

JAPAN AIRLINES Co., Ltd.

Financial Results

2nd Quarter Mar/2019 (FY2018)



October 31, 2018



OVERVIEW OF FINANCIAL RESULTS FOR 1ST HALF MAR/19

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REVISED CONSOLIDATED FINANCIAL FORECAST FOR MAR/19

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DETAILS OF FINANCIAL RESULTS FOR 1ST HALF MAR/19

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GOOD DESIGN AWARD
2017年度受賞

※JAL Corporate Website



※The Award for Passenger
Service System Project



2018 Award for Excellence
in Corporate Disclosure
— Industries —

 The Securities Analysts
Association of Japan

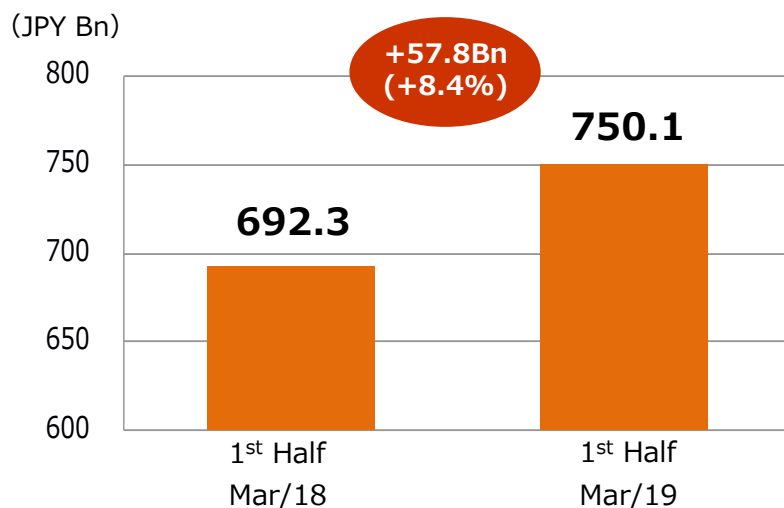
Overview of Financial Results for 1st Half Mar/19



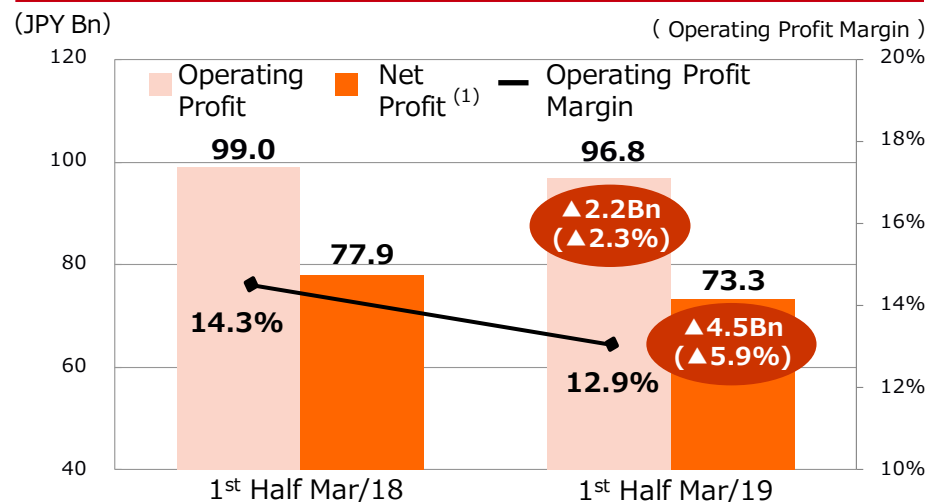
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- ✓ **An increase in operating revenue and a slight decline in operating profit were recorded** in the second-quarter of the fiscal year ending March 31, 2019, through capacity expansion and higher unit revenue attributable to the new passenger service system, in spite of temporary negative impacts of natural disasters such as typhoons and earthquakes.

Operating Revenue



Operating profit · Net profit



1 Profit attributable to owners of parent.

Fuel /FX Markets

	1 st Half Mar/18	1 st Half Mar/19	y/y
Singapore Kerosene (USD/bbl)	61.1	85.9	+40.7%
Dubai Crude Oil (USD/bbl)	49.7	70.8	+42.3%
FX Rate (JPY/USD)	111.0	109.5	▲1.4%

Operational Precondition/ASK

1 st Half Mar/19 (y/y)		
International Routes	Domestic Routes	Total
+6.9%	+0.5%	+4.3%

- ✓ Announced network expansion to meet growing demand
- ✓ Established a preparatory company for the new international low-cost carrier (LCC) business
- ✓ Provided swift supports to natural disaster recovery
- ✓ Pursue sustainable growth in considerations of the global environment

NETWORK

New Routes

- ✓ **Launch Haneda – Manila**
(2019.2.1~)



- ✓ **Launch Narita – Seattle**
(2019.3.31~)



Code share flight (operated by BA)

- ✓ **Start KIX(OSAKA) – LONDON**
(2019.3.31~)

Alliances

- ✓ **Hawaiian Airlines**

- Filed an application for antitrust immunity for a joint business (2018.6)



- ✓ **China Eastern Airlines**

- Filed an applications for antitrust immunity for a joint business (2018.10)



- ✓ **Garuda Indonesia**

- Agreed on comprehensive partnership including a possible joint business in the future (2018.9)
- Launch codeshare flights (2018.10)



- ✓ **Vietjet**

- Launch codeshare flights (2018.10)



- ✓ **Alaska Airlines**

- expand codeshare flights to 50 cities in North America upon JAL's Seattle route launch



Recovery Support

- Offered inbound campaign fares on international flights to/from KIX
- Offered "Support Sakitoku" fares, etc. to recover leisure demand to Hokkaido
- Set lower fares for "JAL Japan Explorer Pass" as a limited-time offer

Expand & Improve Service on Hawai'i Routes

- Renewed inflight meals
- Expanded and renovated airport lounges
- Launched early check-in service at partner hotels
- Introduced self-check-in kiosks, etc.

