



JAL Group Announces Medium Term Management Plan Rolling Plan 2016

- FY2016 is a period to achieve our Management Targets through stable growth and be prepared for FY2017 onwards -

TOKYO February 18, 2016: JAL Group today announced its Medium Term Management Plan Rolling Plan 2016. (FY2016: fiscal year 2016 is from April 1, 2016 to March 31, 2017)

After announcing the JAL Group Medium-Term Management Plan for Fiscal Years 2012-2016 in February 2012, we reviewed our accomplishments in the previous year at the end of each fiscal year, and confirmed the policy for implementing the plan in order to achieve our targets in the remaining years. As we feel it is essential to explain this to our customers, shareholders, and business partners as well as our staff, we drew up Rolling Plan 2016 for the Medium Term Management Plan as we did in preceding years.

FY2016 is the final year to finish up the JAL Group Medium Term Management Plan for Fiscal Years 2012-2016. To achieve the management targets set out in the plan in the final year under current business conditions, the aims of this Rolling Plan are

- to enable JAL Group staff to reaffirm the direction we are heading and to understand our current positioning; and
- to present the progress we have made with the Medium Term Management Plan to our customers, shareholders and business partners.

By achieving our management targets, we aim to realize the JAL Group Corporate Policy.

[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.



I. 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.

JAL Group’s safety targets aim for zero aircraft accidents and zero serious incidents. In FY2015, we had no aircraft accidents, but we caused three serious incidents. We apologize sincerely to the passengers and persons affected for the inconvenience and concerns caused. We take this seriously and will investigate the cause and implement countermeasures thoroughly.

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

In FY2015, we progressively introduced “JAL SKY SUITE” on international routes and “JAL SKY NEXT” on domestic routes, and strived to increase customer satisfaction by analyzing internal and external surveys focusing to improve human service.

As a result, we came in first in the Repeat Intention Rate¹ of international flights for the third consecutive year, but fell to second place in the Recommendation Intention Rate¹. The Repeat Intention Rate of domestic flights fell to fifth place from the previous year, while the Recommendation Intention Rate remained in third place. There is still a long way to go to achieve “No.1 in Customer Satisfaction”, but we will improve our products and services speedily through analysis of FY2015 results to achieve “No.1 in Customer Satisfaction” in the remaining year of the Medium Term Management Plan.

*1. Repeat Intention and Recommendation Intention rate: JCSI values (Japanese Customer Satisfaction Index) announced by Japan Productivity Center, Service Productivity and Innovation for Growth.

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 profit margin for 5 consecutive years and 50% or above equity ratio in FY2016”.

【FY2015 Forecast】

While we expect a decrease in consolidated operating revenue due to reduction of international passenger fuel surcharges, consolidated operating expense may also decline due to lower fuel prices and cost-reduction efforts, etc. As a result, we expect:

Operating Profit	204.0 billion yen (+32.0 billion yen vs. Rolling Plan 2015)
Operating Profit Margin	15.3%
Shareholders’ Equity	849.0 billion yen (▲38.0 billion yen vs. Rolling Plan 2015)
Equity Ratio	53.0%

**【FY2016 Plan】**

FY2016 is set to increase the personnel expense for stable recruitment to realize our sustainable growth and the expenses to improve our quality standards. We also expect an increase in expenses paid in foreign currencies due to the weak yen. As a result, we plan lower profit on higher revenues for FY2016. However, we will aim to achieve higher profit on higher revenues through joint efforts by the management and staff.

【Summary of Financial Results / Plan】

Billions of yen	FY2015 Forecast	FY2016 Plan
Operating Revenue	1,337.0	1,343.0
Operating Expense	1,133.0	1,142.0
Operating Profit	204.0	201.0
Operating Profit Margin	15.3%	15.0%
Ordinary Income	202.0	193.0
Net Income Attributable to Owners of the Parent	172.0	192.0
Total Assets	1,602.0	1,753.0
Shareholders' Equity	849.0	1,023.0
Shareholders' Equity	53.0%	58.4%

II. Positioning of Each Fiscal Year

The Medium Term Management Plan covers fiscal years 2012 to 2016. On initiating the final year, we have defined the positioning of each fiscal year as below.

■FY2012-2013**A period that our ability to build a high-profitability structure was tested**

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

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



■FY2014-2015

A period to develop the business foundation and to take the first step for new growth

Although an extremely severe business environment was predicted, such as intensifying competition in the Tokyo metropolitan area caused by additional international slots at Haneda Airport, effects of the consumption tax hike on demand, and rising fuel costs caused by the weak yen, the severe the severe business environment was relaxed to a certain extent, because the consumption tax hike had limited impact on the airline demand, inbound passengers increased significantly, and fuel prices dropped rapidly. Furthermore, through consistent group-wide cost reducing efforts and product and service enhancements, we expect to achieve higher profit in FY2015 as well as in FY2014. In addition to the turnaround of the business environment, we were able to establish a business foundation and take a step forward toward growth, that is, higher profit by tackling our “Key Initiatives”

■FY2016

A period to achieve our Management Targets through stable growth and be prepared for FY2017 onwards

To build a corporate structure that is resilient to external risks, such as stagnation of the Japanese and the global economies due to the slowdown of new emerging economies and geopolitical risks centering in the Middle East, and drastic changes in exchange rates and fuel prices, we will not merely pursue business scale expansion, but differentiate JAL from other competing airlines under the three keywords, “autonomy”, “challenge” and “speed” to survive future competition. We will achieve the management targets set out in the plan by increasing JAL customers, enhancing the JAL Brand and improving our products and services, and by realizing stable growth through rigorous profit-management in the remaining year.

We will also consider new measures to win the competition in FY2017 onwards. Capacity expansion in Tokyo metropolitan airports and inbound passenger growth are expected ahead of the Tokyo 2020 Olympic and Paralympic Games. We will establish a corporate structure that is resilient to changes in the future.

Please refer to the attached

[JAL Medium Term Management Plan Rolling Plan 2016 (Summary)] and

[JAL Medium Term Management Plan Rolling Plan 2016] 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.

Attached 1: [JAL Medium Term Management Plan Rolling Plan 2016 (Summary)]

Attached 2: [JAL Medium Term Management Plan Rolling Plan 2016]

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