1. Overall Strategy —Realize Value Creation through ESG Strategies for Medium-to-Long-Term Growth—

The Medium Term Management Plan will place ESG strategies at the top of its management strategy to create new social values such as the sustainable flow of people, goods, and distribution channels. We aim for medium- to long-term growth by focusing on solving social issues in Japan and other countries around the world through “air transportation” and “connection.”

- Medium Term Management Plan Rolling Plan:
  - Based on the results of the first two years of the FY2021 to FY2023 Medium Term Management Plan and environmental changes, we reviewed and materialized specific strategies and plans for the three years to FY2025, and formulated the Rolling Plan 2023.
  - While the COVID-19 pandemic is coming to an end, new challenges have emerged, including changes in geopolitical conditions, global price increases, and a shortage of human resources.
  - In response to these changes in the business environment, we will achieve our Medium Term Management Plan by steadily implementing our ESG strategy, which is the top strategy for achieving growth, in order to shift from “recovery and stability” to “growth.”

- Creating Values through Air Transportation and Connection:
  - Air transportation is both a means of transportation and a source of societal well-being, as well as revitalizing local communities. Through this “connection,” we contribute to the well-being of people and the well-being of society, as well as revitalizing local communities.

- Relaxed traveling will be widespread across sectors and occupations to create connections through air transportation.
- In order to keep air transportation sustainable, it is essential to reduce environmental impact.
- We will promote the GA strategy and work toward carbon neutrality and biodiversity conservation toward 2050.

- Making the most of human resources to create connections:
  - As a business strategy to promote ESG strategies, we will promote business model reform, DX strategy, human resources strategies (human capital management), and GI strategies.
  - Among them, we believe that human resources strategies (human capital management) are particularly an important driver.
  - The JAL Group, a provider of social infrastructure, is a group of human resources with a strong sense of contribution by creating the JAL Group’s value of air transportation and connection.
  - Each employee understands and defines the value of air transportation and connection through our business.

- Promoting capital efficiency with capital costs in mind:
  - As an officer in charge, I will contribute to the growth of the JAL Group by quantifying and visualizing the social value that the JAL Group brings, such as the sustainable flow of people, goods, and distribution channels.

- Creating innovation and social change requires highly motivated human resources.
  - We believe that the promotion of diversity, equity and inclusion (DEI) in which diverse human resources are accepted and recognized and can play an active role, will lead to new value creation.

- Creating innovation and social change requires highly motivated human resources.
  - We will adopt a more dynamic system for the utilization and promotion of human resources to create connections.

SAITO Yuji
Director Senior Managing Executive Officer
Senior Vice President of Corporate Strategy and Planning
Chief Financial Officer

The importance of enhancing sustainability in society was reacknowledged with the experience of the COVID-19 pandemic.

People who have a continuous and diverse relationship with a particular region are called “related populations.”

In a society with a declining population, the sustainability of the region development, and the maintenance of a society are necessary.

It is our role to address the interests of the local area to people, to have them engage with the area through experiences, and create “connections” between the people and area. We also have the role to create a purpose for this movement of values.

For example, rather than having one hundred visitors visit the area once, we should deepen the connection with people and the area by having ten people visit the same area ten times.

With the end of the COVID-19 pandemic, traveling restrictions has been relaxed traveling will, we will work across sectors and occupations to create connections through air transportation.

As a business strategy to promote ESG strategies, we will promote business model reform, DX strategy, human resources strategies (human capital management), and GI strategies.

Among them, we believe that human resources strategies (human capital management) are particularly an important driver.

The JAL Group, a provider of social infrastructure, is a group of human resources with a strong sense of contribution by creating the JAL Group’s value of air transportation and connection.

Each employee understands and defines the value of air transportation and connection through our business.

See pp.49-50 ESG Strategy for details.

As of May 2023 (Medium Term Management Plan Rolling Plan (FY2023))

1. Medium Term Management Plan
2. Outline of Environmental Awareness and Strategy
3. Timeline
4. Outlines of Growth Strategy

As of May 2023 (Medium Term Management Plan Rolling Plan (FY2023))

1. Medium Term Management Plan
2. Outline of Environmental Awareness and Strategy
3. Timeline
4. Outlines of Growth Strategy

Outline of Environmental Awareness and Strategy

- Politics
- Economy
- Society and the Environment
- Technology

Main Opportunities

1. regulations and regional revitalization
2. Economic reconstruction by promoting demand and internationalization
3. Demand for sustainable and secure energy
4. Energy efficiency and carbon neutrality

Major Risks

1. Demand for air travel (delay)
2. Decrease in air transport demand (delay)
3. Increased costs associated with environmental regulation

Achieve value creation through ESG strategies to achieve medium- to long-term growth

ESG Strategy

- Long-term business strategy
- Topset Strategy in Order to Realize Value Creation and Grow

Business Model Reform

- Structuring business portfolio and increasing profit by promoting DX strategies

DX Strategy

- Using digital technology to provide customers with added value and improve service experience

Financial Strategy

- Strategy to Support ESG Strategy

Build Trust: Transparency and Growth

Resource Allocation

- Technology
- Digital acceleration and digital transition (with a focus on the real world)
- Business model transformation with DX
- Digital-based cost reduction: service provision

Financial Strategy

- Strategy to Support ESG Strategy

Build Trust: Transparency and Growth

Resource Allocation

- Technology
- Digital acceleration and digital transition (with a focus on the real world)
- Business model transformation with DX
- Digital-based cost reduction: service provision

JAL REPORT 2023

JAL REPORT 2023

JAL REPORT 2023
Management Targets — Work Steadily Towards their Achievement by FY2025 —

We have established management targets for FY2025 in the areas of safety and peace of mind, sustainability, and finance, taking into account the business environment, global trends, stakeholder expectations, their impact on our business, and their importance to management. These are the key management issues and challenges of the JAL Group.

**FY2025 Targets**

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>Achieve a clean record free of aircraft accidents and serious incidents during the period covering the medium-term plan, and create a comfortable world-class customer experience that provides peace of mind in all settings.</td>
</tr>
<tr>
<td>Safety</td>
<td>Safety: We fell short of our target due to three aircraft accidents that caused injury to persons on board from the derailing of the aircraft. In response, we stepped up measures to prevent injury caused by the shaking of the aircraft to protect the safety of our passengers and crew members.</td>
</tr>
<tr>
<td>Peace of Mind</td>
<td>Peace of Mind: Human services at airports and in the cabin were highly rated, but there were challenges in dealing with service changes due to COVID-19 and congestion due to rapid demand recovery, and we will make improvements this fiscal year.</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>Achieve 10% or Higher</td>
</tr>
<tr>
<td>ROIC (Return on Invested Capital)</td>
<td>9%</td>
</tr>
<tr>
<td>EPS (Earnings Per Share)</td>
<td>≤ 290 yen (as of March 31, 2023)</td>
</tr>
</tbody>
</table>

**FY2022 Results**

<table>
<thead>
<tr>
<th>Category</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>Airplane accidents and serious incidents during the entire period of the Medium-Term Management Plan: 3 cases</td>
</tr>
<tr>
<td>Peace of Mind</td>
<td>Domestic +3.0%; International -3.3%</td>
</tr>
<tr>
<td>Environment</td>
<td>Total emissions: below 9.09 million tons</td>
</tr>
<tr>
<td>Communities</td>
<td>Cabin and Lounge: No use of single-petroleum-based plastic.</td>
</tr>
<tr>
<td>Cargo and Airports</td>
<td>100% switch to eco-friendly materials</td>
</tr>
<tr>
<td>People</td>
<td>Group-Female Manager Ratio 30%</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>4.7%</td>
</tr>
<tr>
<td>ROIC (Return on Invested Capital)</td>
<td>3.3%</td>
</tr>
<tr>
<td>EPS (Earnings Per Share)</td>
<td>≤ 19 yen (as of March 31, 2023)</td>
</tr>
</tbody>
</table>

**Sustainability**

We have set targets in four social topics that the JAL Group address as important issues. See pp.81-110 for information on sustainability initiatives.

**Finance**

We will achieve the level before the COVID-19 pandemic in each indicator. The indicators in FY2023 will maintain and improve them thereafter. In particular, we aim to achieve Earnings Per Share (EPS) to counteract the stock dilution caused by the public offering in November 2020.

<table>
<thead>
<tr>
<th>Category</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
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</tr>
<tr>
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</tr>
<tr>
<td>EPS (Earnings Per Share)</td>
<td>≤ 290 yen (as of March 31, 2023)</td>
</tr>
</tbody>
</table>

**Safety and Security — Accelerate Efforts to Realize JAL Vision 2030 —

The JAL Group aims to realize a safe and secure society by deepening the layers of safety as a leading safety company. We aim to achieve JAL Vision 2030 by focusing on the sustainable development of our human resources, the final stronghold to protect safety and the driving force for value creation. We also address various environmental changes issues surrounding aviation and upgrades light safety using digital technology.

