

JAPAN AIRLINES Co., Ltd.







Financial Results

2nd Quarter Mar/2017

(FY2016)



October 31, 2016

	OVERVIEW OF 1ST HALF MAR/17 RESULTS	P.1
	REVISED CONSOLIDATED FINANCIAL FORECAST FOR MAR/17	P.2
	SHARE REPURCHASE	P.5
	RECENT TOPICS	P.6
	DETAILS OF 1ST HALF MAR/17 FINANCIAL RESULTS	P.8
	REFERENCES	P.21

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". As a result, second-quarter ASK, RPK and Load Factor of the previous year reflect values after this change.



JPX-NIKKEI 400

2016年度選定



2016
攻めのIT経営銘柄
Competitive IT Strategy Company



健康経営銘柄 2016
Health and Productivity



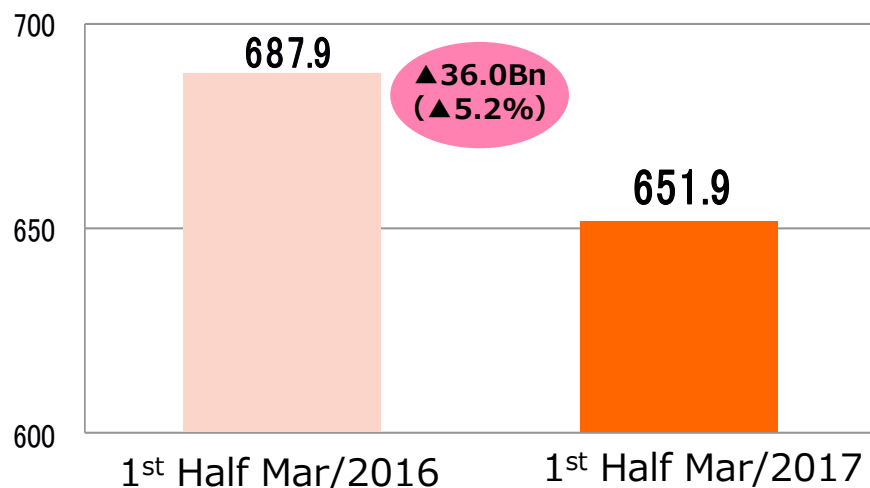
Overview of 1st Half FY MAR/17 Results



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Operating Revenue

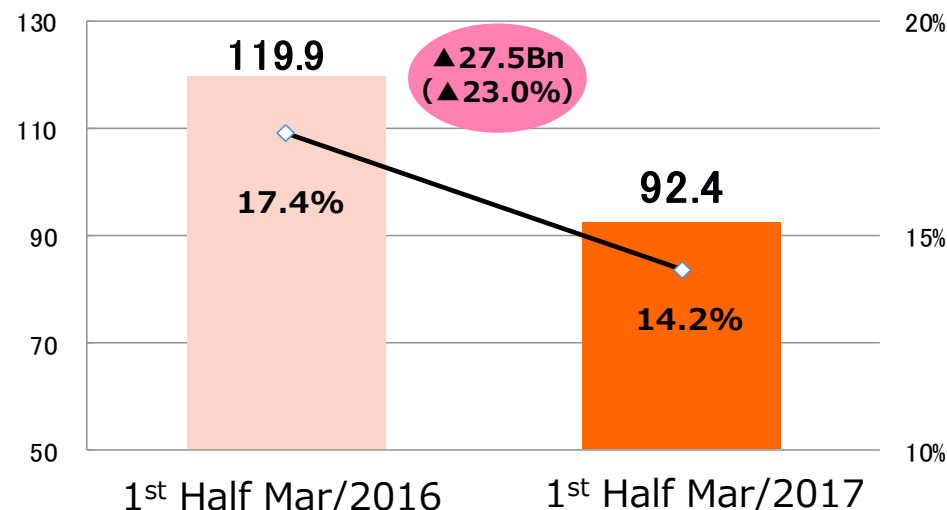
(JPY Bn)



Operating Profit

(JPY Bn)

(OP Margin)



Fuel/FX Markets

	1 st Half Mar/16	1 st Half Mar/17	y/y
Singapore Kerosene (USD/bbl)	69.5	53.1	▲23.7%
Dubai Crude Oil (USD/bbl)	57.1	41.8	▲26.7%
FX Rate (JPY/USD)	121.8	106.8	▲12.3%

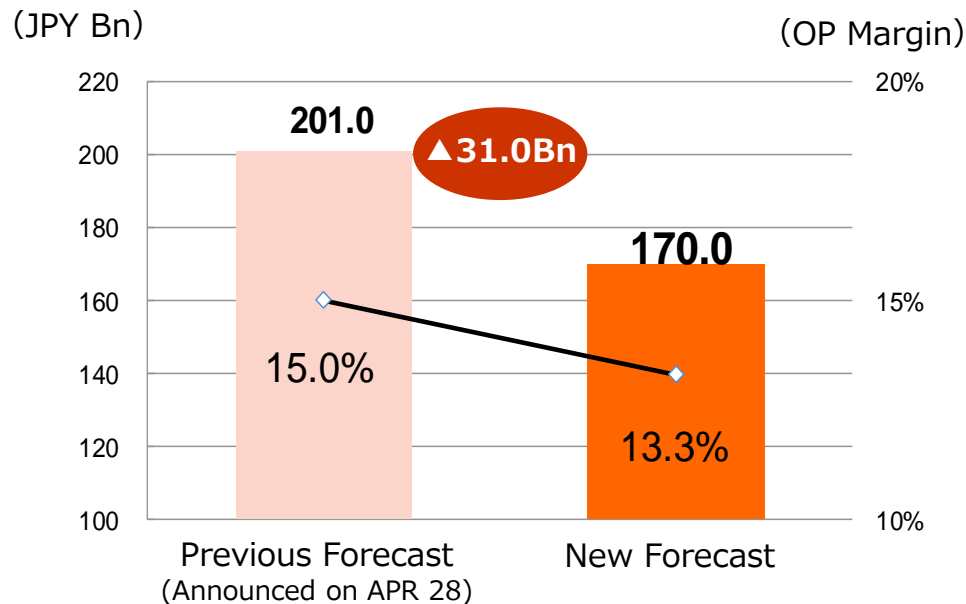
- ✓ Operating profit declined 23.0% year-on-year to 92.4 billion yen due to a decrease in domestic passenger revenue caused by the Kumamoto earthquakes, rising maintenance costs and an increase in personnel costs for focused investments in human resources to strengthen the foundations of growth.
- ✓ The operating margin was 14.2%, which exceeds our operating margin target of at least 10%.

- Operating revenue declined 36 billion yen, down 5.2% year-on-year, to 651.9 billion yen. The drivers were a decrease in domestic passenger revenue caused by the Kumamoto earthquakes, lower international passenger and international cargo fuel surcharge revenues, and the stronger yen.
- Operating profit declined 27.5 billion yen, down 23% year-on-year, to 92.4 billion yen, due to rising maintenance costs and an increase in personnel costs to strengthen the foundations of future growth.
- The operating profit margin came to 14.2%.

Downward Revision in Operating Revenue and Profit Forecast

- ✓ The revision was made based on the results and Fuel/FX forecasts.

Operating Profit



(JPY Bn)	Previous Forecast	New Forecast	Difference
Operating Revenue	1,343.0	1,280.0	▲63.0
Operating Profit	201.0	170.0	▲31.0
Net Income ⁽¹⁾	192.0	161.0	▲31.0

1. Net Income Attributable to owners of the parent

	Results FY Mar/2016	Forecast for FY Mar/2017	Previous Forecast
Singapore Kerosene (USD/bbl)	60.0	54.5 (2 nd Half 56.0)	50.0
Dubai Crude Oil (USD/bbl)	47.2	42.9 (2 nd Half 44.0)	36.0
FX Rate (JPY/USD)	120.5	106.4 (2 nd Half 106.0)	123.0

Dividend Forecast

- ✓ The dividend estimated for Mar/2017 will be disclosed when our earnings forecast becomes clearer.

