



**JAL Group Account Settlement
for 1st Quarter of FY2009**



**August 7th, 2009
Japan Airlines**



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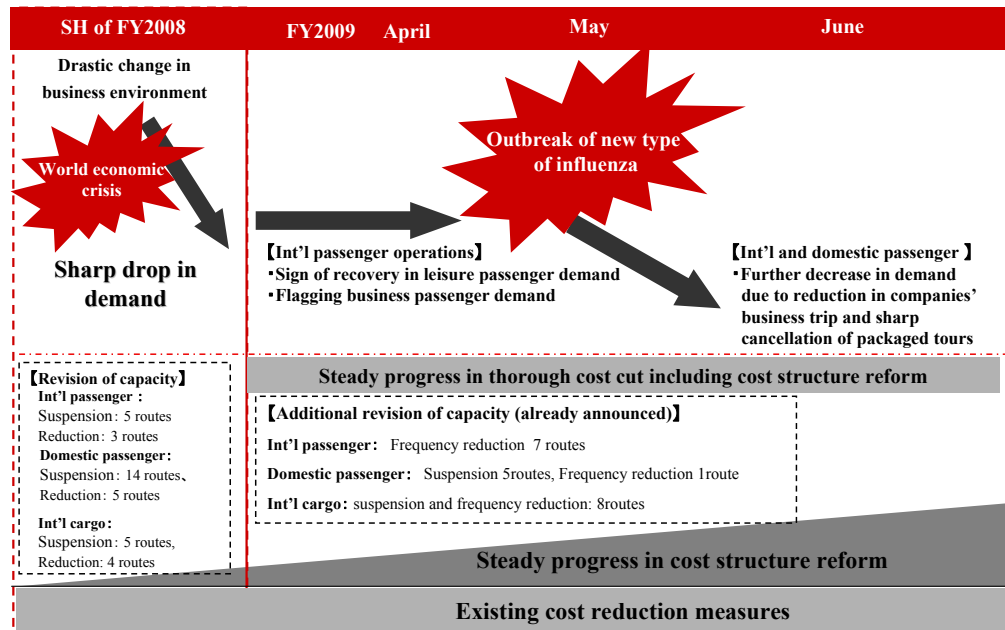


1. Outline of Account Settlement for FY2009 Q1

2. Current Demand Trend and Countermeasures

3. Appendices

First of all, I would like to explain the results for the 1st quarter of FY2009.



□ Before looking at the figures of Q1, I will briefly explain the overall business environment in which we were operating in.

□ Since the start of the financial crisis last autumn, there was a sharp drop in both passenger and cargo demand due to the deteriorating global economic situation.

□ Although business passenger demand was continuously sluggish in April, leisure passenger demand gradually showed signs of recovery supported by the sharp decrease of fuel surcharge and the appreciation of yen.

□ However, after the outbreak of the new type of influenza in May, business passenger demand further decreased due to reduction in companies' business trips. Furthermore, leisure passenger demand suffered a downturn once again due to cancellations of package tours including school excursions.

□ Meanwhile, JAL had been doing its utmost to enhance profitability by such means as route revisions, downsizing the aircraft, and cost cutting of various kinds including the implementation of cost structure reform. Nevertheless, these efforts could not offset the drastic reduction in revenue due to sharp drop in demand, resulting in the first quarter performance considerably weakened as I will explain from the next slide.



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	-

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Firstly, I will explain the outline of the consolidated financial statements.

Operating Revenue:

Due to the unprecedented downturn in the economy and the outbreak of the H1N1 influenza, the revenue of domestic passenger, int'l cargo, and especially int'l passenger, sharply decreased. As a result, revenue went down by ¥155.4bn year on year.

Operating Cost:

Due to continuing & deepening our existing "nothing off-limits" cost-cutting measures as well as steadily implementing our cost structure reform, operating cost decreased by ¥65.4 bn year on year.