Preparations to Establish a New LCC

- Established LCC preparatory company T.B.L. Co., Ltd. (2018.7.31)
- Started flight crew recruitment (2018.10~)

Biojet Fuel

- ✓ **Initiatives to promote practical use of biojet fuels**

- Invested in biojet fuel production company (2018.9) (planning to use from 2021)
- Operate flights using Japan-made biojet fuel made from used clothing (target year by 2020)



Sustainable Procurement

- ✓ **Proactively promote ESG with business partners**

- Promote ESG through "Sedex" and "Sustainable Procurement Code" of the Tokyo 2020 Olympic and Paralympic Games.



FY2018 Earnings Forecast



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- ✓ **Operating revenue forecast has been revised up**, considering situations up to the second-quarter, temporary negative impacts of natural disasters and expected revenues throughout this fiscal year.
- ✓ **Profit forecast will remain unchanged and higher profit over the previous year will be aimed** despite recent rising fuel price
- ✓ **Projected dividend remains unchanged** and **interim dividend is 55 yen per share**.

(JPY Bn)		FY2017	FY2018		Diff. (Y/Y)	Forecast Diff.
		Results	Previous Forecast ⁽¹⁾	New Forecast		
Operating Revenue		1,383.2	1,455.0	1,488.0	+104.7	+33.0
	International Passenger ⁽²⁾	462.9	515.0	540.0	+77.0	+25.0
	Domestic Passenger ⁽²⁾	518.2	520.0	523.0	+4.7	+3.0
	Cargo / Mail	92.0	94.0	100.0	+7.9	+6.0
	Other	310.0	326.0	325.0	+14.9	▲1.0
Operating Expense		1,208.6	1,288.0	1,321.0	+112.3	+33.0
	Fuel	215.2	241.0	263.0	+47.7	+22.0
	Excluding Fuel	993.4	1,047.0	1,058.0	+64.5	+11.0
Operating Profit		174.5	167.0	167.0	▲7.5	-
Operating Profit Margin (%)		12.6%	11.5%	11.2%	▲1.4pt	▲0.3pt
Ordinary Profit		163.1	156.0	156.0	▲7.1	-
Net Profit ⁽³⁾		135.4	110.0	110.0	▲25.4	-
Unit Cost (JPY) ⁽⁴⁾		10.1	10.2	10.3	+0.2	+0.1
ROIC ⁽⁵⁾		10.1%	9.2%	9.1%	▲1.0pt	▲0.1pt
Dividends per share(JPY)		110	110	110	-	-
	Interim Dividends	52.5	55.0	55.0	-	-
	Year-End Dividends	57.5	55.0	55.0	-	-

	FY2017	FY2018	
	Result	Previous Forecast ⁽¹⁾	New Forecast
Singapore Kerosene (USD/bbl)	67.8	73.0	90.5 (2nd half 95.0)
Dubai Crude Oil (USD/bbl)	54.9	61.0	74.9 (2nd half 79.0)
FX Rate (JPY/USD)	111.2	115.0	112.3 (2nd half 115.0)

		FY2018 (y/y)	
		Previous Forecast ⁽¹⁾	New Forecast
ASK	International Flights	+6.8%	+6.2%
	Domestic Flights	+1.8%	+1.2%
	Total	+4.8%	+4.1%
RPK	International Flights	+6.4%	+7.2%
	Domestic Flights	+1.2%	+0.8%
	Total	+4.4%	+4.8%

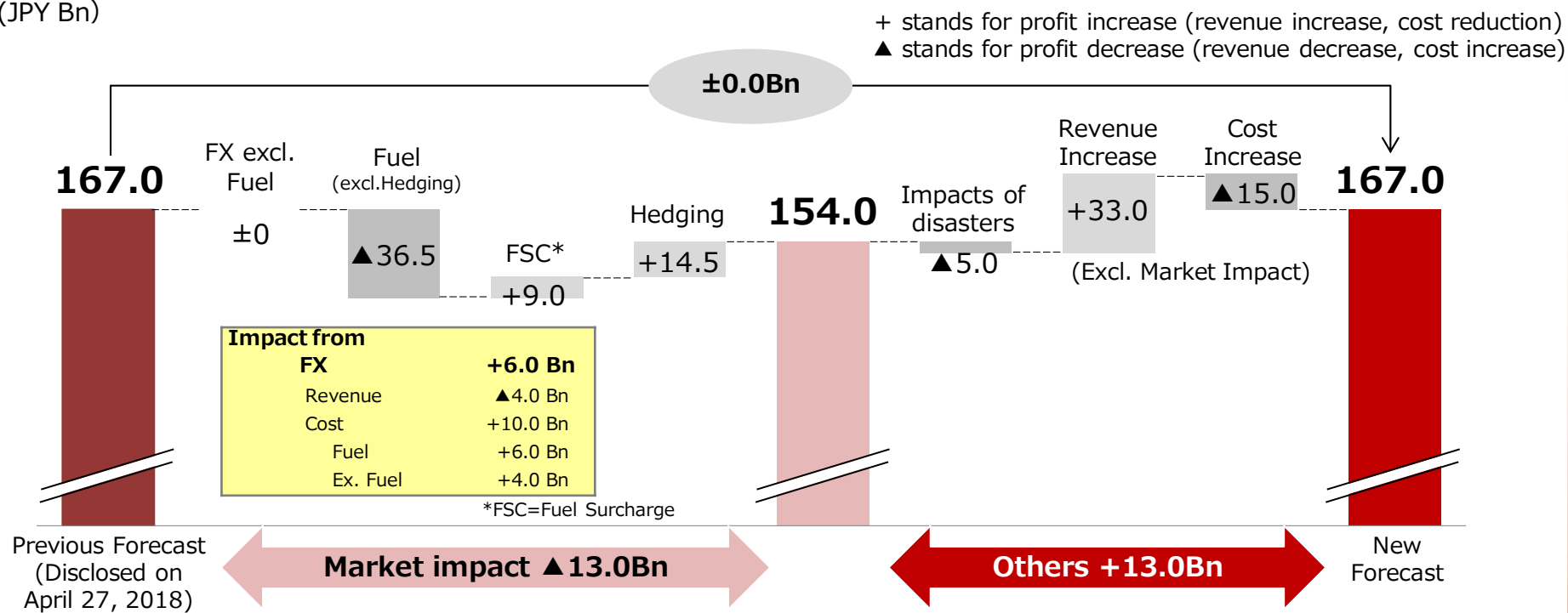
1. Disclosed on April 27, 2018
2. Including a change of settlement adjustment method for domestic sectors on international itineraries (INT+6.0Bn, DOM▲6.0Bn)
3. Net profit attributable to owners of the parent
4. Unit Cost = Air Transportation Segment Operating Cost (excluding fuel cost) / ASK
5. Net Operating Profit After Tax (NOPAT) /Fixed Asset (incl. Future Rental Expenses under Operating Leases)

