

JAPAN AIRLINES Co., Ltd.

Financial Results

1st Quarter Mar/2019 (FY2018)



10 November 2017 International Friendly Match vs Brazil National Team
14 November 2017 International Friendly Match vs Belgium National Team

July 31, 2018



OVERVIEW OF FINANCIAL RESULTS FOR 1ST QUARTER MAR/19

P.1



DETAILS OF FINANCIAL RESULTS FOR 1ST QUARTER MAR/19

P.2



REFERENCES

P.10



GOOD DESIGN AWARD
2017年度受賞

※JAL Corporate Website



※The Award for Passenger
Service System Project

Overview of Financial Results for 1st Quarter Mar/19

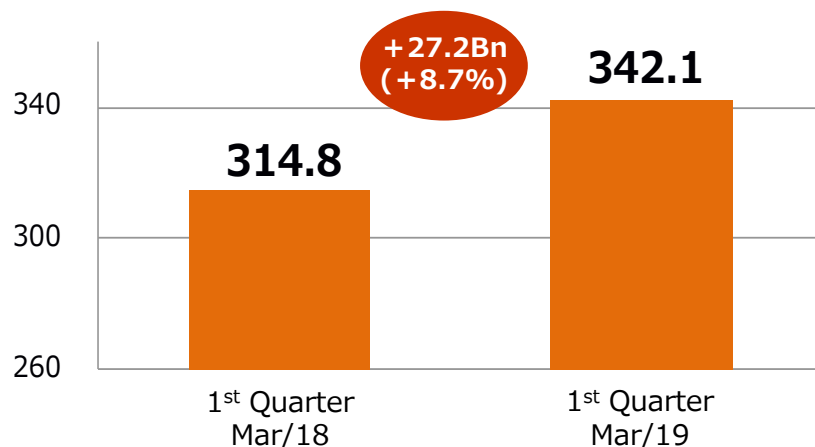


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- ✓ Resulted in an increase in both revenue and operating profit year-on-year while progressing capacity expansion
- ✓ A new international mid & long-haul low-cost carrier will be established (Disclosed on May 14, 2018, Its preparatory company has been established on July 31, 2018)
- ✓ An antitrust immunity application for JAL-Hawaiian Airlines joint venture was filed (June 15, 2018)

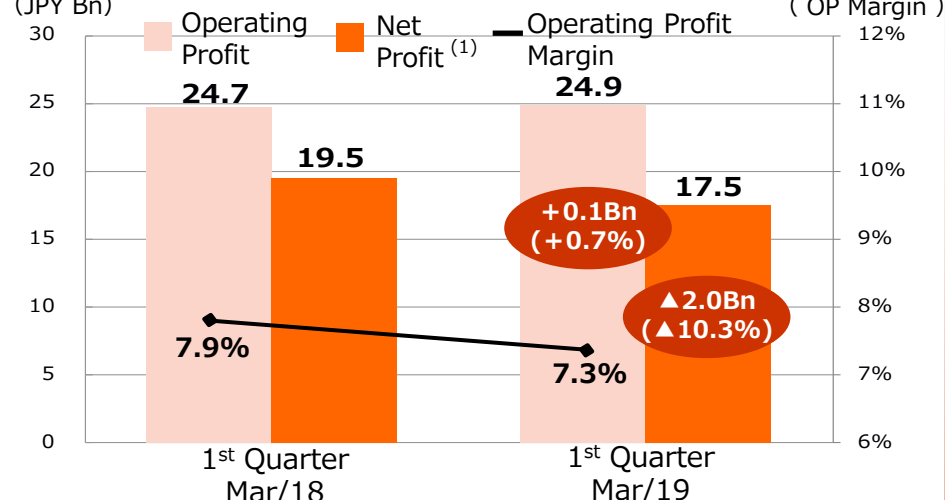
Operating Revenue

(JPY Bn)



Operating profit · Net profit

(JPY Bn)



1 Net profit attributable to owners of the parent.

Fuel/FX Markets

	1 st Quarter Mar/18	1 st Quarter Mar/19	y/y
Singapore Kerosene (USD/bbl)	62.2	84.7	+36.2%
Dubai Crude Oil (USD/bbl)	51.3	68.5	+33.4%
FX Rate (JPY/USD)	111.0	108.0	▲2.7%

Operational Precondition/ASK

1 st Quarter Mar/19 (y/y)		
International Routes	Domestic Routes	Total
+7.3%	+1.6%	+5.0%

- Now, I will present the overview of the first-quarter financial results for the fiscal year ending March 31, 2019.
- Our total ASK growth rate was 5% year-on-year in this quarter due to capacity expansion mainly in international routes. Together with strong demand in international passenger and the capacity expansion, operating revenue reached to 342.1 billion yen, increased by 27.2 billion, up 8.7% year-on-year.
- Operating expense increased by 27.1 billion yen year-on-year because of the fuel price increase and the new IT system related cost increase. However, the cost increase was outweighed by the revenue increase. Operating profit was 24.9 billion, increased by 0.1 billion, up 0.7% year-on-year. Operating profit margin was 7.3%.
- Net profit declined to 17.5 billion yen, down 10.3% year-on-year, due to the increased loss on sales and disposal of flight equipment.
- As disclosed through our press release today, a preparatory company of our new international mid and long-haul low-cost carrier has been established. We will accelerate its preparation for its launch in 2020.

Consolidated Financial Results



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Consolidated Financial Results 1ST QUARTER Mar/19

(JPY Bn)	1 st Quarter Mar/18	1 st Quarter Mar/19	Diff.	y/y
Operating Revenue	314.8	342.1	+27.2	+8.7%
Air Transportation Segment	285.8	313.0	+27.1	+9.5%
Operating Expense	290.0	317.1	+27.1	+9.3%
Air Transportation Segment	263.9	291.3	+27.4	+10.4%
Operating Profit	24.7	24.9	+0.1	+0.7%
Air Transportation Segment	21.9	21.6	▲0.3	▲1.4%
Operating Profit Margin (%)	7.9%	7.3%	▲0.6pt	-
Ordinary Profit	24.5	23.1	▲1.4	▲5.9%
Net Profit ⁽¹⁾	19.5	17.5	▲2.0	▲10.3%
ASK (MN seat km)	21,408	22,468	+1,060	+5.0%
RPK (MN passenger km)	16,116	17,134	+1,017	+6.3%
EBITDA Margin (%) ⁽²⁾	16.0%	16.2%	+0.2pt	-
EBITDAR Margin (%) ⁽³⁾	17.6%	17.6%	+0.1pt	-
Unit Cost (JPY) ⁽⁴⁾	10.0	10.3	+0.3	+3.1%
Incl. Fuel	12.3	13.0	+0.6	+5.2%

1 Net profit attributable to owners of the parent

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

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

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

- Now, I will explain our consolidated financial results for the first-quarter financial results for the fiscal year ending March 31, 2019.
- Operating profit margin declined, however, both EBITDA and EBITDAR margin as cash flow generation indicator improved.

