

JAPAN AIRLINES

**JAL Group
Medium-Term Management Plan FY2021–2025
Rolling Plan 2023**

May 2, 2023



Chapter 1: Overview of Rolling Plan 2023

- 1-1: Environmental Awareness and Profit Targets
- 1-2: Outline of Management Strategy
- 1-3: ESG Strategy (Value Creation Story)
- 1-4: Business Strategy (Business Model Reform, DX, Human Resources, GX)
- 1-5: Finance Strategy (Build Risk Tolerance and Growth, Management Resource Allocation)
- 1-6: Progress of Management Targets

Chapter 2: Details of Strategy

- 2-1: Air Passengers (Full-Service Carrier/LCC)
- 2-2: Cargo and Mail
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Reference Materials

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.



JAL Group
Medium-Term Management Plan
FY2021-2025

Rolling Plan 2023

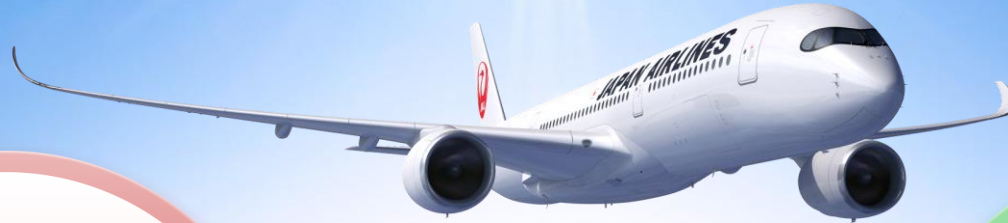
On Formulating the Rolling Plan for 2023

As we reach the end of the first two years of the JAL Group Medium Term Management Plan for FY2021–2025, with COVID-19 subsiding, we were able to return to profitability for the full FY2022. At the same time, we find ourselves up against new challenges that society as a whole also faces, such as an unstable global situation, rising prices, and shortage of human resources. In light of these changes in the business environment, we have formulated the Rolling Plan 2023 in order to change gears, from recovery and stability to growth.

Societal connections enabled through the movement of people and goods are indispensable for society well-being that everyone can feel fulfilled and hopeful. Through our ESG strategy, which forms a pillar of our management strategy, we will create sustainable flows of people, sales and distribution channels and help address social issues through the power of air transportation and connection. In addition, we will endeavor to restore sales and profits quickly to pre-pandemic levels through our business and finance strategies, and to achieve medium- to long-term growth by pushing forward with our ESG strategy.

Everyone in the JAL Group will work together as one to help create a vibrant society and a future where many people and goods freely move around.

The JAL Group will focus on the key themes of “Safety and Peace of Mind” and “Sustainability” as the engines of growth in a time of upheaval with drastic changes in values



**Safety and
Peace of Mind**

**Build a society
where everyone
can live safely,
securely and with
peace of mind**

**JAL Vision
2030**

Sustainability

**Build a better
future where
everyone can feel
fulfilled and
hopeful**

**To become the world’s most preferred and valued airline group,
by helping to create a vibrant society and a future
where many people and goods freely move around**



Rolling Plan 2023

- 1. Overview of Rolling Plan 2023**
2. Details of Strategy



Revision of Current Plan in Light of Changes in the Business Environment; Must Hit Mid-Term Profit Target through Business Growth

<Changes in the Business Environment>

Airline Industry and JAL

- Market conditions: Cost increases due to fuel and foreign exchange market conditions
- Human resources: Shortage of human resources in the aviation and tourism industries
- Competitors: Delayed recovery of international flight capacity

Market

- Passengers: Passengers originating overseas show strong recovery, but those originating in Japan and domestic flights are still weak
- Cargo: High levels of volume but unit prices are gradually falling

Society

- Environment: Acceleration toward carbon neutrality and conservation of biodiversity
- Society: Low birthrate/aging population, stagnant regional economies

