

## Japan Airlines Corporation and Consolidated Subsidiaries FY2006 Third Quarter Results

**Tokyo February 6, 2007:** JAL Group today announced consolidated results for the third quarter (October-December 2006 inclusive) for the financial year ending March 31 2007 (FY 2006).

Total operating revenues for the three-month period were 584.1 billion Japanese yen, up 4.9% on the same period last year. Operating costs were 598.1 billion yen (4.3% up on last year), resulting in a third quarter operating loss of 14.0 billion yen. JAL recorded an ordinary loss of 13.0 billion yen and a net loss of 10.8 billion yen, compared to an ordinary loss of 20.6 billion yen and a net loss of 11.0 billion yen over the same period in the previous fiscal year.

For the first three quarters of financial year 2006 (April 1 – December 31, 2006), total operating revenues were 1,734.1 billion yen, up 3.9% on the same period last year. Operating expenses were 1,740.0 billion yen (4.2% up on last year), resulting in an operating loss of 5.8 billion yen over the nine-month period. An ordinary loss of 7.7 billion yen and a net loss of 9.3 billion yen were recorded, compared to an ordinary loss of 10.8 billion yen and a net loss of 23.0 billion yen during the same period in the previous fiscal year.

### JAL Group Consolidated FY06 Results for the Period April 2006 - December 2006

Units: Japanese yen - billions	FY06 (Year ending March 2007)	FY05 (Year ended March 2006)	Variation	% change on previous year, same period
<b>Operating revenue</b>	<b>1,734.1</b>	<b>1,669.2</b>	<b>64.8</b>	<b>103.9%</b>
1. International Passenger	549.2	528.2	21.0	104.0%
2. Domestic passenger	514.8	504.2	10.6	102.1%
3. International cargo	145.5	138.6	6.8	105.0%
4. Other	524.4	498.2	26.2	105.3%
<b>Operating expenses</b>	<b>1,740.0</b>	<b>1,670.1</b>	<b>69.8</b>	<b>104.2%</b>
<b>Operating income (loss)</b>	<b>- 5.8</b>	<b>- 0.8</b>	<b>- 5.0</b>	-
<b>Ordinary income (loss)</b>	<b>- 7.7</b>	<b>- 10.8</b>	<b>3.1</b>	-
<b>3<sup>rd</sup> Quarter Net income (loss)</b>	<b>- 9.3</b>	<b>- 23.0</b>	<b>13.7</b>	-

*\*All figures rounded down to the nearest tenth of a billion yen.*

### 1) Operating Income (April - December 2006)

**International passenger traffic:** Due to route restructuring and aircraft downsizing, supply measured in available seat kilometers (ASK) decreased by 10.4% from the same period last year. Business traveler and tourist demand was strong on China, Korea and Southeast Asia routes. Passenger demand on China routes has fully recovered from the effects of anti-Japanese demonstrations held in China in April 2005. Measured in revenue passenger kilometers (RPK), overall there was a decline in passenger demand of 6.9% when compared to the same period last year.

The international flight seat load factor for the Group was up 2.7 points on the previous year to 71.0%. Unit price increased by 11.7% compared to the previous year, mainly due to a revision of fares and fuel surcharges. Revenue over the period increased by 21.0 billion yen to 549.2 billion yen, up 4.0% on the previous year. The total number of passengers carried was 10,065,258.

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**Domestic passenger traffic:** Individual passenger traffic was up on the same period last year, due to the introduction of discount fares, and the launch of seasonal promotional campaigns. However, the number of individual passenger traveling domestically for business purposes was stagnant. The number of passengers traveling in tour groups declined when compared to the previous year, due to fare increases, decreased demand from skiers due to poor snowfall, and also as a result of the effect the Aichi Expo had in boosting demand in Japan during 2005.

