



JAPAN AIRLINES



JAL Group Medium-Term Management Plan 2021-2025

May 7, 2021



JAL Vision 2030

Chapter 1: Strategic Overview and Management Targets

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JAL Group Corporate Policy

THE JAL GROUP WILL:

Pursue the material and intellectual growth of all our employees;
Deliver unparalleled service to our customers;
and Increase corporate value and contribute to the betterment of society.

For Sustainable Growth and Development

The COVID-19 pandemic has caused unprecedented changes to the foundation of our society and economy and left an enormous impact on various industries, including air transportation.

At the same time, there has been a growing momentum for society-wide efforts to pursue sustainability and achieve true affluence and happiness as represented by initiatives for SDGs.

JAL Group has set the new Medium-term management plan to overcome the crisis amidst the COVID-19 pandemic and attain our grand design “JAL Vision 2030”.

All members of the group are now determined to make dedicated efforts for achievement of this vision, driven by the two key themes “Safety and Comfort” and “Sustainability”, amid a time of upheaval with drastic changes in values.

During the period of this Medium-term management plan, we will recover the earnings level as early as possible and achieve growth by pushing forward with restructuring of the business structure based on the premise of rebuilding the financial foundation, as well as accelerating measures to realize a sustainable society through our business activities.

Our goal of this Medium-term management plan is to be “the World’s Most Preferred and Valued Airline Group” where people and goods lively move around.

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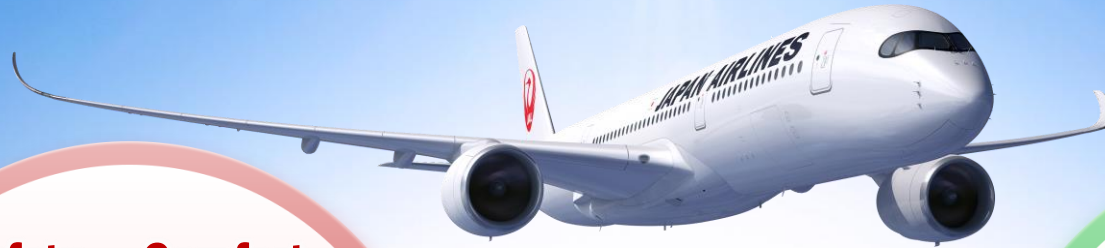
JAL Vision 2030

Ideal image of the JAL Group in 2030

Corporate Policy
JAL Vision
Medium-term
Management Plan



The JAL Group will focus on the key themes of “Safety and Comfort” and “Sustainability” as growth engines; amid a time of upheaval with drastic changes in values toward travel



Safety and Comfort

Realize a safe, secure,
and reliable society
in a comfortable
environment

JAL Vision 2030

Sustainability

Realize an affluent society
where each one of us
can sense and hope
for a brighter future

To become the world’s most preferred and valued airline group,
where many people and goods lively move around

- First of all, I would like to talk about JAL Vision 2030.
- JAL drives the key themes of “Safety and Comfort” and “Sustainability” as growth engines in the next decade amid a time of upheaval with drastic changes in values.

- 1. Strategic Overview and Management Targets**
2. Details of Strategy

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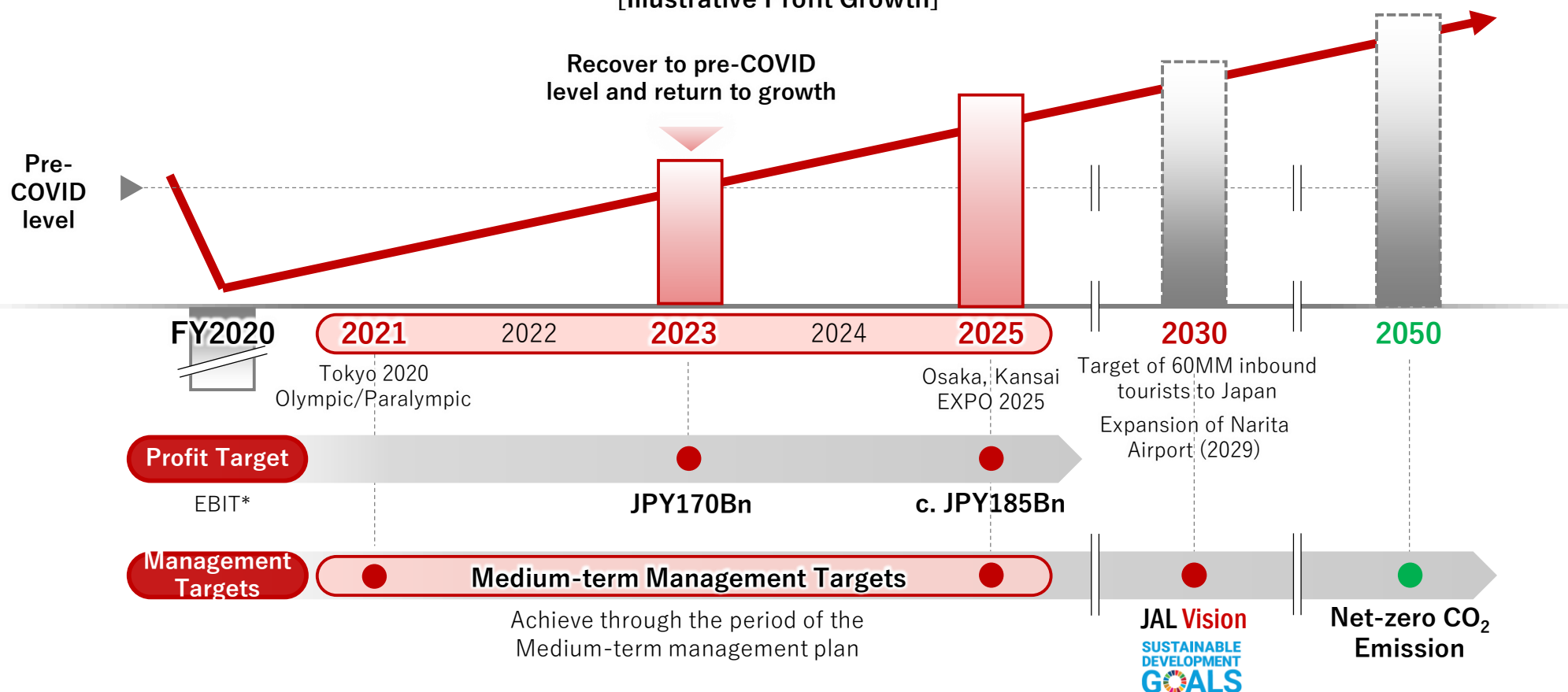
Timeline of the Medium-term Management Plan

5-year plan to realize the JAL Vision

Corporate Policy
JAL Vision
Medium-term
Management Plan



[Illustrative Profit Growth]



*EBIT : Earnings Before Interest and Taxes

- This page shows the timeline of our plan.
- The plan covers the next 5 years in which JAL recovers from COVID-19 and move forward to realize JAL Vision 2030.
- We plan to recover to the pre-COVID level and achieve 170 billion yen EBIT in fiscal year 2023, and aim to achieve approximately 185 billion EBIT in fiscal year 2025, the final year of the medium-term management plan.
- Also we set management targets with an aim to achieve JAL Vision 2030 and net-zero CO₂ emission by 2050.

Overview of Management Strategy

Three strategic pillars to achieve “Sustainable Growth and Development” and adapting to changes



Changes Caused by COVID-19 Pandemic

JAL / Airline Industry

Severe damage on business

Air travel demand in 2020: reduced by approx. 70% (yoy)*

*vs 2019: Statistics of IATA (International Air Transport Association)

Market

Structural changes in air travel demand and consumer behavior

Society

Growing social awareness for achievement of SDGs



Business Strategy

Restructuring business model addressing changes in market trends and provide a safe and secure travel experience

Three Strategic Pillars



Finance Strategy

Rebuilding financial foundation and future growth investment; secure shareholder returns



ESG Strategy

ESG management to achieve SDGs through the business model

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Changes in market trends during COVID-19

Structural Changes in Air Travel Demand



- Delayed recovery of business demand
- Solid recovery of leisure and VFR demand

Changes in Consumer Behavior



- Growth of EC market
- Growing needs for personalized services

Expanding business domains to address the changing market trends

Full Service Carrier (FSC)

Improve Profitability

Downsizing fleet, optimizing network, and enhancing product competitiveness/marketing

- Resumption of highly-profitable international routes
- Expand use of JAL's flagship aircraft – Airbus A350
- Global Expansion of JVs in not only Pacific/European routes

Cargo and Mail

Steady Revenue Increase

Promoting a flexible supply strategy featuring cargo space and alliance tie-ups

- Full utilization of belly space (incl. LCC)
- Strengthen collaboration with partners to expand capacity and network
- Capturing demand for items requiring high transportation quality

UP!

LCC



Develop New Markets

Multi-model strategy in the growing low-yield market

- ZIPAIR: Asia/Hawaii/Pacific routes
- SPRING JAPAN: Expand areas in China
- Jetstar Japan: Capture tourism demand based in Narita Airport to act as a hub

UP!

Mileage, Lifestyle and Infrastructure

Expand into Growing Fields

Expanding business domains leveraging robust customer base and human skills

- Mileage/financial/merchandise services
- Expansion of market shares in contracted services (Ground Handling/MRO/Cargo)
- Commercialization of regional revitalization and next-gen air mobility service

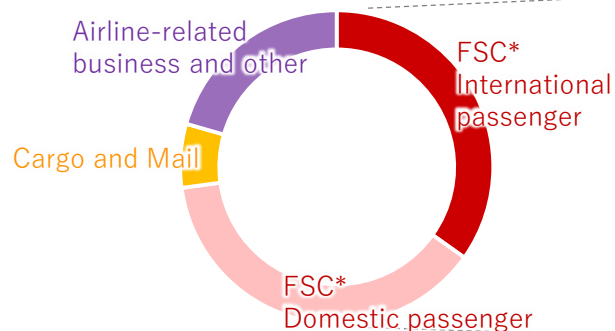
Mileage/merchandise/communities/airport handling, maintenance and cargo contracted services/air mobility, etc.

