FISCAL YEARS 2012-2016

JAL GROUP

MEDIUM TERM MANAGEMENT PLAN

ROLLING PLAN 2014

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

March 26, 2014

Japan Airlines Co., Ltd.

Introduction

We express our sincere appreciation to our customers who travel with JAL, our shareholders in Japan and abroad, and our business partners with whom we engage in various business transactions.

Although the history of the company is very short after we were given the opportunity to be reborn only an year and a half ago, management and staff are eager to make efforts together to build our new history by doing what we can, one step at a time, not forgetting that maintaining flight safety is the very base of our existence.

Two years has already passed since we first announced the "JAL Group Medium-Term Management Plan Fiscal Years 2012-2016 -To the Next Growth Stage upon Establishing a High Profitability Structure-" on February 15, 2012. The strong determination of the management to accomplish the Management Targets set out in the plan by FY2016 has never changed since then. And to realize that strong determination and actually accomplish the final goal, we have made this "ROLLING PLAN 2014" to review the state of progress of our medium term management plan, as we did last year.

In FY2013, we had several negative changes in operating environment which we had to overcome such as rapid depreciation of the Japanese yen. On the other hand, when we turn our eyes on FY2014, we can see positive changes which suggest great business opportunities for us such as signs of the Japanese economy starting to pick up, or the additional capacity expansion of Tokyo metropolitan airports. Under these circumstances, we humbly reviewed our progress and achievements and when it is necessary, we also redesigned the plan without being tied by conventional thinking to match the changing environment. During the upcoming 3 years of 2014 to 2016, we will aim to improve our profitability, strengthen our business foundation by, for example, improving the sufficiency of our Equity Capital so that we can endure against the sudden change of environment, and consequently elevate our future corporate value.
With gratitude to all the customers, shareholders and parties concerned, we will never forget the support we have received until now, and do our utmost to improve our business performance through the assurance of flight safety and delivery of comfortable services. Also, we will continuously and proactively return benefit to our shareholders.

As we pledged last year, management and staff will work together to fulfill our corporate mission, underpinned by three pillars; "autonomous management" equipped with a sense of crisis, "meeting challenges" with innovation and without fear of failure, and "speed" quickly responding to changes. We would appreciate your continued support.

Yoshiharu Ueki
Representative Director, President

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1. On Initiating the Third Year of the Medium Term Management Plan

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

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

As we considered it important to explain all this not only to our staff but also to our customers, shareholders, and all stakeholders, we drew up a Rolling Plan for Fiscal Year 2014 of the Medium Term Management Plan as we did last year.
On the basis of the current operating environment, we have confirmed that the Management Targets as stated in our Medium Term Management Plan will remain the same.
And we have drawn up the Medium Term Management Plan Rolling Plan 2014 with the aim;

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

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

【JAL Group Corporate Policy】

The JAL Group will;

Pursue the material and intellectual growth of all our employees;

Deliver unparalleled service to our customers; and

Increase corporate value and contribute to the betterment of society.

1-2. Changes in the Business Environment

【Review】

In FY2013, the second year of the Medium Term Management Plan, bright signs of recovery were seen both in the global and the Japanese economy. Moderate recovery in investments, production, consumption, etc. was seen in the Japanese economy, and also in the global economy as well, primarily in developed countries. Although strained diplomatic relations with China and Korea had a negative impact on international passenger demand, the weak yen and relaxed visa requirements for Southeast Asian countries triggered an increase in inbound foreign passenger demand, pushing up the number of foreign visitors to Japan to over 10 million. On the other hand, outbound international passenger demand from Japan is expected to decline from the previous year due to the depreciation of yen. In the domestic market, in addition to the recovery of the Japanese economy, several major tourist events such of the Izumo-taisha shrine and the Ise-jingu shrine, for example, boosted domestic passenger demand. As of cargo demand, a sign of bottoming out was seen after it had long remained declining since the Lehman Shock.

On the supply side, foreign airlines centering on Low Cost Carriers (LCCs) increased supply in international market to meet strong inbound foreign passenger demand, and so did Japanese airlines. In domestic market, Japanese airlines increased supply as a result of the release of additional flight slots at Haneda airport and Itami airport. LCCs based in Narita and Kansai also increased their supply.

The increase in both demand and supply consequently had little impact on earning and expense balance of airlines, but rising fuel costs caused by the rapid depreciation of Japanese yen gave downside effect on of Japanese carriers.

【Future Outlook】

We see a moderate recovery of Japanese economy although it will be temporarily affected by the increase of the Japanese consumption tax rate. We also see global economy to be on a recovery track, while the possibility of stagnant growth in emerging countries and resourceful countries, or the future prospect of the European sovereign debt crisis can be a downside risk. Thanks to the steady recovery of Japanese and global economies and growing passenger travel demands generated by LCCs, we expect passenger demand to increase continuingly. As for cargo demand, although we do not expect it to grow rapidly, we see a firm and steady move to continue.

On the supply side, we expect a significant increase in supply resulting from additional release of international flight slots at Tokyo metropolitan airports, the launching of large-sized aircraft by other Japanese carrier, the increase of LCCs services, and development of a new Shinkansen (Bullet Trains) rail network.

As the increase in supply will outpace the increase in demand, we expect a tougher competition, and for Japanese airlines, the weak yen will continue to push up fuel costs and affect their earning and expense balance.

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, we will take action in <u>5 areas</u> 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 "Customer Satisfaction No. 1" 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] Customer Loyalty rate, Word by Mouth 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 competitive environment are foreseen during the period covered by the Medium Term Management Plan, we aim to clearly differentiate JAL from other competing airlines in three areas shown below, to become the customers' most preferred airline group in Japan and around the world by delivering refreshing and moving passenger experience on every journey.

1. **Enhancement of JAL Brand**
   We will maintain flight safety, enhance our products and services including human service, and provide customers with the finest service. In FY2013, our efforts gradually came to fruition, for example, our safety indicators improved, we were awarded[1] for the world's best on-time arrival performance for the second consecutive year, and indices in internal and external customer satisfaction surveys rose. Nevertheless, we perceive that there is still room for improvement, and we will continuously strive to establish the JAL Brand as a full service carrier to clearly distinguish itself from Low Cost Carriers (LCCs).

2. **Route network, products and services**
   In international passenger operations, we pooled our resources on med/long haul routes, such as launching Helsinki flights, increasing number of aircraft equipped with new seats (full-flat Business Class seats, "Shinkankaku" Economy Class seats with wider pitch) and inflight Internet service. Taking advantage of the additionally released flight slots at Tokyo metropolitan airports (Haneda, Narita) as a business opportunity, we will not merely pursue expansion but accomplish growth in terms of rising revenue and profit by enhancing route network, products and services with speed. In domestic passenger operations, given the environment where supply and demand are gradually being eased, we will focus on improving our products to become more competitive. Starting from May 2014, we will renew seats of all 777, 767 and 737-800 fleet. And from July, we will introduce inflight Internet service for the first time in Japanese domestic airline market.
   We will proceed to propose new ideas for air travel, unbound by conventional thinking, and provide customers with a fresh and moving experience.

3. **Cost Competitiveness**
   Although we had to face the cost rising pressure resulting from the weak yen and investments we made to improve our products and services, we tried hard to reduce costs by improving cost efficiency. Towards FY2016, we will reexamine the Unit Cost (UC[2]) target but nevertheless maintain our advantage in cost competitiveness by furthermore penetrating the divisional profitability management system and innovative ingenuity of all staff.
   We have approached our goal of distinguishing JAL and setting it apart from other competing airlines in five areas; "safety initiatives, route network, products and services, and human resources development". Chapter 2 contains our Review and Future Approaches of these issues.

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

[2] UC (Unit Cost) = Consolidated Air Cost / ASK. The cost to carry one seat to one kilometer.

