



JAPAN AIRLINES

Fiscal Years 2012-2016

JAL GROUP

MEDIUM TERM MANAGEMENT PLAN ROLLING PLAN 2016

**- To the Next Growth Stage
upon Establishing a High Profitability Structure -**



February 18, 2016

Japan Airlines Co., Ltd.

Introduction

We express our sincere appreciation to our guests who travel with JAL, our shareholders in Japan and abroad, and our business partners for your continued support.

Four years have passed since we announced the five-year “JAL Group Medium Term Management Plan for Fiscal Years 2012-2016 - To the Next Growth Stage upon Establishing a High Profitability Structure -”, on February 15, 2012. Now, there is one year left to accomplish the plan.



In 2015, we pressed forward steadily toward strengthening our business foundation, spurred by favorable tailwinds such as Japan’s economic recovery, lower fuel prices, and inbound passenger growth. However, global trends are accelerating at higher speed year by year. So, considering the unpredictable changes that have occurred in social, economic and business conditions, we have to act more speedily and more flexibly than ever before.

Looking back, when drawing up the Medium Term Management Plan we vowed to be honest and review it whatever the results may be. However, new issues kept coming up every year, and when they did, we reminded ourselves that “There is no business without a problem”. We drew up a Rolling Plan every year so that every staff could think over the problems each year and tackle them together. As fiscal 2016 is the final year to finish up this Medium-Term Management Plan, we analyzed changes in trends, reviewed the progress we have made, and formulated Rolling Plan 2016 for the Medium Term Management Plan which we are strongly determined to accomplish.

In 2016, we will continue to put in united efforts to ensure flight safety and provide the finest service in order to inspire more customers to fly JAL. Together with gratitude to our customers, shareholders and business partners, and our strong resolve to survive in the airline industry which is subject to volatile changes, we aim to improve our business performance and achieve our management targets.

Management and staff will join hands and press forward step by step toward the future and realize our corporate mission under the keywords, “autonomy” equipped with a sense of crisis, “embrace new challenges” spirit without fear of failure, and “speed” as we respond to changes. We would highly appreciate your continued support.

Yoshiharu Ueki
Representative Director, President

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1

On Initiating the Final Year of the Medium Term Management Plan

1-1. Establishing the Medium Term Management Plan Rolling Plan 2016

After announcing the JAL Group Medium-Term Management Plan for Fiscal Years 2012-2016, 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.

The premise of the following pages is;

[Overview of Medium Term Management Plan]

The initial plan described in "Medium term Management Plan for Fiscal Years 2012-2016"

[Review]

Results and Estimates in FY2015

[Future Action]

Plans and prospects for FY2016

1-2. Changes in the Business Environment

【Review】

In FY2015, the Japanese economy continued to recover moderately due to improvements in corporate earnings and the employment and income environment against a weaker yen and stable fuel prices. The global economy also recovered in general centering on developed countries, although geopolitical risks mainly in the Middle East and a slowdown in emerging economies were observed. On international routes, the number of international visitors to Japan increased by 47% year-on-year to 19.74 million, a new record high, due to the weaker yen and relaxed visa requirements, while the number of outbound Japanese travelers decreased from the year before. It is expected that inbound demand exceeded¹ outbound demand for the first time in 45 years. Cargo demand is expected to decline year-on-year due to the reactionary decline in special air cargo demand prompted by the U.S. West Coast port strikes in the latter half of FY2014, and the slowdown of emerging economies. On domestic routes, passenger demand increased due to the recovery of the Japanese economy and demand created by Low Cost Carriers (LCC).

As for the supply environment, capacity expanded on international routes due to additional slots for Haneda=China routes from the end of October 2015, increased flight frequencies and new services by Japanese and foreign carriers, and the launch of LCC services centering at regional airports to meet inbound passenger growth. Despite the capacity expansion of LCCs at regional airports, capacity on domestic routes is expected to decrease year-on-year due to a reduction of unused international slots at Haneda Airport, which were temporarily used for domestic flights, and downsizing by Japanese airlines due to new “Shinkansen” bullet train services.

As a result, Japanese airlines enjoyed a tailwind for their business.

【Future Outlook】

The Japanese economy is expected to continue its moderate recovery. Looking abroad, despite potential risks posed by the economic slowdown of emerging countries and resource-rich countries, geopolitical risks centering in the Middle East, and such, economic recovery is estimated to continue. We expect passenger demands to increase on international routes in particular, together with continuing recovery of both Japanese and global economies and rising inbound passenger demand. As for the cargo business, conditions of cargo demands are expected to remain stable, despite concerns of recent trends in emerging economies.

As for the supply environment, we do not expect major changes in capacity because flight slots at major airports in Japan are not expected to increase in FY2016, while development of the “Shinkansen” railway network and expansion of LCCs are predicted.

As a result, the supply-demand balance is expected to improve gradually, but Japanese airlines will have to keep eyes on the market trends of the fuel price and exchange rate and economic conditions.

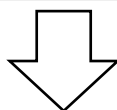
¹ A survey conducted by Japan National tourism Organization from January to December

1-3. Points of the Medium Term Management Plan

Surviving Future Competition

To survive future competition, we will differentiate JAL from other airlines in the 3 areas below.

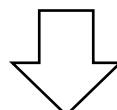
1. Enhancement of JAL Brand
2. Route Network, Products and Services
3. Cost Competitiveness



Key Initiatives

To differentiate JAL from other airlines in 1-3 areas shown above, we will take action in 5 areas below.

1. Safety Initiatives
2. Route Network
3. Products and Services
4. Group Management
5. Human Resources Development



Management Targets

By addressing the 5 issues above, we aim to achieve the following 3 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.
2. JAL will provide unparalleled services to continuously deliver a fresh and enjoyable travel experiences for customers. We aim to achieve “No.1 in Customer Satisfaction¹” by FY2016.
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”.

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

1-4. Progress on Differentiating JAL to Survive Future Competition

As various changes in the business environment were foreseen during the period covered by the Medium Term Management Plan, we are aiming to clearly differentiate JAL from other competing airlines in three areas shown below, to become the world's most preferred airline by delivering a refreshing and moving passenger experience on every journey.

1. Enhancement of JAL Brand

We will continue to maintain flight safety, enhance our products and services including human service, and provide customers with the finest service. In FY2015, our enhancement efforts came to fruition as we ranked first in all three applicable categories for the world's best on-time arrival performance¹ of domestic and international flights. However, we recognize that there is still room for improvement in our safety targets and customer satisfaction, etc.

In addition to our products and services, we will strive to enhance the JAL Brand and clearly differentiate it from other competing airlines and LCCs to create a brand that is greatly supported by society at large and consistently chosen by customers.

2. Route network, products and services

On international routes, we launched three² new routes from Haneda and Narita and expanded "JAL SKY SUITE"³ services. On domestic routes, we introduced demand-stimulating fares and expanded "JAL SKY NEXT"⁴ services.

We will not merely pursue expansion of business scale, but continuously aim to become an airline that is chosen by many customers by speedily enhancing our route network, products and services.

3. Cost Competitiveness

In FY2015, although we maintained our cost reduction initiatives by improving productivity, costs increased owing to the persistently weak yen and our investments to improve services. We expect overall cost in FY2016 to increase due to the weaker yen and plans resulting in increased personnel expenses. However, we aim to reduce Unit Cost (UC)⁵ by continuously improving and furthermore penetrating the divisional profitability management system and through the staff's innovation and ingenuity, on the basis of maintaining and improving safety and quality.

To realize the differentiations above, we put in efforts in five areas; Safety Initiatives, Route Network, Products and Services, Group Management and Human Resources Development as "key initiatives". "Review" and "Future Action" in these areas are explained in detail in Chapter 2.

¹ On-Time Performance Service Awards published by FlightStats in USA

² Narita = Dallas Ft. Worth, Haneda = Shanghai, Guangzhou

³ Equipped with all aisle-access and fully-flat business class seats and economy class seats with a maximum 10cm more pitch from current seats (Premium economy class seats on 777/787)

⁴ Revamped interior with LED cabin lighting and availability of inflight Wi-Fi services

⁵ UC (Unit Cost) = Cost of Consolidated Air Transport / ASK. The cost to carry one seat to one kilometer

1-5. 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.

[FY2015 Management Indicators and Results]

Indicators and Results	FY2014	FY2015 ¹	Outline for FY2015
Aircraft Accident ²	2	0	
Serious Incident ³	0	3 ⁴	3 JUN 2015, JTA610 (Ishigaki to Okinawa) Landed on the runway on which a preceding flight had stopped after aborting takeoff 30 JUN 2015, JTA002 (Okinawa to Kansai) Loss of cabin pressure 12 JUL 2015, JAL38 (Singapore to Haneda) Commenced take-off procedure on taxiway at Singapore

For our other safety targets, the number of customers’ injuries⁵ continued to decrease, but regrettably the number of irregular operations⁶ and irregularities caused by human error⁷ remains at the same levels. In addition to rectifying the direct cause of each incident, we will take various steps to deal with underlying factors so that customers may use our flights with peace of mind.



