

JAPAN AIRLINES Co., Ltd.
Financial Results
MAR/2018 (FY2017)
April 27th, 2018





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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 Mar/18

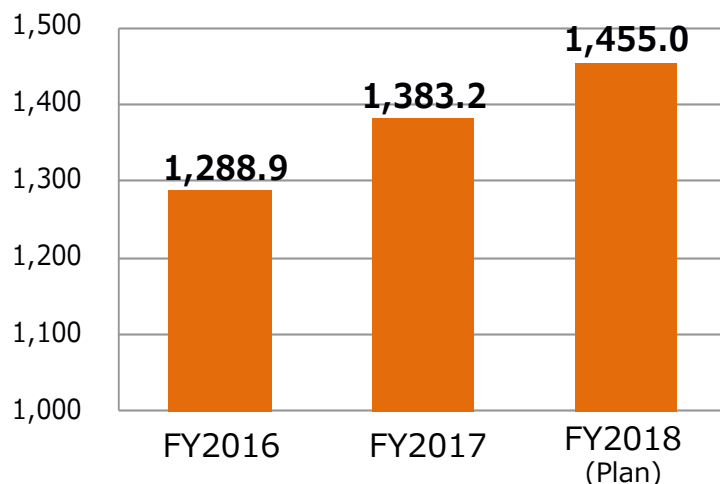


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- ✓ Resulted in an increase both in revenue and operating profit compared to the previous year.
- ✓ Aim to increase both revenue and profit in FY2018

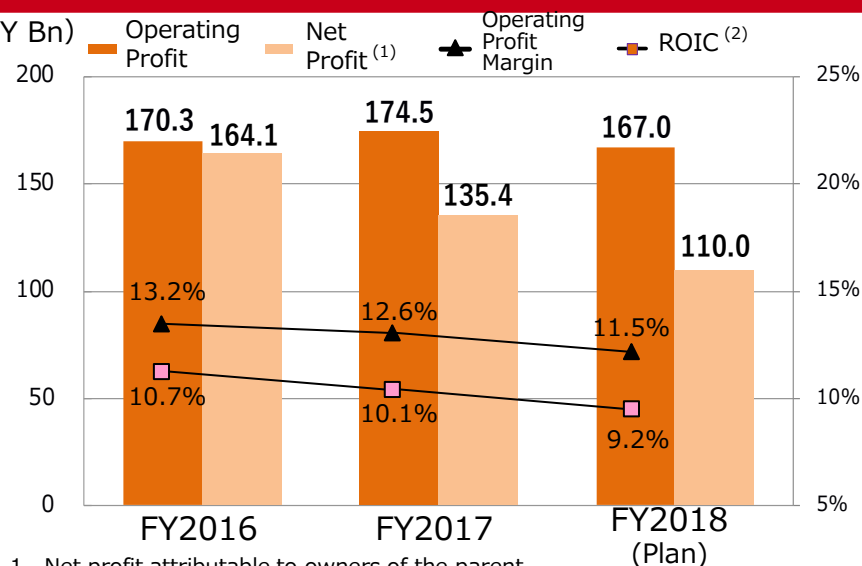
Operating Revenue

(JPY Bn)



Operating profit · Net profit

(JPY Bn)



1 Net profit attributable to owners of the parent

2 NOPAT/Fixed Asset (incl. Future Rental Expenses under Operating Leases)

Fuel/FX Markets

	FY2016	FY2017	FY2018 (Plan)
Singapore Kerosene (USD/bbl)	57.2	67.8	73.0
Dubai Crude Oil (USD/bbl)	45.6	54.9	61.0
FX Rate (JPY/USD)	108.6	111.2	115.0

Operational Precondition

ASK	FY2017	FY2018 (Plan)
Int'l	+2.4%	+6.8%
Doms	+0.8%	+1.8%
Total	+1.7%	+4.8%

※y/y

Dividend



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Payout Ratio

Approximately 30% of net profit attributable to owners of parent excluding income tax deferred is considered as a reference of dividends to shareholders

DOE

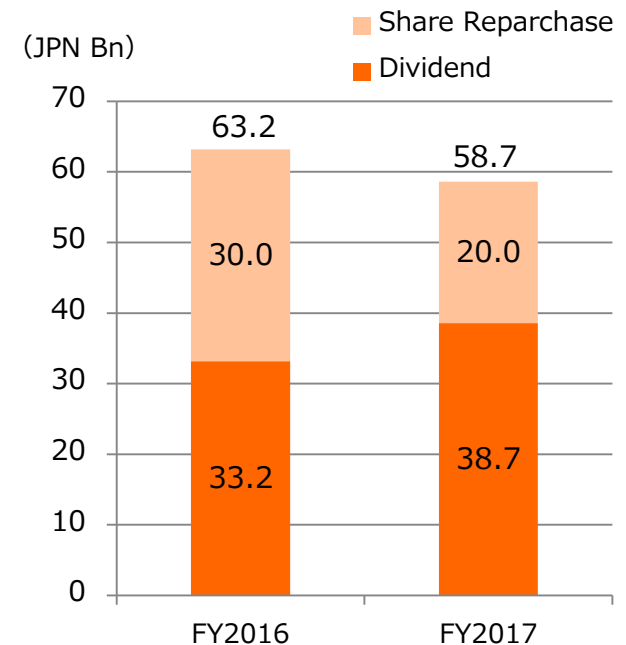
JAL will aim at 3% or above, considering the target ROE level(10%) and the target dividend ratio (30%)

- ✓ Dividend per share in FY2017 is 110 yen, considering the payout ratio⁽¹⁾ reference. (DOE 3.8%)
- ✓ Dividend per share in FY2018 is forecasted as 110 yen, same as FY2017, with JAL's aim to increase profit.

Dividend Results & Forecast

	FY2016	FY2017	FY2018 Forecast
Dividend per share (JPY)	94	110 (Previous Announcement 105)	110
Interim Dividend	—	52.5	55.0
Year-End Dividend	94	57.5 (Previous Announcement 52.5)	55.0
Payout Ratio ⁽¹⁾	25.1%	29.4%	34.0%
DOE (%) ⁽²⁾	3.7%	3.8%	3.5%
Net Profit ⁽³⁾ (JPY Bn)	164.1	135.4	110.0
Total amount for dividends (JPY Bn)	33.2	38.7	38.3
Share repurchase (JPY Bn)	30.0	20.0	—
Total number of shares issued (exc. Treasury stock) ('000)	353,579	351,225	348,892

Total amount for shareholder's return



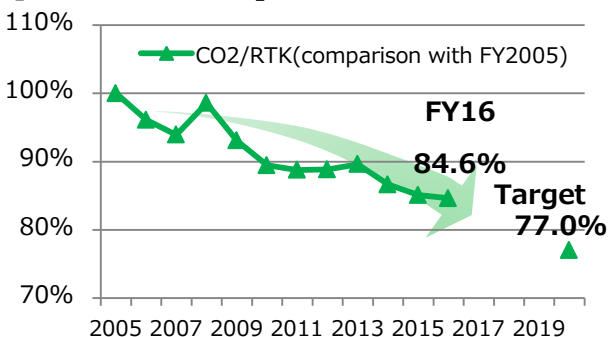
- 1 Payout Ratio = Total amount for dividends / Net profit
 2 DOE (Dividend on Equity Ratio) = (Total Dividend) / (Average of Shareholder's equity at beginning and end of fiscal year)
 3 Net profit attributable to owners of the parent

Environmental

Low-Carbon Initiatives :

