



JAPAN AIRLINES

JAL Group Medium Term Management Plan - Rolling Plan 2019
Challenge, Leading to Growth



February 25th, 2019 Japan Airlines Co., Ltd.

On Establishing Medium Term Management Plan-Rolling Plan 2019

We reflect deeply on a series of alcohol-related incidents which were the cause of “The Order to Improve Business Operations” in December 2018 and are determined to act swiftly to rebuild safety and sense of security.

Further, to meet the expectations of all our customers including regions and society, we commit to restore public trust and to increase corporate value by enhancing our services and making a substantial contribution to society.

Rebuilding Safety and Sense of Security

In addition to taking measures to prevent recurrence of similar acts in response to the order to improve business operations, we will inspect the JAL Group thoroughly from a safety perspective in order to rebuild the foundation of the company including improvement of the corporate culture and human resources development.

Restoring public trust and increasing corporate value

We will prepare for the development of airports in metropolitan area scheduled in FY2020 and contribute to achieving the 40 million inbound passenger target for 2020 and the successful delivery of the Olympic and Paralympic Games Tokyo 2020.

Further, we will continue to drive our initiatives even more vigorously to create new business values, develop human resources and solve social issues, just to name a few.

Building on our achievements under the JAL Group FY2017~2020 Medium Term Management Plan subtitled “Challenge, Leading to Growth,” we will solidify our foundation in Rolling Plan 2019 and finish up the mid-term plan by “accelerating” actions to prepare for FY2020, the final year of the plan, and to achieve our long-term targets specified in the “Grand Design.”



JAPAN AIRLINES

Rolling Plan 2019

Our 3 Management Goals

JAL Target

Safety

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

Customer Satisfaction

Achieve the world’s top-level Customer Satisfaction by FY2020

Finance

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

“JAL Target-3 Management Goals” and “Overview of New Medium Term Management Plan.”

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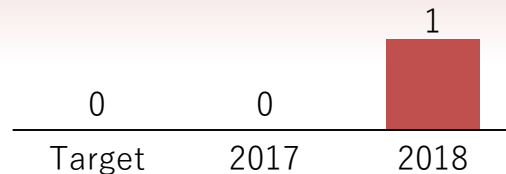
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As safety targets were not reached, we will inspect the JAL Group thoroughly from a safety perspective in order to rebuild the foundation of the company.

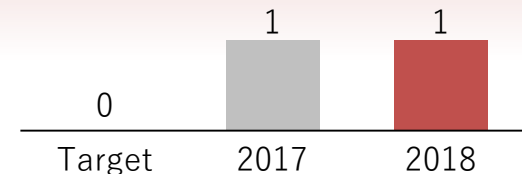
Safety

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

Aircraft Accidents



Serious Incidents



Review

- Aircraft Accident (June 2018) : Cabin attendant fractures left leg due to sudden turbulence during cruising
- Serious Incident (May 2018) : Aircraft suffers engine trouble just after takeoff and metallic parts fall from engine while returning to departure airport. Enforced countermeasures such as shortening the inspection intervals.
- As a proactive security management measure, improved use of database and internal audits to speedily gather information and launched new practices

■ Responses to the order to improve business operations and business improvement recommendation

- Incorporated tighter drinking management with reviewed alcohol inspection criteria in the Safety Management System
- Set up an in-house Verification Committee to identify essential problems and consider corrective action

Going forward

- Improve work environments such as speedy provision of weather information and enhanced cockpit connectivity
- Safety Education for all staff based on the three actuals “the actual place, object and people.” Maintain human error measures focused on the impact of the surrounding environment and organizations
- Intensive measurements for FY2020
Falling objects:
Gather and study information about falling objects aircraft, shorten the inspection periods, plan and take actions for prevention, and enhance daily inspection.
Security:
In addition to security management launched in FY2018, introduce advanced security inspection devices

■ Implement bold reforms

- Establish and implement measures to tackle issues in terms of “Awareness” of Safety First, “Culture” of Solving Tasks Completely and “Organizations” to Assure Flight Safety by the end of March 2019



**To achieve financial targets and customer satisfaction targets,
we will “accelerate” quality and service enhancement initiatives.**

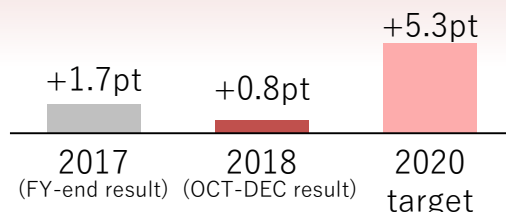
Customer Satisfaction

(Recommend Intention Rate)

Achieve the world's
top-level Customer
Satisfaction by FY2020

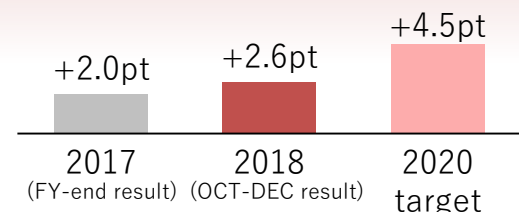
Domestic Flights NPS*1

(vs start of FY2017)



International Flights NPS*1

(vs start of FY2017)



Review

- Domestic Flights (▲0.9pt from FY2017-end result) : Trended up in FY2018 but dropped from end of OCT when drinking incident occurred
- International Flights (+0.6pt over FY2017-end result) : Evaluation of Japanese passengers declines as with Domestic Flights, but on winning SKYTRAX 5-STAR rating, evaluation of Non-Japanese passengers improved

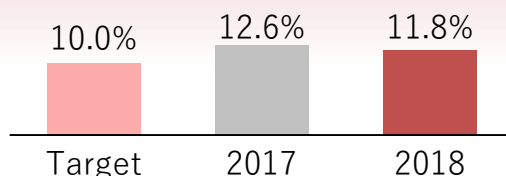
Going forward

- Improve basic product & service quality including on-time operations
- Improve operability through website and application innovations
- Improve comfort through new aircraft launches such as Airbus A350, cabin modifications and airport renewals

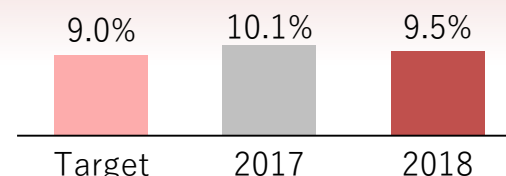
Finance

Achieve 10% or above
Operating Profit Margin
and 9% or above ROIC
(Return on Invested Capital)*2

Operating Profit Margin



Return on Invested Capital (ROIC)



*1 Net Promoter Score a questionnaire to measure the customers' intentions to recommend a service

*2 An indicator to measure profit that a company generates from invested capitals.

Review of FY2017~2018

Medium Term
Management Plan
Rolling Plan 2019



2017

2018



Expand networks

- Launched Narita=Melbourne, Narita=Kona routes
- Increased flight frequency between Haneda=London
- Reached basic agreement on new partnership with 5 foreign carriers



343 cities

- Established preparatory company T.B.L. for medium- and long-haul LCC
- Launched Haneda =Manila, Tokunoshima=Okinoerabu=Naha routes
- Early disaster recovery at Kansai and New Chitose airports
- Reached basic agreement on new partnership/expansion with 2 foreign carriers



402 cities



Innovate better products and services

- Revamped passenger service system
- Launched complimentary inflight Wi-Fi service on domestic routes
- Renovated lounges(Manila, Narita, Naha, Komatsu, Kagoshima)
- Introduced wooden wheelchair, planned wheelchair ski tour
- Started to introduce ATR42-600 to Japan Air Commuter, completed aircraft renewal of Ryukyu Air Commuter

- Increased free video programs and introduced live TV on domestic flights
- Opened new lounge(Honolulu/Okayama), and renovated lounge in Narita, Itami and Matsuyama
- Expansion of mileage use opportunities for receiving free ticket
- Introduced preventive care charter flight and sign language interpreter service
- Completed aircraft renewal of J-AIR and Japan Transocean Air.



Expand business domains

Partnered with supersonic aircraft developer BOOM and space development company ispace
Established Fintec company

- Started providing full maintenance service including maintenance management to Spring Airlines Japan and Amakusa Airlines
- Established travel prepaid card business in Fintec



HR × Technology

- Launched workstyle innovation in Flight Operations, Cabin Attendants, Maintenance divisions using mobile devices
- Workstyle innovation in back-offices using RPA*¹

- Established JAL Innovation Lab
- Introduced JAL OODA*²
- Launched workstyle innovation in airports division using mobile devices

Awards (2018)



Nadeshiko Brand
2018



New Diversity
Management
Selection 100



SKYTRAX
5 star



IT Japan Award
2018 Grand Prix



1st place
FlightGlobal
On-time Arrival Rate



FY2018 Award for
Excellence in Corporate
Disclosure

*¹ Robotic Process Automation. Concept that robots with technologies such as artificial intelligence automate tasks

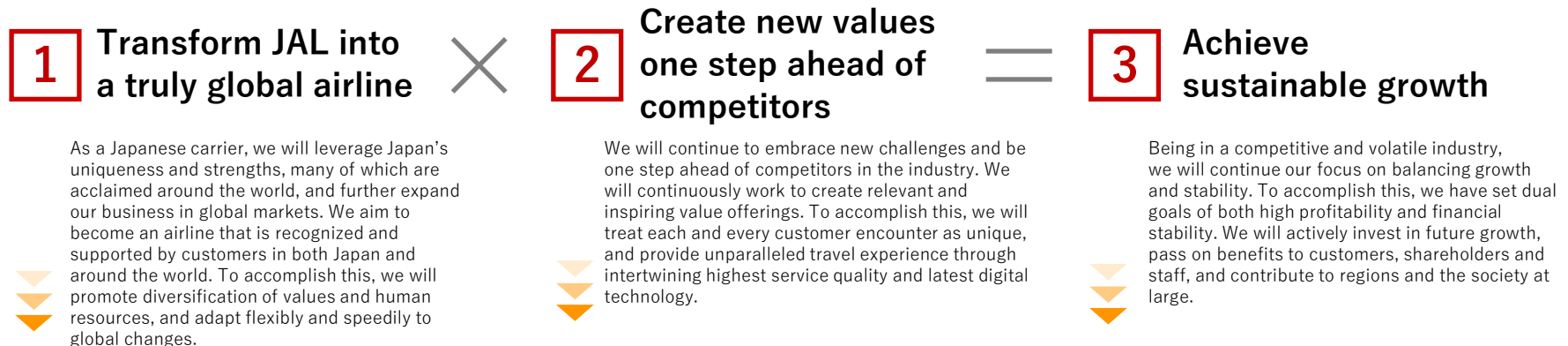
*² Observe/Orient/Decide/Act . A decision-making process that enhances speed and creativity through this loop

We strive to realize “Grand Design” soon, and accelerate enhancing our services and making a substantial contribution to society.

