

Financial Results 1st Quarter Mar / 2015 (FY2014)



29 July, 2014

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Director, Senior Managing Executive Officer



**OVERVIEW OF FINANCIAL RESULTS FOR
1ST QUARTER MAR/2015 (FY2014)**

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**DETAILS OF FINANCIAL RESULTS FOR
1ST QUARTER MAR/2015 (FY2014)**

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SUPPLEMENTAL REFERENCES

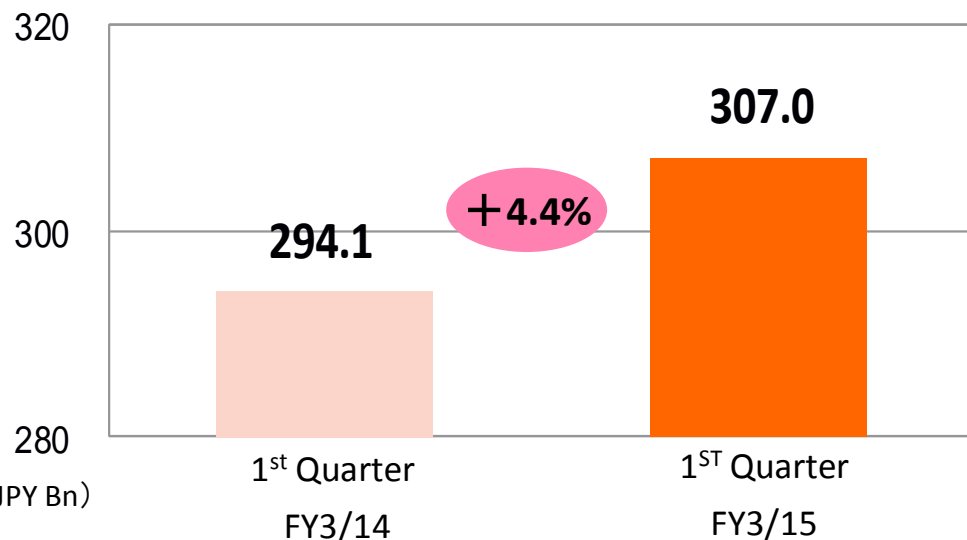
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Overview of 1st Quarter FY3/15 Financial Results

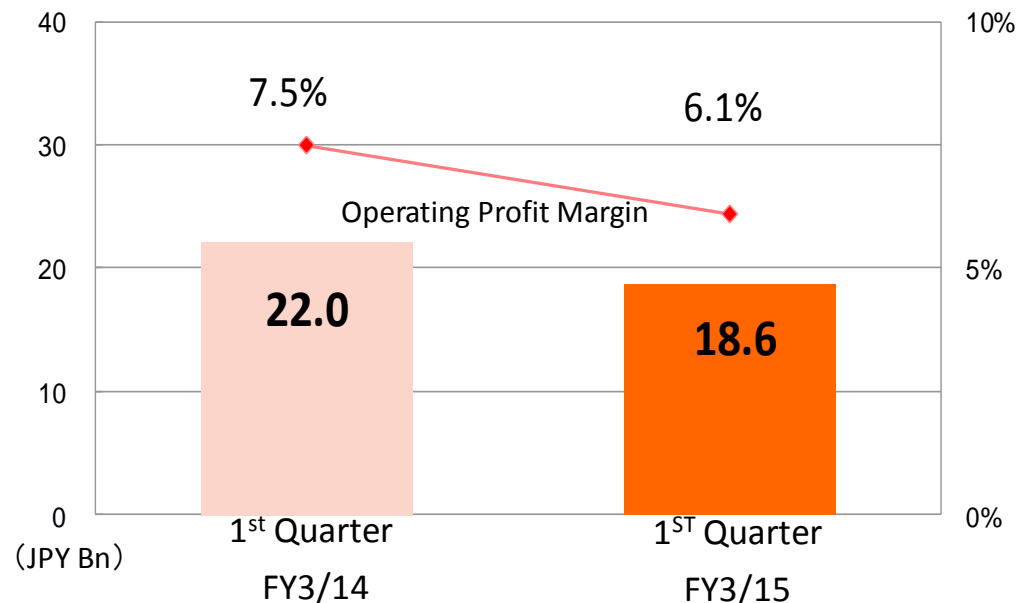


JAPAN AIRLINES

Operating Revenue



Operating Profit



OIL · FX Markets

	1Q FY3/14	1Q FY3/15	% y/y
Singapore Kerosene (USD/bbl)	118.4	120.1	+1.4%
Oil in Dubai(USD/bbl)	102.5	104.9	+2.3%
FX (JPY/USD)	99.0	102.0	+3.0%