Recover and Stabilize Business Performance

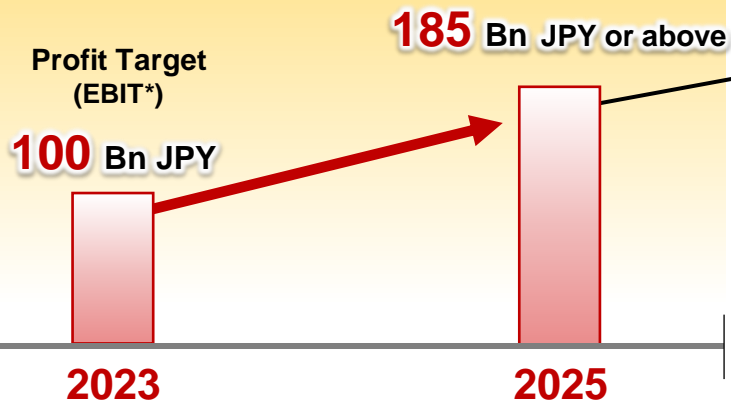
Shift to Growth

Sustained Increase in Corporate Value

Rolling Plan 2023
FY2023-2025

JAL Vision
SUSTAINABLE
DEVELOPMENT
GOALS

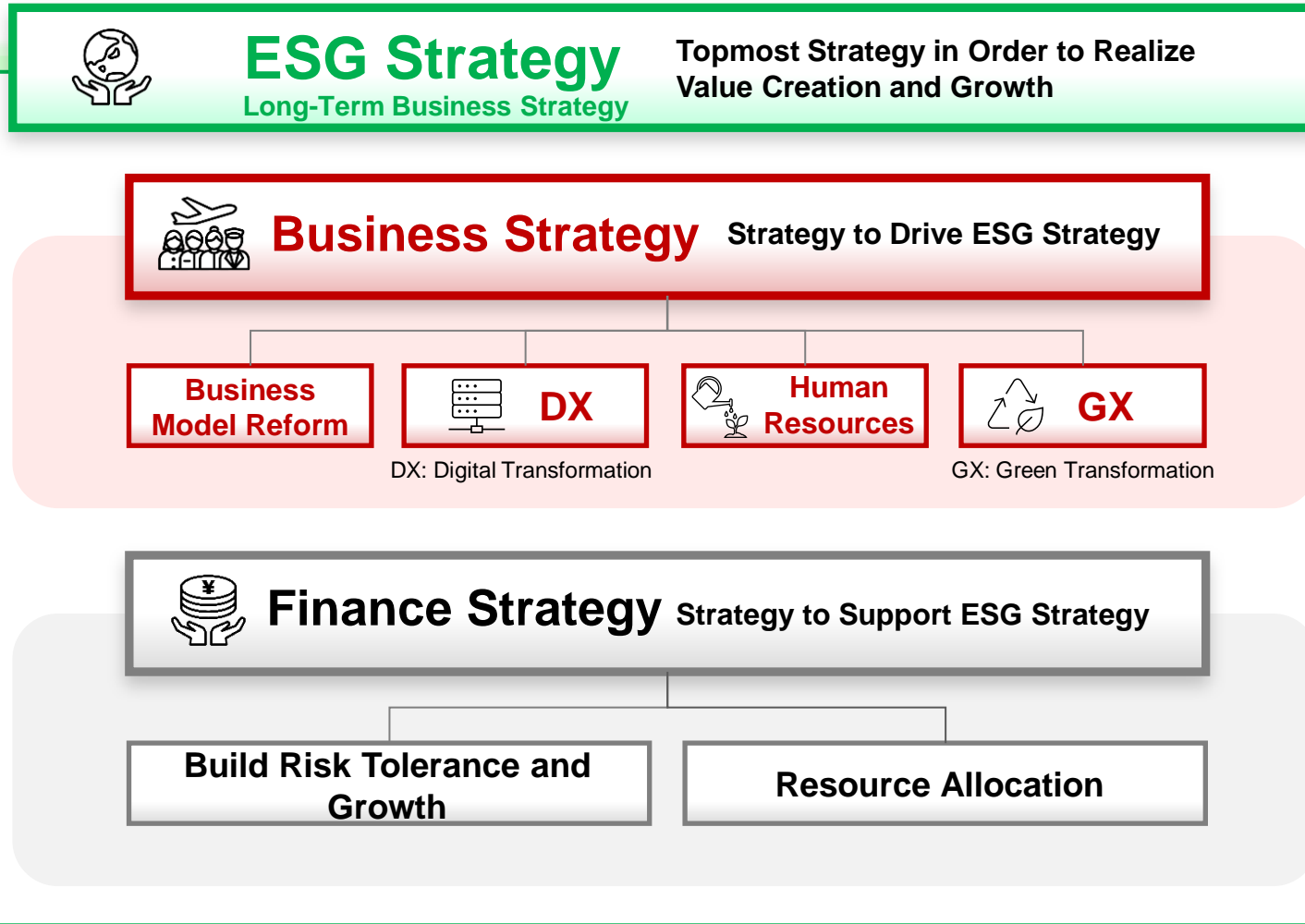
Net zero CO₂
emissions



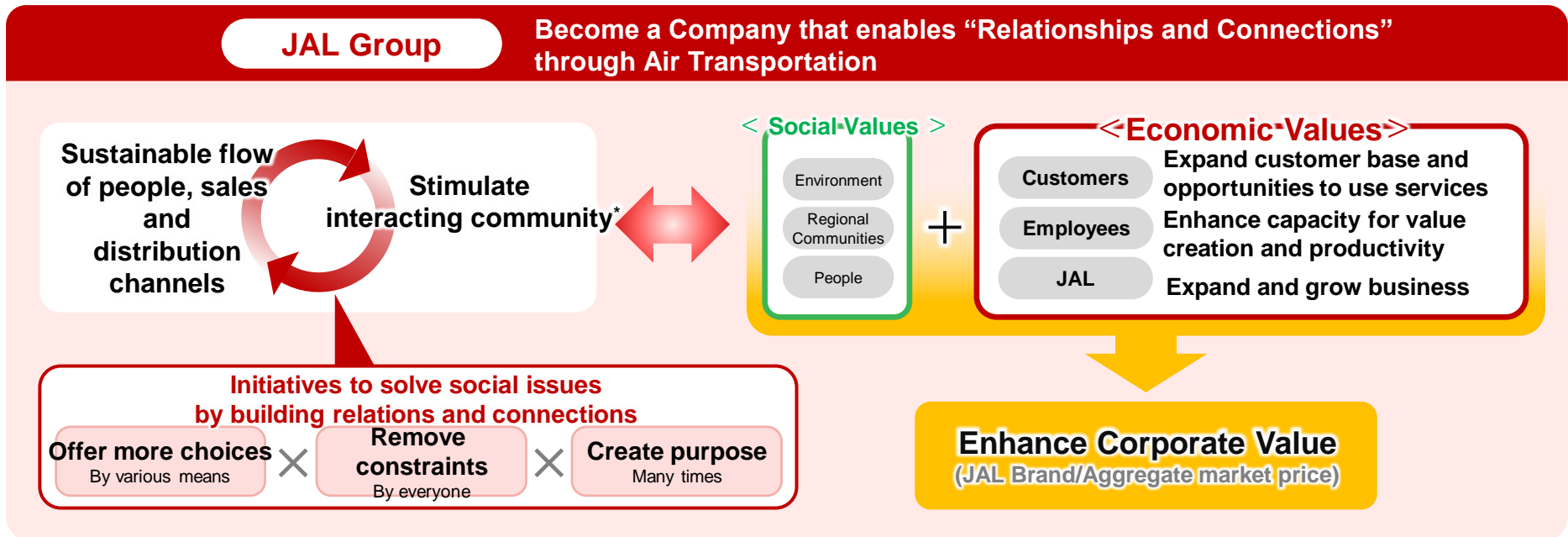
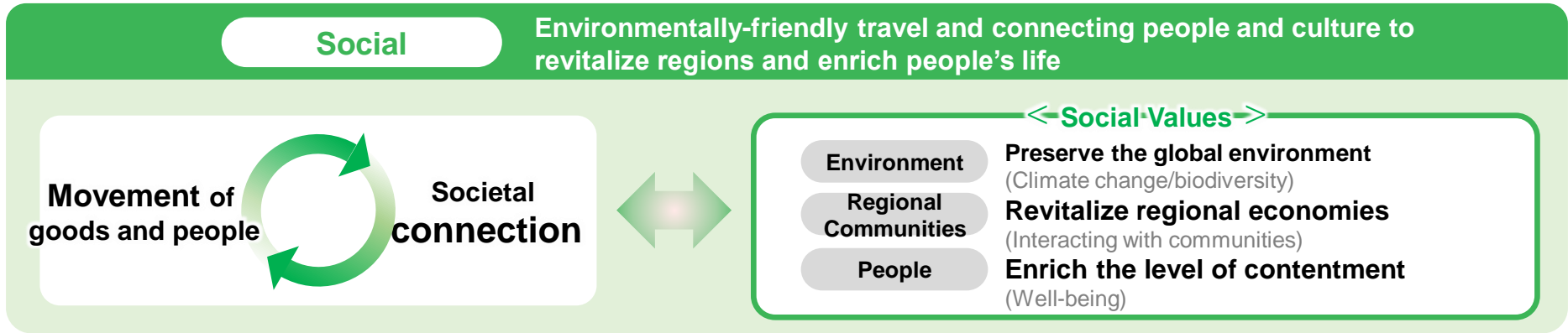
FY2021-2025 Medium Term Management Plan

