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.

JAL
JAPAN AIRLINES

Yoshiharu Ueki
President, 26 March, 2014

Today's Topics

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		Future Outlook	
Economy			
Bright signs of recovery in global and Japanese economies		**Global and Japanese economies continue recovery**	
Increase in foreign visitors to Japan	**Over 10 million visitors in 2013**	Demand Expansion	**Traffic growth expected, driven by robust internal/external economies, additional traffic by LCCs, etc.**
Rapid weakening of the yen	FY2012 USD1 JPY82.4 →**FY2013 JPY99.1** [1]	The weak yen continues	**Rolling Plan 2014 based on <u>USD1 JPY107</u>**
		Increase in Consumption TAX	**APR2014～:5%⇒8%、OCT2015～:8%⇒10% Temporary effect on Japanese economy expected**
Capacity			
Expansion of capacity		**Demand-Supply gap expected due to dramatic capacity increase**	
Additional domestic capacity	**Additional slots at Haneda Airport, deregulation of slots at Itami Airport**	Additional international capacity	**Expansion of international slots at Tokyo(Haneda/Narita)**
Additional capacity of LCCs	**Additional capacity of LCCs based in Narita/Kansai Airport**	Expansion of Shinkansen network	**Development of a new Shinkansen network (Hokuriku/Hokkaido) Demand switch is expected**

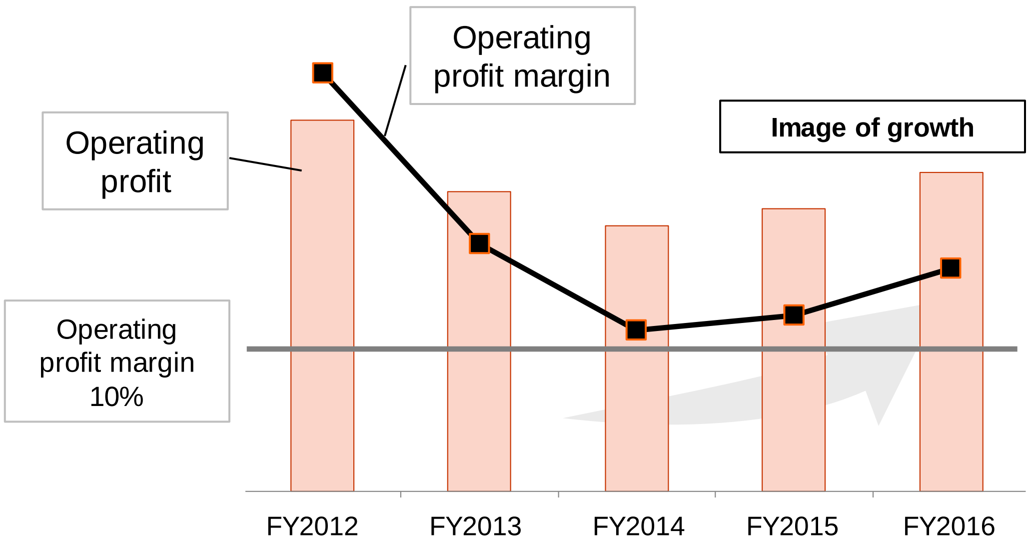
1 Based on FY2013 Apr-Dec: Results /Jan-Mar USD1 JPY100

- The global and Japanese economies show signs of recovery, which is good news for the airline business.
- We expect recovery of both domestic and overseas economies from FY2014 onwards. On the other hand, the rapid weakening of the yen is expected to push costs up including fuel costs to affect our profits.
- As the additional flight slots at Tokyo metropolitan airports and the increase in capacity of LCCs will further add capacity, we expect the supply-demand balance to be eased on both international and domestic routes, resulting in severer competition and a tough business environment.

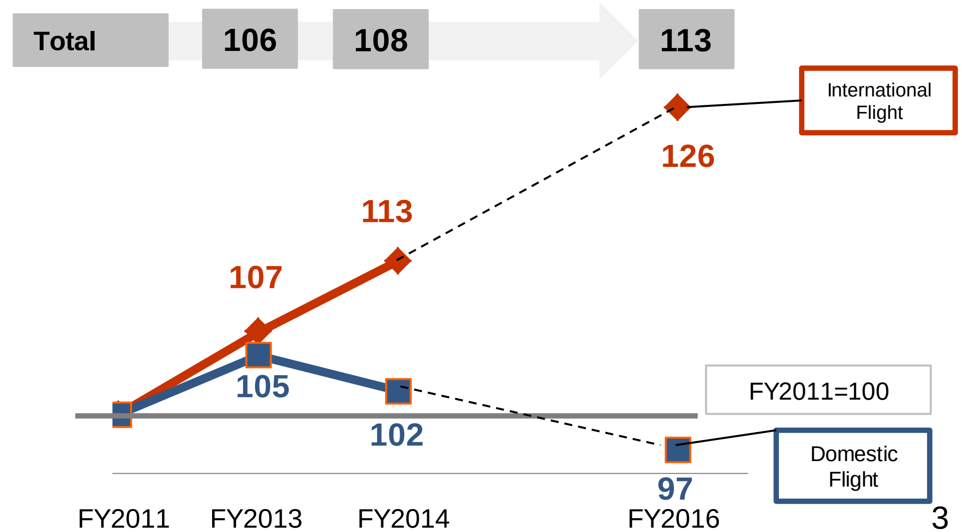
Positioning of Each Fiscal Year

Steadily Achieve Our Management Targets to Achieve Growth from FY2015

Review	Future Plan	
FY2012-2013	**FY2014**	**FY2015-2016**
A year that our ability to execute the high-profitability was tested	**A period of establishing a firm business foundation to achieve "growth" in revenue and profit**	**A period to achieve Management Targets and start new growth**
We expect to achieve operating profit margin of 10%+ in FY2013 , but lower earnings on higher revenues		



