
JAPAN AIRLINES

# Challenge, Leading to Growth

## Fiscal Years 2017-2020 JAL Group Medium Term Management Plan & Financial Results for Fiscal Year ended March 2017

oneworld

April 28, 2017 Japan Airlines Co., Ltd.

Please be noted that a few corrections are
in red, on Pages 17 and 34.

intentionally left blank

JAPAN AIRLINES

# Medium Term Management Plan 2017-2020

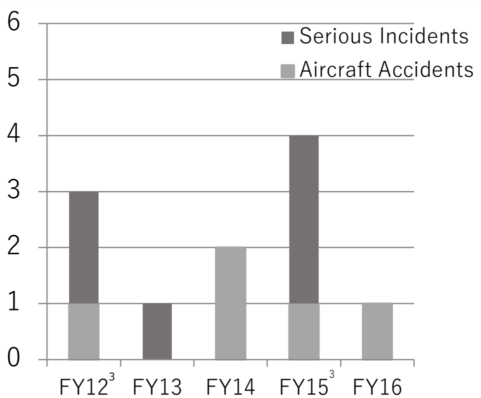
- Thank you for coming to our briefing on FY2017-FY2020 Medium Term Management Plan and FY2016 financial results.
- I will first provide explanations mainly on the aims and objectives of the Medium Term Management Plan, followed by an overview of financial results of the previous fiscal year and earnings forecast for the current fiscal year. Afterwards, I will answer your questions.

# Medium Term Management Plan 2012-2016 Review

## Management Target

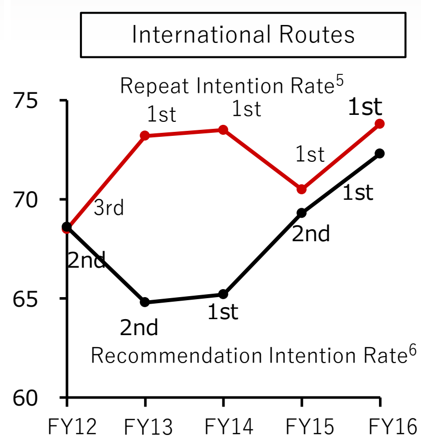
### Safety

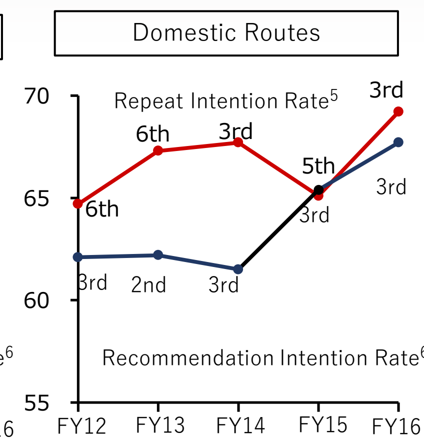
Achieve “Zero Aircraft Accidents [1] and Serious Incidents [2]”




### Customer Satisfaction

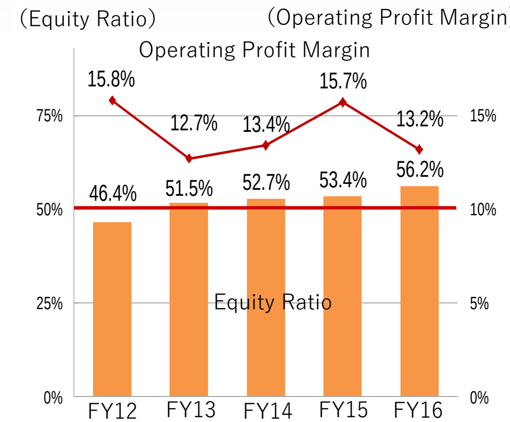
Achieve “No. 1 in Customer Satisfaction [4]” by FY2016




### Finance

Achieve “10%+ or above operating profit margin for 5 consecutive years and 50% or above equity ratio in FY2016”




1. Fatal or serious human injury as a result of aircraft operations, aircraft crash, collision or fire, damage which needs major repair works, etc.
2. An incident involving circumstances that there was a high probability of an accident, such as overrunning and emergency evacuation.
3. Except for cases not been pointed out problems of JAL Group.
4. “Repeat Intention Rate” ” Recommendation Intention Rate”: JCSI (Japanese Customer Satisfaction Index)
5. Customer Loyalty: The customer’s intention to receive the service next time.
6. Word of Mouth: The customer’s intention to share the experience with family, friends or other people through blogs, etc.

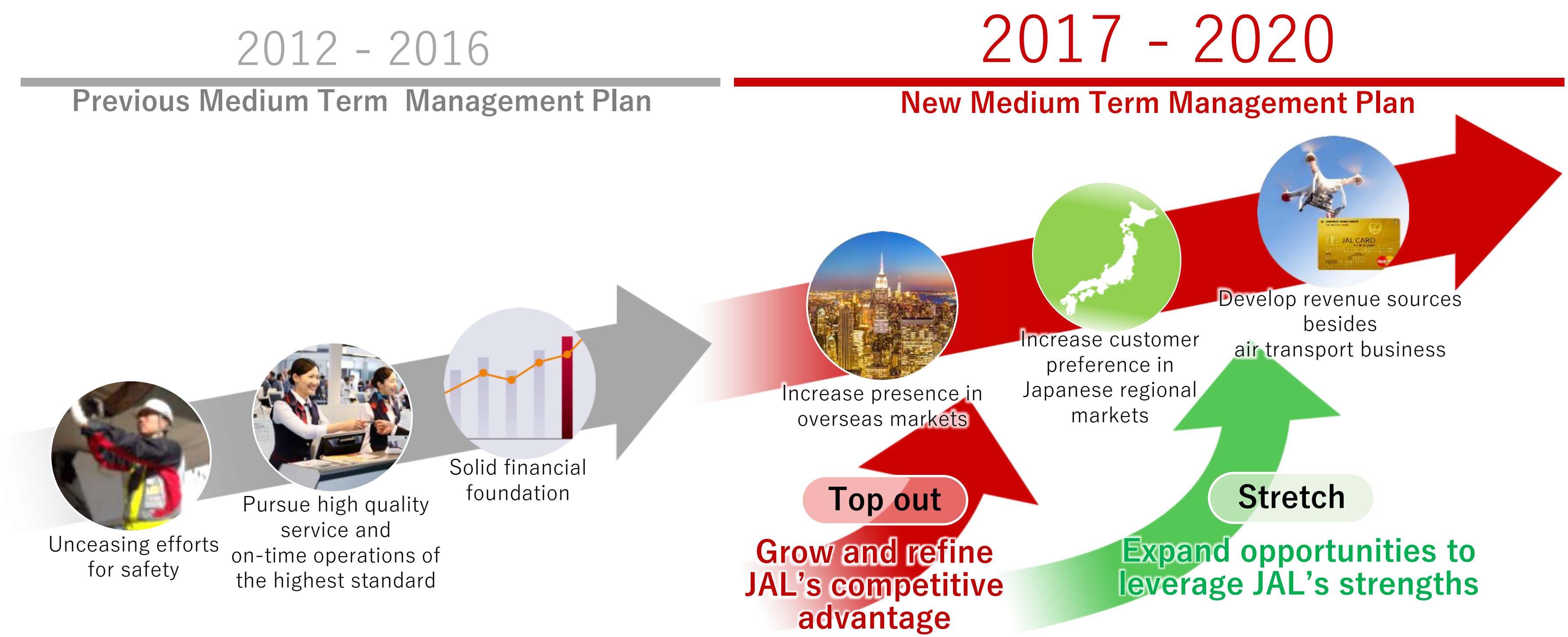
# Medium Term Management Plan 2017-2020 JAL Vision

**To realize the JAL Group Corporate Policy and become “The world’s most valued and preferred airline”, everyone who supports JAL’s wings will put in joint efforts to maintain flight safety and to;**

**1 Transform JAL into a true global airline** × **2 Create new values one step ahead of competitors** = **3 Continue sustainable growth**

- First, I will explain our review of the previous Medium Term Management Plan.
- Although we fell short of some of our safety and customer satisfaction targets, we achieved our financial targets, namely, operating profit margin of 10% or above for 5 consecutive years, and shareholder's equity ratio of 50% or above.
- The theme of this Medium Term Management Plan is "Challenge, Leading to Growth". The key words which symbolize our vision for the future are "Global Airline," "Leading Values," and "Continuous Growth."
- We aim to become the choice of airline of customers worldwide and an airline which is widely needed by society. We would like customers to say, "I want to fly with JAL." "We're glad we have JAL." Therefore, we drew up this Medium Term Management Plan to provide steps to realize this vision.

# Refine JAL's advantage and expand opportunities to leverage our strengths




## Results achieved


On-Time Performance World No.1

JCSI Int'l flight Repeat Intention Rate Recommendation Rate No.1

Acquired Credit rating "A –"

Health & Productivity Stock Selection Awarded for 3 consecutive years

## The expected environment

Increase in Inbound tourists to Japan and regional tourism promotion

Flight slot expansion at Tokyo metropolitan airports

Advances and spread of new technology (Chance and Risk)

Decrease in Air demand caused by diminishing working-age population in Japan

- Going forward, potential risks are expected in the external environment, such as a diminishing Japanese population and an intensifying competitive environment, whereas, there are high expectations for many business opportunities, such as an increase in inbound demand and expansion of flight slots in Tokyo metropolitan airports.
- In this Medium Term Management Plan, we will strive to “pass on and refine JAL’s strengths we developed so far” and “seize opportunities to expand businesses by leveraging JAL’s strengths” while keeping watch over the changing environment.

## 2 key drivers for growth

# JAL Focus

**Top out**

### Refine our Full Service Carrier business

- Increase competitiveness by adapting to changes in overseas and Japanese regional market environments.
- Pursue safety and high quality service by utilizing technology

**Stretch**

### Expand business domains

- Create and develop businesses besides our Full Service Carrier business where we can leverage JAL's strengths
- Initiatives for New businesses contributing to Increase in inbound passengers and regional revitalization

## 5 key initiatives

# JAL Action

- Safety
- Networks & Products
- Divisional Profitability Management
- Human Resources
- Innovation

## 3 management targets

# JAL Target

### Safety — Safety

Realize "Zero Aircraft Accidents" and " Zero Serious Incidents"

### Customer Satisfaction — Comfort

Achieve "Customer Satisfaction of the word's Top level"

### Finance — Profitability

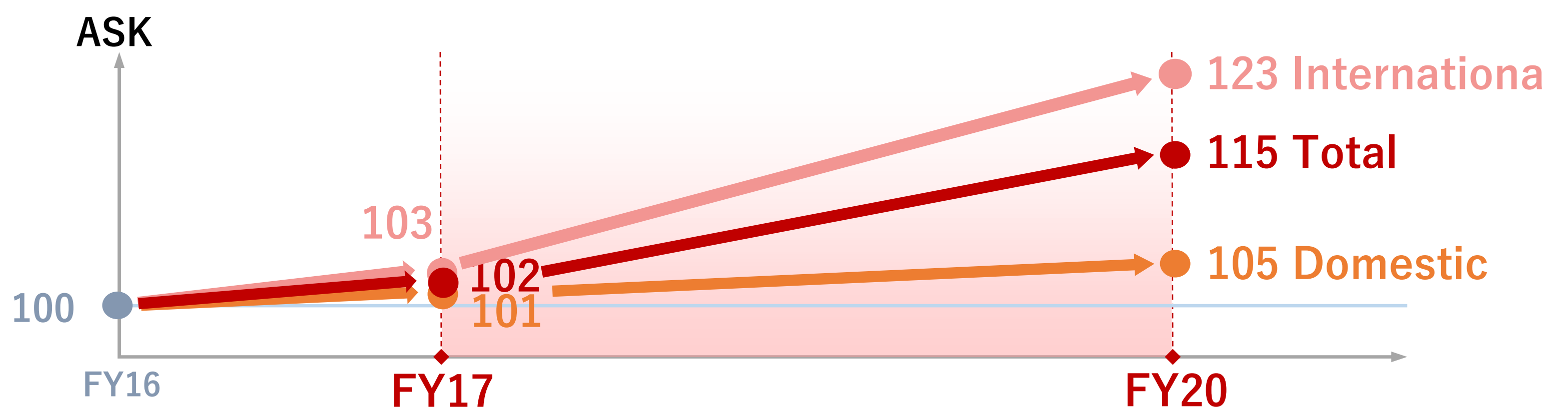
Achieve "10% or above operating profit margin" and "9% or above ROIC*1 (Return on Invested Capital)" by 2020

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

$$\text{Return On Invested Capital (ROIC)(\%)} = \frac{\text{Operating Profit (excl. Tax)}}{\text{Fixed Asset (incl. Future Rental Expenses under Operating Leases)}}$$

- To outline this Medium Term Management Plan, we set up 2 growth drivers; refine our Full Service Carrier business, and expand business domains, and will take action in 5 areas. We also established management targets for safety, customer satisfaction, and finance, as in the previous Medium Term Management Plan.
- We will continue to implement various measures to accumulate safety layers and again meet the challenge of “Zero aircraft accidents” and “Zero serious incidents.”
- In this Medium Term Management Plan, we will focus more on “Recommendation Intention” and aim for the “world’s top level of customer satisfaction“ by using NPS (Net Promoter Score), which enables us to monitor ratings including those of non-Japanese customers.
- As for financial target, we will continue to aim for “10% or above operating margin” and start to aim for “9% or above return-on-invested capital (ROIC) as financial indicators” as new management target.

## In addition to refining our Full Service Carrier business, we will expand in business domains for our future growth

# Initiatives and Business Portfolio



- To realize our vision of the kind of airline we aim to be, we will challenge ourselves to refine our Full Service Carrier business and expand business domains.
- To refine our Full Service Carrier business, we will pursue initiatives based on those of the previous Medium Term Management Plan, while adapting to changing market environments.
- We aim to increase capacity on international routes by 23% and 5% on domestic routes, a total of 15%, by FY2020 compared to FY2016 levels.
- On the other hand, to expand possibilities for growth and realize the optimal business portfolio, we will increase existing airline-related businesses, and create and nurture new revenue sources by leveraging JAL's strengths, while scrutinizing profitability.
- We aim for the revenue scale in FY2020 to be ×1.1 times in our core domain and ×1.3 times in new domains compared to FY2016.

# To win the competition and prepare for sustainable growth, we will continue "necessary capital expenditures" and "adaption to markets"

| | 2012 - 2016 | 2017 - 2020 | 2021～ |
|---|---|---|---|
| | Previous Medium Term Management Plan | New Medium Term Management Plan | |
| Theme | To the Next Growth Stage upon Establishing a High Profitability Structure | Challenge, Leading to Growth | Future Image |
| Revenue | Growth of a certain scale | Realize steady growth<br>Establish capacity depending on market growth<br>Create and develop new revenue sources | |
| | | Investment for the Future (Fleet Innovation etc.) | Profit |
| Cost | Enhance quality<br>Investment for human resources | Cost increases of Systems and Maintenance<br>Balance high quality and cost competitiveness | |

- During the period of the previous Medium Term Management Plan, we invested in quality products and human resources necessary for growth, with an emphasis on profitability.

- In this Medium Term Management Plan, we will not change our profitability orientated direction, but we will plan to increase capacity in line with market growth, and steadily increase revenues. We have positioned this period as one for making necessary investments, in advance, for future growth.