- From this page, I will explain the business strategy.
- COVID-19 has changed air travel demands and consumer behaviors, drastically affecting the market trends.
- JAL will drive structural restructuring to address the changing market trends and to establish robust and sustainable business structure.
- We improve the profitability of Full Service Career business and intend steady revenue increase in Cargo and Mail business.
- Also, we develop the LCC market where demand growth is expected, and expand into new business domains such as Mileage, leveraging our strengths in customer base and human skills.

Recovery to pre-COVID profit level through restructuring and return to growth

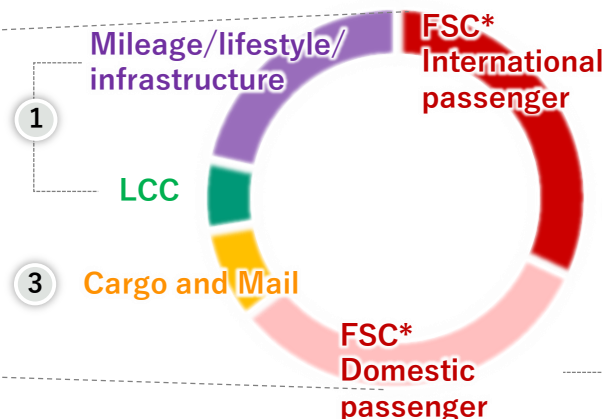
Change of Business Structure

FY2019 Revenue Breakdown



*FSC : Full Service Carrier

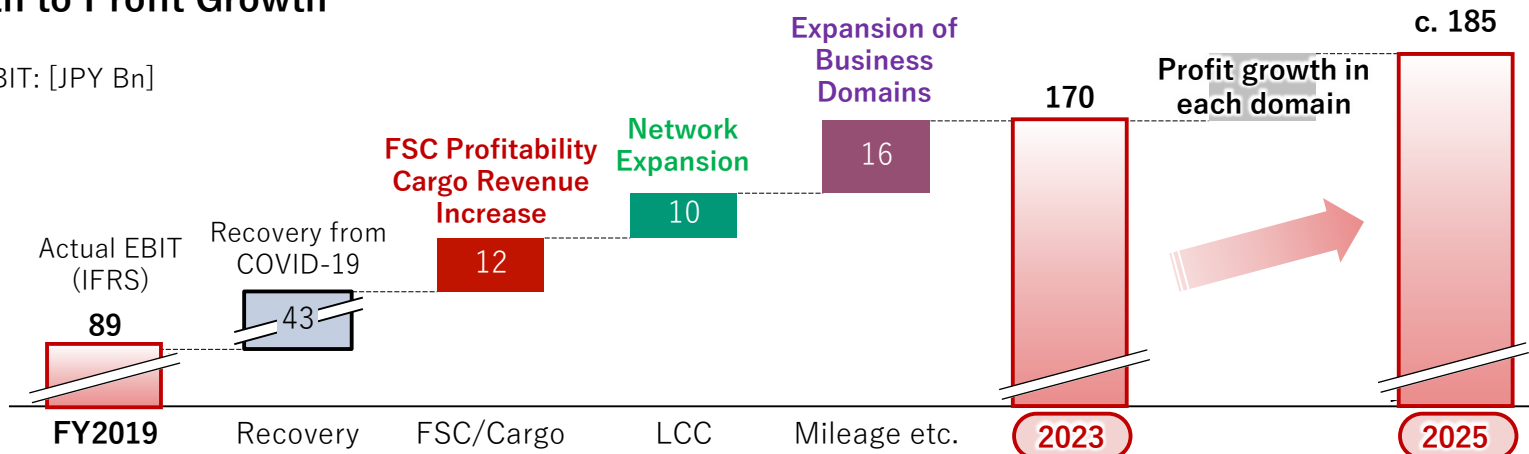
FY2025 Illustrative Revenue Breakdown



- 1 Promote structural restructuring for growth in LCC and Mileage, Lifestyle and Infrastructure
- 2 Steady recovery from COVID-19 in both FSC and LCC model and optimize business portfolio
- 3 Increase revenue steadily in the Cargo and Mail domain

Path to Profit Growth

EBIT: [JPY Bn]



- I will explain the planned change of our business structure and the path to profit growth.
- As the demand structure is changing, we plan to grow in LCC and non-air passenger businesses such as Mileage, while relying less on Full Service Career business.
- The lower part shows the path to profit growth in fiscal year 2023 and 2025.
- From 89 billion yen EBIT recorded in fiscal year 2019 as our starting point, we increase EBIT to 170 billion yen in fiscal year 2023, as recovery from COVID-19 impacts, improving profitability in Full Service Carrier business, growing Cargo revenue, in addition, by LCC business and non-air passenger business domains.
- When we achieve this profit target, EPS gets back to the pre-COVID level.
- In fiscal year 2025, we achieve further growth and plan to reach approximately 185 billion yen EBIT.

Most Advanced Safety Measures Utilizing Digital Technologies

Safety Measures in Operation

- Safety of Flights and Aircraft
 - System to prevent turbulence
 - Prognostics combining maintenance expertise and new technologies (AI/data analytics, etc.)



- Security Check and Response to Environmental Changes
 - Advanced security inspection devices
 - Safety management in the air mobility domain



Prevention of Infectious Disease

- Touchless Operations and Social Distancing
 - JAL SMART AIRPORT
 - Utilization of digital certification for safety and comfort of travel



Human Resources for Safety Management

■ “Safety First”

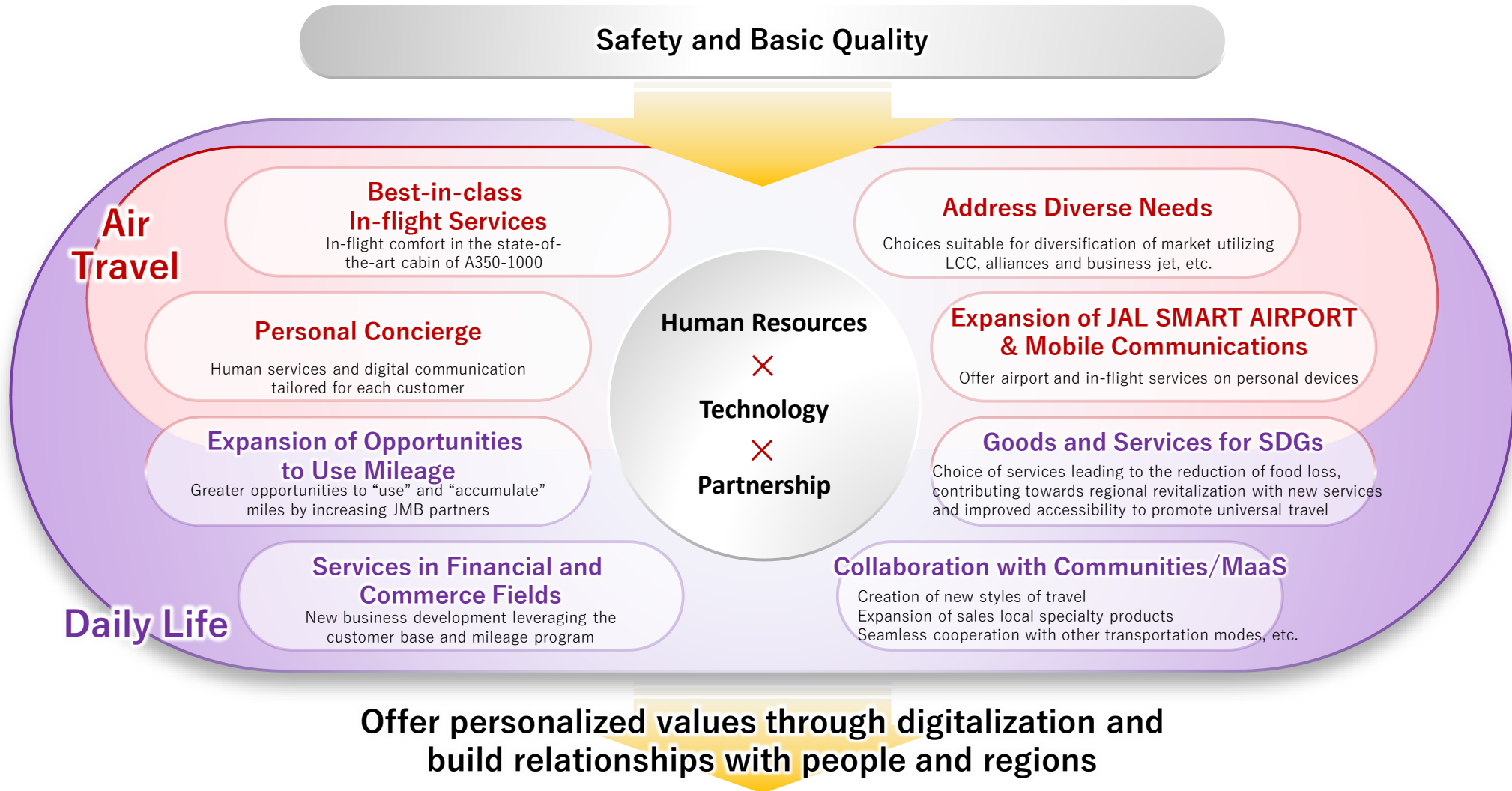
- Expanding safety education to learn from past accidents based on the three actuals “the actual place, object and people”
- Expanding support programs that enable employees to discuss various concerns, including mental and physical health, and promoting the creation of an environment in which employees can concentrate on safety



Measures to Offer Comfort



Creating a new customer experience in air travel and on the ground



Providing “Tailored Comfort” to each customer in every situation



Rebuilding the Financial Foundation



Greater risk tolerance and higher capital efficiency for strategic allocation of resources

