Japan Airlines Corporation

FY2008 – 2010
JAL Group Medium Term Revival Plan

February 29, 2008
Disclaimer

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Certain statements made in this document, including some management strategies and targets, may contain forward-looking statements which reflect management's views and assumptions. We may not be successful in implementing our business strategies, and management may fail to achieve its targets. The management targets and other forward-looking statements involve current assumptions of future events as well as risks and uncertainties that could significantly affect expected results, including without limitation adverse economic or political conditions in Japan or other countries; increased jet fuel prices, negative changes in foreign exchange rates, terrorist attacks and military conflicts, and health epidemics. Please see our latest Annual Report for additional information regarding the risks in our businesses. To the extent this document contains such forward-looking statements, we have no obligation or intent to update them.

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1. Position of FY2008-2010 JAL Group Medium Term Revival Plan*

2. FY2008-2010 JAL Group Medium Term Revival Plan Measures
   2-1. Financial Measures
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3. Targets of FY2008-2010 JAL Group Medium Term Revival Plan

4. Appendices
   4-1. Outline of Type A Equity Share Issue Allotment to Third Parties
   4-2. Data on FY2008-2010 JAL Group Medium Term Revival Plan
   4-3. Progress of FY2007-2010 JAL Group Medium Term Revival Plan

* FY2007-2010 JAL Group Medium Term Revival Plan will hereafter be referred to as the “Current Medium Term Revival Plan”, and the FY2008-2010 JAL Group Medium Term Revival Plan will hereafter be referred to as the “New Medium Term Revival Plan”.
Executive Summary: Our Determination and Commitment for Revival

- The Current Medium Term Revival Plan has made a satisfactory start with steady progress in each and every measure.
  - Confirmed that the Current Medium Term Revival Plan is appropriate in terms of direction.

- However, due to changes in the operating environment, including higher fuel costs and fiercer competition, speedy and decisive counter-measures are required.
  - Using the Current Medium Term Revival Plan as its base, the New Medium Term Revival Plan greatly expands on and adds to the measures currently being undertaken.

- The New Medium Term Revival Plan continues the measures outlined in the Current Medium Term Revival Plan, such as ¥50bn in total consolidated wage cost reductions compared to FY2006, and aims to achieve the same goals. Adjustments have been made to the new plan to increase the feasibility of all targets set. The new plan also runs up until FY2010.

- In order to ensure that the measures in the New Medium Term Revival Plan can be successfully implemented and the targets set can be achieved in any business environment, preferred shares are to be issued by means of a third-party allocation with the aim of raising an extra ¥150bn in capital.
  - Improve our ability to raise funds and increase resistance to event risk by establishing a strong financial position.

- We will make every effort to implement the measures in the New Medium Term Revival Plan by making full use of the combined strength of the JAL Group.

- Our minimum goals is to achieve the targets set in the Current Medium Term Revival Plan and we further aim to fulfill a ¥96bn operating income target for FY2010, set forth in the New Medium Term Revival Plan.
Summary of the Current Medium Term Revival Plan

Steady progress in the Current Medium Term Revival Plan

<table>
<thead>
<tr>
<th>Measures under Current Medium Term Revival Plan</th>
<th>Achievement of Current Medium Term Revival Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage cost reductions</td>
<td>Making every effort in FY2007 to implement all measures of the planned ¥50bn consolidated wage cost reduction compared to FY2006.</td>
</tr>
<tr>
<td>Fuel consumption reduction</td>
<td>Some measures for special early retirement and productivity improvement have been brought forward by one year.</td>
</tr>
<tr>
<td>Fleet renewal/downsizing</td>
<td>Despite sharp rise in fuel prices, fuel costs have been greatly restrained</td>
</tr>
<tr>
<td>Shift to high profit routes and Premium Strategy</td>
<td>Downsizing of most of aircraft used on Europe routes, and aircraft on domestic routes are being steadily replaced.</td>
</tr>
<tr>
<td>Concentrate our resources on air transportation (core business)</td>
<td>Achieved good balance of routes by shifting to high growth, high profit routes, introduced First Class on DP and Premium Economy on IP</td>
</tr>
<tr>
<td></td>
<td>Total assets worth just over ¥80bn were sold during FY2007</td>
</tr>
</tbody>
</table>

Expect to Exceed Original Financial Forecasts For FY2007

- Targets for FY2007 have been raised upward despite the fuel price hike

Including level of equity capital, the financial base is still not strong enough

Reinforce efforts to rebuild business begun in Current Corporate Medium Term Revival Plan through New Corporate Medium Term Revival Plan

- As well as taking over the basic principles of the Current Medium Term Revival Plan, we will increase capital through a third-party share allotment

Note: IP = International Passenger, DP = Domestic Passenger, IC = International Cargo
Position of the New Medium Term Revival Plan

**Current Medium Term Revival Plan**

- A good start with steady progress in each measure
- Confirmation that rebuilding of business in line with the Current Medium Term Revival Plan is working.
- However financial base still needs to be strengthened further.

