



JAPAN AIRLINES

The Pursuit of Our Vision Continues



JAL Group Medium Term Management Plan - Rolling Plan 2018

28th February, 2018 Japan Airlines Co., Ltd.



JAPAN AIRLINES

Rolling Plan 2018

I

Positioning of Rolling Plan 2018

1

10-Year Grand Design Initiated from This Medium Term Management Plan

2

Positioning of Rolling Plan 2018



II

Growth Initiatives

III

Financial Strategy and Related Materials

IV

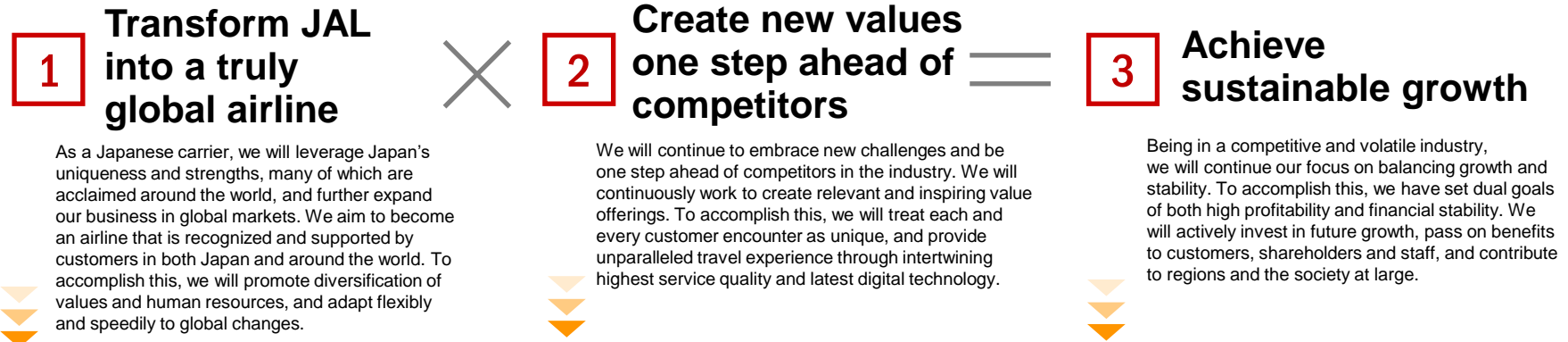
Materials for Investors



JAL Vision



To realize the JAL Group Corporate Policy and become “The world’s most valued and preferred airline”, we will focus on the following while continuing our unwavering efforts and determination in maintaining flight safety.



Within this 10-Year Grand Design period, we will

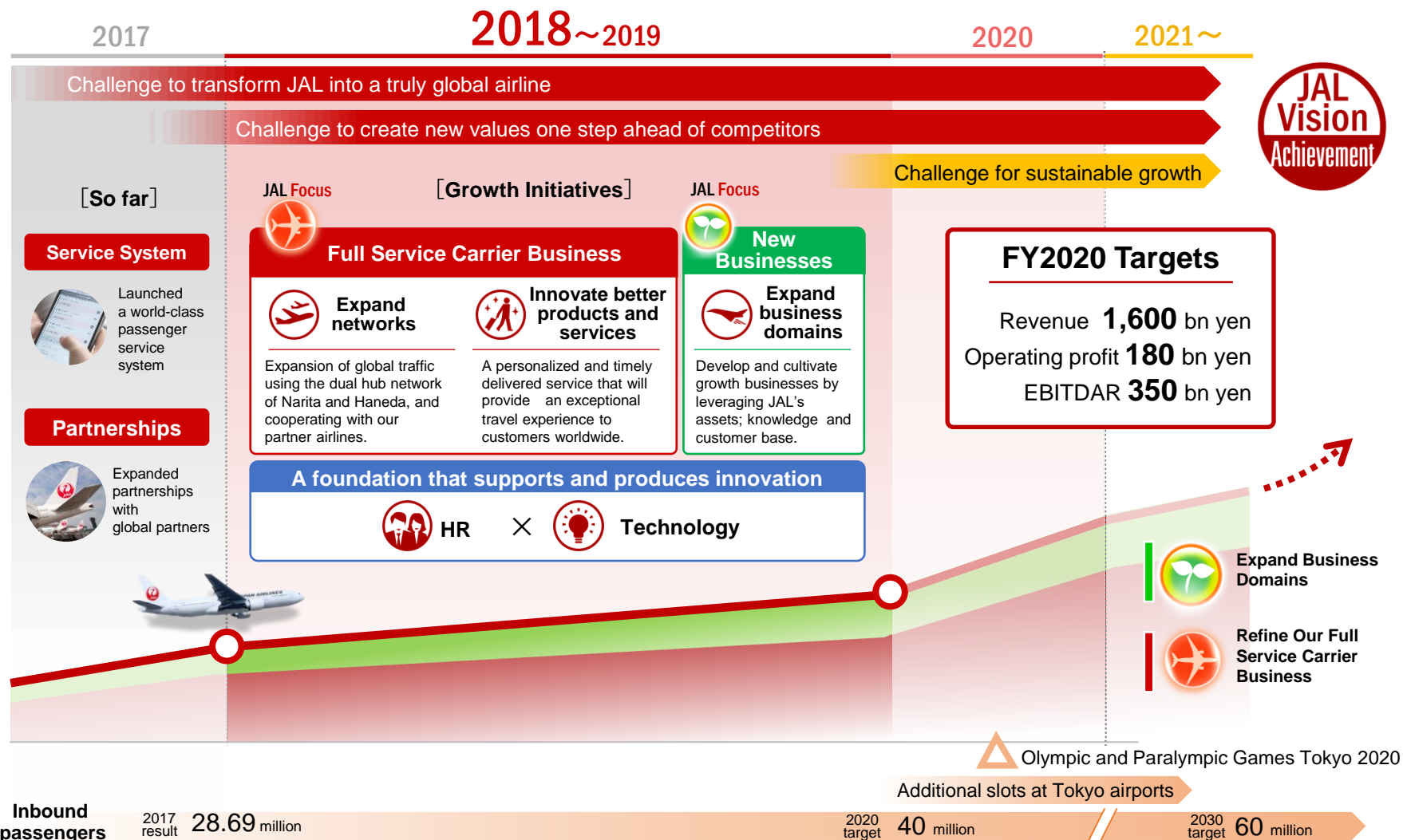
- Service over 500^{*1} major cities in the world
- Have 50%^{*2} of revenue from overseas sales for international passenger operations
- As a group of professionals that are able to dynamically accommodate with multi-cultural and diversified markets and environments
- Provide a stress-free travel experience for all our customers
- Create new businesses and services that stimulate air travel demand
- Adopt new technology and source capabilities to improve quality and productivity, and to innovate customer experience
- Aiming to maintain the target of profit margin 10% or above, achieve Operating Revenue 2 tn yen/Operating profit 250 bn yen/Market capitalization 3 tn yen
- Maintain safe operations and lead development of the airline industry
- Actively contribute to tackling social issues such as SDGs^{*3}

*1 Currently 343 cities, including alliances and codeshares

*2 FY2016 30%+

*3 Global Sustainable Development Goals

From FY2018, we will accelerate growth through innovation, while catering to the demand growth that comes with the Olympic and Paralympic Games Tokyo 2020, as well as the 40 million inbound visitors target





JAPAN AIRLINES

Rolling Plan 2018

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Growth Initiatives

- 1 Expand networks
- 2 Innovate better products and services
- 3 Expand business domains
- 4 Enhance core competencies in “HR × Technology”
- 5 Aspirational goals through innovation
- 6 Medium term revenue and profit targets
- 7 Progress of medium term targets

JAL Focus



Top Out

Refine our full service carrier business

- Increase competitiveness by adapting swiftly to changes in overseas and Japanese regional market environments.
- Pursue high safety and service quality standards. Intertwine hospitality with digital technology.



Stretch

Expand business domains

- Create and develop businesses besides our Full Service Carrier business by leveraging JAL's strengths.
- Develop new businesses that contribute to increase in inbound passengers and revitalization of regional Japan.

III

Financial Strategy and Related Materials

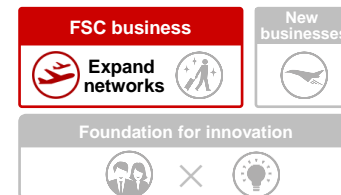
IV

Materials for Investors



FSC domain

Expansion of global traffic using the dual hub network of Narita and Haneda, and cooperating with our partner airlines



2018~2020 Challenge to create new values one step ahead of competitors

2021~ Challenge for sustainable growth



New Partners

From FY2018



AEROFLOT Russian Airlines
Hawaiian Airlines
VISTARA
Vietjet Aviation Joint Stock Company
AeroMexico

JAL Operation

as of FEB 2018 90 cities

- Increase frequency on international routes such as Asia and resort routes, and operate additional charter flights, in FY2018. Open new routes to Amami Islands, which may become a World Natural Heritage site, and to Okinawa on domestic routes.
- Plans to launch a new route to the west coast of North America, thereby further improve connectivity between North America and Asia, in FY2019.
- Increase international flights, with the addition of new flight slots at Narita and Haneda in FY2020.

