Main Q&A regarding Explanation of
Financial Results for FY2013 ended March 31, 2014 (summary)

◆ International passenger operations

Q: JAL’s allocation of Haneda international flight slots to Germany and Indonesia is imbalanced compared to another airline. What impact has it had on routes remaining at Narita?

A: Although we cannot provide a definite view as only one month has passed since flight slots were increased at Haneda, revenue has declined somewhat from the previous year, but considering passenger traffic in April and reservations in May and June, the impact is not as serious as we had expected. As of date, the impact is small.

Q: How has SKY SUITE777 effected yield, etc.?

A: The SKY SUITE 777 is currently deployed on 6 routes. While the number of seats has decreased by around ▲5~15% per flight, yield on each route has increased by around +10% to +15% from the previous year. The load factor of Business Class is 80%~90%, and has been strong.

Q: What is the reason for the difference in yield in the first half of FY2014, +1.0% year-on-year, and the second half of FY2014, ▲0.1% year-on-year?

A: There are two main reasons.

The first factor is exchange rates. In FY2013 financial results, the exchange rate was different in the first-half and second-half of FY2013, as the yen depreciated dramatically in the second-half. The FY2014 business plan was established based on an exchange rate of 107 yen to the US dollar for the full year, resulting in a difference in yield in the first-half and second-half of FY2014 compared to the previous year.

Secondly, considering passenger traffic in April and reservations in May and June, we have not seen an impact on the remaining routes at Narita as we had expected. We currently feel the impact will be slight. However, as Haneda will gain recognition for its convenience, we factored in this impact on the remaining routes at Narita from the second-half of FY2014.

Q: How have reservations been from April each route? We would like to know if there
are any trends, such as a shift to Haneda of business travelers or an increase in transit passengers at Narita.

A : Reservations in April and May have been strong with international reservations at year-earlier levels and domestic reservations coming over 100% compared to the same period last year. We have not seen any effects of the consumption tax hike yet. Revenue on the remaining international routes at Narita has declined from the previous year to a certain extent, but we have not seen a difference in competitiveness between Haneda and Narita as we had expected.

◆ Domestic passenger operations

Q : Yield in the first-half of FY2014 is forecast to bottom out from the previous year, but yield in the fourth quarter of FY2013 decreased year-on-year. What is your outlook of yield bottoming out in the first-half of FY2014?

A : As we refrain from disclosing the actual value of yield, we will explain using passenger traffic. In FY2014, although supply (ASK) decreased by about 2% year-on-year, reservations have come to well over 100% from the previous year. We will also increase normal Japan domestic fares in July.

◆ Cost reduction

Q : What are results of cost reduction through the amoeba management system and independent efforts in FY2013?

A : We were able to reduce administrative expenses by approximately 14 billion yen compared to our plan through the penetration of the amoeba management system, etc.

Q : What are your prospects of achieving the 8.3 yen unit cost target by FY2016, the final fiscal year of the Medium Term Management Plan?

A : We expect to achieve the unit cost of 8.8 yen in FY2014, and will continuously improve productivity to achieve the 8.3 yen target by FY2016. As for the difference of 0.5 yen between 8.8 yen and 8.3 yen, we aim to achieve a 0.3 yen reduction through productivity improvement measures, which are sure to succeed to a certain extent, and meet the challenge of reducing the remaining 0.2 yen portion by delving deeper into our measures and expanding areas for cost reduction and such.
Q: What is the reason for the 34.8 billion yen increase in costs excluding fuel costs in your operating profit forecast for the fiscal year ending March 31, 2015?
A: Costs excluding fuel costs include 23 billion yen in fuel sales to Group airlines, etc. and we also posted an equivalent amount in “other revenue”. Excluding costs of fuel sales to Group airlines, we expect an increase in maintenance costs and depreciation costs due to additional aircraft. As ASK will increase, costs linked to production are expected to increase. On the other hand, aircraft rental fees are expected to decrease significantly, and we will continue to reduce administrative expenses.

Q: Some LCCs are planning flight cancellations due to a shortage of pilots. What is the risk of an increase in personnel costs due to a tight supply and demand balance in the pilot labor market?
A: We feel that the demand for pilots of major Japanese carriers and LCCs is completely different. We recruit university graduates and train them to become pilots ourselves. Our personnel plan enables us to secure pilots without shortage or overage. We will continue to consider appropriate wage levels for all job categories as well as our pilots.