JAPAN AIRLINES

The Pursuit of Our Vision Continues

oneworld

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

- I’m Norikazu Saito.
- Thank you for joining us today, to the conference call on JAL Group Medium Term Management Plan Rolling plan 2018.
- I will first provide explanations mainly on the aims and objectives of the Medium Term Management Plan Rolling plan 2018, Afterwards, I will answer your questions.

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

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.

1 Transform JAL into a truly global airline

As a Japanese carrier, we will leverage Japan's uniqueness and strengths, many of which are acclaimed around the world, and further expand our business in global markets. We aim to become an airline that is recognized and supported by customers in both Japan and around the world. To accomplish this, we will promote diversification of values and human resources, and adapt flexibly and speedily to global changes.

×

2 Create new values one step ahead of competitors

We will continue to embrace new challenges and be one step ahead of competitors in the industry. We will continuously work to create relevant and inspiring value offerings. To accomplish this, we will treat each and every customer encounter as unique, and provide unparalleled travel experience through intertwining highest service quality and latest digital technology.

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3 Achieve sustainable growth

Being in a competitive and volatile industry, we will continue our focus on balancing growth and stability. To accomplish this, we have set dual goals of both high profitability and financial stability. We will actively invest in future growth, pass on benefits to customers, shareholders and staff, and contribute to regions and the society at large.

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

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

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- When we made the Medium Term Management Plan for Fiscal Years 2017 to 2020 last April, we presented the JAL Vision, which defines the company we aspire to be in 10 years' time.
- I would like to introduce our Grand Design, which describes the future of the company and its operations, when the JAL Vision is finally realized.
- JAL will achieve consolidated revenue of 2 trillion yen and operating profit of 250 billion yen with an emphasis on high profitability.
- As a result, we aim to double market capitalization of the company to 3 trillion yen.

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

2017 | 2018～2019 | 2020 | 2021～

Challenge to transform JAL into a truly global airline

Challenge to create new values one step ahead of competitors

Challenge for sustainable growth

JAL Vision Achievement

[So far]

Service System

Launched a world-class passenger service system

Partnerships

Expanded partnerships with global partners

[Growth Initiatives]

JAL Focus

Full Service Carrier Business

Expand networks

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

Innovate better products and services

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

JAL Focus

New Businesses

Expand business domains

Develop and cultivate growth businesses by leveraging JAL's assets; knowledge and customer base.

A foundation that supports and produces innovation

HR × Technology

FY2020 Targets

Revenue **1,600** bn yen
Operating profit **180** bn yen
EBITDAR **350** bn yen

Expand Business Domains

Refine Our Full Service Carrier Business

Olympic and Paralympic Games Tokyo 2020

Additional slots at Tokyo airports

Inbound passengers: 2017 result 28.69 million | 2020 target 40 million | 2030 target 60 million

- From FY2018, we will accelerate growth through innovation by merging human resources with advanced technology.

  Through such HR Tech initiatives, we will achieve revenue of 1 trillion 600 billion yen and operating profit of 180 billion yen in FY2020.

  We would like to contribute to reaching the goal of 40 million yearly foreign visitors to Japan.

- I will explain the details of each business from page 6.

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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.

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FSC business: Expand networks | New businesses

Foundation for innovation

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 → JAL Vision Achievement

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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, **one**world 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%+

Expand networks

- To reach our goals of "flying to 500 major cities in the world" and "50% overseas sales ratio on international routes," we will take advantage of the significant business opportunity given by capacity expansion at Haneda and Narita airports scheduled in FY2020.

- Furthermore, we will refine our network by expanding cooperation with new partners beyond alliance boundaries, besides own operations.

FSC business | New businesses

Innovate better products and services

Foundation for innovation

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

JAL Vision Achievement

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

Innovate better products and services

- We will introduce advanced products and services in order to "provide a stress-free travel experience to every customer."

- Inflight satellite TV entertainment will be available from FY2018, and personal monitors and in-seat power supply will be available on domestic routes from FY2019, when JAL will introduce the latest Airbus 350.

Expand business domains

FSC business | New businesses: Expand business domains
Foundation for innovation

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

New business domains

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

JAL Vision Achievement

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.
(世界市場 Global Ichiba Corp., MIZUHO)

LCC Partner strategy (Jetstar)
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.

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.
(百戦錬磨, ALL JAPAN)

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
(SPRING JAPAN, AMX)

Expand capacity for providing pilot training
Expand capacity to provide pilot training. Alleviating pilot shortages will allow the industry to meet growing travel demand.
(JAL CAE FLIGHT TRAINING)

…

→ 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.
(SBI Holdings)

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 (boom)

Participate in space development (ispace)

…

→ Creating new businesses and services that stimulate air travel demand

Expand business domains

- We will develop and raise growing businesses by using the know-how and the customer base that JAL has accumulated so far.
- Then, we aim to achieve revenue of 400 billion yen from new business domains by FY2020 and make it our second major source of revenue.

Enhance core competencies in “HR × Technology”

FSC business | New businesses

Foundation for innovation

HR × Technology

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

Technology & Data

Partners

- Put ideas into action with cutting-edge technology by collaborating with over 100 partner companies.
- Innovate businesses leveraging data value.

AI, Robots, VR/AR, IoT, Big Data, Blockchain, Wearable Device, 3D Printing, Drones etc.

Idea & Action

Innovation Lab

PoC[*1]

[*1] Proof of Concept

- **Establish JAL Innovation Lab** and promote open innovation.
- Put ideas into action speedily and turn unknown domains into business opportunities.

Human Resources

Employee’s wisdom and aspirations on “This is what I want to do or be”

Highly aspiring organizations

- **Build a highly specialized professional team** utilizing technology and the individuality and talents of each employee.
- **Improve the quality and speed of decision-making** through **autonomous breakthrough leaders** incorporating OODA* principles.

The power of individuality

- Improve services to achieve the inbound visitors target by **improving communication skills with different cultures.**
- Create environments where diverse human resources can take active part, as a **leading company of diversity management.**
- Achieve **20% JAL Group ratio of female management by 2023 and 30% thereafter.**

NADESHIKO BRAND 2017

LGBT ALLY

Job satisfaction and high productivity

- **Practice new workstyles ahead of other entities** such as the “workation” model through coordination with local governments.
- **Realize operation process innovation utilizing AI and robotics.**
- **Create a health management model through industry-academia collaboration.**

TW100 Telework Pioneer

健康経営銘柄 Health and Productivity

Embody the JAL Philosophy

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

Enhance core competencies in “HR × Technology”

- To realize this Grand Design, we will combine human resources and technology to develop new added-values and leading businesses in the airline industry.

Aspirational goals through innovation

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

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.

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.

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.

Cargo & Mail

Realize new operation processes

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

In-flight

Realize personalized service

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

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.

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”.

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.