Changes in Operating Profit (Revenues / Expenses)

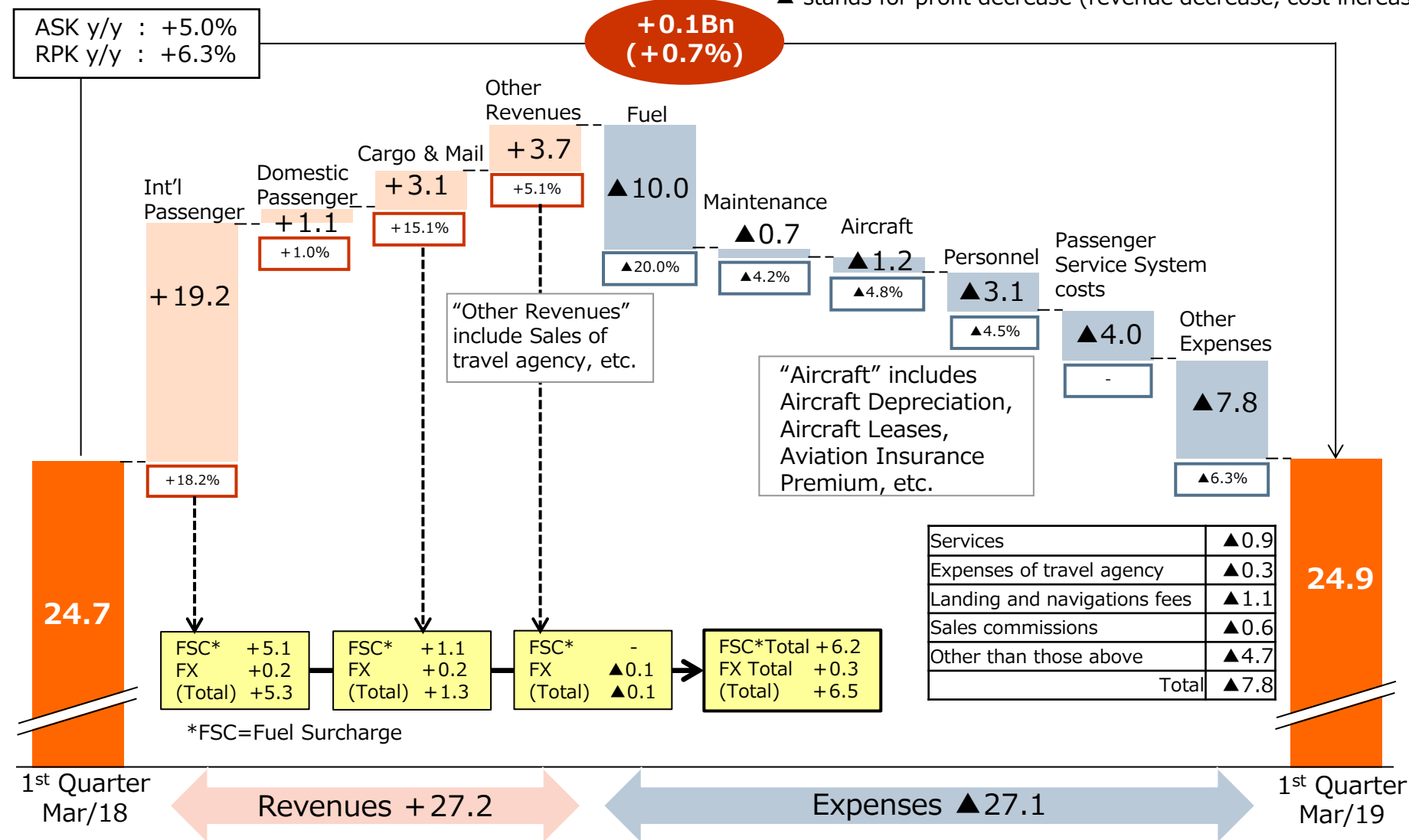


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1st Quarter Mar/19

(JPY Bn)

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



- Now, I will explain about the changes in operating profit.
- Revenues from International Passenger increased by 19.2 billion yen because of passenger carriage increase due to the capacity growth and optimization of cabin configurations as well as the increase in fuel surcharge.
- Revenues from Domestic Passenger increased by 1.1 billion yen as a result of the increase demand of individual passengers.
- Revenues from cargo leaped by 3.1 billion year-on-year. This was achieved through strong traffic of international cargo, price increase and fuel surcharge revenue increase.
- For expenses, fuel cost increased by 10 billion yen due to the market rise and the passenger system related cost increased by 4 billion yen. Other costs remained to increase at the same rate as our capacity or demand increased.