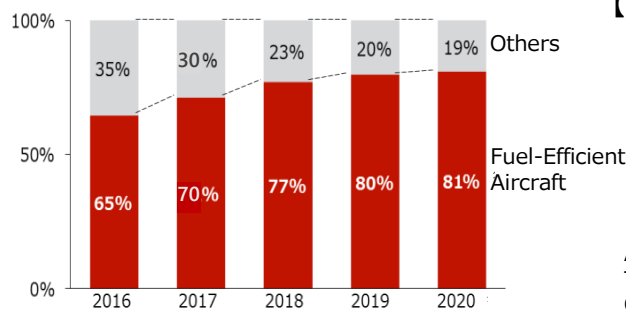
- Introduce fuel-efficient aircraft and aim for eco-friendly operation
- Continue atmospheric observations : Over 30 years of atmospheric observations with aircraft (gathered data available to the public)

【CO2 Emissions】



Steady efforts to reduce CO2 emissions by 23% from the FY2005 emission level

【Portion of “Fuel-Efficient Aircraft”】

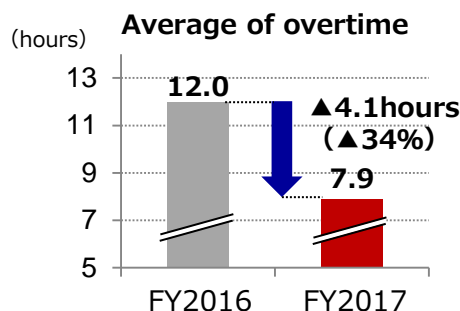


Applicable Aircraft : A350,787,777,737-800,E170/190
~2017 : Result, 2018~: Plan

Social

- Further promote workstyle innovation: Reduce overtime
- Diversity promotion initiatives : Aim for 20% females in managerial positions by the end of FY23
- Contribute to regional revitalization through tourism promotion

【Reduce overtime】



【Contribute to regional revitalization through tourism】

Stimulate inbound travel demand to various regions by cooperation with other companies or local governments

ALL JAPAN
Tourism Oriented
Country Fund



JAL ×
Hyakusen
Renma Inc.,*

*company of rental accommodations for tourists

Governance

- High transparency and strict management oversight :
 - 3 Independent External Directors with extensive management experience
 - 3 Independent External Auditors with legal and accounting expertise
 - Voluntarily set up various committees, in which the majority of members of each committee are External Directors and the committee is chaired by an External Director
- Evaluate the effectiveness of the Board of Directors using a third party organization

Board of Directors

3 External Directors out of ten Directors(30%)

Establishment of Various Committees

Corporate Governance Committee

Nominating Committee

Compensation Committee

Personnel Committee

Officers Disciplinary Committee

- The members are publicly announced.
- Chairpersons are all External Directors excluding the Personnel Committee, which supervises personnel affairs of Executive Officers.



OVERVIEW OF FINANCIAL RESULTS FOR MAR/18



DIVIDEND



ESG



DETAILS OF FINANCIAL RESULTS FOR MAR/18



EARNINGS FORECAST FOR MAR/19



REFERENCES

Consolidated Financial Results



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Consolidated Financial Results Mar/18

(JPY Bn)	FY2016	FY2017	Diff.	y/y	4th Quarter (Jan-Mar) ⁽⁵⁾	Diff.	y/y
Operating Revenue	1,288.9	1,383.2	+94.2	+7.3%	337.2	+23.7	+7.6%
Air Transportation Segment	1,159.3	1,257.2	+97.8	+8.4%	306.7	+24.5	+8.7%
Operating Expense	1,118.6	1,208.6	+90.0	+8.1%	307.8	+27.4	+9.8%
Air Transportation Segment	1,006.2	1,096.0	+89.8	+8.9%	279.7	+26.9	+10.7%
Operating Profit	170.3	174.5	+4.2	+2.5%	29.3	▲3.6	▲11.2%
Air Transportation Segment	153.1	161.2	+8.0	+5.3%	26.9	▲2.4	▲8.3%
Operating Profit Margin (%)	13.2%	12.6%	▲0.6pt	-	8.7%	▲1.8pt	-
Ordinary Profit	165.0	163.1	▲1.8	▲1.1%	20.9	▲7.9	▲27.5%
Net Profit ⁽¹⁾	164.1	135.4	▲28.7	▲17.5%	21.2	▲34.6	▲61.9%
ASK (MN seat km)	86,045	87,550	+1,505	+1.7%	21,825	+729	+3.5%
RPK (MN passenger km)	65,183	67,656	+2,472	+3.8%	16,779	+629	+3.9%
EBITDA Margin (%) ⁽²⁾	20.6%	20.6%	▲0.0pt	-	17.6%	▲0.8pt	-
EBITDAR Margin (%) ⁽³⁾	22.2%	22.1%	▲0.1pt	-	19.1%	▲1.0pt	-
Unit Cost (JPY) ⁽⁴⁾	9.4	10.1	+0.7	+7.2%	10.2	+0.6	+6.5%
Incl. Fuel	11.7	12.5	+0.8	+7.1%	12.8	+0.8	+7.0%

1. Net profit attributable to owners of the 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 4Q (January to March) are calculated by deducting the results of 3Q (April to December) from full-year (April to March)

Changes in Operating Profit (Revenues / Expenses)



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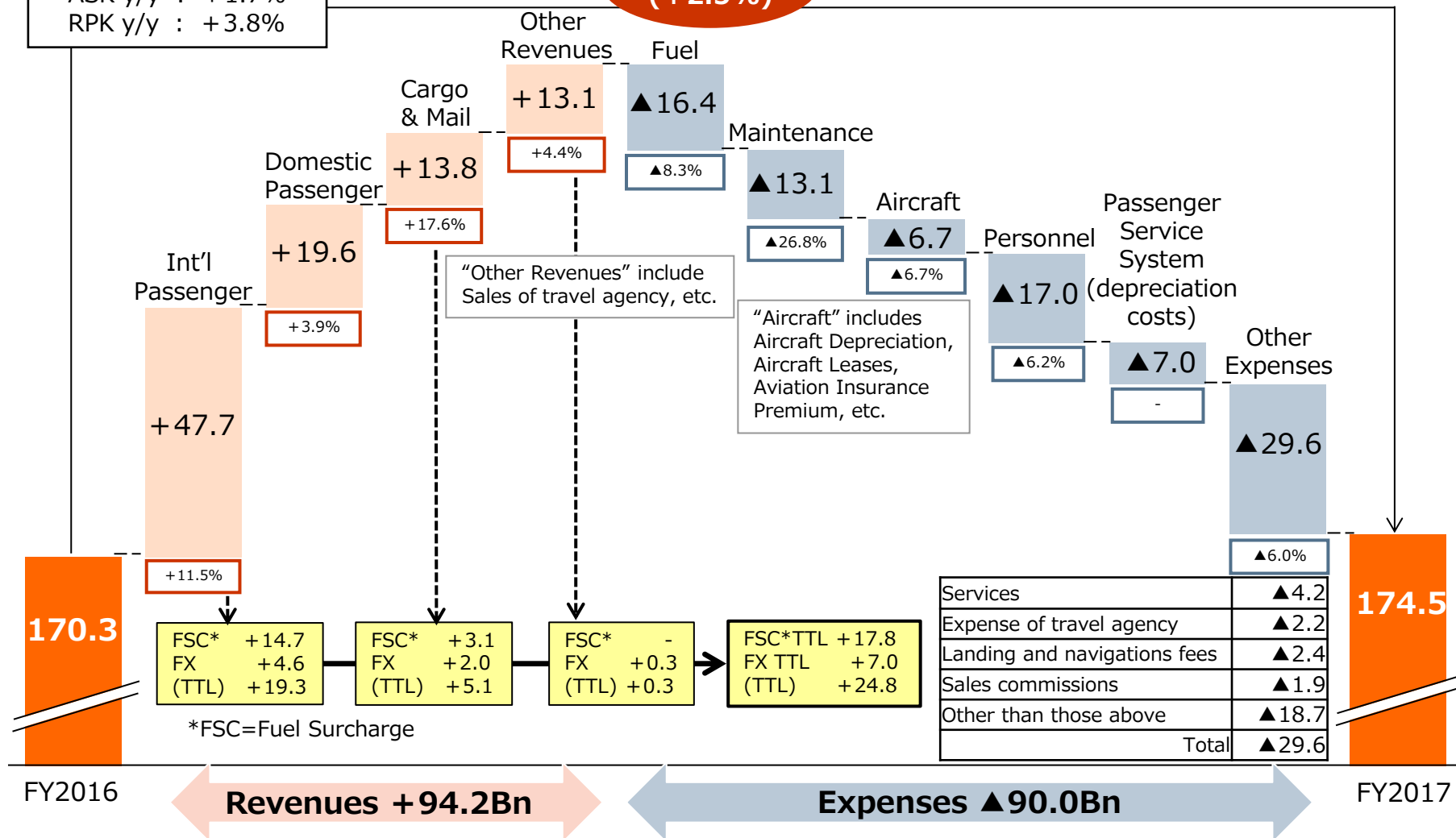
Mar/18 (FY2017)

