

Rolling Plan 2014

JAL Group Medium Term Management Plan for Fiscal Years 2012 ~ 2016

— To the Next Growth Stage upon Establishing a High Profitability Structure —



Fly into tomorrow.



Yoshiharu Ueki
President, 26 March, 2014

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Overview of Rolling Plan 2014 of Medium Term Management Plan

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- Changes in Business Environment
- Positioning of Each Fiscal Year
- Progress Achieved with Management Goals

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Approaches to our main themes

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FY2014 Business Plan

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Changes in the Business Environment



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Japanese and Global Economies are Robust, but a Tougher Competitive and Profit Environment is Expected.

Review

Economy

Bright signs of recovery in global and Japanese economies

Increase in foreign visitors to Japan

Over 10 million visitors in 2013

Rapid weakening of the yen

FY2012 USD1 JPY82.4
→**FY2013 JPY99.1**¹

Capacity

Expansion of capacity

Additional domestic capacity

Additional slots at Haneda Airport, deregulation of slots at Itami Airport

Additional capacity of LCCs

Additional capacity of LCCs based in Narita/Kansai Airport

Future Outlook

Global and Japanese economies continue recovery

Demand Expansion

Traffic growth expected, driven by robust internal/external economies, additional traffic by LCCs, etc.

The weak yen continues

Rolling Plan 2014 based on USD1 JPY107

Increase in Consumption TAX

**APR2014~:5%⇒8%、OCT2015~:8%⇒10%
Temporary effect on Japanese economy expected**

Demand-Supply gap expected due to dramatic capacity increase

Additional international capacity

Expansion of international slots at Tokyo(Haneda/Narita)

Expansion of Shinkansen network

**Development of a new Shinkansen network (Hokuriku/Hokkaido)
Demand switch is expected**

Positioning of Each Fiscal Year



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Steadily Achieve Our Management Targets to Achieve Growth from FY2015

Review

FY2012-2013

A year that our ability to execute the high-profitability was tested

We expect to achieve operating profit margin of 10%+ in FY2013, but lower earnings on higher revenues

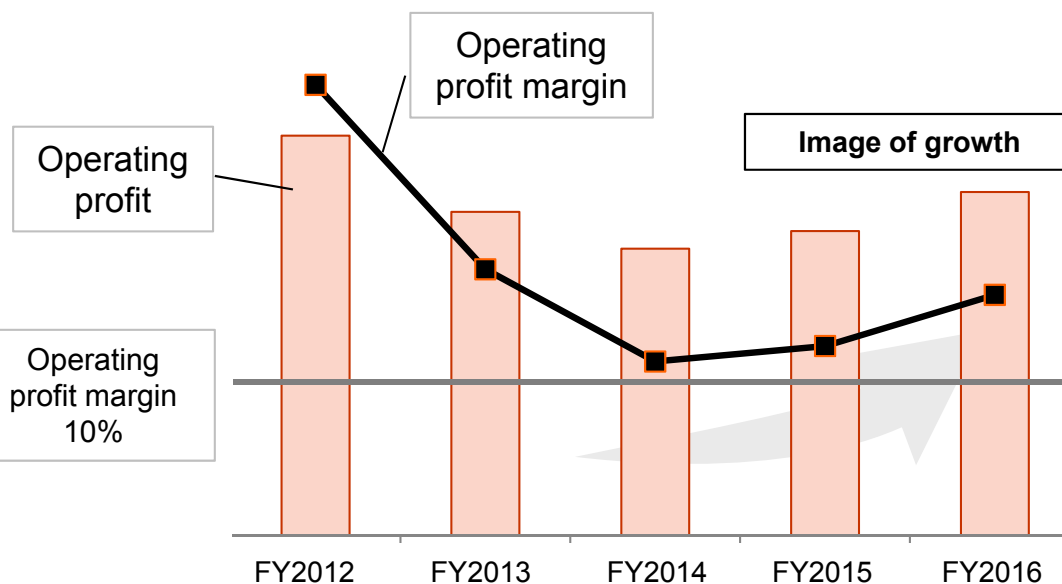
Future Plan

FY2014

A period of establishing a firm business foundation to achieve “growth” in revenue and profit

FY2015-2016

A period to achieve Management Targets and start new growth



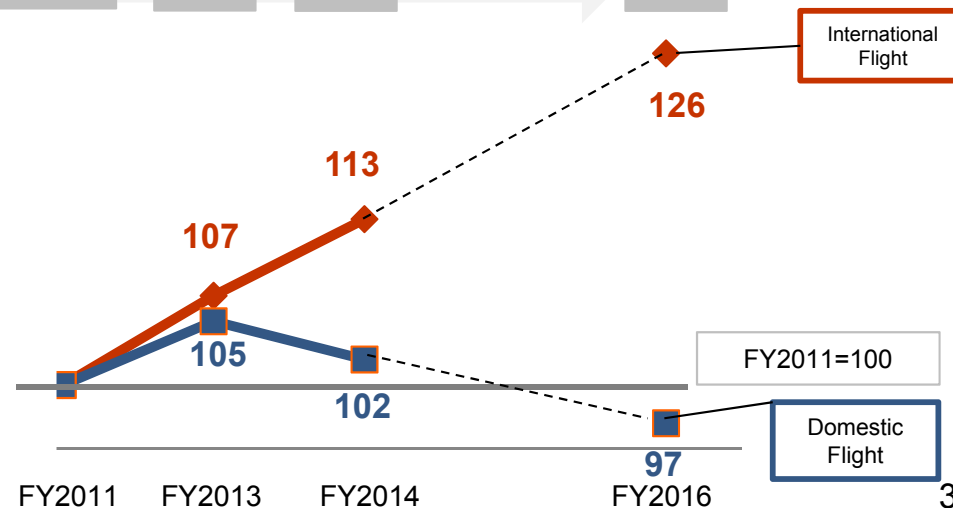
ASK Plan

Total

106

108

113



Progress of Management Targets –1–

Maintain Flight Safety



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Taking One Record of “Serious Incident” As an Important Issue, Enhance to Accumulate the “Layers of Safety”

Key Indicators

Achieve “Zero Aircraft Accidents² and Serious Incidents³”