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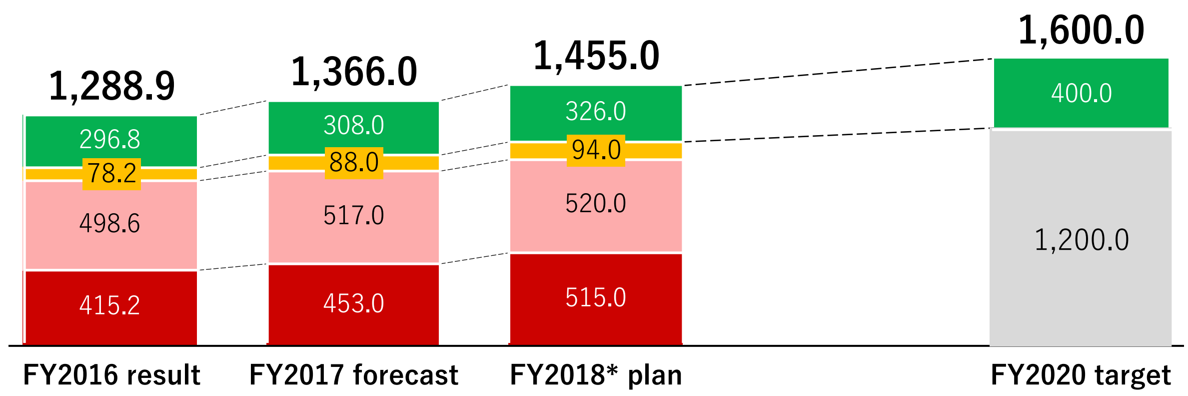
Moving forward to the next growth stage from 2021 onwards

Revenue (JPY bn)

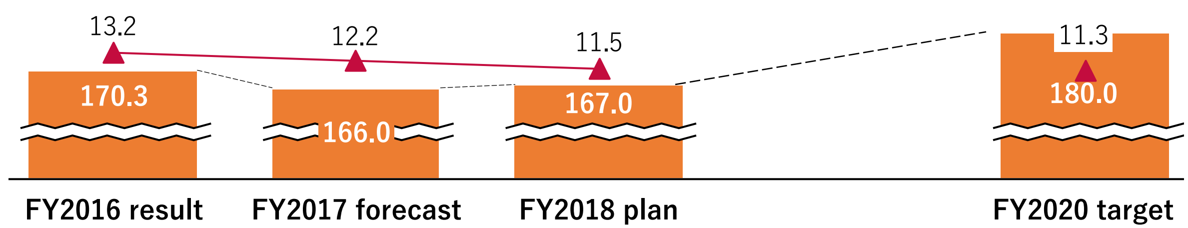
■ : INT PAX REV
■ : DOM PAX REV
■ : CGO/MAIL REV
■ : OTHER

* Figures reflect the effects of proration of Domestic sector revenue in Int'l Ticket and revised rules (Domestic routes▲6 bn yen, Int'l routes ＋6 bn yen)



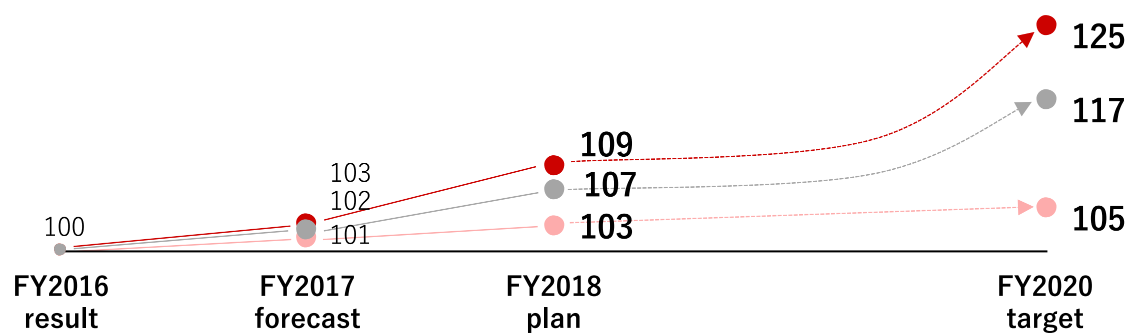
Operating profit (JPY bn)

▲ : Operating margin



ASK

● : INT
● : DOM
● : TTL



Medium term revenue and profit targets

- This shows the growth of the capacity, and the revenues and the operating profits from FY2016 to FY2020.
- I will explain about this later.

Progress of medium term targets

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	Indicator	2017 Result (forecast)	Actions
Safety Realize "Zero Aircraft Accidents" and " Zero Serious Incidents"	Aircraft accidents	0	• 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).
	Serious incidents	1	
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 %	• 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).
	Return on Invested Capital (ROIC)	9.5 %	

- On this page, I will explain the progress we have made with our three management targets of our Medium Term Management Plan.
- Regarding “Safety,” we will continuously aim for zero aircraft accidents and zero serious incidents.
- As for “Customer Satisfaction,” we will aim the world’s top level of customer satisfaction. We would like to raise NPS scores as shown.
- For “Finance,” we will continue to achieve target operating margin, 10% or above, and the target return on invested capital (ROIC) , 9% or above, until FY2020.

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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

①Growth investments

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

②Renewal investments

Replace old regional prop aircraft, aircraft parts, or etc.

Ground・IT, etc.

③Growth investments

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

④Replacement investments

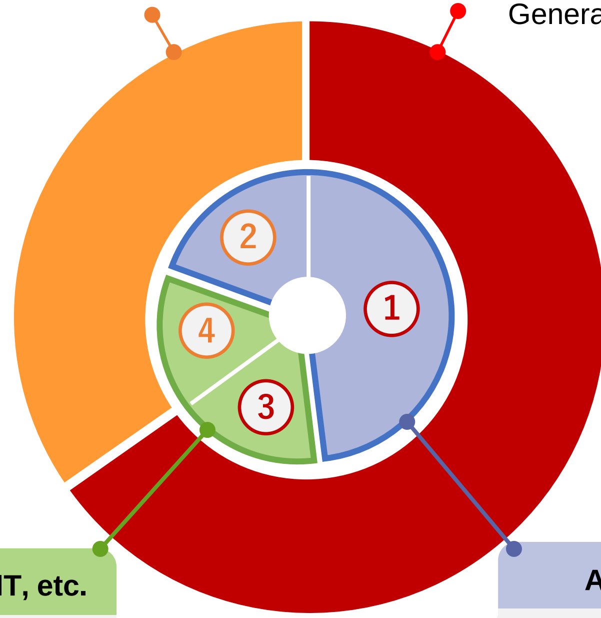
Replacement of existing old facilities or for compliance to laws and regulations, etc.