FY2021~2023

FY2024~2025

Enhancement of Risk Tolerance and Capital Efficiency <ul style="list-style-type: none"> Enhance risk tolerance Maintain and improve financing capabilities Improve capital and asset efficiency 	Liquidity	Secure the amount of 5.0~5.6 months worth of passenger revenue (incl. credit facility)	➡	Maintain the same level
	Leverage	Recover the equity ratio to c. 50%	➡	Maintain the same level
	Credit rating		➡	Obtain “A” rating
	Capital efficiency	ROIC*1 >9% ROE >10%	➡	Maintain or improve
Allocation of Resources <ul style="list-style-type: none"> Observe financial discipline Allocate resources optimally Promote investment for sustainable growth 	Capital allocation	Prioritize rebuilding the financial structure	➡	Promote investment for sustainable growth
	Discipline	Secure sufficient free cash flow for each fiscal period		
Shareholder Return <ul style="list-style-type: none"> Dividends with focus on stability and consistency Payout ratio: 35% or higher Flexible buyback to enhance total return ratio 	Dividend	Aim to resume dividends as early as possible	➡	Stable dividend with payout ratio over 35%
	Total return		➡	Flexibly consider buyback

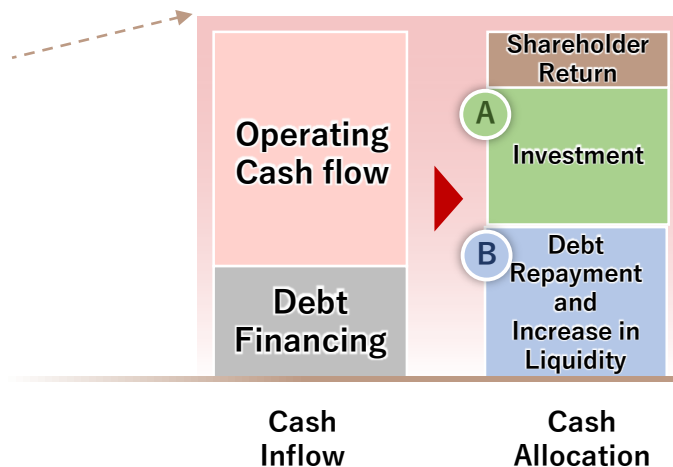
*1: Return on Invested Capital = EBIT (after tax) / Average fixed assets at the beginning and end of a fiscal year(*2)

*2: Fixed assets = Inventory assets + Non-current assets – Deferred tax assets – Net defined benefit asset

- On this page, I will explain the overview of our financial strategy.
- In the first three years, we will focus on rebuilding the financial base and we will get back healthy financial position by fiscal year 2023.
- Then, in and after fiscal year 2024 we promote investment for sustainable growth and achieve greater risk tolerance and higher capital efficiency with an aim to increase profit and enterprise value.
- When it comes to shareholder return, firstly we focus on resuming dividends, followed by flexible buyback, along with rebuilding our financial base.

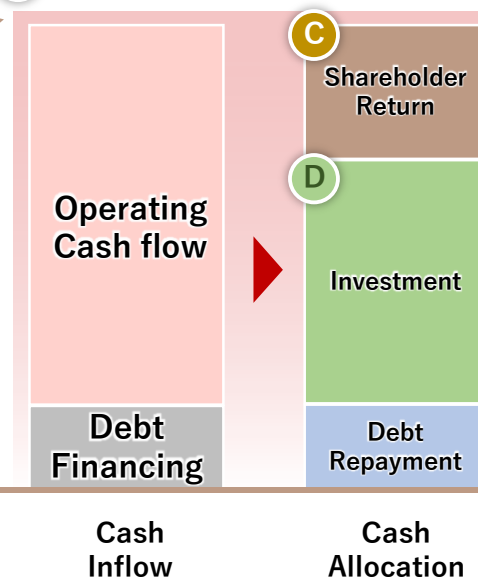
FY2021~FY2023

- A** Limited investments for rebuilding financial position
- B** Recover an appropriate level of liquidity by the end of FY2023



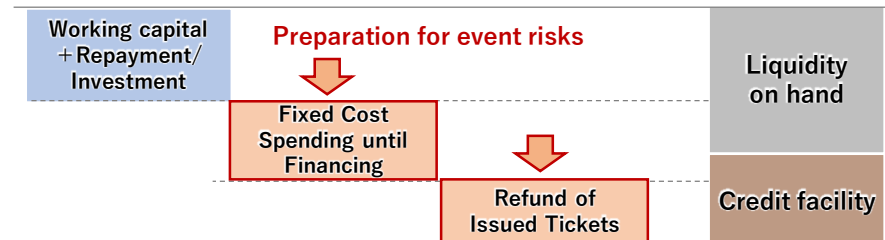
FY2024~FY2025

- C** Active shareholder return
- D** Investment for sustainable growth



Set an appropriate level of liquidity as **5.0~5.6 months of passenger revenues** after the COVID-19 pandemic

- Secure liquidity that will enables us to tolerate risks according to the size of passenger revenues subject to potential significant impacts if any event risk occurs
- Secure an appropriate level of cash and deposits considering asset efficiency



- Here is the basic policy of management resource allocation and appropriate level of liquidity.
- We focus on debt repayment and increase in liquidity with limited investments until fiscal year 2023.
- In and after fiscal year 2024, we will focus on active shareholder return and investment for growth with the strong financial base .
- Considering risk tolerance including ticket refunding, we set an appropriate level of liquidity as 5.0 to 5.6 months of passenger revenues as of end of every month with using credit facility as well.



ESG Management to Achieve SDGs



Aim to realize a sustainable society through business activities



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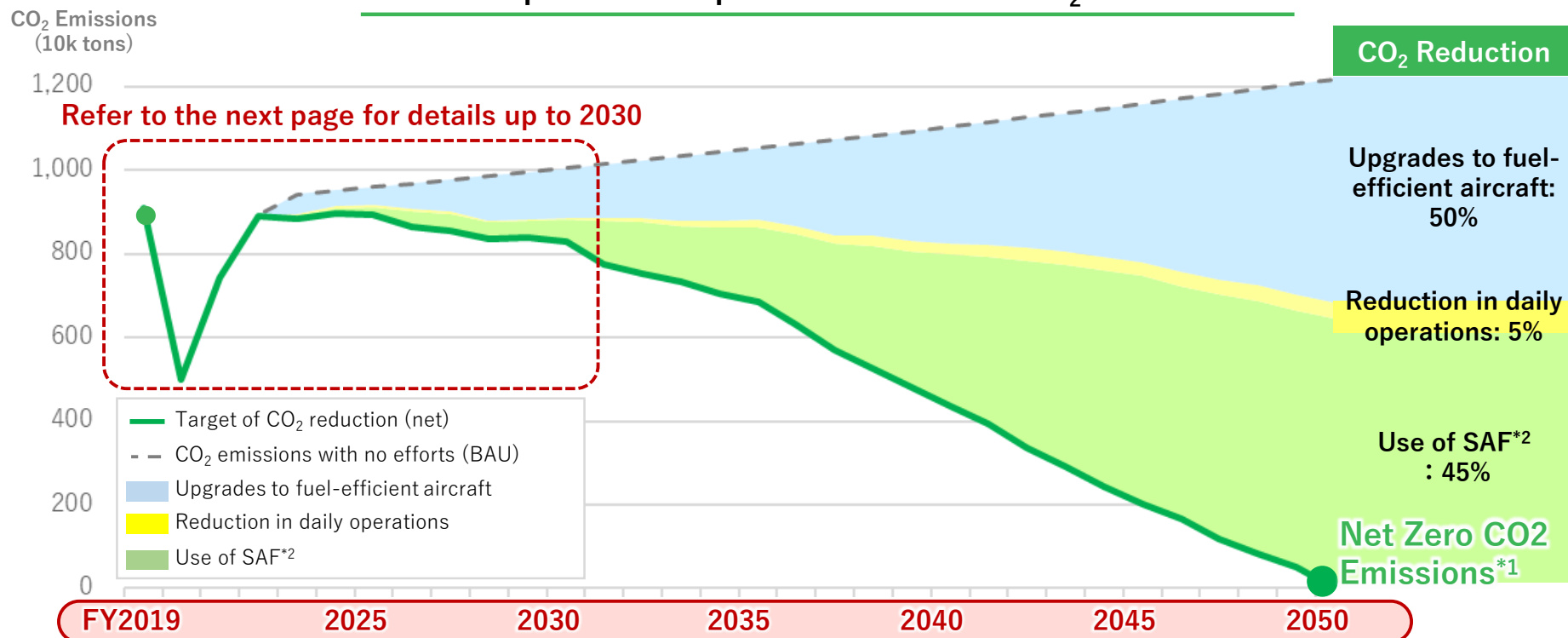


Target of Net Zero CO₂ Emissions by 2050



Aim to achieve 2050 target to realize an affluent society where each of us can sense and hope for a brighter future

JAL Group's Road Map towards Net Zero CO₂ Emissions*¹



Upgrades to fuel-efficient aircraft

Utilizing the latest fuel-efficient aircraft today and aim to introduce aircraft using new technologies in the near future, such as hydrogen and electric powered aircraft

Reduction in daily operations

In addition to "JAL Green Operations" to reduce CO₂ emissions in daily operations, promoting collaboration across the entire industry, including air traffic control agency, airlines, and airport operators

Use of SAF*²

Collaboration with stakeholders to aim for a decarbonized society to secure SAF*² supply and reduce costs

*1 : Achieving a balance between the amount of carbon emissions actually generated by business activities and the amount of reduction achieved through measures= Net Zero Emission (including emissions trading and CCS (CO₂ absorption technology))

*2 : Sustainable Aviation Fuel

- I will explain the reduction target of CO₂ emissions, the most important thing of ESG.
- In 2020, we announced the target of net zero CO₂ emissions by 2050.
- 50% of the reduction would be achieved by upgrades to fuel-efficient aircrafts, 5% by reduction in daily operations, and 45% by use of sustainable aviation fuel.

