Fiscal Years 2012-2016
JAL Group Medium Term Management Plan
Rolling Plan 2015
- To The Next Growth Stage Upon Establishing
  A High Profitability Structure -

February 18, 2015
Yoshiharu Ueki
Today’s Program

1 Outline of Medium Term Management Plan
   Rolling Plan 2015
   - Points of Medium Term Management Plan
   - Three Differentiations to Survive Future Competition
   - Outlook for Business Environment
   - Positioning of Each Fiscal Year
   - Progress of Management Targets

2 Major Initiatives

3 Business Plan for FY2015

References
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 experience for customers. We aim to achieve “No. 1 in Customer Satisfaction” 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%+ operating margin for 5 consecutive years and 50%+ equity ratio in FY2016”.

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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
On this page, I will explain a few points of JAL Group’s Medium Term Management Plan.

First, we have positioned the five years from fiscal year 2012 to fiscal year 2016 as a period to progress to the next growth stage upon establishing a high profitability structure.

In our plan, we will differentiate ourselves in three areas to survive future competition, address five priority issues to distinguish JAL from other airlines, and consequently, achieve our three management targets.

In order to realize growth as a full service carrier, we believe that it is important to differentiate ourselves to survive future competition.
Three Differentiations to Survive Future Competitions

**Differentiate ourselves from competitors and make steady 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)
- Improved customer satisfaction indicators
- Still necessary to improve safety and on-time arrival performance indicators

#### 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
- Expanded “JAL SKY SUITE” routes for International routes and introduced “JAL SKY NEXT” for Domestic

#### Cost Competitiveness
- Continue efforts to reduce costs and maintain cost competitiveness by improving productivity and penetrating the divisional profitability management system
- Continued to improve our productivity
- Unit Cost in FY2014 is expected to be 8.8 yen
There are three areas for differentiating JAL from our competitors, that is, “Enhancement of the JAL Brand,” “Route Network, Products and Services,” and “Cost Competitiveness.”

Looking back over this fiscal year, the third year of our medium term plan, we have concentrated on our business as a full service carrier and continuously strived to increase the customers’ convenience and improve productivity.

We will continue to differentiate ourselves in order to create growth as a full service carrier and survive future competition.
Outlook for Business Environment

Supply-demand balance to gradually improve, but the weaker yen and jet fuel price fluctuations to affect profitability

Review

Supply-demand balance eased, the weaker yen, falling jet fuel prices affected profitability

Overseas visitors to Japan increased significantly
Front-loaded increase in demand prior to consumption tax hike and reactionary decline in demand

Outlook for FY2015-2016

Supply-demand balance to gradually improve

Total demand for passengers to continue growing

Capacity expansion to slow down

Expansion of LCC businesses, Development of Shinkansen, bullet trains, network

JAL to grow and survive future competitions with “autonomy”, “embrace new challenges” and “speed”

Built the high-profitability and developed the business foundation

Improved Route Network, Product and Services, Productivity

Increased capacity by both Japanese and foreign carriers

Additional international slots at Tokyo metropolitan airports
Increased domestic capacity by other Japanese carriers and LCCs

Our Actions

Continued weaker yen and jet fuel price fluctuations
On this page, I will explain the business environment during the period of our medium term plan.

First, the airline industry faced economic conditions which significantly affected profitability, such as weakening of the Japanese yen and fluctuations in jet fuel prices.

In fiscal year 2014, total capacity for both international and domestic flights increased significantly, but we do not expect such capacity expansion as this from fiscal year 2015 onwards.

Though the exchange rate and jet fuel prices could affect our profitability, we expect the supply-demand balance to gradually improve due to an increase of foreign visitors to Japan, and so on.
Positioning of each fiscal year

FY2015 and FY2016 is a period to achieve Management Targets

**FY2012-2013**
A period that our ability to build the high-profitability was tested

**FY2014**
A Period to develop the business foundation for new growth

**FY2015-2016**
A period to achieve our Management Targets and start new growth

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**Change in ASK**

<table>
<thead>
<tr>
<th>Year</th>
<th>International</th>
<th>Domestic</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>100</td>
<td>103</td>
<td>103</td>
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<td>FY2012</td>
<td>104</td>
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<td>FY2013</td>
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<tr>
<td>FY2014</td>
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<td>109</td>
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</tr>
<tr>
<td>FY2015</td>
<td>114</td>
<td>111</td>
<td>114</td>
</tr>
<tr>
<td>FY2016</td>
<td>118</td>
<td>111</td>
<td>118</td>
</tr>
</tbody>
</table>

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**Growth Image**

Operating Profit Margin

Operating Profit

Estimate

Plan

Outlook
■ On this page, I will explain the positioning of each fiscal year in our Medium Term Management Plan.

