

## 2

# Overview of Management Strategy

## What We Want to Convey in This Chapter

- ESG strategy, our top priority long-term business management strategy
- Adding social and economic value by building Relationships and Societal Connections
- Business portfolio strategy with resilience and growth potential



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## Achieving Growth and Value Creation with Relationships and Societal Connections through ESG Strategies

**SAITO Yuji**

Representative Director, Executive Vice President (Group CFO)

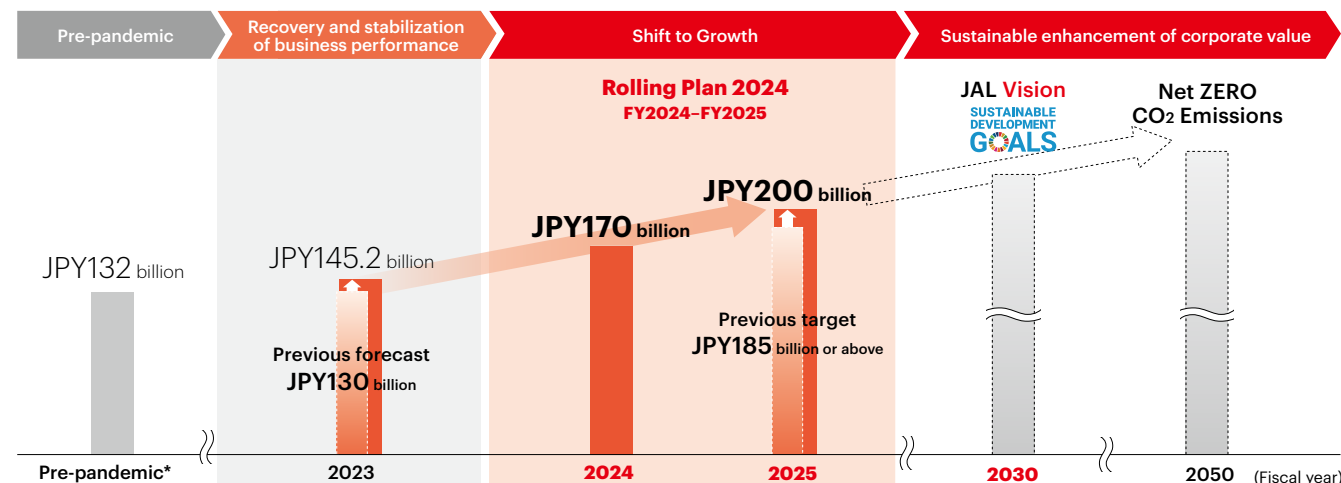
### Progress of Medium-Term Management Plan

#### Capture inbound demand and update profit targets

In FY2023, the third year of the JAL Group Medium Term Management Plan for FY2021–2025, we were able to record a profit of JPY145.2 billion, an increase over the pre-COVID-19 pandemic level, due to a recovery in air transportation of people following the reclassification to Class 5 in May under the Infectious Disease Control Law.

Among the recoveries in the flow of people, the recovery in inbound demand contributed significantly to the improvement in profits. However, we believe that this is not only the result of increased demand, but also the result of our continuous and steady implementation of measures to prepare for the demand recovery period, even during the COVID-19 pandemic. In addition, during the COVID-19 pandemic, we maintained our employment, and during that time, we provided our employees with opportunities to learn through participation in educational programs and secondments to other companies. Our employees were actively engaged in these programs. We believe that

#### Profit (EBIT) Target



\*FY2019 actual results excluding the impact of the COVID-19 pandemic (earning forecast disclosed at the time of announcement of FY2019 Q3 financial results (IFRS))

these efforts enabled us to quickly restore supply in line with the recovery of air transport demand and to develop the capabilities of our employees to create new value.

The FY2021–2025 Medium Term Management Plan-Rolling Plan (MRP) 2024 maintains the major direction of the previous plan, but has been revised in light of the experience gained from the COVID-19 pandemic and the new normal environment. As the market changes have become clear, it also sets forth specific strategies and plans for the two years to complete the plan in FY2025.

With the expectation that inbound demand will continue to increase, as well as the expansion of businesses other than FSC, we have revised our profit target upward from JPY185 billion or more to JPY200 billion for FY2025, the final year of the project.

### Introducing reforms to achieve a business model with resilience and growth potential

Currently, our FSC business accounts for approximately 70 percent of our profit structure, but we intend to increase our resilience and growth potential by making LCC and Mileage, Lifestyle and Infrastructure equal our FSC business and by creating a business model that is not solely dependent on aviation.

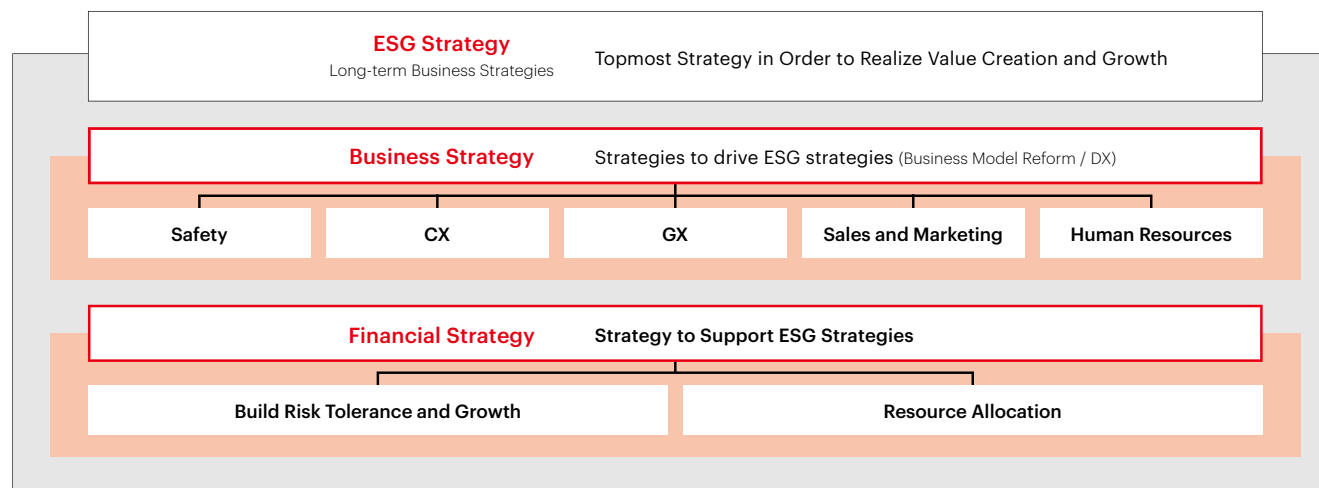
There are two major perspectives from which to promote business model reform.

One is restructuring the profit structure by increasing the profitability of our existing businesses. In our FSC business, we are expanding our network and alliance partners to better capture inbound demand. In the Cargo and Mail business, we are also taking on the challenge of creating new profit-earning opportunities to address domestic “2024 Issue”, such as initiating a collaboration with Yamato Holdings Co.

The other perspective is profit expansion and growth. We will firmly expand the growth areas in our businesses in LCC and Mileage, Lifestyle and Infrastructure, expecting half of our profits to come from these domains.

In promoting these business model reforms, we will promote a business portfolio management that pursues

### Outline of Management Strategy



optimization while clarifying income and expenditures by business segment.

### Cross-domain efforts that support the growth of each business

In addition to the initiatives in each business area described above, the Rolling Plan 2024 will continue to focus on six initiatives across all businesses to achieve management targets: safety, customer experience (CX), green transformation (GX), sales and marketing, human resources, and finance.

For example, with CX, in addition to the points of contact with customers in the FSC business, through the Mileage-Lifestyle and Infrastructure business, JAL Card, and e-commerce, which provides a variety of services, we will develop a cross-business CX strategy to strengthen the connection with our customers by enhancing the value of the customer experience in their daily lives by saving, spending, and enjoying.

In addition, the Solution Sales Division, launched in April 2023, will provide new value to customers by seizing various opportunities to go beyond airline ticket sales, including

solving problems for customers, local governments, and corporations and creating opportunities for new relationships and societal connections.

### Toward further growth

We will also focus on investments for growth. In March 2024, we announced the introduction of 42 new aircraft in order to shift from the previous recovery and stability phase to a full-fledged growth phase.

Of these, 30 aircraft will be introduced on international routes, which are positioned as a growth area. We plan to expand the scale of our international FSC and LCCs, to approximately 1.4 times the current level by FY2030 through route network expansion, with a focus on North America, Asia, and India, where steady demand growth is expected. In addition, by introducing the latest fuel-efficient aircraft, we will further reduce CO<sub>2</sub> emissions while providing the best possible service to our customers.

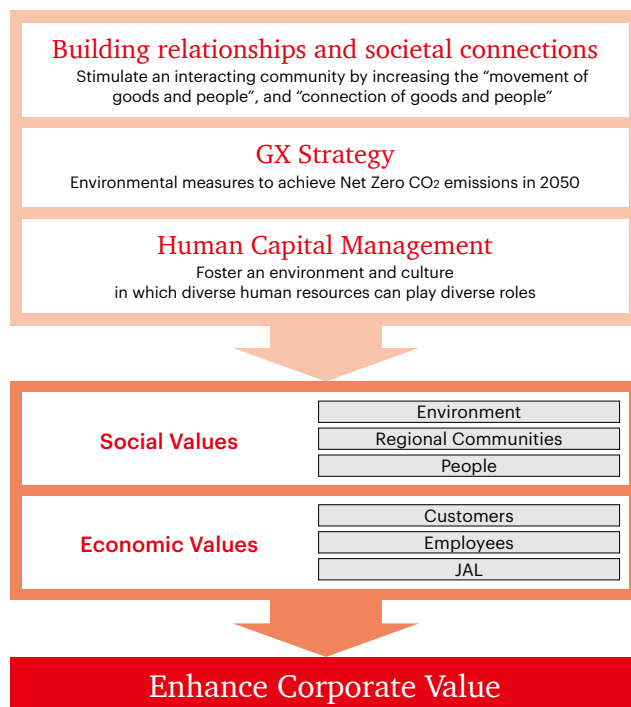
## Enhancing Corporate Value over the Medium-to Long-Term through ESG Strategies

### Creating social and economic value through increased relationships and societal connections

JAL Vision 2030, the JAL Group's long-term vision, visualizes a society that is safe with a peace of mind and a sustainable future. ESG strategies are central to our efforts to realize this vision.

