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.”
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"JAL Target-3 Management Goals" and "Overview of New Medium Term Management Plan."
Progress of FY2017～2020 Mid-term Management Goals

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”

<table>
<thead>
<tr>
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<th>Serious Incidents</th>
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### 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.

### 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

Review
- Domestic Flights (▲0.9pt from FY2017-end result): Tended 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)*

Domestic Flights NPS*¹
(vs start of FY2017)

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<thead>
<tr>
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<th>2017 (FY-end result)</th>
<th>2018 (OCT-DEC result)</th>
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International Flights NPS*¹
(vs start of FY2017)

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Operating Profit Margin

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Return on Invested Capital (ROIC)

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<td>9.0%</td>
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*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

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

### 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

### Expand business domains
- Partnered with supersonic aircraft developer BOOM and space development company ispace
- Established Fintec company

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

### 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

### 2017
- 343 cities

### 2018
- 402 cities

### Expand networks
- 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

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

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

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*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
Long-term targets in the "Grand Design"

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.

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.

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 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.
"Positioning and Direction", JAL Group Medium Term Management Plan (Apr 28, 2017)

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Positioning of Rolling Plan 2019

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”.

Rolling Plan 2019
2019～2020

Restore public trust and increase corporate value

Meet the expectations of customers, regions and society

Accelerate ongoing initiatives
- Expand networks
- Innovate better products and services
- Expand business domains
- HR × Technology

FY2020 Business Environment
- Development at Narita and Haneda
- 40 million inbound passenger target
- Olympic and Paralympic Games Tokyo 2020

Accelerate the realization of the “Grand Design”

FY2027 Target
JAL Vision
Grand Design

Rebuild Safety and Sense of Security

Inspect JAL Group thoroughly from a safety perspective and reshape the company
Expand networks

FY2019～2020 Focus Points

- **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

- **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

- **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

Passenger business portfolio from FY2020

*1 Assuming approval from relevant authorities
FY2019～2020 Focus Points

**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)

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

**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"

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

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

Platform for innovation

Create innovation
NEW
CVC
Lab Alliance

Idea & Action
NEW
Lab Alliance

Technology & Data Partners

Human Resources

Business model competition

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

PoC*3

Lab members

*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
ESG Management towards achievement of SDGs

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.

*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.
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Financial strategy

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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<th>Strengthen financial base of Corporate Pension Fund ▲80</th>
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<td>Strategic growth investment line ▲50</td>
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**1 (Total amount of dividend + Amount of share repurchase) / net profit attributable to owners of the parent

**2 Cash flow from operating activities + cash flow from investing activities

Cash & deposits Projection at the end of FY2020
Capital investments will be made within cash flow from operating activities. Approximately 2/3 of the total investment will be actively used for growth investment to increase corporate value.

Aircraft investments will be accelerated with the additional 40 bn yen for further growth.

**FY2018～2020 Investment Plan**

**Total**

- **Replacement investments**
  - 220bn yen

- **Growth investments**
  - 480bn yen

  (vs previous plan + 40)

  **Generates new cash flow**

**Strategic growth investment line**

- **50bn yen**

**Under consideration**

- **Medium- and long-haul LCC**
  - 23～bn yen

**FY2018～2020**

- **Total 700bn y**en

  (vs previous plan + 40)

**Aircraft**

- **490bn y**en

  (vs previous plan + 40)

  - International capacity expansion +30
  - Change introduction schedule, etc. +10

**FY2018**

- 179 bn yen

**FY2019～20**

- 311 bn yen (planned)

- **Under consideration**

**Ground · IT, etc.**

- **210bn y**en

  **Smart airports, improved revenue management, etc.**

**FY2018**

- 59 bn yen

**FY2019～20**

- 151 bn yen (planned)

**Replacement Investment**

- Aircraft: Replace old regional prop aircraft, aircraft parts, or etc.
- Ground · IT, etc.: Replacement of existing old facilities or for compliance to laws and regulations or etc.