Operating Income/Loss:

As a result, operating income/loss deteriorated by ¥90.0 bn to register an operating loss of ¥86.1 bn.

Non-operating Income/Loss:

Due mainly to the expansion of foreign currency exchange loss resulting from the appreciation of the yen, non-operating income/loss deteriorated by ¥4.6 bn year on year.

Ordinary Income/Loss : As a result, ordinary income/loss decreased by ¥94.7 bn to register an ordinary loss of ¥93.9 bn.

Extraordinary Gain/Loss:

Due to non-recurring depreciation of aircraft, etc, extraordinary gain/loss deteriorated by ¥1.8 bn year on year.

Net Income/Loss:

As a consequence, net income/loss decreased by ¥95.6 bn to register a net loss of ¥99.0 bn.



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

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Next, I will explain the results by segment.

Air Transportation:

Although we have carried out a wide-range of cost-cutting measures to a large extent, revenue from int'l passenger, domestic passenger, and int'l cargo operations dropped drastically. As a result, operating revenue decreased by ¥137.2 bn to ¥290.9 bn and operating income/loss deteriorated by ¥87.6 bn to register an operating loss of ¥84.2 bn.

Airline-related:

Due mainly to stagnant aviation passenger demand, airline-related businesses such as in-flight catering declined in both revenue & profit year on year.

Travel Services:

Passenger demand of both JALPAK & JAL Tours declined from the downturns of the economy and the outbreak of the new type of influenza. As a result, Travel services segment declined in both revenue & profit year on year.

Credit Card & Leasing Services:

Although the numbers of JALCARD holders increased steadily, accounting for JAL Mileage Bank was transferred from this segment to the Airline-related segment and as a result both revenue & profit for this segment declined.

Other businesses:

AXESS International network suffered a particularly severe decline in income from airline reservation charges. Also JAL Hotels was impacted by factors such as sluggish demand for accommodation and entertainment as a result of weak economic conditions. Consequently, both revenue & profit declined.



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	-

* Total of International and domestic mail

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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.

□Next, I will delve into more detail about the results of the Air Transportation segment - our core business.

□Operating Revenue:

Due to the downturns of economy and the outbreak of the new type of influenza, demand fell, pulling revenue from all three main businesses down from a year earlier. As a result overall revenue dropped significantly by ¥137.2 bn year on year.

◎Int'l Passenger: Demand (RPK) decreased by 18.6%, Yield decreased by 33.7%, Revenue sharply decreased by ¥83.1 bn from the previous year. (Compared to the plan: Although the number of passengers was in-line with our plan, yield dropped lower than forecast due to change in passenger class mix in view of decreasing business passenger demand.)

◎Domestic Passenger: Demand (RPK) decreased by 12.4%, Yield decreased by 2.5%, Revenue decreased by ¥22.5 bn from the previous year. (Compared to the plan: Slight decline than forecasted in both number of passenger and yield)

◎Int'l Cargo: Demand (RCTK) decreased by 31.1%, Yield decreased by 36.4%, Revenue decreased by ¥25.5 bn from the previous year. (Compared to the plan: Demand was above our forecast but yield declined due to the worsening market condition)

□Operating Cost:

Almost all of the cost categories in particular, the ones listed below showed drastic reduction. Operating cost decreased by ¥49.5 bn year on year.

◎Fuel cost: Although effect of drop in fuel price was limited due to fuel hedging, fuel cost decreased by ¥10.6 bn year on year due to efforts to reduce fuel consumption and the appreciation of yen

◎Sales commissions: Due to abolition of sales commissions for int'l flights from Japan and the decrease in demand, sales commissions dropped by ¥11.3 bn.

◎Personnel cost: Due to reduction in employee numbers resulting from productivity improvement and revision of JAL International wage system, personnel cost dropped by ¥5.1 bn.

◎General Expenses & Other cost: Due to "nothing off-limits" cost-cutting measures, general expenses and other cost dropped by ¥12.3 bn.