*EBIT: Earnings Before Interest and Taxes

Create Value through ESG Strategy for Medium- and Long-Term Growth

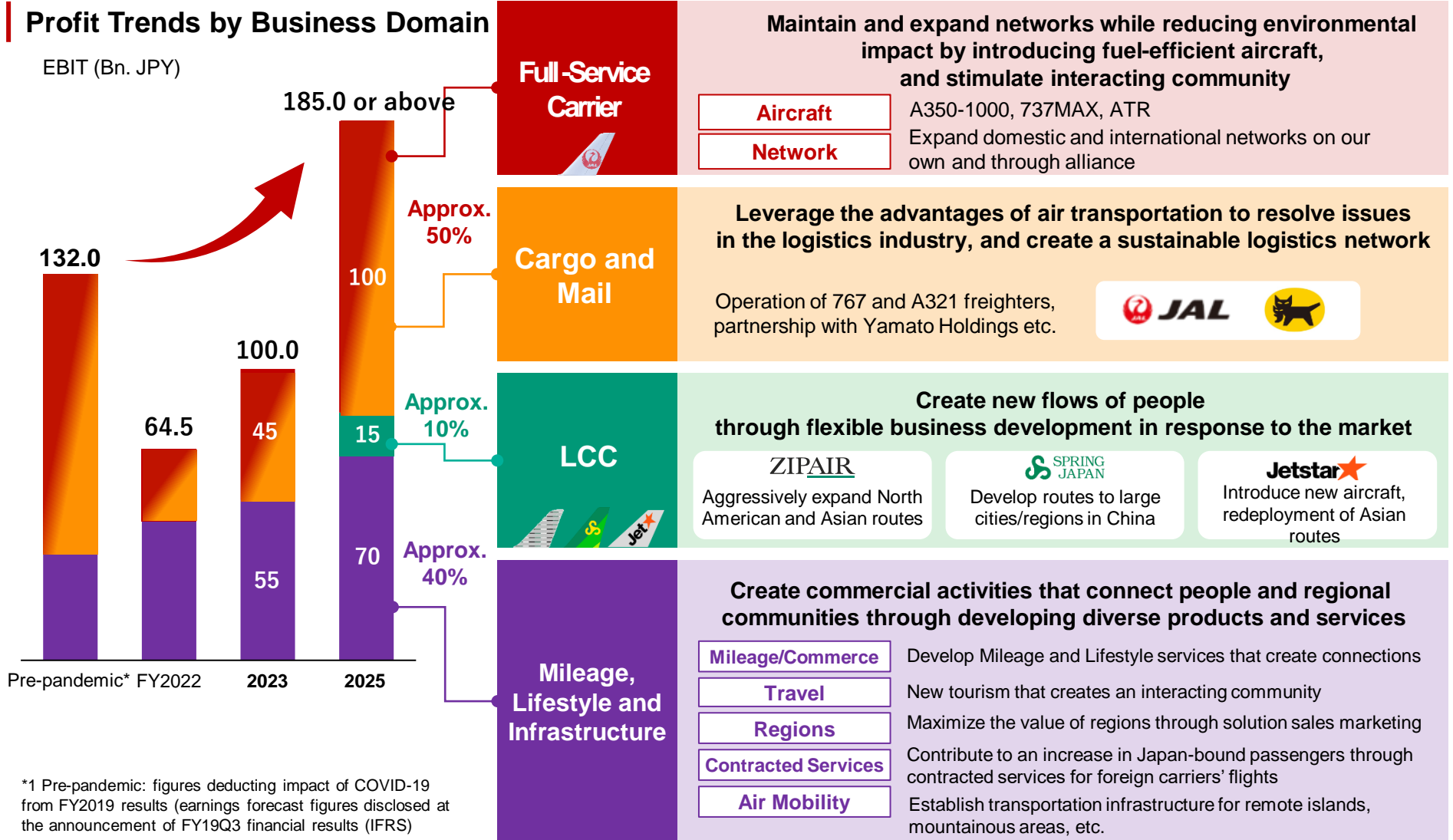


Create social and economic value by building relationships and connections through air transportation to enhance corporate value.



* interacting community : People with ongoing and diverse involvement with a particular region

Restructure business portfolio and increase profits by pushing forward with ESG strategies



*1 Pre-pandemic: figures deducting impact of COVID-19 from FY2019 results (earnings forecast figures disclosed at the announcement of FY19Q3 financial results (IFRS))



Provide customers with safe and secure transportation and offer new experiences through the use of digital technology

Personalized Service

■ Recommendations

- Analyze customer data and propose product services that match customer preferences (in-flight services, Mileage and Lifestyle, travel)

■ Customization

- Apps support customers in all situations
 - Freely choose required services, such as in-flight meals and ancillary services
 - Offer a mileage experience that is easy to accumulate and use miles in everyday life



Stress-Free, Anytime, Anywhere

■ Reservations

- Complete procedures within the app
- Inquiries are handled by chatbots
- Quickly rebook with the app even in case of flight irregularities

■ Airports

- Expand JAL SMART AIRPORT
- Support customers remotely through chatbots/avatars
- Smooth boarding through apps and facial recognition
- Reduce waiting times by upgrading security inspection equipment

Connect with New Mobility

■ Air Mobility

- Offer a system that ensures drone safety and enables operational control to support regional logistics
- New transportation experience with Air Taxis



©Volocopter

■ MaaS

- Reach destinations seamlessly with only a smartphone connected to a variety of transportation services



Safer and More Comfortable Travel

■ Maintenance and operation

- Reduce aircraft safety-related incidents by using big data for aircraft failure prediction
- Obtain timely weather information and prevent en-route turbulence through advances in observation and communication technology



Develop and recruit human resources who respect diverse values, take on the challenge of creating new values, and spark change

Human Resources Portfolio	<p>Create a dynamic human resources portfolio that responds to changes in the environment</p>	<ul style="list-style-type: none"> • Abolish seniority and shift to a system that enables early promotion^{*1} • Recruit employees with external experience (including alumni) : Up to 50% of annual hires^{*1} • Expand performance-based remuneration system: 100 posts • Introduce new personnel system to secure highly specialized human resources • Assign human resources to growing business areas: Increase of 3,500 employees compared to FY2019
DEI	<p>Promote the active participation of diverse human resources (values, expertise, experience, etc.)</p>	<ul style="list-style-type: none"> • Proportion of women in management: 30% • Continuation of active recruitment of non-Japanese employees in Japan (around 100 employees per year) • Send more overseas employees to Japan (around 50 employees) • Employment of people with disabilities: +30% compared to FY2022^{*2}
Careers & Reskilling	<p>Provide a workplace that enables employees to grow and learn, in order to encourage independent-minded careers</p>	<ul style="list-style-type: none"> • Transfers inside and outside the company through open recruitment: 100 people per year • Expand secondment and dispatch employees inside and outside the Group • Percentage of employees dispatched overseas or outside the company (including studying abroad) by their 10th year^{*1}: 100% • Reskilling for a second career • DX training: Basic training, all employees, specialized training, 300 employees
Engagement	<p>Align vectors of the company and individual growth, improve productivity, and motivate employees to take on challenges on their own</p>	<ul style="list-style-type: none"> • Ratio of actively engaged employees : +10pt compared to FY2019 • Per capita sales: +15% compared to FY2019 • Give back value creation and efficiency to employees

