

[REFERENCE TRANSLATION]

Please note that this translation is to be used solely as reference and the financial statements in this material are unaudited.

In case of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Consolidated Financial Results for the Six Months Ended September 30, 2017 (Japanese GAAP)

Company name Japan Airlines Co., Ltd
Stock Listing Tokyo Stock Exchange
Code No. 9201 **URL:** <http://www.jal.com> October 31, 2017
Representative Yoshiharu Ueki, President
Contact Yuichiro Kito, General Manager, Finance **Phone:** +81-3-5460-3068
 Scheduled date for filing of quarterly report: November 1, 2017
 Scheduled date for dividend payment: December 4, 2017
 Supplementary explanations of quarterly financial results: Yes
 Presentation for the quarterly financial results: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen unless otherwise indicated)

1. Consolidated Financial Results for the Six Months Ended September 30, 2017 (April 1, 2017 to September 30, 2017)

(1) Consolidated Operating Results (Cumulative)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended September 30, 2017	692,319	6.2	99,073	7.2	97,696	8.8	77,962	9.2
Six months ended September 30, 2016	651,928	(5.2)	92,442	(23.0)	89,804	(26.8)	71,405	(30.9)

*Comprehensive income for the period April 1, 2017 - September 30, 2017 : 88,823 Millions of Yen (0.3%) , April 1, 2016 - September 30, 2016 : 88,579 Millions of Yen (-7.7%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2017	220.54	-
Six months ended September 30, 2016	196.98	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's equity ratio (%)	Shareholder's equity Per share
	Millions of Yen	Millions of Yen		Yen
As of September 30, 2017	1,786,936	1,055,804	57.3	2,897.00
As of March 31, 2017	1,728,777	1,003,393	56.2	2,749.71

(Reference) Shareholder's equity : Six months ended September 30, 2017 : 1,024,136 Millions of Yen, Year ended March 31, 2017 : 972,064 Millions of Yen

2. Dividends

	Dividends per Share				
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year Ended March 31, 2017	-	-	-	94.00	94.00
Year Ending March 31, 2018	-	52.50			
Year Ending March 31, 2018 (Forecast)			-	52.50	105.00

Note: Revisions to the most recently disclosed dividends forecast: Yes

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2018

(Percentage compared to prior year)

	Operating Revenue		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Entire Fiscal Year	1,366,000	6.0	166,000	(2.5)	158,000	(4.2)	121,000	(26.3)	342.28

Note: Revisions to the most recently disclosed earnings forecasts: Yes

Notes

- (1) Changes in significant consolidated subsidiaries during the six months ended September 30, 2017: None
- (2) Application of accounting methods which are exceptional for quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatement of corrections
 - 1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: None
 - 2) Changes in accounting policies other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of corrections: None
- (4) Number of shares issued (common stock)
 - (a) Total number of shares issued at the end of the period (including treasury stock)
 - As of September 30, 2017 : 353,715,800
 - As of March 31, 2017 : 353,715,800
 - (b) Number of treasury stock at the end of the period
 - As of September 30, 2017 : 199,873
 - As of March 31, 2017 : 199,873
 - (c) Average number of shares outstanding
 - During the six months ended September 30, 2017 : 353,515,927
 - During the six months ended September 30, 2016 : 362,500,605

Indication of quarterly review procedure implementation status

The quarterly consolidated financial results are excluded from the quarterly review.

Explanation for appropriate use of forecasts and other notes

Remarks on the description on future forecast

The forward-looking statements such as operational forecasts contained in this statements summary are based on information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ from such forward-looking statements for a variety of reasons. Please refer to “Qualitative Information concerning Financial Results for the Second Quarter of FY2017” in the Attachment for the assumptions used and other notes.

* The Company will hold a presentation for institutional investors and analysts on October 31, 2017. Documents distributed at the presentation are scheduled to be posted on our website on the same day.

Attachment

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1. Qualitative Information concerning Financial Results for the Second Quarter of FY2017

(1) Explanation of Operating Results

Consolidated operating revenue increased by 6.2% year-on-year to 692.3 billion yen and operating expense increased by 6.0% to 593.2 billion yen, while operating profit increased by 7.2% year on year to 99.0 billion yen and ordinary profit increased by 8.8% to 97.6 billion yen. Profit attributable to owners of parent for the second quarter was 77.9 billion yen, up 9.2% year on year.

