

# JAPAN AIRLINES Co., Ltd. Financial Results 3<sup>rd</sup> Quarter Mar/2018 (FY2017)

January 31, 2018





## OVERVIEW OF FINANCIAL RESULTS FOR 3<sup>RD</sup> QUARTER MAR/18

P.1



## RECENT TOPICS

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## DETAILS OF FINANCIAL RESULTS FOR 3<sup>RD</sup> QUARTER MAR/18

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## REFERENCES

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※JAL Corporate Website



平成 29 年度  
地球温暖化防止活動  
環境大臣表彰

国際貢献部門

※the CONTRAIL Project

# Overview of Financial Results for 3<sup>rd</sup> Quarter Mar/18



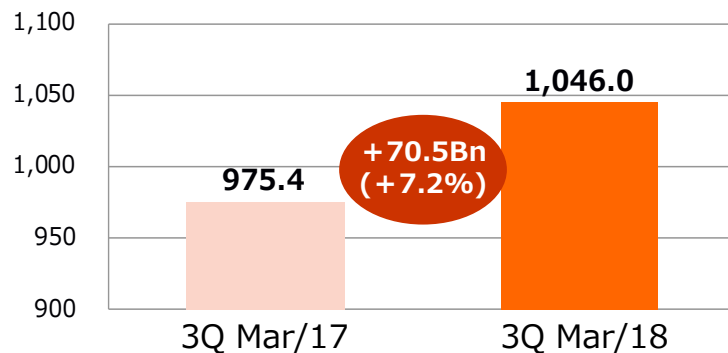
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## 3<sup>rd</sup> Quarter Mar/18 (FY2017)

- ✓ 3<sup>rd</sup> Quarter resulted in an increase in both revenue and profit compared to the previous year.
- ✓ Considering the recent conditions such as fuel price trends and the surrounding market demands, the full year earnings forecast will remain unchanged.

### Operating Revenue

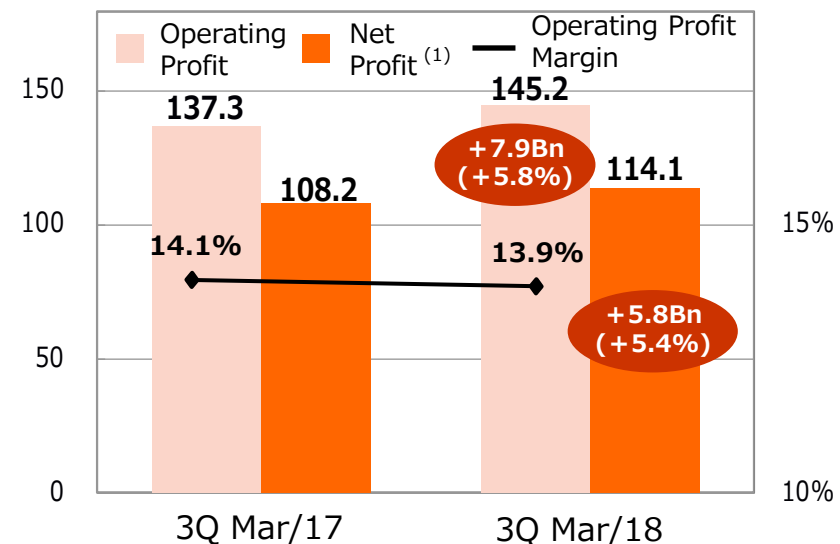
(JPY Bn)



### Operating profit · Net profit

(JPY Bn)

( Operating Profit Margin )



1 Profit attributable to owners of parent.

### Fuel/FX Markets

	3Q MAR/17	3Q MAR/18	y/y
Singapore Kerosene (USD/bbl)	54.5	<b>64.1</b>	+17.5%
Dubai Crude Oil (USD/bbl)	43.0	<b>52.0</b>	+21.0%
FX Rate (JPY/USD)	106.4	<b>111.4</b>	+4.7%

- Now, I will present an overview of the 3<sup>rd</sup> quarter financial results for the fiscal year ending March 31, 2018.
- Operating revenue increased by 70.5 billion yen, up 7.2% year-on-year, to 1,046 billion yen.
- Operating profit increased by 7.9 billion yen, up 5.8% year-on-year, to 145.2 billion yen, and net profit reached to 114.1 billion yen, up 5.4 % from a year ago. Thus, operating profit margin became 13.9%.
- The full year earnings forecast will remain unchanged considering recent fuel price trend, cost increase related with engine maintenance and such, but we will try our best to maximize our profit.

## JAL Focus

Refine our full service carrier business and expand new business domains, leveraging its know-how and customer base for further growth

### Route Network

- ✓ **Haneda – London(Heathrow) Flight Increase** (2017.10.29~)
- ✓ **Narita – Bangkok Flight Increase** (2017.10.29~)

### Alliances

- ✓ **JAL x Aeroflot** (2017.11.27)
- Signed a Memorandum of Understanding (MoU) for a strategic cooperation agreement



### System

- ✓ **Renewal of Passenger Service System** (2017.11.16~)

- Our Passenger Service system (international and domestic) has been renewed to Altea supported by Amadeus
- Improve profitability by establishing fares more flexibly, improving overseas online functions, and improving Revenue management system

**amadeus**

### Service

- ✓ **Best Asia-Pacific Airline for On-time Performance**

**in 2017** (2018.01.17)

- JAL was honored with Asia-Pacific Title for 6 Consecutive Years
- JAL took second place overall in the Major International Airlines Category



- ✓ **Achieved #1 Ranking in**

**2017 JCSI Survey** (2017.11.7)

- 2nd time in three years to win top honors under the category of "Customer Satisfaction"
- 5 consecutive years JAL was ranked #1 for "Repeat Intention Rate"

### New Business

- ✓ **JAL x BOOM TECHNOLOGY, INC.** (2017.12.05)

- ✓ **JAL x Lunar Exploration Company ispace** (2017.12.13)

- JAL will Create new businesses and services that stimulate air travel demand

### Airline-related Business

- ✓ **Expand Maintenance Supports to Spring Japan** (2017.12.01)

- JAL will assist overcoming challenges to the airline industry by providing comprehensive maintenance supports further



- In this page, I will explain the recent topics in the view points of the full service carrier business domain and the new business domain.
- About the full service carrier business domain, we increased the flight frequency on the Tokyo (Haneda)=London route and Tokyo (Narita)=Bangkok route from October 29. And we made success of our passenger service system migration to the Altea supported by Amadeus on November 16. Now it is operating smoothly.
- About the new business domain, JAL has invested to the venture corporations that are developing the supersonic passenger aircraft and promote space development to create new business and service which may expand a potential for air travel demand and a future style for travel. And further more, we have started to expand the maintenance support for Spring Japan to improve their safety and quality.

