## JAPAN AIRLINES Co., Ltd. Financial Results 3<sup>rd</sup> Quarter Mar/2017 (FY2016)

IA



心ひとつに!! 行こう 2020



P.1

P.3

P.6



# OVERVIEW OF 3<sup>RD</sup> QUARTER FY2016 RESULTS

DIVIDEND FORECAST



# **RECENT TOPICS**

# DETAILS OF 3<sup>RD</sup> QUARTER MAR/17 FINANCIAL RESULTS



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.











### Overview of 3<sup>rd</sup> quarter FY FY2016 Results



1

#### **Operating Revenue**





Fuel/FX Markets							
	3Q 3Q MAR/16 MAR/17 <sup>y/y</sup>						
FX Rate (JPY/USD)	121.6	106.4	<b>▲</b> 12.4%				
Singapore Kerosene (USD/bbl)	65.9	54.5	<b>▲</b> 17.2%				
Dubai Crude Oil (USD/bbl)	52.8	43.0	<b>▲</b> 18.6%				



- Operating profit declined 19.2% year-on-year to 137.3 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 14.1%, which exceeds our operating margin target of at least 10%.



- ■Now, I will provide an overview of third-quarter financial results for the fiscal year ending March 31, 2017.
- Operating revenue declined 47.9 billion yen, down 4.7% year-on-year, to 975.4 billion yen. The drivers are a decrease in domestic passenger revenue caused by the Kumamoto earthquakes, lower international passenger and international cargo fuel surcharge revenues which impacts negative 34.8 billion yen and the strong yen, negative 16.8billion yen.
- Operating profit declined 32.7 billion yen, down 19.2% year-on-year, to 137.3 billion yen, due to rising maintenance costs and an increase in personnel costs for focused investments to strengthen the foundations of growth.

## FY2016 Consolidated Earnings Forecast(Not Changed)

JAPAN AIRLINES

### Maximizing the profit to achieve the target rather than revising the forecast

Aforementioned on October 31st,2016

Consolidated Financial Results & Forecasts						
(JPY Bn)		FY2015 Results	FY2016 Forecast			
Revenue		1,336.6	1,280.0			
	Int'l Passenger	448.7	413.0			
	Dom. Passenger	501.2	496.0			
	Cargo & Mail		76.0			
	Other	295.0 <b>29</b>				
Expenses		1,127.4	1,110.0			
	Fuel	228.1	193.0			
	Other Costs	899.3	917.0			
Operating	Profit	209.1	170.0			
Operating	Profit Margin(%)	15.7%	13.3%			
Ordinary I	ncome	209.2	163.0			
Net Incom	e <sup>(1)</sup>	174.4	161.0 <sup>(3)</sup>			
Unit Cost (	(JPY) <sup>(2)(4)</sup>	9.1	9.3			

Operational Preconditions					
	FY2015 Result	FY2016 Forecast			
ASK <sup>(4)</sup> Int'l	+1.3%	+0.4%			
Doms	<b>▲</b> 1.2%	<b>▲</b> 0.7%			
TOTAL	+0.2%	<b>▲</b> 0.0%			
RPK <sup>(4)</sup> Int'l	+5.4%	+0.9%			
Doms	+1.5%	+0.3%			
TOTAL	+3.8%	+0.7%			
Singapore Kerosene(USD/bbl)	60.0	54.5 (2 <sup>nd</sup> H 56.0)			
Dubai Crude Oil (USD/bbl)	47.2	42.9 (2 <sup>nd</sup> H 44.0)			
FX (JPY/USD)	120.5	106.4			
		(2 <sup>nd</sup> H 106.0)			

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.



■Given our third-quarter result, we decided to work on maximizing profit to achieve the target instead of revising our earnings forecast for FY2016.

### FY2016 Dividend Forecast



#### **Dividend forecast for FY2016**

Appx. 25% of Net Income<sup>\*1</sup> for the fiscal year excluding Income Tax-Deferred

	FY2015 Results	FY2016 Forecast
Net Income <sup>*1</sup> (JPY Bn)	174.4	161.0
Income Tax-Deferred (JPY Bn)	▲0.4	▲30.0
	174.0	131.0
	× 25%	× 25%
Total amount for dividends (JPY Bn)	43.5	32.7
Total number of shares issued(exc. Treasury stock) ('000)*2	362,567	356,328 <sup>*2</sup>
Dividends per share (JPY)	120	92

\*1 Net Income Attributable to owners of the parent

\*2 excluding share buyback completed as of the end of December 2016 only.





