JAPAN AIRLINES

JAL Group Medium Term Management Plan - Rolling Plan 2019

Challenge, Leading to Growth

oneworld

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

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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.

<u>Rebuilding Safety and Sense of Security</u>

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.

<u>Restoring public trust and increasing corporate value</u>

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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JAPAN AIRLINES

Rolling Plan 2019

Our 3 Management Goals

JAL Target

Safety	Customer Satisfaction	Finance
Realize "Zero Aircraft Accidents" and "Zero Serious Incidents"	Achieve the world's top-level Customer Satisfaction by FY2020	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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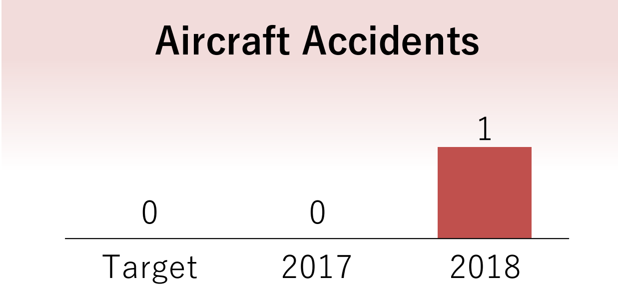
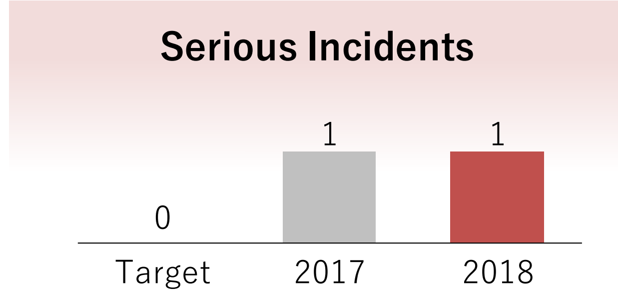
Progress of FY2017～2020 Mid-term Management Goals

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”





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

- First of all, Safety is our essential base for our business. We will strive to aim for zero accidents and incidents.
- We will conduct thorough reforms for safety improvement upon Business Improvement Order issued in December 2018.
- We will regain trust from customers and public and make stronger foundation for further growth.

Progress of FY2017～2020 Mid-term Management Goals

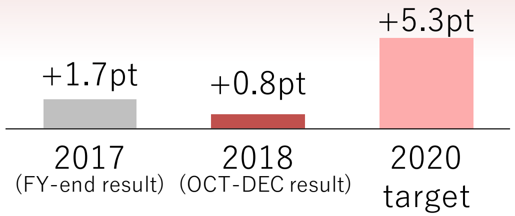
To achieve financial targets and customer satisfaction targets, we will "accelerate" quality and service enhancement initiatives.

Customer Satisfaction
(Recommend Intention Rate)

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

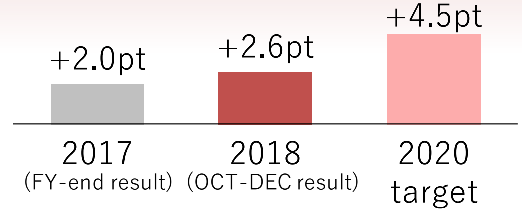
Domestic Flights NPS*1

(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

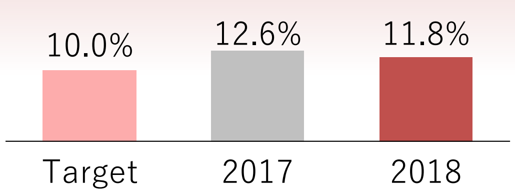
Going forward

- 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

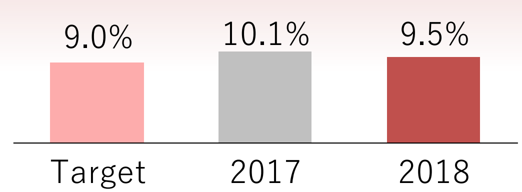
Finance

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

- On this page, we would like to review the progress of the other two management goals.
- For Customer Satisfaction, customer evaluation is rising among non-Japanese customers while that of Japanese customers is dropping due to the series of alcohol-related incidents. We will improve our quality and conduct various measures to improve our user-friendliness and our service.
- For Financial Targets, we are certain to achieve our target levels of Operating profit margin and ROIC, Return on Invested Capital. However, because of the capacity expansion in 2020, investment and operating cost will rise ahead of revenue but we will focus on efficiency to continue to achieve financial targets.

Review of FY2017～2018

	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

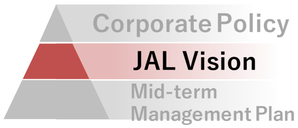
*1 Robotic Process Automation. Concept that robots with technologies such as artificial intelligence automate tasks
*2 Observe/Orient/Decide/Act. A decision-making process that enhances speed and creativity through this loop

- This page shows our review of the past two years. Various measures made between 2017 and 2018 have been progressing in line with our initial plan.

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.

JAPAN AIRLINES

Rolling Plan 2019

“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".

2017～2018

Rolling Plan 2019
2019～2020

2021～

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

- With safety as our basis, we will have solid foundation first. And then, we would like to prepare for the benchmark year of 2020 and accelerate our efforts for realizing our Grand Design.

Expand networks

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

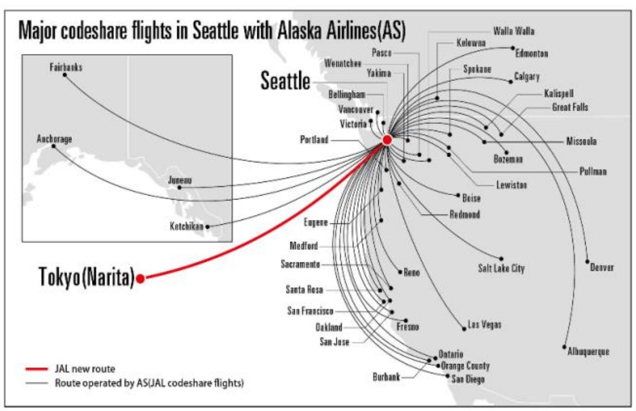
Expand joint business ：
British Airways
Kansai＝London service launch (Mar 31, 2019～)
Finnair
Kansai=Helsinki flight frequency increase (Apr 1, 2019～)
New Chitose＝Helsinki flight frequency increase (Dec 16, 2019～)

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!

Enter medium-and long-haul LCC business

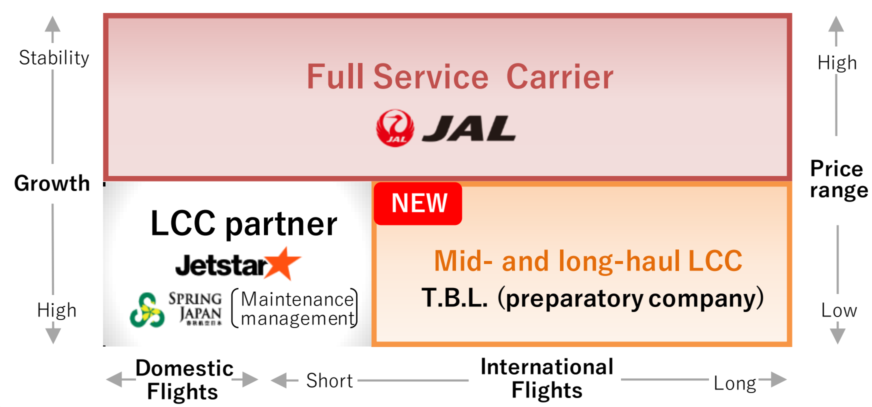
(FY2020FH～)

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



- On this page, I would like to explain our network strategy.

- With the new routes to be starting in 2019, we will enhance partnership with partner airlines. We will aim for the Grand Design target of 500 cities and 50% revenue from overseas sales for international passenger.

- We will start a mid- and long-haul LCC as a completely new business model. Together with the partner LCCs in the domestic and the short-haul international passenger markets, we will construct a business portfolio to accommodate with a variety of customer needs.

Innovate better products and services

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.