Airline Partners

As of FEB 2018 253 cities

- Expand global networks with existing joint business partners, **oneworld** members and other codeshare partners.
- Forge partnerships with new airline partners and increase destinations of codeshare flights in the Hawaiian Islands, Asia, Russia, etc.
- Coordinate with each partner to increase JAL's presence in overseas markets.



Servicing over 500*¹ major cities in the world

*¹ Currently 343 cities, including alliances and codeshares

Having 50%*² of revenue from overseas sales for International passenger operations

*² FY2016 30%+



FSC domain

A personalized and timely delivered service that will provide an exceptional travel experience to customers worldwide



2018~2020 Challenge to create new values one step ahead of competitors

2021~ Challenge for sustainable growth



Airbus A350

Excellent Quality & Comfort

- Introduce inflight satellite TV in FY2018 and personal monitors and seat power supply on domestic routes in FY2019.
- Introduce the A350, fitted with cutting-edge inflight facilities on domestic routes from FY2019.
- Improve services to ensure peace of mind for every customer, meeting diverse needs, including the provision of multilingual services and vegetarian meal choices.

Personal & Timely

- Provide timely information on flight delays, cancellations, etc. to each customer, and ensure a smooth recovery process with mobile apps from FY2018.
- Introduce new mobile device functions, such as providing timely travel information and campaign coupons that suit customer needs from FY2019.
- Provide stress-free service at touchpoints such as at the airport, leveraging IoT, biometric authentication and high-precision position technology.

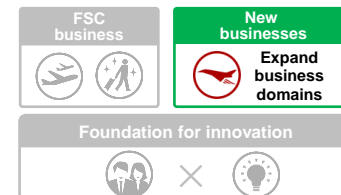


Providing a stress-free travel experience for all our customers



New business
domains

**Providing new values to customers, regions and communities
by developing and cultivating growth businesses, leveraging
JAL's assets, knowledge and customer base**



2018~2020 Challenge to create new values one step ahead of competitors

Airline-related and New business domain revenue target +100 bn yen (1.3 fold increase from FY2016)

2021~ Challenge for sustainable growth

Develop new revenue sources



Airline Business

Inbound demand · Regional revitalization

Stimulate inbound travel demand and support regional revitalization
Introduce high-quality Japanese goods collaborating with the agriculture and fishing industry.

Participate in developing travel business
Contribute to expansion of regional nonresident population through investment and collaboration with ALL JAPAN Tourism Oriented Country Fund, Hyakusen Renma Inc., etc.

LCC Partner strategy 
Deepen relations with foreign-affiliated Japanese LCC partner to capture overseas travel demand and contribute to bringing more inbound visitors and dispersing travel across Japan by offering inexpensive fares.

Expand ground handling business
Extend ground handling services to the increasing number of foreign carriers ahead of the Tokyo Olympic and Paralympic Games.

Appealing air transport
products and services for
global markets

Airline-related business

Contribute to the airline industry

Expand provision of comprehensive maintenance services
Expand provision and support of MRO*, including management advisory, leveraging JAL's knowledge.
*Maintenance, Repair, Overhaul

Expand capacity for providing pilot training
Expand capacity to provide pilot training. Alleviating pilot shortages will allow the industry to meet growing travel demand.

Maintaining safe
operations and lead
development
of the airline industry

New Business domains

Create new value offerings

Establish Fin Tech Company
Enter the international brand prepaid card business through the joint business / provide new financial products and services as a neobank.

New business development opportunities
Enter into new businesses leveraging JAL's strengths. Collaborate with external partners, and cutting-edge technologies to achieve improved customer services and materialize new business creation opportunities.

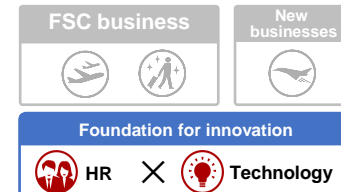
Participate in supersonic aircraft development

Participate in space development

Creating new businesses and
services that stimulate air
travel demand

To build a foundation that cultivates innovation
by joining Technology and Human Resources together

Cultivate innovation in every possible domain and
become a company that sustainably grows



* OODA : Observe/Orient/Decide/Act. A decision-making process to enhance speed and creativity through the OODA Loop.

Create Added Value that leads the airline industry by concentrating on three aspects

Providing a stress-free travel experience for all our customers

Creating new businesses and services that stimulate air travel demand

Adopting new technology and source capabilities to improve quality and productivity, and to innovate customer experience

Before departure



Provide preflight experience services

Offer advanced simulated experience using AR/AR on inflight and airport services to make the travel experience stress-free.

Cargo & Mail



Realize new operation processes

Convert to electronic operation processes utilizing technology. Promote automation, and realize highly productive cargo handling.

Maintenance



Shift from “fix” to “prevent” and create new maintenance system

Actively incorporate Big Data analysis and new technologies such as mobile devices. Further promote workstyle innovation of mechanics, and create new maintenance system which proactively prevents failures.

Reservations and Purchases



Improve convenience on website and contact centers

Provide an environment to customers worldwide to enjoy user-friendliness through advanced technologies such as AI , as well as multilingual and foreign currency services.

Airports



Realize “smart” airports

- Aim for “zero waiting time at the airport” through new technologies such as face authentication systems.
- Concentrate human resources in customer support fields and partly automate operation processes.
- Realize high safety levels and productivity through autonomous driving technology.

In-flight



Realize personalized service

Respond to customer needs speedily through coordination between staff using mobile devices.

After arrival • Daily life



Personalized suggestions to suit individual lifestyles

Offer timely information "on a 1 to 1" basis which suits individual needs. Utilizing customer database to hyperpersonalize.

Back Offices



Maximize productivity

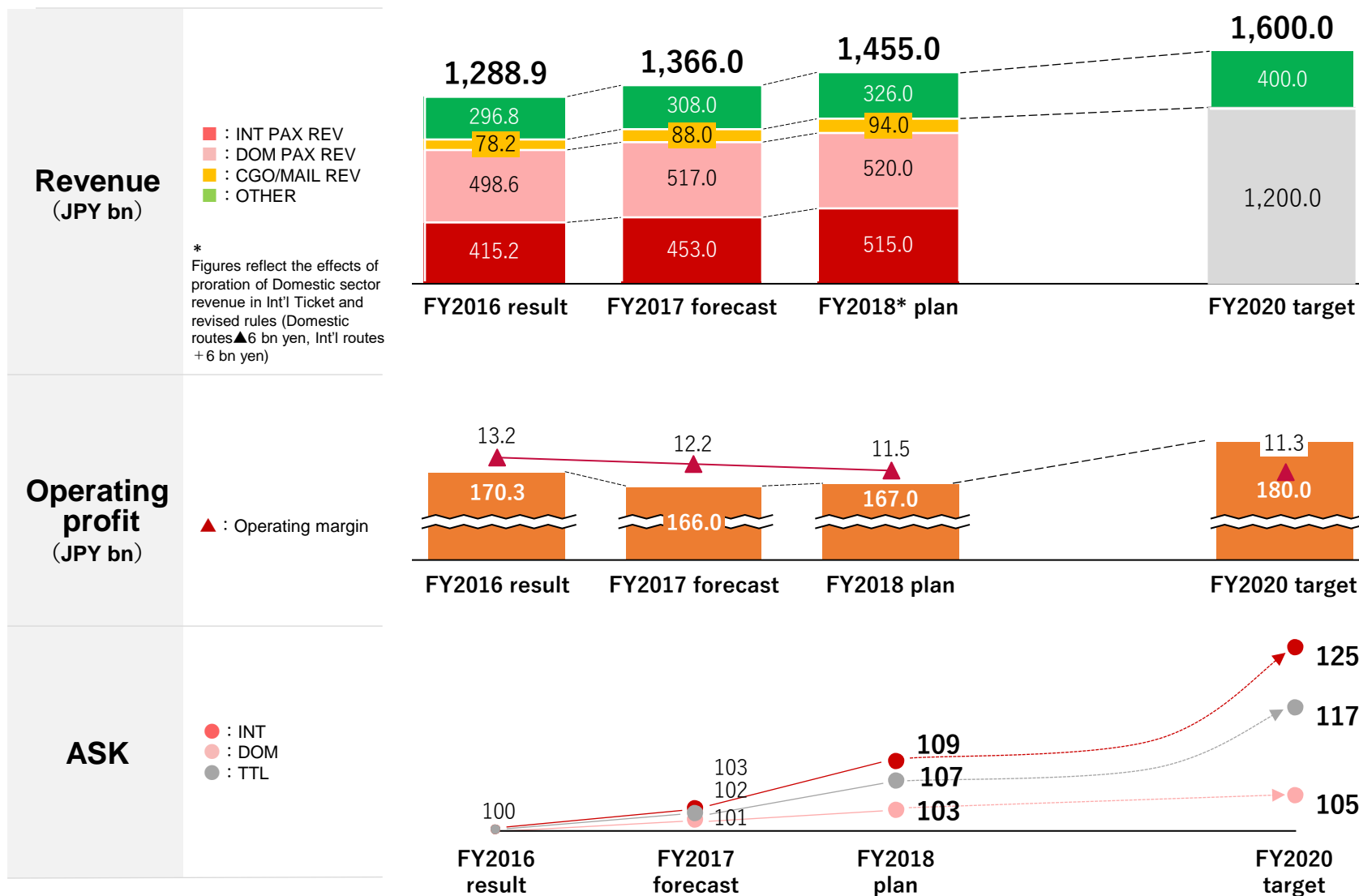
Realize efficient operation processes by inventorying work and utilizing robotics, AI and such.

