

# JAPAN AIRLINES Co., Ltd.

## Financial Results

### 1<sup>st</sup> Quarter Mar/2018 (FY2017)



July 31, 2017



## OVERVIEW OF FINANCIAL RESULTS FOR 1<sup>ST</sup> QUARTER MAR/18

P.1



## REVISED CONSOLIDATED FINANCIAL FORECAST FOR MAR/18

P.2



## REVISED DIVIDEND FORECAST

P.3



## RECENT TOPICS

P.4



## DETAILS OF FINANCIAL RESULTS FOR 1<sup>ST</sup> QUARTER MAR/18

P.6



## REFERENCES

P.15

# Overview of Financial Results for 1<sup>st</sup> Quarter Mar/18

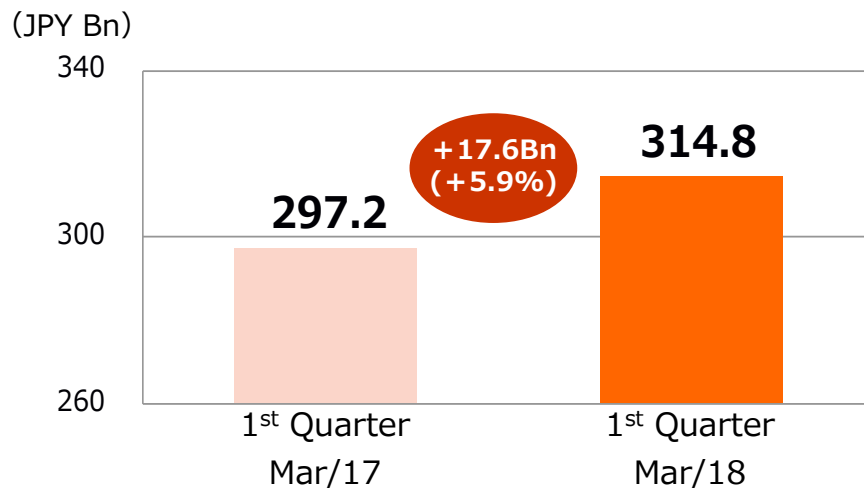


JAPAN AIRLINES

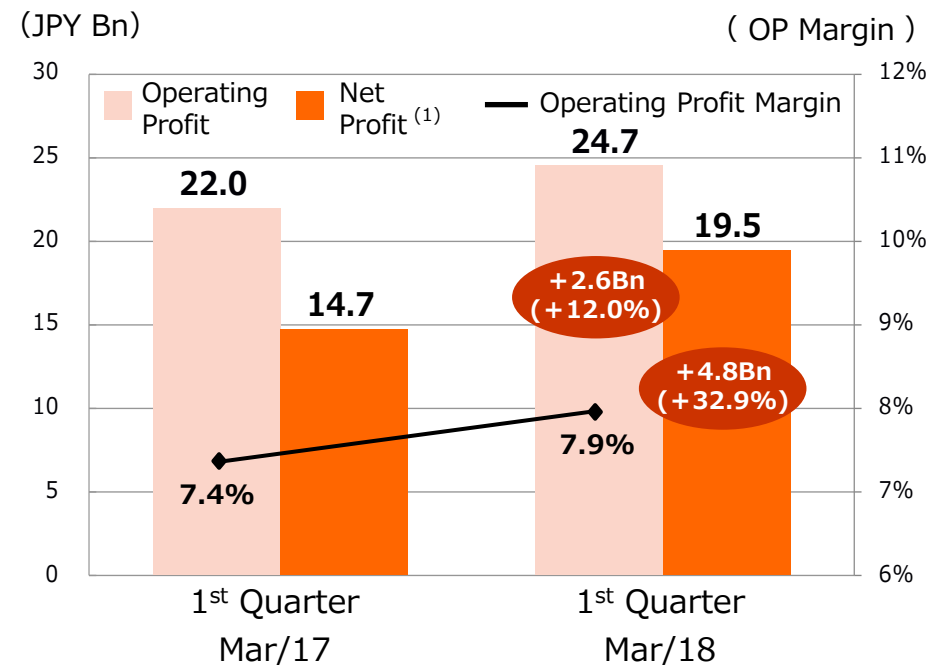
## 1<sup>st</sup> Quarter Mar/18 (FY2017)

✓ 1<sup>st</sup> quarter resulted in an increase in both revenue and profit compared to the previous year.

### Operating Revenue



### Operating profit · Net profit



1 Profit attributable to owners of parent.

### Fuel/FX Markets

	1 <sup>st</sup> Quarter Mar/17	1 <sup>st</sup> Quarter Mar/18	y/y
Singapore Kerosene (USD/bbl)	50.7	62.2	+22.7%
Dubai Crude Oil (USD/bbl)	39.5	51.3	+29.9%
FX Rate (JPY/USD)	110.3	111.0	+0.6%