**New Medium Term Revival Plan**

**Fundamental Policy**

Strengthen risk resistance and improve ability to achieve targets, in order to maintain stable growth after FY2010

- Strengthen marketing (including the expansion of Premium Strategy etc.)
  - Improve competitiveness of products and services aimed at high yield customers
  - Promote sales strategies targeting, for example, sales channels on which we should place priority.
- Achieve a fleet structure which is flexible enough to cope with changes in the business environment.
- Establish a business structure which can withstand risks such as higher fuel prices by improving our financial position through a capital increase

**Changes in Underlying Business Environment**

- Rising fuel prices
- Risk of reduced demand for air travel due to sub-prime financial crisis, etc.
- Response to changes in competitive environment in international passenger, domestic passenger, and international cargo segments
Roadmap of the New Medium Term Revival Plan

Rebuilding the Business Foundations

Stable Growth

FY2006
FY2007
FY2008
FY2009
FY2010
FY2011 and onward

New Medium Term Revival Plan

FY2008–2010
New Medium Term Revival Plan

Greatly expanded with additional measures

March 2010
Extension of second runway at Narita
200,000 slots/year

October 2010
New 4th runway at Haneda Airport begins operations
296,000 slots/year

Third-party Share Allotment

Beijing Olympics
2008

Global Equity Offering

Global Equity Offering

Being a global player bridging the world with safety, security and quality as our top priorities

FY2007–2010
Current Med. Term Revival Plan

FY2007–2010
Current Med. Term Revival Plan

Of them, 30,000 slots are allocated for International Flights

220,000 slots/year

407,000 slots/year
Enhance Corporate Value through the New Medium Term Revival Plan

Further profit improvement

- Operating Income (New Medium Term Revival Plan)
- Operating Income (Current Medium Term Revival Plan)
- Recurring Profit (New Medium Term Revival Plan)
- Recurring Profit (Current Medium Term Revival Plan)

* Actual figures used for FY06

Enhance further ability to generate cash flow

Cumulative Operating CF over 4 years (FY07-FY10)

¥711 bn
¥736 bn

Substantial improvement in financial position

D/E ratio (left axis)
Equity ratio (right axis)

* Actual figures used for FY06

Note:
1 Current Medium Term Revival Plan
2 New Medium Term Revival Plan
1. Position of New Medium Term Revival Plan

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Third-party allocation of preferred shares: Necessity of Strengthening Our Financial Position

Equity Offering in 2006

- Out of ¥148bn funded through the equity offering in FY2006, ¥113bn was spent on aircraft-related investment between FY2006 and FY2007.
- The remaining amount will be appropriated for investment in aircraft as originally planned during FY2008 to strengthen competitiveness.

Need to Strengthen Financial Position Further

- With the current fuel price hovering around $110/bbl (Singapore Kerosene), there is a need to enhance the measures to cope with a fuel price hike.
- Increase resistance to geopolitical risks such as terrorism and the sub-prime crisis, etc.
- Respond to entry of emerging domestic and international LCCs and alliances in the cargo market.

Changes in Underlying Business Environment

- Rising fuel prices
- Risk of reduced demand for air travel due to sub-prime financial crisis, etc.
- Response to changes in competitive environment in international passenger, domestic passenger, and international cargo segments.
Third-party allocation of preferred shares: Effect of Capital Increase

### Business Operations Stabilized by Strengthening Financial Position

**Improved Financial Position**
- Strengthening financial position improves ability to raise funds, build business structures capable of flexible implementation of measures, such as capital expenditure.

**Debt Reduction**
- By using the increase in capital to fund capital expenditure programs, internal cash generated from operating cash flow and asset sales etc. can be used to accelerate corporate loan/debt repayment.

**Increase Resistance to Event Risk**
- Increasing the ability to absorb shocks from geopolitical risks such as the sub-prime crisis or terrorism allows for stable business operations.

### Improved Corporate Value Through Capital Expenditure

**Capital Expenditure to Strengthen Competitiveness**
- Funds raised facilitate the capital expenditure necessary to execute the New Medium Term Revival Plan.

**Uses of the funds:**
- **Fleet Renewal**
  - Aircraft: 777, 787, 737-800, Embraer 170 (E170), etc.
  - Invest in 65 aircraft during the New Medium Term Revival Plan.
- **Safety and Service Improvements**
  - Strengthen the IT system in DP. Upgrade website functions. Expand First Class in DP and Premium Economy in IP. Revamp airport lounges. Introduce next generation maintenance system.

### Achieve the FY2008-2010 New Medium Term Revival Plan under any environment
1. Position of New Medium Term Revival Plan

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# New Medium Term Revival Plan: Strategic Map

<table>
<thead>
<tr>
<th>Basic Principle</th>
<th>Measures</th>
</tr>
</thead>
</table>
| Premium Strategy                       | • Strengthen competitiveness in services and products aimed particularly at high yield customers by broadening the Premium Strategy  
• Promote strategy to address rapid changes in the market environment, focus on important sales channels, areas, routes                                                                                                                                                        |
| Business Profitability Improvement     | • Fleet renewal, downsizing, focus resources on high growth, high profit routes  
• On domestic routes which require urgent recovery in profitability, promote fleet downsizing by using Regional Jets ("RJ") as well as introducing small aircraft  
• As for cargo business, search for further opportunities to improve profitability mainly for cargo flight, as well as addressing how the cargo transportation business should be managed  
• Seek efficient operations through increased utilization of less overhead group subsidiary airlines                                                                                                                                                                             |
| Personnel Productivity Improvement     | • Achieve productivity improvement targets by the end of FY2008, one year ahead of schedule  
• TPS* "Kaizen" to become a permanent element of corporate culture                                                                                                                                                                                                           |
| Review of Related Businesses           | • Concentrate our resources on air transportation business by reviewing independent related businesses  
• Reduce costs related to air transportation business and achieve efficiencies in related businesses                                                                                                                                                                              |

* Toyota Production System
Personnel Productivity Improvement (Wage Cost Cut Measures)

Wage Cost Reduction Measures

Measures to Save ¥50bn in Consolidated Wage Costs

<table>
<thead>
<tr>
<th></th>
<th>FY07E</th>
<th>FY08E</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥15 bn</td>
<td></td>
<td>¥15 bn</td>
</tr>
<tr>
<td>¥20 bn</td>
<td>¥8 bn</td>
<td></td>
</tr>
<tr>
<td>¥15 bn</td>
<td>¥27 bn</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥50 bn</td>
<td>¥50 bn</td>
</tr>
</tbody>
</table>

