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
Today’s Topics

1. Overview of Rolling Plan 2014 of Medium Term Management Plan
   - Changes in Business Environment
   - Positioning of Each Fiscal Year
   - Progress Achieved with Management Goals

2. Approaches to our main themes

3. FY2014 Business Plan

Appendix
Changes in the Business Environment

Review

Economy
Bright signs of recovery in global and Japanese economies
- Increase in foreign visitors to Japan
- Rapid weakening of the yen

Capacity
Expansion of capacity
- Additional domestic capacity
- Additional slots at Haneda Airport, deregulation of slots at Itami Airport
- Additional LCC capacity

Future Outlook

Global and Japanese economies continue recovery
- Traffic growth expected, driven by robust internal/external economies, additional traffic by LCCs, etc.
- Rolling Plan 2014 based on USD1 JPY107
- Increase in Consumption TAX

Demand-Supply gap expected due to dramatic capacity increase
- Expansion of international slots at Tokyo (Haneda/Narita)
- Development of a new Shinkansen network (Hokuriku/Hokkaido)
- Demand switch is expected

Notes:
1 Based on FY2013 Apr-Dec: Results /Jan-Mar USD1 JPY100
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

**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

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**ASK Plan**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Flight</td>
<td>126</td>
<td>113</td>
<td>107</td>
<td>105</td>
</tr>
<tr>
<td>Domestic Flight</td>
<td>97</td>
<td>102</td>
<td>113</td>
<td>126</td>
</tr>
</tbody>
</table>

**Image of growth**

Operating profit margin 10%

Operating profit

Progress of Management Targets –1–
Maintain Flight Safety

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

Key Indicators

Achieve “Zero Aircraft Accidents\(^2\) and Serious Incidents\(^3\)”

Results

<table>
<thead>
<tr>
<th>Indicators</th>
<th>FY2012</th>
<th>FY2013(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft Accident</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Serious Incident</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

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”

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\(^1\) 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 overruning, 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.
Making Steady Progress to the Target

Key Indicator

Achieve “Customer Satisfaction No.1” by FY2016

Result

Review

- Our activities across the department resulted to achieve the best ranking for on-time arrival performance\(^1\) in the world for the 2\(^{nd}\) 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

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\(1\) 2013 On-time Performance Service Awards awarded by Flight Stats
Progress of Management Targets -3- Financial Goals

Key Indicator

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>1,240.0</td>
<td>1,272.0</td>
<td>1,291.0</td>
<td>1,350.0</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>1,100.0</td>
<td>1,132.0</td>
<td>1,133.0</td>
<td>1,210.0</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>140.0</td>
<td>140.0</td>
<td>158.0</td>
<td>140.0</td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>11.3%</td>
<td>11.0%</td>
<td>12.2%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>131.0</td>
<td>127.0</td>
<td>147.0</td>
<td>135.0</td>
</tr>
<tr>
<td>Net Income</td>
<td>115.0</td>
<td>118.0</td>
<td>148.0</td>
<td>115.0</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,201.0</td>
<td>1,273.0</td>
<td>1,310.0</td>
<td>1,387.0</td>
</tr>
<tr>
<td>Shareholder’s Equity</td>
<td>569.0</td>
<td>644.0</td>
<td>676.0</td>
<td>723.0</td>
</tr>
<tr>
<td>Shareholder’s Equity Ratio</td>
<td>47.4%</td>
<td>50.6%</td>
<td>51.6%</td>
<td>52.1%</td>
</tr>
<tr>
<td>Singapore kerosene (USD/bbl)</td>
<td>130</td>
<td>127</td>
<td>120.6</td>
<td>125</td>
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<tr>
<td>FOREX (JPY/USD)</td>
<td>85</td>
<td>95</td>
<td>99.1</td>
<td>107</td>
</tr>
</tbody>
</table>

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

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

Financial Policy

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.
Today’s Topics

1. Overview of Rolling Plan 2014 of Medium Term Management Plan

2. Approaches to our main themes
   - Safety Initiatives
   - Route Network, Products and Services
   - Unit Revenue
   - Cost Competitiveness and Unit Cost
   - Productivity Improvement
   - Aircraft Investment Strategies
   - Activities Beyond the Medium Term

3. FY2014 Business Plan

Appendix
Safety Initiatives

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 Monitoring\(^1\) and Safety Performance Monitoring\(^2\)
- Hold common education seminars on Safety Management Systems for all JAL Group staff starting FY2015

