



JAL Group Account Settlement for 1st Quarter of FY2009



August 7th, 2009
Japan Airlines



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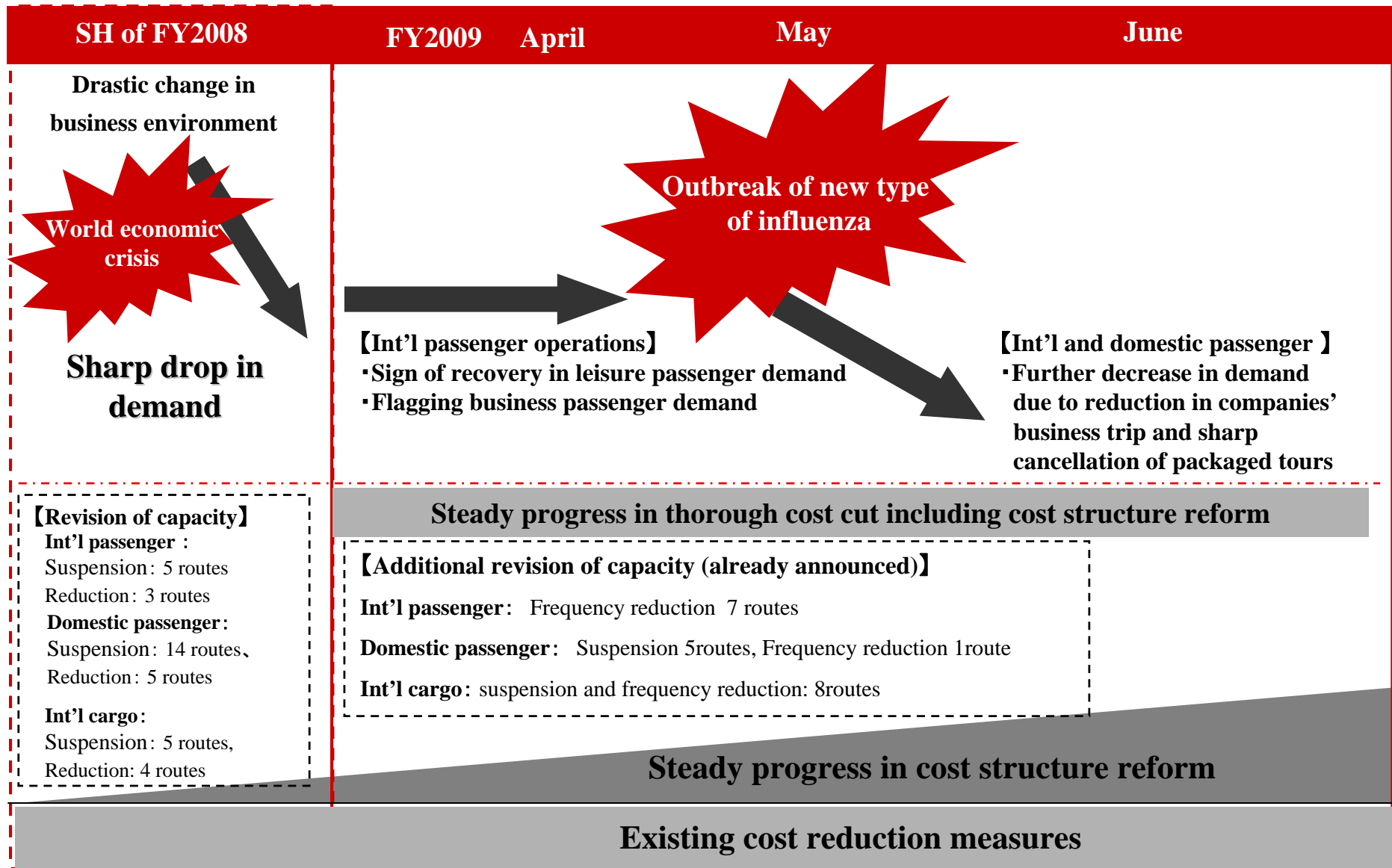
1. Outline of Account Settlement for FY2009 Q1

2. Current Demand Trend and Countermeasures

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Overview of FY2009 1st Quarter





Outline of the Consolidated Financial Statements



(Billions of Yen)

	FY08 Apr.-Jun.	FY09 Apr.-Jun.	yr-yr	yr/yr
Operating Revenue	490.3	334.8	-155.4	68.3%
(Operating Cost)	486.4	421.0	-65.4	86.6%
Operating Income	3.9	-86.1	-90.0	-
Ordinary Income	0.7	-93.9	-94.7	-
Net Income	-3.4	-99.0	-95.6	-