¹ As of 5 FEB, 2016

² Fatal or serious human injury as a result of aircraft operations, or and aircraft crash, collision or fire, or damage (major repair), etc.

³ An incident involving circumstances indicating that there was a high probability of an accident, such as overrunning, emergency evacuation

⁴ Two cases (JL455 on 5 APR, Haneda-Tokushima and JL651 on 10 OCT, Haneda-Kagoshima) are delisted because problems of our operations were not pointed

⁵ When a customer is injured in the aircraft or at the airport, and receives a medical examination at a medical facility. This is verified through an internal report.

⁶ Diversion, air turn back, etc. for safety reasons after pilots have responded in accordance with the manual and the event does not lead immediate safety issues

⁷ Typical troubles caused by human errors involving Flight Operations, Cabin Attendants, Maintenance, Airports, Cargo and Security Divisions, which repeatedly occur and must be eliminated with priority. This is verified through an internal report

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” by FY2016.

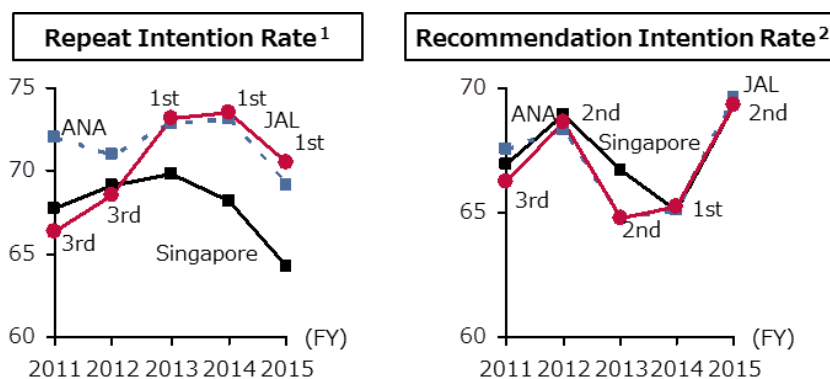
In FY2015, we progressively introduced “JAL SKY SUITE” on international routes and “JAL SKY NEXT” on domestic routes, and strived to increase customer satisfaction by analyzing internal and external surveys focusing to improve human service.

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 Rate². The Repeat Intention Rate of domestic flights fell to fifth place from the previous year, while the Recommendation Intention Rate remained in third place.

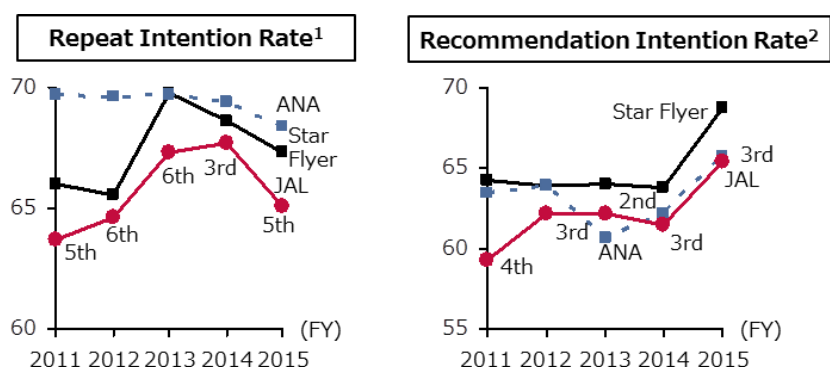
There is still a long way to go to achieve “No.1 in Customer Satisfaction” but we will improve our products and services speedily through analysis of FY2015 results to achieve “No.1 in Customer Satisfaction” in the remaining year of the Medium Term Management Plan.

[JCSI (Japanese Customer Satisfaction Index)³]

International



Domestic



¹ Repeat Intention Rate: A customer's intention to receive the service next time

² Recommendation Intention Rate: The customer's intention to share one's travel experience with family, friends or other people through blogs, etc.

³ JCSI questionnaire targets passengers boarded from August of the previous year to July of the current year. i.e. From August 2014 to July 2015 is the applicable period for the FY2015 survey.

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”.

【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 Forecast / 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%

1-6. 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 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.

2

Reviews and Future Actions

2-1. Safety Initiatives

[Overview of Medium Term Management Plan]

We will focus on 3 areas; develop human resources to maintain safety, evolve systems to protect safety, and cultivate a culture to protect safety, in order to ensure flight safety, the foundation of the JAL Group, and continuously accumulate our safety layers.

[Review]

Developing human resources to protect safety

We launched a Safety Management System (SMS) education course directed at all JAL Group staff in November 2015 to enable them to gain basic knowledge on the SMS and perform their duties with this knowledge. Safety Leaders assigned in each workplace shared activities of their respective workplaces, and as a result, safety activities in each workplace were invigorated.

Evolving systems to protect safety

We introduced the Normal Line Operation Monitoring¹ system in J-AIR, Japan Transocean Air and Ryukyu Air Commuter, and modified the safety database for Safety Performance Monitoring² to enable staff to report and analyze more easily.

Cultivating a culture to protect safety

We held 28 safety seminars for new staff in FY2015, to penetrate the principles of “Every staff has to pitch in to protect safety” (Safety is ensured through the efforts of every staff) and the “three actuals (place, object, person)” into workplaces. In FY2015, 8 safety seminars for new managers were planned. In addition, staff were reminded of the “report and share information” principle in the SMS education course.

[Future Action]

To build a safety management system of the highest standards as the leading company of safety and to ensure that every JAL Group staff acts with high awareness of safety and adequate knowledge, we will continue to speedily implement the following measures under the strong leadership of management.

Developing human resources to protect safety

We will expand knowledge on SMS, and promote the staff’s understanding. Safety Leaders will continue safety activities in their workplaces by observing activities in other industries and exchange opinions, to use them as reference.

Evolving systems to protect safety

We will introduce the Normal Operation Monitoring system in Japan Air Commuter. We will also consider rebuilding a new safety database system with the aim to increase data volume and improve the analysis function, etc.

Cultivating a culture to protect safety

We will continue to hold safety seminars for new staff and for new managers to cultivate a shared awareness of safety in the JAL Group. We will pass on JAL Group’s austere safety culture to the next generation, by receiving advice from the Safety Advisory Group.

¹ Proactive framework to detect a potential contributory factor of a defect

² Framework to comprehend the status of Safety Management System in a quantitative way

2-2. Maximizing Revenue through Improving Competitiveness

2-2-1. Improving Unit Revenue¹

【Overview of Medium Term Management Plan Rolling Plan 2013】

To continuously maximize revenues and minimize expenses, we introduced Unit Revenue (UR) as a common metric unit in FY2013, in addition to the cost indicator, Unit Cost (UC), and used them as management indicators for every staff to pursue.

【Review】

In FY2015, we achieved a record high load factor on international routes by capturing robust inbound demand. We also increased revenue per passenger through the revenue management system and the expansion of routes with new products. However, due to the reduction of fuel surcharge, UR of international passengers declined by 2% year-on-year. On domestic routes, we introduced various fare measures to out-compete business competition; expanded “JAL SKY NEXT” –operated routes, improved the precision of revenue management, and focused to match supply with demand. As a result, yield and load factors increased and UR of domestic passengers is expected to increase by 4% year-on-year.

【Future Action】

In FY2016, on international routes, despite an expected reduction in fuel surcharge on international routes, we plan to curb the reduction of UR to the same level year-on-year by expanding routes with new products, using the revenue management system to increase revenue per passenger, and increasing load factors by capturing inbound demand. On domestic routes, we will expand “JAL SKY NEXT”-operated routes, and implement measures to increase competitiveness such as “JAL Smart Style²” and introduction of new aircraft (E190). We will also improve precision of revenue management to capture high-yield passengers and match supply with demand to increase yield and load factors. As a result, we plan to increase UR of domestic routes by 1% year-on-year.

To realize growth (i.e. higher profit on higher revenues), we will continue to use UR in international and domestic passenger operations as an important key performance indicator (KPI), and increase UR that exceeds the variability rate of UC, while improving our route network, products and services.

2-2-2. Route Network (International and Domestic Routes)

【Overview of Medium Term Management Plan】

We will not simply expand the size of our route network, but will continue to revise our routes based on a thorough profitability analysis of each route in order to improve our network so that customers would be able to connect more conveniently within and to/from Japan.

¹ Unit Revenue (UR) = Passenger Revenue / ASK = Yield x L/F

² A service concept to deploy convenient, smooth and stress-free services on domestic flights and at airports

International Routes

【Overview of Medium Term Management Plan】

We regard the increase in flight slots in the Tokyo metropolitan area (Haneda and Narita) as our biggest business opportunity. In particular, we will allocate our aircraft to mid- and long-haul international routes (Europe, North America, and Southeast Asia), and rapidly improve our route network.

【Review】

Based on the idea of improving and developing our two major hubs¹ in Haneda and Narita, in FY2015 at Haneda, we launched services between Haneda and Shanghai (Pudong) and Haneda and Guangzhou, and increased flight frequency between Haneda and Beijing using Haneda daytime slots. At Narita, we launched services between Narita and Dallas/Fort Worth, which is the biggest hub of American Airlines (AA), our Transpacific Joint Business² partner, and improved connectivity to cities in the U.S. and Latin and South America.

