JAL Group Account Settlement for 1st Quarter of FY2009

August 7th, 2009
Japan Airlines
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Overview of FY2009 1st Quarter

<table>
<thead>
<tr>
<th>SH of FY2008</th>
<th>FY2009 April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drastic change in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>business environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World economic crisis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sharp drop in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>demand</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Steady progress in thorough cost cut including cost structure reform**

**Revision of capacity**
- **International passenger**
  - Suspension: 5 routes
  - Reduction: 3 routes
- **Domestic passenger**
  - Suspension: 14 routes
  - Reduction: 5 routes
- **International cargo**
  - Suspension: 5 routes
  - Reduction: 4 routes

**Additional revision of capacity (already announced)**
- **International passenger**
  - Frequency reduction: 7 routes
- **Domestic passenger**
  - Suspension: 5 routes
  - Frequency reduction: 1 route
- **International cargo**
  - Suspension and frequency reduction: 8 routes

- Outbreak of new type of influenza
  - Sign of recovery in leisure passenger demand
  - Flagging business passenger demand
  - Further decrease in demand due to reduction in companies’ business trip and sharp cancellation of packaged tours

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## Outline of the Consolidated Financial Statements

(Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY08 Apr.-Jun.</th>
<th>FY09 Apr.-Jun.</th>
<th>yr-yr</th>
<th>yr/yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>490.3</td>
<td>334.8</td>
<td>-155.4</td>
<td>68.3%</td>
</tr>
<tr>
<td>(Operating Cost)</td>
<td>486.4</td>
<td>421.0</td>
<td>-65.4</td>
<td>86.6%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>3.9</td>
<td>-86.1</td>
<td>-90.0</td>
<td>-</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>0.7</td>
<td>-93.9</td>
<td>-94.7</td>
<td>-</td>
</tr>
<tr>
<td>Net Income</td>
<td>-3.4</td>
<td>-99.0</td>
<td>-95.6</td>
<td>-</td>
</tr>
</tbody>
</table>
## Operating Revenue and Income by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Operating Revenue</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY09 Apr.-Jun.</td>
<td>yr-yr   yr/yr</td>
</tr>
<tr>
<td>Air Transportation</td>
<td>290.9</td>
<td>-137.2  68%</td>
</tr>
<tr>
<td>Airline-related</td>
<td>48.1</td>
<td>-4.5   91%</td>
</tr>
<tr>
<td>Travel Service</td>
<td>55.8</td>
<td>-23.9  70%</td>
</tr>
<tr>
<td>Card・Lease</td>
<td>15.9</td>
<td>-1.6   91%</td>
</tr>
<tr>
<td>Other</td>
<td>18.7</td>
<td>-1.7   91%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>429.5</strong></td>
<td><strong>-169.1</strong> 72%</td>
</tr>
<tr>
<td>General corporate assets</td>
<td>-94.6</td>
<td>13.7   87%</td>
</tr>
<tr>
<td>and intercompany eliminations</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td><strong>334.8</strong></td>
<td><strong>-155.4</strong> 68%</td>
</tr>
</tbody>
</table>