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 the development of the airline industry
- Actively contribute to tackling social issues such as SDGs*¹

*¹ Aiming to realize a sustainable society, SDGs consist of 17 targets that the international community should be solved by 2030.



JAPAN AIRLINES

Rolling Plan 2019



“Positioning and Direction”, JAL Group Medium Term Management Plan (Apr 28, 2017)

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We will rebuild the foundation of the company by inspecting the JAL Group thoroughly from a safety perspective, and “accelerate” actions to prepare for FY2020 and realize the “Grand Design”.





Expand networks

Medium Term
Management Plan
Rolling Plan 2019



FY2019~2020 Focus Points

JAL Operation

Airline Partners

Service over 500 major cities in the world

Have 50% of revenue from overseas sales for international passenger operations

Expand networks at Haneda and Narita

Narita = Seattle service launch (Mar 31, 2019~)

Narita = Moscow flight frequency increase (Mar 31, 2019~)

Narita = Bengaluru service launch (open by FY2020 summer schedule)

Expand partnerships with global partner airlines

Launch joint business *1 :

Hawaiian Airlines, China Eastern Airlines

Expand joint business :

British Airways

Kansai = London service launch (Mar 31, 2019~)

Finnair

Kansai = Helsinki flight frequency increase (Apr 1, 2019~)

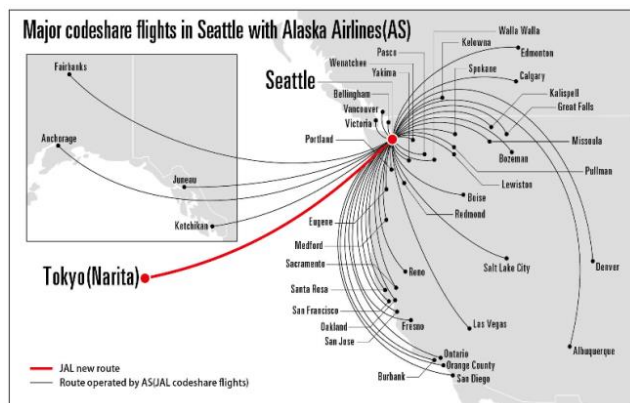
New Chitose = Helsinki flight frequency increase (Dec 16, 2019~)

Launch codeshare : Aeromexico Airlines, VISTARA

Expand codeshare : Alaska Airlines

Expand sales activities in overseas regions with joint business partners

Main network from Seattle hub



*1 Assuming approval from relevant authorities

Provide services to 500 cities soon

Target year FY2020

Contribute to world events held in Japan and registration as World Heritage site

Participate in 2019 Rugby World Cup, Olympic and Paralympic Games Tokyo 2020, promote registration of Amami and Okinawa as World Natural Heritage site contribute to passenger transport through carrier's network

Fly for it!
— 飛べ、世界へ —

Enter medium-and long-haul LCC business

(FY2020FH~)

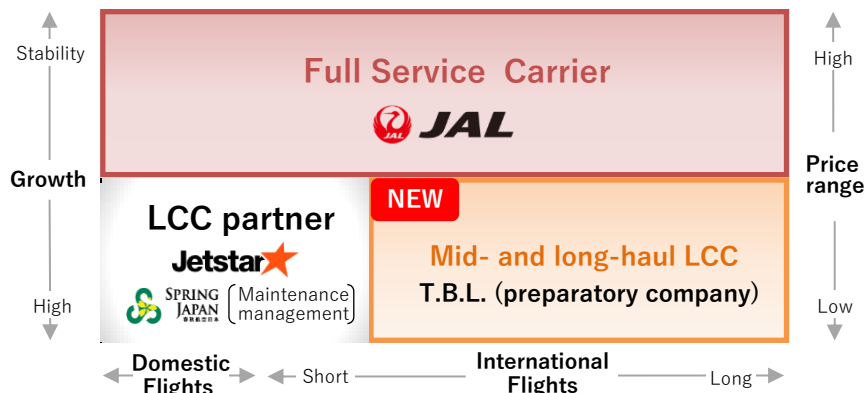
Offer low-cost high-quality new travel style on medium- and long-haul routes to Asia, Europe and North America from Narita hub

Expand LCC partner strategy

Deepen relationship with our Japanese LCC affiliate and contribute to inbound demand expansion through low-fares

Jetstar

Passenger business portfolio from FY2020





FY2019~2020 Focus Points

Excellent Quality & Comfort

Personal & Timely

Provide a stress-free travel experience for all our customers

■ Introduce new aircraft and improve cabin comfort

Domestic Flights :

Introduce the A350-900(Sep 2019~ install personal monitors, power sources)

Introduce the 787-8 (Oct 2019~ install personal monitors, power sources)

Install personal power sources on 767/737 progressively

Introduce the ATR42-600 (Hokkaido Air System)



International Flights :

Fully-flat Business Class seats on all flights on Europe and North America, Australia routes (Jun 2019~)

■ Meet diverse customer needs

- Improve/expand multilingual services, inflight meals and lounge drink/meal service to meet diverse needs, cashless payment
- Improve the accessibility by modifying check-in counters, providing sign language translation service and renewal of Web page
- Chatbot, Chatbox, SNS · SMS to provide timely information and to progress the business quality of contact center
- Integrate multiple smartphone apps and improve usability



■ Actions for operation stabilities

Improve on-time operation quality

Optimize flight schedule, use stand-by aircraft, improve the efficiency of airport operations

Strengthen disaster response capacity

Rebuild BCP*1 including early recovery plan of flights, taking into account recent disasters, provide multilingual services and deliver safety and sense of security.

■ Realize “smart airports” (FY2020~)

Refurbish/increase self-check-in machines, introduce self-baggage drop, promote “Fast Travel” by using face authentication and shorten procedure time

Domestic Flights : 5 airports (Haneda, New Chitose, Itami, Fukuoka, Naha)

International Flights : 2 airports (Narita, Haneda)

Image of “smart airports” (FY2020~)



Increase new self-check-in machines



Introduce self-baggage drop



One ID by face authentication
(Only international flights)



Automated gate

Advance security check



Check-in

Aim for zero waiting time at counters



*1 Business Continuity Plan. Provides measures to continue operations in case of unexpected situations.



Expand business domains

Medium Term
Management Plan
Rolling Plan 2019



FY2019~2020 Focus Points

Realize air transport
for the global market

Maintain safe operations and lead the
development of the airline industry

Create new businesses and services
that stimulate air travel demand

Airline-related business

■ Realize “sustainable regional aviation”

The aviation industry plans to establish a Limited Liability Partnership (LPP) to stimulate demand through greater efficiency from a unified operations & maintenance structure and code sharing (scheduled in FY2019)

■ Expand contracted services using our know-how

- Expand contracted services for other airlines, such as airport handling, maintenance, crew training and cargo handling
- Establish a cooperative business in the engine maintenance field including MRJ engine with Japanese heavy industry manufacturers

Travel & Transportation

■ Promote initiatives to increase inbound visitors and revitalize regions

- Provide experiential travel using regional tourism resources, develop products utilizing local specialty products, advertise in inflight magazines, etc. through business-local government collaboration
- Develop original products and open a tourism farm through joint venture “JAL Agriport Co., Ltd.” with WAGO Co., Ltd. (FY2020~)

■ Enter the business jet business (Apr 2019~)

Established joint venture JAL Business Aviation Co., Ltd. with Marubeni Corp. and promote increased use of business jets

■ Promote “Air Mobility Revolution”

- Promote initiatives to commercialize drones for cargo transportation
- Participate in industry-academia-government collaboration for “flying cars”

■ Participate in supersonic jet and space development

Support development by providing JAL assets such as maintenance technology



New market exploration

■ Enter the digital marketing business

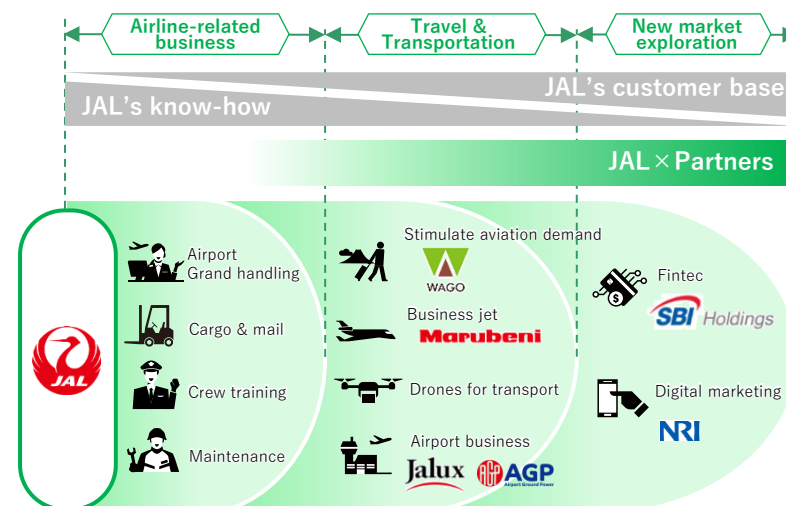
Established a joint venture with Nomura Research Institute Co., Ltd. called JAL Digital Experience Co., Ltd. to provide customers with truly unique digital experiences, services and products that enrich lifestyles based on customer data (scheduled in autumn of 2019)

■ Fintec business service expansion

Provide services as a neobank*1; e.g. exclusive accounts or foreign current deposits that suit travel prepaid card “JAL Global WALLET”



Business portfolio



*1 To partner with a bank and provide new financial products & services



HR ×



Technology



FY2019~2020 Focus Points

As a group of professionals that are able to dynamically accommodate with multi-cultural and diversified markets and environments

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

■ Relearn and practice the JAL Philosophy

Build framework to link lessons from past failures and reflection to practice

■ Promote health management (pursue mental and physical health of staff)

Proactively promote preventive medicine that suits each staff through a Data Health Plan^{*1}

■ Nurture professionals

- Nurture JAL OODA-type staff and leaders that act independently
- Promote global staff in all over the world to important position
- Develop expertise of senior staff and expand work fields (including raising compulsory retirement age)
- Continue in-house entrepreneur audition “Wings of Creation” and introduce “Lab member” system to verify staff’s own perceptions and intelligence

■ Train the next generation of aviation professionals to lead Japan’s aviation industry

- Build a scheme to hire and train foreign staff using the new residence status
- Participate in founding of Aeronautical Engineer University through industry-academia-government cooperation and train aeronautical engineers

■ Create social value through new technologies and ideas

Established corporate venture capital (CVC) fund firm called Japan Airlines Innovation Fund.

