

JAL Group

Mid-Term Management Plan

Fiscal Years 2012-2016

~ To the Next Growth Stage

upon Establishing a High Profitability Structure ~



February 15, 2012

Japan Airlines Co., Ltd.

Contents

1. Overview of the Mid-Term Management Plan for Fiscal Years 2012-2016	3
1-1. Background of the Mid-Term Management Plan	3
1-2. Surviving Future Competition	4
1-3. Key Initiatives	5
1-4. Management Target	6
1-5. Financial Plan Summary	6
2. Safety Initiatives	8
3. Business Environment	9
4. Maximizing Revenue through Improved Competitiveness	10
4-1. Route Network	10
4-2. Products and Services	15
4-3. Sales and Marketing	18
4-4. Cargo and Mail Business	19
4-5. Fleet and Capital Expenditure Plan	20
5. Minimizing Cost by Improving Productivity	21
5-1. Lower Unit Cost	21
5-2. Productivity Improvement	22
6. Group Management and Human Resources Development	23
6-1. Group Management	23
6-2. Human Resources Development	23
6-3. Headcount Planning	23
7. Financial Plan	24
7-1. Financial Target	24
7-2. Fuel and Foreign Exchange Assumptions	24
7-3. Risks Considered for Financial Plan	24
7-4. Key Management Metrics (Plan)	25

This document contains forward-looking statements such as forecasts, outlooks, targets and plans in connection with Japan Airlines Co., Ltd. (the "Company") and its group companies. Such statements are based on certain subjective assumptions in light of the information available as of the date of preparation of this document. There is no guarantee that such statements may be realized, and the actual results may materially differ from such statements. Further, the forward-looking statements contained in this document are made as of the date of this document (or of the date separately specified herein), and the Company does not undertake any obligation to update the information contained in such forward-looking statements.

JAL Group

Mid-Term Management Plan

Fiscal Years 2012-2016

(Overview)

1. Overview of the Mid-Term Management Plan for Fiscal Years 2012-2016

1-1. Background of the Mid-Term Management Plan

JAL was established as Japan's first scheduled airline in 1951. Since then, JAL has contributed to the cultural exchange between Japan and other countries and supported the Japanese economy as "Wings of Japan". However, the frontier spirit from our early days deteriorated over time. As a corporation, JAL lost its focus on profitability and became complacent, resulting in filing with the Tokyo District Court on January 19, 2010 for proceedings under the Corporate Reorganization Act.

We are aware of the burden caused to many stakeholders and customers, due to all existing shares being cancelled and 521.5 billion yen of debt being waived under the Corporate Reorganization Plan. We are very grateful for the support of a 350 billion yen capital injection from the Enterprise Turnaround Initiative Corporation of Japan and for the opportunity to reform our business.

With these supports from the stakeholders, we reduced the number of aircraft types by fully retiring Boeing 747 and A300 models, withdrew from unprofitable routes, revised our wage structure, and reorganized group companies to focus our resources on the airline business. As a result of such measures, we recorded an operating profit of 188.4 billion yen in fiscal year (FY) 2010 (ended March 31, 2011). In FY2011, we have implemented measures to strengthen the profit-oriented mindset of all employees, such as redeveloping the corporate policy of our corporate foundation by establishing "JAL Philosophy", and introducing a divisional profitability management system. As a result, JAL is expected to record an operating profit of approximately 180 billion yen for the second year in a row.

While we are still in the process of revitalizations, taking into account the post-reorganization status, this "JAL Group Mid-Term Management Plan for Fiscal Years 2012-2016 ~To the Next Growth Stage upon Establishing a High Profitability Structure~" (the "Plan"), which is to be implemented beginning in the next fiscal year, has been developed to effectively overcome the upcoming changes in the business environment, to continue surviving the competition, and to continuously exist and develop in the future.

As a full-service network carrier, the JAL Group will provide its customers safety in flight operations and unparalleled services. In order to increase our corporate value and contribute to the betterment and development of our society, JAL and its employees will ensure the maintenance of a strong corporate governance led by the new management, and will strive together to implement the Plan. We will make every effort to accomplish the target outlined in the Plan.

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.

1-2. Surviving Future Competition

During the period covered by the Plan, we expect that the demand for the global air travel will grow and believe there will be a significant business chance due to the increase of departure and landing slots in the Tokyo metropolitan area (Haneda and Narita). On the other hand, we will also face more challenges such as Japan's low economic growth rate, changes in our competition environment due to the entrance of Low Cost Carriers, ("LCCs") in addition to downside risks resulting from the European sovereign debt crisis. In order to be the "airline of choice" for both Japanese and international customers through continuously providing a fresh and enjoyable travel experiences on board even in such market environment, we plan to clearly differentiate ourselves from competitors in the three key areas below:

Enhancement of JAL Brand

Providing unparalleled services to customers is a key element of the JAL Group Corporate Policy. Through the combined efforts of employees, we will strive to ensure safety in flight operations, to raise quality of products and services including human services, and to improve our network. By doing so, we aim to build and enhance the "JAL Brand" as a full-service carrier that clearly distinguishes itself from LCC brands.

Route Network, Products and Services

In an increasingly competitive business environment, we will proactively make strategic investments to provide new products and services ahead of competitors, in order to become the customers' "airline of choice".

Regarding the strategic aircraft, Boeing 787, we plan to increase our order from 35 to 45. In addition to the 787-8s, which are already scheduled to be introduced, we will introduce the stretched-body 787-9s from FY2015 onwards and intensively place them on our mid/long haul international routes (Europe, North America, and South East Asian routes).