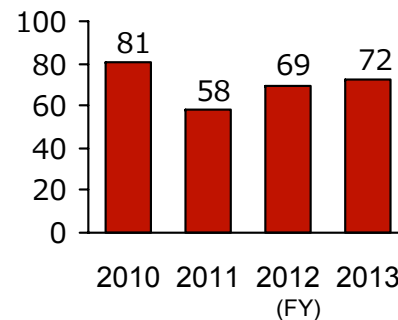
Results

Indicators	FY2012	FY2013 ¹
Aircraft Accident	1	0
Serious Incident	4	1

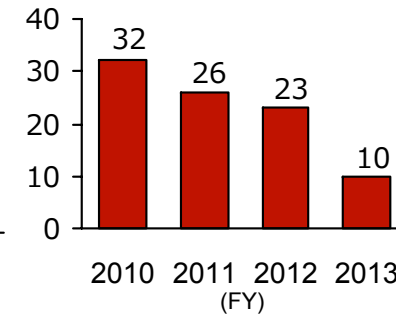
Review

- While zero “Aircraft Accident” in FY2013, one “Serious Incident” was recorded
- Although we managed to reduce number of “Customer Injuries”, we could not reduce the number of “Irregular Operation” and “Irregularities by Human Error”

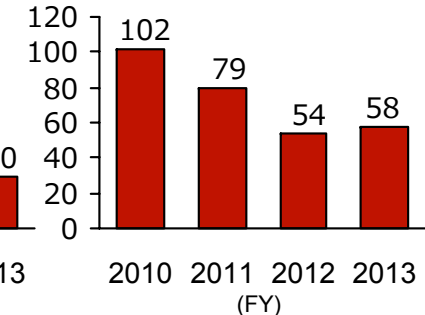
Irregular Operations⁴



Customer Injuries⁵



Irregularities by Human Error⁶



¹ As of 22 March, 2014

² Fatal or serious human injury as a result of aircraft operations, or and aircraft crash, collision or fire, or damage(major repair), etc.

³ An incident involving circumstances indicating that there was a high probability of an accident, such as overrunning, emergency evacuation.

⁴ Diversion, etc. as a result of air turning back in air, etc. for safety reasons after pilots have responded, according to the manual, to partial failure of aircraft's multisystem, etc., as classified by MLIT.

⁵ When a customer is injured in the aircraft or at the airport, and receives a medical examination at a medical facility. This is verified through an internal report.

⁶ Typical troubles caused by human error involving Flight Operations, Cabin Attendants, Maintenance, Airports, Cargo and Security Divisions, which repeatedly occur and must be eliminated with priority. This is verified through an internal report.

Progress of Management Targets –2–

No. 1 in Customer Satisfaction



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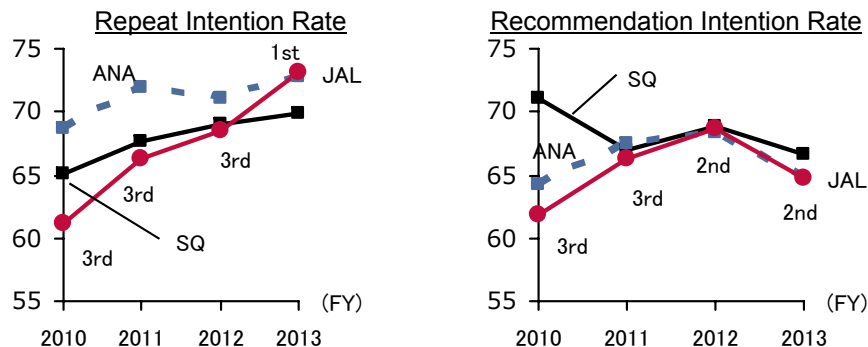
Making Steady Progress to the Target

Key Indicator

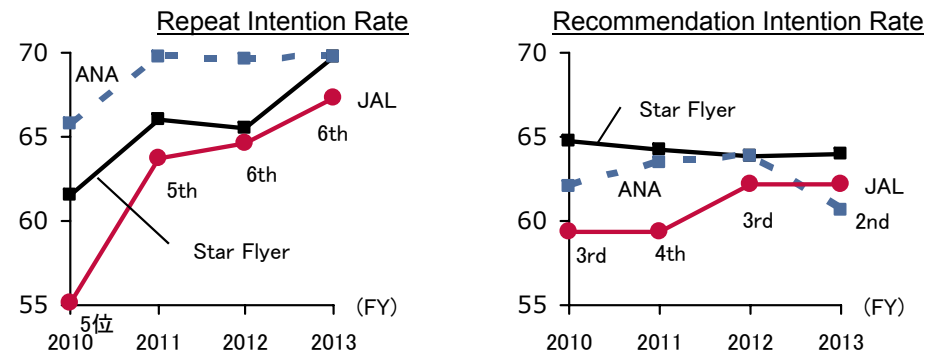
Achieve “Customer Satisfaction No.1” by FY2016

Result

International Routes



Domestic Routes



Review

- Our activities across the department resulted to achieve the best ranking for on-time arrival performance¹ in the world for the 2nd consecutive year
- These efforts let us to achieve the top ranking in Int'l Repeat Intention Rate and narrowed the gap with competing airlines in other ranking



Progress of Management Targets -3- Financial Goals



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Key Indicator

Operating profit margin of 10%+ for 5 consecutive years and equity ratio of 50%+ by FY2016

Bn JPY	FY2013			FY2014
	Medium Term Management Plan	Rolling Plan 2013	Forecast	Rolling Plan 2014
Operating Revenue	1,240.0	1,272.0	1,291.0	1,350.0
Operating Expenses	1,100.0	1,132.0	1,133.0	1,210.0
Operating Profit	140.0	140.0	158.0	140.0
Operating Profit Margin	11.3%	11.0%	12.2%	10.4%
Ordinary Income	131.0	127.0	147.0	135.0
Net Income	115.0	118.0	148.0	115.0
Total Assets	1,201.0	1,273.0	1,310.0	1,387.0
Shareholder's Equity	569.0	644.0	676.0	723.0
Shareholder's Equity Ratio	47.4%	50.6%	51.6%	52.1%
Singapore kerosene (USD/bbl)	130	127	120.6	125
FOREX (JPY/USD)	85	95	99.1	107

Review

- In FY2013, we saw steady progress, and expect to achieve operating profit margin of 10%+

Future Outlook

- In FY2014, we expect to achieve operating profit margin of 10%+, but must address the issue of "lower profit on higher revenues"
- From FY2015 to FY2016 we will work to achieve "growth" in revenue and profit

Financial Policy

3 pillars: Investment expenditures, internal reserves, returns to shareholders

Review

FY2012 : Change dividend payout ratio from 15% to 20% to achieve shareholder's equity ratio of 50% as early as possible

At end of FY2013, Shareholder's equity ratio of 51.6%

Dividend policy: approx. 20% of consolidated net Income excluding Income Tax-Deferred

Investment expenditures : Delivery of 787, order A350, revamp cabin interiors, upgrade passenger system, etc.