■ Fiscal year 2014 is positioned as a period to develop the business foundation for new growth, in other words, higher earnings on higher revenues. We are expecting operating profit to increase over the previous fiscal year.

■ Fiscal year 2015 onwards is positioned as a period to achieve our Medium Term Management Plan and realize new growth.
Progress of Management Targets – (1) Flight Safety

We seriously accept the fact that 2 Aircraft Accidents occurred We will rigorously investigate the cause and implement countermeasures

Key Indicators

Achieve “Zero Aircraft Accidents\(^1\) and Serious Incidents\(^2\)”

Results

<table>
<thead>
<tr>
<th>Indicators</th>
<th>FY2013</th>
<th>FY2014(^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft Accidents(^1)</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Serious Incidents(^2)</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Review

- In FY2014, 2 Aircraft Accidents occurred, in which cabin attendants sustained injury due to turbulence during flight.
- We will deal with indirect causal factors in the background in addition to direct causal factors, regarding “Irregular Operations”, “Customers’ Injuries”, and “Irregularities by Human Error”

1. Fatal or serious human injury as a result of aircraft operations, aircraft crash, collision or fire, damage which needs major repair works, etc.
2. An incident involving circumstances that there was a high probability of an accident, such as overrunning and emergency evacuation.
3. As of 10 FEB, 2015
4. Diversion, air turn back, etc. for safety reasons after pilots have responded in accordance with the manual and the event does not lead immediate safety issues
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 errors 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.
On this page, I will review our management targets.

Regarding our safety initiatives, thirty years will have passed this year since the Mt. Osutaka accident. We will continue to put in joint efforts to maintain flight safety, which is the foundation of JAL Group’s existence.

In fiscal year 2014, we have had two aircraft accidents in which cabin attendants sustained injury. Taking this fact seriously, we will investigate into the cause of the accidents and rigorously implement countermeasures.
Efforts to improve our services resulted in the top ranking in both Repeat Intention Rate and Recommendation Intention Rate of int’l flights, and a high score in both rates of domestic flights.

On-time performance was 4th in the world and the best in Asia-Pacific in 2014.

Customer Loyalty: The customer’s intention to receive the service next time

Word of Mouth: The customer’s intention to share the experience with family, friends or other people through blogs, etc.

Flight Stats: On-time Performance Service Awards
■ We achieved high levels of customer satisfaction for both international and domestic operations.

■ Our on-time performance in 2014 ranked the first in the Asia-Pacific region but the fourth in the world.

■ We will continue to enhance our services through every staff’s efforts and aim to rank No. 1 in Customer Satisfaction in our industry by Fiscal Year 2016.
### Progress of Management Targets (3) – Financial

#### Financial targets

**Review**

We expect to achieve 10%+ operating profit margin and 50%+ equity ratio in FY2014

**Future Outlook**

We will strive to improve profitability in FY2015 as well to achieve operating profit margin of over 10%

### Achieve “10% or above operating profit margin for 5 consecutive years and 50% or above equity ratio in FY2016”

<table>
<thead>
<tr>
<th>Unit: JPY Bn</th>
<th>FY2013 Results</th>
<th>Rolling Plan 2014</th>
<th>FY2014 Estimates</th>
<th>Rolling Plan 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>1,309.3</td>
<td>1,350.0</td>
<td>1,342.0</td>
<td>1,328.0</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>1,142.5</td>
<td>1,210.0</td>
<td>1,175.0</td>
<td>1,156.0</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>166.7</td>
<td>140.0</td>
<td>167.0</td>
<td>172.0</td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>12.7%</td>
<td>10.4%</td>
<td>12.4%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>157.6</td>
<td>135.0</td>
<td>164.0</td>
<td>169.0</td>
</tr>
<tr>
<td>Net Income</td>
<td>166.2</td>
<td>115.0</td>
<td>139.0</td>
<td>144.0</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>690.2</td>
<td>723.0</td>
<td>765.0</td>
<td>887.0</td>
</tr>
<tr>
<td>Shareholders’ Equity Ratio</td>
<td>51.5%</td>
<td>52.1%</td>
<td>52.4%</td>
<td>56.5%</td>
</tr>
<tr>
<td>Singapore Kerosene (USD/bbl)</td>
<td>121.5</td>
<td>125.0</td>
<td>112.6</td>
<td>80.0</td>
</tr>
<tr>
<td>Dubai Crude (USD/bbl)</td>
<td>104.7</td>
<td>107.0</td>
<td>97.4</td>
<td>63.0</td>
</tr>
<tr>
<td>FX Rate (JPY/USD)</td>
<td>99.9</td>
<td>107.0</td>
<td>106.3</td>
<td>118.0</td>
</tr>
</tbody>
</table>

