

JAPAN AIRLINES Co., Ltd.

Financial Results

1st Quarter Mar/2017 (FY2016)



July 29, 2016



OVERVIEW OF FINANCIAL RESULTS FOR 1ST QUARTER MAR/17 (FY2016)

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DETAILS OF FINANCIAL RESULTS FOR 1ST QUARTER MAR/17 (FY2016)

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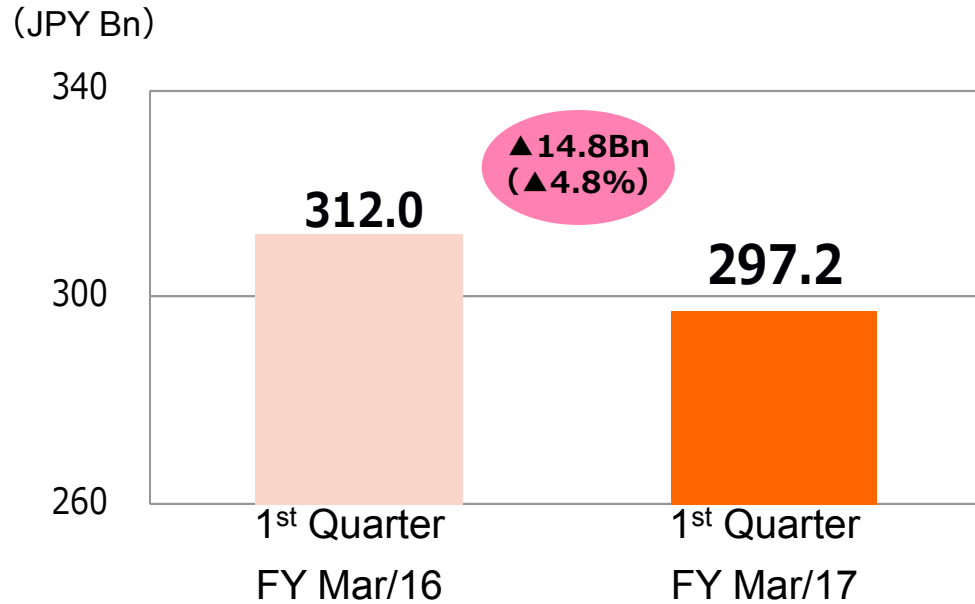
From the first quarter of this fiscal year, figures for Revenue Passengers Carried, ASK, RPK and Load Factor include “Marketing Carriers’ on code-sharing flights operated by JAL”. The year-earlier first quarter also shows the figures after reflecting this change.

Overview of Financial Results for 1st Quarter Mar/2017

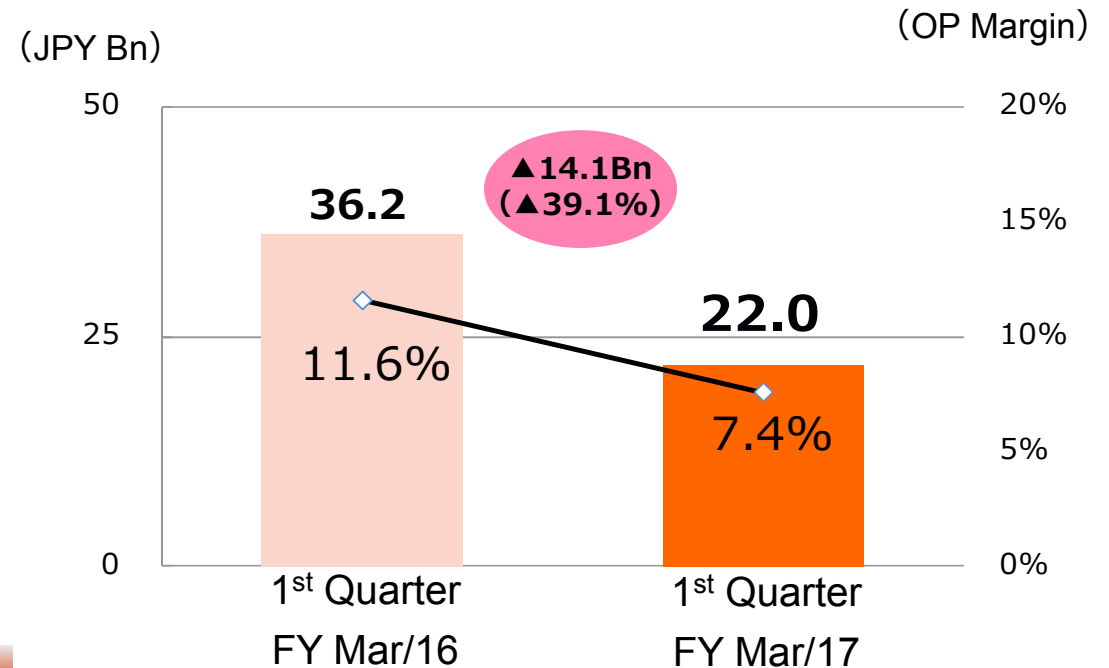


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Operating Revenue



Operating Profit



Fuel/FX Markets

	1 st Quarter FY Mar/16	1 st Quarter FY Mar/17	y/y
Singapore Kerosene (USD/bbl)	73.3	50.7	▲30.8%
Dubai Crude Oil (USD/bbl)	58.9	39.5	▲33.0%
FX Rate (JPY/USD)	120.3	110.3	▲8.3%

- ✓ Operating Profit was 22.0 billion yen, down from a year ago, due to a decline in demand and increases in maintenance and personnel costs.
- ✓ Operating Profit Margin stood at 7.4%.

- Now, for our first-quarter financial results for the fiscal year ending March 31, 2017.
- Operating revenue was 297.2 billion yen, 4.8% lower than the year before.
- Operating profit was 22 billion yen, down 39.1% from a year ago, due to a decline in demand and increases in maintenance and personnel costs.
- The operating profit margin was 7.4%.