In this ESG strategy, the value creation story is to create social values such as regional revitalization, reduction of environmental impact, and improvement of well-being by creating societal connections among many people through safe

#### Themes to be Addressed in the Medium to Long-Term



and comfortable movement of people and goods, as well as to enhance the growth (economic value) of the Group.

These ideas were reinforced by the restrictions on moving freely during the COVID-19 pandemic and the loss of various social and economic value-creating opportunities. Although we were forced to suspend or reduce flights in response to the reduced demand, the unprecedented situation has given us a new perspective on the value of our fundamental offerings.

This value creation story was mentioned in last year's announcement of the Rolling Plan 2023. Many people said that they understood the main idea but did not understand how it was to come about. Therefore, in Rolling Plan 2024, we decided to present an indicator that visualizes the effects of relationships and societal connections.

In formulating the indicators, we conducted a survey and research with the cooperation of a research institute at the University of Tsukuba. As a result, the total amount of relationships and societal connections was derived by multiplying the number of people related to interacting communities and the level of community involvement. The goal was set to increase this total amount to 1.5 times the 2023 level by FY2030.

In the future, we will conduct research based on the data obtained from this survey to objectively clarify what purposes people are traveling for, what measures are effective in increasing such opportunities, and what can be done to make people feel a stronger sense of involvement and connection, in order to increase the number of people. By doing so, we aim to increase relationships and societal and to create social and economic value, as well as enhance the corporate value of the JAL Group.

### GX strategy toward net zero emissions and strengthening human capital management as an engine of growth

In addition to creating relationships and societal connections, the ESG strategy includes GX Strategy and Human Capital Management as topics to be addressed over the medium to long term.

In the past, air transportation did not have to bear any

blame or cost for emitting CO<sub>2</sub>, but as environmental impacts are becoming more serious, the airline industry must be keenly aware that it is creating negative social value by emitting CO<sub>2</sub>. In order for the business of air transportation itself to be tolerated by society, it is essential to position it as an important management strategy and work toward decarbonization. Therefore, we have established a roadmap to achieve net zero emissions by 2050 and are promoting the GX strategy.

In addition, in order to create new initiatives that create relationships and societal connections, it is important not only to analyze the data that will serve as indicators, but also to work with imagination to understand the joy and excitement that people experience through transportation. People are the growth engine of our Group, both in terms of our business characteristics of providing safety and peace of mind and in terms of our business strategy of creating growth businesses. We believe that the major mission of our management team is to create an environment that enhances the capabilities of each individual and allows them to make the most of their abilities and increase their engagement while actively utilizing the sensitivities and values of our diverse human resources.

Our Group, currently recovering from the COVID-19 pandemic in our daily life, has recovered strong earnings and are aggressively investing in future growth. In this regard, we would like to remind our stakeholders that we are not envisioning a future based solely on the traditional values of investing in new aircraft and route network expansion simply because air transport demand has increased. What we want to realize is a society and a future in which people are inspired by the relationships and societal connections between people that lie at the root of air transport demand.

In the midst of the unstable global situation, social issues are becoming more serious in Japan, and the uncertain future is expected to continue. This is why the true value of JAL Vision 2030, namely our aim at a society that is safety and peace of mind and a sustainable future, will be questioned. With this in mind, we will continue to strive for the creation of value unique to the JAL Group.

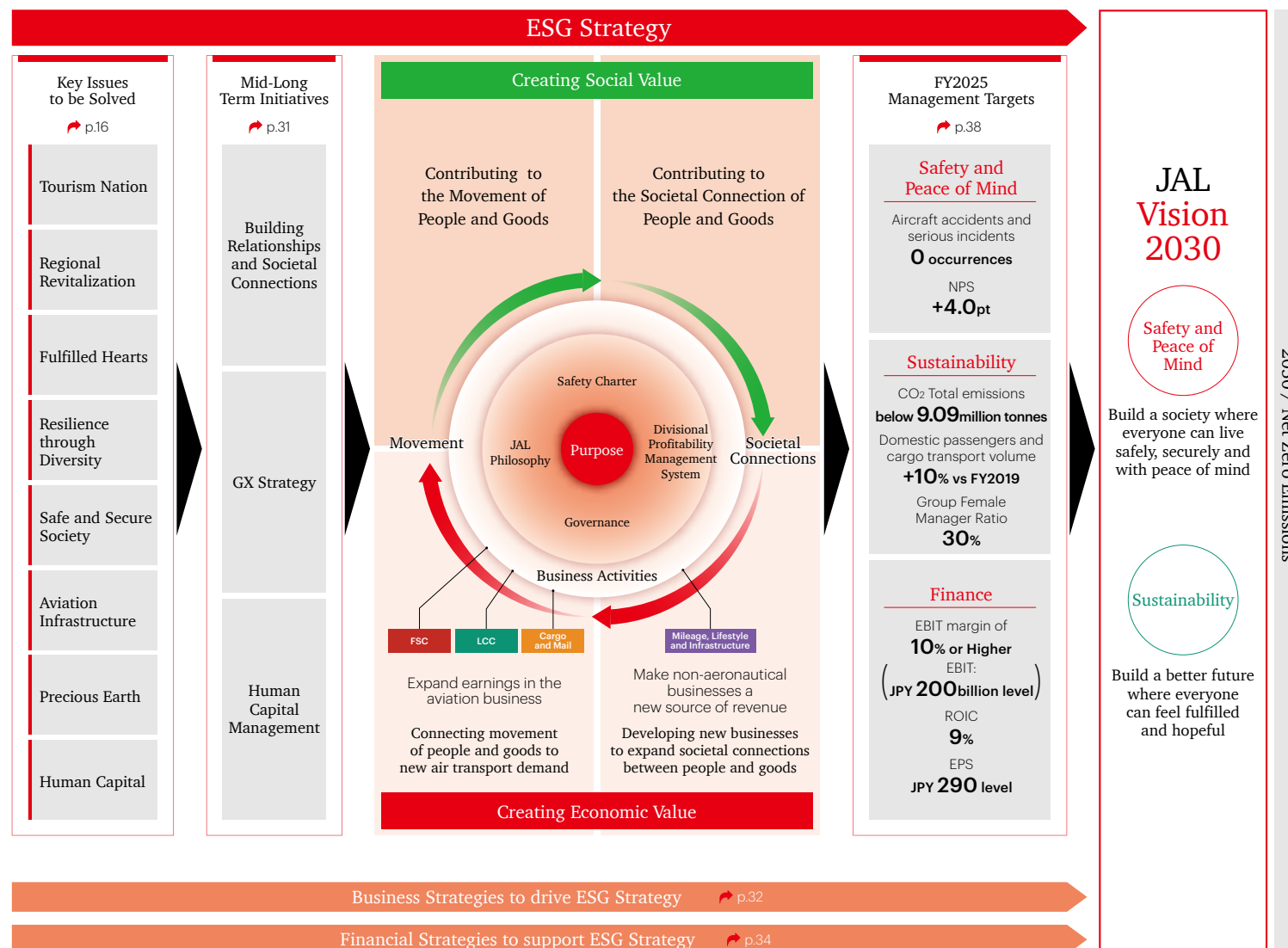
## ESG Strategy Overview

Towards 2030, the JAL Group positions the ESG strategy as the topmost strategy to create value and achieve growth, the Group will create sustainable social and economic value by creating relationships and societal connections through movement.

Under the ESG strategy, the JAL Group will address Creating Relationships and Societal Connections, GX Strategy and Human Capital Management, which are set as themes to be addressed over the medium to long term in response to material issues that has identified based on future megatrends and that need to be resolved.

This will enable us to complete the Medium-Term Management Plan through FY2025 and achieve our management targets. Furthermore, we will create a society that is safe with peace of mind and a sustainable future as stated in JAL Vision 2030, the vision of the JAL Group for 2030. The Group will realize a society and future where people and goods can move freely about and be at peace with each other.

In order for the business of air transportation itself to be acceptable to society, we will steadily advance our GX strategy to achieve net zero emissions by 2050.





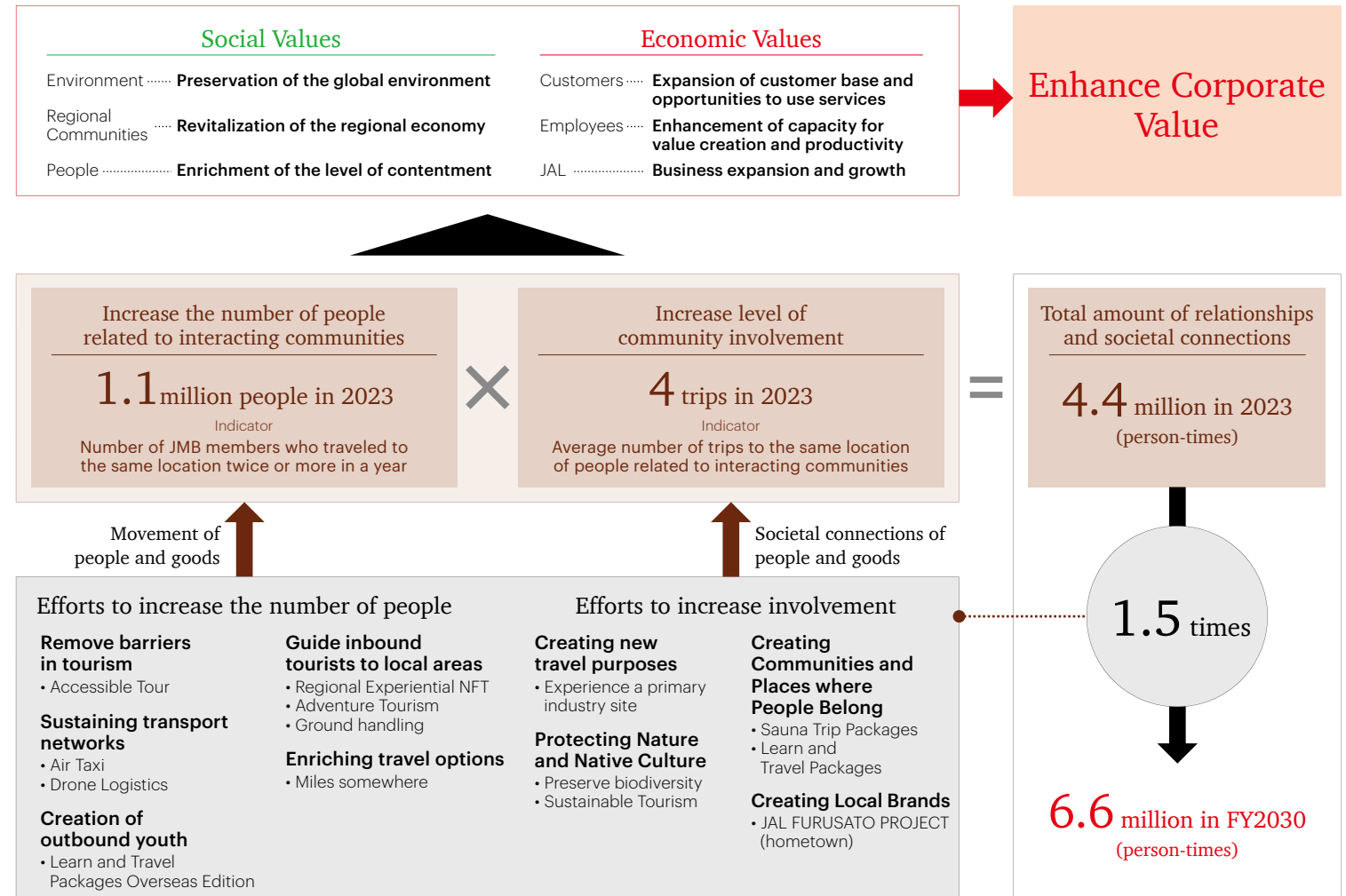
## ESG Strategy (Building relationships and societal connections)

