

Emerging Risk 1

Risk associated with further destabilization of the geopolitical situation

Description:

JAL Group is expanding its international passenger business to various regions around the world in order to capture the growing outbound demand. However, the global geopolitical situation has become increasingly unstable, including the armed conflict between Russia and Ukraine, as well as U.S. intervention in the armed conflict between Iran and Israel. In particular, it is becoming increasingly difficult to predict how geopolitical events will unfold in the future.

Impact:

With the increasing diversification of international tourism and business demands, the number of people traveling across the world by airplane continues to increase. However, due to conflicts between major countries and the impacts of global political instability, there is a significant risk that business and tourism demand may decline substantially, potentially making sustainable aircraft operations difficult and severely affecting our group's revenue. Furthermore, geopolitical instability may not only impact our international passenger business but also negatively influence domestic passenger operations through a decrease in inbound foreign tourists. Additionally, there are concerns about extensive effects, such as the suspension of flights passing near conflict zones or significant detours leading to increased fuel costs.

Mitigating actions:

To minimize the impact on revenue, we flexibly adjust the supply and demand balance in the international passenger business through measures such as reviewing flight schedules, temporarily suspending routes, and appropriately reallocating aircraft.

To respond promptly and accurately to geopolitical risks, the IOC monitors aviation information from various countries and exchanges information among IOC centers as necessary. Additionally, the Corporate Safety and Security Division analyzes information obtained from open sources, aviation security information providers, government agencies of each country, the International Air Transport Association (IATA), and security departments of other companies, and provides the results to the IOC and related departments.

On the daily operation, the IOC uses this information to swiftly implement route changes or destination changes in flight plans as needed, establishing a system to mitigate the impact of emergencies.

Furthermore, to mitigate the impact of revenue declines in the air transportation business and diversify business risks, we are advancing corporate structural reforms to strengthen business areas outside of air transportation, particularly in the mileage, life, and infrastructure business sectors.

Emerging Risk 2

The risk of losing our competitiveness due to AI-related technological innovation developed by competitors.

Description

We recognize the significant potential for AI applications within the aviation industry, given its complex business processes. Thus, as AI technology matures, its utilization will be crucial for maintaining long-term competitiveness. Therefore, there is a risk of losing out competitiveness due to AI-driven technological innovations developed by our competitors in the future.

Examples of potential areas of AI utilization are listed below:

1. Operational efficiency (such as assisting in searching for necessary information from a large volume of documents, including blueprints, in aircraft maintenance, or making appropriate decisions regarding the handling of hazardous materials at airports).
2. Safety enhancement (such as predictive maintenance to prevent accidents and anomaly detection during operations).
3. Improvement of customer satisfaction (such as providing optimal personalized services based on customers' past travel histories).

Impact

It could lead to a decline in competitiveness with industry peers and a decrease in customer satisfaction, resulting in customer attrition. This could potentially have a significant impact on our company's financial performance in the future.

Mitigating actions

We monitor the status of the development of AI-related technology and are working to introduce this technology into our business operations.

In the JAL Group, from the perspective of Customer Experience (CX), we will leverage AI to develop new marketing strategies that integrate customer data and marketing in the future. This includes predictive analytics using customer purchase forecasts, real-time offers, and CRM data. Additionally, we are working on new customer services utilizing AI-powered voice recognition functions, such as having AI handle part of customer interactions and quickly providing required information at call centers.

Furthermore, from the perspective of Employee Experience (EX), we are promoting the optimization of work improvement processes and the AI-driven replication of craftsmanship to enhance safety and quality in aircraft maintenance. We are also focusing on improving efficiency through increased productivity by automating workflows and aggregating and transmitting necessary work information.

By transforming our retail business through the advanced utilization of customer data and new AI technologies, we aim to provide personalized services tailored to individual customer needs, thereby enhancing customer satisfaction. Additionally, by incorporating chatbots and various automation mechanisms, we will offer self-service and self-resolution services to our customers, providing a stress-free customer experience.