**Environmental Changes Surrounding Safety and Security**

<table>
<thead>
<tr>
<th>Category</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Environmental Changes</td>
<td>- EBIT Margin 4.7%</td>
</tr>
<tr>
<td>External Environmental Changes</td>
<td>- ROIC 3.3%</td>
</tr>
</tbody>
</table>

**Development of Safety Personnel**


**Response to Environmental Changes**

**Use of Digital Technology and Information**

- In addition to maintenance engineer’s knowledge, we have developed a failure prediction logic using big data and AI to predict aircraft balance.
- To prevent turbulence during flights, we have developed a system to obtain the latest weather information in a timely manner through the evolution of observation and communication technology.

**Recognition and Award from Outside Parties**

JAL is the only Japanese airline to be certified as APEX 1) “APEX "WORLD CLASS”" for two consecutive years following 2021. APEX “WORLD CLASS” is an award established in 2021 to evaluate airlines in the post-COVID-19 era, and only airlines that provide high-quality services in line with these new values have been selected due to growing interest in sustainability, safety, and security, and well-being. For the sixth consecutive year, SKYTRAX 2) has recognized us as a “5 Star airline” that provides the highest quality in the world, and we are recognized for our staff’s consistent knowledge of products, services and security from the airport to the cabin.

1) SKYTRAX is an international air transport rating organization based in the U.K.
2) SKYTRAX is an international air transport rating organization based in the U.S.

**Creating a Safe Environment**

During the COVID-19 pandemic, to ensure cleanliness, the JAL Group cooperated with Kao Group and carried out hygiene management based on expert knowledge, including supervising the cleaning manual of cabin attendants and airport staff. In August 2022, we completed the introduction of an advanced security inspection system with X-ray inspection equipment, a passable lane (smart lane), and JAL SMART SECURITY equipped with a UV disinfection system for domestic flights at Haneda Airport to enable smooth and hygienic security inspections, in preparation for diversifying threats such as terrorism.

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*As COVID-19 was downgraded to common infectious disease on May 8, 2023, daily life is gradually returning to normal. The JAL Group, however, will continue to ensure that all customers can enjoy a safe and comfortable air travel through the utilization of the latest technology and the creation of a clean environment.*
Chapter 3  Growth Strategy

2. ESG Strategy

―Creating Social and Economic Value and Improving Corporate Value by Creating Relationships and Connections Through Air Transportation—

The JAL Group has positioned ESG strategy as its top strategy for growth toward 2030. We will address important social issues we face by creating relationships and connections through air transportation, while creating sustainable social and economic values and enhancing corporate value.

Value Creation and Sustainable Growth by Building Relationships and Connections through Air Transportation

The movement of people and goods, which the JAL Group has provided mainly for air transport, creates societal connections. This connection and transportation will solve various social issues, such as revitalizing the regional economy, and creating social value, such as enhancing people’s well-being.

To create economic value, we will develop businesses that expand societal connections. By expanding our business in this area, we aim to establish new sources of revenue and achieve growth as a corporate group by leveraging these societal connections to drive increased demand for air travel and expand the profitability of our aviation business.

To grow our non-aviation business, we will expand the opportunities for customers to use the JAL Group and expand our customer base through the development of new businesses in our Mileage, Lifestyle, and Infrastructure business that create societal connections between people and goods.

Initiatives to Create Connections and Relationships Through Air Transportation

In order to create connections and relationships through air transportation, we will work together across business domains to realize our value creation story for ESG by promoting initiatives to offer more choice, remove constraints, and create purpose.

Offer more choices

- By various means
  - FSC
  - LOC
  - Cargo
  - Mileage

Remove constraints

- For everyone
  - FSC
  - LOC
  - Cargo
  - Mileage

Create purpose

- Many times
  - Travel, Region
  - Cargo, Commerce

Efforts to Improve Accessibility

- Creating a More Comfortable Environment
  - In order to provide stress-free access for all our customers, for customers who require sign language interpretation and subtitles, we have introduced a safety video with sign language interpretation and subtitles.
  - At the airport, we are working to create an environment that is comfortable and easy to use by setting priority seats at Diamond Premier domestic flights and Sakura lounges.
  - We will also strive and continue to provide intangible services and hospitality.

- Providing Accessible Tour Products
  - To make people who have developmental disabilities feel comfortable and safe when traveling, we have created Sky Challenge Video, a video that summarizes the sequence of events from check-in to baggage pick-up. It is posted on our website for customers who require special assistance. This video was made to help participants who have developmental disabilities become familiar with the airport environment.

- Creating New Opportunities through Air Transportation
  - As a first step to expand this program to other regions, in FY2023, we are planning an Autumn Accessible Tour in Yamagata.
  - In this joint project, with universities and other researchers who work with children with developmental disabilities, we have integrated valuable information into our program to improve the accessibility for people with disabilities who travel. Together with the Chuo University Research and Development Organization and the Transportation Ecology and Mobility Foundation, we developed a program for people with disabilities to participate in tours through pre-experience sessions at airports and on planes, and practice wearing seatbelts at home. In October 2022, we held an Autumn Accessible Tour in Yamagata.

- Turn non-aviation business into a new revenue source

- Mileage, Lifestyle, and Infrastructure

Narration: Press this blue button when flushing.

Data Section Sustainability Introduction

The JAL Group Value Creation Story

Growth Strategy

Travel, Region

LCC

Cargo and Mail

Mileage, Lifestyle, and Infrastructure

[Image]

To promote ESG strategies, we will promote business model reform, DX strategies, human resources strategies (human capital management), and GX strategies.

(1) Business Model Reform

We will restructure our business portfolio by promoting our ESG strategies and address social issues in our four business areas. While changing our revenue structure, we will realize our medium- to long-term profit growth.

In FY2025, we plan to record about half of our profits in the LCC and Mileage, Lifestyle and Infrastructure business areas.

<table>
<thead>
<tr>
<th>Profit Trends by Business Domain</th>
<th>(bn. JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSC, Cargo and Mail</td>
<td>132.0</td>
</tr>
<tr>
<td>LCC</td>
<td>64.5</td>
</tr>
<tr>
<td>Mileage, Lifestyle and Infrastructure</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>185.0</strong> or above</td>
<td>15</td>
</tr>
<tr>
<td><strong>100</strong></td>
<td>45</td>
</tr>
<tr>
<td><strong>55</strong></td>
<td>7.0</td>
</tr>
<tr>
<td>Pre-pandemic*</td>
<td>70</td>
</tr>
<tr>
<td>FY2022</td>
<td>45</td>
</tr>
<tr>
<td>FY2023</td>
<td>100</td>
</tr>
<tr>
<td>FY2025 (Plan)</td>
<td>185.0 or above</td>
</tr>
</tbody>
</table>

*Pre-pandemic: figures deducting impact of COVID-19 from FY2019 results (earnings forecast figures disclosed at the announcement of FY2020 financial results (SSRS))

Maintain and expand networks while reducing environmental impact by introducing fuel-efficient aircraft, and stimulate interactive community

- **Network**
  - Operations of 787 and A321, partnerships with Yamato Holdings etc.
- **Air Mobility**
  - Presents transportation infrastructure for remote islands, mountainous areas, etc.

Leverage the advantages of air transportation to resolve issues in the logistics industry, and create a sustainable logistics network

- **Cargo and Mail**
  - Development of large-chassis aircraft in China
  - Introduction of new aircraft, expansion of Asian routes
- **Mileage, Lifestyle and Infrastructure**
  - Intensification of services for overseas carriers’ flights

Create new flows of people through flexible business development in response to the market

- **ZIPAIR**
  - Aggressively expand North American and Asian routes
- **Mileage, Lifestyle and Infrastructure**
  - New travel that creates an interacting community
- **LCC**
  - Maintenance of the sales of regions through online sales marketing

Create commercial activities that connect people and regional communities by developing diverse products and services

- **LCC**
  - New tourism that creates an interesting community
- **Mileage, Lifestyle and Infrastructure**
  - Intensification of services for overseas carriers’ flights
- **Air Mobility**
  - Intensification of services for overseas carriers’ flights

Achieving Sustainable Growth by Connecting People with the World and Regions

FSC and LCC will maintain and expand networks connecting cities, regions, Japan, and the world, while strengthening cooperation with partnership airlines, to create value for mobility and connection. By updating to fuel-efficient aircraft strategic fleet allocation will strive for sustainable growth that combines network expansion with environmental measures.

Meeting the Needs of a Wide Range of Customers through the FSC and LCC Lineups

Full Service Carrier (FSC) maintains and expands high-quality products, and services and a highly convenient network. Each airline operates flights according to the scale of demand and route characteristics. We will deepen our cooperation with partnership airlines, build essential networks for business, tourism and daily life. This will contribute to stable human flow and logistics by connecting cities, regions, Japan, and the world.

The three LCCs, namely ZIPAIR Tokyo, SPRING JAPAN, and Jetstar Japan, aim to expand their associated demand by offering reasonable prices for tourists and demand for VFR, which is expected to grow. LCCs will make air travel easier and more accessible.

Based on the diversified needs for prices and services, the JAL Group will provide a wide range of prices and services, covering the entire international and domestic markets.