- Reduction of annual bonuses
- Reduction of retirement benefit expenses through revision of pension-related system
- Measures with continuing cost cutting effects: pension cost reductions through “Daiko Henjo”, etc.
- Measures with continuing personal cost cutting effects:
  - Improve personnel productivity
    - ¥11 bn
  - Special early retirement plan
    - ¥4 bn
  - ¥17 bn
  - ¥10 bn

Measures to Reduce Number of Employees

- Achieve targets for personal productivity improvement one year ahead of schedule

Trend in Consolidated Staff Numbers

<table>
<thead>
<tr>
<th></th>
<th>FY07E</th>
<th>FY08E</th>
<th>FY09E</th>
<th>FY10E</th>
</tr>
</thead>
<tbody>
<tr>
<td># of employees</td>
<td>50,800</td>
<td>50,100</td>
<td>48,800</td>
<td>49,500</td>
</tr>
</tbody>
</table>

- Achieve personnel reduction 1 year ahead of schedule

Full year effect

Revise wage system of JAL International including official wage and sundry allowances
Improved Business Profitability:
Countermeasures for Increasing Fuel Cost

(Schematic diagram)

<table>
<thead>
<tr>
<th>Singapore Kerosene*</th>
<th>US$110/bbl</th>
<th>Cost increase with fuel price hike</th>
<th>Approx. ¥80bn</th>
</tr>
</thead>
</table>

- Effect from revenue expansion
  - FSC/Fare increase + ¥61bn
    - IP: FSC, etc. + ¥45bn
    - DP: Fare increase + ¥10bn
    - IC: FSC + ¥5bn etc.

- Promote Premium Strategy +¥10bn
  - Improved yield through improvement in route mix and class mix

<table>
<thead>
<tr>
<th>Singapore Kerosene*</th>
<th>US$91/bbl</th>
<th>Cost cuts through revised routes △ ¥5bn</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Operational facility-use charges, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost cuts through other Self-help efforts △ ¥4bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance cost reduction through productivity improvement</td>
</tr>
<tr>
<td>General expense reduction etc. through revision of contracts with non-JAL Group companies</td>
</tr>
</tbody>
</table>

- Effect from cost reduction

FY07 total cost

FY08 total cost

* The New Medium Term Revival Plan has been calculated based on a price of 110US$/bbl
Improved Business Profitability: Utilizing Less Overhead JAL Group Subsidiary Airlines

Basic Principle

- Compete with foreign airlines, new domestic airlines, and “Shinkansen”, by means of an efficient group operation system created ahead of our competitors.
- Also, make preparations for the expansion of Haneda and Narita airports.
- Maintain network and improve profitability by efficiently utilizing less overhead JAL Group airlines. Operating costs at JAZ, JEX and JAIR are roughly 10% lower than in JAL’s operations.

JALWAYS

- Established in 1990
- Role on tourist routes expanded and growing role on Asian business routes

JAL Express

- Established in 1997
- Operates on domestic routes nationwide with small-sized aircraft. From FY2009, start operating 737-800 on international Asian routes, primarily China.

J-AIR

- Established in 1996
- Operates on domestic routes with regional jets nationwide, including CRJ. From FY2008 starts operating E170.

IP: Percentage of flights operated by JAL Group airlines

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>JAZ+JEX</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td>JAL+(JAA)</td>
<td>75%</td>
<td>62%</td>
</tr>
</tbody>
</table>

Promote Efficient Operation System

- Ratio of JAZ+JEX to increase by 13%

DP: Percentage of flights operated by JEX+JAIR in JAL, JEX, JAIR

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>JAL</td>
<td>75%</td>
<td>59%</td>
</tr>
<tr>
<td>JEX+JAIR</td>
<td>25%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Note: JAZ = JALWAYS, JEX = JAL Express, JAA = Japan Asia Airways
The JAL Group operations adjusted according to each market’s characteristics

Long-haul Business Routes
- Operated by JAL
- Mainly operate using 777, 787
- Premium Strategy focusing on business passengers
- US / Europe business routes, etc.

Resort Routes
- Operated by JAZ
- Mainly operate using 747-400, 767
- Cost effective operation through use of non-Japanese crew
- Hawaii, Australia, Guam, etc.

Southeast Asia Business Routes
- Operated by JAL, JAZ
- Operate using 747-400, 777, 787,737-800, etc. in accordance with demand volume
- Strengthen network and promote Premium Strategy focusing on business passengers
- India, Vietnam, etc.

Short-haul Business Routes
- Operated by JAL, JEX
- Operate using medium-and small-sized 737-800
- Strengthen network by focusing on business passengers, Premium Strategy
- China, South Korea
Group Airlines: Development of Domestic Route Network

Building Efficient Group Operations Utilizing Group Airline Companies

(Schematic diagram)

- **JAL EXPRESS**
  - Operates small-sized aircraft nationwide

- **JAL**
  - Operates mainly large and medium-sized aircraft nationwide

- **J-AIR**
  - Operates Regional Jets Nationwide

- **HAC**
  - Operates local routes within Hokkaido

- **JAPAN AIR COMMUTER**
  - Operates regional routes based in Kagoshima and operates propeller aircraft in Itami

- **JTA**
  - Operates regional routes, based in Okinawa (Naha & Sakishima Islands)
Business Profitability Improvement: Fleet Strategy