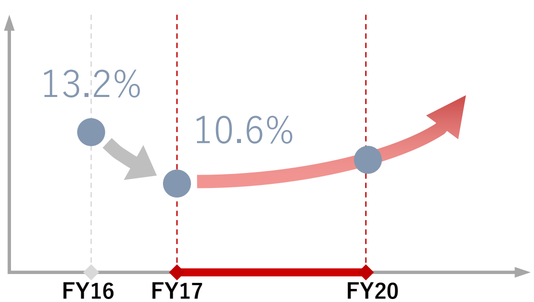
- Due to a cutover of new passenger services core system in coming November, and cost increases for engine maintenances are expected, lower earnings are expected in FY2017. But we will make our best efforts to balance high quality and cost competiveness in order to achieve higher earnings on higher revenues in the future.

## Increase our corporate value by growing continuously with a high profitability structure and strong financial stability. Studying the optional application of IFRS

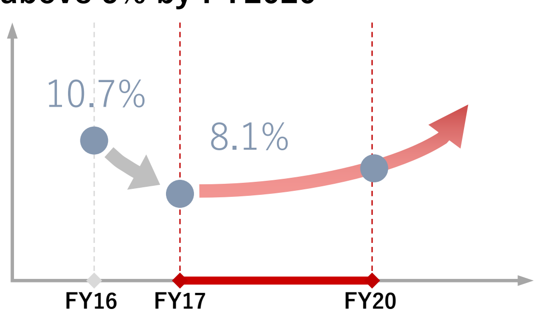
### Profitability

- Pursue Profitability continuously
- Make focus on returns on investment and asset

■Operating Profit Margin: above 10%




■ Return On Invested Capital (ROIC): above 9% by FY2020

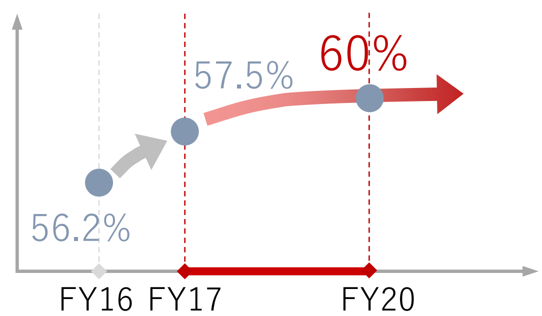



■ Return On Equity (ROE): Maintain above 10%

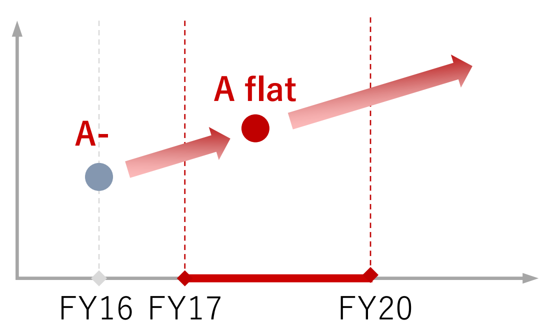
### Stability

- Maintain shareholders' equity ratio at appropriate level
- Aim to raise the credit rating

■ Equity Ratio: keep approx. 60%



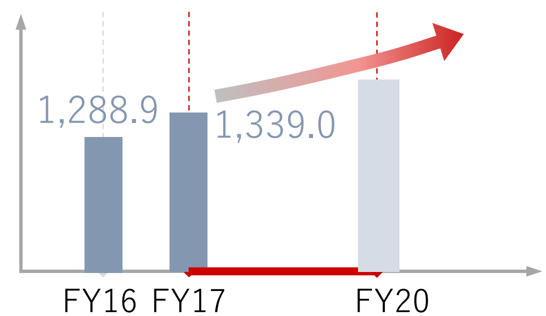

■ Credit Rating



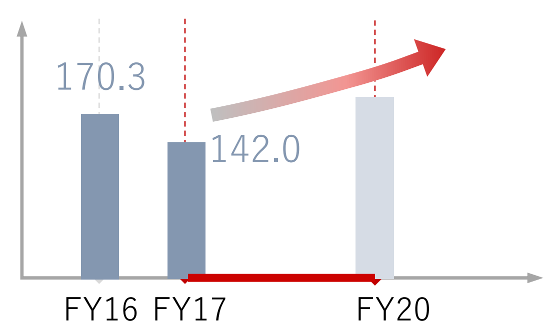

### Growth

- Absorbing the cost pressure, we will move back to upward trend from FY2018.

■ Operating Revenue（JPY Bn）




■ Operating Profit（JPY Bn）

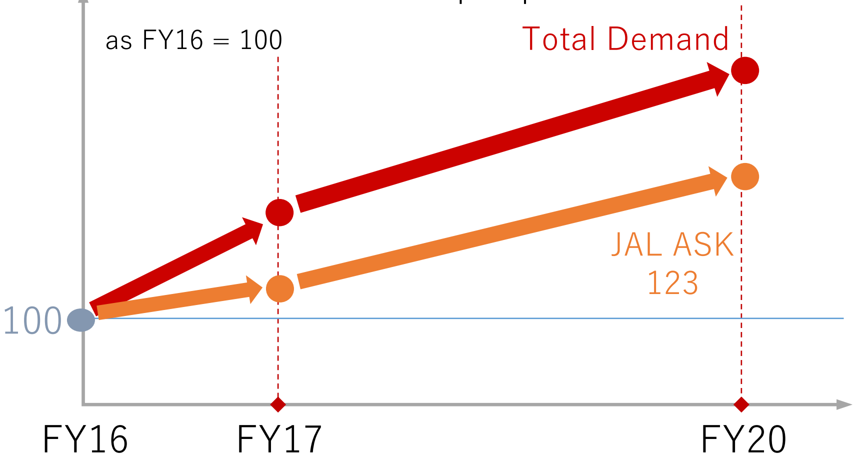


# Financial Strategy

- Now I will explain the financial target. First, our basic policy to pursue profitability will remain the same and we will continue to aim to achieve an operating profit margin of 10% or above. We also aim for 9% or above ROIC by FY2020 to confirm the effective utilization of our assets and investments, and earn more revenues and profits.
- To realize sound management, we will continue to emphasize financial stability, and would like to maintain the equity ratio at roughly 60%, and raise our current A minus credit rating to A flat or above as early as possible. We will also attach importance to capital efficiency, and will monitor return on equity (ROE) so that it stays at least 10%.
- Furthermore, in the new Medium Term Management Plan, we aim to overcome cost increases for FY2017, and steadily realize the effects of our investments to switch to higher earnings on higher revenues from FY2018, leading to steady growth.
- For an easier international comparison of financial information, we will consider introducing “International Financial Reporting Standards (IFRS)”.

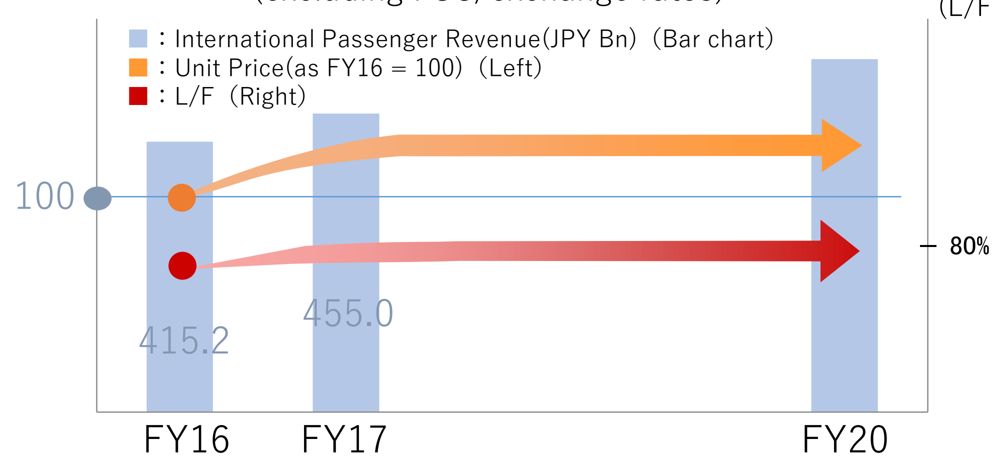
## Demand and supply projections

Increase capacity to meet growth
of total demand prospect



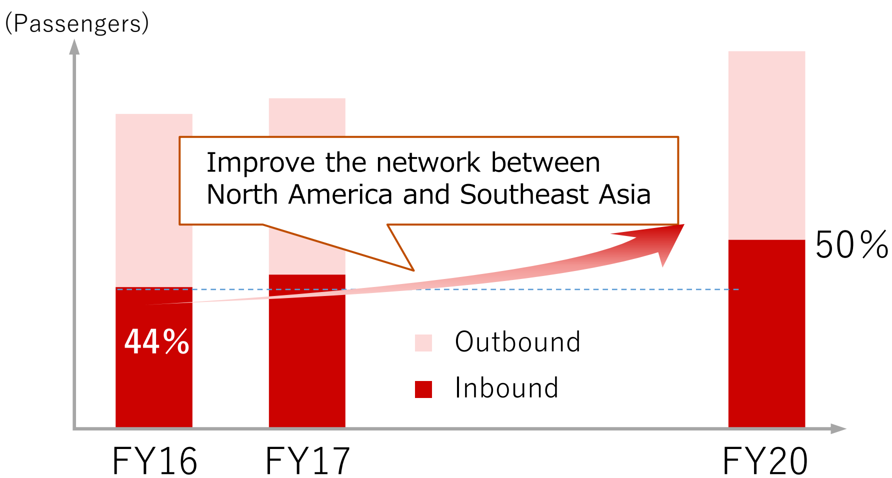

## Outlook of Passenger Revenue・Unit Price・Load Factor (L/F)

Maintain high load factors and unit price
(excluding FSC/exchange rates)



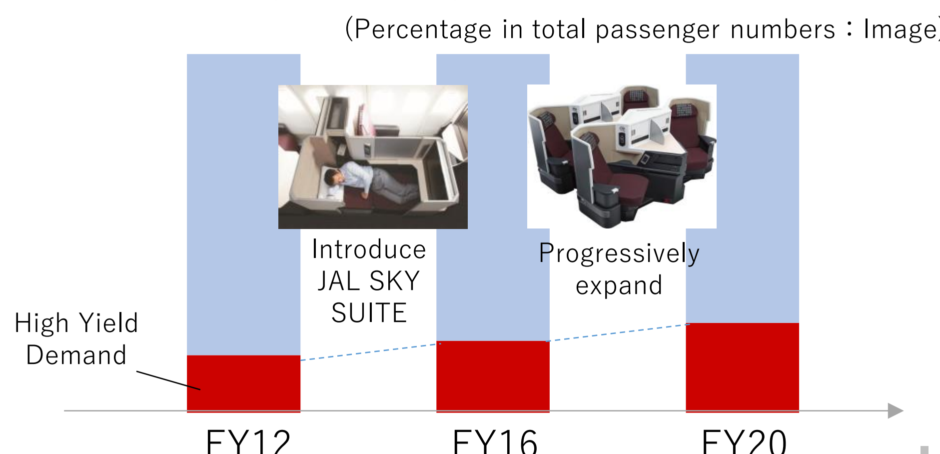

## Capture Overseas Demand

Increase of high-yield inbound passenger demand




## Capture Premium Demand

Actively capture high yield demand
by introducing JAL SKY SUITE



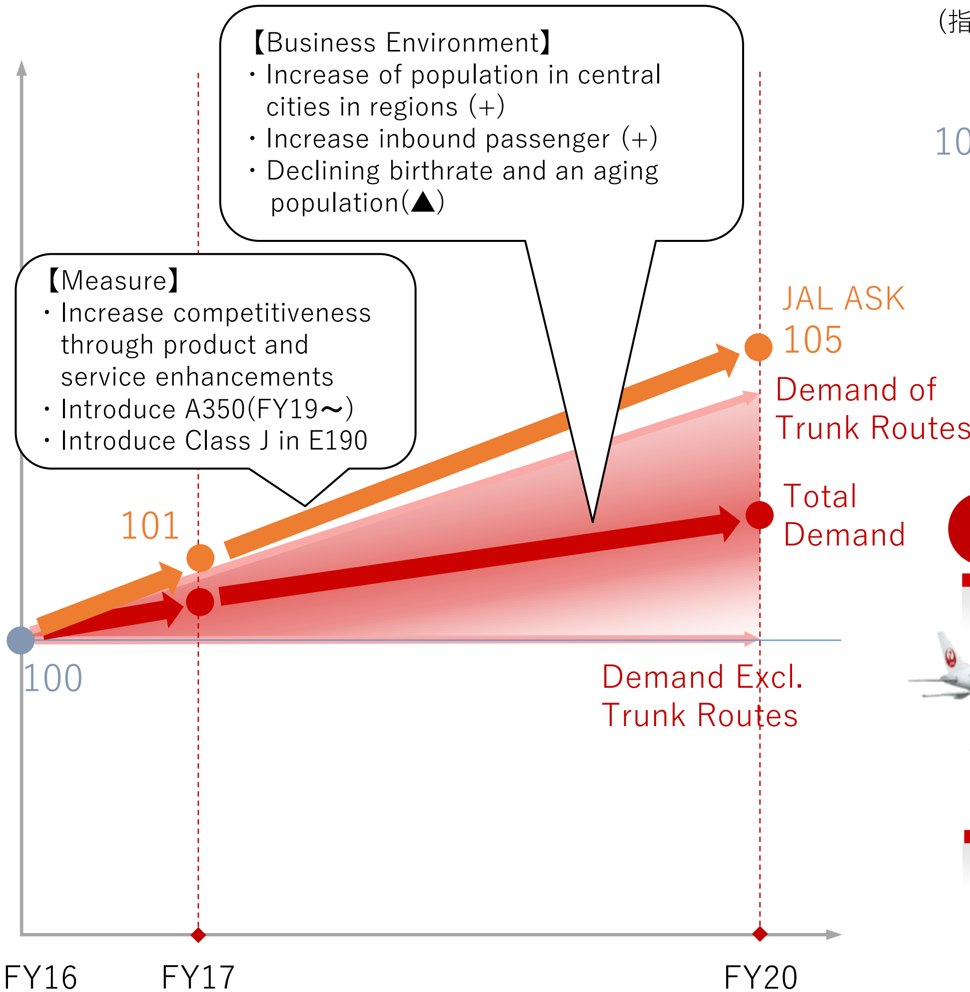
# International Passenger Operations



- During the period of the new Medium Term Management Plan, we aim to expand capacity at an annual rate of 5% or so, in line with the market growth rate, and expect ASK in FY2020 to increase 23% compared to FY2016.
- We will actively capture high-yield inbound demand especially, and aim to increase its ratio to roughly 50% of total international passengers by FY2020.
- We will also expand JAL SKY SUITE operated routes and actively capture high yield inbound passengers, and thereby increase the share of high yield passengers, with expectations of stable demand, keep high load factors of roughly 80%, and maintain unit passenger revenue.