ASK Plan



- Fiscal years 2012 and 2013 were the period when our ability to establish a high profitability management was tested. We expect to achieve an operating profit margin of over 10% in FY2013 with lower earnings on higher revenues.
- Fiscal year 2014 is defined as a period to steadily achieve the management goals set out in the Medium Term Management Plan, and prepare for growth, both in revenue and profit. Fiscal year 2015 to 2016 will be a period to realize new growth and complete the Medium Term Management Plan.

Maintain Flight Safety

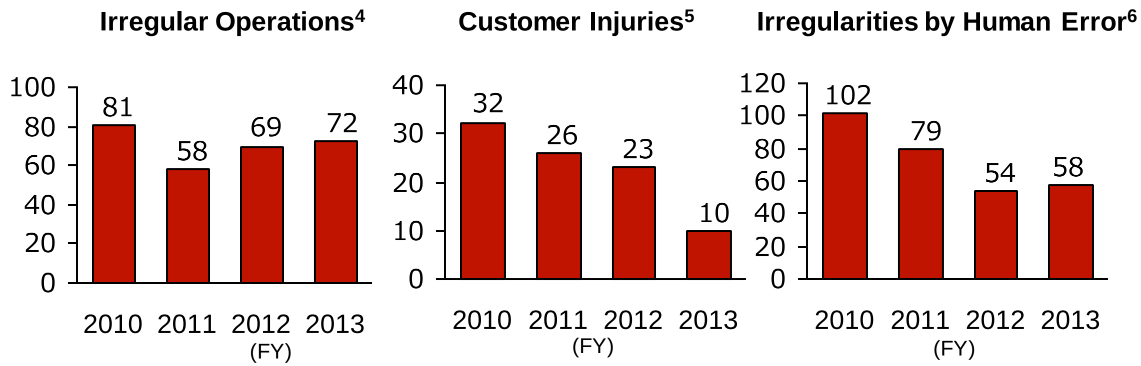
Taking One Record of "Serious Incident" As an Important Issue, Enhance to Accumulate the "Layers of Safety"

Key Indicators

Achieve "Zero Aircraft Accidents[2] and Serious Incidents[3]"

Results

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"

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.

- For JAL Group's safety targets, we have aimed for zero aircraft accidents and zero serious incidents. Although we did not have any aircraft accidents in FY2013, we regretfully recorded one serious incident.
- Customer injuries have steadily decreased, but irregular operations and irregularities caused by human errors still occur and have not been reduced.
- We take this fact seriously, and will do our best to investigate into the cause, implement countermeasures and improve the performances.

Progress of Management Targets –2–
No. 1 in Customer Satisfaction

Making Steady Progress to the Target

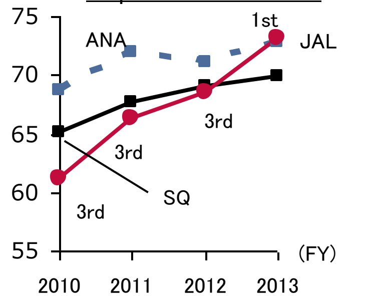
Key Indicator

Achieve "Customer Satisfaction No.1" by FY2016

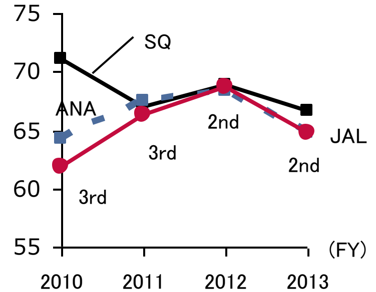
Result

International Routes

Repeat Intention Rate

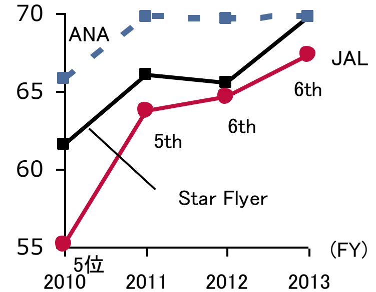


Recommendation Intention Rate

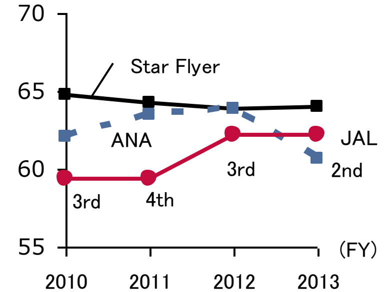


Domestic Routes

Repeat Intention Rate



Recommendation Intention Rate



Review

- **Our activities across the department resulted to achieve the best ranking for on-time arrival performance[1] 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**

ON-TIME PERFORMANCE WINNER FLIGHTSTATS 2013 SERVICE AWARDS

1 2013 On-time Performance Service Awards awarded by Flight Stats

- In achieving the number one airline for customer satisfaction too, every staff worked diligently to improve service in order to achieve this goal by FY2016.
- In 2013, we were named the world’s most punctual airline for the second consecutive year, and we also came in the first place for Customer Loyalty in the JCSI survey. In this way, we are pressing forward steadily towards our goal.

