

[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 Nine Months Ended December 31, 2017 (Japanese GAAP)

Company name Japan Airlines Co., Ltd
Stock Listing Tokyo Stock Exchange
Code No. 9201 **URL:** <http://www.jal.com> January 31, 2018
Representative Yoshiharu Ueki, President
Contact Yuichiro Kito, General Manager, Finance **Phone:** +81-3-5460-3068
 Scheduled date for filing of quarterly report: February 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 Nine Months Ended December 31, 2017 (April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	1,046,054	7.2	145,233	5.8	142,197	4.5	114,125	5.4
Nine months ended December 31, 2016	975,488	(4.7)	137,311	(19.2)	136,067	(20.2)	108,282	(24.6)

*Comprehensive income for the period April 1, 2017 - December 31, 2017 : 136,520 Millions of Yen (-8.5%) , April 1, 2016 - December 31 2016 : 149,163 Millions of Yen. (+10.6%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2017	322.83	-
Nine months ended December 31, 2016	299.74	-

(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 December 31, 2017	1,798,849	1,085,054	58.5	2,976.06
As of March 31, 2017	1,728,777	1,003,393	56.2	2,749.71

(Reference) Shareholder's equity : Nine months ended December 31, 2017 : 1,052,085 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: None

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 forecast: None

Notes

- (1) Changes in significant consolidated subsidiaries during the Nine Months ended December 31, 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 December 31, 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 December 31, 2017 : 199,873
 - As of March 31, 2017 : 199,873
 - (c) Average number of shares outstanding
 - During the Nine Months ended December 31, 2017 : 353,515,927
 - During the Nine Months ended December 31, 2016 : 361,252,833

*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 Third 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 January 31, 2018. 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 Third Quarter of FY2017

(1) Explanation of Operating Results

Consolidated operating revenue increased by 7.2% year-on-year to 1,046.0 billion yen and operating expense increased by 7.5% year-on-year to 900.8 billion yen, while operating profit increased by 5.8% year on year to 145.2 billion yen and ordinary profit increased by 4.5% year-on-year to 142.1 billion yen. Profit attributable to owners of parent for the Third quarter was 114.1 billion yen, up 5.4% year on year.

(JPY Bn)	Nine Months ended December 31, 2016	Nine Months ended December 31, 2017	% or points compared to prior period
Operating Revenue	975.4	1,046.0	107.2%
International Passenger	314.4	346.4	110.2%
Domestic Passenger	380.8	398.5	104.6%
Cargo / Mail	58.5	69.2	118.2%
Other	221.6	231.8	104.6%
Operating Expense	838.1	900.8	107.5%
Fuel	147.8	157.9	106.8%
Excluding Fuel	690.3	742.8	107.6%
Operating Profit	137.3	145.2	105.8%
Operating Profit Margin (%)	14.1	13.9	(0.2)
Ordinary Profit	136.0	142.1	104.5%
Profit attributable to owners of parent	108.2	114.1	105.4%

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 8.4% year-on-year to 950.5 billion yen and operating profit increased by 8.5% year-on-year to 134.3 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, load factors rose from their prior-year levels due to robust outbound demand from Japan as well as strong inbound demand to Japan.

With regard to route operations, in addition to the launch of new services between Tokyo (Narita) and Melbourne and Tokyo (Narita) and Kona, Hawaii in September 2017, JAL increased flight frequency between Tokyo (Haneda) and London and between Tokyo (Narita) and Bangkok from October 29, 2017 to provide customers with a more convenient and extensive network.

On the marketing and service front, JAL won top honors for “Loyalty (Repeat Intention Rate)” for the fifth consecutive year and “Customer Satisfaction” in the International Airlines category of the Japanese Customer Satisfaction Index (JCSI) Survey. This survey is conducted annually by an external service evaluation organization in Japan. Furthermore, JAL was named “Best Trans-Pacific Airline 2017” and “Best Airline to Japan 2017” by readers of US business travel magazine “Global Traveler”. Of special note, JAL was the first Japanese airline to claim the title of “Best Trans-Pacific Airline.”

Regarding products, JAL introduced a new cabin configuration, JAL SKY SUITE 787, this fiscal year, and started operations on Tokyo (Narita) = Kuala Lumpur, Tokyo (Narita) = Dalian, and Tokyo (Narita) = Delhi routes. Reviews of this service by users have been positive.