CO₂ Reduction Targets and Initiatives by 2030

Leading the industry in implementing most advanced initiatives in accordance with international frameworks

FY2025 CO₂ Reduction Target

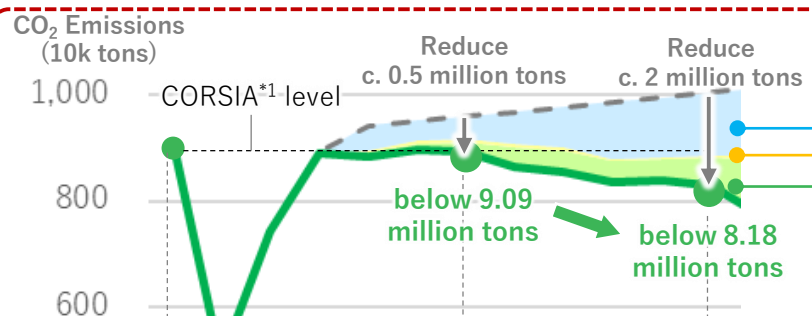
Total emission:
below **9.09 million tons**
(Reduce c. 0.5 million tons)

Keep the amount of the total emission below the actual amount of FY2019

FY2030 CO₂ Reduction Target

Total emission:
below **8.18 million tons**
(Reduce c. 2 million tons)

Keep the amount of the total emission below 90% level of the actual amount of FY2019



FY2019

2025

2030

Total Emissions

Below FY2019

90% from
FY2019 volumeAmount of
ReductionAmount of reduction
from BAUc. 0.5 million tons
(c. 6%)c. 2 million tons
(c. 20%)

SAF

Ratio of SAF to total fuels

1%

10%

Upgrades to Fuel-efficient Aircraft



**FY2030
Emission
Reduction**
c. 60%

- Steadily introduce Airbus A350 and Boeing-787, more fuel-efficient models
- Coordinate with aircraft manufacturers to promote R&D of electrified/hydrogen-fueled aircrafts

Reduction of CO₂ Emissions in Daily Operations



**FY2030
Emission
Reduction**
c. 5%

- Promote JAL Green Operations (to reduce emissions on a daily basis)
- Proactive participation in public-private partnership for the next-gen air traffic system

Use of SAF



Fulcrum SAF manufacturing plant in Nevada

























**FY2030
Emission
Reduction**
c.35%

- Switch to SAF by 10% for FY2030, based on the premise of improvement of the usability
- In addition to the Fulcrum partnership, build and integrated supply chain of Japan-made SAF

*CORSIA : Carbon Offsetting and Reduction Scheme for International Aviation...under that, airlines operating international flights purchase CO₂ emission credits for any excess CO₂ emissions over their 2019 volume

- As the target of CO₂ reduction in fiscal year 2025, JAL aims to reduce the total emission below the actual emission level of fiscal year 2019.
- As the fiscal year 2030 target, JAL aims to keep the total emission below 8.18 million tons in accordance with the international frameworks.



		Materiality	Key Initiatives and FY2025 Targets			Related SDGs	
E	Environment	Address to Climate Change	CO ₂ emission reduction	[Aircraft Operation]	Ref. 1-6 (Next Page)	    	
				[Ground Facility]	[FY2030 Target] Emission vs FY2013 50%		
		Effective Use of Limited Resources	Reducing of single-use plastic		Ref. 1-6 (Next Page)		
			Promote 3R(Reduce, Reuse, Recycle)+1(Redesign)				
S	People	Promotion of D&I	Female advancement within JAL Group		Ref. 1-6 (Next Page)	       	
		Improving Accessibility	Further develop an environment in which all passengers feel a sense of comfort Stress-free transportation and various choices of travel offered to customers who feel barriers in transport		Ratio of such passengers to all the passengers vs FY2019 2.5x		
		Prevent the Spread of Infectious Diseases	Transportation of medical items to contribute to public health Provide infrastructure services to support Safety and Comfort in our society by express delivery and rigorous temperature control		Volume of medical items transportation vs FY2019 +50%		
	Communities	Regional Revitalization	Vitalizing flows of people and goods through business activities		Ref. 1-6 (Next Page)		     
G	Governance	Promote Fair Business Practices	Further strengthening of corporate governance structure Deepening group governance, risk management and consistent efforts by evaluating Board effectiveness		Compliance rate of the Corporate Governance Code 100%	    	
		Promote Responsible Procurement	CSR* ¹ -awareness procurement Identification of and responses to risks in the entire supply chain		Soundness of principal 1st-tier suppliers identified in Self-Eval. 100%		

Aim to be a constituent of DJSI^{*2} World (Dow Jones Sustainability World Index) by FY2023

*1 : Eco-friendliness, fair business practice and respect for human rights, etc.

*2 : Dow Jones Sustainability Index

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1-6 Management Targets under Medium-term Management Plan

To be achieved by FY2025 for realization of JAL Vision 2030



FY2025 Targets

Safety and Comfort 	Safety	Aircraft Accidents and Serious Incidents: 0 (during the entire period of the Medium-term management plan)	
	Comfort	Top Level Customer Experience both in air travel services and daily life NPS*1 +4.0pt (International/domestic flights)	
Financial 	EBIT Margin	10% or Higher in FY2023 (to improve onwards)	
	ROIC	9% in FY2023 (to maintain or improve onwards)	
	EPS	FY2023 ¥260 Pre-COVID level	FY2025 c. ¥290
Sustainability 	Environment	CO₂ Emission Reduction Total emission: below 9.09 million tons (FY2019 Result)	Reduction of Single-use Plastic No use of virgin petroleum-based plastic at cabin/lounge (100% switch to eco-friendly materials at Cargo/Airport service)
	Communities	Regional Revitalization Domestic passenger*2 and cargo transport volume: +10% vs FY2019	
	People	Promotion of D&I Group Female Managers Ratio: 30%	(19.5% as of FY2020 end) Consistent efforts to encourage various human resources to demonstrate their potential

*1: Net Promoter Score...objective indicator of customer satisfaction (vs the beginning of FY2021)

*2: Increases in passenger numbers by stimulating tourism demand and creating new flows

- Here are management goals under the medium-term management plan to be achieved by fiscal year 2025.
- JAL sets targets in each area of “Safety and Comfort”, “Financial” and “Sustainability”.
- For “Safety and Comfort”, we will never experience aircraft accidents nor serious incidents, and try to provide best-in-class customer experience.
- For “Financial”, we will recover to the pre-COVID level in fiscal year 2023 and aim to keep and improve the level going forward. In particular, we focus on EPS to reach to a pre-public offering level.
- For “Sustainability”, in addition to CO₂ reduction, we will focus on reduction in plastic use, local transportations which would contribute to regional revitalization, and Diversity & Inclusion development .

1. Strategic Overview and Management Targets
- 2. Details of Strategy**

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Business

FSC

LCC

Cargo
and MailMileage.
etc.

Business Environment

Mid- to Long-term Demand Trend

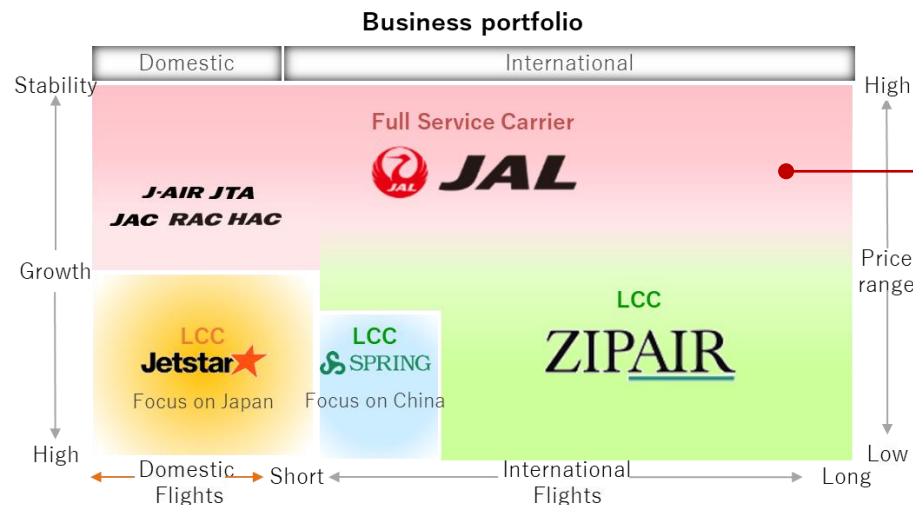
- Diversification of needs for pricing and services
- Growing demands driven by economic growth in Asia

Structural Changes Under COVID-19 Pandemic

- Decline in business travel following the penetration of web conferences.
- Strong leisure/VFR demand post-COVID era

Strategy of Air Passenger Business

- Revenue growth in the low-yield market for both LCC and FSC models
- Establish comprehensive network for domestic and international routes
- Enhance demand and expand the network through JVs with leading airlines in key areas and align with oneworld partners



Joint Venture Partners



American Airlines / British Airways/
Finnair / Iberia / Malaysia Airlines

- In Chapter 2, I will explain strategies of each business domain and here is the overview of Full Service Carrier and LCC.
- We acknowledge that there would be changes of demand trends due to COVID-19.
- JAL establishes comprehensive networks of domestic and international routes by expanding into LCC in addition to Full Service Carrier.



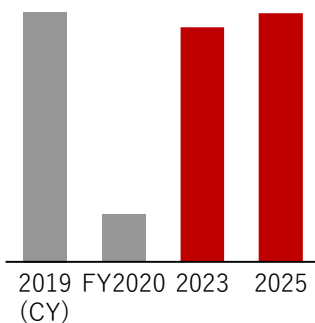
Business

FSC

LCC

Cargo
and MailMileage.
etc.

