

The progress of Mid-term Management Plan “Next Stage 2020”

25th May 2018

Policy

**“Contributing to Tomorrow as
Your Partner for Brightning,
Humanity, Society and the
Environment. ”**

Culture

“Challenge & Change”

Business concept

**We will create high-quality, innovative business,
products and services founded in safety and security
cultivated in the aviation field.**

【Establishment of long-term vision】

**A business leader creating “JALUX-VALUE” with partners
all over the world**

Mid-term management plan “Next Stage 2020”

New challenge for sustainable growth

~ To become a global corporate group with its own strengths
in the aviation & airport business domains ~

External environment

- Increase of airline demand/Expansion of the aviation industry
- Deregulation/Increase of inbound demand
- Diversification of consumption market
- Decrease of domestic population
Change of generation structure
- Economic growth of Asian countries

Internal environment

- Expansion of the existing business performance (organic growth)
- Achieving profit through the activity of overseas strategic locations
- Continuously strive to create a core business
- Termination of non-profitable business
- Maintenance of healthy financial condition and investment allowance

Key Strategy

Long-term
vision
(for 2030)

Mid-term management
plan/Target of
management
(for 2020)

Significant
strategy/
Overseas
significant area

Foundation of the promotion of
strategies

- 1 Expand our revenue base
- 2 Create and develop a new core business
- 3 Optimize the business portfolio

Overseas
key area

ASEAN region

U.S.A.

Cultivate HR and
enhance our
organizational
power

Achieve strong
funding capacity
and sound financial
standing

Deepen the Group
management

Four business segments

Four business units have started to meet in each segment since FY2017



Enhance the formation directed by the executive officers in each segment of the four business units since FY2018

Road map for the achievement of the target

【Long-term vision】

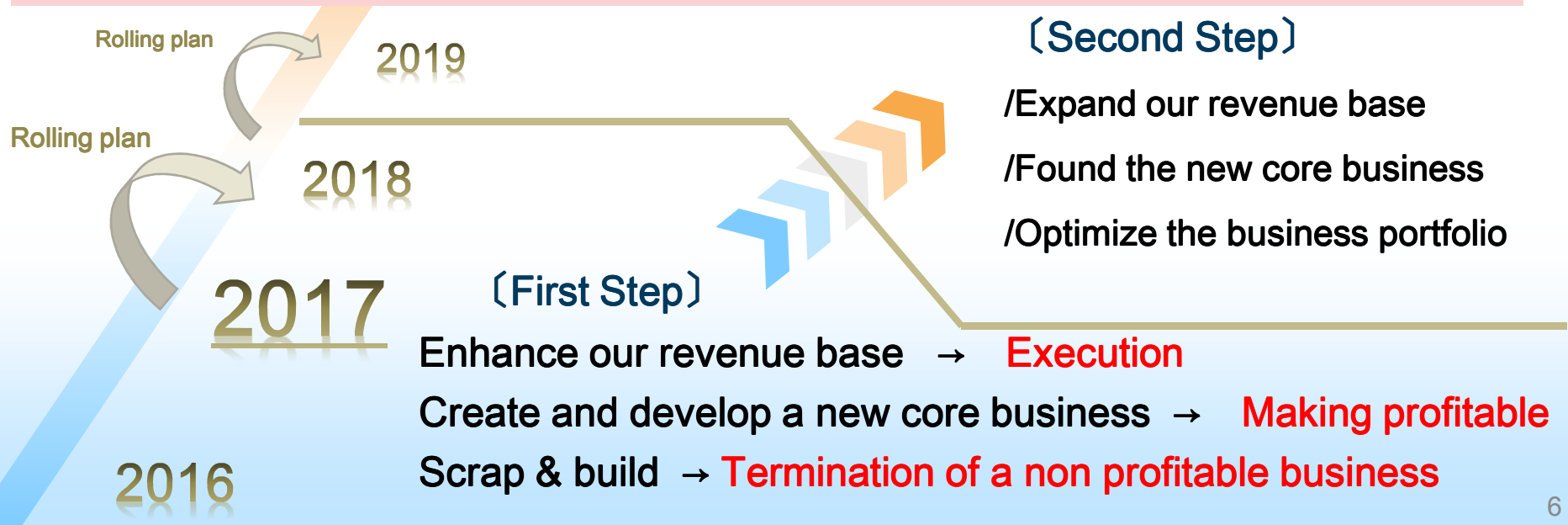
A business leader creating “JALUX-VALUE” with partners all over the world