Total 660 bn yen

Replacement investments
220 bn yen

Growth investments
440 bn yen

Generate new cash flow



Ground・IT, etc.
210 bn yen③④

Aircraft
450 bn yen①②

＋

Investments to achieve extraordinary growth

Strategic growth investment line
50 bn yen

Financial Strategy and Capital Policy①

- I will explain our capital investment plan. Total capital investment from FY2018 through FY2020 is estimated at 660 billion yen. The outer red and orange circle indicates growth investments and replacement investments. The inner blue and green circle represents investments for aircraft and others.

- We plan to spend 440 billion yen, or roughly two-thirds of total investment, to growth investments that lead to increasing cash flows. We will work to increase corporate value by investing in IT systems or new aircraft that will contribute to increasing revenue and efficiency.

- The 660 billion yen spent on investments in capital assets will be kept within the range of cash flow from operating activities.

- Apart from this capital investment plan, we will set a Strategic growth investment line of 50 billion yen so that we can flexibly seize investment opportunities that will extraordinarily boost corporate value.

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

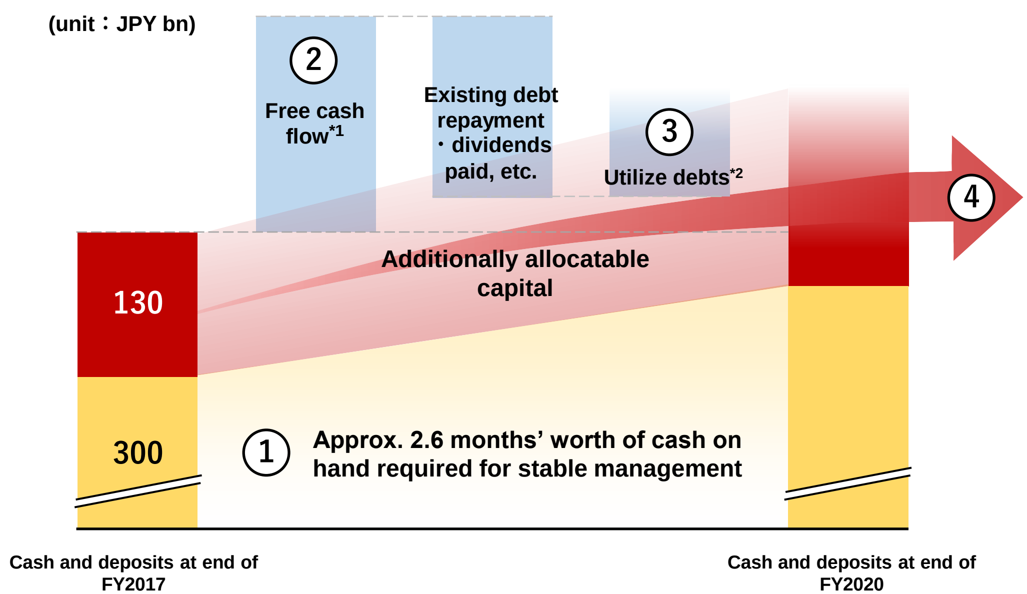
Capital Allocation

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.



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

- Next, on page 15, I will explain the company's policy about the capital allocation.

- To complete this Rolling Plan, we have examined the appropriate level of cash on hand. We recognize 2.6 months' worth of annual revenue as the appropriate level of cash on hand necessary for stable operation, and any exceeding amounts are considered as "additionally allocatable capital."

- We will also use debt capital in growth investments while maintaining discipline, and strive to increase capital efficiency.

- Regarding to "additionally allocatable capital" after the review of cash on hand, free cash flow to be generated, and use of debt capital, we plan to use the capital to the followings:

  - Cash injection to the corporate pension fund ahead of schedule
  - Strategic growth investment line, which I just explained
  - Also we will enhance returns to shareholders.

- We will consider scheduling forward cash injection of roughly 80 billion yen to the corporate pension fund in order to eliminate potential financial risks in the company early, which will greatly accelerate to fill the current shortage of funds.

- As for shareholder returns, we will adopt dividend on equity ratio (DOE), as well as the payout ratio, as a reference to improve dividend predictability and stability. We will also consider and implement repurchase of shares in a timely manner, as announced today.

- Moreover, we will further focus to maintain capital efficiency and asset efficiency, while maintaining our firm financial structure, and we would like to promote mutual communication with our shareholders and investors.

FY2018 Related Indicators

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 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 ROIC(%) = (Operating profit) (excl. Tax) / (Average of fixed asset at beginning and end of fiscal year) (incl. future rental expenses under operating leases)
2. (Net profit 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)

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

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 = (Air operation revenue − Fuel surcharge − Revenue from fuel resale to a related company) /ASK
5. Unit Cost = Air Transport consolidated cost (excl. fuel) / ASK

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III-3 Fleet Plan

	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

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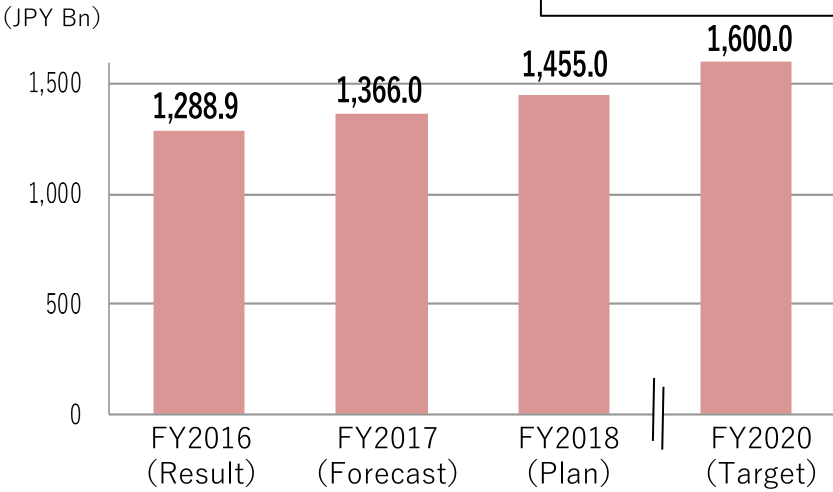
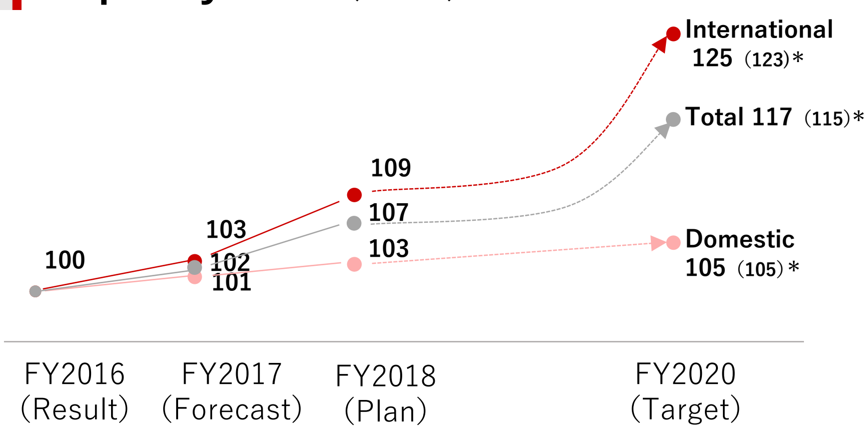
Maintain high profitability and continue to grow