1. Net Income for FY2015 is calculated using Net Income Attributable to Japan Airlines

### Key Financial Policies

**Investment expenditures**

- **Review**: Continued to introduce 787, revamped cabin interiors, updated IT systems, etc.

**Future Action**: Positively invest after examining effects of investments

**Internal Reserves**

- **Review**: Equity ratio of 52.4% at the end of FY2014

**Future Action**: Equity ratio of over 50% at the end of FY2016

**Returns to Shareholders**

- **Review**: Upgraded to approx. 25% of consolidated net income excluding Income Tax-Deferred

**Future Action**: Maintain/improve considering Free Cash Flow, Financial conditions and Capital efficiency

### Investment Expenditures, Internal Reserves and Returns to Shareholders
As for our financial targets, we aim for a profit margin of 10% or above for 5 consecutive years and an equity ratio of 50% or above by the end of fiscal year 2016.

Through continued efforts to improve profitability, we have achieved an operating profit margin of more than 10% each fiscal year, and aim to increase earnings and achieve a profit margin of 13% next fiscal year.

As for our dividend policy, as was announced on January 30, we plan to raise the current payout ratio of 20% to that of 25% from this fiscal year. Our key financial policies will remain as “Investment Expenditures, Internal Reserves and Returns to Shareholders”.
Today’s Program

1. Outline of Medium Term Management Plan Rolling Plan 2015

2. Major Initiatives
   - Safety Initiatives
   - Route Network / Products and Services
   - Unit Revenue
   - Cost Competitiveness and Unit Cost
   - Productivity Improvement
   - Aircraft Strategies


References
Safety Initiatives

Thirty years from Mt. Osutaka Accident
We will build a Safety Management System with the world’s highest standards and ensure that every JAL Group staff acts with adequate knowledge and a high awareness for safety.

<table>
<thead>
<tr>
<th>Review</th>
<th>Future Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop Human Resources</td>
<td>Start group-wide Safety Management System Education</td>
</tr>
<tr>
<td>- Identified staff’s individual strengths and vulnerabilities to use in education and training</td>
<td>- Continue ongoing measures centering on Safety Leaders and build a safety management system through consolidated efforts</td>
</tr>
<tr>
<td>- Implemented human error preventive measures, centering on workplace Safety Leaders</td>
<td></td>
</tr>
<tr>
<td>Evolve Systems</td>
<td>Instill a framework to quantitatively assess safety performance</td>
</tr>
<tr>
<td>- Developed Normal Line Operation Monitoring and Safety Performance Monitoring</td>
<td>- Promote proactive risk management using the new risk assessment method</td>
</tr>
<tr>
<td>- Introduced a framework for risk assessment of safety issues</td>
<td></td>
</tr>
<tr>
<td>(New Risk Assessment Method)</td>
<td>(New Risk Assessment Method)</td>
</tr>
<tr>
<td>Cultivate Culture</td>
<td>Start safety awareness education for new recruits and new managerial staff</td>
</tr>
<tr>
<td>- Completed JAL Group Safety Education (planned) (35,000 staff incl. entrusted company personnel)</td>
<td>- Implement measures to instill a “culture of polishing manuals” and a “culture of reporting”</td>
</tr>
<tr>
<td>- Made manuals easier to use</td>
<td></td>
</tr>
<tr>
<td>- Raised staff awareness of the importance of reporting</td>
<td></td>
</tr>
</tbody>
</table>

- Start safety awareness education for new recruits and new managerial staff
- Implement measures to instill a “culture of polishing manuals” and a “culture of reporting”
First, I will explain our “Safety Initiatives”.

It will be thirty years this year since the Mt. Osutaka accident. We will maintain flight safety by increasing knowledge and awareness for safety of every staff.

To accumulate our safety layers as mentioned in our medium term plan, we will address three issues, that is, develop human resources to secure safety by improving our education programs, evolve systems to realize proactive risk management, and cultivate a safety culture including activities to raise staff awareness.
## Route Network

We will not simply pursue expansion, but build highly convenient network with profitability.