# Consolidated Financial Results



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## Consolidated Financial Results 3<sup>rd</sup> Quarter Mar/18

(JPY Bn)	3Q FY2016	3Q FY2017	Diff.	y/y ratio	3 <sup>rd</sup> Quarter (Oct-Dec) <sup>(5)</sup>	Diff.	y/y ratio
Operating Revenue	975.4	<b>1,046.0</b>	+70.5	+7.2%	353.7	+30.1	+9.3%
Air Transportation Segment	877.2	<b>950.5</b>	+73.3	+8.4%	323.2	+31.7	+10.9%
Operating Expense	838.1	<b>900.8</b>	+62.6	+7.5%	307.5	+28.8	+10.4%
Air Transportation Segment	753.4	<b>816.2</b>	+62.8	+8.3%	280.0	+28.8	+11.5%
Operating Profit	137.3	<b>145.2</b>	+7.9	+5.8%	46.1	+1.2	+2.9%
Air Transportation Segment	123.8	<b>134.3</b>	+10.4	+8.5%	43.1	+2.9	+7.2%
Operating Profit Margin (%)	14.1%	<b>13.9%</b>	▲0.2pt	-	13.0%	▲0.8pt	-
Ordinary Profit	136.0	<b>142.1</b>	+6.1	+4.5%	44.5	▲1.7	▲3.8%
Net Profit <sup>(1)</sup>	108.2	<b>114.1</b>	+5.8	+5.4%	36.1	▲0.7	▲1.9%
ASK (MN seat km)	64,948	<b>65,724</b>	+776	+1.2%	22,124	+561	+2.6%
RPK (MN passenger km)	49,033	<b>50,876</b>	+1843	+3.8%	17,166	+693	+4.2%
EBITDA Margin (%) <sup>(2)</sup>	21.3%	<b>21.6%</b>	+0.3pt	-	21.3%	0.0	-
EBITDAR Margin (%) <sup>(3)</sup>	22.9%	<b>23.0%</b>	+0.2pt	-	22.7%	▲0.1	-
Unit Cost (JPY) <sup>(4)</sup>	9.3	<b>10.0</b>	+0.7	+7.4%	10.1	+0.7	+7.9%
Incl. Fuel	11.6	<b>12.4</b>	+0.8	+7.1%	12.7	+1.0	+8.6%

1. Profit 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 and Amortization + Aircraft Leases

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



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# Changes in Operating Profit ( Revenues / Expenses )



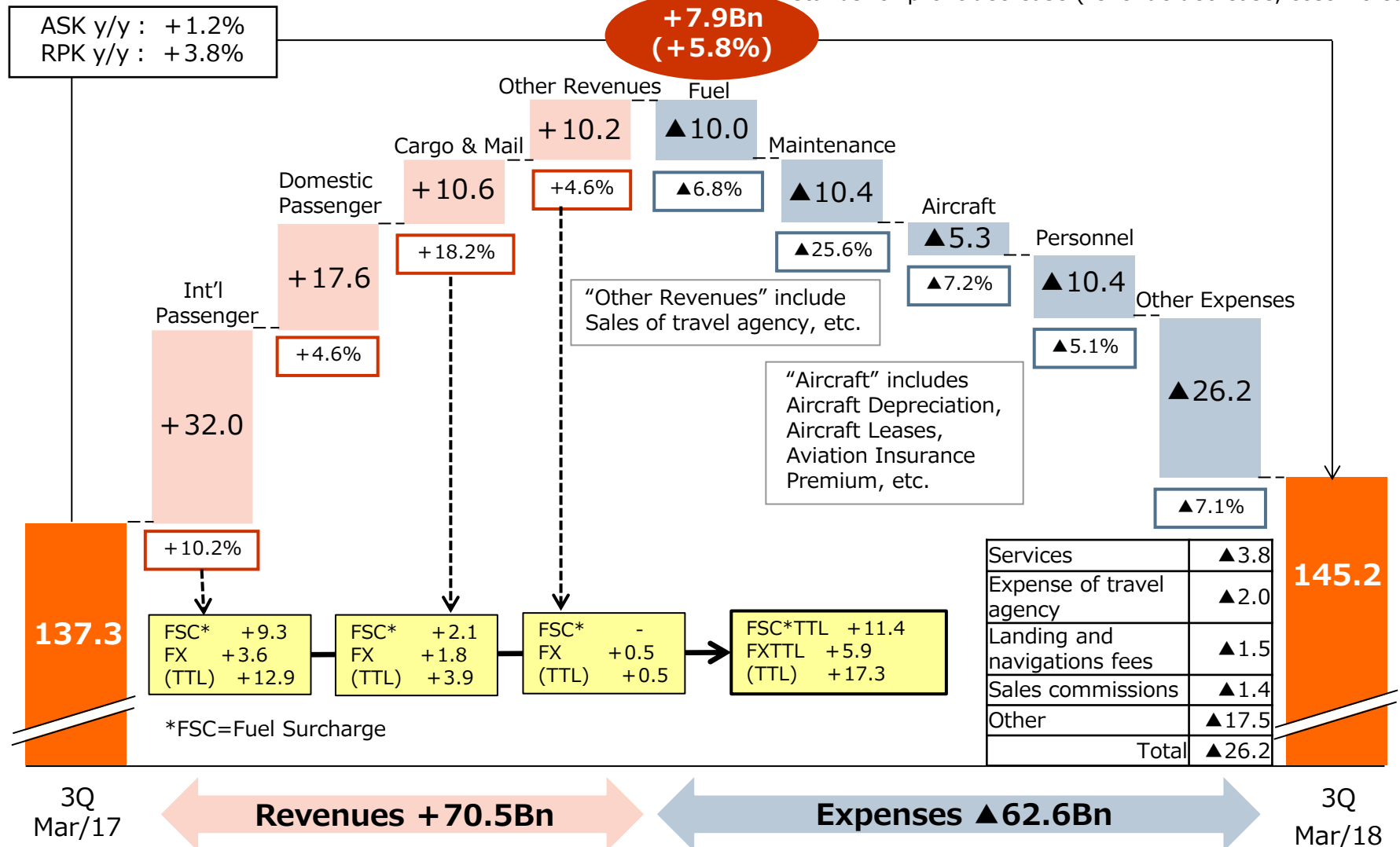
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## 3<sup>rd</sup> Quarter Mar/18 (FY2017)