During FY2012, we will launch a new direct service to San Diego (December 2012) in addition to the already announced new service to Boston. Neither of them currently has direct flights from Japan or other Asian countries. To Europe, we will start a service to Helsinki (March 2013) where Finnair, a **oneworld** partner, is based. Helsinki is the entrance to Europe and functions as a hub for European cities. With regards to routes to and from Southeast Asia, that continues to exhibit high economic growth, we are going to develop our mid/long haul network as quickly as possible by increasing the number of flights from Narita to Singapore and also from Narita to Delhi. In addition, we will improve in-flight comfort by replacing aircraft for all Tokyo to Singapore services with Boeing 787s and the aircraft for Tokyo to Bangkok services with those with new seats.

As for domestic flights, we plan cultivate improve to a highly convenient network around Haneda and Itami (Osaka) and to newly develop local routes by utilizing regional jets.

Cost Competitiveness

JAL will continue to significantly improve cost efficiency while maintaining the highest standards of safety quality. Specifically, during the period covered by the Plan, in addition to the 110 billion yen cost saving to be achieved by the end of FY2011 under the Corporate Reorganization Plan, the Plan targets an additional 50 billion yen cost improvement, translating to a target decrease in unit cost¹ to 11.0 yen by the end of this medium-term.

¹ Cost per available seat kilometer (CASK), the unit cost of production for an airline, is defined as consolidated airline operating expenses divided by total available seat kilometers. The target for fiscal 2011 was 12.9 yen/ASK, according to the Corporate Reorganization Plan and the current estimated unit cost of FY2011 is 11.5yen/ASK. For assumptions of the plan, please refer to sections 7-2. and 7-3.

1-3. Key Initiatives

The Plan identifies five key initiatives that are important for JAL to survive future competition, as we aim to maintain the strictest standards of safety which is the basis of the company's existence, and at the same time earn steady profits.

Safety Initiatives

Ensuring safety in flight operations is the basis of the existence of the JAL Group. As such, we will reinforce safety training programs for our professionals. Moreover, we will develop a system to preclude the sources of problems beforehand and continue to inherit the group's deeply ingrained safety culture.

Route Network

We will allocate resources on mid/long haul international routes (Europe, North America, and Southeast Asia), where strong demand is expected and we can also exhibit our strengths and differentiate ourselves from competitors.

Products and Services

We aim to provide products and services that our customers will always find a fresh and enjoyable travel experiences, and that leaves a favorable and lasting impression. That being said, we will thoroughly pursue "high quality, full services" for international flights and "convenience and simplicity" for domestic flights.

Group Management

By inculcating the principles of the JAL Philosophy in every employee, and adopting a divisional profitability management system, we aim to realize a high level of productivity and profitability. With all employees encouraged to take ownership and to participate in the group's management, group companies can administer a sound and autonomous management.

Human Resources Development

Aiming to bolster the hiring and training processes across the group, JAL has defined a set of criteria for the role model of an ideal JAL employee, and will launch a training program to develop professionals capable of delivering the highest level of safety and service.

For each of the above initiatives, every department and group company shall establish performance indicators such as for safety, efficiency and marketing, etc. These will feed into a structure that monitors progress against benchmarks on an ongoing basis, thereby ensuring the steady execution of the Plan, the achievement of our management target, and the realization of the JAL Group Corporate Policy.

In addition, costs will be managed using unit cost, which indicates the expense of providing each available seat kilometer (ASK).

1-4. Management Target

Based on a competitive unit cost as a result of high productivity, JAL will improve its domestic and international networks to take advantage of global economic growth, and will strive to continuously provide customers a fresh and enjoyable travel experience. By doing so, we aim to achieve the following management target:

1. JAL recognizes that “flight safety” is the basis of the existence of the JAL Group and our social responsibility. As a leading company in safety in the transportation sector, JAL will maintain the highest standards of safety.
2. JAL will provide unparalleled services to continuously deliver a fresh and enjoyable travel experiences for customers. We aim to achieve “Customer Satisfaction No. 1”¹ by FY2016.
3. JAL aims to establish sufficient profitability and financial stability levels capable of absorbing the impact of economic fluctuations and risk events by achieving “10% or above operating margin for 5 consecutive years and 50% or above equity ratio in FY2016”.

1-5. Financial Plan Summary

Units: Billions of Yen	FY2012	FY2013
Operating Revenue	1,217	1,240
Operating Expense	1,079	1,100
Operating Profit	138	140
Operating Margin	11.3%	11.3%
Ordinary Income	130	131
Net Income	113	115
Equity Ratio	40.7%	47.4%

Note: The management target and financial plan stated in sections 1-4. and 1-5. above are based on the fuel (Singapore Kerosene) and FX (Yen/Dollar) assumptions stated in “7-2 Fuel and Foreign Exchange Assumptions”. They do not take into consideration any drastic change from the assumptions and volatility in demand due to terrorism, war, catastrophes, etc.

¹ Repeat intention rate and recommendation intention rate, based on Japanese Customer Satisfaction Index (JCSI) published by Service Productivity & Innovation for Growth, Japan Productivity Center



JAL Group
Mid-Term Management Plan
Fiscal Years 2012-2016
(Details)

2. Safety Initiatives

Providing “flight safety” is the basis of the existence of the JAL Group, as well as our social responsibility. We will continue to maintain the strictest safety standards based on our vast experience accumulated over many years as the pioneer in the Japanese air transportation industry. JAL is committed to delivering highly reliable aircraft operations and safe air travel experiences for customers while making every effort to prevent accidents and major incidents.

Our attention to safety extends to all areas of aircraft, cabins and airports to ensure comfortable travel for each customer.

Through careful execution of the initiatives presented below, we will accumulate “safety layers” and contribute to our society as a leading company in safety in the transportation sector.

Training of Safety-Conscious Employees

We will develop a workforce that embodies the JAL Philosophy and possesses a high degree of commitment to safety as well as advanced technical ability and skill.

JAL will conduct group-wide safety training to ensure that all employees of the group are “safety professionals”.