(Billions of Yen)
## Operating Income of Air Transportation Segment

(Billions of Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY08 Apr.-Jun.</th>
<th>FY09 Apr.-Jun.</th>
<th>yr-yr</th>
<th>yr/yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Passenger</td>
<td>180.4</td>
<td>97.3</td>
<td>-83.1</td>
<td>53.9%</td>
</tr>
<tr>
<td>Domestic Passenger</td>
<td>153.7</td>
<td>131.1</td>
<td>-22.5</td>
<td>85.3%</td>
</tr>
<tr>
<td>International Cargo</td>
<td>45.4</td>
<td>19.9</td>
<td>-25.5</td>
<td>43.8%</td>
</tr>
<tr>
<td>Domestic Cargo</td>
<td>8.2</td>
<td>7.5</td>
<td>-0.7</td>
<td>90.7%</td>
</tr>
<tr>
<td>Mail*</td>
<td>3.6</td>
<td>2.8</td>
<td>-0.7</td>
<td>78.3%</td>
</tr>
<tr>
<td>Other</td>
<td>16.5</td>
<td>15.4</td>
<td>-1.1</td>
<td>93.3%</td>
</tr>
<tr>
<td>Incidental Business</td>
<td>20.0</td>
<td>16.7</td>
<td>-3.3</td>
<td>83.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Cost</td>
<td>424.8</td>
<td>375.2</td>
<td>-49.5</td>
<td>88.3%</td>
</tr>
<tr>
<td>Fuel</td>
<td>101.1</td>
<td>90.5</td>
<td>-10.6</td>
<td>89.5%</td>
</tr>
<tr>
<td>Airport facilities</td>
<td>30.9</td>
<td>28.6</td>
<td>-2.2</td>
<td>92.7%</td>
</tr>
<tr>
<td>Maintenance</td>
<td>30.1</td>
<td>27.6</td>
<td>-2.5</td>
<td>91.6%</td>
</tr>
<tr>
<td>Passenger services</td>
<td>11.3</td>
<td>8.8</td>
<td>-2.4</td>
<td>78.5%</td>
</tr>
<tr>
<td>Commissions</td>
<td>24.9</td>
<td>13.6</td>
<td>-11.3</td>
<td>54.5%</td>
</tr>
<tr>
<td>Aircraft Depreciation</td>
<td>18.4</td>
<td>19.1</td>
<td>0.6</td>
<td>103.5%</td>
</tr>
<tr>
<td>Aircraft leases</td>
<td>26.7</td>
<td>23.5</td>
<td>-3.1</td>
<td>88.2%</td>
</tr>
<tr>
<td>Personnel</td>
<td>71.5</td>
<td>66.3</td>
<td>-5.1</td>
<td>92.7%</td>
</tr>
<tr>
<td>General Expenses</td>
<td>50.8</td>
<td>47.5</td>
<td>-3.2</td>
<td>93.5%</td>
</tr>
<tr>
<td>Other</td>
<td>58.5</td>
<td>49.1</td>
<td>-9.3</td>
<td>84.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>3.3</td>
<td>-84.2</td>
<td>-87.6</td>
<td>-</td>
</tr>
</tbody>
</table>

* Total of International and domestic mail

Revenues were far short of the previous year, especially international passenger operations.

**International passenger:**
- Demand (RPK) -18.6% y/y,
- Yield -33.7% y/y

**Domestic passenger:**
- Demand (RPK) -12.4% y/y,
- Yield -2.5% y/y

**International cargo:**
- Demand (RCTK) -31.1%,
- Yield -36.4%

With the exception of aircraft depreciation, every other cost categories show drastic reduction from a year earlier due to progress in cost cuts and cost structure reform.

**Fuel cost**
- Fuel cost dropped more than 10% y/y due to efforts to reduce fuel consumption and strong yen (Effect of drop in fuel price was limited due to fuel hedging)

**Commissions**
- Amount spent on commissions showed a big drop due to abolition of sales commissions for international passenger tickets sold in Japan.
Recent Demand and Capacity Trend

**Analysis**

- Capacity has been below the previous year’s level since April.
- Leisure passenger demand, which had been on a recovery track, was relatively strong in April and the total demand was on a par with the capacity despite weak business passenger demand.
- After May, however, due to the influence of the swine flu, the number of leisure passenger drastically deteriorated and business passenger figures were far below the previous year because of stringent curbs on business trip by the companies, widening the demand-capacity gap.
- By demand type, both individual and group passenger demand has been weaker than the previous year’s level.

*ATK: Freighters + belly spaced of Passenger aircraft*
Fuel & FOREX (Air Transportation Segment)

Average market price*

<table>
<thead>
<tr>
<th></th>
<th>FY08 Apr.-Jun.</th>
<th>FY09 Apr.-Jun.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>$141.2/bbl</td>
<td>$58.8/bbl</td>
</tr>
</tbody>
</table>

Fuel Hedging Ratio

<table>
<thead>
<tr>
<th></th>
<th>FY09(Apr.-Jun.)</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>83%</td>
<td>78%</td>
<td>44%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Impact of FOREX on operating income (y/y) (Billions of Yen)

<Average Forex Rate**>

<table>
<thead>
<tr>
<th></th>
<th>FY08(Apr.-Jun.)</th>
<th>FY09(Apr.-Jun.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>¥102.0</td>
<td>¥97.1</td>
</tr>
<tr>
<td>EUR</td>
<td>¥159.7</td>
<td>¥129.7</td>
</tr>
</tbody>
</table>

<Forex Hedging Ratio >

FY09: approx. 80%  

*Average price of Singapore Kerosene $/bbl

**Based on the average company exchange rate
1. Outline of Account Settlement for FY2009 Q1

2. Current Demand Trend and Countermeasures

3. Appendices
Current Demand Trend and Countermeasures

Demand during the 1st quarter

- Faltering air traffic demand due to worldwide economic downturns.
- Impact of outbreak of the H1N1 influenza (Further reduction in business passenger demand and more-than-expected sharp drop in leisure passenger demand)

Current demand trend

- Leisure passenger demand shows signs of recovery in line with calming of the H1N1 flu. 
  ~Supported by the termination of fuel surcharge (Jul.-Sept.) and strong yen
- Business passenger demand is still lingering at low levels due to continuing economic slump.