# Revised Consolidated Financial Forecast for Mar/18

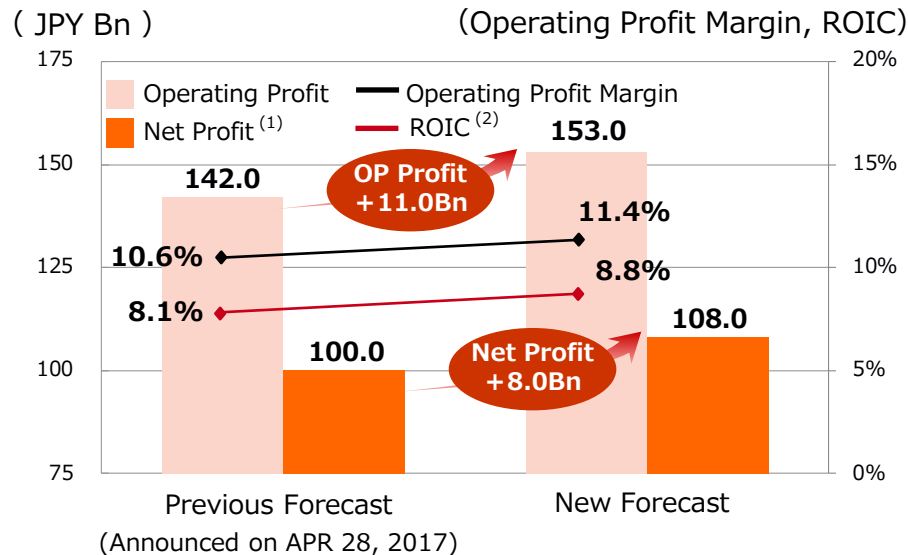


JAPAN AIRLINES

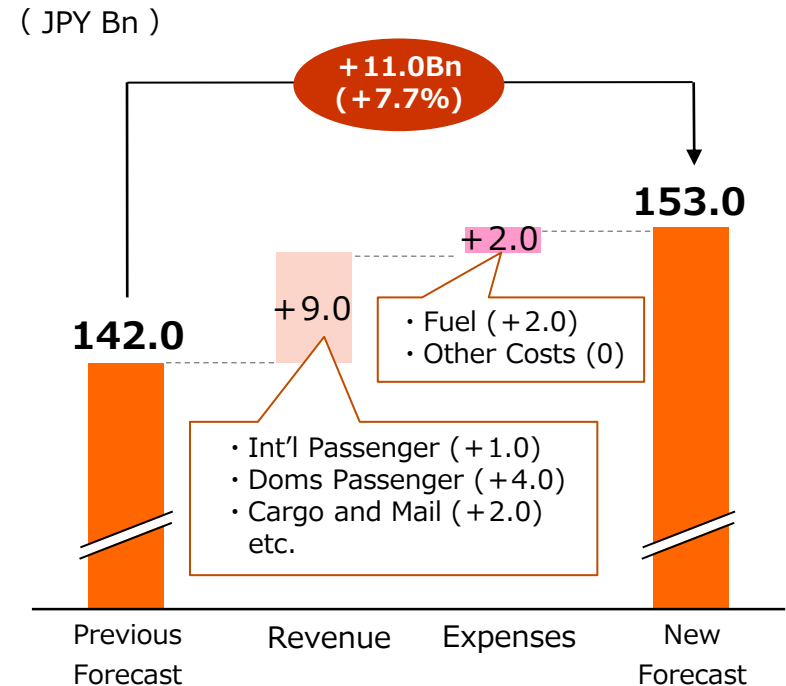
## Upward Revision for Operating Profit & Net Profit Forecast

✓ An upward revision has been made based on the 1<sup>st</sup> quarter results.

### Operating profit · Net profit



### Change in operating profit



(JPY Bn)	Previous Forecast	New Forecast	Diff.
Operating Revenue	1,339.0	1,348.0	+9.0
Operating Profit	142.0	153.0	+11.0
Net Profit <sup>(1)</sup>	100.0	108.0	+8.0

1 Profit attributable to owners of parent.

2  $ROIC(\%) = \frac{NOPAT}{\text{Fixed Asset (incl. Future Rental Expenses under Operating Leases)}}$

# Revised Dividend Forecast

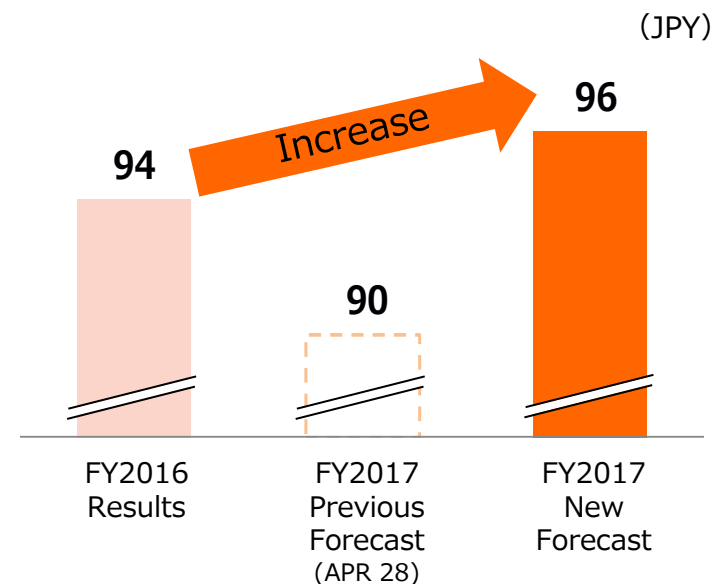


JAPAN AIRLINES

## Dividend forecast

	FY2016 Results	Previous Forecast (APR 28)	New Forecast
Net Profit <sup>(1)</sup> (JPY Bn)	164.1	100.0	<b>108.0</b>
Income Tax-Deferred (JPY Bn)	▲31.6	5.0	<b>5.0</b>
Income available for dividends (JPY Bn)	132.5	105.0	<b>113.0</b>
	× 25%	× 30%	× 30%
Total amount for dividends (JPY Bn)	33.2	31.8	<b>33.9</b>
Total number of shares issued(excl. Treasury shares) (‘000)	353,579	353,579	<b>353,579</b>
Dividends per share (JPY)	94	(Total) 90	<b>(Total) 96</b>
Interim Dividends <sup>(2)</sup>	-	45	<b>48</b>
Year-End Dividends	94	45	<b>48</b>

## Dividends per share



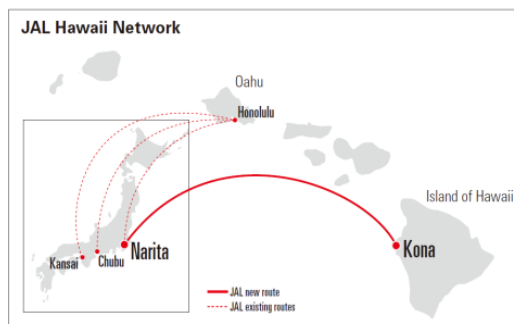
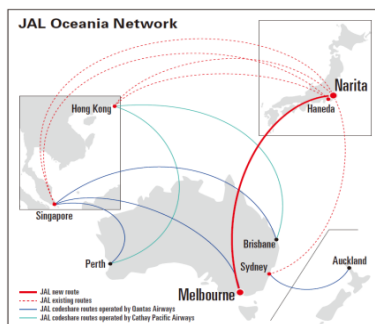
1 Profit attributable to owners of parent.