- ✓ Due to intensified competition and a rise in fuel prices, operating profit declined to 18.6 billion yen.
- ✓ However, we are steadily moving forward towards achieving our operating profit forecast of 140 billion yen for the full fiscal year.

Consolidated Financial Results



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Consolidated Financial Results 1st Quarter FY3/15

JPY Bn	1 st Quarter FY3/14	1 st Quarter FY3/15	% y/y
Revenue	294.1	307.0	+4.4%
Air transportation segment	262.9	274.1	+4.3%
Operating Expense	272.0	288.4	+6.0%
Air transportation segment	244.4	258.9	+5.9%
Operating Profit	22.0	18.6	▲15.6%
Air transportation segment	18.4	15.2	▲17.7%
Operating Profit Margin(%)	7.5%	6.1%	▲1.4pt
Ordinary Income	19.6	16.9	▲14.0%
Net Income	18.3	14.7	▲19.4%
ASK (MN seat km)	20,705	20,796	+0.4%
RPK (MN passenger km)	13,711	14,251	+3.9%
EBITDA Margin (%) ⁽¹⁾	14.2%	13.0%	▲1.2pt
EBITDAR Margin (%) ⁽²⁾	16.8%	15.2%	▲1.6pt
Unit Cost (yen) ⁽³⁾	8.5	8.8	+0.3
Incl. Fuel	11.8	12.5	+0.6

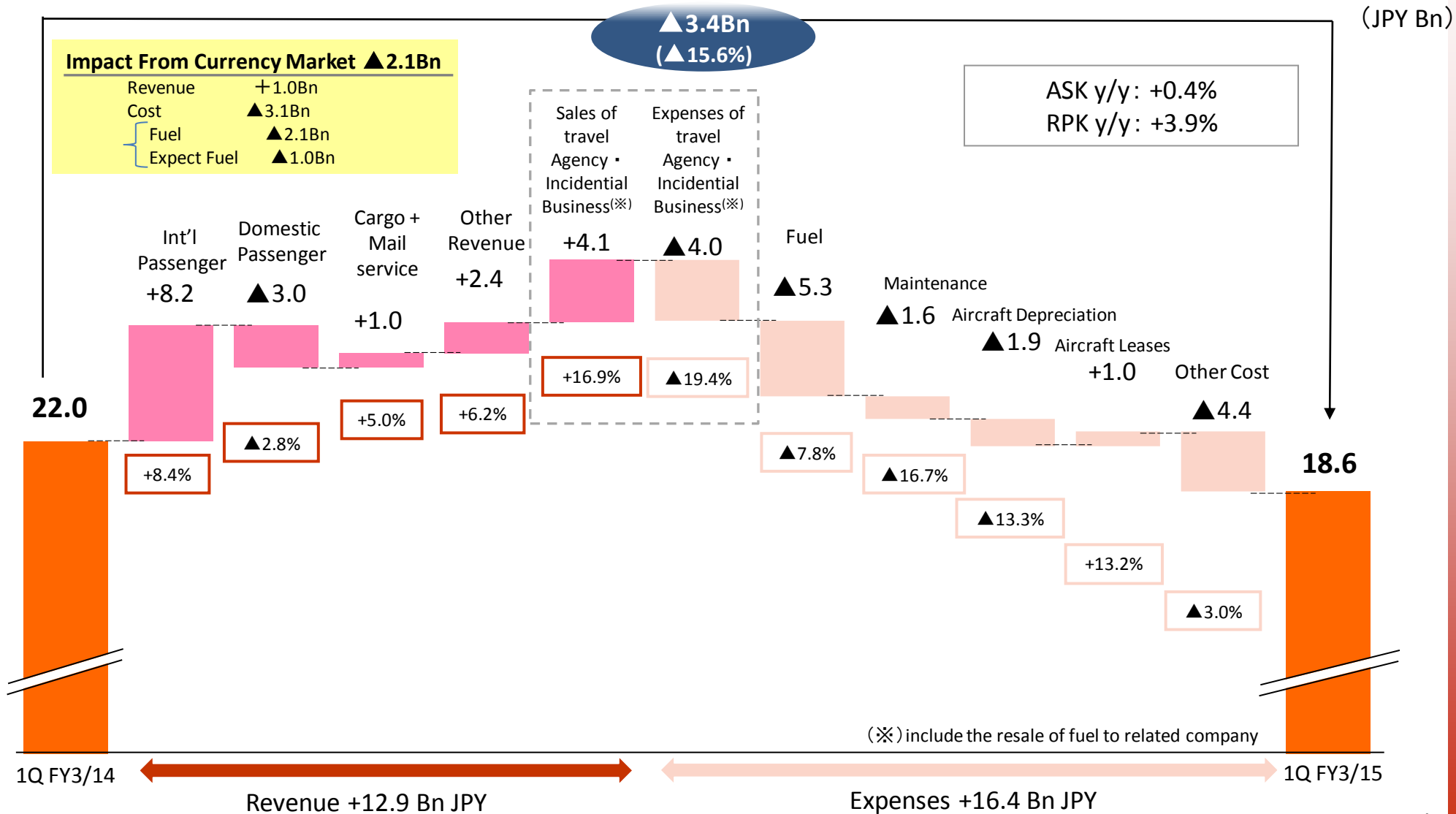
- Notes:
1. EBITDA Margin = EBITDA / Revenue EBITDA=Operating Profit + Depreciation
 2. EBITDAR Margin = EBITDAR / Revenue EBITDAR=Operating Profit + Depreciation+ Aircraft Leases
 3. Unit Cost = Air Transportation Segment Operating Expense (excluding fuel cost and resale of fuel to related company) / ASK