Operating Revenue

Air transportation Segment 1,200.0Bn
Other 400.0Bn

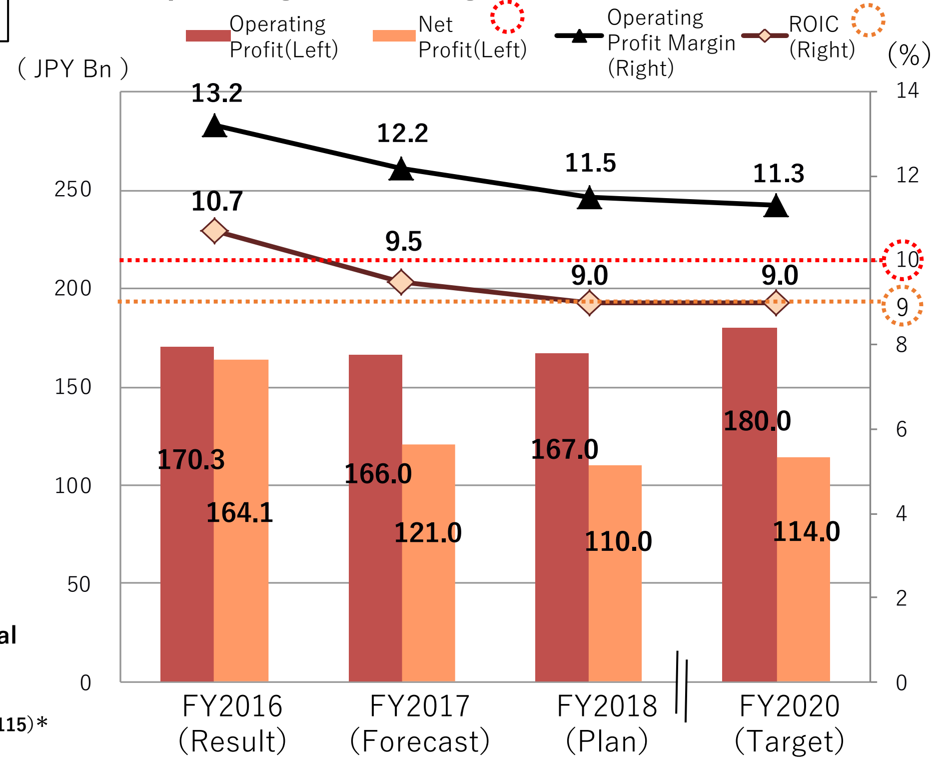


Capacity Plan (ASK)



* ( ) Announced on April 28, 2017

Operating Profit・Net Profit [1] ・Operating Profit Margin ・ROIC [2]



1 Profit attributable to owners of parent

2 ROIC(%) = Net Operating Profit After Tax (NOPAT) / 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

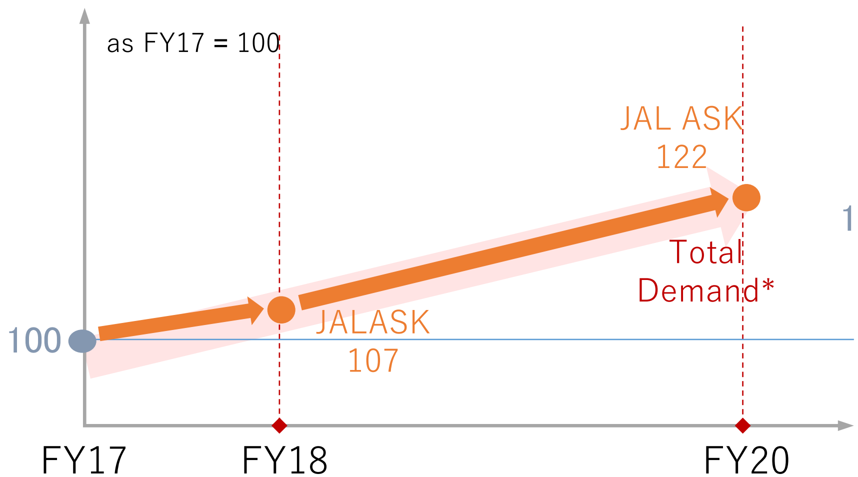
Summary

- From here, I will explain the materials for investors presented in the Rolling Plan.
- From FY2018 to FY2020, the international ASK has been raised 2% from the plan we announced last year, resulting in ASK 25% up from FY2016, and 22% up from FY2017. As for domestic routes, we expect ASK 5% up from FY2016 and 3% up from FY2017, no change from the last year's plan.
- We will continue to strive to overpass our management targets of 10% operating margin and 9% ROIC in order to maintain high profitability. The operating revenue is targeted at 1 trillion 600 billion yen and the operating profit at 180 billion yen in FY2020.
- In FY2018, the operating revenue is estimated as 1 trillion 455 billion yen and the operating profit as 167 billion yen.

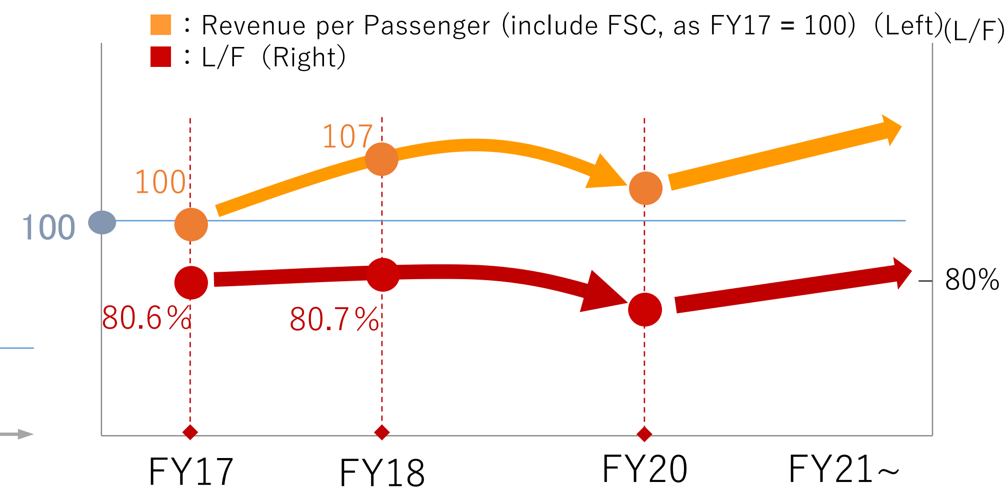
Maintain high profitability, while increasing capacity according to growing demand