As a result of the above, capacity on international routes measured in Available Seat Kilometers (ASK) increased by 1.6% year-on-year, and international passenger revenue was 346.4 billion yen, up 10.2% from the year before.

b. Domestic Operations

In route operations, to improve convenience and comfort on regional network routes, service of the Embraer 190 was increased on routes to/from Itami Airport, and on routes to outlying islands in Kagoshima Prefecture operated by Japan Air Commuter Co., Ltd., service of the state-of-the-art ATR42-600 turboprop was increased. During the year-end and New Year period, when strong demand is seen, frequency was increased on select routes such as the Tokyo (Haneda)=Naha route to further improve customer convenience.

Regarding products, JAL continued to offer free inflight W-Fi service on domestic routes aboard JAL SKY NEXT flights to the delight of many passengers. 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.

In association with the 10th year celebration of JAL domestic first class service, which was introduced in December 2007, JAL offered special time-limited services such as a special inflight meal menu in order to improve the quality of service and realize higher air travel value creation in December 2017.

On the sales and marketing front, JAL and Trip Advisor, Inc. have collaborated to open a travel information website to provide travel content on lesser-known local sights and events to foreign travelers to Japan. Appropriately named “Untold Stories of Japan”, the immersive portal on Trip Advisor’s website provides information on tourist facilities and activities and a special fare for overseas visitors “JAL Japan Explorer Pass” to boost and spread inbound tourism across Japan.

Furthermore, to create new tourist flows, JAL collaborated with Hokkaido Railway Company and started sales of Air & Rail Tours around Hokkaido from the Tokyo area. In its business cooperation with East Japan Railway Company (JR East), new Air & Rail Tour packages between Tohoku and Kyushu were added to the product lineup. By offering new values in travel by mixing multiple travel modes, JAL is working to promote inter-regional exchanges and regional revitalization.

As a result of the above, capacity on domestic routes measured in Available Seat Kilometers (ASK) increased by 0.6% year-on-year, and domestic passenger revenue was 398.5 billion yen, up 4.6% from the year before.

Consolidated Traffic Results

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	% or points compared to prior period
INTERNATIONAL			
Revenue passengers carried (number of passengers)	6,279,825	6,373,871	101.5%
Revenue passenger km (1,000 passenger-km)	30,508,305	31,375,124	102.8%
Available seat km (thousands)	38,203,734	38,815,406	101.6%
Revenue passenger-load factor (%)	79.9	80.8	1.0
Revenue cargo ton-km (thousands)	1,407,431	1,681,333	119.5%
Mail ton-km (thousands)	179,694	195,582	108.8%
DOMESTIC			
Revenue passengers carried (number of passengers)	24,623,199	25,919,577	105.3%
Revenue passenger-km (1,000 passenger-km)	18,525,115	19,501,809	105.3%
Available seat km (thousands)	26,744,750	26,909,371	100.6%
Revenue passenger-load factor (%)	69.3	72.5	3.2
Revenue cargo ton-km (thousands)	272,726	281,374	103.2%
Mail ton-km (thousands)	19,925	18,619	93.4%
TOTAL			
Revenue passengers carried (number of passengers)	30,903,024	32,293,448	104.5%
Revenue passenger-km (1,000 passenger-km)	49,033,420	50,876,933	103.8%
Available seat km (thousands)	64,948,485	65,724,777	101.2%
Revenue passenger-load factor (%)	75.5	77.4	1.9
Revenue cargo ton-km (thousands)	1,680,157	1,962,707	116.8%
Mail ton km (thousands)	199,620	214,201	107.3%

- 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

The consolidated earnings forecast remains the same as the full-year forecast announced in “Consolidated Financial Results for the Six Months Ended September 30, 2017” on October 31, 2017.

2. Consolidated Financial Statements with Some Notes

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

(Millions of Yen)

	FY2016 As of March 31, 2017	FY2017 As of December 31, 2017
(Assets)		
Current assets		
Cash and deposits	392,075	364,892
Notes and operating account receivable	142,745	141,515
Securities	12,000	21,999
Flight equipment spare parts and supplies	21,118	21,660
Other	58,886	71,576
Allowance for doubtful accounts	(493)	(496)
Total current assets	626,332	621,147
Non-current assets		
Tangible fixed assets, net		
Flight equipment	671,387	732,100
Other tangible fixed assets	153,540	158,045
Total tangible fixed assets	824,928	890,146
Intangible assets		
Intangible assets	95,913	97,226
Investments and other assets	181,602	190,328
Total non-current assets	1,102,444	1,177,701
Total assets	1,728,777	1,798,849
(Liabilities)		
Current liabilities		
Operating accounts payable	159,218	167,473
Short-term loans payable	5,372	3,058
Current portion of long-term loans payable	13,037	11,093
Lease obligations	5,712	3,505
Accounts payable-installment purchase	181	184
Other	181,078	181,792
Total current liabilities	364,601	367,106
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	65,802	62,583
Lease obligations	5,300	4,171
Long-term accounts payable-installment purchase	666	527
Provision	5,965	6,083
Net defined benefit liability	238,481	231,805
Other non-current liabilities	24,568	21,517
Total non-current liabilities	360,783	346,688
Total liabilities	725,384	713,795
(Net Assets)		
Shareholders' equity		
Common stock	181,352	181,352
Capital surplus	183,047	183,047
Retained earnings	647,701	710,036
Treasury shares	(531)	(531)
Total shareholders' equity	1,011,569	1,073,904
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,828	17,895
Deferred gains (losses) on hedges	(667)	8,859
Foreign currency translation adjustment	232	214
Remeasurements of defined benefit plans	(52,898)	(48,787)
Total accumulated other comprehensive income	(39,504)	(21,818)
Non-controlling interests	31,328	32,968
Total net assets	1,003,393	1,085,054
Total liabilities and net assets	1,728,777	1,798,849