(JPY Bn)

ASK y/y : +1.7%
RPK y/y : +3.8%

**+4.2Bn
(+2.5%)**

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



Changes in Operating Profit (Market / Others)



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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 ▲2.2Bn

Revenue	+7.0Bn
Cost	▲9.2Bn
Fuel	▲4.0Bn
Ex. Fuel	▲5.2Bn

+4.2Bn
(+2.5%)

(Excl. Market Impact)

Revenue
increase

+69.6

Cost
increase

▲67.3

Passenger
Service System
(depreciation
costs)

▲7.0

170.3

FX
(excl. Fuel)

+1.8

Fuel
(excl. Hedging)

▲29.0

FSC*
+17.8

Hedging

+18.3

179.2

Revenues	+7.0
Cost excl. Fuel	▲5.2
Total	+1.8

FX	▲4.0
Market	▲25.0
Total	▲29.0

Int'l Passenger	+14.7
Int'l Cargo	+3.1
Total	+17.8

Int'l Passenger	+28.4
Domestic Passenger	+19.6
Cargo/Mail	+8.7
Other	+12.8
Total	+69.6

Fuel Volume	▲5.7
Maintenance	▲11.3
Services	▲3.6
Aircraft	▲6.7
Personnel	▲16.4
Other than those above	▲23.5
Total	▲67.3

174.5

FY2016

Market impact +8.9Bn

Others ▲4.7Bn

FY2017

*FSC=Fuel Surcharge

International Passenger Operations

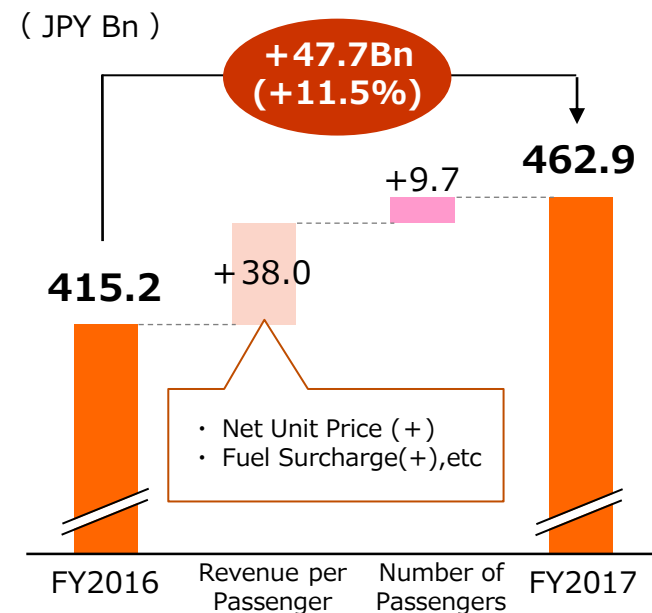


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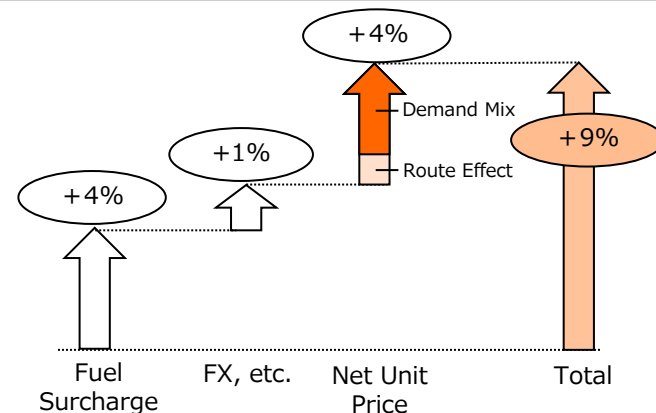
International Passenger

	FY2016	FY2017	y/y	4th Quarter (Jan-Mar) ⁽⁴⁾	y/y
Passenger Revenue (JPY Bn)	415.2	462.9	+11.5%	116.4	+15.6%
Passengers ('000)	8,394	8,585	+2.3%	2,211	+4.6%
ASK (MN seat km)	50,621	51,836	+2.4%	13,021	+4.9%
RPK (MN passenger km)	40,633	42,013	+3.4%	10,637	+5.1%
L/F (%)	80.3%	81.0%	+0.8pt	81.7%	+0.2pt
Revenue per Passenger ⁽¹⁾ (JPY)	49,461	53,919	+9.0%	52,664	+10.5%
Yield ⁽²⁾ (JPY)	10.2	11.0	+7.8%	10.9	+10.0%
Unit Revenue ⁽³⁾ (JPY)	8.2	8.9	+8.9%	8.9	+10.2%

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 4Q (January to March) are calculated by deducting the results of 3Q (April to December) from full-year (April to March)

Domestic Passenger Operations



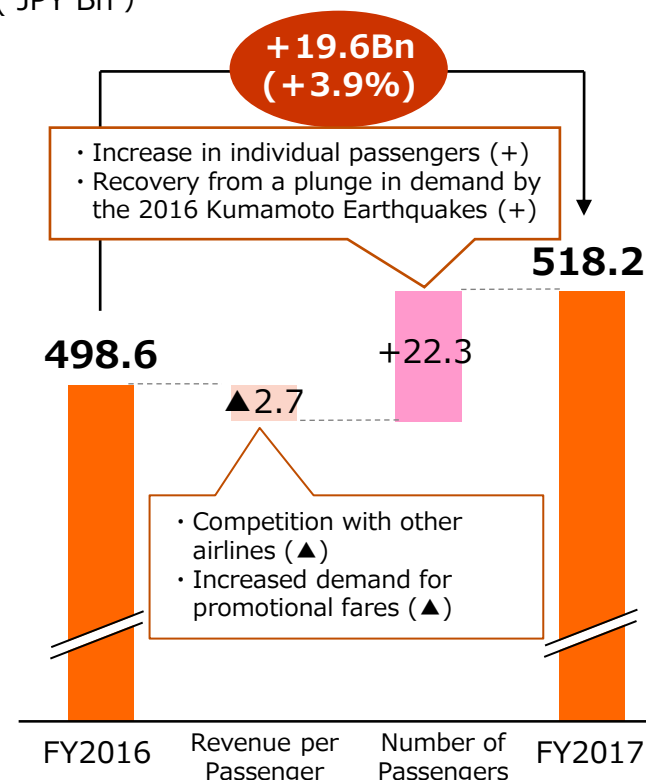
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Domestic Passenger