Aircraft investments will be accelerated with the additional 40 bn yen for further growth.
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## Fleet Plan and ASK

### Result

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### Forecast

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### Plan (Target)

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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INT</td>
<td>90</td>
<td></td>
<td>56</td>
<td></td>
<td>92</td>
<td></td>
<td>92</td>
</tr>
<tr>
<td>T.B.L</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DOM</td>
<td>144</td>
<td>(excl. Regional 186)</td>
<td>142</td>
<td>(excl. Regional 186)</td>
<td>144</td>
<td>(excl. Regional 186)</td>
<td>142</td>
</tr>
<tr>
<td>Total</td>
<td>236</td>
<td></td>
<td>236</td>
<td></td>
<td>236</td>
<td></td>
<td>236</td>
</tr>
</tbody>
</table>

### End of fiscal year

- **FY17=100**
- ( ) represents previous year ASK

### ASK

- **INT** (inc. T.B.L.)
- **DOM**
- **Total** (inc. T.B.L.)

**FY2017**

- Small: 101
- Medium: 104 (103)
- Large: 106

**FY2018**

- Small: 104 (103)
- Medium: 101
- Large: 107 (103)

**FY2019**

- Small: 105 (101)
- Medium: 109 (103)
- Large: 117 (110)

**FY2020**

- Small: 122 (113)
- Medium: 115 (108)
- Large: 125 (116)
## Revenue and profit targets

### Revenue (JPY bn)

<table>
<thead>
<tr>
<th></th>
<th>Result FY2017</th>
<th>Forecast FY2018</th>
<th>Plan FY2019</th>
<th>Target FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>310.0</td>
<td>326.0</td>
<td>343.0</td>
<td>343.0</td>
</tr>
<tr>
<td>Cargo &amp; Mail</td>
<td>518.2</td>
<td>527.0*1</td>
<td>539.0</td>
<td>539.0</td>
</tr>
<tr>
<td>DOM PAX</td>
<td>462.9</td>
<td>534.0*1</td>
<td>575.0</td>
<td>575.0</td>
</tr>
<tr>
<td>INT PAX</td>
<td>1,383.2</td>
<td>1,488.0</td>
<td>1,563.0</td>
<td>1,600.0</td>
</tr>
</tbody>
</table>

### Operating profit (JPY bn)

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>174.5</td>
<td>175.0</td>
<td>170.0</td>
<td>180.0</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>12.6</td>
<td>11.8</td>
<td>(11.5)</td>
<td>(11.3)</td>
</tr>
<tr>
<td>Operating profit margin before depreciation method change</td>
<td>12.6</td>
<td>11.8</td>
<td>(11.5)</td>
<td>(11.3)</td>
</tr>
<tr>
<td>Operating profit margin before depreciation method change</td>
<td>12.6</td>
<td>11.8</td>
<td>(11.5)</td>
<td>(11.3)</td>
</tr>
</tbody>
</table>

### Fuel/FX Markets

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore kerosene</td>
<td>67.8</td>
<td>83.9</td>
<td>90.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Dubai crude oil</td>
<td>54.9</td>
<td>68.7</td>
<td>70.0</td>
<td>70.0</td>
</tr>
<tr>
<td>FX rate</td>
<td>111.2</td>
<td>110.8</td>
<td>115.0</td>
<td>115.0</td>
</tr>
</tbody>
</table>