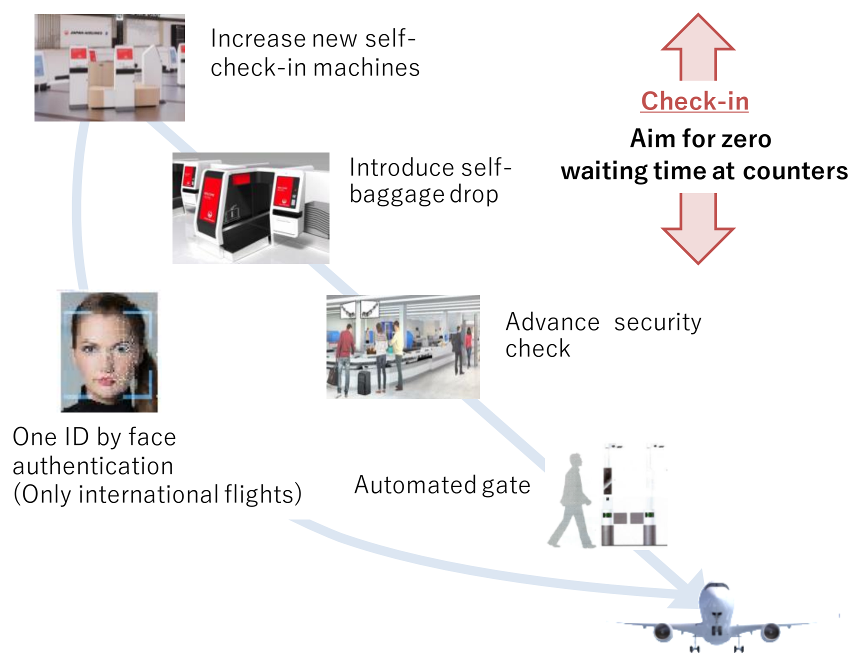
Realize "smart airports" (FY2020～)

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～)



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

- I would like to explain our services and products.
- For domestic passenger, the-state-of-the-art aircraft, A350-900 is arriving. For international passenger, all of our long-haul flights will have aircrafts with lie-flat seats in business class.
- Also, we will aim for “Stress Free Travel” by introducing “smart airport” concept. Our customer will enjoy a shortened waiting time at airport.

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

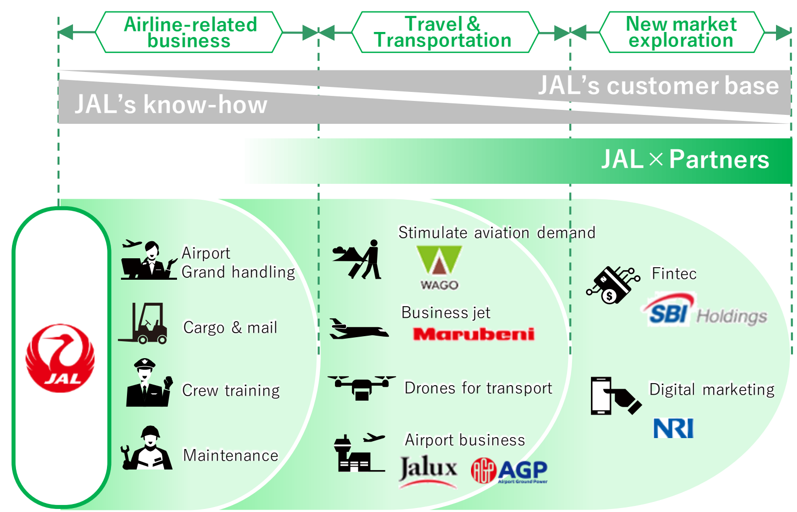
■ Enter the digital marketing business

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"

Business portfolio



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

- On this page, expansion of business domain is explained. It will be a new source of revenue.

- We will focus on airline-related business, travel and logistic and new-business domain. In those domains, we can use our know-how, experience and customer base. Also, we will actively engage in partnership with other companies, mitigating business risks.

- We will pursue further value creation.

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)

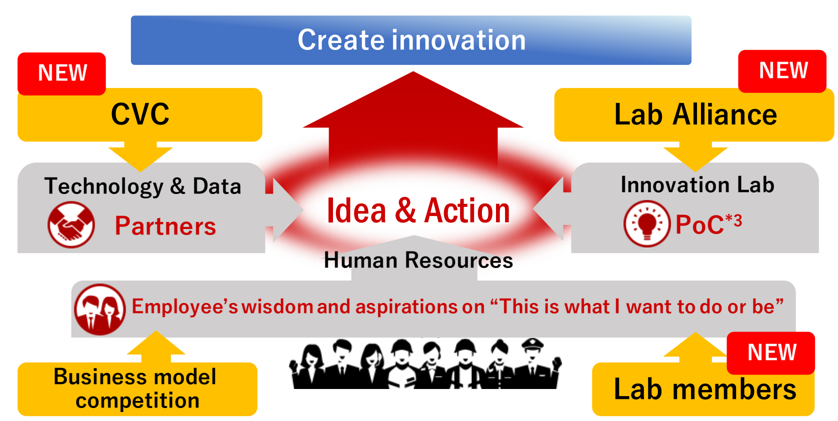
Labor-saving and automation through workstyle innovation on frontlines

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

- We will combine human resources and technology to cultivate innovation. Partnership with external resources will enhance our progress.

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.**

2030

Grand Design

2020

Medium Term Management Plan

View of ESG Management

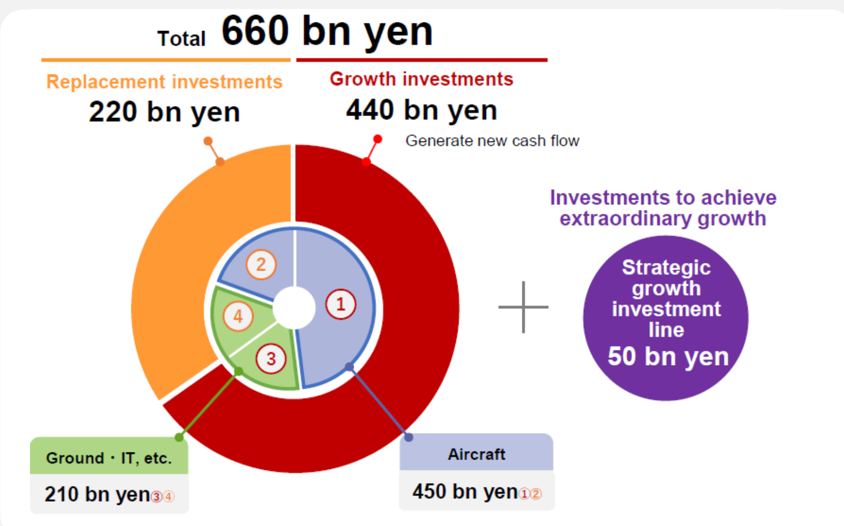
Fields	Priority Issues
Environmental	• Reduce greenhouse gas • Reduce wastes • Lower noise
Social Customer & Region	• Lead safe operation in aviation industry • Provide Air travel for all customers • Promote initiatives to increase inbound visitors as a tourism nation • Revitalize all regions in Japan • Products and services trusted by customers
Social 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.

- We will aim to provide social values through what we can do as airline to achieve Sustainable Development Goals.

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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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

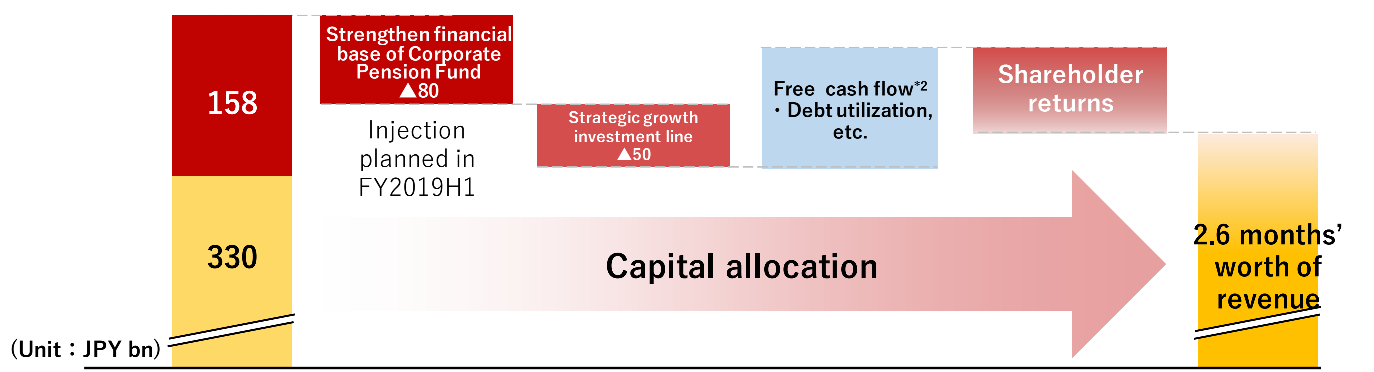
- Due to investments and preparatory costs for “development at Haneda and Narita” in FY2020, together with temporary supply-demand imbalance, ROE and ROIC will decline temporarily. However we aim to maintain or increase ROE from 10% and further increase ROIC through sustainable profit growth.

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].



Cash & deposits projection at the end of FY2018

Cash & deposits Projection at the end of FY2020

*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

- With our Financial Strategy, we will continue to pursue high asset and capital efficiency with a firm financial structure.