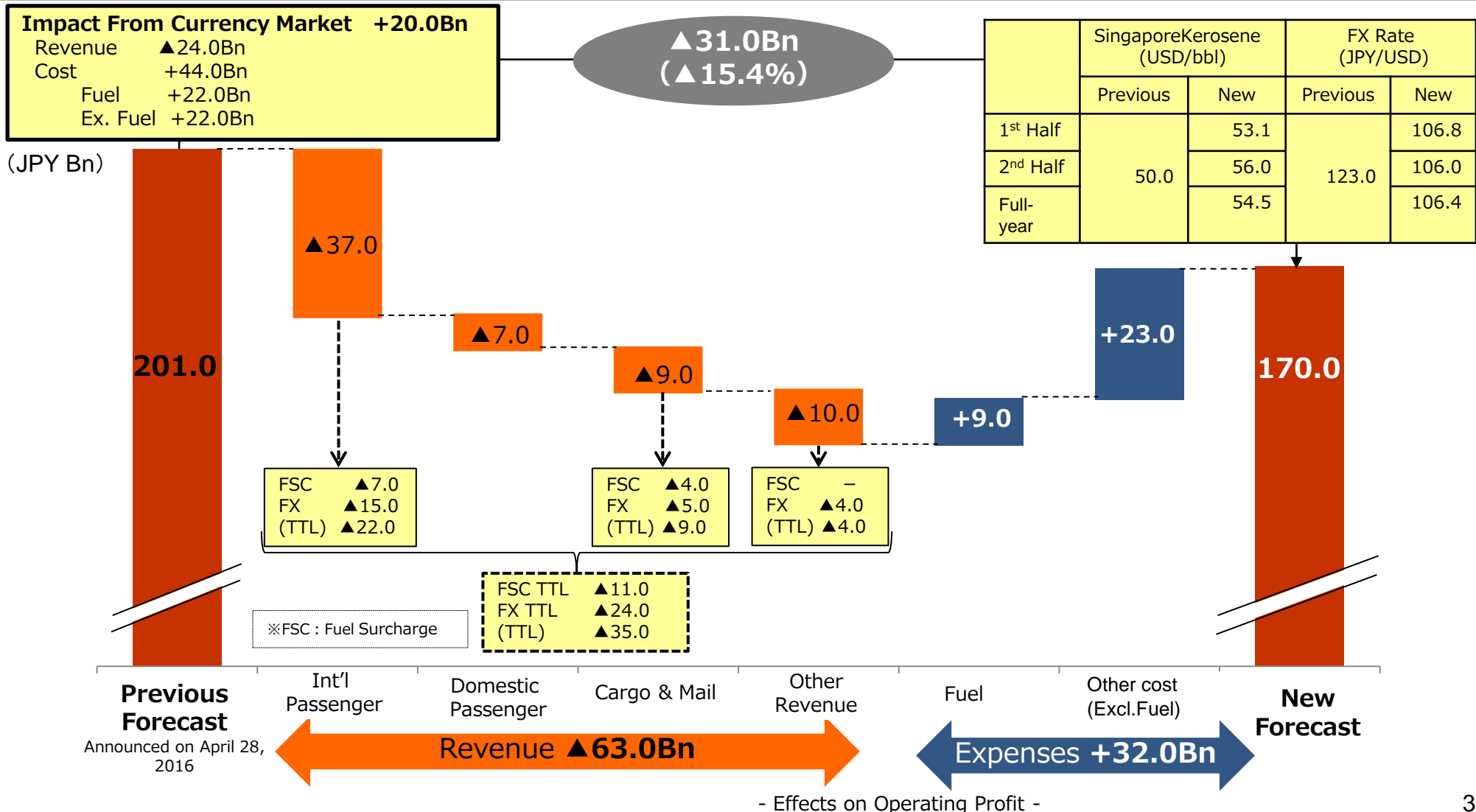
- Given our second-quarter results and exchange rate and fuel price projections, we have revised our earnings forecast for fiscal 2016.
- In our previous earnings forecast announced on April 28, we projected operating revenue at 1,343 billion yen, operating profit at 201 billion yen and net income at 192 billion yen. However, after reviewing our forecast, we have revised operating revenue down 63 billion yen to 1,280 billion yen, and both operating profit and net income down 31 billion yen to 170 billion yen and 161 billion yen respectively.
- Our exchange rate and fuel price assumptions for the second-half of fiscal 2016 are 106 yen to the US dollar, 56 US dollars per barrel for Singapore kerosene, and 44 US dollars per barrel for Dubai crude oil.
- We will disclose our dividend forecast when our earnings forecast becomes clearer. We would appreciate your understanding on this matter.

Revised Consolidated Financial Forecast for FY Mar/17 (Changes in Operating Profit)



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We revised operating profit down 31 billion yen, as international passenger demand and revenue per passenger and domestic revenue per passenger are seen to fall below our projections.



- Revenues are expected to decline 63 billion yen. This is because international passenger revenue is expected to decline 37 billion yen in total, with a breakdown of 22 billion yen attributed to fuel surcharge and exchange rates and 15 billion yen due to a decrease in number of passengers and revenue per passenger. Domestic passenger revenue is seen to decline 7 billion yen due to falling revenue per passenger, although an increase in number of passengers is expected. Cargo and mail revenue is expected to decline 9 billion yen due to effects of fuel surcharge and exchange rates.
- Together with the cost reductions of 32 billion yen, we expect operating profit to end 31 billion yen lower than the previous forecast. We will continue to work hard to maximize profits.

Progress of measures to improve profitability



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Reinforce Divisional Profitability Management System and maximize profits

Measures to increase revenue

		FY2016Q2	FY2016 2 nd Half
Int'l Passenger	Increase unscheduled flights		Increase flights on Honolulu and Bangkok routes
	Implement measures to boost demand		Boost demand for Premium Economy
Domestic Passenger	Measures to increase revenue	Boost demand through Sakitoku, Dynamic Package Capture corporate demand through JAL SKY NEXT, capture inbound demand	
	Balance demand and supply	Flexible aircraft assignment according to demand	
Other Revenue	Incidental Business		Increase maintenance services, etc.
	Increase travel sales turnover	Capture "Fukko Discount" program demand	

Measures to increase cost-effectiveness

		FY2016Q2	FY2016 2 nd Half
Sales promotion	Reduce mileage costs	Promote redemption of miles through award tickets	
Maintenance	Review maintenance costs		Contain maintenance costs by improving quality
Administration	Reduce facility related costs		Change repair scheduling, etc.
General	—	Review entrusted service costs	

- To increase revenue, we will operate unscheduled flights on international routes, implement demand boosting measures, and capture leisure demand on domestic routes, amongst other measures.
- To increase our cost effectiveness, we will strive to reduce mileage costs, review entrusted service costs and continue to reinforce divisional profitability management system in order to maximize profits.

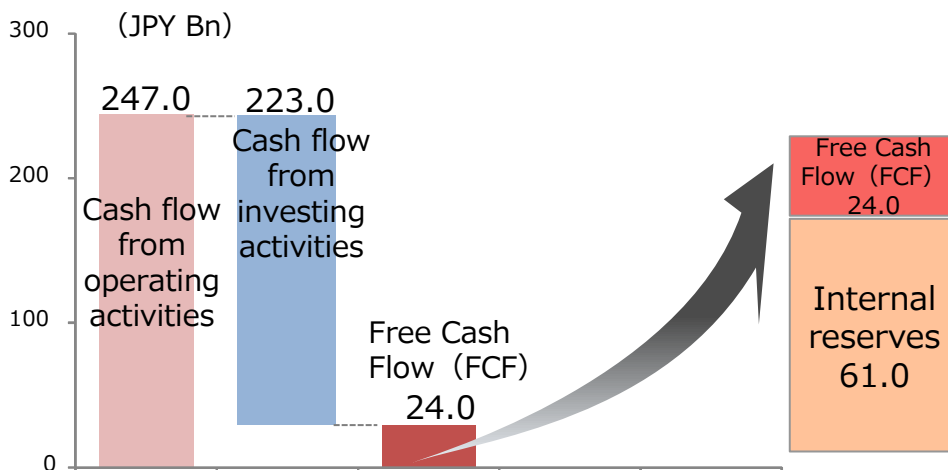
Decision to acquire 30 billion yen of own shares by March 31, 2017

Content of share repurchase

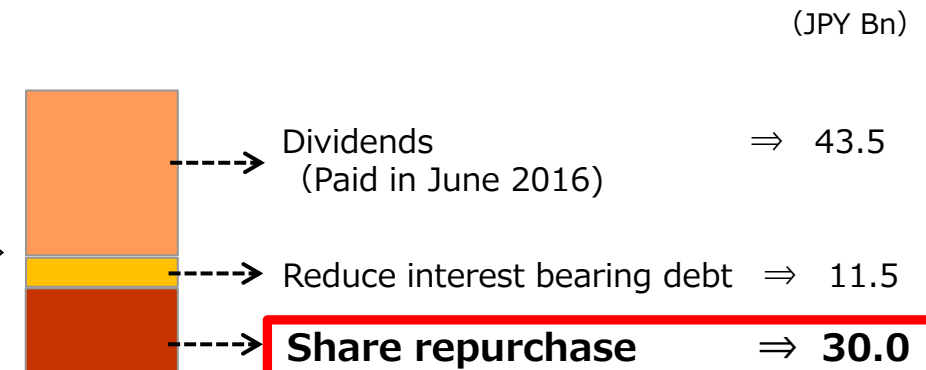
(1) Type of shares acquired	Common shares of JAL
(2) Total number of shares acquired	15 million shares (maximum)
(3) Total price of shares acquired	30 billion yen (maximum)
(4) Period of acquisition	November 1, 2016 ~ March 31, 2017

We plan to retire all acquired own shares.