2 To be resolved at the Board of Directors Meeting to be held on Oct 31, 2017.

## Route Network, Products & Services, Credit Ratings

### Int'l

- ✓ **Launch Narita - Melbourne/787-8(SS8<sup>(1)</sup>)**  
(Sep 1, 2017~)
  - By adding new route to Melbourne, a growing city, the network to Australia will be reinforced even further.
- ✓ **Launch Narita - Kona/767-300ER(SS6<sup>(2)</sup>)**  
(Sep 15, 2017~)
  - Offering a nonstop service to Kona, the gateway of Hawaii Island.
- ✓ **Haneda - Heathrow/787-8(SS8<sup>(1)</sup>) Increased**  
(Oct 29, 2017 ~)
  - By starting a new service of departing from Haneda after midnight and arriving at Heathrow early morning, JAL's network to and from Europe will be strengthened.
- ✓ **Narita - Bangkok/787-8(SS8<sup>(1)</sup>) Increased**  
(Oct 29, 2017 ~ Mar 24, 2018)

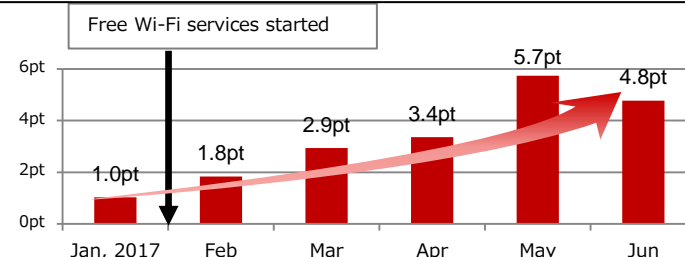


### Doms

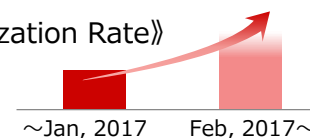
- ✓ **Provide Free Inflight Wi-Fi Services**
  - JAL decided to provide free inflight Wi-Fi services to become the most preferred airline.



Revenue Passenger Load Factor rising compared to the previous year



《Wi-Fi Utilization Rate》



Wi-Fi utilization rate has been increased

### Credit Rating Improved

	Rating	Announcement
JCR	<b>A (Stable)</b>	<b>July 7, 2017 [Upgrade]</b> Previous : A – (Positive)
R&I	<b>A – (Stable)</b>	<b>March 28, 2017 [Affirmed]</b>

JCR : Japan Credit Rating Agency, Ltd.

R&I : Rating & Investment Information, Inc.

# Recent Topics (Innovation of Passenger Service System)



JAPAN AIRLINES

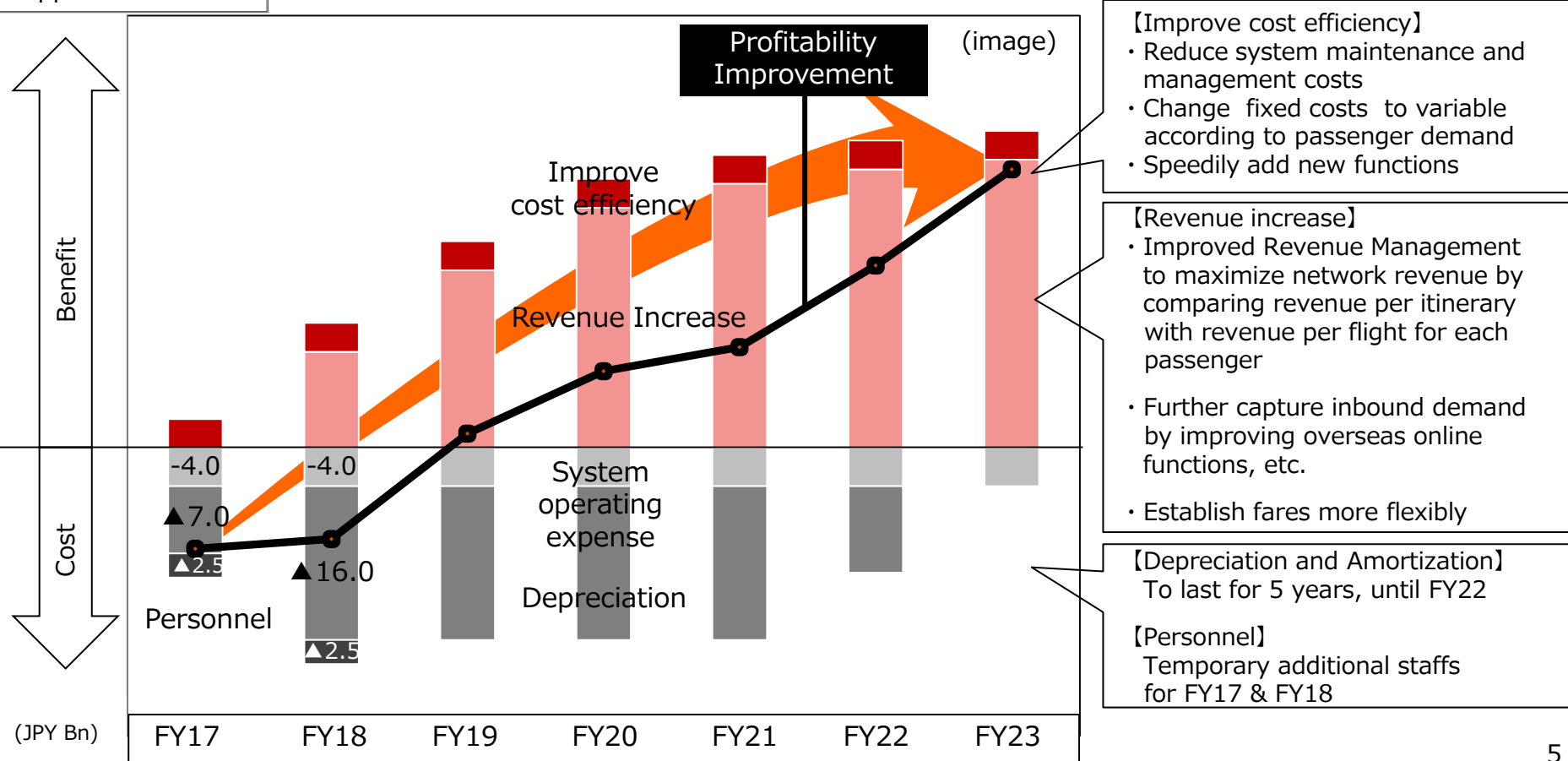
**New system\* will go live on Nov 16, 2017**

**Aim to increase our passenger revenue by 1% or more as early as possible.**

**As from FY19, the Benefit will exceed the Cost to contribute to our profitability.**

Total Investment:  
Approx. 80 bn JPY

\* Reservation, ticketing system (Int'l and Doms) and Boarding system (Int'l)  
(Domestic boarding system will go live in or after 2nd half of 2018)