Create space and time value

Create new styles ahead of others such as Dokokani Mile and “workation”.



Moving forward to the next growth stage from 2021 onwards



Having achieved our financial targets in FY2017, we will continue to work towards achieving our flight safety and customer satisfaction targets

3 management targets

JAL Target

Safety

Realize “Zero Aircraft Accidents” and “Zero Serious Incidents”

Aircraft accidents

0

Serious incidents

1

- Implement a risk management system which grasps signs of serious trouble based on data, utilizing a most advanced integrated safety database.
- Reinforce recurrence prevention and proactive prevention utilizing new human factor analysis methods.
- Continue to hold safety awareness education seminars based on the “Three Actuals” (the actual place, items, people).

Customer Satisfaction

Achieve world top-level Customer Satisfaction by FY2020

NPS

(Net Promoter Score)

Domestic
+1.4 Points

International
+2.1 Points

- Further refine JAL’s strengths and utilize ICT/IoT capabilities to deliver exceptional customer service and meet needs of diversified customer groups around the world.
- Aim to improve NPS by +5.3pt* on domestic flights and +4.5pt* on international flights by 2020.
*compared with FY2017Q1 scores

Finance

Achieve “10% or above operating profit margin” and “9% or above ROIC (Return on Invested Capital)”

Operating margin

12.2 %

Return on Invested Capital (ROIC)

9.5 %

- Continue profitability-focused management, maximize revenues and minimize expenses, and achieve “10% or above operating margin”.
- Undertake “Lean management” with emphasis on asset efficiency while investing for growth, and achieve “9% or above Return On Invested Capital (ROIC)”.
- Consider optional application of International Financial Reporting Standards (IFRS).



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FY2018 Related Indicators

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Fleet Plan



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**Holding capital investments within the amount of operating cash flow,
we will actively invest approximately 2/3 of the total investments for growth
to increase corporate value**

FY2018~2020 Capital Investments

Aircraft

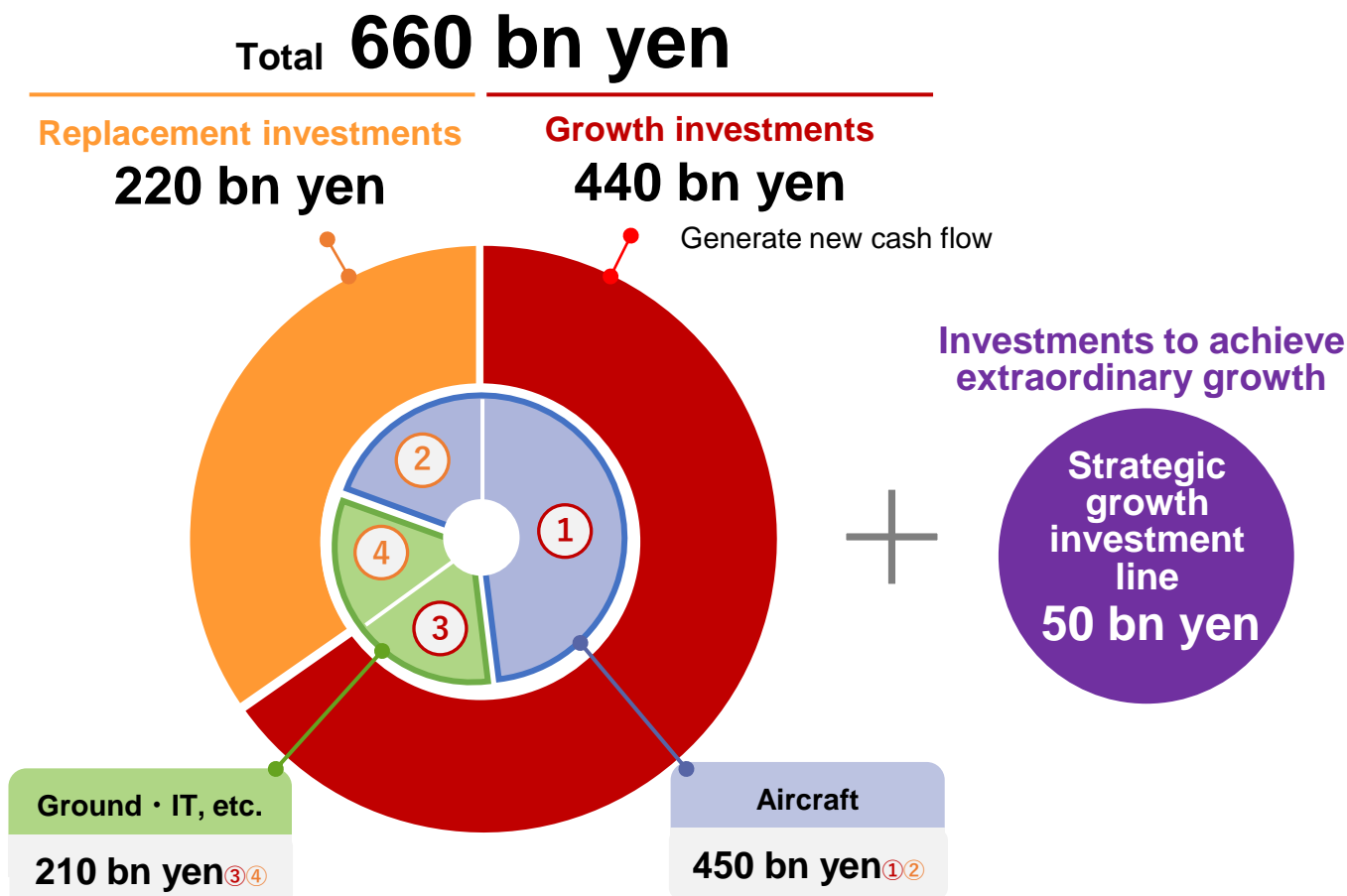
① Growth investments
Introduce aircraft that will contribute to route expansion, flight frequency increase, or operational efficiency improvement.

② Renewal investments
Replace old regional prop aircraft, aircraft parts, or etc.

Ground • IT, etc.

③ Growth investments
Improve quality, service or efficiency. Develop new business domains, etc.

④ Replacement investments
Replacement of existing old facilities or for compliance to laws and regulations, etc.

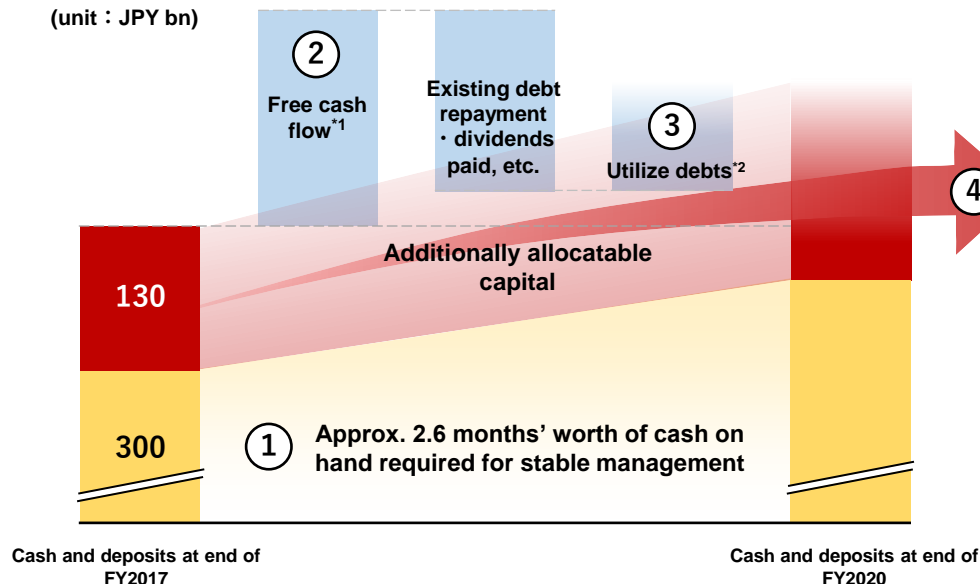


We will strategically allocate capital to increase corporate value, while maintaining a firm financial structure as well as high capital efficiency at the same time

Capital Allocation

- ① Maintain approx. 2.6 months' worth of revenue as standard cash on hand required for stable management and recognize the excess amount as additionally allocatable capital.
- ② Actively promote further growth investments and create maximum free cash flows.
- ③ Utilize interest-bearing debt for growth investments and improve capital efficiency.
- ④ Strategically allocate additional capital.