	FY2016	FY2017	y/y	4th Quarter (Jan-Mar) ⁽⁴⁾	y/y
Passenger Revenue (JPY Bn)	498.6	518.2	+3.9%	119.6	+1.7%
Passengers ('000)	32,570	34,033	+4.5%	8,113	+2.1%
ASK (MN seat km)	35,423	35,714	+0.8%	8,804	+1.5%
RPK (MN passenger km)	24,550	25,643	+4.5%	6,141	+1.9%
L/F (%)	69.3%	71.8%	+2.5pt	69.8%	+0.3pt
Revenue per Passenger ⁽¹⁾ (JPY)	15,309	15,227	▲0.5%	14,752	▲0.4%
Yield ⁽²⁾ (JPY)	20.3	20.2	▲0.5%	19.5	▲0.3%
Unit Revenue ⁽³⁾ (JPY)	14.1	14.5	+3.1%	13.6	+0.2%

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 4Q (January to March) are calculated by deducting the results of 3Q (April to December) from full-year (April to March)

Major Operating Expense Items



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Operating Expenses

(JPY Bn)	FY2016	FY2017	Diff.	y/y	4th Quarter (Jan-Mar) ⁽³⁾	Diff.	y/y
Fuel	198.7	215.2	+16.4	+8.3%	57.3	+6.3	+12.6%
Landing and navigation fees	81.1	83.5	+2.4	+3.0%	21.0	+0.8	+4.3%
Maintenance	48.9	62.0	+13.1	+26.8%	10.6	+2.6	+32.7%
Sales commissions (Air Transport)	15.9	17.9	+1.9	+12.4%	4.8	+0.5	+11.7%
Aircraft ⁽¹⁾	100.4	107.1	+6.7	+6.7%	27.0	+1.4	+5.5%
Services ⁽²⁾	37.9	42.2	+4.2	+11.2%	10.4	+0.4	+4.1%
Personnel	273.3	290.3	+17.0	+6.2%	75.6	+6.6	+9.6%
Expenses of travel agency	81.5	83.8	+2.2	+2.8%	19.9	+0.2	+1.0%
Other	280.4	306.1	+25.7	+9.2%	80.8	+8.3	+11.5%
Total Operating Expenses	1,118.6	1,208.6	+90.0	+8.1%	307.8	+27.4	+9.8%

ASK y/y : +1.7%

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 4Q (January to March) are calculated by deducting the results of 3Q (April to December) from full-year (April to March)

Major Balance Sheet Items and Cash Flow Items



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Balance Sheet (JPY Bn)	End of FY2016	End of FY2017	Diff.
Total Assets	1,728.7	1,854.2	+125.4
Cash and Deposits ⁽¹⁾	404.0	448.8	+44.7
Balance of Interest-bearing Debt ⁽²⁾	116.0	125.7	+9.7
Future Rental Expenses under Operating Leases	76.4	67.4	▲8.9
Shareholders' Equity	972.0	1,060.3	+88.2
Shareholders' Equity Ratio (%)	56.2%	57.2%	+1.0pt
D/E Ratio (x) ⁽³⁾	0.1x	0.1x	▲0.0x
ROIC (%) ⁽⁴⁾	10.7%	10.1%	▲0.6pt
ROE (%) ⁽⁵⁾	18.1%	13.3%	▲4.8pt
ROA (%) ⁽⁶⁾	10.3%	9.7%	▲0.6pt

- 1 Certificate of Deposits etc. included
- 2 Accounts Payable-installment Purchase included
- 3 On-balance sheet Interest-bearing Debt / Shareholders' Equity
- 4 NOPAT/Fixed Asset (incl. Future Rental Expenses under Operating Leases)
- 5 (Net income attributable to owners of the parent) / (Average of shareholder's equity at beginning and end of fiscal year)
- 6 (Operating profit) / (Average of total assets at beginning and end of fiscal year)

Cash Flow (JPY Bn)	FY2016	FY2017	Diff.
Cash Flow from Operating Activities	253.1	281.5	+28.3
Depreciation and Amortization	95.7	110.8	+15.0
Cash Flow from Investing Activities ⁽⁷⁾	▲215.5	▲180.1	+35.4
Capital Investment	▲233.4	▲211.9	+21.5
Free Cash Flow ⁽⁸⁾	37.5	101.3	+63.8
Cash Flow from Financing Activities	▲53.5	▲55.8	▲2.3
Total Cash Flow ⁽⁹⁾	▲15.9	45.5	+61.4
EBITDA	266.1	285.4	+19.3
EBITDAR	286.2	305.4	+19.1

- 7 Excluding deposits and withdrawals from deposit accounts
- 8 Cash Flow from Operating Activities + Cash Flow from Investing Activities
- 9 Cash flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities

Revenue of International Routes by Geographic Segment



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Passenger Revenue

(%)	FY2017 y/y	4Q 3Months y/y	Component Ratio		4Q 3 Months
			4Q FY2016	4Q FY2017	
America	+13.7%	+11.0%	26%	26%	23%
Europe	+22.2%	+33.5%	15%	16%	14%
Asia/Oceania	+9.1%	+15.4%	34%	33%	37%
China	+12.3%	+20.4%	10%	11%	12%
Hawaii/Guam	+2.1%	+4.1%	15%	14%	14%
Total	+11.5%	+15.6%	100%	100%	100%

ASK

(MN seat km)	4Q (Cumulative)			4Q (3Months)	
	FY2016	FY2017	y/y	FY2017	y/y
America	14,322	14,971	+4.5%	3,677	+3.7%
Europe	7,490	7,962	+6.3%	1,913	+11.9%
Asia/Oceania	17,836	18,042	+1.2%	4,767	+6.5%
China	3,506	3,292	▲6.1%	825	▲4.2%
Hawaii/Guam	7,465	7,569	+1.4%	1,835	+0.7%
Total	50,621	51,836	+2.4%	13,021	+4.9%

Revenue Passengers Carried

('000)	4Q (Cumulative)			4Q (3Months)	
	FY2016	FY2017	y/y	FY2017	y/y
America	1,194	1,230	+3.0%	296	+1.3%
Europe	660	733	+11.0%	174	+10.5%
Asia/Oceania	4,047	4,146	+2.4%	1,100	+5.8%
China	1,381	1,409	+2.0%	375	+6.9%
Hawaii/Guam	1,109	1,066	▲3.9%	264	▲3.0%
Total	8,394	8,585	+2.3%	2,211	+4.6%

RPK

(MN passenger km)	4Q (Cumulative)			4Q (3Months)	
	FY2016	FY2017	y/y	FY2017	y/y
America	11,335	11,735	+3.5%	2,816	+1.7%
Europe	5,976	6,571	+9.9%	1,574	+10.1%
Asia/Oceania	14,371	14,936	+3.9%	4,027	+8.6%
China	2,577	2,610	+1.3%	693	+5.8%
Hawaii/Guam	6,372	6,158	▲3.4%	1,525	▲2.2%
Total	40,633	42,013	+3.4%	10,637	+5.1%