Changes in Operating Profit (Market / Others)



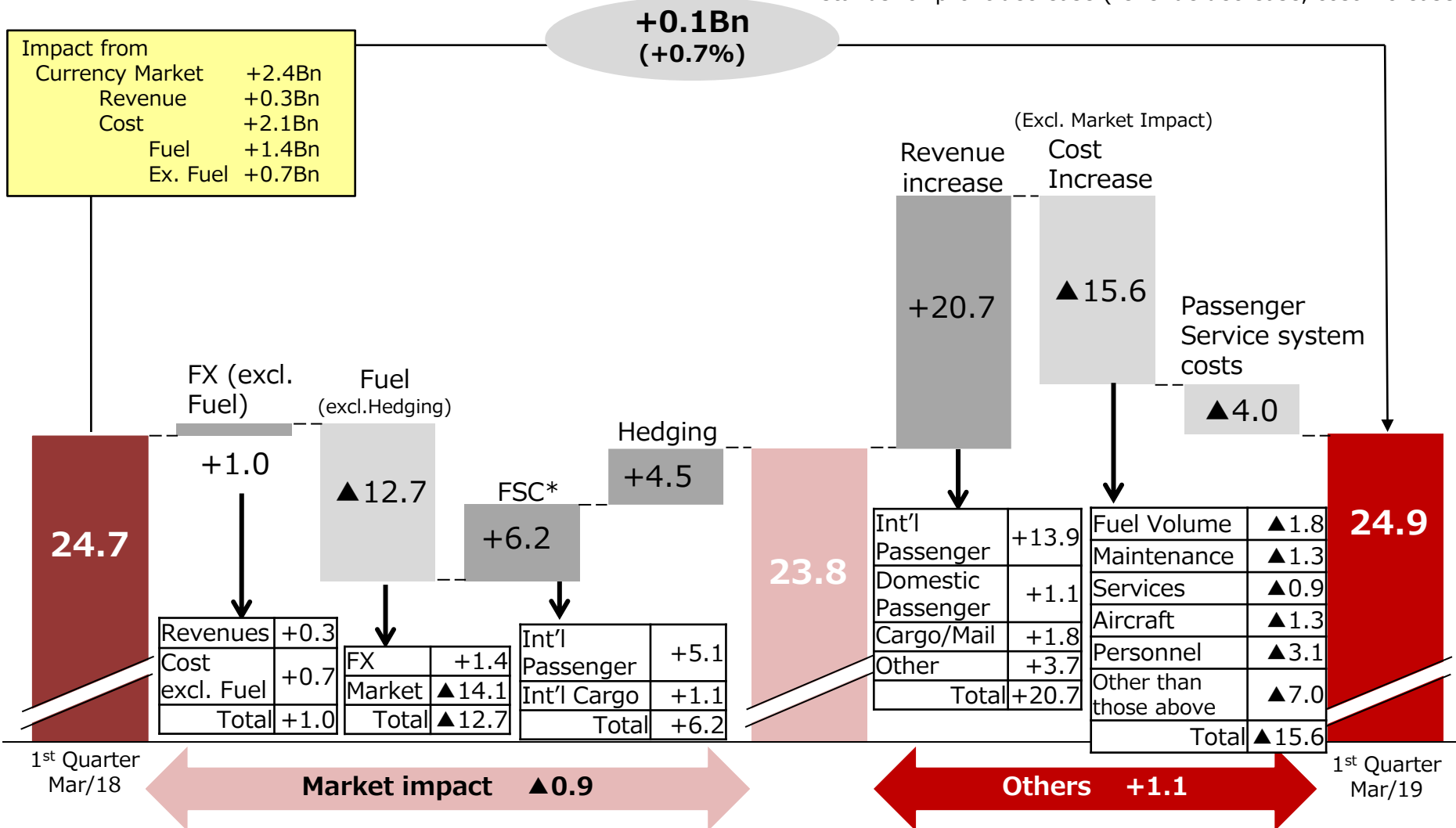
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1st Quarter Mar/19

(JPY Bn)

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

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



*FSC=Fuel Surcharge

- This page explains changes in operating profit from the viewpoints of market impact and others.
- The market impact on profit was limited to the decrease of 0.9 billion yen year-on-year. Despite the fuel cost increase due to the higher fuel prices, the increase of fuel surcharge revenue and hedging have offset most of the fuel cost increase.
- Apart from Market impact, operating profit rose by 1.1 billion yen year-on-year, because the revenue increase outpaced the cost increase in conjunction with the capacity expansion.

International Passenger Operations



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International Passenger

	1st Quarter Mar/18	1st Quarter Mar/19	y/y
Passenger Revenue ⁽¹⁾ (JPY Bn)	105.5	124.8 (123.4)	+18.2% (+16.9%)
Passengers ('000)	2,038	2,251	+10.5%
ASK (MN seat km)	12,588	13,506	+7.3%
RPK (MN passenger km)	10,091	10,981	+8.8%
L/F (%)	80.2%	81.3%	+1.1pt
Revenue per Passenger ^{(1) (2)} (JPY)	51,798	55,441 (54,820)	+7.0% (+5.8%)
Yield ^{(1) (3)} (JPY)	10.5	11.4 (11.2)	+8.7% (+7.4%)
Unit Revenue ^{(1) (4)} (JPY)	8.4	9.2 (9.1)	+10.2% (+9.0%)

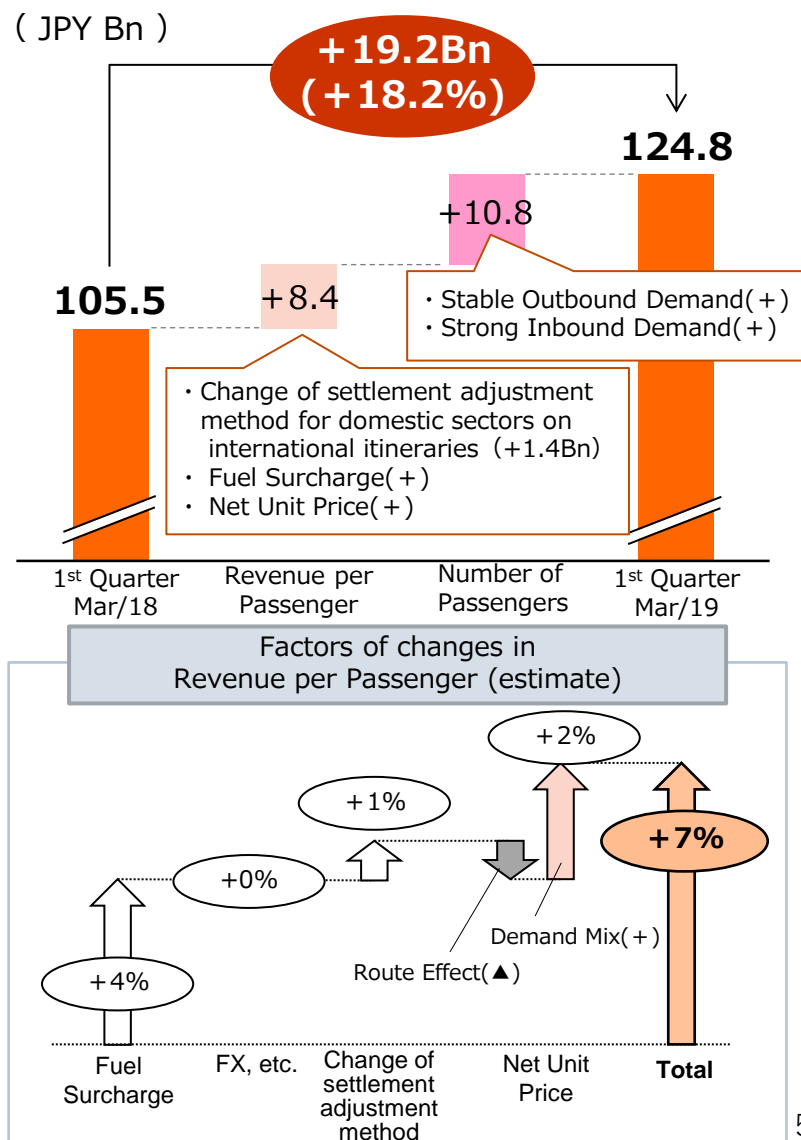
1 The effect of the change of the settlement adjustment method for domestic sectors on international itineraries is excluded in the figures in parentheses