FY2018 Earnings Forecast (Change in Operating profit)



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(JPY Bn)



Profit Impact by Fuel and FX Markets From FY2018 3rd Quarter (Inc. Hedging, Fuel Surcharge)

Singapore Kerosene (USD/bbl)	USD 80	USD 90	USD 95	USD 100
FX(JPY/USD)				
JPY 120	+6.0Bn	+0.5Bn	▲1.5Bn Forecast	▲3.0Bn
JPY 115	+8.0Bn	+3.5Bn	0.0Bn	▲1.5Bn
JPY 110	+10.0Bn	+5.5Bn	+3.5Bn	+2.0Bn

Preconditions/ International Passenger Fuel Surcharge

	October 1, 2018 ~ January 31, 2019	February 1, 2019 ~ March 31, 2019
Outbound	Zone JPY 9,000	Zone JPY 9,000
Inbound	Zone USD 80	Zone USD 80
Remarks	Already Determined	Depends on the market conditions of Oct. to Nov.

If fuel price and exchange rate remain at "95 US dollars per barrel of Singapore kerosene and 115 yen per US dollar," we expect fuel surcharge to be at "outbound 10,000 yen Zone and inbound 90 US dollar Zone", which is higher than our current assumption.

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Consolidated Financial Results



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Consolidated Financial Results 1st Half Mar/19

(JPY Bn)	1 st Half Mar/18	1 st Half Mar/19	Diff.	y/y	2 nd Quarter (Jul-Sep) ⁽⁵⁾	Diff.	y/y
Operating Revenue	692.3	750.1	+57.8	+8.4%	408.0	+30.5	+8.1%
Air Transportation Segment	627.3	682.8	+55.5	+8.9%	369.8	+28.3	+8.3%
Operating Expense	593.2	653.3	+60.1	+10.1%	336.1	+33.0	+10.9%
Air Transportation Segment	536.1	594.3	+58.1	+10.8%	302.9	+30.6	+11.3%
Operating Profit	99.0	96.8	▲2.2	▲2.3%	71.9	▲2.4	▲3.3%
Air Transportation Segment	91.1	88.5	▲2.5	▲2.8%	66.9	▲2.2	▲3.3%
Operating Profit Margin (%)	14.3%	12.9%	▲1.4pt	-	17.6%	▲2.1pt	-
Ordinary Profit	97.6	94.2	▲3.4	▲3.5%	71.1	▲1.9	▲2.7%
Net Profit ⁽¹⁾	77.9	73.3	▲4.5	▲5.9%	55.8	▲2.5	▲4.4%
ASK (MN seat km)	43,600	45,476	+1,875	+4.3%	23,007	+815	+3.7%
RPK (MN passenger km)	33,710	35,609	+1,899	+5.6%	18,475	+881	+5.0%
EBITDA Margin (%) ⁽²⁾	21.8%	21.2%	▲0.6pt	-	25.3%	▲1.3pt	-
EBITDAR Margin (%) ⁽³⁾	23.2%	22.5%	▲0.7pt	-	26.5%	▲1.4pt	-
Unit Cost (JPY) ⁽⁴⁾	10.0	10.3	+0.4	+3.6%	10.3	+0.4	+4.0%
Incl. Fuel	12.3	13.1	+0.8	+6.3%	13.2	+0.9	+7.3%