*1: Japan Airlines business planning positions *2: As of June 1, 2022

Accelerate Measures to Achieve Carbon Neutrality by 2050

GX Framework, Policies

ICAO

Adjustment of CORSIA*1 Baselines

Government Policy

“Basic Policy for the Realization of GX”

<2021-2023>
Less than 2019 emissions

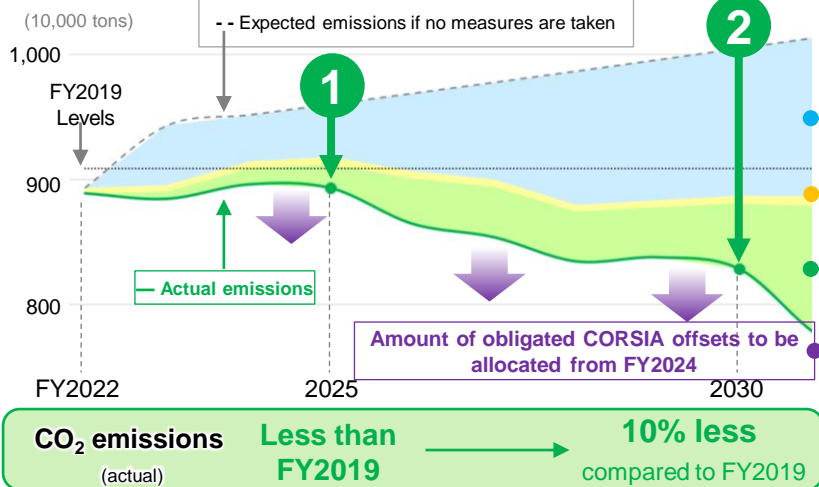
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<2024-2035>
Less than **85%** of 2019 emissions

Roadmap established for the next **10** years to simultaneously address climate change, ensure a stable energy supply, and achieve economic growth

Roadmap for reducing CO₂ emissions up till FY2030

CORSIA will be addressed separately, with no change in JAL's reduction targets



Internal emissions reduction

	2025	2030	
Upgrade to Fuel-efficient Aircraft	370,000 tons	1,200,000 tons	Accelerate and expand introduction of state-of-the-art aircraft A350 787 737MAX ATR: Approx. 70 aircraft
Reduction in daily operations	50,000 tons	100,000 tons	Set flight schedules aimed at reducing CO ₂ emissions
Use of SAF ²	80,000 tons	700,000 tons	Expand procurement from overseas and expand coordination aimed at production and stable supply of Japan-made SAF
CO₂ reductions	500,000 tons (Approx. 1)	2,000,000 tons (Approx. 2)	

Measures to comply with revised CORSIA baselines

Utilization of carbon-offset program	Push forward with securing credits that conform to CORSIA certifications Offset obligations are calculated and allocated based on industry-wide emissions
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Investment in order to push forward with GX

Introduction of Internal Carbon Pricing (ICP) for investment decisions
Base price: 15,000 yen/ton

Technology to push forward with GX

Promote coordination with suppliers and partners who possess new technologies such as synthetic fuels and negative emissions (CO₂ capture, etc).

*1: CORSIA: A system that requires international flights to purchase CO₂ credits etc. for the amount of CO₂ emissions in excess of the baseline *2: Sustainable Aviation Fuel



- Accelerate efforts to achieve sustainable growth while improving risk tolerance
- Rebuild financial base and maintain/improve the ability to finance
- Be aware of the cost of capital and improve capital efficiency

End of FY2022

Overview and Goals of FY2023-2025 Strategies

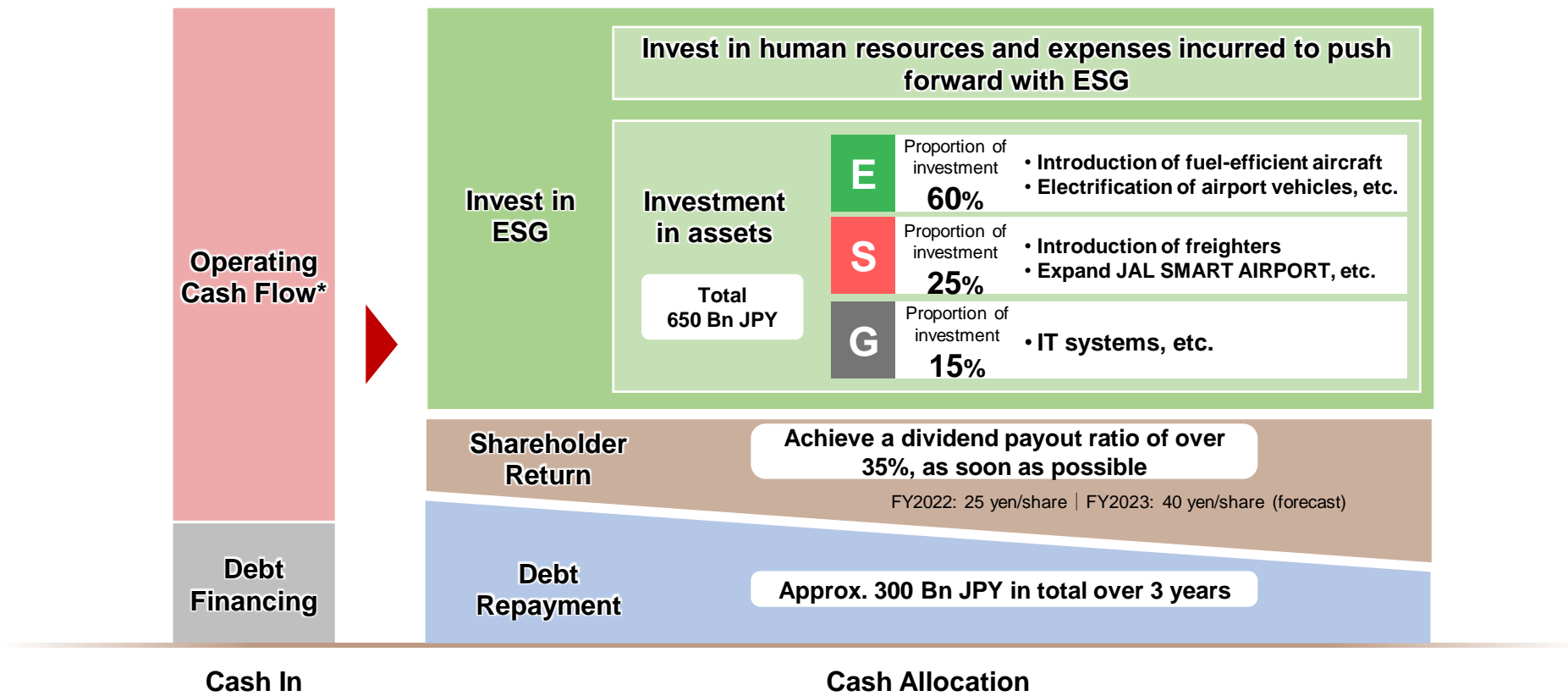
Liquidity		639.2 Bn JPY	▶	Secure 5.0–5.6 months' worth of passenger revenue (including credit facility)
		Credit Facility 250 Bn JPY		
Stability (Equity Ratio)		39.3% (credit rating)	▶	End of FY2025: Over 50% (credit rating)
Credit Rating		Maintain A Rating	▶	Achieve “A Flat”
Capital Efficiency	ROIC ^{*1}	3.3%	▶	FY2025: 9% In addition, consider introducing “Sustainable ROIC (tentative name)”, a new investment efficiency index that takes social values into account
	ROE	4.3%	▶	