【Mid-term management plan】

New challenges for sustainable growth

~ A global corporate group with its own strengths in the aviation & airport business domain ~

Next
Stage
2020



Business policy

- Establish competitive advantage by cultivating niche market in aviation and airport domain.
- Expand to overseas market by providing the high-quality product and service cultivated in Japanese aviation market.

Strategy

Enhance the coordination of our domestic and overseas locations

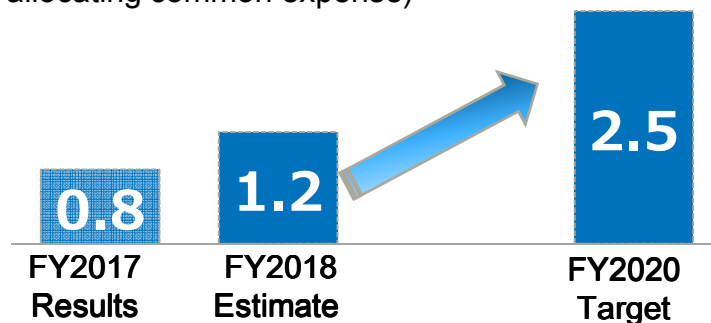
Develop the aviation-related asset business

Expand the airport operation business and around business

Segment profit

(Operational profit before allocating common expense)

(JPY bn)



◆Chance of growth for FY2020

- Increase of global aircraft demand
- Expansion of MRO* market scale
- Trend of airport operation privatization (Domestic and overseas)

*MRO: Maintenance, Repair and Overhaul

◆Challenge

- Enhance the function by coordination between our locations

① Enhance the coordination of the domestic and overseas locations

- Expand the market by enhancing the cooperation of locations (Japan, U.S.A, Europe, Singapore)
- Launch MRO business in our existing operating airports.
- Expand the aircraft components-supply business in Nagoya Chukyo and West-Japan area.



② Develop the aviation-related asset business

- Expand the aircraft and engine-lease business
- Consult in buy & sale of the aircraft and engine



③ Expand the airport operation business and around its business

- Expand the business in the our existing operating airport with JAL group (Laos, Mandalay)
- Participate in new airport operation



Business policy

- Contribute to increase QOL and to develop society by our business
- Realize quick business management by expertise professional subsidiaries.

Strategy

Develop real estate around airports/
Promote elderly business

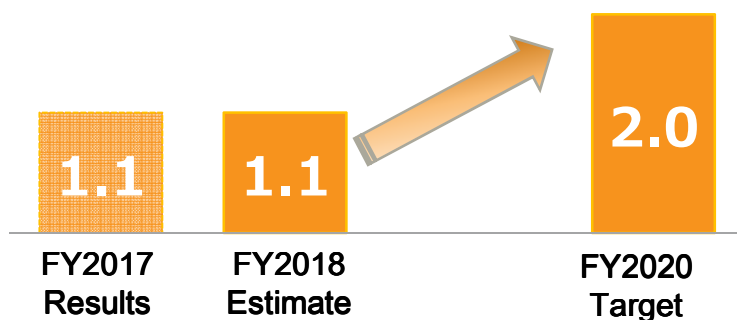
Deepen and broaden insurance business

Enhance production and sale of environment-friendly materials and machineries

Segment profit

(Operational profit before allocating common expense)

(JPY bn)