*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

### Consolidated Profit and Loss Statement

<table>
<thead>
<tr>
<th></th>
<th>Forecast FY2018</th>
<th>Plan FY2019 Before depreciation method change*1</th>
<th>Difference</th>
<th>Before depreciation method change*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>1,488.0</td>
<td>1,563.0</td>
<td>+75.0</td>
<td></td>
</tr>
<tr>
<td>Operating expense</td>
<td>1,313.0</td>
<td>1,393.0</td>
<td>+80.0 (+70.0)</td>
<td></td>
</tr>
<tr>
<td>Operating profit*1</td>
<td>175.0</td>
<td>170.0</td>
<td>▲5.0 (+5.0)</td>
<td></td>
</tr>
<tr>
<td>Operating profit Margin(%)</td>
<td>11.8%</td>
<td>10.9%</td>
<td>▲0.9pt (+0.2pt)</td>
<td></td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>161.0</td>
<td>171.0</td>
<td>+10.0</td>
<td></td>
</tr>
<tr>
<td>Net profit attributable to owners of parent</td>
<td>138.0</td>
<td>114.0</td>
<td>▲24.0</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>1,974.0</td>
<td>1,988.0</td>
<td>+14.0</td>
<td></td>
</tr>
<tr>
<td>Balance of interest-bearing debt</td>
<td>144.0</td>
<td>169.0</td>
<td>+25.0</td>
<td></td>
</tr>
<tr>
<td>Shareholder’s equity</td>
<td>1,155.0</td>
<td>1,177.0</td>
<td>+22.0</td>
<td></td>
</tr>
<tr>
<td>Shareholder’s equity ratio (%)</td>
<td>58.5%</td>
<td>59.2%</td>
<td>+0.7pt</td>
<td></td>
</tr>
<tr>
<td>ROIC*2(%)</td>
<td>9.5%</td>
<td>8.7%</td>
<td>▲0.8pt (+0.3pt)</td>
<td></td>
</tr>
<tr>
<td>ROE*3(%)</td>
<td>12.5%</td>
<td>9.8%</td>
<td>▲2.7pt</td>
<td></td>
</tr>
<tr>
<td>ROA*4(%)</td>
<td>9.1%</td>
<td>8.6%</td>
<td>▲0.6pt (+0.1pt)</td>
<td></td>
</tr>
</tbody>
</table>

### Consolidated Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>Forecast FY2018</th>
<th>Plan FY2019 Before depreciation method change*1</th>
<th>Difference</th>
<th>Before depreciation method change*1</th>
</tr>
</thead>
<tbody>
<tr>
<td>CF from operating activities</td>
<td>274.0</td>
<td>219.0*5</td>
<td>▲55.0</td>
<td></td>
</tr>
<tr>
<td>CF from investing activities *6</td>
<td>▲198.0</td>
<td>▲259.0</td>
<td>▲61.0</td>
<td></td>
</tr>
<tr>
<td>Free CF *6</td>
<td>76.0</td>
<td>▲40.0*5</td>
<td>▲116.0</td>
<td></td>
</tr>
<tr>
<td>CF from financing activities</td>
<td>▲37.0</td>
<td>▲47.0</td>
<td>▲10.0</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>300.0</td>
<td>309.0</td>
<td>+9.0</td>
<td></td>
</tr>
<tr>
<td>EBITDAR</td>
<td>319.0</td>
<td>327.0</td>
<td>+8.0</td>
<td></td>
</tr>
</tbody>
</table>

*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.

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

*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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1. Review and Long-term Targets in the "Grand Design"

2. FY2019～2020 Initiatives

3. Financial Strategy and Capital Policy

4. Revenue and Expense Targets

5. Materials for Investors
   - 1. Summary
   - 2. International Passenger Operations
   - 3. Domestic Passenger Operations
   - 4. Innovation of Passenger Service System
   - 5. Cost Management
   - 6. Market Risk Management
   - 7. Financial Strategy and Capital policy
   - 8. FY2019 (Mar/20) Earnings Forecast
1. **Summary**

We will pursue growth while maintaining high profitability

### Operating Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Result</th>
<th>Forecast</th>
<th>Plan</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>1,383.2</td>
<td>1,488.0</td>
<td>1,563.0</td>
<td>1,600.0</td>
</tr>
<tr>
<td>FY2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Capacity Plan excludes T.B.L.*

### Capacity Plan (ASK)

- **International**: 122
- **Total**: 115
- **Domestic**: 105

<table>
<thead>
<tr>
<th>Year</th>
<th>Result</th>
<th>Forecast</th>
<th>Plan</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td></td>
<td>101</td>
<td>104</td>
<td>107</td>
</tr>
<tr>
<td>FY2018</td>
<td></td>
<td>104</td>
<td>109</td>
<td>106</td>
</tr>
<tr>
<td>FY2019</td>
<td></td>
<td>104</td>
<td>109</td>
<td>107</td>
</tr>
<tr>
<td>FY2020</td>
<td></td>
<td>104</td>
<td>107</td>
<td>106</td>
</tr>
</tbody>
</table>