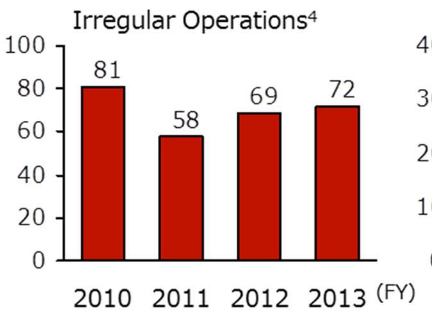
1-5. Progress of Management Targets

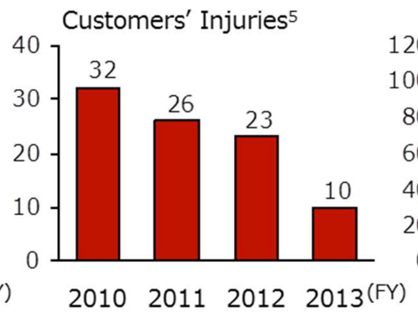
1. JAL recognizes that "flight safety" is the basis of the existence of the JAL Group and our social responsibility. As a leading company in safety in the transportation sector, JAL will maintain the highest standards of safety.

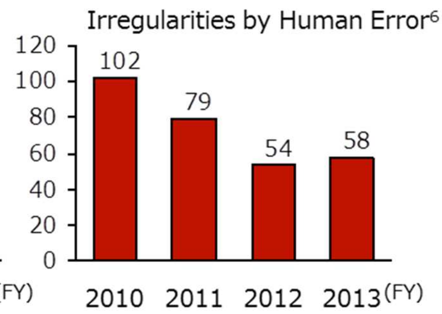
In JAL Group's safety targets, we aimed for zero aircraft accidents and zero serious incidents, but with much regret, we recorded 1 serious incident in FY2013.
We sincerely apologize to the passengers and persons affected for causing substantial worries and inconvenience. We take this incident seriously, and investigate into the cause and implement countermeasures.

【FY2013 Management Indicators and Results】

Indicators and Results	FY2012	**FY2013**[1]	**Outline** for FY2013
Aircraft accident[2]	1	0	
Serious incident[3]	4	1	2013/5/6 JAL2362 (Oita-Itami) Fire erupts from right engine while taxiing after landing at Itami airport. The Japan Transport Safety Board is investigating into the cause. We have conducted repeated inspections of the probable cause for countermeasures.







In addition, we established safety targets concerning irregular operations[4], customers' injuries[5], and irregularities caused by human error[6] and implemented various measures to reduce them. Although we managed to reduce the number of customers' injuries steadily, we could not reduce the number of irregular operations and irregularities caused by human error. We will maintain and improve our safety activities in order to deliver safe and pleasant flight.

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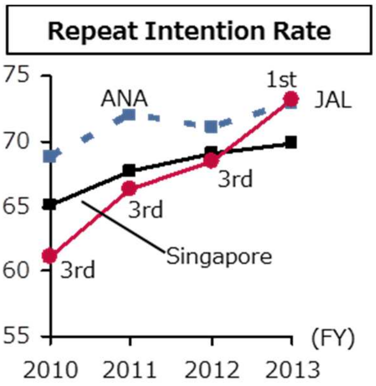
[1] As of 19 March 2014
[2] Fatal or serious human injury as a result of aircraft operations, or and aircraft crash, collision or fire, or damage (major repair), etc.
[3] An incident involving circumstances indicating that there was a high probability of an accident, such as overrunning, emergency evacuation.
[4] Diversion, etc. as a result of air turning back in air, etc. for safety reasons after pilots have responded, according to the manual, to partial failure of aircraft's multisystem, etc., as classified by MLIT.
[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] Typical troubles caused by human error 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.

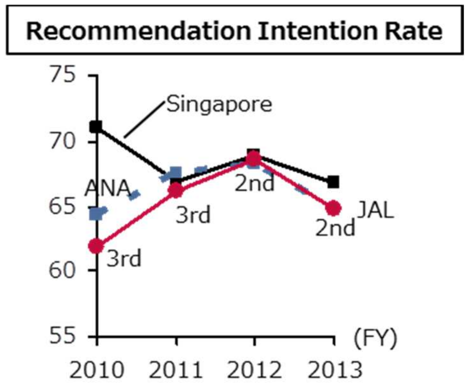
2. JAL will provide unparalleled services to continuously deliver a fresh and enjoyable travel experiences for customers. We aim to achieve "Customer Satisfaction No. 1" by FY2016.

By introducing new products, and each staff working hard to improve service, we were reared on first place ranking in customer loyalty on international flights. Our activities across the department also resulted to achieve the top ranking for on-time arrival performance in the world for the second consecutive year. These efforts let us to achieve the top ranking in customer loyalty on international flights, and also narrowed the gap with competing airlines in other rankings as well.
We will analyze our results in FY2013, and will continuously "challenge" ourselves to develop new services with "speed" in order to accomplish our targets by FY2016.

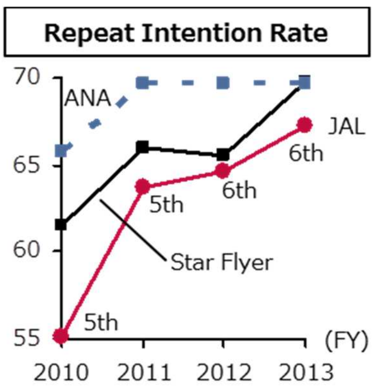
【JCSI(Japanese Customer Satisfaction Index)】

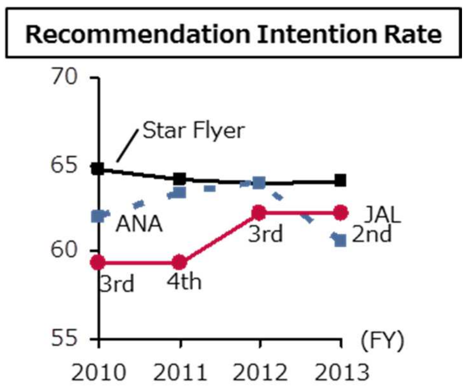
(International routes)





(Domestic routes)





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

【FY2013 Forecast[1]】

Although the weak yen resulted to the escalation of fuel costs, revenue increased primarily in international passenger market, and by cutting costs through productivity improvement, we expect to achieve;

Operating profit of 158.0 billion yen (+18.0 billion yen vs. the Rolling Plan 2013)
Operating profit margin 12.2%.
Equity of 676.0 billion yen (+32.0 billion yen vs. the Rolling Plan 2013)
Equity ratio 51.6%.

【FY2014 Plan】

Although the escalation of fuel costs due to the weak yen may prevail and competition may intensify in both International and Domestic market, we will further strive to maximize revenue, and minimize costs. As a result, we expect to achieve the following result in FY2014;

Operating profit of 140.0 billion yen
Operating profit margin of 10.4%
Equity of 723.0 billion yen
Equity ratio 52.1%.

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

【Summary of the Financial Results/Plan】

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

[1] Contents are not changed from 31 January 2014 release.

1-6. Positioning of Each Fiscal Year

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

■FY2012-2013

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

Drawing on lessons learned in the past that we created plans without full execution of the measures we had decided to take, and without ample analyses, all JAL Group staff worked to demonstrate that "JAL Group has changed" and "has become a company that keeps its promises to its stakeholders."
A severe business environment prevailed through the past two years, as we faced the suspension of 787 operations and rapid depreciation of Japanese Yen. Under such a severe environment, we worked to launch new products, enhance service, and improve productivity. As a result, we achieved a profit margin over 10%, but we reported lower earnings on higher revenues. We consider the responses to the severe business environment would be one of our challenges to address in the future.

■FY2014

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

We assumed more severe business environment caused by rising fuel costs due to the weak yen, negative effects to the traffic demand by the consumption tax hike, and intensifying competition at Tokyo metropolitan airports as a result of the dramatic increase of international flight slots at Haneda airport. Furthermore, as a unique challenge of JAL Group, we must survive the competition under the condition that fewer-than-expected international slots at Haneda airport were allocated to JAL group. Concretely speaking, we will challenge to provide the finest products and services to deliver a refreshing and moving passenger experience on Narita routes, where we compete head-on with other airlines' routes departing from Haneda, in addition to keep the revenue on our existing route.
In this way, FY2014 will be a period of establishing a firm business foundation to achieve "growth", from FY2015, that is revenue improvement and profit improvement.