Evolving Safety Systems

In order to maintain the highest level of safety, it is necessary not only to respond to issues as they occur, but also to install measures to preclude those issues in the first place. To this end, JAL will develop a system which will leverage the vast amount of data accumulated across the group to identify potentially critical areas before they become a problem.

Encouragement of Safety Culture

Remembering and learning from past aircraft accidents, such as the loss of JAL’s 747 aircraft at Osutaka Ridge in Gunma Prefecture in 1985, is an integral part of the JAL Group’s safety culture.

The group strives to adhere to the “Corporate Culture to Ensure the Safety” proposed by the Safety Advisory Group (chaired by Mr. Kunio Yanagida and comprising of external experts), and will continue to promote a safety culture based on the advice by the Advisory Group.

3. Business Environment

International Flights

While the European sovereign debt crisis is clearly a source of downside risk to the global economy, we expect the global demand for both passenger and freight air transport to expand during the period covered by the Plan. Particularly in Asia, rapid economic growth, mainly in urban centers, is expected to lead to a significant increase in demand for air transport. While modest economic growth is expected in other regions, we still expect demand to increase to a certain level.

On the supply side, departure and landing slots will significantly increase in the Tokyo metropolitan area (Haneda and Narita), and we expect a corresponding increase in passenger and freight flights for both domestic and international carriers.

On mid/long haul international routes (Europe, North America, and Southeast Asia), we expect to see an acceleration of the shift from competition between individual companies to competition among the three big global alliances. Through the promotion of joint business, cooperation and collaborations with alliance partners are expected to gain even greater importance. On short haul international routes to and from China, Korea and Taiwan, we expect to see a change in the competitive landscape via the emergence of LCCs.

Domestic Flights

In addition to sluggish economic growth, there is limited room for further growth in the domestic market in light of the aging population and competition from other modes of transportation (e.g. the Shinkansen). Therefore, during the period covered by the Plan, we do not expect significant growth in demand for both passenger and freight services domestically. At the same time, increase in departure and landing slots in the Tokyo metropolitan area (Haneda and Narita) and the emergence of LCCs are expected to change the competitive landscape.

Note: About LCCs

Because of their short flight times, short haul routes exhibit a high degree of price sensitivity, and we expect highly cost-competitive LCCs to continue to enter the market. During the period covered by the Plan, in regions of Asia close to Japan, we anticipate increased competition from Japanese and foreign LCCs on routes to and from China, Korea and Taiwan. In Japan, we expect the competitive landscape to change considerably with the emergence of domestic LCCs on high-demand leisure routes, but we are also hopeful that this new business model will generate increased demand for air transport.

4. Maximizing Revenue through Improved Competitiveness

4-1. Route Network

Under the Plan, we will not simply expand the size of our route network, but will continue to revise our routes based on a thorough profitability analysis of each route in order to improve our network so that customers would be able to connect more conveniently within and to/from Japan.

International Routes

(1) Basic Policy

Although we expect our business environment to become increasingly competitive, we regard the increase of departure and landing slots in the Tokyo metropolitan area (Haneda and Narita) as our biggest business opportunity. In particular, we will allocate resources to mid/long haul international routes (Europe, North America, and Southeast Asia), primarily by leveraging our new 787-8 and 787-9 aircraft.

While rapidly improving the route network, we will improve our products, differentiate ourselves from our competitors, and improve services to gain a greater share, especially in the business travel market.

(2) Network Leveraging Haneda and Narita Airports

Improvement of Flights to/from Haneda

In order to take full advantage of the expansion in departure and landing slot capacity scheduled for FY2014, we will increase daytime, late night and early morning flights on major routes to Europe, North America and Asia. In addition to providing a greater level of services to people traveling via the Tokyo metropolitan area (Haneda and Narita), we will also develop hubs linking regional Japanese cities with major cities in the world, which will significantly improve customer convenience of connection services for Japanese regional travelers.

Strengthening Position of Narita as a Hub Airport

Narita Airport is planning in phases, an expansion of departure and landing slots to be completed by FY2014. By adding new routes to Europe and North America and increasing flights to Southeast Asia, we will differentiate ourselves from competitors. By improving hub capabilities with easier connection to/from Narita in our international routes, we aim to increase our share of the business travel market, especially between North America and Asia, which is expected to grow in the future. On short haul routes to Asia, competition from LCCs is expected to be intensified and JAL will leverage Jetstar Japan to meet the diverse needs of traveler's on these routes in a complementary manner.

(3) Network Improvement

Utilizing Boeing 787

The Boeing 787 will play a key role in JAL's network improvement strategy. We will gradually deploy 787s from the end of FY2011 and plan to leverage the capabilities and product competitiveness of the aircraft by:

- Adding new European and North American routes to improve customer convenience through network development; and
- Increasing frequency and replacing aircraft types on existing mid/long haul routes to lower cost and raise customer convenience with more flights and improved seating.

Rapid Improvement and Profit Maximization

Taking advantage of the increased departure and landing slots at the Tokyo metropolitan area (Haneda and Narita), we aim to realize a rapid improvement of our route network, maximize profits, while minimizing risks by:

- Streamlining overseas bases to reduce costs and operating flights by JAL with improvements in cost competitiveness;
- Leveraging operations with alliance partners, which have been strengthened through the promotion of joint businesses; and
- Collaborating with joint business partner to avoid duplication on existing routes.