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

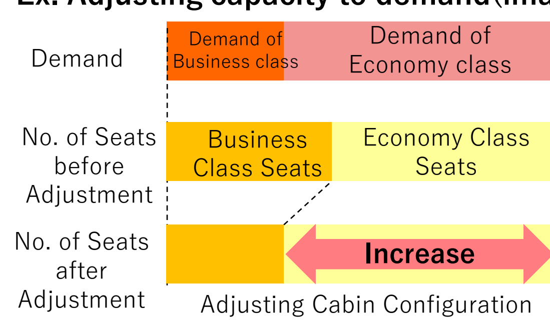
- **Continue measures to absorb high-yield passengers with high-quality products and services**
- **Steadily increase revenues by expanding seasonal flights on high-demand routes and also by adjusting capacity to markets**
- **From FY2020 onwards, use additional slots at Tokyo airports for further growth**

・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)



For routes with high demand for economy class, aircrafts with more economy class seats and less business class seats are assigned to maximize revenues per flight.

- I will explain about International passenger operation on page 20.

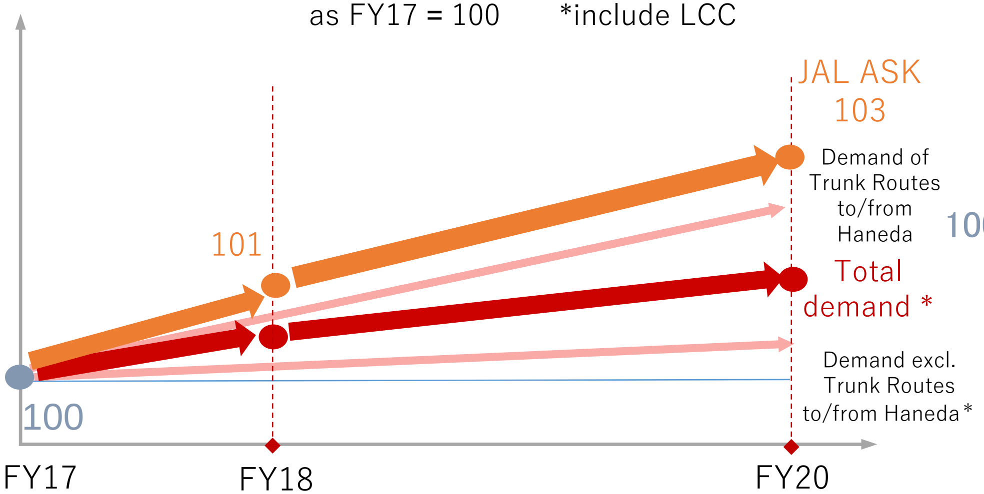
- We aim for the sound expansion of capacity in line with the market growth rates. We plan to increase ASK by 7% from FY2017, by 22% in FY2020 compared with FY2017, and realize an annual average increase of 7%. We will capture growing demand through advanced revenue management and enhanced products and services.

- Our stance to focus on high-yield passengers remains unchanged. But on select routes with high demand for Economy Class, we will optimize the number of aircraft seats to satisfy passenger demand in order to maximize profits.

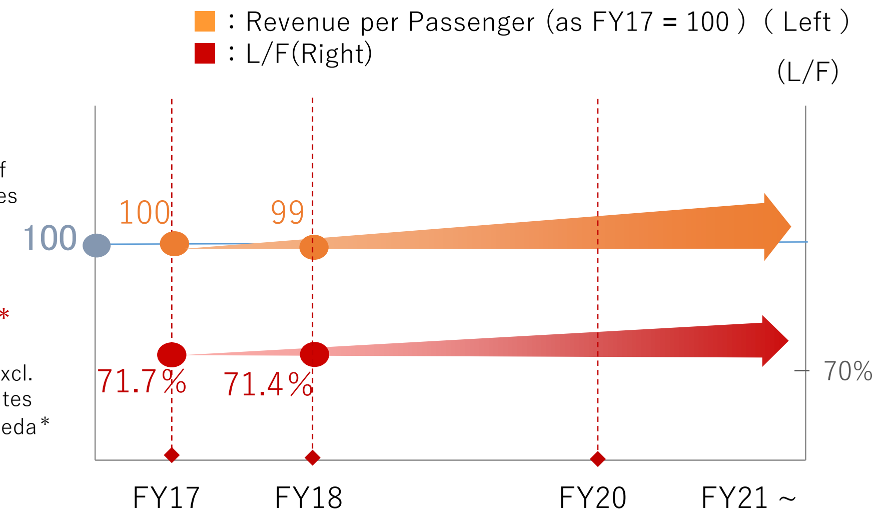
- FY2020 is a major business opportunity, when flight slots are expected to increase at Tokyo’s two airports. On the other hand, there are concerns that unit revenue and load factors may trend down due to temporarily worsening of the capacity-and-demand balance. But this will be temporary. From FY2021 onwards, we will increase unit revenue and load factors with growing demand.

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×Hyakusenrenma*

JAL×Tripadvisor

*company of rental accommodations for tourists

ALL JAPAN Tourism Oriented Country Fund

Japan Explorer Pass

- I will explain about Domestics passenger business operations on page21.

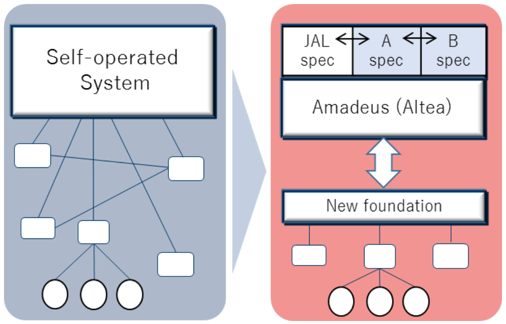
- Regarding ASK, we plan to increase capacity on trunk routes to/from Haneda, in which more growth is expected. We plan to increase ASK by 3% in FY2020 compared to FY2017, which is a 1% average increase per year.

- We will strive to maximize revenues by providing services one step ahead of competitors, enhancing services for inbound passengers, raising the ratio of independent travelers, and implement revenue management using the new passenger service system.

- For absorbing growing inbound demand, we have started to partner with other businesses shown in the bottom-right corner.