■FY2015-2016

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

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

2. Reviews and Future Actions

2-1. Safety Initiatives

【Overview of Medium Term Management Plan】

We will focus on 3 areas of; developing human resources to maintain safety, evolving systems to maintain safety, and nurturing a climate to maintain safety, in order to ensure flight safety, the foundation of the JAL Group, and continuously accumulate our safety layers.

【Review】

<u>Developing Human resources to protect safety</u>

By the end of FY2013, 23,300 JAL Group staff, or 70% of all JAL Group staff, will complete JAL Group Safety Education. We started the same program to 3,200 staff of entrusted companies (JAL Brand partners) handling major domestic airports in Japan, and due to complete by the end of FY2014.

<u>Evolving systems to protect safety</u>

Our safety database, in which safety-related information is electronically stored, has been upgraded, and used to implement countermeasures to prevent incidents. To improve precision of analysis of causal factors and countermeasures, we verified the effectiveness of our countermeasures, and implemented proactive measures, taking into account incidents at other divisions and airports, utilizing the system/mechanism enforced from the second-half of FY2012.

<u>Creating a corporate culture to protect safety</u>

To act on one of the recommendations of the Safety Advisory Group, "develop a culture to polish manuals", we revised our manuals to make them easier to use. In addition, we reannounced the policy of not punishing errors caused by human nature to create open atmosphere of reporting mistakes which might have led to incidents.

【Future Action】

To establish an advanced Safety Management System for proactive risk management, in which every staff to be equipped with knowledge and a high degree of awareness in responding to risks, we will implement the following measures.

<u>Developing Human resources to protect safety</u>

We will build the framework of human resource development, based on the individual's strengths and weaknesses. To build a Safety Management System where top management and frontline staff work together, a Safety Leader will be assigned in each workplace. We will hold common education seminars regarding safety management systems for all JAL Group staff starting FY2015,

<u>Evolve systems to protect safety</u>

We will develop line operation monitoring[1] and safety performance monitoring[2] to establish risk management practices to mitigate or prevent incidents.

<u>Creating a corporate culture to protect safety</u>

We will strive to pass on an austere safety culture, always remembering past accidents, and act on advice from the Safety Advisory Group. From FY2015, JAL Group Safety Education courses will be conducted by grade according to the individual's year of employment or job title. We will proceed to develop a culture to polish manuals to enable users to understand the true intention and essence of manuals. To develop a culture of reporting, we will firmly instill the non-punitive reporting policy and develop a system for reporting present conditions, etc.

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[1] Proactive framework to detect a potential contributory factor of defect.

[2] Framework to comprehend the status of Safety Managemet System in a quantitative way

2-2. Maximizing Revenue through Improving Competitiveness

2-2-1. Improving Unit Revenue[1]

【Overview of Medium Term Management Plan Rolling Plan 2013】

From FY2013, we used the metric Unit Revenue (UR) which indicates the ability to earn revenue, as it would be easy for staff to image and can be used as a global benchmark, and put in serious efforts to maximize revenues and minimize expenses.

【Review】

We used UR as an important Key Performance Indicator in international passenger operations and domestic passenger operations, and clarified the improvement rate of UR produced by our measures. At the same time, we regularly benchmarked UR against our competitors to verify the effectiveness of our measures.
In international passenger operations, we strove to improve yields and the Load Factor (L/F) through revenue management, and consequently, in FY2013, UR is expected to improve by +3% year-on-year, primarily on routes where new products were launched. In domestic passenger operations, given the additional domestic slots at Haneda and Itami Airport, business expansion of competitors, and stiffer competition from Shinkansen (bullet Trains), we offered attractive fares to boost demand and adjusted capacity to traffic. As a result L/F increased whereas yields declined, and consequently, in FY2013 UR is expected to come to ▲2% year-on-year. In order to maximize network revenue, we enhance the revenue management and proceed to improve our business process and IT systems steadily.

【Future Action】

As a result of the gap between demand and supply due to the expansion of international slots at Tokyo area, L/F decrease is expected, however, we strive to increase yields by introducing new products and utilizing the revenue management against the tough business environment. Consequently, in FY2014, UR of international passenger operations is expected to remain same as previous year. On the other hand, UR of domestic passenger operations is expected to be +3% year-on-year by fare management, introducing new products, and adjusting capacity to traffic to cope with stiff competitive environment such as the expansion of Low Cost Carriers (LCCs).
From FY2015, we will strive to improve our route network, products and services that increases UR exceeding the variability rate of UC, to accomplish “growth” in terms of revenue and profit improvement. As for revenue management system, we plan to upgrade a part of its core system in FY2014 in order to increase revenue efficiently.

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[1] Passenger Revenue / ASK = Yield X L/F

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.

International routes

【Overview of Medium Term Management Plan】

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

【Review】

787 operations were suspended from January 2013, but we resumed progressively from June 2013, by confirming safety and reliability and making all necessary preparations. We increased flights from Narita to San Diego in June 2013, and launched nonstop services from Narita to Helsinki in July, based on our strategy to focus our resources to mid/long haul international routes.

We also launched new products and changed aircraft on mid/long haul routes. (Europe, North America, Southeast Asia, Honolulu).

We aimed to maximize joint revenue with partner airlines in our transpacific joint business with American Airlines (AA) and our Siberian joint business with British Airways (BA). And we started code-share flights with Qatar Airlines (QR) which joined **one**world in October 2013.

We had maintained our position that "Equal allocations of international slots at Haneda Airport from FY2014 would contribute to maximize the customers' convenience and the country's interest," but in October 2013, 11 slots were allocated to rival airline and 5 slots to JAL.

Overview of Network Improvement in FY2013

Route	Plan	Frequency(per week)	Notes
Narita=Helsinki	New route	7	July 2013
Narita＝San Diego	Addition of flights	4 to 7	June 2013
Kansai=Seoul	Reduction of flights	14 to 7	March 2013
Narita=New York	Introduction of New Product	7	May 2013
Narita=Paris	Introduction of New Product	7	July 2013
Narita=Los Angels	Introduction of New Product	7	November 2013
Narita=Chicago	Introduction of New Product	7	January 2014
Narita=Kuala Lumpur	Introduction of New Product	7	January 2014
Narita=Singapore	Introduction of New Product	7 out of 14	February 2014
Narita=Hanoi	Introduction of New Product	7	February 2014
Narita=Dalian	Introduction of New Product	7	February 2014

【Future Action】

We enhance a firm business foundation by making good use of Haneda and Narita as two large Hubs[1].
In FY2014 we will increase flights by using newly allocated daytime slots and midnight slots of Haneda and flights of existing highly profitable routes of Narita. We will preferentially allocate premium aircraft[2] to JAL Narita routes along with several sales and passenger service promotions in order to compete with competitors departing from Haneda. We will introduce full-flat seats[3] or shell flat seats[4] in Business Class cabins on all mid/long haul routes to and from Southeast Asia and Honolulu by early Second Half of FY2014.
From FY2015 onward, utilizing 787s, we plan to add new European and North American routes and increase frequencies of existing mid/long haul routes to/from Tokyo (Haneda and Narita). In addition, we plan to improve services to/ from Osaka (Kansai) and Nagoya (Chubu) where we see growing demands.
On short haul Asian routes, we will complimentarily utilize the network of Jetstar Japan (GK), which plans to launch international flights, in addition to our own operating flights.
Regarding business alliances, Finnair (AY) will join our Siberian joint business with BA from April 2014. We will also take advantage of the expansion of **one**world network including which of future member airlines[5], to improve customer convenience.