Consolidated Financial Results



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Consolidated Financial Results 1st Quarter FY Mar/17

(JPY Bn)	1 st Quarter FY Mar/16	1 st Quarter FY Mar/17	y/y
Operating Revenue	312.0	297.2	▲4.8%
Air Transportation Segment	282.4	268.3	▲5.0%
Operating Expense	275.7	275.1	▲0.2%
Air Transportation Segment	250.1	248.8	▲0.5%
Operating Profit	36.2	22.0	▲39.1%
Air Transportation Segment	32.2	19.5	▲39.5%
Operating Profit Margin(%)	11.6%	7.4%	▲4.2pt
Ordinary Income	39.2	19.7	▲49.8%
Net Income⁽¹⁾	32.6	14.7	▲54.9%
ASK (MN seat km)	21,509	21,433	▲0.3%
RPK (MN passenger km)	15,549	15,497	▲0.3%
EBITDA Margin (%) ⁽²⁾	18.5%	15.3%	▲3.2pt
EBITDAR Margin (%) ⁽³⁾	20.5%	17.0%	▲3.5pt
UNIT COST (Yen) ⁽⁴⁾	8.8	9.3	+0.5
Incl. Fuel	11.6	11.6	▲0.0

- ✓ Operating revenue was 297.2 billion yen, ▲4.8% y/y.
- ✓ Operating profit was 22.0 billion yen, ▲39.1% y/y.
- ✓ The operating profit margin was 7.4%.
- ✓ Ordinary income was 19.7 billion yen, ▲49.8% y/y.
- ✓ Net income was 14.7 billion yen, ▲54.9% y/y.

Notes: 1. Net income attributable to owners of the parent
 2. EBITDA Margin = EBITDA / Revenue EBITDA=Operating Profit + Depreciation
 3. EBITDAR Margin = EBITDAR / Revenue EBITDAR=Operating Profit + Depreciation+ Aircraft Leases
 4. Unit Cost = Air Transportation Segment Operating Cost (excluding fuel cost)/ASK

- Next, I will explain about details of our first quarter consolidated financial results.
- Operating revenue was 297.2 billion yen, a decline of 4.8% year-on-year.
- Operating expenses were 275.1 billion yen, down 0.2% year-on-year, due to both lower fuel prices and an increase in other costs. We will continue to do our best to maximize revenues and minimize expenses.
- As a result, operating profit for the first quarter ended at 22.0 billion yen, operating profit margin was 7.4%, and EBITDAR margin was 17.0%.

Changes in Operating Profit



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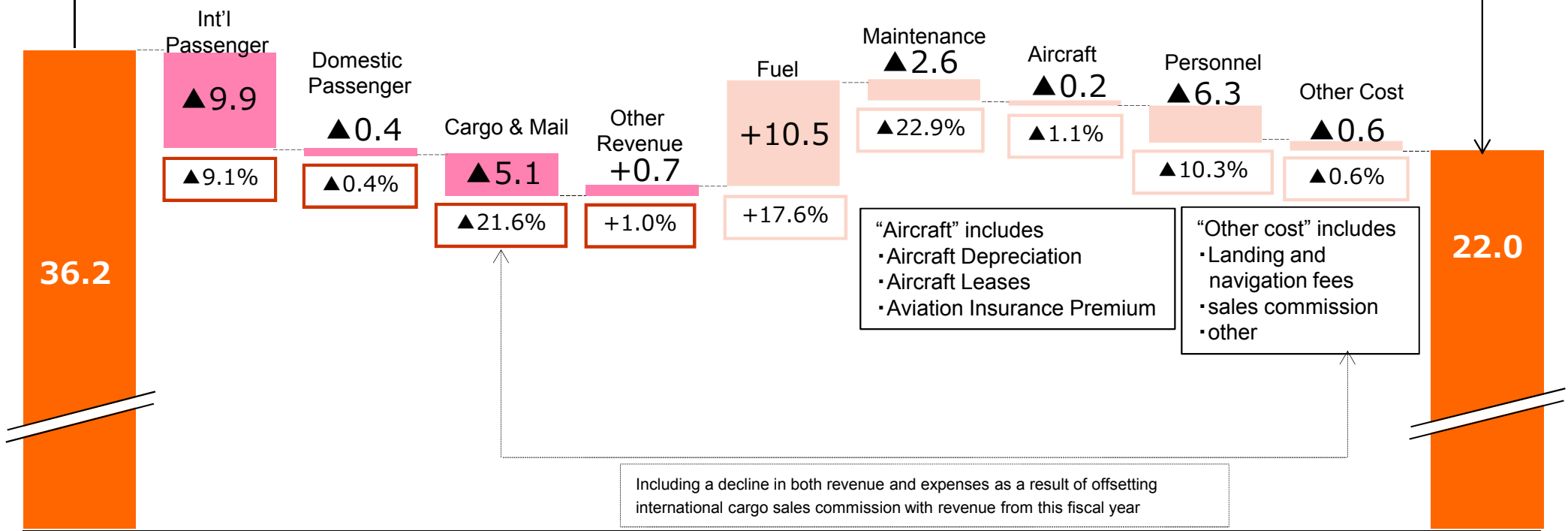
1st Quarter FY Mar/17

(JPY Bn)

▲14.1Bn
(▲39.1%)

Impact From Currency Market +2.9Bn	
Revenue	▲3.7Bn
Cost	+6.6Bn
Fuel	+3.3Bn
Ex. Fuel	+3.3Bn

ASK y/y	: ▲0.3%
RPK y/y	: ▲0.3%



1st Quarter
FY Mar/16

Revenue ▲14.8Bn

- Effects on Operating Profit -

Expenses +0.6Bn

1st Quarter
FY Mar/17

- I will explain about the changes in operating profit.
- Revenue declined by 14.8 billion yen from the year before due to a decrease of 3.7 billion yen because of the stronger yen.
- International passenger revenue decreased by 9.9 billion yen year-on-year, as the operations were impacted by a drop in outbound demand from the previous year despite robust inbound demand, falling fuel surcharge revenue, and the stronger yen. Domestic passenger operations saw an increase in revenue per passenger, but were affected by a decline in tourism demand due to the effects of the Kumamoto Earthquakes. As a result, the revenue dropped 0.4 billion yen from a year ago. On the cost side, the sharp drop in fuel prices contributed to cost savings of 10.5 billion yen, but increases in maintenance and personnel costs constrained cost reduction. As a result, costs decreased by 0.6 billion yen year-on-year, and operating profit decreased by 14.1 billion yen.