■ Build world’s most advanced maintenance technology base

Build an advanced integrated maintenance base that produces next-generation maintenance technology at Narita (start rebuilding in FY2020)

■ Labor-saving and automation through workstyle innovation on frontlines

Flight Operations : Introduce new system to manage manuals unitarily

Cabin Attendants : Introduce RPA, AI to work process

Airport : Introduced GSE ^{*2} equipped with advanced technology such as automatic driving

Maintenance : Introduction of electronic aircraft log book and aircraft maintenance record management system

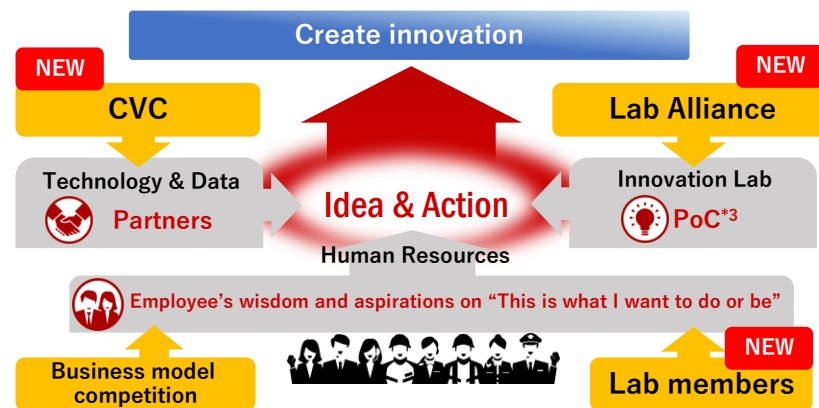
Cargo : Use image authentication technology, automated transport robots, AI, etc.

Back-offices : Promote work process innovation through RPA, AI

■ Promote innovation through partnerships with Labs of other companies

Lab Alliance with NTT Communications, Docomo, KDDI, IBM, SAP, CTC, The Nikkei, etc. and use new technologies across countries and industries

Platform for innovation



^{*1} Analyze and use the digital data of health medical information effectively

^{*2} Ground Support Equipment: Ramp Bus, Tow Truck, etc.

^{*3} Proof of Concept, means demonstration experiment

In this Medium Term Management Plan,
we look to identify priority issues from the viewpoint of ESG management.
And strive to solve social issues through to achieve SDGs*1 in 2030.



2030



Grand Design

2020

Medium Term
Management
Plan

View of ESG
Management

Fields

Priority Issues

Environmental

- Reduce greenhouse gas
- Reduce wastes
- Lower noise
- Lead safe operation in aviation industry
- Provide Air travel for all customers
- Promote initiatives to increase inbound visitors as a tourism nation
- Revitalize all regions in Japan
- Products and services trusted by customers

Social Customer & Region

Social Human Rights D&I*2

- Diversity & Inclusion, health management
- Develop female leaders
- Establish healthy*3 supply chains

Governance

- Obey compliance
- Disclose information positively and keep accountability
- Robust risk management

*1 Aiming to realize a sustainable society, SDGs consist of 17 targets that the international community should be solved by 2030.

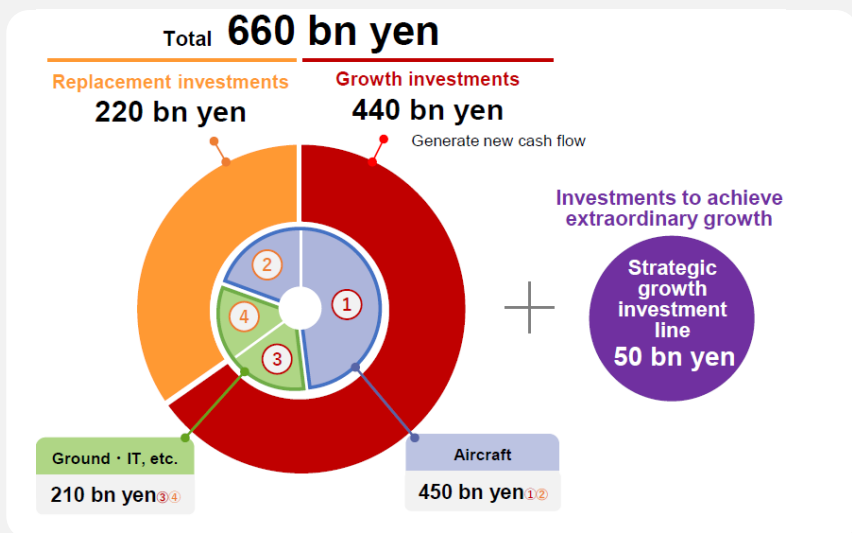
*2 To take advantage of different experiences and perspectives, accepting the difference, and create new things.

*3 Condition which realize close attention to environment, fair business process, respect of human right etc.



JAPAN AIRLINES

Rolling Plan 2019



“Financial Strategy and Capital Policy” in JAL Group Medium Term Management Plan Rolling Plan 2018 (Feb 28, 2018)

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We will strategically allocate capital to increase corporate value, while maintaining a firm financial structure with high capital efficiency.

Improve asset efficiency and capital efficiency

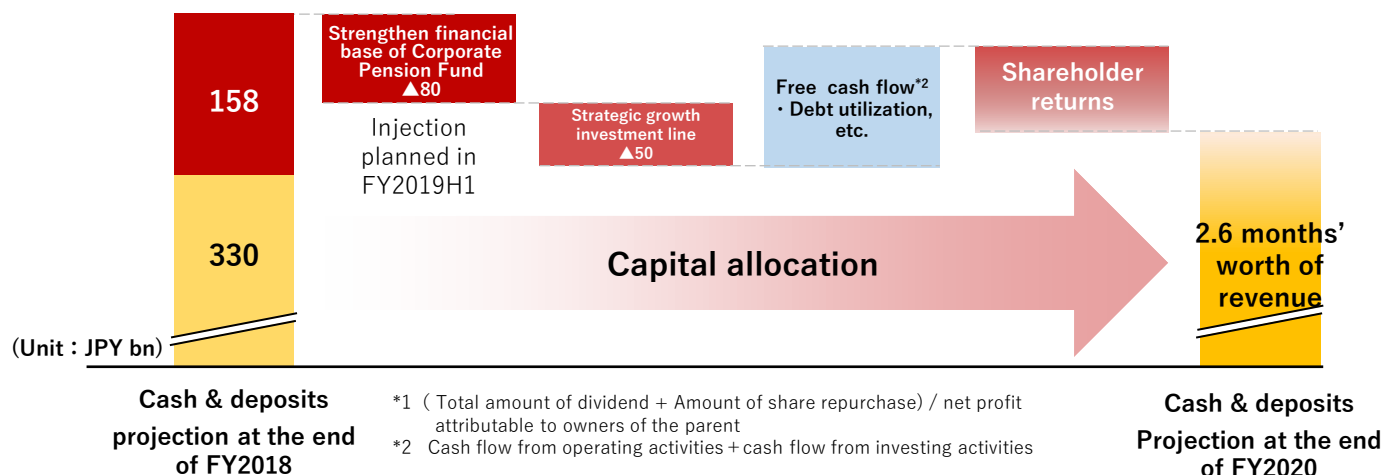
- Due to investments and preparatory costs for “development at Haneda and Narita” in FY2020, together with temporary supply-demand imbalance, ROE and ROIC will decline temporarily. However we aim to maintain or increase ROE from 10% and further increase ROIC through sustainable profit growth.

Capital allocation

- We will maintain approximately 2.6 months' worth of revenue as cash on hand required for stable management and allocate the additional capital strategically.
- Growth investment is actively promoted with interest-bearing debt. Also, the 50-billion yen strategic growth investment line will be effectively utilized.
- By the first half of FY2019, approximately 80 billion yen will be injected to the Corporate Pension Fund for strengthening its financial base and reducing debts relating to JAL retirement benefits.

Further increase shareholder returns

- We will raise the dividend payout ratio from FY2019 to maintain the current level of dividend per share, after the effective tax rate increase, in order to stabilize dividends while referring to Dividend on Equity Ratio (DOE).
- Combining stable dividends and flexible share repurchases, we will implement shareholder return measures, taking into account a total return ratio ^{*1}.