Investment expenditures

- Future corporate growth
- Respond to changes in business environment

Accumulate internal reserves

Prepare for volatility of profit due to event risks

Returns to shareholders

Proactively consider based on firm financial foundation



Toshiaki Norita
Managing Executive Officer
Corporate Planning



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Approaches to our main themes

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- Safety Initiatives
- Route Network, Products and Services
- Unit Revenue
- Cost Competitiveness and Unit Cost
- Productivity Improvement
- Aircraft Investment Strategies
- Activities Beyond the Medium Term

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FY2014 Business Plan

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Accumulate our Safety Layers to Maintain Flight Safety

Review

- JAL Group Safety Education-Completed 23,300 staff (70% of JAL Group Staff)
- Upgraded Safety Database
- Revised our manuals easier to use
- Reannounced the policy of not-punishing errors caused by human nature

Future Action

- **Continue JAL Group Safety Education**
 - Completion in FY2014
 - Rebuild courses according to job titles from FY2015
- **Develop Line Operation Monitoring¹ and Safety Performance Monitoring²**
- **Hold common education seminars on Safety Management Systems for all JAL Group staff starting FY2015**

¹ Proactive framework to detect a potential contributory factor of defect

² Framework to comprehend the status of Safety Management System in a quantitative way

Route Network



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We Will Not Pursue Expansion, But Build Highly Convenient Network with Profitability

-International Routes-

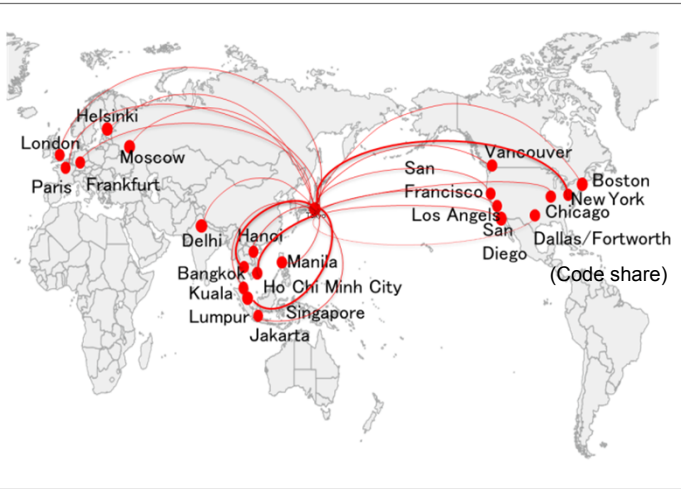
Review

- Increase frequency between Narita=San Diego, launch Narita=Helsinki
- Promote JB with American Airlines and British Airways
- Start code-sharing with S7 and Qatar Airways

Future plan

- Launch Haneda=London, Paris, Singapore, Bangkok, Ho Chi Minh
- Increase frequency between Narita=New York(JFK), Moscow
- Finnair will join JB on European routes

FY2013 Domestic Routes
New routes, increased frequency



-Domestic Routes-

Review

- 3 new routes to/from Itami (resumed)
- Launch Haneda=Chubu

Future Plan

- Increase frequency between Haneda=Yamagata, based on selection in Policy Contest
- Resume routes with regional cooperation, such as Itami=Matsumoto (AUG, FY2014)



Products and Services



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-International Routes- High quality full-service, 'One-Class Higher'

Seats

Review

- Expand SKY SUITE 777 routes to Europe and North America
- Revamp SKY SUITE 767 and put in service on medium- and long haul routes
- Expand availability of JAL SKY Wi-Fi , first Japanese carrier to provide inflight Internet service
- Develop new meal menus, improve quality of inflight meals on flights from overseas, renew Haneda international lounge

Future plan

- FY2014: 13 SKY SUITE777's
Complete launching of 9 SKY SUITE767's
- Plan to launch SKY SUITE787
- Offer JAL SKY Wi-Fi on 777-200ER,767,787
- New catering facility to respond to additional Haneda international flights



-Domestic Routes- Convenience and simplicity, Pioneering Standard

Review

- Convenient and simple service from reservation/purchase to airport/in flight and arrival
- Improve smartphone services

Future plan

- Launch JAL SKY NEXT (777,767,737 Total 77)
Revamp seats and cabin interiors
- Offer JAL SKY Wi-Fi , the first wi-fi service on domestic flights (JUL,14~)
- Expand aircraft available with First Class (nine 767's)

To maximize revenues, we introduce Unit Revenue as a KPI

Review

International flights

Improve yields and L/F through revenue management and new products

FY2013 +3%vspy

Domestic flights

- Additional capacity at Haneda/Itami
- Tough competition with other airlines and Shinkansen
- Increase in share of group passengers

FY2013 ▲2%vspy

Future Action

FY2014

International flights

Supply-Demand gap due to additional slots at Tokyo(Haneda/Narita)