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

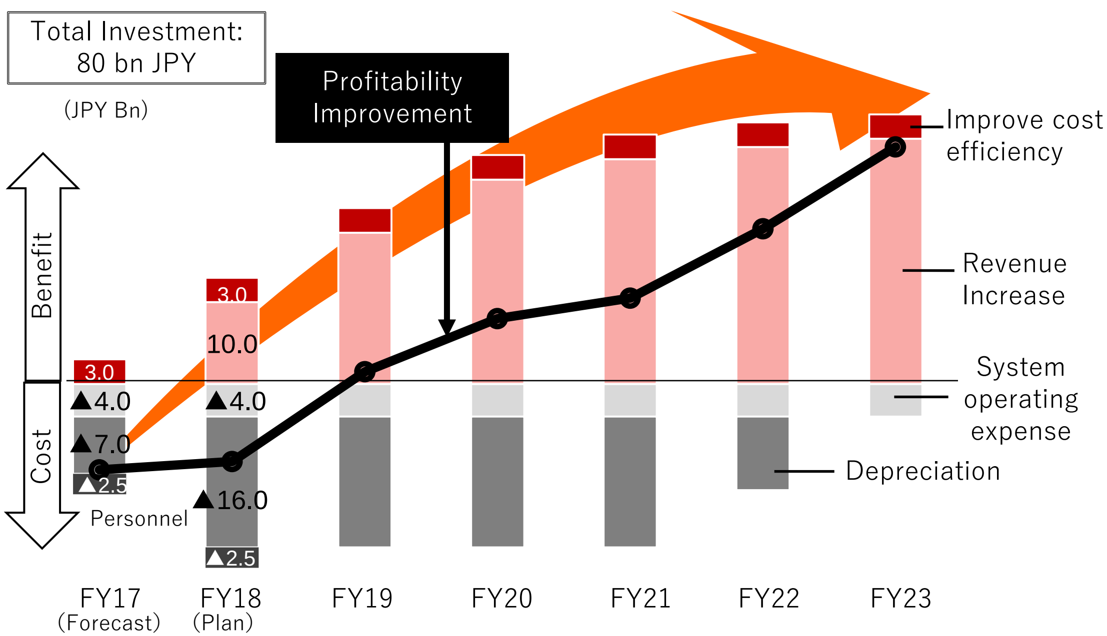
Reservation & ticketing system (international and domestic flights)
Boarding system (international flights)

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



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

Innovation of Passenger Service System

- I will explain about the innovation of the passenger service system in this page.

- Transformation of the passenger service system to Amadeus' Altea went smoothly in November, and everything is going well now. It will be completed with upgrading of the domestic passenger boarding system scheduled in the 4^{th} quarter of FY2019.

- With the advanced revenue management, the integration of both international and domestic system, the improved overseas websites, and the various global standard functions of the new system, we aim to increase international and domestic passenger revenues by approximately 1% in FY2018, and make the benefits overpass the costs in FY2019.

- Investments, costs and other items are going as estimated.

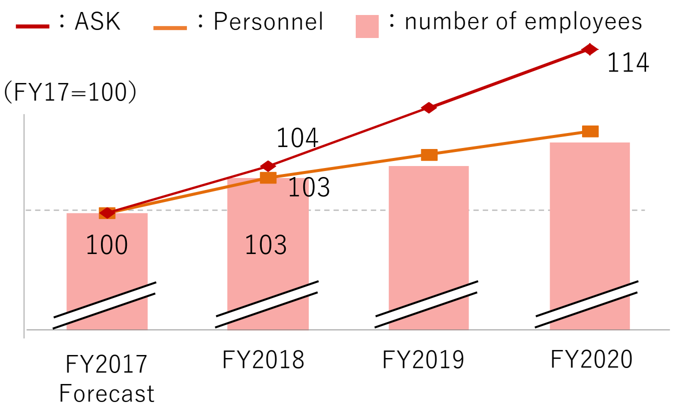
- We will take advantage of the firm platform for further growth.

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

Productivity Improvement

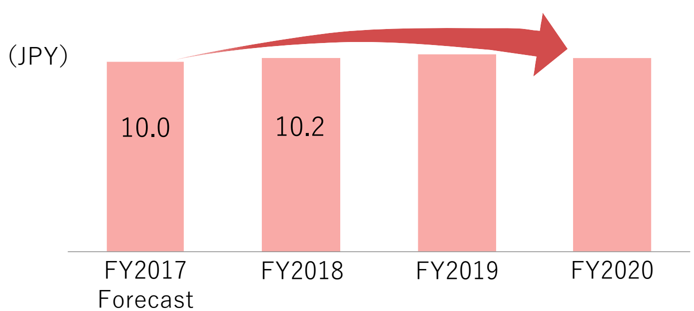
ASK, Number of employees and Personnel costs

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

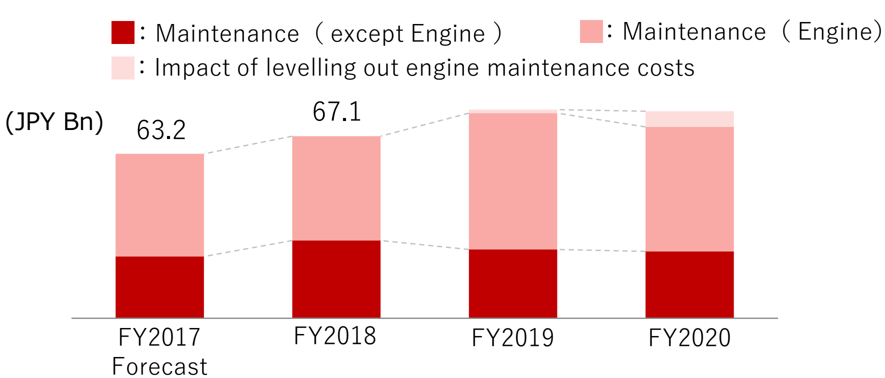
Utilize new technology
Greater maintenance efficiency with IT and preventive maintenance through failure prediction analysis

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



Cost Management

- Next, I will explain cost management, especially personnel costs and maintenance costs.

- The graph in the upper left corner shows estimated staff numbers and personnel costs. We will control and contain staff numbers and personnel costs below the scale of business growth.

- Unit cost in the lower left corner will temporarily rise due to preceding expenditures for capacity expansion at Tokyo's two airports in FY2020. We will reduce unit cost by improving productivity using AI and new technologies.

- On the right is our projection of maintenance costs. Outsourcing costs and material costs needed for engine maintenance will continue to trend up. However, we will work hard to improve maintenance quality, increase efficiency and level out costs for further cost control.

- Furthermore, as maintenance facilities geared to the 747 jumbo jet are getting old, we will restructure them into consolidated facilities in order to significantly cut fixed costs relating to maintenance.