As for aircraft, we progressively introduced “JAL SKY SUITE”, mainly on European and Southeast Asian routes. As a result, all European routes are now served by “JAL SKY SUITE” to offer greater comfort for customers.

To improve the network in **oneworld**, we started code-sharing with TAM Airlines in April 2015³. In our Siberian Joint Business with British Airways (BA) and Finnair (AY) and Transpacific Joint Business with AA, we expanded code-sharing and increased the customers’ convenience in an effort to maximize the revenue pool in the respective business domains. Outside the **oneworld** alliance, in line with opening the new services or increasing flight frequencies on daytime routes between Haneda and China as mentioned above, we added code-share routes with China Eastern Airlines and China Southern Airlines.

Overview of Network Improvement in FY2015

Route	Change	Frequency (per week)	Notes ⁴
Haneda=Shanghai (Pudong)	New Route	0→7	From 25 Oct with 767
Haneda=Guangzhou	New Route	0→7	From 25 Oct with 767
Narita= Guangzhou	Suspension	7→0	From 25 Oct
Haneda=Beijing	Increased Freq. Aircraft Type	7→14	From 25 Oct daytime at Haneda with 767 (JL25/20) (JL21/22: 787-8)
Narita=Beijing	Decreased Freq.	14→7	From 25 Oct
Narita=Dallas Fort Worth	New Route Increase Freq.	0→4 4→7	From 30 Nov with 787-8 SKY SUITE From 20 Mar 2016
Narita=Moscow	Increased Freq. Aircraft Type	3→4	From 29 Mar to 24 Oct From 3 Feb 2016: 787-8 SKY SUITE
Kansai=Seoul (Gimpo)	Suspension	7→0	Code-sharing with KE continues
Haneda=Seoul (Gimpo)	Aircraft Type	14	787-8 (JL91/92/93/94)
Haneda=Singapore	Aircraft Type	7	From 4 Jan 2016: 767 SKY SUITE (JL37/36)
Haneda=Ho Chi Minh	Aircraft Type	7	787-8

¹ Haneda is a hub for domestic and international connections. Narita is a hub for international connections

² Joint business: Participated companies performing business activities like an identical company in the respective business regions under Anti-Trust Immunity.

³ Some code-sharing flights were launched in March 2015

⁴ If not mentioned, launched from 29 March 2015

Narita=Ho Chi Minh	Aircraft Type	7	787-8
Narita=Paris	Aircraft Type	7	787-8 SKY SUITE
Narita=Delhi	Aircraft Type	7	787-8 SKY SUITE
Narita=Honolulu	Aircraft Type	14	767 SKY SUITE (JL784/786/783/785)
Narita=Manila	Aircraft Type	7	767 SKY SUITE (JL741/742)
		14	From 1 Jun: 767 SKY SUITE (JL741/742/745/746)
Narita=Frankfurt	Aircraft Type	7	From 29 Mar to 24 Oct: 777-300ER SKY SUITE
			From 25 Oct: 787-9 SKY SUITE
Narita=Helsinki	Aircraft Type	7	From 1 Jun: 787-8 SKY SUITE
Narita=Jakarta	Aircraft Type	7	From 1 Jul to 24 Oct: 787-9 SKY SUITE
			From 25 Oct: 777-300ER SKY SUITE (JL725/726)
Narita=Sydney	Aircraft Type	7	From 25 Oct: 777-300ER SKY SUITE
Narita=Hanoi	Aircraft Type	7	From 25 Oct: 787-8 or 787-9, SKY SUITE
Narita=Seoul (Incheon)	Aircraft Type	7	From 25 Oct: 737-800
Kansai=Shanghai (Pudong)	Aircraft Type	7	737-800
Kansai=Taipei (Taoyuan)	Aircraft Type	7	787-8

【Future Action】

We will allocate our business resources that precisely match variable supply and the demand environment, and improve convenience and comfort of the current network. Especially, in addition to the 787, which is being progressively introduced, we will revamp the 777-200ER with “JAL SKY SUITE” cabin interiors and expand routes served by “JAL SKY SUITE”.

We will further expand partnerships centering on **oneworld** member airlines and increase the customers’ convenience by leveraging our partners’ networks and capture the robust inbound demand.

Overview of Network Improvement Planned for FY2016 (Already Published)

Route	Change	Frequency (per week)	Notes
Narita=Moscow	Increase Freq.	3→4 4→5	From 27 Mar to 30 Jun From 1 Jul to 29 Oct
Narita=Paris	Schedule Time	7	From 27 Mar: Narita Dep. 11:40 /Paris Arr.17:10 (Current: Narita Dep. 14:00 /Paris Arr.19:30)
Narita=Boston	Aircraft Type	7	From 11 Jun: 787-9 SKY SUITE
Narita=Kuala Lumpur	Aircraft Type	7	From 11 Sep: 787-9 SKY SUITE
Narita=Delhi	Aircraft Type	7	From 1 Jun: 787-8 SKY SUITE
Narita=Hong Kong	Aircraft Type	7	From 31 Mar: 787-8
Narita=Taipei (Taoyuan)	Aircraft Type	7	From 1 Jul: 787-8 (JL809/802)
Haneda=Beijing	Aircraft Type	7	From 27 Mar: 787-8 (JL25/20)
Haneda=Seoul (Gimpo)	Aircraft Type	7	From 1 Jun to 31 Aug: 787-8 (JL95/90)
Haneda=Singapore	Aircraft Type	7	From 27 Mar: 777-200ER (JL37/36)
Haneda=Taipei (Songshan)	Aircraft Type	7	From 27 Mar: 767 (JL97/98)
Haneda=Hong Kong	Aircraft Type	7	From 1 to 30 Sep: 777-300ER SKY SUITE

Domestic Routes

【Overview of Medium Term Management Plan】

Given the competitive environment, we will focus on increasing our competitiveness, respond to changes in the main markets of Haneda and Osaka, and maintain and improve profitability by balancing capacity and demand

【Review】

As for Haneda routes in FY2015, we introduced “JAL SKY NEXT” with priority on Haneda routes, while implementing the route and flight frequency plan that matched seasonal supply and demand. As some international Haneda slots, which were temporarily used for domestic flights, were started to be used for operating international flights (China routes) from the winter schedule, domestic flight frequencies decreased on some routes. On Itami routes, flight frequency increased between Itami and Sapporo due to the relaxation of domestic long-haul slot restrictions. We continued seasonal services in summer on 6 regional routes, Itami=Matsumoto, Itami=Memambetsu, Sapporo=Izumo, Sapporo=Tokushima, Nagoya=Kushiro, Nagoya=Obihiro, operated since FY2014 with the cooperation of the respective local communities.

As for business operations of Group airlines, the 737-800 was newly introduced in the Okinawa region to increase comfort and profitability. As for partnerships, we continued code-sharing with Fuji Dream Airlines, code-sharing and reciprocal mileage with Jetstar Japan, and started code-sharing on all Amakusa Airlines' routes to increase the customers' convenience and contribute to regional economies.

Overview of Network Improvement in FY2015

Route	Change	Frequency	Notes
Haneda=Sapporo	Increase Freq.	16→17 daily	From 29 Mar
Haneda=Okinawa	Increase Freq.	12→14 daily	From 29 Mar to 24 Oct
Haneda=Kansai	Increase Freq.	2→3 daily	From 25 Oct
Haneda=Nagasaki	Increase Freq.	6→7 daily	From 25 Oct to 26 Mar 2016
Haneda=Itami	Decrease Freq.	16→15 daily	From 29 Mar
Haneda=Izumo	Decrease Freq.	6→5 daily	From 29 Mar
Haneda=Okayama	Decrease Freq.	6→5 daily	From 25 Oct
Haneda=Kitakyushu	Decrease Freq.	6→5 daily	From 25 Oct
Haneda=Kumamoto	Decrease Freq.	9→8 daily	From 25 Oct
Itami=Sapporo	Increase Freq.	3→4 daily	From 29 Mar
Kansai=Sapporo	Decrease Freq.	4→3 daily	From 29 Mar
Sapporo=Niigata	Increase Freq.	2→3 daily	From 25 Oct
Sapporo=Akita	Decrease Freq.	3→2 daily	From 25 Oct
Sapporo=Hanamaki	Decrease Freq.	4→3 daily	From 25 Oct
Kagoshima=Tanegashima	Decrease Freq.	4→3 daily	From 1 to 30 Jun and From 1 Sep
Kagoshima=Yakushima	Decrease Freq.	5→3 daily	From 25 Oct
Kagoshima=Amami	Decrease Freq.	8→7 daily	From 1 to 30 Jun and From 1 Sep
Fukuoka=Tokushima	Decrease Freq.	2→1 daily	From 25 Oct
Fukuoka=Kochi	Decrease Freq.	4→2 daily	From 7 Jan 2016
Fukuoka=Miyazaki	Decrease Freq.	9→8 daily	From 1 to 30 Jun and From 1 Sep
Itami=Memambetsu	Seasonal Ops	0→1 daily	From 18 to 20 Jul and From 25 Jul to 31 Aug
Itami=Matsumoto	Seasonal Ops	0→1 daily	From 1 to 31 Aug
Sapporo=Izumo	Seasonal Ops	4 weekly	From 1 to 31 Aug
Sapporo=Tokushima	Seasonal Ops	3 weekly	From 1 to 31 Aug
Nagoya=Kushiro	Seasonal Ops	3 weekly	From 1 to 31 Aug
Nagoya=Obihiro	Seasonal Ops	4 weekly	From 1 to 31 Aug

【Future Action】

On Haneda routes, we will continue to assign aircraft to meet demand, and increase customer convenience and profitability. The Haneda=Yamagata route, assigned to us

in the “Haneda Airport Policy Contest Slot” in FY2014, has been highly acclaimed by the advisory council as a result of successful joint promotional initiatives with the region. As the MLIT extended the slot for another three years from FY2016, we will continue our 2 daily services. On Itami routes, we will progressively introduce the E190 installed with “Class J” seats starting with the Itami=Kagoshima route to increase customer preference on competitive routes. In other regional operations, we will operate seasonal flights, which we resumed from FY2014, in the same scale as FY2015, with the cooperation of regional communities.