### Review

**International**
- Focus our resources to mid/long haul routes
- Launched daytime service between Haneda=London, Paris, Singapore and Bangkok
- Launched midnight service between Haneda=Ho Chi Minh City
- Increased frequency between Narita=New York and Jakarta
- Launched Chubu=Bangkok and Kansai=Los Angeles
- Finnair joined the Joint Business between Europe and Japan

**Domestic**
- Increased frequency between Haneda=Yamagata as we were chosen in a Policy Contest
- Resumed 6 regional routes in the summer schedule with the cooperation of each region
- JAL merged with JAL Express (JEX)
- Hokkaido Air System (HAC) became a Group Airline

### Future Action

- Expand medium and long haul routes, with anticipation of increased demand between North America and Asia
- Expand “JAL SKY SUITE” routes
- Assign suitable size of aircraft to match demand, increase passenger convenience and profitability
- Expand “JAL SKY NEXT” routes
- Continue to operate 6 regional routes in summer as in FY2014
On this page, I will explain our route network strategies.

We will not seek expansion of scale, but rather examine the profitability of each route, expand routes operated by new aircraft such as JAL SKY SUITE and JAL SKY NEXT, and such in order to build a highly convenient and comfortable domestic network and global network that connects Japan and the world.

For international flights, we will expand our network of medium and long-haul routes, and for domestic flights, we will flexibly balance supply to match demand to increase the customers’ convenience and comfort and improve profitability.
### Products and Services

We will provide products and services that deliver a refreshing and inspirational travel experience on every journey.

<table>
<thead>
<tr>
<th>Review</th>
<th>Future Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human Service</strong></td>
<td></td>
</tr>
<tr>
<td><strong>JAL Philosophy</strong></td>
<td></td>
</tr>
<tr>
<td>- Updated service quality evaluation system and conducted fine-tuned training by role</td>
<td>- Strive to improve human service, while reviewing effects of ongoing measures to see whether we are providing services that deliver a refreshing and inspirational travel experience or not</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td></td>
</tr>
<tr>
<td><strong>High Quality Full Service</strong></td>
<td>- Complete JAL Brand Seminar in FY2015</td>
</tr>
<tr>
<td>- Expanded “JAL SKY SUITE” routes</td>
<td>- <strong>Expand “JAL SKY SUITE” on 787 routes</strong></td>
</tr>
<tr>
<td>- Completed installment on 777-300ER/767s</td>
<td>- Fully-flat Business Class seats and spacious Economy Class seats (5cm wider seat/seat pitch)</td>
</tr>
<tr>
<td>- Started installment on 787s</td>
<td>- Deploy “JAL SKY Wi-Fi” on 767/787/777-200ERs</td>
</tr>
<tr>
<td><strong>Domestic</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Convenient Simple</strong></td>
<td>- Continue to expand “JAL SKY SUITE” primarily on 737-800 routes, and aim to install on all subject aircraft by FY2016</td>
</tr>
<tr>
<td>- Introduced “JAL SKY NEXT”</td>
<td>- <strong>Accelerate our efforts to improve customer preference by introducing “JAL Smart Style”, etc.</strong></td>
</tr>
<tr>
<td>- Revamped cabin interiors and LED cabin lighting</td>
<td></td>
</tr>
<tr>
<td>- Deployed “JAL SKY Wi-Fi”</td>
<td></td>
</tr>
<tr>
<td>- Installed First Class on 767s</td>
<td></td>
</tr>
<tr>
<td><strong>Mileage</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Easy to earn Easy to use</strong></td>
<td>- <strong>Improve user-friendliness</strong></td>
</tr>
<tr>
<td>- Increased opportunities to earn and use miles</td>
<td>- Review necessary miles depending on congestion</td>
</tr>
<tr>
<td>- Continued “Mile Flight”</td>
<td>- <strong>Expand new partnerships and services</strong></td>
</tr>
<tr>
<td>- Expanded new partnerships</td>
<td></td>
</tr>
<tr>
<td>- Tied up with SriLankan Airlines</td>
<td></td>
</tr>
</tbody>
</table>

#### Products and Services

1. Guide for basic attitudes and philosophy to manage JAL
On this page, I will explain our products and services.

We have expanded our international and domestic routes operated by newly configured aircraft offering inflight Internet services and added comfort onboard.

In addition, we have fine tuned our training courses and improved staff education programs in order to enhance soft elements of services such as human service.