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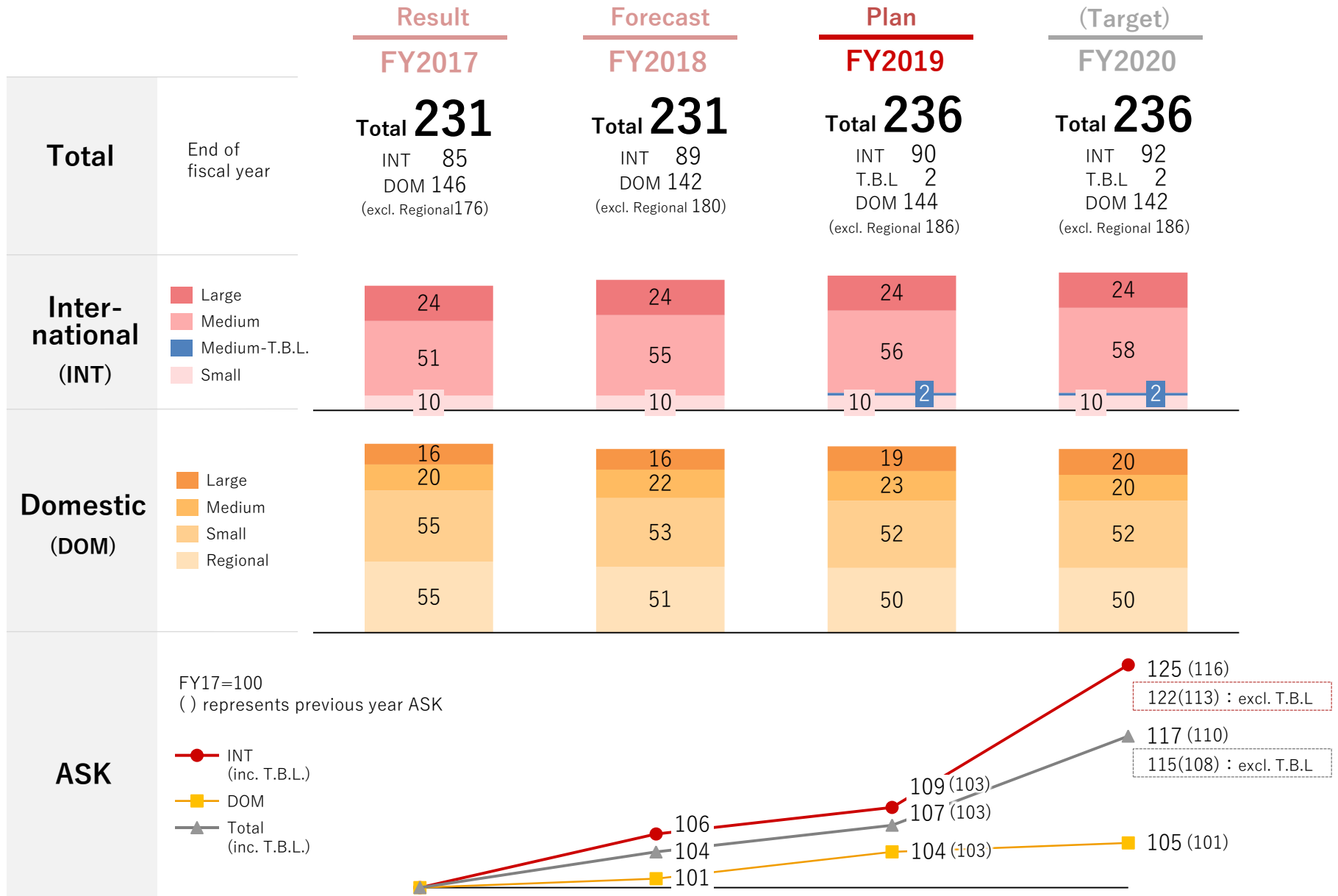


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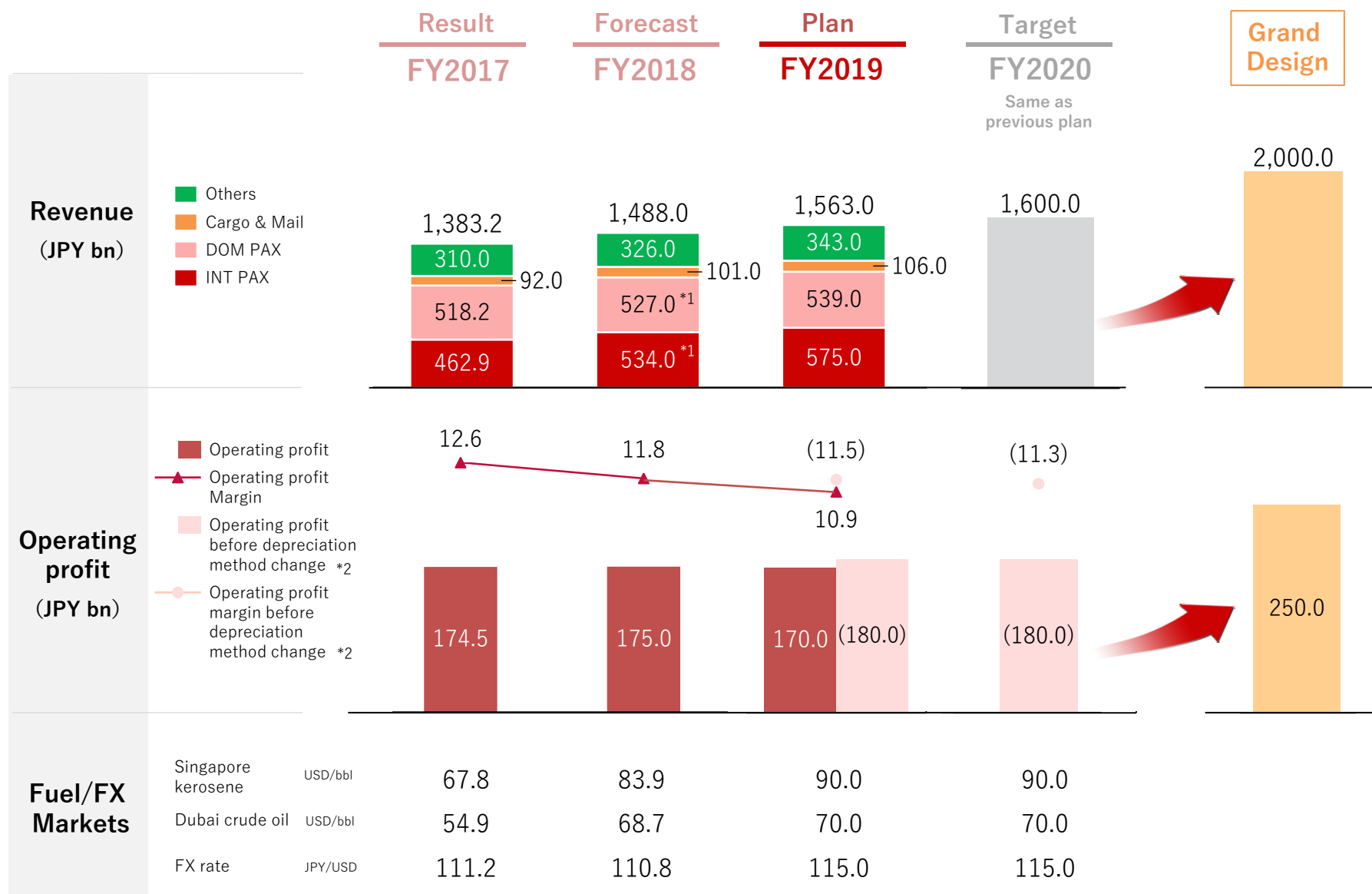
Fleet Plan and ASK

Medium Term
Management Plan
Rolling Plan 2019



Revenue and profit targets

Medium Term
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*1 Reflects the change of the settlement adjustment method for domestic sectors on international itineraries from FY2018.

*2 The depreciation method is changed to a new method in which assets are classified to each components, for example, based on economic lives of components, such as aircraft fuselage, engines and cabin interior, and each component is depreciated separately.

FY2019 Related Indicators

Medium Term
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		Forecast	Plan		Difference	Before depreciation method change*1
(JPY bn)		FY2018	FY2019	Before depreciation method change*1		
Consolidated Profit and Loss Statement	Operating revenue	1,488.0	1,563.0		+75.0	
	Operating expense	1,313.0	1,393.0	(1,383.0)	+80.0	(+70.0)
	Operating profit*1	175.0	170.0	(180.0)	▲5.0	(+5.0)
	Operating profit Margin(%)	11.8%	10.9%	(11.5%)	▲0.9pt	(▲0.2pt)
	Ordinary profit	161.0	171.0		+10.0	
	Net profit attributable to owners of parent	138.0	114.0		▲24.0	
Consolidated Balance Sheet	Total assets	1,974.0	1,988.0		+14.0	
	Balance of interest- bearing debt	144.0	169.0		+25.0	
	Shareholder's equity	1,155.0	1,177.0		+22.0	
	Shareholder's equity ratio (%)	58.5%	59.2%		+0.7pt	
	ROIC*2(%)	9.5%	8.7%	(9.2%)	▲0.8pt	(▲0.3pt)
	ROE*3(%)	12.5%	9.8%		▲2.7pt	
	ROA*4(%)	9.1%	8.6%	(9.1%)	▲0.6pt	(▲0.1pt)
Consolidated Cash Flow	CF from operating activities	274.0	219.0*5		▲55.0	
	CF from investing activities *6	▲198.0	▲259.0		▲61.0	
	Free CF *6	76.0	▲40.0*5		▲116.0	
	CF from financing activities	▲37.0	▲47.0		▲10.0	
	EBITDA	300.0	309.0		+9.0	
	EBITDAR	319.0	327.0		+8.0	

*1 The depreciation method is changed to a new method in which assets are classified to each components, based on economic lives of components, such as aircraft fuselage, engines and cabin interior, and each component is depreciated separately.

*2 Return On Invested Capital (ROIC) indicates how much return is generated with invested capitals.

Return on Invested Capital (ROIC)(%) = Operating profit (excl. Tax) / Average of fixed assets at beginning and end of fiscal year (incl. future rental expenses under operating leases)

*3(Net profit attributable to owners of the parent) / (Average of shareholder's equity at beginning and end of fiscal year)

*4 (Operating profit) / (Average of total assets at beginning and end of fiscal year)

*5 FY 19's operating CF and free CF include injection of approximately 80 billion yen to the corporate pension fund that is planned during the first half of FY 19 *6 Excludes deposits and withdrawals

Establishment of the Medium Term Management Plan from FY2020

- The JAL Group FY2017~2020 Medium Term Management Plan was established leading up to FY2020 when major impacts on the airline industry were scheduled, namely, the development of airports in metropolitan area and the Olympic and Paralympic Games Tokyo 2020.
- In FY2019, we will continue to take action to achieve our management goals and work toward the early achievement of our operating profit target of 180 billion yen*¹ in the current Plan.
- Meanwhile, as development of airports in metropolitan area are expected to materialize in FY2019, we feel that an environment will be put in place to formulate a new plan from FY2020.
- Therefore, next fiscal year we will sum up our initiatives and achievements and establish a Medium Term Management Plan starting from FY2020 that presents a concrete growth plan to realize our long-term targets in the “Grand Design.” We also plan to adopt International Financial Reporting Standards (IFRS).