Illustrative Revenue Trend
(FSC total)



Strategies to Improve Profitability

To Strengthen Earning Results

Capture Business Travel Demand

- Improving consumer preference with the introduction of the A350 aircraft
- Expansion of Haneda network featuring routes with high business passenger needs
- Enhance marketing leveraging joint ventures

Thorough Cost Reduction

Optimize Scale of Business

- Suspending low profitability routes and utilizing codeshare partnerships
- Early retirement of aging aircraft to curb maintenance cost and introduction new aircraft to curb operational cost

Capture Growing Demand

- Strengthen Narita as an international hub for Asia-North America transit demand for high yield markets
- Capture travel demand between metropolitan areas and local regions by “Encouraging regional travel/movement and through workation” and “Attracting inbound tourism”

Improve Productivity

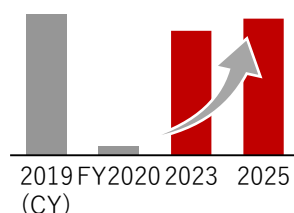
- Improving operational efficiency through JAL SMART AIRPORT and promotion of DX such as mobile communications

FSC International Passenger

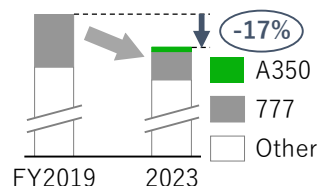


Accelerating retirement of large-sized aircraft to enhance profitability and recover growth

Illustrative Revenue Trend



Fleet



- Suspension of Narita-Kaohsiung/Busan routes and phased resumption of international routes
- Introduction of A350-1000 to US/EU routes (scheduled in FY2023)

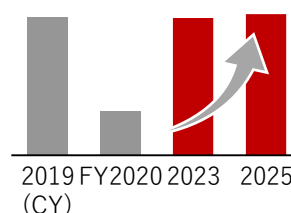
FSC Domestic Passenger



JAL J-AIR JTA JAC RAC HAC

Rearrangement of routes and enhanced product to achieve high profitability

Illustrative Revenue Trend



Fleet



- Early retirement of 777 and upgrades to A350-900
- Increase in routes to/from Okinawa with solid growth potential (Launch of new routes and introduction of larger aircraft)

- I will explain the strategy of Full Service Carrier business in this page.
- To improve the profitability, we capture business travel demand by, for example, the introduction of A350-1000 into international routes, and create new air travel demand such as transit demand for international flights via Narita, and migration to local regions.
- Also, we reform the cost structure by reduction of less profitable routes and early retirement of aged aircrafts, and improve productivity by DX promotion such as SMART AIRPORT.
- As a result, we plan to recover our revenue to the pre-COVID level in fiscal year 2025, both for international and for domestic business.

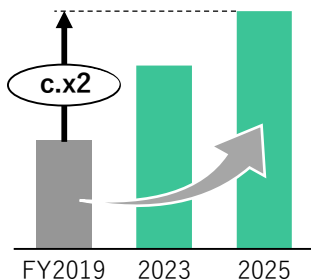


Business

FSC	LCC
Cargo and Mail	Mileage, etc.



Illustrative Revenue Trend (3 LCCs in total*)



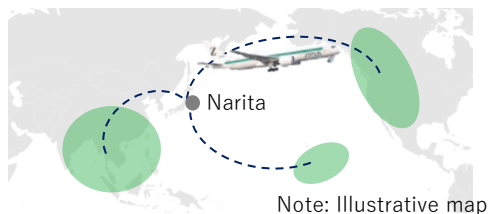
*ZIPAIR, SPRING JAPAN, Jetstar Japan

- Three LCC business models in the low-yield market with distinctive characteristics
- Creation of demand through high-quality, low-cost operation fully leveraging resources of the JAL Group
- Strategic network expansion based in Narita Airport as a hub

ZIPAIR

First Mid-to-long Haul LCC in Japan

- Capture demand in global major cities utilizing high-performing 787 aircraft
 - Create low-yield travel demand in Asia, US West Coast, Hawaii, etc.
 - Utilize belly space as a revenue source
- Expansion to 10 aircraft by FY2024
 - Introduce two aircraft per year



Note: Illustrative map

Full-flat seat installed in upper class



Self order / free Wi-Fi



SPRING China-focused LCC

- China-focused operation utilizing small aircraft partnering with Spring Airlines, the largest LCC in China
 - Attract inbound tourists from China leveraging Spring Airlines' strong brand recognition in China
- Consolidate SPRING JAPAN in June 2021 (scheduled)
 - Achieving high-quality, low-cost operation fully leveraging resources of JAL Group
- Addressing potential travel demand in local cities in China
 - Launch new routes at white spot in China
 - Target cities with population of over 10MM



Note: Illustrative map

Jetstar

Strong LCC Network in the Tokyo Metropolitan Area

- Drives the growth in domestic LCC market
 - Capture tourism demand, mainly through domestic flights to/from the Tokyo metropolitan area (Narita)
 - Increase revenues under the dual-brand strategy with JAL in domestic flight operation
- Improve profitability through business restructuring
 - Enhance profitability by reviewing the fleet and network, and enhance cargo revenue
 - Partnering with the Qantas/Jetstar Group to strengthen marketing and revenue management
 - Improve fleet utilization rate in short-haul international routes optimizing overnight-parked aircrafts



Note: Illustrative map

- Here, I will explain the strategy of LCC.
- In the low-end market with steady recovery and solid growth potential, we develop three difference business models of ZIPAIR, Spring Japan and Jetstar Japan, focusing on their each strength.
- ZIPAIR expands into mid-to-long haul international flights with Boeing 787 and will introduce 10 aircrafts by fiscal year 2024.
- JAL will consolidate Spring Japan in June to capture inbound demands coordinating with Spring Airlines Group, the largest LCC and travel agent in China.
- Jetstar Japan drives the growth in domestic LCC market and focuses on profitability improvement.
- Revenue from the three LCCs in fiscal year 2025 would be approximately doubled compared to fiscal year 2019.



Business

FSC

LCC

Cargo
and MailMileage.
etc.

Renewal of Flagship Fleet

■ International: 777-300ER

■ Domestic: 777-200/300/200ER

777-200ER to be redeployed to domestic flights



39 >>> 13*

(FY2019) (FY2023)

*GE-manufactured engine only

Fuel Efficiency
Improvement
25%
(vs incumbent aircrafts)

Interior Renewal to
Be More Preferred by
Customers

■ International: A350-1000 (FY2023~)

■ Domestic: A350-900 (FY2019~)



5 >>> 18

(FY2019) (FY2023)



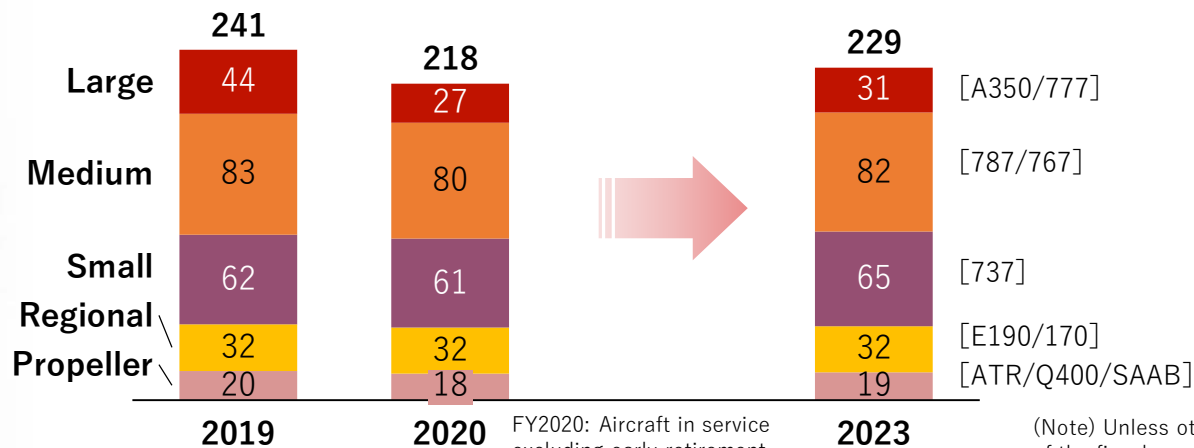
A350/787 for domestic flights
are equipped with personal
monitor AC power in all seats.

Fleet Composition

(ZIPAIR: from FY2019, SPRING JAPAN: FY2023 only due to consolidation in FY2021)

■ Reduce the ratio of large-sized fleet [from 18% (FY2019) to 14% (FY2023)]

■ Increase fleet for LCC (medium and small sized)



(Note) Unless otherwise noted, the number is end of the fiscal year aircraft

- Here is our fleet strategy.
- We will promote renewal of flagship fleet with fuel-efficient aircrafts and introduce A350. In particular, we will start introducing A350-1000 into international flights in fiscal year 2023.
- The number of large fleet would be decreased due to the planned retirement of aged Boeing 777 while that of medium and small fleet would be increased through LCC business expansion. As a result, the total number of our fleet as of the end of fiscal year 2023 would be 229, increased by 11 from the end of fiscal year 2020.



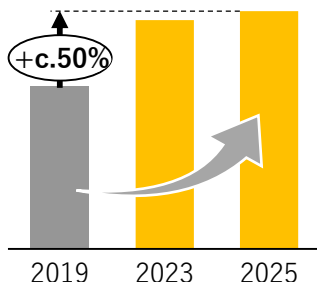
Business

FSC

LCC

Cargo
and MailMileage.
etc.

