

[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 Three Months Ended June 30, 2018 (Japanese GAAP)

July 31, 2018

Company name Japan Airlines Co., Ltd
Stock Listing Tokyo Stock Exchange
Code No. 9201 **URL:** <http://www.jal.com>
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Contact Yuichiro Kito, General Manager, Finance **Phone:** +81-3-5460-3068
 Scheduled date for filing of quarterly report: August 1, 2018
 Scheduled date for dividend payment: Not Applicable
 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 Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)
(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	%
Three months ended June 30, 2018	342,101	8.7	24,930	0.7	23,108	(5.9)	17,546	(10.3)
Three months ended June 30, 2017	314,815	5.9	24,747	12.0	24,553	24.6	19,563	32.9

*Comprehensive income for the period April 1, 2018 - June 30, 2018: 34,755 Millions of Yen (58.2%), April 1, 2017 - June 30, 2017: 21,966 Millions of Yen (-10.2%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2018	50.22	-
Three months ended June 30, 2017	55.34	-

(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 June 30, 2018	1,878,690	1,095,184	56.6	3,049.88
As of March 31, 2018	1,853,997	1,094,127	57.2	3,019.52

(Reference) Shareholder's equity: Three months ended June 30, 2018: 1,063,878 Millions of Yen, Year ended March 31, 2018: 1,060,335 Millions of Yen

Note: The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Corporate Accounting Standard No. 28, February 16, 2018), etc. from the beginning of the first three months of consolidated financial statements. The figure as of March 31, 2018 is based on retroactive application.

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, 2018	-	52.50	-	57.50	110.00
Year Ending March 31, 2019	-	-	-	-	-
Year Ending March 31, 2019 (Forecast)	-	55.00	-	55.00	110.00

Note: Revisions to the most recently disclosed dividend forecasts: No

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2019

(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	1,455,000	5.2	167,000	(4.3)	156,000	(4.4)	110,000	(18.8)	315.18

Note: Revisions to the most recently disclosed earnings forecasts: No

Forecast for the six months ending September 30, 2018 is not made.

Notes

- (1) Changes in significant consolidated subsidiaries during the three months ended June 30, 2018: 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 shares)
 - As of June 30, 2018 : 349,028,700
 - As of March 31, 2018 : 353,715,800
 - (b) Number of treasury shares at the end of the period
 - As of June 30, 2018 : 201,957
 - As of March 31, 2018 : 2,555,957
 - (c) Average number of shares outstanding
 - During the three months ended June 30, 2018 : 349,410,018
 - During the three months ended June 30, 2017 : 353,515,927

Indication of quarterly review procedure implementation status

This document is unaudited by certificated public accountants or audit firms.

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 “ 1. Qualitative Information concerning Financial Results for the First Quarter of FY2018 (2) Explanations of Forecast of Consolidated Financial Results” in the Attachment for the assumptions used and other notes.

* The Company will hold a presentation for institutional investors and analysts on July 31, 2018. Documents distributed at the presentation are scheduled to be posted on our website on the same day.

Attachment

CONTENTS

1.	Qualitative Information concerning Financial Results for the First Quarter of FY2018	2
	(1) Explanation of Operating Results	2
	(2) Explanations of Forecast of Consolidated Financial Results	4
2.	Consolidated Financial Statements with Some Notes.....	5
	(1) Consolidated Balance Sheets	5
	(2) Consolidated Statements of Income and Comprehensive Income	6
	(3) Consolidated Cash Flow Statements - Summary	7
	(4) Notes for Consolidated Financial Statements	7
	Going Concern Assumptions	7
	Notes on marked changes in amounts of shareholder equity.....	7
	Additional Information	7
	Segment Information	8
	Significant Subsequent Event	8

1. Qualitative Information concerning Financial Results for the First Quarter of FY2018

(1) Explanation of Operating Results

Consolidated operating revenue increased by 8.7% year-on-year to 342.1 billion yen and operating expense increased by 9.3% to 317.1 billion yen, while operating profit increased by 0.7% year-on-year to 24.9 billion yen and ordinary profit decreased by 5.9% to 23.1 billion yen. Profit attributable to owners of parent for the first quarter was 17.5 billion yen, 10.3% down year-on-year.