## Demand and supply projections

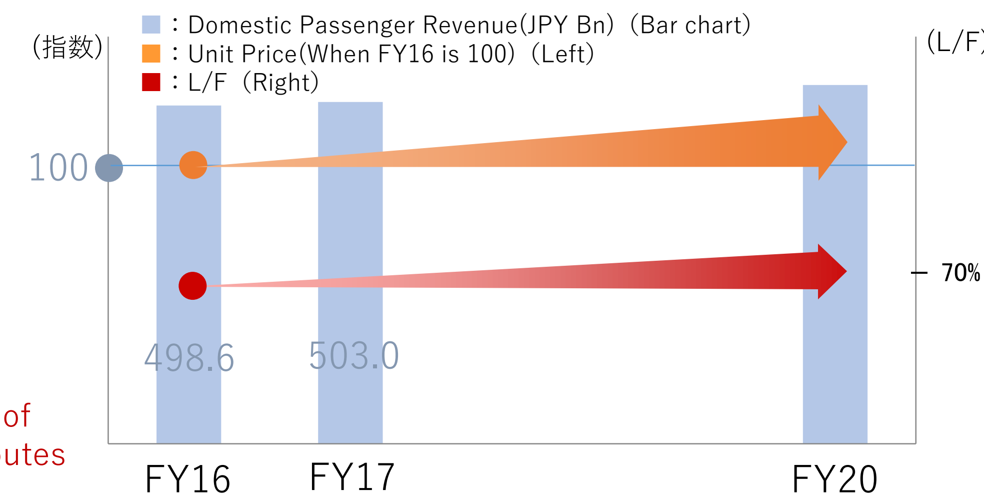
Expand capacity primarily on Haneda and Itami routes, which show higher growth




When FY16 is 100

## Outlook of Passenger Revenue・Unit Price・Load Factor（L/F）

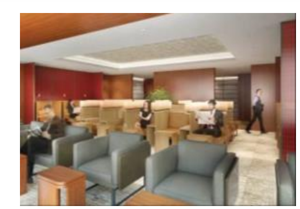
Maintain revenue load factors of roughly 70% and current unit revenue levels




## Main measures

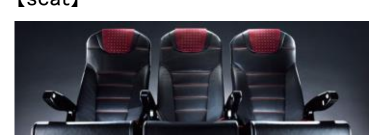
### Introduce New Aircraft

### Renovation the Lounge



### JAL SKY NEXT (77 aircraft)

【seat】



【inflight Wi-Fi】

Wi-Fi

Free Wi-Fi Campaign in progress

- On this page, I will explain domestic passenger operations.
- On domestic routes, we plan to increase more capacity on trunk routes in and out of Haneda and on Itami routes where we expect higher demand.
- As shown in the lower right corner, we will improve competitiveness through product and service enhancements to achieve load factors of roughly 70% and constant revenue per passenger.

## Fleet Plan Detail

| | End of FY16 | End of FY17 Forecast | End of FY20 Forecast |
|---|---|---|---|
| Total | Total 230<br>International 84<br>Domestic 146<br>(excl. Regional 174) | Total 226<br>International 85<br>Domestic 141<br>(excl. Regional 174) | Total 231<br>International 92<br>Domestic 139<br>(excl. Regional 182) |
| Int'l | Large 24 | Large 24 | Large |
| | Middle 50 | Middle 51 | Middle |
| | Small 10 | Small 10 | Small |
| Domestic | Large 16 | Large 16 | Large |
| | Middle 20 | Middle 20 | Middle |
| | Small 54 | Small 53 | Small |
| | Regional 56 | Regional 52 | Regional |

777

787 Continue to introduce Three 789s will be added in FY2017.

767

NEW A350 Introducing in FY2019

737 Continue to replace from 737-400 to 737-800

E190 Replace CRJ200 and Q400

NEW ATR42 Start to replace SAAB 340

Q400CC* Continue to replace from DHC8

*CARGO COMBI

E170

SAAB340

MRJ Will join FY21 and after

# Fleet Plan

- For international services, we will primarily increase mid-sized aircraft, and for domestic, will plan to introduce A350, large-sized aircraft, from FY2019.
- While we will retire aged regional jets, we will maintain a total fleet of approximately 230 aircraft, which is as current level.
- Aircraft for international services will increase by 8 aircraft from 84 at the end of the previous fiscal year to 92 at the end of FY2020, while those for domestic will decrease by 7 aircraft from 146 to 139.

# Increase revenues of airline-related businesses and develop new revenue sources by leveraging JAL's strengths

FY16

×1.3

FY20

- Flight crew training
- Point tie-up business
- inbound tourists demand

- Collaboration with venture
- Airline-related businesses
- Regional revitalization,　etc.

New Domain

- JALCARD（Financial)
- JALPAK（Travel agent)
- Entrusted maintenance
- Airport handling services,　etc.


JALCARD

JALPAK

Existing airline related businesses

Airline related businesses

# New Domain

- Next, I will explain our new business domains.
- We will create and nurture new revenue sources by developing businesses, leveraging know-how kept in our core air transportation business.
- We will actively implement innovations using IT, contribute to regions and society, and such, and by leveraging JAL's strengths which we developed through our Full Service Carrier business, we aim to increase revenues from airline-related businesses and new business domains in FY2020 by 1.3 times more than FY2016.
- When developing new businesses, we will scrutinize profitability and conduct businesses which can help the airline industry, and regions and society, carefully and definitely.

# Build an IT Platform as foundation for sustainable growth

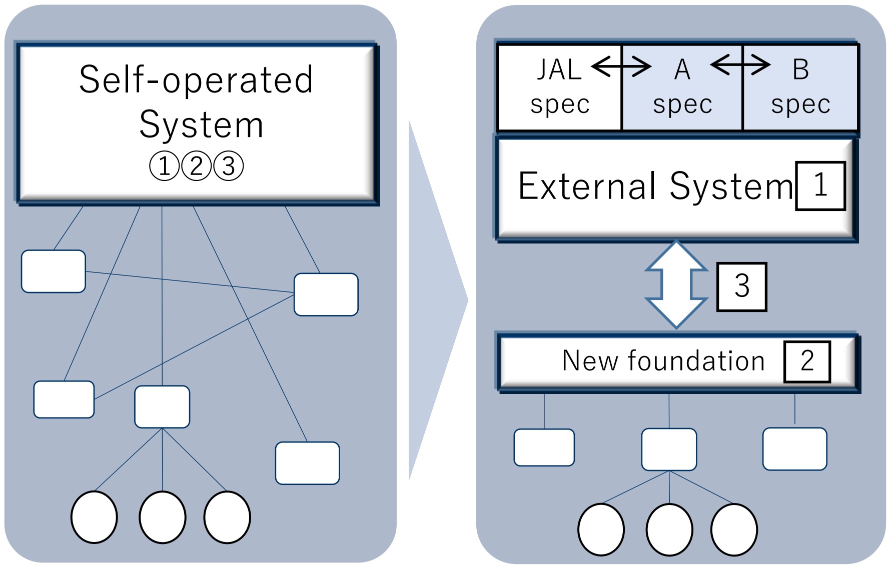
(Present)

**JAL self-operated System**

①Aged, outmoded, complicated

②Limitations of expandability and new added functions

③Cost efficiency declined (increase in fixed & maintenance costs)




(Nov 2017~, scheduled)

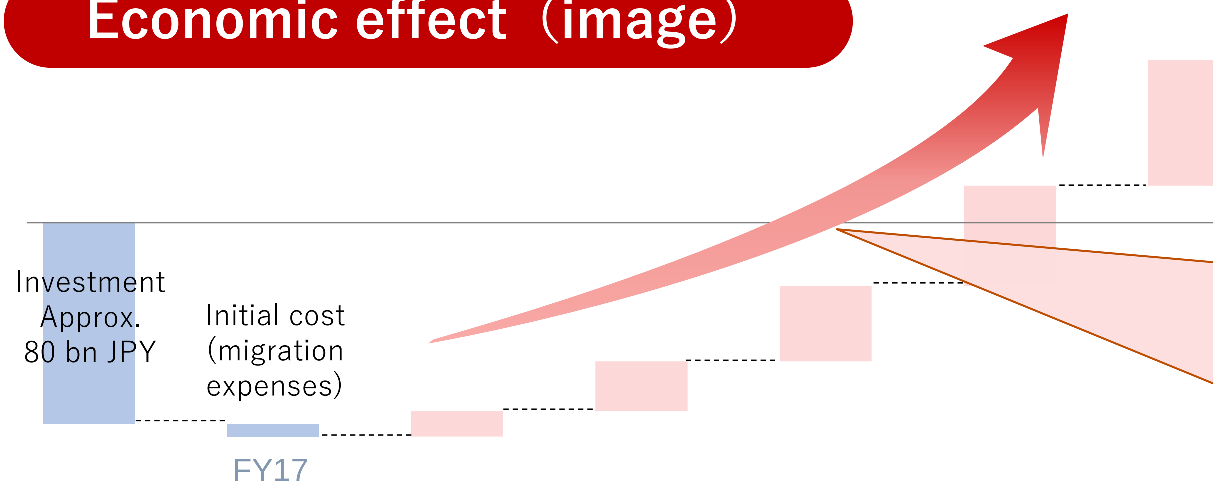
**New System（Outsource）**

1 Global standardization

2 Secure freedom and flexibility of expandability and new added functions

3 Improve cost efficiency

## Economic effect（image）




**【Revenue increase】**
- **Enhance revenue management**
- **Further capture demand by improving online functions, etc.**
- **Realize fare systems with increased flexibility**

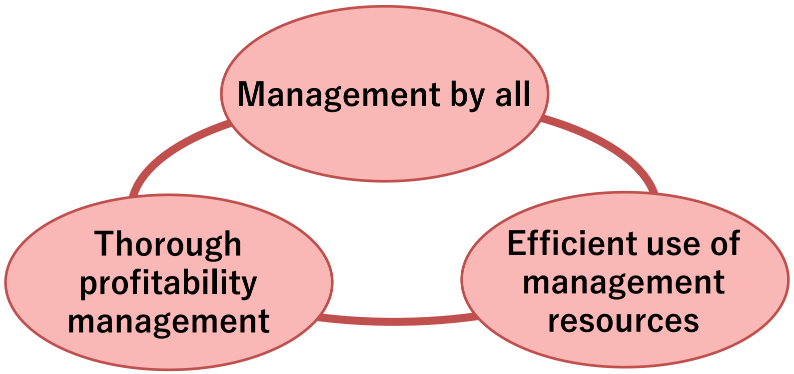
**【Improve cost efficiency】**
- **Reduce system maintenance and management costs**
- **Convert to variable costs by linking to passenger demand**
- **Speedily add new functions**

# Reform the Passenger Service System

- On this page, I will explain our innovation of a new passenger core system for the first time in 40 years.
- The current system has become old and outmoded, so maintenance and management costs have risen, and it is difficult to add new functions such as advanced revenue management.
- After spending around 5 years for development and 80 billion yen, the new system will go live in November. The new system will be outsourced to “Amadeus”, which is used by many airlines around the world.
- As a result, we will be able to gain a world standard system environment, secure expandability of new functions, reduce maintenance and management costs, and switch fixed costs to variable costs.
- This fiscal year is a period to migrate to the new system, and both old and new system will be used in parallel. Due to cost increases for advance training and depreciation costs of software, profitability will worsen in the short-term. However, revenue increase and cost reduction effects will gradually emerge through advanced revenue management, enhanced online functions, flexible fare price setting, and such.
- With the cutover of this core system, we will finally obtain a strong IT platform to serve as a base for sustainable growth.

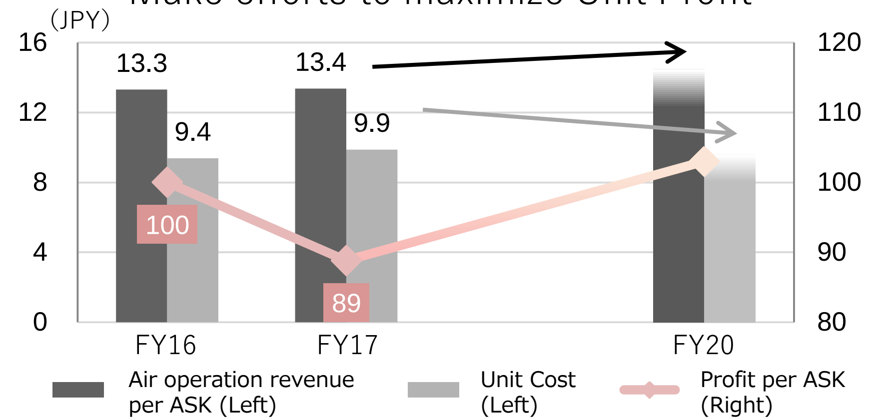
## Divisional Profitability Management

**Realize "Maximize revenues, Minimize expenses" and "Lean management"**




## Maximizing Profit per ASK (Image)

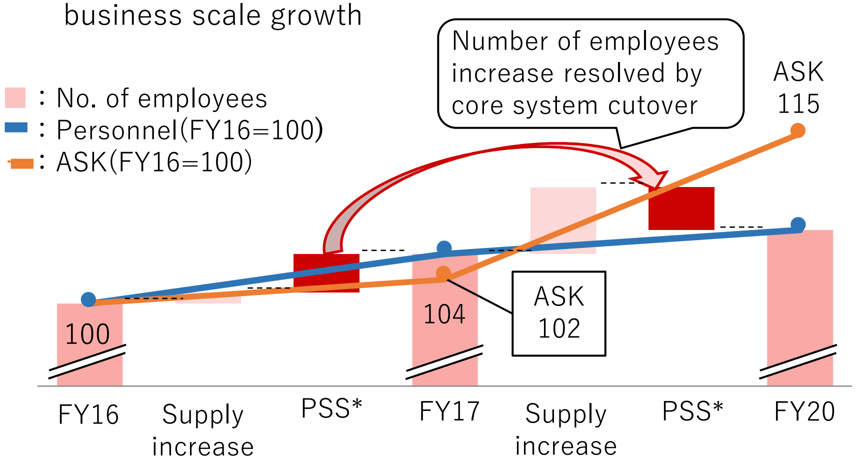
Make efforts to maximize Unit Profit




Air operation revenue per ASK = (Air operation revenue − Fuel surcharge − Revenue from fuel resale to a related company) /ASK
Unit Cost = (Air operation expenses − Fuel costs) / ASK
Profit per ASK = Air operation revenue per ASK − Unit Cost
※Profit per ASK indexed as FY16=100

## Number of Employees

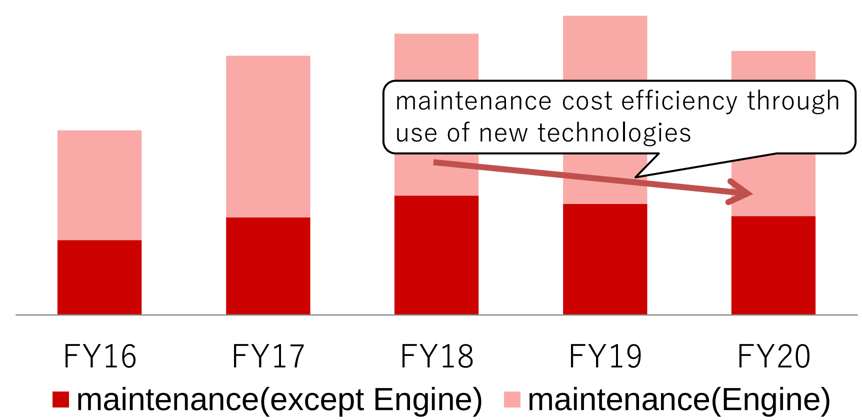
Growth of number of employees to levels below business scale growth




*to reform the Passenger service system

## Measures for control of maintenance costs

Engine maintenance costs are rising, but we will aim for greater maintenance cost efficiency on the whole through use of new technologies



# Profitability management, Cost management

- We aim to maximize profit per ASK by “maximizing revenues and minimizing expenses” as well as realizing “lean management”.
- The graph in the lower left corner shows our forecast for staff numbers and personnel costs.
- Due to the new passenger service system cutover, staff numbers will temporarily increase in FY2017, but this will be resolved by FY2020. We will control growth of staff numbers and personnel costs and keep them below growth of business scale.
- The graph in the lower right corner shows our maintenance cost forecast. With the increase of engine maintenance costs particularly for the 787 aircraft, maintenance costs are expected to increase in FY2017.
- We expect engine maintenance costs to remain high from FY2018, but by using IT to improve maintenance cost efficiency, we aim to contain maintenance costs in FY2020 to FY2017 levels.

