every customer can enjoy stress-free travel experience.



FINANCIAL STRATEGY

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.



Hideki Kikuyama
Director, Senior Managing Executive Officer
General Manager of the Finance & Accounting Division

My Role as the CFO of the JAL Group

I have been newly appointed as CFO since April 2019. I engaged in strategic route planning for the JAL Group growth for a long time. In the highly competitive airline industry, my mission is to implement our financial strategies that lead to our further growth and value creation through my experience and judgement that have been developed by engaging in the strategic route planning as JAL Group's core business.

We will strategically allocate 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. Moreover, we will build trust with our customers, shareholders, society, staff and all other stakeholders through proactive communication to ensure orchestration with all the stakeholders.

Review of the Fiscal Year 2018

International air travel demand and international air freight demand remained strong in the first-half of the fiscal year through increasing inbound passenger demand, backed up by moderate economic growth. Although it slowed down in the second-half of the fiscal year, it still remained on a path of growth in general. On the other hand, many natural disasters struck Japan in 2018. Despite them, domestic air travel demand remained to be robust due to special discount fares to aim recovery of leisure demand. The JAL Group recorded higher revenues and operating profits than the previous year through strong air travel demand. From February to March 2019, a new check-in system was progressively introduced to airports in Japan. The passenger service system renewal project, in which we invested 80 billion yen and spent six years, was finally completed. This new system generates yield management with greater precision. The effects of the new system appeared earlier than our plan.

Financial Strategy in the Medium Term Management Plan - Rolling Plan 2019

In the Medium Term Management Plan for Fiscal Years 2017 to 2020, 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. We are also well aware of the need to improve capital efficiency, aiming to achieve a ROE (Return On Equity) target of 10% or higher at the same time.

In the Grand Design, based on a stable profitability and a firm 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%. To achieve the above indicators and the Grand Design, we will implement financial strategies, while maintaining a firm financial structure and improving asset efficiency and capital efficiency at the same time.

Improve asset efficiency and capital efficiency

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 firm financial structure and high resilience to risk. We targeted operating profit margin of 10% or above and a shareholders' equity ratio

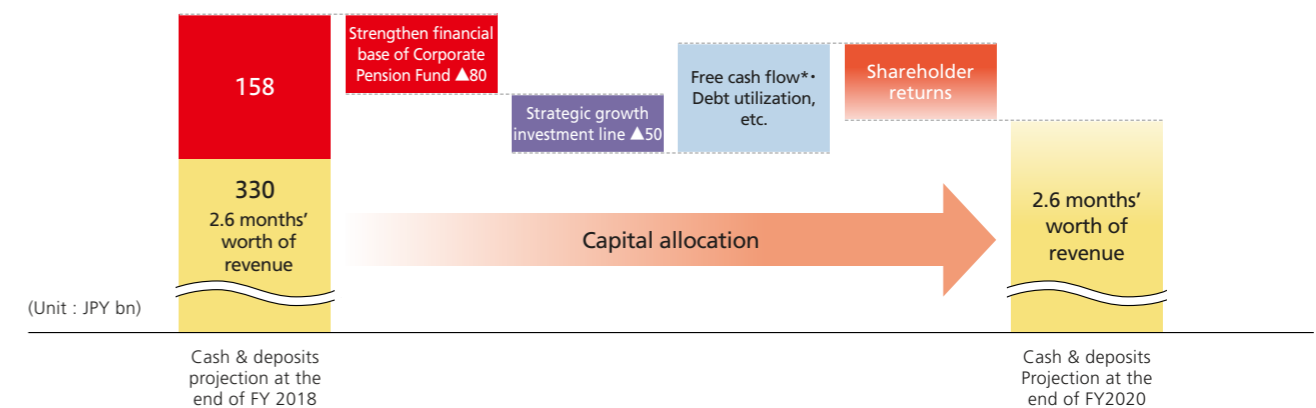
of at least 50%. We have achieved a shareholders' equity ratio of around 60%, showing the progress we have made in creating a solid financial base. We have stepped forward to the next stage, considering the improvement of capital efficiency that includes the management of appropriate level of cash and deposit amounts on hand. Therefore, our basic policy is to strategically allocate capital to increase corporate value, while maintaining a firm financial structure and high capital efficiency.

We are targeting a Single A Flat credit rating or higher (issued by a Japanese credit agency) to support the strong funding capabilities. Our high capital efficiency and a firm financial structure were highly evaluated by a Japanese credit agency, Rating & Investment Information, Inc. and the outlook of JAL's rating was improved to positive in May 2019. We will continue to strive for a Single A Flat credit rating.

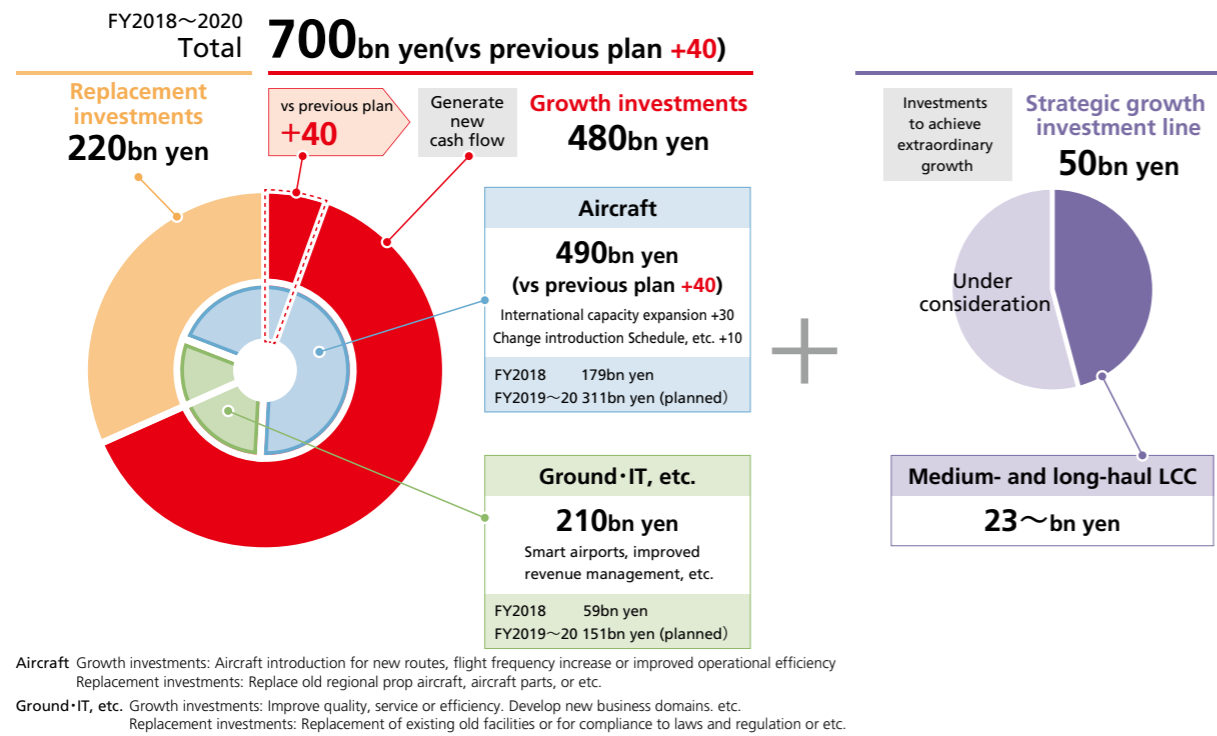
Investment in additional aircraft and preparatory costs will rise in the fiscal year 2019 for the purpose of preparation for capacity expansion in the fiscal year 2020. Moreover, we expect temporary supply-demand imbalance will occur in the fiscal year 2020. As a result, we assume there will be a temporary drop in ROE and ROIC. However, we will aim to return to the target level ROE of 10% or above and ROIC of 9% or above through continuing profit growth and appropriate capital allocation.

Strategical capital allocation to increase corporate value

We aim to maintain cash and deposit amounts on hand from the perspective of stable operation and to treat any exceeding amounts as additional capital that can be allocated. The appropriate level of cash and deposit on



*Free cash flow = Cash Flow from operating activities + cash flow from investing activities
*Forecast in Rolling Plan 2019 (February 2019)



hand is equivalent to approximately 2.6 months of annual operating revenue. To reach this amount, we considered the amount of capital 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.

We will strategically allocate the additional capital consisting of the free cash flow to be generated and excessive cash and deposits on hand for further allocation. We plan to use interest-bearing debts to fund growth investments, while ensuring financial stability. We will also utilize the 50-billion yen strategic growth investment line effectively for extraordinary growth. By the first half of the fiscal year 2019, approximately 80 billion yen will be injected to the Corporate Pension Fund for strengthening its financial base, reducing debts relating to JAL retirement benefits, and proactively mitigating potential financial risk.