*¹ before depreciation method change



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Rolling Plan 2019

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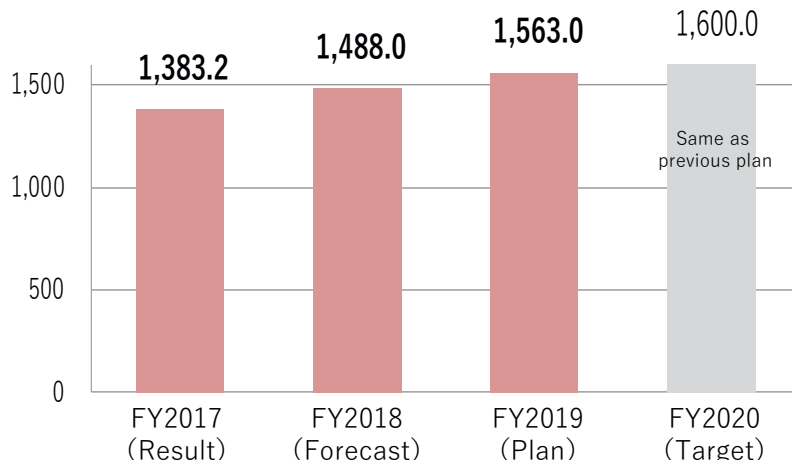
1. Summary



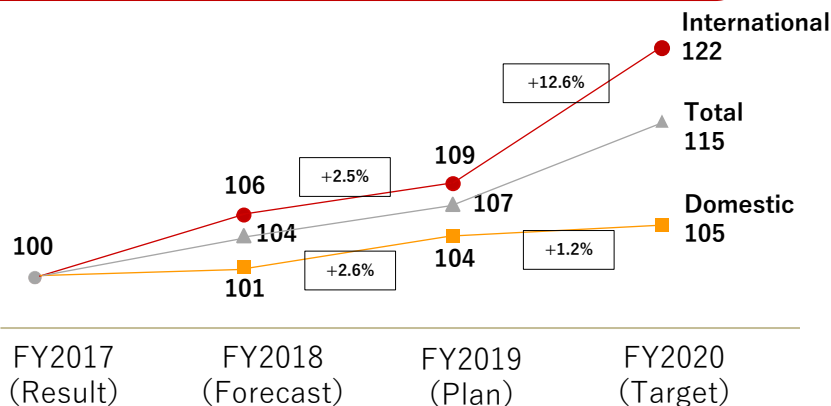
We will pursue growth while maintaining high profitability

Operating Revenue

(JPY Bn)

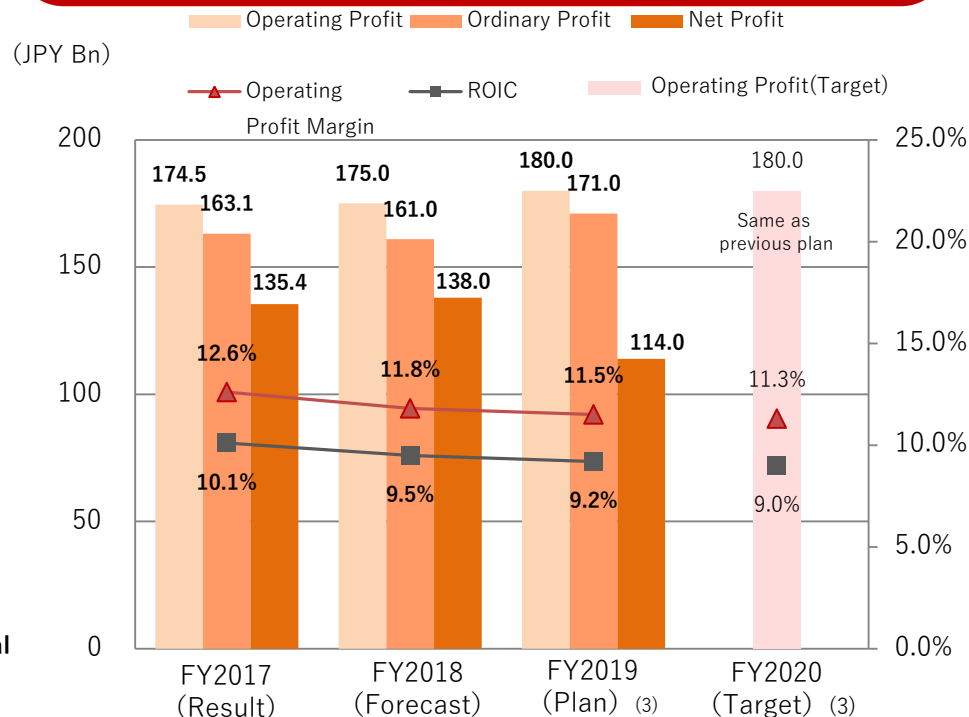


Capacity Plan (ASK)



* Capacity Plan excludes T.B.L.

Operating Profit · Ordinary Profit · Net Profit⁽¹⁾ Operating Profit Margin · ROIC⁽²⁾



(1) Net 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)

(3) FY2019 plan and FY2020 targets do not reflect the depreciation method change

Fuel/FX Markets

Singapore Kerosene (USD/bbl)

Dubai Crude Oil (USD/bbl)

FX Rate (JPY/USD)

FY18 FY19~

83.9 90.0

68.7 70.0

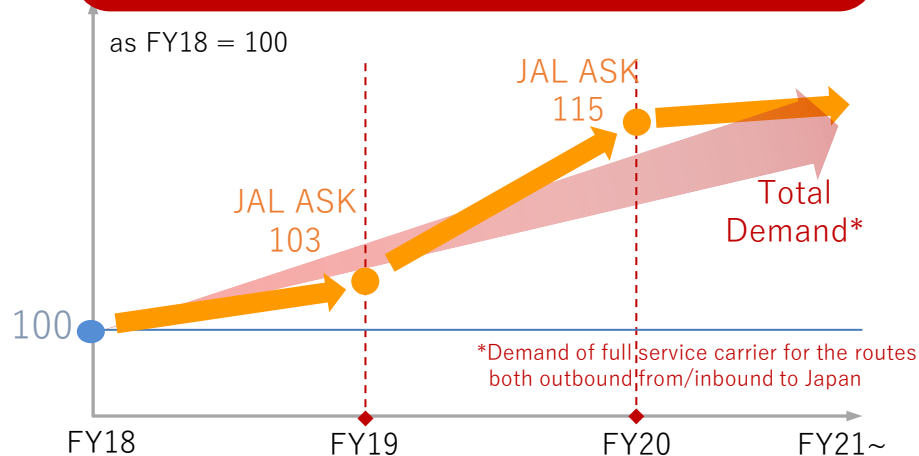
110.8 115.0

2. International Passenger Business

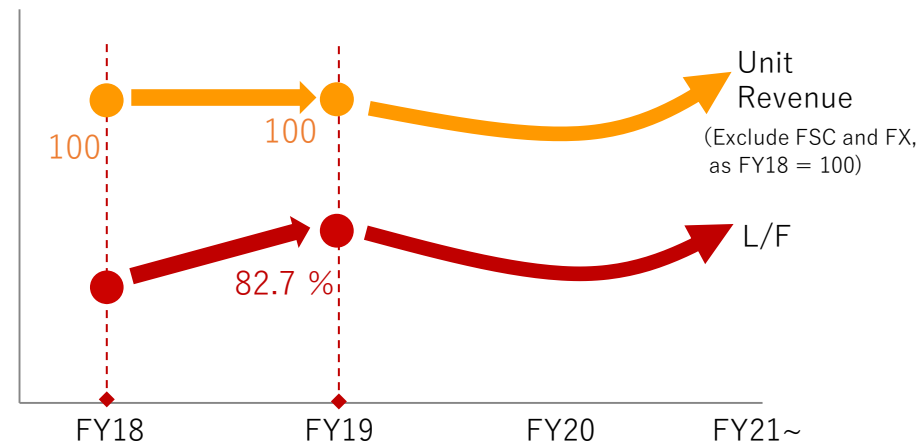
With the capacity expansion of Narita and Haneda, JAL will increase its capacity as demand grows

Drops in unit revenue and load factor due to temporary supply-demand imbalance will be swiftly returned to or exceed pre-enhancement levels

Demand projections and capacity plan



Unit Revenue · Load Factor (L/F)



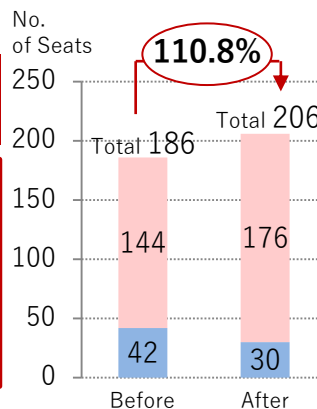
Cabin configuration optimization (FY18~FY19)

■ Economy Class
■ Premium Economy Class
■ Business Class

Capacity expansion through optimal number of seats available without increasing aircraft

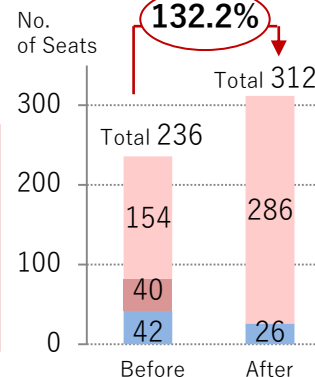
Already
Completed in
May2018

787-8
15(No. of aircrafts)
Asia, North
America routes
etc.