When looking at domestic passenger traffic overall, supply in terms of available seat kilometers (ASK), and demand in terms of revenue passenger kilometers (RPK) both increased by 1.0% from the same period last year. Unit price increased by 1.1% from the same period a year earlier due to fare increases. Income increased by 10.6 billion yen to 514.8 billion yen, up 2.1% on the previous year. The total number of passengers carried on domestic routes was 33,471,407.

**International cargo traffic:** Cargo traffic from Japan to the high growth market of China was generally strong. There was brisk business in exports from Japan to Europe, and the US, in the first half of financial year 2006, but this was stagnant in the third quarter. Import traffic from China, Europe, and the USA to Japan was strong, but cargo traffic from Southeast Asia dropped below last year's levels due to a reduction in supply in terms of cargo space resulting from international passenger flight route restructuring. Measured in revenue cargo ton kilometers (RCTK), worldwide international air cargo demand decreased by 2.1% on the previous year. With the revision of the fuel surcharge, the unit price rose by 7.2%, and revenue increased by 5.0%, up 6.8 billion yen on the previous year. The volume of cargo carried was 589,946 tons, down 1.9% on the year before.

## 2) Operating Cost (April - December 2006)

**Fuel cost:** The price for Singapore kerosene began to decrease from October 2007 onwards, but the average price over the whole 9-month period still remained at an unprecedented level of 81.9 US dollars per barrel. The average price of kerosene over the same period in FY2005 was 71.3 US dollars per barrel, and in FY2004 it was 49.00 US dollars per barrel. JAL managed to limit the full effect of increasing fuel prices by conducting a wide range of measures including fuel hedging, and fuel consumption reductions. As a result, the fuel bill over the period was 320.4 billion yen, 12.8% increase or 36.3 billion yen up on the same period last year.

**Maintenance cost:** Maintenance costs over the nine-month period increased to a total of 102.5 billion yen, up by 21.7 billion yen or by 26.8% when compared to the previous year, mainly due to B777 PW4000 engine modifications completed in December 2006.

**Exchange rate:** The average US\$ - Yen exchange rate for the period was 116 yen to the US dollar, compared with 111 yen for the same period during the last fiscal year, affecting operating income by minus 11.6 billion yen. However, the negative effect of the exchange rate was offset by US dollar hedging which enabled the Group to post a foreign exchange profit of 12.0 billion yen for non-operating income.

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### 3) JAL Group Consolidated FY2006 Third Quarter Result

Units: Japanese yen – billions

Period: October-December 2006	3 <sup>rd</sup> Quarter FY06 (Year ending March 2007)	3 <sup>rd</sup> Quarter FY05 (Year ended March 2006)	Difference	Same period % comparison on previous year
<b>Operating revenue</b>	<b>584.1</b>	<b>556.9</b>	<b>27.2</b>	<b>104.9%</b>
1. International Passenger	178.5	167.7	10.8	106.5%
2. Domestic passenger	169.0	163.7	5.3	103.2%
3. International cargo	53.1	53.1	- 0.0	99.9%
4. Other	183.4	172.2	11.1	106.5%
<b>Operating expenses</b>	<b>598.1</b>	<b>573.5</b>	<b>24.5</b>	<b>104.3%</b>
<b>Operating income (loss)</b>	<b>-14.0</b>	<b>-16.6</b>	<b>2.6</b>	-
<b>Ordinary income (loss)</b>	<b>-13.0</b>	<b>-20.6</b>	<b>7.5</b>	-
<b>3<sup>rd</sup> Quarter Net income (loss)</b>	<b>-10.8</b>	<b>-11.0</b>	<b>0.1</b>	-

\*All figures rounded down to the nearest tenth of a billion yen

### 2) Consolidated Financial Forecast for the Year Ending March 31, 2007

Based on recent business performance trends, we have revised the forecast for the year ending March 31, 2007 announced mid-term on November 8, 2006. There are no changes in operating income, ordinary income and net income.