### Creation of social and economic value through the creation of relationships and societal connections

In the JAL Group Medium Term Management Plan-Rolling Plan (MRP) 2023, the JAL Group presented a value creation story of creating social and economic value and enhancing corporate value by creating more relationships and societal connections through movement.

Furthermore, in the JAL Group Medium Term Management Plan-Rolling Plan (MRP) 2024, we set quantitative management targets to be achieved by FY2030 in realizing this value creation story. The goal is to increase the total volume of relationships and societal connections by improving the number of people related to interacting communities and level of community involvement to 6.6 million (person-times) by FY2030, which is 1.5 times the 4.4 million (person-times) in 2023.

Specifically, efforts to increase the number of people related to interacting communities include expanding accessible tours and tourism that allow everyone to move freely, attracting inbound visitors to the region through adventure tourism, and increasing the level of involvement by creating mechanisms to create communities and places to live, and preserving nature and culture through sustainable tourism. By increasing relationships and societal connections and expanding the flow of people and commodities, we aim to create social value such as regional revitalization, as well as economic value, and enhance the corporate value of the JAL Group.



Research cooperation: National University Corporation University of Tsukuba

\*The term "nonresident population" refers to people who are not immigrants, tourists, or simply returning home, but who are involved in a continuous and diverse way with a specific region outside of their daily living or commuting area, and who contribute to solving regional issues.

## Overview of Business Model Reform

### Build a business model with resilience and potential growth

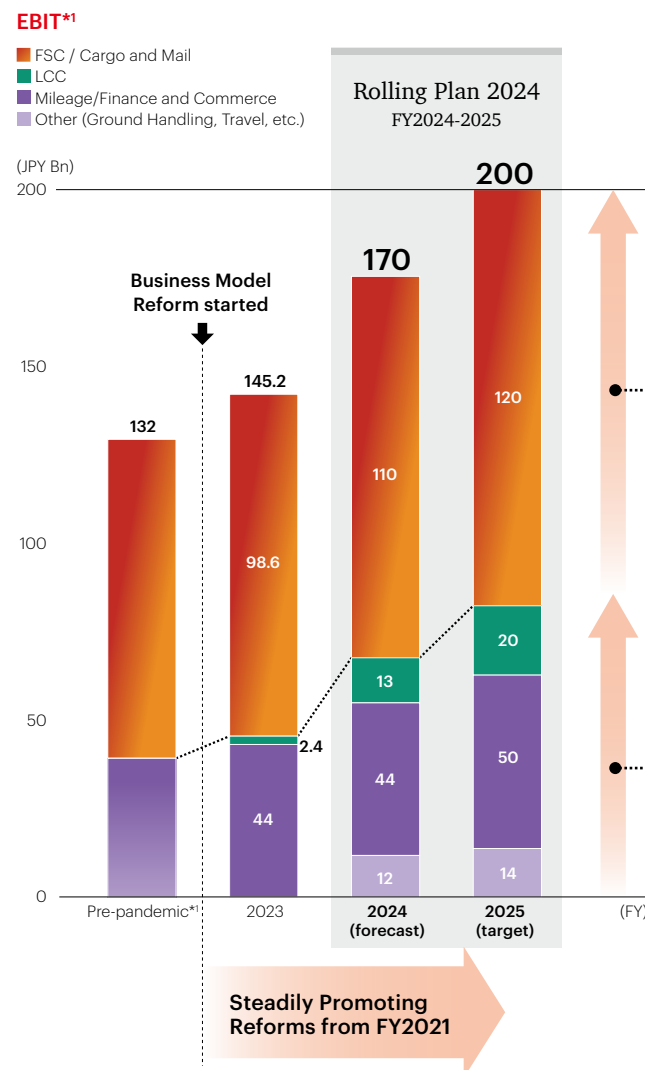
By restructuring our business portfolio through the promotion of ESG strategies and working to solve social issues through our business in four business areas, we will achieve medium- to long-term profit growth while changing our profit structure.

Our FSC business will capture growing demand on international routes and build a sustainable domestic route network, while Cargo and Mail will restructure its profit structure by developing a new freighter business and strengthening strategic items to achieve growth in an environment that is different from that before the COVID-19 pandemic.

The LCC business will expand its scale of operations through aggressive international air travel demand. The Mileage/Finance and Commerce business will expand opportunities to accumulate miles in daily life. The Ground Handling business will aim for profit growth and expansion of our business to meet growing inbound air transport demand. We aim for profit growth and expansion of a business structure that does not depend solely on aviation business.

By restructuring our business, we will achieve our profit targets for FY2025 and a business model with resilience and growth potential.

➡ Please refer to p.49 for details on Strategies for Each Strategies.



### Restructuring of Profit Structure

**FSC**  
➡ p.51

**International Passenger**

- Strengthen competitiveness and maintain unit price
- Further capture inbound demand
- Stimulation of outbound demand

**Domestic Passenger**

- Strengthening profitability
- Creation of interacting community and attracting inbound demand to local areas
- Building a sustainable network

**Cargo and Mail**  
➡ p.57

- Develop freighter business
- Maintain and improve unit price by transporting strategic items

### Profit Expansion and Growth

**LCC**  
➡ p.55

- Expansion of business scale and aggressive international flight development

**Mileage, Lifestyle and Infrastructure**  
➡ p.60

**Mileage / Finance and Commerce**

- Expanding opportunities to accumulate miles in daily life
- Development of exciting special awards
- Growth through expansion of transaction volume in our Commerce business

**Ground Handling**

- Expanding the business to further grow inbound demand

**Air Mobility Business**

- Providing solutions to local issues using drones
- Creating new air transportation value with Air Taxi

Promote Business Portfolio Management by Clarifying Profit and Loss by Business Segments

EBIT adjustments due to change in reporting segments are not reflected.

\*1 Pre-pandemic: FY2019 actual results excluding the impact of the COVID-19 pandemic (earnings forecast disclosed at the time of announcement of FY2019 Q3 financial results (IFRS))

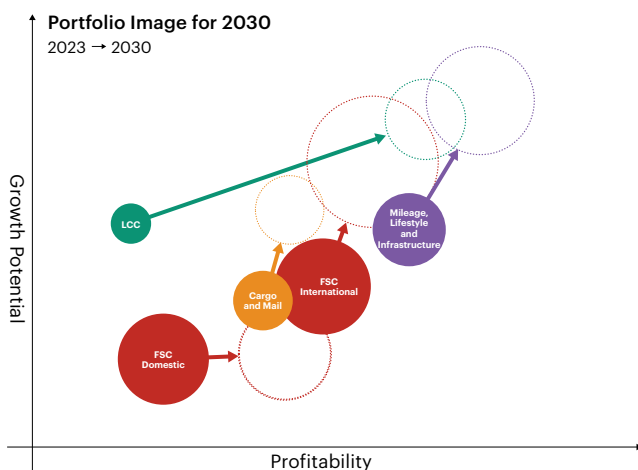
## Business Portfolio Management

### Direction of Medium- to Long-Term Business Portfolio

During the current Medium-Term Management Plan period and beyond, we will continue to promote business model reforms to achieve a highly risk tolerant profit structure while expanding profits in each of our business areas.

Especially in the future growth areas of FSC International Passenger Business, LCC Business, and Mileage, Lifestyle and Infrastructure Business, we will broaden the scope of our business through new businesses that leverage JAL's brand and assets, and we will also take on the challenge of creating new profit opportunities by creating new value and related businesses created through ESG strategies.

### Medium- to long-term Growth Potential of Each Business



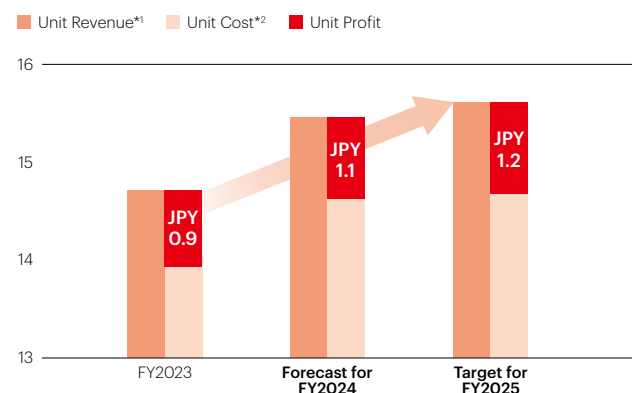
\*Circle size: Sales scale

## Increase of Profitability in The FSC Business

In the past, we have used real fixed costs as an indicator for our company-wide cost reduction efforts. However, in view of the future decline in the workforce, it is essential to improve the efficiency of our business structure and realize productivity gains. It is also important to increase revenues by maintaining and improving yields through revenue management and other means. Therefore, we have decided to introduce unit profits as our profitability indicator to focus not only on costs

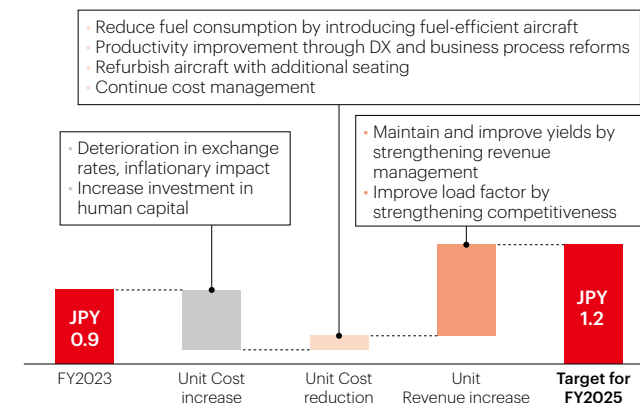
but also on income and expenses, aiming to maximize profits by improving yields and productivity to counteract high costs caused by jet fuel market prices, foreign exchange rates, and inflation. We will of course continue to control costs hereafter by implementing human resources and growth investments, as well as continuing cost control, and promoting DX utilization to improve profitability.