1 Net Income Attributable to owners of parent

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

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

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

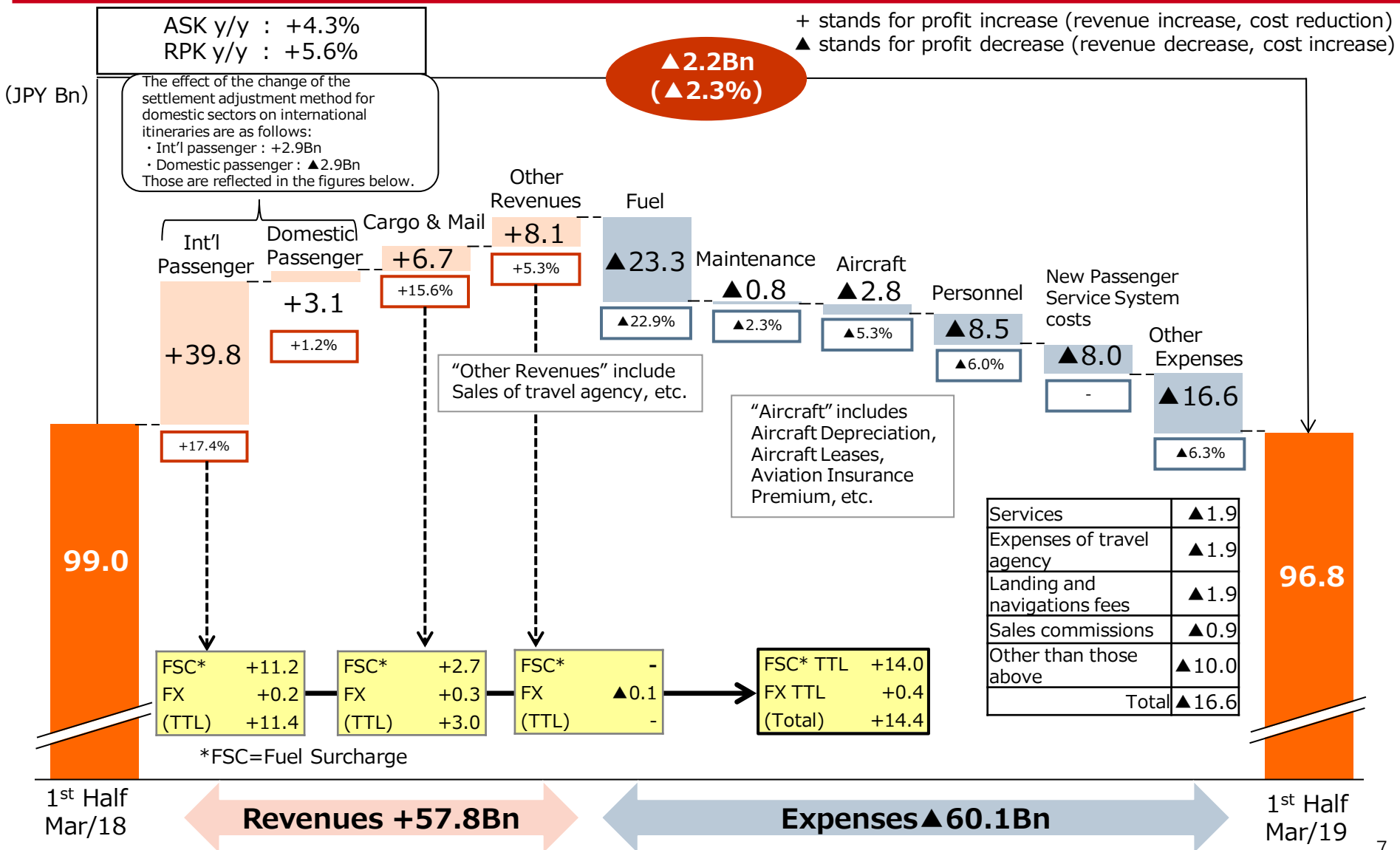
5 The results for 2Q (July to September) are calculated by deducting the results of 1Q (April to June) from 1H (April to September)

Changes in Operating Profit (Revenues / Expenses)



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1st Half Mar/19



Changes in Operating Profit (Market / Others)



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1st Half Mar/19

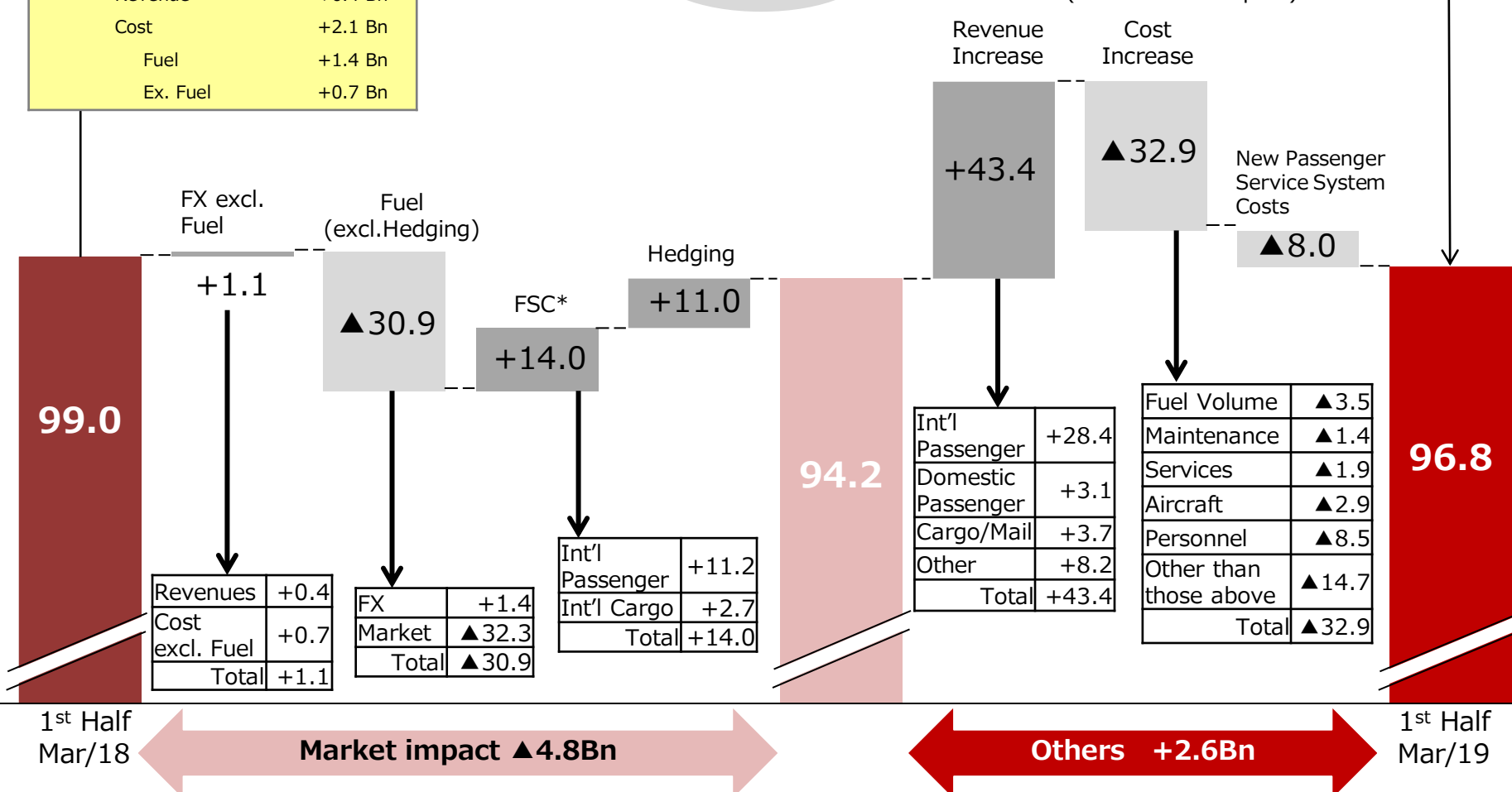
(JPY Bn)