- For the asset and capital efficiency, investment in additional aircraft and preparatory costs will rise in FY2019 for the purpose of preparation for capacity expansion in FY2020. Also, we expect temporary supply-demand imbalance will occur in FY2020. As a result, we assume there will be a temporary drop in ROE and ROIC. However, we will aim to return to the target level or ROE 10% or above and ROIC 9 % or above through continuing revenue growth and appropriate capital allocation.

- Regarding Financial Strategy, we will continue to pursue high level of asset and capital efficiency, while maintaining a sound and healthy financial structure.

- For capital allocation, as we disclosed last year, the amount of liquidity, which exceeds 2.6 months worth of revenue as cash on hand for stable management, will be appropriately allocated in accordance with our capital policy.

- First, in order to remove future financial risks, we will inject about 80 billion yen in the first half of fiscal year 2019 to the Corporate Pension Fund to fill the shortage of the pension fund. Then, the remaining capital will be dynamically used for the Strategic Growth Investment Line for extraordinary growth.

- For shareholder returns, we may take into account a “total return ratio” through combining stable dividends and flexible share repurchases.

- In accordance with the rise of effective tax rate, the pay out ratio will be also increased to maintain the current dividend per share level.

FY2018～2020 Investment Plan

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.

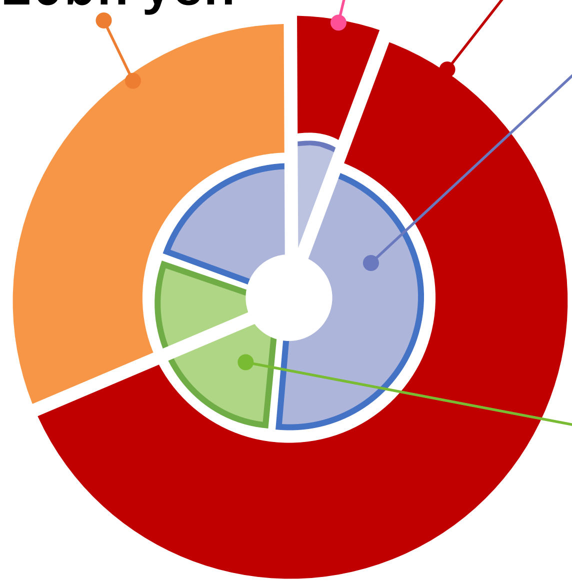
FY2018～2020 Total **700bn yen** (vs previous plan ＋40)

Replacement investments
220bn yen

vs previous plan ＋40

Generate new cash flow

Growth investments
480bn yen



Aircraft

490bn yen
(vs previous plan ＋40)

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

FY2018 179 bn yen
FY2019～20 311 bn yen (planned)

Ground・IT, etc.

210bn yen

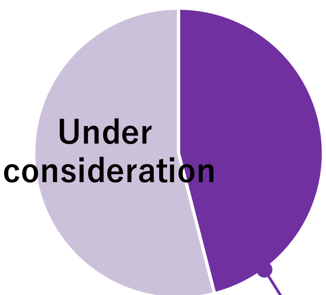
Smart airports, improved revenue management, etc.

FY2018 59 bn yen
FY2019～20 151 bn yen (planned)

＋

Investments to achieve extraordinary growth

Strategic growth investment line
50bn yen



Medium- and long-haul LCC
23～bn yen

Aircraft	Growth investments：	Aircraft introduction for new routes, flight frequency increase or improved operational efficiency
	Replacement investments：	Replace old regional prop aircraft, aircraft parts, or etc.
Ground・IT, etc.	Growth investments：	Improve quality, service or efficiency. Develop new business domains,, etc.
	Replacement Investment:	Replacement of existing old facilities or for compliance to laws and regulations or etc.

- On this page, I will explain our investment plan.
- The total investment for Fiscal year 2018 to 2020 will be increased by 40 billion yen to 700 billion yen, 40 billion yen up from 660 billion yen in the Rolling Plan 2018.
- The additional 40 billion yen is for investment for aircraft to strengthen our international passenger business, which will lead our growth.
- As of today, we will allocate about 23 billion yen to the mid- and long-haul LCC from the Strategic Growth Investment Line. The use of the remaining amounts will be disclosed when it becomes ready.
- In order to maintain financial discipline, investment will be made within the range of operating cash flow.

JAPAN AIRLINES

Rolling Plan 2019

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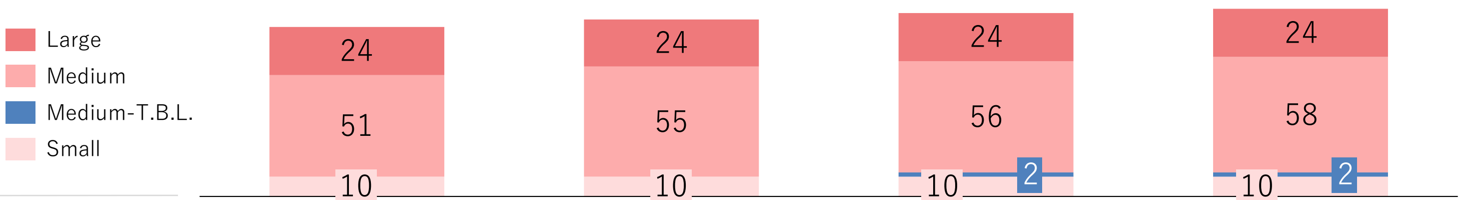
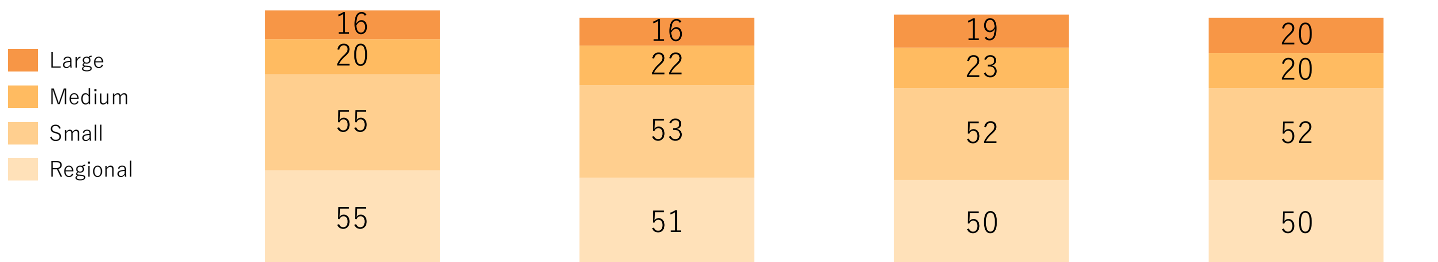
Fleet Plan and ASK

	Result FY2017	Forecast FY2018	Plan FY2019	(Target) FY2020
Total End of fiscal year	Total 231 INT 85 DOM 146 (excl. Regional 176)	Total 231 INT 89 DOM 142 (excl. Regional 180)	Total 236 INT 90 T.B.L 2 DOM 144 (excl. Regional 186)	Total 236 INT 92 T.B.L 2 DOM 142 (excl. Regional 186)

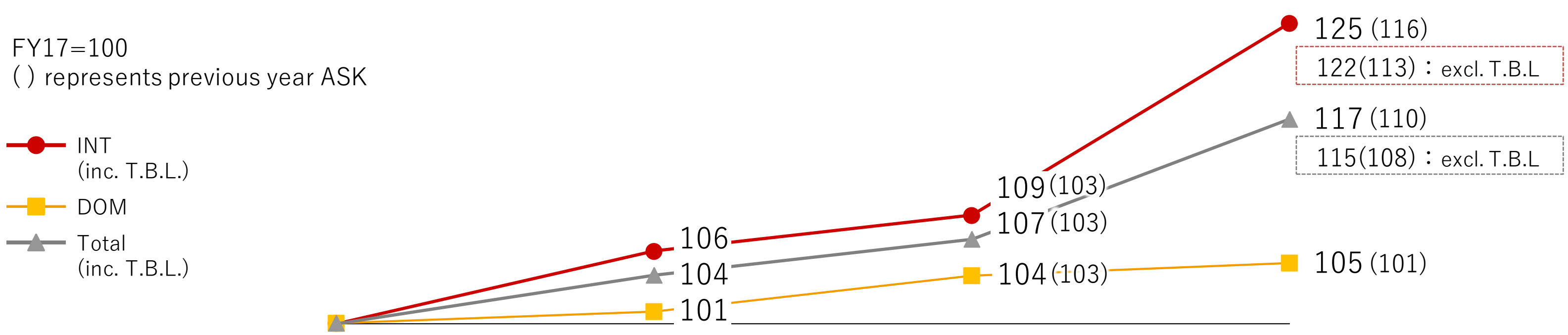
Inter-national (INT)



Domestic (DOM)



ASK



- On this page, I will explain our fleet and capacity plan.