Operating Revenue and Income by Segment



(Billions of Yen)

	Operating Revenue			Operating Income	
	FY09 Apr.-Jun.	yr-yr	yr/yr	FY09 Apr.-Jun.	yr-yr
Air Transportation	290.9	-137.2	68%	-84.2	-87.6
Airline-related	48.1	-4.5	91%	-0.8	-1.2
Travel Service	55.8	-23.9	70%	-1.9	-0.5
Card • Lease	15.9	-1.6	91%	1.3	-0.2
Other	18.7	-1.7	91%	-0.0	-0.2
Total	429.5	-169.1	72%	-85.8	-89.8
General corporate assets and intercompany eliminations	-94.6	13.7	87%	-0.2	-0.1
Consolidated	334.8	-155.4	68%	-86.1	-90.0



Operating Income of Air Transportation Segment



(Billions of Yen)

	FY08 Apr.-Jun.	FY09 Apr.-Jun.	yr-yr	yr/yr
Operating Revenue	428.1	290.9	-137.2	68.0%
International Passenger	180.4	97.3	-83.1	53.9%
Domestic Passenger	153.7	131.1	-22.5	85.3%
International Cargo	45.4	19.9	-25.5	43.8%
Domestic Cargo	8.2	7.5	-0.7	90.7%
Mail*	3.6	2.8	-0.7	78.3%
Other	16.5	15.4	-1.1	93.3%
Incidental Business	20.0	16.7	-3.3	83.5%
Operating Cost	424.8	375.2	-49.5	88.3%
Fuel	101.1	90.5	-10.6	89.5%
Airport facilities	30.9	28.6	-2.2	92.7%
Maintenance	30.1	27.6	-2.5	91.6%
Passenger services	11.3	8.8	-2.4	78.5%
Commissions	24.9	13.6	-11.3	54.5%
Aircraft Depreciation	18.4	19.1	0.6	103.5%
Aircraft leases	26.7	23.5	-3.1	88.2%
Personnel	71.5	66.3	-5.1	92.7%
General Expenses	50.8	47.5	-3.2	93.5%
Other	58.5	49.1	-9.3	84.0%
Operating Income	3.3	-84.2	-87.6	-

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.

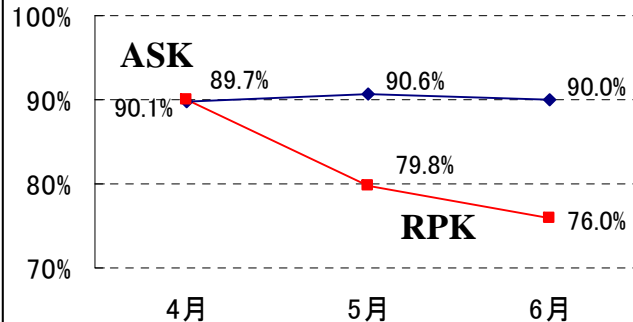
* Total of International and domestic mail



Recent Demand and Capacity Trend



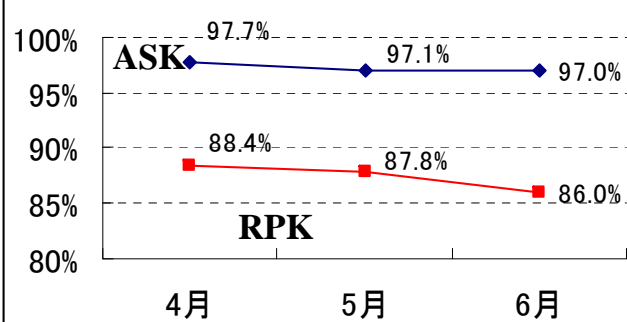
Int'l Passenger



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.

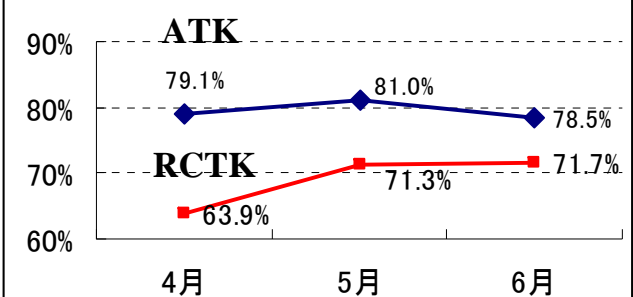
Domestic Passenger



Analysis

- ◆ Capacity has been below the previous year level since April.
- ◆ Due to the economic downturns, demand has been far below the previous year level. In particular, after May, cancellation of group tours including school excursions and reduction in business passenger demand became much clearer.
- ◆ By demand type, both individual and group passenger demand has been weaker than the previous year's level.