Load Factor

(%)	4Q (Cumulative)			4Q (3Months)	
	FY2016	FY2017	y/y	FY2017	y/y
America	79.1%	78.4%	▲0.8pt	76.6%	▲1.5pt
Europe	79.8%	82.5%	+2.7pt	82.3%	▲1.4pt
Asia/Oceania	80.6%	82.8%	+2.2pt	84.5%	+1.6pt
China	73.5%	79.3%	+5.8pt	83.9%	+7.9pt
Hawaii/Guam	85.4%	81.4%	▲4.0pt	83.1%	▲2.5pt
Total	80.3%	81.0%	+0.8pt	81.7%	+0.2pt

《Reference》 Number of Aircraft



JAPAN AIRLINES

	End of Mar/17			End of Mar/18			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	10	1	11	+3
Boeing 767-300	6	0	6	6	0	6	-
Boeing 767-300ER	29	2	31	28	1	29	▲2
Middle-sized Total	68	2	70	69	2	71	+1
Boeing 737-400	11	0	11	8	0	8	▲3
Boeing 737-800	26	27	53	34	23	57	+4
Small-sized Total	37	27	64	42	23	65	+1
Embraer 170	17	0	17	17	0	17	-
Embraer 190	5	0	5	12	0	12	+7
Bombardier CRJ200	5	0	5	0	0	0	▲5
Bombardier D8-400	7	2	9	5	1	6	▲3
Bombardier D8-400CC	4	0	4	5	0	5	+1
SAAB340B	12	0	12	10	0	10	▲2
Bombardier D8-300	1	0	1	1	0	1	-
Bombardier D8-100	2	0	2	0	0	0	▲2
ATR42-600	1	0	1	4	0	4	+3
Regional Total	54	2	56	54	1	55	▲1
合計	199	31	230	205	26	231	+1



OVERVIEW OF FINANCIAL RESULTS FOR MAR/18



DIVIDEND



ESG



DETAILS OF FINANCIAL RESULTS FOR MAR/18



EARNINGS FORECAST FOR MAR/19



REFERENCES

FY2018 Earnings Forecast



JAPAN AIRLINES

Revenue and Expenditure Plan

(JPY Bn)	FY2017	FY2018 (Plan)	Diff.	y/y
Operating Revenue	1,383.2	1,455.0	+71.7	+5.2%
International Passenger ⁽¹⁾	462.9	515.0	+52.0	+11.3%
Domestic Passenger ⁽¹⁾	518.2	520.0	+1.7	+0.3%
Cargo / Mail	92.0	94.0	+1.9	+2.1%
Other	310.0	326.0	+15.9	+5.1%
Operating Expense	1,208.6	1,288.0	+79.3	+6.6%
Fuel	215.2	241.0	+25.7	+12.0%
Excluding Fuel	993.4	1,047.0	+53.5	+5.4%
Operating Profit	174.5	167.0	▲7.5	▲4.3%
Operating Profit Margin (%)	12.6%	11.5%	▲1.1pt	-
Ordinary Profit	163.1	156.0	▲7.1	▲4.4%
Net Profit ⁽²⁾	135.4	110.0	▲25.4	▲18.8%
Unit Cost (JPY) ⁽³⁾	10.1	10.2	+0.1	+1.1%

Operational Preconditions

		FY2017	FY2018 (Plan)
ASK	Int'l	+2.4%	+6.8%
	Doms	+0.8%	+1.8%
	Total	+1.7%	+4.8%
RPK	Int'l	+3.4%	+6.4%
	Doms	+4.5%	+1.2%
	Total	+3.8%	+4.4%

※y/y

	FY2017	FY2018 (Plan)
Singapore Kerosene (USD/bbl)	67.8	73.0
Dubai Crude Oil (USD/bbl)	54.9	61.0
FX Rate (JPY/USD)	111.2	115.0

1 Including a change of settlement adjustment method for domestic sectors on international itineraries (INT + 6.0Bn, DOM▲6.0Bn)

2 Net profit attributable to owners of the parent

3 Unit Cost = Air Transportation Segment Operating Cost (excluding fuel cost) / ASK

FY2018 Changes in Operating Profit (Revenues / Expenses)

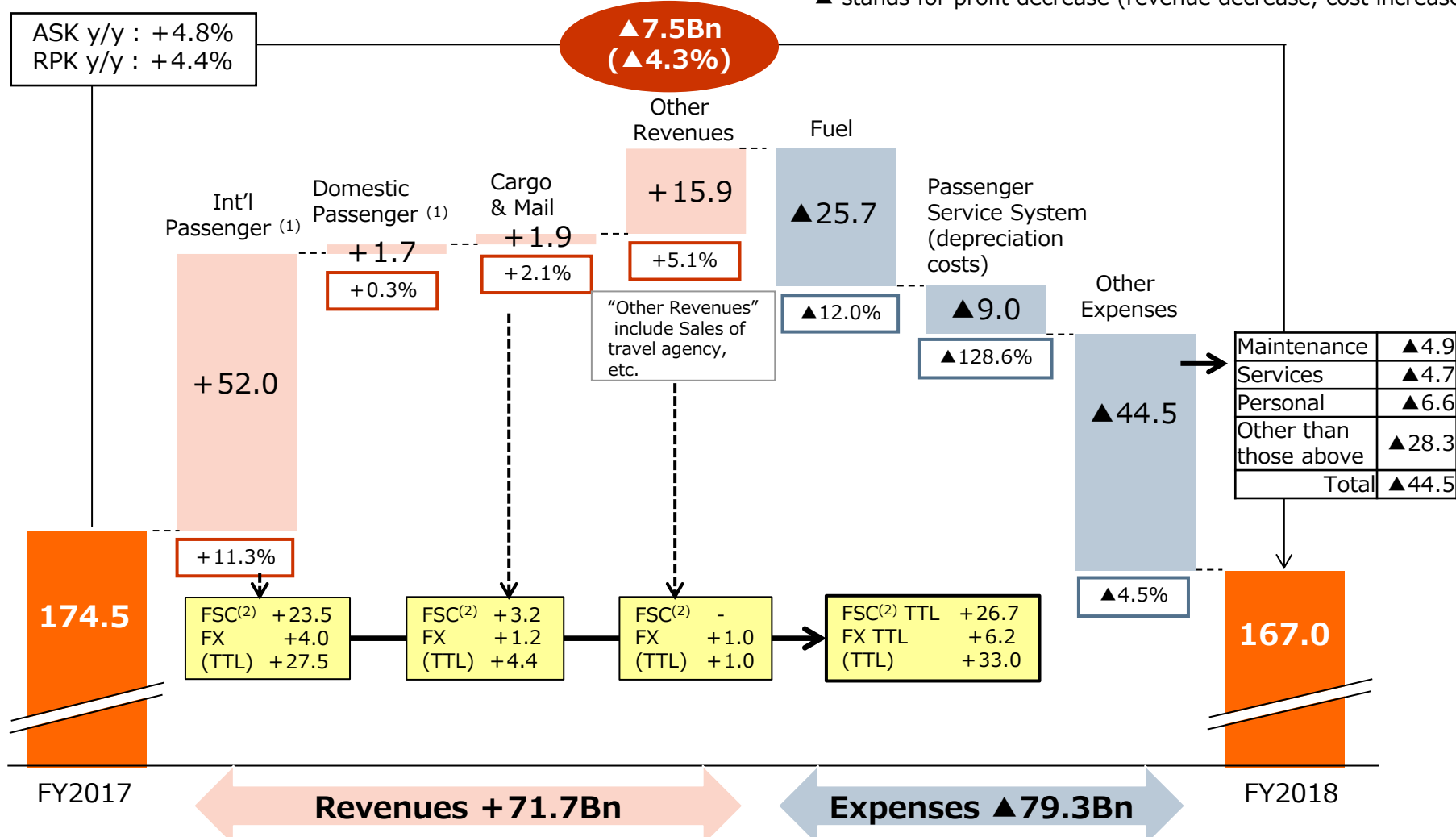


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Mar/19 (FY2018)