- For International passenger business, in FY2019, ASK grows by 3% year on year because of new routes from Narita. For FY2020, because of airport capacity expansion in Tokyo, ASK leaps by 13% year on year.

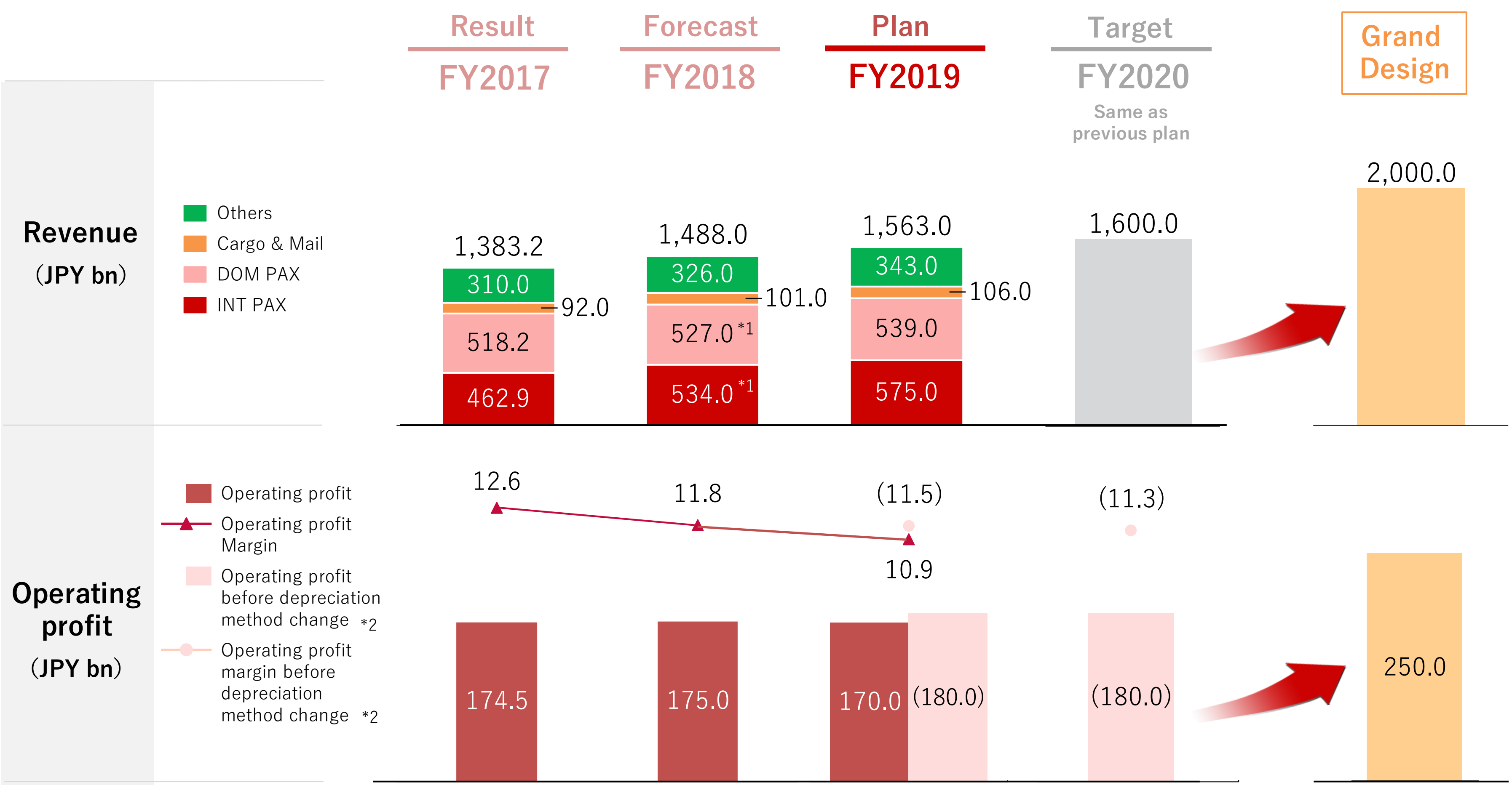
- Aircraft for international passenger will increase from 89 as of the end of FY2018 to 92, 3 more aircrafts, as of the end of FY2020. Please note this number does not include aircraft for our new LCC.

- As you noticed, the number of aircraft does not increase as much as our ASK growth. One reason is that we optimize our cabin configuration by having more economy class seats. In other words, we are trying to increase “density” without increasing the number of aircrafts.

- For domestic passenger business, in FY2019, ASK will increase by 3% year on year with the introduction of the state-of-the-art A350-900s and 787s. For FY2020, ASK will increase by 1% year on year.

- The number of aircraft for domestic passenger at the end of FY2020 will remain unchanged at 142, the same as the end of FY2018.

Revenue and profit targets



Fuel/FX Markets

		FY2017	FY2018	FY2019	FY2020
Singapore kerosene	USD/bbl	67.8	83.9	90.0	90.0
Dubai crude oil	USD/bbl	54.9	68.7	70.0	70.0
FX rate	JPY/USD	111.2	110.8	115.0	115.0

*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.

- In FY2019, operating revenue will be 1 trillion 563 billion yen. Operating Profit will be 170 billion yen.
- It appears to be less profit than last year, however, this decline is due to the change of depreciation method. As a result, depreciation cost will increase by 10 billion yen. Therefore, operating profit will be 180 billion yen, if there was no change in the depreciation method. We expect to have higher profits than last year, without the change.
- Please note that our FY2019 plan will lead us to reach the operating profit target of FY2020. We will be ahead of our initial plan.
- For your information, the depreciation method change does not affect the level of ordinary profit and net profit as well as cash flow.
- In 2019, we will be able to make a business plan reflecting a final and detailed content of slot expansions to be allocated to JAL. Also, 2020 will be a benchmark year for aviation industry in Japan with 2020 Tokyo Olympic and Paralympic Games.
- Therefore, in next year, we will make new Mid-Term Management Plan starting from Fiscal Year 2020.
- For the operating profit target of FY2020, we would like to update the new profit target in the new Mid-term Management Plan, which will be disclosed next year. Therefore, we would like to keep the current operating target of 180 billion yen in FY2020 unchanged.
- As we have disclosed today, we will adopt IFRS from FY2020 in order to allow easier comparative analysis and to improve communication with stakeholders.

FY2019 Related Indicators

(JPY bn)		Forecast FY2018	Plan FY2019	Before depreciation method change*1	Difference	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

JAPAN AIRLINES

Rolling Plan 2019

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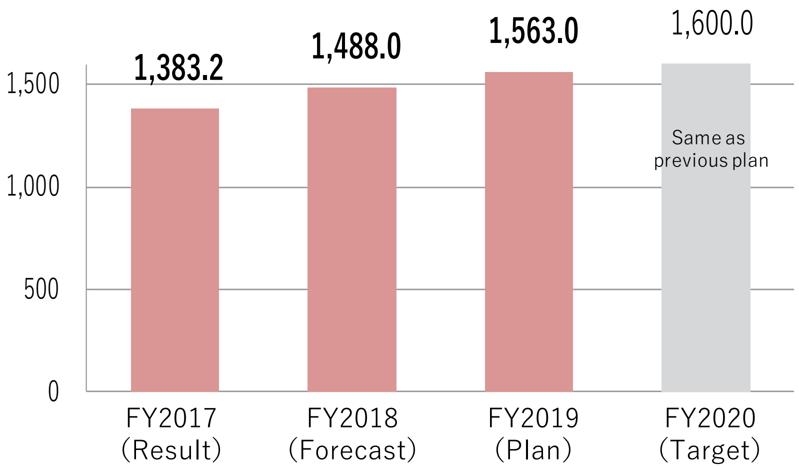
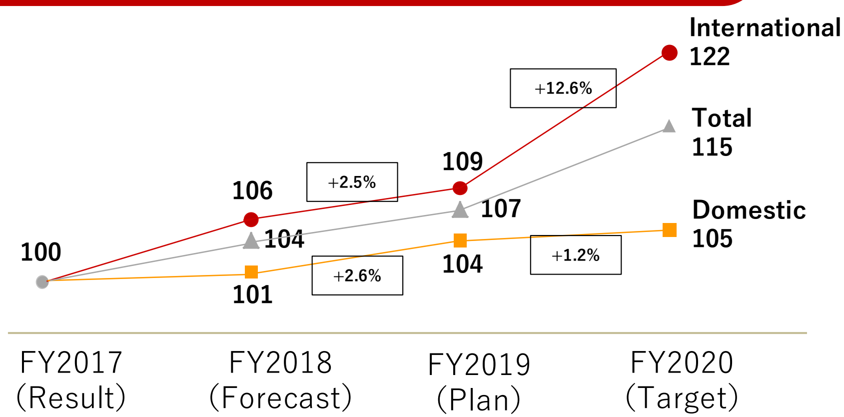
1. Summary