Int'l Cargo



Analysis

- ◆ Capacity has been below the previous year level since April.
- ◆ Demand continued to be below the previous year's level on all the routes, but the extent of year-on-year fall in demand was shrinking.
- ◆ Signs of recovery were seen mainly on China and Taiwan routes.

*ATK: Freighters + belly spaced of Passenger aircraft



Fuel & FOREX (Air Transportation Segment)



Average market price*

FY08 Apr.-Jun.	FY09 Apr.-Jun.
\$141.2/bbl	\$58.8/bbl

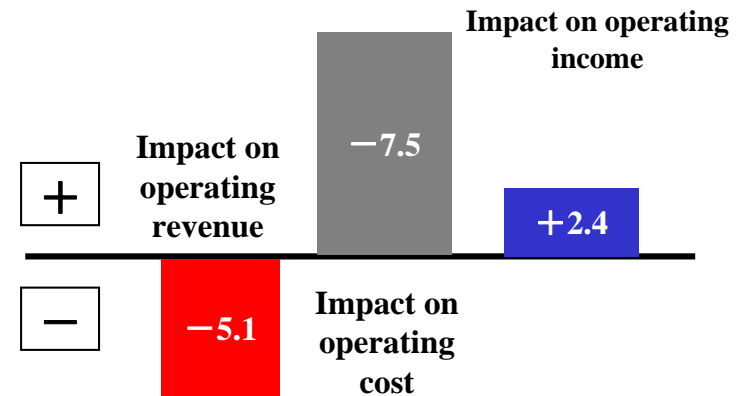
Fuel Hedging Ratio

FY09(Apr.-Jun.)	FY09	FY10	FY11
83%	78%	44%	12%

*Average price of Singapore Kerosene \$/bbl

Impact of FOREX on operating income (y/y)

(Billions of Yen)



<Average Forex Rate**>

	FY08(Apr.-Jun.)	FY09(Apr.-Jun.)
USD	¥102.0	¥97.1
EUR	¥159.7	¥129.7

<Forex Hedging Ratio >

FY09: approx. 80 %

**Based on the average company exchange rate



1. Outline of Account Settlement for FY2009 Q1

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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

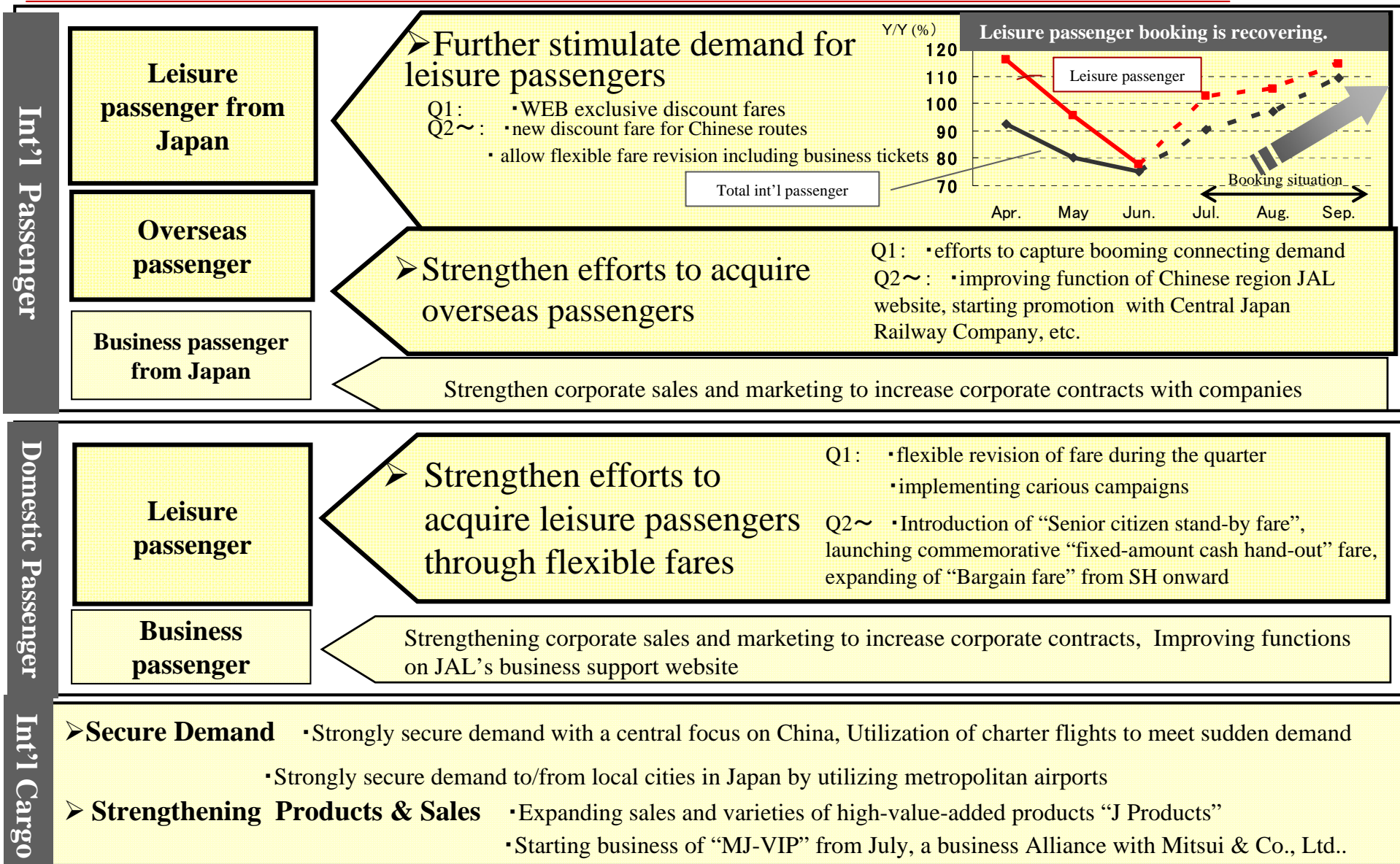
- **Leisure passenger demand shows signs of recovery in line with calming of the H1N1 flu.**
~ Supported by the termination of fuel surcharge (Jul.-Sept.) and strong yen
- **Business passenger demand is still lingering at low levels due to continuing economic slump.**