*1: Return on Invested Capital (ROIC) = EBIT (after tax) / average of fixed assets (*2) at the beginning and end of the fiscal year

*2: Fixed assets = Inventories + non-current assets - deferred tax assets - assets for retirement benefits

- In addition to assets, consider expenses incurred for human resources and ESG as investment, and actively allocate resources
- Gradually expand shareholder returns as business performance recovers

Conceptualization of FY2023–2025



*Operating CF excludes investment in human resources and expenses incurred in pushing forward with ESG

1-6 Progress of Management Targets



FY 2025 target value

FY2022 Results

Safety and Peace of Mind 	Safety Aircraft Accidents and Serious Incidents 0 <small>(during the entire period of the Medium-Term Management Plan)</small>	3 cases <ul style="list-style-type: none"> October 3, 2022, Flight NU036: One cabin attendant suffered a fracture due to turbulence during cruise November 7, 2022, Flight JL3760: One customer suffered a fracture due to impact upon landing January 7, 2023, Flight JL687: One customer suffered a fracture due to turbulence during descent
	Peace of Mind NPS *1 + 4.0 pt (FSC international/domestic)	
Finance 	EBIT Margin <small>(sales margin)</small> Achieve 10% or Higher	4.7 %
	ROIC <small>(Return on Investment)</small> 9%	3.3 % <ul style="list-style-type: none"> EBIT for the full year is 64.5 billion yen, returning to the black ink EBIT margin, ROIC and EPS targets to be achieved in FY2025
	EPS <small>(Net Profit per share)</small> c. ¥290 level	79 JPY
Sustainability 	Environment <small>CO2 Emission Reduction</small> Total emissions: below 9.09 million tons <small>Cabin and Lounge: No use of virgin petroleum-based plastic</small> <small>Cargo and Airports: 100% switch to eco-friendly materials</small>	8.21 million tons 45 % abolished 91 % change
	Communities <small>Reduction of Single-use Plastic</small> Domestic passenger *2 and Cargo transport volume + 10% vs FY2019	Passengers -15 % Cargo -17 % <ul style="list-style-type: none"> Prolonged impact of COVID-19 Delayed recovery of freight demand that shifted to other modes of transportation during the COVID-19
	People <small>Regional Revitalization</small> Group Female Manager Ratio: 30% <small>Promotion of D&I</small>	22.8 % <small>(as of March 31, 2023)</small> <ul style="list-style-type: none"> Promoted continuous appointment of women leaders Up 0.9 percentage points from the previous year (21.9%)

*1: Net Promoter Score: Objective indicator of customer satisfaction (compared to the beginning of FY2021)

*2: Increase in passenger count between metropolitan and rural areas by stimulating tourism demand and creating new flows etc. *Aim to improve Total Shareholder Return (TSR)

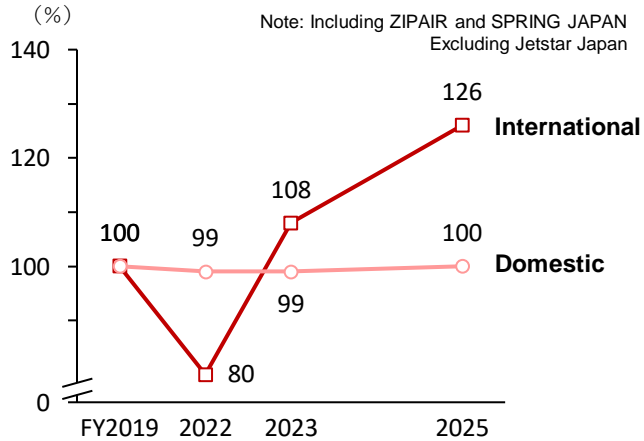


Rolling Plan 2023

1. Overview of Rolling Plan 2023
- 2. Details of Strategy**

Aim for Re-Growth through Business Model Reform, and Achieve Higher Revenue than FY2019

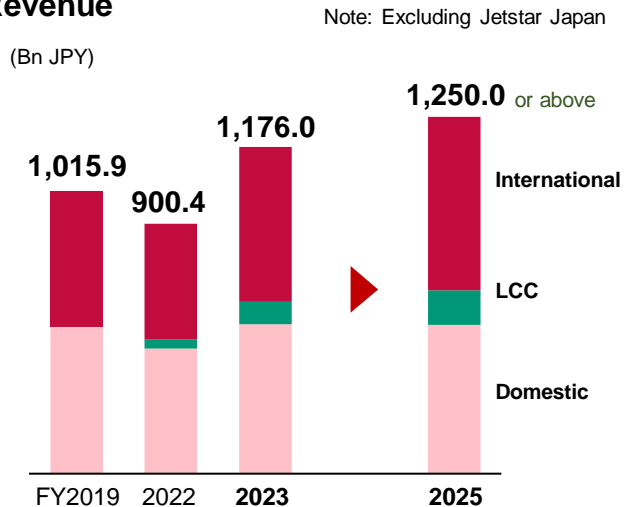
Capacity (ASK)



Recover capacity as soon as possible, for expansion and growth

- JAL** • Pursue group-wide growth on a scale far exceeding pre-pandemic level, by expanding long-haul routes of full-service carriers and significant growth of LCC capacity and network
 - ZIPAIR**
 - SPRING JAPAN**
 - Jetstar** • Capture Japan-bound demand, which is expected to grow across the Group
-
- JAL** • Improve competitiveness by revamping products and services of international flight to meet diverse customer needs with introduction of the A350-1000 (FY2023)