### 2023-2025 Unit Profit\*3



\*1 Unit Revenue = Passenger Revenue / ASK \*2 Unit Cost = (operating expenses - revenues other than passenger revenue) / ASK \*3 Unit Profit = Unit Revenue - Unit Cost

### Unit Profit\*3 Initiatives for Improvement





## Strengthen Our Risk Resilience and Further Accelerate Sustainable Growth

### YUMISAKI Masao

Executive Officer  
Senior Vice President, Finance and Accounting  
Senior Vice President, Business Administration



### Overall Finance Strategy

The JAL Group's basic policy of financial strategy is to strategically allocate management resources to increase corporate value, while balancing a strong financial position with high capital efficiency.

To maintain a strong financial position, we aim to achieve approximately fifty percent of shareholders equity ratio based

on credit rating evaluation by the end of FY2025, and plan to strengthen risk resilience by obtaining and maintaining credit rating of an "A Flat" or higher (Japanese rating agencies). At the same time, we accelerate our efforts to allocate business resources for sustainable growth.

Regarding financing in general, we recognize the importance of maintaining and improving the capability of stable and diverse financing as an important management matter, and will strive to maintain and improve our strong financial position, which is the basis for our financing capabilities. JAL receives credit ratings from two domestic rating agencies. At the time of making this report (by the end of August 2024), we have received an "A (stable)" from Japan Credit Rating Agency and an

"A minus (stable)" from Rating and Investment Information, Inc. In addition, through maintaining good business relationships with major financial institutions, we believe that we can smoothly raise the necessary operating capital and investment funds. As a result of our flexible financing to overcome the COVID-19 pandemic, even though our interest-bearing debt balance increased over the past four years, at the end of March 2024, our shareholders equity ratio based on credit rating was 41.0 percent and Net D/E Ratio was 0.0, which means that we have maintained as one of the strongest financial bases in the aviation industry. Moreover, to ensure sufficient liquidity on hand, to diversify financing methods, to improve capital efficiency, and to procure aircraft, which are the Group main

### Results, Goals, Initiatives of Each Indicator

		Results of FY2023		Goals of FY2025	
Balancing Strengthening Risk Resilience with Growth	Profitability Indicator	EBIT Margin	<div>Business goal</div> 8.8%	10% or higher	<ul style="list-style-type: none"><li>Improving FSC segment through unit cost management</li><li>Improving profitability in Mileage, Lifestyle and Infrastructure segment</li><li>Controlling cost and promoting productivity improvement</li></ul>
		EPS	<div>Business goal</div> 219 JPY	At level of 290 JPY	
	Efficiency Indicator	ROIC	<div>Business goal</div> 7.3%	9% <small>In addition, introducing "Sustainable ROIC (tentative name)", a new investment efficiency index that takes social values into account</small>	Realizing effective investment
		ROE	11.1%	10% or more by surpassing capital cost	
	Safety Indicator	Equity Ratio	41.0% (credit rating)	Over 50% (credit rating)	<ul style="list-style-type: none"><li>Strengthening risk management</li><li>Maintaining and improving financing capabilities</li><li>Improving capital and asset efficiency</li></ul>
		Credit Rating	R&I: A- JCR: A Flat	Achieve "A Flat"	
		Liquidity on hand	863.8 Bn JPY Credit Facility 150 Bn JPY	Secure 5.0–5.6 months' worth of passenger revenue (Including credit facility)	
Management Resource Allocation	Resource Allocation	<div></div>	Accelerate efforts to achieve sustainable growth while improving risk resilience.	<ul style="list-style-type: none"><li>Promoting investment for sustainable growth</li><li>Implement optimal resource allocation</li><li>Compliance with financial discipline</li></ul>	
	Financial Discipline	<div></div>	Secure sufficient free cash flow for each fiscal period		
Shareholder Return	Dividends	FY2023: 75 yen/share	Achieve a dividend payout ratio of over 35% as soon as possible	Emphasis on stability and continuity of dividends	

business assets, we're utilizing partially interest-bearing liabilities such as borrowing from financial institutions, issuing corporate bonds, and leasing aircraft.

In terms of capital investment as an allocation of management resources, while expanding the LCC business domain, we will also accelerate the group's growth by investing in and upgrading to the latest fuel-efficient aircraft. We strive to stably and flexibly secure the necessary funds for capital investment. To maintain financial discipline, we will effectively utilize internal and external funds, and in principle, capital investment will be within the scope of operating cash flow. However, we will consider increasing capital investment as necessary and actively investing for future growth. In addition, we will actively utilize ESG finance to promote ESG investment. The JAL Group is the first airline in the world to issue transition bonds and issued its third and fourth bonds in May 2024. The funds raised through these will be used for upgrading to fuel-efficient aircraft and together with increasing the carried amount of sustainable aviation fuel (SAF), we aim to achieve the goal of net zero CO<sub>2</sub> emissions by 2050.

## Balancing and Strengthening Risk Resilience and Growth

### Policy of Liquidity on hand

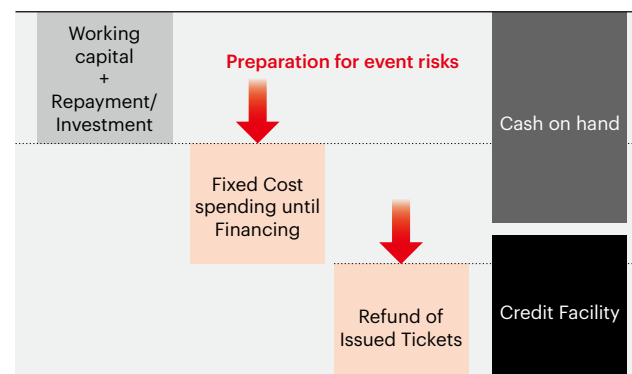
The JAL Group's performance indicators for strengthening risk resilience are set in preparation for risk events at pandemic-level scales. In regards to liquidity on hand, while partially utilizing credit line together with securing approximately 5.0 to 5.6 months of passenger revenue, we're aiming for approximately 50% of shareholders equity ratio based on credit rating evaluation by end of FY2025.

We expect to repay around 200 billion yen of debts (total amount of two years) to rebuild our financial base and have secured the liquidity on hand to cover for the payment.

### Policy for Liquidity on Hand

After Covid-19, we secured the liquidity on hand at an appropriate level of 5.0 to 5.6 months of passenger revenue (at the end of each month).

- Securing a level which enables it to withstand risks (including utilizing credit lines) to correspond to a scale of passenger revenue that would be significantly affected when an event risk occurs.
- Securing an appropriate level of cash and deposits while taking asset efficiency into account.



## Enhancement of portfolio management

To increase profit and growth through promoting business model reform, from FY2024, we will manage cost distribution in accordance with the latest situation of each business, further strengthen business portfolio management by grasping in detail revenue and expense in each business domain, and to realize management that leads to future growth in non-aviation business domains.

### Visualizing Revenue and Expenses by Business Domain

- To improve the accuracy of revenue and expense segments, which was previously calculated in a simple manner, and promote business portfolio.
- To accelerate business model reform by clarifying management responsibilities and domains through visualization of revenue and expense by segments.
- To plan for expansion and growth of each segment : LCC, "Mileage, Finance, Commerce" and "Others".

## Allocation of Management Resource

### Basic policy of ESG Investment

The JAL Group promotes investments to support ESG strategy and plans to invest a total of 550 billion yen in assets in FY2024-2025. We distribute approximately 60% of this amount to invest in contributions to global environmental conservation.

From the viewpoint of allocating management resources, while keeping the balance of shareholder return with the company's growth in the future and accelerating ESG strategy further, we are widely promoting growth investment to improve the productivity and efficiency of our workforce.

### Allocation of management resources and trends in free cash flow



\*1 Operating Cash Flow excluded human resources investment and ESG promotion costs \*2 Calculation using ICP (Internal Carbon Pricing) of 15,000JPY/t

### Sustainable ROIC

The JAL Group is also considering introducing a new investment efficiency indicator called "Sustainable ROIC (tentative name)" which takes social value into account. From a medium-to- long-term perspective, this indicator allows more appropriate evaluation of investment targets which bring social value, and is a part of our efforts to accelerate ESG investment.

### Sustainable ROIC

$$\text{Sustainable ROIC} = \frac{\text{EBIT} + \text{Social Value}}{\frac{\text{Beginning and end of period Fixed assets average}}{2}}$$

### Investment Criteria

While taking the diversity of each business domain based on business model reform, the JAL Group sets a different hurdle rate for each investment. Based on that, we are able to implement appropriate risk control and promote further the growth through investment (Utilizing ICP: Internal Carbon Pricing). Moreover, we also introduce a system that converts social value such as CO<sub>2</sub> reduction into monetary value and evaluates it as an investment effect. The introduction of this evaluation is an important step in promoting the creativity of social value through ESG strategy, which is the topmost strategy of the JAL Group.

### Shareholder Return

JAL is taking shareholder return as one of the most important management matters. Our basic policy is to proactively return profits to shareholders by providing continuous and stable dividends and flexibly conducting buyback, while securing retained earnings to support investments for future corporate growth, to respond to changes in the business environment, in order to build a strong financial base. As for dividend amount, our target dividend payout ratio is approximately 35% with emphasis on continuity, stability and predictability. In addition,

we will proactively and flexibly implement buyback while paying attention to JAL's financial situation. Through this, JAL will strive to achieve roughly 35% to 50% of total return ratio, based on the total amount of dividends and buyback, by appropriately allocating periodic profits to stakeholders and management resources. Furthermore, we will continue to improve capital efficiency and pay close attention to the level of the total shareholder return which is the sum of total dividends and buyback divided by capital attributable to shareholders, and will strive to keep this indicator at over 3% roughly.