2 Revenue per Passenger = Passenger Revenue / Passengers

3 Yield = Passenger Revenue / RPK

4 Unit Revenue = Passenger Revenue / ASK

Change in Revenue



- For International routes, the number of passenger increased by 10.5% year on year as a result of both outbound and inbound demand.
- The revenue per passenger rose by 7.0%. The graph on the right bottom shows the analysis of the changes. The net unit price increased by 2% with the improved yield management with the new IT system. Besides, fuel surcharge of 5.1 billion yen and the settlement adjustment of 1.4 billion yen were also included.
- As a result, international passenger revenue stood at 124.8 billion yen, up 18.2% from the year before.

Domestic Passenger Operations



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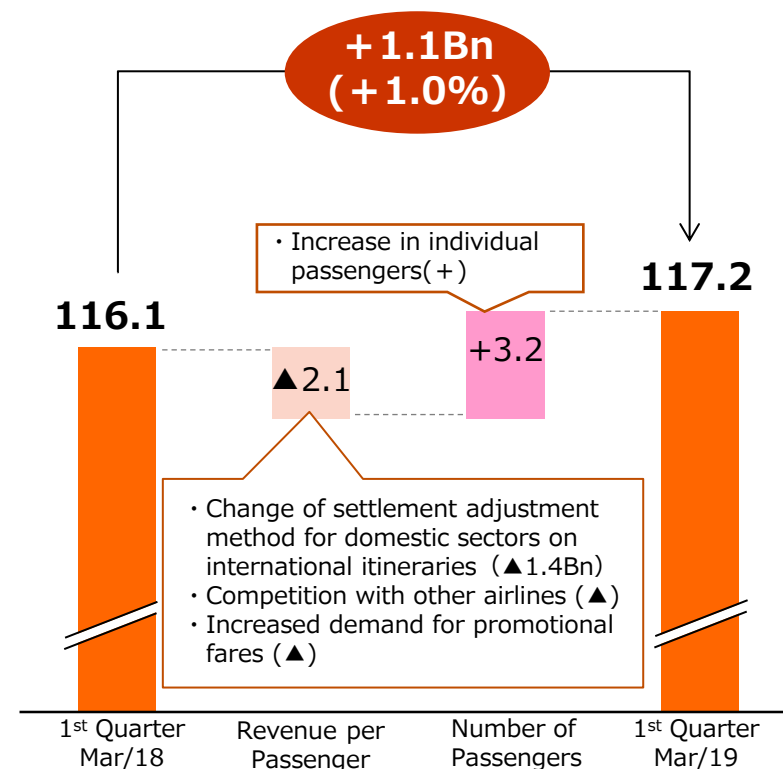
Domestic Passenger

	1st Quarter Mar/18	1st Quarter Mar/19	y/y
Passenger Revenue ⁽¹⁾ (JPY Bn)	116.1	117.2 (118.6)	+1.0% (+2.2%)
Passengers ('000)	8,070	8,297	+2.8%
ASK (MN seat km)	8,820	8,962	+1.6%
RPK (MN passenger km)	6,025	6,153	+2.1%
L/F (%)	68.3%	68.7%	+0.3pt
Revenue per Passenger ^{(1) (2)} (JPY)	14,391	14,137 (14,305)	▲1.8% (▲0.6%)
Yield ^{(1) (3)} (JPY)	19.3	19.1 (19.3)	▲1.1% (+0.1%)
Unit Revenue ^{(1) (4)} (JPY)	13.2	13.1 (13.2)	▲0.6% (+0.6%)

- 1 The effect of the change of the settlement adjustment method for domestic sectors on international itineraries is excluded in the figures in parentheses
- 2 Revenue per Passenger = Passenger Revenue / Passengers
- 3 Yield = Passenger Revenue / RPK
- 4 Unit Revenue= Passenger Revenue / ASK

Change in Revenue

(JPY Bn)



- Next, for domestic routes.
- The number of passenger increased by 2.8% as a result of the increased demand of individual passengers.
- For the revenue per passenger, it appeared to have declined by 1.8%. However, without the deduction of 1.4 billion settlement adjustment, it should have remained nearly at the same level of the year before or a slight decrease of 0.6% despite of the competition with another airline on certain routes.
- The growth of promotional fares is continuing to outpace that of high-yield fares. It appears to decrease the revenue per passenger, however, it brings more revenue in addition to the revenue increase with the expanded capacity.
- The capacity expansion was moderate and the load factor increased. The passenger revenue reached to 117.2 billion yen, up 1% year-on-year.