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)





Countermeasures (Cost Reduction & Revision of Routes and Flight Frequency)



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

Continuous Execution

Refer to P7 for results on Air Transportation Segment

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-Aug30

Almost all freighters flying via London and Amsterdam have been suspended. Freighter operations for Frankfurt will be changed to co-terminal operations via Amsterdam.



Int'l passenger: Frequency reduction on 7 routes incl. Narita=Beijing and Kansai=Shanghai

Int'l passenger : Frequency reduction on Narita=Delhi

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

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

Int'l passenger

Domestic passenger

Int'l cargo

Q1

Q2

Q3 and onward



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

Int'l passenger	Domestic passenger	Int'l cargo																														
<p>【ASK in FY2006=100】</p> <table border="1"> <caption>Int'l passenger ASK (FY2006=100)</caption> <tr><th>Fiscal Year</th><th>ASK (%)</th></tr> <tr><td>FY06</td><td>100</td></tr> <tr><td>FY07</td><td>~95</td></tr> <tr><td>FY08</td><td>~91</td></tr> <tr><td>FY09E</td><td>80.4</td></tr> </table>	Fiscal Year	ASK (%)	FY06	100	FY07	~95	FY08	~91	FY09E	80.4	<p>【ASK in FY2006=100】</p> <table border="1"> <caption>Domestic passenger ASK (FY2006=100)</caption> <tr><th>Fiscal Year</th><th>ASK (%)</th></tr> <tr><td>FY06</td><td>100</td></tr> <tr><td>FY07</td><td>~97</td></tr> <tr><td>FY08</td><td>~95</td></tr> <tr><td>FY09E</td><td>91.6</td></tr> </table>	Fiscal Year	ASK (%)	FY06	100	FY07	~97	FY08	~95	FY09E	91.6	<p>【ATK* in FY2006= 100】</p> <table border="1"> <caption>Int'l cargo ATK (FY2006=100)</caption> <tr><th>Fiscal Year</th><th>ATK (%)</th></tr> <tr><td>FY06</td><td>100</td></tr> <tr><td>FY07</td><td>~95</td></tr> <tr><td>FY08</td><td>~88</td></tr> <tr><td>FY09E</td><td>70.3</td></tr> </table>	Fiscal Year	ATK (%)	FY06	100	FY07	~95	FY08	~88	FY09E	70.3
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<p><u>Additional revision</u> 【Released on Aug. 7th】 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</p> <p style="text-align: center; border: 1px solid black; padding: 5px;">ASK 88.8% y/y</p>	<p><u>Additional revision</u> 【Released on Aug. 7th】 After Nov. Frequency reduction : 6 routes incl. Haneda=Naha</p> <p style="text-align: center; border: 1px solid black; padding: 5px;">ASK 96.6% y/y</p>	<p><u>Additional revision</u> 【Released on Aug. 7th】 After Oct. Change will be made to 3 routes in terms of the destination and intermediate points.</p> <p style="text-align: center; border: 1px solid black; padding: 5px;">ATK 80.5% y/y</p>																														