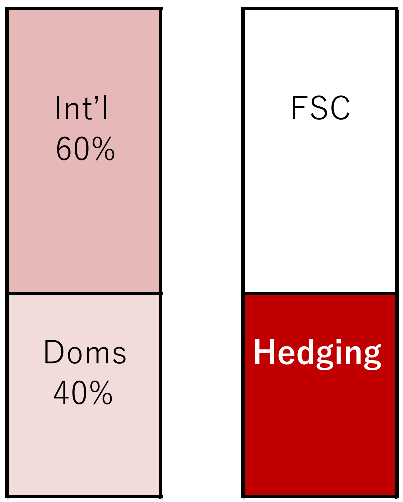
# Market Risk Management



## Hedging Policy

### ＜Fuel Hedge＞

Amount of usage




Fuel cost for domestic flights takes risks due to not getting FSC.

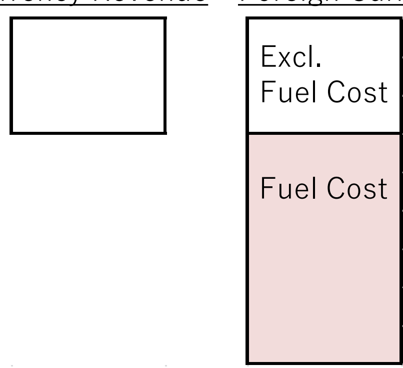
※FSC…Fuel Surcharge

### ＜Forex Hedge＞

FX for revenue and costs excl. fuel have nearly offset.
There are risks in exchange rates of fuel costs.

Foreign Currency Revenue

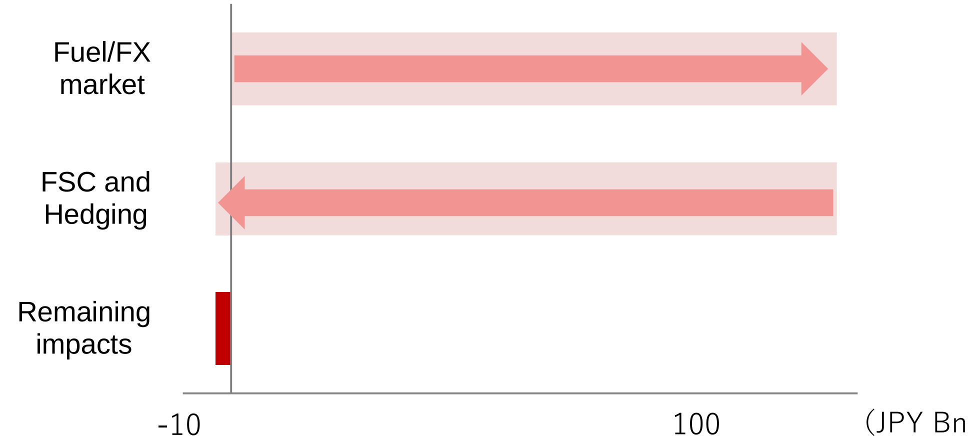
Foreign Currency Expense




## Overcome Market Risks

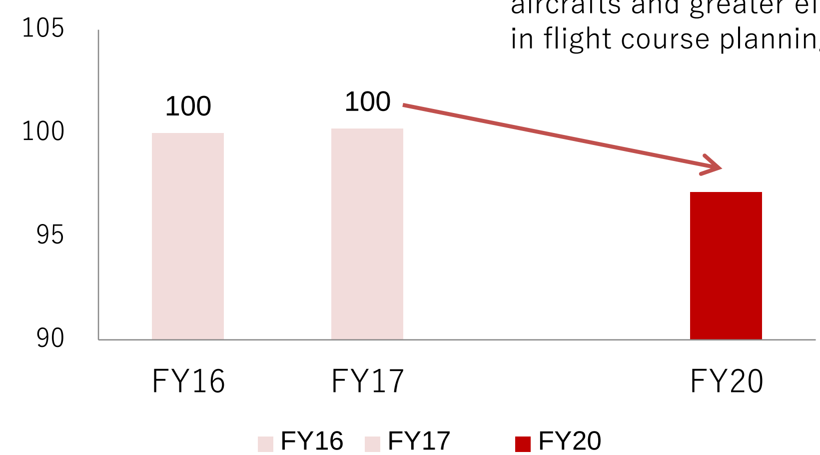
There are impacts of fluctuating fuel prices and FX rates in a single fiscal year, but we were able to minimize impacts in the medium term through FSC and hedging

Impacts of fluctuating fuel & FX market FY14-16 total




## Reduce fuel consumption per ASK

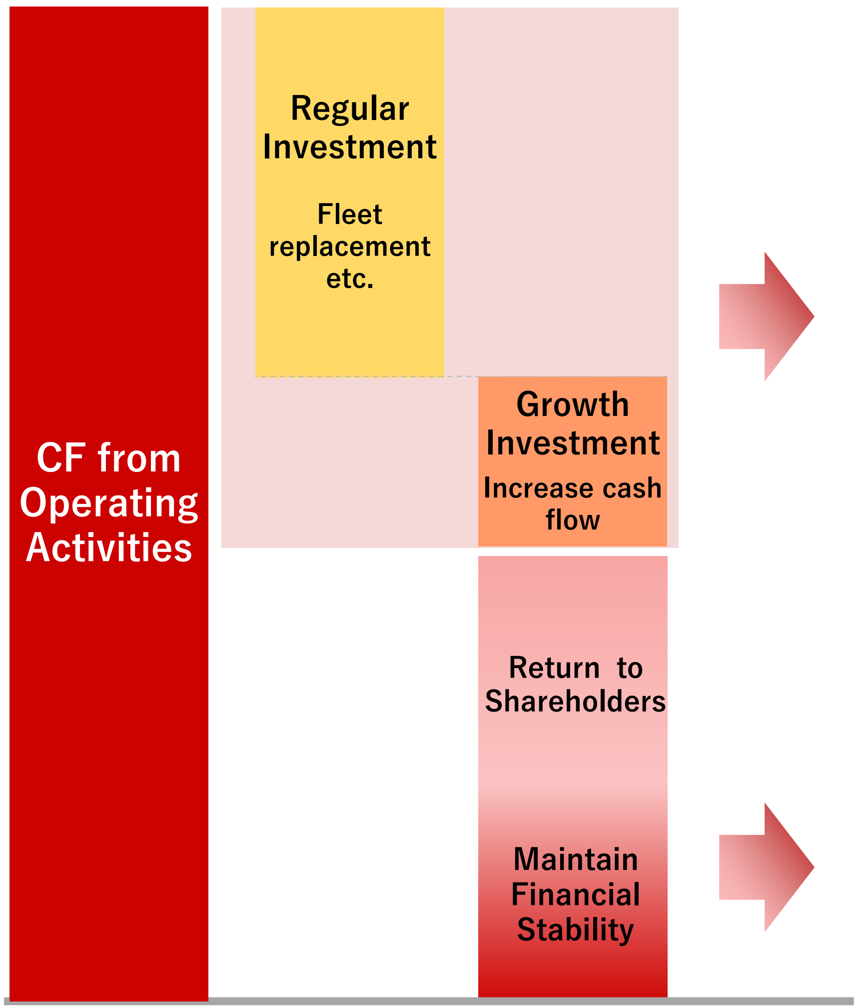
Improve fuel efficiency through introduce new aircrafts and greater efficiency in flight course planning, etc.



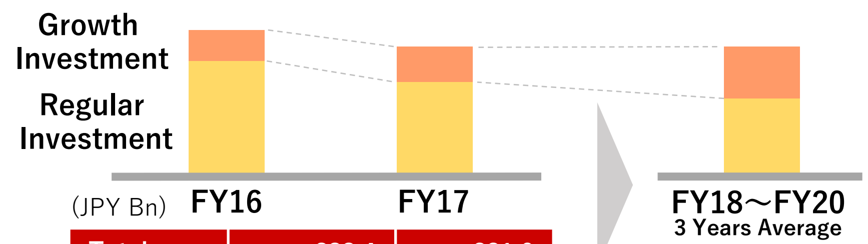

※Fuel consumption per ASK indexed as FY16=100

- I will explain our hedging policy on page 14.
- For international services, as we can hedge risks by collecting fuel surcharge, we hedge fuel consumed for domestic services, equivalent to roughly 40% of the total usage and this is our hedging target of fuel amount.
- As foreign currency denominated revenues are almost the same scale as expenses excluding fuel costs. So there exist risks for forex of fuel costs and we hedge against crude oil prices and foreign exchange rates.
- The upper right chart shows the fact that we have been able to minimize the market fluctuation risks in the medium term period.
- As per the right bottom chart, by introducing new aircraft and establishing more efficient flight course planning, we will reduce fuel consumption per ASK.

# Use cash for investment for growth, return to shareholders and maintaining the financial stability




## Future Capex (image)




| (JPY Bn) | FY16 | FY17 |
|---|---|---|
| Total | 233.4 | 221.0 |
| Fleet | 181.5 | 174.0 |
| Other | 51.9 | 47.0 |

FY18～FY20 3 Years Average: Total Approx. 220

## Retained Earnings ・Repayment

Maintain shareholders' equity ratio around 60%

Improve credit rating aim for "A flat"

# Financial Strategy –Allocation of Cash Flow



- Now, I will explain use of cash flows.
- Earned cash is used for Investments for growth, Return to Shareholders, and maintaining a sound financial structure in this order.
- As for capital expenditures, we plan aircraft investments of 174 billion yen and other investments such as IT of 47 billion yen, which totals 221 billion yen. From FY2018 to FY2020, we plan capital expenditures of roughly 220 billion yen each year.
- I will explain shareholder returns on the next page.
- As for financial stabilities, we will maintain approx. 60% of Equity Ratio in preparation for any kind of risks, and aim to improve our credit rating from current “Single A minus” to “Single A flat” as early as possible.

# Stable dividend to shareholders
# Introduced interim dividend
# Consider additional shareholder return such as share repurchase based on financial foundation

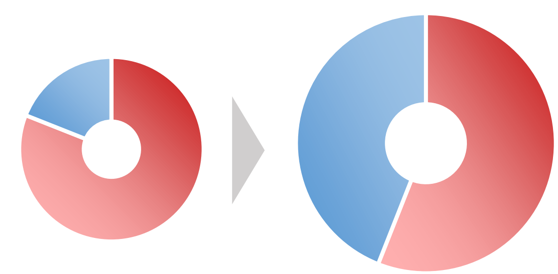
| Expanded shareholders return | Increase dividend receive opportunity | Additional return |
|---|---|---|
| Dividend payout Ratio 30% From FY17 | Introduced interim dividend | Consider Share Repurchase etc. based on building solid financial foundation |

**We will flexibly consider reviewing our financial targets and further improving shareholder returns as necessary, depending on the economic environment and our financial position.**

**By containing seasonal deviations of profit, the environment to pay interim dividends has been established.**

## Seasonal deviations of operating profit

| Operating profit 70 JPY Bn | Operating profit Approx. 184 JPY Bn |
|---|---|



| FY07 | FY12～FY16 Average |
|---|---|

First half ／ Second half

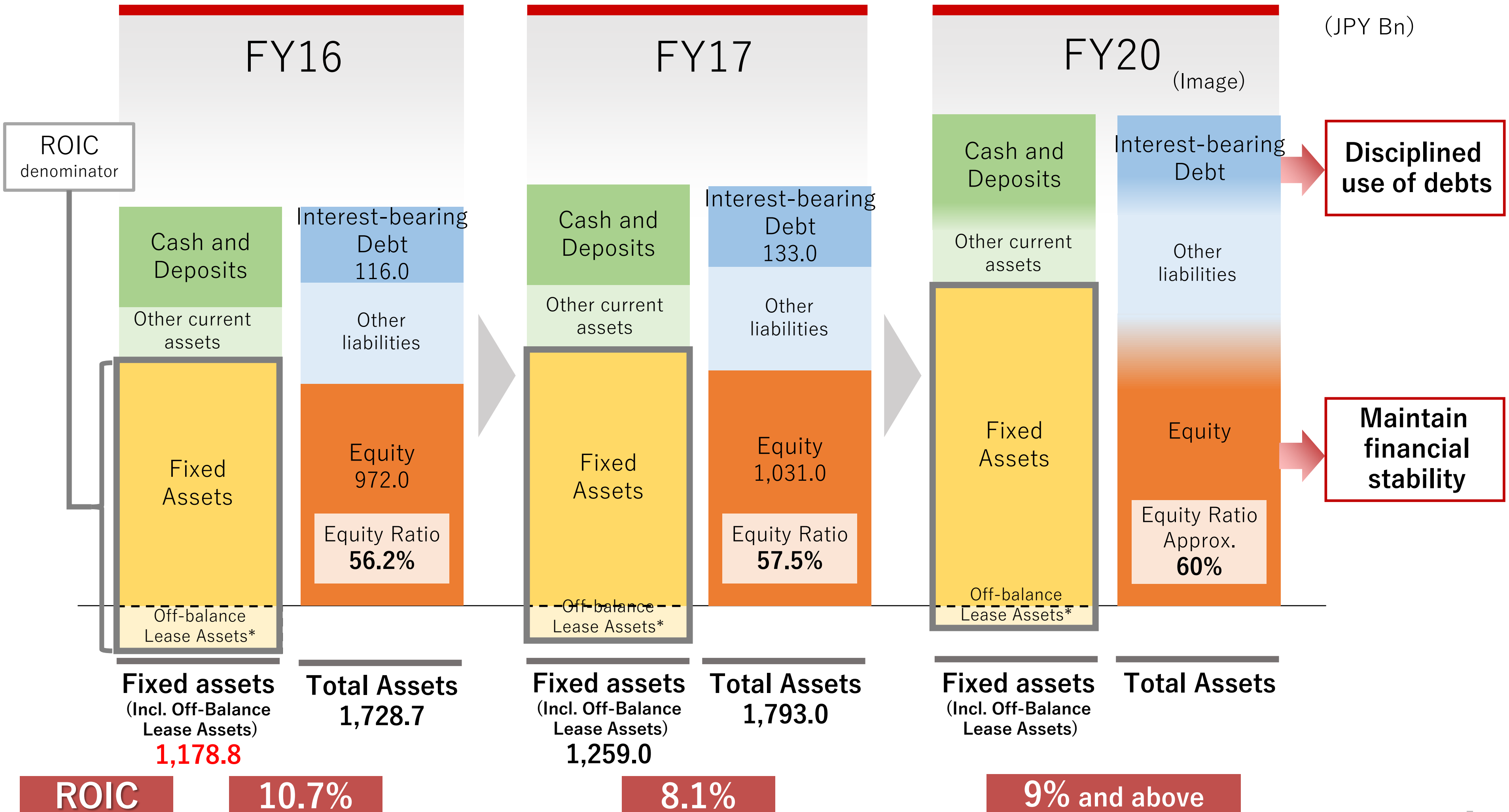
※ Operating profit of Second half FY07 has deducted 20 billion yen from disclosed amount because revision of retirement benefit plan pushed up operating profit by roughly 20 billion yen.