We will pursue growth while maintaining high profitability

Operating Revenue

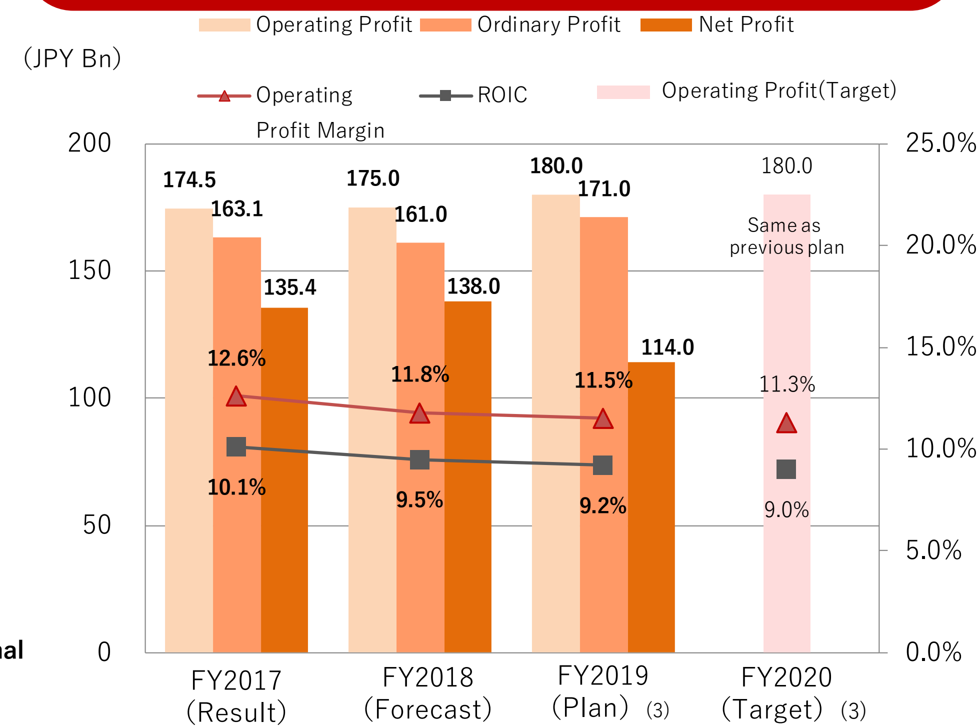


Capacity Plan (ASK)



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

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

Fuel/FX Markets

	FY18	FY19～
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. Summary

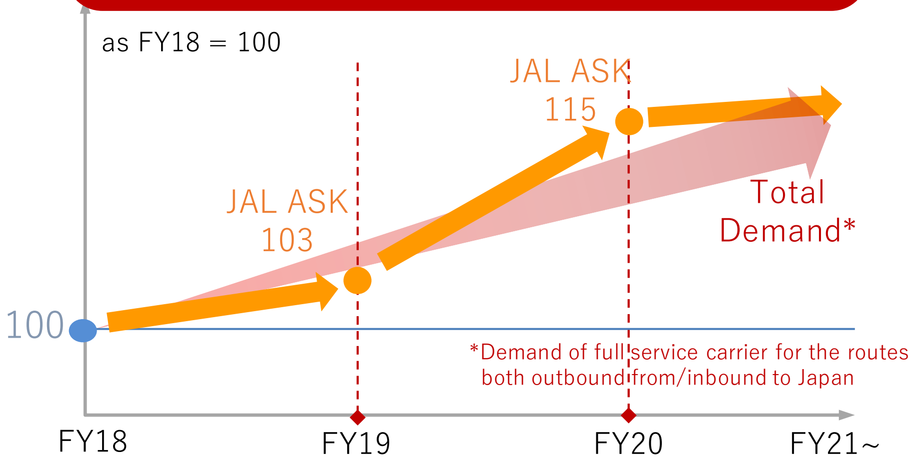
- I will explain the revenue and profit plan of the Rolling Plan.
- In FY2019, preparatory costs such as personnel and aircraft will rise and turnover of aircraft will decline because of our preparation for the capacity expansion in FY2020, the operating costs will increase ahead of revenue increase.
- However, we will capture demand with the capacity increase of ASK 3% up from last year both in international passenger and domestic passenger. Also, sophisticated revenue management will increase revenue further. By doing these, we will try to absorb the increasing costs.
- In FY2019, we will strive to achieve the target Operating Profit of 180 billion yen, which is before the depreciation method change, ahead of our plan.

2. International Passenger Business

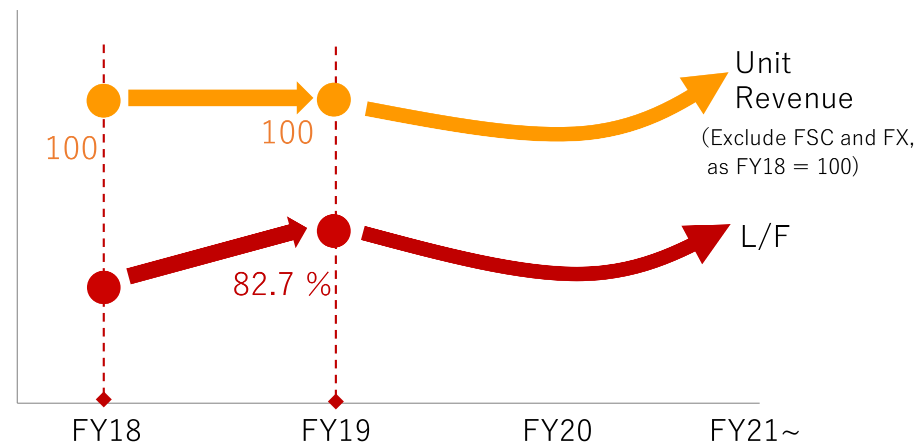
With the capacity expansion of Narita and Haneda, JAL will increase its capacity as demand grows

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）



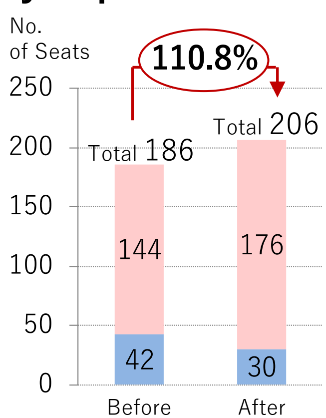
Cabin configuration optimization（FY18～FY19）

Economy Class
Premium Economy Class
Business Class

Capacity expansion through optimal number of seats available without increasing aircraft

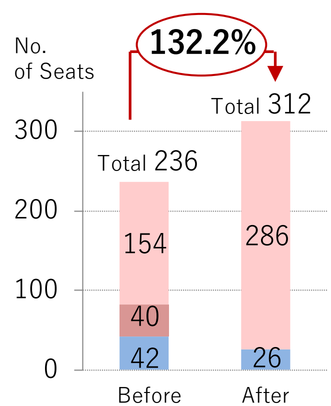
Already Completed in May2018

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



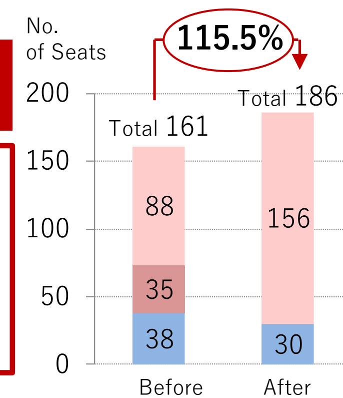
To be completed by Aug2019 (Plan)

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 Operations

- On this page, I will explain our Med-term outlook of our international passenger business.
- To seize the major business opportunity of the airport capacity expansion at Narita and Haneda in FY2020, we will largely increase capacity.
- In FY2020, airlines including JAL are expected to increase capacity all at once. As a result, we forecast a temporary supply-demand imbalance will be unavoidable. However, this imbalance will be resolved in the short term because the total inbound and outbound passenger demand is seen to continue to grow. At the same time, we will steadily capture the growing demand as we raise our competiveness.
- We will increase the number of seats per aircraft by optimizing cabin configuration. Also, we will actively engage in partnership with other airlines. Because of these, we will control appropriate pace of capacity expansion by holding increase of fixed costs and the number of aircraft..
- Through JAL’s high product competitiveness in markets, we will capture growing inbound demand and transit demand, and we will swiftly recover a temporary drop in Unit Revenue and Load Factor.