Improve capital efficiency



Improve returns to shareholders through flexible means



- We have decided to acquire up to 30 billion yen of our own shares with the aim to increase capital efficiency and flexibly enhance returns to our shareholders according to the needs of our shareholders and investors.
- Through the repurchase of our own shares, cash flows for this fiscal year will incorporate shareholder returns of total 73.5 billion yen, including dividends of 43.5 billion yen already paid in this June.

International • Domestic

- ✓ JAL, British Airways, Finnair and Iberia launch joint business between Japan and Europe.
- ✓ JAL started code-share with Alaska Airlines.
- ✓ JAL SKY SUITE configured international 777-200ER receives 2016 Good Design Award.



- ✓ Progressively introduced JAL SKY NEXT installed aircraft (seats, inflight Internet) on domestic routes (77 JAL SKY NEXT aircraft by 2016 fiscal year-end)
- ✓ Support tourism recovery and economic restoration throughout Kyushu
Start second sales of "Let's fly with JAL Kyushu Fukko Discount"
- ✓ Stimulate inbound demand with "Japan Explorer Pass" domestic fares for international visitors



Indices • Other

- ✓ Selected in JPX Nikkei Index 400



2016年度選定

- ✓ Receives Japan Tourism Award, Award for Excellence in overseas category



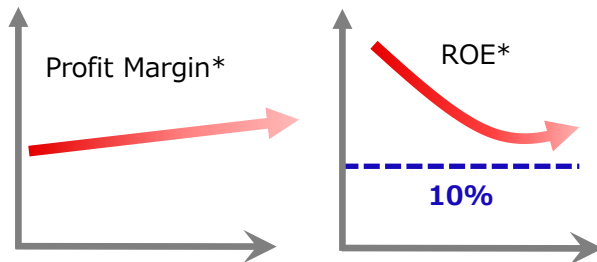
- On international routes, Iberia added a joint business between Japan and Europe with us, British Airways and Finnair.
- On domestic routes, we have been revamping our aircraft with the reputable JAL SKY NEXT cabin interiors. All applicable 77 aircraft will be revamped by the end of fiscal 2016.

Medium and long term Management Targets from FY2017 ~To increase corporate value~

We will appropriately respond to passenger demand growth and continue to grow based on profitability and stability, and thus increase corporate value

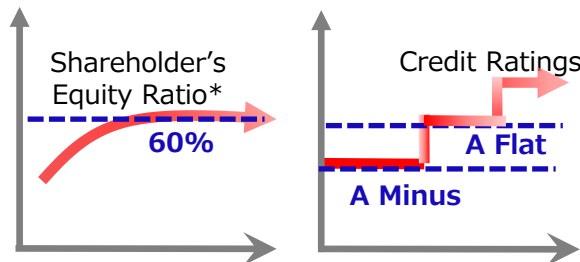
Profitability

- Pursue profitability, not merely business scale
- Review asset efficiency and capital efficiency



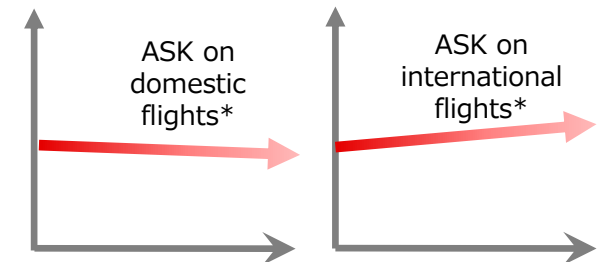
Stability

- Maintain shareholder's equity ratio at appropriate level to balance financial stability and capital efficiency
- Improve credit rating



Growth

- Capacity strategy with maintaining profitability
- Introduce fuel-efficient next generation aircraft



*Specific target is to be announced around the end of FY2016.

What to plan in Medium Term Management Plan* from FY2017

- Build business operation structure to respond to expected slot increase at Tokyo metropolitan airports
- Consider and take action to medium and long term management issues
- Smoothly introduce next generation aircraft (787, A350, MRJ, etc.)

- This page shows the direction we are heading from fiscal 2017 onward, as announced on February 18, 2016.
- We are drawing up the next medium-term management plan so that we can announce it around February or March next year. From fiscal 2017, we will not merely seek to expand in scale. Our policy to emphasize profitability will remain unchanged. We will manage our businesses so that you can feel corporate growth in tangible form, in addition to profitability and stability, which have nurtured over the past five years.

Consolidated Financial Results



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Consolidated Financial Results 1st Half Mar/17

(JPY Bn)	1 st H FY Mar/16	1 st H FY Mar/17	Diff.	y/y ratio	2 nd Quarter (Jul-Sep) ⁽⁵⁾	Diff.	y/y ratio
Revenue	687.9	651.9	▲36.0	▲5.2%	354.7	▲21.1	▲5.6%
Air Transportation Segment	620.2	585.6	▲34.5	▲5.6%	317.3	▲20.4	▲6.0%
Operating Expense	567.9	559.4	▲8.4	▲1.5%	284.3	▲7.7	▲2.7%
Air Transportation Segment	510.8	502.1	▲8.6	▲1.7%	253.3	▲7.2	▲2.8%
Operating Profit	119.9	92.4	▲27.5	▲23.0%	70.3	▲13.3	▲16.0%
Air Transportation Segment	109.4	83.5	▲25.8	▲23.7%	64.0	▲13.1	▲17.0%
Operating Profit Margin(%)	17.4%	14.2%	▲3.3pt	—	19.8%	▲2.4pt	—
Ordinary Income	122.6	89.8	▲32.8	▲26.8%	70.0	▲13.3	▲16.0%
Net Income⁽¹⁾	103.3	71.4	▲31.9	▲30.9%	56.6	▲14.1	▲19.9%
ASK(MN seat km)	43,574	43,385	▲188	▲0.4%	21,951	▲113	▲0.5%
RPK (MN passenger km)	32,583	32,560	▲22	▲0.1%	17,062	+28	+0.2%
EBITDA Margin (%) ⁽²⁾	23.8%	21.4%	▲2.4pt	—	26.5%	▲1.6pt	—
EBITDAR Margin (%) ⁽³⁾	25.5%	22.9%	▲2.6pt	—	27.9%	▲1.8pt	—
Unit Cost(JPY) ⁽⁴⁾	8.9	9.3	+0.4	+4.3%	9.3	+0.3	+3.4%
Incl. Fuel	11.7	11.6	▲0.1	▲1.3%	11.5	▲0.3	▲2.3%

1. Net Income Attributable to owners of parent

2. EBITDA Margin = EBITDA / Revenue EBITDA=Operating Profit + Depreciation and Amortization

3. EBITDAR Margin = EBITDAR / Revenue EBITDAR=Operating Profit + Depreciation+ Aircraft Leases

4. Unit Cost = Air Transportation Segment Operating Cost (excluding fuel cost etc.) / ASK

5. The results for 2Q (July to September) are calculated by deducting the results of 1Q (April to June) from 1H (April to September)