• Overview of Network Improvement Planned for FY2012

Route	Plan	Timing	Frequency (per week)	Aircraft	Notes
Narita-Boston	New route	2012/4/22～	7	787	Four flights a week until May 31, 2012 (Mon, Wed, Fri, Sun)
Narita-San Diego	New route	2012/December～	7	787	Four flights a week until Feb 28, 2013 (Mon, Tue, Thu, Sat)
Narita-Helsinki	New route	2013/March～	4 Tue・Wed・Fri・Sun	787	Flights daily from Jul xx, 2013
Narita-Delhi	Change of aircraft	2012/late April～	5 (unchanged)	787 772	787 to be deployed on Tue, Wed, Fri, Sun. Continue 772 operations on Thu.
Narita-Delhi	Addition of flights	2012/December～	5 → 7	787	
Narita-Moscow	Change of aircraft	2012/late April～	3 (unchanged)	787	
Tokyo-Singapore	Change of aircraft	2012/9/1～	14 (unchanged)	787	787 to be deployed on existing flights (7 from Haneda, 7 from Narita)
Tokyo-Singapore	Addition of flights	2012/10/28～	14 → 21	787	Flights from Narita will increase from 7 to 14.
Tokyo-Bangkok	Change of aircraft	2013/February～	21 (unchanged)	787 772	Shell flat seats to be used throughout C class of existing flights (7 from Haneda and 14 from Narita).
Haneda-Beijing	Change of aircraft	2012/late April～	7 (unchanged)	787	

※Above-mentioned network improvement plan assumes approval from relevant regulatory authorities.

(4) Overview by Route

United States

- Acceleration of initiatives with American Airlines to enhance joint business and to maximize benefits from the partnership.
- As an immediate action to strengthen our network, we will add new routes to Boston and San Diego in FY2012.
- During the period covered by the Plan, we will strengthen JAL's overall Americas network and improve products to increase customer convenience, which include improvement of daytime flights from Haneda from FY 2014.
- In addition to enhancing existing alliances, we will pursue new business alliances to improve our onward connection network to the U.S. East and West Coasts and Latin America.

Europe

- JAL plans to commence joint business with alliance partner British Airways during FY2012 and will strengthen our Europe-wide customer convenience.
- As an immediate action to strengthen the network, we will add a new Helsinki route in FY2012.
- During the period covered by the Plan, we will strengthen our overall European network and improve products to increase customer convenience, which include expansion of daytime flights from Haneda from FY2014.
- We aim to improve onward connection network within Europe and to the Middle East and Africa by enhancing existing partnerships.

Southeast Asia

- JAL will increase flights on existing routes (Delhi and Singapore in FY2012) to enhance services for business travelers.
- From FY2014 onward, service will also be enhanced by the addition of daytime flights from Haneda.
- JAL will strengthen competitiveness by improving business class seats and provide customers with a more comfortable onboard experience.
- We aim to improve onward connection network within Asia and to the Middle East and Africa by enhancing existing partnerships.

Short Haul Asian Routes (China, Korea, and Taiwan)

- We will increase the number of flights on some routes to/from Haneda and improve customer convenience.
- JAL will strengthen the Narita route network to provide highly convenient flight connections not only for travelers to/from Japan but also for travelers flying between Asia and North America.
- We aim to improve our onward connection network within China and in Asia by enhancing existing partnerships.
- In addition to flights operated by JAL itself, we will leverage the operation of our strategic partner Jetstar Japan to meet travelers' diverse needs in a complementary manner.

Resort Routes

- Flights to Honolulu are the largest market for leisure flights from Japan. JAL will expand its capacity of flights and improve business class seating.

Domestic Routes

(1) Basic Policy

Recognizing the competitive environment, JAL will make increased competitiveness a key objective. Responding appropriately to changes in the competitive environment in the main markets of Haneda and Itami (Osaka), we aim to optimize demand and supply in order to increase profitability.

(2) Overview by Route

Haneda

- From FY2012 onward, JAL will improve customer convenience by increasing flights utilizing early morning departure and landing slots.
- Utilizing the increase in slots scheduled for FY2013, we will enhance our network's convenience using Haneda as a hub linking regional Japanese cities and major cities overseas.
- JAL will change to smaller aircraft in order to respond to changes in the business environment, such as the entrance of LCCs at Narita and the improvements of other modes of transportation (e.g. the Shinkansen).

Itami (Osaka)

- JAL aims to respond to changes in the environment resulting from the establishment of a new operating company in Kansai and Itami airports in FY2012.
- JAL will seek further deregulation and promote the expansion of services via Itami.

Narita and Kansai

- In addition to flights operated by JAL itself, JAL will leverage the operation of strategic partner Jetstar Japan to meet travelers' diversifying needs in a complementary manner.

Local Routes

- JAL will expand local routes by utilizing regional jets.

(3) Network Improvement by the end of 1H of 2012 (New Routes/Increased Flights)

Route	Plan	Timing	Frequency (day)
Fukuoka-Hanamaki	New	2012/3/25～	1
Niigata-Sapporo	New	2012/7/13～	2
Haneda-Kumamoto	Increase	2012/3/1～	7 → 8
Haneda-Okinawa	Increase	2012/3/25～	13 → 14
Haneda-Kita Kyushu	Increase	2012/3/25～	4 → 5
Itami-Aomori	Increase	2012/3/25/～	2 → 3
Sapporo-Memambetsu	Increase	2012/3/25～	2 → 3
Chubu-Sapporo	Increase	2012/7/1～	4 → 5