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

- Our financial goals are achieving an operating profit margin of 10% and above for five consecutive years, and an equity ratio of 50% and above at the end of FY2016. In FY2013, we made steady progress according to our plan, and expect to report an operating profit margin of 10% and more in FY2013.
- We aim to maintain this level in fiscal year 2014, but we are aware of the issue of lower earnings with higher revenues. We will plan to increase both revenues and earnings from FY2015 onwards.
- We aim for financial management based on three pillars, “investment, accumulating internal reserves and passing on returns to our shareholders.”

Toshiaki Norita

Managing Executive Officer

Corporate Planning

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Today's Topics

Safety Initiatives

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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 Monitoring[1] and Safety Performance Monitoring[2]**
- **Hold common education seminars on Safety Management Systems for all JAL Group staff starting FY2015**

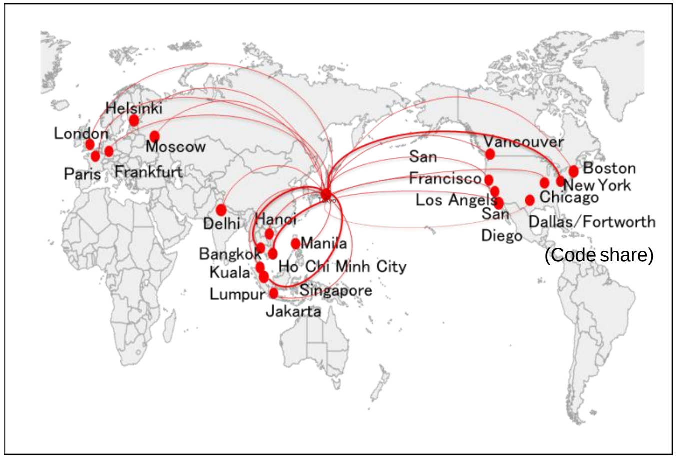
1 Proactive framework to detect a potential contributory factor of defect
2 Framework to comprehend the status of Safety Management System in a quantitative way

- In order to develop human resources to maintain safety, we have conducted JAL Group Safety Education, and as of date, about 70% of all JAL Group staff have completed the course.
- To nurture a culture to maintain safety, we upgraded our safety database, and thus evolved systems for maintaining safety. We also reminded all staff of our non-punitive reporting policy concerning human errors so that they may speak out frankly about their errors.
- In FY2014 onwards, we will continue our safety education courses, and also plan to provide education courses on the safety management system to all JAL Group staff from fiscal year 2015 to further deepen our safety initiatives.

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

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)

- We aim to build a highly convenient network to connect regions in Japan, and bridge Japan and the world, on verifying profitability of each route, without merely pursuing business expansion.
- We will develop our international route network by launching flights from Haneda to London, Paris, Singapore, Bangkok and Ho Chi Minh City as well as adding flights from Narita to New York and Moscow. In domestic routes, we will increase frequency on the Haneda and Yamagata route and resume services on selected local routes.

Products and Services

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

Review

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

Services

- 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


SKY SUITE 777 Business class


Inflight meals for Business Class

JAL SKY Wi-Fi


SKY NEXT Economy class

-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)

- On international flights, under the themes “high quality and full service” and “a class above the highest quality”, we refurbished seats on the 777 aircraft and the 767’s, and expanded routes available with JAL SKY Wi-Fi.
- On domestic flights, under the themes “convenient and simple”, we aimed to provide a convenient and simple travel experience.
- In fiscal year 2014, in international passenger operations, we will introduce JAL SKY SUITE services on the 787 aircraft, and expand routes offering JAL SKY Wi-Fi. As for domestic passenger operations, we will start to introduce JAL SKY NEXT on a total of 77 aircraft, and to offer the first inflight Wi-Fi services on domestic flights.

Unit Revenue

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)	International flights : maintain FY2013 level
Domestic flights	Attractive fare strategy and new products	Domestic flights : +3% vs FY2013