Countermeasures

- Additional measures to maximize revenue
- Further revision of routes and flight frequency
- Steady progress in cost reduction
- Acceleration of aircraft downsizing
Countermeasures (Additional Measures to Maximize Revenue)

**Leisure passenger from Japan**
- Further stimulate demand for leisure passengers
  - Q1: WEB exclusive discount fares
  - Q2+: new discount fare for Chinese routes
  - allow flexible fare revision including business tickets

**Overseas passenger**
- Strengthen efforts to acquire overseas passengers
  - Q1: efforts to capture booming connecting demand
  - Q2+: improving function of Chinese region JAL website, starting promotion with Central Japan Railway Company, etc.

**Business passenger from Japan**
- Secure Demand
  - Strongly secure demand with a central focus on China, Utilization of charter flights to meet sudden demand
  - Strongly secure demand to/from local cities in Japan by utilizing metropolitan airports
- Strengthening Products & Sales
  - Expanding sales and varieties of high-value-added products “J Products”
  - Starting business of “MJ-VIP” from July, a business Alliance with Mitsui & Co., Ltd.

**Int’l Passenger**
- Strengthen corporate sales and marketing to increase corporate contracts with companies

**Domestic Passenger**
- Leisure passenger
  - Strengthen efforts to acquire leisure passengers through flexible fares
  - Q1: flexible revision of fare during the quarter
  - implementing carious campaigns
  - Q2+: Introduction of “Senior citizen stand-by fare”, launching commemorative “fixed-amount cash hand-out” fare, expanding of “Bargain fare” from SH onward

**Int’l Cargo**
- Strengthening Products & Sales
  - Expanding sales and varieties of high-value-added products “J Products”

Leisure passenger booking is recovering.

Total int’l passenger

Leisure passenger

Int’l passenger booking


Y/Y (%)
Thorough effort in cost-cutting

Cost reduction exceeding our forecast

- Fuel cost: Reduction by efforts to reduce fuel consumption, etc.
- Personnel cost: Reduction by improving personnel productivity, etc.
- Other costs: Reduction by thorough efforts in cutting promotional costs and all other costs.
- Airport facilities charge, passenger services cost, sales commissions, etc.: Reduction by revision of capacity and decline in revenue

Further revision of routes & flight frequency

- Conduct flexible revision even during the period
  ⇒ After SH, additional revision will be made.

(Int’l cargo) July 28-Aug 30
Almost all freighters flying via London and Amsterdam have been suspended. Freighter operations for Frankfurt will be changed to co-terminal operations via Amsterdam.

Continuous Execution

Refer to P7 for results on Air Transportation Segment

Additional revision of routes and frequency
(released on Aug. 7th)

- Int’l passenger
- Domestic passenger
- Int’l cargo

Use of provisionally-provided Haneda slots (one RT flight): Hiroshima ⇒ Fukuoka ⇒ Naha ⇒ Under consideration (Nov. ~)

Q1

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Further Revision of Routes & Flight Frequency (released on Aug. 7th)

Reduction in capacity due to additional flight suspension, reduction in flight frequency and aircraft downsizing

**Int’l passenger**

[ASK in FY2006=100]

- FY06: 100%
- FY07: 91.6%
- FY08: 80.4%
- FY09E: ~80%

**Domestic passenger**

[ASK in FY2006=100]

- FY06: 100%
- FY07: 96.6%
- FY08: ~90%
- FY09E: ~90%

**Int’l cargo**

[ATK* in FY2006=100]

- FY06: 100%
- FY07: 80%
- FY08: 70%
- FY09E: 70%

**Additional revision**

- [Released on Aug. 7th]
  
  **Int’l passenger**

  After Oct. Suspension: 2 routes Nagoya=Paris & Nagoya=Incheon
  
  Other than reducing frequency on Narita/Kansai/Nagoya=Guangzhou, we will reduce frequency on 5 routes continuing from the FH

  ASK 88.8% y/y

**Domestic passenger**

[Released on Aug. 7th]

- After Nov. Frequency reduction: 6 routes incl. Haneda=Naha

  ASK 96.6% y/y

**Int’l cargo**

[Released on Aug. 7th]

- After Oct. Change will be made to 3 routes in terms of the destination and intermediate points.

  ATK 80.5% y/y

On top of the above, further revisions are now being considered and will be announced in the next medium-term corporate plan.
Progress in additional aircraft downsizing（change in the number of seats provided per flight）

### Int’l passenger

- **FY06**
- **FY07**
- **FY08**
- **FY09E**

(Average number of seats per flight FY06 =100) 82.6%

### Domestic passenger

- **FY06**
- **FY07**
- **FY08**
- **FY09E**

(Average number of seats per flight FY06 =100) 95.1%

**Additional aircraft downsizing**

【Released on Aug. 7th】

After late Oct., further downsizing will be conducted on 12 routes, 13 flights including Narita= Denpasar.