(JPY Bn)	Six months ended September 30, 2016	Six months ended September 30, 2017	% or points compared to prior period
Operating Revenue	651.9	692.3	106.2%
International Passenger	213.1	229.3	107.6%
Domestic Passenger	253.3	265.0	104.6%
Cargo / Mail	37.4	43.0	114.8%
Other	147.8	154.9	104.7%
Operating Expense	559.4	593.2	106.0%
Fuel	99.0	101.9	102.9%
Excluding Fuel	460.4	491.2	106.7%
Operating Profit	92.4	99.0	107.2%
Operating Profit Margin (%)	14.2	14.3	0.1
Ordinary Profit	89.8	97.6	108.8%
Profit attributable to owners of parent	71.4	77.9	109.2%

Note: Figures have been truncated and percentages are rounded off to the first decimal place.

Financial results of each segment are as follows.

Air Transportation Segment

Operating revenue increased by 7.1% year-on-year to 627.3 billion yen and operating profit increased by 9.1% year-on-year to 91.1 billion yen. (Operating revenue and operating profit are before elimination of transactions between segments.)

Details are provided below.

a. International Operations

In international passenger operations, inbound demand from overseas remained robust and outbound demand has been buoyant, resulting in higher load factors than the year before.

Regarding route operations, in addition to the launch of a new service between Tokyo (Haneda) and New York (JFK) on April 1, 2017, JAL opened new routes between Tokyo (Narita) and Melbourne on September 1, 2017 and between Tokyo (Narita) and Kona on September 15, 2017, and thus expanded its route network.

On the marketing and service front, JAL and TripAdvisor, Inc. (hereinafter “TripAdvisor”) have joined forces to further stimulate inbound demand by communicating the best of Japan through a special portal, “Untold Stories of Japan,” on TripAdvisor’s website.

On the product side, a new cabin configuration “JAL SKY SUITE 787” has been introduced to JAL 787-9 aircraft. Business Class is retrofitted with the latest fully-flat seat “JAL SKY SUITE III” aimed at expanding fully-flat Business Class seat service on medium- and long-haul international routes. Premium Economy Class will be installed with “JAL SKY PREMIUM” seat, which has received positive reviews on other JAL SKY SUITE aircraft, and Economy Class will be fitted with “JAL SKY WIDER” seat that offers roughly 5cm more seat pitch. The new JAL SKY SUITE 787-9 is now in service on the Tokyo (Narita)=Kuala Lumpur route and the Tokyo (Narita)=Dalian route.

As a result of the above, capacity on international routes measured in Available Seat Kilometers (ASK) increased by 0.5% year-on-year, and international passenger revenue was 229.3 billion yen, up 7.6% from the year before.

b. Domestic Operations

In route operations, JAL expanded Embraer 190 operations primarily on regional flights to and from Osaka (Itami). The state-of-the-art ATR42-600 turboprop was introduced to Japan Air Commuter (JAC) flights between Kagoshima and outlying islands to improve inflight comfort and convenience on JAL’s regional route network. During the summer high demand period, late-night flights were increased on the Tokyo (Haneda)=Sapporo (New-Chitose) route, centered on weekends, to make travel more convenient.

On the product side, JAL is providing free Internet access across all domestic routes operated with JAL SKY NEXT aircraft. This is the only inflight Wi-Fi service available free of charge on Japan-domestic routes, and it has been well received by users. In addition, the 737-800 aircraft, operated by Japan Transocean Air, are progressively being retrofitted with JAL SKY NEXT cabin interiors to add greater convenience and comfort in air travel.

Airport services saw renovations of Sakura Lounge at Fukuoka Airport and Hiroshima Airport, and the opening of the newly renovated luxury lounge for top-tier domestic passengers, Diamond Premier Lounge, at Fukuoka Airport, following those opened at Haneda, New Chitose (Sapporo), and Itami (Osaka). Meal and drink service menus were improved and service hours were reviewed to improve the quality of lounge services.

As a result of the above, capacity on domestic routes measured in Available Seat Kilometers (ASK) increased by 0.5% year-on-year, and domestic passenger revenue was 265.0 billion yen, up 4.6% from the year before.