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)
- Launch Narita - Seattle (2019.3.31～)
- Narita - Chicago Seasonal Increase (2019.6.8～2019.9.3)

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

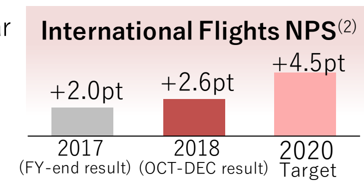
FY2017 **343cities** → FY2018 **402cities** → FY2020 **500cities**

(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

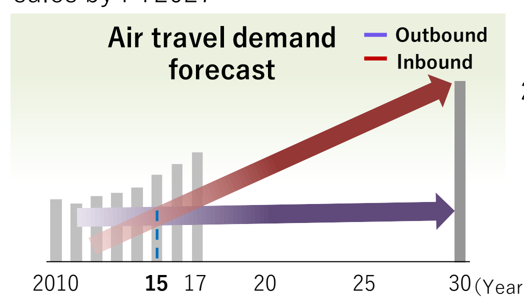
Achieve world's top-level customer satisfaction

- 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

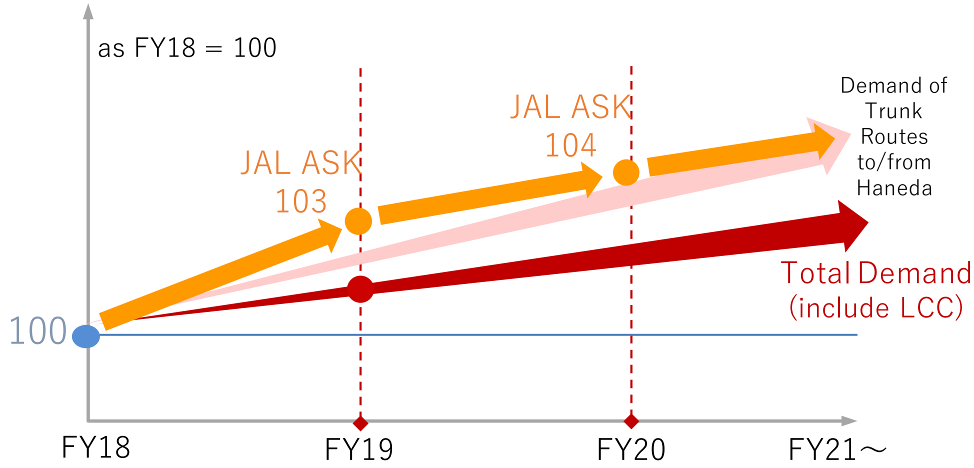
2. International Passenger Operations

- JAL will expand networks while avoiding excessive investments and fixed cost increases to mitigate risks from industry volatility.
- As for JAL’s own capacity increase, we will start new routes with profitability as our first priority. Also, we will optimize our cabin configuration. In addition, we will expand alliances with partner airlines globally.
- As a result, we aim to achieve our target of services to 500 cities in FY2020, which is well ahead of our plan.
- To dynamically capture highly-growing inbound demand, we will increase our competitiveness in overseas markets. As customer preference of non-Japanese passengers is improving significantly, we will enhance our prevalence in global markets with the SKYTRAX 5-Star Airline rating.
- On Hawaii routes where our competitor is increasing their capacity, we will launch a joint business with Hawaiian Airlines as soon as possible and expand our network to Hawaiian Islands other than Oahu. We will capture high-yield repeaters by offering a new travel style.

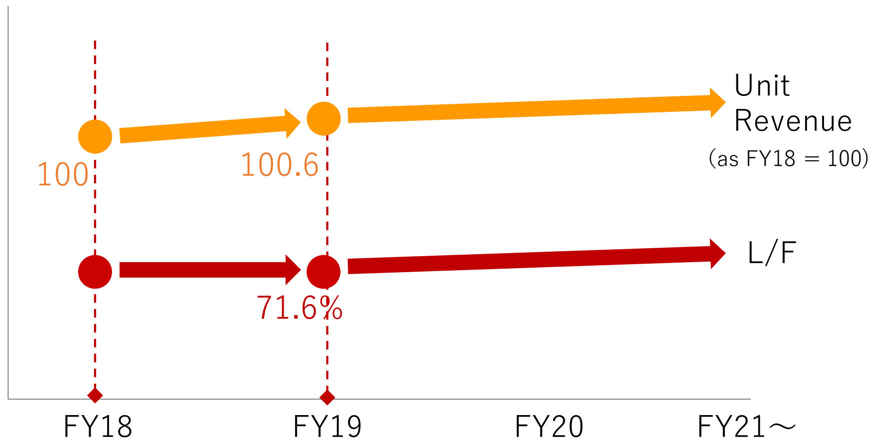
3. Domestic Passenger Business

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)

3. Domestic Passenger Operations

- On this page, I will explain our Med-term outlook of our domestic passenger business.
- On domestic routes, steady growth on main trunk routes to and from Haneda is anticipated. Therefore, JAL will increase capacity in line with the market growth and steadily capture the demand.
- From 2019 autumn, JAL will introduce new A350-900 and 787-8 aircraft with personal monitors and power sources on domestic routes. We look forward to offering new services with new aircraft.
- At main airports in Japan, we will promote initiatives to realize “smart airports,” where passengers can experience simplified procedures and shorter wait times through new technology. We would like to provide a stress-free travel experience to all of our customers.
- Through these initiatives, we aim to maintain and further increase Unit Revenue and Load Factor.

4. New Passenger Service System

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

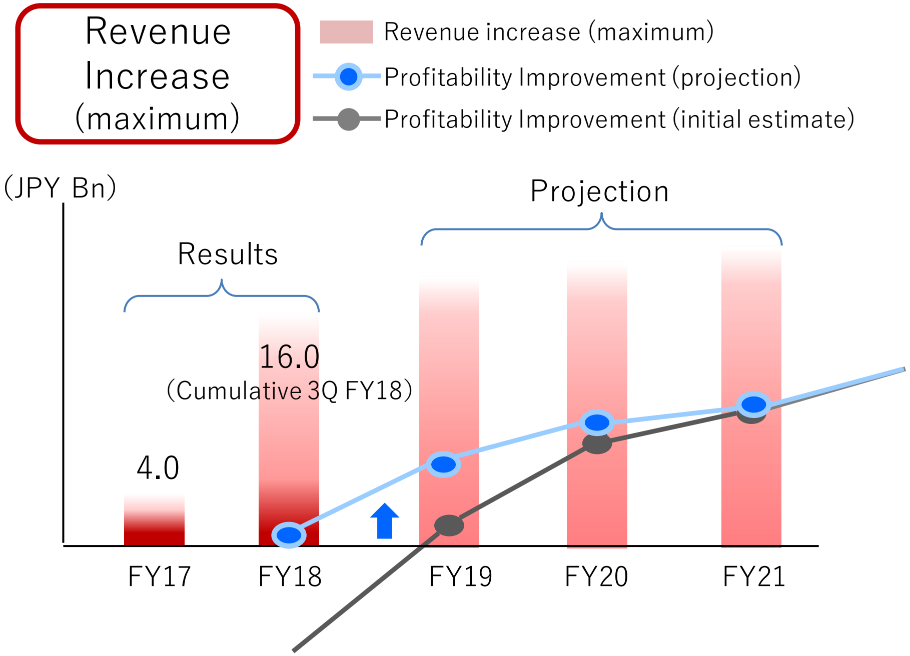
Revenue exceeded initial estimates in FY2017 and FY2018

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)



	Main functional enhancements	Major improvements
INT	Improved Functions of Overseas Websites	Revenue Increase from Inbound Business Class and Premium Economy Class Sales
INT	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

4. New Passenger Service System

- I will explain the positive effects on the new passenger service system in this page.
- The effects of the new system, which was cut over in November 2017, have exceeded our initial expectations. They are seen earlier than our plan.
- Together with the effects that we have already achieved in the fourth quarter of FY2017, we believe that the system’s effects seem to exceed its cost in FY 2018. The effects will be seen much earlier than expected.
- As various functional improvements are planned now, we will continue to work for additional effects.