(JPY Bn)	Three months ended June 30, 2017	Three months ended June 30, 2018	% or points compared to prior period
Operating Revenue	314.8	342.1	108.7%
International Passenger	105.5	124.8	118.2%
Domestic Passenger	116.1	117.2	101.0%
Cargo / Mail	21.0	24.2	115.1%
Other	72.0	75.7	105.1%
Operating Expense	290.0	317.1	109.3%
Fuel	50.3	60.3	120.0%
Excluding Fuel	239.7	256.7	107.1%
Operating Profit	24.7	24.9	100.7%
Operating Profit Margin (%)	7.9	7.3	△0.6
Ordinary Profit	24.5	23.1	94.1%
Profit attributable to owners of parent	19.5	17.5	89.7%

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 9.5% year-on-year to 313.0 billion yen and operating profit decreased by 1.4% year-on-year to 21.6 billion yen. (Operating revenue and operating profit are before elimination of transactions between segments.)

Details are provided below.

a. International Operations

In the international passenger operations, the passenger traffic increased by 10.5% year-on-year, and the revenue passenger load factor reached to a record high of 81.3%, attributed to stable outbound demand and strong inbound demand.

In route operations, JAL increased seasonal flight frequency on Osaka (Kansai) =Honolulu, Tokyo (Narita) =Bangkok and Tokyo (Narita) =Guam routes and catered to robust demand. Furthermore, JAL and Hawaiian Airlines launched a codeshare partnership from the beginning of the 2018 summer schedule. To provide enhanced route network, improved products and high quality services that offer greater convenience and high-quality service, the two airlines filed an application with Japan's Ministry of Land, Infrastructure, Transport and Tourism and the US Department of Transportation, seeking immunity from antitrust laws on routes between Japan and Hawaii.

For products and services, food services at both First-Class Lounges and Sakura Lounges at Tokyo (Narita/Haneda) Airports were renewed to accommodate with a variety of preferences of foreign visitors that are increasing steadily.

As a result of the above, capacity on international routes measured in Available Seat Kilometers (ASK) increased by 7.3% year-on-year, and international passenger revenue was 124.8 billion yen, up 18.2% from the year before.

b. Domestic Operations

In route operations, Embraer 190 operated routes were further expanded. Services by the 737-800 retrofitted with JAL SKY NEXT cabin interiors were added on routes to/from Okinawa (Naha) operated by Japan Transocean Air to provide passengers with enhanced convenience and comfort on our regional networks.

On the product side, JAL marked one year since the launch of its complimentary inflight Wi-Fi service offered on routes operated with JAL SKY NEXT aircraft. It continues to receive favorable feedback from many customers.

New routes were added to the domestic award ticket service 'Dokokani Mile' launched in December 2016. Okinawa (Naha) and remote island routes in Kagoshima were added to the route lineup, in addition to the routes to and from Tokyo (Haneda) and Osaka (Itami, Kansai). In the JAL-Shikoku Railway Co. collaborative initiative, unlimited train rides combining domestic flights and railway was added as an option to 'Dokokani Mile' to provide new travel value through merging different transportation modes in order to create new tourist flows.

JAL is participating in the ALL-Japan Tourism-Oriented Country Fund founded to support the tourism industry, and also made a "Comprehensive Agreement on Collaboration and Cooperation for Regional Revitalization" with Mont-bell Co., Ltd. JAL is promoting collaboration with different industries engaged in tourism and is working to contribute to stimulating the tourism industry and revitalizing regional economies.

As a result of the above, capacity on domestic routes measured in Available Seat Kilometers (ASK) increased by 1.6% year-on-year, and domestic passenger revenue was 117.2 billion yen, up 1.0% from the year before.