We will continue to provide products and services in order to deliver a refreshing and inspirational travel experience to customers on every journey.
Unit Revenue (UR)

Maximize Revenue through improving the competitiveness

Review

**International**
Positively introduced new products, enhanced revenue management to increase yield, despite slightly lower L/F

**Domestic**
In addition to pricing measures and new products, flexibly balanced supply and demand to increase L/F (yield declined)

FY2014 UR vs PY approx. +1%
FY2014 UR vs PY approx. +2%

Future Action

**FY2015**

**International**
Revenue decrease by deducted Fuel Surcharge

**Domestic**
Expanding new products and adjusting supply with demand

International: UR vs PY approx. ▲5%
Domestic: UR vs PY approx. +1%

To increase both Revenue and Profit

- Improve route network, products and services to raise Unit Revenue exceeding Unit Cost by ratio
Unit revenue (UR) of international flights in fiscal year 2014 is expected to increase by about 1% year-on-year due to an increase in yield with a slightly lower L/F. On domestic flights, L/F increased though yield declined, and consequently, unit revenue is expected to increase by about 2% year-on-year.

Unit revenue of international flights in FY2015 is seen to fall by about 5% from the previous year due to a decline in fuel surcharge revenue.

Unit revenue of domestic flights in FY2015 is seen to increase by about 1% over the previous year through an expansion of routes offering new products and rigorous adjustment of supply and demand.
Cost Competitiveness and Unit Cost

Unit Cost expected to rise to 9.0 JPY for FY2015, but aim to reach 8.8 JPY (as in FY2014) for FY2016 by improving productivity.

- **Improving productivity**
  - FY2014 Estimate: 8.8 JPY
  - FY2015 New Plan: 9.0 JPY
  - FY2016 New Plan: 8.8 JPY

- **Enhancing services**
  - FY2014 Previous Plan: 8.8 JPY
  - FY2015 New Plan: 9.0 JPY
  - FY2016 Previous Plan: 8.3 JPY

- **FOREX**
  - FY2014 Previous Plan: 107.0 JPY/USD
  - FY2015 New Plan: 118.0 JPY/USD
  - FY2016 Previous Plan: 107.0 JPY/USD

- **Continuous cost reductions**
  - FY2014 Previous Plan: 0.1
  - FY2015 New Plan: 0.2

1 Unit Cost = Expenses of Air Transport Segment / ASK; cost to carry 1 seat for 1 km
- Unit Cost in fiscal year 2014 is expected to be 8.8 yen as initially planned.

- In fiscal year 2015, we will see Unit Cost rising to 9.0 yen due to the weaker yen, and such. But in fiscal year 2016, we aim to keep Unit Cost at the same level as FY2014, 8.8 yen, through continued efforts to improve productivity and minimize expenses.
Productivity Improvement

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

Expand / penetrate divisional profitability management system

- In FY2014, introduced the system to 6 companies (introduced to total 26 companies (including JAL))
- Aim to introduce to 36 Group companies by the end of FY2015 (including JAL). Penetrate awareness of “management by all”

Improving productivity

- Increase operational rate per person (vs py)
  Flight Operations Division (+4%): shorten period to transfer to different types of aircraft, optimal standby staff, ground duties with greater efficiency
  Cabin Attendants Division (+2%): efficient standby numbers, ground duties with greater efficiency, improvement in crew scheduling
- Improvement of productivity (vs py)
  Airports Division (+1%): promote multi-skilled staff, etc.
  Maintenance Division (+2%): improve aircraft quality, HRD, etc.

Efficient use of resources

- Improve aircraft quality, shorten maintenance period, etc. to increase utilization rate of aircraft (FY2014: vs py +2%)
- Promote Fuel Saving Project (Saved approx. 9.5 million pounds of fuel in FY2014/1H): improve operational methods, ground handling, aircraft performance and reduce aircraft weight including that of loads, etc.
- Use facilities / equipment efficiently, upgrade IT systems

Companies introducing divisional profitability management system

<table>
<thead>
<tr>
<th>Year</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>2</td>
</tr>
<tr>
<td>FY2012</td>
<td>11</td>
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<tr>
<td>FY2013</td>
<td>20</td>
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<tr>
<td>FY2014</td>
<td>26</td>
</tr>
<tr>
<td>FY2015</td>
<td>36</td>
</tr>
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</table>

Plan
Next, I will explain our activities to improve productivity.

We have continued our cost reduction initiatives such as expanding and penetrating the divisional profitability management system into JAL Group companies. We have also improved productivity by increasing the operational rate of aircraft and crew, conducting a fuel saving project, and so on in order to use our business resources efficiently.