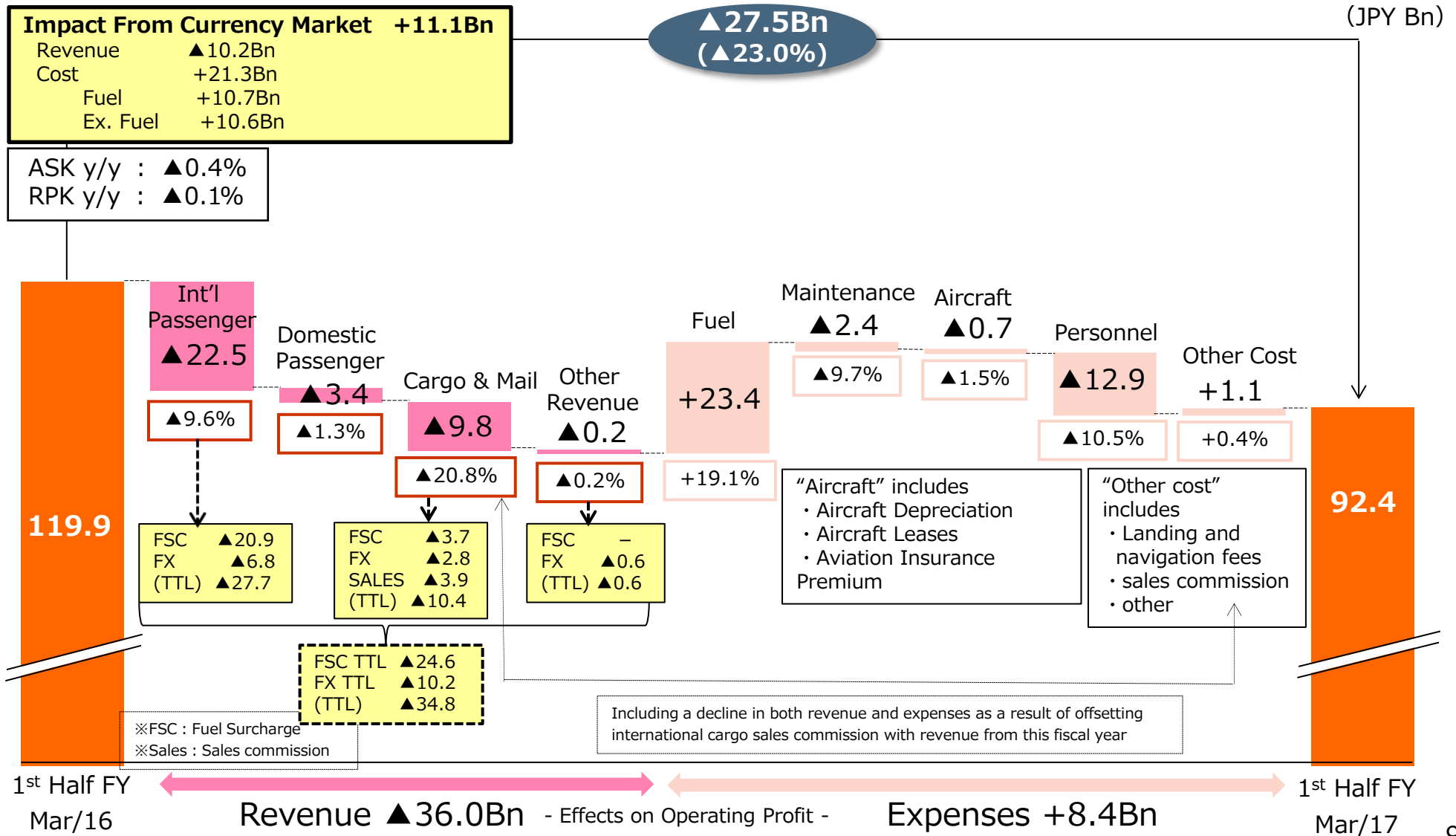
- Operating revenue ended at 651.9 billion yen, 5.2% lower than the previous year.
- As for operating expenses, maintenance costs and personnel costs for focused investments in human resources to build the foundations of future growth increased; however, lower fuel prices brought operating expenses down 1.5% year-on-year to 559.4 billion yen. We will continue efforts to maximize revenues and minimize expenses.
- As a result, operating profit came to 92.4 billion yen, the operating profit margin was 14.2%, and the EBITDAR margin was 22.9%.

Changes in Operating Profit



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1st Half FY Mar/17



- International passenger revenue declined 22.5 billion yen year-on-year due to lower fuel surcharge revenue and the stronger yen. Domestic passenger revenue decreased 3.4 billion yen year-on-year due to a decline of revenue per passenger caused by severer price competition, while individual passenger demand increased.
- Costs decreased 8.4 billion yen from the previous year due to lower fuel prices and utmost efforts to control the other costs.

International Passenger Operations(Operating Results)



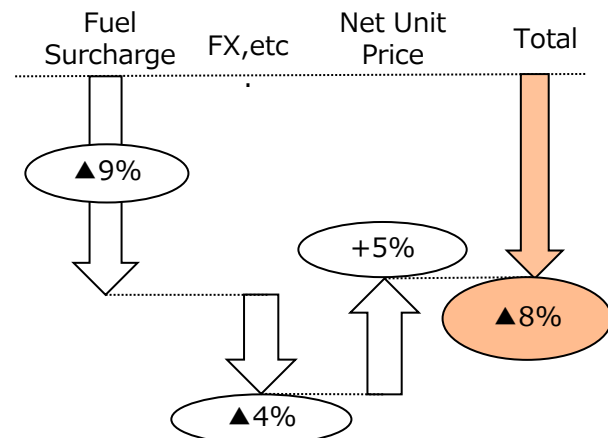
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International Passenger

	1st H FY Mar/16	1st H FY Mar/17	y/y ratio	2nd Quarter (Jul-Sep) ⁽⁴⁾	y/y ratio
Passenger Revenue (JPY Bn)	235.6	213.1	▲9.6%	113.6	▲10.0%
ASK (MN seat km)	25,307	25,500	+0.8%	12,810	+0.3%
RPK (MN passenger km)	20,377	20,405	+0.1%	10,475	▲0.2%
Passengers ('000)	4,280	4,213	▲1.6%	2,161	▲0.9%
L/F (%)	80.5%	80.0%	▲0.5pt	81.8%	▲0.4pt
Yield (JPY) ⁽¹⁾	11.6	10.4	▲9.7%	10.8	▲9.8%
Unit Revenue (JPY) ⁽²⁾	9.3	8.4	▲10.2%	8.9	▲10.2%
Revenue per Passenger (JPY) ⁽³⁾	55,055	50,589	▲8.1%	52,566	▲9.1%

- ✓ Passenger Revenue was 213.1 billion yen, declined 22.5 billion yen y/y basis.
- ✓ ASK was up 0.8% y/y and RPK was up 0.1% y/y, resulting in L/F 80.0%, down 0.5pt.

Factors of changes in Revenue per Passenger (estimate)



1. Yield = Passenger Revenue / RPK
2. Unit Revenue = Passenger Revenue / ASK
3. Revenue per Passenger = Passenger Revenue / Passengers
4. The results for 2Q (July to September) is calculated by deducting the results of 1Q (April to June) from 1H (April to September)