Overview of Network Improvement Planned for FY2014 (Already Published)

Route	Plan	Frequency (per week)	Notes[6]
Haneda=London	New route	7	Daytime
Narita=London	Suspension of flights	7 to 0	Continue as codeshare with BA
Haneda=Paris	Change of aircraft / Time	7	Daytime with SKY SUITE777 (Midnight service continue as codeshare with AF)
Narita=Paris	Change of aircraft / Time	7	777to787、Change departure time to afternoon
Haneda=Singapore	Addition of flights Introduction of New Product	7 to 14	Daytime with SKY SUITE 767
Narita=Singapore	Reduction of flights	14 to 7	
Haneda=Bangkok	Addition of flights Introduction of New Product	7 to 14	Daytime with SKY SUITE 767
Narita=Bangkok	Reduction of flights Introduction of New Product	14 to 7	SKY SUITE 767 by the end of Mar 2015
Haneda=Ho Chi Minh	New route	7	Midnight with SKY SUITE 767
Narita=New York	Addition of flights	7 to 14	787
Narita=Moscow	Addition of flights	3 to 4	Mon, Wed, Fri, Sun
Narita=Frankfurt	Introduction of New Product	7	SKY SUITE 777 from 17 April 2014
Narita=Jakarta	Introduction of New Product	7	SKY SUITE 777 from June 2014
Haneda=Beijing	Introduction of New Product	7	SKY SUITE 767 from 23 May 2014

[1] Haneda is a hub for domestic and international connections. Narita is a hub for international connections.
[2] SKY SUITE777/767 and 787
[3] Equipped on SKY SUITE 777/767
[4] Equipped on 777-200,787
[5] US Airways (US), TAM Airlines (JJ) , Sri Lanka Airlines (UL)
[6] If not mentioned, launch from 30 March 2014.

Domestic Routes

【Overview of Medium Term Management Plan】

Given the competitive environment, we will focus on increasing our competitiveness and respond to changes of the market environment, especially in our main markets Haneda and Osaka(Itami). We will aim to improve profitability by balancing capacity and traffic as well.

【Review】

Given the allocation of new flight slots at Haneda and Itami, we improved our domestic network. Frequency on Haneda routes was increased, and services were launched between Haneda and Nagoya as connections to international flights. At Itami, services between Itami and Matsuyama, Hakodate and Misawa were resumed by regional jets, and frequency was increased on seven existing routes. In addition, we improved connection of domestic/international flight transfers from Narita, Kansai and Nagoya, using Jetstar Japan's (GK) network[1] through code-sharing and a mileage program tie-up.

Overview of Network Improvement in FY2013

Route	Plan	Frequency (day)
Haneda＝Nagoya	New route	1
Haneda＝Itami	Addition of flights	15 to 16
Haneda＝Izumo	Addition of flights	5 to 6
Haneda＝Sapporo	Reduction of flights	18 to 17
Haneda＝Okinawa	Reduction of flights	13 to 12
Itami＝Hakodate	New route (resumed)	1
Itami＝Misawa	New route (resumed)	1
Itami＝Matsuyama	New route (resumed)	3
Itami＝Sapporo	Addition of flights	2 to 3
Itami＝Hanamaki	Addition of flights	3 to 4
Itami=Sendai	Addition of flights	6 to 7
Itami＝Niigata	Addition of flights	3 to 4
Itami＝Fukuoka	Addition of flights	2 to 4
Itami＝Oita	Addition of flights	2 to 3
Itami＝Miyazaki	Addition of flights	5 to 6
Kagoshima＝Yakushima	Addition of flights	5 to 6

[1] Narita=Sapporo/Kansai/Takamatsu/Matsuyama/Fukuoka/Oita/Kagoshima/Okinawa, Kansai=Sapporo/Fukuoka/Okinawa, Nagoya =Sapporo/Fukuoka/Kagoshima(at the end of Mar 2014)

【Future Action】

We will increase frequency on the Haneda=Yamagata route, as our joint proposal with Yamagata Prefecture was chosen at a Policy Contest[1]. Services were resumed on six regional routes from among those suspended, with the cooperation of the local governments, on verifying viability of the routes.

We will transform the business domain of Group Airlines. Regional competitive routes will be operated by regional jets to increase convenience and profitability, while lifeline routes will be operated by turbo-prop aircraft. To enhance mobility of making the best match between capacity and traffic, and improve inflight human service of domestic flights, JAL will merge with JEX (JAL Express) in October 2014.

Overview of Network Improvement Planned for FY2014 (Already Published)

Route	Plan	Frequency (day)	Notes
Haneda＝Yamagata	Addition of flights	1 to 2	
Haneda＝Nagoya	Addition of flights	1 to 2	
Haneda＝Kansai	Addition of flights	2 to 3	
Haneda＝Okayama	Addition of flights	5 to 6	
Haneda＝Tokushima	Addition of flights	6 to 7	
Haneda＝Takamatsu	Addition of flights	6 to 7	
Haneda＝Kitakyusyu	Addition of flights	5 to 6	
Haneda＝Okinawa	Addition of flights	12 to 14	13 flights in 18July-31August
Haneda＝Ishigaki	Addition of flights	1 to 2	18July -31August
Haneda＝Sapporo	Reduction of flights	17 to 16	
Haneda＝Izumo	Reduction of flights	6 to 5	
Itami=Matsumoto	New route (resumed)	1	August
Itami＝Memambetsu	New route (resumed)	1	19July -31August
Itami＝Nagasaki	Addition of flights	3 to 4	
Itami＝Okinawa	Addition of flights	1 to 2	
Itami＝Izumo	Reduction of flights	6 to 5	
Itami＝Miyazaki	Reduction of flights	6 to 5	
Sapporo＝Izumo	New route (resumed)	1	August (Mon, Wed, Fri, Sun)
Sapporo＝Tokushima	New route (resumed)	1	August (Tue, Thu, Sat)
Sapporo＝Memambetsu	Addition of flights	3 to 4	
Nagoya＝Kushiro	New route (resumed)	1	August (Tue, Thu, Sat)
Nagoya＝Obihiro	New route (resumed)	1	August (Mon, Wed, Fri, Sun)
Fukuoka＝Izumo	Addition of flights	2 to 3	
Fukuoka＝Kochi	Addition of flights	3 to 4	
Fukuoka＝Amami	Addition of flights	1 to 2	
Narita＝Sapporo	Reduction of flights	3 to 1	
Narita＝Nagoya	Reduction of flights	3 to 2	
Narita＝Fukuoka	Reduction of flights	3 to 1	

[1] MLIT “Proposal to enhancement regional network by partnership between region and airline”

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.

【Review】

As mentioned in the overview of the Medium Term Management Plan, we strove to develop human resources based on the code of conduct in JAL Philosophy. The Cabin Attendants Division trained cabin attendants with emphasis on humanity and emotional ability to improve hospitality and quality. The Airport Operations Division conducted competence-based training[1] at JAL Education Center and held a service contest to instill customer service models for service staff to emulate. To improve quality in reservation sections, operators underwent evaluation of their responses to inquiries (quarterly) and received training on customer satisfaction.

【Future Action】

Based on internal and external evaluation, we will capture the progress of service enhancement measures, which aim to deliver fresh travel experience to customers, as a result of the practice of JAL Philosophy. Thus, we continue making our effort to improve human service. To impress JAL Brand's identity on the customers, all JAL Group staff and approximately 36,000 entrusted company personnel (JAL Brand partners) at mainly domestic airports will attend JAL Brand Seminars over a two year period so that every staff can embody the JAL Brand.

Mileage Program

【Overview of Medium Term Management Plan】

We will improve usability of special award tickets, the most attractive mileage redemption from our program, and improve our current mileage program to an "easier-to-accumulate and easier-to-use" program.