Changes of Operating Profit



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1st Quarter FY3/15



International Passenger Operations (Operating Results)



JAPAN AIRLINES

International Passenger

	1Q FY3/14	1Q FY3/15	% y/y
Passenger Revenue (JPY Bn)	98.9	107.2	+8.4%
ASK (MN seat km)	11,260	11,728	+4.2%
RPK (MN passenger km)	8,180	8,596	+5.1%
Passengers ('000)	1,781	1,844	+3.5%
L/F (%)	72.6%	73.3%	+0.6pt
Yield (JPY)⁽¹⁾	12.1	12.5	+3.1%
Unit Revenue (JPY)⁽²⁾	8.8	9.1	+4.0%
Revenue per passenger (JPY)⁽³⁾	55,543	58,132	+4.7%

- ✓ The RPK increase outstripped the ASK increase.
- ✓ As a result, the load factor rose by 0.6pt.
- ✓ Yield, unit revenue and Revenue per passenger were also improved.

Notes:

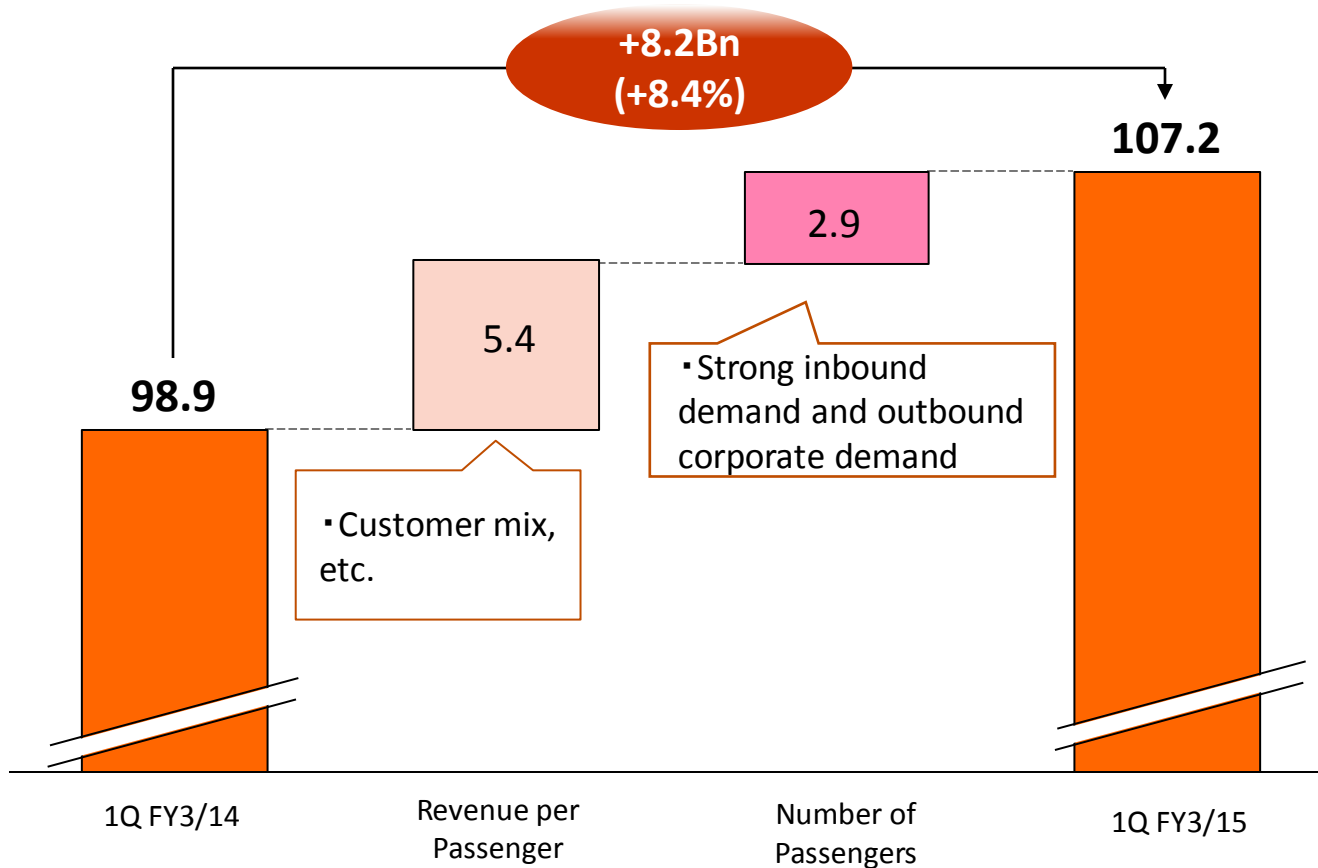
1. Yield = Passenger Revenue / RPK
2. Unit Revenue=Passenger Revenue / ASK
3. Revenue per Passenger = Passenger Revenue / Passengers

International Passenger Operations (Changes of Revenue)



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1st Quarter FY3/15