Consolidated Traffic Results

	Three months ended June 30, 2017	Three months ended June 30, 2018	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	2,038,345	2,251,637	110.5%
Revenue passenger km (thousands)	10,091,581	10,981,570	108.8%
Available seat km (thousands)	12,588,402	13,506,564	107.3%
Revenue passenger load factor (%)	80.2	81.3	1.1
Revenue cargo ton km (thousands)	538,445	601,209	111.7%
Mail ton km (thousands)	63,095	59,430	94.2%
DOMESTIC			
Revenue passengers carried (number of passengers)	8,070,230	8,297,288	102.8%
Revenue passenger km (thousands)	6,025,372	6,153,155	102.1%
Available seat km (thousands)	8,820,017	8,962,079	101.6%
Revenue passenger load factor (%)	68.3	68.7	0.3
Revenue cargo ton km (thousands)	89,110	83,948	94.2%
Mail ton km (thousands)	6,249	6,330	101.3%
TOTAL			
Revenue passengers carried (number of passengers)	10,108,575	10,548,925	104.4%
Revenue passenger km (thousands)	16,116,953	17,134,726	106.3%
Available seat km (thousands)	21,408,419	22,468,644	105.0%
Revenue passenger load factor (%)	75.3	76.3	1.0
Revenue cargo ton km (thousands)	627,555	685,157	109.2%
Mail ton km (thousands)	69,344	65,761	94.8%

- Revenue Passenger Kilometers (RPK) is the number of revenue 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

There are no changes in the forecast of consolidated financial results and estimated dividends for fiscal year 2018 ending March 31, 2019 announced in “Consolidated Financial Results for the year ended March 31, 2018” disclosed on April 27, 2018.

The Company will aim for the continuous and stable dividends, considering the two indicators of the payout ratio and DOE.

Regarding the payout ratio, approximately 30% of net profit attributable to owners of parent excluding income tax deferred is considered as the proportion of profits paid out as dividends to shareholders. At the same time, JAL will aim for DOE of 3% or above, considering the target ROE level (10%) and the target payout ratio (30%).

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets as of March 31, 2018 and as of June 30, 2018

(Millions of Yen)

Account	FY2017 As of March 31, 2018	FY2018 As of June 30, 2018
(Assets)		
Current assets		
Cash and deposits	417,842	355,693
Notes and operating account receivable	151,262	151,752
Securities	30,999	65,000
Flight equipment spare parts and supplies	21,996	23,803
Other	58,924	63,024
Allowance for doubtful accounts	(533)	(504)
Total current assets	680,492	658,770
Non-current assets		
Tangible fixed assets, net		
Flight equipment	704,134	730,398
Other tangible fixed assets	176,630	180,453
Total tangible fixed assets	880,765	910,852
Intangible assets		
Intangible assets	95,686	94,509
Investments and other assets	197,052	214,557
Total non-current assets	1,173,504	1,219,920
Total assets	1,853,997	1,878,690
Account	FY2017 As of March 31, 2018	FY2018 As of June 30, 2018
(Liabilities)		
Current liabilities		
Operating accounts payable	177,937	171,483
Short-term loans payable	3,150	48
Current portion of long-term loans payable	14,555	13,707
Lease obligations	2,389	2,480
Accounts payable-installment purchase	185	186
Other	198,627	236,000
Total current liabilities	396,846	423,906
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	80,696	80,502
Lease obligations	4,319	4,344
Long-term accounts payable-installment purchase	480	433
Provision	5,931	5,951
Net defined benefit liability	230,084	228,211
Other non-current liabilities	21,511	20,154
Total non-current liabilities	363,023	359,599
Total liabilities	759,869	783,506
(Net Assets)		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus	183,049	183,049
Retained earnings	731,106	708,479
Treasury shares	(10,535)	(535)
Total shareholders' equity	1,084,972	1,072,346
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,469	22,096
Deferred losses on hedges	6,360	15,593
Foreign currency translation adjustment	(30)	(75)
Remeasurements of defined benefit plans	(47,436)	(46,081)
Total accumulated other comprehensive income	(24,637)	(8,467)
Non-controlling interests	33,792	31,305
Total net assets	1,094,127	1,095,184
Total liabilities and net assets	1,853,997	1,878,690

(2) Consolidated Statement of Income and Comprehensive Income

(Millions of Yen)