*1. Wall Friends and Relatives

### Profit Target (bn. JPY)

<table>
<thead>
<tr>
<th>Year</th>
<th>(Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>185.0</td>
</tr>
<tr>
<td>2025</td>
<td>185.0</td>
</tr>
</tbody>
</table>

### Changes in EBIT from FY2023 to FY2025

<table>
<thead>
<tr>
<th>Year</th>
<th>(bn, JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2023</td>
<td>100.0</td>
</tr>
<tr>
<td>FY2025</td>
<td>185.0</td>
</tr>
</tbody>
</table>

### Revenues (bn, JPY)

<table>
<thead>
<tr>
<th>Year</th>
<th>(Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>1,015.9</td>
</tr>
<tr>
<td>2022</td>
<td>900.4</td>
</tr>
<tr>
<td>2023</td>
<td>1,176.0</td>
</tr>
<tr>
<td>2025</td>
<td>1,250.0</td>
</tr>
</tbody>
</table>

*2 Available Seat-Kilometer (ASK): Unit for capacity to carry passengers. Total number of seats x distance (km)
Chapter 3 Growth Strategy

1. Portfolio/Aircraft

(i) Portfolio

- **FSC**
  - **International**
    - Enhance Reciprocal Customer Transfer
    - Joint Venture Partners
    - Codeshare partners
  - **Domestic**
    - Price range

(ii) Aircraft

- **Build a Network with 229 Group Aircraft**
  - Aircraft will be placed in growth areas and fuel-efficient aircraft will be introduced to maintain and expand our business scale.
  - We will work with Joint Business Code Share partners to increase the share of transit demand between North America and Asia, where demand is recovering quickly, on routes to and from Helsinki.

- **Maintain the same level of supply as before the COVID-19 pandemic by maximizing the resources of Group airlines.**
  - We will create new demand for travel through co-creation with local communities and promote inbound regional travel.
  - We will implement code sharing using the framework of Essential Air Service Alliance (EAS LLP), which is composed of three regional airlines in Kyushu with outlying island routes (JAC, Amakusa Airlines Co., Ltd. (AMX), ORIENTAL AIR BRIDGE CO., LTD. (ORC), JAL, and All Nippon Airways Co., Ltd. (ANA)). JAL and ANA will work hand in hand to contribute to regional revitalization by creating human flows to cities and outlying islands.

- **LCC**
  - Through collaboration with JAL, we aim to improve the visibility of each company and the convenience of customers by strengthening our sales and marketing impact.

- **Number of Aircraft for the Entire JAL Group**

<table>
<thead>
<tr>
<th>FY2020</th>
<th>2022</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>234</td>
<td>224</td>
</tr>
<tr>
<td>International</td>
<td>232-238</td>
<td>232-238</td>
</tr>
</tbody>
</table>

*Source: Airbus Japan*

- **FSC**
  - **High**
  - **Distance**
  - **Short**
  - **Long**

- **LCC**
  - **FSC**
  - **Joint Venture**
  - **Codeshare partners**

- **Aircraft Noise Management.**
  - We are steadily upgrading to the most advanced aircraft that complies with noise standards (ICAO Chapter 4, Chapter 14). The flagship carrier will be upgraded to the state-of-the-art Airbus A350, which is efficient in fuel consumption and low in noise.
  - We are also actively working on reducing noise sources with noise abatement operational procedures, which are the responsibilities of the International Civil Aviation Organization (ICAO) Balanced Approach to Aircraft Noise Management.

- **Conversion of Passenger Aircraft to Freighters**

<table>
<thead>
<tr>
<th>FY2020</th>
<th>2022</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freighters</td>
<td>6</td>
<td>20</td>
</tr>
</tbody>
</table>

*Note: All figures are for the number of aircrafts at the end fiscal year*

- **Reduction of CO2 Emissions by Upgrading to New Models**
  - CO2 emissions will be reduced by replacing the existing Boeing 777 and Boeing 767 with the new Airbus A350 and Boeing 787. These new aircraft will improve fuel consumption per aircraft by about 20 percent.
  - In FY2025, 47 percent of the total fleet will be replaced with new models.
  - Specifically, from the second half of FY2023, we will introduce Airbus A350-1000 on international long-haul routes to reduce environmental impact and improve cabin comfort.
  - Furthermore, from FY2026, Boeing 737-8, a new small aircraft, will gradually renew the conventional Boeing 737-800. Looking ahead to our Medium-Term Management Plan, we will promptly introduce and renew aircraft over the medium to long term.

- **Deployment of Aircraft to Growth Areas (International LCC and Cargo Aircraft Business)**

  We will actively deploy aircraft in our growth areas of international LCCs and cargo flights.

  In FY2025, six cargo aircraft will be upgraded from existing passenger aircraft. To stimulate growth in international flights with ZIPAIR and SPRING JAPAN, 16 to 20 aircraft will be introduced in FY2025, up from two in FY2020.
Continuously Create Value by Capturing Recovery and Growing Demand for Mobility and Connections

We will increase profitability by expanding our international network in response to the recovery and expansion demand from the COVID-19 pandemic, maintaining and expanding domestic route networks as social infrastructure, and improving our preferences through service innovation. To achieve sustainable growth, we will also promote the development of products and services that reduce environmental impact, and ESG initiatives utilizing alliances and joint businesses.

Medium-term Approach

Expand Networks in Response to Demand Recovery

For international flights, the total passenger demand is expected to recover 90 percent of the 2019 level (pre-COVID-19 pandemic) by the end of FY2025. As COVID-19 is now classified as Class 3 infectious disease in Japan, we will plan routes and number of flights in response to the recovering travel demand. With the expansion of the Haneda Airport Departure network, which had been suspended during the COVID-19 pandemic, and the introduction of the new flagship Airbus A350-1000, we will develop new services to strengthen the uptake of Japanese business and tourism demand.

Domestic Flights

Domestic flights maintain and develop route networks as an important infrastructure that supports society. In particular, regional airlines, namely J-AIR, JAC, HAC, JTA, and RAC, have a social mission of supporting daily life routes. We will make the most of their resources to maintain the same supply of total seats as before the COVID-19 pandemic, optimize their networks, create travel demand, and create and disseminate regional attractiveness.

The Sapporo (Okanaima) -Nemuro-Kushiro route, which connects the airport with the main city, is an example of this. By working with JAC, we will be able to maintain the same total seats as before the pandemic and create travel demand.

Further Promotion of ESG Strategies Using Alliances and Joint Businesses

We will strengthen our networks with partner carriers, joint businesses, and alliances, with the aim of enhancing customer convenience and attracting a strong number of international visitors to the region. For example, JAL and ANA will further deepen our understanding of our mutual ESG strategies and consider opportunities for collaboration. Using the network framework, we will conduct joint procurement of SAF in the United States and expand its presence in scheduled flights. We will also consider promoting SAF production in regions with low manufacturing capacity and making strategic investments with SAF manufacturers.

Medium-term Approach

Improve Customer Preference by Introducing New Flagships and Renewal of Services

Following Haneda Airport, JAL SMART SECURITY will be introduced at Naha Airport Domestic Flight security checkpoint in March 2024 (scheduled). By introducing advanced X-ray CT inspection equipment, we will reduce the number of passengers and shorten inspection time by removing liquid materials, personal computers, and plastic bottles. In addition, our customers will be able to prepare and pass the inspection smart lane quickly as this can be done by people going through the lanes.

The JAL Group will continue to provide safer, more secure and stress-free air service for our customers. Starting with our 2023 Winter Schedule, the Airbus A350-1000 will be introduced on the New York route and the aircraft fleet will be expanded gradually. As for domestic flights, we will introduce several Airbus A320-300 aircraft, and will steadily upgrade the aircraft with less noise and using less fuel consumption to reduce environmental impact.

We also decided to introduce the Boeing 737-8 in March 2023, with the aim of starting operation in 2026. By deploying aircraft with less environmental impact as possible, we will promote compliance with future environmental regulations and create a foundation for sustainable air transportation. We will also enhance customer preference and comfort, thereby strengthening the business demand, which is the basis of our revenues.

Voice

Contribute to Regional Revitalization Through Code Sharing (Joint Operations) beyond the Group

Airport of a new initiative by ESG LJP, we began conducting joint operations on October 30, 2022.

Although there were delays in the initial operations due to the challenges of running a joint operation, we are working to overcome problems through cooperation and consultation.

In addition, JAL was able to sell seats on NW and JAC flights. JAL was able to sell seats on ORC flights. This has enabled us to expand our networks to areas where we do not operate, and has enabled more customers to travel to remote islands.

In addition, we believe that the increase in the number of passengers using these islands will result in the revitalization of the service area and enable the stable operation of life lines.

JAL and other community-based airlines play a role as a transportation infrastructure closely related to people’s lives, and we feel that maintaining these routes has great social significance.

We will continue to work with airlines that play such a role to ensure sustainable route management.
Based on the Growth in Demand, Generate a New Flow of LCC Passenger Traffic

In the growing market, the three LCCs will create value for human mobility and connections with others by offering reasonably priced tickets on their respective networks. We will also contribute to the expansion of inbound traffic and the creation of international transit demand with Narita Airport as our hub, thereby achieving high profitability and expanding the scale of our business.