Improve route network, products and services

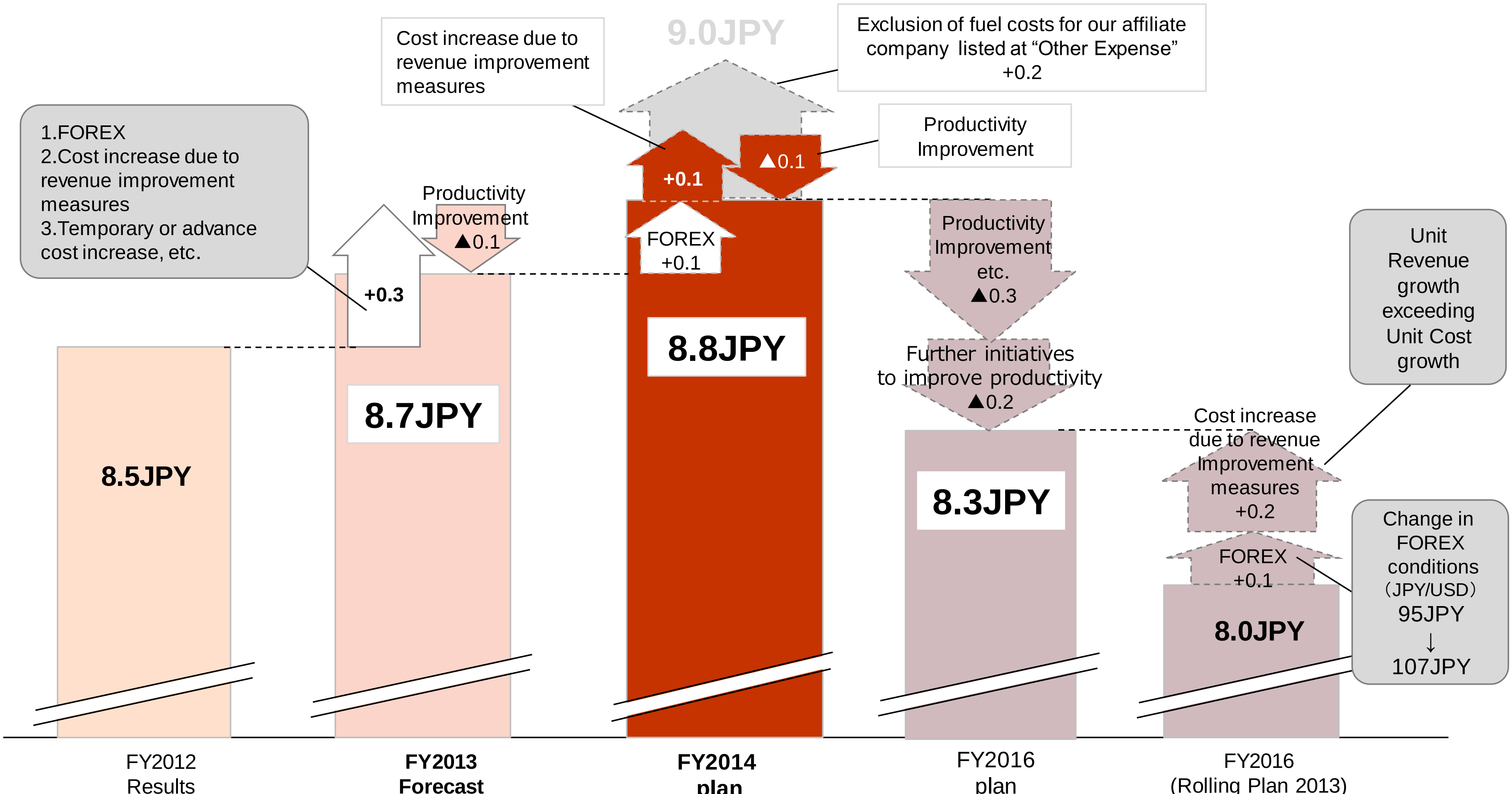
- Improve revenue management
- Adjust aircraft capacity to traffic

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

- From fiscal year 2013, we have introduced Unit Revenue as a key performance indicator with the aim to maximize revenues.
- In fiscal year 2013, Unit Revenue in international passenger operations is seen to increase by 3% from the previous year through revenue management and the launching of new products, which pushed up yield and the load factor.
- On the other hand, in domestic passenger operations, due to capacity growth at Haneda and Itami airports, intensified competition including that with Shinkansen rail services and an increase in group passengers whose yields are relatively low, Unit Revenue is expected to decline by 2%.
- In fiscal year 2014, we will partly upgrade important systems such as our revenue management system, provide attractive fares and flexibly balance capacity to demand in order to improve Unit Revenue.

Cost Competitiveness and Unit Cost[1]

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

■In fiscal year 2013, Unit Cost is expected to increase from 8.5 yen in the previous year to 8.7 yen, because of foreign exchange rates and other factors. As the weakening of the yen is seen to continue in fiscal year 2014, Unit Cost is expected to rise to 9.0 yen, together with various effects. This includes 0.2 yen for revenues and expenses respectively relating to transactions with a related company, and in effect, we expect Unit Cost to come to 8.8 yen in fiscal year 2014.

■In the previous Rolling Plan 2013, we set the target of 8.0 yen in Unit Cost by fiscal year 2016. In this Rolling Plan 2014, we will aim for 8.3 yen because we expect an increase of 0.2 yen due to measures for achieving Unit Revenue growth that exceeds Unit Cost growth. An increase of 0.1 yen due to foreign exchange rates is also included in the calculation.

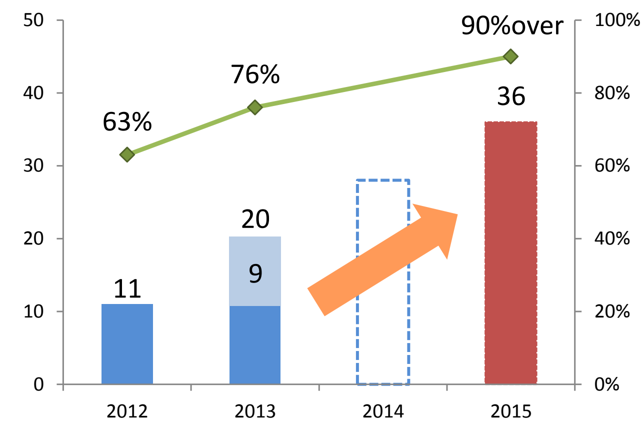
Productivity Improvement

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.**

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.)**

- In fiscal year 2013, the divisional profitability management system was introduced to nine subsidiary companies, bringing the total to 20 JAL Group companies adopting this management system.
- While best utilizing this management system in JAL Group, we will maintain JAL Group staff numbers at the current level, and promote acquiring multi-skills to improve productivity. We will also improve the utilization of aircraft, enhance parts inventory management and save as much fuel in order to use our operational resources efficiently.