( JPY Bn )

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

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



- Now, I will explain the changes in operating profit.
- Revenues from International Passenger increased by 32 billion yen due to strong demand for high yield passenger out of Japan as well as more fuel surcharge revenues and such. Revenues from Domestic Passenger increased 17.6 billion yen year on year, because of the increased passenger demand thanks to free inflight Wi-Fi services.
- As for expenses, fuel cost increased by 10.0 billion yen compared to the previous year due to fuel price increases. And maintenance cost increased by 10.4 billion yen mainly due to an increase in engine maintenance. In addition, costs linked to the increased revenue and demand also increased. Expenses in total rose by 62.6 billion yen compared to the year earlier
- As a result, Operating Profit increased to 145 billion yen.

# Changes in Operating Profit ( Market / Others )



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## 3<sup>rd</sup> Quarter Mar/18 (FY2017)

( JPY Bn )

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

### Impact from Currency Market ▲6.3 Bn

Revenue	+ 5.9Bn
Cost	▲12.2Bn
Fuel	▲6.4Bn
Ex. Fuel	▲5.8Bn

**+7.9Bn  
(+5.8%)**

(Excl. Market Impact)  
Revenue increase  
Cost increase

+53.2

▲50.4

**145.2**

FX excl.  
Fuel

+0.1

Fuel  
(excl. Hedging)

▲23.0

Hedging

+16.7

FSC\*

+11.4

**142.5**

**137.3**

FX	▲6.4
Market	▲16.6
Total	▲23.0

Int'l Passenger	+9.3
Int'l Cargo	+2.1
Total	+11.4

Int'l Passenger	+19.1
Domestic Passenger	+17.6
Cargo/Mail	+6.7
Other	+9.8
Total	+53.2

Fuel Volume	▲3.8
Maintenance	▲8.2
Services	▲3.1
Aircraft	▲5.2
Personnel	▲9.8
Expenses of travel agency	▲2.1
Other	▲18.2
Total	▲50.4

Revenues	+5.9
Cost excl. Fuel	▲5.8
Total	+0.1

3Q  
Mar/17

**Market impact +5.2Bn**

**Others +2.7Bn**

3Q  
Mar/18

\*FSC=Fuel Surcharge

- This page explains changes in operating profit from the viewpoints of market impact and others.
- Despite fuel cost increase caused by higher fuel prices, fuel surcharge revenue and the hedging effect also contributed to increase operating profit by 5.2 billion yen compared to the previous year.
- Apart from Market impact, operating profit rose by 2.7 billion yen, year on year, because revenue increase outpaced cost increase.

# International Passenger Operations

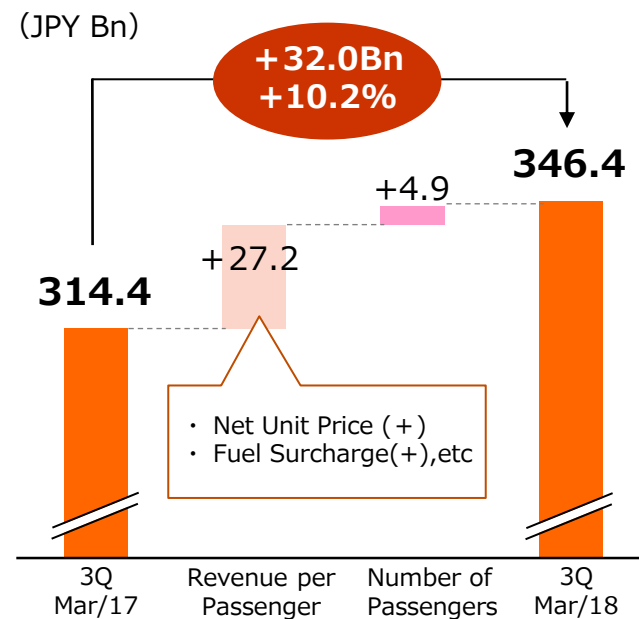


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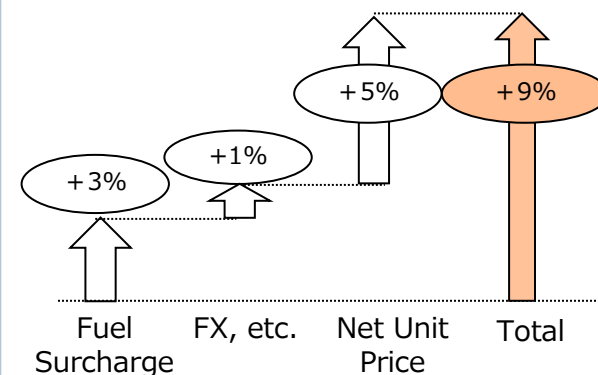
## International Passenger