Revenue

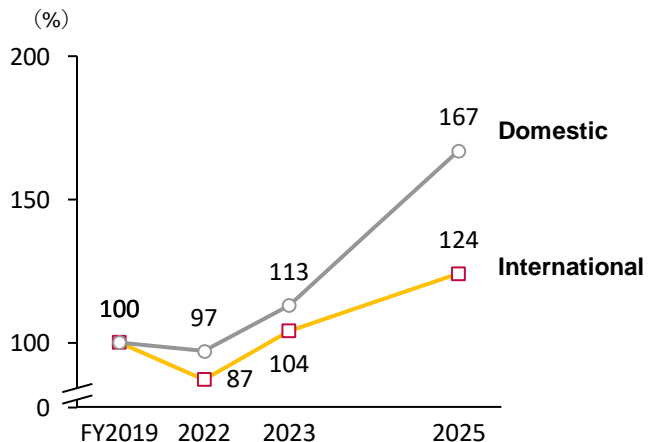


Increase revenue by creating new demand

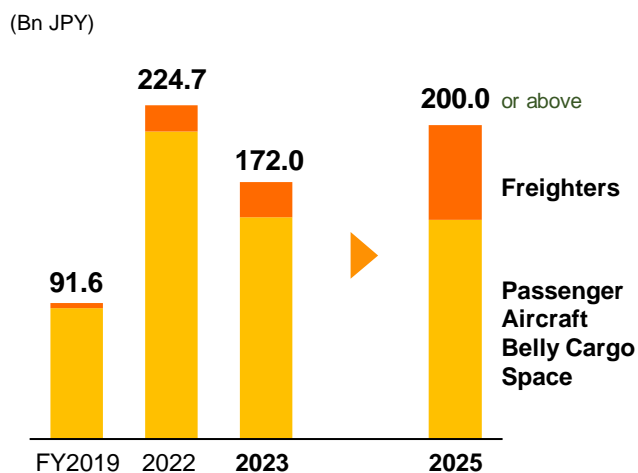
- JAL** • Maintain capacity equivalent to pre-pandemic levels by maximizing the resources of the Group's airlines
 - SPRING JAPAN** • Introduce fuel-efficient aircraft in order to accelerate environmental measures
 - Jetstar** • Attract Japan-bound passengers to local regions by setting priority destinations based on the country of origin
 - Create new travel demand through co-creation with local regions
-
- JAL** • Shift to a simplified fare structure for ease of use by customers

Launch Freighter Business Based on a New Business Model

Capacity (ATK)



Revenue



Freighters

Passenger Aircraft Belly Cargo Space

Expand business with new business models through partnerships

767 freighters



- 3 aircraft in total to be introduced for international and domestic routes from FY2023
- Form partnerships with logistics partners to create a new business model with low business risks, meeting stable demand with high growth potential

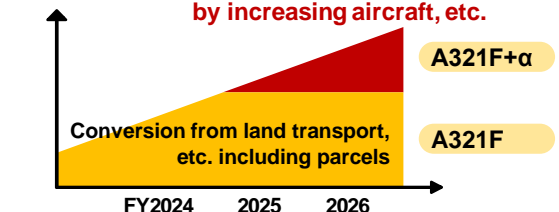
A321 freighters



- Start operating A321 freighters from FY2024 in partnership with Yamato Holdings, aimed at resolving the 2024 problem in domestic logistics

Expansion of cooperation with Yamato Holdings

capacity Expand capacity from FY2025 onward by increasing aircraft, etc.



Other 3rd parties

- Expand and complement capacity flexibly according to demand, through cooperation with partner airlines

Maintain high profitability against declining yield

- Improve handling of strategic products through expansion of facilities and high-quality control (e-commerce, medical products, Japanese regional products)
- Improve productivity through digitization of reservation sales and automation of airport operations



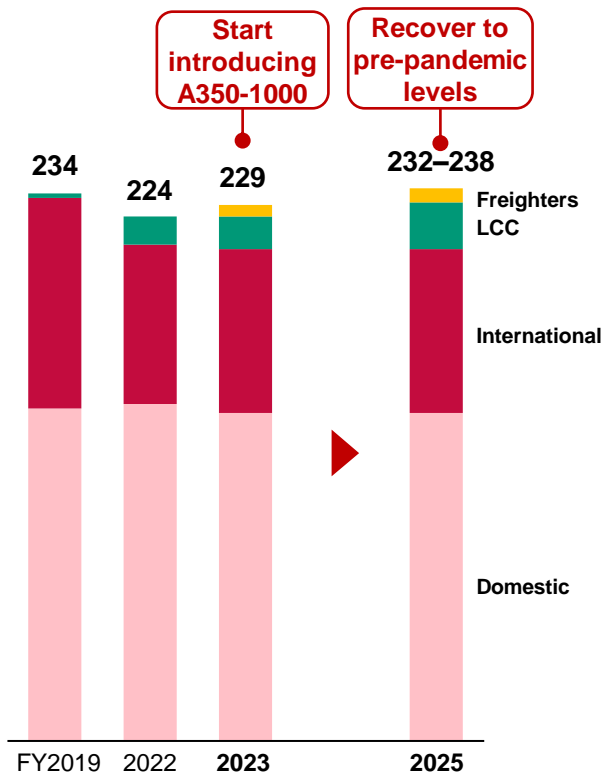
Narita Airport temperature-controlled storage for pharmaceuticals





- Recover number of aircraft to pre-pandemic levels by the end of FY2025
- Accelerate upgrade to fuel-efficient aircraft (introduce 9 A350-1000s by the end of FY2025)
- Aggressively allocate aircraft to international LCC and freighter business
- Introduce new single-aisle aircraft (737MAX) from FY2026

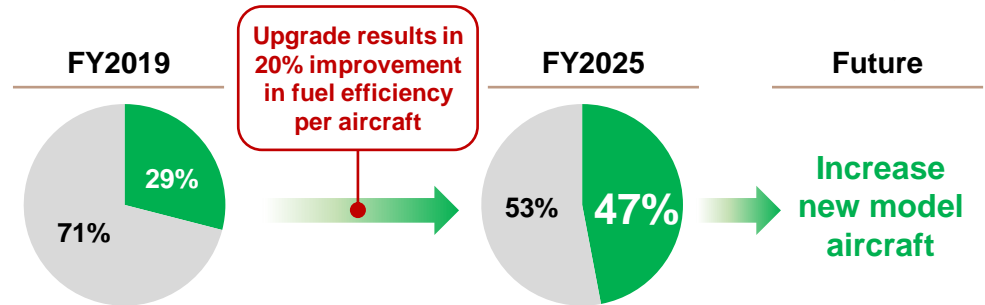
Changes in the number of aircraft (Group total*)



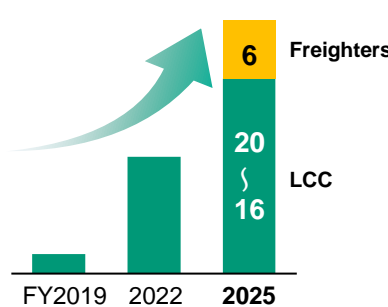
* The number of aircraft in operation, taking into account decommissioning.