【Review】

In FY2013 we continued to respond to customer comments to facilitate flight award bookings, such as offering "JAL Card Discounts" and increasing "Mile Flight" routes. We also increased opportunities for customers to earn miles in their daily life. Specifically, we created new partnerships with online general merchandise store Amazon and convenience store Family Mart, etc. (700 additional companies in FY2013[2]); issued a new JAL Card for customers in their 20's called "JAL CLUB EST", etc., and expanded ways of using JAL miles, such as using JAL points to purchase tours. We also started bilateral partnerships with new **one**world member airlines Qatar Airways (QR), TAM Airlines (JJ) and US Airways (US), to increase opportunities to earn and use JAL miles

【Future Action】

We will strive to facilitate the use of special award tickets, such as operating "Mile Flight" or offering "JAL Card Discounts" in FY2014. In this management plan term,

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[1] Training to bring out concrete action by JAL Philosophy. 80% of object (4700) staff are completed.

[2] Including JAL Card specified agent

we will try to vary the required miles for award ticket redemption, based on supply and demand situation of flights. By increasing tie up companies, we will elevate the value of our frequent flyer program which may add quality to the customers' everyday life. Also, we will accelerate coordination with **one**world member airlines and other partner airlines to enhance services

Resorts

【Overview of Medium Term Management Plan】

We will focus on offering comfortable, reliable and quality services on our Honolulu and Okinawa routes.

【Review】

To match the needs of customer to fly comfortably and enjoy their stay right after arrival, we changed the meal service timing on Honolulu flights to allow more hours of sleep. Also, we created a powder room area for ladies and such to improve comfort and ambience onboard. For customers using individual fares and award tickets, we started offering free rides on JALPAK trolley buses. In addition, we introduced new inflight meals to evoke the resort feel, such as "Ore-no Kinaishoku (My favorite Inflight Meal) for Resort" created by chefs of well-known popular restaurants in Tokyo.

【Future Action】

From FY2014, full-flat seats or Shell-flat seats will be used throughout Business Class on Honolulu flights to provide a restful, comfortable cabin environment. Services on Okinawa flights will also be enhanced to make it more enjoyable, convenient and comfortable for leisure passengers.

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, full services."

【Review】

The JAL SKY SUITE 777 fleet, designed to evoke a ' one-class higher' feel and launched in FY2012, was increased in number of aircraft and five routes; New York, Chicago, Los Angeles, Paris and London. And from December 2013, Boeing 767, mainly operated on mid-haul routes, was fully revamped into "JAL SKY SUITE 767" fitted with full-flat business class seats and "JAL SKY Wider" economy class seats with 10cm more leg room.

JAL SKY Wi-Fi, a high-speed wireless inflight internet service on 777-300 launched ahead of other Japanese carriers, was expanded to seven routes; New York, Chicago, Los Angeles, London, Paris, Frankfurt and Jakarta.

We continuously developed new inflight menus under the concept of "Your exclusive restaurant in the sky". For economy class, we introduced the popular "AIR SERIES" in collaboration with well-known food brands in Japan. For business and first class, we also introduced collaborated menus with Japanese star chefs on Paris to Tokyo service, as well as outbound flight from Japan. On other inbound flights to Japan from overseas, we initiated quality assurance management of inflight meals by documenting the recipes of the menu.

The quality of airport lounges was improved to provide a relaxing time before departure, and "Sakura Lounge" at Haneda Airport International Terminal was renovated at the end of March 2014 to prepare for the expansion of international flight of Haneda Airport.

【Future Action】

In FY2014, we will have thirteen SKY SUITE 777 fleet and nine SKY SUITE 767 fleet. Also, we will start to introduce 787 equipped with “JAL SKY SUITE” full-flat seats throughout Business Class. We will continue to evoke a ' one-class higher' feel.
Inflight internet service will be expanded to 777-200, 767 and 787 to provide passengers with a stress-free connectivity environment in the air, comparable to ground-level.
Southeast Asian routes offering Business Class course meal service will be expanded, and the quality and taste of inflight meals will be improved furthermore. A new catering production facility will be constructed at Haneda to respond to the increase of international flights. The First Class lounge at Haneda Airport will also be renovated in August.

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 “convenience and simplicity”.

【Review】

To maximize time value of the customer, we strove to provide convenient and simple services at every touch point such as reservations, ticketing, airport, and inflight. In FY2013, we also upgraded smartphone application “JAL Countdown” which offers flight information, coupons to use at the airport, recommended travel information, etc.

【Future Action】

From FY2014, we will start introducing “JAL SKY NEXT”, a new aircraft configuration with revamped cabin interiors under the theme, “Pioneering Standard,” on a total of 77 aircraft comprising 777, 767 and 737 aircraft.
From May, we will offer genuine leather seating in Class J and Economy Class, as well as LED lighting throughout the cabin.
Another highlight of the new Economy Class seat is a slim-style seatback design resulting in approximately 5cm more legroom than the present seat pitch, providing customers more comfortable inflight environment.
From July, we will introduce “JAL SKY Wi-Fi” service on domestic flights which is the first time for Japanese airline to offer an inflight Wi-Fi environment. With “JAL SKY Wi-Fi”, passengers will be able to watch contents such as dramas, sports and travel information and so on for free of charge utilizing their Wi-Fi equipped personal smartphones or tablets. Customers will also be able to send and receive emails, access social media networks and browse websites through satellite transmission by paying a fee. We aim to propose new ways of spending time onboard our domestic flights. In addition, flights with domestic First Class which we have received a high reputation on 777s will be increased by introducing them also on nine 767 aircraft.
We will enhance new, convenient, smooth and stress-free services at the airport and inflight by appealing these services as “JAL Smart Style”.

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 the optimal sales channels to maximize 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】

We improved contents on JAL's website to boost demand by introducing new products and services on our webpage, renewing "Tabi Plus Navi" a website which introduces various travel information. We also improved usability of smartphone services and various app functions, and at the same time, we utilized social media network by opening an official accounts on Twitter and LINE. As a result, sales via smartphone have increased by 70% from the previous year. We also proactively boosted demand through selling Dynamic Package products, such as "JAL Jalan PAK" starting in July. Consequently, online sales accounted for over 50% of domestic passenger revenue and 20% of international passenger revenue. The ratio has increased 2% in both domestic and international revenue.
We strove to promote inbound business passenger demand through collaborations with our joint business partners in America and Europe. As for visitors from Southeast Asia, a rapidly growing market, in addition to widen varieties of individual fares and conducting campaigns, we promoted sales through tie-ups with regional governments, such as establishing Tohoku excursion bus fares. As a consequence, inbound sales increased by 20%[1] from the previous year.
At our telephone Call Centers, we increased operators by reviewing the system and improved the quality of responses and improved the retrieval rate.

【Future Action】

To increase the customers' convenience and satisfaction of JAL's website, we will continue to utilize social media networks and smartphones, upgrade contents of overseas "Jal.com" website, and improve Dynamic Package products. As for inbound passenger traffic, on the launch of our trilateral joint business with BA and AY between Japan and Europe, we will increase mutual sales targeting business travelers between Asia and North America. We will also boost new leisure travelers in collaboration with travel agents and JALPAK, which is celebrating its 50th anniversary in 2014. We will continue to improve the retrieval rate at our Call Centers as well.

[1] Coverage is only Japan Outbound

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 operations, due to the stagnation of overall market demand to and from Japan, our revenue management function was transferred from Japan Region Cargo Sales Office to Head Office, which helped to increase our volume of transit shipments. Notably in Asia and China, by utilizing our partnerships with other airlines, we captured intra-Asia/China demand and also strove to expand our reach to cities and markets outside of our own flight network. JPT, in collaboration with Mitsubishi Logistics, explored into new emerging markets in Cambodia, Myanmar, etc., and supported JAL by securing cargo for JAL flights with relatively weak cargo demand. As a result, the handling volume of JPT is expected to increase by over 15% from the previous year in FY2013. As for value-added shipments, our J-PRODUCTS lineup was re-categorized into four groups and a new product for temperature sensitive shipments was introduced. Consequently, in FY2013, our value-added cargo sales are expected to increase by over 10% on a year-on-year basis. As for Haneda Airport, the geographic and functional merits were optimized to capture mail, express cargo, domestic=international transit cargo (J-LINK) and perishables. As a result of above measures, our cargo volume is expected to increase by over 5% and consequently, in FY2013, our international cargo sales are expected to overcome previous year's performance.