# Financial Strategy –Return to Shareholders Policy



- Now I will explain shareholder returns going forward.
- Shareholder returns basically consist of continuous and stable dividends, and from dividends for profits in FY2017, we will raise the dividend payout ratio from 25% to 30%.
- We will also introduce interim dividends from this fiscal year. This fiscal year, we plan to pay half of the year-end dividend forecast of 90 yen per share, that is, 45 yen per share as interim dividends.
- By introducing interim dividends, we will expand opportunities for shareholder returns, and hope to gain the support of many investors including individual investors.
- We will continue to consider additional shareholder returns such as share repurchase, taking into account the economic environment and our financial condition.

# Maintain shareholders' equity ratio around 60%
# Improve credit rating, aim for "A flat"
# For Growth Investment, Utilize debts with strict discipline



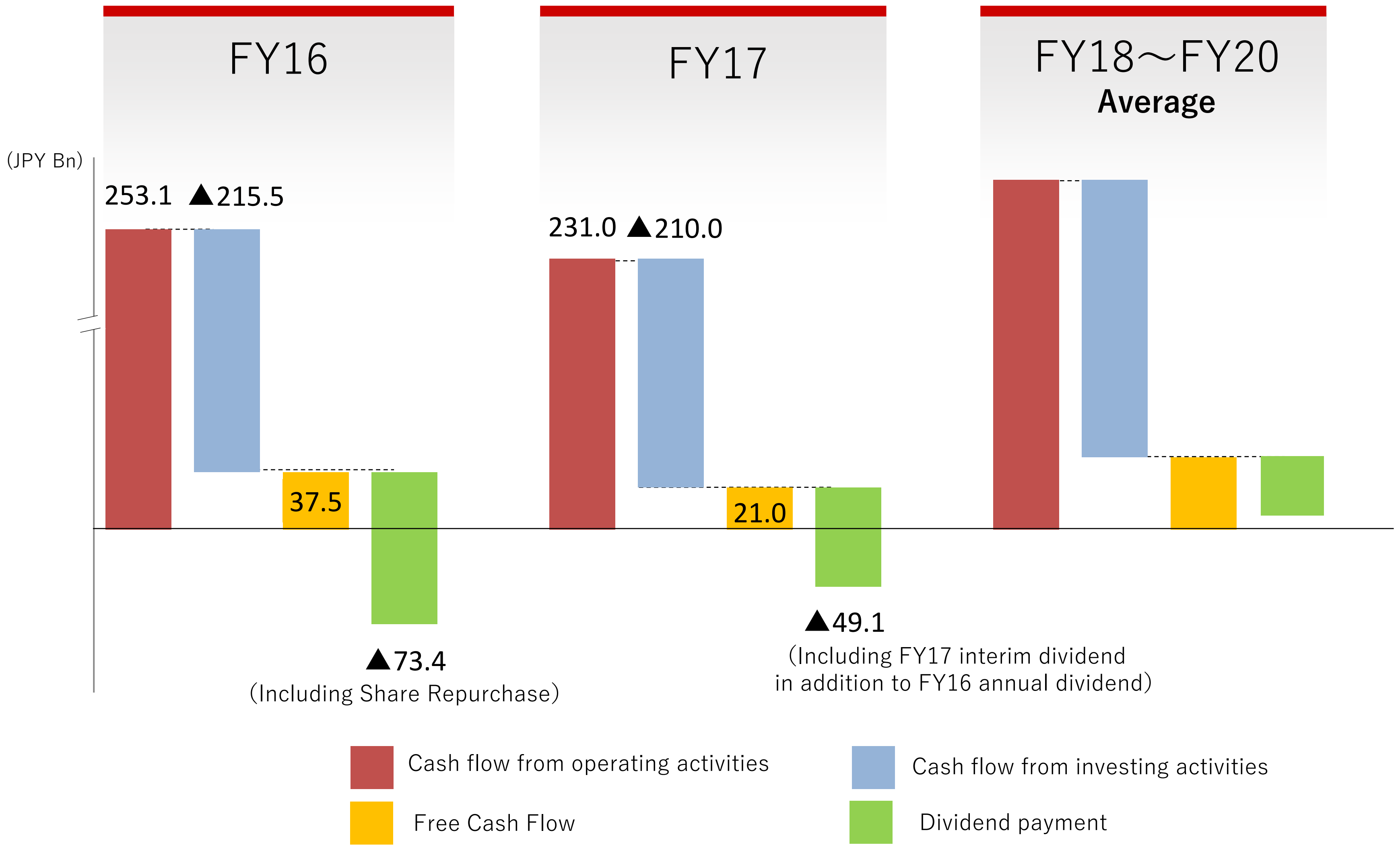

* Regard Future Rental Expenses under Operating Leases as Off-balance Lease Assets

## Financial Strategy –Balance sheet



- Now I will explain Balance sheet.
- We will maintain equity ratio at roughly 60% and aim for ROE of at least 10%.
- We will utilize debts with strict disciplines, to implement growth investments smoothly.
- Return on Invested Capital, or ROIC, which we have decided to use as a financial target in this Medium Term Management Plan, is expected to be 8.1%, as we will be making advance investments in FY2017, but we will steadily realize returns of our investments to achieve ROIC of 9% or above by FY2020.

## The dividend payment will exceed Free Cash Flow
## Manage to cover dividend payment with Free Cash Flow from FY18



# Financial Strategy –Cash Flow Plan



- Finally, I will explain our cash flow forecast.
- In FY2017, cash flows from operating activities are expected to amount to 231 billion yen while cash flows from investing activities 210 billion yen, and free cash flow will be 21 billion yen.
- On the other hand, to implement interim dividends from this fiscal year, interim dividends will be added on the year-end dividends for profits in FY2016, resulting in a cash outflow of 49.1 billion yen and partial use of  cash on hand.
- However, from FY2018 onwards we will manage to basically cover dividends with free cash flow.
- This ends my explanation of the new Medium Term Management Plan.
- Next, I will briefly explain financial results for full-year FY2016, and our earnings forecast for FY2017.

# Financial Data

1 **EARNINGS FORECAST FOR FY2017**

- From FY2016, figures for Revenue Passengers Carried, ASK, RPK and Load Factor include “Marketing Carriers’ on code-sharing flights operated by JAL”. The past fiscal years also show the figures after reflecting this change. Also, figures exclude mileage travelers.

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# Overview of FY2016 Financial Results and Earnings Forecast for FY2017

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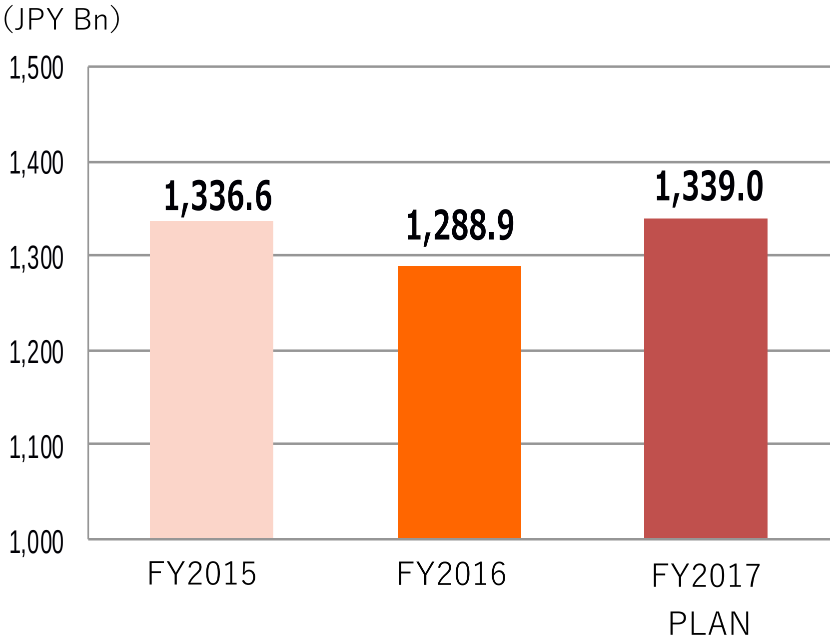
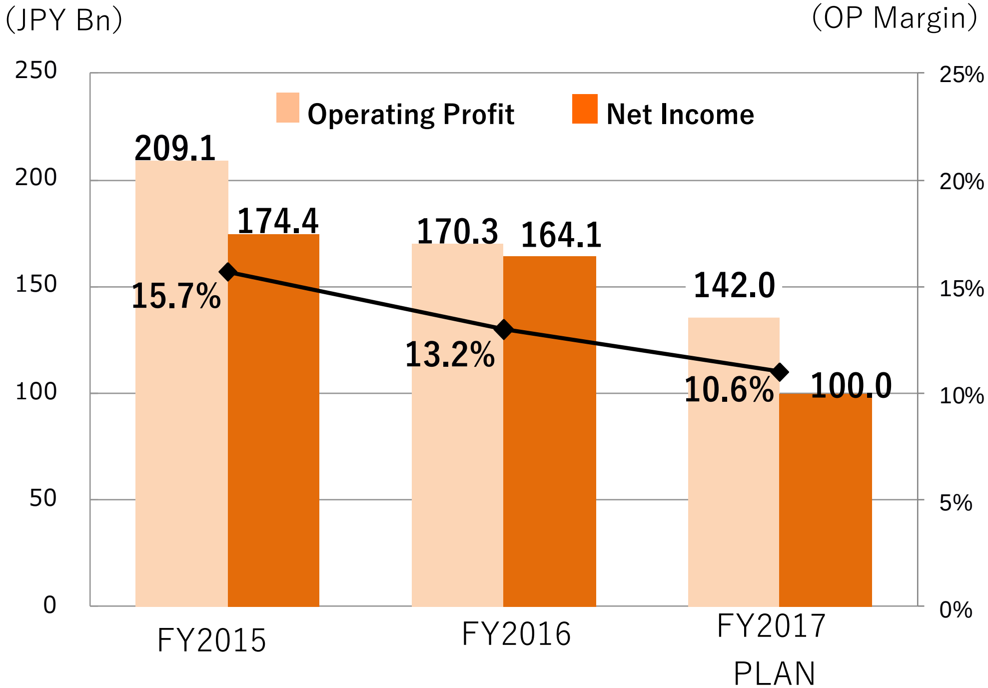
## Operating Revenue




## Operating Profit・Net Income




## Operational Results・Fuel/FX Markets

| ASK* | FY2016 | FY2017 Plan |
|---|---|---|
| Int'l flights | +0.1% | +2.7% |
| Dom. flights | ▲1.2% | +1.4% |
| Total | ▲0.4% | +2.1% |

*Y/Y

| | FY2015 | FY2016 | FY2017 Plan |
|---|---|---|---|
| Singapore Kerosene (USD/bbl) | 60.0 | 57.2 | 66.0 |
| Dubai Crude Oil (USD/bbl) | 47.2 | 45.6 | 53.0 |
| FX Rate (JPY/USD) | 120.5 | 108.6 | 115.0 |

- First, I will provide an overview of financial results for FY2016, and our earnings forecast for FY2017.

- In FY2016 operating revenue declined 47.6 billion yen, or 3.6% year-on-year, to 1 trillion 288.9 billion yen, due to declines in fuel surcharge revenues for international passengers and international cargo and the stronger yen, and also price competition with other airlines on domestic routes. In FY2017, ASK will increase by 2.1% year-on-year, and we expect 1 trillion 339 billion yen for the operating revenue.

- In FY2016 operating profit declined 38.8 billion yen, or 18.6% year-on-year, to 170.3 billion yen, due to increases in maintenance costs and personnel costs to strengthen the future base for growth. In FY2017, as we expect increases in maintenance costs and costs for introduction of totally new IT system, the operating profit is forecast to be 142 billion yen.

# FY2017 Earnings Forecast

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## Revenue and Expenditure Plan

| (JPY Bn) | | FY2016 Result | FY2017 Plan | Difference | y/y |
|---|---|---|---|---|---|
| **Operating Revenue** | | 1,288.9 | 1,339.0 | +50.0 | +3.9% |
| | International Passenger | 415.2 | 455.0 | +39.7 | +9.6% |
| | Domestic Passenger | 498.6 | 503.0 | +4.3 | +0.9% |
| | Cargo / Mail | 78.2 | 81.0 | +2.7 | +3.5% |
| | Other | 296.8 | 300.0 | +3.1 | +1.1% |
| **Operating Expense** | | 1,118.6 | 1,197.0 | +78.3 | +7.0% |
| | Fuel | 198.7 | 216.0 | +17.2 | +8.7% |
| | Excluding Fuel | 919.8 | 981.0 | +61.1 | +6.6% |
| **Operating Profit** | | 170.3 | 142.0 | ▲28.3 | ▲16.6% |
| **Operating Profit Margin(%)** | | 13.2% | 10.6% | ▲2.6pt | - |
| **Ordinary Income** | | 165.0 | 137.0 | ▲28.0 | ▲17.0% |
| **Net Income**[1] | | 164.1 | 100.0 | ▲64.1 | ▲39.1% |
| **Unit Cost (Yen)** [2] | | 9.4 | 9.9 | +0.5 | - |

## Operational Preconditions

| | | FY2016 Result | FY2017 Plan |
|---|---|---|---|
| **ASK*** | **Int'l** | +0.1% | +2.7% |
| | **Doms** | ▲1.2% | +1.4% |
| | **Total** | ▲0.4% | +2.1% |
| **RPK*** | **Int'l** | +0.8% | +3.3% |
| | **Doms** | +0.9% | +1.3% |
| | **Total** | +0.8% | +2.5% |

*y/y

| | FY2016 Result | FY2017 Plan |
|---|---|---|
| Singapore Kerosene (USD/bbl) | 57.2 | 66.0 |
| Dubai Crude Oil (USD/bbl) | 45.6 | 53.0 |
| FX Rate (JPY/USD) | 108.6 | 115.0 |

1. Net income attributable to owners of the parent
2. Unit Cost = Air Transportation Segment Operating Cost (excluding fuel costs) / ASK