(2) Consolidated Statement of Income and Comprehensive Income

(Millions of Yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Operating revenue	975,488	1,046,054
Operating cost	695,659	743,874
Operating gross profit	279,828	302,180
Selling, general and administrative expenses	142,517	156,946
Operating profit	137,311	145,233
Non-operating income		
Interest and dividend income	1,606	2,011
Share of profit of entities accounted for using equity method	2,424	2,406
Foreign exchange gains	1,739	-
Other	2,302	2,068
Total non-operating income	8,073	6,486
Non-operating expenses		
Interest expense	604	605
Loss on sales and disposal of flight equipment	5,077	6,449
Other	3,635	2,467
Total non-operating expenses	9,317	9,522
Ordinary profit	136,067	142,197
Extraordinary income		
Gain on sales of investment securities	-	829
Gain on reversal of reserve for loss on antitrust litigation	185	-
Other	139	268
Total extraordinary income	324	1,097
Extraordinary losses		
Impairment loss	505	1,034
Loss on disposal of non-current assets	241	418
Compensation payments	1,285	-
Other	25	128
Total extraordinary losses	2,056	1,581
Profit before income taxes	134,335	141,713
Income taxes	20,896	22,830
Profit	113,439	118,883
<u>Breakdown</u>		
Profit attributable to owners of parent	108,282	114,125
Profit attributable to non-controlling interests	5,156	4,758
Other comprehensive income		
Valuation difference on available-for-sale securities	704	3,937
Deferred gains (losses) on hedges	30,562	9,347
Foreign currency translation adjustment	(789)	(102)
Remeasurements of defined benefit plans, net of tax	4,775	4,125
Share of other comprehensive income of entities accounted for using equity method	470	329
Total other comprehensive income	35,724	17,637
Comprehensive income	149,163	136,520
<u>Breakdown</u>		
Comprehensive income attributable to owners of parent	144,198	131,811
Comprehensive income attributable to non-controlling interests	4,965	4,709

(3) Consolidated Statement of Cash Flows - Summary

(Millions of Yen)

	Nine months ended December 31,2016	Nine months ended December 31,2017
I . Cash flows from operating activities (※1)	181,030	204,270
II . Cash flows from investing activities	(101,519)	(143,639)
III . Cash flows from financing activities	(63,497)	(66,232)
IV . Cash and cash equivalents at end of period	109,654	119,042
※1 Included amounts for depreciation and amortization:	70,923	80,760

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 December 31, 2016	FY2017 April 1, 2017 to December 31, 2017
Cash and time deposits	355,634	364,892
Securities	17,000	21,999
Time deposits with a maturity of more than three months	(250,979)	(267,849)
Securities with a maturity of more than three months	(12,000)	-
Cash and cash equivalents	109,654	119,042

(4) Notes for Consolidated Financial Statements

Going Concern Assumptions

None

Explanatory Note in case of Remarkable Changes in Shareholders' Equity

None

Segment Information, etc.

Segment information

a. Consolidated financial results for the Third quarter of FY2016 (April 1, 2016 to December 31, 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	789,700	185,787	975,488	-	975,488
2. Intersegment	87,522	21,946	109,469	(109,469)	-
Total	877,223	207,734	1,084,957	(109,469)	975,488
Segment profit	123,809	13,747	137,556	(245)	137,311

(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 Third quarter of FY2017 (April 1, 2017 to December 31, 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	860,687	185,367	1,046,054	-	1,046,054
2. Intersegment	89,875	23,772	113,648	(113,648)	-
Total	950,563	209,139	1,159,702	(113,648)	1,046,054
Segment profit	134,305	10,989	145,294	(61)	145,233

(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