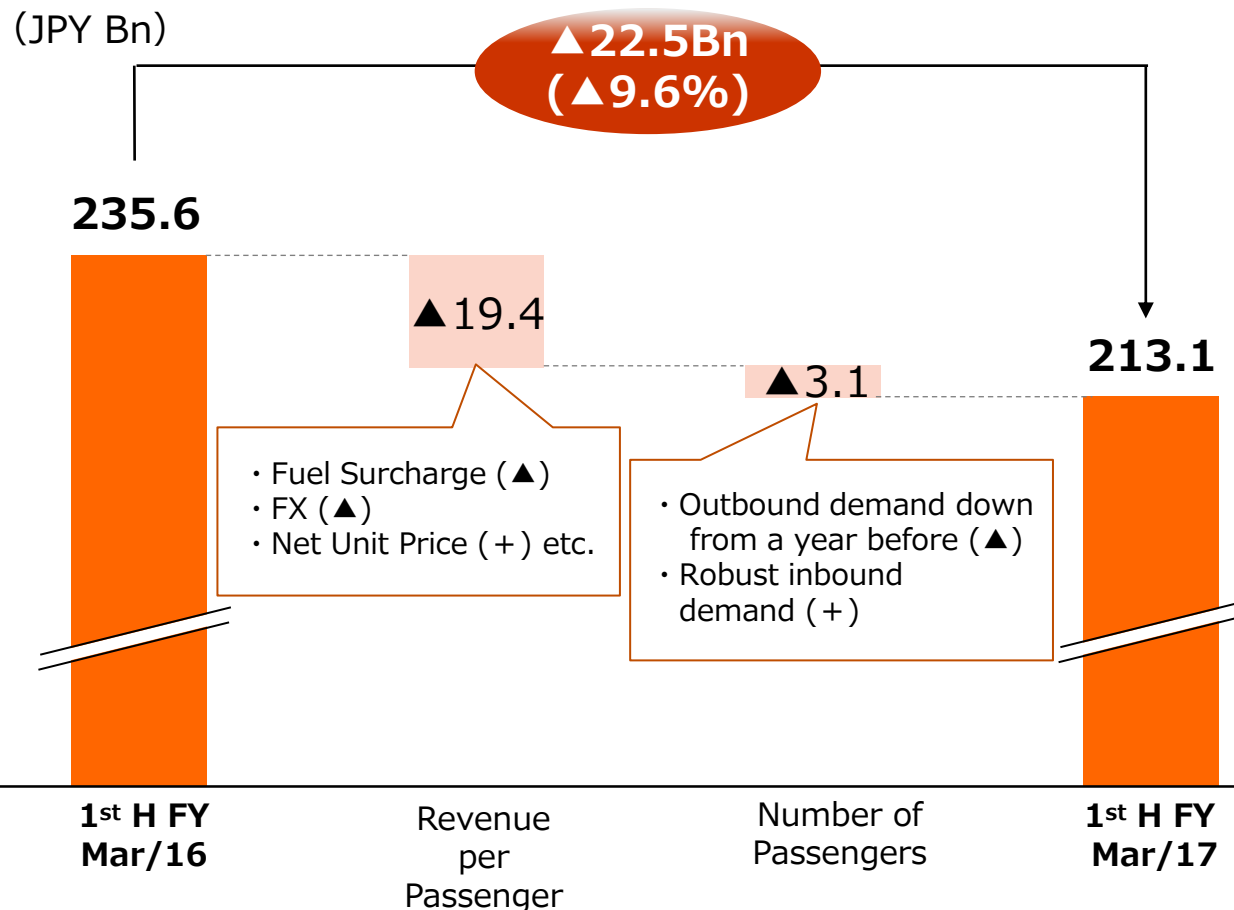
- While ASK on international routes rose 0.8% year-on-year, RPK slightly increased by 0.1%. As a result, the load factor was 80.0%, down 0.5 percentage points from the year before. Revenue passengers carried decreased by 1.6%.
- Revenue per passenger declined 8.1%. But as shown in the chart in the lower right corner, considering that revenue per passenger dropped around 9% due to lower fuel surcharge revenue and around 4% due to exchange rates and so on, we estimate substantial revenue per passenger as having risen approximately 5%.

International Passenger Operations(Change in Revenue)



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1st Half FY Mar/17



✓ Although net revenue per passenger increased through revenue management and the expansion of JAL SKY SUITE operated routes, revenue per passenger declined due to zero fuel surcharge from April and the stronger yen.

✓ Inbound demand was strong mainly on transpacific and Southeast Asia routes, but outbound demand slightly fell from the previous year

- In terms of revenue per passenger for international passenger operations, lower fuel surcharge revenue and the stronger yen led to a revenue decrease of 19.4 billion yen. However, the expansion of JAL SKY SUITE operated routes contributed to higher revenue per passenger .
- In terms of number of passengers, inbound passenger demand was strong mainly on transpacific and Southeast Asia routes, but outbound demand was weaker than the previous year, resulting in a revenue decrease of 3.1 billion yen.
- As a result, international passenger revenue was 213.1 billion yen, down 22.5 billion yen from the year before.

Domestic Passenger Operations (Operating Results)



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Domestic Passenger

	1st H FY Mar/16	1st H FY Mar/17	y/y ratio	2nd Quarter (Jul-Sep) ⁽⁴⁾	y/y ratio
Passenger Revenue (JPY Bn)	256.8	253.3	▲1.3%	143.9	▲2.0%
ASK (MN seat km)	18,267	17,884	▲2.1%	9,141	▲1.6%
RPK (MN passenger km)	12,205	12,154	▲0.4%	6,587	+0.7%
Passengers ('000)	16,082	16,130	+0.3%	8,665	+1.4%
L/F (%)	66.8%	68.0%	+1.1pt	72.1%	+1.7pt
Yield (JPY) ⁽¹⁾	21.0	20.8	▲0.9%	21.9	▲2.7%
Unit Revenue (JPY) ⁽²⁾	14.1	14.2	+0.8%	15.7	▲0.4%
Revenue per Passenger (JPY) ⁽³⁾	15,967	15,708	▲1.6%	16,612	▲3.4%

- ✓ Passenger revenue was 253.3 billion yen, down 3.4 billion yen y/y.
- ✓ ASK was ▲2.1% y/y while RPK was ▲0.4% resulting in L/F 68.0%, up 1.1pt.
- ✓ Yield decreased by 0.9% y/y and revenue per passenger by 1.6% respectively.

1. Yield = Passenger Revenue / RPK
2. Unit Revenue = Passenger Revenue / ASK
3. Revenue per Passenger = Passenger Revenue / Passengers
4. The results for 2Q (July to September) are calculated by deducting the results of 1Q (April to June) from 1H (April to September)

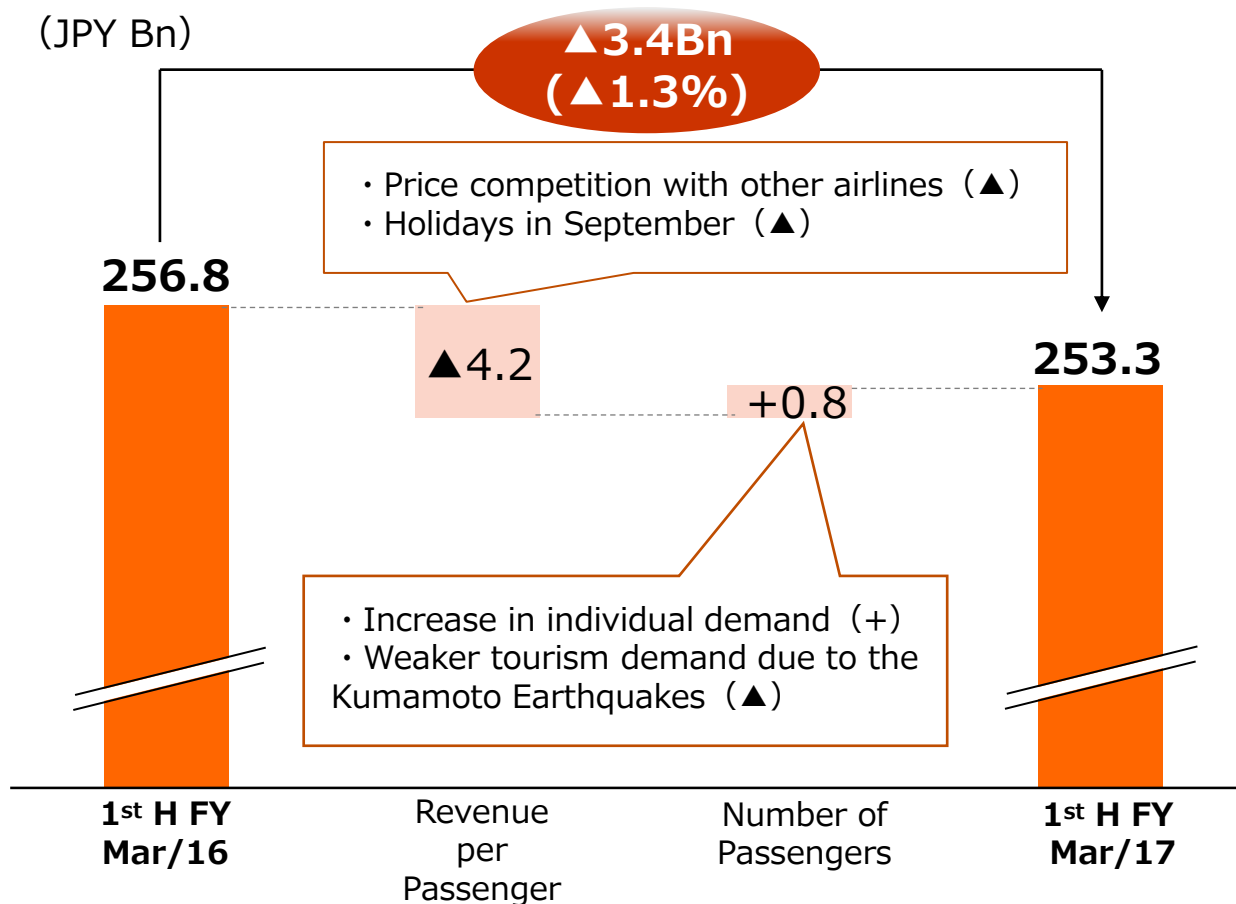
- ASK on domestic routes fell 2.1% year-on-year, but RPK decreased only 0.4%. As a result, the load factor rose 1.1 percentage points to 68.0%. Revenue passengers carried increased 0.3%.
- On the other hand, both yield and revenue per passenger declined by 0.9% and 1.6% respectively due to price competition with a competing airline.
- As a result, revenue ended at 253.3 billion yen, down 1.3% from a year ago.