□Operating Income/Loss:

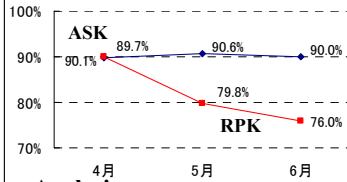
As a consequence, operating income/loss decreased by ¥87.6 bn to register a operating loss of ¥84.2 bn.



Recent Demand and Capacity Trend



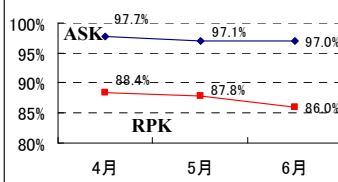
Int'l Passenger



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.

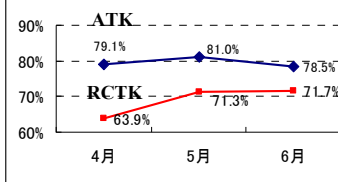
Domestic Passenger



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

□ In this slide I will explain the Q1 trend of demand and capacity of int'l passenger, domestic passenger, and int'l cargo.

Please refer to the "Analysis" part of this slide.



Fuel & FOREX (Air Transportation Segment)



Average market price*

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

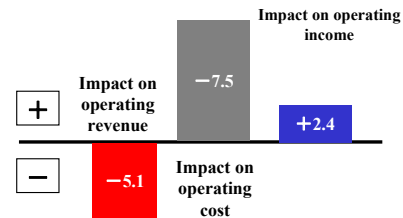
Fuel Hedging Ratio

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

- In this slide I will explain the hedging ratio of fuel & FOREX and the impact of FOREX on operating income.
- Fuel hedging ratio
 - ⊙ At this point, the hedging ratio of fuel is FY09: 78%, FY10: 44%, FY11: 12%.
- The impact of FOREX on operating income
 - ⊙ JAL purchases aviation fuel, and other supplies in foreign currency, and as a result, expenses in foreign currency exceed revenue in foreign currency. Therefore basically, a strong yen has positive impact on operating income.
 - ⊙ For this quarter, the average US dollar rate was ¥97.1 and was approximately 5 yen higher than that of the previous year.
 - ⊙ Consequently, the impact of FOREX on operating income was minus ¥5.1 bn on the revenue side, and minus ¥7.5 bn on the cost side. As a net effect, there was a positive impact of approximately ¥2.4 bn. (when foreign currency is not hedged)



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2. Current Demand Trend and Countermeasures

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Next, I will explain the current demand trend and the countermeasures which we have already started and additional countermeasures which we will promptly implement hereafter.