International Passenger Operations (Operating Results)



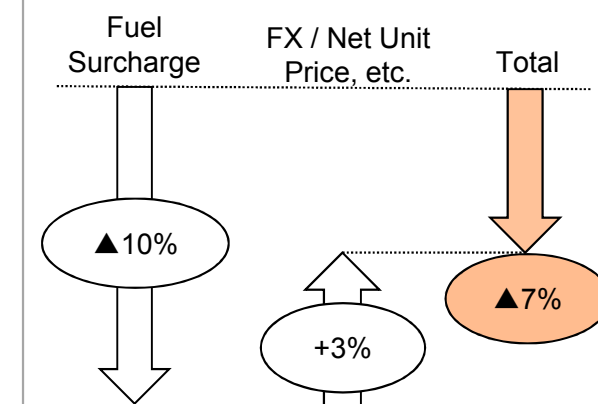
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International Passenger

	1 st Quarter FY Mar/16	1 st Quarter FY Mar/17	y/y
Passenger Revenue (JPY Bn)	109.4	99.5	▲9.1%
ASK (MN seat km)	12,535	12,690	+1.2%
RPK (MN passenger km)	9,885	9,930	+0.4%
Passengers ('000)	2,099	2,052	▲2.3%
L/F (%)	78.9%	78.2%	▲0.6pt
Yield (JPY) ⁽¹⁾	11.1	10.0	▲9.5%
Unit Revenue (JPY) ⁽²⁾	8.7	7.8	▲10.2%
Revenue per Passenger (JPY) ⁽³⁾	52,145	48,508	▲7.0%

- ✓ Passenger Revenue was 99.5 billion yen, declined 9.9 billion yen y/y basis.
- ✓ ASK was up 1.2% y/y and RPK was up 0.4% y/y, resulting in L/F 78.2%, down 0.6pt.

Factors of changes in Revenue per Passenger (estimate)



Notes:

1. Yield = Passenger Revenue / RPK
2. Unit Revenue = Passenger Revenue / ASK
3. Revenue per Passenger = Passenger Revenue / Passengers

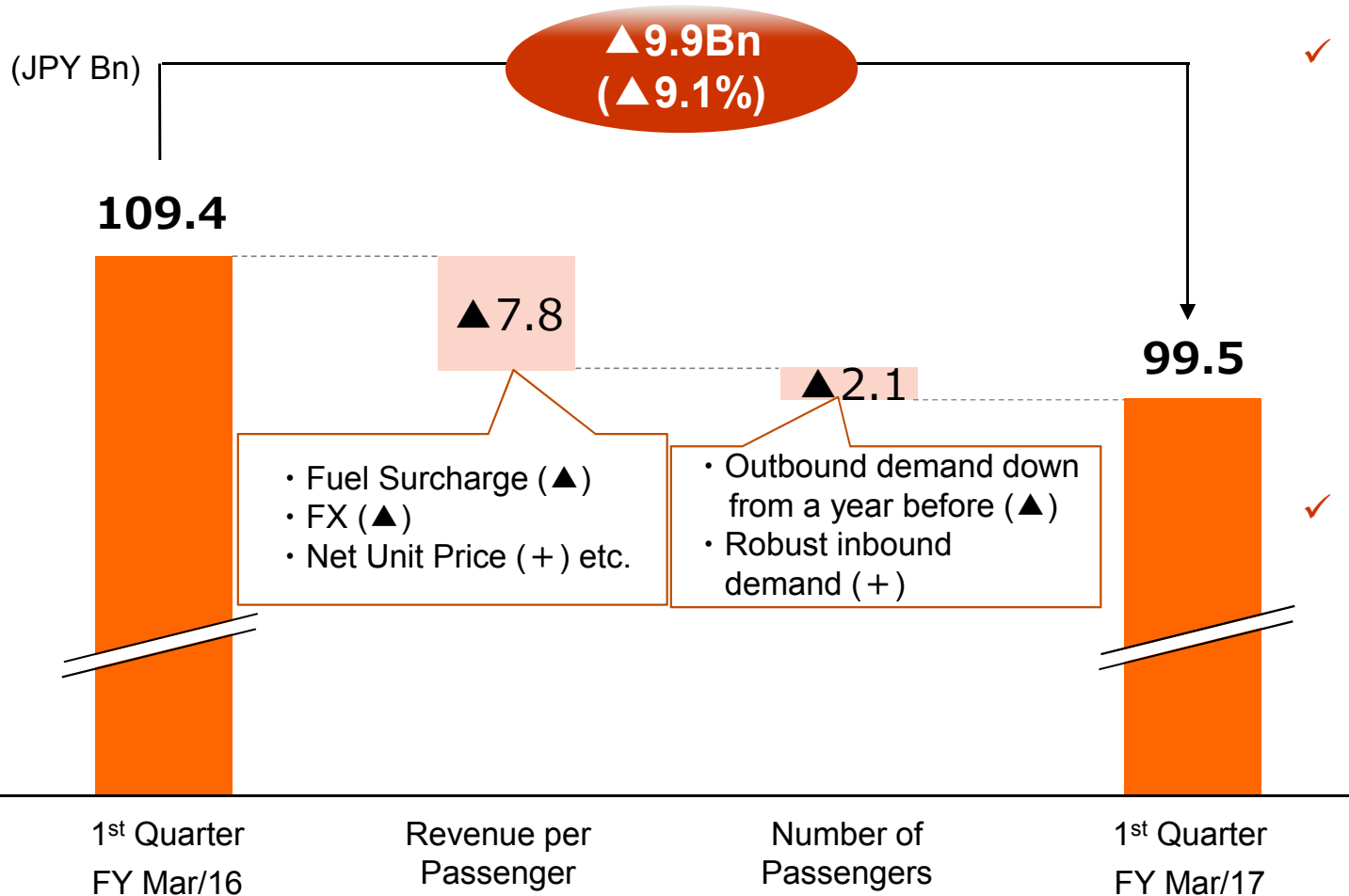
- Now I will explain about the traffic results and passenger revenues for our international passenger operations.
- ASK on international routes rose by 1.2% year-on-year, RPK increased by 0.4%, and as a result, the load factor was 78.2%, 0.6 percentage points lower than the year before.
- Revenue per passenger declined 7.0%, but as shown in the chart in the lower right corner, taking into account that it dropped around 10% due to lower fuel surcharge revenue, we estimate revenue per passenger excluding fuel surcharge to have risen approximately 3%. Therefore, our “net unit price” improved as planned.