Major Operating Expense Items



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Operating Expenses

(JPY Bn)	1 st Quarter Mar/18	1 st Quarter Mar/19	Diff.	y/y
Fuel	50.3	60.3	+10.0	+20.0%
Landing and navigation fees	20.1	21.2	+1.1	+5.5%
Maintenance	17.8	18.5	+0.7	+4.2%
Sales commissions (Air Transport)	4.0	4.7	+0.6	+16.9%
Aircraft ⁽¹⁾	26.1	27.4	+1.2	+4.8%
Services ⁽²⁾	9.9	10.8	+0.9	+9.8%
Personnel	70.5	73.7	+3.1	+4.5%
Expenses of travel agency	18.8	19.1	+0.3	+1.7%
Other	72.0	80.8	+8.7 ⁽³⁾	+12.1%
Total Operating Expenses	290.0	317.1	+27.1	+9.3%

ASK y/y : +5.0%

- 1 Aircraft= Aircraft Depreciation+ Aircraft Leases+ Aviation Insurance Premium, etc.
- 2 Services= Expenses regarding inflight services, airport lounges, cargo equipment, etc.
- 3 Includes Passenger Service System related expenses (+4.0Bn)

- Now, I will explain the major operating expense items, which totaled to 317.1 billion yen, up 9.3% year-on-year.
- Without the increase of fuel expense and 4 billion yen of the new system related expenses, the rate of the increase of the remaining expenses was about 5% year-on-year, which was the same as our capacity or demand increased. The 4 billion yen increase of the new IT system is included in the 8.7 billion yen increase in Others expense.
- The total operating expenses remained almost as planned. We will continue to control our cost.

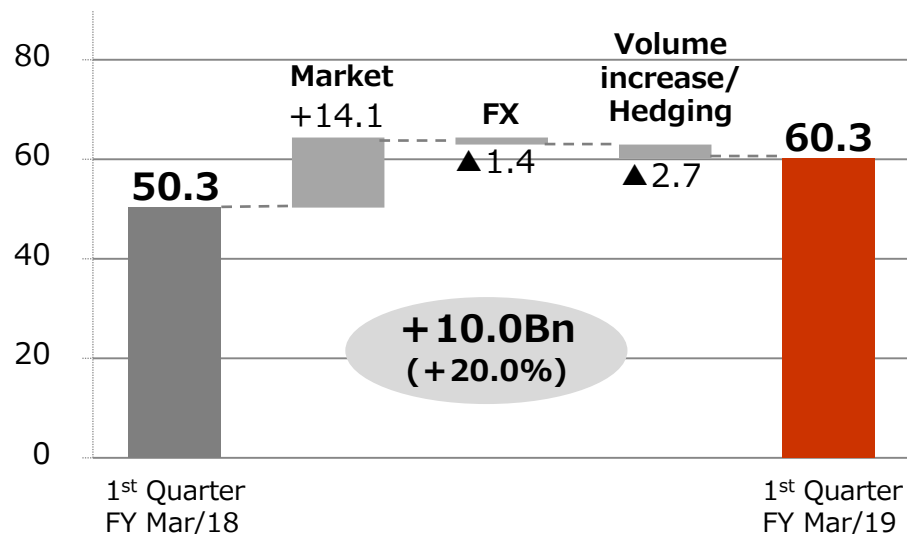
Impact of Fuel and FX Markets



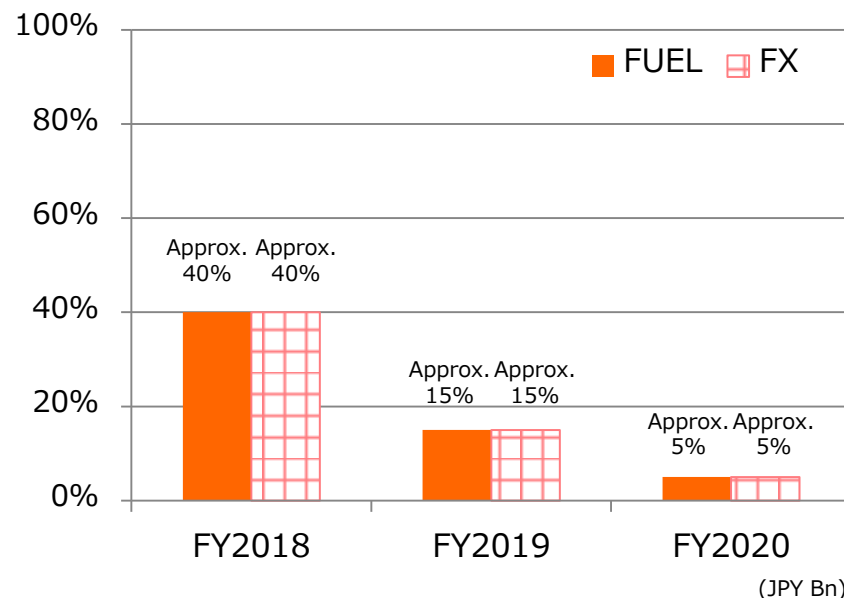
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Transition of Fuel Cost by Factors

(JPY Bn)



Hedge Ratio for Fuel Costs (As of end of June 2018)



Fuel / FX Markets

	1st Quarter FY Mar/18	1st Quarter FY Mar/19	y/y
Singapore Kerosene (USD/bbl)	62.2	84.7	+ 36.2%
Dubai Crude Oil (USD/bbl)	51.3	68.5	+ 33.4%
FX Rate (JPY/USD)	111.0	108.0	▲2.7%

Profit Impact by Fuel and FX Markets From FY2018 2nd Quarter (Inc. Hedging, Fuel Surcharge)

Singapore Kerosene (USD/bbl) FX(JPY/USD)	USD 73	USD 80	USD 85	USD 90
	Forecast			
JPY 115	1.0Bn	0.5Bn	▲4.0Bn	▲2.5Bn
JPY 110	5.0Bn	0.5Bn	0.5Bn	▲2.5Bn
JPY 105	5.5Bn	5.0Bn	1.0Bn	3.0Bn

- I will explain the impact of Fuel and FX Markets.
- The top left graph shows the transition of factors in fuel cost. The top right graph shows the ratio of hedged fuel costs as of the end of June. For this year, nearly 40% of the total fuel costs have been already hedged, which is equivalent to the fuel amount used by domestic routes, in which no fuel surcharge is collected. The same policy will be applied to the next year or later.
- Our hedging policy gradually increases hedging over maximum three years. Having said so, the recent fuel price hike has limited effects on the hedged prices for the following years.
- The right bottom chart shows the impact on the profit of the second quarter or later. The fuel surcharge for August and September has already been fixed. Based on that, the profit impact is estimated. If FX goes at 115 yen as our plan and the fuel price continues to be at the current level, the impact on the profit of the full year will be around 4 billion yen, which can be recovered by revenue increase or expense deduction.