Capital investment plan

For our capital investment plan, we will make growth investments, such as state-of-the-art aircraft or IT system, actively to generate new cash flows and then enhance corporate value. 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. In Rolling Plan 2019, we plan to increase the total investment to 700 billion yen, during the fiscal years 2018 to 2020, 40 billion yen up from 660 billion

yen during the same period in the Rolling Plan 2018. Of the total investment, 480 billion yen will be used for growth investment. The additional 40 billion yen is for investment for aircraft to strengthen our international passenger business, which will lead our growth.

As of today, we will allocate about 23 billion yen to the mid- and long-haul LCC "ZIPAIR Tokyo" from the Strategic Growth Investment Line. The remaining amounts will be also used to enhance corporate value through an extraordinary increase of competitiveness or return.

Enhancement of Shareholder Returns

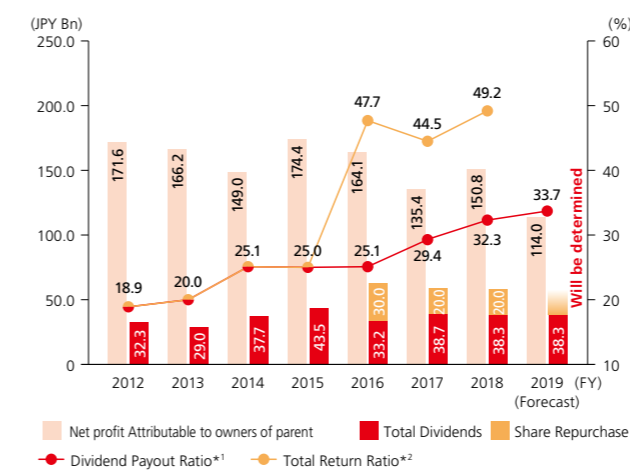
We regard shareholder returns as one of our most important management matters. Our fundamental policy is to actively implement shareholder returns through continuous and stable dividends and flexible share repurchases, while securing internal reserves for making investments for corporate growth in the future and changing business environments and to build a strong financial structure. For the fiscal year 2019 and the following years, we will focus on "Total Return", which combines dividends and share buybacks.

In order to maintain a stable dividend level despite the upcoming effective tax rate increase, we will decide the dividend per share level, considering its continuity, stability

and predictability with reference to a payout ratio of approximately 35%. In addition, we will proactively and flexibly consider share repurchases, considering its financial position and other factors. As a result, we seek to achieve a total payout ratio, which combines the total dividends paid out and the total amounts of the share repurchases, of approximately 35% to 50% through appropriately sharing periodic profit and allocating capital among all of its stakeholders.

At the same time, we continuously strive to improve capital efficiency through monitoring a total return on equity ratio, which is calculated by dividing the sum of total dividends paid out and share repurchases by shareholders' equity. We make its efforts to maintain this ratio at approximately 3% or above.

Total Shareholder Return History (FY2012~FY2019)



1 Dividend payout ratio=Total dividends/Net profit attributable to owners of parent
 2 Total return ratio=(Total amount of dividend + Amount of share repurchase)/Net profit attributable to owners of parent
 *FY2013~2018 net profit attributable to owners of parent excludes effects of deferred income tax

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. For example, for international passengers, we select new routes with profitability as our first priority and optimize our cabin configuration. Also, to enhance our network, we will expand alliances with partner airlines globally. Moreover, 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.

Building Trust with Our Investors Through Close Communication

To provide investors a clearer picture of our business and make it easier for them to evaluate us, we have improved the quality of information content provided at briefings about our management plan and financial results. We intend to build a relationship of trust with our investors through more direct communication not only between them and the CEO or CFO, but also senior management of each business. In addition, we collect information from meetings with investors such as the topics discussed and questions raised, and report back to the Board of Directors. Our proactive IR approach was highly evaluated and we were honored with the 2018 Award for Excellence in Corporate Disclosure in the Transportation Industry by the Securities Analysts Association of Japan in October 2018. We will continue to further improve disclosures in quantity and quality to realize constructive dialogue with markets and investors.

To Our Shareholders and Investors

Flight safety is the essential foundation of the JAL Group and we will steadily thrive to rebuilt and maintain concrete safe operations. In the fiscal year 2020, the airport capacity in Tokyo will be expanded and the Olympic and Paralympic Games Tokyo 2020 will be held. As inbound passenger demand is expected to increase continuously, along with these big events, the airline industry in Japan is a growing industry with big opportunities.

Therefore, we will set a new medium term management plan initiated from the fiscal year 2020 to realize our long-term goal, the Grand Design, after reviewing our initiatives and accomplishments by then. Moreover, to improve international comparability of financial information in capital markets and communication with our stakeholders, we plan to apply International Financial Reporting Standards (IFRS) from the fiscal year 2020. The JAL Group will courageously challenge this major business opportunity of the development of airports in metropolitan area in 2020. To ensure its success, we will strategically allocate our capital strategically and enhance shareholder returns in order to increase corporate value with its clear financial and capital policies.

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.

HUMAN RESOURCES STRATEGY

We create work environments that support motivated and active participation of all employees, and implement initiatives from a long-term perspective



Takuya Oda
Executive Officer, General Manager of
Human Resource Management

At the core of the JAL Group's human resources strategy is a commitment to creating a company where employees work happily and enthusiastically with motivation. To achieve this, we not only deal with immediate issues but also implement initiatives from a long-term perspective.

Changing demographics is a social trend that requires attention when developing a long-term human resources strategy. Japan's declining population and aging society are particularly important issues affecting the Group's operations. Though happening at different times, all jobs are at risk of labor shortages. In addition to developing human resources across the entire aviation industry, the pillar of our initiatives is to promote diversity, which includes senior employees and foreign workers, and implementing technology-based operating process innovation.

Nurturing Professionals to Achieve True Diversity

To promote diversity, we have implemented measures that allow all employees to actively participate in the workplace regardless of their personal attributes. However, we believe a diversity of attributes alone is not enough. Going forward, it will become increasingly important for every one of our diverse employees to display a high level of expertise in their work. When each member of a group consisting of a wide range of attributes has diverse expertise, that group will improve its capabilities and will survive in a rapidly changing world.

For this reason, our human resources strategy includes the nurturing of professionals. Following a career path, these people will acquire the solid expertise needed to lead our organization forward. In this way, we can nurture professionals who will remain active at work into their senior years.

In an era when millions can expect to live for a century, so it is important to create work environments where senior employees remain highly motivated at work. In addition to developing systems for staff to feel secure in their jobs, this includes mechanisms for managers, for example, to acquire the ability to actively participate even after years in a management position. In that sense, our initiatives to nurture professionals and promote the active participation of senior employees are closely related.

(For more details on Diversity & Inclusion, please refer to page 61)

Using Technology to Streamline Work

To support the creation of new value, we are driving technology-based operating process innovation to free people from mundane work and creating work environments where people can focus on creative and professional work that cannot be replaced by automation. In fiscal 2017, we introduced Robotic Process Automation (RPA) and automated a number of operations. While operations that were automated are still limited, there have been cases where use of RPA for simple tasks has freed our employees from data counting tasks that previously took several days to complete. We will widely share information on these examples within the Group and increase achievements in this field.

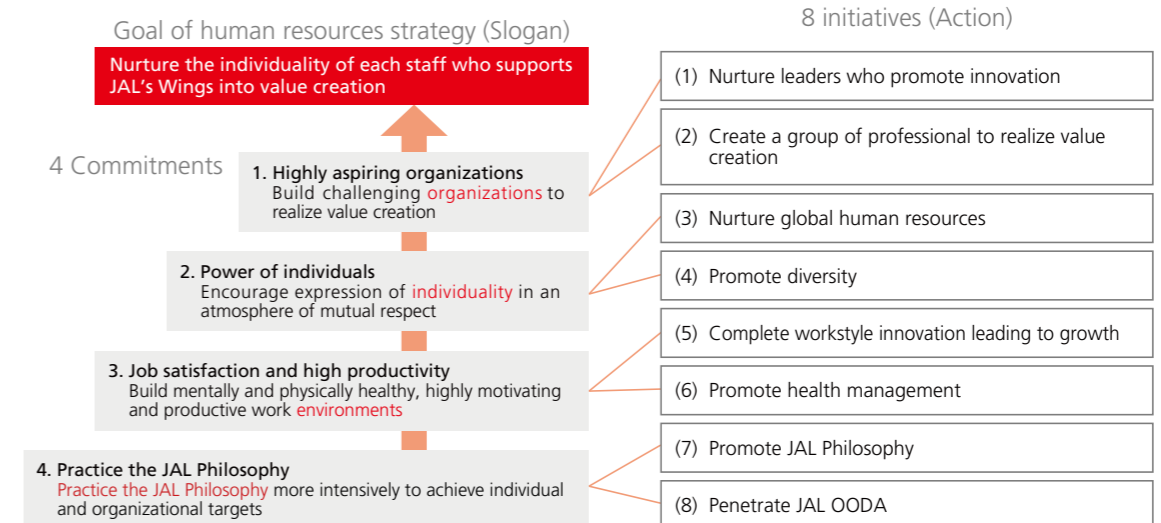
Currently, specialist staff are in charge of RPA, but the speed in work progress and delivery is limited, needless to say. Therefore, we have established a so-called end-user computing system for workplaces to independently operate IT systems and have their members promote RPA of workplace tasks. We are looking to senior employees to lead this movement.