International Passenger Operations (Change in Revenue)



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1st Quarter FY Mar/17



- ✓ Net unit price improved through revenue management and the expansion of JAL SKY SUITE operated routes, but the impact of fuel surcharge revenue decrease and the stronger yen caused a decline in revenue per passenger.
- ✓ Inbound demand primarily on Southeast Asia routes remained strong, but outbound demand fell from the year before.

- In terms of “revenue per passenger”, international passenger revenue decreased by 7.8 billion yen due to lower fuel surcharge revenue. However, revenue management contributed to an increase in net unit price as shown in the chart in the lower right corner on page 4.
- In terms of “numbers of passengers”, inbound demand was strong mainly on Southeast Asia routes, but outbound demand was weaker than the year before, resulting in a decrease of 2.1 billion yen.
- As a result, international passenger revenue came to 99.5 billion yen, down 9.9 billion yen year-on-year.

Domestic Passenger Operations (Operating Results)



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Domestic Passenger

	1st Quarter FY Mar/16	1st Quarter FY Mar/17	y/y
Passenger Revenue (JPY Bn)	109.9	109.4	▲0.4%
ASK (MN seat km)	8,973	8,743	▲2.6%
RPK (MN passenger km)	5,663	5,567	▲1.7%
Passengers ('000)	7,538	7,465	▲1.0%
L/F (%)	63.1%	63.7%	+0.6pt
Yield (JPY) ⁽¹⁾	19.4	19.7	+1.3%
Unit Revenue (JPY) ⁽²⁾	12.2	12.5	+2.2%
Revenue per Passenger (JPY) ⁽³⁾	14,578	14,658	+0.6%

✓ Passenger revenue was 109.4 billion yen, down 0.4 billion yen y/y.

✓ ASK was ▲2.6% y/y while RPK was ▲1.7% resulting in L/F 63.7%, up 0.6pt.

✓ Yield increased by 1.3% y/y and revenue per passenger by 0.6% respectively.

Notes:

1. Yield = Passenger Revenue / RPK
2. Unit Revenue=Passenger Revenue / ASK
3. Revenue per Passenger = Passenger Revenue / Passengers

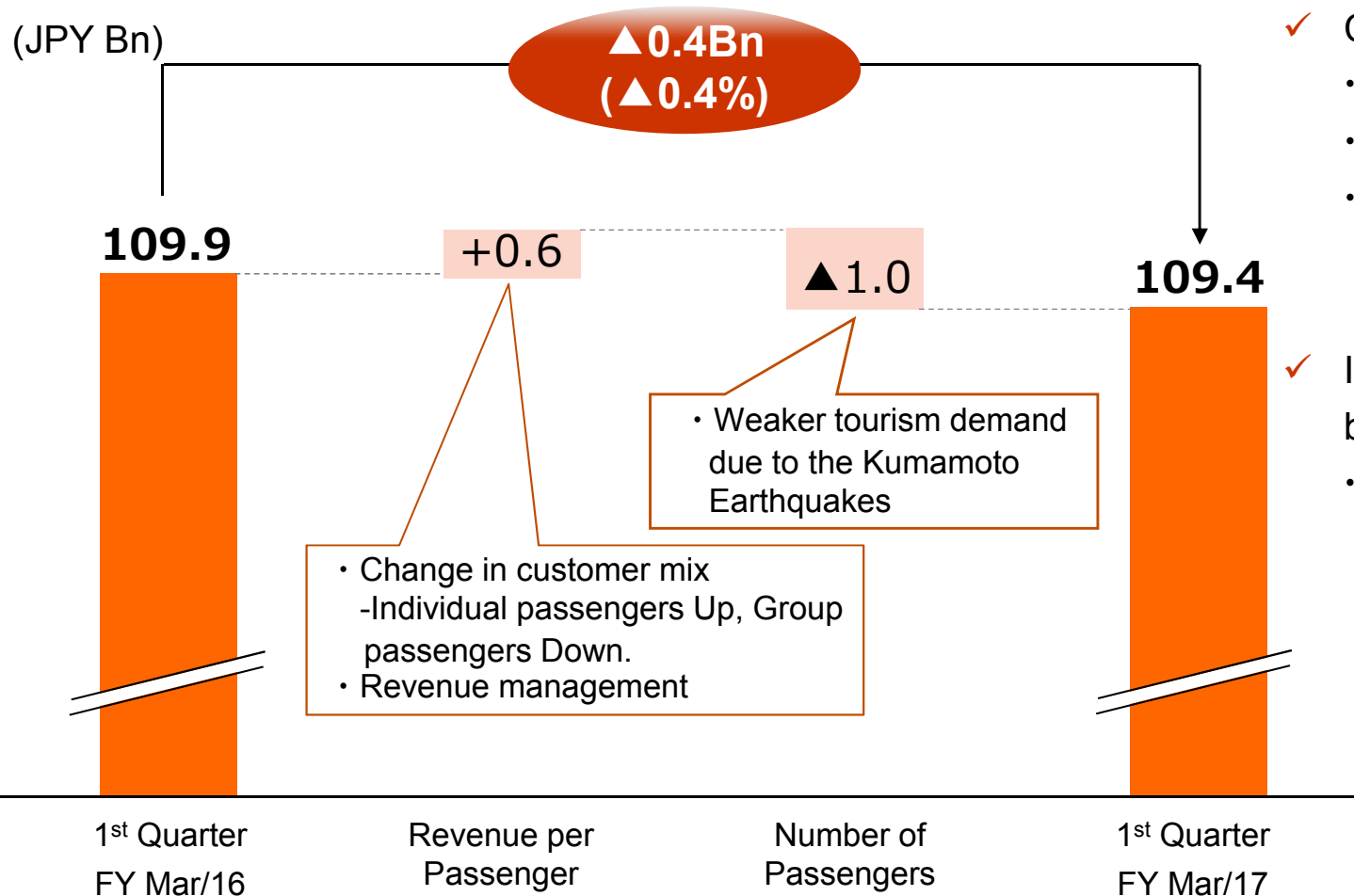
- Next, I will explain about the traffic results and passenger revenue in our domestic passenger operations.
- ASK on domestic routes decreased by 2.6% year-on-year, while RPK did by 1.7%. As a result, the load factor increased by 0.6 percentage points to 63.7%.
- Due to an increase in individual passengers and a decrease in group passengers, yield and revenue per passenger increased by 1.3% and 0.6% year-on-year respectively. As a result, domestic passenger revenue was 109.4 billion yen, 0.4% lower than the year before.

