Boeing and Japan Airlines Sign Deal on End-to-End Supply-Chain Solution

Boeing [NYSE: BA] and Japan Airlines (JAL) have signed an agreement that will reduce JAL's operating costs by having Boeing manage a majority of the airline's spare parts inventory. Boeing and JAL signed a previous agreement in 2001 for management of a limited scope of expendable parts. The current agreement significantly expands on that relationship and increases the value of JAL's maintenance operations.

Under the arrangement, known as Integrated Material Management (IMM), Boeing will be responsible for purchasing, inventory management and logistics for JAL's expendable aircraft parts.

"Boeing is very pleased that we are expanding our long-term relationship with JAL," said Mark Owen, Boeing vice president of Material Management. "During the past five years, JAL has trusted Boeing to manage its expendable parts and also has recognized the value a service such as IMM brings to its business. The extension and expansion of the program is the next logical step in this great relationship."

"JAL's goal is not only reduction of inventory to hold costs down but also the simplification of our inventory administration so that we can concentrate our resources on aircraft maintenance. This great opportunity to expand our scope fits our needs exactly. Our experiences and achievements during the past five years encouraged us to go with IMM," said Yukihiko Kanda, vice president, Component Services Business Division, Engineering and Maintenance, Japan Airlines International.

As part of this agreement, Boeing and other suppliers own the aircraft parts, which are stored at a location near the airline' operations until needed. JAL only pays for parts as it needs them, thereby greatly reducing its inventory holding costs and improving its return on assets.

Integrated Material Management builds on existing material management programs that Boeing has with several other airlines. This program is the next advance in expanding Boeing's supply chain services to provide value to both airline customers and supplier partners.

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For further information:
Nancy Standifer
mobile: 206-437-4427
nancy.j.standifer@boeing.com