Health and Awareness Reform, the Foundation for Individual Workplace Motivation

To enable all employees to be motivated at work, a foundation comprising health and awareness reform must first be created.

We have continuously promoted health management, in which we established and addressed priority issues in accordance with our JAL Wellness 2020 health promotion plan and produced results. However, these initiatives were mainly directed at the organizational level and not necessarily the individual level. Accordingly, we will take a new approach to health management, such as adopting the data health approach and using broad-ranging data to meet the individual health needs of each employee. Regarding awareness reform, we introduced JAL OODA* in fiscal 2018 to develop independent-minded human resources. In the initial fiscal year, we held workshops led by a mentor where five or so mentees conducted any activity they wished without having to produce results. We also held mentoring management training sessions for advanced-grade management. Going forward, we will continue to expand JAL OODA initiatives, including collaboration with activities by volunteer employee groups, and cultivate a culture of independency while working in teams.

* JAL OODA is JAL's original OODA loop (Observe, Orient, Decide and Act), designed to promote organizational and individual independency.



JAL GROUP BUSINESS ACTIVITIES

International Passenger Operations

External operating environment of international passenger operations

The world's major economies such as Japan and the U.S. have been affected by U.S.-China trade friction and political uncertainty in Europe, but have maintained a steady, moderate growth. Demand for international air travel and international airfreight has also remained generally strong. Crude oil prices, which affect JAL Group's fuel purchasing costs and international passenger and international cargo revenues, are fluctuating due to OPEC's decision to reduce crude oil production and expectations of U.S.-China trade discussions, making the outlook unclear.

The Japanese government has set a target of attracting 40 million overseas visitors to Japan in 2020, the year of the Olympic and Paralympic Games Tokyo 2020, and to achieve this, public-private partnerships are in progress. In 2019, the G20 Osaka Summit and the Rugby World Cup JAPAN will be held, giving rise to expectations of an increase in inbound demand. In 2020, the development of airports in metropolitan area is scheduled, offering an opportunity for significant growth in international passenger operations. Therefore, we regard 2019 as an important year for making

preparations.

On the other hand, LCCs continue to enter the Japanese market and intensifying competition is expected. There is also the risk of a major decline in air travel demand due to global economic trends with concerns of rising protectionism, natural disasters, adverse weather, terrorist attacks, regional conflicts, war, and the outbreak and spread of diseases. As international passenger operations is vulnerable to global trends, we will continue to keep watch on the external operating environment.

Fiscal 2018 results

In international passenger operations, we saw both strong outbound demand and strong inbound demand, with inbound demand reaching 31.19 million in 2018 and surpassing the 30 million mark for the first time. In order to meet growing demand, we expanded seat capacity by revamping cabin configurations and also supply by operating flights year round on routes introduced in fiscal year 2017 (Tokyo-Narita=Kona, Tokyo-Narita=Melbourne, and the second flight between Tokyo-Haneda=London) and increasing seasonal flights (Tokyo-Narita=Guam, Tokyo-Narita=Bangkok, Kansai=Honolulu). As a result, available seat kilometers rose 6.0% over the previous year, passenger

traffic increased 6.3%, revenue passenger kilometers grew 6.3%, and the load factor reached a record high of 81.3%. Furthermore, in addition to improving revenue management backed by high load factors, we also increased fuel surcharges, resulting in an increase in revenue per passenger to 39.3 billion yen. While minimizing flight cancellations caused by typhoons and earthquakes and their impact on leisure demand, the passenger service system that was updated in November 2017 operated steadily and produced positive results, such as greater revenue management precision and increased revenue from overseas online sales channels. As a result, international passenger revenue increased 14.6% year on year to 530.6 billion yen.

Future strategy

We see the development of airports in metropolitan area in fiscal year 2020 as a tremendous business opportunity and plan to actively expand supply. In addition to the new Tokyo-Narita=Bengaluru route and Tokyo-Narita=Vladivostok route, we will continue to expand our network and revamp cabin configurations to increase seat capacity. As a result, available seat kilometers on international routes is expected to increase roughly 13% year on year in fiscal year 2020 (up 15% over fiscal year 2018). To build an optimal network while controlling aircraft numbers and fixed costs, we will promote partnerships with other airlines and strive to achieve the JAL Vision goal of serving 500 major cities worldwide as early as possible. On Hawaii routes, where our competitor is expanding supply, we will soon launch a joint business with Hawaiian Airlines, and expand our network

between Japan and Hawaii and remote islands other than Oahu. At the same time, we will steadily capture repeaters by offering new styles of travel that cater to individual needs.

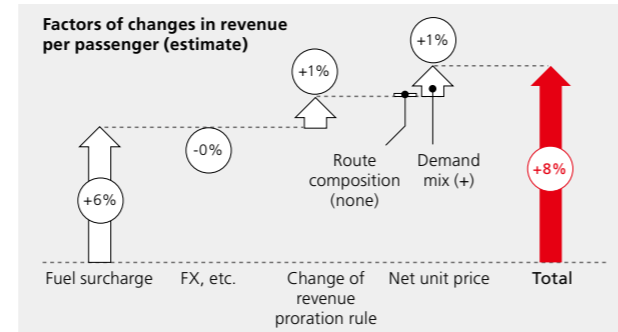
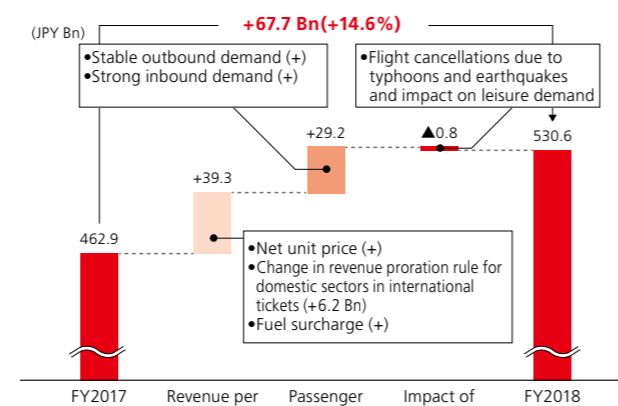
In order to aggressively capture inbound demand on international routes, which is expected to grow continuously, we will strive to enhance our competitive advantage in overseas markets. By providing products and services that meet the needs of not only Japanese passengers but also foreign passengers, we were awarded the world's top 5-Star airline rating in 2018 by Skytrax. The preference indicator of foreign passengers has also improved. We will continue to provide better products and services, increase our presence overseas through active sales promotions, and endeavor to achieve the JAL Vision goal of 50% of revenue from overseas sales in international passenger operations.

International Passenger Operations

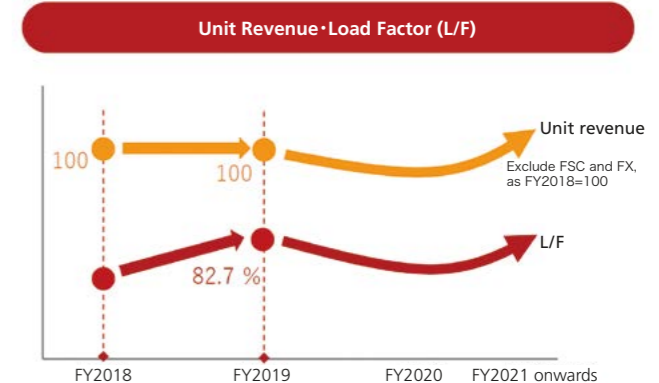
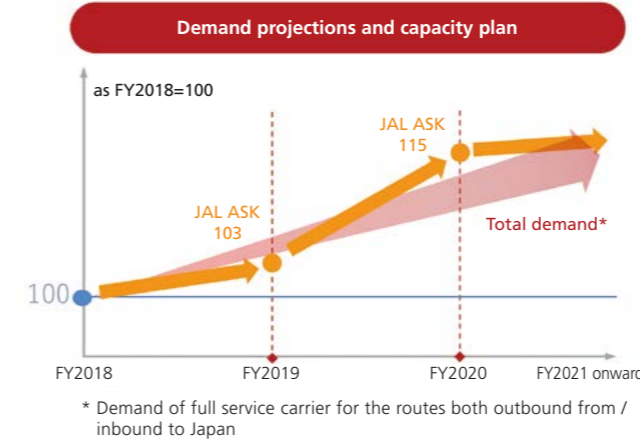
	FY 2018	YoY
Passenger Revenue*1 (JPY Bn)	530.6 (524.4)	+14.6% (+13.3%)
Revenue Passengers (1,000)	9,128	+6.3%
Available Seat Kilometers (MN seat km)	54,925	+6.0%
Revenue Passenger Kilometers (MN passenger km)	44,659	+6.3%
L/F (%)	81.3%	+0.3pt
Revenue per Passenger*1*2 (JPY)	58,136 (57,453)	+7.8% (+6.6%)
Yield*1*3 (JPY)	11.9 (11.7)	+7.8% (+6.6%)
Unit Revenue*1*4 (JPY)	9.7 (9.5)	+8.2% (+6.9%)