We will continuously strive to reduce Unit Cost.
**Aircraft Strategies**

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

### New aircraft

- **787’s**
  - In possession
  - End of FY2014: 20 (planned)
  - (In FY2014: receive delivery of 5 aircraft)
  - FY2015 ~ start receiving delivery of stretched 787-9
  - As at end of 2016: 33 aircraft

- **A350’s**

- **MRJ’s**

### Old aircraft will be retired to increase efficiency, progressively renew aircraft of Group airlines

- **777’s**
  - In possession
  - End of FY2014: 43 (planned)
  - (3 aircraft retired in FY2014)
  - By end of FY2015: ▲3 aircraft (domestic specs)

- **767’s**
  - End of FY2014: 45 (planned)
  - (2 aircraft retired in FY2014)
  - By end of FY2016: ▲10 aircraft

### Group Airlines

- J-AIR (JAIR)
  - Start retirement of CRJ200 and introduce E170 and E190

- Japan Transocean Air (JTA)
  - Introduce 737-800 as replacement of 737-400

- Japan Air Commuter (JAC)
  - Start renewal program of aircraft

- Ryukyu Air Commuter (RAC)
  - Introduce DHC-8 Q400EC as replacement of Q100/Q300

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

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>Total of FY2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAL</td>
<td>161.0</td>
<td>187.0</td>
<td>348.0</td>
</tr>
</tbody>
</table>

**FOREX:**

USD1 = JPY118

**JAL Group Fleet Plan**

- **Wide body**
- **Mid-sized**
- **Narrow body**
- **RJ & others**
On this page, I will explain our Aircraft Strategies.

We will steadily introduce fuel-efficient aircraft and retire old aircraft.

At the end of this fiscal year, our fleet will consist of twenty 787’s.

From fiscal year 2015, we will start introducing the stretched 787-9, retire 777 and 767 aircraft, and replace them with new aircraft.

Furthermore, we will progressively introduce the 737 and turboprop aircraft to Group airlines.
Today’s Program

1. Outline of Medium Term Management Plan
   Rolling Plan 2015

2. Major Initiatives

   - Revenue and Expenditure Plan
   - Operating Profit
   - International / Domestic Passenger Operations
   - Financial Plan / Cash Flows

References

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P.17
P.22
## Revenue and Expenditure Plan for FY2015

### Operational Preconditions

<table>
<thead>
<tr>
<th></th>
<th>FY2014 Estimate</th>
<th>FY2015 Plan</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASK 1</td>
<td>1,342.0</td>
<td>1,328.0</td>
<td>▲14.0</td>
</tr>
<tr>
<td>INT</td>
<td>1,175.0</td>
<td>1,156.0</td>
<td>▲19.0</td>
</tr>
<tr>
<td>DOM</td>
<td>167.0</td>
<td>172.0</td>
<td>+5.0</td>
</tr>
<tr>
<td>TTL</td>
<td>12.4%</td>
<td>13.0%</td>
<td>+0.5pt</td>
</tr>
</tbody>
</table>

### Market Conditions

<table>
<thead>
<tr>
<th>Condition</th>
<th>FY2014 Estimate</th>
<th>FY2015 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore kerosene (USD/bbl)</td>
<td>112.6</td>
<td>80.0</td>
</tr>
<tr>
<td>Dubai Crude Oil (USD/bbl)</td>
<td>97.4</td>
<td>63.0</td>
</tr>
<tr>
<td>FX (JPY/USD)</td>
<td>106.3</td>
<td>118.0</td>
</tr>
</tbody>
</table>

### Revenue and Expenditure Plan for FY2015

<table>
<thead>
<tr>
<th>(JPY:Bn)</th>
<th>FY2014 Estimate</th>
<th>FY2015 Plan</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>1,342.0</td>
<td>1,328.0</td>
<td>▲14.0</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>1,175.0</td>
<td>1,156.0</td>
<td>▲19.0</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>167.0</td>
<td>172.0</td>
<td>+5.0</td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>12.4%</td>
<td>13.0%</td>
<td>+0.5pt</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>164.0</td>
<td>169.0</td>
<td>+5.0</td>
</tr>
<tr>
<td>Net Income</td>
<td>139.0</td>
<td>144.0</td>
<td>+5.0</td>
</tr>
</tbody>
</table>

### Analysis

1. Available Seat Kilometers (excluding codeshare flights) Based on Great-Circle Distance for both Int'l and Domestic flights
2. Remains the same as January 30, 2015 announcement
3. Net Income for FY2015 is calculated using Net Income Attributable to Japan Airlines
I will explain our revenue and expenditure plan for fiscal year 2015.