Basic Principle

- Replace existing fleet with more fuel-efficient aircraft and further accelerate downsizing
  - Introduce 65 new aircraft, and retire 46 aircraft during current medium term plan
    - The ratio of fuel-efficient aircraft will increase significantly
      (International Route: FY07E, 25%  FY10E, 50%, Domestic Route: FY07E, 20%  FY10E, 41%)
    - The average number of seats per flight will decrease
      (International Routes: FY07E, 303 seats  FY10E, 259 seats, Domestic Routes: FY07E 191 seats  FY10E 180 seats)
    - All classic-type 747 aircraft are scheduled to be retired by FH of FY2009. Operating leases are planned to be actively utilized with the introduction of medium- and small-sized aircraft
- Introduce RJs ahead of competitors (E170 will begin operation in Feb. 2009)

### International Routes

<table>
<thead>
<tr>
<th>No. aircraft</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY06</td>
</tr>
<tr>
<td>Large</td>
</tr>
<tr>
<td>Small</td>
</tr>
</tbody>
</table>

**Fleet composition (FY07E  FY10E)**

- Small: 5%  12%
- Medium: 44%  50%
- Large: 52%  38%

### Domestic Routes

<table>
<thead>
<tr>
<th>No. aircraft</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY06</td>
</tr>
<tr>
<td>Large</td>
</tr>
<tr>
<td>Small</td>
</tr>
</tbody>
</table>

**Fleet composition (FY07E  FY10E)**

- Small: 61%  62%
- Medium: 31%  31%
- Large: 9%  7%

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Note:
1. Large fleet: 747-400, 747, 777-300; Medium fleet: 787, 767, 777-200, A300-600; Small fleet: MD90, MD81, MD87, 737; Fuel-efficient aircraft: 777, 787, 737-800, E170
2. Excluding propeller aircraft of JAC, HAC and RAC
International Passenger: Basic Principle and Measures

Market Trends

- Respond to start of international operation at Haneda
- Increased competition from, for example, liberalization of international fares
- Increase in in-bound passengers
- Respond to aging/shrinking Japanese population
- Fuel price hike

Specific Measures

- Extend Premium Strategy further
  - Expand Premium Economy, introduce new F and C class seats
- Strengthen sales efforts through main sales channels and on main air routes in tandem with change in business environment
  - Strengthen sales of business passenger and overseas sales channels
  - Strengthen sales competitiveness for China region
- Respond to expansion of Haneda and Narita and focus resources on high profit routes
  - Haneda: increase number of short-haul international flights and late night and early morning flights
  - Narita: increase flight frequency on high demand business routes such as Asia and Russia, etc.
- By renewing fleet, improve competitiveness and strengthen response to business demand
  - By utilizing 787s exploit new business passenger market
  - Raising L/F by downsizing, improve profitability
- Re-organizing the network connecting growing Asia routes and US/Europe
- Expand tourist/Asian routes by utilizing JAX
- JEX to start operating on international routes primarily China.

JAL’s Basic Principle

- Improving products and services targeted mainly at business passengers
- Promote sales strategy focusing on main sales channels and routes
- Concentrate resources on high growth, high profit routes
- Enhance products, cost efficiency and appropriate capacity through fleet renewal and the introduction of strategic aircraft
- Promote an efficient system of operations by strengthening ties with group companies
International Passenger: Target Figures

- Capacity increase through Narita and Haneda airport expansions
- Improved unit prices through Premium Strategy

New Medium Term Revival Plan

* The Operating Income figure is generated by internal accounting, and may differ from reported figures
Domestic Passenger: Basic Principle and Measures

**Market Trends**
- Tougher competition with new airlines and Japan Rail
- Lingering weak growth in demand from non-Tokyo metropolitan areas
- Increasing IT needs
- Fuel price hike

**JAL’s Basic Principle**
- Improve products and services targeted at business and frequent flyer passengers
- Promote strategic sales in important sales channels and regions
- Formulate appropriate plan of action looking forward to Haneda’s expansion
- Increase frequency of operations, optimize capacity, and improve profitability through fleet renewal and introducing small-sized aircrafts and regional jets
- Clarify the mission of the group airlines and build an efficient operations system

**Specific Measures**
- **Extend Premium Strategy**
  - Expand First Class service, which was first introduced in Japan’s domestic market last December
- **Strengthen sales efforts in JAL ONLINE and Web Channel**
- **Strengthen business passenger sales and regional sales**
- **Make use of Haneda’s increased capacity by operating small aircraft at higher frequency**
- **Actively introduce small aircraft**
  - Actively introduce 737-800s, E170s
  - Complete retirement of MD81s (by FY2010)
- **Continual review of unprofitable routes**
  - By optimizing capacity, continue to expand routes with market potential
- **Expand business scale of strategic group airlines**
  - JEX: Operating domestic routes with small aircraft nationwide
  - JAIR: Operating domestic regional routes nationwide
Domestic Passenger: Target Figures

Improved unit prices through Promoting Premium Strategy

Largest ever restructuring of domestic routes

New Medium Term Revival Plan

* The Operating Income figure is generated by internal accounting, and may differ from reported figures
International Cargo: Basic Principle and Measures

Market Trends

- Tougher competitive environment
- Fuel price hike
- Start of international operation at Haneda Airport

JAL’s Basic Principle

Change our basic principle from “revenue growth by expansion” to “emphasis on profitability”

- Optimizing capacity and continuing with fleet renewal to improve profitability of cargo flights and cargo business segment
- Continuing to strengthen business foundations by improving safety, quality and productivity

While implementing the above measures, we will also explore a variety of options including business reorganization