Illustrative Revenue Trend



Business Environment

Solid Air Cargo Demand

- Cargo demand exists regardless of borders closing during the COVID-19 pandemic
- Reconfirmed the significance of maintaining the logistics infrastructure

Growing Needs for Advanced Transportation Services

- Demand for specific cargo needs change based on the current lifestyle
- Increase of EC and medical cargo

Strategy of Cargo and Mail Business

Maximize Revenue

Flexible Supply Strategy

- Expand capacity by fully utilizing belly spaces of FSC/LCC passenger aircraft
- Strengthen collaboration with partners to expand capacity and network leveraging charter flights

Approach to New Cargo Demand

- Capture cargo demand for EC/delivery, healthcare (pharmaceutical/medical items), foods and local specialties

Deploy a system to manage quality and shorten lead time



Improve Convenience and Productivity

Renewal of Operational Process

- Renew the processes of reservation, sales and ground operations

Promote digitalization and automation

- I will explain the strategy of Cargo and Mail business.
- Even under COVID-19, Cargo and Mail business has earned a lot, thanks to stable air cargo demands.
- Then, we fully utilize belly spaces of Full Service Carrier and LCC passenger aircrafts and expand capacity and network leveraging collaborations with partners, in order to make supply flexible.
- Also, we will approach to new cargo demand such as e-commerce, delivery, healthcare, foods and local specialties.
- Revenue in fiscal year 2025 is expected to be increased by 50% compared to fiscal year 2019.



FSC	LCC
Cargo and Mail	Mileage, etc.

JAL Group's Strengths

Customer Base/Brand

Human Skills

Mileage & Lifestyle Domain

Increase revenue opportunities by strengthening the relationship with the customer base

■ Mileage



■ Financial Services



■ Merchandise



Contracted Service Domain (Ground Handling/MRO/Cargo)

Maximize technical capability to ensure safe operations, Promoting a business model that supports the needs of the airline industry

■ Airport



■ MRO



■ Cargo



Regional Business Domain

Evolve into a community-based solution business based on regional revitalization initiatives

■ Travel



■ Sales Channels × Logistics



■ HR Development



■ Inbound ■ Healthcare ■ Environment ■ Intermodal Transport

Next-gen Air Mobility Domain

Co-develop next-gen transportation and mobility infrastructure with global partners

■ Drone Logistics



■ Flying Car



©Volocopter

■ Service Infrastructure



©Bell Textron Inc.



- I will explain the overview of non-air passenger business, Mileage, Lifestyle and Infrastructure.
- We re-realized the importance of non-air passenger businesses due to COVID-19.
- Meanwhile, needless to say, synergies with air passenger businesses are also key factors for growth.
- We would like to grow in these four domains with revenue potential .
- Details are shown in Page 26 to 29, please take a look at these pages later.

Mileage and Lifestyle Domain

Increase revenue opportunities by strengthening the relationship with each customer



Business

FSC	LCC
Cargo and Mail	Mileage, etc.

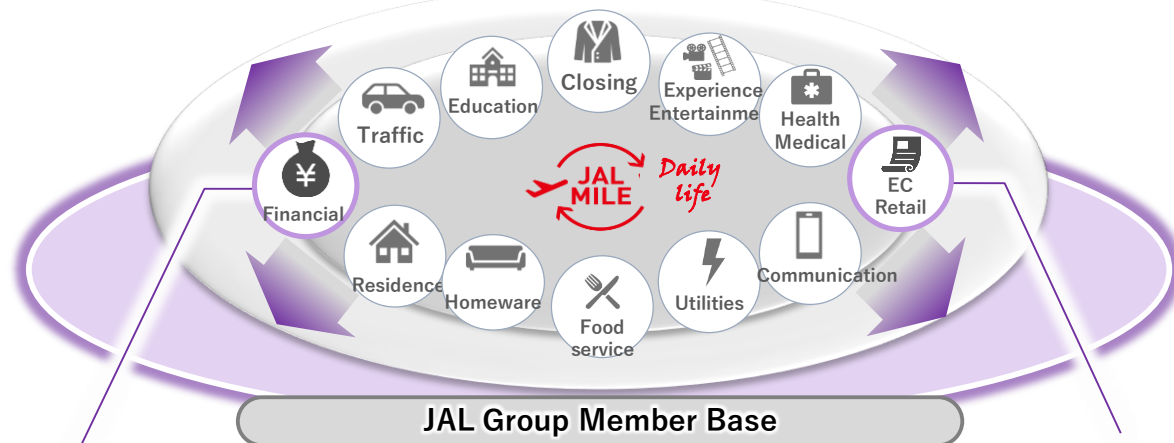
- Utilize the JAL Group customer base and mileage program to offer new values to customers' daily life
- Achieve growth to create new revenue opportunities through extensive partners, strengthen financial services and integrate merchandise operations

Mileage Business

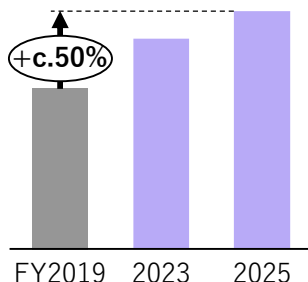


- Continue efforts to enhance and differentiate the airline's business model
- Expand opportunities to "earn" and "use" miles by increasing collaborative partners
- Increase revenue opportunity by creating services accessible during the daily life of a customer

[Mileage and Lifestyle Domain]



Illustrative Revenue Trend



IFRS: excluding revenue transferred to air passenger

Financial Service



Payment

- Promote cashless payment
- Increase the number of members of JAL Card / JAL Global Wallet
- Expand functions of payment via smartphones (IC/QR)

Banking

- Expand JAL NEOBANK members
- Offer travel reserves and housing loans

Insurance

- Insurance products in line with each itinerary

Securities

- Offer investment services according to the stage of life

Merchandise



- Enhance accessibility for users
- Develop and offer proprietary products in collaboration with Regional Domain team

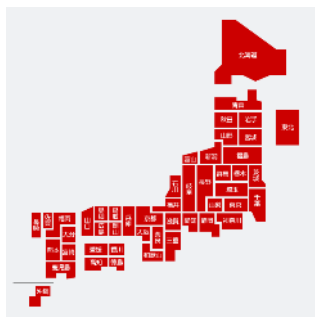
Regional Business Domain

Evolve into a community-based solution business based on regional revitalization initiatives



Business

FSC	LCC
Cargo and Mail	Mileage. etc.



Regional Issues And Needs

How to address declining birthrate and an aging society, population decline, rural exodus and digitalization.

JAL Strengths

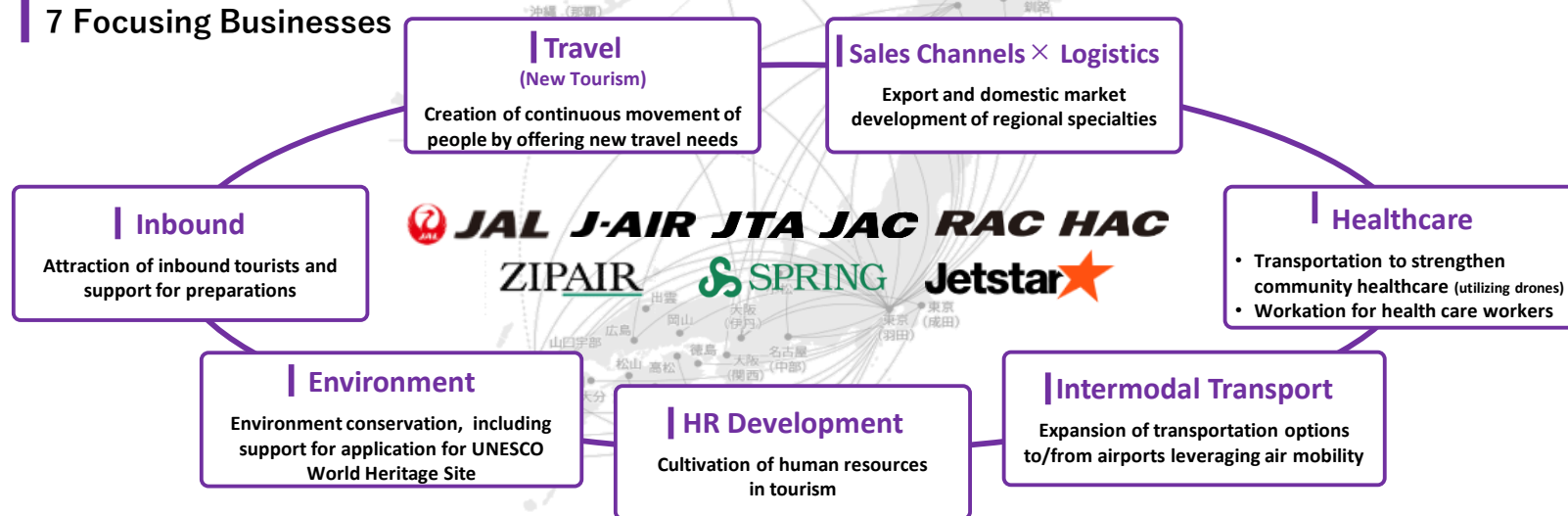
- Network
- Creation of the movement of people
- Creation of sales channels and logistics
- Human resources



Regional Resources

- Tourism resources (rich natural environment, cultural heritage, etc.)
- Regional specialty goods
- Wide variety of art and culture

7 Focusing Businesses



Vitalizing flows of goods and people promoted by enhancing connection between regions and people

Contracted Services Domain (Ground Handling/MRO/Cargo)



Maximize technical capability to ensure safe operations and promote a business model that supports the needs of the airline industry



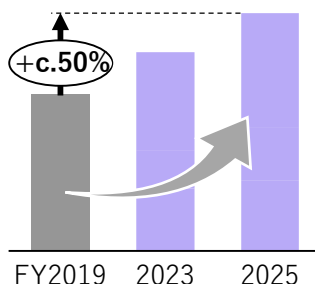
Business

FSC	LCC
Cargo and Mail	Mileage, etc.