Aircraft Strategies

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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

	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

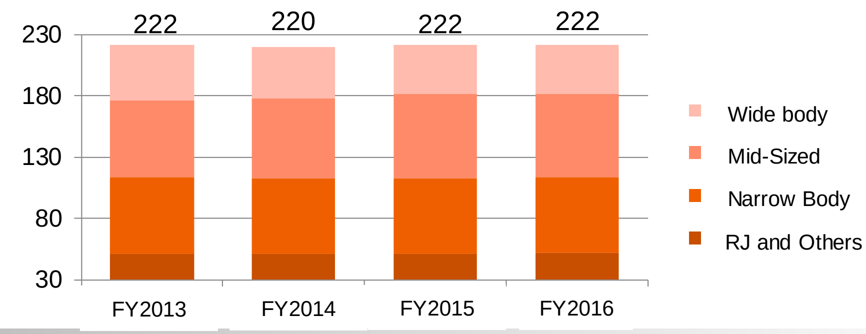
	In possession	
777's	End of FY2013 : **46** (planned)	By end of FY2015 ▲**6 aircraft** (domestic specs)
767's	End of FY2013 : **47** (planned) (**1 aircraft** retired in FY2013)	By end of FY2016 ▲**12 aircraft**

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

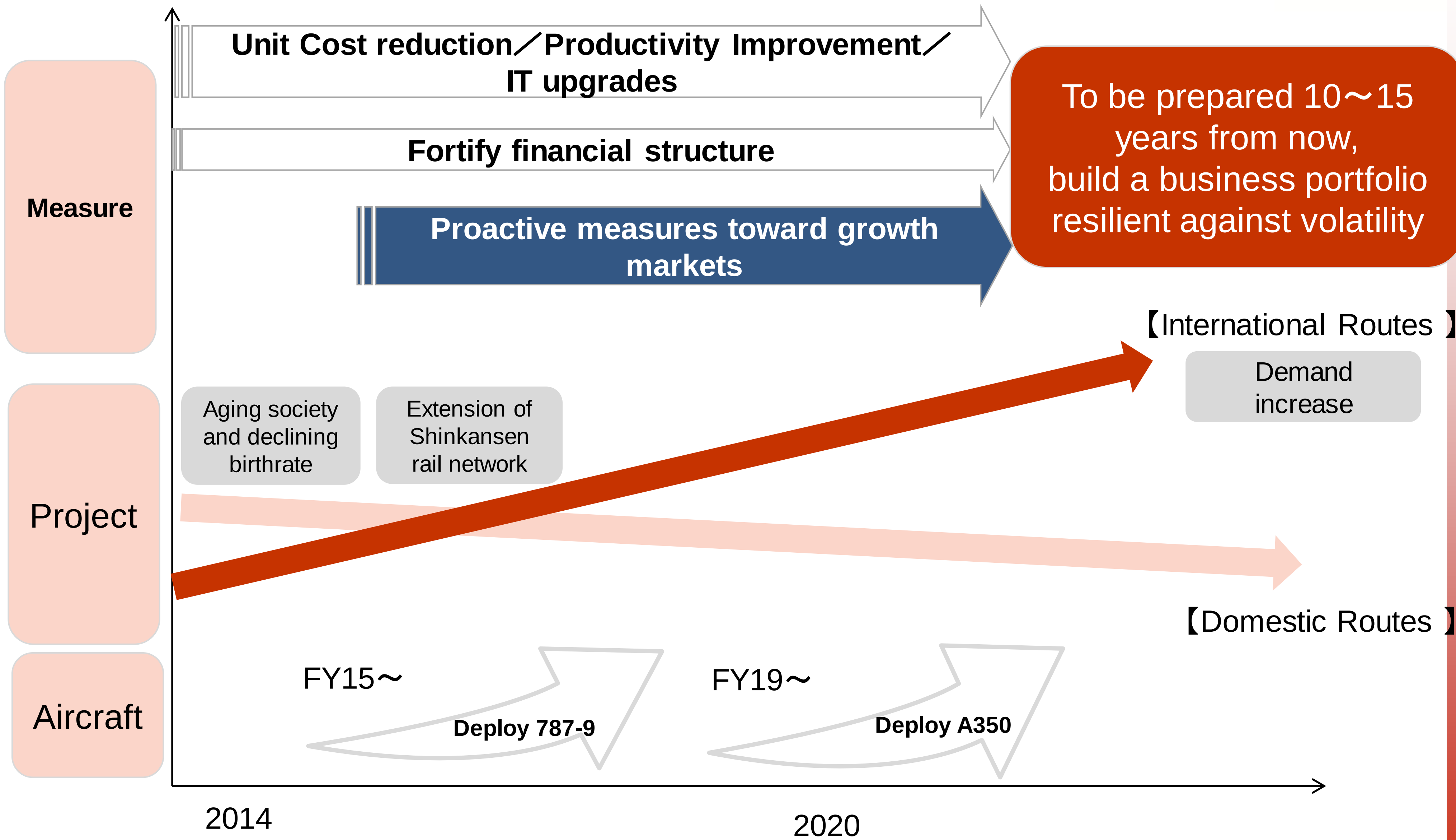


■We will be deploying new highly fuel-efficient aircraft, and steadily retiring older aircraft.