- ✓ From March 30, 2014, we increased flights from Haneda.
- ✓ Increased flights between NRT and New York/Jakarta and launched route between HND and Ho Chi Minh City
- ✓ The deployment of JAL SKY SUITE 777/767 routes contributed to improving Revenue per passenger and load factors.

Domestic Passenger Operations (Operating Results)



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Domestic Passenger

	1Q FY3/14	1Q FY3/15	% y/y
Passenger Revenue (JPY Bn)	108.8	105.7	▲2.8%
ASK (MN seat km)	9,444	9,067	▲4.0%
RPK (MN passenger km)	5,531	5,654	+2.2%
Passengers ('000)	7,360	7,515	+2.1%
L/F (%)	58.6%	62.4%	+3.8pt
Yield (JPY) ⁽¹⁾	19.7	18.7	▲4.9%
Unit Revenue (JPY) ⁽²⁾	11.5	11.7	+1.3%
Revenue per passenger (JPY) ⁽³⁾	14,783	14,075	▲4.8%

- ✓ Though ASK declined by 4.0%, RPK was up 2.2%, and Load Factor also improved.
- ✓ Yield declined by 4.9% on the previous year due to an increase in group passengers and passengers purchasing advance purchase tickets, etc.
- ✓ Passenger revenue was 105.7 billion yen, a decline of 2.8% from the year before.