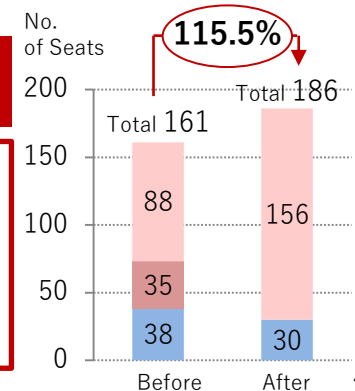
To be completed
by Aug2019 (Plan)

777-200ER
5(No. of aircrafts)
Asia routes etc.



To be completed
by Jan2020 (Plan)

787-8
10(No. of aircrafts)
Europe, North
America routes
etc.



2. International Passenger Business

Network expansion through partnerships with other airlines to mitigate risks from industry volatility
Strengthen foundation for revenue by increasing competitiveness overseas

Expand networks

■ Expand own networks

- Launch Haneda - Manila (2019.2.1~)
- Launch Narita - Seattle (2019.3.31~)
- Narita - Moscow flight Increase (2019.3.31~)
- Narita - Chicago Seasonal Increase (2019.6.8~2019.9.3)
- Launch Narita - Bengaluru (open by FY2020 summer schedule)

■ Expand alliances with partner airlines globally

Expand partnerships with joint business partners, **oneworld** members and codeshare partners, and provide services to 500 cities by FY2020



(1) Including airlines with which JAL reached a basic agreement but partnership has not started yet

(2) Net Promoter Score a questionnaire to measure the customers' intention to recommend a service

Increase competitiveness overseas Enhance measures for Hawaii route

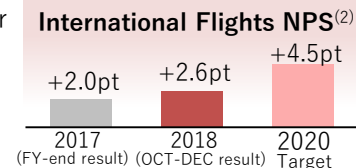
■ Achieve world's top-level customer satisfaction

- Evaluation of Non-Japanese passengers has improved through better products and services that reflect their needs and active promotions overseas



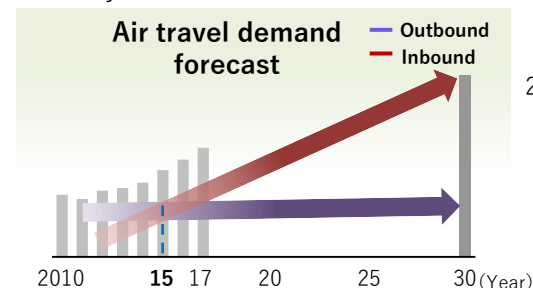
- Recognized as world's finest service quality and certified a SKYTRAX 5-Star Airline rating in 2018

- Achieve world's top-level customer satisfaction by FY2020



■ Capture overseas demand

Increase competitiveness in overseas markets where continuing growth is expected and achieve 50% of revenue from overseas sales by FY2027



Inbound demand
 2017→2030 Increase by about **double**

Target of revenue from overseas sales

50%
 (FY2027)

■ Measures for Hawaii routes

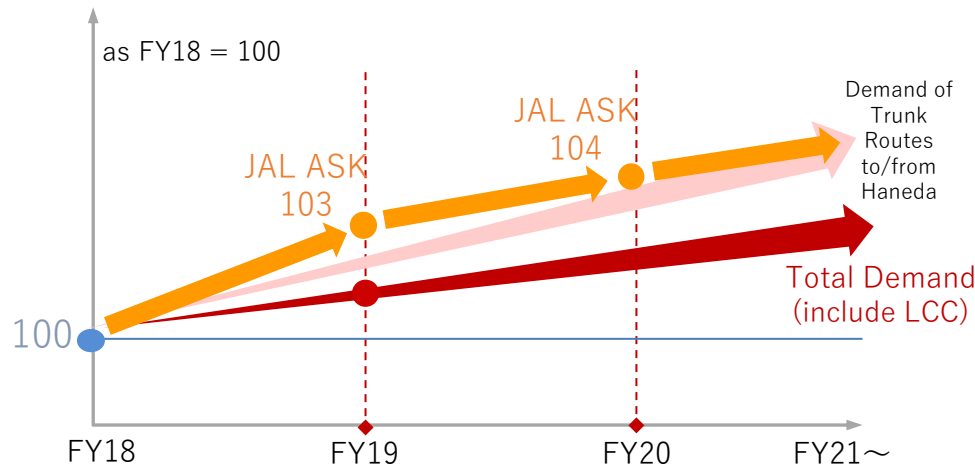
- Expand network to Hawaiian islands other than Oahu through enhanced partnership with Hawaiian Airlines
- Provide new travel styles and services based on new concept "Style yourself~JAL HAWAII~" and capture high-yield repeaters

3. Domestic Passenger Business

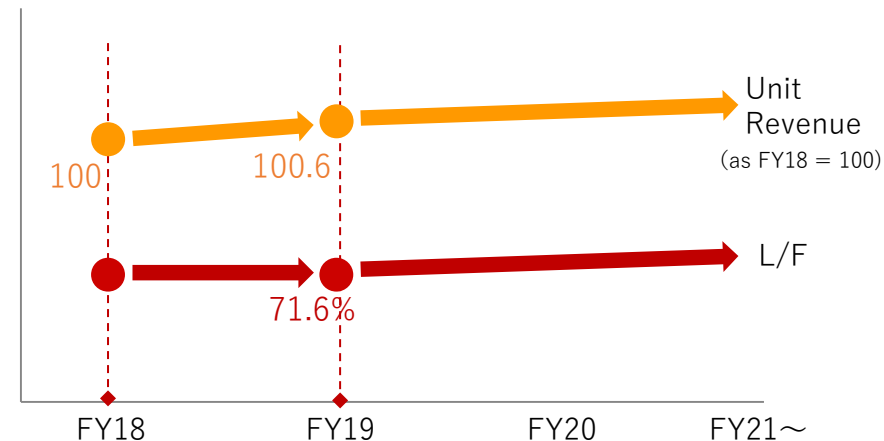


Expand capacity in steadily-growing trunk routes
Further improve unit revenue and load factor with new aircraft and new services

Demand projections and capacity plan



Unit Revenue · Load Factor (L/F)



Introduce new aircraft and improve cabin comfort

Raise customer preference by introducing new aircraft and improving cabin comfort

- Introduce state-of-the-art aircraft with personal monitors and in-seat power supply
A350-900 (Sep2019~ Haneda - Fukuoka gradually expand routes)
787-8 (Oct2019~ Haneda=Osaka(Itami) etc.)
- Install in-seat power supply on 767/737 gradually
- Replace to the ATR42-600 (Hokkaido Air System)



Realize “smart airports”

Realize “smart airports” and shorten waiting time significantly by using new technology

(2020~ Haneda, New Chitose, Itami, Fukuoka, Naha airport)



4. New Passenger Service System

Effects of new passenger service system has been seen earlier than expected
Expand functionality to lead to greater effects

Revenue exceeded initial estimates in FY2017 and FY2018

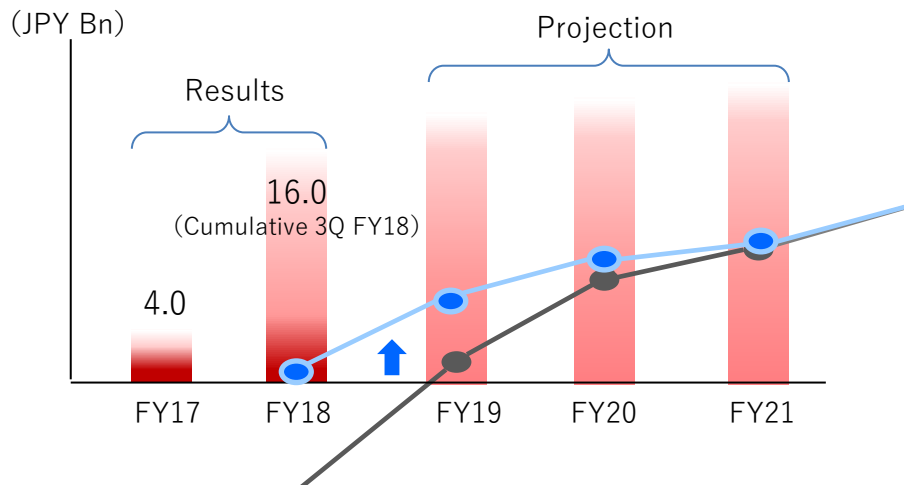
Estimated financial benefits using Unit Revenue (y/y)

The Effect in FY17 4th Quarter only
4.0 billion yen (estimated as maximum)
(International: 4.0 Bn yen)

The Effect during cumulative FY18 3rd Quarter
16.0 billion yen (estimated as maximum)
(International: 10.0 Bn yen, Domestic : 6.0 Bn yen)

Revenue
Increase
(maximum)

■ Revenue increase (maximum)
● Profitability Improvement (projection)
● Profitability Improvement (initial estimate)



Main functional enhancements

Major improvements

INT

Improved Functions
of Overseas Websites

Revenue Increase from
Inbound Business Class
and Premium Economy
Class Sales

Reservation Control
on Itinerary Basis,
instead of a Single
Flight Basis

Captured more transit
passengers

DOM

More Precise and
Advanced Revenue
Management

Reservation Forecasts
with Greater Precision

Further functional improvements

Promote mile redemption with new
international mileage function

Expanded settlement methods
on overseas websites

To be disclosed in due course

5. Cost Management

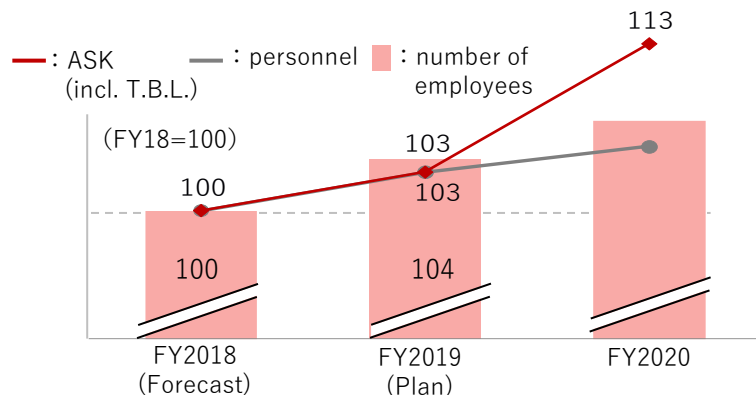


Cost management maintained while strengthening business base for further growth

Productivity improvement

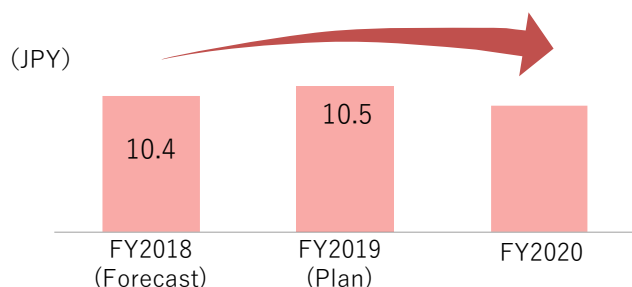
ASK, Number of employees and Personnel costs

The increase in the personnel costs and the number of employees in preparation for capacity expansion at Narita and Haneda in 2020 will fall within the range of ASK growth.