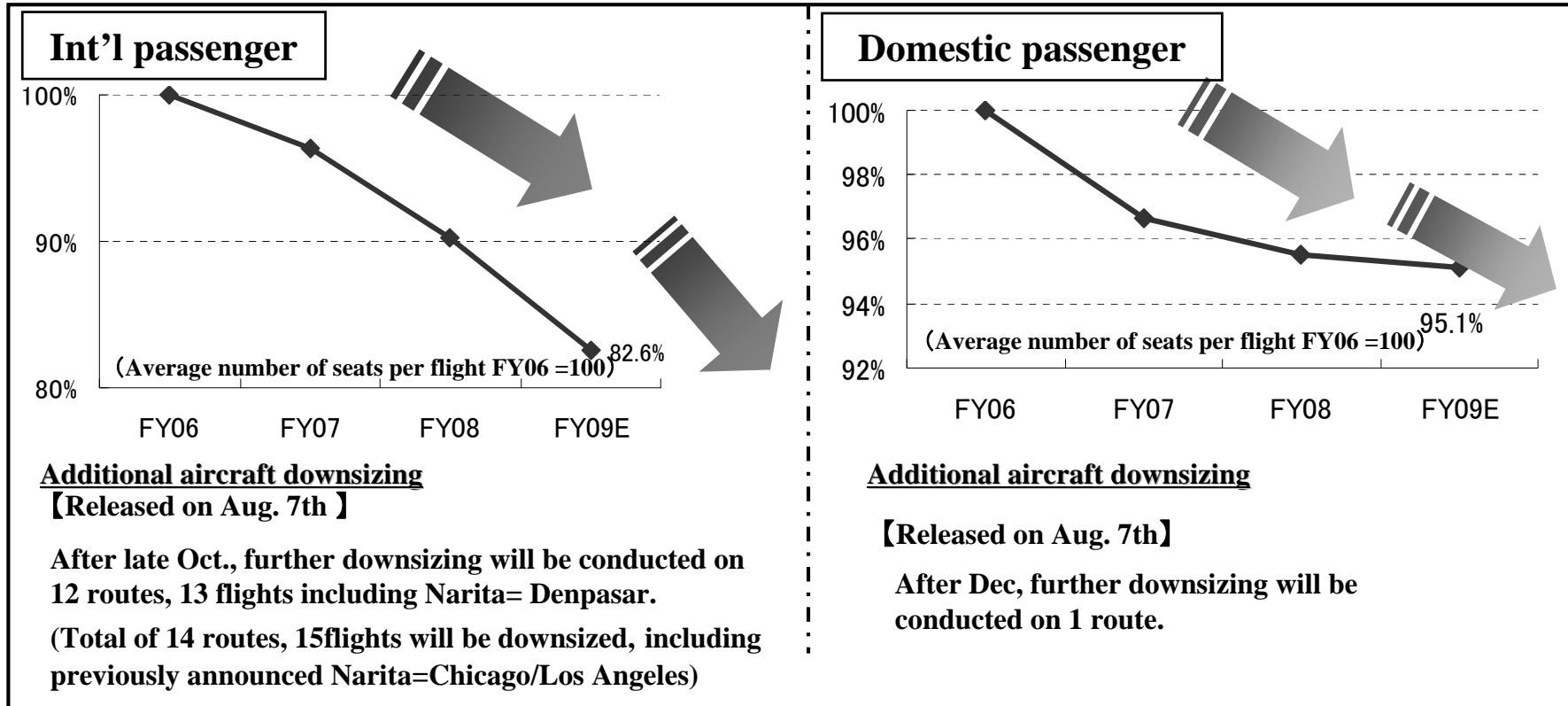
On top of the above, further revisions are now being considered and will be announced in the next medium-term corporate plan.



Acceleration of Aircraft Downsizing (released on Aug. 7th)



Progress in additional aircraft downsizing (change in the number of seats provided per flight)



<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.



【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.