In domestic cargo operations, although we were affected by the weak demand of farm and fishery products stemming from bad weather conditions, by securing cargo of courier and package delivery service, sales in FY2013 are expected to overcome the previous year.

【Future Action】

In international cargo operations, we will focus on revenue management and also strive to establish the best mix of direct shipments to/from Japan and transit shipments. Especially in Asia and China, we will work to capture steady demand for our newly increased flights while reaching out to emerging markets such as Cambodia and Myanmar. Also, we will secure additional capacity to supplement JAL's network through partnerships with other airlines. Through these measures, by FY2016, our cargo volume from Asia and China is expected to increase by over 25% compared to FY2013. By strategically utilizing JPT to explore markets and secure shipments for JAL flights with relatively weak cargo demand, in FY2016 handling volume of JPT is expected to grow over 30% from FY2013.

As for value-added cargo, we will strive to increase market recognition of "J-PRODUCTS" through JAL's Website, etc., propose new services to meet shipper needs, and by FY2016, expand sales of value-added cargo by over 20% from FY2013.

For Haneda shipments, with the increase of JAL flights from FY2014, we will make a modification to our cargo organization at Haneda, and strive to increase handling volume of mail, express cargo, J-LINK and perishables, and consequently increase overall handling volume in FY2014 by over 70% from FY2013.

In domestic cargo operations, to solidify the business foundation, a new IT system will be introduced in the second half of FY2014.

As one of JAL's corporate goals is to be recognized as the No.1 global airline for customer satisfaction, we will also introduce a new management indicator specifically for our cargo and mail business to improve customer satisfaction.

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 yen.
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 will receive delivery of eight 787s, one 737 and three E170s as we planned. We made capital investments to revamp cabins, such as increasing the number of 777's with the new product "JAL SKY SUITE 777" and also to introduce our new product "JAL SKY SUITE 767" to 767 fleet. We also invested to reduce costs, such as installing winglets which contributes to reduce fuel consumption on our international 767 fleet.
Furthermore, we developed new products "JAL SKY NEXT" with a revamped cabin interior and inflight Wi-Fi service, to be launched in FY2014 on domestic routes.

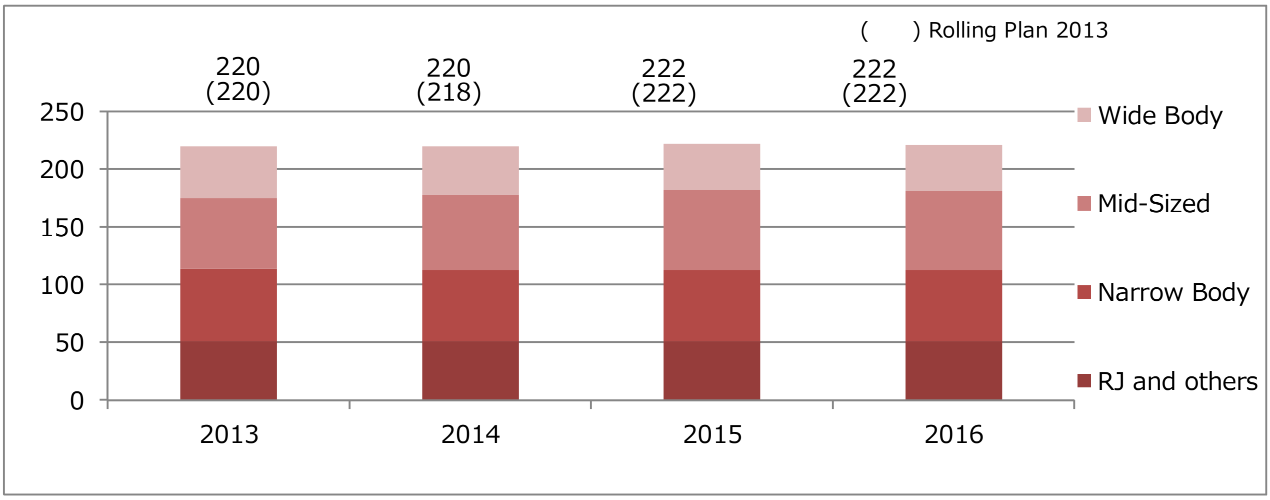
【Future Action】

We will push forward of the retirement of old 777 and 767 fleet and take delivery of fuel-efficient 787 as planned. Specifically, in FY2015, we will put into service the 787-9, a longer-body version of the 787, and at the end of FY2016, number of 787s will be thirty-three in total. As for Japan Transocean Air (JTA), one of our Group Airlines, they will start to replace its operating aircraft from FY2015.
The total number of aircraft in JAL Group at the end of FY2016 will become 222 (82 international and 140 domestic) and Capital expenditure for aircraft during the period covered in the Plan is expected to be 443 billion yen.
We are also steadily making preparations to take delivery of the A350, which we plan to put in service from FY2019.
As for the cabin interior modification, we will make investment on products and services accordingly to the Management Plan to continuously increase the customers' preference. We will increase the number of 777 and 767 fleet equipped with "JAL SKY SUITE", and as a result we plane to operate aircraft installed with full-flat or shell-flat seats in Business Class in all mid/long haul routes to/from Southeast Asia and Honolulu routs by the early-second-half of FY2014. For aircraft for domestic routes, we will continuously reconfigure the cabin to "JAL SKY NEXT".

JAL Group Capital Expenditure Plan for Aircraft (Unit: Billions of Yen)

FY	FY2012	FY2013	FY2014	FY2015	FY2016	2014-2016 Total
MTMP[1]	63.0	61.0	96.0	133.0	126.0	355.0
Rolling Plan 2013	-	64.0	95.0	131.0	124.0	350.0
Rolling Plan 2014	-	-	135.0	148.0	160.0	443.0

JAL Group Fleet Plan[2]



[1] Medium Term Management Plan

[2] Number of operating aircraft on a fiscal year end basis (excluding aircraft on standby for retirement)
Wide Body: 777, Mid-Sized: 787/767, Narrow Body: 737, RJ and others: ERJ/CRJ/Q100-Q400/SAAB

2-3. Minimizing Costs by Improving Productivity

2-3-1. Lowering Unit Cost[1]

【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, set a target unit cost, and monitor achievement of the target. We will execute measures to achieve a cost-efficiency improvement of 50 billion yen by FY2016 in order to achieve the unit cost target of 11.0 yen in FY2016.

【Review】

For FY2013, ASK was planned to become 104% from FY2012, but due to the grounding of 787s etc., it is expected to come to 103% from FY2012. As for operating expenses, we did our utmost to reduce costs through productivity improvement and penetration of the divisional profitability management system, operating expenses in FY2013 are expected to come to 108% compared to FY2012 due to cost-increasing elements such as rising costs on a foreign currency basis and expenditures for service improvement measures. Consequently, Unit Cost in FY2013 is expected to be 12.1 yen, or 8.7 yen excluding fuel costs.

【Future Action】

While productivity improvement and penetration of the divisional profitability management system are expected, we expect FY2014 Unit Cost will to be 12.7 yen, or 8.8 yen[2] excluding fuel costs, due to an increase in costs on a foreign currency basis.
We will revise our Unit Cost target, excluding fuel costs, for FY2016 from the original 8.0 yen to 8.3 yen for the same reasons. We will do our utmost effort to accomplish the revised Unit Cost target by furthermore penetrating the divisional profitability management system and all staff's innovative ingenuity.