*1 Effect of change in revenue proration rule for domestic sectors in international tickets excluded in figures in brackets
 *2 Revenue per passenger = Passenger revenue / Revenue passengers
 *3 Yield = Passenger revenue / Revenue passenger kilometers
 *4 Unit revenue = Passenger revenue / Available seat kilometers

Change in International Passenger Revenue



*5 Effects arising out of heavy rain in July in Western Japan, typhoon from July to September and the earthquakes in Hokkaido in September



Domestic Passenger Operations

External operating environment of domestic passenger operations

While we face changes in the macro environment such as a declining working-age population in Japan, there are also projections of new growth due to expectations of moderate economic development in the lead to the Olympic and Paralympic Games Tokyo 2020 and increasing inbound tourists. The Rugby World Cup will be holding games throughout Japan in 2019, bringing more foreign visitors to Japan who will not only stay in major metropolitan areas but also travel to regional cities. Therefore, the need for transportation is expected to continue to increase. In addition to rising inbound visitor numbers, the use of air travel for business and leisure is also rising in Japan. Total demand is expected to continue to grow, centered on major routes departing from Haneda. We will increase supply comparable to the growth of total demand, steadily capture demand, and take various steps to offer greater convenience and comfort. Due to the opening of new routes by our competitor, the operating environment is expected to intensify. As a company that has operated in the skies of Japan for many years, JAL has gained the trust of customers and will continue to contribute to realizing safe operations and

revitalize regional economies.

Fiscal 2018 results

As we were affected by flight cancellations and a decline in leisure demand due to damages from high waves by Typhoon Jebi at Kansai International Airport in September and the 2018 Hokkaido Eastern Iburi Earthquake, we quickly adjusted supply and demand by quickly shifting aircraft to routes with strong demand such as to Kyushu and strived to improve profitability. We further expanded routes operated with the Embraer 190 centered on Osaka-Itami Airport routes and expanded services of Boeing 737-800 aircraft installed with JAL SKY NEXT cabin interiors on Okinawa-Naha routes operated by Japan Transocean Air. By increasing seat capacity, available seat kilometers increased 1.1% year on year, passenger traffic rose 2.4%, revenue passenger kilometers grew 2.2%, and the load factor reached a record high of 72.5%. To restore leisure demand to Hokkaido and contribute to the restoration of disaster areas, we offered Support Sakitoku special reduced fares and sold travel products such as Hokkaido Support Discount and Let's Go with JAL Hokkaido Recovery Discount. Further, for inbound tourists, we offered reduced time-limited domestic discount fares called the JAL Japan Explorer Pass on routes between Hokkaido and the Kansai area (Kansai, Itami, and Nanki Shirahama) to restore leisure demand.

In products and services, we offered enhanced inflight services such a wider selection of video program channels in inflight Wi-Fi services and new inflight satellite television aboard JAL SKY NEXT-configured aircraft. From 2016, as part of our project to expand and improve facilities, we renovated the Diamond Premium Lounge and Sakura Lounge at Itami Airport in March to offer greater relaxation, comfort and functionality in spacious areas. As a result, domestic passenger revenue rose 1.9% year on year to 528 billion yen.

Future strategy

On domestic routes, strong business demand and increased leisure demand including inbound demand are expected to produce strong total demand growth centered on major routes from Haneda. While expanding supply to meet and steadily capture growing demand, we will further improve convenience and comfort. The cutting-edge Airbus A350-900 and the domestic-configured Boeing 787-8 will be put into service on domestic routes from the fall of 2019. Through the introduction of new aircraft, we plan to increase available seat kilometers on domestic routes by approximately 3% year on year in fiscal year 2019 and by approximately 1% year on year in fiscal year 2020. While expanding supply, we will also maintain and improve unit revenue and load factors.

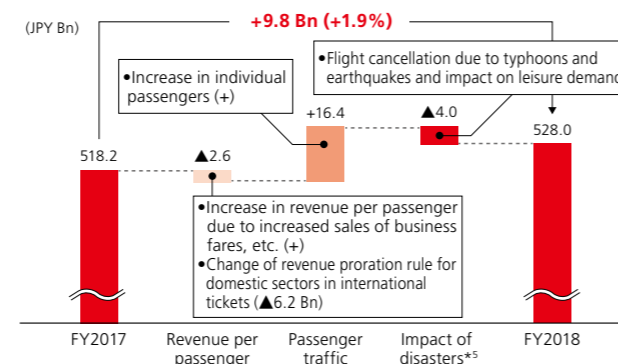
In route operations, we will introduce the new A350 aircraft in September 2019 and launch services on the Tokyo-Haneda=Fukuoka route. The new aircraft will be equipped with First Class, Class J and Economy Class with all seats and interior designs renewed and installed with a personal monitor to offer inflight entertainment for every passenger. In products and services, we will extend reservation and purchasing periods of domestic tickets from September 2019, making it possible to book and purchase airline tickets 330 days in advance. In conjunction with our renewed domestic flight reservation web page in May 2019, we will do our best to provide greater convenience when planning trips without any fuss or stress. From FY2020, we will advance initiatives for realizing our concept of "JAL SMART AIRPORT" at major airports in Japan, where new technologies will be used to reduce waiting times at the airport. From 2020, we will implement these initiatives at major airports in Japan, further improving the convenience and comfort of domestic travel. Against the background of the Olympic and Paralympic Games Tokyo 2020, we will also support efforts to attract the growing number of inbound visitors to regions across Japan and expand the traveling non-resident population.

Domestic Passenger Operations

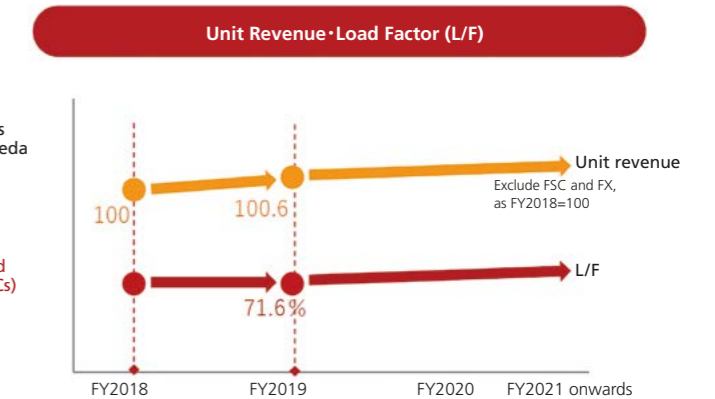
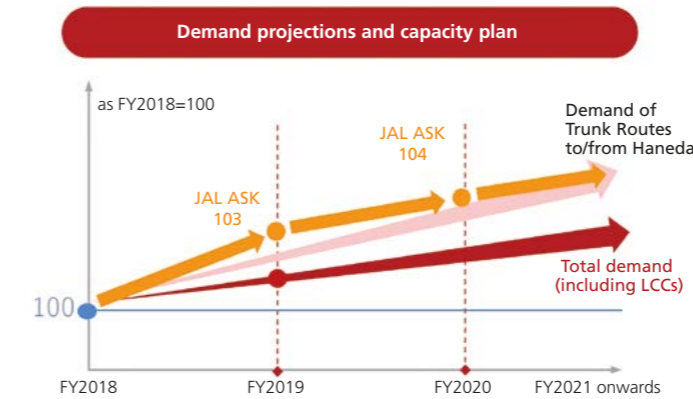
	FY2018	YoY
Passenger Revenue*1 (JPY Bn)	528.0 (534.3)	+1.9% (+3.1%)
Revenue Passengers (1,000)	34,859	+2.4%
Available Seat Kilometers (MN seat km)	36,116	+1.1%
Revenue Passenger Kilometers (MN passenger km)	26,195	+2.2%
L/F (%)	72.5%	+0.7pt
Revenue per Passenger*1*2 (JPY)	15,149 (15,328)	▲ 0.5% (+0.7%)
Yield*1*3 (JPY)	20.2 (20.4)	▲ 0.2% (+0.9%)
Unit Revenue*1*4 (JPY)	14.6 (14.8)	+0.8% (+2.0%)

*1 Effect of change of revenue proration rule for domestic sectors in international tickets excluded from figures in brackets
 *2 Revenue per Passenger = Passenger Revenue / Revenue Passengers
 *3 Yield = Passenger Revenue / Revenue Passenger Kilometers
 *4 Unit Revenue= Passenger Revenue / Available Seat Kilometers

Change in Domestic Passenger Revenue



*5 Effects arising out of heavy rain in July in Western Japan, typhoon from July to September and the earthquakes in Hokkaido in September



JAL Group Airlines

Using JAL Group's Strengths to Maintain Vital Air Links and Revitalize Regional Economies

JAL Group's regional network provides air links to regional cities and outlying islands as an airline with close ties with each region. We will continuously contribute to regional economies by introducing new, comfortable aircraft, providing a highly convenient network and high-quality services, expanding the non-resident population and communicating the charms of regional Japan.