Illustrative Revenue Trend

(Domain total)



- Provide peers and public agencies with various services leveraging our facilities/equipment and human skills cultivated in air transportation operations
- Build a solid supply structure in alliance with partners to flexibly respond to changes in demand trends and seek larger shares

Ground Handling

Lead the way to a tourism-oriented country by supporting air travel demand

Expand Market Share

- High quality and stable services to meet various demand (certified by ISAGO)
- Packaged services including administrative operations
- Airline marketing to global airlines in collaboration with local municipalities

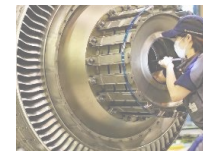


MRO

Offer various maintenance and technological services from operation support to equipment services

Upgrade Service

- Operations support including responses to irregular events and provision of parts, equipment and tools
- Maintenance services for engines and landing gears
- New businesses leveraging expertise in air transportation (technologies, training programs, logistics, etc.)



Cargo

Provide comprehensive logistics services to meet strong cargo demand

Enhance Logistics Service

- Extensive contracted services of cargo handling mainly at hub airports in Japan
- Strengthened comprehensive logistics services using cargo shed facilities
- Safety and quality of transportation leveraging technological support



Next-gen Air Mobility Domain

Develop new businesses with partners to build next-gen transportation/mobility Infrastructure



Business



Airframe Image

Drone Logistics



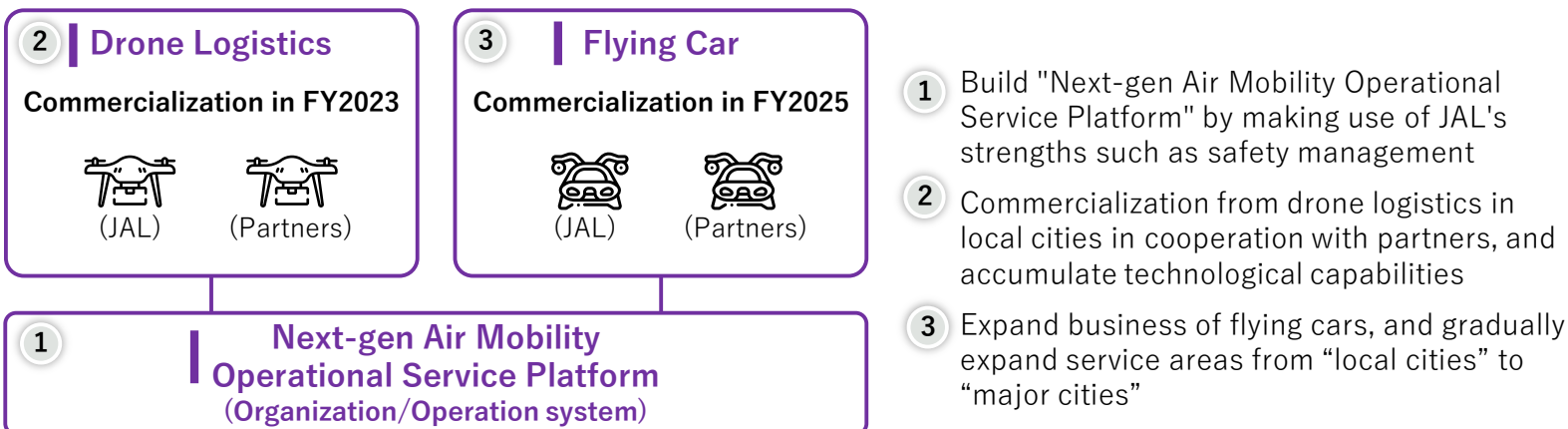
Flying Car



- Facilitate next-gen air mobility focusing on safety
- Improve transportation convenience and contribute to resolving social issues by drone logistics and eVTOL

Business Model of Next-gen Air Mobility

■ From “drone logistics”(goods) to “flying car” (people), from “local cities” to “major cities”



Initiatives for Commercialization and Service Expansion

NOW

Establishment of an act by around 2022

Initiatives to protect “safety in the air”

Service Model Design

Commercialization and Service Expansion

- Participation in regulatory framework design and demonstration test
- Establishment of human resource development system (Ex.: Pilot training, etc.)
- Market research and safety evaluation
- Development of next-gen air mobility operational service platform
- Drone Logistics : FY2023~
- Flying Car : FY2025~

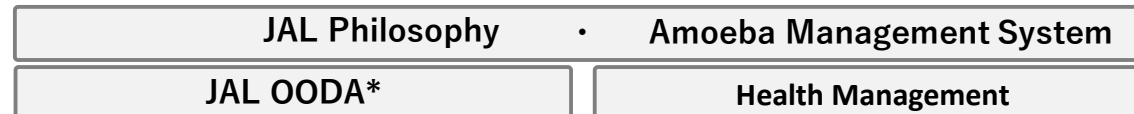


Human Resources Strategy



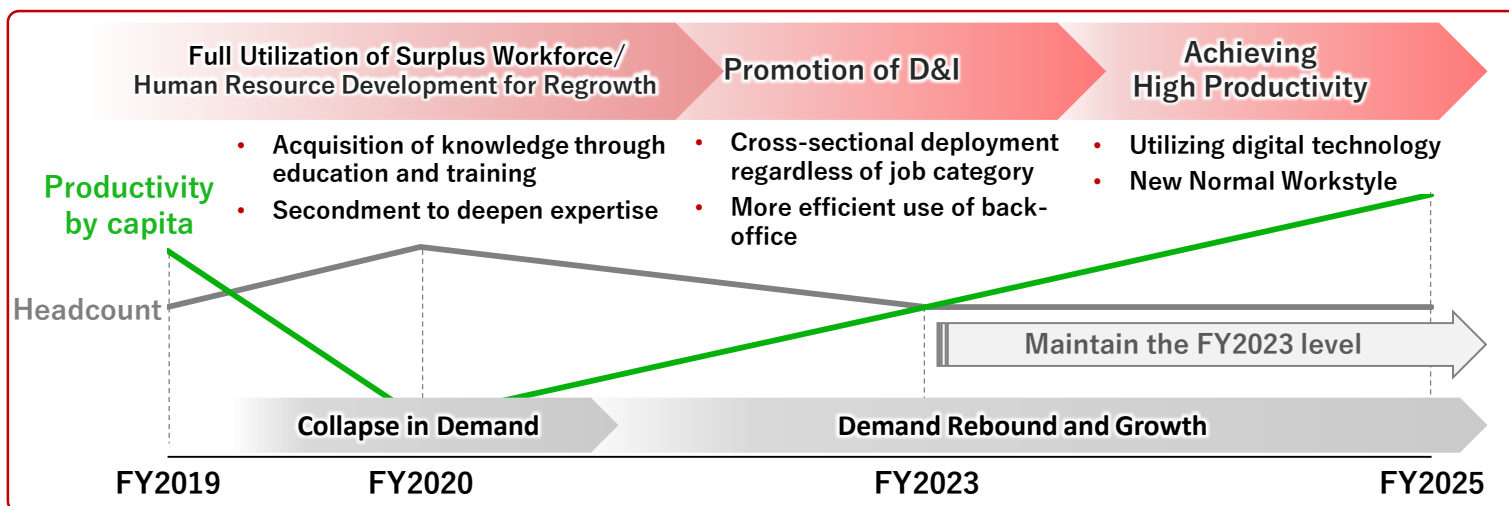
JAL Group's full commitment to achieve "Sustainable Growth and Development"

Foundation of Human Resources Supporting Growth and Development



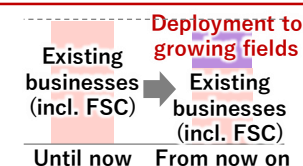
*OODA: Observe, Orient, Decide, Act four elements required to respond to changes proactively

Achieving High Productivity with Environmental Changes as an Opportunity



Deployment of Human Resources to Growing Fields & BU-based Operation

- Human resources mainly placed on FSC, being an active role in growing fields
- Achieving growth in non-FSC business domains through independent BUs



Goal

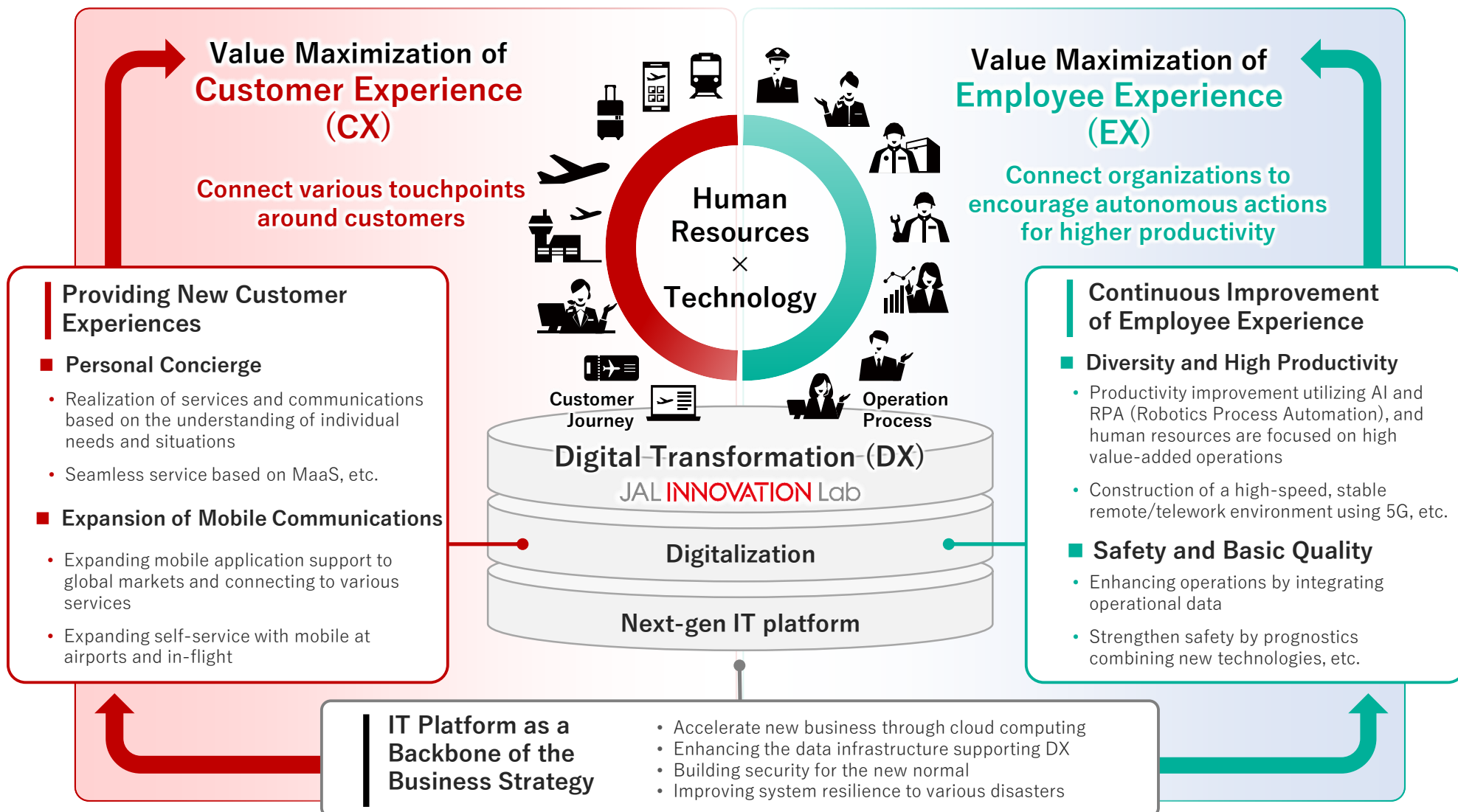
Value Maximization of Employee Experience (EX)