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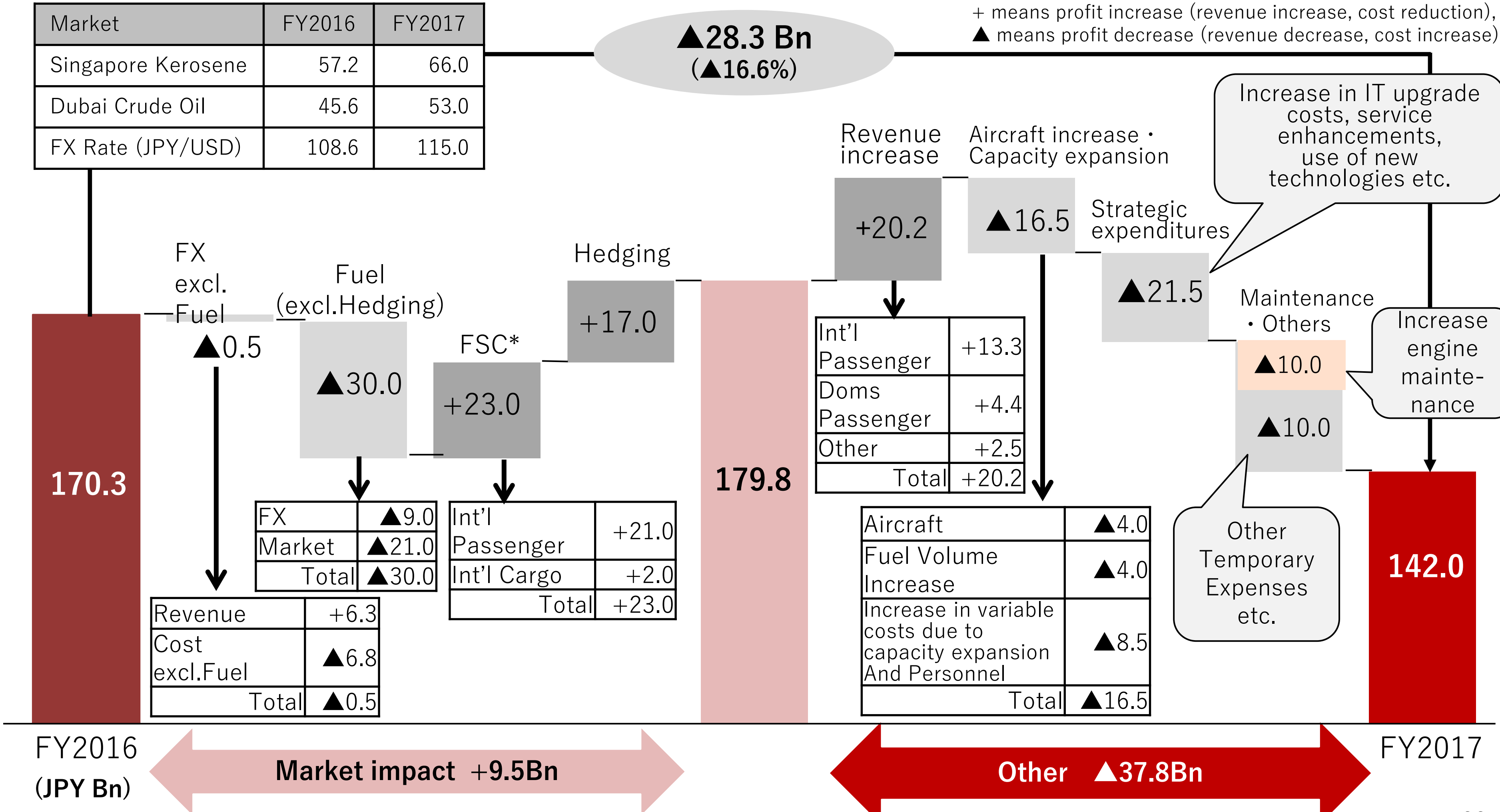
# FY2017 Changes Forecast in Operating Profit

- **FY2017 forecast expects lower earnings due to increases in IT system costs for building a platform to support future growth and maintenance costs.**
- **Aim to further accumulate profit through enhanced yield management and continued productivity improvement efforts**

| Market | FY2016 | FY2017 |
|---|---|---|
| Singapore Kerosene | 57.2 | 66.0 |
| Dubai Crude Oil | 45.6 | 53.0 |
| FX Rate (JPY/USD) | 108.6 | 115.0 |




*FSC=Fuel Surcharge

- This page shows breakdowns for changes in operating profit.
- Although fuel costs are expected to increase due to rising fuel prices, we estimate an increase of 9.5 billion yen solely due to market factors, thanks to fuel surcharge revenue increases, etc..
- Due to strategic expenditures of 21.5 billion yen including costs to upgrade the core passenger system which will serve as the IT platform to support future growth, and an increase in engine maintenance costs of 10.0 billion yen, etc., we expect lower earnings of 37.8 billion yen year-on-year for the other factors.
- As a result, operating profit is expected to be 142.0 billion yen, a decrease in profit of 28.3 billion yen. We will aim to further accumulate profit through continuous productivity improvement efforts.

# Dividend Forecast

## Dividend Forecast

| | FY2015 Results | FY2016 New Announcement | FY2017 Forecast[2] |
|---|---|---|---|
| Net Income*1 (JPY Bn) | 174.4 | 164.1 | 100.0 |
| Income Tax-Deferred (JPY Bn) | ▲0.4 | ▲31.6 | 5.0 |
| Income available for dividend (JPY Bn) | 174.0 | 132.5 | 105.0 |
| | × 25% | × 25% | × 30% |
| Total amount for dividends (JPY Bn) | 43.5 | 33.2 | 31.8 |
| Total number of shares issued (exc. Treasury stock) (‘000) | 362,567 | 353,579 | 353,579 |
| Dividends per share (JPY) | 120 | 94 (Previous Announcement 92) | (Total) 90 |
| Interim Dividend *2 | — | — | 45.0 |
| Year-End Dividend | — | — | 45.0 |

**Dividend Ratio**

25% → 30%

**Introduced interim dividend**

Increase dividend receive opportunity

*1 Net Income Attributable to owners of the parent.

*2 We plan to establish in the Articles of Incorporation to implement interim dividends with September 30 of each year as the record date by a resolution at the Board of Directors Meeting, through a resolution of the General Meeting of Shareholders to be held on June 22, 2017.

- We will raise our dividend payout ratio by 5% from FY2017, and allocate roughly 30% of net profit attributable to owners of parent after income tax deferred for total dividends.

- For dividend forecast, we plan to pay 45 yen each per share for interim and year-end dividend, 90 yen per share altogether, which will amount to 31.8 billion yen for total dividends.

# FY2017 Earnings Forecast

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Balance Sheet

| (JPY Bn) | End of FY2016 Results | End of FY2017 Forecast | Diff. |
|---|---|---|---|
| Total Assets | 1,728.7 | 1,793.0 | +64.2 |
| Balance of Interest-bearing debts | 116.0 | 133.0 | +16.9 |
| Shareholders' Equity | 972.0 | 1,031.0 | +58.9 |
| Shareholders' Equity Ratio(%) | 56.2% | 57.5% | +1.3pt |
| ROE(%) (1) | 18.1% | 10.0% | ▲8.1pt |
| ROA(%) (2) | 10.3% | 8.1% | ▲2.2pt |
| ROIC(%) (3) | 10.7% | 8.1% | ▲2.6pt |

Cash Flow

| (JPY Bn) | FY2016 Results | FY2017 Forecast | Diff. |
|---|---|---|---|
| Cash Flow from Operating Activities | 253.1 | 231.0 | ▲22.1 |
| Cash Flow from Investing Activities (4) | ▲215.5 | ▲210.0 | +5.5 |
| Free Cash Flow (4) | 37.5 | 21.0 | ▲16.5 |
| Cash Flow from Financing Activities | ▲53.5 | ▲35.0 | +18.5 |
| EBITDA | 266.1 | 254.0 | ▲12.1 |
| EBITDAR | 286.2 | 271.0 | ▲15.2 |

(1) (Net Income Attributable to owners of the parent) / (average of shareholder's equity at beginning and end of fiscal year)
(2) (Operating profit ) / (average of total assets at beginning and end of fiscal year)
(3) Return on invested capital gives a sense of how well a company is using its money to generate returns
(4) Exclude deposits and withdrawals from deposit accounts

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

《Supplemental Reference》
# Earnings Forecast Mar/2018（Air transportation Segment）

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| International Passenger | FY2016 Results | FY2017 Forecast | y/y（%） | | |
|---|---|---|---|---|---|
| | | | Full-year (Forecast) | 1H (Forecast) | 2H (Forecast) |
| Passenger Revenue (JPY Bn) | 415.2 | 455.0 | +9.7% | +7.5% | +11.9% |
| ASK（MN seat km) | 50,621 | 51,981 | +2.7% | +0.9% | +4.4% |
| RPK (MN passenger km) | 40,633 | 41,970 | +3.3% | +2.6% | +3.9% |
| Passengers ('000) | 8,394 | 8,487 | +1.1% | +0.8% | +1.4% |
| L/F (%) | 80.3% | 80.7% | 80.7% | 81.4% | 80.1% |
| Yield (1) (JPY) | 10.2 | 10.8 | +6.2% | +4.8% | +7.7% |
| Unit Revenue (2) (JPY) | 8.2 | 8.8 | +6.8% | +6.5% | +7.1% |
| Revenue per Passenger (3) (JPY) | 49,461 | 53,650 | +8.5% | +6.7% | +10.4% |

| Domestic Passenger | FY2016 Results | FY2017 Forecast | y/y（%） | | |
|---|---|---|---|---|---|
| | | | Full-year (Forecast) | 1H (Forecast) | 2H (Forecast) |
| Passenger Revenue (JPY Bn) | 498.6 | 503.0 | +1.0% | +1.6% | +0.3% |
| ASK（MN seat km) | 35,423 | 35,901 | +1.4% | +0.9% | +1.8% |
| RPK (MN passenger km) | 24,550 | 24,866 | +1.3% | +2.1% | +0.5% |
| Passengers ('000) | 32,570 | 33,011 | +1.4% | +2.4% | +0.3% |
| L/F (%) | 69.3% | 69.3% | 69.3% | 68.8% | 69.8% |
| Yield (1) (JPY) | 20.3 | 20.2 | ▲0.3% | ▲0.4% | ▲0.2% |
| Unit Revenue (2) (JPY) | 14.1 | 14.0 | ▲0.4% | +0.7% | ▲1.5% |
| Revenue per Passenger (3) (JPY) | 15,309 | 15,250 | ▲0.4% | ▲0.8% | ▲0.0% |

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

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# Financial Data



- From FY2016, figures for Revenue Passengers Carried, ASK, RPK and Load Factor include “Marketing Carriers’ on code-sharing flights operated by JAL”. The past fiscal years also shows the figures after reflecting this change. Also, figures exclude mileage travelers.

## FY2016 Consolidated Financial Results

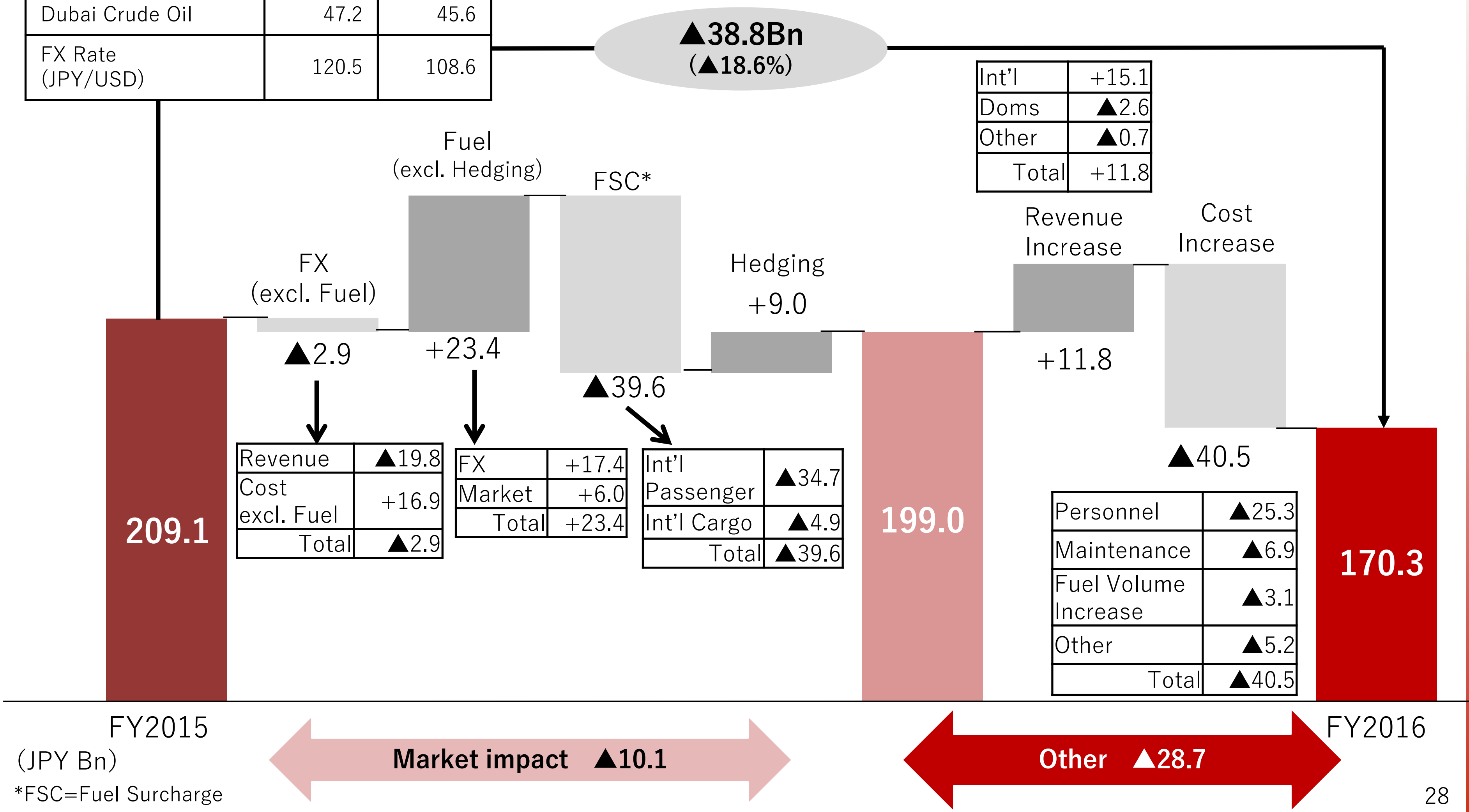
| (JPY Bn) | FY2015 | FY2016 | Diff. | y/y ratio | 4Q (Jan-Mar)(5) | Diff. | y/y ratio |
|---|---|---|---|---|---|---|---|
| Revenue | 1,336.6 | 1,288.9 | ▲47.6 | ▲3.6% | 313.4 | +0.2 | +0.1% |
| Air Transportation Segment | 1,205.2 | 1,159.3 | ▲45.8 | ▲3.8% | 282.1 | +0.1 | +0.1% |
| Operating Expense | 1,127.4 | 1,118.6 | ▲8.8 | ▲0.8% | 280.4 | +6.3 | +2.3% |
| Air Transportation Segment | 1,014.3 | 1,006.2 | ▲8.1 | ▲0.8% | 252.7 | +6.0 | +2.5% |
| Operating Profit | 209.1 | 170.3 | ▲38.8 | ▲18.6% | 33.0 | ▲6.1 | ▲15.7% |
| Air Transportation Segment | 190.8 | 153.1 | ▲37.6 | ▲19.7% | 29.3 | ▲5.8 | ▲16.6% |
| Operating Profit Margin (%) | 15.7% | 13.2% | ▲2.4pt | - | 10.5% | ▲2.0pt | - |
| Ordinary Income | 209.2 | 165.0 | ▲44.2 | ▲21.1% | 28.9 | ▲9.7 | ▲25.3% |
| Net Income(1) | 174.4 | 164.1 | ▲10.2 | ▲5.9% | 55.8 | +25.1 | +81.6% |
| ASK (MN seat km) | 86,432 | 86,045 | ▲387 | ▲0.4% | 21,096 | ▲153 | ▲0.7% |
| RPK (MN passenger km) | 64,647 | 65,183 | +535 | +0.8% | 16,149 | +390 | +2.5% |
| EBITDA Margin (%) (2) | 22.3% | 20.6% | ▲1.6pt | - | 18.5% | ▲1.3pt | - |
| EBITDAR Margin(%) (3) | 24.0% | 22.2% | ▲1.8pt | - | 20.1% | ▲1.5pt | - |
| Unit Cost(JPY) (4) | 9.1 | 9.4 | +0.3 | +3.2% | 9.6 | +0.2 | +2.0% |
| Incl. Fuel | 11.7 | 11.7 | ▲0.0 | ▲0.4% | 12.0 | +0.4 | +3.2% |

Notes:
1. Net income 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+ Aircraft Leases
4. Unit Cost = Air Transportation Segment Operating Cost (excluding fuel costs,) / 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)

# FY2016 Changes in Operating Profit

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

| Market | FY2015 | FY2016 |
|---|---|---|
| Singapore Kerosene | 60.0 | 57.2 |
| Dubai Crude Oil | 47.2 | 45.6 |
| FX Rate (JPY/USD) | 120.5 | 108.6 |




| | |
|---|---|
| Revenue | ▲19.8 |
| Cost excl. Fuel | +16.9 |
| Total | ▲2.9 |

| | |
|---|---|
| FX | +17.4 |
| Market | +6.0 |
| Total | +23.4 |

| | |
|---|---|
| Int'l Passenger | ▲34.7 |
| Int'l Cargo | ▲4.9 |
| Total | ▲39.6 |

| | |
|---|---|
| Int'l | +15.1 |
| Doms | ▲2.6 |
| Other | ▲0.7 |
| Total | +11.8 |

| | |
|---|---|
| Personnel | ▲25.3 |
| Maintenance | ▲6.9 |
| Fuel Volume Increase | ▲3.1 |
| Other | ▲5.2 |
| Total | ▲40.5 |

(JPY Bn)

*FSC=Fuel Surcharge

- On this page, I will explain the factors to change operating profit for the fiscal year ended March 31, 2017 from the previous year.