Unit Cost (Unit: Yen)		**FY2013[3]**	**FY2014**		**FY2016**
MTMP[4]	Total Costs (6 airline operator)	11.3	-		11.0
	Excluding fuel costs	-	-		-
Rolling Plan 2013	Total Costs (32 companies)	12.0	-	→	11.1
	Excluding fuel costs	8.6	-		**8.0**
Rolling Plan 2014	Total Costs (32 companies)	12.1	12.7		12.3
	Excluding fuel costs	8.7	8.8		**8.3**

1 Unit Cost (UC)=Expenses of air transport segment / available seat kilometer; cost to carry 1 seat for 1 km
2 Exclude fuel cost for subsidiary company listed in "other expenses"
3 Forecast
4 Medium Term Management Plan

2-3-2. Productivity Improvement

Labor Productivity Improvement

【Overview of Medium Term Management Plan】

We will improve productivity of each employee in our Group through measures, such as streamlining corporate sections, improving utilization per flight crew and cabin crew, multi-task training and optimal work styles for airport and maintenance staff, reviewing staff allocation, and assigning optimal manpower for IT system upgrades (passenger, airport, and cargo related systems).

【Review】

Although there were elements of an increase in staff numbers in back end offices due to development of the IT project and strengthening the purchasing division, we managed to minimize the increase in staff numbers through continue efforts to review the work group wise and leveling the workload.
In the Flight Operations Division, productivity is expected to improve by about 10% from FY2012 through consistent measures, such as assigning the appropriate number of standby crew or shortening the aircraft type transition training periods. In the Cabin Attendants Division, while we conducted various kind of training, we maintained the same high crew operational rate as FY2012. Also, we were able to shorten the time until checking out for international flight duty through transforming the training curriculum, and achieved effective manning. In Airport Divisions, we promoted appropriate positioning and acquisition of multi-skills, resulting in 2% productivity improvement at major domestic airports. In Maintenance Division, we improved quality by precaution maintenance, which lead to shorten the total maintenance periods. We also achieved 2% productivity improvement by appropriate positioning of the staff.

【Future Action】

We will furthermore continue activities to improve productivity in every division to achieve lower 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.

【Review】

We strove to use aircraft efficiently, as our most important resource, and shortened maintenance hours while maintaining quality at the same time. As a result, the daily aircraft operation rate in FY2013 is expected to increase by about 3% from the previous year. Stock of spared parts is expected to shrink by about 14% from FY2012. In these ways, we accomplished greater efficiency. In addition, we relocated resources, such as centralizing staff training facilities from various sectors, centralizing aircraft maintenance bases to Haneda,etc. In the purchasing process, we promoted centralized purchasing for the appropriate purchasing process.

【Future Action】

We assure continuous efforts to use facilities and equipment efficiently, and improve the aircraft operation rate. Also, we will revamp logistics for the appropriate stock to reduce costs.

Action to Environmental Changes

【Overview of Medium Term Management Plan】

We will minimize incremental costs relating to the increase of departure and arrival slots at Haneda Airport in FY2014, and control overall system costs through IT system upgrades in order to shift to a flexible system cost structure.

【Review】

As the rapid depreciation of the yen leading to cost increases continued, and oil prices remained high, we started a fuel saving project. Also, to reduce expenses and increase our revenue, we promoted to upgrade our core IT systems. In FY2013, the load control system, which calculates aircraft's appropriate weight and balance, was upgraded enabling us to standardize load planning and weight and balance calculation procedures. We also upgraded core IT systems of international reservations and sales systems for travel agencies to offer high performance functions.

【Future Action】

We assure continuous efforts to promote the fuel saving project.
As for IT systems, we will specify targets to accomplish our final goal which is to accomplish greater work efficiency. And while implementing system developments, we will try to reduce costs such as development costs, maintenance and management costs, and we will also try to change various fixed costs into variable costs.

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】

As we did in the previous year, we continuously conducted JAL Philosophy Education to instill JAL Philosophy in the minds and souls of every Group staff.
At the pace of one theme every three months, all Group staff attended courses and studied 4 themes during the year. In the Tokyo area, 49,500 staff participated in total (during April-December 2013). Flight crew, cabin attendants, maintenance staff, and Ground staff received courses at JAL Education Center, regardless of the section they belong to, and deepened cross-section understanding. In other regions in Japan and overseas, teaching materials were sent, as well as instructors, etc. to embed JAL Philosophy in every staff.
We plan to introduce the divisional profitability management system to 35 major consolidated subsidiaries (as of the end of FY2015). As we have introduced it to 9 companies in FY2013, now a total of 19 companies have it in place. By introducing the divisional profitability management system, we saw staff becoming interested in profitability of the section where they belong, which leads them to commence activities to "maximize revenue, minimize cost, and minimize time" on a voluntary basis.

【Future Action】

We will proceed to conduct JAL Philosophy Education, and introduce the divisional profitability management system to Group companies, and thus build a strong organizational operating structure to empower staff and accomplish the goal of "management by all."

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 staff required by the group in appropriate numbers. We will develop a fundamental education/training system and conduct training in the JAL Group to develop future leaders and safety and service professionals. Through our human resources training and productivity improvements 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 of business scale.

【Review】

From FY2013, we consolidated departments dealing with human resources including work philosophy reform and human resources development, and established the "Human Resources" Department. It implemented a series of measures for the recruitment, training and assignment process.
As for recruitment activity, we conducted proactive recruitment activities, such as increasing the number of company explanatory seminars and joint corporate recruiting fairs to allow a broad range of applicants to get to know new JAL (total 70

seminars). To invigorate organizations by human resources with diverse experience and knowledge, we also recruited experienced workers in addition to the new graduates. Through these activities, about 1,800 new staff were employed in FY2013 by JAL Group on the whole.

As for staff training, we conducted education and training courses under JAL Group's fundamental education and training program (193 times, 8,400 participants[1]). We especially focused on giving continuous training to leaders. We also held JAL Group joint new employee training for the first time, which were based on JAL Philosophy, safety and service to 500 new employees of JAL Group.

In addition, to promote activities by diversified staff, we took measures such as increasing opportunities for overseas national staff and Japanese staff to study together. We also took steps to encourage overseas national staff to assume higher positions by providing training opportunities.

JAL Group consolidated staff numbers on January FY2013 totaled 31,638, which is below our target of 32,000.

【Future Action】

<Recruitment and Training>

We will continue to recruit employees required by the company in appropriate numbers.

As for staff training, we will hold unified courses for staff across organizations at JAL Education Center sharing "human resource, goods and know-how" relating to staff training and will always review its contents of education and training in each company/division, to maximize efficiency.

We will conduct training from a long-term perspective plan in order to educate our staff to become professionals with knowledge and competence to the level applicable outside the company, and who can produce value in their field.

We will maintain the headcount of 32,000 as set out in the Medium Term Management Plan. (Group consolidated headcount).

< Diversity in human resources starting with gender>

JAL group has widened the stage for highly able and motivated staff, regardless of their place of recruitment or their originating company. 2014 and beyond will continue to promote diversity of human resources, and we will support the active empowerment of female employees more than ever.

After time, we will improve flexibility for way of working regardless of gender, by introducing working from home etc. We will improve the development of human resources of female employees, such as training program to motivate and to develop competence. Also, we aim try to build a culture to accelerate the empowerment of female employees and to cultivate a culture with a supportive workplace atmosphere by all employees.

Through such efforts, we aspire to increase the rate of female management through merit based appointment.

[1] The number is for education hosted by Human Resources Department, excluding JAL Philosophy Education.

2-5. New Initiatives

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

To express our appreciation to our customers, our shareholders and our business associates who have kindly extended supports to us, we have resumed and promoted CSR activities that only JAL Group can deliver. In FY2013, we carried out the following activities in particular.

Establishment our new fundamental policy of CSR

We pledged as the "Wings of Japan", we would meet social expectations through our air transport business, and face to various social issues. At the same time, to penetrate the policy in JAL Group and promote staff participation in CSR activities, we conducted staff awareness activities through an in-house newsletter, etc. Although we gained staff participation to a certain extent, the policy has not sufficiently spread yet in the Group, and we will promote enlightenment inside of the Group.