### Operating Profit Margin • ROIC

<table>
<thead>
<tr>
<th>Year</th>
<th>Result</th>
<th>Forecast</th>
<th>Plan</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>174.5</td>
<td>163.1</td>
<td>135.4</td>
<td>114.0</td>
</tr>
<tr>
<td>FY2018</td>
<td>175.0</td>
<td>161.0</td>
<td>138.0</td>
<td>115.0</td>
</tr>
<tr>
<td>FY2019</td>
<td>180.0</td>
<td>171.0</td>
<td>180.0</td>
<td>113.0</td>
</tr>
<tr>
<td>FY2020</td>
<td>180.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(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)**: FY18 83.9, FY19+2.5% 90.0
- **Dubai Crude Oil (USD/bbl)**: FY18 68.7, FY19+2.6% 70.0
- **FX Rate (JPY/USD)**: FY18 110.8, FY20+1.2% 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**

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

**Unit Revenue • Load Factor (L/F)**

*Unit Revenue (Exclude FSC and FX, as FY18 = 100)*

**Cabin configuration optimization (FY18〜FY19)**

Capacity expansion through optimal number of seats available without increasing aircraft.

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>No. of Seats</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>787-8</td>
<td>777-200ER</td>
<td>186</td>
<td>206</td>
</tr>
<tr>
<td>15</td>
<td>5</td>
<td>144</td>
<td>176</td>
</tr>
<tr>
<td>Asia, North America routes etc.</td>
<td>42</td>
<td>30</td>
<td>110.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No. of Seats</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21~</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>100</td>
<td>103</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>JAL ASK</td>
<td>100</td>
<td>103</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>Total Demand*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit Revenue</th>
<th>L/F</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>100</td>
</tr>
<tr>
<td>FY19</td>
<td>82.7%</td>
</tr>
<tr>
<td>FY20</td>
<td>100</td>
</tr>
<tr>
<td>FY21~</td>
<td></td>
</tr>
</tbody>
</table>

**Enhancement of Metropolitan airports functionalities**

25
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～)
  - Narita - Moscow flight Increase (2019.3.31～)
  - Launch Narita - Bengaluru (open by FY2020 summer schedule)

- **Expand alliances with partner airlines globally**
  Expand partnerships with joint business partners, one world members and codeshare partners, and provide services to 500 cities by FY2020

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>343 cities</td>
<td>402 cities</td>
<td>500 cities</td>
</tr>
</tbody>
</table>

- **29 Global Partners**
  - **Europe, Middle East partners**
    - 8
  - **America partners**
    - 7 (including 1 Joint business partner)
  - **Asia, Oceania partners**
    - 14 (including 2 Joint business partners)

- **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

- **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

- **Target of revenue from overseas sales**
  - Increase by about double
  - 50% (FY2027)

**International Flights NPS**
- (FY-end result) (OCT-DEC result) 2020 Target

---

(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.
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)

- Increase new self-check-in kiosks
- Introduce self-baggage drop
- Advanced security check
- Automated gate
- Check-in
  Aim for zero waiting time at counters
## 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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Results</th>
<th>Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>4.0 (Cumulative 3Q FY18)</td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td>16.0</td>
<td></td>
</tr>
</tbody>
</table>

### Main functional enhancements

- Improved Functions of Overseas Websites
- Reservation Control on Itinerary Basis, instead of a Single Flight Basis
- More Precise and Advanced Revenue Management
- Revenue Increase from Inbound Business Class and Premium Economy Class Sales
- Captured more transit passengers
- 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.

- : ASK (incl. T.B.L.)
- : personnel
- : number of employees

(FY18=100)

FY2018 (Forecast) | FY2019 (Plan) | FY2020
---|---|---
100 | 103 | 113
103 | 104 | 113

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

5.1 Cost Management

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

<table>
<thead>
<tr>
<th>Unit Cost (JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2018 (Forecast)</td>
</tr>
<tr>
<td>10.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit Cost (JPY Bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2018 (Forecast)</td>
</tr>
<tr>
<td>73.0</td>
</tr>
</tbody>
</table>

- : 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

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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.