(unit : JPY bn)



FY2018~2020 Additionally Allocatable Capital

Improve the corporate pension fund financially

Consider approx. 80 bn yen injection ahead of schedule

Investments to achieve extraordinary growth

Set a 50 bn yen strategic growth investment line

Strategic growth investment line

Further increase shareholder returns

- Pay stable and highly predictable amounts of dividends, taking into account DOE (Dividend on Equity Ratio)*3 in addition to the payout ratio
- Consider and execute share repurchase in a timely manner

*1 Free cash flow (3-year aggregate)=Cash flow from operating activities-Cash flow from investing activities
*2 3-year aggregate new debts used (new procurements-repayment of new procurements)

*3 Indicates dividend yield of shareholders' equity
DOE (Dividend on Equity Ratio)=Total Dividend ÷ Equity

Consolidated Profit and Loss Statement

(JPY bn)	FY17	FY18	Difference
Operating revenue	1,366.0	1,455.0	+89.0
Operating expense	1,200.0	1,288.0	+88.0
Operating profit	166.0	167.0	+1.0
Operating profit margin(%)	12.2%	11.5%	▲0.7pt
Ordinary profit	158.0	156.0	▲2.0
Net profit Attributed to Owners of Parent	121.0	110.0	▲11.0

Consolidated Cash Flow

(JPY bn)	FY17	FY18	Difference
CF from Operating Activities	259.0	271.0	+12.0
CF from Investment Activities (1)	▲189.0	▲220.0	▲31.0
Free CF (1)	70.0	51.0	▲19.0
CF from Financial Activities	▲54.0	▲12.0	+42.0
EBITDA	276.0	291.0	+15.0
EBITDAR	294.0	307.0	+13.0

1. Exclude deposits and withdrawals

Consolidated Balance Sheet

(JPY bn)	FY17	FY18	Difference
Total Assets	1,807.0	1,927.0	+120.0
Balance of Interest-bearing Debts	127.0	165.0	+38.0
Shareholder's Equity	1,038.0	1,110.0	+72.0
Shareholder's Equity ratio (%)	57.4%	57.6%	+0.2pt
ROIC (1) (%)	9.5%	9.0%	▲0.5pt
ROE (2) (%)	12.0%	10.2%	▲1.8pt
ROA (3) (%)	9.4%	8.9%	▲0.4pt

1. Return On Invested Capital (ROIC) gives a sense of how well a company is using its money to generate returns
 $\text{ROIC}(\%) = (\text{Operating profit}) (\text{excl. Tax}) / (\text{Average of fixed asset at beginning and end of fiscal year}) (\text{incl. future rental expenses under operating leases})$
 2. $(\text{Net profit attributable to owners of the parent}) / (\text{Average of shareholder's equity at beginning and end of fiscal year})$
 3. $(\text{Operating profit}) / (\text{Average of total assets at beginning and end of fiscal year})$











International and Domestic Passenger
Operations Indicators

		FY17	FY18	Difference
RPK (1)	Int'l	41,866	44,701	+6.8%
	Domestic	25,720	25,950	+0.9%
Yield (2)	Int'l	10.8	11.5	+6.6%
	Domestic	20.1	20.1	▲0.3%
Load Factor (3)	Int'l	80.6%	80.7%	+0.2pt
	Domestic	71.7%	71.4%	▲0.3pt
Airline Business Operation Revenue per ASK (4)		13.8	13.8	+0.0
Unit Cost (5)		10.0	10.2	+0.2

1. Revenue Per Kilometer (Incl. code-sharing flights)

2. Revenue Per RPK

3. Load Factor = RPK / ASK 4. Airline Business Operation Revenue per ASK = $(\text{Air operation revenue} - \text{Fuel surcharge} - \text{Revenue from fuel resale to a related company}) / \text{ASK}$ 5. Unit Cost = $\text{Air Transport consolidated cost (excl. fuel)} / \text{ASK}$

	End of FY17	End of FY18	End of FY20
Total	Total 227 INT 85 DOM142 (excl. Regional 175)	Total 228 INT 89 DOM139 (excl. Regional 178)	Total 230 INT 92 DOM138 (excl. Regional 181)
International	Large 24	Large 24	Large
	Middle 51	Middle 55	Middle
	Small 10	Small 10	Small
Domestic	Large 16	Large 16	Large
	Middle 20	Middle 20	Middle
	Small 54	Small 53	Small
	Regional 52	Regional 50	Regional
			MRJ Will join FY21 and after
 777  787 Six 787-9 will be added in FY2018  767  737 Replace from 737-400 to 737-800 in FY2018  NEW A350 Introducing in FY2019  E170 Replace in FY2018  E190 Replace in FY2018  SAAB340  Q400CC* Replace in FY2017 <small>*Cargo-combi</small>  ATR Three aircraft will be added in FY2018			



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Summary

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International Passenger Operations

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Domestic Passenger Operations

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Innovation of Passenger Service System

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Cost Management

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Market Risk Management

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Financial Strategy and Capital policy

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Return to Shareholders

9

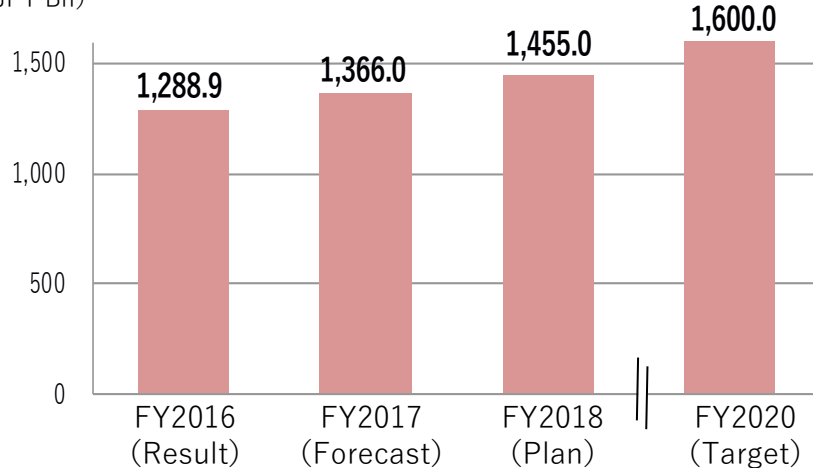
FY2018 (Mar/19) Earnings Forecast

Maintain high profitability and continue to grow

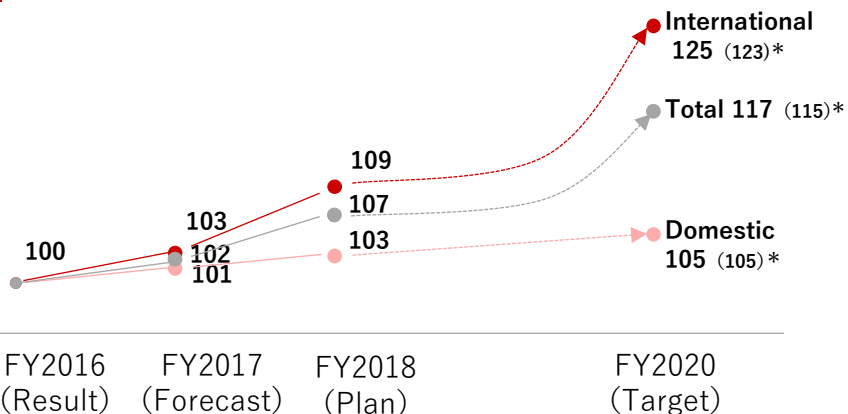
Operating Revenue

Air transportation Segment
1,200.0Bn
Other
400.0Bn

(JPY Bn)



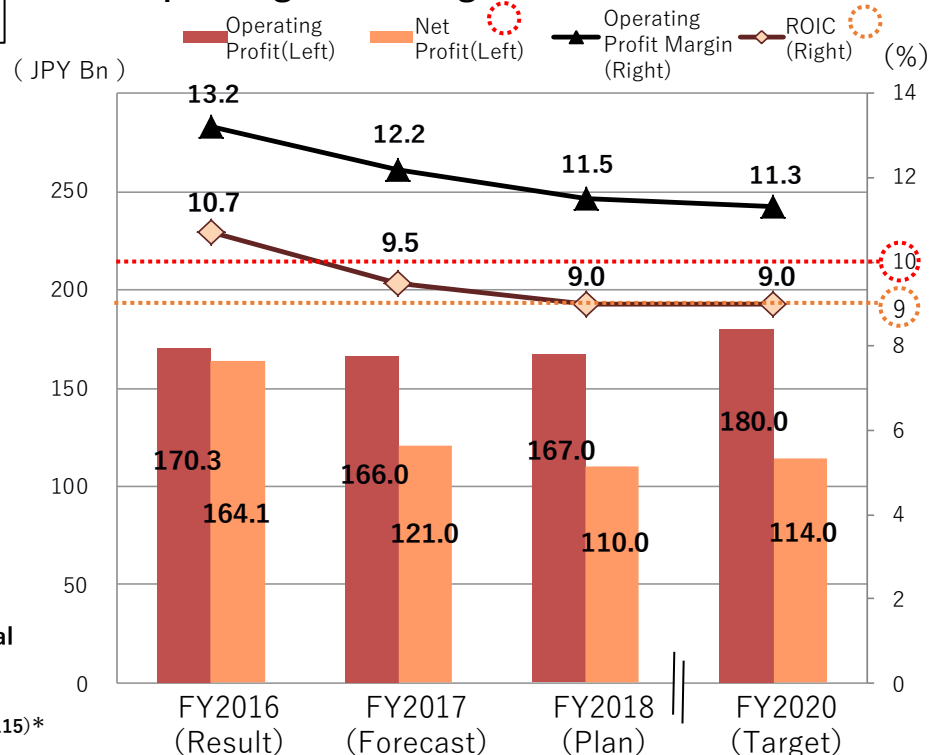
Capacity Plan (ASK)