**Progress Towards Achieving FY2025 Targets**

<table>
<thead>
<tr>
<th>FY2022</th>
<th>FY2023</th>
<th>FY2025 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stabilizing the business foundations and financial conditions of the three LCCs</td>
<td>Expansion of Business Scale and Realization of High Profitability (Cost reduction)</td>
<td>Profit target (EBIT)</td>
</tr>
<tr>
<td>Number of aircraft: 10 aircraft*</td>
<td>Number of routes in service: 15 routes</td>
<td>EBIT: 15.0</td>
</tr>
</tbody>
</table>

*Excluding Jetstar Japan

### Medium-term Approach

**Route Network Expansion in Asia, North America, and China**

As the JAL Group’s medium- and long-haul LCC, we will expand our networks from Japan to North America and Southeast Asia. This will contribute to the expansion of the JAL Group’s business areas through the acquisition of new customer segments. Our goal is to create a “NEW BASIC AIRLINE” that provides a high-quality service at the best value for the money paid.

In line with the recovery of the market in the Japan-China route, to gradually expand the networks to China’s metropolitan and regional routes, we will leverage Spring Group’s sales and brand capabilities to contribute to the expanding and growing inbound traffic from China.

We will certainly capture the recovering domestic tourism demand and drive the growth of the domestic LCC market, especially in the Tokyo metropolitan area. We will also resume international flights in order to capture the strong inbound demand from Asia. We will strive to improve our competitive advantage by introducing the most environmentally friendly aircraft.

In addition, using Narita Airport, where the three LCC companies are based as a hub, we will utilize the strong network that each has to promote the flow of people between the world and Japan. This will contribute to the expansion of inbound traffic and the creation of international transit demand.

**Voice**

Towards the Return and Increase of Flights on the Chinese Routes

SPRING JAPAN is making concerted efforts to recover and increase the number of flights to China.

As an LCC, we are not only striving to maintain and improve our price competitiveness but are also competing for the sales and marketing activities in which we are in charge, such as our efforts to increase the sales share of our official website, package sales, and恶魔 Statins. JAL Group LCC companies, and various marketing initiatives in cooperation with JAL Group China branches.

Looking forward, we will actively expand our Chinese route networks and use our pricing and marketing strategies to attract more customers, thereby contributing to regional revitalization through inbound travel to Japan and improving the JAL Group’s profits.

**Cargo and Mail**

**Connecting Goods, People, and Communities with High Quality Transport and New Business Models**

### Medium-term approach

**JAL to Launch Cargo Flights for Further Growth in the Cargo and Mail Business**

- **Boeing 767-300ER BCF Aircraft**
  - By building strong partnerships with logistics partners, our company will begin operating our own cargo flights on both international and domestic routes, focusing on a network strategy based on stable and high-growth demand, such as e-commerce and home delivery. This new business model reduces business risks from fluctuations in demand and market conditions.
  - We will attempt to secure profitability by offering flexible charter and temporary flights to meet customer needs.

- **Airbus A321ceo P2F Aircraft**
  - In response to the 2024 logistic problem in Japan, we will begin to operate cargo-only flights in cooperation with Yamato Holdings, Inc.
  - Utilizing the assets and know-how of both companies, we will attempt to solve social issues centered on logistics, such as securing stable transportation capacity, maintaining and improving service quality, and revitalizing local communities.

- **Cargo and Mail Revenue**
  - 2024 logistics problem of Trucking Industry
  - Secure transportation capacity for growing EC
  - Solvency under the Medium Term Management Plan

**Cargo and Mail Revenue**

<table>
<thead>
<tr>
<th>FY2022</th>
<th>FY2023</th>
<th>FY2025 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargo and Mail Revenue</td>
<td>Cargo and Mail Revenue</td>
<td>Cargo and Mail Revenue</td>
</tr>
<tr>
<td>200.0</td>
<td>215.0</td>
<td>230.0</td>
</tr>
</tbody>
</table>

*Excluding Jetstar Japan

**Towards Solving Social Issues Through Our Own Freighter Operations**

In order to further expand Cargo and Mail businesses, we will begin operating our own cargo flights based on our strategy of steadily capturing demand through strong cooperation with logistics companies. Under our mission of never stopping logistics, we proposed during the COVID-19 pandemic, we were able to secure supply in line with customer needs by operating our own cargo aircraft and chartering cargo planes. This experience has made us aware of our responsibilities to ensure a stable transportation capacity and to maintain supply chains. In preparation for the launch of our own cargo aircraft, we are currently studying our flight schedule to meet customer needs and coordinating with airports and other relevant parties to establish a handling system.

The new cargo operations will contribute to solving social issues in response to the expected growth in e-commerce and at transportation demand stemming from the 2024 logistics problem, and contribute to the sustainable development of society through the growth of our Cargo and Mail business.
**Chapter 3 Growth Strategy**

**1. Overall Strategy**

The JAL Group Value Creation Story

**2. ESG Strategy**

Growth Strategy

**3. Business Strategy**

Human Resources Strategy

**4. Financial Strategy**

DX Strategy

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**Mileage, Lifestyle, and Infrastructure**

**1. Mileage and Lifestyle**

Growth Through Expansion of Mileage and Lifestyle Services that Create New Connections

We will provide a variety of services that will enrich your daily life and expand the scene of saving and the usage of mileage outside of air travel. We will expand our customer base with a new status program that reflects our daily use. We will also realize growth by expanding our commerce business by utilizing the know-how of JALUX, a core non-aviation company.

**Medium-term Approach**

To Promote the JAL Mileage and Lifestyle Initiative, We Seek to Ease Of Saving and Use Of Mileage and to Expand the Customer Application

**Future Initiatives**

In the future, we will pursue further business expansion and profit growth by combining the expansion of frequent flyer services into new fields such as nursing care and entertainment with investment in these new businesses. At the same time, we will launch a new status program that will reflect not only airline use but can also be used in non-airline domains, such as nursing care and entertainment with investment in these new services.

**Mileage, Lifestyle, and Infrastructure**

**2. Air Mobility/MaaS**

Facing the Challenges of Local Mobility Through Realizing a Future where People and Goods Travel without Restraint

In order to provide new value in mobility, we will utilize the JAL Group’s know-how on aviation safety to promote the social implementation of drones and eVTOL. In addition, we will expand JAL MaaS, which provides seamless travel to destinations by connecting with diverse transportation services, in an effort to create a new regional flow of people.

**Medium-term Approach**

Utilizing JAL Group Know-how to Establish an Operation Platform and Provide New Value in Mobility

**Air mobility**

- We will realize a world where our customers will be able to access one-stop service with a single smartphone by expanding our existing transportation services between airports and collaborating with all modes of transportation from origin to destination, utilizing our aviation expertise in DX and PR.
- Taking the opportunity of the Expo 2025 Osaka, Kansai, we will promote the commercialization of eVTOL and contribute to the realization of an exciting society and future in which people and goods can travel without restraint.

**MaaS**

- We will expand our existing transportation services between airports, utilize our aviation expertise in DX and PR to realize a world where customers can use our one-stop services with a smartphone by linking with all modes of transportation from departure to destination.
- Focusing on the needs and challenges of travel, we will realize new travel and traveling experiences by providing seamless baggage-free transportation and last-mile services.

**Voice**

**New Mobility in Remote Islands**

For us, Amami Oshima is an island of healing with its abundance of natural resources and the warm greetings by the islanders that cannot be found in urban areas. However, due to the declining birthrate and aging population, there are many daily issues such as shopping, medical care, and disaster response that need to be addressed. I am currently working on an initiative to solve regional problems using drones in the town of Sebuko, Amami. I can’t forget the wonderful smiles on the children’s faces when the drones delivered ice cream, which can’t be bought at shops on the island. We hope to integrate drone services into the island lifestyle and expand a sparkling future for children into the skies.

**Voice**

**Customer Touchpoints, not Just in the Sky, but in Everyday Life**

We are working hard with our co-workers to attract frequent flyer programs that can be thought of as a need to save and use more JAL mileage not only in an infrequent menu but also in everyday life. The new status program, which is scheduled to be introduced in January 2024, will add status points that are accumulated in everyday life, such as paying with JAL cards, shopping at JAL Mall, and participating in environmentally friendly activities recommended by JAL, as well as a new smartphone application for JMV members.

**Voice**

**SASAHARA Saori**

Business Development Group Grand Crew Air Mobility Business Creation Department
### 3. Contract Business

**Support the Restart and Recovery of the Coming and Going of People and Goods as an Infrastructure Supporting the Entire Aviation Industry**

We will support the restart of flights by overseas airlines and contribute to the revitalization of the flow of people and logistics. We provide high-quality services for airports, maintenance, and cargo handling, and the skills that the JAL Group has developed. We will also expand our market share by building a system that can respond flexibly to changes in demand through cooperation with partners.