■We intended to return 25% of full-year net income after adjusting income tax deferred to our shareholder's as dividends. Therefore, dividend per share for this fiscal year is estimated to be 92yen, the total amount for dividend is 32.7 billion yen.

### Progress of measures to improve profitability



### **Reinforce Divisional Profitability Management System and maximize profits**

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

Measures to increase cost-effectiveness							
		FY2016Q2	FY2016 2 <sup>nd</sup> Half				
Sales promotion	Reduce mileage costs	Prom	ote redemption of miles through award tickets				
Maintenance	Review maintenance costs		Reduce 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 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.

## **Business Direction from FY2017**



#### Medium and long term Management Targets from FY2017 $\sim$ To increase corporate value $\sim$

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

Profitability	Stability	Growth			
<ul> <li>Pursue profitability, not merely business scale</li> <li>Review asset efficiency and capital efficiency</li> </ul>	<ul> <li>Maintain shareholder's equity ratio at appropriate level to balance financial stability and capital efficiency</li> <li>Improve credit rating</li> </ul>	<ul> <li>Capacity strategy with maintaining profitability</li> <li>Introduce fuel-efficient next generation aircraft</li> </ul>			
Profit Margin*	Shareholder's Equity Ratio* 60% A Flat A Minus	ASK on domestic flights* ASK on international flights*			

\*Will be announced around the end of April, 2017.

#### 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.

### **Recent Topics**



#### **Route Networks & Services**



Tokvo(Haneda)=New York(J.F. Kennedv) route will be in service from April 1<sup>st</sup>.2017



### DOM

#### JAL SKY NEXT is expanding onto more routes

- Installment of JAL SKY NEXT has been completed on all 77 aircraft.
- Additional installment on Japan Transocean Air(JTA) is now in progress

#### Routes operated by Embraer190 with class J is expanding $\checkmark$

Mainly on routes from/to Osaka(Itami)

#### ATR42-600 is now in operation $\checkmark$

 Mainly operated within inter-islands routes in Kagoshima prefecture.



#### Other

~JAL is the World's Best Airline for On-time Flights~ ✓ Asia-Pacific Major Airlines: 1<sup>st</sup>



- Airline Alliance: 1<sup>st</sup> (oneworld Alliance)  $\checkmark$

~JAL is ranked No.1 for "Loyalty" for 4 consecutive years and No.1 for "Customer Satisfaction" in JCSI\* Survey~ \*Japan Customer Satisfaction Index

()shows previous year	International	Domestic
Loyalty(repeat intention)	1st(1st)	3rd(5th)
Recommendation Intention	1st(2nd)	3rd(3rd)



#### JAL started joint business with **IBERIA**

IBER

· IBERIA joined JAL, British Airways and Finn Air in joint business on flights between **Europe and Japan** 

#### "Dokokani Mile" is now available

 Random free trip out of four possible destinations is offered with only 6,000miles













- On international routes, we have announced that Haneda=John F. Kennedy route will be opened on April 1<sup>st</sup> this year.
- On domestic routes, we completed installing JAL SKY NEXT cabin interiors.on all applicable 77 aircraft.