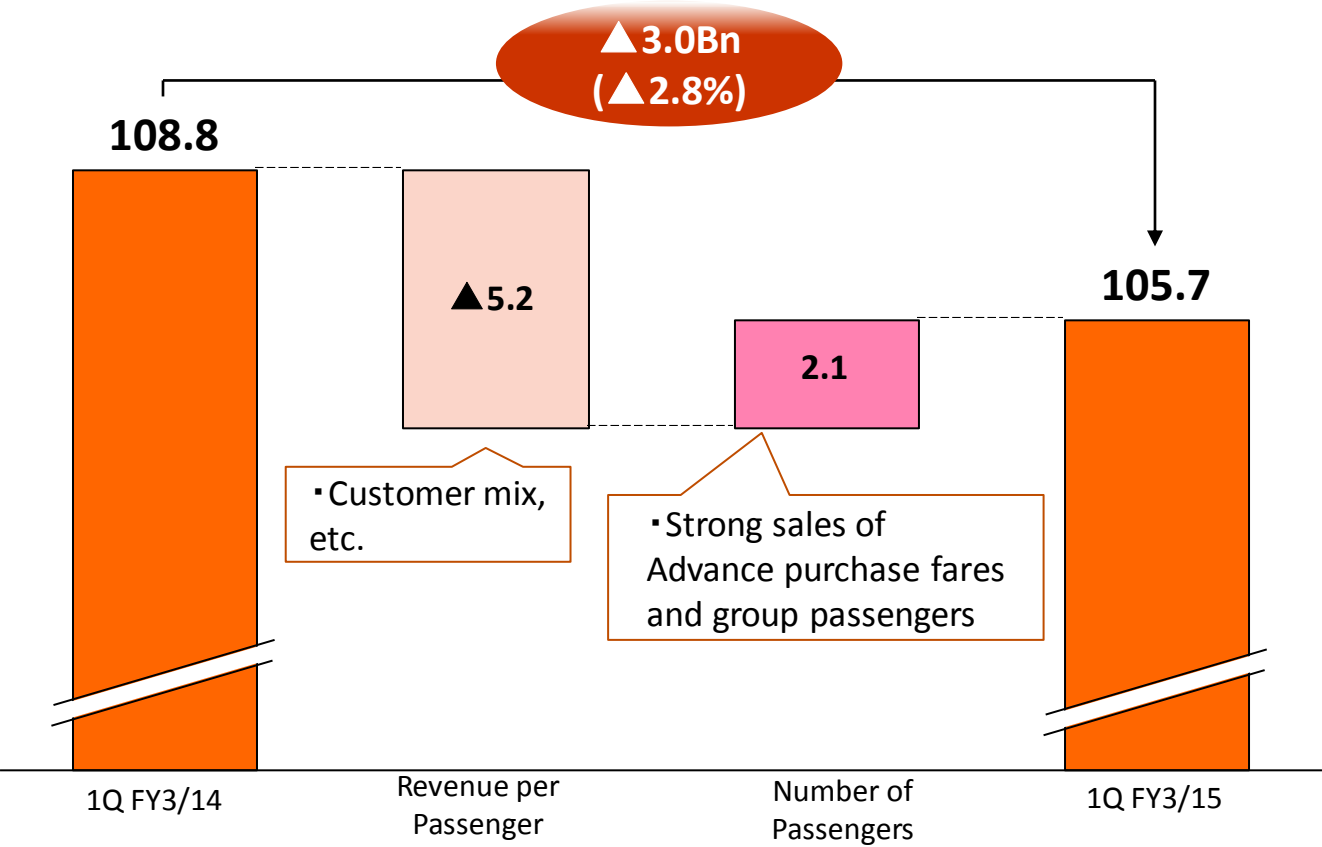
Notes:

1. Yield = Passenger Revenue / RPK
2. Unit Revenue = Passenger Revenue / ASK
3. Revenue per Passenger = Passenger Revenue / Passengers

Domestic Passenger Operations (Changes of Revenue)