Domestic flights

Attractive fare strategy and new products

International flights : maintain FY2013 level
Domestic flights : +3% vs FY2013

Improve route network, products and services

- Improve revenue management
- Adjust aircraft capacity to traffic

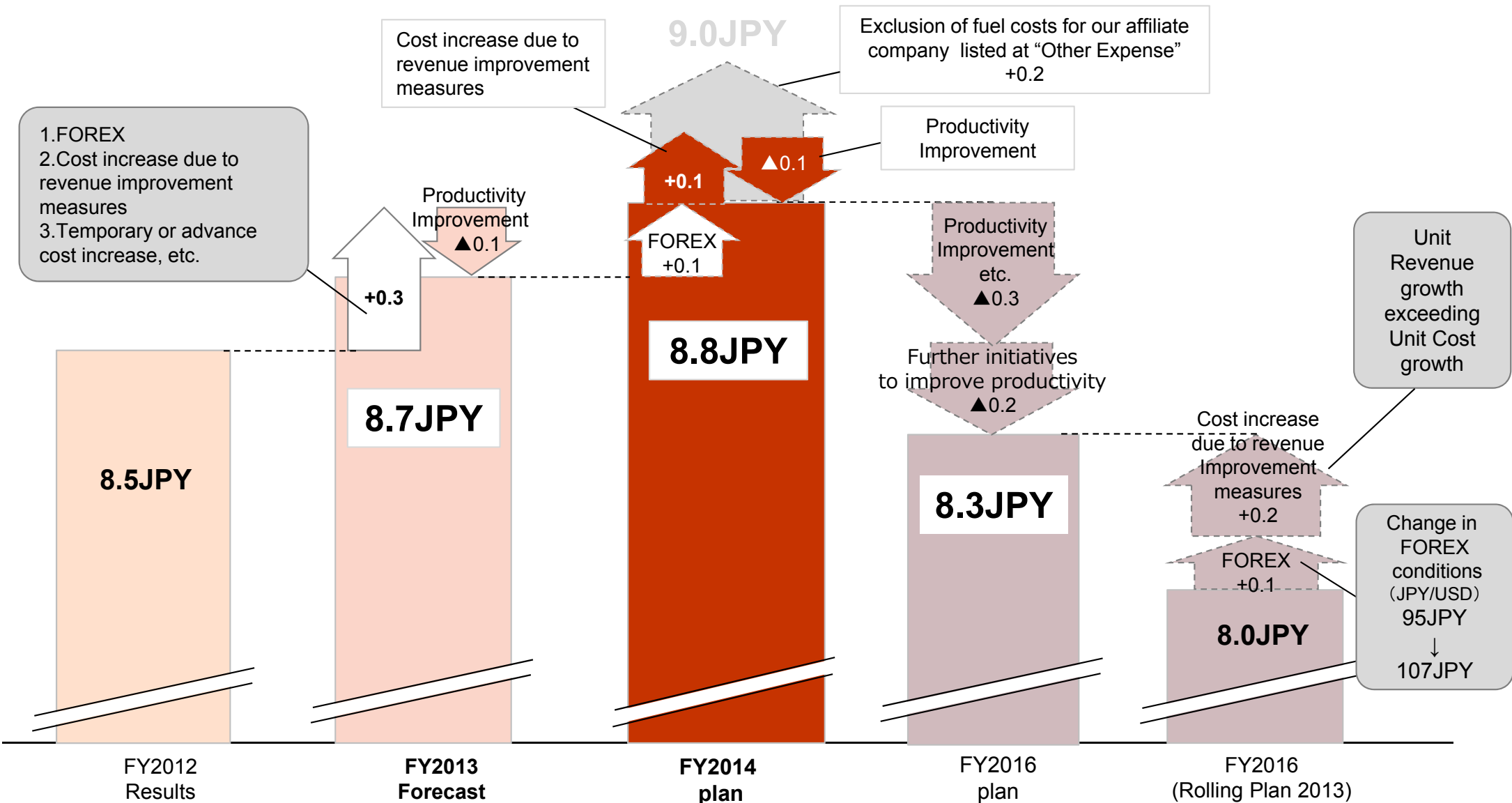
(From FY2015, achieve Unit Revenue growth exceeding the variable rate of Unit Cost)

Cost Competitiveness and Unit Cost¹



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We expect Unit Cost(excl. fuel costs) to be 8.8JPY for FY2014, but aim to reach 8.3JPY for FY2016



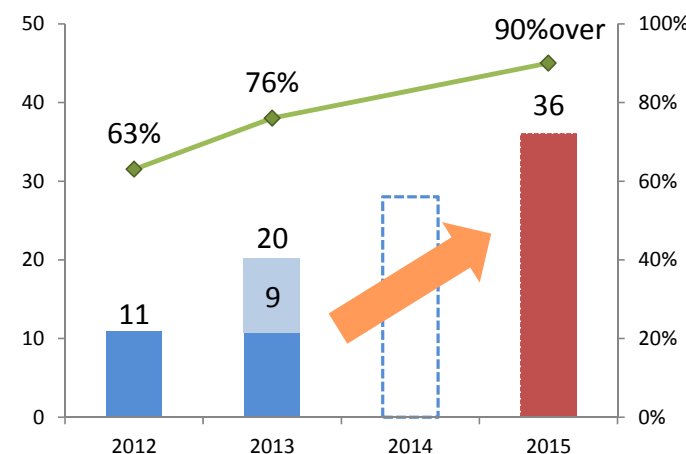
¹ Unit Cost = Expenses of Air Transport Segment / ASK; cost to carry 1 seat for 1 km

Continue to improve productivity and use resources efficiently through the penetration of the divisional profitability management system in JAL Group

Deploy and penetrate the divisional profitability management system

- In FY2013, the divisional profitability management system was deployed at 9 companies (Total 20 companies, incl. JAL)
- By the end of FY2015, deploy at 35 JAL Group companies to penetrate “Management by all” in all JAL Group staff.

Companies adopting divisional profitability management system (left axis) / ratio of staff numbers (right axis)



Improvement of productivity

- Maintain the headcount of 32,000 as set out in the Medium Term Management Plan (31,638 staff, as of 31 JAN, 2014 (Group consolidated))
- Promote acquisition of multi-skills, improve flexibility for way of working such as working at home, etc.

Efficient use of resources

- Improve the aircraft operation rate
- Inventory control of spared parts
- Fuel Saving Project (lighter goods loaded in aircraft, etc.)

Introduce new highly fuel-efficient aircraft, and steadily promote retirement of old aircraft

New aircraft

787 delivery is going as planned. From FY2015, we will receive delivery of the 787-9.

In possession

787's

End of FY2013 : **15** (planned)
(In FY2013, receive delivery of **8 aircraft**)

FY2014 delivery of five 787-8's
FY2015 ~start receiving delivery of stretched **787-9**
End of 2016: **33 aircraft** (including 25 787-8's)



A350's

FY2019 ~start receiving delivery

Retire old aircraft

Old aircraft will be retired to increase efficiency.