Domestic Passenger Operations (Change in Revenue)



JAPAN AIRLINES

1st Half FY Mar/17



- ✓ Revenue per passenger mainly of demand boosting fares decreased, due to price competition with other airlines
- ✓ Revenue per passenger decreased due to the way the days of Holidays in September fell on the calendar.
- ✓ Increase in individual passengers mainly with demand boosting fares
- ✓ Group passengers decreased due to the Kumamoto earthquakes

- In terms of revenue per passenger for domestic passenger operations, revenue declined 4.2 billion yen from the previous year due to price competition with another airline. In terms of number of passengers, individual passengers increased while tourism demand fell owing to the Kumamoto earthquakes, resulting in an increase of 0.8 billion yen year-on-year.
- As a result, domestic passenger revenue ended at 253.3 billion yen, down 3.4 billion yen from the previous year.

Major Operating Expense Items



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Operating Expenses

(JPY Bn)	1 st H FY Mar/16	1 st H FY Mar/17	Diff.	y/y ratio	2 nd Quarter (Jul-Sep) ⁽⁴⁾	Diff.	y/y ratio
Fuel	122.5	99.0	▲23.4	▲19.1%	49.7	▲12.9	▲20.6%
Landing and navigation fees	41.5	40.6	▲0.9	▲2.2%	20.6	▲0.5	▲2.4%
Maintenance	25.2	27.6	+2.4	+9.7%	13.6	▲0.1	▲1.3%
Sales commissions (Air Transport) ⁽¹⁾	12.4	7.8	▲4.6	▲37.1%	3.9	▲2.4	▲38.7%
Aircraft ⁽²⁾	49.0	49.8	+0.7	+1.5%	25.0	+0.4	+1.9%
Services ⁽³⁾	17.9	18.3	+0.4	+2.3%	9.4	+0.0	+0.2%
Personnel	122.8	135.7	+12.9	+10.5%	68.1	+6.6	+10.7%
Expenses of travel agency	43.0	42.2	▲0.7	▲1.8%	24.6	▲0.4	▲1.7%
Other	133.2	138.0	+4.7	+3.6%	69.1	+1.6	+2.4%
Total Operating Expenses	567.9	559.4	▲8.4	▲1.5%	284.3	▲7.7	▲2.7%

- ✓ Fuel costs dropped due to the stronger yen and lower fuel prices, but rising personnel costs led to operating expenses of 559.4 billion yen, down 8.4 billion yen from the previous year.
- ✓ Fuel costs fell 23.4 billion yen due to lower fuel prices and stronger yen (including a 10.7 billion yen decrease owing to the stronger yen)
- ✓ Personnel costs rose 12.9 billion yen as a result of priority investments in human resources to strengthen the foundation for growth
- ✓ Maintenance costs rose 2.4 billion yen for engine maintenance, and such.

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.

4. The results for 2Q (July to September) are calculated by deducting the results of 1Q (April to June) from 1H (April to September)

ASK y/y : ▲0.4%

- Fuel costs decreased 23.4 billion yen to 99 billion yen. Personnel costs increased by 12.9 billion yen over the previous year, as a result of reviewing the wage system and increasing basic wages to make focused investments in human resources to strengthen the foundations of our future growth.
- Operating expenses in total fell 1.5% from the previous year to 559.4 billion yen. We will continue to pursue our cost reduction initiatives.

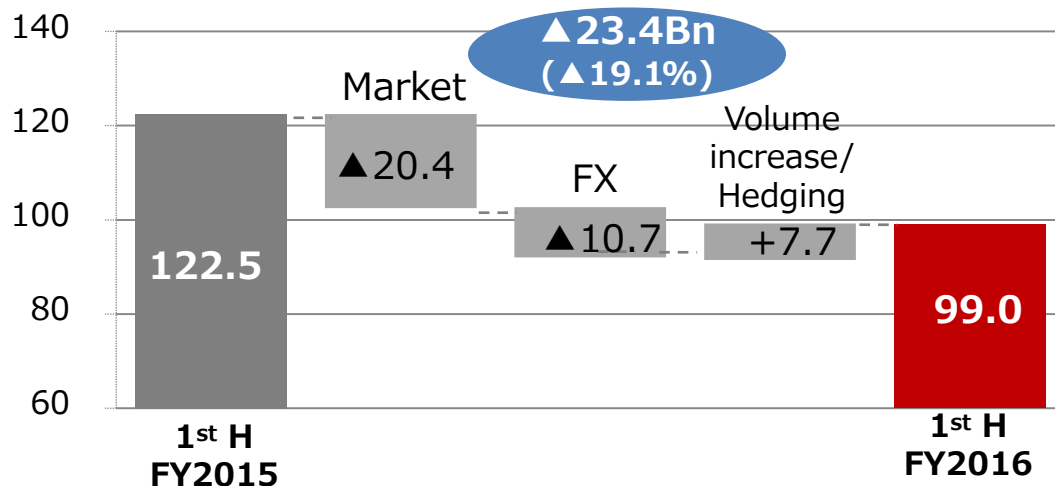
Impact of Fuel and FX Markets



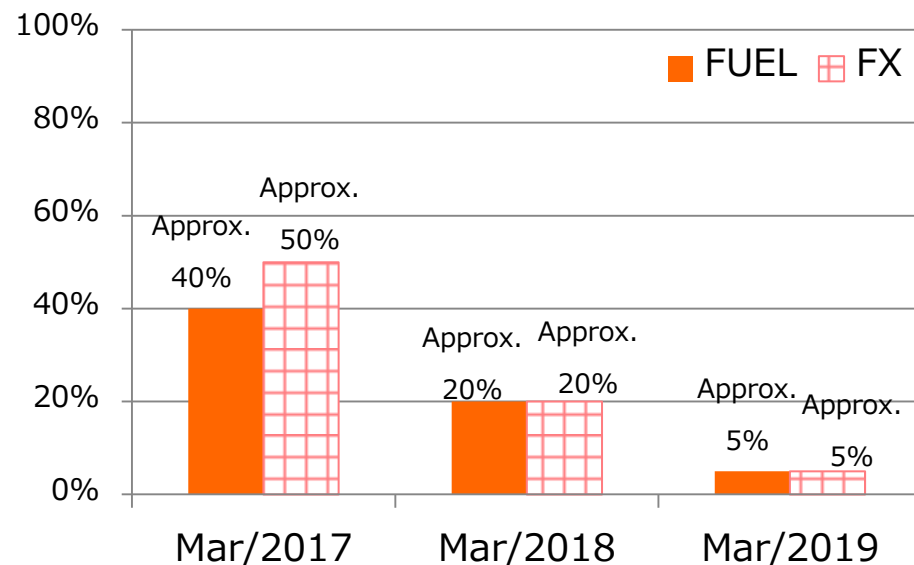
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Transition of Fuel Cost by Factors

(JPY Bn)



Hedging Ratio of Fuel Costs (As of End of 1st Half FY Mar/17)



Fuel / FX Markets

Sensitivity for Fuel Costs

(Without Hedging) Mar/2017

Crude Oil (Change in 1 USD/bbl)	2.4 JPY Bn Per Year
FX (Change in 1 JPY/USD)	1.2 JPY Bn Per Year

	FY Mar/17 Plan	1 st H FY Mar/16	1 st H FY Mar/17	y/y ratio	New Forecast
Singapore Kerosene (USD/bbl)	50.0	69.5	53.1	▲23.7%	54.5 (2 nd Half 56.0)
Dubai Crude Oil (USD/bbl)	36.0	57.1	41.8	▲26.7%	42.9 (2 nd Half 44.0)
FX Rate (JPY/USD)	123.0	121.8	106.8	▲12.3%	106.4 (2 nd Half 106.0)

- The chart in the upper left corner shows a few factors to decrease fuel costs.
Fuel costs dropped 23.4 billion yen from the previous year to 99 billion yen, which attributes to a decrease of 20.4 billion yen year-on-year due to lower fuel prices, a decrease of 10.7 billion yen due to stronger yen and an increase of 7.7 billion yen due to loading volumes and difference of gains and losses from hedging from the previous year.
- The chart in the upper right corner indicates hedging ratios of fuel costs.
- Sensitivity for fuel costs has been revised, as we have revised our assumptions for fuel price and FX for the second-half of fiscal 2016.