* () Announced on April 28, 2017

Operating Profit • Net Profit ⁽¹⁾

• Operating Profit Margin • ROIC ⁽²⁾



1 Profit attributable to owners of parent

2 ROIC(%) = $\frac{\text{Net Operating Profit After Tax (NOPAT)}}{\text{Fixed Asset}}$

(incl. Future Rental Expenses under Operating Leases)

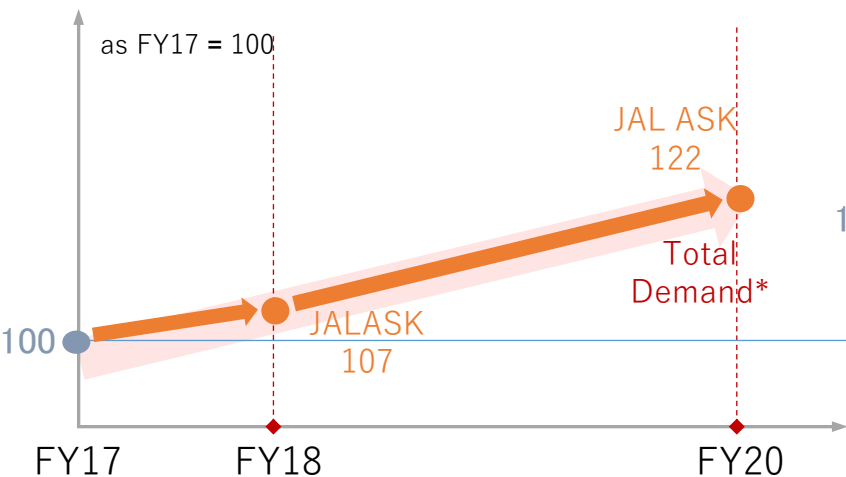
Fuel/FX Markets

	FY17	FY18~
Singapore Kerosene (USD/bbl)	60.5	73.0
Dubai Crude Oil (USD/bbl)	49.4	61.0
FX Rate (JPY/USD)	113.0	115.0

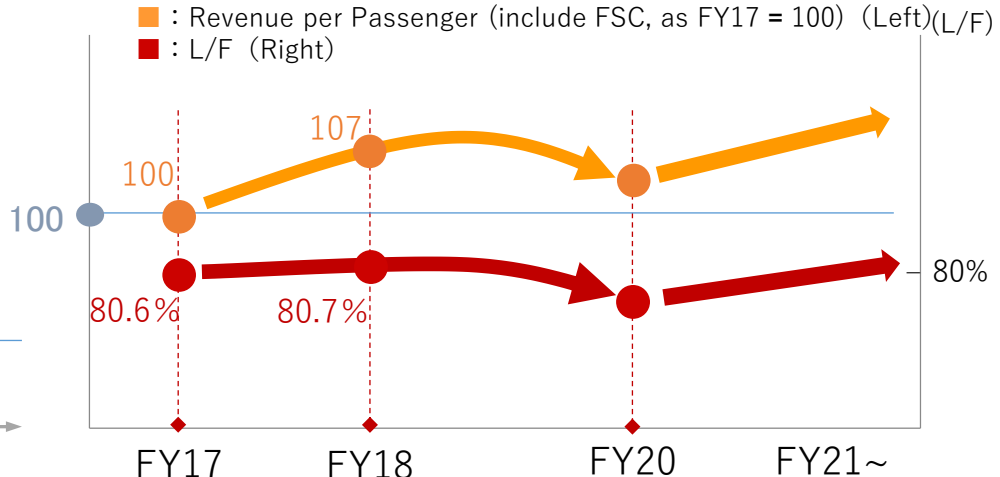
Maintain high profitability, while increasing capacity according to growing demand

Demand and supply projections

*Demand of full service carrier for the routes both outbound from/inbound to Japan



Outlook of Revenue per Passenger · Load Factor (L/F)

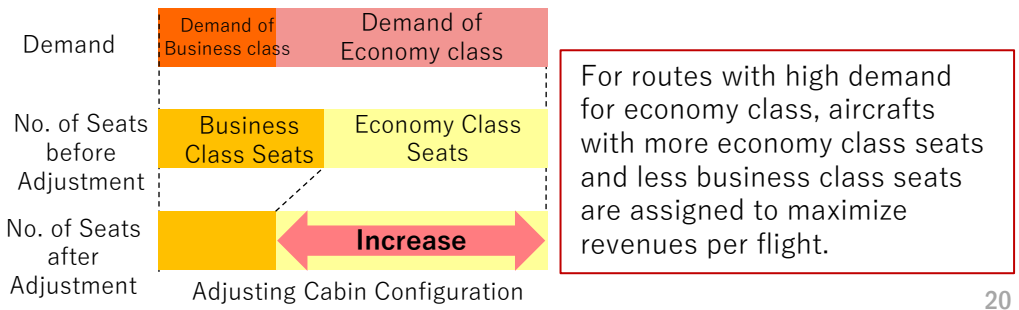


Measure

- Continue measures to absorb high-yield passengers with high-quality products and services
- Steadily increase revenues by expanding seasonal flights on high-demand routes and also by adjusting capacity to markets
- From FY2020 onwards, use additional slots at Tokyo airports for further growth

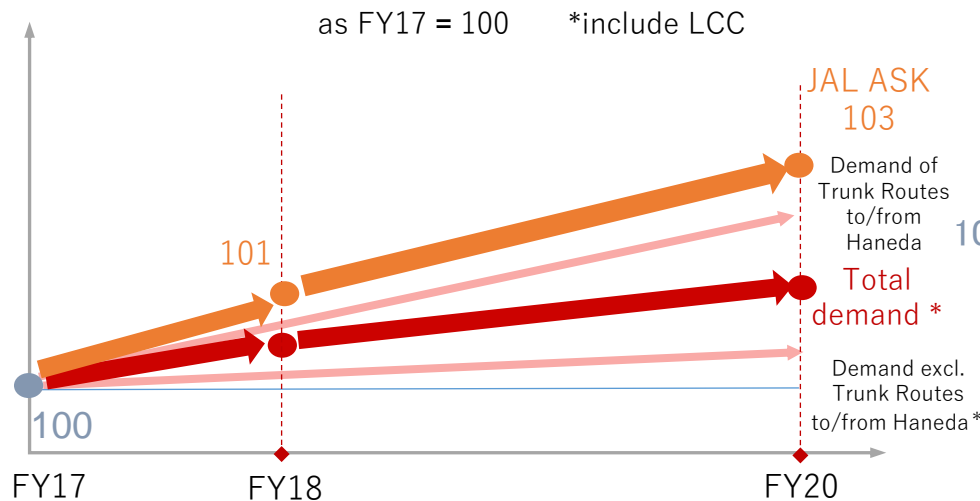
- Cabin configurations will be renewed and adjusted to demand (~FY20)
- Flight frequency will be increased and chartered flights will be added (FY18~)
- Our network between North America and Southeast Asia will be enhanced (~FY20)

Ex. Adjusting capacity to demand(image)

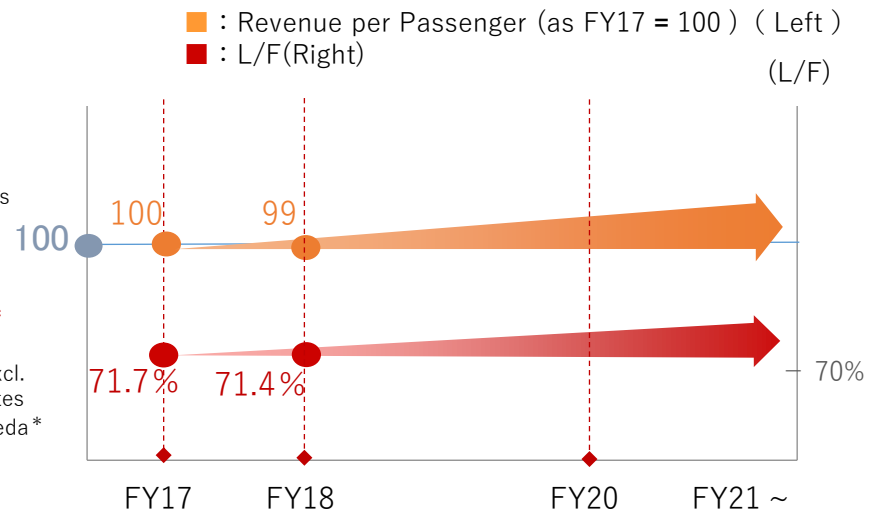


Absorb stable demand, and maintain and increase Revenue Per Passenger & Load Factors

Demand and supply projections



Outlook of Revenue per Passenger · Load Factor (L/F)