Major Balance Sheet Items and Cash Flow Items



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Balance Sheet (JPY Bn)	End of Mar/18	End of 1st Quarter Mar/19	Diff.
Total Assets ⁽¹⁾	1,853.9	1,878.6	+24.6
Cash and Deposits ⁽²⁾	448.8	420.6	▲28.1
Balance of Interest-bearing Debt ⁽³⁾	125.7	121.7	▲4.0
Future Rental Expenses under Operating Leases	67.4	71.7	+4.2
Shareholders' Equity	1,060.3	1,063.8	+3.5
Shareholders' Equity Ratio(%)	57.2%	56.6%	▲0.6pt
D/E Ratio (x) ⁽⁴⁾	0.1x	0.1x	▲0.0x

1 Total Assets amount as of the end of March, 2018 has been changed due to the revision of the accounting standards and other regulations regarding indication of deferred tax assets and liabilities from FY2018 (It was 1,854.2Bn when disclosed on April 27, 2018)

2 Certificate of Deposits etc. included

3 Accounts Payable-installment Purchase included

4 On-balance sheet Interest-bearing Debt / Shareholders' Equity

Cash Flow (JPY Bn)	1st Quarter Mar/18	1st Quarter Mar/19	Diff.
Cash Flow from Operating Activities	69.9	71.8	+1.9
Depreciation and Amortization	25.5	30.5	+5.0
Cash Flow from Investing Activities ⁽⁵⁾	▲41.8	▲62.1	▲20.3
Capital Investment	▲50.8	▲69.7	▲18.8
Free Cash Flow ⁽⁶⁾	28.1	9.6	▲18.4
Cash Flow from Financing Activities	▲43.3	▲37.5	+5.8
Total Cash Flow ⁽⁷⁾	▲15.2	▲27.9	▲12.6
EBITDA	50.3	55.5	+5.1
EBITDAR	55.2	60.3	+5.0

5 Excluding deposits and withdrawals from deposit accounts

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

- Please be noted that page 9 shows our balance sheet and our cash flows.
- From page 10, please find several references, including Revenue of International Routes by Geographic on page 10 and Number of Aircraft on page 11.
- On Page 12 and 13, there the forecast of FY2018 Earnings, balance sheet and cash flow, which originally disclosed on April 27. There is no change in those forecast.

Revenue of International Routes by Geographic Segment

Passenger Revenue

(%)	y/y	Component Ratio	
	1Q Mar/19	1Q Mar/18	1Q Mar/19
America	+9.9%	28%	26%
Europe	+20.8%	16%	17%
Asia/Oceania	+16.5%	33%	33%
China	+38.4%	10%	11%
Hawaii/Guam	+22.1%	13%	13%
Total	+18.2%	100%	100%

Revenue Passengers Carried

('000)	1Q Mar/18	1Q Mar/19	y/y
America	312	330	+5.9%
Europe	182	182	+0.0%
Asia/Oceania	983	1,045	+6.2%
China	308	393	+27.7%
Hawaii/Guam	251	299	+19.1%
Total	2,038	2,251	+10.5%

ASK

(MN seat km)	1Q Mar/18	1Q Mar/19	y/y
America	3,727	3,859	+3.5%
Europe	1,963	1,930	▲1.7%
Asia/Oceania	4,264	4,737	+11.1%
China	821	853	+3.9%
Hawaii/Guam	1,810	2,125	+17.4%
Total	12,588	13,506	+7.3%

Load Factor

(%)	1Q Mar/18	1Q Mar/19	y/y
America	80.2%	81.8%	+1.7pt
Europe	83.5%	84.9%	+1.3pt
Asia/Oceania	80.9%	80.3%	▲0.6pt
China	70.0%	85.1%	+15.1pt
Hawaii/Guam	79.3%	77.8%	▲1.5pt
Total	80.2%	81.3%	+1.1pt

RPK

(MN passenger km)	1Q Mar/18	1Q Mar/19	y/y
America	2,988	3,158	+5.7%
Europe	1,639	1,638	▲0.1%
Asia/Oceania	3,451	3,804	+10.2%
China	575	726	+26.3%
Hawaii/Guam	1,435	1,653	+15.2%
Total	10,091	10,981	+8.8%

《Reference》 Number of Aircraft



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	End of Mar/18 (March 31, 2018)			End of 1 st quarter Mar/19 (June 30, 2018)			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	10	1	11	12	1	13	+2
Boeing 767-300	6	0	6	6	0	6	-
Boeing 767-300ER	28	1	29	29	0	29	-
Middle-sized Total	69	2	71	72	1	73	+2
Boeing 737-400	8	0	8	7	0	7	▲1
Boeing 737-800	34	23	57	36	22	58	+1
Small-sized Total	42	23	65	43	22	65	-
Embraer 170	17	0	17	18	0	18	+1
Embraer 190	12	0	12	13	0	13	+1
Bombardier D8-400	5	1	6	5	0	5	▲1
Bombardier D8-400CC	5	0	5	5	0	5	-
SAAB340B	10	0	10	9	0	9	▲1
Bombardier D8-300	1	0	1	1	0	1	-
ATR42-600	4	0	4	5	0	5	+1
Regional Total	54	1	55	56	0	56	+1
Total	205	26	231	211	23	234	+3

《Reference》 FY2018 Earnings Forecast

※No change from the figures disclosed on April 27, 2018



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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%

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

Operational Preconditions · Dividend

	※y/y	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%

	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

(JPY)	FY2017	FY2018 (Forecast)
Dividend per share	110	110
Interim Dividend	52.5	55.0
Year-End Dividend	57.5	55.0

《Reference》 FY2018 Earnings Forecast

※No change from the figures disclosed on April 27, 2018



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Balance Sheet

(JPY Bn)	End of FY2017	End of FY2018 (Plan)	Diff.
Total Assets ⁽¹⁾	1,853.9	1,933.0	+79.0
Balance of Interest-bearing debts ⁽²⁾	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 (%) ⁽³⁾	10.1%	9.2%	▲0.9pt
ROE (%) ⁽⁴⁾	13.3%	10.1%	▲3.2pt
ROA (%) ⁽⁵⁾	9.7%	8.8%	▲0.9pt