As for business operations of our Group airlines, we will partly change aircraft on regional network routes from turbo props to regional jets. On routes to remote islands in Okinawa, the DHC8-Q400CC¹ will be introduced to meet passenger and cargo growth and subsequently contribute to tourism and industrial promotion. From the second-half of FY2016, we will change Hokkaido Air System flight codes from “HC” to “JL”, and increase customer convenience.

Overview of Network Improvement Planned for FY2016 (Already Published)

Route	Change	Frequency	Notes
Haneda = Okinawa	Increase Freq.	12→13 daily 12→14 daily	From 27 Mar to 27 Apr, 1 May to 29 Oct 28 to 30 Apr
Haneda = Asahikawa	Increase Freq.	4→5 daily	From 16 Jul to 31 Aug
Haneda = Hakodate	Increase Freq.	3→4 daily	From 20 Jul to 11 Aug
Haneda = Aomori	Increase Freq. ²	6→8 daily	From 20 Jul to 11 Aug
Haneda = Misawa	Decrease Freq. ²	3→0 daily	From 20 Jul to 11 Aug
Haneda = Nagasaki	Decrease Freq.	7→6 daily	From 27 Mar
Itami = Aomori	Increase Freq. ²	3→4 daily	From 20 Jul to 11 Aug
Itami = Misawa	Decrease Freq. ²	1→0 daily	From 20 Jul to 11 Aug
Sapporo (Okadama) = Misawa	Decrease Freq. ²	1→0 daily	From 20 Jul to 11 Aug
Fukuoka = Matsuyama	Decrease Freq.	5→4 daily	From 27 Mar
Fukuoka = Miyazaki	Decrease Freq.	8→7 daily	From 27 Mar
Fukuoka = Kagoshima	Decrease Freq.	2→1 daily	From 1 Sep
Itami = Memambetsu	Seasonal Ops	0→1 daily	16 to 18, 23 to 25 Jul and 30 Jul to 31 Aug
Itami = Matsumoto	Seasonal Ops	0→1 daily	From 1 to 31 Aug
Sapporo = Izumo	Seasonal Ops	4 weekly	From 1 to 31 Aug
Sapporo = Tokushima	Seasonal Ops	3 weekly	From 1 to 31 Aug
Nagoya = Kushihiro	Seasonal Ops	3 weekly	From 1 to 31 Aug
Nagoya = Obihiro	Seasonal Ops	4 weekly	From 1 to 31 Aug

2-2-3. Products and Services (International and Domestic Routes)

Human Service

【Overview of Medium Term Management Plan】

In order to offer services that always deliver a fresh and enjoyable travel experience on every journey, we will utilize our Education and Training Center and internal and external evaluation systems to develop human resources who can better understand our customers, identify their needs and expectations in advance, and flexibly respond to them.

¹ Cargo Combi Type

² To respond temporary suspension of Misawa Airport due to runway construction

【Review】

In FY2015, we continued to develop human resources through efforts based on JAL Philosophy¹.

The Cabin Attendants Division maintained its quality evaluation system, which was updated in FY2014, and conducted fine-tuned role training by role to develop safety and service professionals.

The Airports Division started its brush up program of airport service training, which concluded in FY2014. About 50%² of staff have participated in the brush up program so far. In addition, it held Service Contests so that staff could mutually evaluate their service performance objectively to improve their skills.

The Reservation Division analyzed quality issues and the management process through Customer Satisfaction surveys and questionnaires to improve their service.

Although we had planned to complete staff participation in Brand Seminars in FY2015, which commenced in FY2014 to understand and embody the JAL Brand, about 90%³ of staff have participated at this point, because we have partly renewed the seminar adding contents of the corporate brand from March 2015.

【Future Action】

To achieve “No.1 in Customer Satisfaction” in the remaining year of the plan, we will try to improve various measures by using internal and external evaluations, while embodying JAL Philosophy and JAL Brand as the basis of our behavior. We will conclude the Brand Seminars by June 2016. We will also enlighten staff that practicing JAL Philosophy will lead us to embodying the corporate brand. Airport service brush up program, which started in FY2015, will also conclude in FY2016.

Mileage Program**【Overview of Medium Term Management Plan】**

We will improve usability of special award tickets, the most attractive mileage redemption in our program, and improve our current mileage program to offer JAL Mileage Bank (JMB) members an “easier-to-accumulate and easier-to-use” program.

【Review】

In FY2015, we continued to offer discount miles campaigns to JAL Card holders, special flights designated to mileage consumers, and newly introduced one-way international award tickets. Also, to meet requests from JMB members for an “easier-to-use” program, we reviewed miles for one-way domestic award tickets, etc., which attracted many customers.

We also started point exchange programs with outside companies such as Shared Point Service “Ponta” and “Mitsukoshi Isetan Group” to offer more opportunities in everyday life to use or accumulate miles. We also started to exchange miles for the Universal Studio Japan® Studio Pass. We made efforts to increase opportunities for members to save and use miles.

¹ Guide for basic attitudes and philosophy to manage JAL

² Training to bring out practical actions by JAL Philosophy. Targeted all 4,200 staff working at the airport

³ Targeted 35,000 of all JAL Group staff and contractors at domestic airport (“JAL Brand Partners”)

【Future Action】

From 2016 autumn, we will introduce online discounts to international upgrade awards to accelerate an “easier-to-use” program. We will also expand partnerships with other industries or cooperate with **oneworld** members and partner airlines to operate an “easier-to-accumulate and easier-to-use” program.

Products and Services on International Routes **【Overview of Medium Term Management Plan】**

We aim to provide products and services that always deliver a fresh and enjoyable travel experience for customers through “high quality and full services.”

【Review】

We progressively introduced “JAL SKY SUITE” aircraft on routes, based on the concept of introducing a “one class higher” product. In FY2015, we introduced 787-9 aircraft with “JAL SKY SUITE” cabin interiors. The “JAL SKY SUITE”-configured 787 maintains 8-abreast economy seating, compared to the industry norm of 9-abreast, with an extra 5cm wider seat. Also, by expanding seat pitch by 5cm, seating comfort has been enhanced significantly, making it the world’s largest class of seating space of all airlines. By progressively introducing “JAL SKY SUITE” 787-8 as well, our “JAL SKY SUITE” fleet comprises 33 aircraft¹, operated on 22 routes².

We completed introducing JAL’s inflight Internet service on all nine “JAL SKY SUITE” 767 aircraft as well as all 777-300ER aircraft, and now started to introduce the service to all 787 aircraft. We also improved our inflight entertainment programs, and nearly doubled the number of films, videos, audio programs, etc. to over 300.

We continued to develop new inflight meals to make mealtime more enjoyable in each class through collaboration with famous chefs, etc., under the theme of our “exclusive restaurant in the sky.”

【Future Action】

We will progressively introduce the “JAL SKY SUITE” 787-8 and 787-9 to provide one class higher product on more routes. The 777-200ER, to be introduced primarily on mid-haul routes such as Southeast Asian and Hawaiian routes, will be installed with new cabin interiors such as new fully-flat Business Class seats, “Sky Premium³” in Premium Economy, and “Sky Wider⁴” in Economy Class. Consequently, we will raise the level of space on mid- and long-haul routes to the world’s highest standard.

JAL’s inflight Internet service will be expanded to the 787, in addition to current services available on “JAL SKY SUITE 777”, “JAL SKY SUITE 767”, and some “JAL SKY SUITE 787”. The service will be newly introduced to the 777-200ER to offer a stress-free Wi-Fi connection in the sky, just like on the ground, to as many customers as possible. We will continue to pursue palatability of our inflight meals through collaboration with famous chefs, and improve the quality of our inflight meals, such as creating menus which attracts foreign customers and also improving “special meals”.