Heading and Fuel Surcharge

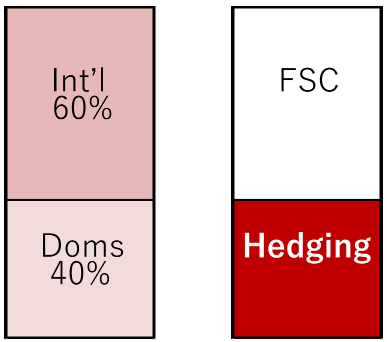
Impacts of fuel price and exchange rate volatility have been set off in a approximately three-year span

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

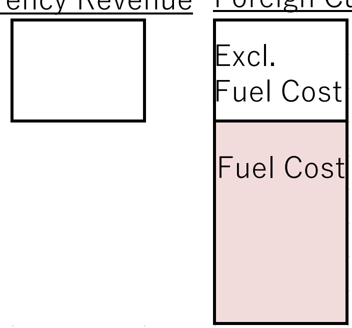
Amount of usage



＜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

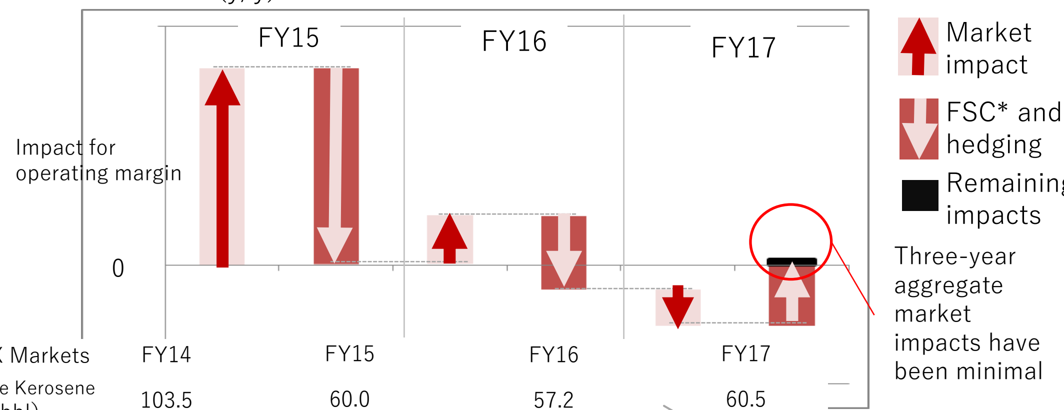
Foreign Currency Revenue   Foreign Currency Expense



Overcome Market Risks

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

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

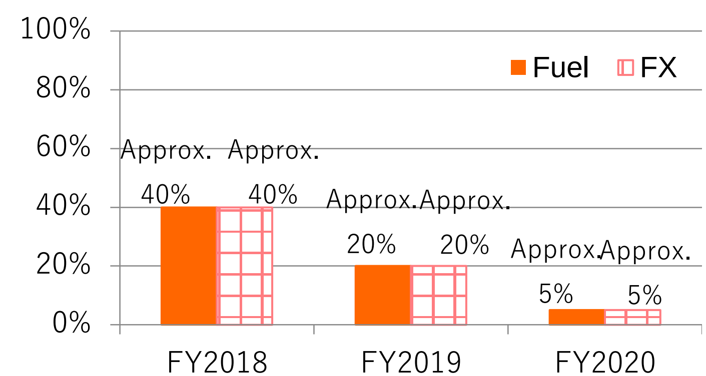


Fuel/FX Markets	FY14	FY15	FY16	FY17
Singapore Kerosene (USD/bbl)	103.5	60.0	57.2	60.5
FX (JPY/USD)	108.4	120.5	108.6	113.0

*FSC … Fuel Surcharge

Hedging Ratio for Fuel Costs

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



- On page 24, I will explain actions to manage risks coming from fuel price and exchange rate volatility.

- As shown in the graph on the left, There exists risk mainly on domestic routs where roughly 40% of fuel is consumed but no fuel surcharge is collected.

- Therefore, we hedge against 40% of fuel and its associated exchange rate, up to three years.

- Please look at the graph on the right. The financial performance of airlines change drastically depending on fuel prices and exchange rates. However, please note that by combining our hedging method and fuel surcharge, we have kept the impact of fuel prices and exchange rates on profit almost none, when seen over a span of three fiscal years.

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

Financial structure

Shareholders' equity ratio

- Equity ratio reached approx. 60%. Having built strong financial structure, we will work to maintain the current level

Credit rating

- Aim to achieve and maintain "A flat" or above credit rating by improving cash flows and securing fruits from our growth strategies

Capital efficiency

Decrease cost of capital · Utilize debt

- 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

Liquidity

- 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	・Stable and more predictable dividends are aimed ・**Dividend on equity (DOE) in addition to the payout ratio has been adopted as a reference** ・Increasing the payout ratio to maintain dividend levels, after the effective tax rate increase, will be considered
Share repurchase	・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

Financial strategy

- On this page, I would like to explain our basic financial strategies and capital policy.
- We recognize that 2.6 months' worth of annual turnover, or approximately 300 billion yen at this time, as the appropriate level of cash on hand needed for stable operation as well as capital efficiency.
- We will also adopt dividend on equity ratio (DOE) as well as payout ratio as a reference to determine the amount of dividends, and strive to increase stability and predictability.
- I will explain about shareholder's return on page 26.

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	Common shares of JAL
(2) Total number of shares acquired	7 million shares (maximum)
(3) Total price of shares acquired	20 billion yen (maximum)
(4) Period of acquisition	March 1, 2018 ～April 27, 2018

Plan to retire all acquired own shares

- The payout ratio is currently around 30%. We will consider raising it to roughly 35% to maintain the same amount of cash dividend per share, even after the tax rate hike.

- Taking into account the target ROE of 10% and the target payout ratio of 30%, we would like to aim the dividend on equity ratio (DOE) at 3% or above. We will work harder than ever to pay stable and highly predictable dividends.

- As announced today, we have decided to repurchase shares of 20 billion yen by the end of April to increase capital efficiency. All repurchased shares will be retired.

- We will continuously consider ways to further enhance return of profit to our shareholders, further increase capital efficiency, and realize stable returns to our shareholders.

