Financial Results of Third Quarter of FY2012 ending in March 31, 2013,Q&A

◆ Financial results

Q: Passenger revenue in both domestic and international operations in the third quarter did not increased compared to the previous year's level. What are your comments on this?

A: Passenger revenue in international operations declined due to strained diplomatic relations caused by territorial issues. Domestic passenger operations saw a year-on-year reduction in supply capacity (ASK), but reported revenue of nearly the same level as last year.

Q: International passenger revenue could have increased a bit more. What was the customer mix on international flights?

A: The number of both inbound and outbound passengers increased from the previous year from April to December period. Especially, inbound demand from overseas grew significantly. The stagnant growth of passenger revenue is caused by changes in customer mix, in which both outbound leisure passengers from Japan and inbound passengers from overseas increased.

Q: What is the unit revenue and trend of domestic operations?

A: Due to an increase in the share of individual passengers traveling with Sakitoku and Super Sakitoku discount fares, etc., unit revenue declined year-on-year, and this trend is expected to continue in the fourth quarter. As for groups, bookings from January to March are not strong, but this trend is included in when revising the recent forecast.

Q: Why did investment cash flow increase by 20 billion yen from the previous forecast?

A: Investment cash flow increased by a total of 20 billion yen due to purchases of operating lease aircraft, aircraft payments, and such.

Q: Please explain about the cost reduction of 8 billion yen announced in the recent financial results.

A: The consolidated cost reduction of 8 billion yen for the full year consists of a difference of 4 billion yen from previously estimated fuel prices and that of 4 billion yen reduction in administrative costs, etc.

◆ Forecast

Q: Have international flight bookings declined due to the weakening of the yen, and such?

A: Bookings are robust from January to March period, and will increase year-on-year on European, North American and Southeast Asian routes.

Q: What are the impacts of foreign exchange (reduction in profit) caused by the weakening of the yen?

A: Our company's foreign exchange sensitivity without hedges is approximately 2.5 billion yen per JPY/USD1, but we have hedged against foreign exchange risks and do not expect significant impacts in the fourth quarter.

◆ Dividends

Q: Will you change your company dividend policy when you reach your equity rate target of 50%?

A: We have received requests from many shareholders to proactively pay dividends, and as we expect to achieve our equity rate target of 50% next fiscal year, we raised our dividend payout ratio earlier than planned. Therefore, we will not review our dividend policy even after we achieve our equity rate target of 50%.

Q: What is your concept behind the dividend payout ratio of 20%?

A: It means that our dividend payout ratio of approximately 20% will be fixed, and the amount of dividends will change depending on our business performance.

Q: Even if the dividend payout ratio is 20% or so, we feel you will have surplus funds as operation cash flow is 100 billion yen. What are your thoughts about paying dividends to shareholders?

A: We will review this when we have relatively strong cash flows, and will carefully consider this matter after taking into account event risks, measures against the weak yen, demand for investments, etc.

◆ Others

Q: What is the outlook of operations considering JAL's temporary suspension of 787 operations?

A: We sincerely apologize to the customers for the inconvenience and concerns caused by our suspension of 787 operations. The delivery schedule of 787 aircraft is not fixed yet, but we are doing our best to maintain our operations by using alternative aircraft such as 777, 767 and 737 aircraft.

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