- 1 Total Assets amount as of the end of FY2017 has been changed due to the revision of the accounting standards and other regulations regarding indication of deferred tax assets and liabilities from FY2018 (It was 1,854.2Bn when disclosed on April 27, 2018)
- 2 Accounts Payable-installment Purchase included
- 3 Net Operating Profit After Tax (NOPAT) / Fixed Asset (incl. Future Rental Expenses under Operating Leases)
- 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)

Cash Flow

(JPY Bn)	FY2017	FY2018 (Plan)	Diff.
Cash Flow from Operating Activities	281.5	271.0	▲10.5
Cash Flow from Investing Activities ⁽⁶⁾	▲180.1	▲220.0	▲39.8
Free Cash Flow ⁽⁷⁾	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 ⁽⁸⁾	150.0
Replacement investments ⁽⁹⁾	87.0

6 Exclude deposits and withdrawals from deposit accounts

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

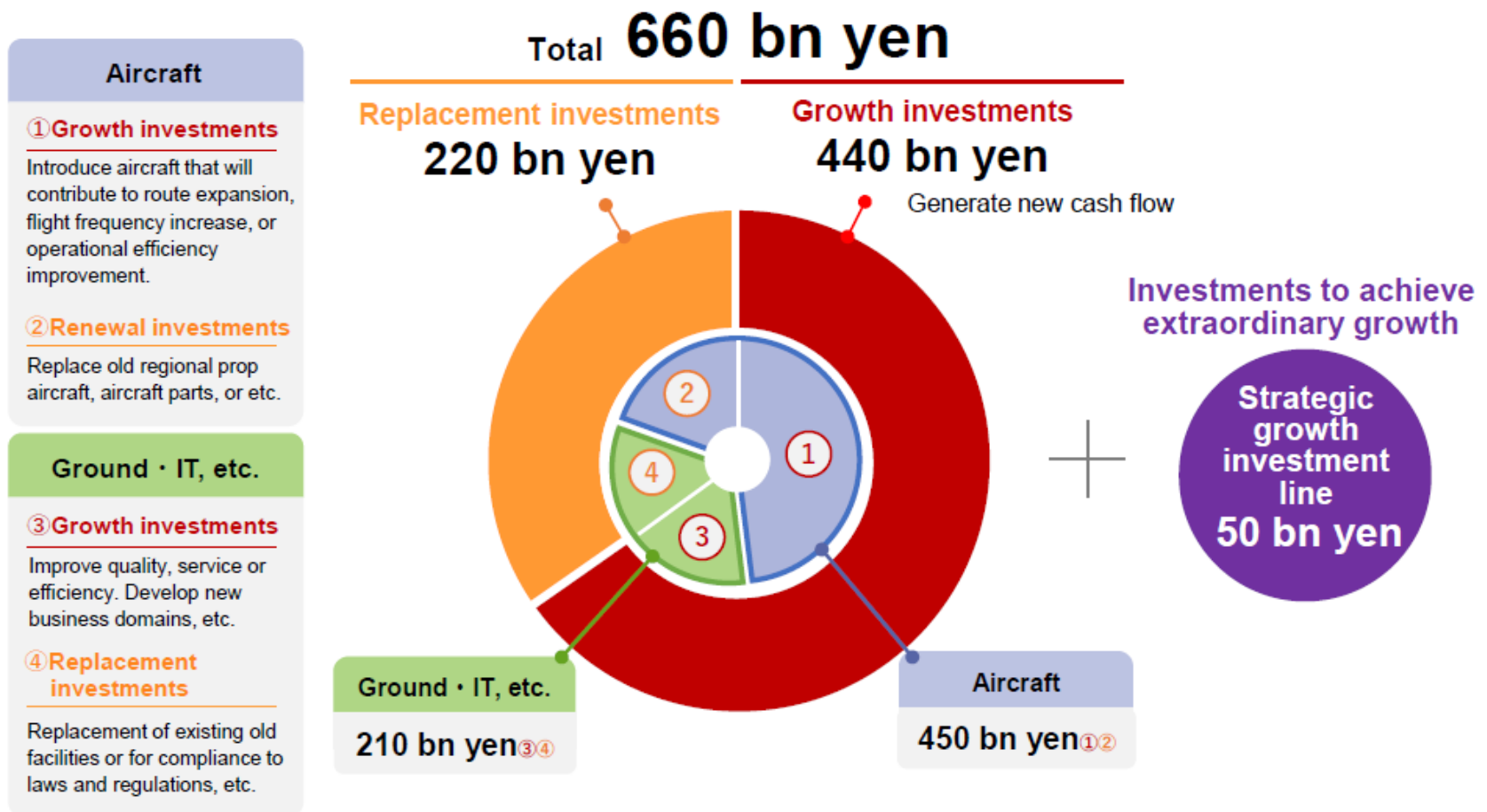
8 Growth investments = i.e., Introduction of aircraft that will contribute route expansion, flight frequency increase, or operational efficiency improvement, Improvement of quality, service or efficiency, or Development of new business domains.

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

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**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