Consolidated Traffic Results

	Six months ended September 30, 2016	Six months ended September 30, 2017	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	4,213,414	4,210,442	99.9%
Revenue passenger km (1,000 passenger-km)	20,405,606	20,766,883	101.8%
Available seat km (thousands)	25,500,869	25,619,600	100.5%
Revenue passenger-load factor (%)	80.0	81.1	1.0
Revenue cargo ton-km (thousands)	899,776	1,087,547	120.9%
Mail ton-km (thousands)	108,572	124,982	115.1%
DOMESTIC			
Revenue passengers carried (number of passengers)	16,130,936	17,170,027	106.4%
Revenue passenger-km (1,000 passenger-km)	12,154,662	12,943,587	106.5%
Available seat km (thousands)	17,884,848	17,980,984	100.5%
Revenue passenger-load factor (%)	68.0	72.0	4.0
Revenue cargo ton-km (thousands)	177,929	184,007	103.4%
Mail ton-km (thousands)	12,877	11,814	91.7%
TOTAL			
Revenue passengers carried (number of passengers)	20,344,350	21,380,469	105.1%
Revenue passenger-km (1,000 passenger-km)	32,560,269	33,710,470	103.5%
Available seat km (thousands)	43,385,717	43,600,584	100.5%
Revenue passenger-load factor (%)	75.0	77.3	2.3
Revenue cargo ton km (thousands)	1,077,706	1,271,555	118.0%
Mail ton km (thousands)	121,449	136,796	112.6%

- Revenue Passenger Kilometers (RPK) is the number of fare-paying passengers multiplied by the distance flown (km).
Available Seat Kilometers (ASK) is the number of available seats multiplied by the distance flown (km).
Revenue Cargo Ton Kilometers (RCTK) is the amount of cargo (ton) transported multiplied by the distance flown (km).
- The distance flown between two points, used for calculations of RPK, ASK and RCTK above is based on the great-circle distance and according to statistical data from IATA (International Air Transport Association) and ICAO (International Civil Aviation Organization).
- International operations: Japan Airlines Co., Ltd.
Domestic operations: Japan Airlines Co., Ltd., Japan Transocean Air Co., Ltd., Japan Air Commuter Co., Ltd., J-Air Co., Ltd., Ryukyu Air Commuter Co., Ltd., and Hokkaido Air System Co., Ltd..
- Figures have been truncated and percentages are rounded off to the first decimal place.

(2) Explanations of Forecast of Consolidated Financial Results

a. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2018

	Operating Revenue	Operating Profit	Ordinary Profit	Profit attributable to owners of parent	Earnings per share
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Yen
Previous Forecast (A)	1,348,000	153,000	146,000	108,000	305.50
New Forecast (B)	1,366,000	166,000	158,000	121,000	342.28
Change (B-A)	18,000	13,000	12,000	13,000	-
Change (%)	1.3	8.5	8.2	12.0	-
Ref.) Consolidated Financial Results of the Fiscal Year Ended March 31, 2017	1,228,967	170,332	165,013	164,174	456.56

b. Reasons for Revisions of Financial Forecast for the Fiscal Year Ending March 31, 2018

We have revised market preconditions to reflect the recent market as follows.

	Exchange Rate (JPY/USD)	Singapore Kerosene (USD/BBL)	Dubai Crude Oil (USD/BBL)
Previous Forecast	114.0	65.1	52.6
New Forecast	113.0 (2 nd half:115.0)	60.5 (2 nd half:60.0)	49.4 (2 nd half:49.0)

Full-year consolidated revenue is expected to increase by 18.0 billion yen from our previously announced forecast, primarily due to reflection of FY2017 1st half results and revisions to our FY2017 2nd half demand forecasts. Full-year consolidated operating expenses are seen to increase by 5.0 billion yen from our previously announced forecast, mainly attributed to reflection of FY2017 1st half results and revisions to our cost estimate for FY2017 2nd half. As a result, full-year consolidated operating profit reflecting the above is expected to increase by 13.0 billion yen from our previously announced forecast.

Furthermore, as full-year consolidated ordinary profit is seen to rise 12.0 billion yen and full-year net profit attributable to owners of parent is expected to be up 13.0 billion yen, we have revised our earnings forecast for the fiscal year ending March 31, 2018 as shown in the table above.

The annual dividend forecast for the fiscal year ending March 31, 2018 has been revised to 105 yen per share, reflecting revisions to our full-year earnings forecast. Regarding the interim dividend, it was resolved at the Board of Directors meeting on October 31, 2017 that the Company pay an interim dividend of 52.50 yen per share.