Japan Transocean Air Co., Ltd. (JTA)

Since its establishment in 1967 to connect Okinawa's main island and outlying islands, JTA has worked with integrity to maintain safe operations and aviation security for 52 years. It maintains a record of zero fatalities in the company's history. In addition to connecting Okinawa's main island and outlying islands, JTA operates 70 daily scheduled flights on 12 routes between Okinawa and Haneda, Chubu, Kansai, Komatsu, Okayama and Fukuoka respectively with a fleet of 12 Boeing 737 aircraft. As a JAL Group airline, JTA offers high-quality service with a touch of Okinawa culture. The airline is also doing its part to support the regional economy by widely promoting Okinawa as an appealing destination for tourists.



Japan Air Commuter Co., Ltd. (JAC)

JAC was established to initially operate flights on four routes linking the Amami Islands. The airline, which marks its 36th anniversary in 2019, operates flights on 18 routes mainly to outlying islands in Kagoshima Prefecture such as the Amami Islands, which have been designated as Japan's 34th national park. The cutting-edge ATR42-600 turboprop was introduced to routes in 2017 and the new "Amami Islands Hopping Route" was established in July 2018 to further support the regional network as the "Wings of the Region." In addition, JAC is expanding a cooperative project to share aviation technologies with other companies. As an initiative beyond the JAL Group, JAC has lent ATR shared business aircraft to Amakusa Airlines since June 2018. JAC will continue to grow and develop together with the region, aiming to become a valued and trusted airline of the region.



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

J-AIR, JAL Group's principal member airline covering regional routes, is based at Osaka International Airport (Itami) and operates 232 daily flights on 36 routes (roughly 30% of these flights are on JAL Group domestic routes). Over the past few years, the company has introduced the new Embraer 190 with a Class J cabin and has been expanding its network. It plans to operate the Japan-made Mitsubishi SpaceJet from 2021 and continue growing as a competitive regional airline. Communicating the appeal of regional Japan and the Japan brand, J-AIR will continue moving forward together with the people of the regions it serves.



Hokkaido Air System Co., Ltd. (HAC)

Established in September 1997 to provide convenient air links to destinations across Hokkaido, HAC celebrated its 22nd anniversary in 2019. The airline currently has a fleet of three SAAB 340B aircraft, which operate 26 daily flights linking Hakodate, Kushiro, Rishiri Island and Misawa with Okadama Airport in Sapporo and Okushiri with Hakodate Airport. HAC will continue to focus on flight safety to maintain support from Hokkaido residents, while striving to attract more individual and group passengers and business travelers. HAC will also do its part to support the development of the regional economy and communities in Hokkaido.



Ryukyu Air Commuter Co., Ltd. (RAC)

A regional airline celebrating its 34th anniversary in 2019, RAC provides convenient connections to outlying islands in the Okinawa region. Based at Naha Airport on the main island of Okinawa, the airline operates between 41 and 43 daily flights on 12 routes, with connections to nine islands. From April 2018, RAC began offering a year-round service for the first time with its five DHC8-Q400 Cargo-Combi aircraft (Q400CC). Making maximum use of the features of the Q400CC, such as its jet-equivalent cruising speed, high level of cabin comfort, and double the cargo space of standard models, RAC is improving convenience for outlying island residents and tourists and using the expanded cargo capacity to transport fresh seafood and agricultural products from the islands at higher speeds and in larger volumes to promote local industries and contribute further to the region.

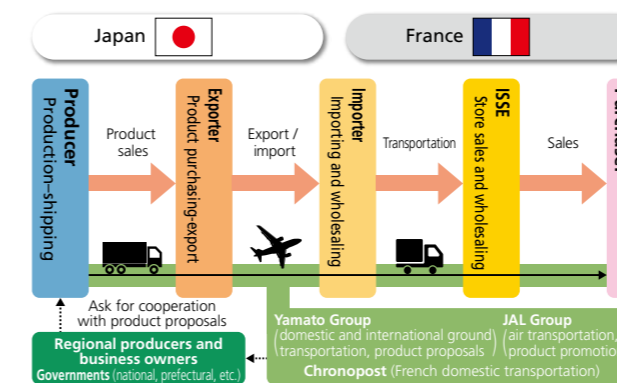


Cargo and Mail Business

Review of fiscal 2018

In fiscal year 2018, JAL's Cargo and Mail Division worked to maximize cargo business profitability, increase the value of transportation services, expand into new business domains. In international cargo operations, we strengthened partnerships with foreign airlines, such as launching an European cargo sales partnership with Azerbaijan-based Silk Way West Airlines and undertaking Japanese global sales agent (GSA) operations for Vietnam-based Vietjet Air Cargo. We also partnered with the Yamato Group and started a new project, offering total service from export and import procedures for fresh Japanese agricultural and fishery products to local sales in order to expand sales channels to Japanese producers and contribute to enriching the lifestyles of French consumers.

In domestic cargo operations, we introduced new simplified cold insulated containers, providing refrigerated transportation for fresh foods even during the summer, and captured demand for new fresh food cargo.



Growth strategy reflecting the external environment

External environmental factors which have a major impact on international cargo operations include additional slots at Narita and Haneda airports as a result of the developments of airports in metropolitan area scheduled in 2020. Fiscal year 2019 is positioned as a year of preparation for the years 2020 onwards. While additional slots represent business opportunities, an increase in supply is expected to bring intensifying competition and dramatic changes in the operating environment.

In domestic cargo, we will update business processes by shifting to paperless manifests and developing a reservation portal site. We will strive to offer customers greater convenience in terms of both reservations and transportation. The introduction of the A350, planned in September 2019, will change the supply-demand environment, and therefore, we will accelerate development and sales initiatives and expand into new business domains.

Other Businesses

JALPAK Co., Ltd.

In fiscal year 2018, JALPAK strove to expand its lineup of high-quality added-value products and increase sales of dynamic package products. Although we conducted timely sales promotions to increase sales, higher sales prices from higher fuel surcharge and increased competition resulted in a 3.9% year on year decline in the number of overseas travelers handled to 222,000. The number of domestic travelers handled remained strong despite natural disasters, rising 6.8% year on year to 2,718,000, partly attributable to demand prompted by the 35th anniversary of the Tokyo Disney Resort and high demand for travel to the Okinawa region. With regard to inbound demand, JALPAK expanded the Visit Japan Package to Thailand and also to Australia in July and to Singapore in December. As a result, operating revenue (prior to intercompany transactions elimination) increased 4.0% year on year to 182 billion yen.

In fiscal year 2019, JALPAK will strive to enhance the range of value-added products to contribute to improving JAL brand values and promoting sales of package products, and further, respond to diverse customer values in a determined effort to create value that exceeds customer expectations.

JALCARD., Inc.

In fiscal year 2018, the addition of the JAL Card Suica CLUB-A Gold Card to the product lineup in July and membership campaigns resulted in an increase in membership of 4.5% year on year to 3,579,000. The increase in users of the new option to pay the annual membership fee with mileage, which was launched in fiscal year 2017, and new initiatives such as using LINE to introduce members led to positive results in the Japan Customer Satisfaction Index (JCSI) survey of credit card companies; 1st place in three indicators including loyalty and the recommendation intention rate, and 2nd place in the remaining 3 indicators. Further, JALCARD enhanced data marketing, renewed call centers, and thus improved the system for providing services to meet customer needs. As a result, operating revenue (prior to intercompany transactions elimination) increased by 6.1% year on year to 19.4 billion yen.

In fiscal year 2019, JALCARD will continue to embrace the challenge of providing values expected by customers. We will further pursue customer satisfaction by providing timely and stress-free services, and endeavor to offer new and attractive products and services.

VALUE PROVIDED BY JAL GROUP —COMMITMENT TO QUALITY

The JAL Group declares its commitment in the Corporate Policy to deliver unparalleled service to our customers, and aims to provide the world's best on-time performance, comfort and convenience with top priority on safety.

Safety and Sense of Security

To rebuild safe and sense of security, we are working to eliminate safety risks caused by alcohol consumption and promote measures to prevent objects from falling off aircraft. We are also working to detect and solve Group-wide issues relating to injuries and safety disruptive conduct at the airport and in flight to ensure sense of security for every customer.