Specific Measures

Step I: From FY2008 until internationalization of Haneda Airport

- Continuing with fleet renewal of classic 747F aircraft retirement and 747-400F aircraft introduction
  - All classic 747F aircraft will be retired in FY2008
- Improve profitability by optimizing capacity
  - Optimize routes and capacity on transpacific.
  - Promote downsizing by replacing all aircraft on Southeast Asia routes with 767F models
- Improve profitability by introduction and sale of high value-added services

Step II: Post-Internationalization of Haneda

- Build a 24-hour operations structure in the Tokyo metropolitan area by making use of Narita and Haneda
  - Attract regional demand by taking advantage of domestic and international network
  - Improve operation efficiency by increasing aircraft operate time
International Cargo: Target Figures

New Medium Term Revival Plan

- Capacity decrease due to cuts in operating fleet
- Unit price increase due to capacity optimization and demand structure change
- Attract demand by taking advantage of 24-hour airport operations in the Tokyo metropolitan area
- Improved profitability through operation scale optimization and productivity improvement

* Including only cargo flights (excluding belly)

** The Operating Income figure is generated by internal accounting, and may differ from reported figures
Review of Air Transportation-related and Other Businesses

<table>
<thead>
<tr>
<th>Air Transportation-related Businesses</th>
<th>Other Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce costs related to air transportation business by restructuring indispensable functions, including outsourcing as a means to cut costs, and achieve efficiencies in related businesses</td>
<td>Continue to review independent related businesses, for example IPO of JAL Hotels</td>
</tr>
</tbody>
</table>

Reduce costs and achieve efficiencies in air transportation-related businesses.

Concentrate business resources on core business: the air transportation segment

Strengthen financial position by reducing interest-bearing debt

Improve asset efficiency
Other Important Additional Measures and Global Environmental Measures

### Additional Measures

**[HR Strategy](#)**

We aim to achieve a more robust group operation system based on “safety” and “customer-standpoint”

- Building a framework to ensure that group employees surely acquire skills and know-how
- Management and leadership training programs
- Expanded group systems and faster appointment to management positions
- Improving organizational performance as a group
  - Implementing PDCA cycle steadily
  - Achieve a strategic and efficient operation system by streamlining the organization and by consolidating companies
  - Cross-organizational job rotation

**[Restructuring of Cost Structure](#)**

We will further improve our traditional framework and fundamentally review our business design/business process to make the operational structure which can withstand business risks

- Development of a framework to ensure that effects will be realized in 2009 or later

### Global Environmental Measures

Further promote global environmental measures on the back of increasing Corporate Social Responsibility (CSR) awareness on environmental issues

- **Countermeasures to prevent global warming**
  - Increased efforts towards reducing carbon emissions
    - Fleet renewal and downsizing (fuel-efficiency improvement)
    - Accelerate reduction of on-board equipment and/or replace with more lightweight solutions
    - Promote the use of Ground Power Units (GPU)
    - Increase the frequency of aircraft engine cleaning
    - Shift to more environmentally friendly flight operations (speed, altitude) etc.

- **Other measures**
  - Environmental Social Activities (tropospheric-observation, etc.)
  - Promote recycling
  - Green procurement (selection of environment-friendly products, materials)
  - Waste reduction and proper waste disposal, etc.
Looking Beyond FY2011

Basic Principle: To realize our group vision “The JAL Group is a global player bridging the world with safety, security and quality as our top priorities”

- Develop business based on “safe aviation”, the cornerstone policy of the JAL Group
- We stand united to face increasing competition as a business group
- We aim to be the customers’ No. 1 airline by strengthening our safety, product and service quality and cost competitiveness during the course of the Current Medium Term Revival Plan
- “People” are the source of our competitive edge, and we continue to promote a group personnel strategy

<table>
<thead>
<tr>
<th>International Passenger</th>
<th>Domestic Passenger</th>
<th>Cargo</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Expand projected high-growth routes</td>
<td>- Obtain maximum share of domestic landing slots after Haneda’s expansion and enhance our network. Realize operational cost savings by downsizing and improve convenience by increasing the frequency of flights</td>
<td>- Activate our domestic and international network with a 24-hour operational system and use our quality product to actively develop growing markets in Asia</td>
</tr>
<tr>
<td>- Take full advantage of the business opportunity presented by the internationalization of Haneda airport and actively develop routes mainly in Asia and China</td>
<td>- Expand our domestic network by leveraging the strengths of JEX and J-AIR as nationwide small aircraft operators</td>
<td></td>
</tr>
<tr>
<td>- Grow by making use of the combined strength of the JAL Group leveraging JAZ/JEX.</td>
<td>- Build operations closely connected to regional areas by taking advantage of the characteristics of JTA, JAC, HAC and RAC</td>
<td></td>
</tr>
</tbody>
</table>

"People" are the source of our competitive edge, and we continue to promote a group personnel strategy.
| 1. Position of New Medium Term Revival Plan |
| 2. New Medium Term Revival Plan Measures |
| 2-1. Financial Measures |
| 2-2. Business Measures |
| 3. Targets of New Medium Term Revival Plan |
| 4. Appendices |
| 4-1. Outline of Type A Equity Share Issue Allotment to Third Parties |
| 4-2. Data on New Medium Term Revival Plan |
| 4-3. Progress of Current Medium Term Revival Plan |
New Medium Term Revival Plan: Consolidated Financial Targets (PL)

Operating Income Trends

ROE and EBITDA Margin Trends

Note
1 Current Medium Term Revival Plan
2 New Medium Term Revival Plan
3 Actual figures used for FY06
New Medium Term Revival Plan
Consolidated Financial Targets (BS)