In possession

777's

End of FY2013 : **46** (planned)

By end of FY2015 **▲6 aircraft** (domestic specs)



767's

End of FY2013 : **47** (planned)
(**1 aircraft** retired in FY2013)

By end of FY2016 **▲12 aircraft**

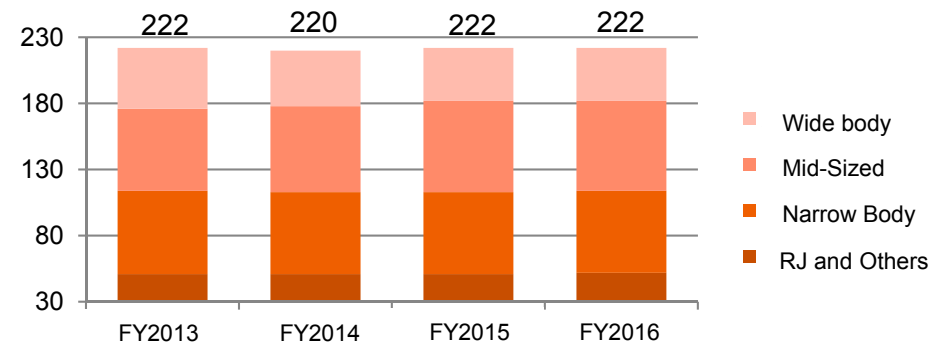


JAL Group Capital Expenditure Plan for Aircraft(unit : billions yen)

FOREX conditions :
USD1=JPY107

FY2014	FY2015	FY2016	FY14-16 Total
135.0	148.0	160.0	443.0

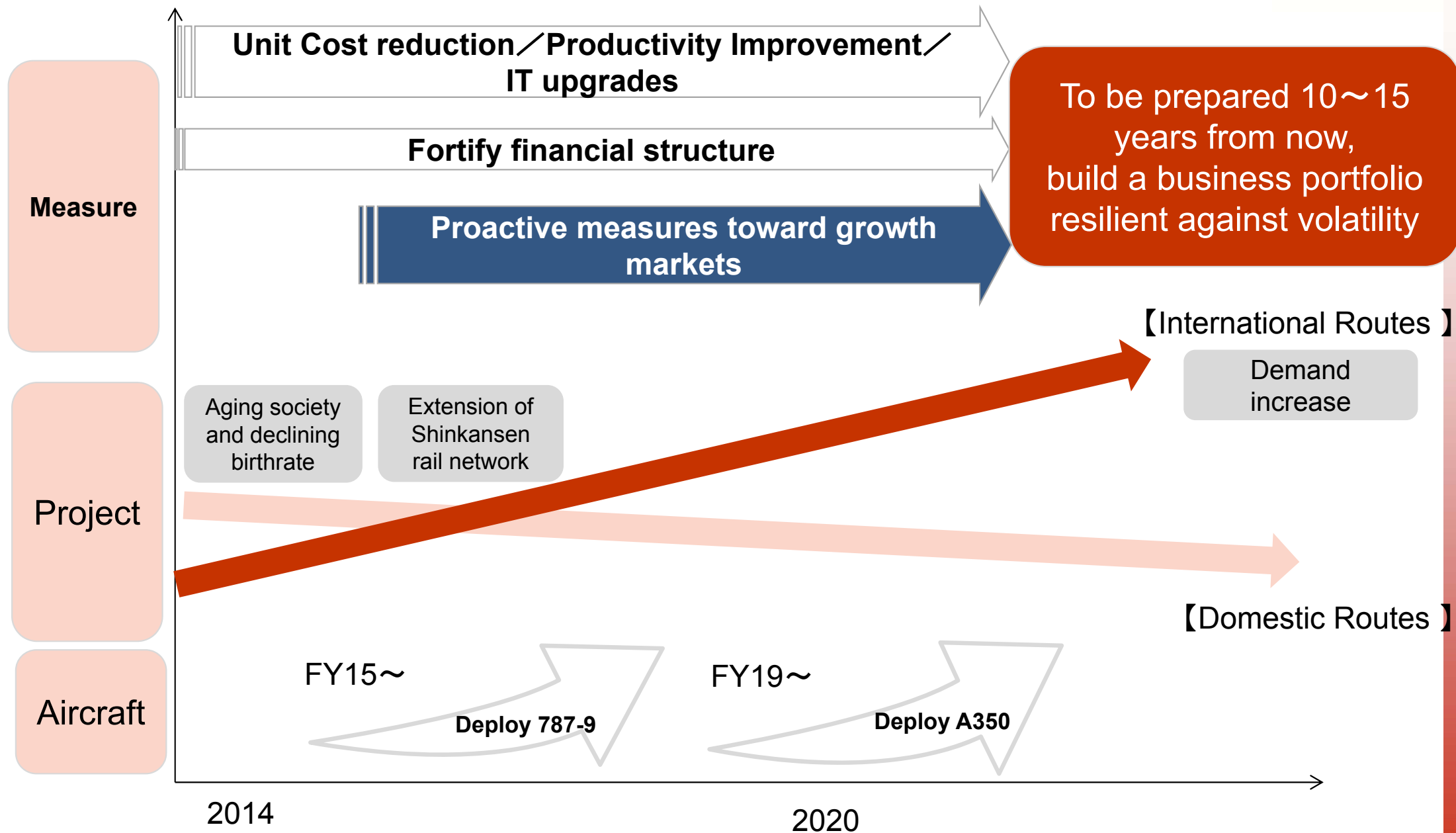
JAL Group fleet Plan



Activities Beyond the Medium Term



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Norikazu Saito
Managing Executive Officer
Finance & Accounting



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- Revenue and Expenditure Plan
- Operating Profit
- Impact of FOREX
- International/Domestic Passenger Operations
- Financial Plan /Cash Flow

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Revenue and Expenditure Plan FY2014



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Flight Specifications

vspy	FY2014 plan
ASK ¹ INT	+4.8%
DOM	▲2.5%
TTL	+1.6%

INT

- Launch international flights from Haneda using daytime slots, and Ho Chi Minh City flights in midnight and early morning slots
- Increase frequency on Narita=JFK and Moscow routes

DOM

- Promote aircraft downsizing and flexibly adjust capacity to traffic, while maintaining the network.
- Increase frequency on Haneda=Yamagata route using Policy Contest slots
- Resume 6 routes with regional cooperation, on verifying viability of route operations