	3Q FY2016	3Q FY2017	y/y ratio	3rd Quarter (Oct-Dec) <sup>(4)</sup>	y/y ratio
Passenger Revenue (JPY Bn)	314.4	<b>346.4</b>	+10.2%	117.1	+15.6%
Passengers ('000)	6,279	<b>6,373</b>	+1.5%	2,163	+4.7%
ASK (MN seat km)	38,203	<b>38,815</b>	+1.6%	13,195	+3.9%
RPK (MN passenger km)	30,508	<b>31,375</b>	+2.8%	10,608	+5.0%
L/F (%)	79.9%	<b>80.8%</b>	+1.0pt	80.4%	+0.9pt
Revenue per Passenger <sup>(1)</sup> (JPY)	50,072	<b>54,355</b>	+8.6%	54,129	+10.4%
Yield <sup>(2)</sup> (JPY)	10.3	<b>11.0</b>	+7.1%	11.0	+10.1%
Unit Revenue <sup>(3)</sup> (JPY)	8.2	<b>8.9</b>	+8.4%	8.9	+11.3%

## Change in Revenue



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



1 Revenue per Passenger = Passenger Revenue / Passengers

2 Yield = Passenger Revenue / RPK

3 Unit Revenue= Passenger Revenue / ASK

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

- On international routes, number of passenger increased 1.5% as a result of increased capacity by new routes and increased frequency, together with the strong demand. Revenue per passenger rose by 8.6% year on year for our revenue management initiatives and such. Net Unit Price without fuel surcharge and foreign exchange increased by 5% as shown on right side on this page.
- As a result, international passenger revenue stood 346.4 billion yen, up 10.2% from the previous year.

# Domestic Passenger Operations



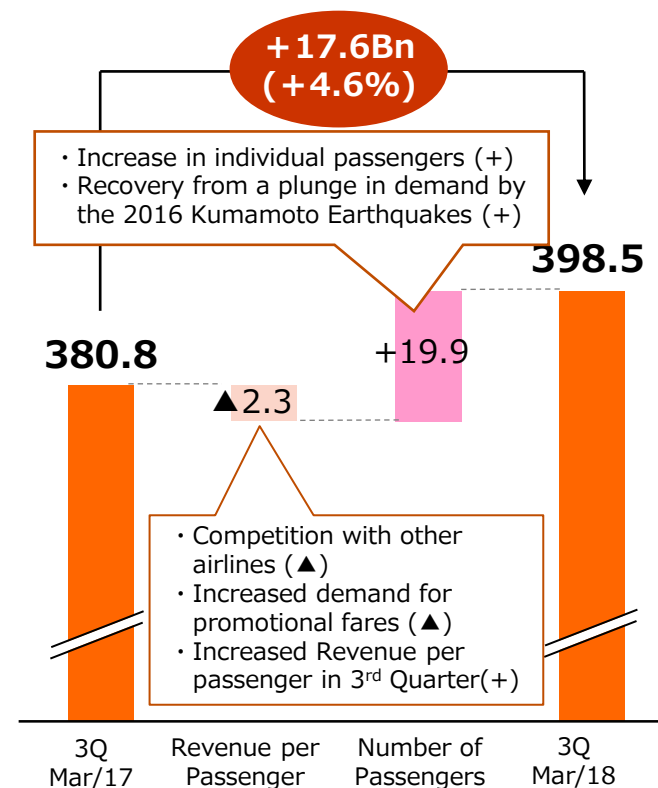
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## Domestic Passenger

	3Q FY2016	3Q FY2017	y/y ratio	3rd Quarter (Oct-Dec) <sup>(4)</sup>	y/y ratio
Passenger Revenue (JPY Bn)	380.8	<b>398.5</b>	+4.6%	133.5	+4.7%
Passengers ('000)	24,623	<b>25,919</b>	+5.3%	8,749	+3.0%
ASK (MN seat km)	26,744	<b>26,909</b>	+0.6%	8,928	+0.8%
RPK (MN passenger km)	18,525	<b>19,501</b>	+5.3%	6,558	+2.9%
L/F (%)	69.3%	<b>72.5%</b>	+3.2pt	73.5%	+1.6pt
Revenue per Passenger <sup>(1)</sup> (JPY)	15,469	<b>15,376</b>	▲0.6%	15,262	+1.6%
Yield <sup>(2)</sup> (JPY)	20.6	<b>20.4</b>	▲0.6%	20.4	+1.7%
Unit Revenue <sup>(3)</sup> (JPY)	14.2	<b>14.8</b>	+4.0%	15.0	+3.9%

## Change in Revenue

( JPY Bn )



1 Revenue per Passenger = Passenger Revenue / Passengers

2 Yield = Passenger Revenue / RPK

3 Unit Revenue= Passenger Revenue / ASK

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

- Next, on domestic routes.
- Number of passenger increased by 5.3% as a result of new demand creation by promotional fares increased group passengers demand due to the recovery from a plunge in demand by the 2016 Kumamoto Earthquakes. While revenue per passenger decreased by 0.6% year on year due to price competitions with other airlines and increased demand for promotional fares, revenue per passenger in 3<sup>rd</sup> quarter solely increased by 1.6% year on year because price competitions with other airlines calmed down and demand of business passenger increased.
- As a result, domestic passenger revenue reached to 398.5 billion yen, up 4.6% from the previous year.