(Total of 14 routes, 15 flights will be downsized, including previously announced Narita=Chicago/Los Angeles)

### Topics

The decommissioning of remaining 6 classic type of 747s was completed in July 2009.

On top of the above, further revisions are now being considered and will be announced in the next medium-term corporate plan.
Summary

【Outline of Q1】
Due to continuing downturns in the world economy and the spread of the H1N1 influenza, business and leisure passenger demand fell short of our forecast both on international and domestic operations after May, 2009.

【Countermeasures for Q2 and after】
In response to the fall in the demand, drastic revision of capacity was made on top of additional measures to maximize revenue and progress in cost reduction and cost structure reform.

【Next medium-term corporate plan】
In view of business risks including high volatility of air traffic demand and fluctuation in fuel price, our next medium-term corporate plan is aimed at establishing a business foundation which is not overly-dependent on recovery of demand, and has a reinforced risk resistance. For this end, appropriate measures to materialize the followings are under serious consideration.

- Rightsizing capacity to meet the demand and maximizing profitability through thorough cost reduction
- Fundamental reform of business foundation through enhancing “selection and centralization”

The next medium-term corporate plan is expected to be announced before the middle of FY2009.
International Passenger (Revenue & Demand Analysis)

Capacity/Demand/Yield/Revenue (y/y)

<Apr.—Jun.>
Load Factor: 60.2% (y/y ▲ 6.1pt)

Demand Analysis (y/y)

Load Factor: 60.2% (y/y ▲ 6.1pt)

---

capacity: ASK (Available Seat Kilometer)
Demand: RPK (Revenue Passenger Kilometer)
Yield: Revenue/RPK

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Demand and Capacity of international Passenger by Route

<Apr.—Jun.>

yr/yr (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>ASK</th>
<th>RPK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>16.2</td>
<td>-21.3</td>
</tr>
<tr>
<td>Hawaii</td>
<td>-1.3</td>
<td>-14.0</td>
</tr>
<tr>
<td>Europe</td>
<td>-5.1</td>
<td>-19.6</td>
</tr>
<tr>
<td>S.E Asia</td>
<td>-9.0</td>
<td>-17.3</td>
</tr>
<tr>
<td>Oceania</td>
<td>-39.9</td>
<td>-39.0</td>
</tr>
<tr>
<td>Guam</td>
<td>-0.7</td>
<td>-11.0</td>
</tr>
<tr>
<td>Korea</td>
<td>-0.9</td>
<td>-15.6</td>
</tr>
<tr>
<td>China</td>
<td>-12.2</td>
<td>-15.0</td>
</tr>
</tbody>
</table>

Capacity: ASK
Demand: RPK
Domestic Passenger (Revenue & Demand Analysis)

Capacity/Demand/Yield/Revenue (y/y)

Load Factor: 54.6% (y/y ▲ 6.0pt)

Demand Analysis (y/y)

Individual Passenger  Group Passenger

Capacity: ASK
Demand: RPK
Yield: Revenue/RPK
International Cargo (Revenue & Demand Analysis)

Capacity/Demand/Yield/Revenue (y/y)

<Apr.－Jun.>

<table>
<thead>
<tr>
<th>Region</th>
<th>ATK</th>
<th>RCTK</th>
<th>Yield</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific</td>
<td>-20.5%</td>
<td>-31.1%</td>
<td>-36.4%</td>
<td>-56.2%</td>
</tr>
<tr>
<td>Europe</td>
<td>-19%</td>
<td>-13%</td>
<td>-24%</td>
<td>-43%</td>
</tr>
<tr>
<td>China</td>
<td>-4%</td>
<td>-13%</td>
<td>-24%</td>
<td>-24%</td>
</tr>
<tr>
<td>S.E.Asia</td>
<td>-13%</td>
<td>-24%</td>
<td>-24%</td>
<td>S.E.Asia</td>
</tr>
<tr>
<td>Taiwan</td>
<td>-4%</td>
<td>-13%</td>
<td>-24%</td>
<td>-24%</td>
</tr>
</tbody>
</table>

Demand Analysis (loaded weight y/y)

-43% Pacific
-19% Europe
-13% China
-24% S.E.Asia

Forex Approx. -4.4%
Fuel surcharge Approx. -16.0%

Capacity: ATK (Available Cargo Ton Kilometer) Total cargo capacity of passenger flights’ belly spaces + cargo freighters
Demand: RCTK (Revenue Cargo Ton Kilometer) Yield: Revenue/RCTK

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