¹ As of March 2016

² Haneda = San Francisco, London, Paris, Singapore, Shanghai, Guangzhou
Narita = New York, Los Angeles, Chicago, Dallas Ft Worth, Frankfurt, Kuala Lumpur, Jakarta, Hanoi, Singapore, Sydney, Helsinki, Paris, Delhi, Moscow, Manila, Honolulu

³ Added 10cm between seats, extra 7cm of slide compared to current JAL seats

⁴ Legroom was increased up to 10cm compared to current JAL seats

Products and Services on Domestic Routes

【Overview of Medium Term Management Plan】

We aim to provide products and services that always deliver a fresh and enjoyable travel experience for customers through the keywords “convenient and simple”

【Review】

Under the theme of “a standard that’s a step ahead” we rolled out “JAL SKY NEXT” in May 2014 and introduced it on major domestic routes and regional routes. “JAL SKY NEXT” services are available on about 80% of all seats aboard applicable¹ aircraft. For greater enjoyment of inflight internet service and free video programs aboard “JAL SKY NEXT”-operated flights, we provide a smartphone APP enabling smooth Internet connections and links to SNS. A free service campaign was conducted on Haneda=Matsuyama, Hiroshima, Miyazaki, Komatsu and Kagoshima routes to let as many customers as possible to experience these services.

We also improved on our airport services. At Haneda Airport, we launched “JAL Express Tag Service²”, a service to save time for baggage check-in, from the end of March 2015, and in December 2015, about 40% of all passenger baggage was checked in through this service. From July 2015, we launched the first service in Japan to send expected waiting times at security checkpoints to the customer’s smartphone through JAL’s smartphone APP. At Itami Airport, we placed “JAL battery charging stations” in May 2015, where customers can charge smartphones and other mobile devices free of charge before boarding their flights. They were also placed at Sapporo Airport and Okinawa Airport.

【Future Action】

We will continue to increase customer convenience under the concept of “JAL Smart Style”.

In FY2016, we will complete the introduction of “JAL SKY NEXT” on all subject aircraft, and introduce high quality cabin interiors in JAL Group airlines, too. We will also improve the contents of our free inflight video programs, which many customers have requested, and boost convenience of our inflight Internet service.

At Sapporo Airport, construction of a Diamond Premier Lounge³, the top-tier lounge for domestic flights, is underway in line with renovation work of the domestic terminal building, the second airport for JAL to offer this lounge following Tokyo Haneda Airport. The overall design including Sakura Lounge will be renovated. Facilities will also be improved at Itami Airport, Fukuoka Airport and Okinawa Airport. “JAL Express Tag Service” will be expanded to other airports. At Haneda Airport, we will develop an environment for customers to check waiting times in security checkpoints more easily.

2-2-4. Sales and Marketing

【Overview of Medium Term Management Plan】

By carrying out sales activities and creating travel products linked to our product and service strategies, we will focus particularly on providing tailor-made services and improving our on-line services, and design optimal sales channels to maximize

¹ 77 aircraft such as 777, 767 and 737-800 operated by Japan Airlines

² Self-tagging service that allows customers to save their time at check-in by printing their own baggage tags before proceeding to the Baggage Drop-off Counter

³ Eligible for Diamond, JGC Premier, and First class passengers

revenue.

We will also improve our corporate sales system in the Japanese region, collaborations with travel agents, and sales promotions for leisure passengers through JALPAK and website services, while keeping in line with improvements of our route network. Aiming to maximize revenue in the mid/long term, we will disseminate JAL's network, products and services to international visitors to Japan, and step up our sales promotions.

【Review】

In the Japanese Region, we tackled our priority issues of improving customized services and online services. In particular, we renewed our website in April 2015, increasing visibility with a simple layout and improving operability on tablets, as tablet users have recently increased. In May 2015, we made our "JAL Domestic Dynamic Package"¹ site "easier-to-view and easier-to-use," and expanded the reservation acceptance period of domestic travel products from "3 days or more before departure" to "1 day (15:59) or more before departure. In July 2015, we added new functions and services to our "JAL Overseas Dynamic Package" site, such as advance seat selection, increased mileage accumulation rates, and more cities to connect to. In January 2016, we integrated "JAL Domestic Flight APP" and "JAL International Flight APP" into a newly designed "JAL APP"² that is easier to use. As a result of these measures, our online sales ratio³ in FY2015 increased by about 2% year-on-year for domestic flights and about 1% for international flights. We also introduced "Ultra Sakitoku", a new 75 days advance purchase fare, and increased flights available at discount prices during high seasons such as vacation seasons in May and mid-August to stimulate demand.

In overseas regions, we continued sales promotions toward corporate clients in collaboration with our Siberian and Transpacific Joint Business partners, and implemented brand publicity strategies based on market research.

In our Transpacific Joint Business with AA, we continued pricing measures and joint sales with AA, and consequently passengers carried increased by about 20% year-on-year. In Europe, we promoted corporate/travel agent agreements leveraging the networks of JL/BA/AY, the trilateral joint business partners, and consequently passengers carried increased by about 5% year-on-year.

As measures to stimulate inbound demand, we continued to provide free Wi-Fi service to customers flying with JAL to Japan. To promote tourism in Japan, we introduced a new domestic fare called "Japan Explorer Pass"⁴ for foreign visitors connecting from international flights to domestic flights in December 2015. To increase the convenience of foreign visitors to Japan, we increased the number of languages accessible to "JAL Guide to Japan", a tourist information site on JAL overseas websites, to 7 languages⁵ and opened a smartphone site. As a result of these measures, the number of passengers flying with JAL from abroad increased by 17%⁶ year-on-year.

¹ Travel products which enables to combine JAL group network and accommodation plans

² A Mobile APP which enables to book flights, check the flight status for all JAL group flights

³ Online sales ratio of FY2015 is expected to be 50% of domestic and 20% of international passenger sales

⁴ A newly flexible fare designed to provide overseas visitors with more option on flights traveling in Japan (10,800JPY per sector of JAL and JTA, available 72 hours prior to the scheduled departure time)

⁵ English, Simplified Chinese, Hong Kong Traditional Chinese, Taiwan Traditional Chinese, French, German and Russia

⁶ Result between April to December 2015

In our Call Centers, we introduced a new information system in October 2015 to provide speedy and effective services for improved quality. We also started services to answer inquiries by e-mail as well as by phone to increase convenience by meeting customer needs.

【Future Action】

In the Japanese Region, we will continue to focus on our priority issues of improving personally customized services and online services, promote our use of social media and mobile devices, and improve “JAL Dynamic Packages”. Through collaboration with travel agents, we will also conduct sales promotion of the outbound leisure market.

In overseas regions, we will continue good cooperation with our Siberian and Transpacific Joint Business partners, and improve our sales structure by increasing staff and such. In the growing Asian and Chinese markets, we will implement new measures based on market research. We will provide multilingual access to the “Japan Explorer Pass” site to increase preference for JAL of foreign visitors to Japan.

2-2-5. Cargo and Mail Business

【Overview of Medium Term Management Plan】

We aim to positively capture inbound and outbound shipments to and from Haneda Airport, where international flights will increase in FY2014 due to increased international slots. We will maximize revenue through new tailor-made “J-SOLUTIONS” products, sales promotion, and by meeting the customers’ needs through the strategic use of Jupiter Global Limited (JPT), our international cargo forwarding subsidiary.

【Review】

In international cargo and mail operations, we strived to maintain load factors and maximize revenue by capturing stable transit shipments via Japan through precise revenue management, despite the reactionary decline in special demands due to the U.S. West Coast port strikes in the latter half of FY2014 and a decline in imports due to the weak yen.

To meet diversifying customer needs and to expand our lineup of value-added air freight products, we developed a new constant temperature container and a special loading device to transport vehicles on passenger flights. In addition, we actively captured rapidly growing Express shipments, which are growing with the expansion of e-commerce trade. Consequently, we expect to maintain¹ similar levels of revenue from value-added shipments as the previous year when we enjoyed special procurement demands. As for JPT, by exploring markets in Asia, where we increased capacity and captured demands, sales using JAL flights is expected to increase by over 25% year-on-year, enabling us to achieve our target² a year earlier. Cool EMS, an international cool express service in collaboration with Japan Post, which is available at more Japanese post offices, 78 (from 25) and more regions (currently 6³), has increased in volume by over 40% year-on-year.

¹ While the sales target of value-added shipments was set +10% by FY2016 comparing to FY2014 in Rolling Plan 2015, we expected to achieve +10% excluding the demand hike by US West Coast Port Strikes in FY2015.

² JPT set the sales target +15% of JAL operating flights by FY2016 in Rolling Plan 2015

³ Hong Kong, Taiwan, Singapore, Malaysia, Viet Nam and France

As a result, we expect to secure international cargo and mail volumes similar to the year before, in spite of the reactionary decline in special demands of last year's labor dispute at U.S. ports.

In domestic cargo and mail operations, as sales staff and airport staff did their best to increase load factors by meeting the customers' needs, domestic cargo and mail volumes are expected to remain at last year's levels despite our capacity decline.

To increase customer satisfaction, we increased the quality and sincere attitude of staff toward customers by training and daily briefings. We also tried to eliminate irregularities by monitoring quality results in each process (from reservations to airport handling) to find and deal with problems speedily.