**Medium-term Approach**

**Building a System to Respond to the Restoring Demand and Providing High-Quality Services using JAL’s Strengths**

**[Demand Environment]**

- 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

**JAL’s strengths**

- Skills/assets

**Partnerships**

- Capacity that responds flexibly to changes in demand

**Medium-term Approach**

- Create flows of people and distribution channels

**Growth of society and the airline industry**

**Expand contracted services**

**Solution Sales**

**Issues Facing Local Communities and Customers**

**JAL’s Strengths**

**JAL’s Differentiated Solutions**

- Route Network
- Human Resources and Customer Base

Diverse needs and issues are emerging with the growing awareness of the environment by the customers, the diversification of lifestyles due to the influence of the COVID-19 pandemic, changes in the passenger structure due to changes in work styles and attitudes, the diversification of purchasing channels, and changes in sales methods due to rapid growth in the e-commerce market. The JAL Group aims to sustainably expand and grow its business by providing solutions utilizing its products and services through dialogue. We will use our long-established sales capabilities to meet the diversifying needs and issues of customers.

To address regional issues, we will provide solutions that take advantage of JAL’s strengths in contributing to the creation of the flow of people and goods, and work together with local communities to resolve issues by creating value for relationships and connections through mobility.

**Progress Towards Achieving FY2025 Targets**

- Expanding the Business of Problem-solving Solutions by Working Together with Local Communities to Create Relationships and Connections through Mobility

**FY2022**

**FY2023**

**FY2025 Targets**

**Development of business centered on human and commercial ties (Flow of People)**

- Creating a new travel style to create a population that is related to the region
- Adventure Travel and Safari Travel
- JAL FURUSATO Home Working Holiday
- Conclude partnerships with Japan Agricultural Cooperative Tourism, primary industries and regional revitalization businesses

**Development of business centered on human and commercial ties (Flow of Goods)**

- Disseminate regional attractiveness and business expansion and growth
- Expand the number of registered municipalities and reciprocating products in JAL hometown tax payment
- Brand JAL Sweets Box using local ingredients
- Proposal Goshoin, a stamp book, at “FURUSATO No Wa,” an all-employee community

**Solution Sales**

**Expand contracted services**

**Issues Facing Local Communities and Customers**

**JAL’s Strengths**

**JAL’s Differentiated Solutions**

- Route Network
- Human Resources and Customer Base
Creating New Flow of People and Contributing to Regional Revitalization

We aim to revive the tourism industry and revitalize the local economy by creating new demand through the expansion of thematic and optional products, including the creation and promotion of attractive products centered on workation, Adventure Travel, and Countryside Stay. We also aim to respond to diversifying needs and revitalize local issues by developing inbound local tours and experiential educational trips. We aim to realize sustainable tourism, revitalize local communities, and improve well-being through relationships and connections created through the tourism of new flows of people, in other words, mobility.

Provided products and services
- Workcations
- Adventure Travel
- Countryside Stay
- Anime Tourism
- Eco Tourism

Problem resolution framework
- Assets and know-how provided by the JAL Group
- Public sector collaborations
- Business collaborations
- Dynamic package

Challenges of Overseas Visitors to Local Areas
As part of our efforts to attract overseas visitors to Japan, we strive to improve our travel products, which convey the appeal of the region, and promote them to appropriate markets. In refining our products, we aim to create products that make you want to visit Japan, where Adventure Travel in the rich nature of Japan is one example. We will promote our products in appropriate markets, such as selling ski products at travel expositions in Australia.

New Businesses Promoted Through Open Innovation and Venture Capital

Based on the policy to “realize a prosperous and sustainable society by reducing the distance between people, things, and people around the world,” we are working to create new businesses and services for the JAL Group that can play a part in the expansion of business areas set forth in the Medium-Term Management Plan. While actively utilizing internal innovation platforms such as the JAL Innovation Lab and the JAL Innovation Fund, as well as external know-how and knowledge, we will promote initiatives in a wide range of areas, from space in the distance to sauna facilities in the vicinity, whether virtual or real.

Topic 1
Connect the Real and Virtual
JAL aims to create people who do not live in the area but come to work and play, and people who have relationships with the people who live there. To this end, we see JAL’s role as creating connections and promoting projects that form various connections with customers. We are working to co-create special experiences and products with local communities through digital technology, and to provide new unique digital products by utilizing JAL assets. Going forward, we will continue to deepen similar initiatives and take on the challenge of creating value through new connections between the real and virtual.

KOKYO NFT is a project where you can connect with local experiences and specialty products.

Topic 2
Connect Earth and Space
Using the JAL Group’s air transport know-how and experience, we are pursuing future space business possibilities such as space transport and space travel. In 2017, we began a capital and business alliance with space, inc. In 2022, the HAKUTO-R Mission 1 lunar lander, in which the JAL Group was involved in the assembly and inspection, was launched, marking a dramatic step forward in space development. In addition, we are participating in partnerships with Sierra Space of the United States and Kamanstraut Corporation with the Dream Chaser® spaceplane, which is the beginning of a new challenge in realizing space transportation from Oita Prefecture.

Looking ahead to the future, when economic activities and people’s lives will spread to outer space, we will continue to shape the JAL Group’s space business in order to become a player in the safe and secure movement of people and goods.

Topic 3
Connect Aviation and Non-aviation Areas
JAL Innovation Lab is promoting new business development utilizing advanced technologies with various co-creation partners. Last year, we launched Tokyo Saunet, a solution service that visualizes the rush in saunas in the Lifestyle Area. This is an example of JAL’s non-aviation business development utilizing the knowledge and network that JAL has cultivated in the aviation field as its sauna tourism business. Going forward, we will promote the introduction of heat spring facilities, and create synergies with JAL’s overall business, including the Mixage, Lifestyle, and Infrastructure.

High precision sensors will be installed in front of the sauna room to detect the flow of people and visualize the rush in real-time.
With big data, technology, and mobile as key drivers, our employees work with motivation and enthusiasm to create new customer experiences that exceed customer expectations. We will also work to expand new business areas and take on challenges to solve social issues and change through DX.

NODA Yasushi
Executive Officer
Senior Vice President,
Digital Innovation Division

▶ Review of FY2022
In order to promote ESG strategy that create connections through Air Transportation and solve social issues, DX as stated in the Medium-Term Management Plan is aimed at maximizing Customer Experience (CX) by providing new experience and the best services to customers, maximizing the Employee Experience (EX) by improving business quality and productivity, and expanding business areas.

In FY2022, we completely revamped our domestic airfares and improved our website to make it easier to understand and use. We also expanded our application functionality to make it mobile with same-day upgrades and waiting lists. In the non-aviation business area, we launched JAL Pay, a smartphone payment service, to promote the JAL Mileage and Lifestyle Concept. In addition, we conducted demonstration tests for the commercialization of drones.

JAL was selected as one of the DX Stocks 2023 by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-technology Promotion Agency. In addition to JAL’s DX promotion system, the selection was based on recognition of the deepening of existing online services and the full launch of initiatives in new business areas.

Going forward, we will use our accumulated experience to strengthen resilience and accelerate profitability, and work to create new social and economic value by adapting to the changing business environments and diversifying customer needs.

▶ Direction of DX Strategy
As the importance of connections between people and local communities has been recognized following the COVID-19 pandemic, the JAL Group is working to enhance its corporate value through ESG strategy. JAL’s DX strategy aims to provide customers with safe and secure transportation and new experience by challenging social issues and changes through the use of advanced technologies with diverse human resources, which is JAL’s strength.

In order to maximize CX and EX, which are the objectives of DX, we will work to create new experience for customers in the CX area, and work to create an environment in the EX area where employees can work with high productivity while maintaining high motivation on an ongoing basis. Maximizing EX will lead to the development of new services and the improvement of service quality, which in turn will contribute to maximizing CX, thereby creating an upward spiral of EX improvement.

To this end, it is essential to utilize advanced technologies such as data and AI, and to foster the IT infrastructure, open innovation, and DX human resources that support them. Specifically, we aim to create new value and businesses (p. 64) by strengthening security, enhancing our database, and utilizing the JAL Innovation Fund and the JAL Innovation Lab, which are innovative platforms. We will also accelerate DX throughout the JAL Group by cultivating personnel capable of promoting DX and new business creation throughout the entire company.
(3) Human Resources Strategy

"Increasing Value Creativity and Productivity through Aggressive Human Resource Investment"

In promoting human capital management, we will work together to improve value creativity, drastically improve productivity, and invest in human resources to achieve this goal.

We aim to create a virtuous cycle that leads to further value creation by creating an environment in which we can conduct business on a sustainable basis and by returning the results to each employee.

SAEDA Naohito
Executive Officer
Senior Vice President, Human Resources Division

▶ Review of FY2022

In FY2022, with the aim of responding to the environmental changes caused by the COVID-19 pandemic and accelerating business model reform, we divided our efforts into four elements to realize "creation of new value" and "continuous improvement of productivity: "allocation of human resources to growing business areas," recruitment of diverse human resources and provision of growth opportunities for employees," "business process reform," and "innovation initiatives."

