



JAL Group Announces Medium Term Management Plan Rolling Plan 2014

- ◆FY2012-FY2013: A period that our ability to build the high-profitability was tested
- ◆FY2014: A period of establishing a firm business foundation to achieve “growth” in revenue and profit
- ◆FY2015-FY2016: A period to achieve Management Targets and start new growth

TOKYO March 26, 2014: JAL Group today announces its Medium Term Management Plan Rolling Plan 2014. (FY2014: fiscal year 2014 is from April 1, 2014 to March 31, 2015)

The JAL Group must humbly reflect and learn from its mistakes of the past. While making well-thought-out plans, we had managed the company without sufficiently reviewing the progress or achievement level of our plans, or analyzing or reviewing the results. Therefore, to initiate the third year of the JAL Group Medium Term Management Plan for Fiscal Years 2012-2016, we humbly reviewed the past two years, and reconfirmed the policy to make sure we can accomplish our target in the remaining three years.

On the basis of the current operating environment, we have confirmed that the Management Targets as stated in our Medium Term Management Plan will remain the same.

And we have drawn up the Medium Term Management Plan Rolling Plan 2014 with the aim;

- to enable JAL Group staff to reaffirm the direction we are heading for, and to understand our current positioning; and
- to demonstrate to customers, shareholders and all stakeholders that the JAL Group intends keeps its promises.

By achieving our Management Targets, we aim to realize the JAL Group Corporate Policy as follows.

【JAL Group Corporate Policy】

The JAL Group will;

Pursue the material and intellectual growth of all our employees;

Deliver unparalleled service to our customers; and

Increase corporate value and contribute to the betterment of society.

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Progress of Management Targets

1. JAL recognizes that “flight safety” is the basis of the existence of the JAL Group and our social responsibility. As a leading company in safety in the transportation sector, JAL will maintain the highest standards of safety.

In JAL Group’s safety targets, we aimed for zero aircraft accidents and zero serious incidents, but with much regret, we recorded 1 serious incident in FY2013.

We sincerely apologize to the passengers and persons affected for causing substantial worries and inconvenience. We take this incident seriously, and investigate into the cause and implement countermeasures.

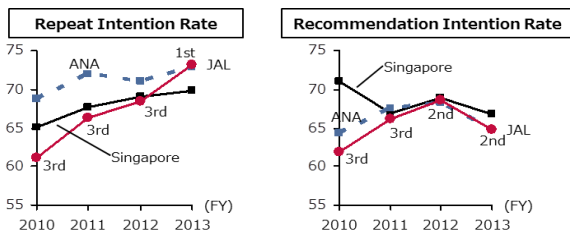
2. JAL will provide unparalleled services to continuously deliver a fresh and enjoyable travel experiences for customers. We aim to achieve “Customer Satisfaction No. 1” by FY2016.

By introducing new products, and each staff working hard to improve service, we were reared on first place ranking in customer loyalty on international flights. Our activities across the department also resulted to achieve the top ranking for on-time arrival performance in the world for the second consecutive year. These efforts let us to achieve the top ranking in customer loyalty on international flights, and also narrowed the gap with competing airlines in other rankings as well.

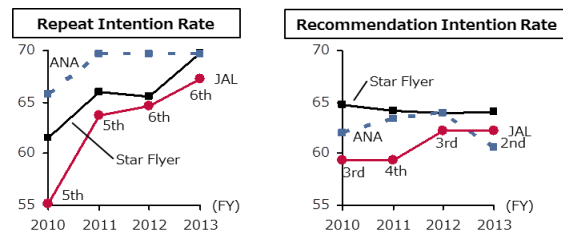
We will analyze our results in FY2013, and will continuously “challenge” ourselves to develop new services with “speed” in order to accomplish our targets by FY2016.

[JCSI(Japanese Customer Satisfaction Index)]※Source: JCSI Survey

(International routes)



(Domestic routes)



3. JAL aims to establish sufficient profitability and financial stability levels capable of absorbing the impact of economic fluctuations and risk events by achieving “10% or above operating margin for 5 consecutive years and 50% or above equity ratio in FY2016”.