First, regarding capacity, which is the precondition of our revenue and expenditure plan, we expect plus 2.9% for international flights and plus 0.6% for domestic routes over the previous year.

As we expect the Japanese yen to further weaken, we use the exchange rate of 118 yen per U.S. dollar, and 80 U.S. dollars per barrel for Singapore kerosene.

We expect a decline in fuel surcharge revenue, and consequently, operating revenue to end at 1,328 billion yen, a decrease from this year’s estimate. However, as costs will decrease due to fuel cost reductions, we aim for an operating profit of 172 billion yen to increase by 5 billion yen.
Operating Profit for FY2015

Operating Profit up 5.0 billion yen on FY2014 estimate

Effects from Currency Market ▲20.0Bn
- Revenue +14.0Bn
- Cost ▲34.0Bn
  - Fuel ▲20.0Bn
  - Ex. Fuel ▲14.0Bn

+ 5.0 Bn Yen

Revenue  ▲14.0 Bn Yen

Expenses ▲19.0 Bn Yen
This page shows our fluctuations in operating income.

Revenue is seen to decline by 14 billion yen in total year-on-year, due to a 10 billion yen decline in international passenger revenue, a 6 billion yen increase in domestic passenger revenue, and so on.

On the other hand, fuel costs are seen to fall by 31 billion yen from the current fiscal year.

We expect an increase of 12 billion yen in other expenses. However, we will do our utmost to delve deeper into our measures to improve productivity.

As a result, we aim for operating income of 172 billion yen, up 5 billion yen year-on-year.
### International 
**Yield and revenue per passenger to decline due to fuel surcharges while L/F to improve.**

### Domestic 
**Expect revenue increase by improved revenue per passenger together with RPK increase over ASK.**

<table>
<thead>
<tr>
<th>International</th>
<th>FY2014 Estimate ¹</th>
<th>FY2015 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Revenue (JPY Bn)</td>
<td>455.0</td>
<td>▲2.1%</td>
</tr>
<tr>
<td>ASK (MN seat km)</td>
<td>47,823</td>
<td>+2.9%</td>
</tr>
<tr>
<td>RPK (MN passenger km)</td>
<td>36,343</td>
<td>+5.2%</td>
</tr>
<tr>
<td>Passengers ('000)</td>
<td>7,798</td>
<td>+2.4%</td>
</tr>
<tr>
<td>L/F (%)</td>
<td>76.0</td>
<td>+1.7pt</td>
</tr>
<tr>
<td>Yield ²(JPY)</td>
<td>12.6</td>
<td>▲7.4%</td>
</tr>
<tr>
<td>Unit Revenue ³(JPY)</td>
<td>9.6</td>
<td>▲5.3%</td>
</tr>
<tr>
<td>Revenue per passenger ⁴ (JPY)</td>
<td>58,628</td>
<td>▲4.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Domestic</th>
<th>FY2014 Estimate ¹</th>
<th>FY2015 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Revenue (JPY Bn)</td>
<td>488.0</td>
<td>+1.2%</td>
</tr>
<tr>
<td>ASK (MN seat km)</td>
<td>36,351</td>
<td>+0.6%</td>
</tr>
<tr>
<td>RPK (MN passenger km)</td>
<td>23,945</td>
<td>+1.0%</td>
</tr>
<tr>
<td>Passengers ('000)</td>
<td>31,516</td>
<td>+0.3%</td>
</tr>
<tr>
<td>L/F (%)</td>
<td>65.9</td>
<td>+0.2pt</td>
</tr>
<tr>
<td>Yield ²(JPY)</td>
<td>20.4</td>
<td>+0.3%</td>
</tr>
<tr>
<td>Unit Revenue ³(JPY)</td>
<td>13.4</td>
<td>+0.6%</td>
</tr>
<tr>
<td>Revenue per passenger ⁴ (JPY)</td>
<td>15,500</td>
<td>+1.0%</td>
</tr>
</tbody>
</table>

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1. Remains the same as January 30, 2015 announcement
2. Yield = Passenger Revenue / RPK
3. Unit Revenue=Passenger Revenue / ASK
4. Revenue per Passenger = Passenger Revenue / Passengers
On this page, I will explain our international and domestic passenger operations.

In our international passenger business, we expect a decline of 10 billion yen in revenue which includes a decline in fuel surcharge revenue. The indicators of yield and revenue per passenger are expected to fall, but L/F to rise.