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.**

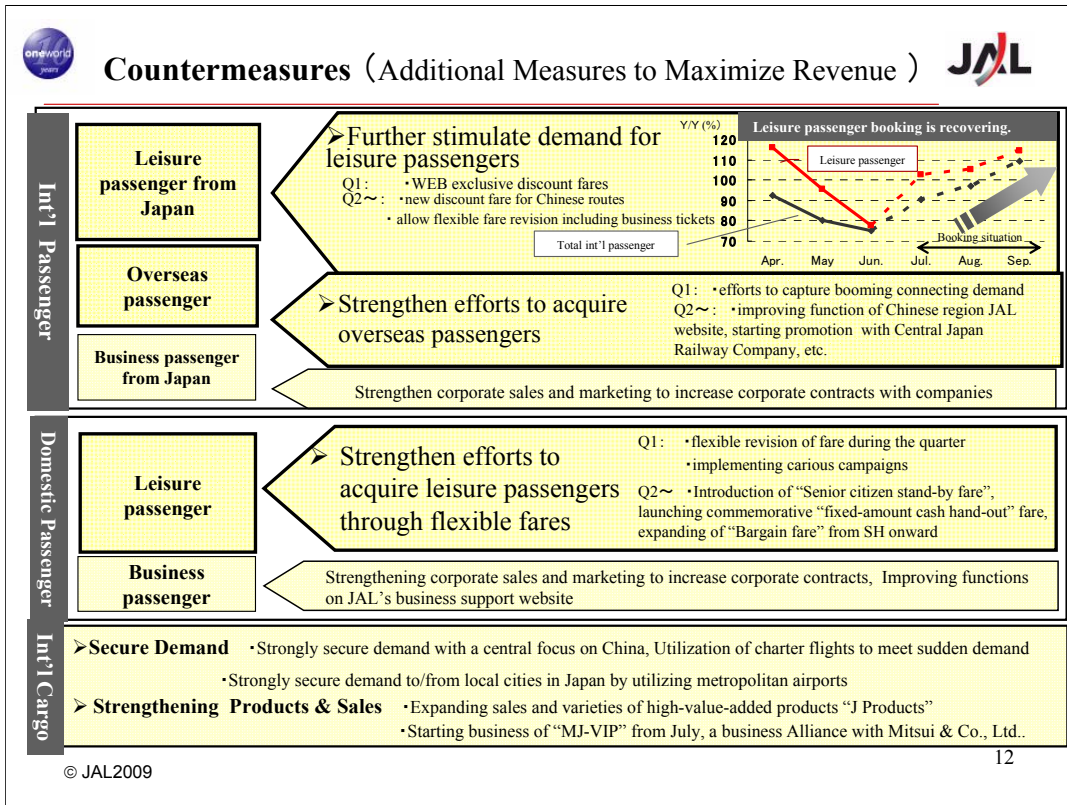
Countermeasures

- ✓ Additional measures to maximize revenue
- ✓ Further revision of routes and flight frequency
- ✓ Steady progress in cost reduction
- ✓ Acceleration of aircraft downsizing

□ Firstly, when we look at the current demand trend, the reduction in business trips is continuing from the first quarter due to the economic downturn and as a result business passenger demand is far below the previous year's level.

□ On the other hand, with the calming of H1N1 flu fears and the termination of fuel surcharge from Jul. to Sept., leisure passenger demand is showing signs of recovery. Especially, the booking of int'l flights in Sept., supported by the 5-day weekend "Silver week", is exceeding the level of the previous year. (Refer to the next slide)

In response to the drop in demand that has fallen beyond our forecast, JAL is planning and implementing additional measures to maximize revenue, and cut costs where nothing is "off-limits", and also further revising routes and flight frequency and accelerating the downsizing of our fleet.



□ In this slide I will explain the additional measures to maximize revenue in response to the current drop in demand.

□ For int'l passenger, especially, we are further stimulating leisure passenger demand that is showing signs of recovery. Also, to compensate for the decline in demand originating from Japan, we are strengthening efforts to acquire overseas passengers. Furthermore, we are strengthening corporate sales and marketing to acquire more business passengers.

By implementing these additional measures, current bookings by leisure passengers is showing a recovery, exceeding the previous year level.

□ As for domestic passenger, we are strengthening efforts to acquire leisure passengers through offering flexible fares. Also, we will be improving the functions of the JAL website with the aim of capturing more business travelers who value convenience and speed.

□ As for int'l cargo, we will strongly secure demand with a central focus on China routes. Also, we will be strengthening sales and expand our offerings to customers through a wide variety of high-value-added products "JPRODUCTS".

From July, we have started "MJ-VIP", a business alliance with Mitsui & Co., Ltd.



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

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We are implementing thorough cost-cutting measures considering “nothing off-limits”.

Our largest cost category is fuel cost. Due to the switch to highly fuel-efficient aircraft, increasing the frequency of aircraft engine cleaning, reducing the weight of tableware and galley equipment and of cargo containers, and actively introducing new aircraft operating methods, fuel cost decreased significantly more than we expected.

Furthermore, with regards to personnel cost, due to improvement of personnel productivity and the implementation of the temporary leave scheme, cost reduction in this category exceeded our forecast. We were also able to reduce costs substantially and beyond our forecast, particularly in areas such as sales promotion cost, etc.