Major Balance Sheet Items



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Consolidated Balance Sheet Summary as of End of 1st Half FY2016

(JPY Bn)	End of FY2015 2016/3/31	End of 1H FY2016 2016/9/30	Diff.
Total Assets	1,578.9	1,581.0	+2.1
Cash and Deposits ⁽¹⁾	420.3	369.4	▲50.8
Balance of Interest-bearing Debt ⁽²⁾	92.6	74.0	▲18.6
Future Rental Expenses under Operating Leases	96.9	83.4	▲13.4
Shareholders' Equity	843.0	884.9	+41.8
Shareholders' Equity Ratio (%)	53.4%	56.0%	+2.6pt
D/E Ratio (x) ⁽³⁾	0.1x	0.1x	▲0.0x

✓ The balance of interest-bearing debt decreased by 18.6 billion yen to 74.0 billion yen as a result of repayment.

✓ Shareholders' Equity Ratio was 56.0%.

(Reference) ※As of End of 1st Half FY2016

D/E ratio including Future Rental Expenses under Operating Leases: 0.2x

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

- As for our consolidated financial conditions as of the end of the second quarter, the balance of interest bearing debt decreased by 18.6 billion yen from the previous fiscal year-end to 74 billion after repaying loans and lease obligations.
- Future rental expenses under operating leases decreased by 13.4 billion yen from the previous fiscal year-end to 83.4 billion yen.
- The shareholders' equity ratio was 56.0%, up 2.6 percentage points from the previous fiscal year-end.

Major Cash Flow Items



JAPAN AIRLINES

(JPY Bn)	1st H FY Mar/16	1st H FY Mar/17	Diff.
Net income before income taxes and minority interests	123.6	89.2	▲34.3
Depreciation and Amortization	43.4	46.9	+3.5
Other	10.6	▲3.7	▲14.4
Cash Flow from Operating Activities	177.7	132.4	▲45.2
Capital Expenditure ⁽¹⁾	▲97.3	▲127.9	▲30.5
Other	▲0.5	9.8	+10.4
Cash Flow from Investing Activities ⁽²⁾	▲97.8	▲118.0	▲20.1
Free Cash Flow ⁽³⁾	79.8	14.4	▲65.3
Repayment of Interest-bearing Debt ⁽⁴⁾	▲17.7	▲21.1	▲3.4
Cash dividend, and Other	▲40.6	▲43.2	▲2.6
Cash Flow from Financing Activities	▲58.3	▲64.3	▲6.0
Total Cash Flow ⁽⁵⁾	21.4	▲49.9	▲71.4
EBITDA	163.3	139.4	▲23.9
EBITDAR	175.6	149.5	▲26.0

1. Expenditures due to purchases of fixed assets

2. Exclude deposits and withdrawals from deposit accounts

3. Cash Flow from Operating Activities + Cash Flow from Investing Activities

4. Repayment of Loans + 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 45.2 billion yen year-on-year due to lower operating income and more tax payments, resulting in a cash inflow of 132.4 billion yen.
- Cash flow from investing activities increased 20.1 billion yen year-on-year due to an increase in aircraft investments, resulting in a cash outflow of 118.0 billion yen.
- Free cash flow was 14.4 billion yen.
- Cash flow from financing activities increased 6.0 billion yen due to repayment of interest-bearing debt and payment of dividends, etc., resulting in a cash outflow of 64.3 billion yen.
- Total cash flow was a cash outflow of 49.9 billion yen.

FY2016 Earnings Forecast (Consolidated)



JAPAN AIRLINES

Consolidated Financial Results

(JPY Bn)	Mar/2016 Results	Mar/2017 Forecast	Previous Forecast Announced on April 28, 2016	Diff.
Revenue	1,336.6	1,280.0	1,343.0	▲63.0
Int'l Passenger	448.7	413.0	450.0	▲37.0
Dom. Passenger	501.2	496.0	503.0	▲7.0
Cargo and Mail	91.5	76.0	85.0	▲9.0
Other	295.0	295.0	305.0	▲10.0
Expenses	1,127.4	1,110.0	1,142.0	▲32.0
FUEL	228.1	193.0	202.0	▲9.0
Other Costs	899.3	917.0	940.0	▲23.0
Operating Profit	209.1	170.0	201.0	▲31.0
Operating Profit Margin(%)	15.7%	13.3%	15.0%	▲1.7pt
Ordinary Income	209.2	163.0	193.0	▲30.0
Net Income ⁽¹⁾	174.4	161.0⁽³⁾	192.0 ⁽³⁾	▲31.0
Unit Cost (JPY) ⁽²⁾⁽⁴⁾	9.1	9.3	9.5	▲0.2

Operational Preconditions

	Mar/2017 Forecast	Previous Forecast Announced on April 28, 2016 (4)
ASK* Int'l	+0.4%	▲0.1%
Doms	▲0.7%	▲0.0%
TOTAL	▲0.0%	▲0.1%
RPK* Int'l	+0.9%	+1.7%
Doms	+0.3%	▲0.6%
TOTAL	+0.7%	+0.8%
Singapore Kerosene (USD/bbl)	54.5	50.0
Dubai Crude Oil (USD/bbl)	42.9	36.0
FX (JPY/USD)	106.4	123.0

* y/y

1. Net income attributable to owners of the parent

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

3. 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.

4. From the first quarter, ASK and RPK include "JAL operated code-share flights marketed by other airlines" in calculations. Therefore, the figures of the result of the previous year and the previous forecast are adjusted.

- We have revised our previous earnings forecast announced on April 28, 2016 with less operating revenue of 63 billion yen, less operating profit of 31 billion yen and less net income of 31 billion yen resulting in 161 billion yen.

Mar/2017 Earnings Forecast (Consolidated Balance Sheet)



JAPAN AIRLINES

To improve financial stability, we aim to maintain the equity ratio at around 60% to improve our credit rating.

Balance Sheet

Fundamental Capital Policy

(JPY Bn)	End of Mar/2016 Results	End of Mar/2017 Forecast	Previous Forecast <small>Announced on April 28, 2016</small>	Diff.
Total Assets	1,578.9	1,679.0	1,761.0	▲82.0
Balance of Interest- bearing debts	92.6	83.0	88.0	▲5.0
Shareholders' Equity	843.0	972.0	1,035.0	▲63.0
Shareholders' Equity Ratio(%)	53.4%	57.9%⁽³⁾	58.8% ⁽³⁾	▲0.9pt
ROE ⁽¹⁾	21.5%	17.7%	20.4%	▲2.7pt
ROA ⁽²⁾	13.7%	10.4%	12.0%	▲1.6pt

Safety	Accumulate retained earnings to prepare against risks Maintain shareholders' equity ratio at a safer level.
Increase financing capability	Improve credit rating. To aim for "single A flat" ⁽⁴⁾
Capital efficiency	Achieve capital efficiency exceeding cost of shareholders' equity. Maintain ROE at 10% or above
Return to shareholders	Consider increasing return to shareholders on building a solid financial foundation

- (Net profit attributable to owners of the parent) / (average of shareholder's equity at beginning and end of fiscal year)
- (Operating profit) / (average of total assets at beginning and end of fiscal year)
- 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.
- Credit rating by Rating and Investment Information, Inc., Japan Credit Rating Agency, Ltd.

- The projected shareholders' equity ratio, share repurchase of our own shares by 30 billion yen included, will be 57.9%, down 0.9 percentage points from the previous forecast.