# Consolidated Financial Results



JAPAN AIRLINES

## Consolidated Financial Results 1<sup>ST</sup> QUARTER Mar/18

(JPY Bn)	1 <sup>st</sup> Quarter Mar/17	1 <sup>st</sup> Quarter Mar/18	Diff.	y/y
Operating Revenue	297.2	<b>314.8</b>	+17.6	+5.9%
Air Transportation Segment	268.3	<b>285.8</b>	+17.5	+6.5%
Operating Expense	275.1	<b>290.0</b>	+14.9	+5.4%
Air Transportation Segment	248.8	<b>263.9</b>	+15.0	+6.1%
Operating Profit	22.0	<b>24.7</b>	+2.6	+12.0%
Air Transportation Segment	19.5	<b>21.9</b>	+2.4	+12.4%
Operating Profit Margin (%)	7.4%	<b>7.9%</b>	+0.4pt	-
Ordinary Profit	19.7	<b>24.5</b>	+4.8	+24.6%
Net Profit <sup>(1)</sup>	14.7	<b>19.5</b>	+4.8	+32.9%
ASK (MN seat km)	21,433	<b>21,408</b>	▲25	▲0.1%
RPK (MN passenger km)	15,497	<b>16,116</b>	+619	+4.0%
EBITDA Margin (%) <sup>(2)</sup>	15.3%	<b>16.0%</b>	+0.7pt	-
EBITDAR Margin (%) <sup>(3)</sup>	17.0%	<b>17.6%</b>	+0.5pt	-
Unit Cost (JPY) <sup>(4)</sup>	9.3	<b>10.0</b>	+0.7	+7.2%
Incl. Fuel	11.6	<b>12.3</b>	+0.7	+6.2%

1 Profit attributable to owners of parent

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

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

4 Unit Cost = Air Transportation Segment Operating Expense (excluding fuel) / ASK



# Changes in Operating Profit ( Revenues / Expenses )

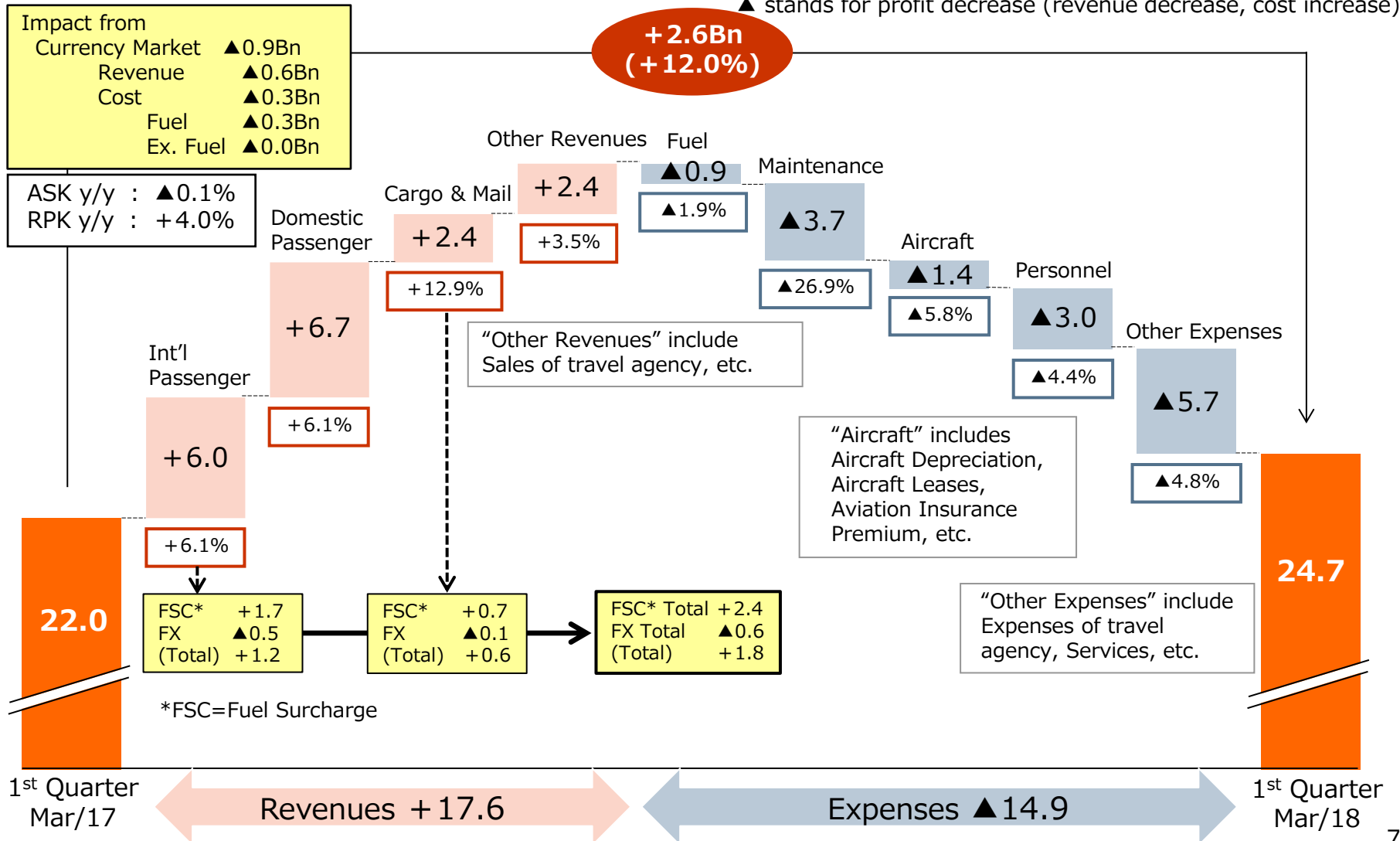


JAPAN AIRLINES

## 1<sup>st</sup> Quarter Mar/18

( JPY Bn )

+ stands for profit increase (revenue increase, cost reduction)  
▲ stands for profit decrease (revenue decrease, cost increase)