Impact from	
Currency Market	+2.6 Bn
Revenue	+0.4 Bn
Cost	+2.1 Bn
Fuel	+1.4 Bn
Ex. Fuel	+0.7 Bn

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

▲2.2Bn
 (▲2.3%)

(Excl. Market Impact)



*FSC=Fuel Surcharge

International Passenger Operations



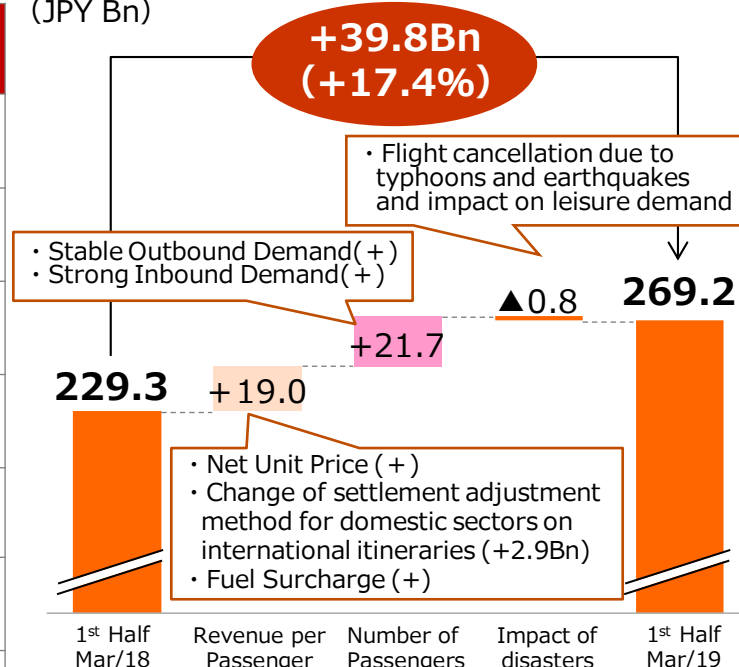
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International Passenger

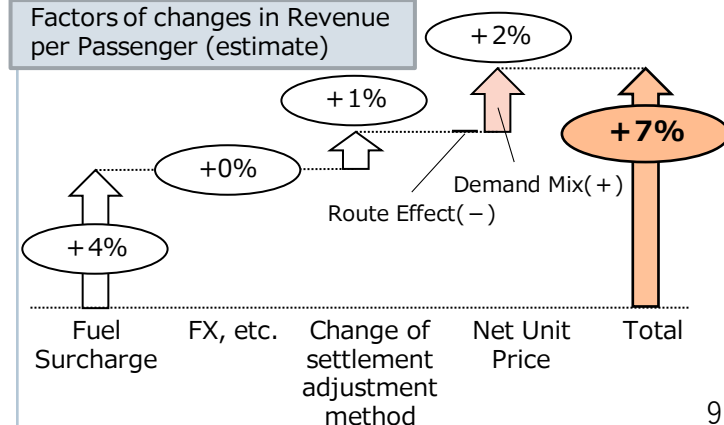
	1st Half Mar/18	1st Half Mar/19	y/y	2nd Quarter (Jul-Sep) ⁽⁵⁾	y/y
Passenger Revenue ⁽¹⁾ (JPY Bn)	229.3	269.2 (266.3)	+17.4% (+16.1%)	144.3 (142.8)	+16.7% (+15.4%)
Passengers ('000)	4,210	4,605	+9.4%	2,353	+8.4%
ASK (MN seat km)	25,619	27,399	+6.9%	13,892	+6.6%
RPK (MN passenger km)	20,766	22,572	+8.7%	11,591	+8.6%
L/F (%)	81.1%	82.4%	+1.3pt	83.4%	+1.5pt
Revenue per Passenger ⁽¹⁾⁽²⁾ (JPY)	54,471	58,459 (57,825)	+7.3% (+6.2%)	61,346 (60,699)	+7.7% (+6.5%)
Yield ⁽¹⁾⁽³⁾ (JPY)	11.0	11.9 (11.8)	+8.0% (+6.8%)	12.5 (12.3)	+7.4% (+6.3%)
Unit Revenue ⁽¹⁾⁽⁴⁾ (JPY)	9.0	9.8 (9.7)	+9.8% (+8.6%)	10.4 (10.3)	+9.4% (+8.3%)