Unit Cost ⁽¹⁾

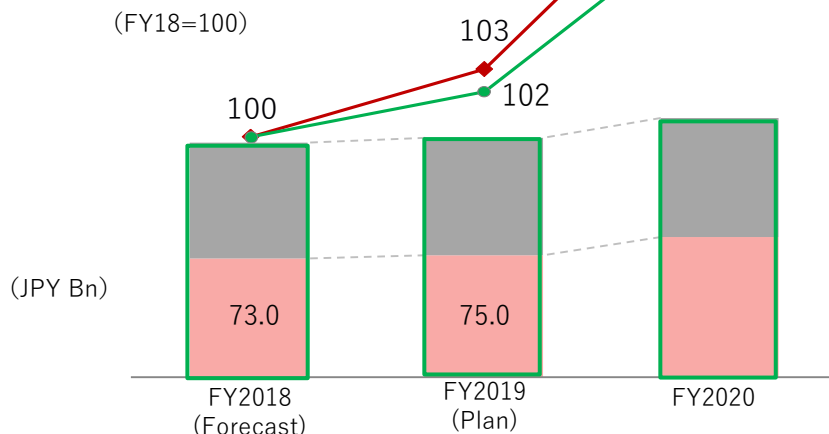
Improve productivity in FY2020 despite rising upfront costs for Narita and Haneda expansion



Maintenance-related costs

Projections

- Despite rising engine maintenance costs, the total maintenance-related costs are controlled thorough work efficiency improvement, active use of IT, failure prediction precision and optimal maintenance inspections. The total cost will fall within the range of ASK growth
- Actively increase revenue from maintenance services to other airlines by using resources secured through improved productivity



- : ASK (including T.B.L.)
- : Total maintenance-related costs=Maintenance costs + Other maintenance costs
- : Other maintenance costs=Parts leasing + Maintenance engineer personnel costs + Other maintenance division expenses
- : Maintenance costs=Material costs + Labor costs

(1) Unit Cost (excluding T.B.L.)=Air Transportation Segment Operating Expense(excluding fuel, and before the depreciation method change reflected)/ASK

6. Market Risk Management



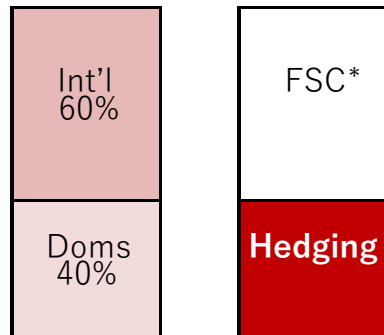
- Hedging and Fuel Surcharge - Impacts of fuel price and exchange rate volatility have been set off

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

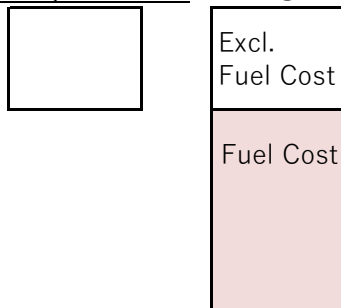


*FSC ... Fuel Surcharge

< Hedging Forex >

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

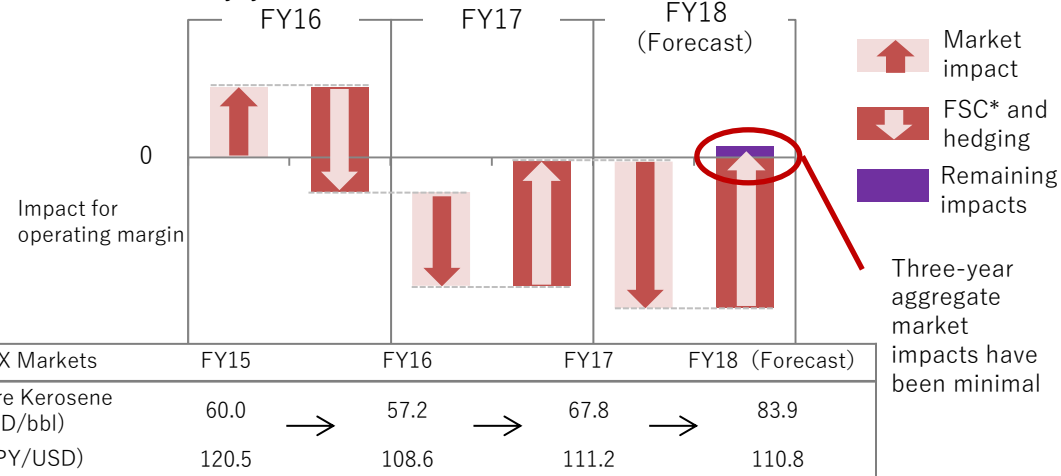
Foreign Currency Revenue Foreign Currency Expense



Mitigate market risks

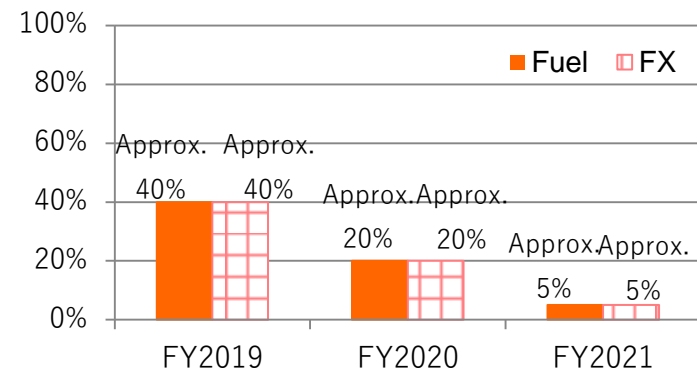
Impacts of volatile fuel & FX market (y/y)

Impacts of fuel price and exchange rate volatility have been set off in an 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



7. Financial Strategy and Capital policy



Stable financial structure with high capital efficiency Enhancement of shareholder return and capital allocation for corporate value increases

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 months' worth of revenue (currently approx. 330 bn yen)** for sufficient event risk tolerance as well as return on assets (ROA)

Shareholders return

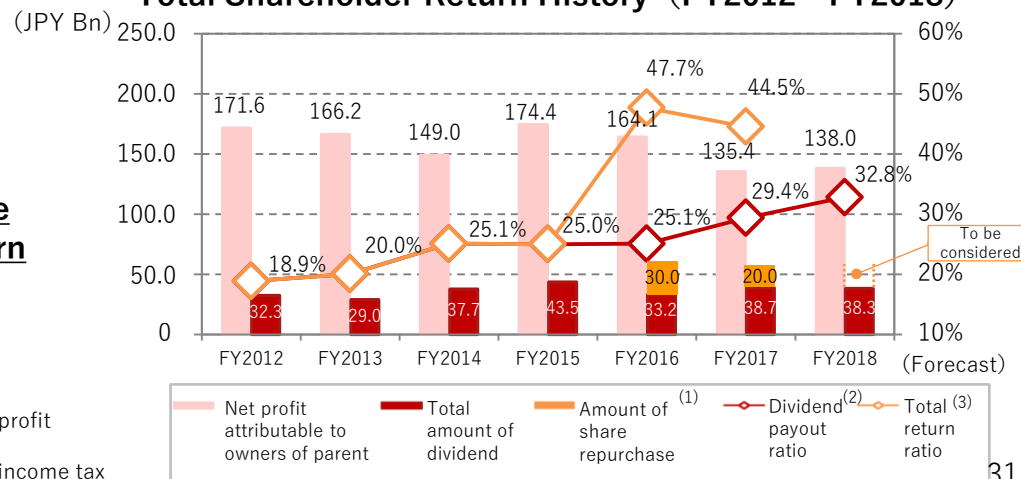
- To maintain dividend levels despite increase in effective tax rate, raise payout ratio from FY2019 and pay stable dividends with reference to Dividend on Equity Ratio (DOE)

- Implement shareholder return enhancement measures by combining stable dividend and active share repurchase, taking into account a total return ratio

- (1) Amount of share repurchases include those whose resolutions were passed before the closing of accounts for the current fiscal year
(2) Dividend payout ratio= Total dividends/Net profit attributable to owners of parent*
(3) Total return ratio= (Total amount of dividend + Amount of share repurchase) /Net profit attributable to owners of parent*

*FY2013~2018 net profit attributable to owners of parent excludes effects of deferred income tax

Total Shareholder Return History (FY2012~FY2018)