Interest-bearing Debt Trends

D/E Ratio and Debt/EBITDA Ratio Trends

Note
1 Current Medium Term Revival Plan
2 New Medium Term Revival Plan
3 Actual figures used for FY06
New Medium Term Revival Plan
Consolidated Financial Targets (CF )

<table>
<thead>
<tr>
<th>Year</th>
<th>Net cash provided by operating activities¹</th>
<th>Net cash used in financing activities(exc equity offering)¹</th>
<th>Net cash provided by operating activities²</th>
<th>Net cash used in financing activities(exc equity offering)²</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY07E</td>
<td>137</td>
<td>(57)</td>
<td>152</td>
<td>(66)</td>
</tr>
<tr>
<td></td>
<td>(88)</td>
<td>(111)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY08E</td>
<td>165</td>
<td>(129)</td>
<td>169</td>
<td>(141)</td>
</tr>
<tr>
<td></td>
<td>(36)</td>
<td>(110)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY09E</td>
<td>187</td>
<td>(135)</td>
<td>196</td>
<td>(131)</td>
</tr>
<tr>
<td></td>
<td>(61)</td>
<td>(131)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY10E</td>
<td>222</td>
<td>(143)</td>
<td>219</td>
<td>(155)</td>
</tr>
<tr>
<td></td>
<td>(79)</td>
<td>(90)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note
1 Current Medium Term Revival Plan
2 New Medium Term Revival Plan
1. Position of New Medium Term Revival Plan

2. New Medium Term Revival Plan Measures
   2-1. Financial Measures
   2-2. Business Measures

3. Targets of New Medium Term Revival Plan

4. Appendices
   4-1. Outline of Type A Equity Share Issue Allotment to Third Parties
   4-2. Data on New Medium Term Revival Plan
   4-3. Progress of Current Medium Term Revival Plan
The preferred shares issued provide an essential strengthening of paid-in capital which will be realized at the time of issue and will become the platform for accomplishing the New Medium Term Revival Plan. As these preferred shares cannot be converted into normal/ regular shares for 3 years after issue, their dilution effect is restricted during the period of the New Medium Term Revival Plan.

The initial rate at which the preferred shares can be converted into regular stock will be decided approximately 3 years after issue, when the term of the New Medium Term Revival Plan is finished. That is to say, the rate will be set 3 years after issue when the market has evaluated the improved results expected to be generated by the New Medium Term Revival Plan, and reflected that evaluation in the market price. So, compared to a course of issuing a similar type of preferred share with a value based on the current share price, we anticipate the dilution effect of this issue to be relatively limited.

The target of this allotment are the financial firms and business partners which endorse our plans to grow the future value of our business. As we have received their medium-to-long term support, we expect this will be to the benefit of all stakeholders, starting with our current regular shareholders.
<table>
<thead>
<tr>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Position of New Medium Term Revival Plan</td>
</tr>
<tr>
<td>2. New Medium Term Revival Plan Measures</td>
</tr>
<tr>
<td>2-1. Financial Measures</td>
</tr>
<tr>
<td>2-2. Business Measures</td>
</tr>
<tr>
<td>3. Targets of New Medium Term Revival Plan</td>
</tr>
<tr>
<td>4. Appendices</td>
</tr>
<tr>
<td>4-1. Outline of Type A Equity Share Issue Allotment to Third Parties</td>
</tr>
<tr>
<td>4-2. Data on New Medium Term Revival Plan</td>
</tr>
<tr>
<td>4-3. Progress of Current Medium Term Revival Plan</td>
</tr>
</tbody>
</table>
## Assumptions of the Plan

### Int’l Passenger

<table>
<thead>
<tr>
<th>FY07E</th>
<th>FY08E</th>
<th>FY09E</th>
<th>FY10E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity (ASK)</td>
<td>95.5%</td>
<td>95.3%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Demand (# of passenger)</td>
<td>99.9%</td>
<td>99.0%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Seat Occupancy Rate*</td>
<td>70.0%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unit Price (revenue/passenger)</td>
<td>103.4%</td>
<td>100.5%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

### Domestic Passenger

<table>
<thead>
<tr>
<th>FY07E</th>
<th>FY08E</th>
<th>FY09E</th>
<th>FY10E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity (ASK)</td>
<td>96.6%</td>
<td>97.5%</td>
<td>▲0.9%</td>
</tr>
<tr>
<td>Demand (# of passenger)</td>
<td>95.8%</td>
<td>98.4%</td>
<td>▲2.6%</td>
</tr>
<tr>
<td>Seat Occupancy Rate*</td>
<td>65.9%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unit Price (revenue/passenger)</td>
<td>105.9%</td>
<td>104.8%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

### Int’l Cargo

<table>
<thead>
<tr>
<th>FY07E</th>
<th>FY08E</th>
<th>FY09E</th>
<th>FY10E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity (ATK)</td>
<td>93.1%</td>
<td>94.5%</td>
<td>▲1.4%</td>
</tr>
<tr>
<td>Demand (weight on board)</td>
<td>100.4%</td>
<td>102.4%</td>
<td>▲2.0%</td>
</tr>
<tr>
<td>Unit Price (/weight)</td>
<td>98.6%</td>
<td>99.1%</td>
<td>▲0.5%</td>
</tr>
</tbody>
</table>

### Fuel

<table>
<thead>
<tr>
<th>FY07E</th>
<th>FY08E</th>
<th>FY09E</th>
<th>FY10E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel</td>
<td>Singapore kerosene</td>
<td>$91/bbl</td>
<td>$75/bbl</td>
</tr>
<tr>
<td>Hedge ratio</td>
<td>88%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Forex</td>
<td>US$1</td>
<td>¥117</td>
<td>¥120</td>
</tr>
</tbody>
</table>