■In FY2013, we received delivery of eight 787's, and from FY2014, plan to receive delivery of five 787-8's. In FY2015, the delivery of the stretched 787-9 will begin, and at the end of FY2016, we will have received a total of thirty-three 787's.

■As for the retirement of older aircraft, six 777's and twelve 767's will be retired by the end of FY2015 in order to improve fleet efficiency.

Activities Beyond the Medium Term



- Last October, we announced our decision to purchase the airbus A350 to replace old aircraft on medium- and long haul routes. The background for this is the increase in international traffic driven by the robust Japanese and global economies. Therefore, we chose the Airbus A350 as the next generation aircraft.
- As the airline industry is more volatile than other industries, and changes take place more swiftly, in addition to implementing various measures considering current conditions, we will proactively consider measures in growth markets utilizing JAL Group’s strengths so as to create a business portfolio that is resilient to volatility, and be prepared for 10 to 15 years from now.

Norikazu Saito

Managing Executive Officer
Finance& Accounting

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Today's Topics

Revenue and Expenditure Plan FY2014

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.

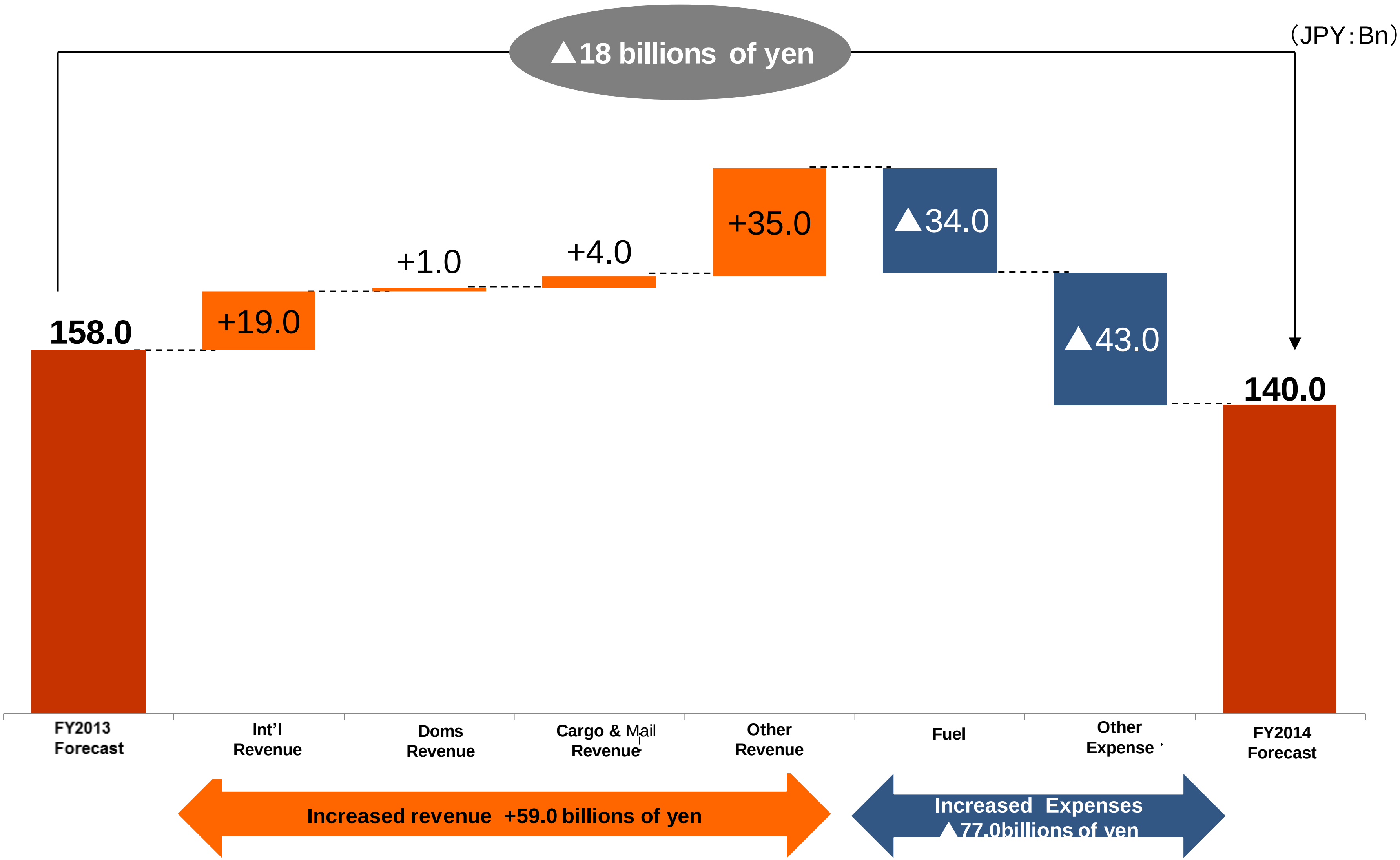
■As regards capacity, which is the basis of our revenue and expenditure plan, in fiscal year 2014 we expect international capacity growth of 4.8%, and domestic capacity reduction of 2.5% compared to the previous year.

■We expect operating revenue to rise to 1350 billion yen, up from our 2013 forecast, while operating profit will decline by 18 billion yen to 140 billion yen, taking into account an increase in costs on the basis of 107 yen to the US dollar.

■We expect a decrease in profit for two consecutive years and apologize sincerely for this.