# Changes in Operating Profit ( Market / Others )



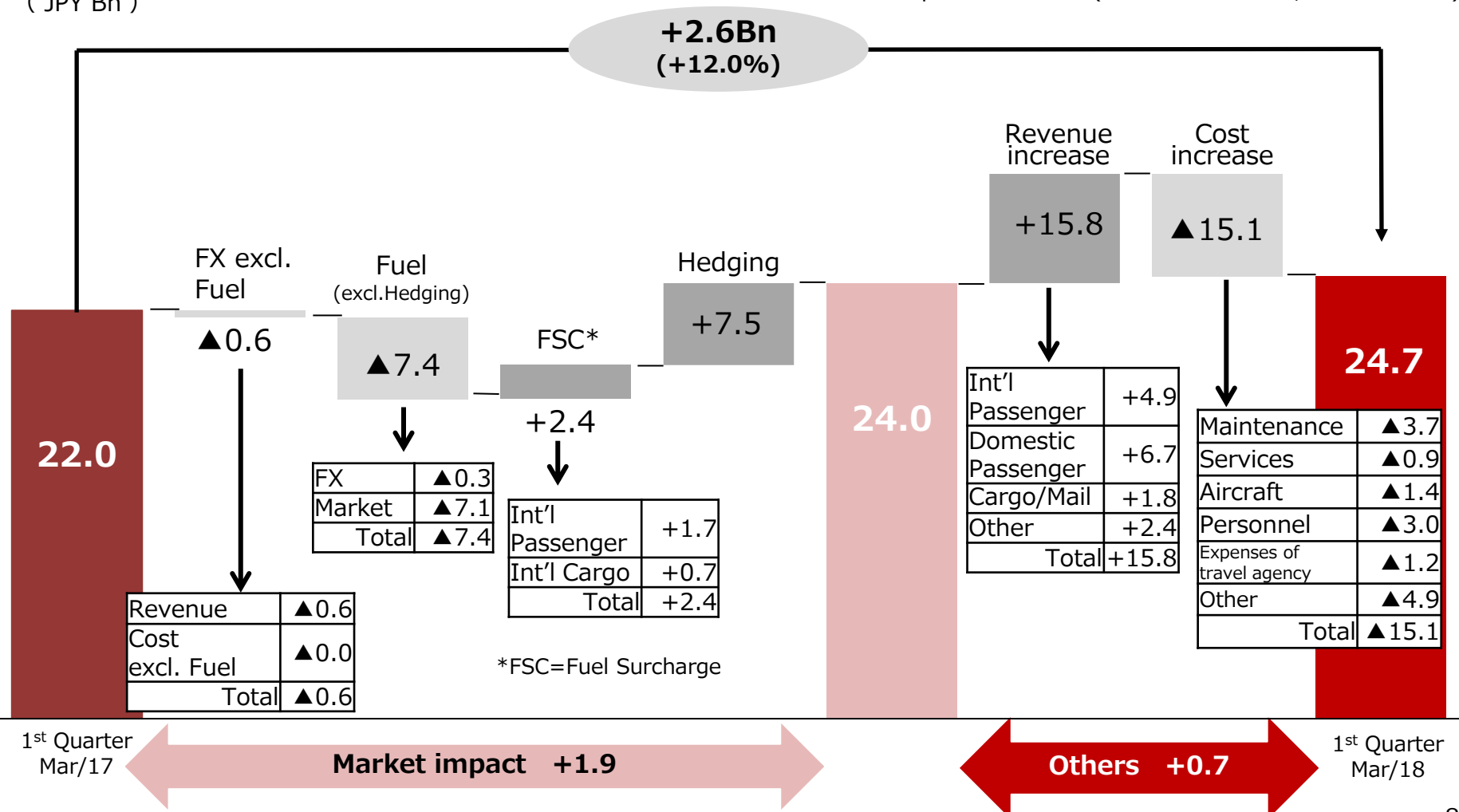
JAPAN AIRLINES

**1<sup>st</sup> Quarter Mar/18**

( JPY Bn )

+ stands for profit increase (revenue increase, cost reduction)

▲ stands for profit decrease (revenue decrease, cost increase)



# International Passenger Operations



JAPAN AIRLINES

## International Passenger

	1st Quarter Mar/17	1st Quarter Mar/18	y/y
Passenger Revenue (JPY Bn)	99.5	<b>105.5</b>	+ 6.1%
Passengers ('000)	2,052	<b>2,038</b>	▲0.7%
ASK (MN seat km)	12,690	<b>12,588</b>	▲0.8%
RPK (MN passenger km)	9,930	<b>10,091</b>	+ 1.6%
L/F (%)	78.2%	<b>80.2%</b>	+ 1.9pt
Revenue per Passenger <sup>(1)</sup> (JPY)	48,508	<b>51,798</b>	+ 6.8%
Yield <sup>(2)</sup> (JPY)	10.0	<b>10.5</b>	+ 4.4%
Unit Revenue <sup>(3)</sup> (JPY)	7.8	<b>8.4</b>	+ 6.9%

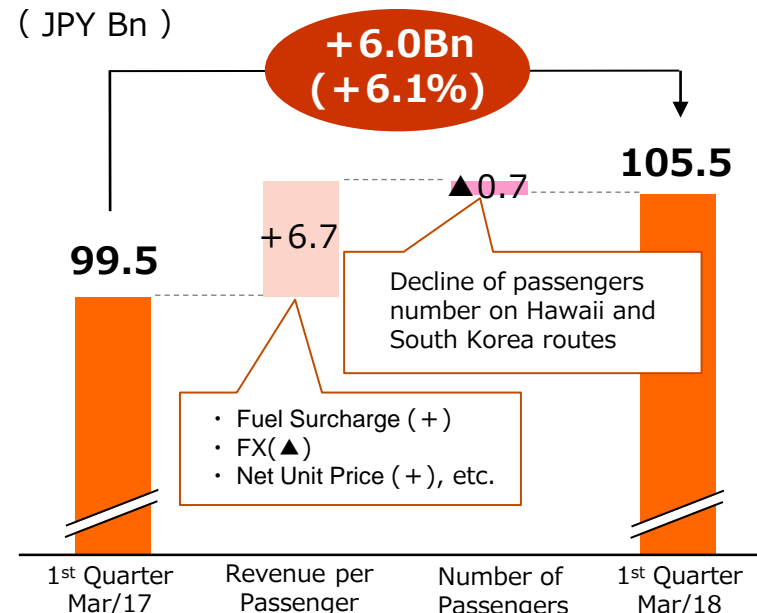
1 Revenue per Passenger = Passenger Revenue / Passengers

2 Yield = Passenger Revenue / RPK

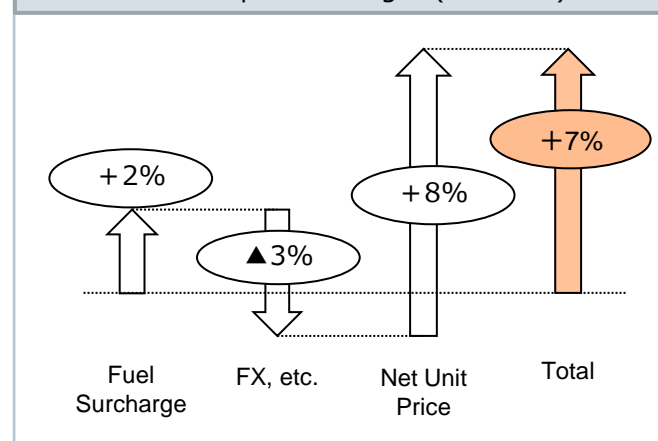
3 Unit Revenue = Passenger Revenue / ASK