【Future Action】

In international cargo and mail operations, imports may continue to remain sluggish while JAL capacity is expected to increase on China and Asian routes. We will increase volumes and maximize revenues by enhancing revenue management. We will capture mail and Express shipments, whose growth is expected to continue, by optimizing the advantages of Haneda Airport and JAL CARGO's high quality.

Regarding value-added shipments, we will maximize revenue by promoting sales of our new constant temperature container and vehicle transport services introduced in FY2015, in addition to promoting outbound shipments of agricultural and marine products. JPT will also play a strategic role to increase use of JAL flights.

To increase customer satisfaction, while raising the staff's sense of quality, we will keep up our comprehensive quality control system, established in FY2015.

We will renovate the international cargo and mail core system from April 2016. As it will be integrated with the domestic cargo and mail core system updated in September 2014, we will be able to centrally control transport data of both domestic and international cargo and provide J-LINK, a smooth transport service connecting domestic and international flights.

2-2-6. Fleet and Capital Expenditure Plan

【Overview of Medium Term Management Plan】

Based on in-depth pre-investigation and continuous monitoring of return on investment, we plan to introduce new aircraft (29 Boeing 787s, 9 Boeing 737-800s, and others) during the period covered in the Medium Term Management Plan. The total capital expenditure of these upgrades (aircraft and maintenance parts) is expected to be approximately 478 billion yen¹.

We also aim to improve customer preference by introducing new products and services, especially in cabin modification, and to upgrade core systems in various fields, primarily passenger systems

【Review】

We took delivery of six 787s, including the first delivery of the 787-9 (stretched model), amounting to twenty-six 787s in our fleet. In addition, we progressively retired aged 777 and 767 aircraft. We also renewed aircraft of JAL Group airlines. Japan Transocean Air took its first delivery of the 737-800 and Ryukyu Air Commuter, the

¹ Total capital expenditures: 5 years from 2012 to 2016, Number of aircraft: as of MTMP release on FEB 2012

DHC8-Q400CC. J-AIR continued to introduce the E170 and took delivery of two E170's. Japan Air Commuter signed a contract to purchase the ATR42 as its next-generation aircraft.

As for cabin modifications, we promoted the introduction of "JAL SKY NEXT" with revamped cabin interiors for domestic flights. We completed cabin interior retrofit of 30 aircraft, bringing the total of "JAL SKY NEXT" aircraft to 61 by the end of FY2015.

【Future Action】

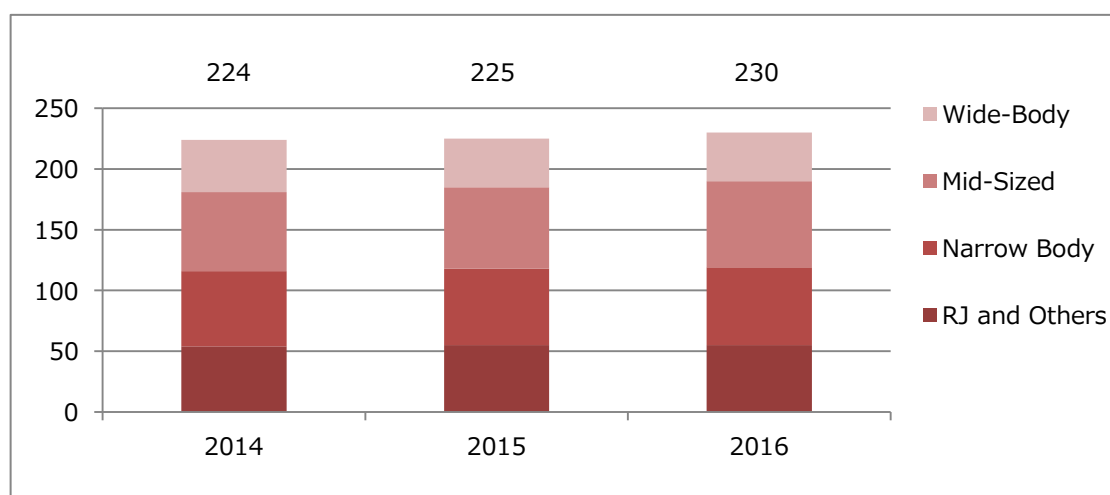
We will continue aircraft renewals, and will take delivery of seven 787s in FY2016, making the total of thirty-three 787s at the end of the fiscal year. In JAL Group airlines, J-AIR will take its first delivery of the E190, and Japan Air Commuter, the ATR42. As a result, the JAL Group will have a fleet of 230 aircraft as of the end of FY2016 (85 for international flights, 145 for domestic flights). Total capital expenditures for aircraft in FY2016 are expected to be 191.0 billion yen.

As for cabin modifications, we will continue measures to increase customer preference. We will introduce revamped 777-200ERs with "JAL SKY SUITE" cabin interiors. For domestic flights, we will complete retrofit of aircraft interiors to create a fleet of 77 "JAL SKY NEXT" aircraft. We will also proceed to introduce new cabin interiors in aircraft of JAL Group airlines.

JAL Group Capital Expenditure Plan for Aircraft

Billions of Yen	FY2016
Medium Term Management Plan	126.0
Rolling Plan 2015	187.0
Rolling Plan 2016	191.0

JAL Group Fleet Plan¹



¹ Number of operating aircraft on a fiscal year end basis

Wide-Body: 777, Mid-Sized: 787/767, Narrow Body: 737, RJ and others: ERJ/CRJ/Q100-400/SAAB/ATR

2-3. Minimizing Costs by Improving Productivity

2-3-1. Lowering Unit Cost¹

【Overview of Medium Term Management Plan】

We will use Unit Cost (consolidated air operation expense per ASK) as a metric for group-wide cost control, establish a target, and monitor costs to achieve the target UC. We will execute measures to achieve a cost-efficiency improvement of 50 billion yen by FY2016 in order to achieve the target of 11.0 yen UC in FY2016 (consolidated six air transport businesses).

【Review】

We had planned ASK in FY2015 at 102% year-on-year, but it is expected to end at 100% year-on-year. As for costs², despite drivers of cost increase such as rising personnel costs and various service quality enhancement measures, fuel costs dropped due to lower fuel prices and productivity enhancement initiatives by each division. As a result, costs are expected to be 98% year-on-year. Unit Cost in FY2015 is expected to be 12.1 yen on a total cost basis and 9.4 yen excluding fuel costs.

【Future Action】

In FY2016, we will continue to pursue cost reduction initiatives through lower fuel costs due to the sharp drop in fuel prices, productivity enhancement measures, and the penetration of the divisional profitability management system. However, from the viewpoint of securing stable human resources to achieve sustainable growth in the future, we plan to increase personnel costs. In addition, due to cost increases owing to the persistently weaker yen and various investments to improve products and services, Unit Cost in FY2016 is expected to be 12.2 yen on a total cost basis and 9.8 yen excluding fuel costs.

Despite drivers of cost growth, we will pursue productivity enhancement and cost reduction initiatives group wide, to reduce Unit Cost to the minimum.

Unit Cost (Yen)		FY2015 ³	FY2016
Medium Term Management Plan	Total Costs (6 airline operators)	-	11.0
	Excluding fuel costs	-	-
Rolling Plan 2015	Total Costs (32 companies)	12.1	12.7
	Total Costs (6 companies)	9.0	8.8
Rolling Plan 2016	Total Costs (32 companies)	12.1	12.2
	Excluding fuel costs	9.4	9.8

¹ Unit Cost (UC) = Expenses of air transport segment / available seat kilometer; cost to carry 1 seat for 1 km

² Consolidated air transportation 32 companies (31 companies from FY2016 for reorganization of JAL Group companies)

³ Forecast

2-3-2. Productivity Improvement

Labor Productivity Improvement

【Overview of Medium Term Management Plan】

We will improve productivity per head in JAL Group through various measures, such as streamlining back offices, improving the utilization rate of flight and cabin crew, multi-tasking, improving work styles in airport and maintenance divisions, and reviewing staff allocation and assigning optimal manpower through IT system upgrades (passenger, airport, and cargo systems)

【Review】

Though we aimed to increase group-wide work efficiency and consolidate work, staff numbers in back offices increased by about 3% as a result of strengthening the IT project implementation and overseas sales structure.

The Flight Operations Division tried to improve efficiency by assigning optimal standby staff numbers, shortening the training period for aircraft-type transitions, and increasing efficiency of ground duties. But to secure manpower for the future, although the number of operated flights remained the same as the year before, the operation rate per head decreased by about 1% year-on-year.

On the other hand, the Cabin Attendants Division increased the operation rate per head by about 1% year-on-year by improving ways of crew scheduling, leveling out flight duty hours, etc.

The Airports Division improved productivity at major domestic airports by about 2% year-on-year by assigning optimal staff numbers and promoting multi-tasking.

The Maintenance Division continued to focus on developing human resources and improving aircraft quality, increased productivity by about 1% year-on-year with innovative minds and comprehensive abilities.

【Future Action】

We will continue to pursue productivity enhancement initiatives in every division through the innovation and ingenuity of every staff to reduce Unit Cost.