JAPAN AIRLINES

Rolling Plan 2019

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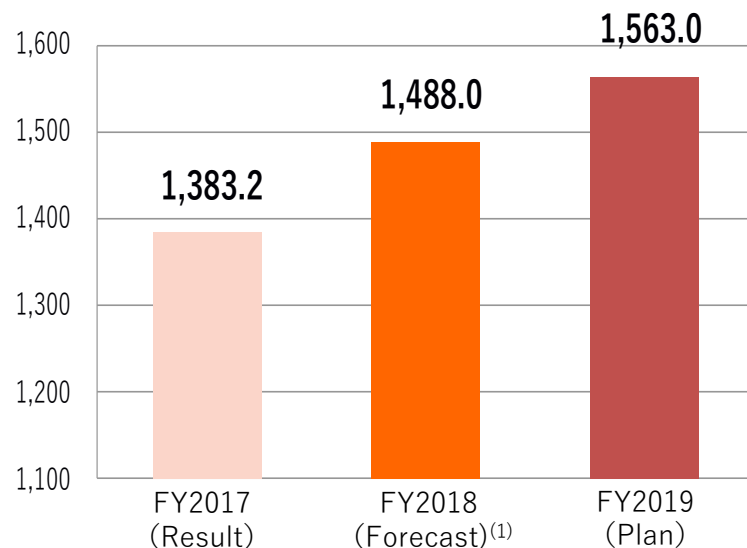
8. FY2019 (Mar/20) Earnings Forecast

Medium Term
Management Plan
Rolling Plan 2019



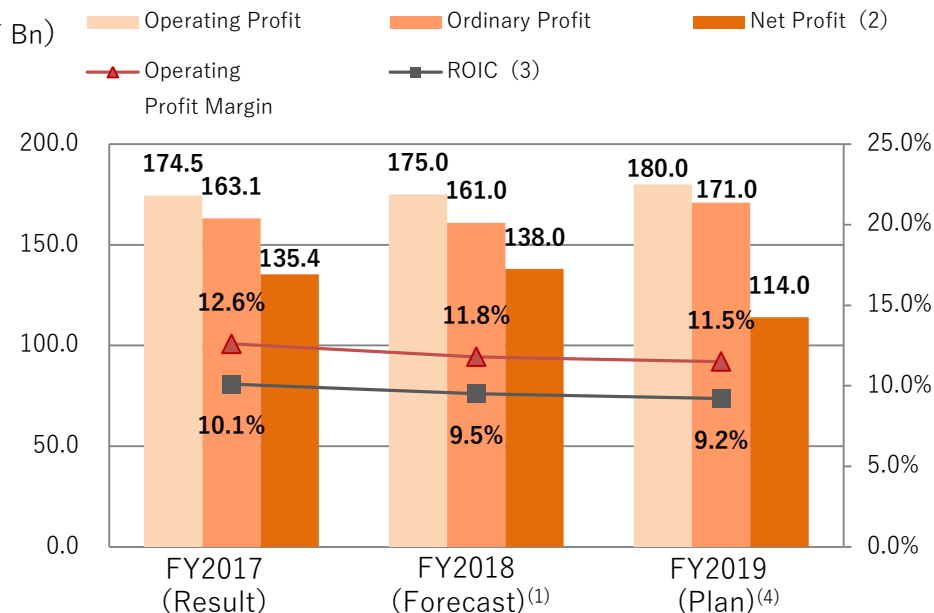
Operating Revenue

(JPY Bn)



Operating profit · Ordinary profit · Net profit

(JPY Bn)



Operational Preconditions

ASK ⁽⁵⁾	FY2018 (Forecast)	FY2019 (Plan)		FY2018 (Forecast) ⁽¹⁾	FY2019 (Plan)
Int'l flights	+5.9%	+2.5%	Singapore Kerosene (USD/bbl)	83.9	90.0
Doms flights	+1.1%	+2.6%	Dubai Crude Oil (USD/bbl)	68.7	70.0
Total	+3.9%	+2.6%	FX Rate (JPY/USD)	110.8	115.0

Profit Impact by Fuel and FX Markets⁽⁶⁾ (Inc. Hedging, Fuel Surcharge)

Singapore Kerosene (USD/bbl) FX (JPY/USD)	USD75	USD80	USD90	USD95
			Forecast	
JPY 115	+4.0Bn	+6.5Bn	0.0Bn	▲9.0Bn
JPY 110	+12.0Bn	+7.0Bn	+1.0Bn	▲0.5Bn
JPY 105	+13.0Bn	+15.0Bn	+10.0Bn	+1.5Bn

(1) Announced on January 31, 2019 (2) Net profit attributable to owners of parent

(3) Operating profit (excl. Tax) / Average of fixed assets at beginning and end of fiscal year (incl. future rental expenses under operating leases)

(4) FY2019 plan does not reflect the depreciation method change (5) y/y

(6) April-May 2019 fuel surcharges (FSC) has been already determined as follows: Japan outbound/ Zone JPY7,000, others excluding Japan outbound/ Zone USD70)

This effect of approximately 7 billion yen of the decrease of the FSC revenue during April-May 2019 is not included in the profit impact forecast in the matrix chart

8. FY2019 (Mar/20) Earnings Forecast (Details)



Revenue and Expenditure Plan

(JPY Bn)		FY2018 Forecast ⁽¹⁾	FY2019 Plan	Diff.	y/y
Operating Revenue		1,488.0	1,563.0	+75.0	+5.0%
	International Passenger	534.0	575.0	+41.0	+7.7%
	Domestic Passenger	527.0	539.0	+12.0	+2.3%
	Cargo / Mail	101.0	106.0	+5.0	+5.0%
	Other	326.0	343.0	+17.0	+5.2%
Operating Expense ⁽²⁾		1,313.0	1,393.0 (1,383.0)	+80.0 (+70.0)	+6.1% (+5.3%)
	Fuel	251.0	284.0	+33.0	+13.1%
	Excluding Fuel ⁽²⁾	1,062.0	1,109.0 (1,099.0)	+47.0 (+37.0)	+4.4% (+3.5%)
Operating Profit ⁽²⁾		175.0	170.0 (180.0)	▲5.0 (+5.0)	▲2.9% (+2.9%)
Operating Profit Margin ⁽²⁾		11.8%	10.9% (11.5%)	▲0.9pt (▲0.2pt)	-
Ordinary Profit		161.0	171.0	+10.0	+6.2%
Net Profit ⁽³⁾		138.0	114.0	▲24.0	▲17.4%
Unit Cost (JPY) ⁽²⁾⁽⁴⁾		10.4	10.6 (10.5)	+0.2 (+0.1)	-
ROIC ^{(2) (5)}		9.5%	8.7% (9.2%)	▲0.8pt (▲0.3pt)	-
EBITDA Margin ⁽⁶⁾		20.2%	19.8%	▲0.4pt	-
EBITDAR Margin ⁽⁷⁾		21.4%	20.9%	▲0.5pt	-

Operational Preconditions

		FY2018 Forecast	FY2019 Plan
ASK*	Int'l	+5.9%	+2.5%
	Doms	+1.1%	+2.6%
	Total	+3.9%	+2.6%

*y/y

	FY2018 Forecast ⁽¹⁾	FY2019 Plan
Singapore Kerosene (USD/bbl)	83.9	90.0
Dubai Crude Oil (USD/bbl)	68.7	70.0
FX Rate (JPY/USD)	110.8	115.0

(1) Disclosed on January 31, 2019

(2) Figures in () in FY2019 plan, Diff. and y/y represent do not include the depreciation method change

(3) Net Profit attributable to owners of parent

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

(5) Net Operating Profit After Tax (NOPAT) /Fixed Asset (incl. Future Rental Expenses under Operating Leases)

(6) EBITDA Margin = EBITDA / Operating Revenue
EBITDA=Operating Profit + Depreciation and Amortization

(7) EBITDAR Margin = EBITDAR / Operating Revenue
EBITDAR=Operating Profit + Depreciation and Amortization + Aircraft Leases

8. FY2019 (Mar/20) Balance Sheet • Cash Flow • Investment Plan

Medium Term
Management Plan
Rolling Plan 2019



Balance Sheet

(JPY Bn)	End of FY2018 Forecast ⁽¹⁾	End of FY2019 Plan	Diff.
Total Assets	1,974.0	1,988.0	+14.0
Balance of Interest-bearing debts	144.0	169.0	+25.0
Shareholders' Equity	1,155.0	1,177.0	+22.0
Shareholders' Equity Ratio(%)	58.5%	59.2%	+0.7pt
ROIC(%) ⁽²⁾⁽³⁾	9.5%	8.7% (9.2%)	▲0.8pt (▲0.3pt)
ROE (%) ⁽⁴⁾	12.5%	9.8%	▲2.7pt
ROA (%) ⁽³⁾⁽⁵⁾	9.1%	8.6% (9.1%)	▲0.6pt (▲0.1pt)

- (1) Disclosed on January 31, 2019
 (2) Operating profit (excl. Tax) / Average of fixed assets at beginning and end of fiscal year (incl. future rental expenses under operating leases)
 (3) Figures in () in End of FY2019 Plan and Diff. do not include the depreciation method change
 (4) (Net Profit Attributable to owners of parent) / (average of shareholder's equity at beginning and end of fiscal year)
 (5) (Operating profit) / (average of total assets at beginning and end of fiscal year)
 (6) Including approximately JPY 80billion yen funding to Corporate Pension Fund scheduled in FY2019H1.
 (7) Exclude deposits and withdrawals from deposit accounts
 (8) Cash Flow from Operating Activities + Cash Flow from Investing Activities
 (9) 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.
 (10) Replacement investments = i.e., Replace old regional prop aircraft, aircraft parts, replacement of existing old facilities or for compliance to laws and regulations.

Cash Flow

(JPY Bn)	FY2018 Forecast ⁽¹⁾	FY2019 Plan	Diff.
Cash Flow from Operating Activities	274.0	219.0 ⁽⁶⁾	▲55.0
Cash Flow from Investing Activities ⁽⁷⁾	▲198.0	▲259.0	▲61.0
Free Cash Flow ⁽⁸⁾	76.0	▲40.0 ⁽⁶⁾	▲116.0
Cash Flow from Financing Activities	▲37.0	▲47.0	▲10.0
EBITDA	300.0	309.0	+9.0
EBITDAR	319.0	327.0	+8.0

Investment

(JPY Bn)	FY2018 Forecast ⁽¹⁾	FY2019 Plan	Diff.
Fleet	179.0	189.0	+10.0
Ground • IT, etc	59.0	75.0	+16.0
Total	238.0	264.0	+26.0
		Growth Investments ⁽⁹⁾	195.0
		Replacement investments ⁽¹⁰⁾	69.0



JAPAN AIRLINES

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