For each element, we set numerical targets to be achieved in FY2025. As a result of the expansion of job postings under the open recruitment system and the promotion of the active participation of women, the allocation of human resources to growing business areas and the ratio of female managers were on track to meet the targets for FY2025. On the other hand, sales per capita was -2 percent in FY2022 (compared to FY2019), compared to the target of +15 percent in FY2025 (compared to FY2019).

The ratio of employees with high engagement was -2.7 points (compared to FY2019) in FY2022, compared to the target of +10 points in FY2025 (compared to FY2019).

Based on these results, and in order to respond to new internal and external issues, in FY2023 we will deepen our efforts to materialize human capital management.

▶ Strategies and KPIs

Diverse human resources are the JAL Group’s greatest strength, and its philosophy has not changed. In formulating the human resources strategy for Rolling Plan 2023, we adopted the concept of human capital management, which maximizes the value of human resources and improves corporate value, in order to reinforce this philosophy.

In the “Three Perspectives and Five Common Elements Required for Human Resources Strategy” of human capital management, “Human Resources Portfolio,” “DEI,” “Career/Reskilling,” and “Engagement” as well as “working style independent of time and place” are listed as the five common elements of human resources strategy. Based on the belief that the human resources portfolio and the activation of individuals and organizations (DEI, “Career/Reskilling” and “Engagement”) are particularly important in the promotion of ESG strategy, the JAL Group’s human resources strategy was formulated by focusing on these four elements, and specific measures are formulated and implemented for each element.

Although each element is related to the other, measures for internal environmental change are mainly assigned to “Human Resources Portfolio” and “DEI,” and measures for external environmental change are assigned to “Career/Reskilling” and “Engagement.”

In addition, we have set KPIs for each element so that we can quantitatively grasp the ideal state and the current state of affairs. Based on the results of each KPI in FY2022, we have formulated various measures to close the gap. In order to achieve our goals, we will backcast what we need to do and execute with a sense of speed.

Concept of Investment in Human Resources

At the JAL Group, we will accelerate the development of a system that supports the active participation of employees, provides educational and training opportunities that contribute to the improvement of individual abilities, and develops a personnel evaluation system and a compensation system that properly evaluates and rewards challenges. We will continue to actively invest in human resources with the aim of improving value creativity and drastically improving productivity.
Chapter 3 Growth Strategy

Human Resources Portfolio

In order to realize business model reform, we will acquire, nurture, assign and treat personnel with diverse knowledge and experience to support new business areas and personnel with high expertise in the aviation field to support existing business areas. We will expand the recruitment of experienced personnel, expand the scope of areas and positions covered by the performance-based remuneration system, and introduce a personnel wage system that applies to highly specialized personnel essential for safe operation, thereby placing personnel in optimal positions and building a new human resources portfolio for the JAL Group.

Priority and Strategic Measures

Acquisition and Placement of Human Resources to Realize ESG Strategies

Recruitment and Promotion of Employees with External Experience

Many experienced employees are active in areas where high knowledge is required, such as business creation and digital promotion, and are working to create new value by utilizing diverse external knowledge to promote JAL's growth strategy. Many employees are promoted to the management level and are involved in important decisions at the company. In order to further promote value creation by utilizing internal and external knowledge, we will further promote the promotion of employees who are fired with experience by making fair and impartial appointments based on personnel. In addition, JAL Next Career GATE was launched as a new platform for recruiting experienced employees, which resumed in 2022, and began recruiting throughout the year. We will continue to make further efforts to recruit experienced personnel through the development of various recruitment methods with the aim of recruiting personnel with a high level of expertise and diverse knowledge and experience.

Human Resources Placement in Growing Business Areas

The JAL Group aims to expand growing business areas such as LCC and Mileage and establish a personnel system to diversify and maximize business income and expenditure. In FY2023, we will increase the number of personnel allocated to growing business areas by 13,500 employees (compared to FY2019) through the transfer of personnel from existing areas, mainly FSC, to growing business areas and the recruitment of personnel with diverse knowledge and experience.

Measures to Enhance Value Creativity of Human Resources Acquired and Placed

Performance-based Remuneration System

Since the JAL Group expects high results from Group companies that are primarily responsible for business model reform, we introduced a performance-based remuneration system in FY2022 for the positions of Presidents in some Group companies. This will encourage new value creation, such as business expansion in new areas and diversification of revenue sources. In FY2023, the system will be expanded to other Group companies and other positions, not limited to the position of the President, in an effort to realize business model reform.

DEI

In order to improve corporate value over the medium to long term and to enhance the sustainability of our business, we will transform from a company with highly homogeneous human resources to a highly diverse company with human resources with diverse knowledge and experience such as experience, sensitivity, values, and expertise.

We will deepen diversity and create new values by intergroup secondments, the active recruitment of foreign employees in Japan, and by expanding the employment of people with disabilities, through the creation of an environment where anyone can work with satisfaction.

Priority and Strategic Measures

Measures to Deepen Diversity

Promotion of Women in the Workplace

We are continuing our efforts to achieve our management goal of 30 percent female managers in the JAL Group. There were 22.8 percent as of March 2023. In addition, the ratio of women in organizational management positions based on the provisions of the Act on the Promotion of Women’s Participation and Advancement in the Workplace is 26.4 percent.

As for the promotion of women to managerial positions, we conduct age-appropriate training for the purpose of job autonomy in stages from their twenties. To nurture the initiative to chart their own careers at an early stage, we also conduct study sessions for those returning to work from administrative leave, and other initiatives to ensure that women’s career advancement is not interrupted by life events. At the same time, we have also established a system to learn comprehensively about the qualities of leaders that are required for each level of management, from the first to the senior management.

We are promoting the placement of female managers across job categories, including the appointment of six out of twenty-four female managers as flight attendants to the general managers of sales branches in various regions. We actively promoted women to executive positions by utilizing the Pipeline List to nurture and promote women according to their individuality and aptitude. In April 2023, JAL newly appointed three female executives, bringing the ratio of women to 22 percent in the management.

We support diverse employee challenges through the Job Autonomy Development Training Program, an intern type training program launched in 2022. Employees with disabilities can also participate in this program to take on new challenges.

I am deaf, but I was wondering about the lack of opportunities for employees to participate in DEI promotion. By participating in the Job Autonomy Development Training Program by the DEI Promotion Group of the Human Resources Strategy Department, I thought that I would be able to share my opinions as a person with disabilities and also make use of my new knowledge and experience. In the barrier-free mindset project I worked on, I eliminated barriers between the disabled and the able by devising ways to communicate.

In the future, I would like to continue to engage in work that can create a climate of respect for others and acceptance of diversity regardless of our traits.

Career/Reskilling

The work roles of our employees are changing with the optimization of human resource portfolios due to the revisions in business structures and the rapid transitions in the social environment. To respond to these changes, we support career development in job autonomy and reskilling. We support our employees by implementing a job autonomous career development system, such as a human resource system for employees who want to nominate themselves to the department they wish to work in and a system where the employees can use their skills and abilities in an in-house second job system, or providing DX education and reskilling for a second career for our employees to shape their own careers responsibly.

Developing Human Resources to Realize ESG Strategies

We will conduct basic DX education for our 36,000 Group employees in order to build services and business models that meet the needs of customers and society through the use of digital technology as well as to develop DX human resources that create new value by transforming old internal processes and organizational culture. In addition, we will provide DX education tailored to each level, including management and business staff.
Chapter 3 Growth Strategy

4. Engagement

In order to maximize the power of diverse human resources, which is the JAL Group’s greatest strength, we will create a highly engaged work environment where each employee feels valued and rewarded.

We will improve employee engagement by implementing various measures such as the Human Resources Portfolio, DEI, and Career Reskilling. Also by promoting organizational revitalization through JAL Philosophy and Health Management. We will achieve a virtuous cycle of increasing engagement by increasing productivity and appropriately transferring the results to human capital investment.

4.1 Priority and Strategic Measures

4.1.1 Understanding Engagement Status

The JAL Group regularly conducts engagement surveys as the basis for achieving a virtuous cycle in which productivity increases as a result of increased engagement and business activities, and the results obtained are appropriately transferred to human capital investment to further increase engagement.

In the survey, we conduct a company-wide survey of organizational activity, in which we identify questions that lead to engagement, such as career and remuneration, and measure the percentage of employees who respond favorably to these questions. FY2022 results are 2.7 points (compared to FY2019), which is far from the FY2025 target of +10 points (compared to FY2019). In order to improve engagement, the JAL Group believes that it is important to promote the aforementioned measures on the Human Resources Portfolio, DEI, and Career Reskilling, as well as the following measures on the Promotion of Diverse Workstyles, Health Management, and Occupational Health and Safety Activities. By accelerating these measures, we will improve engagement.

4.1.2 Improving Engagement

4.1.2.1 Promotion of Diverse Workstyles

The JAL Group promotes diverse workstyles for everyone to play an active role.

In FY2022, looking ahead to the close of the COVID-19 pandemic, we established a basic policy for hybrid work, which combines office attendance and telework, so that employees can choose where they work while being conscious of productivity and communication in accordance with the content of their work.