JAL's basic policy is to pay dividends twice a year, an interim dividend and a final dividend, and the General Meeting of Shareholders will make a decision for the final dividend while the Board of Directors decides for the interim dividend. The annual dividend forecast for FY2024 is 80 yen per share, and the dividend payout ratio is expected to reach 35%. In the future, we will continue to pay continuous and stable

dividends while securing funds for growth investments and a strong financial base.

For details, please see "Profit distribution" on page 129.

## Building a Strong Financial Position

Through these financial strategic initiatives, the JAL Group is strengthening its foundation to maintain a stable management and realize sustainable growth even in an uncertain economic environment. Strengthening risk resilience and financial base, efficiently allocating management resources and investing for sustainable growth are key elements for the JAL Group to respond to unavoidable challenges, maintain competitive ability and achieve growth in the future. With those efforts, the JAL Group is building a system that can respond quickly and flexibly to changes of the industry and market trends, and accelerate the transition to a sustainable business model.

Especially, strategies such as ESG investment, introduction of sustainable ROIC or visualization of revenue and expense by each business domain, will demonstrate the JAL Group's stance in balancing social responsibility with sustainable economic growth. We expect that our efforts will increase stakeholders' trust and contribute to the corporate value improvement in the long-term.

Besides, by reviewing investment criteria and setting various hurdle rate, the JAL Group can utilize resources most effectively and focus on businesses that create the greatest returns. This will enable the JAL Group to identify new growth opportunities, to diversify our business portfolio and to pursue sustainable growth.

Through these strategic initiatives, the JAL Group aims to build a stronger corporate entity that can adjust to the new business environment in the post-pandemic and respond to changing customer needs.

## Highlight

### Strengthening Communication with Individual Shareholders

In addition to dialogue with institutional investors, we are actively working to strengthen interactive communication with our more than 400,000 individual shareholders. We disclose information disclosure by posting information related to management, such as Corporate Policy, management strategies, management plans, and business results, on our website, and by sending out IR e-mails, which provide IR-related information in a timely manner. In May 2024, we relaunched the JAL Shareholders Only Website. For the Ordinary General Meeting of Shareholders held in June, we accepted questions in advance on the website, and the director in charge answered all of the approximately 400 questions. By answering all the questions asked in advance, which was started in the previous year, we have realized interactive communication of higher quality and quantity, which is difficult to achieve in a general meeting where time is limited.

In addition, the JAL SKY MUSEUM Tour was conducted as an opportunity for participants to deepen their understanding of the JAL Group.

Furthermore, in January 2024, we offered a tour of Airbus A350, the new flagship of the JAL Group, to provide visitors with an opportunity to see the new inflight space and cockpit, and to become more familiar with our business.

We will continue our efforts to further enhance and improve the quality of our disclosure and to achieve a better dialogue with our shareholders and investors.



Shareholders-only event "Tour of Airbus A350"



JAL shareholder website (Japanese only)  
URL: <https://jal.premium-yutaiclub.jp/>

## Management Targets

The JAL Group has set management targets to be achieved by FY2025 based on the social environment, stakeholder expectations, the degree of impact through business, and the importance of the targets to management. Specifically, the JAL Vision 2030 sets targets for safety and peace of mind and sustainability, which are social values. For financial values, which are economic values, we have set management targets for each of these areas as our most important management targets to improve the well-being of our customers, society, and employees.

### Safety and Peace of Mind

With regard to safety, which is a prerequisite for value creation, we will strive to reduce the number of flight accidents and serious incidents to zero as a leading company. Regarding peace of mind, which we define as CX, we will strive to create a world-class customer experience in all aspects of daily life, in addition to flight safety. We will strive to improve NPS, an objective measure of customer satisfaction.

### Sustainability

With regard to environment, we have backcasted from achieving net zero CO<sub>2</sub> emissions by 2050 and have set total emissions as our CO<sub>2</sub> reduction target for 2025. In addition, we will thoroughly reduce single-use plastics, including the total elimination of new petroleum-derived materials. With regard to the movement of people and goods that enhance our relationship and societal connection with local communities, we will strive to expand domestic passenger and cargo transportation volume. In human resources our greatest capital, we have set a target for the proportion of women managers, aiming to have a diverse range of human resources in active roles in the workplace.

### Finance

The management targets are profitability ("EBIT margin"), which is to be increased through business model reform, return on investment ("ROIC"), which is to exceed the cost of capital, and "EPS", which is to exceed the pre-pandemic level.

FY2025 Targets		
Safety and Peace of Mind	Safety	Aircraft accidents and serious incidents: <b>0</b> occurrence (During the entire period of the Medium-Term Management Plan)
	CX* <sup>1</sup> (Peace of Mind)	Top level customer experience both in air travel services and daily life NPS* <sup>2</sup> : <b>+4.0</b> pt (FSC international and domestic)
Sustainability	Environment	CO <sub>2</sub> emission reduction Total emissions: below <b>9.09</b> million tonnes (FY2019 results)
		Reduction of single-use plastic* <sup>3</sup> Cabins and lounges: No use of new petroleum-based plastics Cargo and airport: <b>100</b> % switch to eco-friendly materials* <sup>4</sup>
	Communities	Regional revitalization Domestic passengers* <sup>5</sup> and cargo transport volume: <b>+10</b> % vs. FY2019
	People	Promotion of DEI Group female manager ratio* <sup>6</sup> : <b>30</b> % Consistent efforts to encourage various human resources to demonstrate their potential
Finance	EBIT Margin (Profit margin on sales)	Achieve <b>10</b> % or higher
	ROIC* <sup>7</sup> (Return on invested capitalist)	Achieve <b>9</b> %
	EPS (Net profit per share)	Approx. <b>¥290</b>

\*1 Customer Experience \*2 Net Promoter Score: Objective indicator of customer satisfaction (compared to the beginning of FY2021)

\*3 Single-use plastic products provided to our customers

\*4 Items that do not use new or reduced petroleum-derived raw materials, such as biomass, recycled plastic, and certified paper

\*5 Increase in passenger count between metropolitan and regional areas by stimulating tourism demand and creating new flows etc.

\*6 Organizational management positions \*7 Return on Invested Capital (ROIC) = EBIT (after tax) / average of fixed assets\*<sup>8</sup> at the beginning and end of the fiscal year

\*8 Fixed assets = Inventories + non-current assets - deferred tax assets - assets for retirement benefits

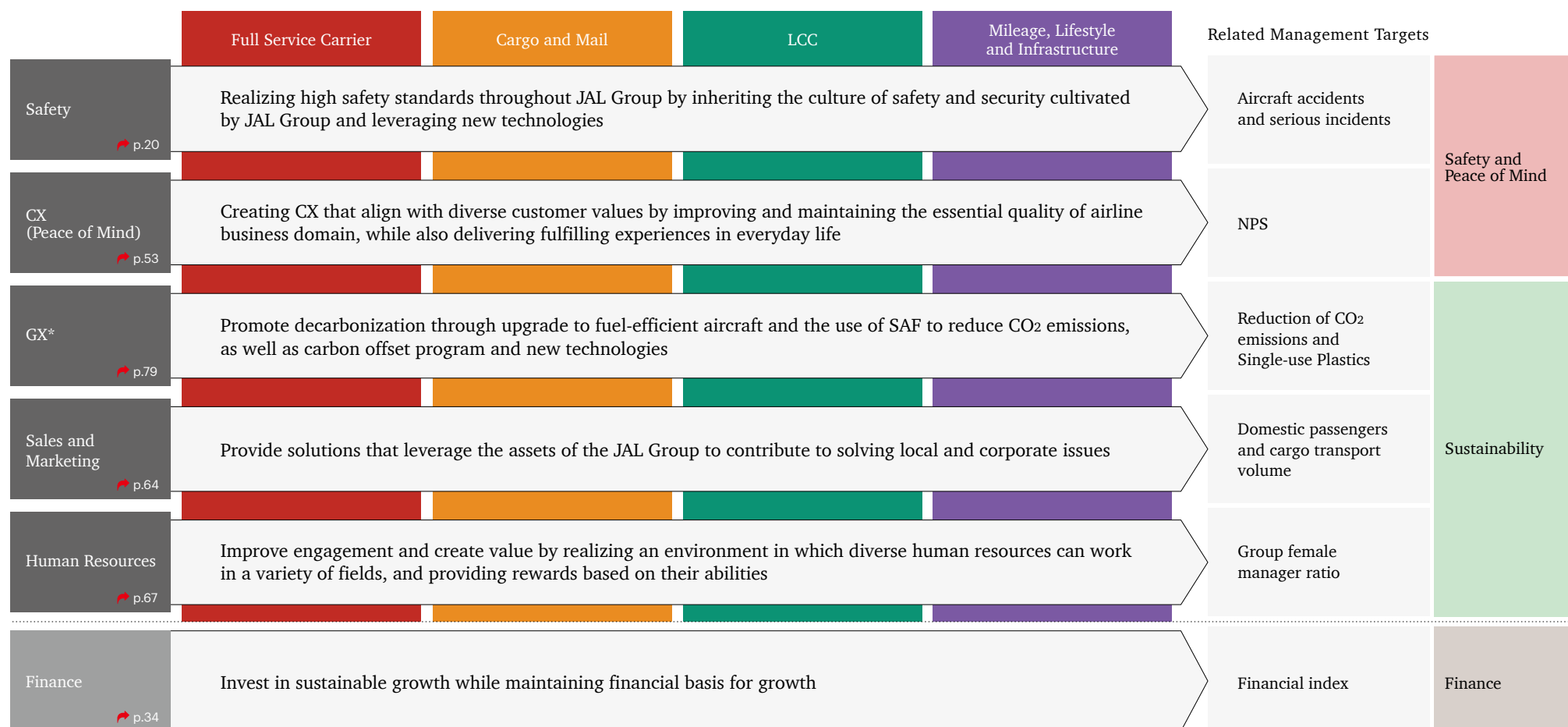
Note: Aim to improve total shareholder return (TSR)

## Measures That Cross Business Domains to Achieve Our Management Targets

In order to achieve our management targets, in addition to initiatives in each of the following six areas (safety, customer experience (CX), green transformation (GX), sales and marketing, human resources, and finance), in addition to

initiatives in each of the business areas of Full Service Carrier, Cargo and Mail, LCC, and Mileage, Lifestyle and Infrastructure Business, we believe it is important to support each business by promoting coordinated efforts across all business domains.