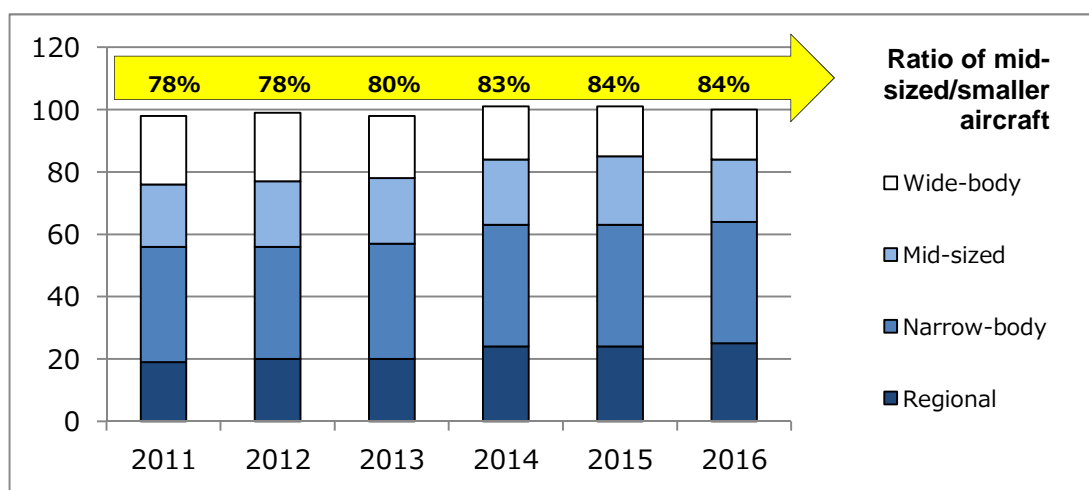
※Above-mentioned network improvement plan assumes approval from relevant regulatory authorities.

(4) Operational Structure and Number of Aircraft¹

JAL Flights: JAL, JEX, and J-AIR continue to operate in a nationwide network. JEX operates Boeing 737-800s and J-AIR operates regional jets.

- We will improve and maintain profitability with optimal balance of supply and demand by maintaining the total number of aircraft while retiring large aircraft (Boeing 777-200) and increasing the proportion of mid-sized and smaller aircraft during the period covered by the Plan.
- We will completely retire the MD90s during FY2012 and improve efficiency through fleet restructuring.

Number of Aircraft for Domestic Flights and Proportion of Mid-sized or Smaller Aircraft



JTA, RAC, and JAC Flights: These companies will build a network that contributes to the development of local communities.

- JTA plans to build an efficient operational structure by undertaking structural reform of downsizing its fleet to 12 aircraft during FY2012 from 15² (as of the end of FY2011).
- RAC and JAC will maintain their current number of aircraft (5 and 22 respectively as of the end of FY2011) based on the assumption of sustainable profitability.

¹ Fiscal year end base

² Excludes Okinawa-Narita route

4-2. Products and Services

Overview

(1) Target

By FY2016, we aim to achieve “Customer Satisfaction No.1” (repeat intention rate and recommendation intention rate) in both international and domestic flights.

(2) To Achieve the Target

We will offer products and services that provide customers a fresh and enjoyable travel experience each time they fly with JAL, and thereby improve customer retention. We will value communications with our customers because through their feedback, we can understand the value-perception of the services delivered, and can also listen to and reflect their needs in our product and service development.

(Specific products and services to be enhanced)

- Fare
- Booking and ticketing procedures
- Airport facilities (e.g. lounge, check-in counter, security)
- Airport services (human service)
- In-flight amenities (e.g. seats, in-flight entertainment system (IFE))
- Cabin services (e.g. in-flight meals, in-flight human service)
- Mileage program

(3) Basic Policy

By providing high quality products and services at “adequate prices”, we will differentiate ourselves from other competitors, which are expected to grow both in international and domestic flights, and other competitors. We will respond to the needs and expectations of our customers who value “comfortable traveling”.

We will pursue “high quality and full services” for international flights and “convenience and simplicity” for domestic flights. We will create and provide products and services which respond to customers’ diverse set of needs, which may vary by age, gender, purpose, frequency and other factors.

Domestic and International Flights

(1) Human Service

In order to attain products and services that always provide customers a fresh and enjoyable experience, we will strive to improve our constant service quality and to strengthen our human resource education, which will enable us to better understand our customers, identify their needs in advance, and flexibly respond to such needs at each customer touch points like on board, at the airport, ticketing and sales. We will accomplish this through our education center and improvement in quality based on internal and external personnel evaluation.

(2) Mileage Program

Easy-to-use Mileage Awards

In response to customers' request for easier booking of award tickets, the most attractive mileage redemption from our program, we will set flexible exchangeable mileage according to demand and supply and improve usability of award seats.

Easy-to-accumulate and Easy-to-use Program

In order to improve our current mileage program to an "easier-to-accumulate and easier-to-use" program for customers who accumulate mileage from usages other than flights, we will seek to increase opportunities for customers to accumulate mileage in their daily life activities and travels. We hope to enhance rewards so that customers can enjoy accumulating mileage.

(3) Resort

We will focus on providing comfortable, reliable, and quality services on our Honolulu and Okinawa routes.

International Flights

(1) In-flight Seats

We will proactively refurbish in-flight seats of aircraft used on mid/long haul international routes and will provide products more advanced than our competitors by FY2014. Specifically, we will enhance comfort in flights to Europe, North America, Southeast Asia, and our Honolulu routes through introducing the new Boeing 787-8 and 787-9 aircraft and upgrading our existing aircraft such as by installing full-flat seats in the business class.

(2) In-flight Entertainment System (IFE)

In-flight Internet Connection

In response to the increase of wireless LAN devices and customers' needs for in-flight internet access, JAL will initially equip aircraft on its European and North American routes with a new in-flight internet system from the summer of 2012 and subsequently expand this service to more aircraft and routes in the future.

Introducing New System

JAL will also progressively replace our in-flight entertainment system with next generation systems to improve function and contents.

(3) In-flight Meals

We will continue to improve in-flight meals in both business and economy classes based on customers' preferences and will continue to develop new menus that will enhance the customer's travel experience.

Anticipating international flight network improvement to/from Haneda, a new catering facility in Haneda will be established and quality control of in-flight meals for flights to Japan will be enhanced.

(4) Airport Lounge

Renewal of the Lounge in Haneda

To provide more comfort for customers, in line with the improvement of our route network, JAL will be expanding its lounge at Haneda airport's international terminal which will be undergoing further expansion in 2014.