**<Hedging Forex>**
*FSC … Fuel Surcharge*
Revenues and costs excluding fuel prices in foreign currencies have almost been set off. Hedging is conducted against exchange rate for fuel costs.

**Mitigate market risks**
Impacts of volatile fuel & FX market (y/y)

<table>
<thead>
<tr>
<th>Fuel/FX Markets</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore Kerosene (USD/bbl)</td>
<td>60.0</td>
<td>57.2</td>
<td>67.8</td>
<td>83.9</td>
</tr>
<tr>
<td>FX (JPY/USD)</td>
<td>120.5</td>
<td>108.6</td>
<td>111.2</td>
<td>110.8</td>
</tr>
</tbody>
</table>

Impact for operating margin

**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
  - 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

- Utilize debt
  - 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)

- 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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Amount of Dividend (JPY Bn)</th>
<th>Amount of Share Repurchase (JPY Bn)</th>
<th>Dividend Payout Ratio</th>
<th>Total Return Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>171.6</td>
<td>82.3</td>
<td>18.9%</td>
<td>31%</td>
</tr>
<tr>
<td>2013</td>
<td>166.2</td>
<td>29.0</td>
<td>18.9%</td>
<td>31%</td>
</tr>
<tr>
<td>2014</td>
<td>149.0</td>
<td>37.7</td>
<td>25.1%</td>
<td>44.5%</td>
</tr>
<tr>
<td>2015</td>
<td>174.4</td>
<td>33.2</td>
<td>25.1%</td>
<td>47.7%</td>
</tr>
<tr>
<td>2016</td>
<td>169.2</td>
<td>38.7</td>
<td>29.4%</td>
<td>44.5%</td>
</tr>
<tr>
<td>2017</td>
<td>136.4</td>
<td>38.3</td>
<td>29.4%</td>
<td>44.5%</td>
</tr>
<tr>
<td>2018</td>
<td>138.0</td>
<td>38.3</td>
<td>29.4%</td>
<td>44.5%</td>
</tr>
</tbody>
</table>

(1) Amount of dividend attributable to owners of parent
(2) Dividend payout ratio
(3) Total return ratio (forecast)
# Table of Contents

1. Review and Long-term Targets in the "Grand Design"

2. FY2019～2020 Initiatives

3. Financial Strategy and Capital Policy

4. Revenue and Expense Targets

5. Materials for Investors
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   - 2. International Passenger Operations
   - 3. Domestic Passenger Operations
   - 4. Innovation of Passenger Service System
   - 5. Cost Management
   - 6. Market Risk Management
   - 7. Financial Strategy and Capital policy
   - 8. FY2019 (Mar/20) Earnings Forecast
8. FY2019 (Mar/20) Earnings Forecast

Operating Revenue

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (Result)</th>
<th>FY2018 (Forecast)</th>
<th>FY2019 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(JPY Bn)</td>
<td>1,383.2</td>
<td>1,488.0</td>
<td>1,563.0</td>
</tr>
</tbody>
</table>

Operating profit • Ordinary profit • Net profit

<table>
<thead>
<tr>
<th></th>
<th>Operating Profit</th>
<th>Ordinary Profit</th>
<th>Net Profit (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(JPY Bn)</td>
<td>174.5</td>
<td>163.1</td>
<td>175.0</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>12.6%</td>
<td>11.8%</td>
<td>11.5%</td>
</tr>
<tr>
<td>ROIC (3)</td>
<td>10.1%</td>
<td>9.5%</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

Profit Impact by Fuel and FX Markets (6)

- Singapore Kerosene (USD/bbl)
- FX Rate (JPY/USD)
- Int'l flights
  - FY2018 (Forecast): +5.9%
  - FY2019 (Plan): +2.5%
- Doms flights
  - FY2018 (Forecast): +1.1%
  - FY2019 (Plan): +2.6%
- Total
  - FY2018 (Forecast): +3.9%
  - FY2019 (Plan): +2.6%