# Major Operating Expense Items



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## Operating Expenses

(JPY Bn)	3Q FY2016	3Q FY2017	Diff.	y/y ratio	3rd Quarter (Oct-Dec) <sup>(3)</sup>	Diff.	y/y ratio
Fuel	147.8	<b>157.9</b>	+ 10.0	+ 6.8%	55.9	+ 7.1	+ 14.7%
Landing and navigation fees	60.9	<b>62.5</b>	+ 1.5	+ 2.5%	21.2	+ 0.9	+ 4.5%
Maintenance	40.9	<b>51.3</b>	+ 10.4	+ 25.6%	15.5	+ 2.2	+ 17.3%
Sales commissions (Air Transport)	11.6	<b>13.1</b>	+ 1.4	+ 12.7%	4.5	+ 0.7	+ 18.9%
Aircraft <sup>(1)</sup>	74.7	<b>80.1</b>	+ 5.3	+ 7.2%	27.3	+ 2.3	+ 9.4%
Services <sup>(2)</sup>	27.9	<b>31.8</b>	+ 3.8	+ 13.7%	11.0	+ 1.4	+ 15.4%
Personnel	204.2	<b>214.7</b>	+ 10.4	+ 5.1%	72.9	+ 4.3	+ 6.4%
Expenses of travel agency	61.7	<b>63.8</b>	+ 2.0	+ 3.4%	20.0	+ 0.5	+ 2.7%
Other	207.9	<b>225.2</b>	+ 17.3	+ 8.3%	78.9	+ 9.0	+ 12.9%
<b>Total Operating Expenses</b>	<b>838.1</b>	<b>900.8</b>	<b>+ 62.6</b>	<b>+ 7.5%</b>	<b>307.5</b>	<b>+ 28.8</b>	<b>+ 10.4%</b>

ASK y/y : + 1.2%

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

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

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

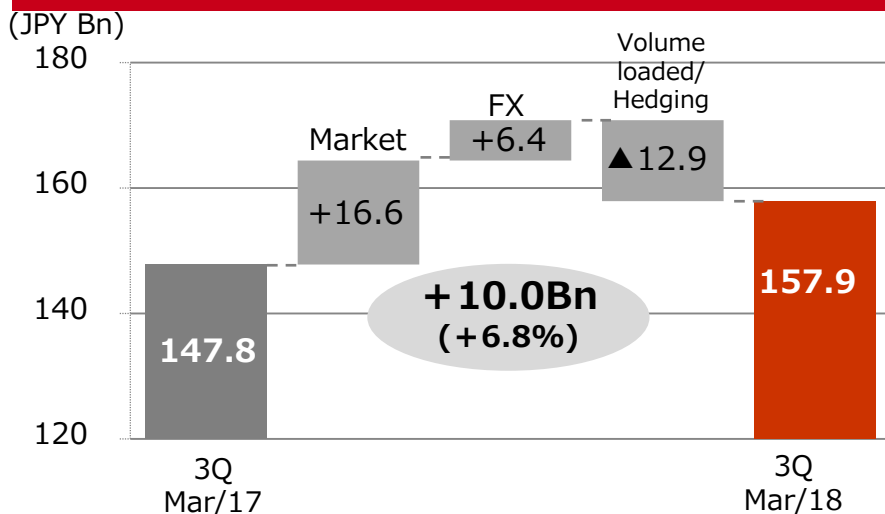
- Please refer to page 8 for major operating expense items, which stood almost as planned. We will continue to make utmost efforts to control our costs.

# Impact of Fuel and FX Markets

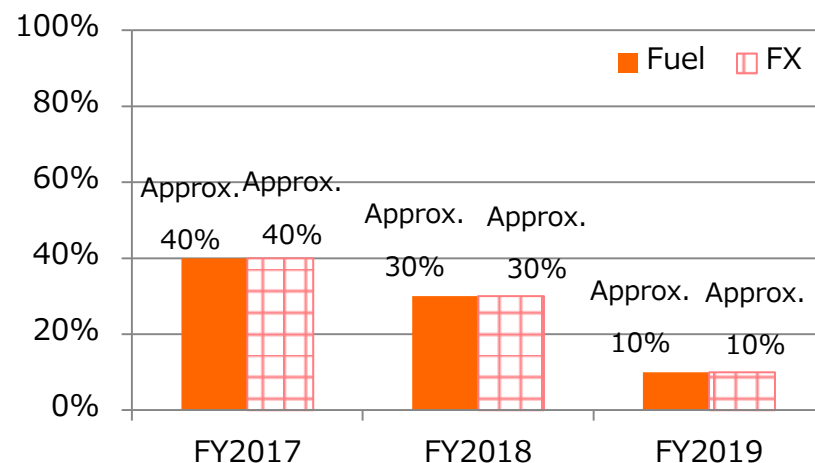


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## Transition of Fuel Cost by Factors



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



## Fuel / FX Markets

	3Q MAR/17	3Q MAR/18	y/y
Singapore Kerosene (USD/bbl)	54.5	<b>64.1</b>	+17.5%
Dubai Crude Oil (USD/bbl)	43.0	<b>52.0</b>	+21.0%
FX Rate (JPY/USD)	106.4	<b>111.4</b>	+4.7%

## FY2017 4<sup>th</sup> Quarter Profit Impact by Fuel and FX Markets (Inc. Hedging, Fuel Surcharge)

Singapore Kerosene (USD/bbl) \ FX (JPY/USD)	USD60	USD70	USD80	USD85
	Forecast			
JPY115	No Change	▲1.5Bn	▲3.0Bn	▲3.5Bn
JPY110	+0.5Bn	▲1.0Bn	▲2.5Bn	▲3.0Bn

【References】 Sensitivity for Fuel Costs Mar/18

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

※Without hedging

- Now, I will explain impact of fuel and FX markets.
- In our earning forecast which we announced on October 31, 2017, we set markets forecast as 60 US Dollars per barrel for Singapore Kerosene and 115 Japanese Yen for 1 US Dollar. But now market condition exceeds our forecast in fuel markets. Please look at the lower right matrix chart. This shows the impact of the fuel and foreign exchange market to the 4th Quarter profit outcome.
- As Singapore kerosene is around 80 US Dollars per barrel and exchange rate is around 110 Japanese yen to the US Dollar in the recent market, we estimate the 4<sup>th</sup> quarter profit will decrease 2.5 billion yen approximately. But we are confident that we will achieve our full-year earning forecast.