Enhancement of Quality Control

We will provide high quality lounge services at all of our airports, including renewal at some overseas airports.

Domestic Flights

(1) "JAL SmartStyle"¹

We will introduce "JAL SmartStyle", a service concept intended to maximize time value for customers by consistently providing "convenient and simple" services to our customers at each point of contact including booking, purchasing, airport, cabin, and arrival.

We will provide services focused on "effective use of travel time" and "shorter waiting times at airports" during the period covered by the Plan.

(2) In-flight Seats

We will periodically refurbish in-flight seats of aircraft in order to improve comfort and convenience for our customers.

In FY2012, we will install first class seats in all Boeing 777-200 aircraft that are operated now on the Haneda to Sapporo, Itami (Osaka), and Fukuoka routes. In addition, we will complete the installation of Class J seats in the remaining Boeing 737-800 aircraft that are currently without Class J seats to remove the imbalance in service offerings on the same route and thereby reduce confusion for the customers.

(3) Fares

We will introduce a simple and easy-to-understand fare system for customers during the period covered by the Plan. It will be a flexible fare scheme that responds to demand trends and maximizes revenue.

¹ In process of applying for trademark

4-3. Sales and Marketing

Basic Policy

With a focus on promoting sales and travel products aligned with our product and service strategy, we have set personalization and Web interaction as our top priority issue and will determine appropriate sales channels to maximize revenue.

In anticipation of our network improvement, we will enhance corporate marketing activities in Japan, strengthen collaboration with travel agencies, and promote tourism sales through JALPAK and the web .

We will also further promote our network, products and services to overseas customers to maximize revenue throughout the mid/long term period.

Shift to the Web

By enhancing our existing Web channel function and corresponding to advancing IT systems, we are preparing to launch more convenient communication tools and providing a Web environment to flexibly meet customers' needs for information gathering, as well as purchasing of tickets, travel products and other services.

Maximum Use of Our Official Website

By reflecting the voice of customers on service quality through our official website "jal.co.jp (jal.com)", we will maintain our competitive advantage.

Corporate Marketing for Domestic Flights

By improving "JAL Online", our travel booking and ticketing website for corporate clients, we plan to enhance the convenience for contracted corporate clients, acquire new corporate contracts, and build an environment more conducive for corporate customers.

Expansion of "Dynamic Package"

By expanding the tourism product variations on "Dynamic Package" where customers can arrange their travel itineraries as they wish a page on our Website, we aim to provide appropriate products adjusted for the demand and supply change.

Action Towards Overseas Customers' Inbound Demand to Japan

As we grow our network, we realize there is a high growth potential of inbound overseas customers to Japan. Proactive sales promotion for these customers can lay the base for JAL to sustain itself as a leading global network carrier.

Inbound Demand to Japan

Through network development, product improvement, and enhancement of joint businesses, we will promote sales to business customers and tourists from Southeast Asia and China, where high growth and further economic development are expected during this period covered by the plan, and contribute to making Japan a tourism-oriented country.

Asia-North America Demand

We will promote sales focused on corporate customers by taking advantage of our bases at transit airports Narita and Haneda, and strengthen their hub functions.

Service Quality Improvement

Improve Response Rate at Call Center

JAL's call center and systems will be upgraded to improve response rates to calls, enable easier connection to an agent and to minimize waiting time.

Revenue Management System

With a new revenue management system and standardization of domestic/international operation processes, we will conduct sales by fully utilizing our network and effecting intensive seat control to maximize revenue.

4-4. Cargo and Mail Business

JAL continues to operate its cargo and mail business by using belly spaces of passenger flights to/from Haneda and Narita.

Product Development and Sales Promotion through Utilizing Haneda's Location

We plan to develop our business by utilizing Haneda's location, where we plan to increase international flights operated by JAL and positively capture express cargo, domestic/international connections (J-LINK) cargo, and perishable goods.

Value Add Strategy

We will maximize revenue through development and sales promotion of special tailor-made products "J-SOLUTIONS", in addition to the sales promotion of our airfreight services "J-PRODUCTS".

Strategic Use of Jupiter

We also plan to meet our customers' needs through strategic use of Jupiter Global Limited, which is our international cargo forwarding subsidiary.

4-5. Fleet and Capital Expenditure Plan

Overview of Capital Expenditure Plan

Our planned capital expenditure (capex) for the period covered by the Plan, is based on in-depth pre-investigation and continuous monitoring of return on investment.

Capital Expenditure for Aircrafts

We will proactively update our aircraft to newer generation models mostly comprised of Boeing 787s.

We plan to introduce new aircraft (29 Boeing 787, 9 Boeing 737-800, and others) during the time period covered in the Plan. The total capital expenditure of these upgrades (aircraft and maintenance parts) is expected to be approximately 478 billion yen.

(Units: Billions of Yen)

FY2012	FY2013	FY2014	FY2015	FY2016	Total
63	61	96	133	126	478

Other Capital Expenditures

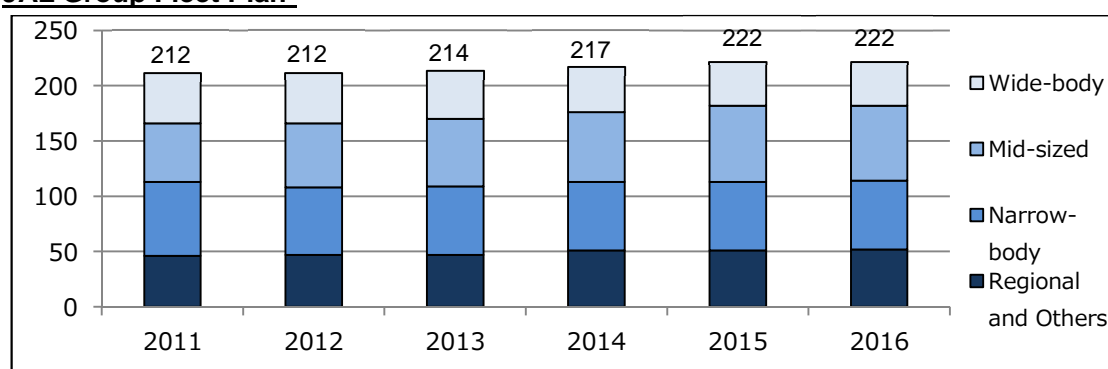
We aim to improve customer satisfaction by making products and services, especially in cabin refurbishment, and to upgrade the main system in various fields, with a main focus on Global Distribution Systems.