Domestic Passenger Operations (Change in Revenue)



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1st Quarter FY Mar/17



- ✓ Changes in customer mix
 - Reputable JAL SKY NEXT
 - Increase in individual passengers
 - Decrease in group passengers due to the Kumamoto Earthquakes
- ✓ Increase in passengers through demand-boosting measures
 - Increase in demand of non-Japanese tourists visiting Japan

- In terms of “revenue per passenger”, domestic passenger revenue increased by 0.6 billion yen year-on-year due to changes in customer mix.
- In terms of “number of passengers”, domestic passenger revenue decreased by 1 billion yen year-on-year due to a decline in tourism demand caused by the Kumamoto Earthquakes.

Major Operating Expense Items



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Operating Expenses

(JPY Bn)	1st Quarter FY Mar/16	1st Quarter FY Mar/17	Difference	y/y
Fuel	59.9	49.3	▲10.5	▲17.6%
Landing and navigation fees	20.4	20.0	▲0.4	▲2.0%
Maintenance	11.4	14.0	+2.6	+22.9%
Sales commissions (Air Transport) ⁽¹⁾	6.0	3.9	▲2.1	▲35.5%
Aircraft ⁽²⁾	24.4	24.7	+0.2	+1.1%
Services ⁽³⁾	8.5	8.9	+0.3	+4.6%
Personnel	61.2	67.5	+6.3	+10.3%
Expenses of travel agency	17.9	17.6	▲0.3	▲1.8%
Other	65.7	68.8	+3.1	+4.8%
Total Operating Expenses	275.7	275.1	▲0.6	▲0.2%

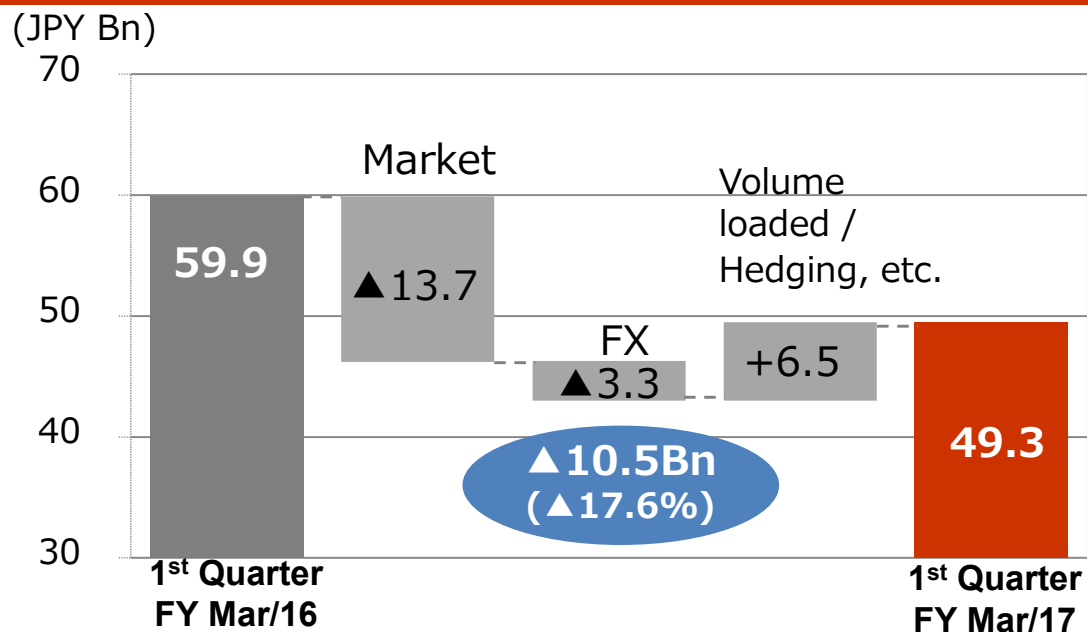
- ✓ Despite lower fuel costs due to the stronger yen and lower fuel prices, maintenance and personnel costs increased, resulting in operating expenses of 275.1 billion yen, down 0.6 billion yen from the previous year.
- ✓ Fuel costs dropped by 10.5 billion yen due to lower fuel prices (including decrease of 3.3 billion yen caused by the stronger yen).
- ✓ Maintenance costs were up 2.6 billion yen due to increased engine maintenance.
- ✓ Personnel costs were up 6.3 billion yen due to focused expenditures to strengthen our basis of growth.