- While fuel costs decreased by lower fuel prices, fuel surcharge revenues also declined. Both lower fuel prices and stronger yen pushed operating profit down by 10.1 billion yen against the previous fiscal year.

- Although international passenger revenues increased by rising net unit prices, operating profit declined by 28.7 billion yen due to the non-market factors such as a decrease in domestic passenger revenues caused by the Kumamoto earthquakes and an increase in personnel costs for focused investments to strengthen the foundations of sustainable growth.

- As a result, operating profit decreased by 38.8 billion yen from the previous year, down to 170.3 billion yen.

# FY2016 International Passenger Operations

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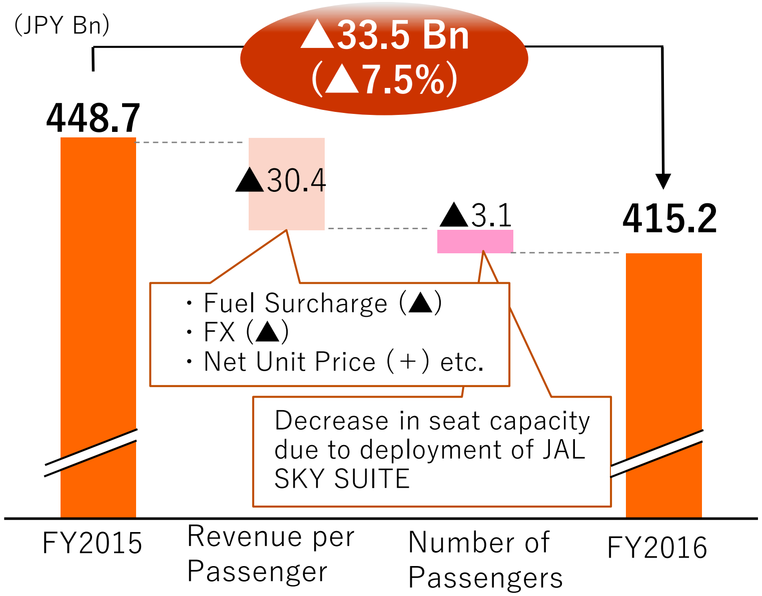
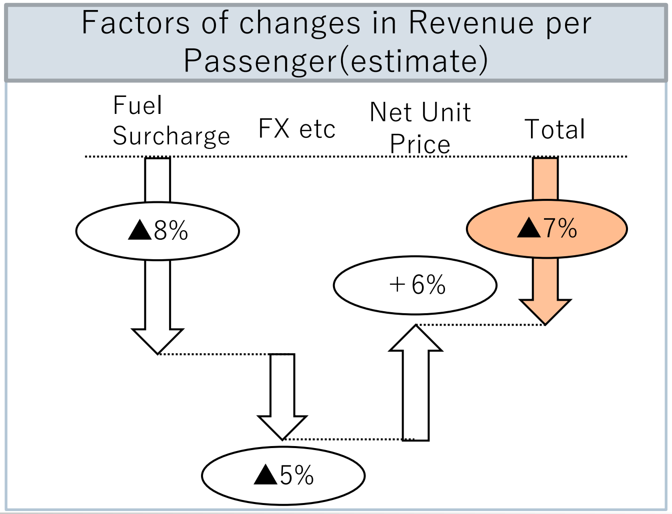
## International Passenger

| | FY 2015 | FY 2016 | y/y | 4Q (Jan-Mar) FY2016 (1) | y/y |
|---|---|---|---|---|---|
| **Passenger Revenue (JPY Bn)** | 448.7 | 415.2 | ▲7.5% | 100.7 | ▲2.0% |
| **ASK (MN seat km)** | 50,563 | 50,621 | +0.1% | 12,417 | ▲1.0% |
| **RPK (MN passenger km)** | 40,305 | 40,633 | +0.8% | 10,124 | +2.4% |
| **Passengers ('000)** | 8,460 | 8,394 | ▲0.8% | 2,114 | +0.4% |
| **L/F (%)** | 79.7% | 80.3% | +0.6pt | 81.5% | +2.7pt |
| **Yield(2) (JPY)** | 11.1 | 10.2 | ▲8.2% | 10.0 | ▲4.3% |
| **Unit Revenue(3) (JPY)** | 8.9 | 8.2 | ▲7.6% | 8.1 | ▲0.9% |
| **Revenue per Passenger(4) (JPY)** | 53,047 | 49,461 | ▲6.8% | 47,650 | ▲2.3% |

1. The results for 4Q (January to March) are calculated by deducting the results of 3Q (April to December) from Full-Year(April to March)
2. Yield = Passenger Revenue / RPK
3. Unit Revenue= Passenger Revenue / ASK
4. Revenue per Passenger = Passenger Revenue / Passengers

## FY2016 Full-Year (Change in Revenue)



- Now, I will explain traffic results and passenger revenues for international passenger operations.

- ASK on international routes increased 0.1% year-on-year and RPK increased 0.8%. As a result, the revenue passenger load factor in FY2016 increased 0.6 percentage points year-on-year to 80.3%.

- Revenue per Passenger dropped 6.8% year-on-year, but as shown in the chart in the lower right corner, considering it dropped roughly 8% owing to lower fuel surcharge revenue and roughly 5% due to exchange rates, our calculation shows net unit price increased roughly 6%. We could manage to increase net unit price through revenue management and expansion of routes operated with JAL SKY SUITE aircraft.

- As a result, international passenger revenue was 415.2 billion yen, down 7.5% year-on-year.

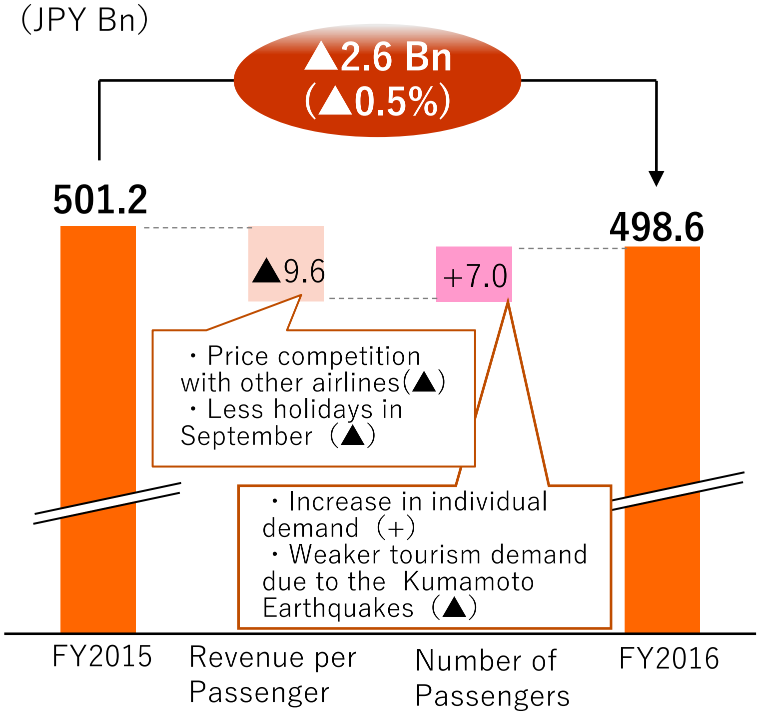
# FY2016 Domestic Passenger Operations

JAPAN AIRLINES

## Domestic Passenger

| | FY 2015 | FY 2016 | y/y | 4Q (Jan-Mar) FY2016 (1) | y/y |
|---|---|---|---|---|---|
| **Passenger Revenue (JPY Bn)** | 501.2 | 498.6 | ▲0.5% | 117.7 | +0.5% |
| **ASK (MN seat km)** | 35,869 | 35,423 | ▲1.2% | 8,678 | ▲0.3% |
| **RPK (MN passenger km)** | 24,341 | 24,550 | +0.9% | 6,025 | +2.6% |
| **Passengers ('000)** | 32,114 | 32,570 | +1.4% | 7,947 | +2.7% |
| **L/F (%)** | 67.9% | 69.3% | +1.4pt | 69.4% | +1.9pt |
| **Yield(2) (JPY)** | 20.6 | 20.3 | ▲1.4% | 19.5 | ▲2.0% |
| **Unit Revenue(3) (JPY)** | 14.0 | 14.1 | +0.7% | 13.6 | +0.8% |
| **Revenue per Passenger(4) (JPY)** | 15,609 | 15,309 | ▲1.9% | 14,814 | ▲2.1% |

## FY2016 Full-Year (Change in Revenue)




1. The results for 4Q (January to March) are calculated by deducting the results of 3Q (April to December) from Full-Year(April to March)
2. Yield = Passenger Revenue / RPK
3. Unit Revenue= Passenger Revenue / ASK
4. Revenue per Passenger = Passenger Revenue / Passengers

- Next, I will explain traffic results and passenger revenues for domestic passenger operations.
- ASK on domestic routes decreased 1.2% year-on-year, but RPK increased 0.9%. As a result, the revenue passenger load factor for FY2016 rose 1.4 percentage points year-on-year to 69.3%.
- For passengers demand, while tourists demand declined owing to the Kumamoto Earthquakes, individual demand increased thanks to promotional fares to boost demand. Revenue passengers carried increased 1.4% year-on-year. However, yield and revenue per passenger declined 1.4% and 1.9% respectively due to price competitions with other airlines and the days of week change in “Silver Week” holidays.
- As a result, domestic passenger revenue was 498.6 billion yen, down 0.5％year-on-year.

# FY2016 Major Operating Expense Items

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| Operating Expenses | | | | | | | |
|---|---|---|---|---|---|---|---|
| (JPY Bn) | FY2015 | FY2016 | Diff. | y/y ratio | 4th Quarter (Jan-Mar)(4) | Diff. | y/y ratio |
| **Fuel** | 228.1 | 198.7 | ▲29.3 | ▲12.9% | 50.9 | 3.4 | +7.3% |
| **Landing and navigation fees** | 82.2 | 81.1 | ▲1.1 | ▲1.4% | 20.1 | +0.1 | +0.7% |
| **Maintenance** | 47.9 | 48.9 | +1.0 | +2.2% | 8.0 | ▲2.2 | ▲21.9% |
| **Sales Commissions (Air Transport)** (1) | 24.4 | 15.9 | ▲8.4 | ▲34.7% | 4.3 | ▲1.6 | ▲27.4% |
| **Aircraft** (2) | 98.4 | 100.4 | +1.9 | +2.0% | 25.6 | +0.9 | +3.8% |
| **Services** (3) | 36.3 | 37.9 | +1.6 | +4.6% | 10.0 | +1.0 | +12.2% |
| **Personnel** | 249.9 | 273.3 | +23.3 | +9.3% | 69.0 | +6.0 | +9.7% |
| **Expenses of travel agency** | 82.3 | 81.5 | ▲0.8 | ▲1.0% | 19.7 | +0.8 | +4.6% |
| **Other** | 277.5 | 280.4 | +2.8 | +1.0% | 72.5 | ▲2.3 | ▲3.1% |
| **Total Operating Expenses** | 1,127.4 | 1,118.6 | ▲8.8 | ▲0.8% | 280.4 | +6.3 | +2.3% |

ASK y/y：▲0.4%

1. From FY2016, 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 4Q (January to March) are calculated by deducting the results of 3Q (April to December) from full-year (April to March)

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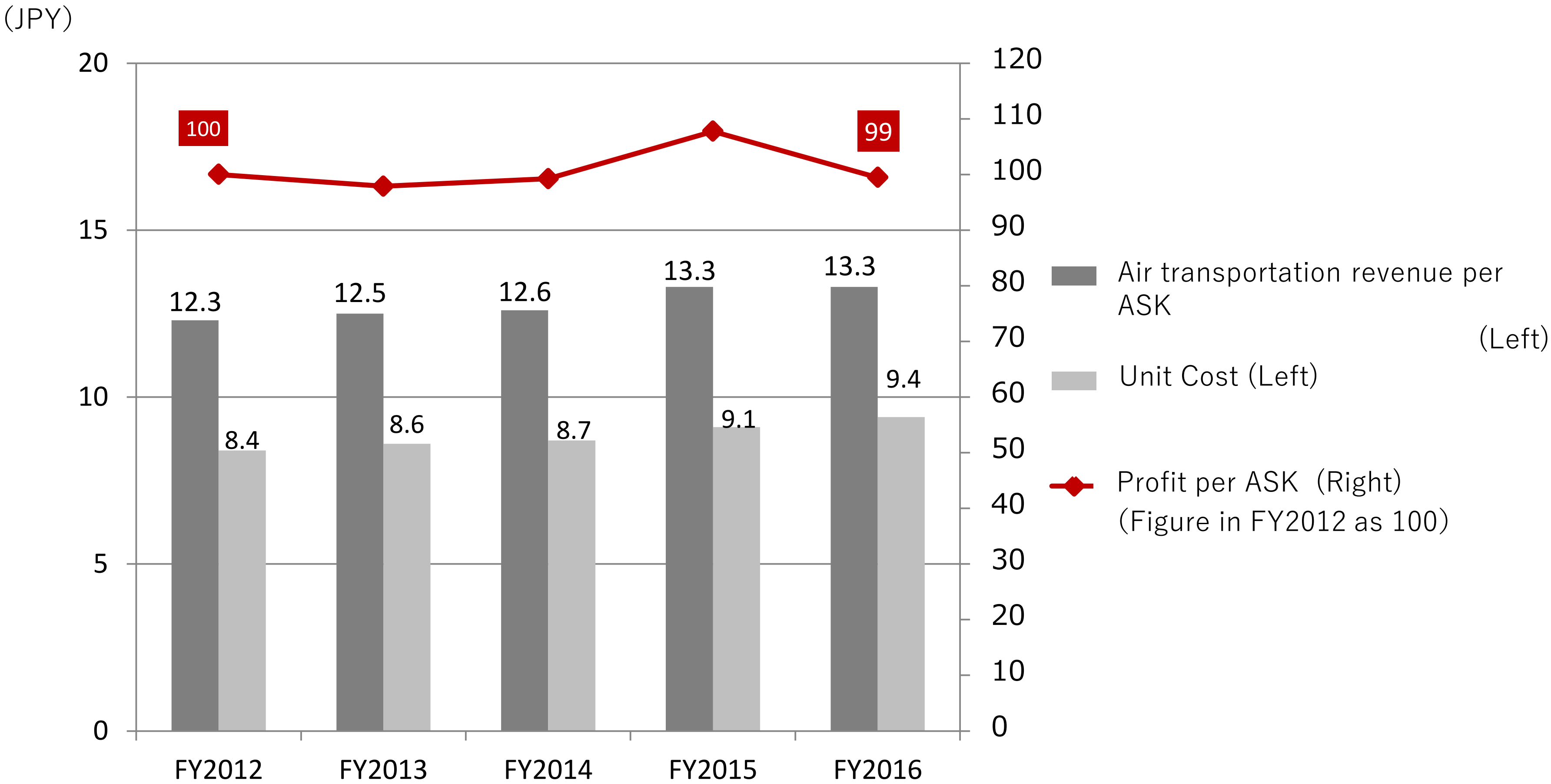
# FY2016 Maximizing Profit per ASK