Fleet

We plan to streamline our fleet by introducing Boeing 787s and 737-800s during the period covered by the Plan while retiring MD-90s within FY2012 as per the Corporate Reorganization Plan. We will also retire aging 777s and 767s. We have decided to increase the order of 787s from 35 to 45 and, will introduce the stretched-body 787-9s from FY2015 onwards (The number of 787s in our fleet by the end of FY2016 is expected to be 33).

As a result, we expect to have 222 aircrafts by the end of FY2016 (International: 83, Domestic: 139) which is an increase of 10 aircraft compared to 212 at the end of FY2011 (International: 72, Domestic: 140).

JAL Group Fleet Plan¹



¹ Fiscal year end base. Wide-body : 773/772 Mid-sized : 787/767 Narrow-body : 737/MD90 RJ and others : ERJ/CRJ/Q100~Q400/

5. Minimizing Cost by Improving Productivity

5-1. Lower Unit Cost

We will use unit cost (consolidated air operation expense per ASK) as a metric for company-wide cost control, set a target level of unit cost, and monitor the achievement of this target.

Past Efforts

In order to sustain competitiveness after the departing and landing slot expansion at the Tokyo metropolitan area airports (Haneda and Narita), we have been implementing several measures, such as adjustments to labor unit cost by introducing a new compensation system, and improving labor productivity. In addition we executed a company-wide cost efficiency plan to achieve 100 billion yen of cost-effectiveness (10% cut in unit cost: 12.9 yen to 11.6 yen per ASK) by FY2013 (vs Corporate Reorganization Plan in FY2011). We expect to achieve our target of 110 billion yen of cost-effectiveness (unit cost of 11.5 yen per ASK) in FY2011, two years ahead of schedule.

(Unit Cost)

12.9 yen in FY2011 (Corporate Reorganization Plan)

→ 110 billion yen of cost-effectiveness → 11.5 yen in FY2011 (estimate)

(11% down vs. FY2011 (Corporate Reorganization Plan))

To achieve Unit Cost Level of 11.0 yen per ASK during the period covered by the Plan

Under the plan, we assume Group ASK will be increased gradually from 105% in FY2012 to 113% in FY2016, compared to FY2011. We will pursue further cost competitiveness by controlling operation expense and lowering unit cost in order to achieve growth through business opportunities afforded by the departing and landing slot expansion at the Tokyo metropolitan area airports (Haneda and Narita).

We will implement 50 billion yen of additional cost-effectiveness and lower unit cost by FY2016 as follows through constant cross-sectional reviews of cost structure such as labor productivity improvement and procurement cost reduction including logistics reform.

(Unit Cost)

11.5 yen in FY2011 (estimate)

→ 50 billion yen of cost-effectiveness → 11.0 yen¹ in FY2016 (plan)

(4% down vs FY2011 estimate)

Unit Cost Estimate (Plan)

JPY	FY2012	FY2013	→	FY2016 (Plan)
Unit Cost	11.5	11.3		11.0

¹ Regarding assumptions please refer to sections 7-2. and 7-3.

5-2. Productivity Improvement

We will continue to lower unit cost through cost reduction via “productivity improvement” while thoroughly ensuring safety, and maintaining and improving quality in each department.

Labor Productivity Improvement

We will improve productivity of each employee in our group through measures including streamlining of corporate sections, improving utilization per crew and pilot, multi-task training airport and maintenance staff, optimizing working style, and reorganizing sales channels. We will also review our human resource allocation and optimization upon upgrading our IT environment.

Efficient Use of Resources

We will improve productivity by appropriately allocating resources such as through the selection and concentration of operations in the maintenance department and consolidation of the aircraft maintenance base to Haneda.

In order to reduce overlaps, we will also streamline and standardize procurement procedures to enhance efficient procurement, reform internal logistics, and optimize inventories of in-flight items.

Action to Environmental Changes

We will minimize incremental cost relating to increase in flights at Haneda airport in the international passenger and cargo and mail business segments.

We will upgrade old and complicated systems during the period covered by the Plan and control overall system cost in order to transform into a flexible system cost structure as a response to a change in business scale.

6. Group Management and Human Resources Development

6-1. Group Management

JAL Philosophy

We will instill and continue to impart the JAL Philosophy to all employees.

Departmental Profitability Management System

We will introduce the divisional profitability management system widely throughout the JAL Group, and will strengthen management skills through all-employee participation (introducing the system in 35 main consolidated subsidiaries by the end of FY2015).

Sound Group Company Management

Upon defining our mission and scope of business, we will then establish a set of group management rules. We will also conduct a self-reliant and sound management practice and make sustainable profit through fair and just transactions.

6-2. Human Resources Development

Recruitment

In order to retain and develop human talent that can contribute to the sustainability and development of the JAL Group, we will create the ideal JAL staff images and recruit necessary and appropriate level of workforce.

Development of Training System

We will organize a common training system and conduct training within the JAL Group. We will develop, conduct, and manage a company-wide program to develop future leaders and professionals in safety and service areas.

6-3. Headcount Planning

Despite the expected increase of our business size, we expect to maintain the current level headcount of 32,000 (consolidated headcount) during the period covered by the Plan, through our human talent development and productivity improvements at each department.