Examination of JAL Group's CSR activities

Referring to guidance provided in ISO26000, we examined the present status of JAL Group CSR activities. We shared issues to be solved among us and decided to define "Community Participation and Development" as the priority issue to be solved.

Concrete activities for our priority issue "Community Participation and Development

Among various social issues in Japan which we can contribute, we decided to support recovery from the Great East Japan Earthquake. Concretely, we set up the JAL Tohoku Support Project "Let's Go to Tohoku!" in response to thoughts shared by all communities in affected areas; "Don't forget the affected areas," "Please come, see, consume, and cooperate with recovery". We implemented this project from two perspectives; "Support for the promotion of local industries" and "Support for local communities in affected areas".

From a perspective of "Support for the promotion of local industries," we operated two round-trip charter flights to Tohoku from Taiwan and expanded a variety of sight-seeing tours to take as many customers to Tohoku as possible. We also started a workshop in affected areas, in which 350 staff took part in a total of 10 programs. In addition to fueling interest in Tohoku we proactively released information on Tohoku, used Tohoku-made products in JAL lounges at the airport and in flight, for mile redemption, etc., conducted seven sales promotions of Tohoku products in the center of Tokyo jointly with local governments in Tohoku and distributed tourism information pamphlets, etc. to support the promotion industries in Tokyo.

From a perspective of "Support for local communities in affected areas", to support the volunteer activities which tends to decrees, we conducted the "SKY BATON" project to support university students volunteering to assist with recovery, etc. through JAL charity miles offered from our customers. To extend hearty support to local residents in the affected areas, we started the JAL Smile Gift Project for the purpose of bringing smiles back to primary school pupils and their families by inviting them on trips. We made it possible through donations from JAL Group employees and an equivalent amount of donation from JAL (matching gift). 52 people from 20 families from Miyagi Prefecture visited Okinawa through this project.

While recovery has been in motion during three years from the Great East Japan earthquake, there are concerns that memories will fade out. Therefore, we think that it will become so important to record the disaster, to pass lessons learned to the future generation and to keep watching on Tohoku. We will continue the Tohoku Support Project, and continue to address issues of “Support for the promotion of local industries” and “Support for local communities in affected areas” even after FY2014.

2-5-2. Activities beyond the Medium Term

As announced in October 2013, we decided the introduction of the Airbus A350 as the replacement fleet for mid/long haul routes, and made a conclusion of purchasing 18 A350-900s and 13 A350-1000s, which amount to 31 aircraft in total, with an option of 25. We are to make preparations toward the entry into service in 2019.
As changes in the environment associated with airline business are relatively faster and deeper than that in other industries, we can see lots of cases, as seen in the case of JAL, that an airline company have gone bankruptcy. Therefore, we will proactively take actions, looking ahead for 10 to 15 years, for maximizing JAL Group’s strengths and approaching in the growing markets by challenging ourselves in creating a new business portfolio which is resilient against high volatility, in addition to forecasting the future on the extension of current conditions

3. Revenue/Expenditure Plan, Financial Plan

3-1. Financial Targets and Results

Consolidated Financial Targets for FY2012-16			FY2013 Forecast
Operating Profit Margin	10%+	Every Year	12.2%
Equity Ratio	50%+	By FY2016	51.6%

We will do utmost effort to enhance the investment, internal reserves and return to shareholders respectively.
As for investment, in order to respond to future corporate growth and changes in the operating environment, we actively implement investment upon detailed evaluation.
As for internal reserves, we recognize the importance of accumulating the internal reserves owing to the fact that the airline business is volatile to event risks.
As for return to shareholders, we will proactively consider returning benefits to our shareholders, when it can be rationally judged that we have established a firm financial foundation.
The equity ratio is expected to come to over 50% by the end of FY2013, but we will strive to maintain an operating profit margin of 10%+ for 5 consecutive years, and build a firm financial foundation with sufficient internal reserves to respond independently to changes in accounting systems and event risks.

3-2. Fuel and Foreign Exchange Assumptions

	FY2013	FY2014-2016 Assumption	Sensitivity[1] (without hedging)
Fuel (Singapore Kerosene)	USD120.6/bbl.	USD125/bbl.	Fuel Price Change (per $1/bbl.): JPY 2.3 billion
FX	JPY99.1/USD	JPY107/USD	Currency Change (per 1JPY): JPY 2.6 billion
Hedging Policy	In order to reduce impact from market volatility in fuel and currencies, we make efforts to reduce fuel consumption, and through creative use of appropriate transactions. We also use a combination of hedging to minimize risks from short term market volatility (diversified term hedging) and hedging to fix costs (defined hedging).		
Consumption Tax	8% from April 2014, 10% from October 2015		

3-3. Risks Considered for Revenue/Expenditure Plan, Financial Plan

Although downside risks to profitability such as event risks are perceived, they have not been factored into Rolling Plan 2014.

[1] Based on Fuel and FX market assumptions of Rolling Plan 2014

3-4. Key Management Indicators (Plan)

Consolidated PL

Unit: Billions of Yen	FY2013 Forecast[1]	FY2014 Plan
(International Passenger)	432.0	451.0
(Domestic Passenger)	486.0	487.0
(Cargo and Mail)	90.0	94.0
(Other)	283.0	318.0
Operating revenue	1,291.0	1,350.0
(Fuel)	282.0	316.0
(Excluding Fuel)	851.0	894.0
Operating Expense	1,133.0	1,210.0
Operating Profit	158.0	140.0
Operating Profit Margin	12.2%	10.4%
Ordinary Income	147.0	135.0
Net Income	148.0	115.0

Consolidated BS

Unit: Billions of Yen	FY2013 Forecast	FY2014 Plan
Total Assets	1,310.0	1,387.0
Net Assets	676.0	723.0
Equity Ratio	51.6%	52.1%
(Related Index)		
Total Debt	132.0	101.0
Net D/E Ratio[2]	▲0.16x	▲0.17x
ROA[3]	12.5%	10.4%

[1] Not changed from 31 Jan 2014 release

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

[3] (Operating Profit) / (Average of beginning and ending of the FY)

Consolidated CF

Unit : Billions of Yen	FY2013 Forecast	FY2014 Plan
Operating Cash Flow	246.0	221.0
Investment Cash Flow[1]	▲171.0	▲195.0
Financing Cash Flow	▲60.0	▲62.0
(Related Index)		
EBITDA[2]	240.0	227.0
EBITDA margin [3]	18.6%	16.8%
EBITDAR[4]	272.0	253.0
EBITDAR margin [5]	21.1%	18.8%

Flight Specifications (FY2011=100)

		FY2013 Forecast	FY2014 Plan		FY2016 Plan
ASK[6]	International	107	113		126
	Domestic	105	102	→	97
	Total	106	108		113
Flight[7]	International	107	113		122
	Domestic	106	108		106
	Total	106	108		108

1 Excludes deposit and withdrawal from deposit accounts.
2 Earnings Before Interest, Taxes, Depreciation and Amortization =Operating Profit + Depreciation
3 EBITDA/Operating Revenue
4 Earnings Before Interest, Taxes, Depreciation, Amortization and Rent=Operating Profit+Depreciation+Aircraft Lease
5 EBITDAR/Operating Revenue
6 Available Seat Kilometers(Including codeshare flights)
7 JAL Group perations only

Operating Revenue Related Indicators (UR/RPK/Yield: FY2011=100)

		FY2013 Forecast	FY2014 Plan
UR[1]	International	104	104
	Domestic	96	99
	Total	100	100
RPK[2]	International	117	120
	Domestic	106	106
	Total	112	114
Yield[3]	International	96	98
	Domestic	95	96
	Total	94	95
L/F[4]	International	76.6%	74.9%
	Domestic	63.5%	64.9%
	Total	70.8%	70.6%

END

[1] Unit Revenue, Passenger Revenue per ASK=Yield X L/F

[2] Revenue Passenger Kilometers(Including codeshare flights)

[3] Passenger Revenue per RPK

[4] RPK/ASK

[Disclaimer]