1st Quarter FY3/15



- ✓ Sales of new Tokubin Discount 21 fares were strong.
- ✓ Passengers using Dynamic Packages increased.
- ✓ Extended the booking time limit of travel products for group passengers
- ✓ Launched JAL SKY NEXT services with new seats (from May 28~)



Major Operating Expense Items

Breakdown of Operating Expenses

(JPY Bn)	1Q FY3/14	1Q FY3/15	Difference	% y/y
Fuel	68.3	73.6	+5.3	+7.8%
Landing fees	20.0	19.9	▲0.0	▲0.1%
Maintenance	9.6	11.2	+1.6	+16.7%
Sales Commissions (Air Transport)	5.4	5.7	+0.3	+6.6%
Aircraft Depreciation	14.6	16.6	+1.9	+13.3%
Aircraft Leases	7.7	6.7	▲1.0	▲13.2%
Personnel	58.4	58.5	+0.1	+0.2%
Expenses of travel agency / Incidental business etc(*)	21.0	25.1	+4.0	+19.4%
Other	66.7	70.7	+4.0	+6.0%
Total Operating Expenses	272.0	288.4	+16.4	+6.0%

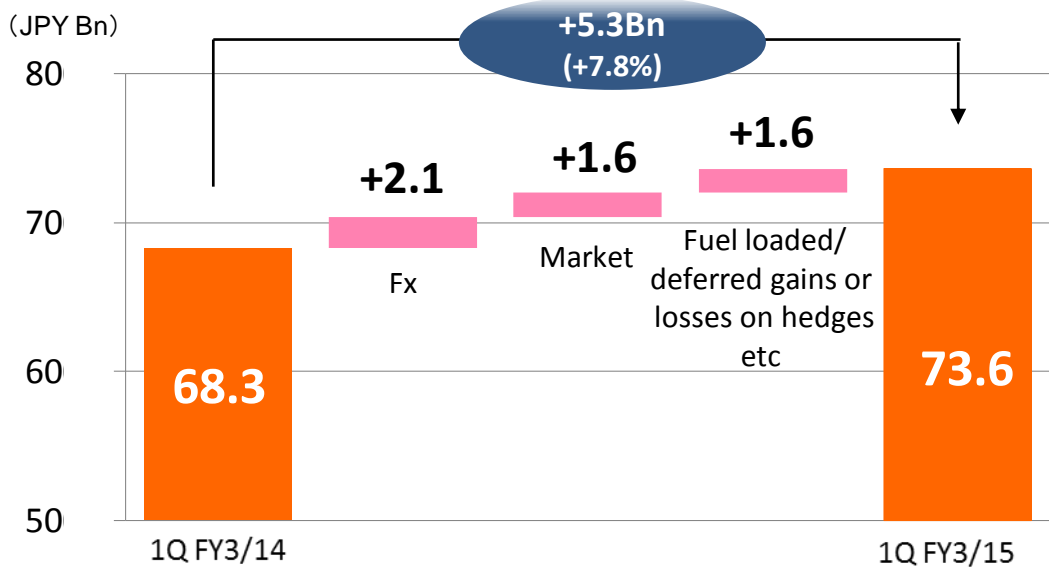
✓ Fuel costs increased by 5.3 billion yen due to FX and rising jet fuel prices.

✓ Maintenance costs increased by 1.6 billion yen due to an increase in contracted engine maintenance costs.