## Change in Revenue

(JPY Bn)



### Factors of changes in Revenue per Passenger (estimate)



# Domestic Passenger Operations



JAPAN AIRLINES

## Domestic Passenger

	1st Quarter Mar/17	1st Quarter Mar/18	y/y
Passenger Revenue (JPY Bn)	109.4	<b>116.1</b>	+ 6.1%
Passengers ('000)	7,465	<b>8,070</b>	+ 8.1%
ASK (MN seat km)	8,743	<b>8,820</b>	+ 0.9%
RPK (MN passenger km)	5,567	<b>6,025</b>	+ 8.2%
L/F (%)	63.7%	<b>68.3%</b>	+ 4.6pt
Revenue per Passenger <sup>(1)</sup> (JPY)	14,658	<b>14,391</b>	▲ 1.8%
Yield <sup>(2)</sup> (JPY)	19.7	<b>19.3</b>	▲ 1.9%
Unit Revenue <sup>(3)</sup> (JPY)	12.5	<b>13.2</b>	+ 5.2%

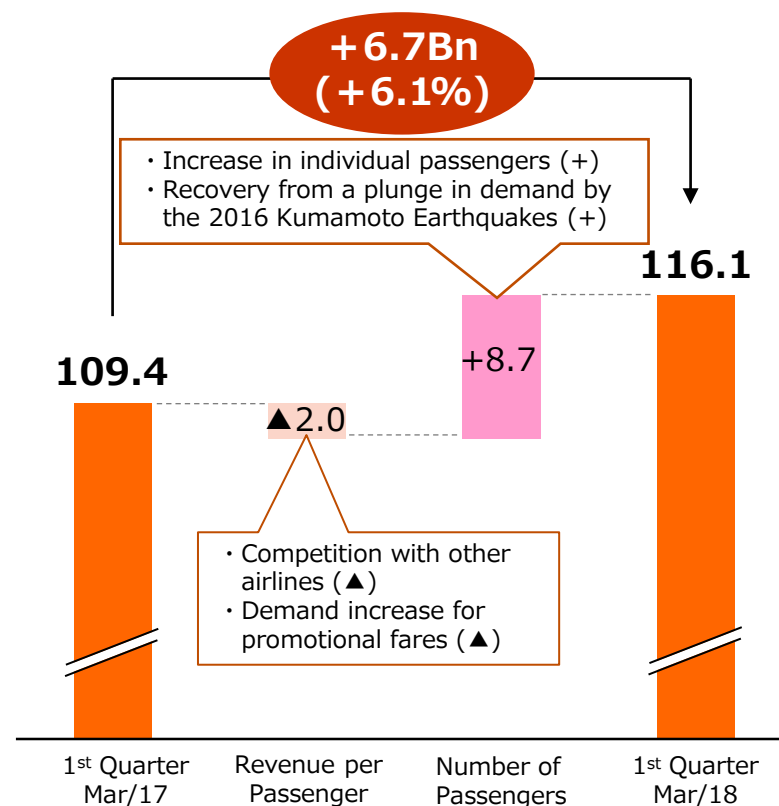
1 Revenue per Passenger = Passenger Revenue / Passengers

2 Yield = Passenger Revenue / RPK

3 Unit Revenue= Passenger Revenue / ASK

## Change in Revenue

( JPY Bn )



# Major Operating Expense Items



JAPAN AIRLINES

## Operating Expenses

(JPY Bn)	1 <sup>st</sup> Quarter Mar/17	1 <sup>st</sup> Quarter Mar/18	Diff.	y/y
Fuel	49.3	<b>50.3</b>	+0.9	+1.9%
Landing and navigation fees	20.0	<b>20.1</b>	+0.1	+0.7%
Maintenance	14.0	<b>17.8</b>	+3.7	+26.9%
Sales Commissions (Air Transport)	3.9	<b>4.0</b>	+0.1	+4.8%
Aircraft <sup>(1)</sup>	24.7	<b>26.1</b>	+1.4	+5.8%
Services <sup>(2)</sup>	8.9	<b>9.9</b>	+0.9	+11.0%
Personnel	67.5	<b>70.5</b>	+3.0	+4.4%
Expenses of travel agency	17.6	<b>18.8</b>	+1.2	+7.0%
Others	68.8	<b>72.0</b>	+3.2	+4.7%
Total Operating Expenses	275.1	<b>290.0</b>	+14.9	+5.4%