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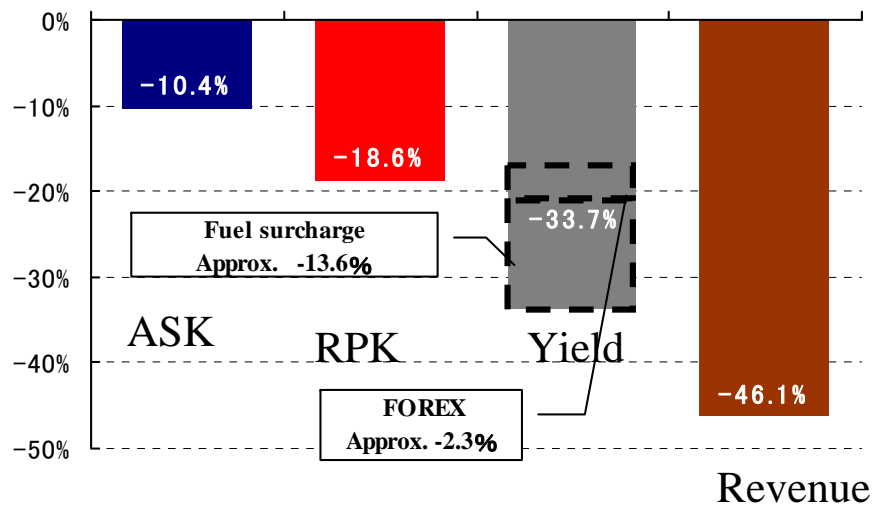
International Passenger (Revenue & Demand Analysis)



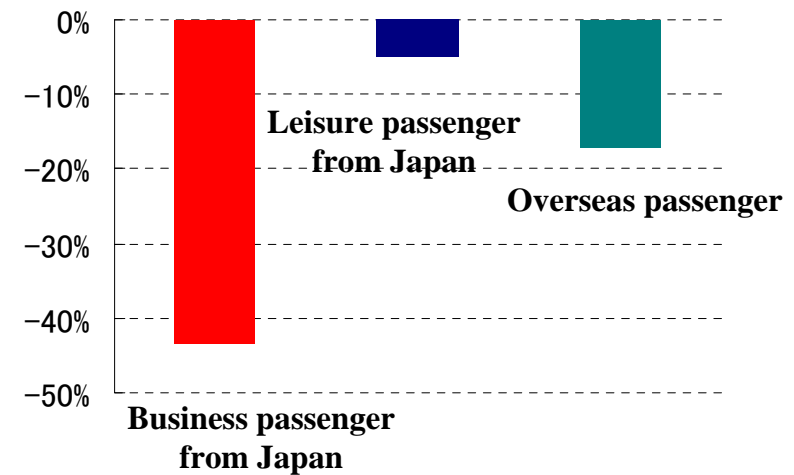
Capacity/Demand/Yield/Revenue (y/y)

<Apr. - Jun.>

Load Factor: 60.2% (y/y ▲6.1pt)



Demand Analysis (y/y)



capacity :ASK (Available Seat Kilometer)

Demand :RPK (Revenue Passenger Kilometer)