Change in Revenue

(JPY Bn)



Factors of changes in Revenue per Passenger (estimate)



- 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
- 5 The results for 2Q (July to September) is calculated by deducting the results of 1Q(April to June) from 1H (April to September)

Domestic Passenger Operations



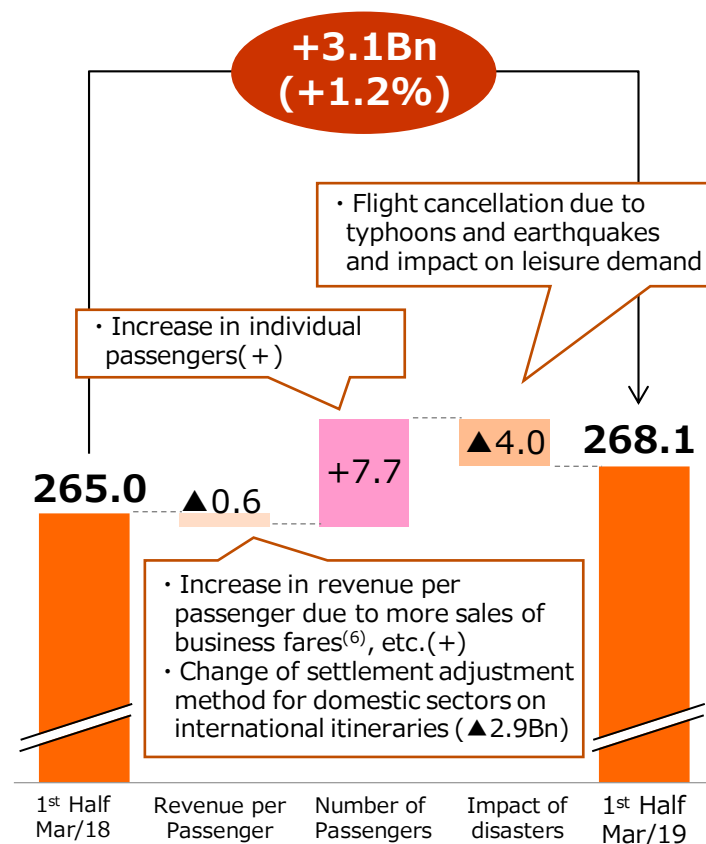
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Domestic Passenger

	1st Half Mar/18	1st Half Mar/19	y/y	2nd Quarter (Jul-Sep) ⁽⁵⁾	y/y
Passenger Revenue ⁽¹⁾ (JPY Bn)	265.0	268.1 (271.0)	+1.2% (+2.3%)	150.8 (152.3)	+1.3% (+2.3%)
Passengers ('000)	17,170	17,408	+1.4%	9,110	+0.1%
ASK (MN seat km)	17,980	18,076	+0.5%	9,114	▲0.5%
RPK (MN passenger km)	12,943	13,037	+0.7%	6,883	▲0.5%
L/F (%)	72.0%	72.1%	+0.1pt	75.5%	+0.0pt
Revenue per Passenger ⁽¹⁾⁽²⁾ (JPY)	15,435	15,403 (15,570)	▲0.2% (+0.9%)	16,555 (16,723)	+1.2% (+2.2%)
Yield ⁽¹⁾⁽³⁾ (JPY)	20.5	20.6 (20.8)	+0.5% (+1.5%)	21.9 (22.1)	+1.8% (+2.8%)
Unit Revenue ⁽¹⁾⁽⁴⁾ (JPY)	14.7	14.8 (15.0)	+0.6% (+1.7%)	16.5 (16.7)	+1.8% (+2.9%)

Change in Revenue

(JPY Bn)



- The effect of the change of the settlement adjustment method for domestic sectors on international itineraries is excluded in the figures in parentheses
- Revenue per Passenger = Passenger Revenue / Passengers
- Yield = Passenger Revenue / RPK
- Unit Revenue= Passenger Revenue / ASK
- The results for 2Q (July to September) is calculated by deducting the results of 1Q(April to June) from 1H (April to September)
- Business Fares: Normal Fares, Round-trip Discount, Coupon Tickets Business Kippu and Tokubin Waribiki

The New Passenger Service System



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The Effect during FY18 1st Half
13 billion yen (estimated as maximum)

International flights : 9.0 Bn yen

Domestic flights : 4.0 Bn yen

Improvement of Load Factor

Y/Y

International:
+1.3pt
Domestic:
+0.1pt

Improvement of Yield⁽¹⁾

Y/Y

International:
+2%
Domestic:
+2%

Improvement of Unit Revenue ⁽¹⁾

Y/Y

International:
+4%
Domestic:
+2%

The new passenger service system

Main functional enhancements

Major Improvements

(Six months ended September 30, 2017=100)

INT

Improved Functions of Overseas Websites

- Fare/Class Display
- Multilingual services

Revenue Increase from Inbound Business Class and Premium Economy Class Sales

Ref. Total revenue of above classes purchased at overseas websites
 (Excluding fuel surcharge)

FY17:100
FY18:152

Reservation Control by Itinerary, instead of by a Single Flight

Captured more transit passengers

Ref. Revenue through overall transit passengers
 (Excluding fuel surcharge)

FY17:100
FY18:138

More Precise and Advanced Revenue Management

Reservation Forecasts with Greater Precision

Ref. Revenue from high-yield business fares⁽²⁾ in domestic passenger

FY17:100
FY18:103

DOM

1 Fuel surcharge, FX, the effect of the change of settlement adjustment method for domestic sectors on international itineraries and etc. are excluded.