Efficient Use of Resources

【Overview of Medium Term Management Plan】

We will improve productivity by appropriately allocating resources, and reduce every possible “Muda” (waste) during the period of the Plan. We will minimize incremental costs relating to additional flight slots at Haneda Airport in FY2014, and control overall system costs through IT system upgrades and shift to a flexible system cost structure.

【Review】

Thanks to the launch of new international routes, the utilization rate of aircraft has increased by about 1% year-on-year. Also, through various activities in our fuel saving

project launched in FY2013, we saved about 15.5 million pounds¹ of fuel in the first-half of FY2015. We also changed ways of inventory control and transport to eliminate waste of publicity and promotional goods.

Through the use of IT, we aimed to improve customer service, and achieve greater work efficiency. At domestic airports, we built a system to share necessary information among airport staff speedily and accurately by using mobile devices. Also, relocation of the Data Center is expected to be completed in March 2016. We will strengthen security measures and mitigate earthquake risks, and also renovate the operating system in order to shift fixed maintenance and operation costs into variable costs.

【Future Action】

We will continue to pursue initiatives to increase the utilization rate of aircraft, save fuel, and use facilities and equipment efficiently. We will also promote centralized purchasing transactions overseas, starting from the North American Region, and expand areas of realizing appropriate procurement processes.

Keeping in mind to enhance the level of customer services, improve work efficiency and sophisticate work through IT systems, we will clarify the expected effects before introducing systems. In doing so, we will continue to curb development costs, and reduce and change fixed maintenance and management costs to variable costs.

Specifically, the core system of international cargo and mail will be updated in April 2016, following the system update of domestic cargo and mail at the end of September 2014. By introducing SaaS² through a cloud service, we will curb development costs and change fixed maintenance and management costs to variable costs. As part of our fuel saving initiatives, we also plan to release a new flight planning system enabling selection of the optimal flight course in July 2016. Furthermore, we will continue to embrace the challenge of improving work styles through advanced technologies, such as the tests conducted in FY2015 of wheelchairs equipped with a beacon or staff using wearable devices to obtain positioning information.

¹ Equivalent to fuel onboard of 31 roundtrips between Narita and New York on 777-300ER

² Stands for “Software as a Service”: Users can choose the function of the software

2-4. Group Management and Human Resources Development

2-4-1. Group Management

【Overview of Medium Term Management Plan】

By instilling the JAL Philosophy and introducing the divisional profitability management system widely throughout the JAL Group, we will promote “Management By All”, establish autonomous and sound management by each Group company, and attain high productivity and profit standards.

【Review】

We held JAL Philosophy seminars to penetrate JAL Philosophy into every Group staff. All Group staff attended seminars and studied four themes during the year. In the Tokyo area, approximately 49,400 staff participated in total (April-December 2015). Members from every workplace, such as flight crew, cabin attendants, maintenance staff, and ground staff, participated and deepened mutual understanding, regardless of the section they belonged to.

We introduced the divisional profitability management system to six consolidated subsidiaries in FY2015, bringing the total to 31 companies with the system. Companies that had already introduced the system shared examples of improvements, problems in operation, etc., to improve and penetrate the system into staff.

【Future Action】

We will continue JAL Philosophy seminars and promote penetration of JAL Philosophy in each workplace. We had aimed to introduce the divisional profitability management system to 35 consolidated subsidiaries from FY2011 to the end of FY2015. In FY2016, we will consider introducing the system to the last four companies, where the system has not been introduced yet due to company merger, etc. We will continue to penetrate JAL Philosophy and introduce the divisional profitability management system to build a firm organizational structure where every staff participates in management with a sense of “maximizing revenues and minimizing expenses.”

2-4-2. Human Resources Development and Headcount Planning

【Overview of Medium Term Management Plan】

We will create the ideal staff image sought by the JAL Group, and recruit necessary staff in appropriate numbers. We will develop and implement a fundamental shared education/training program of the JAL Group to develop future leaders and safety and service professionals. Through human resource development and productivity enhancement initiatives in each division, we expect to maintain the current headcount of 32,000 (consolidated headcount) during the period covered by the Medium Term Management Plan, despite an expected increase in business scale.

【Review】

We held many company briefing sessions in various locations for job applicants to broadly and deeply project the image of JAL reborn, and recruited human resources who had a strong desire to create a new JAL Group. To revitalize organizations, we also carried out mid-career recruitment to secure human resources with diversified knowledge and experience. As a result, JAL Group recruited about 1,700 people in FY2015.

As for human resources development, we conducted education and training courses according to JAL Group's Basic Education and Training Program, established on the basis of JAL Philosophy (196 sessions, approximately 8,800 participants¹). We also held orientation training for new JAL Group employees in spring and autumn, where about 1,200 newcomers took training based on JAL Philosophy, to cultivate a sense of unity in JAL Group.

JAL Group recognizes the promotion of participation by diversified human resources as a management strategy, and is building training and support systems so that human resources including women can take active part in management and develop their careers. In March 2015, JAL was chosen as a "Nadeshiko Brand"² for the first time. To promote group-wide initiatives and deepen understanding ranging from management to staff, "Women's Participation and Work Style Reform Forum" was held in FY2015. To achieve diversity, "JAL Nadeshiko Lab"³ was started in November 2015. Work style reforms⁴ of 44 domestic companies launched in December 2014 were implemented, with FY2015 positioned as a phase to change mindsets and develop basic infrastructure. To be specific, workshops to promote work philosophy reform were held, IT tools and paperless work were introduced, work-at-home systems were expanded, etc. to achieve greater work style efficiency and flexibility according to their job characteristics.

The total of JAL Group consolidated staff numbers as of the end of December 2015 is 32,347.

【Future Action】

We will continue to recruit necessary staff in appropriate numbers. From April 2016, the contract system for cabin attendants will be abolished and they will all be employed as permanent staff. We are considering a similar measure in JAL Group airlines.

To develop human resources, we will make the best use of the JAL Education Center founded in FY2012 to conduct cross-section education. By conducting education under a long range well thought out plan, we will develop professionals who can create values in their areas of profession with extensive knowledge and abilities.

We will continue to build workplaces where diversified human resources can participate and are supported by other colleagues. To encourage the female work force,

¹ A record held by Human Resources Division excluding JAL Philosophy Education (April to December, 2015)

² Nadeshiko designation is part of a joint effort by Tokyo Stock Exchange (TSE) and Ministry of Economy, Trade and Industry (METI) that acknowledges companies listed on the TSE's first section for their efforts to improve the working environment for women.

³ Cross sectional project team with 38 people to work on such issues as diversity of workers, varied styles of working and other research projects

⁴ Aims to establish a corporate culture that cherishes the growth of both employees and the company through improving the productivity and creating new values

we will continue to hold training programs to provide opportunities and motivation for personal growth. On the basis of merit system, we aim for female management ratio of 20% or more in JAL Group by the end of FY2023. To innovate work styles, we will utilize extra space created through paperless offices and IT infrastructure to revitalize internal communication. These initiatives will be expanded throughout the JAL Group to create new values by sharing knowledge and ideas.

We will strive to create new IT tools and ideal offices, and also expand these measures to other areas besides Tokyo. By developing an environment where staff can continue to work according to their motivation and ability, we will also actively deal with creating a continued employment system for elderly staff.

We reviewed our headcount plan to improve our service quality and sustainable growth for the coming year. The consolidated headcount at end of FY 2016 is expected to be approximately 33,000.

2-5. New Initiatives

2-5-1. CSR (Corporate Social Responsibility)

On updating our basic CSR policy in April 2013 and resuming CSR activities to express our appreciation to society, we pursued initiatives in four key areas; the environment, safety and security, bridging Japan and the world and nurturing the next generation. We carried out original activities with the participation of many staff, centering on “Tohoku” (North Eastern part of Japan) support measures.

Activities to support Tohoku

As years have passed since the Great East Japan Earthquake, we continued our “Visit Tohoku!” project founded in June 2013 to respond to the wishes of disaster-stricken areas, “Don’t forget us” and “Please come, see, consume and help us recover.” To contribute to regional restoration, we operated international charter flights¹, held promotional events at prefectural antenna shops, conducted staff training programs in stricken areas, adopted local specialty products of Tohoku for inflight and lounge services, dispatched local information and such. To support residents in disaster-stricken areas, we conducted “JAL Gift of Smiles,” in which we invited primary schoolchildren and their families on trips to bring back smiles or the “Chance for Children” program to provide educational opportunities for children with financial difficulties. We also held local aviation lectures and special classes, invited primary and junior high school students on flights, etc. to cooperate in nurturing the next generation in Tohoku. In March 2016, five years will have passed since the Great East Japan Earthquake occurred. The JAL Group will continue to support Tohoku in FY2016.

Regional revitalization initiatives

On evolving “JAPAN PROJECT²” conducted in collaboration with regional communities, we established “JAL NEW JAPAN PROJECT” comprising joint activities with regional industries under the themes of “tourism promotion” and “agricultural and marine products” to energize regional Japan. In this “JAL NEW JAPAN PROJECT”, we will not only conduct activities focused on regional promotions, but also attract growing inbound demand and domestic leisure demand to regions around Japan. We would like to cooperate in creating a positive spiral which leads to flows of people and goods, which subsequently creates new jobs and revitalize regional economies.