Accelerate upgrade to fuel-efficient aircraft

■ Existing aircraft: 777, 767, 737-800
■ New aircraft: A350, 787



Allocate resources to growing business domains (international LCC and freighter business)



Convert passenger aircraft to freighters

767 freighters: Introduce 3 aircraft
A321 freighters: Introduce 3 aircraft

Increase LCC aircraft for the growth of international flights

Introduce 16 to 20 aircraft

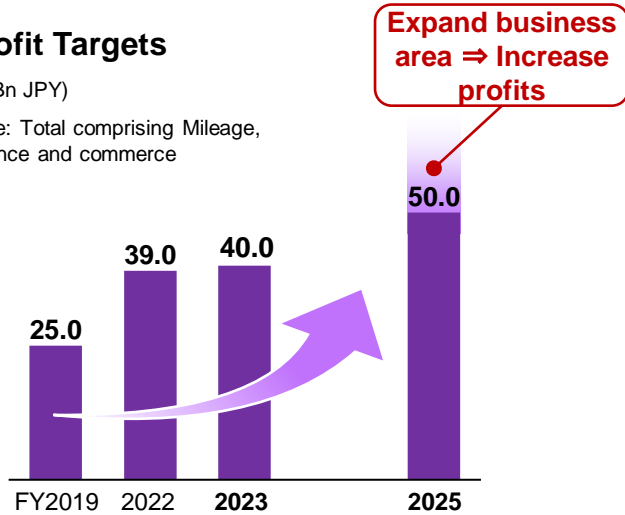
Note: All figures are for the number of aircraft at the end of the fiscal year

Lead the Business Model Reform to Ensure Profit Growth

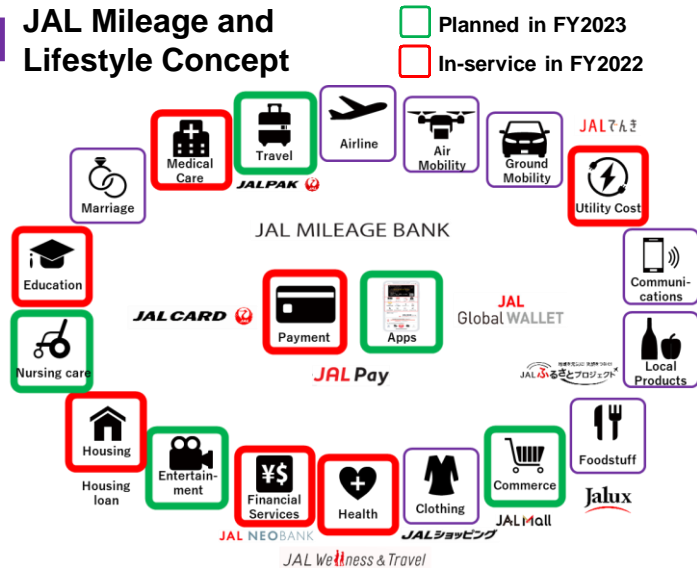
Profit Targets

(Bn JPY)

Note: Total comprising Mileage, finance and commerce



JAL Mileage and Lifestyle Concept



Mileage & Finance

Profit growth through expansion of customer segment and services

Expand customer segment

- Develop new customer segment (mainly used in daily life) by introducing a new status program that attributes usage from both air travel and daily-life
- Expand customer segment of JAL CARD (youth and corporate customers)

Expand services

- Create travel and connection with award tickets that are easy to book, even during peak season
- Expand services in the areas of education, medical care, health, and entertainment
- Introduce a new app to enjoy Mileage Lifestyle in various situations

Commerce

Profit growth through expansion of customer segment and product lineup

Expand customer segment

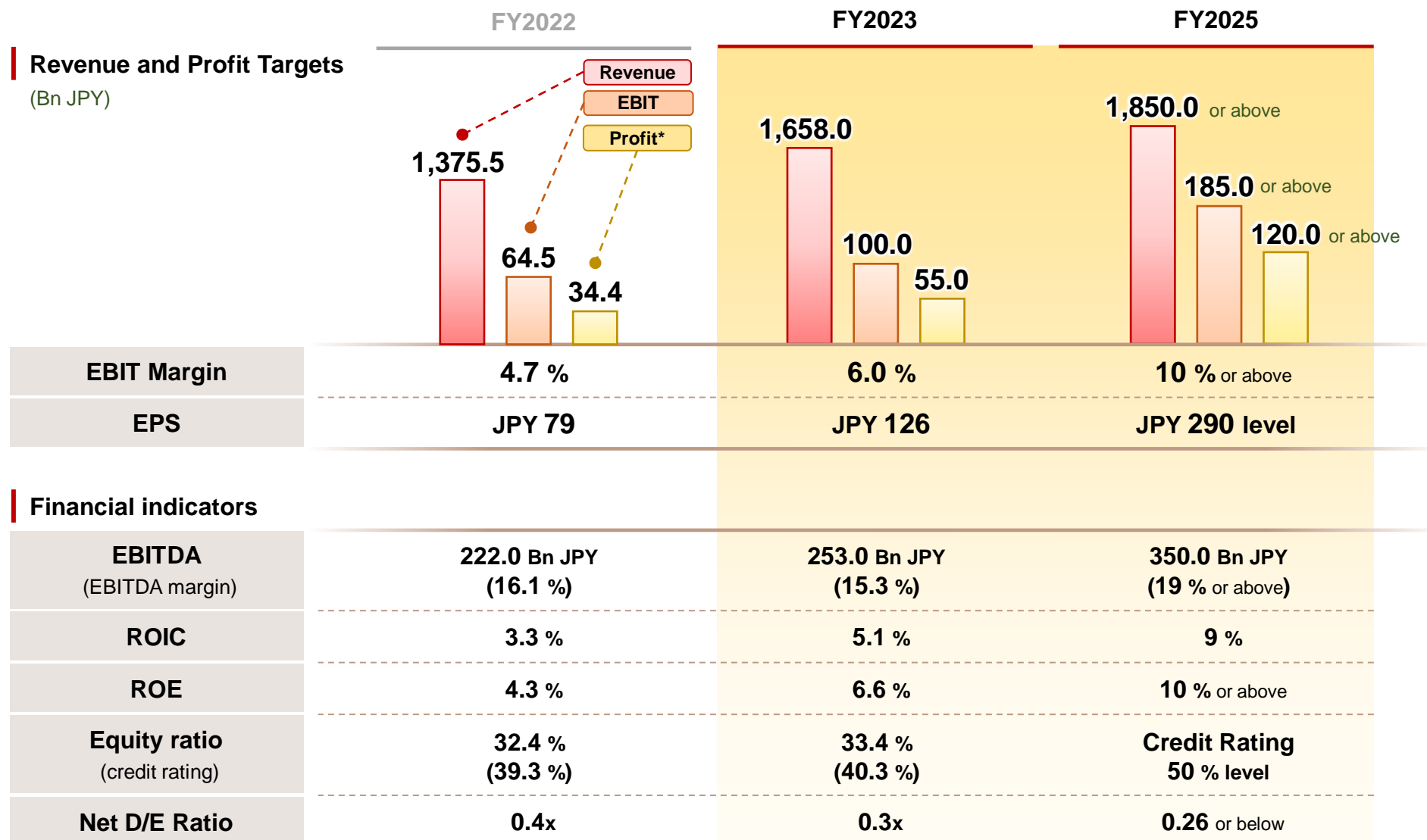
- Introduce online shopping mall (JAL Mall) to offer appealing stores to attract new customers