* Seat Occupancy Rate: # of passenger / # of seat
### New Medium Term Revival Plan:
Consolidated Financial Targets (PL)

<table>
<thead>
<tr>
<th></th>
<th>FY07E</th>
<th>FY08E</th>
<th>FY09E</th>
<th>FY10E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Int'l Passenger)</td>
<td>2,238</td>
<td>2,200</td>
<td>38</td>
<td>2,184</td>
</tr>
<tr>
<td>(Domestic Passenger)</td>
<td>685</td>
<td>693</td>
<td>▲ 8</td>
<td>704</td>
</tr>
<tr>
<td>(Int'l Cargo)</td>
<td>189</td>
<td>192</td>
<td>▲ 4</td>
<td>193</td>
</tr>
<tr>
<td>Others</td>
<td>616</td>
<td>589</td>
<td>27</td>
<td>481</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>48</td>
<td>35</td>
<td>13</td>
<td>50</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>166</td>
<td>153</td>
<td>13</td>
<td>172</td>
</tr>
<tr>
<td><strong>Recurring Profit</strong></td>
<td>44</td>
<td>21</td>
<td>23</td>
<td>30</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>7</td>
<td>7</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td><strong>Operating Income Margin</strong></td>
<td>2.1%</td>
<td>1.6%</td>
<td>0.6%</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>7.4%</td>
<td>7.0%</td>
<td>0.5%</td>
<td>7.9%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>1.8%</td>
<td>2.3%</td>
<td>▲ 0.5%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

*Sum of operating income and depreciation expense*
### New Medium Term Revival Plan:
**Consolidated Financial Targets (BS)**

*Note: Estimate figures are rounded to closest ¥1bn*

<table>
<thead>
<tr>
<th></th>
<th>FY07E</th>
<th>FY08E</th>
<th>FY09E</th>
<th>FY10E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing Debt</td>
<td>1,552</td>
<td>1,520</td>
<td>32</td>
<td>1,321</td>
</tr>
<tr>
<td>(Corporate Loan/Debt)</td>
<td>915</td>
<td>964</td>
<td>▲ 49</td>
<td>805</td>
</tr>
<tr>
<td>(Lease Obligation)</td>
<td>354</td>
<td>351</td>
<td>3</td>
<td>304</td>
</tr>
<tr>
<td>(Unrecognized Obligation)</td>
<td>283</td>
<td>204</td>
<td>79</td>
<td>212</td>
</tr>
<tr>
<td>D/E (x)</td>
<td>2.0</td>
<td>3.0</td>
<td>▲ 1.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Interest-bearing Debt/EBITDA (x)</td>
<td>5.5</td>
<td>6.3</td>
<td>▲ 0.8</td>
<td>4.7</td>
</tr>
</tbody>
</table>
## New Medium Term Revival Plan:
### Capital Expenditure and Depreciation

<table>
<thead>
<tr>
<th></th>
<th>FY07E</th>
<th></th>
<th>Diff.</th>
<th>FY08E</th>
<th></th>
<th>Diff.</th>
<th>FY09E</th>
<th></th>
<th>Diff.</th>
<th>FY10E</th>
<th></th>
<th>Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Expenditure (Purchase)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aircraft</td>
<td>119</td>
<td>108</td>
<td>11</td>
<td>155</td>
<td>144</td>
<td>11</td>
<td>109</td>
<td>141</td>
<td>▲ 32</td>
<td>155</td>
<td>146</td>
<td>▲ 9</td>
</tr>
<tr>
<td>Others (Ground Facilities)</td>
<td>83</td>
<td>72</td>
<td>11</td>
<td>115</td>
<td>114</td>
<td>1</td>
<td>77</td>
<td>111</td>
<td>▲ 34</td>
<td>125</td>
<td>116</td>
<td>▲ 9</td>
</tr>
<tr>
<td></td>
<td>36</td>
<td>36</td>
<td>0</td>
<td>40</td>
<td>30</td>
<td>10</td>
<td>32</td>
<td>30</td>
<td>2</td>
<td>30</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>118</td>
<td>118</td>
<td>0</td>
<td>123</td>
<td>124</td>
<td>▲ 2</td>
<td>123</td>
<td>130</td>
<td>▲ 7</td>
<td>124</td>
<td>138</td>
<td>▲ 14</td>
</tr>
<tr>
<td>Finance Lease Amortization</td>
<td>57</td>
<td>51</td>
<td>6</td>
<td>51</td>
<td>51</td>
<td>0</td>
<td>48</td>
<td>47</td>
<td>1</td>
<td>46</td>
<td>46</td>
<td>0</td>
</tr>
</tbody>
</table>

*Note: Estimate figures are rounded to closest ¥1bn*
Measures to Save ¥50bn in Consolidated Wage Costs: Effect in the Coming Years

(Schematic diagram)

Increased effect from improved personnel productivity, etc.