Elimination of safety risks caused by alcohol consumption

We regard drinking as a safety issue and will eliminate behavior that affects flight safety caused by alcohol consumption. Specifically, we will eliminate the effects of drinking on safety by implementing alcohol consumption measures, monitoring the situation through internal audits, and raising awareness among all employees.

Further promotion of measures to prevent falling objects off aircraft

As flight routes are planned to pass over the city center due to the development of airports in metropolitan area, we are further promoting measures to prevent objects from falling off aircraft. While improving daily inspections and implementing swift measures through collection and analysis wide-ranging information on irregularities, we will promote measures in cooperation with other airlines and aircraft manufacturers.

Efforts to ensure sense of security for every customer

In addition to flight safety, we will address a broad range of safety issues including customer injuries and safety disruptive conduct in order to restore customer trust and provide greater ease of mind. We will also use safety management methods to help resolve issues such as quality control of inflight meals.

The JAL Group also uses third-party audit and assessment processes to maintain and improve safety.

IATA Operational Safety Audit (IOSA)

Japan Airlines, Japan Transocean Air and J-AIR were audited for IOSA* renewal in February and March 2018, and received certification from the International Air Transportation Association (IATA) in June 2018.

IATA member airlines are required to renew their IOSA registration every two years. Japan Airlines has continually renewed since 2004 and Japan Transocean Air since 2010. J-AIR renewed its registration since its first IOSA registration in 2016.

The next renewal audit is planned for February 2020.

* IOSA is an international safety audit program for confirming the effective functioning of safety management systems of airlines.



Transport safety management assessment

In fiscal year 2018, three of the six JAL Group airlines, Japan Airlines, J-AIR and Ryukyu Air Commuter, underwent a Transport Safety Management Assessment conducted by the Secretariat of the Minister of Land, Infrastructure, Transport and Tourism. The assessment, applicable to all transportation operators including air, rail, sea and vehicular operators, checks the operation of company-wide safety management systems, identifies areas that need improvement, and offers advice. JAL uses assessment findings as reference to conduct original initiatives.

(For more details, please refer to the JAL Group Safety Report)

(Japanese only)

Comfort

To ensure flights are comfortable and enjoyable, the JAL Group values the customer's perspective. We work to improve both "hard" and "soft" services in order to deliver enhanced high-quality services.

On international routes, we renovated our First Class Lounge at Narita International Airport, and at Honolulu Daniel K. Inouye International Airport, renovated Sakura Lounge located in the Main Building and opened a new Sakura Lounge. In inflight meal service, we introduced the JAL Luana Style service of styling your own meal time and menu for Business Class on flights from Japan to Hawaii. In addition, we are developing special inflight menus such as vegetarian meals and Hindu vegetarian meals to cater to diverse needs. Furthermore, we are continuing to expand routes operated with JAL SKY SUITE-configured aircraft designed to evoke a "one class higher" feel.

On domestic routes, we have improved a host of services such as renovating lounges at Osaka Itami Airport and opening a new Sakura Lounge at Okayama Momotaro Airport. We improved connectivity to our complimentary inflight Wi-Fi service, increased video programs to 70 channels, and introduced live television programs. Going forward, we are planning to introduce new Airbus A350 aircraft that offer quiet cabins and personal monitors and power outlets in every seat as we endeavor to provide greater comfort in flight.

Through these initiatives, JAL was recognized for the world's finest quality and received the 5-Star rating at the Skytrax

2018 World Airline Awards. In June 2019, JAL was the first Japanese airline to receive the World's Best Economy Class Award, which is presented to airlines excelling in overall assessment of Economy Class. JAL also received the Best Economy Class Airline Seat Award for the third consecutive year and our fourth win. At the TripAdvisor® Travelers' Choice™ Awards 2019, JAL was named first place for the Best Airline in Japan for the third consecutive year and took fifth place in the Top 10 Airlines in the World. We will continue to create products and services that meet diverse customer needs and offer the spirit of Japanese-style hospitality in order to provide the world's finest quality of service.



Certified as 5-Star Airline by Skytrax



Named, Best Airline - Japan for the third consecutive year at TripAdvisor Travelers' Choice Awards



Sakura Lounge Hale at Honolulu Airport



Special inflight menus offering new vegetarian meals

Convenience

We feel that JAL Group's extensive route network is one of our greatest strengths and an important factor when customers choose to fly with us. In addition to offering routes and flight schedules that meet the needs of customers and society, we will provide highly convenient products and services that appropriately fulfill customer needs at every stage of the customer journey until arrival at the destination.

On domestic routes, we launched the new Amami Islands Hopping Route (Tokunoshima-Okinoerabu-Naha) operated by Japan Air Commuter. On international routes, we launched new services between Tokyo-Haneda and Manila and between Tokyo-Narita and Seattle, and increased flight frequency between Tokyo-Narita and Moscow. We are also expanding partnerships with global airlines to achieve our target of serving 500 cities worldwide.

We also improved our frequent flyer program with regard to award tickets for JAL Mileage Bank members, such as introducing JAL international award ticket PLUS and extending reservation acceptance of domestic award tickets to one day prior to departure.

The JAL Group remains firmly committed to delivering a refreshing and inspiring travel experience through unparalleled service to all our customers.



The ceremony to launch Narita=Seattle route

On-time Operations

One basic factor of quality for public transportation operators is on-time operations with safety as top priority. The times in our flight schedules represent our products and our commitment to customers and society. The basic value offered by an airline is to fly to destinations according to scheduled times. To provide this value, we strive to ensure seamless communication between many divisions, from reservations, airports, cargo, maintenance, flight operations, cabin attendants, sales and other support divisions to Head Office planning divisions.

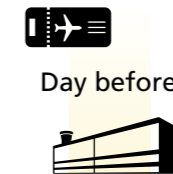
As a result, we were recognized and awarded by Cirium, a company that analyzes on-time performance of airlines and other indicators, as the Best Mainline Airline in the Asia-Pacific region (seventh consecutive year, ninth win) for on-time performance of domestic and international flights operated in calendar year 2018. We were also recognized by Flight Global as the Most Consistent Winner in the Major International Airline category and Asia Pacific Major Mainline Airline category as an airline with the best on-time arrival performance in the past five years (2013–2017). The JAL Group will continue to ensure the safe operation of every flight and provide the world's top on-time performance.



Best Mainline Airline in the Asia-Pacific region Most Consistent Winner award (2013–2017)

Passing the Baton to Maintain the World's top On-time Operations

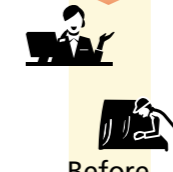
Reservations and ticketing
Trained personnel provide accurate reservation and ticketing services and inform customers of the departure time and other necessary information.



Spot-in
Aircraft marshallers guide aircraft to the proper parking spot after landing.



Check-in
Check-in personnel perform boarding procedures of passengers and baggage and provide information on the boarding gate and boarding time.



Fueling
The appropriate amount of fuel is loaded depending on weather conditions, the number of passengers and crew and cargo weight. Environmental considerations are given to avoid waste.



Security checkpoints
Cooperation from passengers to prepare for inspections in advance ensures smooth and strict security checks to maintain aviation safety.



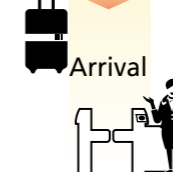
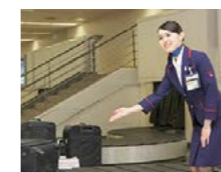
Flight dispatch
Various information affecting operations such as weather information and airport conditions is gathered and provided to cockpit crew for determining the appropriate altitude, flight course and flight method.



Cockpit crew
After receiving reports from the cockpit crew on the previous flight and maintenance conditions from aircraft engineers, cockpit crew conduct briefing with cabin attendants, and strive to achieve on-time departure and safe operations.



Baggage claim
Passengers are asked not to pick up someone's baggage by mistake. Baggage is returned quickly to ensure a smooth end to the trip.



Airport
Seat assignments for passengers traveling in groups and passengers requiring assistance are checked in advance to ensure smooth boarding the next day.



Maintenance
Aircraft engineers inspect approximately 50 check items to detect dents and other damage on arrival aircraft. They take necessary action based on reports of problems or malfunctions from cockpit crew.



Cabin cleaning and loading of cabin service goods
Personnel quickly clean seats and lavatories, and tidy and replenish cabin service goods such as blankets, pillows and inflight magazines to create a comfortable cabin environment.



Catering
To provide safe and secure inflight meals, attention is paid to hygiene and meals are delivered on time.



Boarding gate
Airport staff share passenger information with cabin attendants before boarding begins. They assist passengers to ensure smooth boarding such as announcing the order of boarding by types of passengers.



Load control Baggage and cargo loading
Baggage and cargo are loaded accurately and speedily according to a detailed plan based on data on the number of passengers, the size and weight of baggage and cargo, etc.



Cabin attendants
Cabin attendants aim for on-time departure by showing passengers to their seats and making sure baggage is stowed appropriately. They provide attentive service to ensure a comfortable flight for every passenger.