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Rolling Plan 2018

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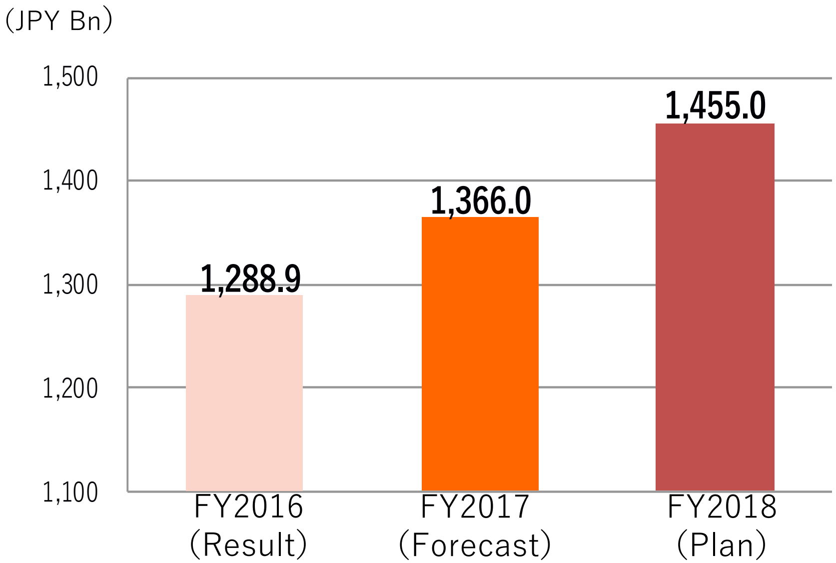
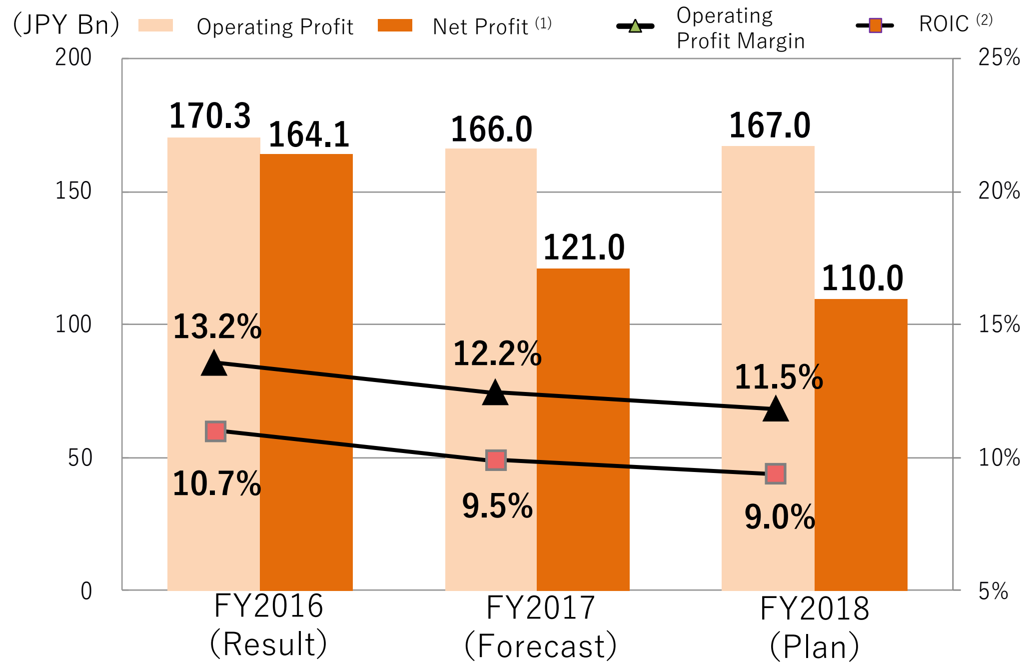
FY2018 (Mar/19) Earnings Forecast

Operating Revenue



Operating profit・Net profit



Operational Preconditions

ASK[3]	FY2017 (Forecast)[4]	FY2018 (Plan)
Int'l flights	+2.7%	+6.5%
Doms flights	+1.2%	+1.4%
Total	+2.1%	+4.4%

	FY2017 (Forecast)[4]	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

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

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

- Moving on, I will explain our plan for FY2018 from page 28 onwards. At the present, certain estimated figures for this fiscal year are unfixed. Therefore, please wait for our announcement of full-year financial results, scheduled at the end of April, for an accurate comparative analysis with the previous fiscal year. Today, I will provide a general picture.

- We will increase ASK by 4.4% from the previous year to respond to robust passenger and cargo demand.

- Consolidated operating revenue is estimated at 1 trillion 455 billion yen, operating profit at 167 billion yen, which is close to the FY2017 level, operating margin at 11.5%, and ROIC at 9.0%.

FY2018 (Mar/19) Earnings Forecast (Details)

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

FY2018 plan (details)

- We expect higher international passenger revenue, driven by demand growth and higher fuel surcharge revenues. Domestic passenger revenue is seen to increase slightly, as the high growth in FY2017 will runs its course.

- From FY2018, the settlement adjustment method for domestic sectors on international itineraries will change. As a result, roughly 6 billion yen will shift from domestic passenger revenue to international passenger revenue.

- Regarding expenses, we foresee higher fuel costs due to rising fuel prices, higher revenue-linked costs and higher depreciation costs relating to the new passenger service system.

- Operating profit is estimated at 167 billion yen and net profit at 110 billion yen, as temporary losses due to restructuring of maintenance facilities will be reported.

- Market assumptions are 73 US dollars for a barrel of Singapore kerosene and 115 Japanese yen to the US dollar.

FY2018(Mar/19) International ／Domestic Passenger Operations

International Passenger	FY2017 Forecast(1)	FY2018 Plan	y/y
Passenger Revenue(2) (JPY Bn)	453.0	515.0	＋13.7%
Passengers ('000)	8,468	8,994	＋6.2%
ASK (MN seat km)	51,974	55,357	＋6.5%
RPK (MN passenger km)	41,866	44,701	＋6.8%
L/F (%)	80.6%	80.7%	＋0.2pt
Revenue per Passenger(3) (JPY)	53,491	57,304	＋7.1%
Yield(4) (JPY)	10.8	11.5	＋6.6%
Unit Revenue(5) (JPY)	8.7	9.3	＋6.8%

Domestic Passenger	FY2017 Forecast(1)	FY2018 Plan	y/y
Passenger Revenue(2) (JPY Bn)	517.0	520.0	＋0.6%
Passengers ('000)	34,133	34,573	＋1.3%
ASK (MN seat km)	35,861	36,356	＋1.4%
RPK (MN passenger km)	25,720	25,950	＋0.9%
L/F (%)	71.7%	71.4%	▲0.3pt
Revenue per Passenger(3) (JPY)	15,149	15,051	▲0.6%
Yield(4) (JPY)	20.1	20.1	▲0.3%
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

FY2018 international/domestic passenger operations

- Page 30 shows our plan for international and domestic passenger operations in FY2018.
- In international passenger operations, we expect year-on-year increases in both passenger traffic and unit revenue, and load factor remaining at the prior-year level.
- In domestic passenger operations, we expect stable passenger traffic with higher unit revenue than the previous year, excluding the negative 6 billion yen due to the change in settlement adjustment. The load factor remains at the prior-year level.

FY2018 (Mar/19) Balance Sheet・Cash Flow ・Capital Investment Plan

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.

FY2018 Balance Sheet・Cash Flow Plan・Capital Investment

- Page 31 shows the Balance Sheet for FY2018 and cash flow estimates.
- The equity ratio at the end of FY2018 is estimated at 57.6% and free cash flow at 51 billion yen.
- Capital investment in FY2018 is estimated at 237 billion yen, of which 150 billion yen will be appropriated for growth investments.
- This ends my presentation. Thank you very much for your attention.

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