### **Consolidated Financial Results**



							JAPAN AIRLINES		
Consolidated Financial Results 3 <sup>rd</sup> Quarter Mar/17									
(JPY Bn)	3Q FY2015	3Q FY2016	Diff.	y/y ratio	3 <sup>rd</sup> Quarter (Oct-Dec) <sup>(5)</sup>	Diff.	y/y ratio		
Revenue	1023.4	975.4	<b>▲</b> 47.9	<b>▲</b> 4.7%	323.5	▲11.9	▲3.6%		
Air Transportation Segment	923.2	877.2	▲46.0	▲5.0%	291.5	▲11.4	▲3.8%		
Operating Expense	853.3	838.1	▲15.2	<b>▲</b> 1.8%	278.6	▲6.7	▲2.4%		
Air Transportation Segment	767.6	753.4	▲14.2	<b>▲</b> 1.9%	251.2	▲5.5	<b>▲</b> 2.2%		
Operating Profit	170.0	137.3	▲32.7	<b>▲</b> 19.2%	44.8	▲5.1	<b>▲</b> 10.3%		
Air Transportation Segment	155.5	123.8	▲31.7	<b>▲</b> 20.4%	40.2	▲5.8	<b>▲</b> 12.7%		
Operating Profit Margin (%)	16.6%	14.1%	▲2.5pt	-	13.9%	▲1.0pt	-		
Ordinary Income	170.4	136.0	▲34.4	<b>▲</b> 20.2%	46.2	<b>▲</b> 1.5	▲3.3%		
Net Income <sup>(1)</sup>	143.6	108.2	▲35.4	<b>▲</b> 24.6%	36.8	▲3.4	▲8.5%		
ASK (MN seat km)	65,182	64,948	▲233	<b>▲</b> 0.4%	21,562	▲44	▲0.2%		
RPK (MN seat km)	48,888	49,033	+145	+0.3%	16,473	+168	+1.0%		
EBITDA Margin (%) (2)	23.0%	21.3%	<b>▲</b> 1.7pt	-	21.3%	▲0.3pt	-		
EBITDAR Margin(%) (3)	24.8%	22.9%	▲1.9pt	-	22.8%	<b>▲</b> 0.5pt	-		
Unit Cost(JPY) <sup>(4)</sup>	9.0	9.3	+0.3	+3.5%	9.4	+0.2	+2.1%		
Incl. Fuel	11.8	11.6	▲0.2	<b>▲</b> 1.5%	11.7	▲0.2	<b>▲</b> 2.0%		

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 3Q (October to December) are calculated by deducting the results of 1H (April to September) from 3Q (April to December)



■Please see the table for the details of consolidated financial result.

### **Changes in Operating Profit**







International passenger revenue declined 31.5 billion yen year-on-year due to lower fuel surcharge revenue and the strong yen. Domestic passenger revenue decreased 3.2 billion yen year-on-year due to a decrease of revenue per passenger due to price competition, although individual demand increased.

■Costs decreased 15.2 billion yen from the previous year due to lower fuel prices and efforts to contain other costs.

### International Passenger Operations(Operating Results)



International Passenger								
*Figures exclude mileage travelers.	3Q FY2015	3Q FY2016	016 y/y ratio (Oct-Dec) <sup>(4)</sup> y/y ratio Passeng		<ul> <li>Passenger Revenue was 314.4 billion yen, declined by 31.5</li> </ul>			
Passenger Revenue (JPY Bn)	345.9	314.4	<b>▲</b> 9.1%	101.2	▲8.2%	billion yen y/y.		
ASK (MN seat km)	38,015	38,203	+0.5%	12,702	▲0.0%	<ul> <li>L/F for the 3Q (Oct-Dec) marked an all-time high of 79.5%</li> </ul>		
RPK (MN seat km)	30,418	30,508	+0.3%	10,102	+0.6%			
Passengers ('000)	6,352	6,279	<b>▲</b> 1.1%	2,066	▲0.3%	Factors of changes in Revenue per Passenger (estimate)		
L/F (%)	80.0%	79.9%	▲0.2pt	79.5%	+0.5pt	Net       Fuel     Unit       Surcharge     FX etc       Price     Total		
Yield <sup>(1)</sup> (JPY)	11.4	10.3	<b>▲</b> 9.4%	10.0	▲8.7%	▲9% ▲8%		
Unit Revenue <sup>(2)</sup> (JPY)	9.1	8.2	▲9.6%	8.0	▲8.2%	+6%		
Revenue per Passenger <sup>(3)</sup> (JPY)	54,463	50,072	▲8.1%	49,016	<b>▲</b> 7.9%			
						▲5%		

1. Yield = Passenger Revenue / RPK

2. Unit Revenue= Passenger Revenue / ASK

3. Revenue per Passenger = Passenger Revenue / Passengers

4. The results for 3Q (October to December) are calculated by deducting the results of 1H (April to September) from 3Q (April to December)



- While L/F of cumulative 3<sup>rd</sup> quarter on international routes was 79.9%, down 0.2 percentage points from the year before, L/F for the three months ending December 31<sup>st</sup>, 2016 was the highest 79.5%, up 0.5pt year-on-year.
- Revenue per passenger declined 8.1%. But as shown in the table in the lower right corner, considering that revenue per passenger dropped around 9% due to lower fuel surcharge revenue and around 5% due to exchange rates and so on, and we calculate net unit revenue as having risen approximately 6%. Therefore, revenue per passenger has improved.