7. Financial Plan

7-1. Financial Target

Setting Financial Target

Given the uncertainty of the global economy, increasing competition from the expansion of departing and landing slots in the Tokyo metropolitan area (Haneda and Narita), and emergence of LCCs, revenue estimates are inevitably subject to uncertainties. As we expect to increase our investments through the Boeing 787 implementation and cabin improvements, we need to take action regarding such future uncertainties. In addition, we need to increase our corporate value as we stated in the JAL Group Corporate Policy. Therefore, the period covered by the Plan is set as the period to strengthen the JAL Group's financial base. We have set financial targets for profitability and sustainability, and will continuously monitor to "gain resilience against downside risk", "enable strategic financing", and "improve equity value including stable payments of dividend to shareholders".

Consolidated Financial Targets for FY2012-16		
Operating Margin	10% or above	Every Year
Equity Ratio	50% or above	By FY2016

7-2. Fuel and Foreign Exchange Assumptions

Fuel and Foreign Exchange (FX) Assumptions

	FY2011E	FY2012-2016E	Sensitivity
Fuel (Singapore Kerosene)	USD 130/bbl	USD 130/bbl	Fuel Price Change (per \$1/bbl): JPY 2 billion
FX	JPY 80.0/USD	JPY 85.0/USD	Currency Change (per ¥1/\$) : JPY 2.5 billion

Hedging Policy for Fuel and FX

In order to reduce impact from market volatility in fuel and currencies, we make our efforts to reduce fuel consumption, and through creative use of appropriate transactions. In addition, we conduct derivative transactions for hedging purposes. Specifically, based on our risk control system, we use a combination of hedging to minimize risks from short term market volatility (diversified term hedging) and hedging to fix costs (defined hedging).

7-3. Risks Considered for Financial Plan

To raise the probability of achieving our financial targets, we took into account certain amount of downside risks into our financial plan, including assessing risks from economic fluctuation, changes in macro-environment and other event risks.

Especially regarding event risks, we have reflected a downside risk impact in the financial plan. Even upon the occurrence during the period covered by the Plan of an event risk with approximately 50 billion yen of revenue decrease, an amount estimated based on our past experience from sharp declines in passenger demand, we believe the equity ratio target of 50% or above by FY2016 is still attainable. We have also created our financial plan considering certain downside risks assumed in several years caused by economic fluctuation.

7-4. Key Management Metrics (Plan)

Consolidated PL

Units: Billions of Yen	FY2012	FY2013
International Passenger	392	404
Domestic Passenger	484	485
Cargo	88	90
Other	253	261
Operating Revenue	1,217	1,240
Fuel	258	267
Excluding Fuel	821	833
Operating Expense	1,079	1,100
Operating Profit	138	140
Operating Margin (%)	11.3%	11.3%
Ordinary Income	130	131
Net Income	113	115

Segment PL

(Air Transportation Segment)

Units: Billions of Yen	FY2012	FY2013
Operating Revenue	1,088	1,105
Operating Expense	964	980
Operating Profit	124	125



Consolidated BS

Units: Billions of Yen	FY2012	FY2013
Total Assets	1,151	1,201
Net Assets	468	569
Equity Ratio (%)	40.7%	47.4%
(Related Index)		
Total Debt	200	155
Net D/E Ratio¹	0.14	(0.03)
D/E Ratio²	0.73	0.49
Net Debt/EBITDAR³	0.27	(0.07)

Consolidated CF

Units: Billions of Yen	FY2012	FY2013
Operating Cash Flow	195	203
Investing Cash Flow	(114)	(126)
Financing Cash Flow	(22)	(61)
(Related Index)		
EBITDA⁴	222	225
EBITDA Margin⁵	18.2%	18.1%
EBITDAR⁶	252	255
EBITDAR Margin⁷	20.7%	20.6%

¹ (Total Debt + Aircraft Operating Lease - Cash and Cash Equivalents) /Net Assets (Unit: x)

² (Total Debt + Aircraft Operating Lease) /Net Assets (Unit: x)

³ (Total Debt + Aircraft Operating Lease - Cash and Cash Equivalents) /EBITDAR (Unit: x)

⁴ Earnings Before Interest, Taxes, Depreciation, and Amortization = Operating Profit + Depreciation

⁵ EBITDA/Operating Revenue

⁶ Earnings Before Interest, Taxes, Depreciation, Amortization and Rent = Operating Profit + Depreciation + Aircraft Rent

⁷ EBITDAR/Operating Revenue

Operating Revenue Related Metrics

		FY2012	FY2013
RPK¹	International	109	113
	Domestic	101	101
	Total	105	108
Yield²	International	96	94
	Domestic	100	100
	Total	97	96
L/F³	International	69.1%	68.1%
	Domestic	61.4%	61.3%
	Total	65.7%	65.1%

※FY2011 =100

Flight Specifications

		FY2012	FY2013		FY2016
ASK⁴	International	106	113	→	125
	Domestic	104	104		97
	Total	105	109		113
Flight⁵	International	108	113		121
	Domestic	102	103		105
	Total	103	104		107

※FY2011 =100

※JAL's RPK and ASK are based on great-circle distance close to straight-line distance

Note: The management targets and financial plan stated in sections 7-1. and 7-4. above are based on the fuel (Singapore Kerosene) and FX (Yen/Dollar) assumptions stated in section “7-2 Fuel and Foreign Exchange Assumptions”. They do not take into consideration any drastic change from the assumptions and volatility in demand due to terrorism, war, catastrophes, etc.

¹ Revenue Passenger Kilometers (Including codeshare flights)

² Passenger Revenue per RPK

³ RPK/ASK

⁴ Available Seat Kilometers (Including codeshare flights)

⁵ Self Operation Only