2 Business Fares: Normal Fares, Round-trip Discount, Coupon Tickets Business Kippu and Tokubin Waribiki

Major Operating Expense Items



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Operating Expenses

(JPY Bn)	1 st Half Mar/18	1 st Half Mar/19	Diff.	y/y	2 nd Quarter (Jul-Sep) ⁽³⁾	Diff.	y/y
Fuel	101.9	125.3	+23.3	+22.9%	64.9	+13.3	+25.8%
Landing and navigation fees	41.2	43.2	+1.9	+4.7%	21.9	+0.8	+3.9%
Maintenance	35.8	36.7	+0.8	+2.3%	18.1	+0.0	+0.5%
Sales commissions (Air Transport)	8.5	9.4	+0.9	+10.8%	4.7	+0.2	+5.2%
Aircraft ⁽¹⁾	52.8	55.6	+2.8	+5.3%	28.1	+1.5	+5.8%
Services ⁽²⁾	20.7	22.6	+1.9	+9.4%	11.7	+0.9	+9.0%
Personnel	141.7	150.3	+8.5	+6.0%	76.5	+5.3	+7.5%
Expenses of travel agency	43.8	45.7	+1.9	+4.4%	26.5	+1.6	+6.5%
Other	146.3	164.1	+17.7 ⁽⁴⁾	+12.2%	83.3	+9.0	+12.2%
Total Operating Expenses	593.2	653.3	+60.1	+10.1%	336.1	+33.0	+10.9%

ASK y/y : +4.3%

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 2Q (July to September) is calculated by deducting the results of 1Q(April to June) from 1H (April to September)

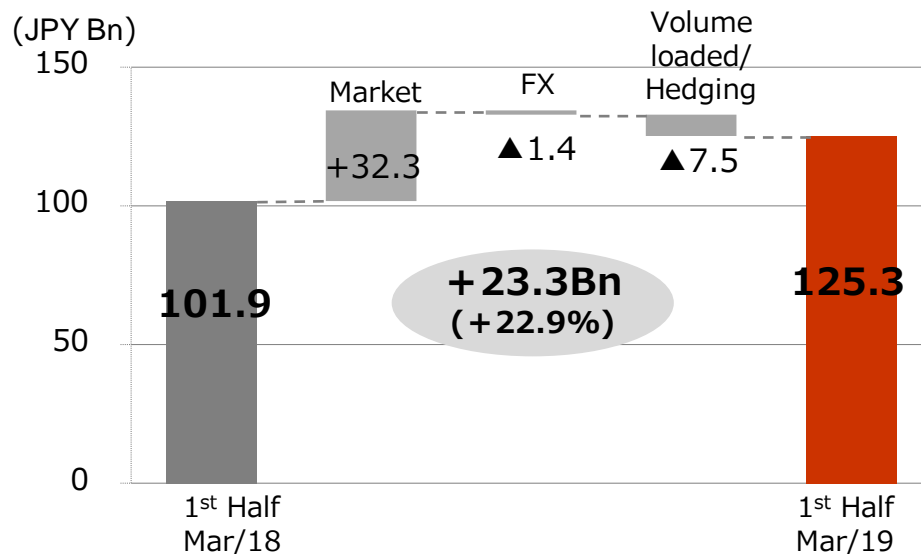
4 Includes Passenger Service System related expenses (+8.0Bn)

Impact of Fuel and FX Markets

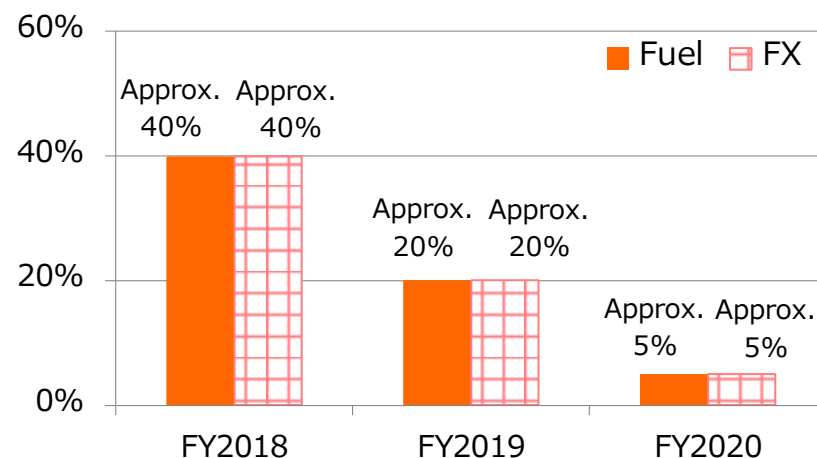


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Transition of Fuel Cost by Factors



Hedging Ratio for Fuel Costs (as of end of September 2018)



Fuel / FX Markets

	1st Half Mar/18	1st Half Mar/19	y/y
Singapore Kerosene (USD/bbl)	61.1	85.9	+40.7%
Dubai Crude Oil (USD/bbl)	49.7	70.8	+42.3%
FX Rate (JPY/USD)	111.0	109.5	▲1.4%