ASK y/y : ▲0.1%

1 Aircraft= Aircraft Depreciation+ Aircraft Leases+ Aviation Insurance Premium, etc.

2 Services= Expenses regarding inflight services, airport lounges, cargo equipment, etc.

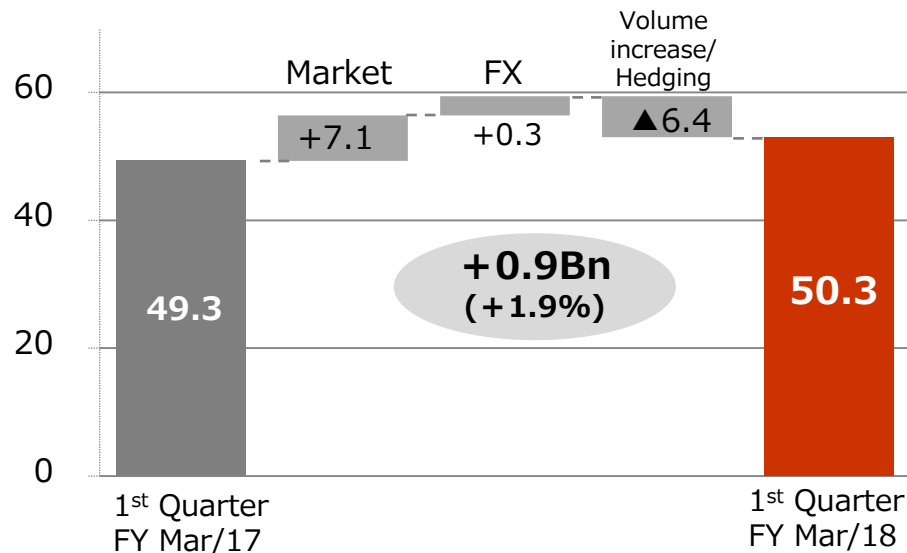
# Impact of Fuel and FX Markets



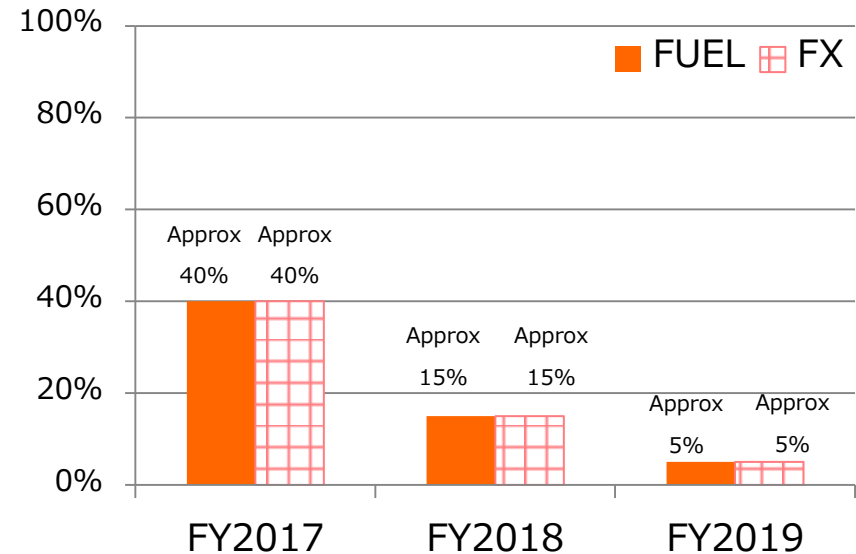
JAPAN AIRLINES

## Transition of Fuel Cost by factors

(JPY Bn)



## Hedging Ratio for Fuel Costs (as of end of June 2017)



## Fuel / FX Markets

	1st Quarter FY Mar/17	1st Quarter FY Mar/18	y/y
Singapore Kerosene (USD/bbl)	50.7	62.2	+ 22.7%
Dubai Crude Oil (USD/bbl)	39.5	51.3	+ 29.9%
FX Rate (JPY/USD)	110.3	111.0	+ 0.6%

## Sensitivity for Fuel Costs FY Mar/18

Crude Oil (Change in 1 USD/bbl)	2.6 JPY Bn Per Year
FX (Change in 1 JPY/USD)	1.5 JPY Bn Per Year

※Without hedging

# Major Balance Sheet Items



JAPAN AIRLINES

## Consolidated Balance Sheet Summary as of end of 1st Quarter Mar/18

(JPY Bn)	End of Mar/17 2017/3/31	End of 1 <sup>st</sup> Quarter Mar/18 2017/6/30	Diff.
Total Assets	1,728.7	<b>1,731.3</b>	+2.5
Cash and Deposits <sup>(1)</sup>	404.0	<b>388.6</b>	▲15.4
Balance of Interest-bearing Debt <sup>(2)</sup>	116.0	<b>107.0</b>	▲9.0
Future Rental Expenses under Operating Leases	76.4	<b>72.0</b>	▲4.4
Shareholders' Equity	972.0	<b>959.3</b>	▲12.6
Shareholders' Equity Ratio(%)	56.2%	<b>55.4%</b>	▲0.8pt
D/E Ratio (x) <sup>(3)</sup>	0.1x	<b>0.1x</b>	▲0.0x

1 Certificate of Deposits included

2 Accounts Payable-installment Purchase included

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

# Major Cash Flow Items



JAPAN AIRLINES

(JPY Bn)	1 <sup>st</sup> Quarter Mar/17	1 <sup>st</sup> Quarter Mar/18	Diff.
Profit before income taxes	20.2	<b>25.2</b>	+4.9
Depreciation and Amortization	23.4	<b>25.5</b>	+2.1
Other	17.2	<b>19.0</b>	+1.8
Cash Flow from Operating Activities	60.9	<b>69.9</b>	+8.9
Capital Expenditure <sup>(1)</sup>	▲73.9	▲ <b>50.5</b>	+23.4
Other	8.1	<b>8.6</b>	+0.5
Cash Flow from Investing Activities <sup>(2)</sup>	▲65.7	▲ <b>41.8</b>	+23.9
Free Cash Flow <sup>(3)</sup>	▲4.8	<b>28.1</b>	+32.9
Repayment of Interest-bearing Debt <sup>(4)</sup>	▲12.4	▲ <b>9.0</b>	+3.3
Cash dividend, and Other	▲44.2	▲ <b>34.3</b>	+9.9
Cash Flow from Financing Activities	▲56.6	▲ <b>43.3</b>	+13.2
Total Cash Flow <sup>(5)</sup>	▲61.5	▲ <b>15.2</b>	+46.2
EBITDA	45.5	<b>50.3</b>	+4.8
EBITDAR	50.5	<b>55.2</b>	+4.6

1 Expenditures for purchasing fixed assets

2 Excluding deposits and withdrawals from deposit accounts

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

4 Repayment of Loans + Repayment of Lease Obligations

5 Cash flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities



《 References 》  
FY2017 (FY Mar/18) Revised Earnings Forecast



JAPAN AIRLINES

P/L

(JPY Bn)		FY2016 Result	FY2017 Plan	FY2017 New Forecast	Diff.
Operating Revenue		1,288.9	1,339.0	<b>1,348.0</b>	+9.0
	International Passenger	415.2	455.0	<b>456.0</b>	+1.0
	Domestic Passenger	498.6	503.0	<b>507.0</b>	+4.0
	Cargo / Mail	78.2	81.0	<b>83.0</b>	+2.0
	Other	296.8	300.0	<b>302.0</b>	+2.0
Operating Expense		1,118.6	1,197.0	<b>1,195.0</b>	▲2.0
	Fuel	198.7	216.0	<b>214.0</b>	▲2.0
	Excluding Fuel	919.8	981.0	<b>981.0</b>	-
Operating Profit		170.3	142.0	<b>153.0</b>	+11.0
Operating Profit Margin(%)		13.2%	10.6%	<b>11.4%</b>	+0.7pt
Ordinary Profit		165.0	137.0	<b>146.0</b>	+9.0
Net Profit <sup>(1)</sup>		164.1	100.0	<b>108.0</b>	+8.0
Unit Cost (Yen) <sup>(2)</sup>		9.4	9.9	<b>9.9</b>	-