Expand product lineup

- Develop appealing original products and regional specialties through the synergy between JALUX's know-how and the JAL brand
- Offer an appealing product lineup by attracting external tenants to JAL Mall

2-5 Revenue, Profit Targets and Financial Indicators

Rolling Plan
2023



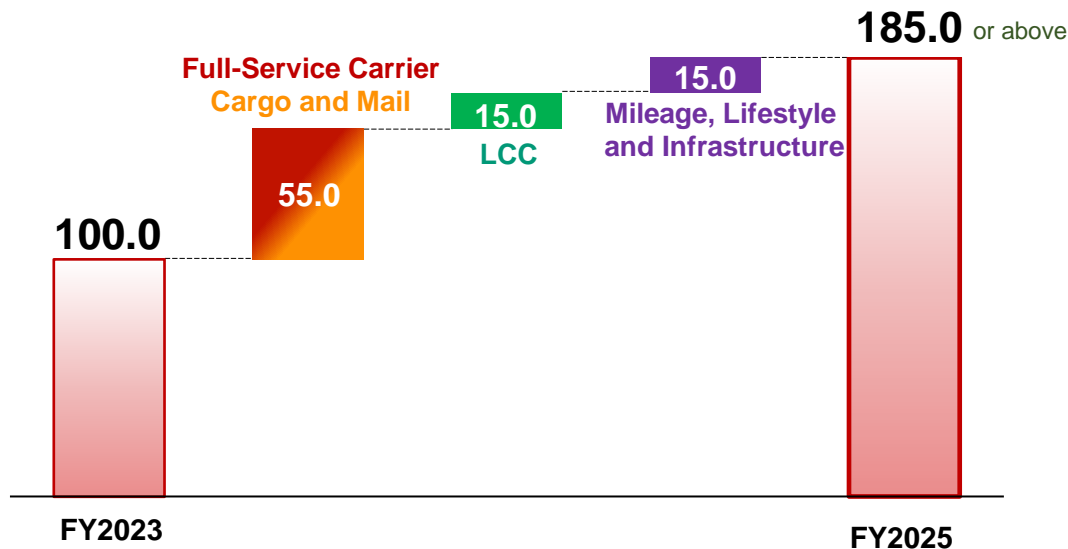
* Profit attributable to owners of parent



Full-Service Carrier	Cargo and Mail	LCC	Mileage, Lifestyle and Infrastructure
Profit growth by steadily capturing recovering international demand	Profit growth by developing new business models	Expansion of ZIPAIR, and profit growth of SPRING JAPAN due to demand recovery of China routes	Steady profit growth in the Mileage business

Profit Targets

(Bn JPY)



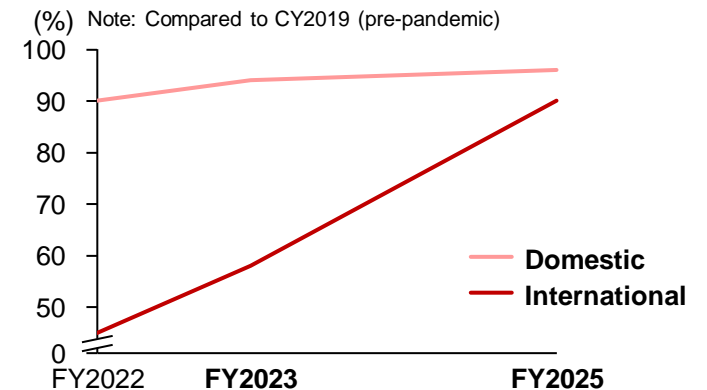
Estimation of Total Passenger Demand

(Overall Market Demand)

Recovery of passenger demand

International End of FY2025: 90% or above level

Domestic During FY2023: 90% or above level



Background of the Value for Travel and Connection

■ Government Policy

- **MLIT: Long-term Outlook of Land (JPN)**

Final Report by the Special Committee on Long-term Outlook of Land
https://www.mlit.go.jp/policy/shingikai/kokudo03_sg_000243.html

- **MLIT: Coordination with Associated Demand to Secure Infrastructure of the Local Regions (JPN)**

National Land Council 5th Subcommittee
https://www.mlit.go.jp/policy/shingikai/kokudoseisaku01_sg_000270.html

- **MLIT: Creation of Global Value Unique to Japan with Core Sustainability (JPN)**

Model project to create a preferred cycle that contributes to sustainable tourism
https://www.mlit.go.jp/kankocho/page05_000228.html

- **Ministry of the Environment: Basic Policy on Nature Conservation**

Notice of Ministry of the Environment #29
<https://www.env.go.jp/en/laws/index.html>

■ Investigation & Research

- **MLIT: Survey of Travel and Tourism Expense Trend (JPN)**

<https://www.mlit.go.jp/kankocho/siryou/toukei/shouhidoukou.html>

- **Cabinet Office: Children / Youth White Paper (JPN)**

Children & Youth Index Board
<https://www8.cao.go.jp/youth/whitepaper/r03gaiyou/s9.html>

- **Study About the Relationship Between Travel and Happiness**

“Association between real-world experiential diversity and positive affect relates to hippocampal-striatal functional connectivity”, Aaron S Heller, et al
 National Library of Medicine: <https://pubmed.ncbi.nlm.nih.gov/32424287/>
 Nature Neuroscience: <https://www.nature.com/articles/s41593-020-0636-4>

MLIT: Ministry of Land, Infrastructure, Transport and Tourism

Social Value of the Aviation Industry (example)

■ Global

- **Air transport moves around 4.5 billion passengers annually and 61 million tons of freight.**
- **58% of international tourists travel to their destination by air.**
- **Air transport is necessary for transporting high value, time-sensitive goods: 35% of world trade by value.**
- **The air transport industry generates a total of 87.7 million jobs globally.**
- **Aviation’s global economic impact is estimated at \$3.5 trillion.** (including direct, indirect, induced and tourism catalytic)

Ref.: ATAG BEGINNER’S GUIDE TO SUSTAINABLE AVIATION FUEL

■ Japan

- **Share of Air Transport for Domestic Travel**

- ✓ 500~700km: **12%**
- ✓ 700~1,000km: **43%**
- ✓ 1,000km~: **87%**

- **Share of Air Transport for International Travel : 95.7%**

Ref. MLIT Trend of Traffic (JPN)

Fly into tomorrow.



JAPAN AIRLINES

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