Improving Corporate Value/ Sustainable Growth and Development

- Here is our human resources strategy.
- Because human resources are JAL Group's strength and essential for sustainable growth in the post-COVID, we will definitely do our best to secure employment even in this severe situation.
- Today we have temporarily extra people due to COVID-19, so we promote proactive measures such as secondment of thousands of employees and enhancement of educational opportunities.
- Also we will expand our business domains with no increase in total employees, by transferring people from Full Service Carrier business to new business domains where further growth is expected.



Promote digital transformation integrating human resources and technology to maximize both customer experience and employee experience



Intentionally Blank



Cost Management



Flexible variable cost management and fixed cost reduction through structural reforms and further streamlining and productivity improvement

Past Measures

- Thorough structural reforms, followed by disciplined cost management
- Full use of the divisional profitability management system for profitability improvement through flexible adjustment of supply and cost reduction

Post-COVID

Variable
Cost

Flexible and swift adjustment of supply to control variable costs

Reduction of actual fixed costs* to the FY2020 level through structural restructuring and further streamlining and productivity improvement

■ Illustrative Reduction of Actual Fixed Costs*

Initiatives for Cost Reduction to Offset Cost Increase

- Optimization of the fleet size
- Improve productivity
- More efficient operation with less manpower through adoption of JAL SMART AIRPORT
- Utilization of systems to improve cost efficiency, etc.

Maintain the FY2020 level

Fixed
Cost

Total
Fixed
Costs

Actual
Fixed
Costs*

FY2019

FY2020 reduction, JPY135Bn from the initial plan
(incl. some revenue- and capacity-linked portions)

2020

2021

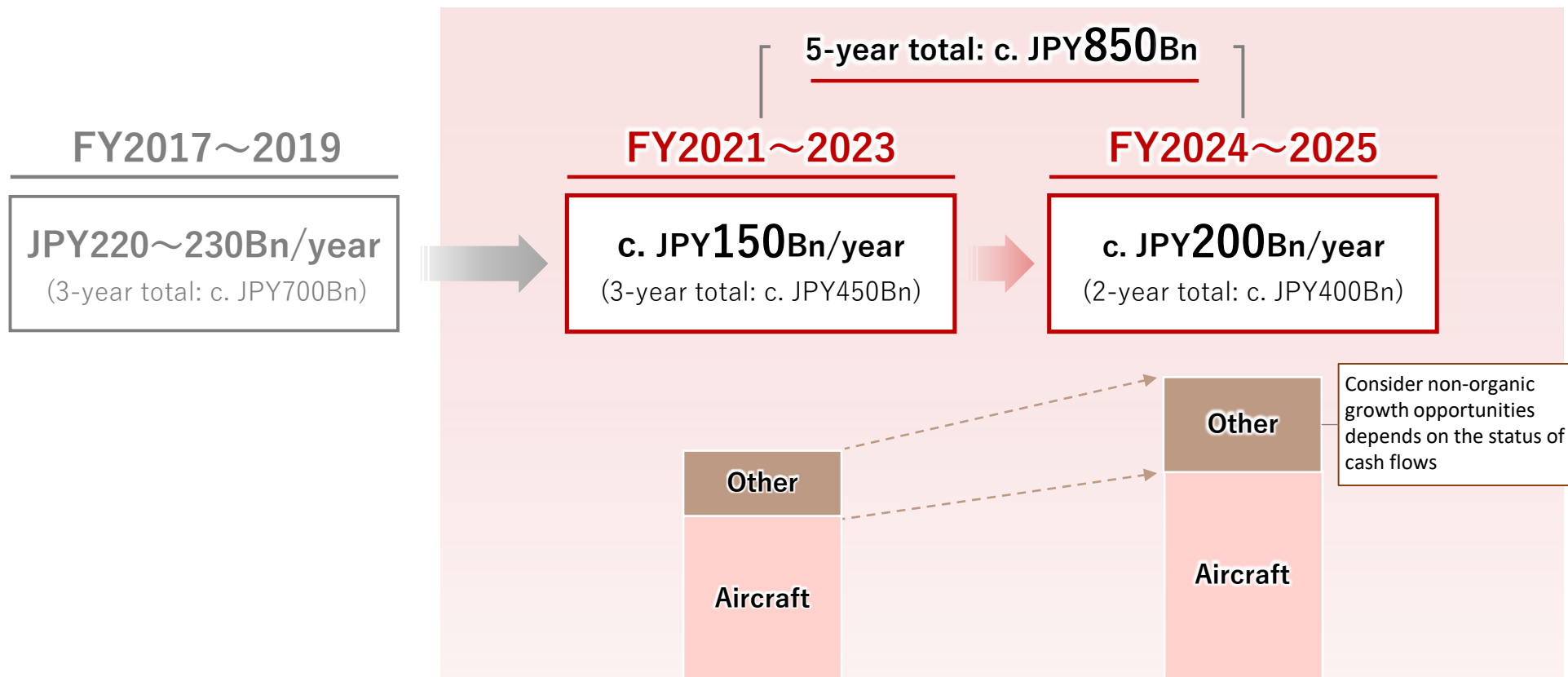
2022~

*Actual Fixed Cost: (Total Fixed Cost) – (costs that may be variable according to operational size and number of passengers, temporary or additional costs in association with the structural restructuring (early retirement of aged aircrafts, LCC business expansion, etc.))

- JAL has been implementing disciplined cost management for more than a decade
- Our actual fixed cost reduction efforts in fiscal year 2020 decreased fixed cost by 60 billion yen compared to fiscal year 2019.
- Our actual fixed cost has been reduced to 500 billion yen in fiscal year 2020 and we will maintain this level of actual fixed cost going forward by keeping restructuring reform and productivity improvement.



Disciplined growth investment focusing on investment efficiency



Investments for “development at Haneda and Narita” in FY2020

- Introduction of A350-900 to domestic routes
- Increase in FSC international aircraft
- Renovation of passenger service systems

Targeted investment with restrained size:

- Continuous introduction of A350-900
- LCC business
- DX promotion, JAL SMART AIRPORT

Sustainable growth through:

- Introduction of A350-1000 into international routes
- Expansion of business domains
- Promoting initiatives to achieve SDGs

- Lastly, I explain our CAPEX plan for 5 years from now.
- Until fiscal year 2023, we will invest approximately 150 billion yen annually on average in introduction of A350, LCC business, IT for contactless and efficient operations, etc.
- In and after fiscal year 2024, we will drive proactive investment for sustainable growth with approximately 200 billion yen per year, resulting in the total 5-year investment of approximately 850 billion yen.
- In addition, we will consider additional investment to strengthen new business domains, depending on the financial position in the future.
- JAL Group will implement this medium-term business plan to become the world's most preferred and valued airline group.



All JAL Group employees engage in Initiatives for SDGs and aims to accomplish medium term management plan

Address to Climate Change

- ✓ Engine washing
- ✓ Lightweight container
- ✓ Using SAF

- ✓ Flight path optimization



First flight in Japan with domestic SAF in February 2021

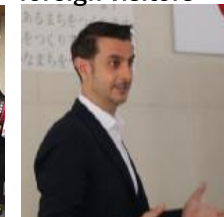
Regional Revitalization

- ✓ Collaboration

- ✓ Workation

- ✓ Publicize regional specialty products

- ✓ Support for attracting foreign visitors



Promotion of D&I

- ✓ Diversity

- ✓ Consideration for Gender Neutrality



Change Announcement

Sneakers to the ZIPAIR uniform

Continuing activities from 2011 to 10 Years and evolving into a business

Improving Accessibility

Formulation of guidelines based on COVID-19 measures

- ✓ Special assistance counter
- ✓ Remote sign language interpreter



- ✓ Autonomous wheelchair



- ✓ Accessible tourism



Prevention of the Spread of Infectious Diseases

Certified as the first airline in Asia to receive two awards for COVID-19 safety initiatives.

- ✓ Transportation of medical items



Speed & Quality

- ✓ Non-face-to-face/touchless



JAL SMART AIRPORT

- ✓ Heightened hygiene standards



Antiviral and Antibacterial Coating

- ✓ Awards



Fly into tomorrow.



JAPAN AIRLINES

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