International Passenger Operations(Change in Revenue)



#### **3Q 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.
- Inbound demand was strong mainly on Southeast Asia and Mainland China routes.



- As for the factor of revenue per passenger in international passenger revenue, lower fuel surcharge revenue and the stronger yen led to a revenue decrease of 28.1 billion yen. However, the expansion of JAL SKY SUITE operated routes contributed to higher revenue per passenger.
- As for the factor of revenue passengers carried, inbound 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 3.4 billion yen.
- ■As a result of the above, international passenger revenue was 314.4 billion yen, down 31.5 billion yen from the year before.

### **Domestic Passenger Operations (Operating Results)**



Domestic Passenger								
*Figures exclude mileage travelers.	3Q FY2015	3Q FY2016	y/y ratio	3 <sup>rd</sup> Quarter (Oct-Dec) <sup>(4)</sup>	y/y ratio	✓	Passenger revenue was 380.8 billion yen, down 3.2	
Passenger Revenue (JPY Bn)	384.1	380.8	▲0.9%	127.5	+0.1%		billion yen y/y.	
ASK (MN seat km)	27,166	26,744	<b>▲</b> 1.6%	8,859	▲0.4%	<b>√</b>	ASK was ▲1.6% y/y while RPK was +0.3% resulting in	
RPK (MN seat km)	18,469	18,525	+0.3%	6,370	+1.7%		L/F 69.3%, up 1.3pt.	
Passengers ('000)	24,377	24,623	+1.0%	8,492	+2.4%	~	L/F for the 3Q (Oct-Dec) marked an all-time high of	
L/F (%)	68.0%	69.3%	+1.3pt	71.9%	+1.5pt		71.9%	
Yield <sup>(1)</sup> (JPY)	20.8	20.6	<b>▲</b> 1.2%	20.0	<b>▲</b> 1.6%	~	Yield decreased by 1.2% y/y	
Unit Revenue <sup>(2)</sup> (JPY)	14.1	14.2	+0.7%	14.4	+0.6%		and revenue per passenger by 1.8% respectively.	
Revenue per Passenger <sup>(3)</sup> (JPY)	15,759	15,469	<b>▲</b> 1.8 %	15,015	▲2.2%			

1. Yield = Passenger Revenue / RPK

2. Unit Revenue= Passenger Revenue / ASK

3. Revenue per Passenger = Passenger Revenue / Passengers

4. The results for 3Q (October to December) are calculated by deducting the results of 1H (April to September) from 3Q (April to December)



- ASK on domestic routes fell 1.6% year-on-year, but RPK rose 0.3%. As a result, the cumulative load factor rose 1.3 percentage points to 69.3%. L/F for three months ended December 31<sup>st</sup> marked highest, 71.9%.
- On the other hand, both yield and revenue per passenger declined by 1.2% and 1.8% respectively due to price competition with other airline.
- ■As a result, revenue ended at 380.8 billion, yen, down 0.9% from a year ago.

### **Domestic Passenger Operations (Change in Revenue)**



#### **3Q 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



When analyzing revenue by factor, revenue per passenger declined 7.1 billion yen from the previous year due to price competition with other airlines. The factor of revenue passengers carried saw an increase in individual passengers, although leisure demand fell owing to the Kumamoto earthquakes, resulting in an increase of 3.8 billion yen year-on-year.

■As a result of the above, domestic passenger revenue ended at 380.8 billion yen, down 3.2 billion yen from the previous year.