2. Consolidated Financial Statements with Some Notes

(1) Consolidated Balance Sheets as of March 31, 2017 and September 30, 2017

(Millions of Yen)

	FY2016 As of March 31, 2017	FY2017 As of September 30, 2017
(Assets)		
Current assets		
Cash and deposits	392,075	414,179
Notes and operating account receivable	142,745	146,115
Securities	12,000	3,999
Flight equipment spare parts and supplies	21,118	21,554
Other	58,886	49,167
Allowance for doubtful accounts	(493)	(508)
Total current assets	626,332	634,508
Non-current assets		
Tangible fixed assets, net		
Flight equipment	671,387	710,374
Other tangible fixed assets	153,540	157,358
Total tangible fixed assets	824,928	867,732
Intangible assets	95,913	100,548
Investments and other assets	181,602	184,146
Total non-current assets	1,102,444	1,152,428
Total assets	1,728,777	1,786,936
(Liabilities)		
Current liabilities		
Operating accounts payable	159,218	172,685
Short-term loans payable	5,372	329
Current portion of long-term loans payable	13,037	11,484
Lease obligations	5,712	3,435
Accounts payable-installment purchase	181	183
Other	181,078	192,532
Total current liabilities	364,601	380,650
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	65,802	62,987
Lease obligations	5,300	3,946
Long-term accounts payable-installment purchase	666	573
Provision	5,965	6,097
Net defined benefit liability	238,481	233,894
Other non-current liabilities	24,568	22,982
Total non-current liabilities	360,783	350,481
Total liabilities	725,384	731,131
(Net Assets)		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus	183,047	183,047
Retained earnings	647,701	692,434
Treasury shares	(531)	(531)
Total shareholders' equity	1,011,569	1,056,301
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,828	15,642
Deferred gains (losses) on hedges	(667)	2,192
Foreign currency translation adjustment	232	159
Remeasurements of defined benefit plans	(52,898)	(50,160)
Total accumulated other comprehensive income	(39,504)	(32,165)
Non-controlling interests	31,328	31,668
Total net assets	1,003,393	1,055,804
Total liabilities and net assets	1,728,777	1,786,936

(2) Consolidated Statement of Income and Comprehensive Income

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Operating revenue	651,928	692,319
Operating cost	464,639	491,791
Operating gross profit	187,288	200,527
Selling, general and administrative expenses	94,846	101,454
Operating profit	92,442	99,073
Non-operating income		
Interest and dividend income	1,005	1,333
Share of profit of entities accounted for using equity method	1,895	1,949
Other	1,749	1,574
Total non-operating income	4,649	4,858
Non-operating expenses		
Interest expense	416	405
Loss on sales and disposal of flight equipment	3,381	4,686
Other	3,489	1,143
Total non-operating expenses	7,287	6,234
Ordinary profit	89,804	97,696
Extraordinary income		
Gain on sales of investment securities	-	723
Gain on reversal of reserve for loss on antitrust litigation	711	-
Other	123	131
Total extraordinary income	835	855
Extraordinary losses		
Impairment loss	312	885
Compensation payments	995	-
Other	95	297
Total extraordinary losses	1,403	1,183
Profit before income taxes	89,236	97,369
Income taxes	14,167	15,853
Profit	75,068	81,515
Breakdown		
Profit attributable to owners of parent	71,405	77,962
Profit attributable to non-controlling interests	3,663	3,552
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,241)	1,639
Deferred gains (losses) on hedges	13,864	2,834
Foreign currency translation adjustment	(1,204)	(149)
Remeasurements of defined benefit plans, net of tax	3,183	2,750
Share of other comprehensive income of entities accounted for using equity method	(90)	233
Total other comprehensive income	13,511	7,307
Comprehensive income	88,579	88,823
Breakdown		
Comprehensive income attributable to owners of parent	85,337	85,302
Comprehensive income attributable to non-controlling interests	3,242	3,520