◆Chance of growth for FY2020

- Increase of the demand for real estate around airports
- Increase of the demand of senior apartment and diversification
- Increase of the needs of environment -friendly products

◆Challenge

- Making profit by new business

① Develop real estate around airports /promote senior business

- Expand real estate business centering on the road to airports
- Expand & activate asset by mobile investments

② Deepen and broaden insurance business

- Broaden & pursue the efficiency of operation in BPO*

※BPO(Business Process Outsourcing)

③ Enhance production and sale of environment-friendly machineries

- Construct sales network of Aqua patch* in U.S.A and expand to other areas such as Asia and North Europe.
- Enhance the sales structure & global expansion of Aqua black**

*AQUA PATCH : Road repair materials formed with only water

**AQUA BLACK : Plant facility of warm mix asphalt



Business policy

- Produce Made in/by JAPAN product and PR them to Global
- Optimize MD & product port-forio with insight of change of customer layer

Strategy

Improve MD & service to meet variety of customer needs

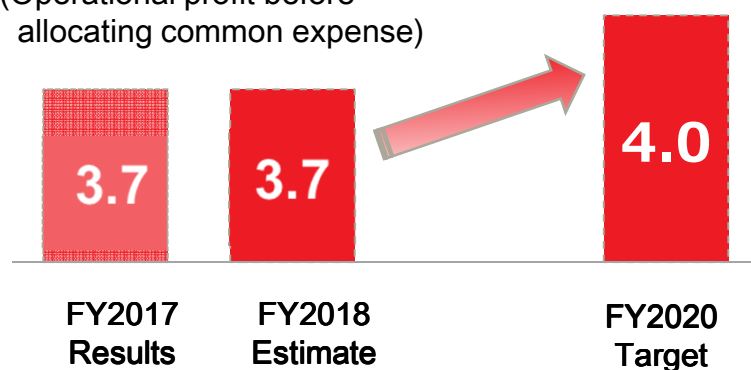
Develop global retail business

Plan & develop original product and Brand

Segment profit

(Operational profit before allocating common expense)

(JPY bn)



◆Chance of growth for FY2020

- Increase of the demand of airline passenger
- Growth of Inbound market
- Economic growth of Asian countries

◆Challenge

- Enhance the sales and merchandise development (MD)

① Increase MD & service to meet a variety of customer needs

- Enhance the formation, Train human resources, Develop the system
- Make contents titled “Travel, Gourmet”



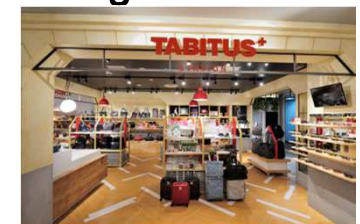
② Develop global retail business

- Develop new duty-free shops in the ASEAN region
- Develop the overseas market of confectionery shops



③ Plan & develop original products and brands

- Plan original products and enhance manufacturer structure through cooperating alliance factories and groups
- Promote original products such as the private brand “TABITUS”



Business policy

- Promote product development and discover products based on the concept of “World food culture for Japan, Japanese food culture for the world”
- Expand the value chain by enhancing the field of processing and manufacturing

Strategy

Expand imports and sale of worldwide high quality food

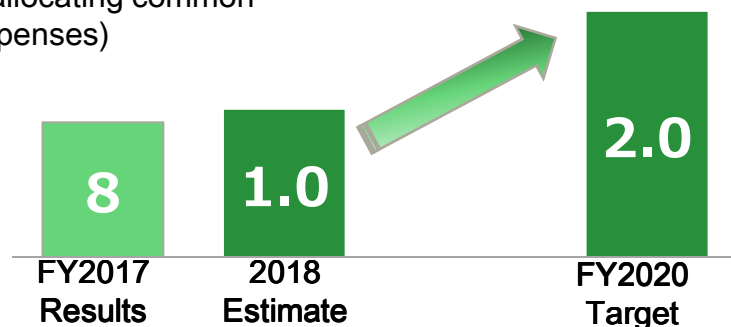
Export high value foods overseas

Enhance the processing and manufacturing fields

Segment profit

(Operational profit before allocating common expenses)

