Summary on the Q&A Session at the JAL Group Account Settlement Briefing
(For the 1st quarter of FY2009)

Date & Time: August 7, 2009 16:30-17:30
Venue: Keidanren-kaikan, Tokyo

The following dialogue is a summary of the Q&A session at the FY2009 1st quarter JAL Group Account Settlement briefing held on August 7th, 2009 in Tokyo.

Q1. Please describe to what extent the outbreak of the swine flu in mid-May impacted your business for the 1st quarter.

A1. We estimate that the flu outbreak resulted in an approximate ¥20 billion decline in revenue from international and domestic passenger operations combined.

Q2. You forecast that the decline in revenue for international and domestic passenger operations combined for the 2nd quarter will be on a par with that of the 1st quarter. Does this forecast reflect the current situation of passenger bookings between July and September and the passenger yield trend? It looks rather conservative taking into consideration the current booking trend.

A2. Our forecast of revenue for the 2nd quarter is based on the recent trends in demand and passenger yield. We do not believe it is too conservative to expect a fall in revenue for international and domestic passenger operations for the 2nd quarter will be almost the same as that of the 1st quarter, taking into account the fact that the impact of the H1N1 influenza began to grow after late May and remained until the early part of the 2nd quarter.

Q3. Would you explain your forecast for operating income for FY2009, considering a bigger –than–expected decline in revenue for the 1st quarter mainly resulting from the impact of the swine flu epidemic, the latest trends in demand, and progress in cost-cutting in the 1st quarter?

A3. We expect the gap between forecast revenue and actual results for international and domestic passenger operations for the 2nd quarter to be on a par with the difference seen in the 1st quarter, as mentioned above, while international cargo operations should show a modest recovery. On the other hand, greater progress than anticipated was achieved in cost-cutting for the 1st quarter, and we forecast this cost reduction trend will continue in and after the 2nd quarter. In addition, the effect of the further revision of routes and flight frequencies announced by August 7th is estimated to be ¥5 billion. Therefore, at this moment, our forecast for operating income for FY2009 remains unchanged from our initial targets.

Q4. You explained that you were able to reduce costs more than initially expected. Please describe the background to the cost reduction you achieved. To what extent will the effects of the cost reduction continue after the 2nd quarter?

A4. In the 1st quarter, we were able to cut down on costs more than expected owing to a variety of cost- cutting measures in many spheres. Among them, a large contribution was made by fuel costs. Although the effect was limited because a portion of fuel had been hedged, fuel costs showed a decline exceeding our estimations due to our continuous efforts to reduce fuel consumption, as well as a larger than expected decline in prices both of Singapore Kerosene and crude oil. With regard to personnel cost reduction, we were able to surpass our targets because of improvement in personnel productivity and so forth. Additionally, other costs such as administration overhead and sales promotion expenses also decreased more than expected as a result of our "nothing-off-limits" approach to cost-cutting. We are convinced these cost reduction effects will continue into the 2nd quarter and beyond.

Q5. There has been no change in the fuel hedging ratio since the end of March 2009. Do you have any plans for further hedge transactions with fuel prices at their current levels?

A5. We plan to review our fuel hedging policy in the next medium-term management plan that we are now drawing up. In domestic passenger operations that do not incorporate a fuel surcharge system, fuel hedging is basically needed. The hedging ratio might be automatically rising because the fuel consumption is falling steeply owing to a reduction in capacity as a result of the revision of routes and flight frequencies recently announced, as well as further measures to reduce fuel consumption that are under consideration in our next medium-term plan. With these factors in mind, we intend to determine the appropriate fuel hedging ratio in the future.

Q6. With regard to the non-operating income/loss account for the 1st quarter, please tell us if there are any improved items compared with your initial plan.

A6. Loss on foreign exchange decreased due to a slight depreciation in the yen. The average market rate was ¥97.1 compared to our initial assumption of ¥95.0.

Q7. How is progress so far in the revision of your corporate pension system, which was incorporated into your FY2009 plan as an extraordinary gain?

A7. Since mid-June, we have had several meetings to explain the necessity of revising our corporate pension system to retirees. Moreover, we intend to provide the revised plan and explain again the Company's current situation and future vision to retirees when the revised pension system is drawn up. With our repeated sincere explanation and a clearer picture of the situation, we sincerely hope that the current employees and retirees will understand and accept the proposed changes. We will make the utmost efforts to obtain final approval from the Ministry of Health, Labor and Welfare by the end of the current fiscal year.

Q8. Please describe at what stage the contract for the ¥100 billion loan is in at this point. It is said that JAL needs ¥200 billion in loans for the whole of FY2009. How do you intend to procure necessary fund in the near future?

A8. We have concluded a loan contract worth approximately ¥100 billion at the end of June. About ¥60 billion has been received in the 1st quarter and the remaining portion is expected in July and August. After the second half of the current fiscal year, we intend to procure the necessary funds steadily when needed, carefully observing the trends of our revenues and progress in cost reduction.