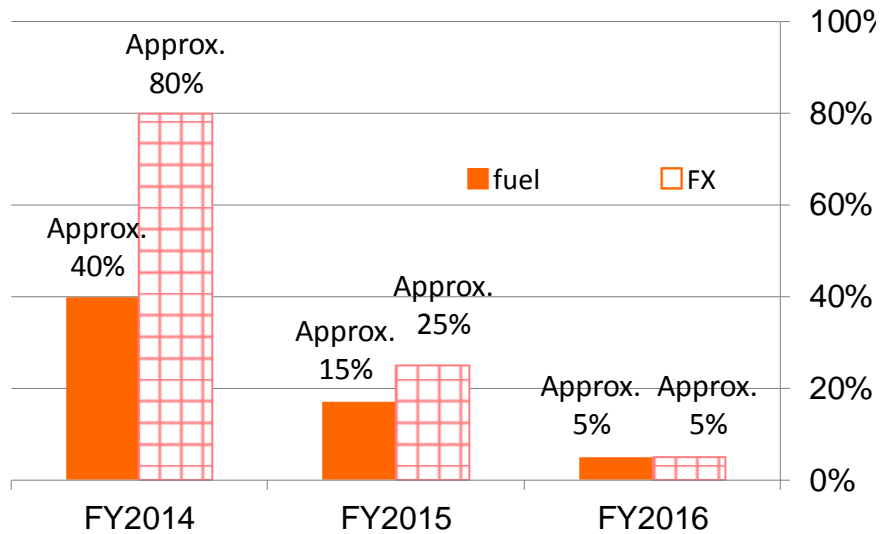
ASK +0.4% y/y

(*) include the resale of fuel to related company 9

Impact from Fuel



Hedging Ratio for Fuel Costs (As of End of 1Q FY3/15)



OIL · FX Markets

	FY14 Plan	1Q FY3/14	1Q FY3/15	% y/y
Singapore Kerosene (USD/bbl)	125	118.4	120.1	+1.4%
Oil in Dubai(USD/bbl)	107	102.5	104.9	+2.3%
FX Rate (JPY/USD)	107	99.0	102.0	+3.0%

Sensitivity for Fuel Costs (Without Hedging)

Effect on Fuels (year)	
Crude Oil (Change for 1 USD/bbl)	2.3 Bn JPY Per Year
FX (Change in 1 JPY/USD)	2.6 Bn JPY Per Year

Major Balance Sheet Items



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Consolidated Balance Sheet Summary End of 1st Quarter FY3/15

(JPY Bn)	End of FY2013 2014/3/31	End of 1Q FY3/15 2014/6/30	Difference
Total Assets	1,340.1	1,342.3	+2.2
Cash and Deposits	368.7	348.4	▲20.2
Balance of Interest-bearing Debt ⁽¹⁾	134.2	123.1	▲11.1
Off-balance Sheet Lease Payments	145.5	138.4	▲7.0
Shareholder's Equity	690.2	646.5	▲43.7
Shareholder's Equity Ratio(%)	51.5%	48.2%	▲3.3pt
D/E Ratio (x) ⁽²⁾	0.2x	0.2x	▲0.0

✓ The balance of interest-bearing debt decreased by 11.1 billion yen to 123.1 billion yen as a result of repaying lease obligations.

✓ The shareholder's equity ratio decreased by 3.3pt to 48.2% due to payment of dividends and revision of accounting standards for retirement benefit, etc.

Notes:

1. Accounts Payable-installment Purchase included
2. D/E Ratio = On-balance sheet Interest-bearing Debt / Shareholders' Equity

(Reference) ※End of 1Q FY3/15 2014/6/30

D/E ratio including Off-Balance Sheet Lease Payment: 0.4x

Major Cash Flow Items



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(JPY Bn)	1Q FY3/14	1Q FY3/15	Difference
Net income before income taxes and minority interests	20.9	17.5	▲3.4
Depreciation	19.6	21.3	+1.6
Other	17.8	23.0	+5.2
Cash Flow from Operating Activities	58.4	61.9	+3.5
Capital Expenditure ⁽¹⁾	▲25.8	▲43.0	▲17.2
Other	1.8	1.6	▲0.1
Cash Flow from Investing Activities ⁽²⁾	▲23.9	▲41.3	▲17.4
Free Cash Flow ⁽³⁾	34.4	20.5	▲13.8
Repayment of Interest-bearing Debt ⁽⁴⁾	▲10.8	▲10.9	▲0.1
Other	▲30.8	▲29.7	+1.0
Cash Flow from Financing Activities	▲41.6	▲40.7	+0.9
Total Cash Flow ⁽⁵⁾	▲7.2	▲20.1	▲12.9
EBITDA	41.7	39.9	▲1.7
EBITDAR	49.5	46.7	▲2.8

Notes:

1. Expense due to purchases of fixed assets
2. Exclude deposits and withdrawals from deposit accounts
3. Cash Flow from Operating Activities + Cash Flow from Investing Activities
4. Repayment of Long Term Debt + Repayment of Lease Debt
5. Cash flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities

Earnings Forecast for Mar/2015 (FY2014, Consolidated)



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(JPY Bn)	Mar/2014 Result	Mar/2015 Forecast	Difference
Operating Revenue	1,309.3	1,350.0	+40.6
Operating Expense	1,142.5	1,210.0	+67.4
Operating Profit	166.7	140.0	▲26.7
Operating Profit Margin	12.7%	10.4%	▲2.4pt
Ordinary Income	157.6	135.0	▲22.6
Net Income	166.2	115.0	▲51.2

	Mar/2014 Result	Mar/2015 Forecast
ASK* Int'l	+3.3%	+4.9%
Doms	+1.8%	▲2.1%
RPK* Int'l	+4.0%	+2.7%
Doms	+3.2%	▲0.8%

(*) y/y Published value 30April/2014

✓ No change in the earnings forecast from the announcement of financial results for the fiscal year ended March 31, 2014.

✓ Will disclose our estimated dividend when our financial forecast becomes clearer.

Fly into tomorrow.



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《Supplemental Reference》

Revenue of International Routes by Geographic segment



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Passenger Revenue (% of the whole int'l revenue)

(%)	1Q/ FY2013	1Q/ FY2014	Difference
Trans Pacific	33.0%	35.0%	+2.0pt
Europe	19.0%	18.0%	▲1.0pt
Asia/Oceania	37.5%	35.0%	▲2.5pt
China	10.5%	12.0%	+1.5pt

ASK

(MN seat km)	1Q/ FY2013	1Q/ FY2014	y/y
Trans Pacific	4,007	4,444	+10.9%
Europe	1,963	1,967	+0.2%
Asia/Oceania	4,424	4,412	▲0.3%
China	864	903	+4.5%

RPK

(MN passenger km)	1Q/ FY2013	1Q/ FY2014	y/y
Trans Pacific	3,113	3,530	+13.4%
Europe	1,477	1,453	▲1.6%
Asia/Oceania	3,124	3,071	▲1.7%
China	465	540	+16.2%

Passengers

('000)	1Q/ FY2013	1Q/ FY2014	y/y
Trans Pacific	400	449	+12.2%
Europe	157	158	+0.5%
Asia/Oceania	976	947	▲2.9%
China	247	289	+17.0%

Load Factor

(%)	1Q/ FY2013	1Q/ FY2014	Difference
Trans Pacific	77.7%	79.4%	+1.8pt
Europe	75.3%	73.9%	▲1.4pt
Asia/Oceania	70.6%	69.6%	▲1.0pt
China	53.8%	59.9%	+6.0pt

《Supplemental Reference》

Number of Aircraft in Service JUN/2014



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	End of Mar/2014			End of Jun/2014			Difference
	Owned	Leased	Total	Owned	Leased	Total	
Boeing 777-200	15	0	15	14	0	14	▲1
Boeing 777-200ER	11	0	11	11	0	11	--
Boeing 777-300	7	0	7	7	0	7	--
Boeing 777-300ER	13	0	13	13	0	13	--
Large-sized Total	46	0	46	45	0	45	▲1
Boeing 787-8	15	0	15	15	0	15	--
Boeing 767-300	15	0	15	15	0	15	--
Boeing 767-300ER	18	14	32	20	12	32	--
Middle-sized Total	48	14	62	50	12	62	--
MD90	0	0	0	0	0	0	--
Boeing 737-400	11	2	13	10	2	12	▲1
Boeing 737-800	21	29	50	21	29	50	--
Small-sized Total	32	31	63	31	31	62	▲1
Embraer 170	15	0	15	15	0	15	--
Bombardier CRJ200	9	0	9	9	0	9	--
Bombardier D8-400	9	2	11	9	2	11	--
SAAB340B	10	1	11	10	1	11	--
Bombardier D8-300	1	0	1	1	0	1	--
Bombardier D8-100	4	0	4	4	0	4	--
Regional Total	48	3	51	48	3	51	--
TOTAL	174	48	222	174	46	220	▲2

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