Operational Preconditions  
(Unchanged)

		FY2017 Plan
ASK*	Int'l	+2.7%
	Doms	+1.4%
	Total	+2.1%
RPK*	Int'l	+3.3%
	Doms	+1.3%
	Total	+2.5%

\*y/y

	FY2017 Plan
Singapore Kerosene (USD/bbl)	66.0
Dubai Crude Oil (USD/bbl)	53.0
FX Rate (JPY/USD)	115.0

1 Profit attributable to owners of parent

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

# 《 References 》 FY2017 (FY Mar/18) Revised Earnings Forecast



JAPAN AIRLINES

## Balance Sheet

(JPY Bn)	End of FY2016 Results	End of FY2017 Previous Forecast	End of FY2017 New Forecast	Diff.
Total Assets	1,728.7	1,793.0	<b>1,803.0</b>	+ 10.0
Balance of Interest-bearing debts	116.0	133.0	<b>133.0</b>	-
Shareholders' Equity	972.0	1,031.0	<b>1,038.0</b>	+ 7.0
Shareholders' Equity Ratio (%)	56.2%	57.5%	<b>57.6%</b>	+ 0.1pt
ROIC (%) <sup>(1)</sup>	10.7%	8.1%	<b>8.8%</b>	+ 0.7pt
ROE (%) <sup>(2)</sup>	18.1%	10.0%	<b>10.7%</b>	+ 0.8pt
ROA (%) <sup>(3)</sup>	10.3%	8.1%	<b>8.7%</b>	+ 0.6pt

## Cash Flow

(JPY Bn)	FY2016 Results	FY2017 Previous Forecast	FY2017 New Forecast	Diff.
Cash Flow from Operating Activities	253.1	231.0	<b>242.0</b>	+ 11.0
Cash Flow from Investing Activities <sup>(4)</sup>	▲215.5	▲210.0	<b>▲210.0</b>	-
Free Cash Flow <sup>(4)</sup>	37.5	21.0	<b>32.0</b>	+ 11.0
Cash Flow from Financing Activities	▲53.5	▲35.0	<b>▲36.0</b>	▲1.0
EBITDA	266.1	254.0	<b>265.0</b>	+ 11.0
EBITDAR	286.2	271.0	<b>282.0</b>	+ 11.0

1 Return on invested capital gives a sense of how well a company is using its money to generate returns

2 (Profit attributable to owners of parent) / (average of shareholder's equity at beginning and end of fiscal year)

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

4 Excluding deposits and withdrawals from deposit accounts

$$\text{ROIC}(\%) = \frac{\text{NOPAT}}{\text{Fixed Asset (incl. Future Rental Expenses under Operating Leases)}}$$

# Revenue of International Routes by Geographic Segment



JAPAN AIRLINES

## Passenger Revenue

(%)	y/y	Component Ratios	
	1Q Mar/18	1Q Mar/17	1Q Mar/18
America	+ 12.3%	27%	28%
Europe	+ 14.8%	15%	16%
Asia/Oceania	+ 0.1%	35%	33%
China	+ 0.6%	10%	10%
Hawaii/Guam	+ 3.1%	13%	13%
Total	+ 6.1%	100%	100%

## Revenue Passengers Carried

('000)	1Q Mar/17	1Q Mar/18	y/y
America	291	312	+ 7.0%
Europe	159	182	+ 14.2%
Asia/Oceania	997	983	▲ 1.4%
China	329	308	▲ 6.3%
Hawaii/Guam	273	251	▲ 8.0%
Total	2,052	2,038	▲ 0.7%

## ASK

(MN seat km)	1Q Mar/17	1Q Mar/18	y/y
America	3,544	3,727	+ 5.2%
Europe	1,901	1,963	+ 3.2%
Asia/Oceania	4,467	4,264	▲ 4.5%
China	864	821	▲ 4.9%
Hawaii/Guam	1,913	1,810	▲ 5.3%
Total	12,690	12,588	▲ 0.8%

## Load Factor for Revenue Passengers

(%)	1Q Mar/17	1Q Mar/18	Diff.
America	78.3%	80.2%	+ 1.8pt
Europe	76.2%	83.5%	+ 7.3pt
Asia/Oceania	78.5%	80.9%	+ 2.4pt
China	71.1%	70.0%	▲ 1.1pt
Hawaii/Guam	82.8%	79.3%	▲ 3.5pt
Total	78.2%	80.2%	+ 1.9pt

## RPK

(MN passenger km)	1Q Mar/17	1Q Mar/18	y/y
America	2,776	2,988	+ 7.7%
Europe	1,448	1,639	+ 13.2%
Asia/Oceania	3,506	3,451	▲ 1.6%
China	614	575	▲ 6.4%
Hawaii/Guam	1,583	1,435	▲ 9.3%
Total	9,930	10,091	+ 1.6%

# 《 References 》

## Number of Aircraft



JAPAN AIRLINES

	End of Mar/17 (2017/3/31)			End of 1st quarter Mar/18 (2017/6/30)			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	25	0	25	25	0	25	-
Boeing 787-9	8	0	8	8	0	8	-
Boeing 767-300	6	0	6	6	0	6	-
Boeing 767-300ER	29	2	31	30	1	31	-
Middle-sized Total	68	2	70	69	1	70	-
Boeing 737-400	11	0	11	10	0	10	▲1
Boeing 737-800	26	27	53	28	26	54	+1
Small-sized Total	37	27	64	38	26	64	-
Embraer 170	17	0	17	17	0	17	-
Embraer 190	5	0	5	7	0	7	+2
Bombardier CRJ200	5	0	5	5	0	5	-
Bombardier D8-400	7	2	9	6	2	8	▲1
Bombardier D8-400CC	4	0	4	4	0	4	-
SAAB340B	12	0	12	11	0	11	▲1
Bombardier D8-300	1	0	1	1	0	1	-
Bombardier D8-100	2	0	2	1	0	1	▲1
ATR42-600	1	0	1	1	0	1	-
Regional Total	54	2	56	53	2	55	▲1
<b>Total</b>	<b>199</b>	<b>31</b>	<b>230</b>	<b>200</b>	<b>29</b>	<b>229</b>	<b>▲1</b>

**Fly into tomorrow.**



***JAPAN AIRLINES***

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 the company. These risks and uncertainties include, but are not limited to, the economic and social conditions 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.