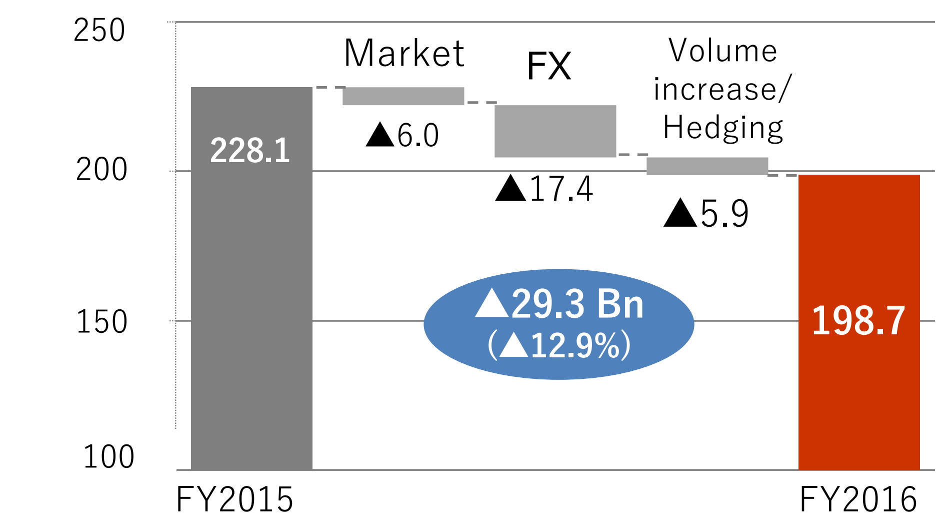

Air operation revenue per ASK ＝ (Air operation revenue − Fuel surcharge − Revenue from fuel resale to a related company) /ASK
Unit Cost ＝ (Air operation expenses − Fuel costs − Fuel costs for resale to a related company ) /ASK
Profit per ASK ＝ (Air operation revenue per ASK) − (Unit Cost)

- Since FY2012, while Unit Cost has been rising due to service enhancement initiatives, Air transportation revenue per ASK (Unit Revenue) has also been increasing. We will continue to aim to maximize our Profit per ASK (Unit Profit).

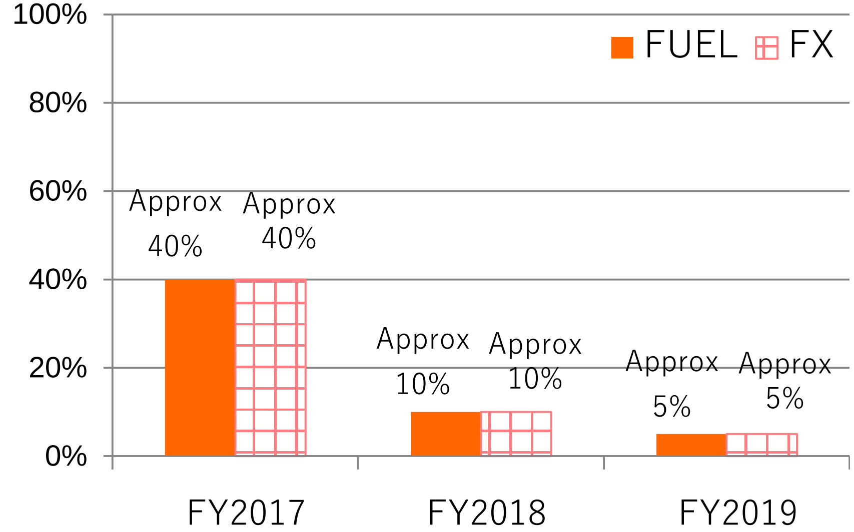
- FY2017 is a period to make advance investments toward future growth and to make various preparations, and therefore, we expect lower earnings for two consecutive years. While steadily implementing this Medium Term Management Plan, with constant growth in addition to profitability and financial stability which we have nurtured so far, we aim to improve our corporate value by realizing the JAL VISION of “a global airline”, “new values one step ahead” and “continuous growth”.

# FY2016 Impact of Fuel and FX Markets

## Transition of Fuel Cost by factors




## Hedge Ratio of Fuel Costs (As of End of FY Mar/2017)




## Fuel / FX Markets

| | FY2015 | FY2016 | y/y ratio | FY2017 (Forecast) |
|---|---|---|---|---|
| Singapore Kerosene (USD/bbl) | 60.0 | 57.2 | ▲4.6% | 66.0 |
| Dubai Crude Oil (USD/bbl) | 47.2 | 45.6 | ▲3.3% | 53.0 |
| FX Rate (JPY/USD) | 120.5 | 108.6 | ▲9.9% | 115.0 |

## Sensitivity for Fuel Costs

| (Without Hedging) Mar/2018 | |
|---|---|
| **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** |

# 《Supplemental Reference》 Major Balance Sheet Items

JAPAN AIRLINES

## Consolidated Balance Sheet Summary as of FY2016

| (JPY Bn) | End of FY2015 | End of FY2016 | Diff. |
|---|---|---|---|
| Total Assets | 1,578.9 | 1,728.7 | +149.8 |
| Cash and Deposits [1] | 420.3 | 404.0 | ▲16.2 |
| Balance of Interest-bearing Debt [2] | 92.6 | 116.0 | +23.4 |
| Future Rental Expenses under Operating Leases | 96.9 | 76.4 | ▲20.4 |
| Shareholders' Equity | 843.0 | 972.0 | +128.9 |
| Shareholders' Equity Ratio(%) | 53.4% | 56.2% | +2.8pt |
| D/E Ratio (x) [3] | 0.1x | 0.1x | +0.0x |
| ROE (%) [4] | 21.5% | 18.1% | ▲3.5pt |
| ROA (%) [5] | 13.7% | 10.3% | ▲3.4pt |

1. Certificate of deposits included
2. Accounts Payable-installment Purchase included
3. On-balance sheet Interest-bearing Debt / Shareholders' Equity
4. (Net Income Attributable to owners of the parent ) / (average of shareholder's equity at beginning and end of fiscal year)
5. (Operating Profit) / (Average of Total Assets at beginning and end of fiscal year)

# 《Supplemental Reference》 FY2016 Major Cash Flow Items

| (JPY Bn) | FY2015 | FY2016 | Diff. |
|---|---|---|---|
| Net income before income taxes and minority interests | 207.3 | 162.7 | ▲44.6 |
| Depreciation and Amortization | 88.5 | 95.7 | +7.2 |
| Other | 16.4 | ▲5.4 | ▲21.8 |
| Cash Flow from Operating Activities | 312.3 | 253.1 | ▲59.2 |
| Capital Expenditure (1) | ▲210.6 | ▲233.1 | ▲22.4 |
| Other | 3.4 | 17.5 | +14.1 |
| Cash Flow from Investing Activities (2) | ▲207.2 | ▲215.5 | ▲8.3 |
| Free Cash Flow (3) | 105.1 | 37.5 | ▲67.5 |
| Repayment of Interest-bearing Debt (4) | ▲27.6 | ▲25.0 | +2.6 |
| Cash dividend, and Other | ▲21.9 | ▲28.5 | ▲6.5 |
| Cash Flow from Financing Activities | ▲49.6 | ▲53.5 | ▲3.8 |
| Total Cash Flow (5) | 55.5 | ▲15.9 | ▲71.4 |
| EBITDA | 297.7 | 266.1 | ▲31.6 |
| EBITDAR | 321.1 | 286.2 | ▲34.9 |

1. Expenditures due to purchases of fixed assets
2. Exclude deposits and withdrawals from deposit accounts
3. Cash Flow from Operating Activities + Cash Flow from Investing Activities
4. Repayment of Loans + Repayment of Lease Obligations
5. Cash flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities

《Supplemental Reference》
# Revenue of International Routes by Geographic Segment

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## Passenger Revenue

| (%) | 4Q Cumulative y/y | 4Q 3Months y/y | Component Ratio 4Q FY2015 | Component Ratio 4Q FY2016 | Component Ratio 4Q 3 Months |
|---|---|---|---|---|---|
| America | ▲4.3% | ▲4.4% | 25% | 26% | 24% |
| Europe | ▲6.6% | +6.7% | 15% | 15% | 13% |
| Asia/Oceania | ▲10.6% | ▲4.4% | 35% | 34% | 37% |
| China | ▲15.5% | ▲7.1% | 11% | 10% | 11% |
| Hawaii/Guam | +0.3% | +6.1% | 14% | 15% | 15% |
| Total | ▲7.5% | ▲2.0% | 100% | 100% | 100% |

- From FY2016, figures for Revenue Passengers Carried, ASK, RPK and Load Factor include "Marketing Carriers' on code-sharing flights operated by JAL". The year-earlier 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" routes.

## ASK

| (MN seat km) | 4Q (Cumulative) FY2015 | 4Q (Cumulative) FY2016 | 4Q (Cumulative) y/y | 4Q (3Months) FY2016 | 4Q (3Months) y/y |
|---|---|---|---|---|---|
| America | 13,282 | 14,322 | +7.8% | 3,545 | +3.8% |
| Europe | 7,660 | 7,490 | ▲2.2% | 1,709 | +1.3% |
| Asia/Oceania | 18,102 | 17,836 | ▲1.5% | 4,477 | ▲2.4% |
| China | 3,454 | 3,506 | +1.5% | 862 | ▲4.0% |
| Hawaii/Guam | 8,064 | 7,465 | ▲7.4% | 1,823 | ▲6.9% |
| Total | 50,563 | 50,621 | +0.1% | 12,417 | ▲1.0% |

## Revenue Passengers Carried

| ('000) | 4Q (Cumulative) FY2015 | 4Q (Cumulative) FY2016 | 4Q (Cumulative) y/y | 4Q (3Months) FY2016 | 4Q (3Months) y/y |
|---|---|---|---|---|---|
| America | 1,112 | 1,194 | +7.4% | 292 | +6.1% |
| Europe | 641 | 660 | +3.0% | 157 | +15.1% |
| Asia/Oceania | 4,208 | 4,047 | ▲3.8% | 1,040 | ▲2.5% |
| China | 1,307 | 1,381 | +5.7% | 350 | +4.6% |
| Hawaii/Guam | 1,190 | 1,109 | ▲6.8% | 273 | ▲6.4% |
| Total | 8,460 | 8,394 | ▲0.8% | 2,114 | +0.4% |

## RPK

| (MN passenger km) | 4Q (Cumulative) FY2015 | 4Q (Cumulative) FY2016 | 4Q (Cumulative) y/y | 4Q (3Months) FY2016 | 4Q (3Months) y/y |
|---|---|---|---|---|---|
| America | 10,497 | 11,335 | +8.0% | 2,769 | +6.4% |
| Europe | 5,801 | 5,976 | +3.0% | 1,430 | +15.2% |
| Asia/Oceania | 14,639 | 14,371 | ▲1.8% | 3,709 | ▲0.5% |
| China | 2,453 | 2,577 | +5.1% | 655 | +4.8% |
| Hawaii/Guam | 6,913 | 6,372 | ▲7.8% | 1,560 | ▲7.7% |
| Total | 40,305 | 40,633 | +0.8% | 10,124 | +2.4% |

## Load Factor

| (%) | 4Q (Cumulative) FY2015 | 4Q (Cumulative) FY2016 | 4Q (Cumulative) Diff. | 4Q (3Months) FY2016 | 4Q (3Months) Diff. |
|---|---|---|---|---|---|
| America | 79.0% | 79.1% | +0.1pt | 78.1% | +2.0pt |
| Europe | 75.7% | 79.8% | +4.1pt | 83.7% | +10.1pt |
| Asia/Oceania | 80.9% | 80.6% | ▲0.3pt | 82.8% | +1.6pt |
| China | 71.0% | 73.5% | +2.5pt | 76.0% | +6.4pt |
| Hawaii/Guam | 85.7% | 85.4% | ▲0.4pt | 85.6% | ▲0.7pt |
| Total | 79.7% | 80.3% | +0.6pt | 81.5% | +2.7pt |

# 《Supplemental Reference》 Number of Aircraft

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| | End of FY2015 | | | End of FY2016 | | | 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 | 8 | 0 | 8 | +5 |
| Boeing 767-300 | 9 | 0 | 9 | 6 | 0 | 6 | ▲3 |
| Boeing 767-300ER | 28 | 4 | 32 | 29 | 2 | 31 | ▲1 |
| Middle-sized Total | 63 | 4 | 67 | 68 | 2 | 70 | +3 |
| Boeing 737-400 | 12 | 0 | 12 | 11 | 0 | 11 | ▲1 |
| Boeing 737-800 | 22 | 29 | 51 | 26 | 27 | 53 | +2 |
| Small-sized Total | 34 | 29 | 63 | 37 | 27 | 64 | +1 |
| Embraer 170 | 17 | 0 | 17 | 17 | 0 | 17 | - |
| Embraer 190 | 0 | 0 | 0 | 5 | 0 | 5 | +5 |
| Bombardier CRJ200 | 9 | 0 | 9 | 5 | 0 | 5 | ▲4 |
| Bombardier D8-400 | 8 | 2 | 10 | 7 | 2 | 9 | ▲1 |
| Bombardier D8-400CC | 2 | 0 | 2 | 4 | 0 | 4 | +2 |
| SAAB340B | 13 | 0 | 13 | 12 | 0 | 12 | ▲1 |
| Bombardier D8-300 | 1 | 0 | 1 | 1 | 0 | 1 | - |
| Bombardier D8-100 | 4 | 0 | 4 | 2 | 0 | 2 | ▲2 |
| ATR42-600 | 0 | 0 | 0 | 1 | 0 | 1 | +1 |
| Regional Total | 54 | 2 | 56 | 54 | 2 | 56 | - |
| **Total** | **191** | **35** | **226** | **199** | **31** | **230** | **+4** |

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