### **Major Operating Expense Items**



	Operating Expenses							
(JPY Bn)	3Q FY2015	3Q FY2016	Diff.	y/y ratio	3 <sup>rd</sup> Quarter (Oct-Dec) <sup>(4)</sup>	Diff.	y/y ratio	~
Fuel	180.7	147.8	▲32.8	<b>▲</b> 18.2%	48.7	▲9.3	▲16.1%	
Landing and navigation fees	62.2	60.9	▲1.2	<b>▲</b> 2.0%	20.3	▲0.3	▲1.6%	
Maintenance	37.5	40.9	+3.3	+8.8%	13.2	+0.8	+7.1%	✓
Sales Commissions (Air Transport) <sup>(1)</sup>	18.5	11.6	▲6.8	<b>▲</b> 37.0%	3.8	▲2.2	▲36.8%	
Aircraft <sup>(2)</sup>	73.7	74.7	+1.0	+1.4%	24.9	+0.3	+1.3%	
Services <sup>(3)</sup>	27.3	27.9	+0.5	+2.2%	9.6	+0.1	+1.9%	~
Personnel	187.0	204.2	+17.2	+9.2%	68.5	+4.2	+6.7%	
Expenses of travel agency	63.4	61.7	▲1.6	<b>▲</b> 2.6%	19.5	▲0.9	▲4.5%	
Other	202.7	207.9	+5.2	+2.6%	69.8	+0.4	+0.6%	
Total Operating Expenses	853.3	838.1	▲15.2	<b>▲</b> 1.8%	278.6	▲6.7	▲2.4%	

- Fuel costs dropped due to the stronger yen and lower fuel prices, but rising personnel costs led to operating expenses of 838.1 billion yen, down 15.2 billion yen from the previous year.
- Fuel costs fell 32.8 billion yen due to lower fuel prices (including 16.5 billion yen decrease owing to the stronger yen)
- Personnel costs rose 17.2 billion yen as a result of priority investments in human resources to strengthen the foundation for growth
- Maintenance costs rose 3.3 billion yen for engine maintenance, and such.

ASK y/y : ▲0.4%

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 3Q (October to December) are calculated by deducting the results of 1H (April to September) from 3Q (April to December)



Fuel costs decreased 32.8 billion yen to 147.8billion yen. I will provide details on page 14. Personnel costs increased by 17.2 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 growth.

Operating expenses fell 1.8% from the previous year to 838.1 billion yen. We will continue to pursue our cost reduction initiatives.

### Impact of Fuel and FX Markets





30

**FY2015** 

121.6

65.9

52.8

**FX** Rate

(JPY/USD)

Singapore

Kerosene

(USD/bbl)

(USD/bbl)

Dubai Crude Oil

**Fuel / FX Markets** 

106.4

54.5

43.0

y/y ratio

**▲**12.4%

**▲**17.2%

**▲**18.6%

3Q

FY2016

3<sup>rd</sup> Quarter

(Oct-Dec)

105.7

57.5

45.4

y/y

**▲**12.7%

**▲**1.8%

+2.5%

#### Hedging Ratio of Fuel Costs (As of End of 3Q FY2016)



Sensitivity for	or Fuel Costs

(Without Hedging) Mar/2017

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



Please look at the graph in the upper left corner for the drivers of lower fuel costs. Fuel costs dropped 32.8 billion yen from the previous year to 147.8 billion yen. The breakdown is a decrease of 19.8 billion yen year-on-year due to lower fuel prices, a decrease of 16.5 billion yen due to stronger yen, and an increase of 3.5 billion yen due to loading volumes and difference of gains and losses from hedging from the previous year.

The graph in the upper right corner shows detailed hedging of fuel costs,



Consolidated Balance Sheet Summary as of End of Q3 FY2016										
(JPY Bn)	End of FY2015 2016/3/31	End of Q3 FY2016 2016/12/31	Diff.							
Total Assets	1,578.9	1,625.3	+46.3							
Cash and Deposits <sup>(1)</sup>	420.3	372.6	<b>▲</b> 47.6							
Balance of Interest-bearing Debt <sup>(2)</sup>	92.6	96.2	+3.6	<ul> <li>Straight Bond was issued in order to diversify funding</li> </ul>						
Future Rental Expenses under Operating Leases	96.9	83.2	▲13.6	methods. December 20 <sup>th</sup> , 2016 Amount Interests						
Shareholders' Equity	843.0	923.8	+80.7	#1 10yrs 10Bn 0.47% #2 5yrs 10Bn 0.17%						
Shareholders' Equity Ratio (%)	53.4%	56.8%	+3.4pt							
D/E Ratio ( <sub>x</sub> ) <sup>(3)</sup>	0.1x	0.1x	▲0.0x	was 56.8%						

1. Certificate of deposits included

2. Accounts Payable-installment Purchase included

3. D/E ratio = On-balance sheet Interest-bearing Debt / Shareholders' Equity

(Reference) XAs of End of Q3 FY2016

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



■Balance Sheet is shown on this page.