Through the achievement of targets in each business area and business collaboration in the six areas, we will achieve our management targets for FY2025, and beyond that, achieve sustainable growth in our business operations.



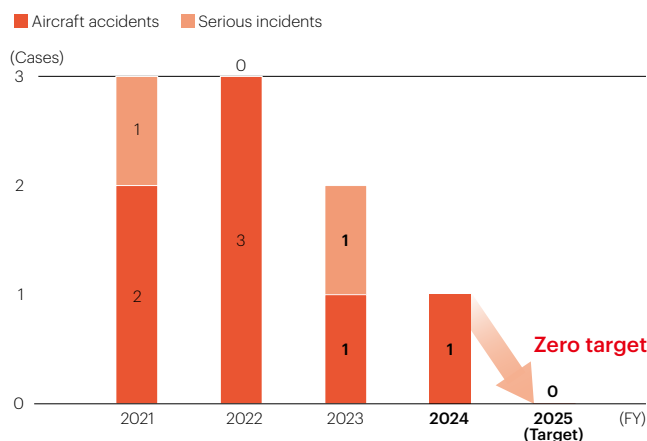
\*GX: Green transformation



## Progress on Management Targets and Future Initiatives

### Safety

#### Zero aircraft accidents and zero serious incidents



#### Enhance safety with DX

- Introduce a new system that automatically detects in-flight turbulence and shares the information with other aircraft
- Promote efforts to predict and repair aircraft failures
- Implement industry-wide measures to prevent runway incursions

#### Pass on safety to the next generation

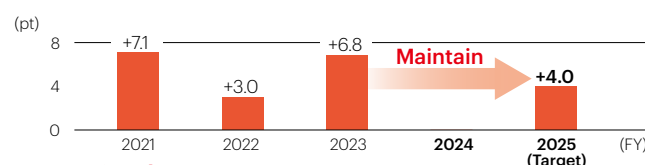
- Launch of a program to develop experts to support actual operations
- Implementation of initiatives to pass on safety to diverse human resources (Three actuals principle)
- Establishment of a system to support the mental health of pilot crews

### CX (Peace of Mind)

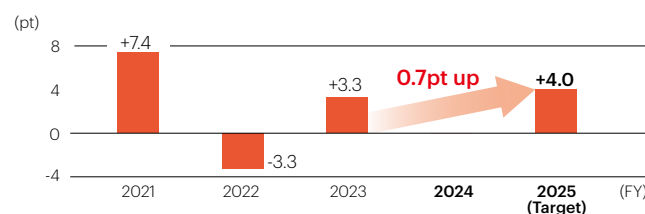
#### NPS: +4.0pt

FSC international and domestic routes  
\*Compared to the beginning of FY2021

#### Domestic



#### International



#### Improve basic quality

- Industry-wide improvements in quality of on-time operations
- Provide a mobile app for self-service during flight disruptions

#### Deliver close-to-the-heart customer experiences

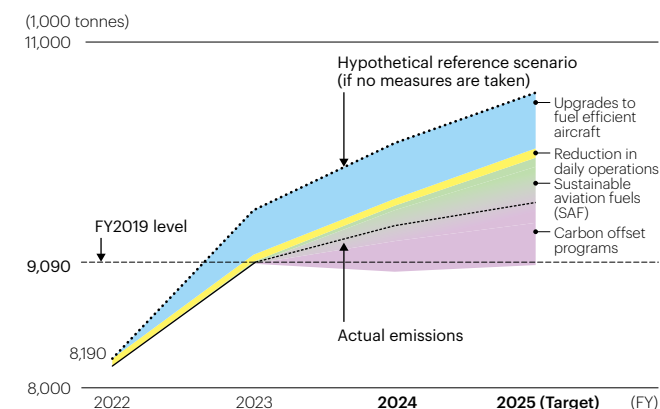
- Provide onboard experiences that allows you to design your own in-flight time
- Stress-free digital experiences

#### Provide experience of JAL's high-quality service in your daily life

- Development of a status program that accumulates over a lifetime, even in everyday life
- To improve the ease and usability of mileage in our daily life, and to deliver extraordinary and special experiences
- Provide new value and attraction of the region by utilizing JAL assets, such as e-commerce sales of local products

### GX (CO<sub>2</sub> Reduction)

#### CO<sub>2</sub> emissions: Less than 9.09 million tonnes (FY2019 results)



#### Upgrades to fuel efficient aircraft

- Introduce eleven A350-1000 aircraft
- Continue to replace with new aircraft (A350/787) until 47% of fleet will be fuel-efficient aircraft

#### Reduction in daily operations

- Further promotion of JAL Green Operations\*
- Optimize air traffic control systems through public-private partnerships

#### Sustainable aviation fuel (SAF)

- 1% of total fuel on board is replaced with SAF by FY2025

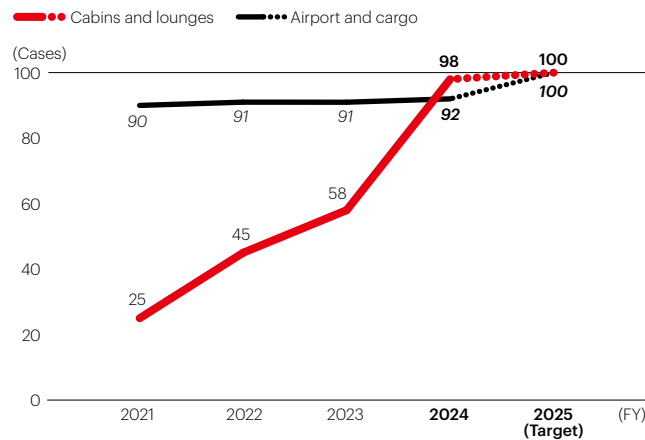
#### Emissions Trading

- Reduce CO<sub>2</sub> emissions through utilization of CORSIA-qualified credits, etc.

\*Cross-organizational efforts by the JAL Group to reduce CO<sub>2</sub> emissions through flight operation innovations

### Reduction of Single-Use Plastics

**Cabins and lounges: No use of new petroleum-based plastics**  
**Airport and cargo: 100% switch to eco-friendly materials**



#### • Cabins and lounges

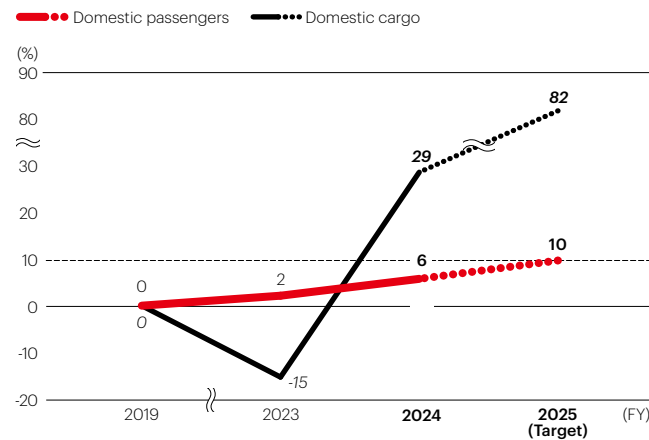
- Change of packaging materials (FY2024)
- Change in toothbrush materials (FY2025)

#### • Airport and cargo

- Airport: Achieved 100% changeover to environmentally friendly materials
- Cargo: Change to eco-friendly material for fixing film (FY2025)

### Communities

**Domestic passengers and cargo transport volume +10%**  
 (vs. FY2019)



#### • Expand domestic passenger transport volume

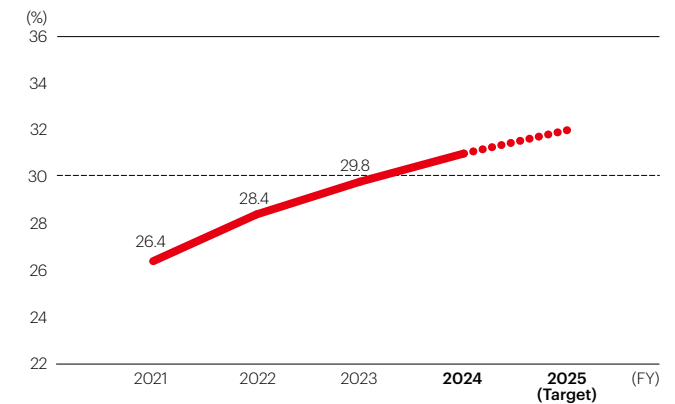
- Capture demand in the markets to/from the Kansai region on the back of Expo 2025 Osaka, Kansai
- Work with partnerships to attract inbound visitors to local areas
- Strengthen sales promotion of new tourism products, etc.
- Stimulate demand for younger customers (FSCs / LCCs)

#### • Expand domestic cargo transport volume

- Continuously capturing growing e-commerce demand, etc.
- Promote shift from land freight transportation to air cargo transportation in both passenger cargo space and freighter

### People

**Group female manager ratio: 30%**



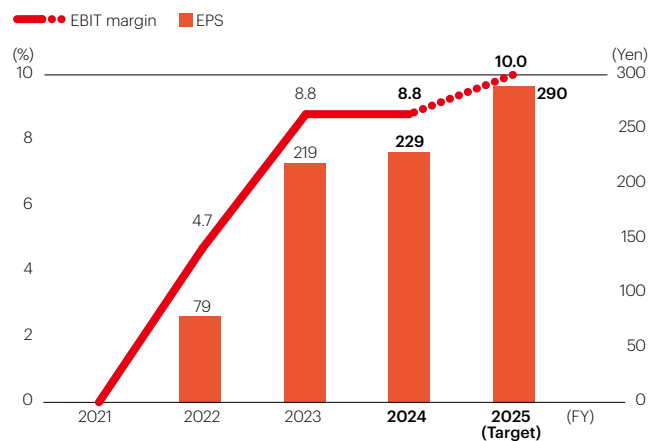
#### • Promote cross-organizational women's advancement

- Provide opportunities for cross-group activities that are not restricted to job professions (diverse assignments)
- Promote early promotion by reconsidering the current promotion requirements
- Facilitate senior employees promotion