(JPY Bn)

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



1 Including a change of settlement adjustment method for domestic sectors on international itineraries (INT+6.0Bn, DOM▲6.0Bn)
2 FSC=Fuel Surcharge

FY2018 Changes in Operating Profit (Market / Others)



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Mar/19 (FY2018)

(JPY Bn)

Fuel/FX Markets	FY17	FY18
Singapore Kerosene	67.8	73.0
Dubai Crude Oil	54.9	61.0
FX Rate	111.2	115.0

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

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

▲7.5Bn
(▲4.3%)

Revenue
increase

Cost
increase

+38.8

▲35.0

Passenger
Service System
(depreciation
costs)

▲9.0

Other
Expenses

▲11.4

167.0

183.5

Hedging

+5.7

FSC*

+26.7

Fuel
(excl. Hedging)

▲24.2

FX
(excl. Fuel)

+1.0

174.5

FY2017

FY2018

Revenues	+6.2
Cost excl. Fuel	▲5.2
Total	+1.0

FX	▲6.7
Market	▲17.5
Total	▲24.2

Int'l Passenger	+23.5
Int'l Cargo	+3.2
Total	+26.7

Int'l Passenger	+24.6
Domestic Passenger	+1.8
Other than those above	+12.5
Total	+38.8

• Fuel Volume
• Landing and
navigations fees
• Services etc.

Market impact +9.0Bn

Others ▲16.5Bn

*FSC=Fuel Surcharge

FY2018 Earnings Forecast



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Balance Sheet

(JPY Bn)	End of FY2017	End of FY2018 (Plan)	Diff.
Total Assets	1,854.2	1,933.0	+78.7
Balance of Interest-bearing debts	125.7	164.0	+38.2
Shareholders' Equity	1,060.3	1,122.0	+61.6
Shareholders' Equity Ratio (%)	57.2%	58.0%	+0.9pt
ROIC (%) ⁽¹⁾	10.1%	9.2%	▲0.9pt
ROE (%) ⁽²⁾	13.3%	10.1%	▲3.2pt
ROA (%) ⁽³⁾	9.7%	8.8%	▲0.9pt

- 1 Net Operating Profit After Tax (NOPAT) / Fixed Asset (incl. Future Rental Expenses under Operating Leases)
- 2 (Net Income Attributable to owners of the 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)

Cash Flow

(JPY Bn)	FY2017	FY2018 (Plan)	Diff.
Cash Flow from Operating Activities	281.5	271.0	▲10.5
Cash Flow from Investing Activities ⁽⁴⁾	▲180.1	▲220.0	▲39.8
Free Cash Flow ⁽⁴⁾	101.3	51.0	▲50.3
Cash Flow from Financing Activities	▲55.8	▲15.0	+40.8
EBITDA	285.4	291.0	+5.5
EBITDAR	305.4	307.0	+1.5

Investment

(JPY Bn)	FY2017	FY2018 (Plan)	Diff.
Fleet	168.2	172.0	+3.8
Ground · IT, etc.	43.7	65.0	+21.3
Total	211.9	237.0	+25.1

Growth Investment ⁽⁵⁾	150.0
Replacement investments ⁽⁶⁾	87.0

4 Exclude deposits and withdrawals from deposit accounts

5 Growth investments = i.e., Introduction of aircraft that will contribute route expansion, flight frequency increase, or operational efficiency improvement, Improvement of quality, service or efficiency, or Development of new business domains.

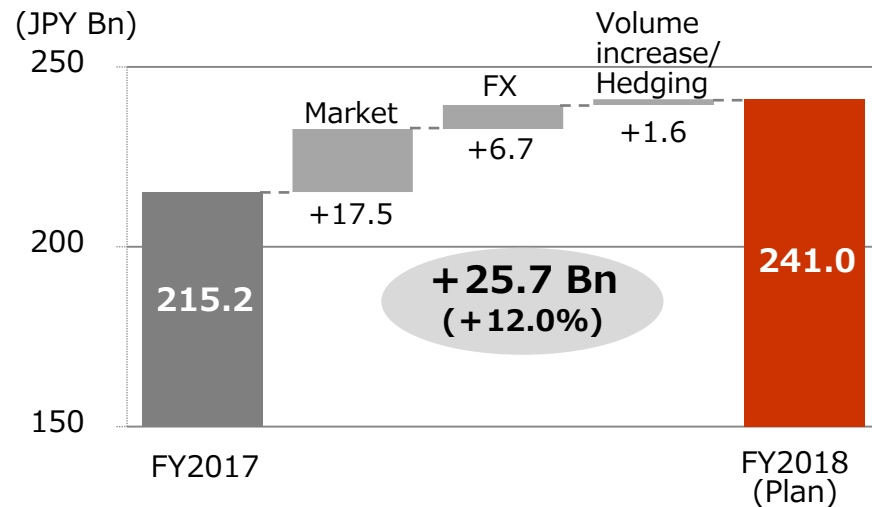
6 Renewal investments = i.e., Replacement of existing old facilities or for compliance to laws and regulations.

Impact of Fuel and FX Markets

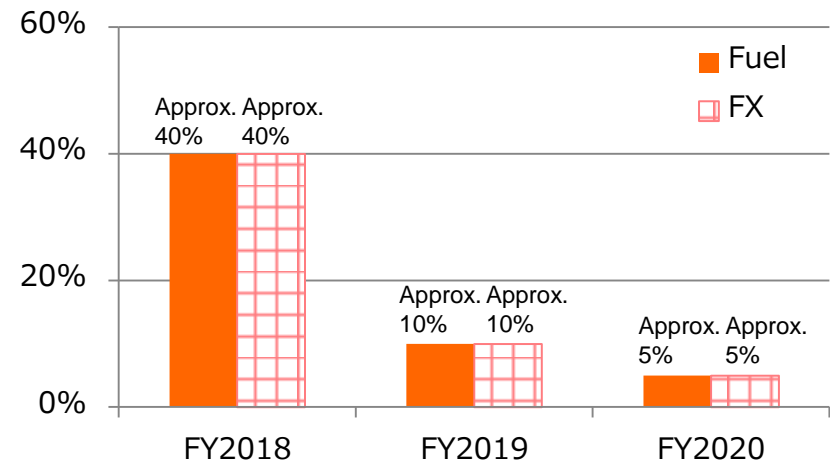


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Transition of Fuel Cost by Factors



Hedge Ratio of Fuel Costs (As of End of Mar/2018)



Fuel / FX Markets

	FY2017	FY2018 (Plan)
Singapore Kerosene (USD/bbl)	67.8	73.0
Dubai Crude Oil (USD/bbl)	54.9	61.0
FX Rate (JPY/USD)	111.2	115.0

Profit Impact by Fuel and FX Markets (JPY Bn)