(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

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Forecast</th>
<th>FY2019 Plan</th>
<th>Diff.</th>
<th>y/y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td>1,488.0</td>
<td>1,563.0</td>
<td>+75.0</td>
<td>+5.0%</td>
</tr>
<tr>
<td>International Passenger</td>
<td>534.0</td>
<td>575.0</td>
<td>+41.0</td>
<td>+7.7%</td>
</tr>
<tr>
<td>Domestic Passenger</td>
<td>527.0</td>
<td>539.0</td>
<td>+12.0</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Cargo / Mail</td>
<td>101.0</td>
<td>106.0</td>
<td>+5.0</td>
<td>+5.0%</td>
</tr>
<tr>
<td>Other</td>
<td>326.0</td>
<td>343.0</td>
<td>+17.0</td>
<td>+5.2%</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td>1,313.0</td>
<td>1,393.0</td>
<td>+80.0</td>
<td>+6.1%</td>
</tr>
<tr>
<td>Fuel</td>
<td>251.0</td>
<td>284.0</td>
<td>+33.0</td>
<td>+13.1%</td>
</tr>
<tr>
<td>Excluding Fuel</td>
<td>1,062.0</td>
<td>1,109.0</td>
<td>+47.0</td>
<td>+4.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,501.0</td>
<td>3,766.0</td>
<td>+265.0</td>
<td>+7.5%</td>
</tr>
</tbody>
</table>

### Operating Preconditions

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Forecast</th>
<th>FY2019 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASK* Int’l</td>
<td>+5.9%</td>
<td>+2.5%</td>
</tr>
<tr>
<td>Doms</td>
<td>+1.1%</td>
<td>+2.6%</td>
</tr>
<tr>
<td>Total</td>
<td>+3.9%</td>
<td>+2.6%</td>
</tr>
</tbody>
</table>

### Operational Preconditions (Details)

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Forecast</th>
<th>FY2019 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore Kerosene</td>
<td>83.9</td>
<td>90.0</td>
</tr>
<tr>
<td>Dubai Crude Oil</td>
<td>68.7</td>
<td>70.0</td>
</tr>
<tr>
<td>FX Rate (JPY/USD)</td>
<td>110.8</td>
<td>115.0</td>
</tr>
</tbody>
</table>

(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
### Balance Sheet

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

\(^{(1)}\): 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

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY2018 Forecast(^{(1)})</th>
<th>FY2019 Plan</th>
<th>Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow from Operating Activities</td>
<td>274.0</td>
<td>219.0</td>
<td>▲55.0</td>
</tr>
<tr>
<td>Cash Flow from Investing Activities (^{(7)})</td>
<td>▲198.0</td>
<td>▲259.0</td>
<td>▲61.0</td>
</tr>
<tr>
<td>Free Cash Flow (^{(8)})</td>
<td>76.0</td>
<td>▲40.0</td>
<td>▲116.0</td>
</tr>
<tr>
<td>Cash Flow from Financing Activities</td>
<td>▲37.0</td>
<td>▲47.0</td>
<td>▲10.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>300.0</td>
<td>309.0</td>
<td>+9.0</td>
</tr>
<tr>
<td>EBITDAR</td>
<td>319.0</td>
<td>327.0</td>
<td>+8.0</td>
</tr>
</tbody>
</table>

### Investment

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY2018 Forecast(^{(1)})</th>
<th>FY2019 Plan</th>
<th>Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fleet</td>
<td>179.0</td>
<td>189.0</td>
<td>+10.0</td>
</tr>
<tr>
<td>Ground • IT, etc</td>
<td>59.0</td>
<td>75.0</td>
<td>+16.0</td>
</tr>
<tr>
<td>Total</td>
<td>238.0</td>
<td>264.0</td>
<td>+26.0</td>
</tr>
</tbody>
</table>

### Notes
- \(^{(1)}\) 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.
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- \(^{(10)}\) Replacement investments = i.e., Replace old regional prop aircraft, aircraft parts, replacement of existing old facilities or for compliance to laws and regulations.
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