Note: The proportion of female managers is calculated as organizational managers based on the September 4, 2015, "Law Concerning the Promotion of Women's Participation in the Workplace". The ratios based on the previous calculation method are as follows:  
 FY2020: 19.5%  
 FY2021: 21.9%  
 FY2022: 22.8%  
 FY2023: 23.5%

## Profitability Indicator

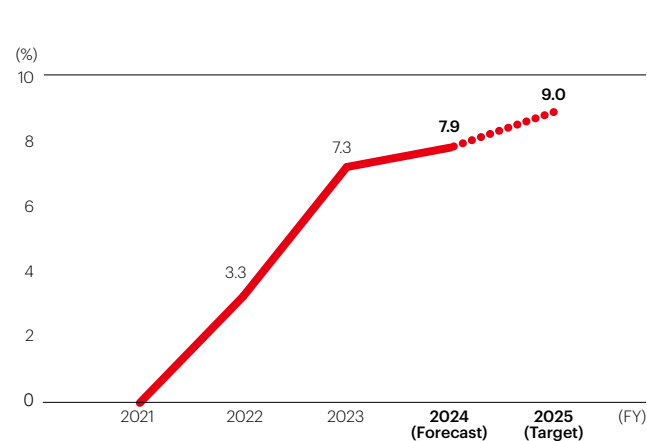
EBIT margin: Achieve 10% or higher, EPS: Approx. ¥290



- Improve efficiency of FSC domain with business management using unit profits ➡ p.33
- Improve profitability in Mileage, Lifestyle and Infrastructure business domain
- Driving proper cost saving and improve productivity

## Efficiency Indicator

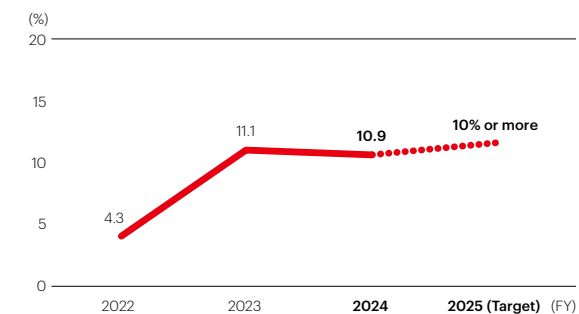
ROIC: 9%



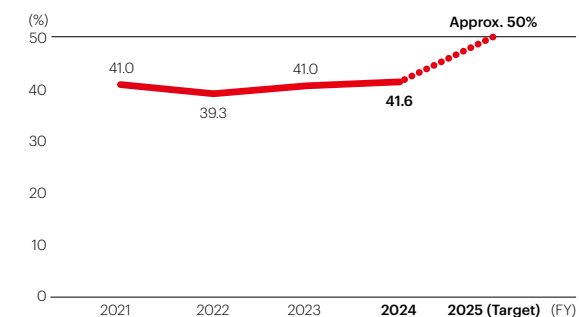
- Efficient investment
  - Efficiency-oriented investment selections
  - Strengthen investment progress management and PDCA implementation

## Reference Index

## ROE



## Stability Indicator



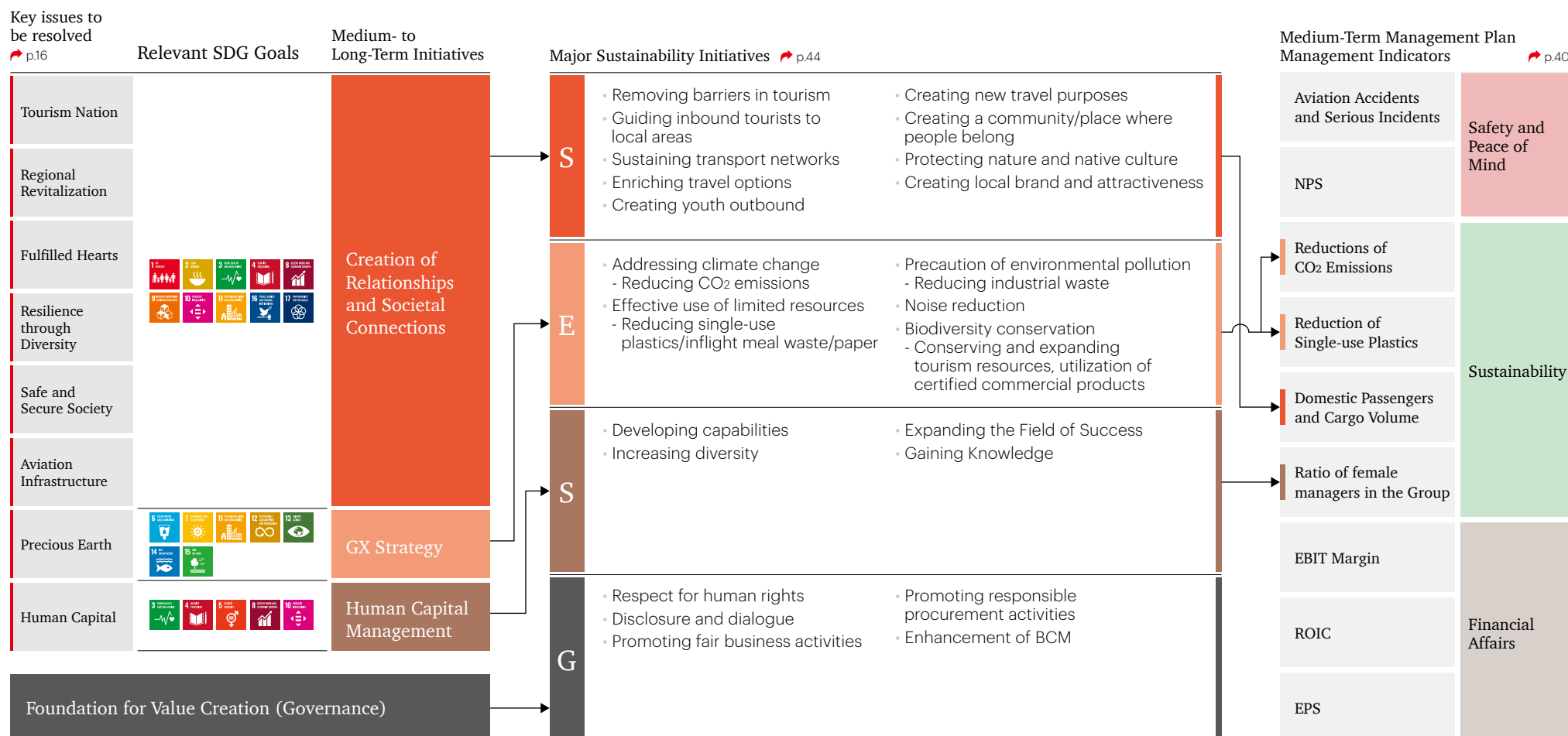
# Major Initiatives and Results Regarding Sustainability

To address materiality issues created through our social and economic values and businesses created through air transportation and societal connections, we have set and managed progress in each of the three themes of (1) Creation of Relationships and Societal Connections (2) GX Strategy and other initiatives for global environmental preservation to pass on

precious Earth to the next generation, (3) Human Capital Management aimed by our Human Capital Strategy, and Governance which is the foundation of value creation and promote ESG management.

Four of these initiatives, namely “reducing CO<sub>2</sub> emissions”, “reducing single-use plastics”, increasing “the ratio of female

managers”, women managers, and “regional revitalization”, have also been set as management targets (sustainability). We will accelerate our efforts to achieve the management targets of the current Medium-Term Management Plan, realize JAL Vision 2030, and resolve the materiality issues through a backcasting approach.



## S Creating Relationships and Societal Connections through Air Transportation

Initiatives	Performance indicators	Results of FY2019	Results of FY2020	Results of FY2021	Results of FY2022	Results of FY2023	Targets for FY2025	Related Key Materiality
Increase in domestic passengers and cargo traffic	Increase ratio (Passengers)	—	-74.2% v.s. FY2019*1	-59% v.s. FY2019*1	-15% v.s. FY2019	+2% v.s. FY2019	+10% v.s. FY2019 Management targets	Tourism Nation
	Increase ratio (Cargo)	—	-30% v.s. FY2019	-34% v.s. FY2019	-17% v.s. FY2019	-15% v.s. FY2019		Regional Revitalization
Maintenance and development of regional route networks including outlying island routes	Number of domestic entry points (Including code share)	62 points	61 points	61 points	64 points	65 points	More than 65 points	Fulfilled Hearts
Expansion of services provided through increased contract orders	Number of passenger and cargo flights regarding ground handling for foreign carriers	87,000 flights	9,000 flights	17,000 flights	29,000 flights	66,000 flights	107,000 flights	Resilience through Diversity
Promoting the use of domestic flights to in-bound tourists	Number of users	701,240 people	49,188 people	121,844 people	582,180 people	912,578 people	1,505,000 people	Safe and Secure Society
Commercialization of drone logistics and eVTOL Air Taxi	Commercialization	—	—	—	—	Drone commercialization (operation) started	FY2023: Drone delivery commercialization FY2025: eVTOL commercialization	Aviation Infrastructure
Promoting air travel to customers who find it difficult to travel	Ratio of such passengers onboard	0.36%	0.29% (0.8 times v.s. FY2019)	0.64% (1.8 times v.s. FY2019)	0.71% (1.9 times v.s. FY2019)	0.81% (2.2 times v.s. FY2019)	2.5 times v.s. FY2019	
	Number of wooden wheelchairs which go through metal detectors	478 units	478 units	478 units	508 units	508 units	580 units	
Enhancing pharmaceutical transportation	Transport weight	610 tonnes	721 tonnes +18% v.s. FY2019	1,172 tonnes +92% v.s. FY2019	1,363 tonnes +123% v.s. FY2019	3,274 tonnes +437% v.s. FY2019*2 Including dedicated pharmaceutical temperature storage at Narita Airport.	+572% v.s. FY2019	
Enhancing transportation of fresh products	Transport weight	—	—	—	—	8,175 tonnes +54% v.s. FY2019	+142% v.s. FY2019	
Promoting workstyle research with outside stakeholders	Number of member organizations of study groups	—	—	—	52 organizations	77 organizations	200 organizations	
Promoting JAL Wellness & Travel	Number of municipal partnerships	—	—	—	4 cases	5 cases	10 cases	
Strengthening planning and sales of recycled products in cooperation with companies outside the JAL Group	Number of affiliated companies	—	—	—	—	5 companies	15 companies	
Promoting Dokokani Mile	Cumulative number of users	—	—	—	540,000 people	630,000 people	810,000 people	
Creating flow of people through the development of subscription-type travel programs	Number of users	—	—	—	—	64% v.s. FY2022	250% v.s. FY2022	

\*1 Excludes flights operated by LCCs.