Measures

- Raise customer preference by new aircrafts and products & services that are one step ahead of the market
- Enhance measures to absorb inbound demand to Japan and also contribute to regional revitalization
- Increase high-yield passengers through enhanced revenue management

- Inflight satellite TV from FY18 and personal monitors and in-seat power supply from FY19 will be introduced
- The latest A350 and Boeing 787 will be introduced(FY19~)
- Fares for inbound visitors and our promotion sites will be enhanced (~FY20)
- The demand of visitors to Japan will be further boosted through tie-ups with businesses for inbound demand or local revitalization or local governments (~FY20)



JAL x Hyakusenrenma*

*company of rental accommodations for tourists



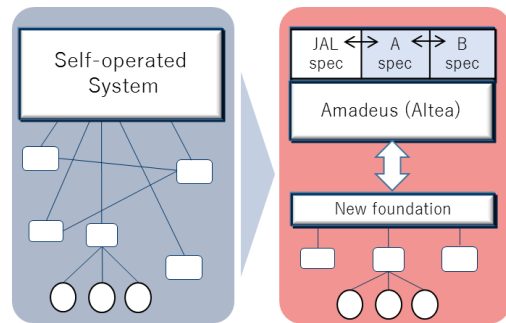
JAL x Tripadvisor

ALL JAPAN Tourism Oriented
Country Fund

Japan Explorer Pass

Achieve 1% of the additional revenue in international and domestic passenger in FY18 and the benefit will exceed the cost to contribute to our profitability from FY19

【System configuration conceptual diagram】



- ✓ Global standardization
- ✓ Extensibility of new functions is secured

System transformation in NOV 2017

Reservation & ticketing system (international and domestic flights)
Boarding system (international flights)

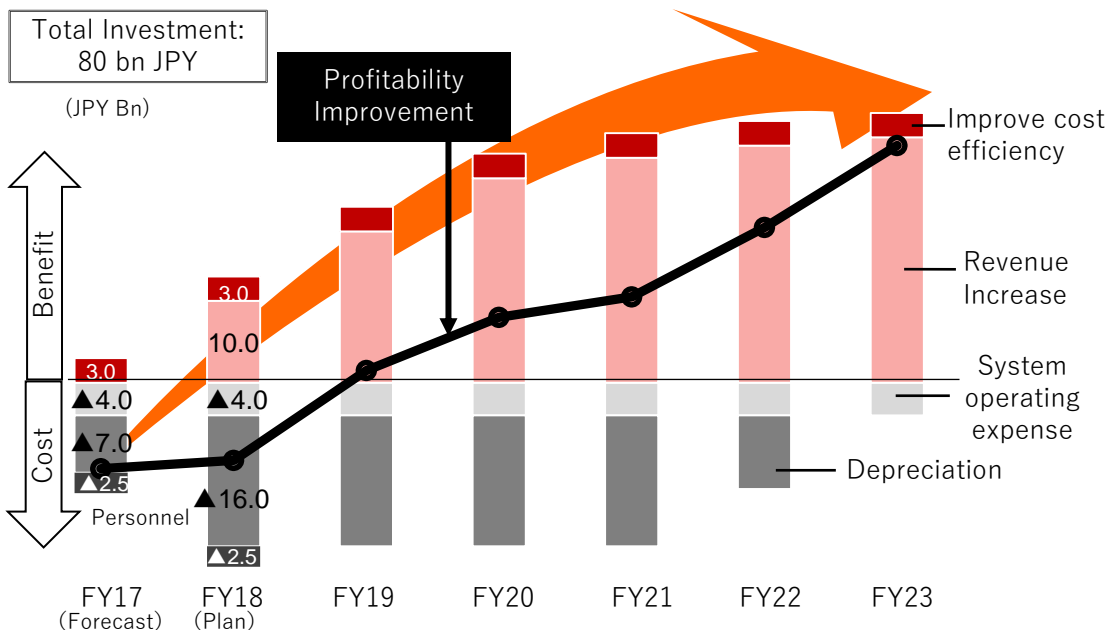
System transformation in 4th Q 2018

Boarding system (domestic flights)

- ✓ Smoother connections from domestic to international flights
- ✓ Improved operation efficiency with the integrated system

Total Investment:
80 bn JPY

(JPY Bn)



Refined revenue management
Enhanced functions for inbound demand
Easy adjustment for new services

More precise and advanced revenue management

- ✓ Maximized revenue through optimal seat control by itinerary
- ✓ The integrated system for both domestic and international flights for more connecting customers to/from domestic flights
- ✓ Improved seat control and yield control functions

The improved overseas websites

The industry-wide standard functions will improve compatibility with other airlines

The maintenance and management cost reduction

Future initiatives using the new system

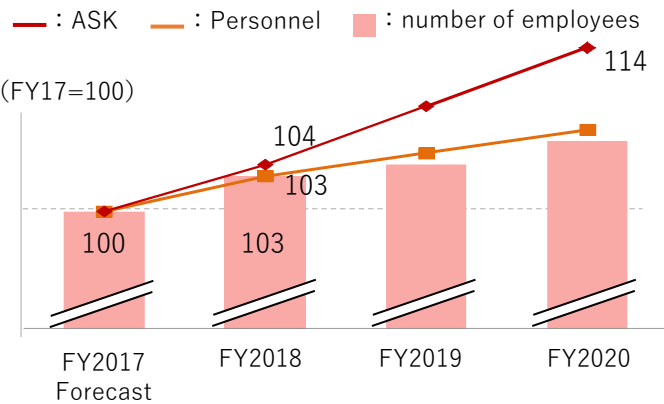
Improved pricing, new mileage measures, and new products and services

Execute appropriate mid- to long-term cost management,
while strengthening the management base for future growth

Productivity Improvement

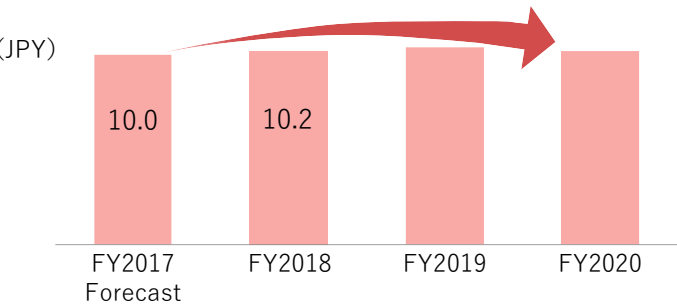
ASK, Number of employees and Personnel costs

The increase in personnel costs and the number of employees will fall within the range of ASK growth



Unit Cost ⁽¹⁾

While unit cost will temporarily rise, unit cost reduction by improving productivity with utilization of AI or RPA ⁽²⁾ will be aimed



1. Unit Cost = Air Transportation Segment Operating Expense (excluding fuel) / ASK
2. Robotic Process Automation

Further maintenance cost efficiency

Maintenance cost efficiency

Maintenance quality and efficiency improvement and cost leveling in the mid- to long-term are eagerly tackled

Utilize new technology

Greater maintenance efficiency with IT and preventive maintenance through failure prediction analysis

Level out engine maintenance costs

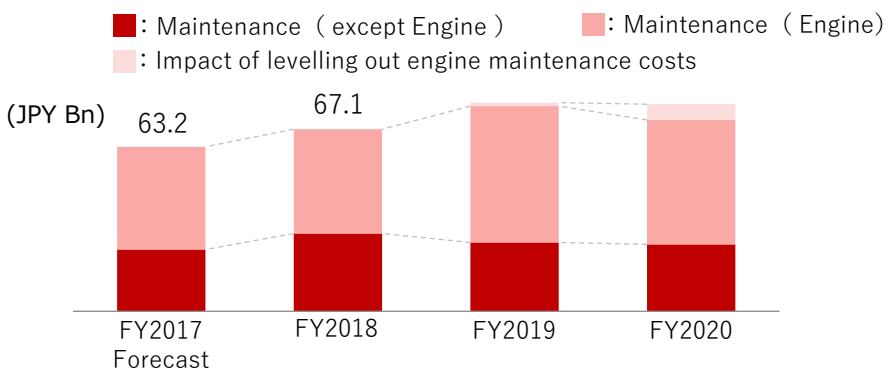
Cost leveling in the mid- to long- term through flight time linked- contracts

Reorganize maintenance facilities

Reducing fixed costs from FY2020 by consolidating maintenance facilities

Outlook for Maintenance costs

Maintenance costs will increase by FY2020, but the cost leveling in the mid- to long-term will be also conducted



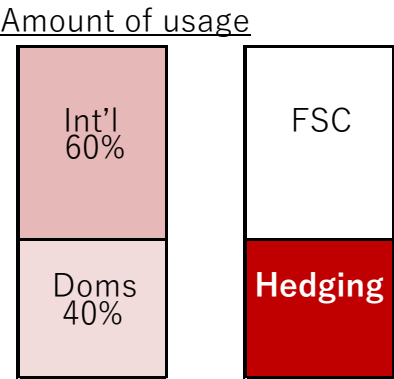
Heading and Fuel Surcharge

Impacts of fuel price and exchange rate volatility have been set off in a approximately three-year span