Account	Three months ended June 30, 2017	Three months ended June 30, 2018
Operating revenue	314,815	342,101
Operating cost	239,738	260,698
Operating gross profit	75,077	81,402
Selling, general and administrative expenses	50,329	56,471
Operating profit	24,747	24,930
Non-operating income		
Interest and dividend income	982	903
Gain on sales of flight equipment	492	497
Other	559	804
Total non-operating income	2,034	2,205
Non-operating expenses		
Interest expense	195	202
Loss on sales and disposal of flight equipment	1,645	3,469
Other	387	356
Total non-operating expenses	2,228	4,027
Ordinary profit	24,553	23,108
Extraordinary income		
Gain on sales of non-current assets	10	6
Gain on sales of investment securities	722	-
Other	116	1
Total extraordinary income	849	7
Extraordinary losses		
Loss on disposal of fixed assets	88	279
Other	51	21
Total extraordinary losses	139	300
Profit before income taxes	25,262	22,815
Income taxes	4,243	4,122
Profit	21,018	18,693
Breakdown		
Profit attributable to owners of parent	19,563	17,546
Profit attributable to non-controlling interests	1,455	1,146
Other comprehensive income		
Valuation difference on available-for-sale securities	2,437	5,581
Deferred gains (losses) on hedges	(2,695)	9,046
Foreign currency translation adjustment	(172)	(186)
Remeasurements of defined benefit plans	1,374	1,354
Share of other comprehensive income of entities accounted for using equity method	3	266
Total other comprehensive income	947	16,062
Comprehensive income	21,966	34,755
Breakdown		
Comprehensive income attributable to owners of the parent	20,552	33,716
Comprehensive income attributable to non-controlling interests	1,413	1,038

(3) Consolidated Statement of Cash Flows - Summary

(Millions of Yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
I . Cash flows from operating activities *1:	69,918	71,828
II . Cash flows from investing activities:	(23,247)	(34,299)
III . Cash flows from financing activities:	(43,395)	(37,564)
IV . Cash and cash equivalents at the end of period	127,689	182,680
*1 Depreciation and amortization	25,578	30,585

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

(Millions of Yen)

	FY2017 April 1, 2017 to June 30, 2017	FY2018 April 1, 2018 to June 30, 2018
Cash and deposits	372,634	355,693
Securities	16,000	65,000
Term deposits for over three months	(260,944)	(238,013)
Cash and cash equivalents	127,689	182,680

(4) Notes for Consolidated Financial Statements

Going Concern Assumptions

None

Notes on marked changes in amounts of shareholder equity

The Company resolved to repurchase shares at the meeting of the Board of Directors held on February 28, 2018, in accordance with the Companies Act Article 165, Paragraph 1, applied by replacement under Article 165, Paragraph 3 of the same Act, and repurchased shares. As a result, treasury stock increased 9,999 million yen in the first three months of consolidated financial results.

The Company resolved to cancel treasury stock at the meeting of the Board of Directors held on April 27, 2018 in accordance with the Companies Act Article 178, and canceled shares on May 23, 2018. As a result, retained earnings decreased by 19,999 million yen and treasury stock decreased by 19,999 million yen in the first three months of consolidated financial statements. As a result of the above, the value of retained earnings was 708,479 million yen and treasury stock was 535 million yen at the end of the first three months of consolidated financial statements.

Additional Information

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” , etc.)

We applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Corporate Accounting Standard No. 28, February 16, 2018) ,etc. from the beginning of the first three months of consolidated financial statements. Deferred tax asset is indicated under Investments and Other Assets and deferred tax liability is indicated under Non-current liabilities.

Segment Information, etc.

Segment information

a. Consolidated financial results for the first quarter of FY2017 (April 1, 2017 to June 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 (Note 3)
	Air transportation				
Operating revenue					
1. Sales to external	259,555	55,260	314,815	—	314,815
2. Intersegment	26,273	7,238	33,512	(33,512)	—
Total	285,828	62,499	348,327	(33,512)	314,815
Segment profit	21,925	2,869	24,794	(47)	24,747

(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 first quarter of FY2018 (April 1, 2018 to June 30, 2018)

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 (Note 3)
	Air transportation				
Operating revenue					
1. Sales to external	286,386	55,714	342,101	—	342,101
2. Intersegment	26,622	8,292	34,915	(34,915)	—
Total	313,009	64,006	377,016	(34,915)	342,101
Segment profit	21,621	3,314	24,936	(5)	24,930

(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