ASK y/y : ▲0.3%

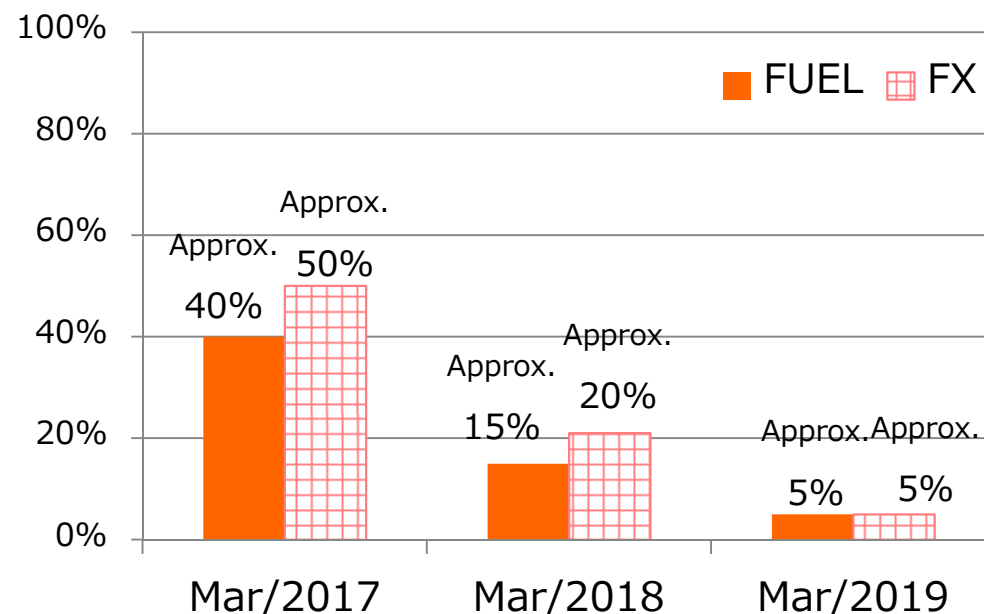
1. From FY Mar/17, sales commissions for International Cargo are to be offset by its revenues.
2. Aircraft = Aircraft Depreciation+ Aircraft Leases+ Aviation Insurance Premium, etc.
3. Services = Expenses regarding inflight services, airport lounges, cargo equipment, etc.

- Fuel costs decreased by 10.5 billion yen to 49.3 billion yen. Personnel costs increased by 6.3 billion yen over the previous year, as a result of reviewing the wage system and increasing the basic wages.
- Operating expenses as a whole decreased by 0.2% year-on-year to 275.1 billion yen. We will continue to pursue our cost reduction initiatives.

Transition of Fuel Cost by Factors



Hedging Ratio for Fuel Costs (as of end of June 2016)



Fuel / FX Markets

	FY Mar/17 Plan	1st Quarter FY Mar/16	1st Quarter FY Mar/17	y/y
Singapore Kerosene (USD/bbl)	50.0	73.3	50.7	▲30.8%
Dubai Crude Oil (USD/bbl)	36.0	58.9	39.5	▲33.0%
FX Rate (JPY/USD)	123.0	120.3	110.3	▲8.3%

Sensitivity for Fuel Costs

(Without Hedging) Mar/2017

Crude Oil (Change in 1 USD/bbl)	2.7 JPY Bn Per Year
FX (Change in 1 JPY/USD)	1.0 JPY Bn Per Year

- Now, I will explain about fuel costs.
- The chart in the upper left corner shows the factors affecting fuel costs.
Lower fuel prices contributed to a decline of 13.7 billion yen year-on-year, foreign exchange rates to a decline of 3.3 billion yen while loading volume and gains and losses on hedging brought about an increase of 6.5 billion yen. As a result, fuel costs decreased by 10.5 billion yen year-on-year.
- The graph in the upper right corner indicates our hedging conditions for fuel costs.

Major Balance Sheet Items



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Consolidated Balance Sheet Summary as of end of 1st Quarter FY Mar/17

(JPY Bn)	End of FY Mar/16 2016/3/31	End of 1 st Quarter FY Mar/17 2016/6/30	Difference
Total Assets	1,578.9	1,554.2	▲24.6
Cash and Deposits ⁽¹⁾	420.3	357.2	▲63.0
Balance of Interest-bearing Debt ⁽²⁾	92.6	79.8	▲12.8
Future Rental Expenses under Operating Leases	96.9	89.1	▲7.7
Shareholders' Equity	843.0	822.9	▲20.1
Shareholders' Equity Ratio (%)	53.4%	53.0%	▲0.4pt
D/E Ratio (x) ⁽³⁾	0.1x	0.1x	▲0.0x

- ✓ The balance of interest-bearing debt decreased by 12.8 billion yen to 79.8 billion yen as a result of repayment.
- ✓ Shareholders' Equity Ratio was 53.0%.

Notes:

1. Certificate of deposits included
2. Accounts Payable-installment Purchase included
3. D/E ratio = On-balance sheet Interest-bearing Debt / Shareholders' Equity

(Reference) End of 1st Quarter FY Mar/17
D/E ratio including Future Rental Expenses under Operating Leases: 0.2x

- As for our consolidated financial conditions as of the end of the first quarter, the balance of interest bearing debt decreased by 12.8 billion yen from the previous fiscal year-end to 79.8 billion after repaying loans and lease obligations.
- Future rental expenses under operating leases decreased by 7.7 billion yen from the previous year to 89.1 billion yen.
- Shareholders' equity ratio was 53.0%, down 0.4 percentage points from the previous year, as a result of paying dividends and the like.