Singapore Kerosene (USD/bbl) FX(JPY/USD)	USD 60	USD 73	USD 80	USD 90
		Forecast		
JPY 115	3.5Bn	No change	1.5Bn	▲3.0Bn
JPY 110	10.0Bn	7.5Bn	5.0Bn	▲3.0Bn
JPY 105	16.5Bn	8.0Bn	8.0Bn	5.5Bn



OVERVIEW OF FINANCIAL RESULTS FOR MAR/18



DIVIDEND



ESG



DETAILS OF FINANCIAL RESULTS FOR MAR/18



EARNINGS FORECAST FOR MAR/19



REFERENCES

FY2018 (Mar/19) Earnings Forecast (Air transportation Segment)



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International Passenger	FY2017	FY2018	y/y(%)		
			Full-year (Forecast)	1H (Forecast)	2H (Forecast)
Passenger Revenue ⁽¹⁾ (JPY Bn)	462.9	515.0	+11.3%	+13.7%	+9.0%
Passengers ('000)	8,585	8,994	+4.8%	+6.6%	+3.0%
ASK (MN seat km)	51,836	55,357	+6.8%	+7.5%	+6.1%
RPK (MN passenger km)	42,013	44,701	+6.4%	+7.1%	+5.7%
L/F (%)	81.0%	80.7%	80.7%	80.8%	80.7%
Revenue per Passenger ⁽²⁾ (JPY)	53,919	57,304	+6.3%	+6.6%	+5.9%
Yield ⁽³⁾ (JPY)	11.0	11.5	+4.6%	+6.1%	+3.2%
Unit Revenue ⁽⁴⁾ (JPY)	8.9	9.3	+4.3%	+5.7%	+2.8%

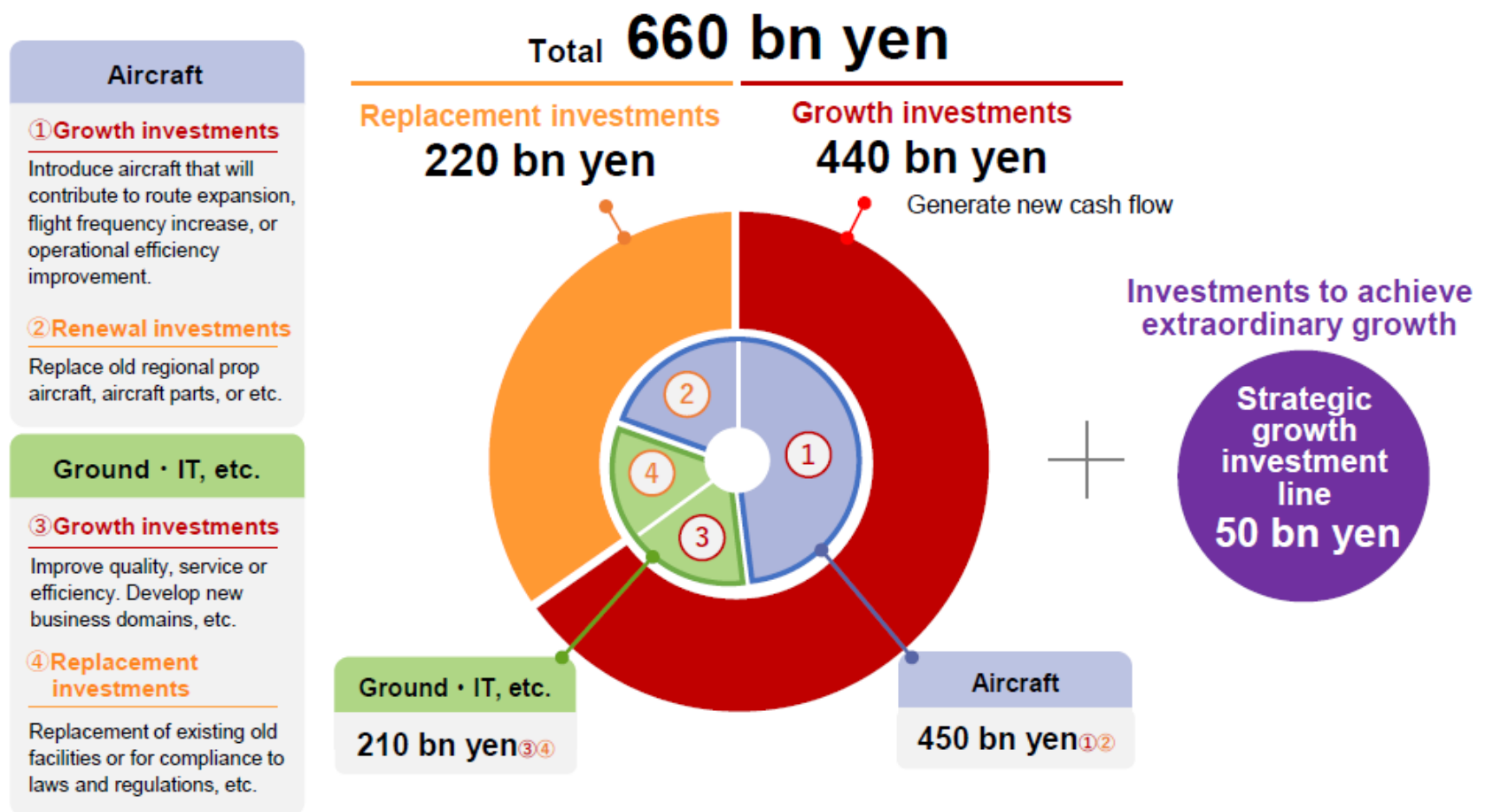
Domestic Passenger	FY2017	FY2018	y/y(%)		
			Full-year (Forecast)	1H (Forecast)	2H (Forecast)
Passenger Revenue ⁽¹⁾ (JPY Bn)	518.2	520.0	+0.4%	+1.0%	▲0.3%
Passengers ('000)	34,033	34,572	+1.6%	+1.6%	+1.6%
ASK (MN seat km)	35,714	36,356	+1.8%	+1.9%	+1.7%
RPK (MN passenger km)	25,643	25,950	+1.2%	+1.0%	+1.4%
L/F (%)	71.8%	71.4%	71.4%	71.4%	71.4%
Revenue per Passenger ⁽²⁾ (JPY)	15,227	15,051	▲1.2%	▲0.5%	▲1.8%
Yield ⁽³⁾ (JPY)	20.2	20.1	▲0.8%	+0.0%	▲1.6%
Unit Revenue ⁽⁴⁾ (JPY)	14.5	14.3	▲1.4%	▲0.8%	▲1.9%

1 Including a change of settlement adjustment method for domestic sectors on international itineraries (INT +6.0Bn, DOM▲6.0Bn)

2 Passenger Revenue / Passengers 3 Passenger Revenue / RPK 4 Passenger Revenue / ASK

**Holding capital investments within the amount of operating cash flow,
we will actively invest approximately 2/3 of the total investments for growth
to increase corporate value**