	FY2013 Forecast ²	FY2014 plan
Singapore kerosene (USD/BBL)	120.6	125
FX (JPY/USD)	99.1	107

FY2014 Revenue and expenditure plan

(JPY : Bn)	FY2013 Forecast ²	FY2014 plan	Difference
Operating Revenue	1,291.0	1,350.0	+59.0
Operating Expense	1,133.0	1,210.0	+77.0
Operating Profit	158.0	140.0	▲18.0
Operating Profit Margin	12.2%	10.4%	▲1.8pt
Ordinary Income	147.0	135.0	▲12.0
Net Income	148.0	115.0	▲33.0

(JPY : Bn)		FY2013 Forecast ²	FY2014 plan	Difference
Operating Revenue	International Passenger	432.0	451.0	+19.0
	Domestic Passenger	486.0	487.0	+1.0
	Cargo / Mail	90.0	94.0	+4.0
	Other	283.0	318.0	+35.0
Operating Expense	Fuel	282.0	316.0	+34.0
	Excluding Fuel	851.0	894.0	+43.0

- Operating revenue: 1350 billion yen
- On the other hand, operating profit down 18 billion yen to 140 billion yen, due to increase in costs driven by the weaker yen

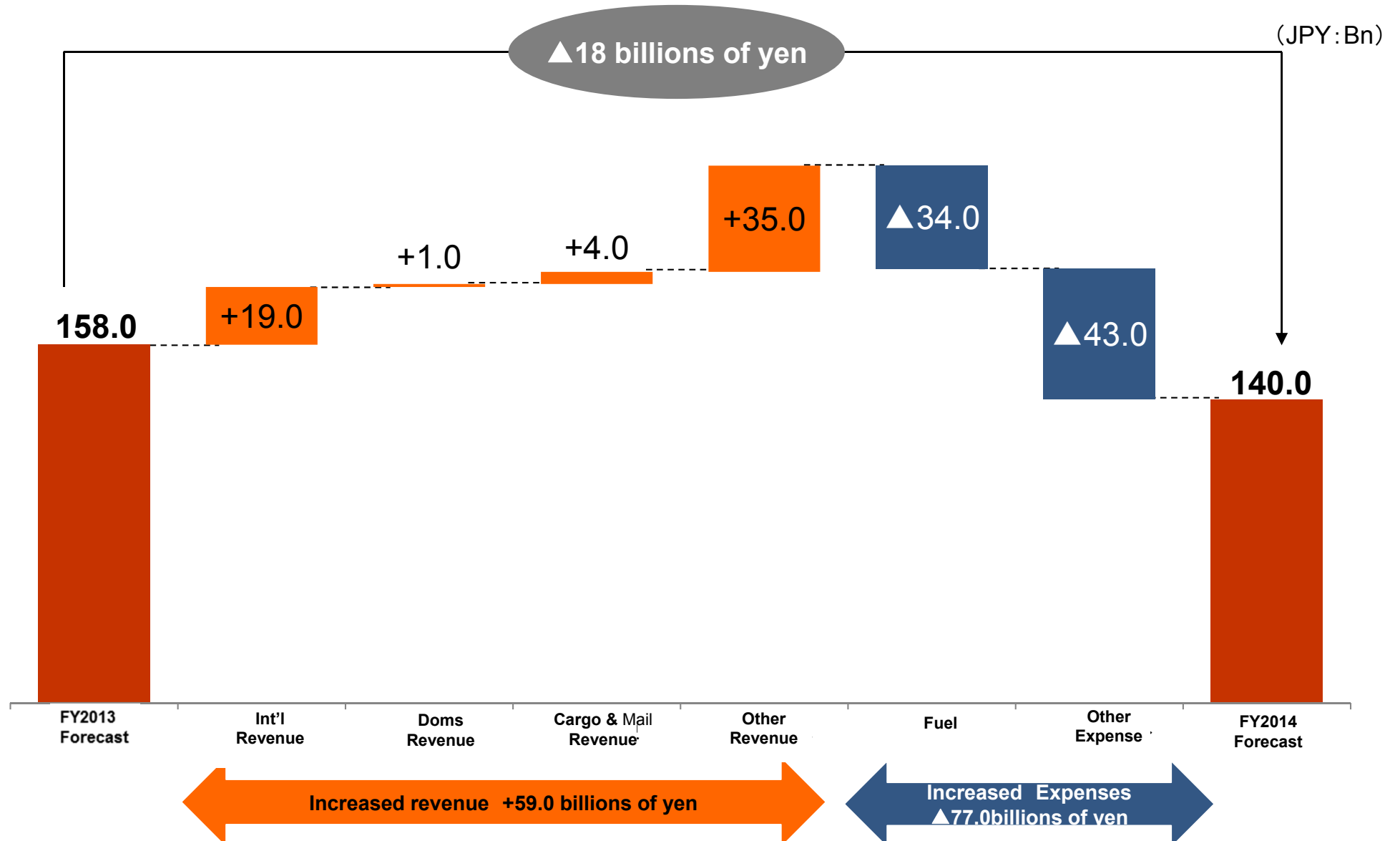
1 Available Seat Kilometers (excluding code-share flights) of international and domestic flights;
 2 on the condition of the ground distance close to direct distance.
 3 FY2013 Forecast; no change from announcement on January 31, 2013.

FY2014 Operating Profit



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In FY2014 Operating Profit, down 18 billion yen from FY2013