(JPY bn)



◆Chance of growth for FY2020

- Japanese food boom coming
- Expansion of exports of marine & agricultural food
- Highly conscious of safety and security for foods

◆Challenge

- Decrease the procurement risk due to climate change

① Expand imports and sale of worldwide high quality food

- Create a highly-evaluated wine list and enhance the distribution channel
- Develop new products and growing areas in the agricultural business



② Export high-value foods overseas

- Export and sale of Japanese fresh fish to the overseas market
- Export of Japanese high-quality sake



③ Enhance processing and manufacturing fields

- Develop high processed marine products
- Develop original products such as confectionery



Topics Export high value foods overseas

➤ Open “Thonglor Nihon Ichiba,” the First Japanese Fresh Wholesale Market in Thailand

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<Area>

- Sukhumvit Thonglor area, home to many Japanese restaurants in the Bangkok metropolitan area

【 Brief overview of the joint venture 】

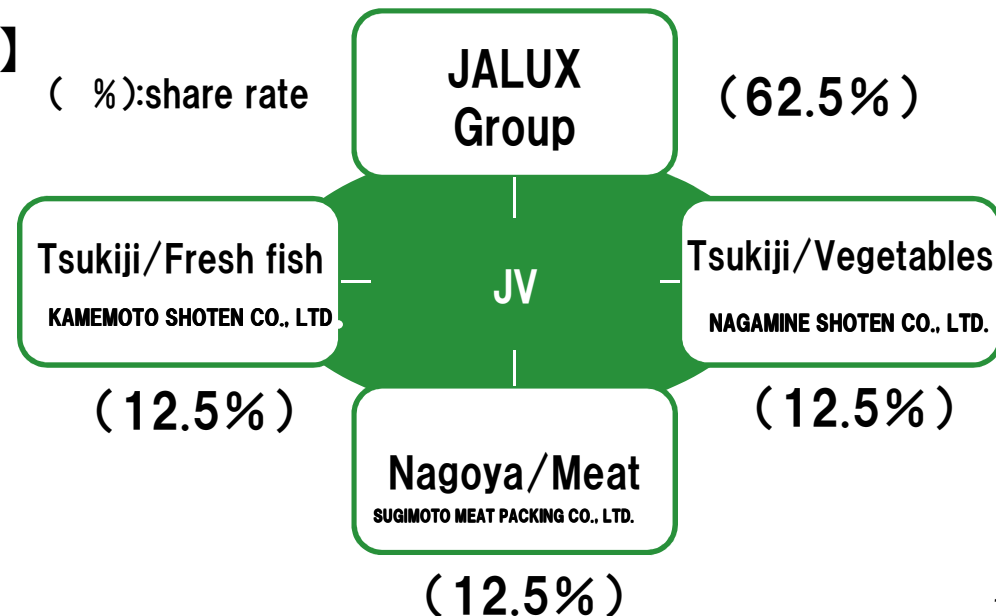
Name : J VALUE CO., LTD.

Established : March 15, 2018

Capital: 44,440,000 baht

Business contents : Operation of a wholesale market of fresh Japanese ingredients for professional use in Bangkok, Thailand

(%):share rate



FY2020 Target

	FY2017 Result	FY2018 Estimate	FY2020 Target
Ordinary income	JPY5.1bn	JPY5.5bn	JPY8.0bn
ROE (Net income to shareholders equity)	12.8%	13.0%	15.0%
ROA (ordinary income to total assets ratio)	11.1%	10.9%	12.0%
(FYI)			
Sales	JPY153.4bn	JPY160bn	JPY200bn
Segment profit*	JPY6.4bn	JPY7.0bn	JPY10.5bn

* Segment profit : Total of operation profit before allocating common expense