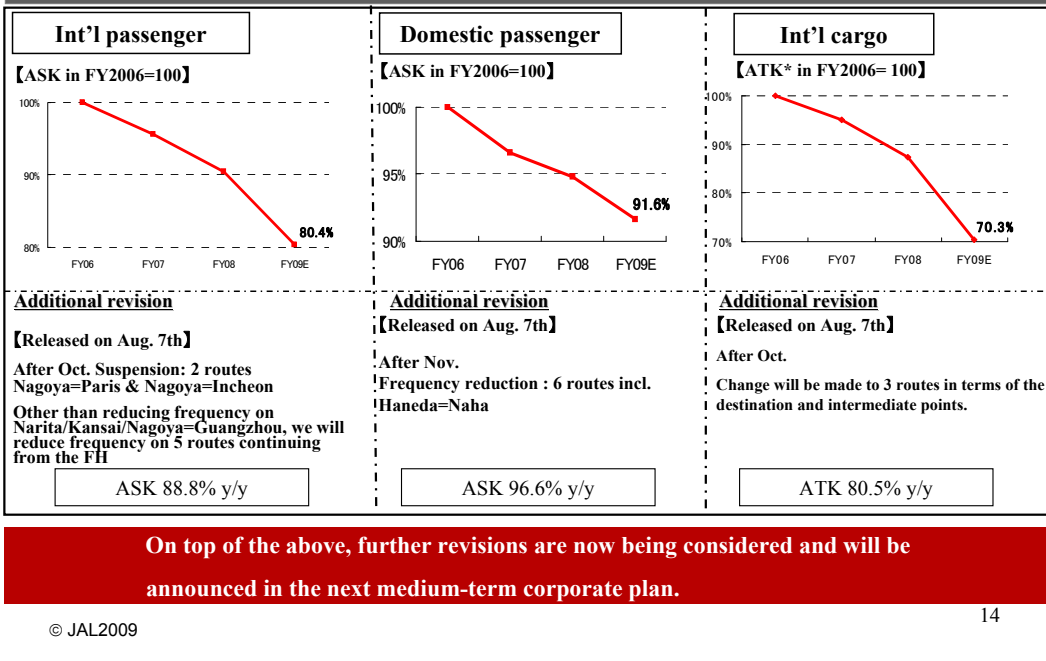
Also, due to revision of capacity and decrease in revenue, airport facilities charge, passenger services cost, sales commissions, expenses decreased beyond our forecast.

We will continue to put in all our efforts to reduce cost.

Moreover, to respond to the sharp drop in demand, we are implementing additional revision of capacity even during the current period. On top of the planned revision in capacity, we have effectively utilized the provisionally- provided Haneda slots from May, and decreased flight frequency on Narita=Delhi routes from June, and in July we have decreased flight frequency on 7 routes including Narita=Beijing, Kansai=Shanghai with the utilization of the “Use it or Lose it” rule waiver.



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



In addition to the revision in capacity conducted in the months from Apr. to Jun., further revision of the routes and frequency, and acceleration of aircraft downsizing was announced on Aug. 7th.

◎ Int'l passenger

Flight suspension: After Oct. Chubu= Paris and Chubu =Incheon

Frequency reduction: Narita/ Kansai/ Chubu = Guangzhou, and continuing from the FH, frequency on 5 routes will be kept reduced.

◎ Domestic passenger

Frequency reduction: After Nov. 6 routes including Haneda = Naha

◎ Int'l cargo

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

As a result, the scale of the capacity during FY2009 will be significantly reduced in all international operations, domestic operations and international cargo operations.