Hedging Policy

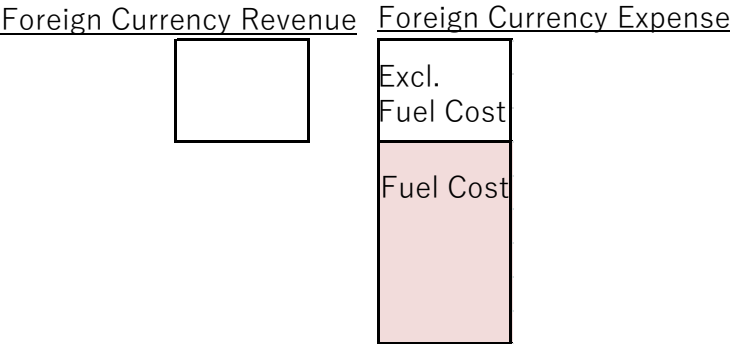
< Hedging Fuel Cost >

The fuel used on domestic routes, which is 40% of total fuel, is hedged because fuel surcharge is not collected on domestic routes



< Heading Forex >

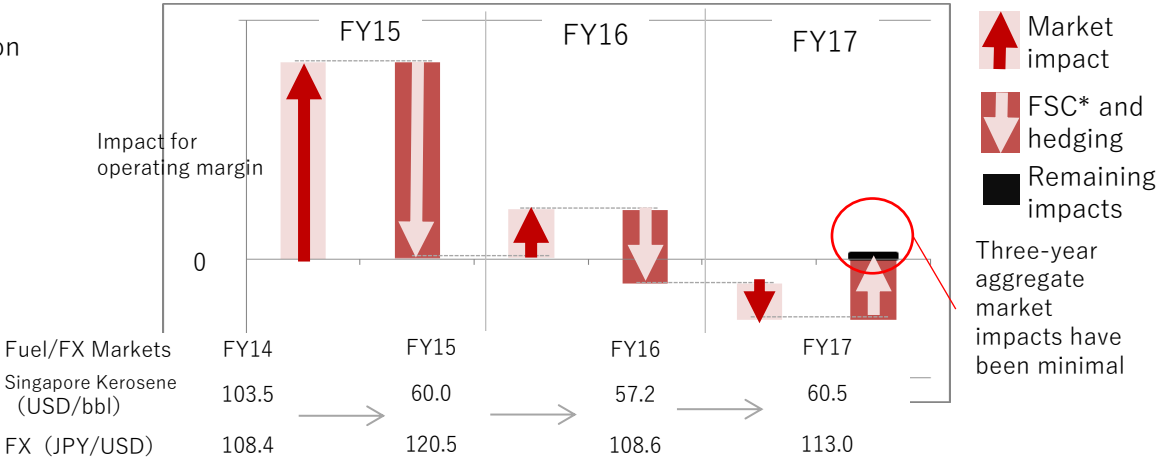
Revenues and costs excluding fuel prices in foreign currencies have almost been set off. Hedging is conducted against exchange rate for fuel costs



Overcome Market Risks

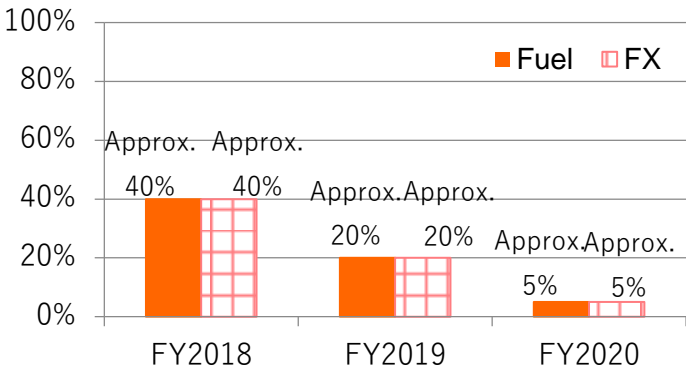
Impacts of volatile fuel & FX market (y/y)

Impacts of fuel price and exchange rate volatility have been set off in a approximately three-year span



Hedging Ratio for Fuel Costs

Hedging against fuel up to 3 years is conducted
The hedge ratio is up to 40% or less



Maintain both strong financial structure and high capital efficiency,
and aim for corporate value increase

Financial structure		Capital efficiency	
Shareholders' equity ratio	Credit rating	Decrease cost of capital · Utilize debt	Liquidity
<ul style="list-style-type: none">Equity ratio reached approx. 60%. Having built strong financial structure, we will work to maintain the current level	<ul style="list-style-type: none">Aim to achieve and maintain “A flat” or above credit rating by improving cash flows and securing fruits from our growth strategies	<ul style="list-style-type: none">Decrease cost of equity through comprehensive information disclosure, IR, etc.Utilize debt with discipline based on adequate debt repaying capacity with sufficient cash flow from operating activities	<ul style="list-style-type: none">Based on our current scale of business operations, standard liquidity on hand is set at approximately 2.6 month's worth of revenue (currently approx. 300 bn yen) for sufficient event risk tolerance as well as return on assets (ROA)

Further increase our corporate value by decreasing cost of capital,
and implement our shareholders return initiatives

Shareholders return

Policy of shareholders return

Dividend	<ul style="list-style-type: none">Stable and more predictable dividends are aimed<u>Dividend on equity (DOE) in addition to the payout ratio has been adopted as a reference</u>Increasing the payout ratio to maintain dividend levels, after the effective tax rate increase, will be considered
Share repurchase	<ul style="list-style-type: none">Share repurchase in a timely manner, based on 1) an appropriate level of cash and deposits, 2) the future growth investment, 3) free cash flow outlook or 4) stock price, will be considered

Consider stable and predictable dividend and share repurchase in a timely manner

Dividend

DOE (Dividend on Equity) as well as payout ratio has been adopted as a reference

Payout Ratio 30%~ (※)



DOE
3% or above

※ Raising payout ratio after the effective tax rate increase will be considered

Payout
Ratio

Approximately 30% of net profit attributable to owners of parent excluding income tax deferred is considered as a reference of dividends to shareholders

DOE

JAL will aim at 3% or above, considering the target ROE level(10%) and the target dividend ratio (30%)

Stable and Predictable Dividend

Share repurchase

Capital Efficiency Increase

Enhancing returns to shareholders
through flexible means

Decision to acquire 20 billion yen of own shares

Content of share repurchase

- (1) Type of shares acquired
- (2) Total number of shares acquired
- (3) Total price of shares acquired
- (4) Period of acquisition

Common shares of JAL
7 million shares (maximum)
20 billion yen (maximum)
March 1, 2018 ~ April 27, 2018

Plan to retire
all acquired
own shares



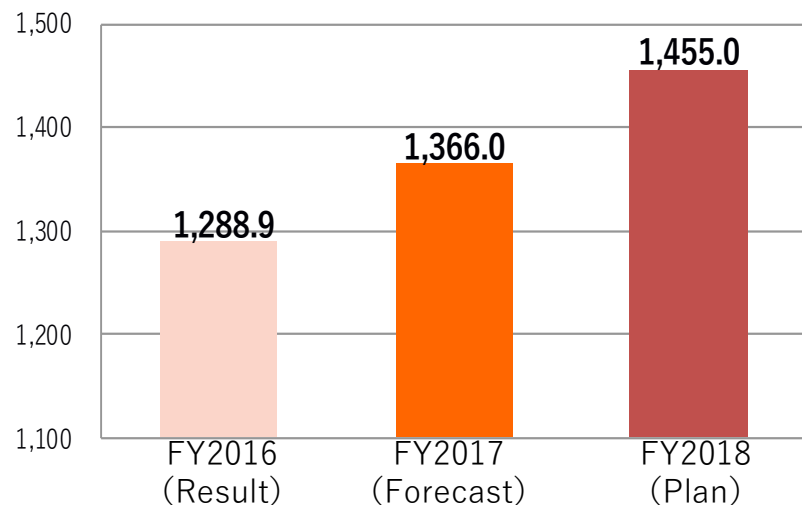
JAPAN AIRLINES

Rolling Plan 2018

I	Positioning of Rolling Plan 2018
II	Growth Initiatives
III	Financial Strategy and Related Materials
IV	Materials for investors
1	Summary
2	International Passenger Operations
3	Domestic Passenger Operations
4	Innovation of Passenger Service System
5	Cost management
6	Market Risk Management
7	Financial strategy and Capital policy
8	Return to Shareholders
9	FY2018 (Mar/19) Earnings Forecast