FY2018~2020 Capital Investments

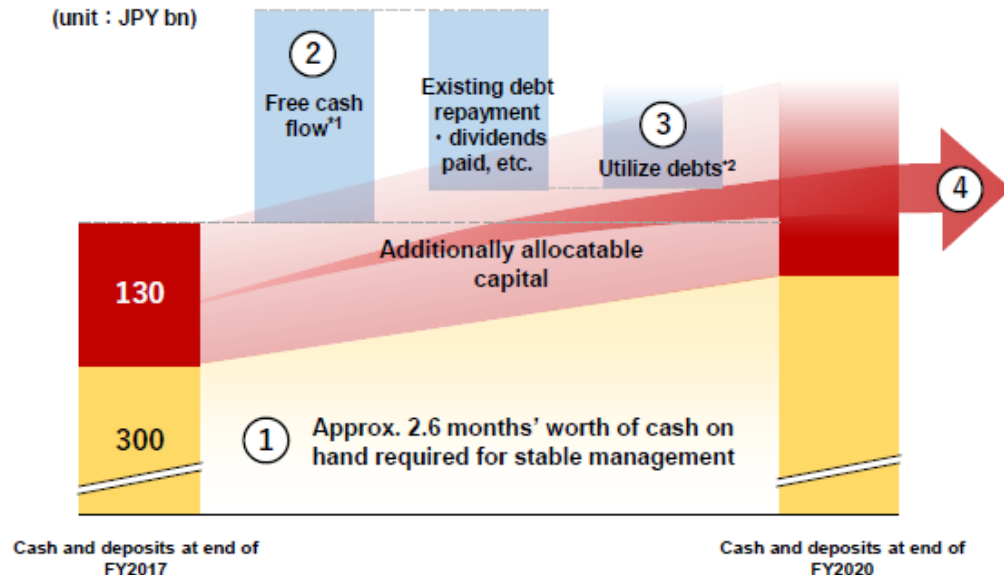


We will strategically allocate capital to increase corporate value, while maintaining a firm financial structure as well as high capital efficiency at the same time

Capital Allocation

- ① Maintain approx. 2.6 months' worth of revenue as standard cash on hand required for stable management and recognize the excess amount as additionally allocatable capital.
- ② Actively promote further growth investments and create maximum free cash flows.
- ③ Utilize interest-bearing debt for growth investments and improve capital efficiency.
- ④ Strategically allocate additional capital.

(unit : JPY bn)



FY2018~2020 Additionally Allocatable Capital

Improve the corporate pension fund financially

Consider approx. 80 bn yen injection ahead of schedule

Investments to achieve extraordinary growth

Set a 50 bn yen strategic growth investment line

Strategic growth investment line

Further increase shareholder returns

- Pay stable and highly predictable amounts of dividends, taking into account DOE (Dividend on Equity Ratio)^{*3} in addition to the payout ratio
- Consider and execute share repurchase in a timely manner

*1 Free cash flow (3-year aggregate)=Cash flow from operating activities-Cash flow from investing activities

*2 3-year aggregate new debts used (new procurements-repayment of new procurements)

*3 Indicates dividend yield of shareholders' equity
DOE (Dividend on Equity Ratio)=Total Dividend÷Equity

Maintain both strong financial structure and high capital efficiency, and aim for corporate value increase

Financial structure		Capital efficiency	
Shareholders' equity ratio	Credit rating	Decrease cost of capital · Utilize debt	Liquidity
<ul style="list-style-type: none"> Equity ratio reached approx. 60%. Having built strong financial structure, we will work to maintain the current level 	<ul style="list-style-type: none"> Aim to achieve and maintain "A flat" or above credit rating by improving cash flows and securing fruits from our growth strategies 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Based on our current scale of business operations, standard liquidity on hand is set at approximately 2.6 month's worth of revenue (currently approx. 300 bn yen) for sufficient event risk tolerance as well as return on assets (ROA)

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

Shareholders return

Policy of shareholders return

Dividend

- Stable and more predictable dividends are aimed
- Dividend on equity (DOE) in addition to the payout ratio has been adopted as a reference**
- Increasing the payout ratio to maintain dividend levels, after the effective tax rate increase, will be considered

Share repurchase

- Share repurchase in a timely manner, based on 1) an appropriate level of cash and deposits, 2) the future growth investment, 3) free cash flow outlook or 4) stock price, will be considered

《Reference》 Innovation of Passenger Service System

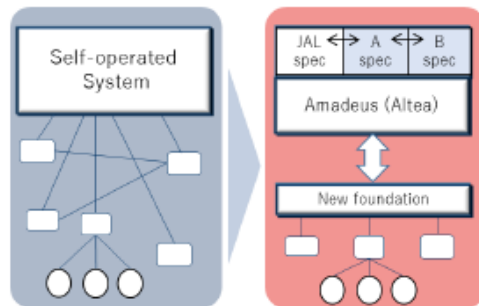


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※Reproduce, announced on February 28, 2018

Achieve 1% of the additional revenue in international and domestic passenger in FY18 and the benefit will exceed the cost to contribute to our profitability from FY19

【 System configuration conceptual diagram】



- ✓ Global standardization
- ✓ Extensibility of new functions is secured

System transformation in NOV 2017

Reservation & ticketing system (international and domestic flights)
Boarding system (international flights)

System transformation in 4th Q 2018

Boarding system (domestic flights)

- ✓ Smoother connections from domestic to international flights
- ✓ Improved operation efficiency with the integrated system

**Refined revenue management
Enhanced functions for inbound demand
Easy adjustment for new services**

More precise and advanced revenue management

- ✓ Maximized revenue through optimal seat control by itinerary
- ✓ The integrated system for both domestic and international flights for more connecting customers to/from domestic flights
- ✓ Improved seat control and yield control functions

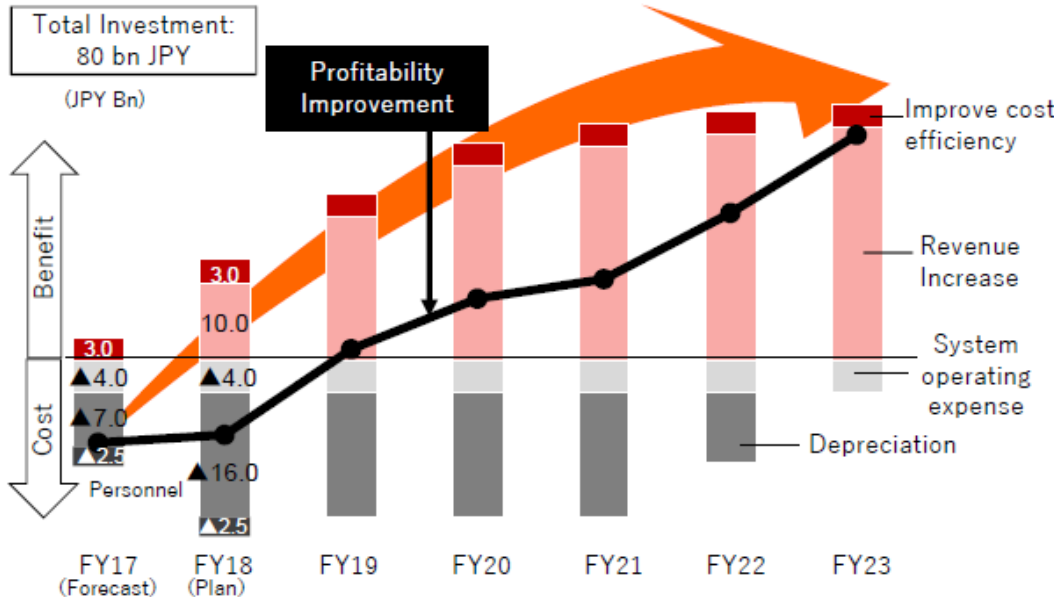
The improved overseas websites

The industry-wide standard functions will improve compatibility with other airlines

The maintenance and management cost reduction

Future initiatives using the new system

Improved pricing, new mileage measures, and new products and services



Fly into tomorrow.



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