Major Cash Flow Items



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(JPY Bn)	1 st Quarter FY Mar/16	1 st Quarter FY Mar/17	Difference
Net Income Before Income Taxes and Non-controlling Interests	39.1	20.2	▲18.8
Depreciation and Amortization	21.5	23.4	+1.9
Other	29.6	17.2	▲12.4
Cash Flow from Operating Activities	90.3	60.9	▲29.4
Capital Expenditure ⁽¹⁾	▲57.9	▲73.9	▲15.9
Other	2.4	8.1	+5.7
Cash Flow from Investing Activities ⁽²⁾	▲55.5	▲65.7	▲10.2
Free Cash Flow ⁽³⁾	34.8	▲4.8	▲39.7
Repayment of Interest-bearing Debt ⁽⁴⁾	▲9.1	▲12.4	▲3.2
Cash Dividend, Other	▲39.7	▲44.2	▲4.5
Cash Flow from Financing Activities	▲48.8	▲56.6	▲7.8
Total Cash Flow ⁽⁵⁾	▲14.0	▲61.5	▲47.5
EBITDA	57.7	45.5	▲12.2
EBITDAR	63.9	50.5	▲13.3

Notes:

1. Expenditures to purchase fixed assets
2. Exclude deposits and withdrawals from deposit accounts
3. Cash Flow from Operating Activities + Cash Flow from Investing Activities
4. Repayment of Debt + Repayment of Lease Debt
5. Cash flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities

- Cash flow from operating activities decreased by 29.4 billion yen year-on-year, resulting in cash inflows of 60.9 billion yen.
- Cash flow from investing activities shows cash outflows of 65.7 billion yen, an increase in cash outflows of 10.2 billion yen year-on-year.
- In total cash flow, we reported cash outflows of 61.5 billion yen, due to cash outflows of 56.6 billion yen for repaying interest-bearing debt and paying dividends.

Further actions to take to accomplish financial target



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Aim to reach our target of Operating Profit through pursuing Divisional Profitability Management System

Outline

Operating Profit

1st Quarter
FY Mar/17
(Result)

July
(Estimate)

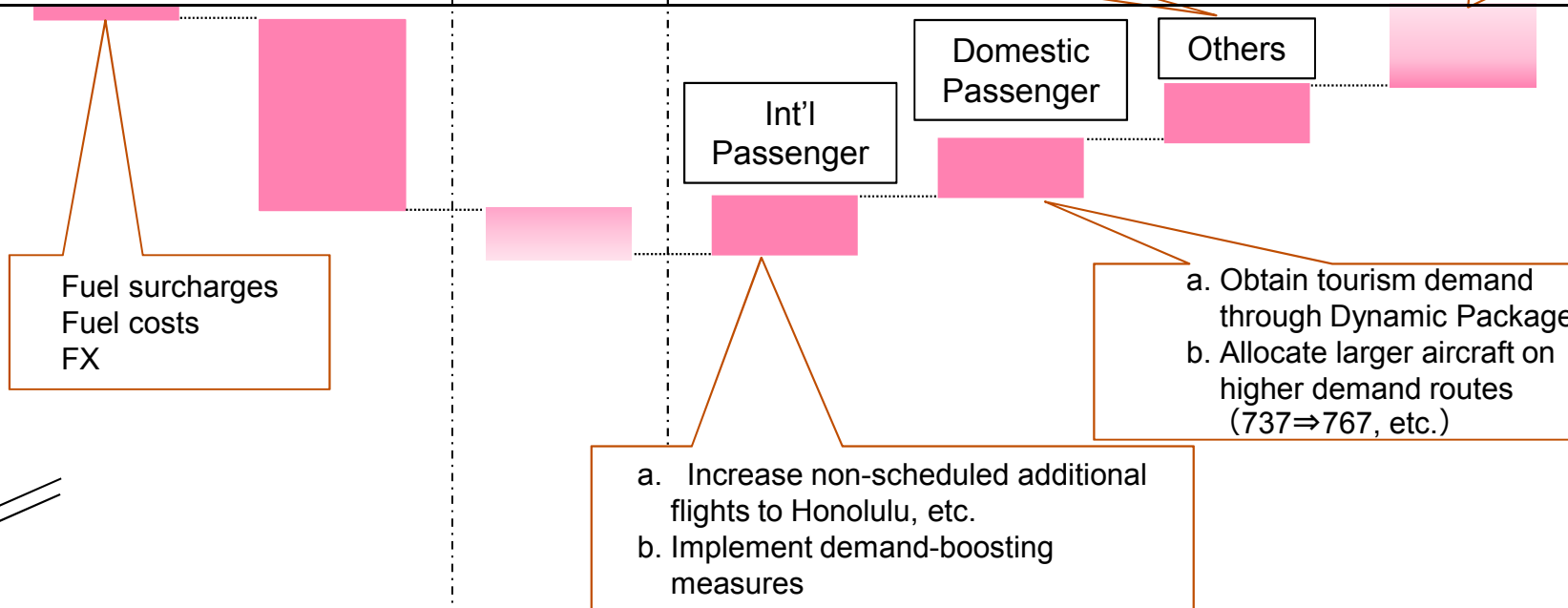
Further actions to take

*Japanese Governmental subsidy program to facilitate the restoration from the earthquakes in Kyushu region

- a. Increase entrusted ground handling services to JAL by other airlines
- b. Increase revenue of travel services through "Fukko (restoration) Discount" program*

- a. Review expenses for outsourced services
- b. Increase efficiency of sales promotion costs (mileage programs, etc.)

Mar/2017
Forecast:
201.0JPY Bn



Markets

Demand decrease

Revenue increase

Cost reduction

- We have started this fiscal year rather unfavorably so far. For the rest of the period, we will endeavor to maximize revenue by assigning larger aircraft on higher demand routes and operating non-scheduled additional flights, while reviewing the expenses for outsourced services and pursuing the divisional profitability management system to minimize expenses, and thus achieve our operating profit target by all means.
- At the end of this material, we have provided some references on operating results by major international routes, a list of aircraft in our fleet and our consolidated earnings forecast for the fiscal year ending March 31, 2017, as announced on April 28, 2016.



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Fly into tomorrow.