FY2014 Operating Profit

In FY2014 Operating Profit, down18 billion yen from FY2013



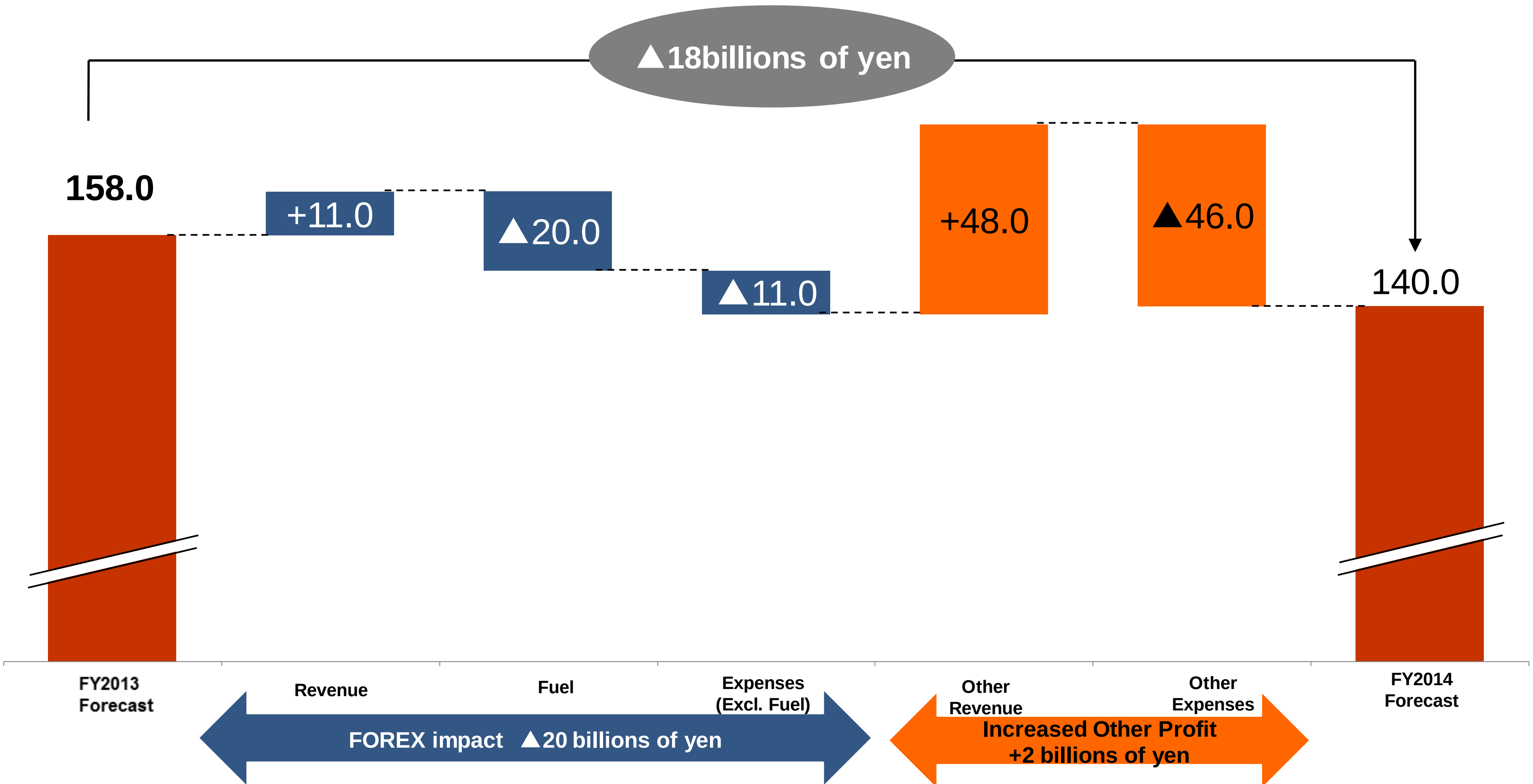
- Regarding revenues, international and domestic passenger revenues will increase by 19 billion yen and 1 billion yen respectively from the previous year. Including other revenues, we expect an increase in revenue of 59 billion yen in total.
- As for expenses, we see the escalation of fuel costs to continue due to the weaker yen and rising fuel prices, to increase by 34 billion yen from FY2013. Other expenses are also expected to increase by 43 billion yen, driven by an increase in engines maintenance, an increase in maintenance costs because of the weaker yen, and capacity growth in international routes etc.. We will strive to keep costs down through productivity improvement measures.
- As a result, operating profit is expected to decline by 18 billion yen to 140 billion yen.

Impact From Currency Market

FOREX to have impact of ▲20 billion yen on profitability

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

(JPY:Bn)



- The weaker yen is expected to impact our operating profit forecast of 158 billion yen for fiscal year 2013 by minus 20 billion yen in FY2014.
- As for other revenues and expenses, other revenues increased by 48 billion yen while other expenses increased by 46 billion yen, which is plus 2 billion yen on a profit basis.
- Approximate 20 billion yen of the increased portion of other revenues and other expenses respectively was reported as revenues and expenses relating to transactions with a related company.

