

JAL Group Announces FY2009 Management Plan

Tokyo May 12, 2009: The JAL Group announced today, its financial targets for fiscal year 2009, the year ending March 31, 2010, and the “FY2009 Management Plan” that has been formulated to address the uniquely harsh business conditions that have spilled over from FY2008 and is anticipated to pervade this period.

JAL Group Consolidated Financial Targets for FY2009

Unit: Japanese yen (¥) billions	FY 2009 (Year ending March 31, 2010)	FY 2008 (Year ended March 31, 2009)	Difference vs. FY 2008
Total operating revenues	1,748.0	1,951.1	-203.1
International passenger	575.0	703.5	-128.5
Domestic passenger	651.0	666.5	-15.5
International cargo	116.0	152.1	-36.1
Total operating expenses	1,807.0	2,002.0	-195.0
Operating income	-59.0	-50.8	-8.2
Ordinary income	-108.0	-82.1	-25.9
Net income	-63.0	-63.1	+0.1

Figures are rounded down to the nearest tenth of a billion yen.

Key assumptions used for above figures: ¥95 = US\$1.00; average aircraft fuel price = US\$76.2 per barrel.

The financial targets for FY2009 were set against a backdrop of a prevailing financial crisis that is severe and projected to continue affecting demand on air transportation for the next reporting period. In particular, international passenger revenue is expected to decline even more than it did in FY2008 in view of the unremitting sluggishness in demand plus the foreseeable decrease in yield as the fuel surcharge component of international fares falls along with the fuel price. The total operating revenue is expected to be 203.1 billion yen lower than that of FY2008.

However, bolstered by confidence that it will be able to achieve its targeted 195 billion yen year-on-year reduction in operating expenses, the JAL Group expects operating income in FY2009 to be only marginally lower than the figures posted in FY2008.

The JAL Group estimates that the ordinary loss for FY2009 will exceed the deficit sustained in FY2008 by another 25.9 billion yen owing to factors such as plausible depreciation in asset value. In spite of the downward forecast in revenue and ordinary income, the Group predicts net loss figures close to the results of FY2008, in part due to the special net profit of 88 billion yen expected after amending the pension scheme.

In addition, there will be a curtailment of a total of 100 billion yen in investments over the period of FY2009 to



FY2010, of which 80 billion yen in flight equipment investment will be held back primarily due to adjustments to the payment period for new aircraft, while 20 billion yen of general ground investments and maintenance components and modifications will be deferred till further notice.

FY2009 Management Plan

The Group is ever determined to forge ahead with strong conviction to maintain safe operations of all flights as its foremost priority, while striving to improve profitability and significantly reduce costs through rigorous cost restructuring strategies above and beyond those laid out in the Medium Term Revival Plan that was announced in February 2008.

Key Points

- **Maximize revenue through:**

1. **Actively stimulating leisure demand**

Measures to induce leisure travel demand through active implementation of sales promotions and campaigns are underway to prop up passenger revenue. By means of offering attractive fares, expanding package tours on feeder flights departing from local destinations in Japan, increasing short-haul charter flights and boosting partnerships with overseas travel agencies, the Group aims to stimulate growth in the leisure travel market as much as possible.

2. **Fortifying premium strategy**

The Group plans to reinforce its offering of premium products both on the international and domestic front, introducing the latest premium products, JAL First Class Suite, JAL Shell Flat Neo and JAL Premium Economy on more US routes while domestic flights equipped with the premium JAL First Class and Class J seats will be increased.

- **Improve business profitability**

The Group will persevere in its efforts to improve profitability through fleet downsizing and renewal, restructure networks by focusing on high-profit, high-growth routes, utilize the lower-overhead subsidiary JAL Express, in more of its international operations, and effectively manage its cargo transport business segment. Already in the pipeline are the suspension or flight frequency reduction on 9 international routes and 6 domestic routes. Aircraft operating on 7 international routes will also be downsized while 4 Embraer 170 aircraft will join the domestic fleet. In total, the Group will decommission 23 aircraft and introduce 18 new ones during the year and completely retire the remaining 6 classic type Boeing 747s.