◎ International operations 80.4%

◎ Domestic operations 91.6%

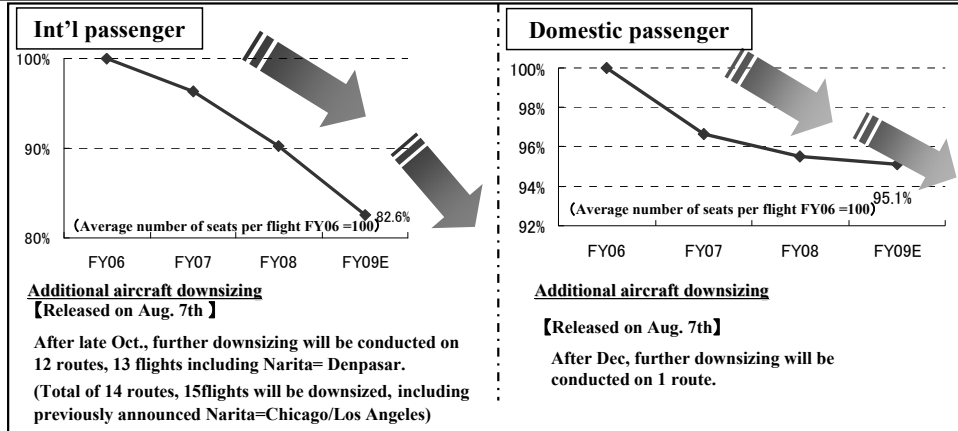
◎ international cargo 70.3%

(In case of the scale of the capacity of FY2006=100)

Another revision is now under consideration and it is planned to be announced in the next medium-term corporate plan.



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.

With regards to aircraft downsizing that was mentioned before, we have the following plans.

◎ International passenger

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

◎ Domestic passenger

After December, further downsizing will be conducted on additional one route.

The average number of seat per flight will be drastically reduced through such aircraft downsizing.

Compared to FY2006, FY2009 capacity will be as follows:

◎ International passenger 82.6%

◎ Domestic passenger 95.1%

On top of the above, further downsizing is being considered and planned to 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.

This is a summary.

During the first quarter, due to the unrelenting economic slump and more-than –expected significant impact of the H1N1 influenza, both business and leisure passenger demand could not reach our initial forecast.

For the second quarter and beyond, in quick response to such a fall in demand, we aim to improve profitability to a greater extent through additional measures to maximize revenue, thorough cost cuts in every sphere and drastic reduction of capacity by way of further revision of routes and flight frequency and acceleration of aircraft downsizing.

Furthermore, we plan to complete and announce a next medium-term corporate plan by the middle of this fiscal year.

In this medium-term plan, we will steadily conduct necessary measures related to the cost structure reform and the revision of pension system. At the same time, we will establish a business foundation that is not overly-dependent on recovery in demand and has a strong risk resistance.

To materialize these targets, we will accelerate further revision of unprofitable routes, rightsizing our business scale and conduct drastic cost cuts focusing on reduction in fixed costs.



1. Outline of Account Settlement for FY2009 Q1

2. Current Demand Trend and Countermeasures

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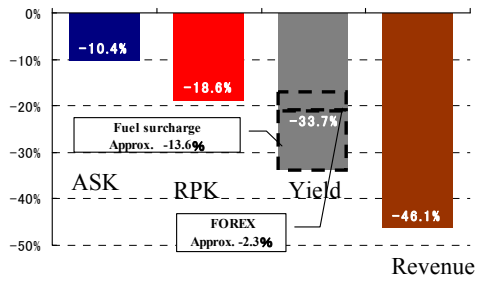
International Passenger (Revenue & Demand Analysis)



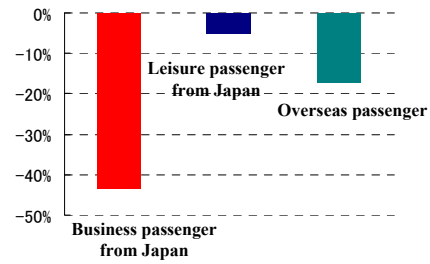
Capacity/Demand/Yield/Revenue (y/y)

<Apr.—Jun.>

Load Factor: 60.2% (y/y ▲6.1pt)



Demand Analysis (y/y)