International Passenger Operations

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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

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- For our network strategies, we will increase daytime international flights at Haneda, a hub for domestic and international transfers, to meet robust demand from overseas and regional Japan. At Narita airport, which is a hub for international-to-international connections, we will increase frequency of New York flights to meet strong traffic between North America and Asia.
- As for our product strategies, we will concentrate our resources on medium- and long-haul routes. For example, we will expand JAL SKY SUITE routes, and deploy aircraft fitted with full-flat or Shell-flat seats on medium- and long-haul Southeast Asia and Honolulu flights.
- We expect ASK to increase by 4.8% and RPK by 2.6% from the previous year's estimates.
- Driven by robust demand of business travelers, traffic growth on medium- and long-haul routes to Europe and Southeast Asia, and an increase in unit price of inbound passengers from overseas owing to the weaker yen, yield and unit price are expected to rise by 1.8% and 3.6% respectively. As a result, passenger revenue is expected to increase by 4.4% from our previous year estimate of 432 billion yen.

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**

	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

- Given the competitive environment where the supply and demand balance will gradually be eased, we will develop our route network with a focus on improving our competitive advantage.
- We will improve our regional network, such as increasing frequency between Haneda and Yamagata using the Policy Contest slots. We will also resume services on six routes with the cooperation of regional communities, on verifying viability of route operations. To improve flexibility in balancing capacity to traffic and enhance inflight human services, JAL and JAL Express will be integrated to further increase the customers' preference for JAL.
- As for product strategies, we will launch JAL SKY NEXT, a newly configured aircraft with revamped cabin interiors as well as JAL SKY Wi-Fi, the first ever inflight Internet service on domestic flights.
- Driven by intensified competition, ASK and RPK are expected to decline by 2.5% and 0.5% respectively compared to the previous year estimates. However, through attractive fares, innovative new products and flexible balancing of capacity to demand, yield and unit price are seen to increase by 0.6%. We expect to achieve a similar level of domestic passenger revenue as the year before.

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 Flow [2]	▲171.0	**▲195.0**	▲24
Free Cash Flow [2]	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.

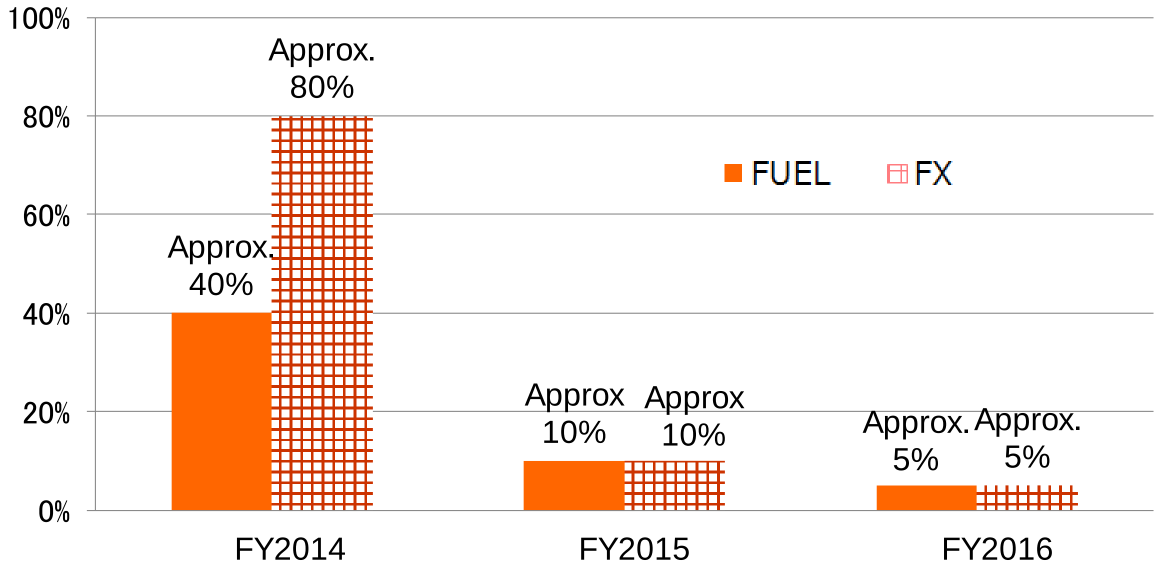
1. Not Changed from 31 Jan 2014 release
2. Excludes deposit and withdrawal from deposit accounts.

- First, our equity ratio for fiscal year 2014 is expected to increase by 0.5 points to 52.1 % as a result of reporting net profit.
- Interest-bearing debts are expected to decline from the end of the previous fiscal year by 31 billion yen to 101 billion yen, as we will plan to steadily repay lease obligations and long-term loans.

- In fiscal year 2014 onwards, we will strive to maintain our equity ratio level at 50% and continue to improve our financial stability.

《Ref.》Impact from Fuel and Currency Markets

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



Sensitivity for Fuel Costs[1] (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

《Ref.》Points of the Medium Term Management Plan FY2012-2016

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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[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 Customer Loyalty rate, Word by Mouth rate: JCSI values (Japanese Customer Satisfaction Index) announced by Japan Productivity Center, Service Productivity and Innovation for Growth

《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	Route Network, Products and Services	Cost Competitiveness
➢ Concentrate on Full Service Carrier business (Clearly differentiated from LCC business which offers our complementary network)	➢ Not merely pursue expansion, but enhance our route network, products and services to provide customers with a fresh and moving travel experience	➢ Continue efforts to reduce costs and maintain cost competitiveness by improving productivity and penetrating the divisional profitability management system

Review

Enhancement of JAL Brand

- ➢ **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**

Route Network, Products and Services

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

DOMS: **Balance capacity and traffic flexibly**

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

JAL SKY Wi-Fi

Cost Competitiveness

- ➢ **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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