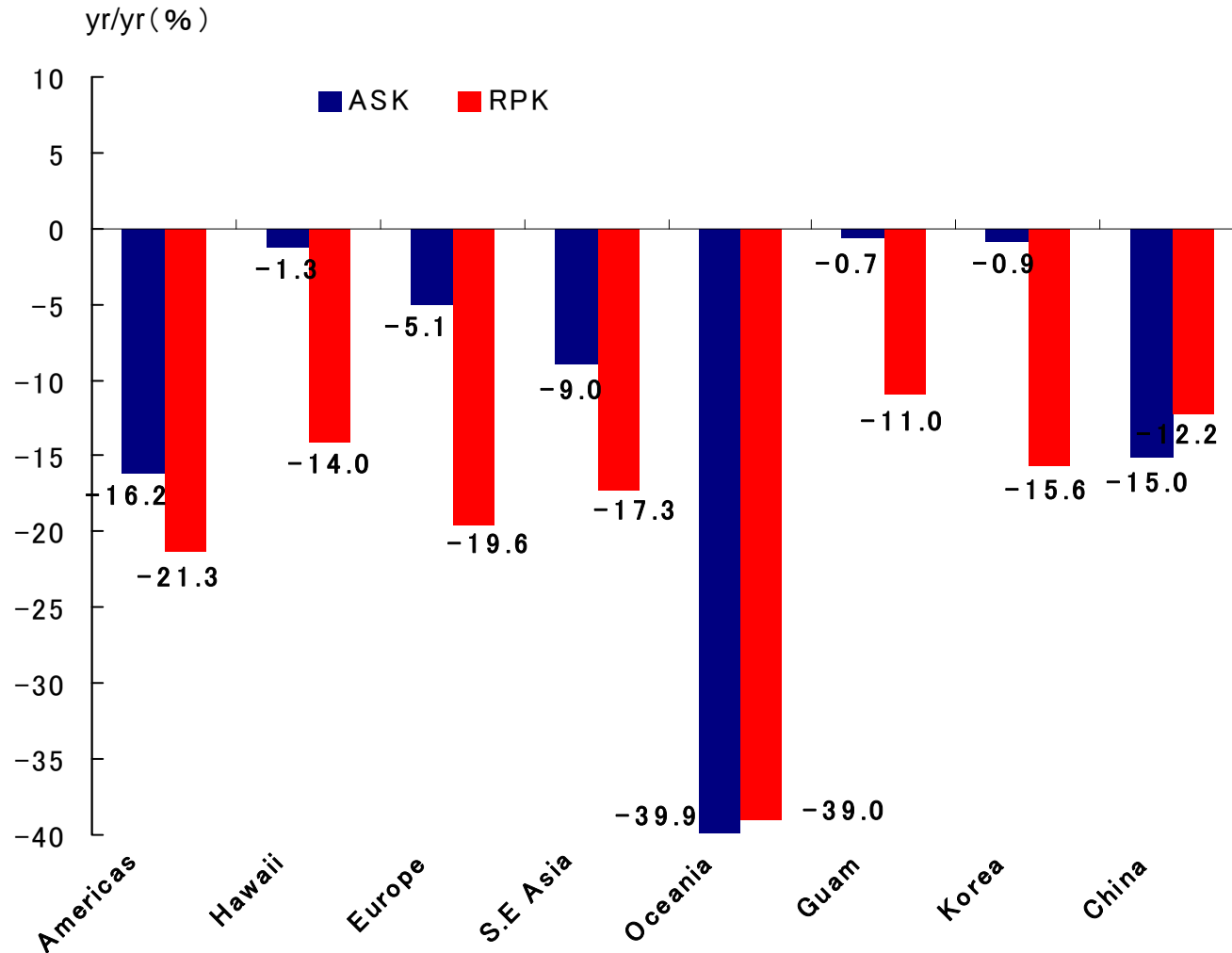
Yield : Revenue/RPK



Demand and Capacity of international Passenger by Route



<Apr. - Jun.>



Capacity : ASK

Demand : RPK



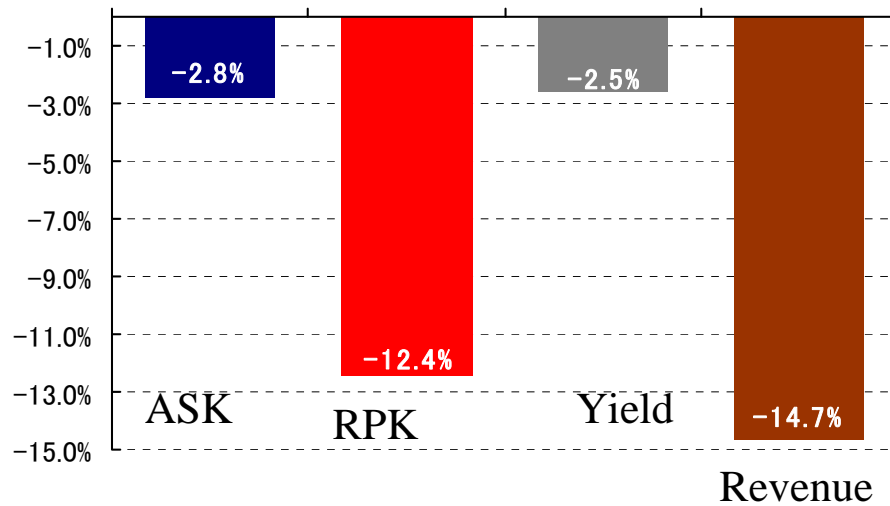
Domestic Passenger (Revenue & Demand Analysis)



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

<Apr. – Jun.>

Load Factor: 54.6% (y/y ▲6.0pt)