Mar/2017 Earnings Forecast (Cash Flow)



JAPAN AIRLINES

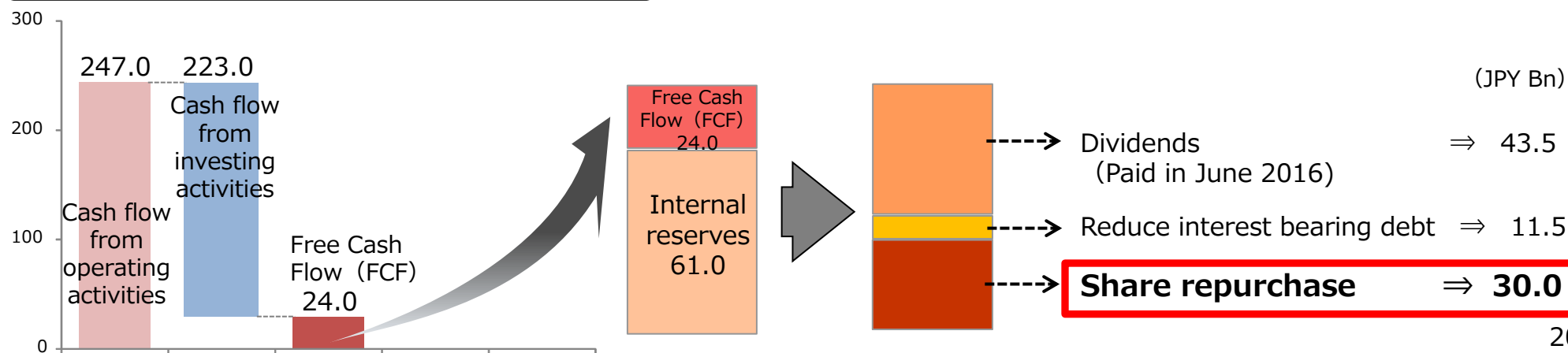
**Make relevant capital investments based on strict investment discipline.
Secure return on investment and maximize Free Cash Flow**

Cash Flow

(JPY Bn)	Mar/2016 Results	Mar/2017 Forecast	Previous Forecast Announced on April 28, 2016	Diff.
Cash Flow from Operating Activities	312.3	247.0	268.0	▲21.0
Cash Flow from Investing Activities ¹	▲207.2	▲223.0	▲243.0	+20.0
Free Cash Flow ¹	105.1	24.0	25.0	▲1.0
Cash Flow from Financing Activities	▲49.6	▲85.0	▲50.0	▲35.0
EBITDA	297.7	267.0	298.0	▲31.0
EBITDAR	321.1	287.0	318.0	▲31.0

1. Exclude deposits and withdrawals from deposit accounts

Use of cash flows (Mar/2017)



- Free cash flow is seen to decline by one billion yen from our previous forecast since cash flow from investment activities is expected to decrease due to stronger yen while cash flow from operating activities is also expected to decline.
- At the end of this material, we have provided some references on “Revenue of International Routes by Geographic Segment”, “Number of Aircraft” and “Earnings Forecast Mar/2017” by International / Domestic Passenger Operations.

Fly into tomorrow.



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《Supplemental Reference》

Revenue of International Routes by Geographic Segment



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Passenger Revenue

(%)	1st Half y/y	2nd Quarter y/y	Proportion of whole Int'l		
			FY Mar/16 1st Half	FY Mar/17 1st Half	2nd Quarter
America	▲1.8%	▲2.7%	25%	27%	27%
Europe	▲12.0%	▲12.1%	16%	16%	16%
Asia/Oceania	▲12.8%	▲14.3%	33%	32%	30%
China	▲21.1%	▲18.7%	12%	10%	10%
Hawaii/Guam	▲2.8%	▲4.2%	14%	15%	17%
Total	▲9.6%	▲10.0%	100%	100%	100%

- 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 second 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.

ASK

(MN seat km)	1st Half			2nd Quarter	
	FY Mar/16	FY Mar/17	y/y	FY Mar/17	y/y
America	6,522	7,161	+9.8%	3,617	+10.0%
Europe	4,044	3,879	▲4.1%	1,978	▲3.1%
Asia/Oceania	9,012	8,921	▲1.0%	4,454	▲1.2%
China	1,656	1,763	+6.4%	899	+7.4%
Hawaii/Guam	4,071	3,775	▲7.3%	1,862	▲11.3%
Total	25,307	25,500	+0.8%	12,810	+0.3%

Passengers

('000)	1st Half			2nd Quarter	
	FY Mar/16	FY Mar/17	y/y	FY Mar/17	y/y
America	558	607	+8.9%	315	+10.1%
Europe	344	337	▲2.0%	178	▲4.1%
Asia/Oceania	2,087	1,994	▲4.5%	996	▲4.9%
China	694	716	+3.1%	387	+11.2%
Hawaii/Guam	595	557	▲6.4%	283	▲9.4%
Total	4,280	4,213	▲1.6%	2,161	▲0.9%

RPK

(MN passenger km)	1st Half			2nd Quarter	
	FY Mar/16	FY Mar/17	y/y	FY Mar/17	y/y
America	5,270	5,770	+9.5%	2,994	+10.7%
Europe	3,122	3,054	▲2.2%	1,605	▲4.4%
Asia/Oceania	7,212	7,038	▲2.4%	3,531	▲2.7%
China	1,308	1,334	+2.0%	720	+9.5%
Hawaii/Guam	3,463	3,206	▲7.4%	1,623	▲10.8%
Total	20,377	20,405	+0.1%	10,475	▲0.2%

Load Factor

(%)	1st Half			2nd Quarter	
	FY Mar/16	FY Mar/17	Diff.	FY Mar/17	Diff.
America	80.8%	80.6%	▲0.2pt	82.8%	+0.5pt
Europe	77.2%	78.7%	+1.5pt	81.1%	▲1.1pt
Asia/Oceania	80.0%	78.9%	▲1.1pt	79.3%	▲1.2pt
China	79.0%	75.7%	▲3.3pt	80.1%	+1.5pt
Hawaii/Guam	85.1%	84.9%	▲0.1pt	87.2%	+0.4pt
Total	80.5%	80.0%	▲0.5pt	81.8%	▲0.4pt

《Supplemental Reference》 Number of Aircraft



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	End of Mar/2016			End of September/2016			Diff.
	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	5	0	5	+2
Boeing 767-300	9	0	9	7	0	7	▲2
Boeing 767-300ER	28	4	32	29	3	32	-
Middle-sized Total	63	4	67	66	3	69	+2
Boeing 737-400	12	0	12	11	0	11	▲1
Boeing 737-800	22	29	51	23	29	52	+1
Small-sized Total	34	29	63	34	29	63	-
Embraer 170	17	0	17	17	0	17	-
Embraer 190	0	0	0	3	0	3	+3
Bombardier CRJ200	9	0	9	8	0	8	▲1
Bombardier D8-400	8	2	10	7	2	9	▲1
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	3	0	3	▲1
Regional Total	54	2	56	53	2	55	▲1
TOTAL	191	35	226	193	34	227	+1

《Supplemental Reference》

Earnings Forecast Mar/2017 (Air transportation Segment)



JAPAN AIRLINES

International Passenger Operations

	Mar/2016 Results	Mar/2017 Forecast	y/y (%)		
			Full-year (Forecast)	1H (Result)	2H (Forecast)
Passenger Revenue (JPY Bn)	448.7	413.0	▲7.9%	▲9.6%	▲6.0%
ASK (MN seat km)	50,563	50,788	+0.4%	+0.8%	+0.1%
RPK (MN passenger km)	40,305	40,660	+0.9%	+0.1%	+1.6%
Passengers ('000)	8,460	8,385	▲0.9%	▲1.6%	▲0.2%
L/F (%)	79.7%	80.1%	80.1%	80.0%	80.1%
Yield (1) (JPY)	11.1	10.2	▲8.7%	▲9.7%	▲7.5%
Unit Revenue (2) (JPY)	8.9	8.1	▲8.3%	▲10.2%	▲6.2%
Revenue per Passenger (3) (JPY)	53,047	49,299	▲7.1%	▲8.1%	▲5.9%

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

※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". Mar/2016 results also shows the figures after reflecting this change.

《Supplemental Reference》

Earnings Forecast Mar/2017 (Air transportation Segment)



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Domestic Passenger Operations

	Mar/2016 Results	Mar/2017 Forecast	y/y (%)		
			Full-year (Forecast)	1H (Result)	2H (Forecast)
Passenger Revenue (JPY Bn)	501.2	496.0	▲1.0%	▲1.3%	▲0.7%
ASK (MN seat km)	35,869	35,628	▲0.7%	▲2.1%	+0.8%
RPK (MN passenger km)	24,341	24,408	+0.3%	▲0.4%	+1.0%
Passengers ('000)	32,114	32,301	+0.6%	+0.3%	+0.9%
L/F (%)	67.9%	68.5%	68.5%	68.0%	69.1%
Yield (1) (JPY)	20.6	20.3	▲1.3%	▲0.9%	▲1.6%
Unit Revenue (2) (JPY)	14.0	13.9	▲0.3%	+0.8%	▲1.5%
Revenue per Passenger (3) (JPY)	15,609	15,362	▲1.6%	▲1.6%	▲1.5%

1. Yield = Passenger Revenue / RPK

2. Unit Revenue=Passenger Revenue / ASK

3. Revenue per Passenger = Passenger Revenue / Passengers

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