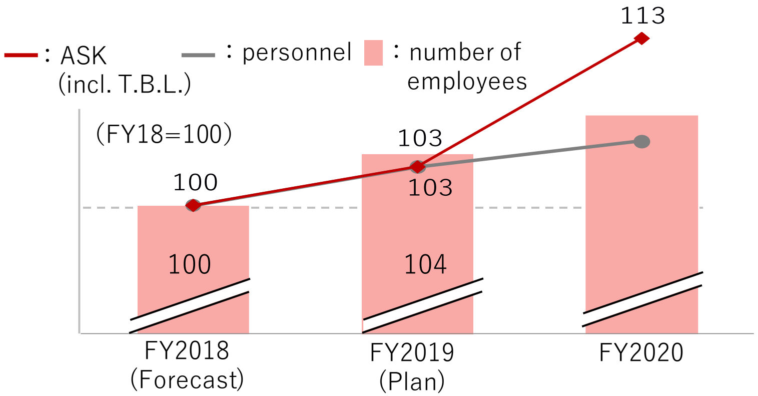
5. Cost Management

Cost management maintained while strengthening business base for further growth

Productivity improvement

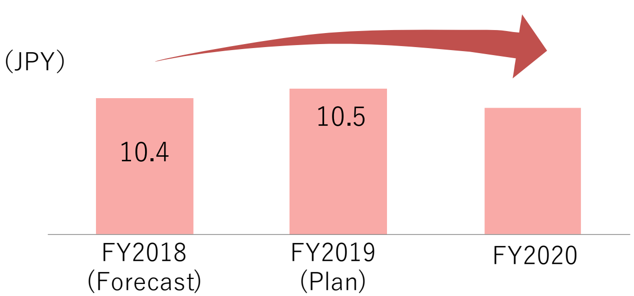
ASK, Number of employees and Personnel costs

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

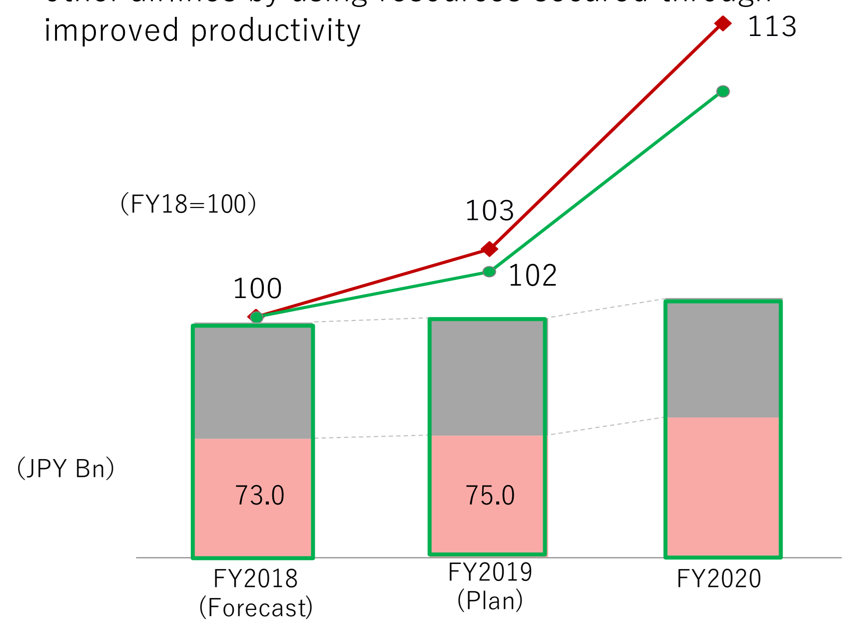


(1) Unit Cost (excluding T.B.L.)=Air Transportation Segment Operating Expense(excluding fuel, and before the depreciation method change reflected)/ASK

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

5. Cost Management

- On this page, I will explain costs, particularly personnel and maintenance costs.
- The graph in the upper left corner shows estimated staff numbers and personnel costs. Although these cost items will rise toward capacity expansion in 2020, we will improve efficiency and hold them down within the scope of business growth.
- Unit Cost will rise temporarily in FY2019 due to upfront costs for capacity expansion in FY2020, but we plan to reduce Unit Cost to FY2018 levels or below in FY2020. We will work steadily and continuously to increase cost efficiency.
- Regarding maintenance costs, while engine maintenance costs are increasing, we aim to improve productivity and control overall maintenance-related cost, including personnel costs and facility costs, by improvement of work efficiency using IT, by enhanced precision of failure prediction, and by building the world’s top maintenance technological hub in Narita.
- Further, we aim to increase revenue for our maintenance business to other airlines, using resources secured through improved productivity.
- We will consider leveling out engine maintenance costs, while examining terms and conditions of contracts.

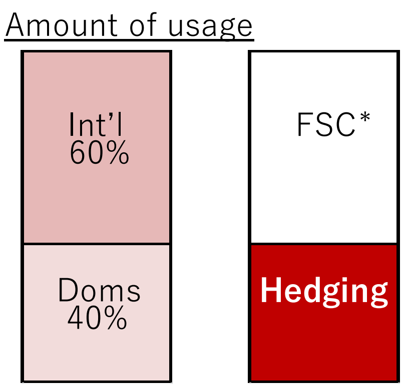
6. Market Risk Management

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

Hedging policy

＜Hedging Fuel Cost＞

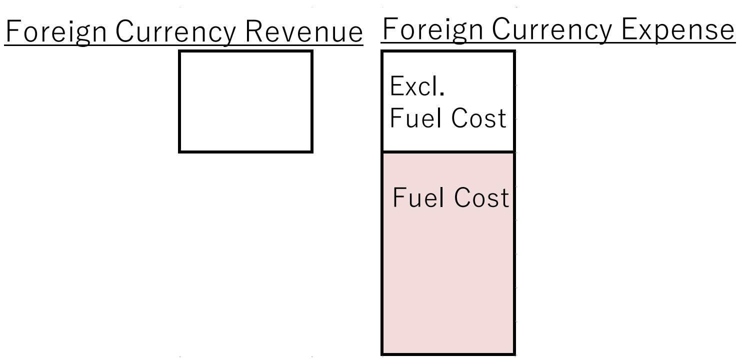
The fuel used on domestic routes, which is 40% of total fuel, is hedged because fuel surcharge is not collected on domestic routes



*FSC … Fuel Surcharge

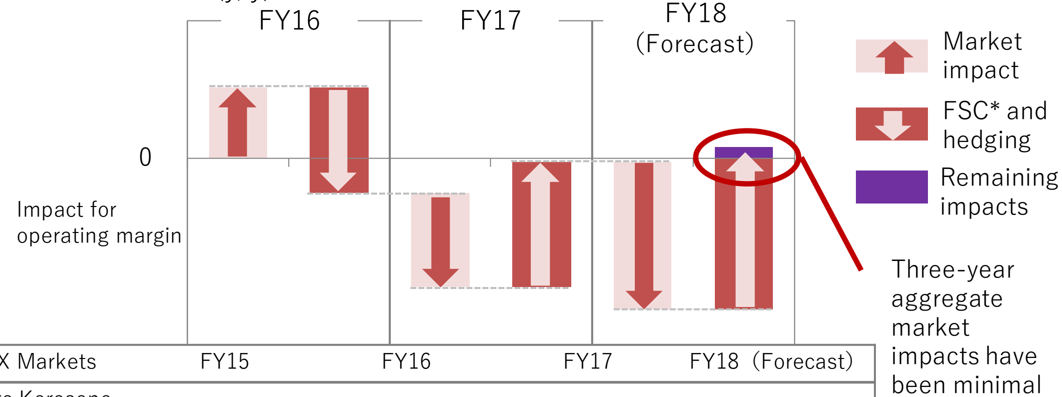
＜Hedging Forex＞

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



Mitigate market risks

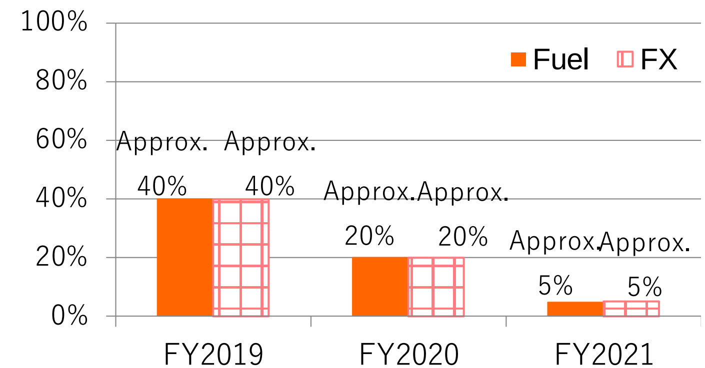
Impacts of fuel price and exchange rate volatility have been set off in a approximately three-year span



Fuel/FX Markets	FY15		FY16		FY17		FY18 (Forecast)
Singapore Kerosene (USD/bbl)	60.0	→	57.2	→	67.8	→	83.9
FX (JPY/USD)	120.5		108.6		111.2		110.8

Hedging ratio for fuel costs

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



6. Market Risk Management

- I will explain actions to mitigate risks coming from fuel price and exchange rate volatility.
- As shown in the graph on the left, we are exposed to exchange rate risks with fuel cost. Also, we are exposed to fuel cost risks of approximately 40% of our fuel consumption mainly for domestic flights, where there is no fuel surcharge system.
- Therefore, JAL hedges 40% of fuel costs for up to 3 years to level out and control fuel price and currency variations.
- As shown in the graph in the upper right corner, by combining our hedging methods and fuel surcharge, we have been successful for making the effect of fuel price and exchange rate almost neutral for a span of 3 years.