Impact From Currency Market

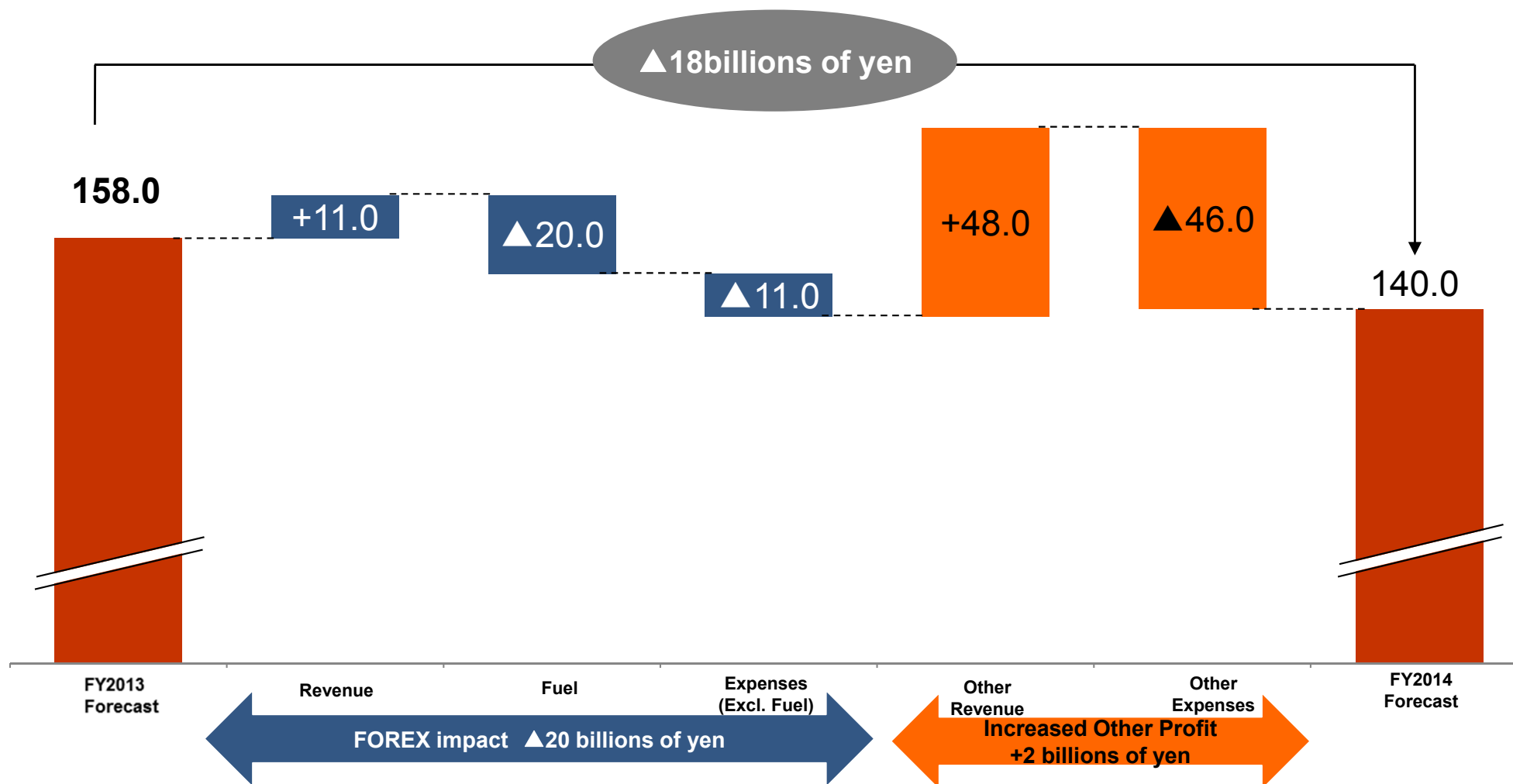


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FOREX to have impact of ▲20 billion yen on profitability

	FY2013 Forecast	FY2014 plan
FX(JPY/USD)	99.1	107

(JPY:Bn)



Pool resources on medium- and long haul routes

Network strategy

- **Haneda Airport**
Handle traffic to/from overseas/regional Japan as domestic
⇔ international connection hub
 - Launch daytime international flights
 - Launch midnight early morning Ho Chi Minh flights
- **Narita Airport**
Handle traffic between North America and Asia as international
⇔ international connection hub
 - Increase frequency of New York(JFK) and Moscow flights
- **Finnair joins joint business on European routes**

Product strategy

- **Continue to expand SKY SUITE routes**
 - 13 777's and 9 767's, introduce service on 787's
- **Full flat or Shell flat seats in Business Class on medium- and long-haul Southeast Asia and Honolulu routes**
- **Expand aircraft available with JAL SKY Wi-Fi**

	FY2013 Forecast ¹	FY2014 Plan
Passenger Revenue (JPY Bn)	432.0	+4.4%
ASK (MN seat km)	46,246	+4.8%
RPK (MN passenger km)	35,411	+2.6%
Passengers ('000)	7,703	+0.8%
L/F (%)	76.6	▲1.6pt
Yield ² (JPY)	12.2	+1.8%
Unit Revenue ³ (JPY)	9.3	▲0.4%
Revenue per passenger ⁴ (JPY)	56,100	+3.6%



1. Not changed from 31 Jan 2014 release
2. Yield = Passenger Revenue / RPK
3. Unit Revenue=Passenger Revenue / ASK
4. Revenue per Passenger = Passenger Revenue / Passengers

Increase customer preference by deploying new aircraft configuration and flexibly adjust capacity to traffic

Network strategy

- Increase frequency on Haneda=Yamagata route by a Policy Contest
- Resume 6 routes with regional cooperation, on verifying viability of route operations.
(Itami = Memanbetsu /Matsumoto, Chubu = Obihiro /Kushiro, Izumo/Tokushima=Sapporo)
- Redefine business operations of Group companies
 - JAL and JEX to integrate to improve flexible capacity/traffic balance, and in flight human service
 - Pool RJ aircraft on regional network routes, increase passenger convenience and profitability. On lifeline and remote island routes, operate turbo propeller aircraft and contribute to regional development.

Product strategy

- Deploy newly configured JAL SKY NEXT
 - Revamp cabin interiors (progressively from MAY2014)
 - Genuine leather seating in Class J and Economy Class
 - Slimmer Economy Class Seats (MAX 5 cm more leg room)
 - LED lighting throughout cabin
 - Offer JAL SKY Wi-Fi service (JUL2014)
 - First Wi-Fi environment on domestic flights
 - Provide films, e.g. dramas, sports, and tourist information
- Deploy First Class service on Boeing 767

	FY2013 Forecast ¹	FY2014 Plan
Passenger Revenue (JPY Bn)	486.0	+0.1%
ASK (MN seat km)	37,250	▲2.5%
RPK (MN passenger km)	23,653	▲0.5%
Passengers ('000)	31,115	▲0.5%
L/F (%)	63.5	+1.3pt
Yield ² (JPY)	20.6	+0.6%
Unit Revenue ³ (JPY)	13.1	+2.7%
Revenue per passenger ⁴ (JPY)	15,636	+0.6%