## E Precious Earth

Initiatives		Performance indicators	Results of FY2019	Results of FY2020	Results of FY2021	Results of FY2022	Results of FY2023	Targets for FY2025	Related Key Materiality
Addressing Climate Change	Reducing total amount of CO <sub>2</sub> emissions	Scope 1 [Aviation] emissions	9.09 million tonnes	4.39 million tonnes	6.19 million tonnes	8.19 million tonnes	9.07 million tonnes	Less than 9.09 million tonnes Management targets	Precious Earth
		CO <sub>2</sub> emissions per paid tonne-kilometer (RTK)	1.0648 kg-CO <sub>2</sub> /tkm	1.3763 kg-CO <sub>2</sub> /tkm	1.2751 kg-CO <sub>2</sub> /tkm	1.0829 kg-CO <sub>2</sub> /tkm	1.0040 kg-CO <sub>2</sub> /tkm	0.8187 kg-CO <sub>2</sub> /tkm	
		Scope 2 [Ground facilities] emissions	57,000 tonnes	51,000 tonnes	53,000 tonnes	56,000 tonnes	53,000 tonnes	54,000 tonnes	
		Percentage of fuel-efficient aircraft	82%	84%	85%	86%	86%	87%	
		Ratio of SAF to total fuel	0.0001% Loaded in all five A350 delivery flights	0.0000009% Domestically produced SAF loaded on domestic scheduled flights	0.0002% -Loaded on four A350 delivery flights -Loaded simultaneously on two types of domestically produced SAF for domestic scheduled flights	0.004%	0.012%	1% of all loaded fuel	
		Reduction through JAL Green Operations promotion (CO <sub>2</sub> reduction through operational ingenuity)	157,000 tonnes (1.7% of emissions)	82,000 tonnes (1.8% of emissions)	142,000 tonnes (2.3% of emissions)	195,000 tonnes (2.4% of emissions)	217,000 tonnes (2.4% of emissions)	Reduction equivalent to 2.5% of CO <sub>2</sub> emissions from aircraft	
		Number of JAL Carbon Offset website visitors		Tracked from FY2021		13,122 people (1.5 times v.s. FY2021)	21,215 people (2.4 times v.s. FY2021)	30,000 people (3.4 times v.s. FY2021)	
		Number of Carbon Offset users		Tracked from FY2022		385 people	1,785 people (4.6 times v.s. FY2022)	2,000 people (5.2 times v.s. FY2022)	
		Number of total contracted companies of JAL Corporate SAF Program (JCSP)			*Starting from FY2024			15 companies	
Effective Use of Limited Resources	Reduction of single-use plastic	Reduction ratio of new petroleum-derived single-use plastic items in in-house standard products used inflight and in lounges	2.5%	10.4%	25%	45%	58%	100% Management targets	
		Use of environmentally friendly materials in single-use plastics used in airports and cargo transportation	Starting from FY2020	87.6%	90%	91%	91%	100% Management targets	
	Reduction of inflight meal waste	Yield improvement	—	—	—	—	4.4%	Less than 4.3%	
	Paper reduction	Electronic air waybill (e-AWB)	—	—	25%	62.5%	82.6%	Finalized JAL flight e-AWB	



Initiatives		Performance indicators	Results of FY2019	Results of FY2020	Results of FY2021	Results of FY2022	Results of FY2023	Targets for FY2025	Related Key Materiality
Precaution of Environmental Pollution	Industrial waste reduction	Final disposal ratio	0.3%	0.6%	0.3%	0.6%	0.7%	Keep below 1%	Precious Earth
Noise Reduction	Low-noise aircraft operations	ICAO Chapter 14 standard compliant aircraft ratio	45%	40%	41%	42%	42%	46%	
Biodiversity Conservation	Conserving and expanding tourism resources	[Okinawa] Proliferating and regenerating sexually reproducing corals	—	600 colonies	1,000 colonies	1,700 colonies	1,150 colonies	1,000 colonies by 2026	Precious Earth
	Utilization of certified commercial materials	Ratio of paper items with international certification in consideration with forest resources	15.9%	66.5%	66.5%	87.8%	94.4%	100%	Tourism Nation
	Preventing illegal wildlife trade	Number of illegal wildlife transports	0 time	0 time	0 time	0 time	0 time	0 time	Regional Revitalization
	Consideration biodiversity in foodstuffs and commodity products	Number of violations of in-house guidelines for ESG risks in foodstuffs and products	—	—	—	0 case	0 case	0 case	
	Reducing ecosystem impact around the airport	[Tokyo] Number of incidents of inappropriate management of water containing hazardous substances	—	—	—	—	0 time	0 time	

## S Human Capital

Initiatives		Performance indicators	Results of FY2019	Results of FY2020	Results of FY2021	Results of FY2022	Results of FY2023	Targets for FY2025	Related Key Materiality
Developing Capabilities	Providing opportunities for education and challenges to maximize individual potential	Training cost per person	¥449,480/person	¥109,321/person	¥84,469/person	¥138,651/person	¥164,103/person	¥338,000/person	Human Capital
Increasing Diversity	Providing opportunities to gain a variety of experiences regardless of attributes	Ratio of women in management	18.4%	19.5%	21.9%	22.8%	29.8%*1	30% Management targets	
		Employment ratio for persons with disabilities*2	2.62%	2.67%	2.64%	2.75%	2.90%	3.2%	
		Percentage of men taking childcare leave*3*4	81.8%	106.3%	99.3%	87.2%	80.5%	100%	
Expanding the Field of Success	Providing opportunities for growth and learning	Internal relocation through open recruitment	—	—	—	30 people/year	85 people/year	100 people/year	

Initiatives	Performance indicators	Results of FY2019	Results of FY2020	Results of FY2021	Results of FY2022	Results of FY2023	Targets for FY2025	Related Key Materiality
Gaining Knowledge	Deepen internal knowledge and acquire external knowledge	Career recruitment ratio	—	—	—	40%	50%	Human Capital
		Number of employees who took DX education	—	—	—	80 people	900 people	
	Organizational revitalization through the practice of the JAL Philosophy by organizational managers	Ratio of managers who took leader education	—	—	—	99.6%	100%	
Basement of Human Capital	Improving the ratio of health check-up	Employee consultation ratio	100%	100%	100%	100%	Keep 100%	
		Family consultation ratio*5	37.5%	36.0%	40.7%	47.1%	To be disclosed within FY2024	
		Ratio of mammography*3 (Employees)	—	—	58.9%	62.0%	61.4%	
		Ratio of mammography (Families 35 and over)	—	—	30.2%	33.4%	34.7%	
		Uterine cancer screening*3 (Employees)	—	—	54.1%	57.9%	57.4%	
		Uterine cancer screening (Families 18 and over)	—	—	25.4%	27.9%	29.8%	
Results of Human Capital Management	Increasing engagement	Percentage of highly engaged employees	54.4%	54.4% (No survey)	51.7%	51.7% (No survey)	53.8%	64.4%
	Value creation	Sales per capita	—	—	-50% v.s. FY2019	-2% v.s. FY2019	+13% v.s. FY2019	+38% v.s. FY2019
	Labor productivity improvement	Total work hours*3	1,862 hours/person	1,878 hours/person	1,890 hours/person	1,884 hours/person	1,876 hours/person	1,850 hours/person
		Percentage of usage of annual paid leave*3	79.0%	71.5%	74.5%	81.0%	84.5%	100%
		Average number of hours of overtime and holiday work per month*3	9.5 hours/person	8.0 hours/person	9.9 hours/person	10.5 hours/person	9.7 hours/person	4 hours/person (Linked to 1,850 hours of total annual labor)

\*1 Changed calculation method from FY2023.

\*2 Total value of Japan Airlines Co., Ltd. and JAL Sunlight Co., Ltd., a subsidiary that hires people with disabilities.

\*3 Japan Airlines Co., Ltd. only.

\*4 Calculated based on the number of people in childcare leave applicants before FY2021.

\*5 Until FY2020, the data was compiled for family members aged 35 and over. From FY2021, the data is compiled for family members aged 40 and over.

## G Governance

Initiatives	Performance indicators		Results of FY2019	Results of FY2020	Results of FY2021	Results of FY2022	Results of FY2023	Targets for FY2025	Related Key Materiality
Respect for Human Rights	Conducting human rights due diligence	Implementation ratio of human rights due diligence	—	—	—	100%	100%	100%	Resilience through Diversity
	Respect for human rights of suppliers	Completion of human rights investigations of new key suppliers	—	—	—	—	Completed	100%	
		Percentage of self-assessment questionnaires for significant suppliers (60 companies)	—	—	—	—	—	100% by 2024	
	Respect for human rights of customers	Attendance ratio of education related to respect for human rights	—	—	—	81.9%	75.5%	100%	
	Respect for human rights of employees	Ratio of employees who work long hours	—	—	—	1.98%	3.57%	0%	
Responsible Procurement	Supply chain management	Confirmation ratio of integrity of critical suppliers (461 companies)	18%	37%	62%	81%	100%	100%	
		Number of human rights audits conducted on key suppliers (23 companies)	—	—	—	—	—	100% by 2024	
		Number of aviation security audits of all caterer factories and machine supply depots	2 times	2 times	2 times	2 times	2 times	2 times	
Disclosure and Dialogue	Strengthening the dissemination of information on corporate website sustainability pages	Number of views	765,912	786,229	893,469	840,170	820,095	1 million or more	
	Strengthening the dissemination of information to individual shareholders and investors	Number of registered individual shareholders on the email newsletter list	—	—	1,805 people	7,464 people	18,290 people	15,000 people	
		Members registered to stockholders' website	—	—	—	—	—	To be disclosed within FY2024	
Promoting Fair Business Activities	Preventing information leakage	Number of incidents	0 case	2 cases* <sup>6</sup>	0 case	2 cases	0 case	0 case	
	Prevent corruption and bribery	Number of incidents	0 case	0 case	0 case	0 case	0 case	0 case	
Enhancement of BCM	Improving the effectiveness of BCP	Number of BCP-based exercises	1 time	1 time	4 times	4 times	2 times	2 times	

\*6 Number of information leakage incidents reported to authorities.