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

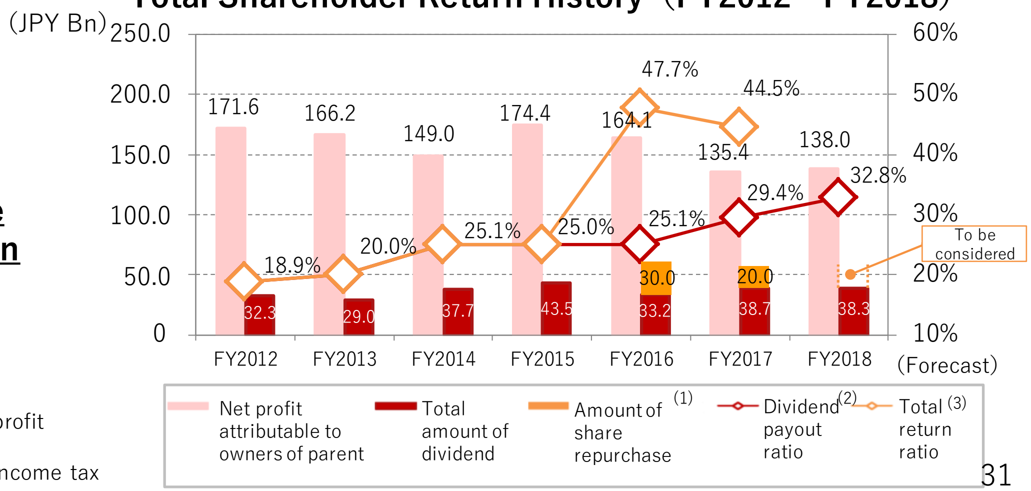
Liquidity

- 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

- **<u>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)</u>**
- **<u>Implement shareholder return enhancement measures by combining stable dividend and active share repurchase, taking into account a total return ratio</u>**

Total Shareholder Return History (FY2012～FY2018)



(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

7. Financial Strategy and Capital policy

- This page shows the overview of JAL’s financial strategy and capital policy. We will continue to pursue high asset and capital efficiency with a firm financial structure.
- As for shareholder returns, we will continue to study combining stable dividends and active share repurchases, taking into account a total return ratio. We would like to disclose more specific shareholder return policy as soon as possible.

JAPAN AIRLINES

Rolling Plan 2019

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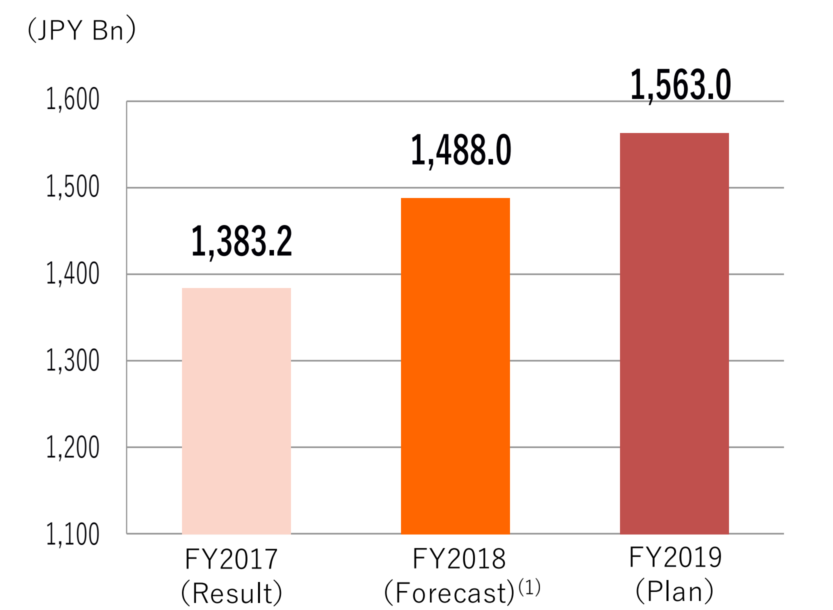
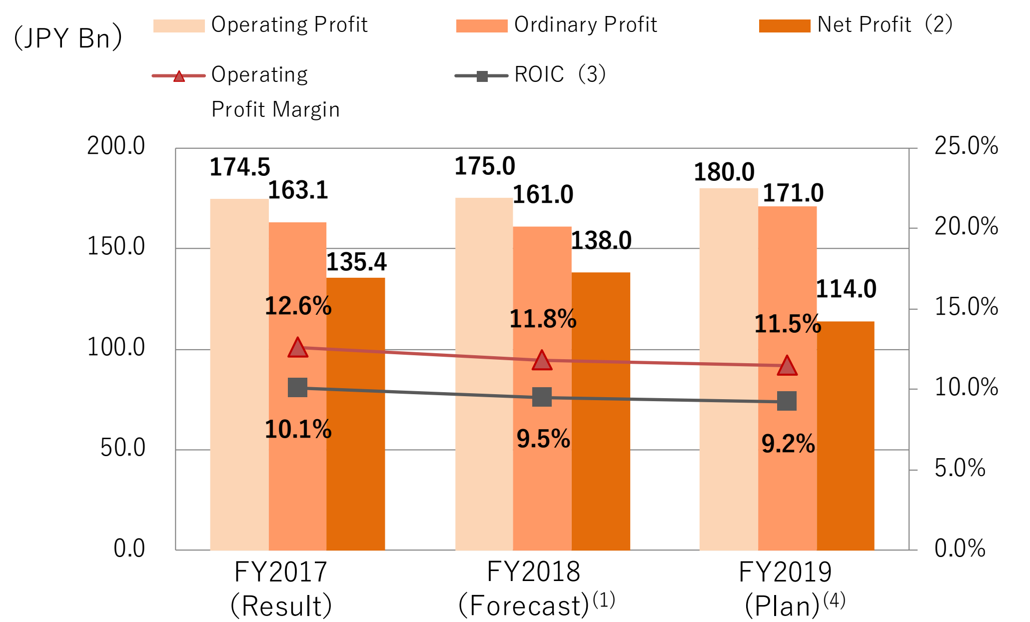
8. FY2019 (Mar/20) Earnings Forecast

Operating Revenue



Operating profit・Ordinary profit・Net profit



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
JPY 115	+4.0Bn	+6.5Bn	Forecast 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

- I will explain our plan for FY2019.
- We will provide comparative analysis with the detailed revenue and cost data with ASK and RPK at the fourth-quarter financial result report in the end of April.
- In FY2019, we estimate operating revenue of 1 trillion and 563 billion yen, and based on figures before the depreciation method change, operating profit of 180 billion yen, ordinary profit of 171 billion yen, net profit of 114 billion yen, and operating profit margin of 11.5% are estimated.
- Our market assumptions are 90 US dollars for a barrel of Singapore Kerosene and 115 Japanese yen to US dollar. Profit impact is estimated in the matrix chart at the right bottom.
- For your attention, the fuel surcharge applicable to April and May has already determined at three-stage lower than our plan. As a result, the revenue from the two-month fuel surcharge decreases by 7 billion yen from this forecast, however the decrease of 7 billion yen is not included 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

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

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

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

- This page shows the Balance Sheet for FY2019 and cash flow estimates.

- In FY2019, cash flow from operating activities includes cash out of 80 billion yen injected to the pension fund. We expect free cash flow of negative 40 billion yen, but when excluding injection to the pension fund, plus 40 billion yen.

- Equity ratio at the end of FY2019 is estimated at 59.2%, up 0.7pt from previous year. While we continue to utilize debt for funding growth capex, overall liability amount will decrease because of cash injection to the Pension Fund and subsequent decrease of retirement benefit liability. ROE will temporarily decline to lower than 10%, but we will strive to return to 10% or more as early as possible through continuous profit growth and enhanced shareholder return.

- Capital investments in FY2019 are estimated at 264 billion yen, up by 26 billion yen year on year since we will be taking delivery of many aircraft. Out of the total investment, growth investment is 195 billion yen.

- In 2019, we will be able to make a business plan reflecting a final and detailed content of slot expansions to be allocated to JAL. Also, 2020 will be a benchmark year for aviation industry in Japan with 2020 Tokyo Olympic and Paralympic Games.

- Therefore, in next year, we will make new Mid-Term Management Plan starting from Fiscal Year 2020.

JAPAN AIRLINES