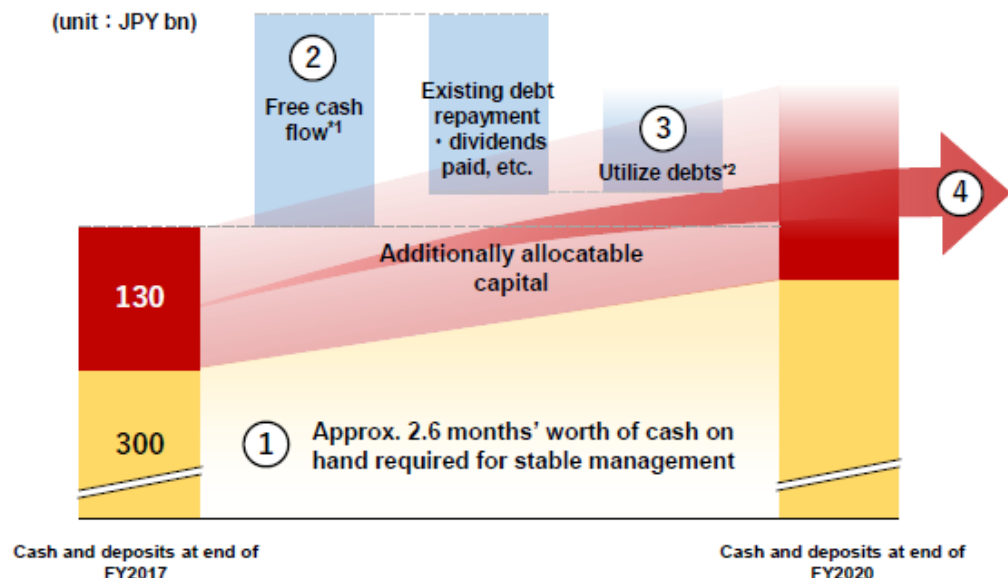


We will strategically allocate capital to increase corporate value, while maintaining a firm financial structure as well as high capital efficiency at the same time

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

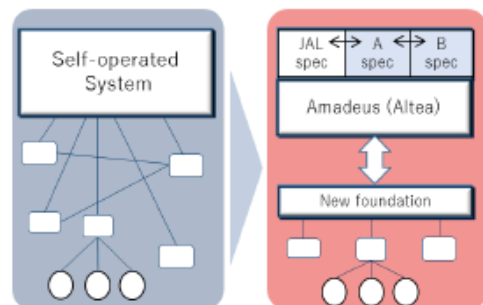


※Originally disclosed on February 28, 2018

JAPAN AIRLINES

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

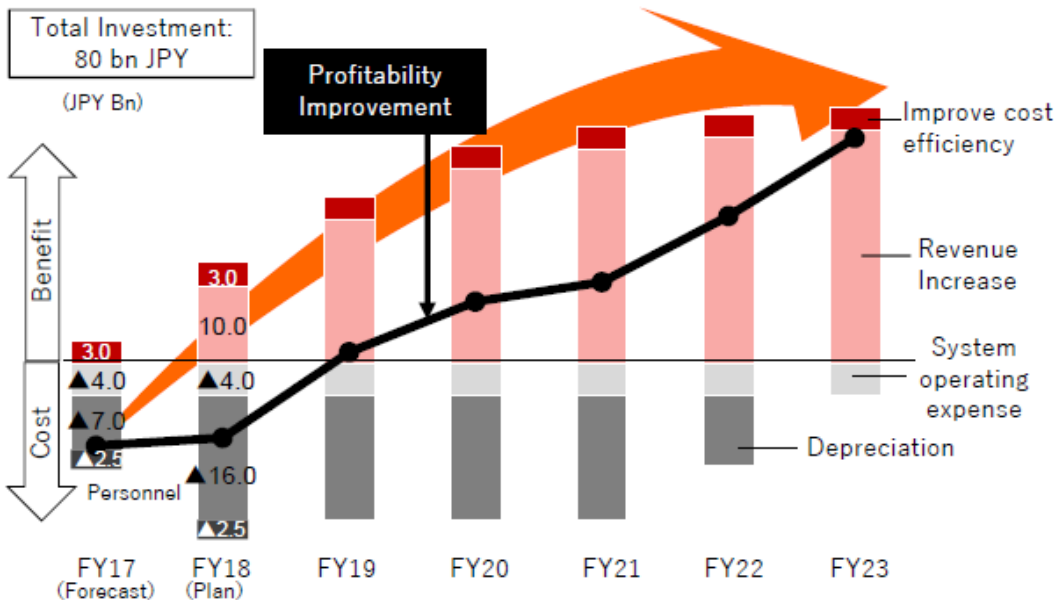
The improved overseas websites

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

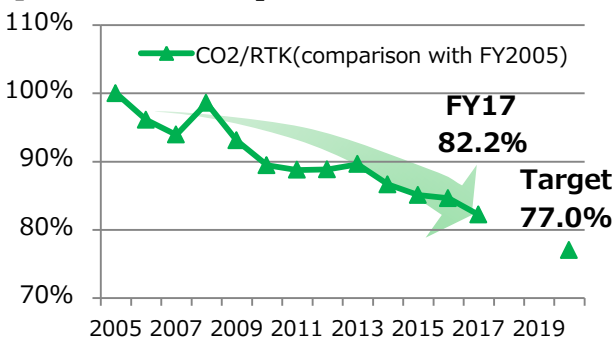


Environmental

Low-Carbon Initiatives :

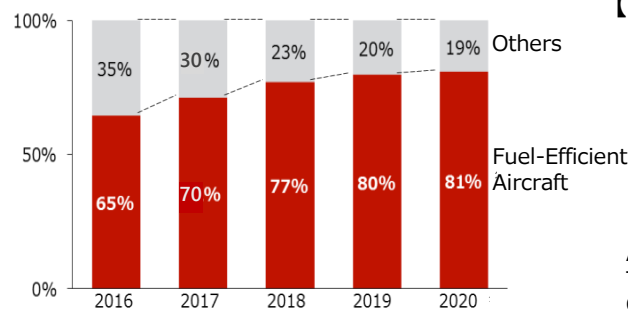
- Introduce fuel-efficient aircraft and aim for eco-friendly operation
- Continue atmospheric observations : Over 30 years of atmospheric observations with aircraft (gathered data available to the public)

【CO2 Emissions】



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

【Portion of “Fuel-Efficient Aircraft”】

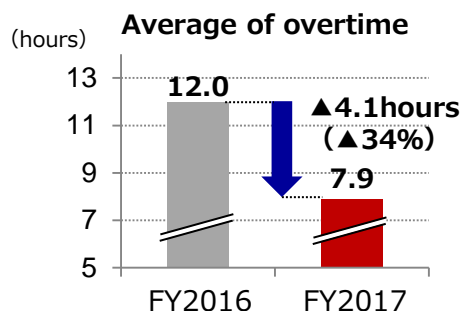


Applicable Aircraft : A350,787,777,737-800,E170/190
~2017 : Result, 2018~: Plan

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 x
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.

Fly into tomorrow.



JAPAN AIRLINES

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