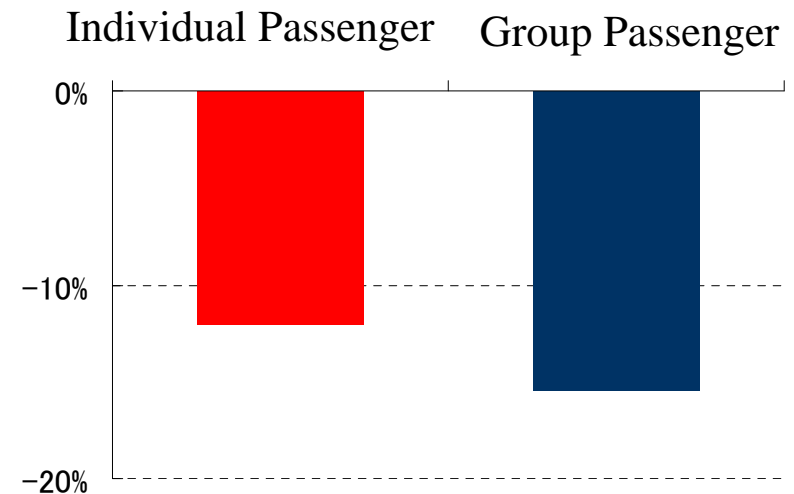


Capacity : ASK

Demand : RPK

Yield : Revenue/RPK

Demand Analysis (y/y)



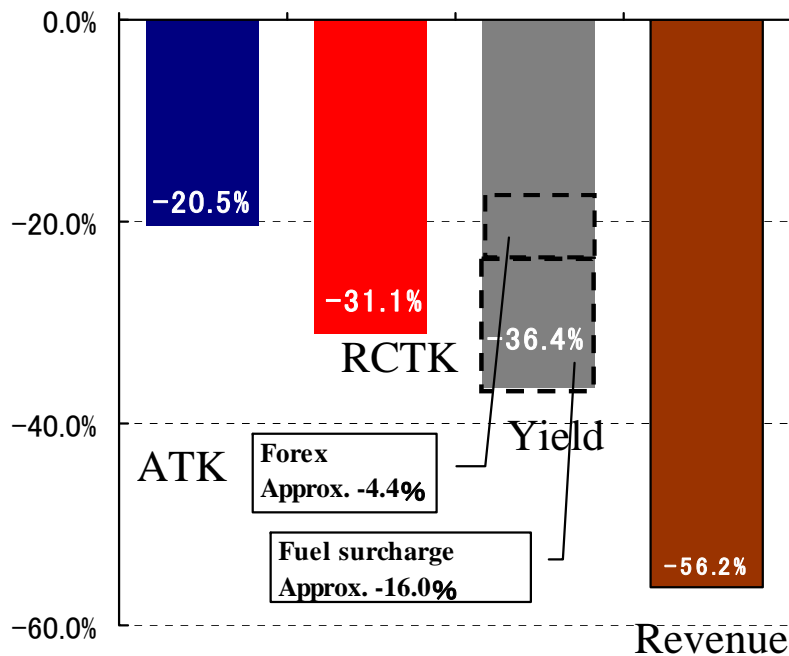


International Cargo (Revenue & Demand Analysis)

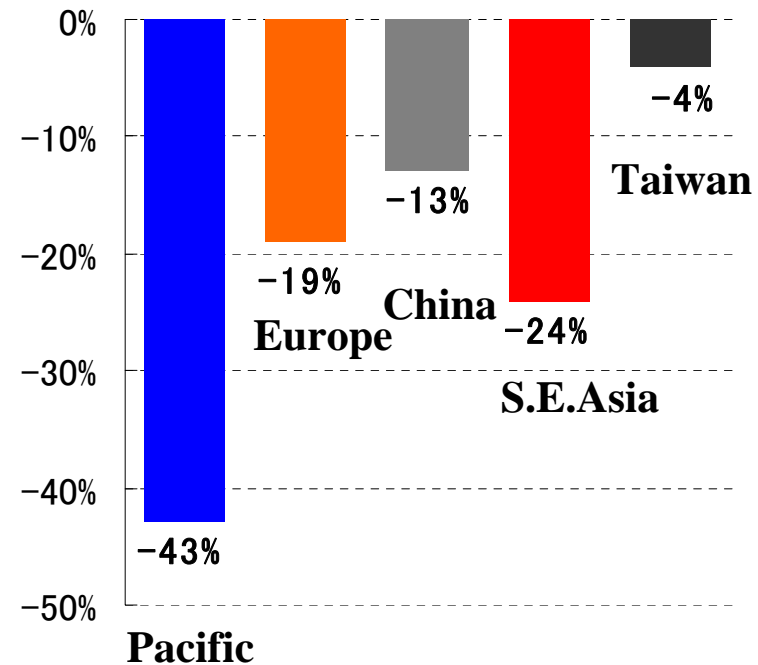


Capacity/Demand/Yield/Revenue (y/y)

<Apr. - Jun.>



Demand Analysis (loaded weight y/y)



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



Japan Airlines Corporation