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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

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**

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

-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)

FY2013 Domestic Routes
New routes, increased frequency
Products and Services

-International Routes- High quality full-service, ‘One-Class Higher’

**Seats**
- 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

**Services**

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

**Future plan**
- FY2014: 13 SKY SUITE 777’s
- Complete launching of 9 SKY SUITE 767’s
- Plan to launch SKY SUITE 787
- 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**
- 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% vs ppy

**Domestic flights**
- Additional capacity at Haneda/Itami
- Tough competition with other airlines and Shinkansen
- Increase in share of group passengers
- FY2013 ▲2% vs ppy

**Future Action**

**FY2014**

**International flights**
- Supply-Demand gap due to additional slots at Tokyo(Haneda/Narita)
- International flights: maintain FY2013 level

**Domestic flights**
- Attractive fare strategy and new products
- 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)
We expect Unit Cost (excl. fuel costs) to be 8.8JPY for FY2014, but aim to reach 8.3JPY for FY2016.

1. FOREX
2. Cost increase due to revenue improvement measures
3. Temporary or advance cost increase, etc.

- Cost increase due to revenue improvement measures
- Exclusion of fuel costs for our affiliate company listed at “Other Expense” +0.2
- Productivity Improvement +0.1
- Further initiatives to improve productivity ▲0.2
- Change in FOREX conditions (JPY/USD) 95JPY \(\downarrow\) 107JPY

Unit Revenue growth exceeding Unit Cost growth

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

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.

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.)
Aircraft Strategies

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.**
  - **End of FY2013:** 15 (planned) aircraft
  - **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)

**Retire old aircraft**
- **Old aircraft will be retired to increase efficiency.**
  - **End of FY2013:** 46 aircraft
  - **End of FY2013:** 47 aircraft (planned)
  - **1 aircraft retired in FY2013**
  - **By end of FY2015:** 6 aircraft (domestic specs)
  - **By end of FY2016:** 12 aircraft

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

<table>
<thead>
<tr>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY14-16 Total</th>
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</thead>
<tbody>
<tr>
<td>135.0</td>
<td>148.0</td>
<td>160.0</td>
<td>443.0</td>
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</table>

**FOREX conditions:**

\[ \text{USD1} = \text{JPY107} \]

**JAL Group fleet Plan**

- Wide body
- Mid-Sized
- Narrow Body
- RJ and Others
Activities Beyond the Medium Term

To be prepared 10～15 years from now, build a business portfolio resilient against volatility.

- Fortify financial structure
- Proactive measures toward growth markets

**Measure**

- Aging society and declining birthrate
- Extension of Shinkansen rail network

**Project**

- Unit Cost reduction/Productivity Improvement/IT upgrades

**Aircraft**

- FY15～: Deploy 787-9
- FY19～: Deploy A350

**Demand increase**

- International Routes
- Domestic Routes
Intentionally Left Blank
Today’s Topics

1. Overview of Rolling Plan 2014 of Medium Term Management Plan
   - P.2

2. Approaches to our main themes
   - P.7

3. FY2014 Business Plan
   - Revenue and Expenditure Plan
   - Operating Profit
   - Impact of FOREX
   - International/Domestic Passenger Operations
   - Financial Plan /Cash Flow
   - P.15

Appendix
   - P.21
## Flight Specifications

<table>
<thead>
<tr>
<th>vspy</th>
<th>FY2014 plan</th>
<th>INT</th>
<th>DOM</th>
<th>TTL</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASK¹</td>
<td>INT</td>
<td>+4.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DOM</td>
<td>▲2.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TTL</td>
<td>+1.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Launch international flights from Haneda using daytime slots, and Ho Chi Minh City flights in midnight and early morning slots
2. Increase frequency on Narita=JFK and Moscow routes
3. Promote aircraft downsizing and flexibly adjust capacity to traffic, while maintaining the network.
4. Increase frequency on Haneda=Yamagata route using Policy Contest slots
5. Resume 6 routes with regional cooperation, on verifying viability of route operations

## FY2014 Revenue and expenditure plan

### (JPY: Bn)

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

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

### (JPY: Bn)

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

- 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
In FY2014 Operating Profit, down 18 billion yen from FY2013