Welcoming passengers at the arrival gate
Connecting passengers are informed of the shortest route to reach the boarding gate of their next flight. Passengers requiring assistance when disembarking are given support.



RISK MANAGEMENT

Basic Stance

The JAL Group manages risks by dividing them into three categories: (1) operational risks associated with aviation safety, aviation security and other issues related to air transportation; (2) corporate risks associated with management in general, excluding risks related to air transportation; and (3) strategic risks associated with business operations that may have a material impact on corporate revenues and expenditures.

We have established the following six committees in order to identify, analyze and assess existing risks and implement appropriate measures to mitigate those risks.

Risk Management Council

The Risk Management Council is headed by the President, and primarily comprises General Managers of divisions responsible for managing frontline departments. The Council takes responsibility for overall risk management encompassing operational risks, corporate risks and strategic risks to stabilize Group-wide management activities. It also functions as a venue for reporting on progress, sharing information and making decisions on various matters such as establishment of JAL Group Basic Policies on Risk Management, regular risk assessments, and implementation of measures when risks eventuate.

1. Risk Management Committee

Organized as a committee under the Risk Management

Council, the Risk Management Committee is headed by the General Manager of General Affairs, and comprises leaders of relevant departments. Its role is to conduct administrative work in support of the Risk Management Council, including any preparations that will contribute to decision making and implementation of the decisions made.

1-1. Information Security Committee

The Information Security Committee is headed by the General Manager of General Affairs and the General Manager of IT Planning, and comprises leaders of relevant departments. The Committee conducts activities specific to information management, upgrades information security measures, and strives to reduce corporate risk.

2. Financial Risk Committee

The Financial Risk Committee is chaired by the General Manager of Finance and Accounting and includes the President, Executive Vice President and leaders of relevant departments.

The Committee identifies financial risks appropriately and strives to facilitate improvements in corporate management. More specifically, it conducts regular simulations of financial conditions and checks the content. In the event of a major financial crisis, large-scale disasters or other major risk-generating events that the Committee determines will have a serious, quantifiable impact on the JAL Group, it will calculate the estimated financial impact and deal with the risk jointly with the Risk Management Council, as necessary.

Risk Management System



Group Operational Safety Promotion Committee

The Group Operational Safety Promotion Committee is headed by the President of Japan Airlines and comprises executive officers and presidents of Group airlines appointed by the Safety General Manager and Chairman. The role of the Committee is to ensure safety for the Group as a whole and promote safety management by establishing key policies related to safety management, clarify the status of corporate activities and review organizations, systems and measures, as necessary.

Group Council for Safety Enhancement General Meeting

Organized as a committee under the Group Council for Safety Enhancement General Meeting, the Group Operational Safety Promotion Committee maintains and strengthens collaborative, safety-related measures among departments, divisions and Group airlines with the aim of enhancing the safety of Group air transportation operations as a whole. The Committee comprises the General Manager of Japan Airlines Corporate Safety & Security (who serves as Chairperson), leaders of departments responsible for Japan Airlines safety management administrator appointed by the Chairperson, and the Safety Manager or Safety Director of each Group airline.

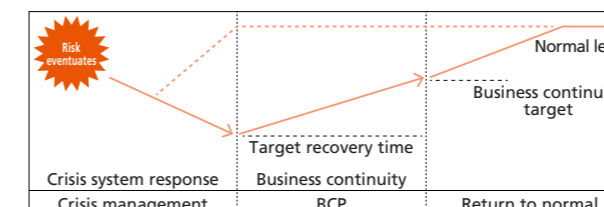
Exercises, reviews, education and training are conducted regularly for each type of disaster or purpose in order to increase the crisis management awareness of every employee.

Business Continuity Plan (BCP)

To respond to specific risks that threaten our ability to fulfill our responsibilities as a public transportation operator such as pandemic influenza, unidentified infectious diseases or earthquakes, we have established a business continuity plan (BCP) that enables us to continue business effectively in emergency situations based on guidelines established in collaboration with regulatory bodies and other relevant institutions. The BCP covers basic matters such as policies and procedures necessary to ensure the safety of JAL Group staff and their families and maintain air transportation operations essential to the Group, including reservations, information provision, payments and settlements. It is reviewed regularly and revised as required to improve its application. During the outbreak of Ebola hemorrhagic fever in West Africa in 2014, we activated our BCP regarding responses to pandemic influenza or unidentified infectious diseases. We coordinated our actions with relevant government bodies, developed necessary systems and added the Policy for Handling the Ebola Virus Disease (International Flights) to our BCP. In fiscal 2018, we reviewed regulations related to earthquakes and expanded our strategies and BCP to include a potential earthquake below Tokyo in particular.

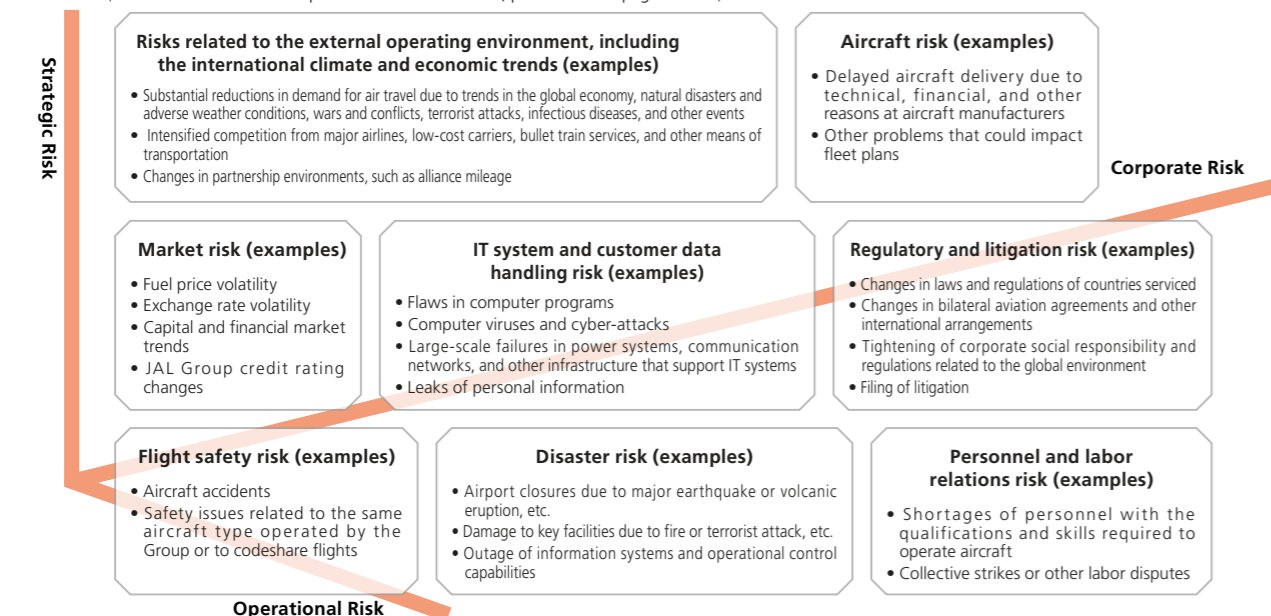
Crisis Management

When risks (operational risks) associated with aviation safety, aviation security and other issues related to air transportation eventuate, or when such risks are suspected or confirmed, we report quickly (within a target of 15 minutes) to the Integrated Operation Center (IOC). The JAL Group determines the applicable crisis management level according to the situation, from Phase I to Phase III, and responds appropriately. In Phase III, a Head Office crisis management team and a local crisis management team situated in the disaster-affected area, headed by the President or Executive Vice President, are mobilized and teams rapidly implement crisis systems.



Principal Business Risks

(For more details and example measures for each risk, please refer to pages 92–93)



Information Security Measures

The JAL Group fell victim to a data security breach in September 2014. Hackers attacked the JAL Mileage Bank's systems and gained illegal access to the customer information management system. We deeply regret the inconvenience and concern caused to customers and all those affected by this incident. In response, we are strengthening information security as a top priority issue and taking steps to prevent recurrence. Specifically, information security measures were moved up ahead of schedule to build a robust system to detect and monitor increasingly sophisticated and complex cyber-attacks, while preventive measures are being continuously upgraded to the highest level.