In our domestic passenger business, we will increase our competitiveness through our new discount fares to stimulate demand and additional routes operated by JAL SKY NEXT. As a result, we expect both load factor and yield to rise.
## Financial Plan / Cash Flows

**Maintain equity ratio of over 50% and improve financial stability**

### Consolidated B/S

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>End of FY2014 Estimate¹</th>
<th>End of FY2015 Plan</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>1,461.0</td>
<td><strong>1,569.0</strong></td>
<td>+108.0</td>
</tr>
<tr>
<td>Balance of Interest-bearing Debt</td>
<td>99.0</td>
<td>85.0</td>
<td>▲14.0</td>
</tr>
<tr>
<td>Shareholders' Equity</td>
<td>765.0</td>
<td><strong>887.0</strong></td>
<td>+122.0</td>
</tr>
<tr>
<td>Shareholders' Equity Ratio (%)</td>
<td>52.4%</td>
<td><strong>56.5%</strong></td>
<td>+4.1pt</td>
</tr>
<tr>
<td>ROE (%)²</td>
<td>19.1%</td>
<td><strong>17.4%</strong></td>
<td>▲1.7pt</td>
</tr>
<tr>
<td>ROA (%)³</td>
<td>11.9%</td>
<td><strong>11.4%</strong></td>
<td>▲0.5pt</td>
</tr>
</tbody>
</table>

### Consolidated C/F

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY2014 Estimate¹</th>
<th>FY2015 Plan</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow</td>
<td>243.0</td>
<td><strong>261.0</strong></td>
<td>+18.0</td>
</tr>
<tr>
<td>Investment Cash Flow ⁴</td>
<td>▲194.0</td>
<td>▲215.0</td>
<td>▲21.0</td>
</tr>
<tr>
<td>Free Cash Flow ⁴</td>
<td>49.0</td>
<td><strong>46.0</strong></td>
<td>▲3.0</td>
</tr>
<tr>
<td>Financing Cash Flow</td>
<td>▲67.0</td>
<td>▲52.0</td>
<td>+15.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>254.0</td>
<td><strong>262.0</strong></td>
<td>+8.0</td>
</tr>
<tr>
<td>EBITDAR</td>
<td>280.0</td>
<td><strong>285.0</strong></td>
<td>+5.0</td>
</tr>
</tbody>
</table>

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1. Remains the same as January 30, 2015 announcement
2. (Net Income)/(Average of Shareholders’ Equity at beginning of year and end of year)
3. (Operating Profit) / (Average of Total Assets at beginning of year and end of year)
4. Excludes deposit and withdrawal from deposit accounts.

Net Income for FY2015 is calculated using Net Income Attributable to Japan Airlines.
Finally, I will explain our financial plan for fiscal year 2015.

Our equity ratio is seen to end at 56.5% at the end of fiscal year 2015.

The balance of interest-bearing debt at the end of fiscal year 2015 is expected to decrease by 14 billion yen to 85 billion yen as a result of repaying lease obligations and long term loans.

From next fiscal year onwards, we will strive to maintain an equity ratio of over 50%, and maintain and improve our financial stability.

For your reference, we have provided the effects of fuel prices and exchange rates on page 22.
References
### Reference; Effects by Fuel and Currency Markets

#### Hedging Ratio for Fuel Costs (as of end of FY2014/3Q)

![Hedging Ratio Chart]

#### Sensitivity for Fuel Costs (Without hedging)

<table>
<thead>
<tr>
<th>Fuel Cost Sensitivity</th>
<th>FY2015 Sensitivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore Kerosene (Change in 1 USD/bbl)</td>
<td>Approx. 2.6 Bn JPY per Year</td>
</tr>
<tr>
<td>FX (Change in 1 JPY/USD)</td>
<td>Approx. 1.7 Bn JPY per Year</td>
</tr>
</tbody>
</table>

#### Assumptions

<table>
<thead>
<tr>
<th>Fuel Source</th>
<th>FY2014 Estimate</th>
<th>FY2015 Plan</th>
</tr>
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<td>63.0</td>
</tr>
<tr>
<td>FX Rate (JPY/USD)</td>
<td>106.3</td>
<td>118.0</td>
</tr>
</tbody>
</table>

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1. Data of FY2015 based on market assumptions of Medium Term Management Plan Rolling Plan 2015
Fly into tomorrow.

Contact:

Finance, Japan Airlines

+81-3-5460-3068
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