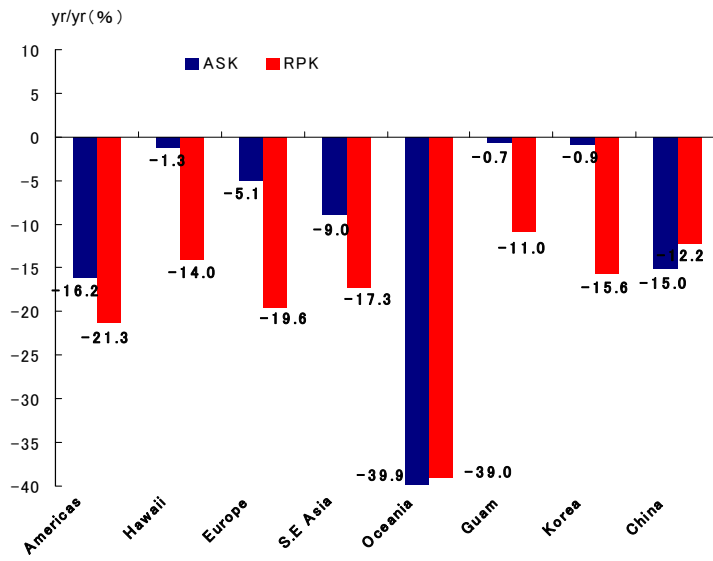
capacity : ASK (Available Seat Kilometer)
 Demand : RPK (Revenue Passenger Kilometer)
 Yield : Revenue / RPK



Demand and Capacity of international Passenger by Route



<Apr. - Jun.>



Capacity:ASK
Demand:RPK



Domestic Passenger (Revenue & Demand Analysis)

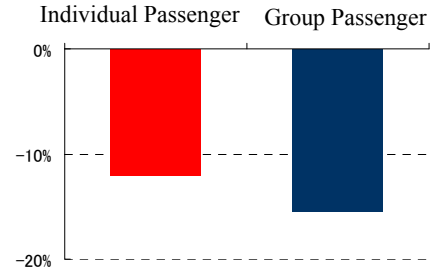
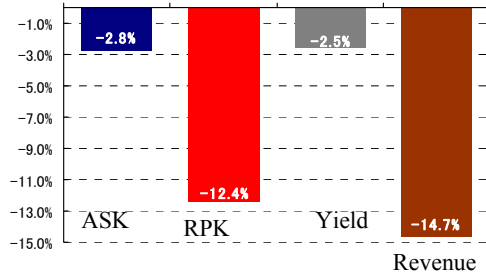


Capacity/Demand/Yield/Revenue (y/y)

Demand Analysis (y/y)

<Apr. - Jun.>

Load Factor: 54.6% (y/y ▲6.0pt)

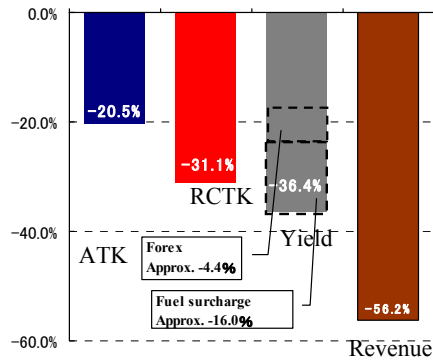


Capacity : ASK
Demand : RPK
Yield : Revenue/RPK

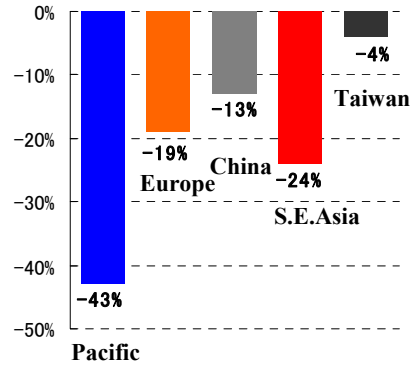


Capacity/Demand/Yield/Revenue (y/y)

<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