In addition, we established guidelines for second jobs to create an environment in which employees can gain new insights and human networks through their other job.

The JAL Group will continue to promote diverse workstyles in order to foster an environment in which diverse human resources can work actively.

4.1.2.2 Optimizing Working Hours

The JAL Group aims to be a company where everyone can play an active role, including employees with time constraints such as childcare and nursing care.

For this reason, we have introduced a scheduled annual paid leave program and optimized working hours. In spite of the recovery in passenger demand and various projects, there is an increase in workload particularly in the supporting departments, however, with the implementation of a flexible workstyle, the percentage of employees taking annual leave improved to 81.0 percent in FY2022 (74.5 percent in FY2021).

On the other hand, the average monthly overtime and holiday working hours per employee was 10.5 hours (FY2021: 9.9 hours), so we will continue to strive for optimized working hours with flexible workstyle.

4.1.2.3 Health Management

For the diverse human resources to fully display their individuality and abilities, it is essential to create a safe and secure work environment and to promote the health of employees and their families. The JAL Group Health Promotion Project “JAL Wellness” was launched in conjunction with the Medium Term Management Plan in 2012. Currently, JAL Wellness 2025 continues to promote the health of employees and families based on the five major indicators such as lifestyle-related diseases, cancer, mental health, tobacco control, and women’s health.

In particular, we consider female-specific health issues to be most important as it is directly related to productivity improvement and organizational resiliency. In the social and business environment, and next generation leaders who understand the mission of management, and respond flexibly to all changes while driving diverse business areas, including FSC, we provide opportunities to work in other companies, study and train outside JAL, and cross-industry exchanges for each working level. Each employee brings back the knowledge and what they learnt during their employment in outside companies and applies the schoolings to transform it into their business structure and create new values. We will continue to select better programs and expand the scope of our programs.

4.1.2.4 Safety Activities

By accelerating these measures, we will improve engagement.

In order to improve engagement, the JAL Group believes that it is important to promote the aforementioned measures on the Human Resources Portfolio, DEI, and Career Reskilling, as well as the following measures on the Promotion of Diverse Workstyles, Health Management, and Occupational Health and Safety Activities. By accelerating these measures, we will improve engagement.

4.1.2.5 Priority and Strategic Measures

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Chapter 3  Growth Strategy

Introduction
The JAL Group Value Creation Story
Growth Strategy
1. Business Model Reform
2. ESG Strategy
3. Business Strategy
4. Financial Strategy
5. Human Resources Strategy

1. JAL Wellness 2025 Initiatives

JAL was recognized as a brand in the 2023 Health & Productivity Stock Selection for the 8th time. Twenty-four companies in the JAL Group (20 last year) were recognized under the 2023 Certified Health & Productivity Management Organizations Certification Program. They were highly praised for working actively under the strong leadership of the Chief Wellness Officer (CWO). Wellness Leaders in the workplace and further initiatives to improve women's health, pressure on health through better use of the website, and mental health care during the pandemic.

Occupational Safety and Health Activities

The JAL Group strives to ensure workplace safety and prevent industrial accidents by steadily implementing “Occupational Health and Safety Activities” in all of its business areas, for all of its active employees, as well as its contractors and partners.

Occupational Health and Safety Policy

We will strengthen safety and health systems in the JAL Group’s business sites, for all of its employees, working contractors and partners.

In accordance with relevant laws and regulations, each workplace appoints a general safety and health manager, an industrial physician, a safety manager, and a manager according to the nature of the business and number of employees. Also including employee representatives, labor and management work together to promote occupational safety and health activities, at the Safety and Health Committee and the Health Committee.

In particular, in departments such as operations, cabin, maintenance, airports, cargo, loading and unloading, maintenance of vehicles dedicated to ground operations, and catering, we will set up departments and personnel in charge of safety and health, conduct risk assessments, share safety hazard cases, and continuously implement PDCA through the Occupational Safety and Health Management System to prevent recurrence and reduce risks.

The ultimate goal of the JAL Group is to achieve zero industrial accidents. To achieve this goal, each business site sets specific action plans for individual issues, sets priorities and target quantities, and effectively conducts the PDCA cycle.

This occupational health and safety policy is formulated by the JAL Wellness Promotion Committee, which consists of an Executive Officer in each business area, led by Chief Wellness Officer (CWO), this policy serves as internal regulations such as the “Safety and Health Regulations” and guidelines for occupational health and safety activities at each site.


In addition to the annual physical examination, the flight crew also undergoes annual medical examinations as stipulated by the Civil Aeronautics Act, which is under the jurisdiction of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). The Flight Crew Wellness Promotion Department follows up on the medical examinations and the results of the examination. In addition, an industrial physician always meets with the flight crew once a year and conducts medical interviews, as well as confirming the physical and mental health of each individual and providing support for health management. Depending on the results of the medical examination, the flight crew may need to take a leave of absence based on the standards. In this case, the flight crew will concentrate on medical treatment, among others, and will return as a flight crew through the return process prescribed by the MLIT and the company after confirming that the health condition has been restored and the numerical value has been improved. After returning to service, the Flight Crew Wellness Promotion Department will carry out follow-ups as necessary.

JAL Athletes Taking on the World Challenge

The JAL Group supports all athletes, including JAL Athlete Employees, by combining the image of athletes believing in themselves and colleagues with JAL’s aim to become “the world’s most preferred and valued airline group.”

At the Budapest 2023 World Athletics Championships, KITAGUCHI Haruka, a female javelin thrower, won the first gold medal in Japanese women’s history. We will continue to support our athletes and para-athletes who are taking on global challenges. JAL Athlete Employees travel around the world to launch the JAL Athlete Academy, which provides children with advice on how to enjoy sports and improve their athletic skills. We will work together with local residents to inspire and to experience the charm and enjoyment of sports as well as to experience the attraction of areas they have never visited before.

JAL Athlete Academy in Amami

KITAGUCHI Haruka, a female javelin thrower who won the gold medal at the World Athletics Championships in Budapest 2023.

JAL Athlete Employees. From left to right: YACHI Sora (Ski/Nordic Composite), KITAGUCHI Haruka (Athletes/Javelin throw), KAND Koki (Paracuttsky/Paralympic TT/Paralympic High Jump), DAI Anna (Athletes/Short-put), SUZUKI Yudai (Athletes/Long Jump), SUGIMOTO Yuki (Para Track and Field/Long Jump/Short-put)
(4) GX Strategy - Accelerating Response to Carbon Neutrality by 2050 Through a Variety of Methods

The GX strategy was formulated based on business characteristics and changes in the external environment, with the goal of realizing a 1.5°C scenario for carbon neutrality by 2050. We will promote GX through cooperation with suppliers and partners with GX promotion technology. We will use ESG investment to lead the aviation industry’s efforts to realize a decarbonized society as a leading airline company.

AOKI Noriyuki
Managing Executive Officer
Senior Vice President,
General Affairs Division

▶ Background and Outline of GX Strategy

We recognize that reducing CO2 emissions in the air transport business is the most important issue in order to realize an existing society and future where many people and various objects can move around without restraint. The GX Strategy was formulated in the Medium-Term Management Plan Rolling Plan 2023 with the intention of addressing the issue as one of the pillars, which must be resolved strategically.

At the 2022 General Assembly of the International Civil Aviation Organization (ICAO), long-term targets, which aims to become carbon neutral in the field of international aviation by 2050, and CORSIA, which is a framework for reducing CO2 emissions, were adopted.

In this environment, we will accelerate our efforts to reduce our own emissions by upgrading to fuel-efficient aircraft, implement JAL Green Operations, and utilize SAF, which reduces CO2 by up to 80 percent compared to conventional jet fuel. One of the most important issues is the production and utilization of domestic SAF; and it is important to see this as an opportunity to build a domestic recycling-based society that is internationally competitive, and work to establish a national circulation that transcends industry boundaries.

In addition, as part of CORSIA’s efforts to implement offsetting and work to establish a national circulation that transcends industry, we recognize that reducing CO2 emissions in the air transport business is important for realizing a sustainable society and future where many people and various objects can move around without restraint.

▶ Accelerate Response Through Technological Innovation and Stakeholder Collaboration

For the sustainability of the aviation business, we expect our new aircraft and technological innovations will reduce CO2 emissions. In addition, in the face of the rapidly increasing recognition of SAF, it will be extremely important to accelerate efforts to grasp trends in technological innovation and ESG investments through cooperation with stakeholders while maintaining firm communication with external parties. We will work together to realize a decarbonized society while gaining the understanding of all stakeholders, including our customers and shareholders.

Roadmap for Reducing CO2 Emissions by FY2030

We have introduced an ICP to estimate the quantitative effect of CO2 reduction and have set the standard amount of CO2 reduction effect at 15,000 yen/ton. When making decarbonization investment decisions with a focus on the future, we will not make capital investment decisions based solely on economic value, but will actively use this information to identify social value and profit opportunities and risks, balancing the level of company-wide efforts and accelerating our efforts toward carbon neutrality.

What is CORSIA?