# Progress of Strategic Expenditures



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## Strategic Expenditures (y/y +JPY 21.5Bn)

- ✓ Increased to JPY 22.0 Bn in the previous forecast on October 31,2017
- ✓ No change from the latest forecast

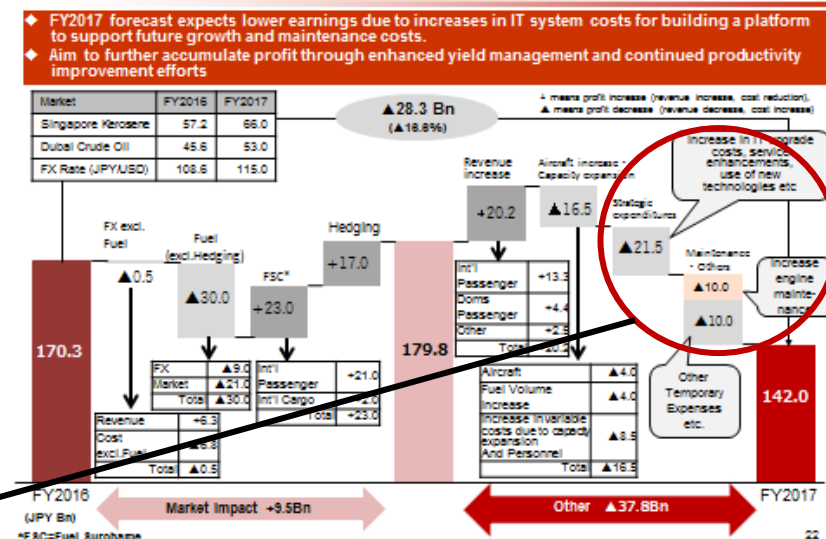
## Maintenance (y/y + JPY 10.0Bn)

- ✓ As planned

## Others (y/y + JPY 10.0Bn)

- ✓ As planned

※Reproduce, announced on April 28, 2017  
FY2017 Changes Forecast in Operating Profit



(JPY Bn)		FY17 vs FY16	1st H (Result)	3Q (Result)	4Q (Forecast)	Total (Forecast)	Diff. vs. Plan
Strategic	IT upgrade	13.5	2.2	4.6	6.7	13.5	0.0
	Depreciation/Operating Cost	11.0	1.0	4.0	6.0	11.0	0.0
	Training Cost	2.5	1.2	0.6	0.7	2.5	0.0
	Others	8.0	4.0	2.4	2.1	8.5	0.5
	Services enhancement(free Wi-Fi)	1.0	1.0	0.5	0.5	2.0	1.0
	Personnel(wage system for ground staff)	3.0	1.5	0.8	0.7	3.0	0.0
	New maintenance technology	1.5	0.3	0.2	0.5	1.0	-0.5
	Others	2.5	1.2	0.9	0.4	2.5	0.0
Total		21.5	6.2	7.0	8.8	22.0	0.5
Maintenance	Total	10.0	5.5	2.5	2.0	10.0	0.0
Others	Total	10.0	5.0	2.5	2.5	10.0	0.0

- This page shows the progress we have made with respect to “strategic expenditures” that we presented at our briefing on April 28th. These “strategic expenditures” are expenses for future growth and one of the reasons for cost increases this fiscal year.
- Strategic expenditures, engine maintenance costs and other costs are running as planned, with no unexpected increases or decreases.

# Major Balance Sheet Items and Cash Flow Items



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## Balance Sheet

(JPY Bn)	End of Mar/17 2017/3/31	End of 3 <sup>rd</sup> Quarter Mar/18 2017/12/31	Diff.
Total Assets	1,728.7	<b>1,798.8</b>	+ 70.0
Cash and Deposits <sup>(1)</sup>	404.0	<b>386.8</b>	▲ 17.1
Balance of Interest-bearing Debt <sup>(2)</sup>	116.0	<b>105.1</b>	▲ 10.9
Future Rental Expenses under Operating Leases	76.4	<b>63.1</b>	▲ 13.3
Shareholders' Equity	972.0	<b>1,052.0</b>	+ 80.0
Shareholders' Equity Ratio (%)	56.2%	<b>58.5%</b>	+ 2.3pt
D/E Ratio (x) <sup>(3)</sup>	0.1x	<b>0.1x</b>	▲ 0.0x

## Cash Flow

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

(JPY Bn)	3Q MAR/17	3Q MAR/18	Diff.
Cash Flow from Operating Activities	181.0	<b>204.2</b>	+ 23.2
Depreciation and Amortization	70.9	<b>80.7</b>	+ 9.8
Cash Flow from Investing Activities <sup>(4)</sup>	▲ 165.6	<b>▲ 155.3</b>	+ 10.3
Capital Expenditure <sup>(5)</sup>	▲ 177.5	<b>▲ 165.7</b>	+ 11.8
Free Cash Flow <sup>(6)</sup>	15.4	<b>48.9</b>	+ 33.5
Cash Flow from Financing Activities	▲ 63.4	<b>▲ 66.2</b>	▲ 2.7
Total Cash Flow <sup>(7)</sup>	▲ 48.0	<b>▲ 17.2</b>	+ 30.8
EBITDA	208.2	<b>225.9</b>	+ 17.7
EBITDAR	223.3	<b>241.0</b>	+ 17.7

4 Excluding deposits and withdrawals from deposit accounts    5 Expenditures for purchasing fixed assets

6 Cash Flow from Operating Activities + Cash Flow from Investing Activities

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

# Financial strategy

## Maintain both strong financial structure and high capital efficiency

### Financial structure

### Capital efficiency

#### Shareholders' equity ratio

- Equity ratio reached approx. 60%. Having built strong financial structure, we will work to maintain the current level.

#### Credit rating

- Aim to achieve and maintain "A flat" or above credit rating by improving cash flows and securing fruits from our growth strategies

#### Decrease cost of capital · Utilize debt

- Decrease cost of equity through comprehensive information disclosure, IR, etc.
- Utilize debt with discipline based on adequate debt repaying capacity with sufficient cash flow from operating activities

#### Liquidity

- Maintain appropriate levels of cash in preparation for event risks and focus on asset efficiency(ROA)

Further increase our corporate value by decreasing cost of capital, and implement our shareholders return initiatives

## Shareholders return

### Policy of shareholders return

#### Dividend

- Aim for stable and more predictable dividends
- Strive to maintain dividend levels even after the effective tax rate hike

#### Share repurchase

- Consider share repurchase based on appropriate levels of cash and deposits, the future growth investment, free cash flow outlook, stock price, etc.