- **Further intensify cost reduction measures through own efforts**

JAL Group accomplished its targeted 50 billion yen in personnel cost reductions in FY2008 (compared with FY2006), through improvement in personnel productivity, adjustments to annual bonuses, as well as implementation of early retirement programs. A further 5 billion yen was also reduced from making changes to the wage system of Japan Airlines International. Aiming to drive costs down even more drastically, to achieve a cost restructure that can endure risks from external influences, attention will be focused principally on the following 9 areas in FY2009.

1. Sales	Introduce more efficient sales, booking and ticketing systems that can minimize the need for manpower, review sales commission, and reduce sales administrative cost. Targeted savings: 13 billion yen
2. Maintenance	Four maintenance companies under the JAL Group will be integrated to enhance maintenance technology, eliminate duplicate jobs and cut expenses through joint purchasing and minimizing storage space and rental cost. Targeted savings: 6 billion yen
3. Back-end operations	Through the consolidation of back-end divisions, optimal allocation of human resource and maximizing the efficiencies and effectiveness of each function group within the company can be attained and additional costs can thereby be eliminated. Targeted savings: 3 billion yen
4. Airport Operations	The Group's Tokyo-based airport-handling companies JALWAVE and JALSKY at Narita airport and Haneda airport will be reorganized in light of airport expansion in the Tokyo metropolitan area in FY2010, and will allow the flexible transfer of personnel between the two, whereby staff with experience in international flight handling can be adequately dispatched. Targeted savings: 2 billion yen
5. IT Systems	Reduce cost in this area by thorough review of IT-related contracts. Targeted savings: 1 billion yen
6. Fixed Assets	Decrease the amount spent on rental by consolidating office space and facilities where possible, and remove lease of space that has poor usage-rates. Targeted savings: 4 billion yen
7. Aviation Fuel	Lessen fuel consumption by means of optimal flight operations, lightening aircraft weight, and improve fuel efficiency, and thereby achieving reductions in fuel cost. Targeted savings: 3 billion yen
8. Procurement and logistics	Reduce procurement cost by optimizing number of orders and stock inventory through competitive bidding and joint purchasing. Targeted savings: 21 billion yen



9. Customer Service

Entice customers to use online tools by improving its functions and adding to customer convenience while complementing this campaign with the simplification of IT-related handling at the airport.

Savings in this field contributes to the savings in some of the areas above.

Through the above measures, the Group aims to achieve a total of 53 billion yen in cost reductions in FY2009, and plans to escalate this goal to an approximate 100 billion yen in savings on expenses by FY2010.

JAL Group is aiming to deepen and broaden revival strategies that largely involve self-help measures, in FY2009. It will encompass a wider scope of actions whose effects the Company anticipates will bear fruit in FY2010, in time for the company to capitalize on the business opportunities afforded by the completion of the expansion of both Narita International Airport and Tokyo International Airport (Haneda). With preparations already in progress, and success in seizing new business opportunities at that time, the JAL Group is positive that it will steer back into the black.

About Japan Airlines

The JAL Group is Asia's biggest airline group in terms of sales revenues and 2nd largest in Asia in terms of passengers carried annually. JAL Group airlines serve 220 airports in 35 countries and territories, including 59 airports in Japan. The international network covers over 250 passenger routes and 28 cargo routes, and the domestic network covers 143 routes.

With around 23,000 employees in the air transport segment, JAL Group operates a fleet of some 270 aircraft including Boeing 747s and 777s and is now in the process of a major fleet renewal, introducing more fuel-efficient small and medium aircraft such as the B737 New Generation series and in the future the new high-tech Boeing 787 "Dreamliner".

JAL First Class offers fully reclining Skysleeper or Skysleeper Solo seats. "JAL Executive Class - Seasons," introduces the concept of "quality time" spent on board and features the award-winning JAL Shell Flat Seat that reclines to almost the horizontal and provides a high degree of personal privacy. From December 2007 JAL started offering JAL Premium Economy on key business routes, and from August 2008 started introducing on US routes a luxurious new suite to JAL First Class and the JAL Shell Flat NEO, a leading-edge seat for JAL Executive Class.

Top quality in-flight service has always been the hallmark of JAL's reputation. Cuisine offered in all classes is a combination of Western and Japanese food. JAL carries a fine selection of award-winning wines and sake in First Class and JAL Executive Class - Seasons, JAL's business class. Quality in-flight entertainment systems are a feature of JAL's international fleet aircraft.

A member of the **oneworld** global alliance since April 2007, JAL offers customers many benefits, such as the JAL Mileage Bank frequent flier program.

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