CORSIA is a system established by ICAO that requires offsetting requirements on airlines of participating countries by sharing the amount of CO2 emissions exceeding the baseline on international flights. At the 2022 ICAO General Assembly, the baseline was revised to “85 percent of the 2019 emission level” after 2024. Since the baseline was lowered 15 percent, airlines of participating countries are required to offset when exceeding 85 percent of the 2019 emissions.

There are two types of offset requirements: individual and sectoral. The former refers to the ratio of individual airline to bear the amount of their own offset requirements, and the latter refers to the ratio of airlines of participating countries to bear the amount of offset requirements of the aviation sector.

Prior to the baseline review, the ratio was 90 percent for Individuals and 10 percent for Sectoral; and 10 percent for Individuals and 90 percent for Sectoral since 2020. However, based on the baseline review last year, the ratio is now 6 percent for Individuals and 93 percent for Sectoral.

<table>
<thead>
<tr>
<th>FY2022</th>
<th>FY2025</th>
<th>FY2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual emissions</td>
<td>Less than FY2019</td>
<td>10% less compared to FY2019</td>
</tr>
</tbody>
</table>

GX promotion investment

Introduce Internal Carbon Pricing (ICP) into investment decisions

Base price: 15,000 yen/ton

We will promote coordination with suppliers and partners who possess new technologies such as synthetic fuels and negative emissions (CO2 capture, etc.)

GX promotion technology

Promote coordination with suppliers and partners who possess new technologies such as synthetic fuels and Direct Air Capture (DAC) that directly capture CO2 from the atmosphere, which are undergoing research and development worldwide with the aim of commercializing the technology around 2030, with a view to achieving carbon neutrality by 2050.

*Baseline and Ratio of Individual Growth Factors After Review

*Prepared based on information provided by IATA (International Air Transport Association)
4. Financial Strategy

- Strengthen Our Risk Tolerance and Further Accelerate Sustainable Growth -

As the COVID-19 pandemic comes to an end and air transport demand recovers, the JAL Group will strengthen its risk tolerance while accelerating its efforts for sustainable growth. In addition to investment, we will actively allocate management resources to promote our ESG strategy and human capital management, by recognizing the use of resources not as costs, but as “investments to support the future of JAL”. As business performance recovers, we will gradually expand shareholder returns for those who have supported us during the COVID-19 pandemic.

Although there are no major changes in our financial strategy, we will focus more on accelerating growth. As the COVID-19 pandemic comes to an end and demand steadily recovers, we will strengthen our risk structure and accelerate our efforts for sustainable growth.

We will strive to achieve our goals by fiscal year 2025, the final year of the Medium Term Management Plan, by implementing business model reform and achieving sustainable growth in the post-pandemic period. The target indicators for strengthening risk tolerance were set in preparation for events at pandemic-level scales, and will be followed in the “Medium-Term Management Plan FY2021-2025 Rolling Plan 2023”. With regard to liquidity on hand, we aim to secure approximately 5.0-5.6 months of passenger revenue while partially utilizing credit facilities, and aim to achieve approximately 50 percent in terms of our equity ratio (based on credit rating evaluation) by the end of FY2025.

While the credit facility was increased during the pandemic, this was reduced on June 30, 2023, upon reflecting the improvement in our financial situation. In order to expand our non-airline business domain, we are planning to introduce freighters refurbished for expansion through the introduction of freighters refurbished for transportation, which has become a social issue.

5.6 Months of
Risk Tolerance

- Restructuring of our Financial Foundation -

Toward Risk Tolerance and Growth:

Overview and Goals of FY2023-2025 Strategies

- Secure 5.0-5.6 months’ worth of passenger revenue (including credit facility)
- Achieve “A Flat”
- FY2025: 9%
- FY2025: 10% or more by surpassing cost of shareholders’ equity

End of FY2022

End of FY2025: Over 50% (credit rating)

Build Risk
Resilience and
Capital Efficiency

- ROIC*: 3.3%
- ROE: 4.3%

Accounting
Financial
Discipline

- Capital Allocation
- Secure sufficient free cash flow for each fiscal period
- Accelerate efforts to achieve sustainable growth while improving risk tolerance

Resource Allocation

- Achieve a dividend payout ratio of over 35%, as soon as possible

Shareholder Return

- Dividend: 25 yen/share

Set an Appropriate Level of Liquidity as 5.0-5.6 Months of Passenger Revenues After the COVID-19 Pandemic

- Secure liquidity that will enable us to tolerate risks according to the size of passenger revenues subject to potentially significant impacts if any event risk occurs (including the use of credit facility)
- Secure an appropriate level of cash and deposits considering asset efficiency

Working capital investment

Preparation for event risk

Working capital requirement

Credit facility

Liquidity on hand

- Secure FDI and other loans, and refinancing

In order to maintain our financing capabilities, we aim to achieve an “A Flat” credit rating. At the same time, we will also work to improve capital efficiency and asset efficiency, aiming to achieve a “ROIC” of 9% and “ROE” of 10% or higher.

In addition, in order to promote our ESG strategy, we are considering the introduction of a new investment efficiency indicator, “Sustainable ROIC (tentative name)”, which takes into account the social value generated by ESG investments.

With regard to shareholder returns, we aim to achieve a dividend payout ratio of approximately 35% or more as soon as possible. We will continue to work to restore and improve our business performance and our ability to generate cash flows to achieve our basic policy of a continuous and stable shareholder return.
The total amount of debt repayment toward restructuring our financial base is expected to be approximately 300 billion yen over the “Sustainable ROIC (tentative name)”, which takes into account the social value generated by ESG investments, including ESG elements in our investment decisions. We are also considering the introduction of a new investment efficiency index, in fiscal year 2023, we introduced ICP (Internal Carbon Pricing) into our investment decisions. We will accelerate ESG investment by In addition to asset investment, we will continue to pursue our ESG strategy and human capital management, considering the use of well as gradually expand shareholder returns in line with the recovery of our business performance, and restructure and grow our Debit Repayment Approx. 100 Bn JPY

Distribution of Management Resources

<table>
<thead>
<tr>
<th>Operating Cash Flow</th>
<th>Cash Allocation</th>
</tr>
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<tbody>
<tr>
<td>Invest in ESG</td>
<td></td>
</tr>
<tr>
<td>Total 650 Bn JPY</td>
<td></td>
</tr>
<tr>
<td>Investment in assets</td>
<td></td>
</tr>
<tr>
<td>Profit of investment</td>
<td>60%</td>
</tr>
<tr>
<td>Investment of neighbors</td>
<td>25%</td>
</tr>
<tr>
<td>Total 650 Bn JPY</td>
<td></td>
</tr>
<tr>
<td>Shareholder Return</td>
<td>Rebuild financial foundation</td>
</tr>
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In terms of the allocation of management resources, we will proactively promote ESG investment to support our ESG strategy, as well as gradually expand shareholder returns in line with the recovery of our business performance, and restructure and grow our financial base. In addition to asset investment, we will continue to pursue our ESG strategy and human capital management, considering the use of resources not as costs, but as “investments to support the future of JAL”.

Distribution of Management Resources

- Gradually expand shareholder returns while accelerating ESG investments

Conceptualization of FY2023–2025

Promotion and acceleration of ESG Strategy

- Achieve goals of social impact
  - Reduction of CO2 emissions
  - Increase intangible demand
  - Increase related populations

Achieve stable dividend

Dividend payout ratio of over 35%

In fiscal year 2023, we introduced ICP (Internal Carbon Pricing) into our investment decisions. We will accelerate ESG investment by including ESG elements in our investment decisions. We are also considering the introduction of a new investment efficiency index, the “Sustainable ROIC (tentative name)”, which takes into account the social value generated by ESG investments. The total amount of debt repayment toward restructuring our financial base is expected to be approximately 300 billion yen over three years. At the end of FY2022, we were able to resume dividends for the first time in 3 financial years. Going forward, we will strive to gradually expand shareholder return as profits recover to achieve a dividend payout ratio of approximately 36 percent or more as soon as possible.

For more information on Internal Carbon Pricing, please visit the JAL website.


IR DAY

At “IR DAY” held in May 2023, 11 management members including President Akasaka, discussed the contents of the “JAL Group Medium-Term Management Plan FY 2021-2025 Rolling Plan 2023” focusing on the mid-long term growth strategy and other relevant topics. Participants deepened their understanding of the JAL Group through various perspectives including Full Service Carrier/Cargo, LCC, Mileage Lifestyle and Infrastructure, and strategies regarding ESG and human resources.

Facility Tour

At the “facility tour” held on May 2023, analysts of security companies and institutional investors were introduced to the aircraft of ZIPAIR, our growth driver in the LCC business, as well as SMART AIRPORT and SMART SECURITY, which are highly effective as part of the company’s DX strategy.

CEO Small Meeting and CFO Small Meeting

At “CEO Small Meeting” and “CFO Small Meeting”, dialogue sessions were held focusing on the ESG strategy, which is a central theme of the “JAL Group Medium-Term Management Plan FY 2021-2025 Rolling Plan 2023.”