# Recent Topics (Innovation of Passenger Service System)

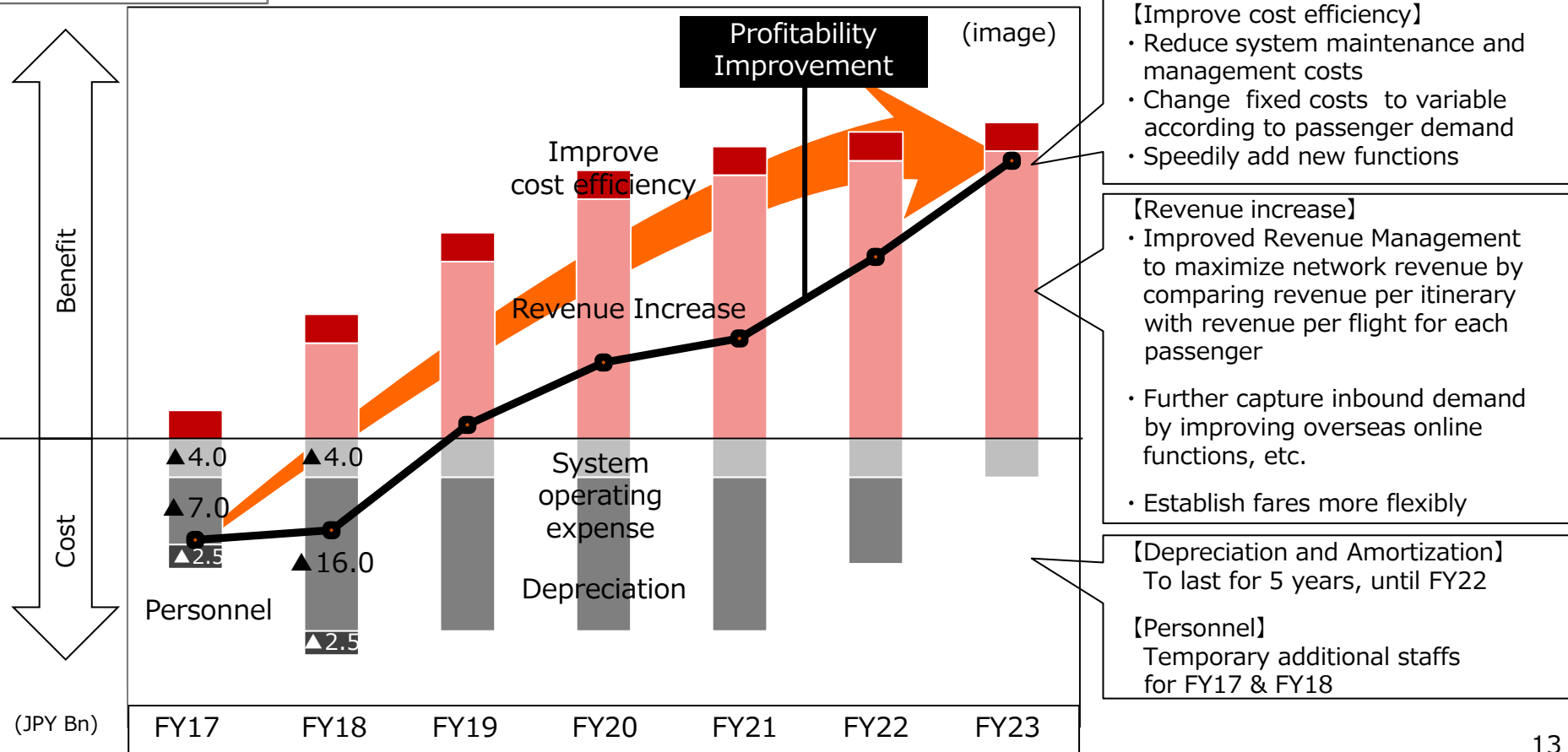
**New system\* will go live on Nov 16, 2017**

**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)





# FY2017 (Mar/18) Earnings Forecast

## P/L

(JPY Bn)		FY2016 Result	FY2017 Forecast	y/y
Operating Revenue		1,288.9	<b>1,366.0</b>	+77.1
	International Passenger	415.2	<b>453.0</b>	+37.8
	Domestic Passenger	498.6	<b>517.0</b>	+18.4
	Cargo / Mail	78.2	<b>88.0</b>	+9.8
	Other	296.8	<b>308.0</b>	+11.2
Operating Expense		1,118.6	<b>1,200.0</b>	+81.4
	Fuel	198.7	<b>206.0</b>	+7.3
	Excluding Fuel	919.8	<b>994.0</b>	+74.2
Operating Profit		170.3	<b>166.0</b>	▲4.3
Operating Profit Margin(%)		13.2%	<b>12.2%</b>	▲1.1pt
Ordinary Profit		165.0	<b>158.0</b>	▲7.0
Net Profit <sup>(1)</sup>		164.1	<b>121.0</b>	▲43.1
Unit Cost (JPY) <sup>(2)</sup>		9.4	<b>10.0</b>	+0.6
Dividends per share(JPY)		94.0	<b>105.0</b>	+11.0

## Operational Preconditions

		FY2016 Result	FY2017 Forecast
ASK*	Int'l	+0.1%	+2.7%
	Doms	▲1.2%	+1.2%
	Total	▲0.4%	+2.1%
RPK*	Int'l	+0.8%	+3.0%
	Doms	+0.9%	+4.8%
	Total	+0.8%	+3.7%

\*y/y

	FY2016 Result	FY2017 Forecast
Singapore Kerosene (USD/bbl)	57.2	<b>60.5</b> (2nd half 60.0)
Dubai Crude Oil (USD/bbl)	45.6	<b>49.4</b> (2nd half 49.0)
FX Rate (JPY/USD)	108.6	<b>113.0</b> (2nd half 115.0)