2-5-2. Corporate Governance

We revised the Fundamental Policy of Corporate Governance on October 30, 2015 in accordance with corporate government codes in order to demonstrate high management transparency, strong management monitoring, increase corporate value, and fulfill accountability to society. In FY2016, we will continue to improve our governance system according to the revised policy.

¹ Aomori=Taimei and Akita=Taimei

² A monthly project working together with local governments and communities to increase the tourism and industry started from May 2011, introducing local attractions through our inflight magazines, inflight meals, airport lounges, websites and so on

2-5-3. Activities beyond the term of the Medium Term Management Plan

Activities for Tokyo 2020 Olympic and Paralympic Games

We signed the Tokyo 2020 Official Partner agreement (passenger air transport service category) with the Tokyo Organizing Committee of the Olympic and Paralympic Games to sponsor the Tokyo 2020 Olympic and Paralympic Games. We will also support Japan's national teams participating in international competitions before the Games in 2020. We will actively participate as a member of the "All Japan" team to establish a successful Olympics and Paralympics movement. We will also actively contribute to leave a positive legacy to society after the Olympic and Paralympic Games.

Fleet Renewal and Business Portfolio

We will continue preparations to take delivery of the A350 to be introduced in FY2019 and the MRJ to be introduced in FY2021.

We will also achieve sustainable growth and also set our eyes on 10 to 15 years from now to build an ideal business portfolio resilient to risks.

Activities for the Changes of the Global Business Environment

We will renovate the core system of the passenger business by FY2017. We will utilize industry standard or cutting-edge technologies to our business, and develop a shared platform for international and domestic operations, which makes us respond to global challenges and business development speedily and flexibly.

3

Revenue/Expenditure Plan, Financial Plan

3-1. Financial Targets and Results

Consolidated Financial Targets for FY2012-2016			FY2015 Forecast
Operating Profit Margin	10%+	Every Year	15.3%
Equity Ratio	50%+	By FY2016	53.0%

In our financial operations, we will do utmost effort to increase investments, internal reserves and return to shareholders on securing earnings.

As for profitability, we aim for operating margin of 10% or above, which is our financial target again this fiscal year so that we can absorb business fluctuations and event risks, and secure cash flows as capital for investments and dividends.

As for investment, to respond flexibly to future corporate growth and changes in the business environment, we actively implement investments upon detailed evaluation.

As the airline business is volatile to event risks, we think it is important to accumulate internal reserves to keep shareholders' equity ratio at 50% or above. We will continue to strengthen our financial foundation tolerant enough against various risks.

We have steadily accumulated income during the period covered by the Medium Term Management Plan. Shareholder's equity ratio exceeded 50% at the end of FY2013, the second year of the plan, and has steadily risen with expectations of reaching approximately 58% at the end of FY2016. We will continue to increase shareholder's equity ratio by strengthening our financial structure and improving our current credit rating of "Single A minus"¹ to ensure our financing ability.

On the other hand, we will try to maintain it at appropriate standards also from the capital efficiency point of view. We will maintain return on equity (ROE) of 10% or above by increasing profitability and asset efficiency so as to secure a sound financial structure. We will also pay close attention to maintain the appropriate level of the shareholders' equity ratio, considering the efficiency of capital.

As for return to shareholders, we maintain our basic policy to pay dividends approximately 25% of Net Income Attributable to Owners of the Parent after adjusting income tax deferred. We will continue to actively return our profits to shareholders, while taking into account free cash flow levels, our financial positioning and capital efficiency.

¹ Credit rating by Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd.

3-2. Fuel and Foreign Exchange Assumptions

	FY2015 Forecast	FY2016 Assumption	Sensitivity (FY2016, without hedging)
Fuel (Singapore Kerosene)	USD60.6/bbl.	USD50/bbl.	Fuel Price Change (per \$1/bbl.): Approx. JPY 2.7 billion
FX	JPY121.3/USD	JPY123/USD	Currency Change (per 1JPY): Approx. JPY 1.0 billion
Hedging Policy	Fuel Costs: Based on the premise that we make efforts to reduce fuel consumption and creative use of appropriate transactions, we use a combination of hedging to minimize risks from short term market volatility (diversified term hedging) and hedging to fix costs (defined hedging). Aircraft: We diversify the timing to exchange the currencies.		

3-3. Risks Considered in the Financial Plan

Although downside risks to profitability such as event risks are perceived, they have not been factored into Rolling Plan 2016.

3-4. Key Management Indicators (Forecast and Plan)

Consolidated PL

Billions of Yen	FY2015 Forecast	FY2016 Plan
(International Passenger)	451.0	450.0
(Domestic Passenger)	501.0	503.0
(Cargo and Mail)	92.0	85.0
(Other)	293.0	305.0
Operating revenue	1,337.0	1,343.0
(Fuel)	229.0	202.0
(Excluding Fuel)	904.0	940.0
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

Consolidated BS

Billions of Yen	FY2015 Forecast	FY2016 Plan
Total Assets	1,602.0	1,753.0
Shareholders' Equity	849.0	1,023.0
Equity Ratio	53.0%	58.4%
(Related Index)		
Total Debt	92.0	88.0
Net D/E Ratio¹	▲0.3x	▲0.2x
ROE²	21.2%	20.5%
ROA³	13.3%	12.0%

Consolidated CF

Billions of Yen	FY2015 Forecast	FY2016 Plan
Operating Cash Flow	301.0	268.0
Investment Cash Flow ⁴	▲212.0	▲243.0
Financing Cash Flow	▲49.0	▲50.0
(Related Index)		
EBITDA ⁵	294.0	298.0
EBITDA margin ⁶ (%)	22.0%	22.2%
EBITDAR ⁷	317.0	318.0
EBITDAR margin ⁸ (%)	23.7%	23.7%

¹ (On-balance Interest-bearing Debt + Off-balance Lease - Cash and Cash Equivalents) / (Shareholders' Equity) ,used aircraft lease for forecast

² (Net Income Attributable to Owners of the Parents) / (Average of Assets at the beginning and at the end of year)

³ (Operating Profit) / (Average of Total Assets at the beginning and at the end of year)

⁴ Excludes deposit and withdrawal from deposit accounts

⁵ Earnings Before Interest, Taxes, Depreciation and Amortization = Operating Profit + Depreciation

⁶ EBITDA / Operating Revenue

⁷ Earnings Before Interest, Taxes, Depreciation, Amortization and Rent = Operating Profit + Depreciation + Aircraft Lease

⁸ EBITDAR / Operating Revenue

Flight Specifications

(%)		FY2015 Forecast	FY2016 Plan	
		Vs. FY11	Vs. FY11	Y/Y
ASK¹	International	112	112	99
	Domestic	101	101	100
	Total	107	107	100
Flights²	International	113	116	102
	Domestic	107	106	99
	Total	108	107	99

Operating Revenue Related Indicators

(%)		FY2015 Forecast	FY2016 Plan	
		Vs. FY11	Vs. FY11	Y/Y
UR³	International	104	105	100
	Domestic	103	104	101
	Total	102	103	101
RPK⁴	International	126	127	100
	Domestic	109	109	100
	Total	119	119	100
Yield⁵	International	93	92	99
	Domestic	96	96	101
	Total	92	92	100

		FY2015 Forecast	FY2016 Plan	
				Change
L/F⁶	International	79.3%	80.2%	+0.9pt
	Domestic	67.5%	67.5%	▲0.0pt
	Total	74.3%	74.7%	+0.5pt

¹ Available Seat Kilometers (Including Codeshare flights)

² JAL Group operations only

³ Unit Revenue: Passenger Revenue per ASK = Yield x L/F

⁴ Revenue Passenger Kilometers (including code-sharing flights)

⁵ Passenger Revenue per RPK

⁶ L/F (Load Factor) = RPK / ASK

4

For our Sustainable Growth

4-1. Our Business Environment

We assume the change of our business environment as follows.

- Decrease of working-age population and progress of the aging society in Japan
- Well-established base of increased international passengers to Japan
- Continuous global economic development with a central focus on the Asia-Pacific region
- Development of new technologies allowing an enhanced travel experience, greater productivity and creation of new values or structures
- Diversifying customers' needs

In preparation for hosting the Tokyo 2020 Olympic and Paralympic Games, it is expected that capacity will expand at Tokyo metropolitan airports. While opportunities for customers to use JAL will also grow, competition is bound to intensify due to capacity expansion and entrance of new foreign carriers and LCCs to Japan, and so on.

4-2. Our Challenges

Given these predictions, we are certain that boosting business and leisure inflows to Japan, where we are based, will eventually contribute to our growth as well as the development of regions and society. Therefore, we will address and tackle various issues under well thought out plans, such as building structures to steadily capture demand in countries and regions with significant growth prospects, while in mature markets, we will seek ways to become the users' preferred airline. Furthermore, from a long-term perspective, we will also consider initiatives in new business domains other than air transportation.



JAPAN AIRLINES

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