### FY2006 FORECAST

Units: Japanese yen – billions

	Revised forecast for FY2006 (Year ending Mar 07)	Previous forecast (As of Nov 8, 2006 )	Difference	Results for FY05 (Year ended Mar 06)	Year-on-year comparison
<b>Operating revenues</b>	2,268.0	2,281.0	- 13.0	2,199.3	68.7
1. International passenger	729.0	732.0	- 3.0	690.2	38.8
2. Domestic passenger	672.0	678.0	- 6.0	659.9	12.0
3. International cargo	189.0	195.0	- 6.0	180.5	8.4
4. Other	678.0	676.0	2.0	668.5	9.5
<b>Operating expenses</b>	2,255.0	2,268.0	- 13.0	2,226.2	28.8
<b>Operating income</b>	13.0	13.0	0	- 26.8	39.8
<b>Ordinary income</b>	0.5	0.5	0	- 41.6	42.1
<b>Net income</b>	3.0	3.0	0	- 47.2	50.2

\*All figures rounded down to the nearest tenth of a billion yen

**Operating revenue:** We have forecast a reduction in operating revenue of 13.0 billion yen from the previous forecast due to stagnant tourism demand for travel to Guam and Hawaii; stagnant individual domestic passenger demand; a drop in ski demand due to poor snowfall; and a drop in international cargo traffic out of from Japan.

**Operating expenses:** Despite a 3.0 billion yen increase in fuel costs due to the foreign exchange rate, we expect to reduce operating expenses by an additional 13.0 billion yen mainly realized through changes in the management of the pension system and deeper cost reform.

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## JAL GROUP - CONSOLIDATED TRAFFIC STATISTICS

April 1 – December 31, 2006 vs. April 1 – December 31, 2005

	April 1 – December 31, 2006 (FY06 - year ending March 2007)	April 1 – December 31, 2005 (FY05 - year ended March 2006)	Same period % comparison or point change on previous year
<b>INTERNATIONAL</b>			
Passenger number	10,065,258	10,689,357	94.2%
Revenue passenger kms (000)	47,467,200	50,968,697	93.1%
Available seat kms (000)	66,878,577	74,639,911	89.6%
Revenue seat load factor	71.0%	68.3%	+2.7 points
Revenue cargo ton kms (000)	3,499,308	3,522,121	97.9%
Mail ton kilometers (000)	124,399	123,686	100.6%
Revenue ton kms (000)	7,973,086	8,371,301	95.2%
Available ton kms (000)	11,971,034	12,652,057	94.6%
Revenue weight load factor	66.6%	66.2%	+0.4 points
<b>DOMESTIC</b>			
Passenger number	33,471,407	33,354,973	100.3%
Revenue passenger kms (000)	25,206,812	24,961,266	101.0%
Available seat kms (000)	39,177,712	38,783,130	101.0%
Revenue seat load factor	64.3%	64.4%	- 0.1 points
Revenue cargo ton kms (000)	306,989	299,404	102.5%
Mail ton kilometers (000)	67,608	66,760	101.3%
Revenue ton kms (000)	2,295,460	2,236,657	102.6%
Available ton kms (000)	4,587,551	4,552,915	100.8%
Revenue weight l/factor	50.0%	49.1%	+0.9 points
<b>TOTAL</b>			
Passenger number	43,536,665	44,044,330	98.8%
Revenue passenger kms (000)	72,674,012	75,929,963	95.7%
Available seat kms (000)	106,056,289	113,423,041	93.5%
Revenue seat load factor	68.5%	66.9%	1.6 points
Revenue cargo ton kms (000)	3,756,297	3,821,525	98.3%
Mail ton kilometers (000)	192,007	190,446	100.8%
Revenue ton kms (000)	10,268,546	10,607,958	96.8%
Available ton kms (000)	16,558,585	17,204,972	96.2%
Revenue weight load factor	62.0%	61.7%	0.3 points

- International results include data from JAL International, Japan Asia Airways and JALways
- Domestic results include data from JAL International, JAL Domestic, Japan Transocean Air, JAL Express, Japan Air Commuter, Hokkaido Air System, J-Air and Ryukyu Air Commuter

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