【FY2013 Forecast*1】

Although the weak yen resulted to the escalation of fuel costs, revenue increased primarily in international passenger market, and by cutting costs through productivity improvement, we expect to achieve an operating profit of 158.0 billion yen (+18.0 billion yen vs. the Rolling Plan 2013) and operating profit margin 12.2%.

As a result, equity is expected to be 676.0 billion yen (+32.0 billion yen vs. the Rolling Plan 2013) and the equity ratio is expected to be 51.6%.

*1 Contents are not changed from 31 January 2014 release.

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【FY2014 Plan】

Although the escalation of fuel costs due to the weak yen may prevail and competition may intensify in both International and Domestic market, we will further strive to maximize revenue, and minimize costs. As a result, our financial goals are an operating profit of 140.0 billion yen and an operating profit margin of 10.4%. In addition, we aim to achieve equity of 723.0 billion yen, and an equity ratio of 52.1%.

At the end of FY2013, our equity ratio is expected to exceed 50%, but we will continuously set out target of over 50% level and improve our financial positioning.

【Summary of the Financial Results/Plan】

Unit : Billions of Yen	FY2013 ¹	FY2014
Operating Revenue	1,291.0	1,350.0
Operating Expense	1,133.0	1,210.0
Operating Profit	158.0	140.0
Operating Profit Margin	12.2%	10.4%
Ordinary Income	147.0	135.0
Net Income	148.0	115.0
Total Assets	1,310.0	1,387.0
Shareholder's Equity	676.0	723.0
Equity Ratio	51.6%	52.1%

Positioning of Each Fiscal Year

On initiating the third year of the Medium Term Management Plan which covers FY2012-2016, we have defined the positioning of each fiscal year as below.

■FY2012-2013

A year that our ability to execute the Medium Term Management Plan was tested

Drawing on lessons learned in the past that we created plans without full execution of the measures we had decided to take, and without ample analyses, all JAL Group staff worked to demonstrate that “JAL Group has changed” and “has become a company that keeps its promises to its stakeholders.”

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A severe business environment prevailed through the past two years, as we faced the suspension of 787 operations and rapid depreciation of Japanese Yen. Under such a severe environment, we worked to launch new products, enhance service, and improve productivity. As a result, we achieved a profit margin over 10%, but we reported lower earnings on higher revenues. We consider the responses to the severe business environment would be one of our challenges to address in the future.

■FY2014

A period to achieve Management Targets steadily and prepare for new growth

We assumed more severe business environment caused by rising fuel costs due to the weak yen, negative effects to the traffic demand by the consumption tax hike, and intensifying competition at Tokyo metropolitan airports as a result of the dramatic increase of international flight slots at Haneda airport. Furthermore, as a unique challenge of JAL Group, we must survive the competition under the condition that fewer-than-expected international slots at Haneda airport were allocated to JAL group. Concretely speaking, we will challenge to provide the finest products and services to deliver a refreshing and moving passenger experience on Narita routes, where we compete head-on with other airlines' routes departing from Haneda, in addition to keep the revenue on our existing route.

In this way, FY2014 will be a period of establishing a firm business foundation to achieve “growth”, from FY2015, that is revenue improvement and profit improvement.

■FY2015-2016

A period to achieve Management Targets in the Medium Term Management Plan, and start new growth

Although we expect a severe business environment ahead, we are not pursuing just a business expansion, but we will work for “differentiation to survive the competition” based on the keywords “Challenge”, “Speed” and “Autonomy”. We will survive the competition through “cost-competitiveness improvement”, and will enhance convenience by “enhancing the JAL Brand” and “improving products and service”, for many customer to choose JAL group first. In doing so, we will accomplish “growth” in terms of revenue and profit improvement.

Ultimately we may contribute to activate the move between Japanese regional city and abroad, and the move between abroad and abroad via Japan.

Please refer to the attached [JAL Medium Term Management Plan Rolling Plan 2014(Summary)] & [JAL Medium Term Management Plan Rolling Plan 2014] for the details. JAL will do announcement as soon as the starting date and the details of the new networks, products and services have been confirmed.

Attached1: [JAL Medium Term Management Plan Rolling Plan 2014(Summary)]

Attached2: [JAL Medium Term Management Plan Rolling Plan 2014]

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