- Measures with continuing cost cutting effects
- Measures with temporary cost cutting effects

FY07E | FY08E | FY09E | FY10E
---|---|---|---
¥50bn | ¥50bn | ¥50bn | ¥50bn

Increased effect from improved personnel productivity, etc.
1. Position of New Medium Term Revival Plan
2. New Medium Term Revival Plan Measures
   2-1. Financial Measures
   2-2. Business Measures
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   4-3. Progress of Current Medium Term Revival Plan
Review of Current Medium Term Revival Plan: Wage Cost Reductions

Wage Cost Reduction Measures in FY2007

- Large reduction of annual bonuses: ¥15bn
- Reduction of retirement benefit expenses through revision of pension-related system: ¥20bn
- Other measures: Improve personnel productivity by 10% Special early retirement plan: ¥15bn

Review of FY2007

- Making every effort to implement all measures of planned ¥50bn consolidated wage cost reduction in FY2007
- Some measures for special early retirement and productivity improvement have been brought forward:
  - Progress made such that a reduction of 4,300 staff will be achieved 1 year ahead of schedule

Future developments

- Continue to implement measures to reduce consolidated total wage cost by ¥50bn each fiscal year
- Increased effect from measures to improve productivity

Headcount reduction plan

<table>
<thead>
<tr>
<th>FY07 Plan</th>
<th>FY08-FY09 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,300 employees</td>
<td>2,000 employees</td>
</tr>
</tbody>
</table>

FY07: Partly implemented ahead of schedule
Review of Current Medium Term Revival Plan: Fuel Consumption Reduction

**Fuel Costs in FY2007 (to 3Q)**

**Analysis of Fuel Cost (y/y)**

- Price Hike: ¥19.2 bn reduction
- Forex: +3.2
- Hedge Effect etc.: 14.0
- Reduction in Fuel Consumption: 21.7

**FY06 Apr-Dec**

320.4

**FY07 Apr-Dec**

307.0

**Reduction in Fuel Usage (Including IP and DP)**

(FY05=100)

- FY05: 100
- FY06: 94 (↓ 6%)
- FY07E: 90 (↓ 4%)

**Review of FY2007**

- Despite sharp rise in fuel prices, fuel costs have been greatly restrained
- As well as hedging effects, we have responded with various fuel-saving measures
  - Singapore kerosene market price (Apr-Dec):
    - FY06: $81.9/bbl
    - FY07: $88.1/bbl

**Future Developments**

- The introduction of fuel-efficient aircraft models (777, 787, 737-800) will bring about a further reduction in fuel usage
Review of Current Medium Term Revival Plan:
Fleet Renewal and Downsizing

Downsizing measures in FY2007

- FY2007 aircraft renewals
  - Introduced: 18
  - Retired: 20
  - 11 x classic type 747 aircraft retired, including 1 x 747F ahead of schedule

Profitability Improvement (Narita-Amsterdam)

- Improvement during FY07 Apr–Dec

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Operating Income</th>
<th>Cost</th>
<th>Profitability Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥1.2bn</td>
<td>¥1.6bn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Review of FY2007

- **International Passenger**
  - % of large aircraft: 58%(FY06) → 52%(FY07)
  - Seats per aircraft (y/y): 96%
  - Exchanging 747-400s for 777-200ER,-300ERs on Europe routes achieved large-scale downsizing

- **Domestic Passenger**
  - % of large aircraft: 10%(FY06) → 9%(FY07)
  - Seats per aircraft (y/y): 97%
  - MD87 models were completely retired (8 aircraft) and 737-800s (4 aircraft) were introduced

Future developments

- For international passenger, while maintaining our network, we will improve profitability by introducing highly fuel-efficient aircraft (777-200ERs, -300ERs, 787s and 737-800s) for US and Asia routes
- On domestic passenger, we will improve cooperation across the network of JAL Group airlines by introducing new aircraft (787s, 737-800s, E170s)
Review of Current Medium Term Revival Plan: Shift to High Profitable Routes and Premium Strategy

Measures for high profit routes in FY2007

Routes Reviewed in FY2007

<table>
<thead>
<tr>
<th></th>
<th>Increase in Flights</th>
<th>Flight Suspensions &amp; reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original plan</td>
<td>8 routes 16 flights</td>
<td>4 routes 17 flights</td>
</tr>
<tr>
<td>Additional measures</td>
<td>6 routes 20 flights</td>
<td>4 routes 9 flights</td>
</tr>
</tbody>
</table>

- Frequency decrease 11 routes, 13 flights per day (including additional reduction of 7 routes, 7 flights per day compared to the original plan)
- Route Suspension 9 routes

Yield Improvement

(FY07 Apr-Dec, y/y)

- Forex approx. +1.4%
- Fuel Surcharge approx. +2.2%
- Fare increase +3.0%
- Class mix and route mix improvement +2.6%

Review of FY2007

- Developed good balance of routes by shifting to high profit routes, etc.
  - Focused on high demand business routes
  - Strengthened position in markets with high growth potential e.g. China, India, Vietnam, Russia, etc.
  - Largest ever restructuring of domestic routes
- Premium Strategy
  - Introduced First Class in DP
  - Introduced Premium Economy in IP
  - Participation in oneworld alliance

Future Developments

- Full-scale development of Premium Strategy
- Further strengthening/build-up of business routes
- Under threat of rising fuel prices, continue to review all routes without exception
### Measures Taken in FY2007

**Fixed Assets**
- London Hanover Court Building (Mar 2008)
- Haneda Airport hangars (Hangars M1, M2) (Feb 2008)

**Affiliated Company Stocks**
- Pacific Fuel Trading Corporation (Jan 2008)
- Hotel Nikko Saipan (Jan 2008)
- The Montcalm (Dec 2007)
- AGP (Partially sold, Nov 2007)
- JAMCO (Partially sold, Sep 2007)

### Review of FY2007

- After reviewing all areas of the JAL Group’s operating structure without exception, we undertook our largest ever sale of assets
- Reduced interest-bearing debt and concentrated business resources on the core air transportation segment
- Exited from hotel assets holding risk by completely selling them (changed to a commissioned-basis business model)

### Future Developments

- Continue to review independent related businesses, reduce interest-bearing debt, improve asset efficiency
- Restructure and reorganize within the air transportation business, including outsourcing, with a view to increasing efficiency

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**Sold Assets Worth Over ¥80bn in FY 2007**
Japan Airlines Corporation