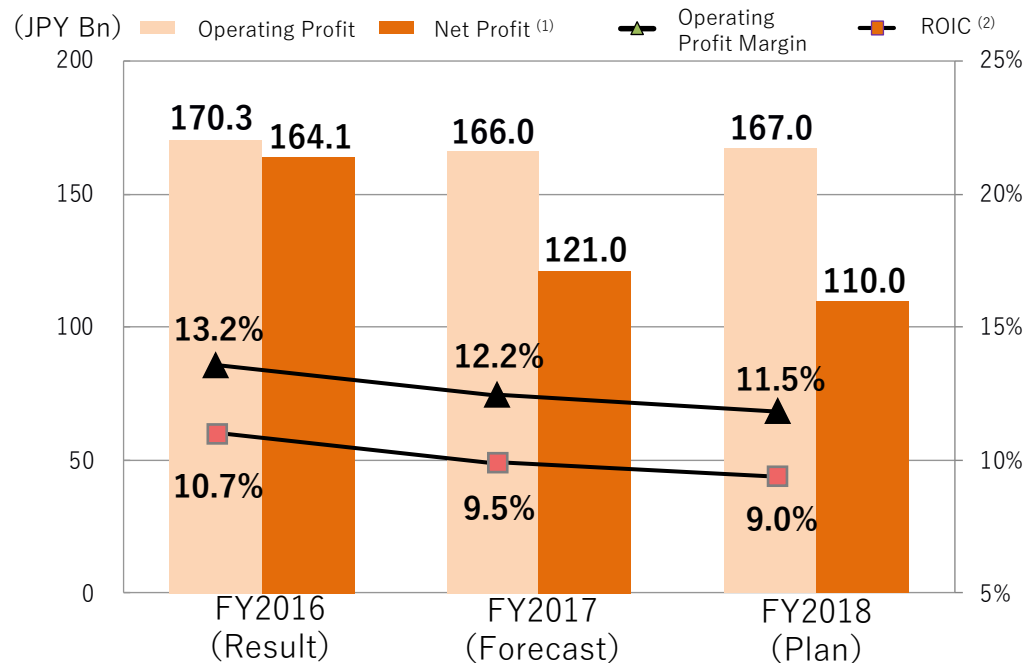
Operating Revenue

(JPY Bn)



Operating profit · Net profit

(JPY Bn)



Operational Preconditions

ASK ⁽³⁾	FY2017 (Forecast) ⁽⁴⁾	FY2018 (Plan)		FY2017 (Forecast) ⁽⁴⁾	FY2018 (Plan)
Int'l flights	+2.7%	+6.5%	Singapore Kerosene (USD/bbl)	60.5	73.0
Doms flights	+1.2%	+1.4%	Dubai Crude Oil (USD/bbl)	49.4	61.0
Total	+2.1%	+4.4%	FX Rate (JPY/USD)	113.0	115.0

Profit Impact by Fuel and FX Markets

Singapore Kerosene (USD/bbl)	FX (JPY/USD)		
	USD60	USD73 Forecast	USD80
JPY115	4.5Bn	No Change	▲0.0Bn
JPY110	11.0Bn	7.5Bn	▲0.0Bn
JPY105	18.0Bn	8.0Bn	8.0Bn

1. Profit attributable to owners of parent

2. Return on invested capital gives a sense of how well a company is using its money to generate returns

3. y/y

4. Announced on October 31, 2017

$$\text{ROIC}(\%) = \frac{\text{NOPAT}}{\text{Fixed Asset (incl. Future Rental Expenses under Operating Leases)}}$$

IV-9 FY2018 (Mar/19) Earnings Forecast (Details)

Medium Term
Management Plan
Rolling Plan 2018



Revenue and Expenditure Plan

(JPY Bn)		FY2017 Forecast ⁽¹⁾	FY2018 Plan	Diff.	y/y
Operating Revenue		1,366.0	1,455.0	+89.0	+6.5%
	International Passenger ⁽²⁾	453.0	515.0	+62.0	+13.7%
	Domestic Passenger ⁽²⁾	517.0	520.0	+3.0	+0.6%
	Cargo / Mail	88.0	94.0	+6.0	+6.8%
	Other	308.0	326.0	+18.0	+5.8%
Operating Expense		1,200.0	1,288.0	+88.0	+7.3%
	Fuel	206.0	241.0	+35.0	+17.0%
	Excluding Fuel	994.0	1,047.0	+53.0	+5.3%
Operating Profit		166.0	167.0	+1.0	0.6%
Operating Profit Margin(%)		12.2%	11.5%	▲0.7pt	-
Ordinary Profit		158.0	156.0	▲2.0	▲1.3%
Net Profit ⁽³⁾		121.0	110.0	▲11.0	▲9.1%
Unit Cost (JPY) ⁽⁴⁾		10.0	10.2	+0.2	-

Operational Preconditions

		FY2017 Forecast ⁽¹⁾	FY2018 Plan
ASK*	Int'l	+2.7%	+6.5%
	Doms	+1.2%	+1.4%
	Total	+2.1%	+4.4%
RPK*	Int'l	+3.0%	+6.8%
	Doms	+4.8%	+0.9%
	Total	+3.7%	+4.5%

*y/y

	FY2017 Forecast ⁽¹⁾	FY2018 Plan
Singapore Kerosene (USD/bbl)	60.5	73.0
Dubai Crude Oil (USD/bbl)	49.4	61.0
FX Rate (JPY/USD)	113.0	115.0

1. Announced on October 31, 2017

2. Including a change of settlement adjustment method for domestic sectors on international itineraries (INT + 6.0Bn、DOM▲6.0Bn)

3. Profit attributable to owners of parent

4. Unit Cost = Air Transportation Segment Operating Expense (excluding fuel) / ASK

International Passenger	FY2017 Forecast ⁽¹⁾	FY2018 Plan	y/y	Domestic Passenger	FY2017 Forecast ⁽¹⁾	FY2018 Plan	y/y
Passenger Revenue ⁽²⁾ (JPY Bn)	453.0	515.0	+13.7%	Passenger Revenue ⁽²⁾ (JPY Bn)	517.0	520.0	+0.6%
Passengers ('000)	8,468	8,994	+6.2%	Passengers ('000)	34,133	34,573	+1.3%
ASK (MN seat km)	51,974	55,357	+6.5%	ASK (MN seat km)	35,861	36,356	+1.4%
RPK (MN passenger km)	41,866	44,701	+6.8%	RPK (MN passenger km)	25,720	25,950	+0.9%
L/F (%)	80.6%	80.7%	+0.2pt	L/F (%)	71.7%	71.4%	▲0.3pt
Revenue per Passenger ⁽³⁾ (JPY)	53,491	57,304	+7.1%	Revenue per Passenger ⁽³⁾ (JPY)	15,149	15,051	▲0.6%
Yield ⁽⁴⁾ (JPY)	10.8	11.5	+6.6%	Yield ⁽⁴⁾ (JPY)	20.1	20.1	▲0.3%
Unit Revenue ⁽⁵⁾ (JPY)	8.7	9.3	+6.8%	Unit Revenue ⁽⁵⁾ (JPY)	14.4	14.3	▲0.7%

1. No change from the latest forecast on October 31,2017
2. Including a change of settlement adjustment method for domestic sectors on international itineraries(INT + 6.0Bn、DOM▲6.0Bn)
3. Revenue per Passenger = Passenger Revenue / Passengers
4. Yield = Passenger Revenue / RPK
5. Unit Revenue= Passenger Revenue / ASK

Balance Sheet

(JPY Bn)	End of FY2017 Forecast	End of FY2018 Plan	Diff.
Total Assets	1,807.0	1,927.0	+120.0
Balance of Interest-bearing debts	127.0	165.0	+38.0
Shareholders' Equity	1,038.0	1,110.0	+72.0
Shareholders' Equity Ratio(%)	57.4%	57.6%	+0.2pt
ROIC(%) ⁽¹⁾	9.5%	9.0%	▲0.5pt
ROE (%) ⁽²⁾	12.0%	10.2%	▲1.8pt
ROA (%) ⁽³⁾	9.4%	8.9%	▲0.4pt

- (1) Return on invested capital gives a sense of how well a company is using its money to generate returns

$$\text{ROIC}(\%) = \frac{\text{Net Operating Profit After Tax (NOPAT)}}{\text{Fixed Asset (incl. Future Rental Expenses under Operating Leases)}}$$

- (2) (Net Income Attributable to owners of the parent) / (average of shareholder's equity at beginning and end of fiscal year)
 (3) (Operating profit) / (average of total assets at beginning and end of fiscal year)

Cash Flow

(JPY Bn)	FY2017 Forecast	FY2018 Plan	Diff.
Cash Flow from Operating Activities	259.0	271.0	+12.0
Cash Flow from Investing Activities ⁽⁴⁾	▲189.0	▲220.0	▲31.0
Free Cash Flow ⁽⁴⁾	70.0	51.0	▲19.0
Cash Flow from Financing Activities	▲54.0	▲12.0	+42.0
EBITDA	276.0	291.0	+15.0
EBITDAR	294.0	307.0	+13.0

Capital Investment

(JPY Bn)	FY2017 Forecast	FY2018 Plan	Diff.
Fleet	173.0	172.0	▲1.0
Ground • IT, etc	50.0	65.0	+15.0
Total	223.0	237.0	+14.0

↓

Growth Investment ⁽⁵⁾	150.0
Replacement investments ⁽⁶⁾	87.0

(4) Exclude deposits and withdrawals from deposit accounts

(5) Growth investments = i.e., Introduction of aircraft that will contribute route expansion, flight frequency increase, or operational efficiency improvement, Improvement of quality, service or efficiency, or Development of new business domains.

(6) Renewal investments = i.e., Replacement of existing old facilities or for compliance to laws and regulations.



JAPAN AIRLINES

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