1. Not Changed from 31 Jan 2014 release
2. Yield = Passenger Revenue / RPK
3. Unit Revenue=Passenger Revenue / ASK
4. Revenue per Passenger = Passenger Revenue / Passengers

Financial Plan /Cash Flows



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Achieve Equity ratio of 50% and maintain and improve financial stability

Consolidated B/S

(JPY Bn)	FY2013 Forecast ¹	End of FY2014 Plan	Difference
Total Assets	1,310.0	1,387.0	+77.0
Balance of Interest-bearing Debt	132.0	101.0	▲31
Shareholders' Equity	676.0	723.0	+47
Shareholders' Equity Ratio (%)	51.6%	52.1%	+0.5pt

Consolidated C/F

(JPY Bn)	FY2013 Forecast ¹	FY2014 Plan	Difference
Operating Cash Flow	246.0	221.0	▲25
Investment Cash Flow²	▲171.0	▲195.0	▲24
Free Cash Flow²	75.0	26.0	▲49
Financing Cash Flow	▲60.0	▲62.0	▲2
EBITDA	240.0	227.0	▲13
EBITDAR	272.0	253.0	▲19

(※) At the beginning of FY2014 and at the end of FY2013, the revised Accounting Standard for Retirement Benefits are applied and anticipate the decrease of the Shareholder's equity by the adding up of unrecognized obligation and the calculation of the projected benefit obligation occurring.

1. Not Changed from 31 Jan 2014 release

2. Excludes deposit and withdrawal from deposit accounts.

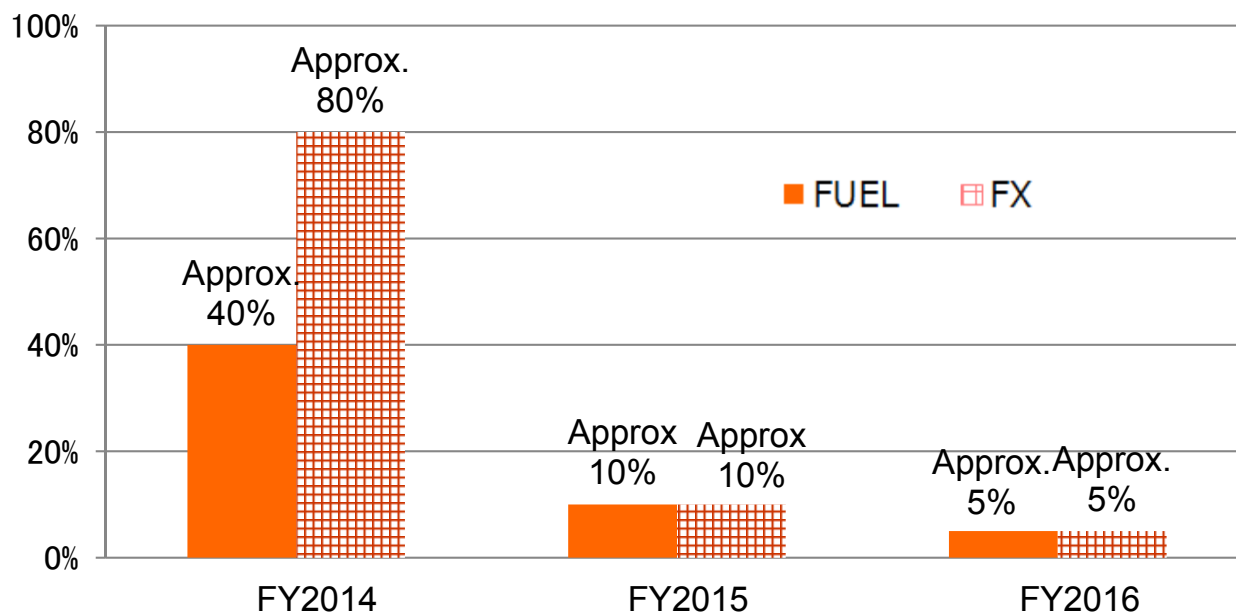
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《Ref.》 Impact from Fuel and Currency Markets



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Hedging Ratio for Fuel Costs (As of End of FY2013)



Sensitivity for Fuel Costs¹ (Without Hedging)

Crude Oil (Change in 1 USD/bbl)	2.3 Bn JPY Per Year
FX (Change in 1 JPY/USD)	2.6 Bn JPY Per Year

Assumptions

	Forecast FY2013	PLAN FY2014
Singapore Kerosene (USD/bbl)	120.6	125
FX Rate (JPY/USD)	99.1	107

1. Based on Rolling Plan 2014

Surviving Future Competition (3 differentiations)

- Enhancement of the JAL Brand
- Route Network, Products and Services
- Cost Competitiveness

Key Initiatives (5 areas)

Safety Initiatives

Route Network

Products and
Services

Group
Management

Human Resources
Development

Management Target (3 targets)

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 service to continuously deliver a fresh and enjoyable travel experiences for customers. We aim to achieve “Customer Satisfaction No.1¹” 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”.

《Ref.》 Differentiating JAL to Survive Future Competition



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Differentiate Ourselves from Competitors and Aim to Achieve the Growth as a Full Service Carrier

3 Differentiations

Enhancement of JAL Brand

- Concentrate on Full Service Carrier business (Clearly differentiated from LCC business which offers our complementary network)

Route Network, Products and Services

- Not merely pursue expansion, but enhance our route network, products and services to provide customers with a fresh and moving travel experience

Cost Competitiveness

- Continue efforts to reduce costs and maintain cost competitiveness by improving productivity and penetrating the divisional profitability management system

Review

- **JAL Group Safety Education**
 - Completed 23,300 staff (70% of JAL Group Staff)
- **Our activities across the department resulted to achieve the best ranking for on-time arrival performance in the world for the 2nd consecutive year**

INTL

Focus our resources to mid/long haul routes

- Increased Narita=San Diego
- Launched Narita=Helsinki
- Promoted to assign aircraft with new product to mid/long haul routes

DOM
S

Balance capacity and traffic flexibly

- Improved our network using increased slots at Haneda and Itami Airport

- **UC is expected to be “8.7 yen” for FY2013**
 - Increased costs on a foreign currency basis and expenditures for service enhancement measures
 - Decreased costs by productivity improvement in each division



Fly into tomorrow.



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