(3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	89,236	97,369
Depreciation	46,958	51,607
Loss (gain) on sales and disposal of noncurrent assets and impairment loss	3,405	5,129
Increase (decrease) in net defined benefit liability	(1,723)	(725)
Interest and dividend income	(1,005)	(1,333)
Interest expenses	416	405
Foreign exchange losses (gains)	(815)	(533)
Share of (profit) loss of entities accounted for using equity method	(1,895)	(1,949)
Decrease (increase) in notes and operating account receivable -trade	(4,011)	(3,421)
Decrease (increase) in supplies	(607)	(436)
Increase (decrease) in operating accounts payable-trade	1,536	13,538
Other, net	20,511	9,058
Subtotal	152,005	168,708
Interest and dividend income received	1,431	1,887
Interest expenses paid	(471)	(351)
Income taxes paid	(20,498)	(11,126)
Net cash provided by (used in) operating activities	132,466	159,118
Cash flows from investing activities		
Payments into time deposits	(133,451)	(188,684)
Proceeds from withdrawal of time deposits	212,513	178,380
Purchase of non-current assets	(127,922)	(108,087)
Proceeds from sales of non-current assets	2,477	4,119
Purchase of investment securities	(217)	(374)
Proceeds from sales and redemption of investment securities	—	1,336
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	48
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	23
Payments of loans receivable	(148)	(435)
Collection of loans receivable	660	757
Other, net	7,124	6,712
Net cash provided by (used in) investing activities	(38,964)	(106,203)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,533)	(5,043)
Proceeds from long-term loans payable	3,034	3,056
Repayments of long-term loans payable	(6,669)	(7,294)
Repayments of lease obligations	(8,941)	(4,169)
Cash dividends paid	(43,450)	(33,190)
Dividends paid to non-controlling interests	(2,806)	(2,851)
Net cash provided by (used in) financing activities	(64,367)	(49,492)
Effect of exchange rate change on cash and cash equivalents	(687)	560
Net increase (decrease) in cash and cash equivalents	28,446	3,983
Cash and cash equivalents at beginning of period	92,951	124,261
Increase in cash and cash equivalents resulting from merger	58	122
Cash and cash equivalents at end of period	*1 121,456	*1 128,367

(4) Notes for Consolidated Financial Statements

Going Concern Assumptions

None

Consolidated Statement of Cash Flows

*1 Relationship between the amount of accounts that are in the consolidated balance sheet and cash and cash equivalents

(Millions of Yen)

	FY2016 April 1, 2016 to September 30, 2016	FY2017 April 1, 2017 to September 30, 2017
Cash and deposits	353,490	414,179
Securities	16,000	3,999
Term deposits for over three months	(248,034)	(289,811)
Cash and cash equivalents	121,456	128,367

Explanatory Note in case of Remarkable Changes in Shareholders' Equity

None

Segment Information, etc.

Segment information

a. Consolidated financial results for the second quarter of FY2016 (April 1, 2016 to September 30, 2016)

1) Information concerning amount of operating revenue and profits or losses by reportable segment

(millions of yen)

	Reportable segment	Others (Note) 1	Total	Adjustment (Note) 2	Consolidated Statement (Note) 3
	Air transportation				
Operating revenue					
1. Sales to external	526,375	125,553	651,928	—	651,928
2. Intersegment	59,313	14,425	73,739	(73,739)	—
Total	585,689	139,978	725,668	(73,739)	651,928
Segment profit	83,543	9,043	92,586	(144)	92,442

(Note) 1. "Others" refer to business segments that are not included in the reportable segment, such as travel services, etc.

2. Adjustment includes intersegment elimination.

3. Segment profit has been adjusted with operating profit on the Consolidated Statement of Income and Comprehensive Income.

b. Consolidated financial results for the second quarter of FY2017 (April 1, 2017 to September 30, 2017)

1) Information concerning amount of operating revenue and profits or losses by reportable segment

(millions of yen)

	Reportable segment	Others (Note) 1	Total	Adjustment (Note) 2	Consolidated Statement (Note) 3
	Air transportation				
Operating revenue					
1. Sales to external	565,974	126,344	692,319	—	692,319
2. Intersegment	61,343	15,265	76,608	(76,608)	—
Total	627,317	141,609	768,927	(76,608)	692,319
Segment profit	91,138	7,985	99,123	(49)	99,073

(Note) 1. "Others" refer to business segments that are not included in the reportable segment, such as travel services, etc.

2. Adjustment includes intersegment elimination.

3. Segment profit has been adjusted with operating profit on the Consolidated Statement of Income and Comprehensive Income.

Significant Subsequent Event

None