### **Major Cash Flow Items**



(JPY Bn)	3Q FY2015	3Q FY2016	Diff.
Net income before income taxes and minority interests	172.3	134.3	▲38.0
Depreciation and Amortization	65.8	70.9	+5.1
Other	<b>▲</b> 14.1	<b>▲</b> 24.2	▲10.0
Cash Flow from Operating Activities	223.9	181.0	▲42.9
Capital Expenditure <sup>(1)</sup>	▲160.6	<b>▲</b> 177.5	▲16.8
Other	0.1	11.9	+11.7
Cash Flow from Investing Activities <sup>(2)</sup>	<b>▲</b> 160.4	<b>▲</b> 165.6	▲5.1
Free Cash Flow <sup>(3)</sup>	63.5	15.4	<b>▲</b> 48.0
Repayment of Interest-bearing Debt (4)	▲22.6	<b>▲</b> 21.0	+1.6
Cash dividend, and Other	▲39.7	<b>▲</b> 42.4	▲2.7
Cash Flow from Financing Activities	▲62.3	▲63.4	<b>▲</b> 1.1
Total Cash Flow <sup>(5)</sup>	1.1	<b>▲</b> 48.0	<b>▲</b> 49.1
EBITDA	235.8	208.2	▲27.5
EBITDAR	253.7	223.3	▲30.3

1. Expenditures due to purchases of fixed assets

2. Exclude deposits and withdrawals from deposit accounts and certificate of deposits

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



■Major Cash Flow Items are described on this page.

■For your reference, at the end of the handout, we have provided results of international passenger revenue by major routes, a list of aircraft in our fleet and the earnings forecast for the fiscal year ending March 2017.



### Fly into tomorrow.



**Finance & Investor Relations, Japan Airlines** 

### 《Supplemental Reference》

### Revenue of International Routes by Geographic Segment



Passenger Revenue           Q3         Q3         Component Ratio													
(%)		Cumulative		3Months		Q3 FY2015		Q3 FY2016		Q3 3 Months			
America		1.2%	<b>A</b> 9	9.1%		25%		26%		4	25%		
Europe	<b>▲</b> 9	9.7%	▲3	3.7%		15%		16%			14%		
Asia/Oceania	▲12	2.6%	<b>▲</b> 12	2.3%		35%		33%		4	35%		
China	▲18	3.0%	▲10	).5%		11%		10%			10%		
Hawaii/Guam	<b>^</b>	1.4%	+′	1.7%		14%		15%			16%		
Total	<b>▲</b> 9	9.1%	₹	3.2%	1	100%		100%	100%		00%		
			SK										
(MN seat km)		Q3 (Cumulative)			Q3 (3Months)			('000)					
America	FY2015		2016	y/	-	FY2016		y/y			Ameri		
	9,865		,777		2%			+8.1%					
Europe	5,973		,781		2%	1,901		▲1.4%			Europ		
Asia/Oceania	13,514		,358		2%	4,437		<b>▲</b> 1.4			Asia/C		
China	2,555		,644		5%			▲2.0			China		
Hawaii/Guam	6,106		,642		.6%			▲8.2			Hawai		
Total	38,015		,203	+0.	.5%	% 12,702		▲0.0	)%		Total		
	01		PK	>			0 (01	lewthe)					
(MN passenger km)	FY2015	•	nulativ 2016	/e) y/	'v	FY20	•	/lonths) y/y			(%)		
America	7,895		,565	-	<b>,</b> 5%		794	+6.		1	Ameri		
Europe	4,559	4,546				▲0.			492	+3.9			Europ
Asia/Oceania	10,912		,661	▲2.			623	<b>▲</b> 2. <sup>4</sup>			Asia/C		
China	1,828		,922		2%		587	+13.			China		
Hawaii/Guam	5,223		,811		9%		604	▲8.9			Hawai		
Total	30,418		,508		3%		102	+0.0			Total		
	i					· · · ·				4 1			

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

- 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"

•Hawaii and Guam routes above have been combined as "Haw routes.