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Finance & Investor Relations, Japan Airlines

《References》 Operating Results for International Passenger by Major Routes



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Passenger Revenue

(%)	y/y	Proportion of whole Int'l	
	1Q FY Mar/17	1Q FY Mar/16	1Q FY Mar/17
America	▲0.9%	24%	27%
Europe	▲11.9%	16%	15%
Asia/Oceania	▲11.3%	36%	35%
China	▲23.6%	12%	10%
Hawaii/Guam	▲0.7%	12%	13%
Total	▲9.1%	100%	100%

ASK

(MN seat km)	1Q FY Mar/16	1Q FY Mar/17	y/y
America	3,234	3,544	+9.6%
Europe	2,001	1,901	▲5.0%
Asia/Oceania	4,506	4,467	▲0.9%
China	819	864	+5.4%
Hawaii/Guam	1,973	1,913	▲3.1%
Total	12,535	12,690	+1.2%

RPK

(MN passenger km)	1Q FY Mar/16	1Q FY Mar/17	y/y
America	2,566	2,776	+8.2%
Europe	1,442	1,448	+0.4%
Asia/Oceania	3,583	3,506	▲2.1%
China	650	614	▲5.5%
Hawaii/Guam	1,643	1,583	▲3.6%
Total	9,885	9,930	+0.4%

Passengers

('000)	1Q FY Mar/16	1Q FY Mar/17	y/y
America	271	291	+7.5%
Europe	158	159	+0.5%
Asia/Oceania	1,040	997	▲4.1%
China	346	329	▲5.0%
Hawaii/Guam	282	273	▲3.1%
Total	2,099	2,052	▲2.3%

Load Factor

(%)	1Q FY Mar/16	1Q FY Mar/17	difference
America	79.3%	78.3%	▲1.0pt
Europe	72.1%	76.2%	+4.1pt
Asia/Oceania	79.5%	78.5%	▲1.0pt
China	79.4%	71.1%	▲8.3pt
Hawaii/Guam	83.3%	82.8%	▲0.5pt
Total	78.9%	78.2%	▲0.6pt

- From the first quarter of this fiscal year, figures for Revenue Passengers Carried, ASK, RPK and Load Factor include "Marketing Carriers" on code-sharing flights operated by JAL". The year-earlier first quarter also shows the figures after reflecting this change.

- Route categories have been changed as below.
 - "Trans Pacific" routes of the previous year have been changed to "America" routes after removing Hawaii routes.
 - "Asia/Oceania" routes have removed Guam routes.
 - Hawaii and Guam routes above have been combined as "Hawaii/Guam" routes.

《Reference》 Number of Aircraft



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	End of Mar/2016			End of Jun/2016			Difference
	Owned	Leased	Total	Owned	Leased	Total	
Boeing 777-200	12	0	12	12	0	12	-
Boeing 777-200ER	11	0	11	11	0	11	-
Boeing 777-300	4	0	4	4	0	4	-
Boeing 777-300ER	13	0	13	13	0	13	-
Large-sized Total	40	0	40	40	0	40	-
Boeing 787-8	23	0	23	25	0	25	+2
Boeing 787-9	3	0	3	4	0	4	+1
Boeing 767-300	9	0	9	8	0	8	▲1
Boeing 767-300ER	28	4	32	28	4	32	-
Middle-sized Total	63	4	67	65	4	69	+2
Boeing 737-400	12	0	12	11	0	11	▲1
Boeing 737-800	22	29	51	22	29	51	-
Small-sized Total	34	29	63	33	29	62	▲1
Embraer 170	17	0	17	17	0	17	-
Embraer 190	0	0	0	2	0	2	+2
Bombardier CRJ200	9	0	9	8	0	8	▲1
Bombardier D8-400	8	2	10	8	2	10	-
Bombardier D8-400CC	2	0	2	2	0	2	-
SAAB340B	13	0	13	12	0	12	▲1
Bombardier D8-300	1	0	1	1	0	1	-
Bombardier D8-100	4	0	4	4	0	4	-
Regional Total	54	2	56	54	2	56	-
TOTAL	191	35	226	192	35	227	+1

Mar/2017 Earnings Forecast (Consolidated) - No change from that published on April 28, 2016



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Consolidated Financial Results

(JPY Bn)	Mar/2016 Results	Mar/2017 Forecast	difference	y/y
Revenue	1,336.6	1,343.0	+6.3	+0.5%
Int'l Passenger	448.7	450.0	+1.2	+0.3%
Dom. Passenger	501.2	503.0	+1.7	+0.3%
Cargo and Mail	91.5	85.0	▲6.5 ⁽³⁾	▲7.2%
Other	295.0	305.0	+9.9	+3.4%
Expenses	1,127.4	1,142.0	+14.5	+1.3%
FUEL	228.1	202.0	▲26.1	▲11.5%
Other Costs	899.3	940.0	+40.6	+4.5%
Operating Profit	209.1	201.0	▲8.1	▲3.9%
Operating Profit Margin(%)	15.7%	15.0%	▲0.7pt	-
Ordinary Income	209.2	193.0	▲16.2	▲7.8%
Net Income ⁽¹⁾	174.4	192.0	+17.5 ⁽⁴⁾	+10.0%
Unit Cost (JPY) ⁽²⁾	9.3	9.8	+0.5	-

Operational Preconditions

	Mar/2016 Results	Mar/2017 Forecast
ASK* Int'l	+1.3%	▲0.6%
Doms	▲1.2%	▲0.0%
TOTAL	+0.2%	▲0.3%
RPK* Int'l	+5.4%	+1.2%
Doms	+1.5%	▲0.6%
TOTAL	+3.8%	+0.5%

* y/y

	Mar/2016 Results	Mar/2017 Forecast
Singapore Kerosene (USD/bbl)	60.0	50.0
Dubai Crude Oil (USD/bbl)	47.2	36.0
FX (JPY/USD)	120.5	123.0

Note: 1. Net income attributable to owners of the parent

2. Unit Cost = Air Transportation Segment Operating Cost (excluding fuel costs etc.) / ASK

3. Includes the 8.0 billion yen decrease by offsetting international cargo sales commissions

4. Due to application of new tax effect accounting guideline, we expect to report about 30.0 billion yen of income tax deferred at the end of Mar/2017. However, income tax deferred to be deducted from the calculation of dividend.

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JAPAN AIRLINES

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