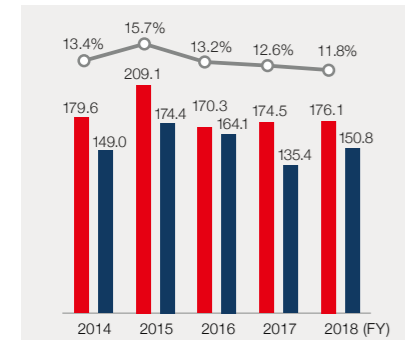
FINANCIAL AND NON-FINANCIAL HIGH LIGHTS

Financial Data (As of March 31, 2019)

Operating profit margin

11.8%

■ Operating profit (Billions of yen)
■ Net profit attributable to owners of parent (Billions of yen)
○ Operating profit margin (%)

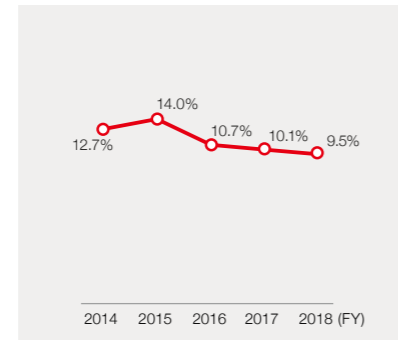


We have been achieving an operating profit margin of 10% or above continually, while emphasizing profitability.

ROIC*1

9.5%

○ ROIC (%)

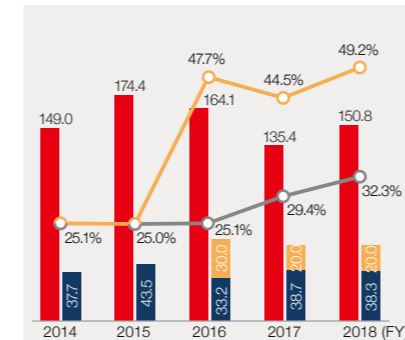


We have been achieving ROIC of 9% or above by focusing on investment efficiency to enhance corporate value.

Total return ratio**

49.2%

■ Net profit attributable to owners of parent (Billions of yen)
■ Total dividends (Billions of yen) ■ Share repurchase (Billions of yen)
○ Payout ratio (%)**3 ○ Total return ratio (%)

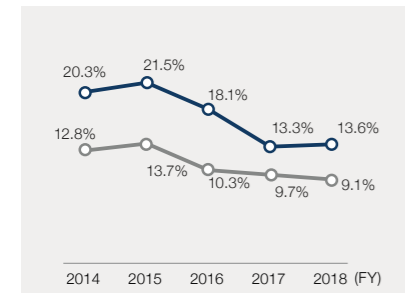


We will focus on "Total Return", which combines dividends and share repurchases. For the total return ratio, we will aim at a range of approximately 35% to 50%.

ROE**4

13.6%

○ ROE (%) ○ ROA**5 (%)

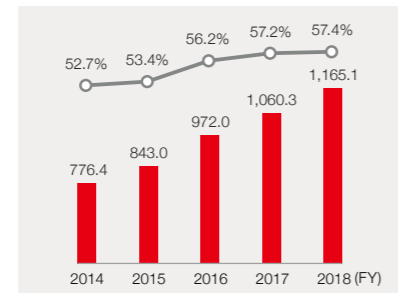


We strive to improve asset efficiency and capital efficiency, and have been achieving ROE of 10% or above.

Shareholders' equity ratio

57.4%

■ Shareholders' equity (Billions of yen)
○ Shareholders' equity ratio (%)

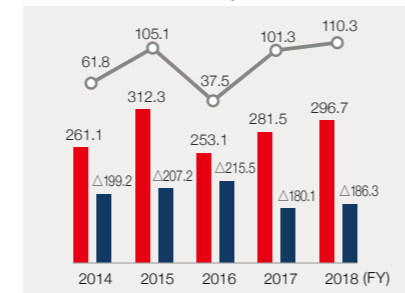


Equity ratio reached approximately 60%. Having built a strong financial structure, we will maintain the current level.

Free cash flow

¥110.3 billion

■ Cash flow from operating activities ■ Cash flow from investing activities**
○ Free cash flow (Billions of yen)

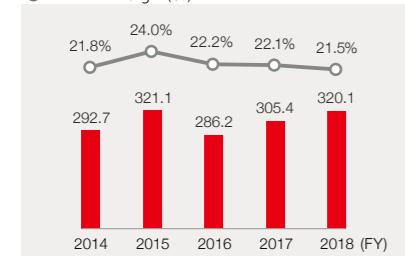


We ensure there is always sufficient free cash flow to fund dividends for our shareholders through high profitability and cash flow generation ability.

EBITDAR margin**7

21.5%

■ EBITDAR (Billions of yen)
○ EBITDAR margin (%)



We maintain a high level of profitability and solid financial structure. We will strategically allocate capital to enhance corporate value.

*1 ROIC (Return on Invested Capital) = NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year
*2 Total return ratio = (Total amount of dividends + Amount of share repurchases) / net profit attributable to owners of parent (excluding effects of deferred income tax)
*3 Payout ratio = Total dividends / net profit attributable to owners of parent (excluding effects of deferred income tax)
*4 ROE (Return On Equity) = (Net profit attributable to owners of parent) / (Average of shareholder's equity at beginning and end of a fiscal year)
*5 ROA (Return On Assets) = (Operating profit) / (Average of total assets at beginning and end of a fiscal year)
*6 Excluding deposits and withdrawals from deposit accounts
*7 EBITDAR Margin = EBITDAR / Operating Revenue
EBITDAR=Operating Profit + Depreciation and Amortization + Aircraft Leases

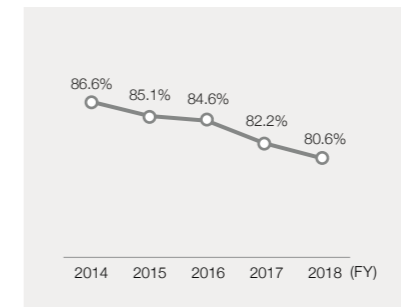
Non-Financial Data

Environment

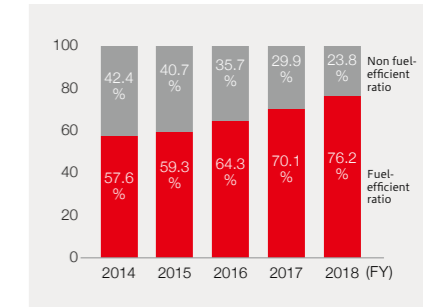
The JAL Group recognizes the impact of its air transportation business on the environment and understands that it must strive to reduce that impact and protect the environment through measures in all aspects of its business.

CO₂ reductions

○ CO₂ emissions per revenue ton kilometer (vs. fiscal 2005)



Fuel-efficient aircraft share

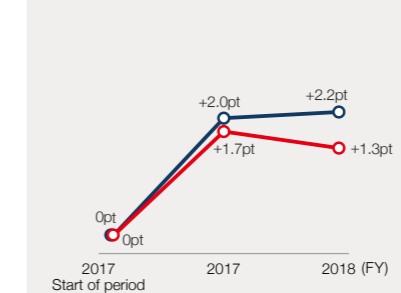


Customers and communities

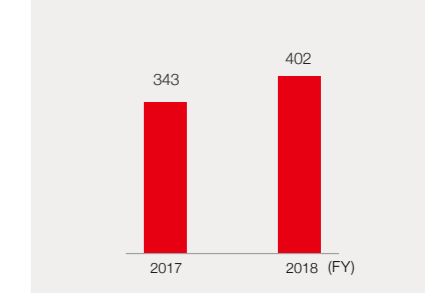
From fiscal 2017, the JAL Group has used Net Promoter Score (NPS)* as a performance indicator for customer satisfaction in the Medium Term Management Plan. Customer evaluations and opinions are shared internally to improve products and services with the aim of achieving the world's top customer satisfaction. By serving 500 cities worldwide, as targeted in the Grand Design, the Group will contribute to expanding the travelling non-resident population among regions.

NPS**

○ Domestic ○ International



Cities served



Targeting 500 cities from end of fiscal 2017

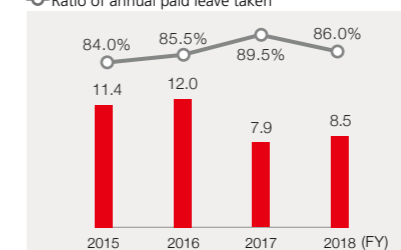
* A performance indicator that measures the customers' intention to recommend to others.

Human rights, Diversity and Inclusion

In 2014, JAL Group top management declared our 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, religion, disability, sexual orientation, or other personal attributes.

Average monthly overtime and rest day work hours per employee**

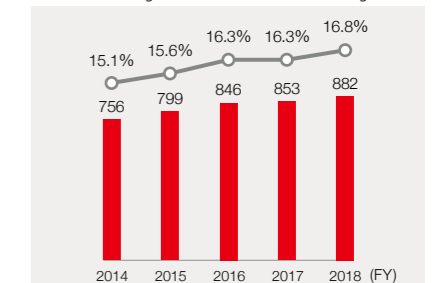
■ Average monthly overtime and rest day work hours per employee
○ Ratio of annual paid leave taken



* Japan Airlines only

Ratio of female managers

■ Female managers ○ Ratio of female managers



Governance

The JAL Group has established committees for corporate governance, nomination of candidates for director positions, selection of executive officers, and determination of director remuneration to achieve strong management oversight based on highly transparent management. The majority of committee members are independent external directors.

Composition of each committee