Passengers

		rassenger	•			
('000)	Q	3 (Cumulati	3Q (3Months)			
(000)	FY2015	FY2016	y/y	FY2016	y/y	
America	836	901	+7.8%	294	+5.8%	
Europe	503	502	▲0.2%	164	+3.6%	
Asia/Oceania	3,141	3,007	<b>▲</b> 4.3%	1,013	▲3.9%	
China	972	1,031	+6.0%	314	+13.3%	
Hawaii/Guam	898	836	▲6.9%	279	<b>▲</b> 7.8%	
Total	6,352	6,279	<b>▲</b> 1.1%	2,066	▲0.3%	
		Load Facto	r			
(%)	Q3	B (Cumulativ	3Q (3Months)			
(70)	FY2015	FY2016	Diff	FY2016	Diff	
America	80.0%	79.5%	▲0.5pt	77.3%	▲1.2pt	
Europe	76.3%	78.6%	+2.3pt	78.5%	+4.0pt	
Asia/Oceania	80.7%	79.8%	▲0.9pt	81.6%	▲0.5pt	
China	71.5%	72.7%	+1.2pt	66.7%	+8.9pt	
Hawaii/Guam	85.6%	85.3%	▲0.3pt	86.0%	▲0.6pt	
Total	80.0%	79.9%	▲0.2pt	79.5%	+0.5pt	

### **«**Supplemental Reference**»** Number of Aircraft



	End of FY2015 End of Q3 FY2016 2016/3/31 2016/12/31					JAF	
	2016/3/31			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	6	0	6	+3
Boeing 767-300	9	0	9	6	0	6	▲3
Boeing 767-300ER	28	4	32	30	2	32	
Medium-sized Total	63	4	67	67	2	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	5	0	5	+5
Bombardier CRJ200	9	0	9	7	0	7	▲2
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	54	2	56	
Total	191	35	226	195	33	228	+2



2. (Operating profit ) / (average of total assets at beginning and end of fiscal year)

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.

4. Credit rating by Rating and Investment Information, Inc., Japan Credit Rating Agency, Ltd.

# 

FY2016 Earnings Forecast (Cash Flow)



 

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

 Cash Flow
 FY2015
 FY2016
 FY2016
 FY2016
 Previous Forecast
 Diff.

 (JPY Bn)
 FY2015
 Results
 212.2
 247.0
 247.0
 247.0

	Results	New Forecast	(announced on Oct. 31,2016)	
Cash Flow from Operating Activities	312.3	247.0	247.0	_
Cash Flow from Investing Activities <sup>1</sup>	▲207.2	▲223.0	▲223.0	_
Free Cash Flow <sup>1</sup>	105.1	24.0	24.0	-
Cash Flow from Financing Activities	<b>▲</b> 49.6	▲53.0	▲85.0	+32.0
EBITDA	297.7	267.0	267.0	_
EBITDAR	321.1	287.0	287.0	_

Use of Cash Flows (FY2016)

1. Exclude deposits and withdrawals from deposit accounts and certificate of deposits.



### Disclaimer



This contents contains descriptions of the future expectations, outlooks, objectives and plans etc. of Japan Airlines Co., Ltd. (hereafter "the company") and related Group companies (hereafter "the Group"). These are based on information available at the time when these materials were created by the company (or as otherwise specified), and are created based on the forecasts at such time. These statements were created based on certain assumptions. These statements and assumptions include the subjective projections and judgments of our management, and due to various risks and uncertainties, these may be found to be inaccurate or unrealized in the future. Therefore, the actual results, earnings and financial conditions, etc. of the Group may differ from the projections of Japan and other countries and regions, soaring fuel costs, changes in the exchange rates between the yen and the dollar or other currencies, terrorist attacks or wars, infectious disease outbreaks, and various other risks related to the aviation business.

Statements on this contents regarding future information are, as mentioned above, valid at the time of creation (or as otherwise specified), and our company has no obligation to ensure that this information is updated with the latest available information.

The information contained in this contents is for informational purposes only, and is not intended as a recommendation, solicitation or request for the purchase of or trade in any securities or financial products.

Although every effort has been made to ensure that the information posted on this contents regarding the Group is correct, it includes unaudited financial information for which we provide no guarantee of its accuracy, completeness, fairness or reliability. The Company does not have any responsibility for any damages resulting from the use of this contents.

It should be noted that all rights with this contents and other copyright of this material belongs to Japan Airlines Co., Ltd.