1 Profit attributable to owners of parent

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

# FY2017 (Mar/18) Revised Earnings Forecast



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## Balance Sheet

(JPY Bn)	End of FY2016 Results	End of FY2017 Previous Forecast	End of FY2017 New Forecast	Diff.
Total Assets	1,728.7	1,820.0	<b>1,817.0</b>	▲3.0
Balance of Interest-bearing debts	116.0	130.0	<b>127.0</b>	▲3.0
Shareholders' Equity	972.0	1,048.0	<b>1,048.0</b>	-
Shareholders' Equity Ratio (%)	56.2%	57.6%	<b>57.7%</b>	+0.1pt
ROIC (%) <sup>(1)</sup>	10.7%	9.5%	<b>9.5%</b>	-
ROE (%) <sup>(2)</sup>	18.1%	12.0%	<b>12.0%</b>	-
ROA (%) <sup>(3)</sup>	10.3%	9.4%	<b>9.4%</b>	-

## Cash Flow

(JPY Bn)	FY2016 Results	FY2017 Previous Forecast	FY2017 New Forecast	Diff.
Cash Flow from Operating Activities	253.1	259.0	<b>259.0</b>	-
Cash Flow from Investing Activities <sup>(4)</sup>	▲215.5	▲207.0	<b>▲189.0</b>	+18.0
Free Cash Flow <sup>(5)</sup>	37.5	52.0	<b>70.0</b>	+18.0
Cash Flow from Financing Activities	▲53.5	▲41.0	<b>▲44.0</b>	▲3.0
EBITDA	266.1	276.0	<b>276.0</b>	-
EBITDAR	286.2	294.0	<b>294.0</b>	-

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

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

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

# Revenue of International Routes by Geographic Segment



## Passenger Revenue

(%)	Q3 Cumulative y/y	Q3 3Months y/y	Component Ratio		
			Q3 FY2016	Q3 FY2017	Q3 3 Months
America	+14.5%	+20.7%	26%	27%	26%
Europe	+19.2%	+23.3%	16%	17%	15%
Asia/Oceania	+6.8%	+14.4%	33%	32%	35%
China	+9.5%	+19.7%	10%	10%	10%
Hawaii/Guam	+1.5%	+0.4%	15%	14%	14%
Total	+10.2%	+15.6%	100%	100%	100%

## ASK

(MN seat km)	Q3 (Cumulative)			Q3 (3Months)	
	FY2016	FY2017	y/y	FY2017	y/y
America	10,777	11,293	+4.8%	3,780	+4.6%
Europe	5,781	6,048	+4.6%	1,980	+4.2%
Asia/Oceania	13,358	13,274	▲0.6%	4,660	+5.0%
China	2,644	2,466	▲6.7%	820	▲6.9%
Hawaii/Guam	5,642	5,733	+1.6%	1,952	+4.6%
Total	38,203	38,815	+1.6%	13,195	+3.9%

## Revenue Passengers Carried

('000)	Q3 (Cumulative)			Q3 (3Months)	
	FY2016	FY2017	y/y	FY2017	y/y
America	901	933	+3.5%	297	+1.2%
Europe	502	558	+11.2%	178	+8.6%
Asia/Oceania	3,007	3,045	+1.3%	1,065	+5.1%
China	1,031	1,034	+0.3%	347	+10.6%
Hawaii/Guam	836	801	▲4.2%	273	▲2.3%
Total	6,279	6,373	+1.5%	2,163	+4.7%

## RPK

(MN passenger km)	Q3 (Cumulative)			Q3 (3Months)	
	FY2016	FY2017	y/y	FY2017	y/y
America	8,565	8,918	+4.1%	2,842	+1.7%
Europe	4,546	4,996	+9.9%	1,598	+7.1%
Asia/Oceania	10,661	10,909	+2.3%	3,924	+8.3%
China	1,922	1,917	▲0.3%	643	+9.5%
Hawaii/Guam	4,811	4,632	▲3.7%	1,599	▲0.3%
Total	30,508	31,375	+2.8%	10,608	+5.0%

## Load Factor for Revenue Passengers

(%)	Q3 (Cumulative)			Q3 (3Months)	
	FY2016	FY2017	y/y	FY2017	y/y
America	79.5%	79.0%	▲0.5pt	75.2%	▲2.1pt
Europe	78.6%	82.6%	+4.0pt	80.7%	+2.2pt
Asia/Oceania	79.8%	82.2%	+2.4pt	84.2%	+2.6pt
China	72.7%	77.8%	+5.1pt	78.4%	+11.7pt
Hawaii/Guam	85.3%	80.8%	▲4.5pt	81.9%	▲4.0pt
Total	79.9%	80.8%	+1.0pt	80.4%	+0.9pt

# Number of Aircraft



	End of Mar/17 (2017/3/31)			End of 3 <sup>rd</sup> Quarter Mar/18 (2017/12/31)			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	25	0	25	25	0	25	-
Boeing 787-9	8	0	8	11	0	11	+3
Boeing 767-300	6	0	6	6	0	6	-
Boeing 767-300ER	29	2	31	29	1	30	▲1
Middle-sized Total	68	2	70	71	1	72	+2
Boeing 737-400	11	0	11	9	0	9	▲2
Boeing 737-800	26	27	53	33	23	56	+3
Small-sized Total	37	27	64	42	23	65	+1
Embraer 170	17	0	17	17	0	17	-
Embraer 190	5	0	5	11	0	11	+6
Bombardier CRJ200	5	0	5	3	0	3	▲2
Bombardier D8-400	7	2	9	7	1	8	▲1
Bombardier D8-400CC	4	0	4	5	0	5	+1
SAAB340B	12	0	12	10	0	10	▲2
Bombardier D8-300	1	0	1	0	0	0	▲1
Bombardier D8-100	2	0	2	1	0	1	▲1
ATR42-600	1	0	1	2	0	2	+1
Regional Total	54	2	56	56	1	57	+1
<b>Total</b>	<b>199</b>	<b>31</b>	<b>230</b>	<b>209</b>	<b>25</b>	<b>234</b>	<b>+4</b>

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