<table>
<thead>
<tr>
<th>FY2013 Forecast</th>
<th>Int'l Revenue</th>
<th>Doms Revenue</th>
<th>Cargo &amp; Mail Revenue</th>
<th>Other Revenue</th>
<th>Fuel</th>
<th>Other Expense</th>
<th>FY2014 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>158.0</td>
<td>+19.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>140.0</td>
</tr>
</tbody>
</table>

Increased revenue +59.0 billions of yen

Increased Expenses ▲77.0 billions of yen
FOREX to have impact of ▲20 billion yen on profitability

<table>
<thead>
<tr>
<th>FY2013 Forecast</th>
<th>FY2014 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>FX(JPY/USD)</td>
<td>99.1</td>
</tr>
<tr>
<td></td>
<td>107</td>
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</tbody>
</table>

▲18 billions of yen

Impact From Currency Market

FY2013 Forecast

Revenue

Fuel

Expenses (Excl. Fuel)

Other Revenue

Other Expenses

FY2014 Forecast

Increased Other Profit
+2 billions of yen

FOREX impact ▲20 billions of yen
International Passenger Operations

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

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

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
Domestic Passenger Operations

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

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

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

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

#### Consolidated B/S

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY2013 Forecast¹</th>
<th>End of FY2014 Plan</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>1,310.0</td>
<td>1,387.0</td>
<td>+77.0</td>
</tr>
<tr>
<td>Balance of Interest-bearing Debt</td>
<td>132.0</td>
<td>101.0</td>
<td>▲31</td>
</tr>
<tr>
<td>Shareholders' Equity</td>
<td>676.0</td>
<td>723.0</td>
<td>+47</td>
</tr>
<tr>
<td>Shareholders' Equity Ratio (%)</td>
<td>51.6%</td>
<td>52.1%</td>
<td>+0.5pt</td>
</tr>
</tbody>
</table>

#### Consolidated C/F

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY2013 Forecast¹</th>
<th>FY2014 Plan</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow</td>
<td>246.0</td>
<td>221.0</td>
<td>▲25</td>
</tr>
<tr>
<td>Investment Cash Flow</td>
<td>▲171.0</td>
<td>▲195.0</td>
<td>▲24</td>
</tr>
<tr>
<td>Free Cash Flow ²</td>
<td>75.0</td>
<td>26.0</td>
<td>▲49</td>
</tr>
<tr>
<td>Financing Cash Flow</td>
<td>▲60.0</td>
<td>▲62.0</td>
<td>▲2</td>
</tr>
<tr>
<td>EBITDA</td>
<td>240.0</td>
<td>227.0</td>
<td>▲13</td>
</tr>
<tr>
<td>EBITDAR</td>
<td>272.0</td>
<td>253.0</td>
<td>▲19</td>
</tr>
</tbody>
</table>

¹ 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.

² Excludes deposit and withdrawal from deposit accounts.

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1. Not Changed from 31 Jan 2014 release
2. Excludes deposit and withdrawal from deposit accounts.
<table>
<thead>
<tr>
<th></th>
<th>Section</th>
<th>Page</th>
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</thead>
<tbody>
<tr>
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<td>Overview of Rolling Plan 2014 of Medium Term Management Plan</td>
<td>P.2</td>
</tr>
<tr>
<td>2</td>
<td>Approaches to our main themes</td>
<td>P.7</td>
</tr>
<tr>
<td>3</td>
<td>FY2014 Business Plan</td>
<td>P.15</td>
</tr>
<tr>
<td></td>
<td><strong>Appendix</strong></td>
<td>P.21</td>
</tr>
</tbody>
</table>
Hedging Ratio for Fuel Costs (As of End of FY2013)

Sensitivity for Fuel Costs (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

<table>
<thead>
<tr>
<th></th>
<th>Forecast FY2013</th>
<th>PLAN FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore Kerosene (USD/bbl)</td>
<td>120.6</td>
<td>125</td>
</tr>
<tr>
<td>FX Rate (JPY/USD)</td>
<td>99.1</td>
<td>107</td>
</tr>
</tbody>
</table>

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.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”.

Customer Loyalty rate, Word by Mouth rate: JCSI values (Japanese Customer Satisfaction Index) announced by Japan Productivity Center, Service Productivity and Innovation for Growth
Differentiating JAL to Survive Future Competition

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

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

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.

Contact:
Finance, Japan Airlines
+81-3-5460-3068
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