Sensitivity for Fuel Costs

Increase in fuel costs at times of higher fuel prices and weaker yen (Mar/19)

Crude Oil (Change in 1 USD/bbl)	JPY 2.7 Bn Per Year
FX (Change in 1 JPY/USD)	JPY2.1 Bn Per Year

※Without hedging

Major Balance Sheet Items and Cash Flow Items



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Balance Sheet (JPY Bn)	End of Mar/18	End of 1 st Half Mar/19	Diff.
Total Assets ⁽¹⁾	1,853.9	1,943.1	+89.1
Cash and Deposits ⁽²⁾	448.8	451.1	+2.3
Balance of Interest-bearing Debt ⁽³⁾	125.7	129.6	+3.8
Future Rental Expenses under Operating Leases	67.4	68.8	+1.3
Shareholders' Equity	1,060.3	1,124.5	+64.2
Shareholders' Equity Ratio (%)	57.2%	57.9%	+0.7pt
D/E Ratio (x) ⁽⁴⁾	0.1x	0.1x	▲0.0x

Cash Flow (JPY Bn)	1 st Half Mar/18	1 st Half Mar/19	Diff.
Cash Flow from Operating Activities	159.1	150.2	▲8.8
Depreciation and Amortization	51.6	61.8	+10.2
Cash Flow from Investing Activities ⁽⁵⁾	▲95.8	▲118.0	▲22.1
Capital Investment	▲108.4	▲128.4	▲20.0
Free Cash Flow ⁽⁶⁾	63.2	32.2	▲30.9
Cash Flow from Financing Activities	▲49.4	▲30.5	+18.9
Total Cash Flow ⁽⁷⁾	13.7	1.7	▲11.9
EBITDA	150.6	158.6	+7.9
EBITDAR	160.6	168.4	+7.8

◆ Issued straight bonds as part of debt utilization

September 21, 2018			
Serial No.	Term	Issued amount	Coupon rate
3rd	10 year bond	10.0 JPY Bn	0.399%
4th	20 year bond	10.0 JPY Bn	0.960%

- 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

- 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

Revenue of International Routes by Geographic Segment

Passenger Revenue

(%)	1st Half y/y	2nd Quarter y/y	Proportion of whole Int'l		2nd Quarter
			Mar/18 1st Half	Mar/19 1st Half	
America	+9.4%	+9.0%	28%	26%	25%
Europe	+19.6%	+18.7%	17%	18%	18%
Asia/Oceania	+16.3%	+16.0%	31%	30%	29%
China	+36.2%	+34.4%	10%	12%	12%
Hawaii/Guam	+19.3%	+17.4%	14%	14%	16%
Total	+17.4%	+16.7%	100%	100%	100%

ASK

(MN seat km)	1st Half			2nd Quarter	
	Mar/18	Mar/19	y/y	Mar/19	y/y
America	7,512	7,779	+3.6%	3,920	+3.6%
Europe	4,067	4,004	▲1.6%	2,074	▲1.5%
Asia/Oceania	8,613	9,558	+11.0%	4,821	+10.9%
China	1,645	1,711	+4.0%	858	+4.2%
Hawaii/Guam	3,780	4,345	+14.9%	2,219	+12.7%
Total	25,619	27,399	+6.9%	13,892	+6.6%

Revenue Passengers Carried

('000)	1st Half			2nd Quarter	
	Mar/18	Mar/19	y/y	Mar/19	y/y
America	635	678	+6.7%	347	+7.4%
Europe	379	386	+1.8%	204	+3.5%
Asia/Oceania	1,980	2,102	+6.2%	1,057	+6.1%
China	686	810	+18.1%	417	+10.3%
Hawaii/Guam	527	626	+18.7%	327	+18.4%
Total	4,210	4,605	+9.4%	2,353	+8.4%

RPK

(MN passenger km)	1st Half			2nd Quarter	
	Mar/18	Mar/19	y/y	Mar/19	y/y
America	6,076	6,471	+6.5%	3,313	+7.3%
Europe	3,398	3,456	+1.7%	1,817	+3.4%
Asia/Oceania	6,984	7,691	+10.1%	3,886	+10.0%
China	1,274	1,497	+17.5%	771	+10.3%
Hawaii/Guam	3,033	3,455	+13.9%	1,802	+12.8%
Total	20,766	22,572	+8.7%	11,591	+8.6%

Load Factor for Revenue Passengers

(%)	1st Half			2nd Quarter	
	Mar/18	Mar/19	y/y	Mar/19	y/y
America	80.9%	83.2%	+2.3pt	84.5%	+2.9pt
Europe	83.5%	86.3%	+2.8pt	87.6%	+4.1pt
Asia/Oceania	81.1%	80.5%	▲0.6pt	80.6%	▲0.6pt
China	77.4%	87.5%	+10.0pt	89.9%	+5.0pt
Hawaii/Guam	80.2%	79.5%	▲0.7pt	81.2%	+0.1pt
Total	81.1%	82.4%	+1.3pt	83.4%	+1.5pt

《 References 》

Number of Aircraft



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	End of Mar/18 (March 31, 2018)			End of 1st Half Mar/19 (September 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	13	1	14	+3
Boeing 767-300	6	0	6	6	0	6	-
Boeing 767-300ER	28	1	29	29	0	29	-
Middle-sized Total	69	2	71	73	1	74	+3
Boeing 737-400	8	0	8	6	0	6	▲2
Boeing 737-800	34	23	57	38	21	59	+2
Small-sized Total	42	23	65	44	21	65	-
Embraer 170	17	0	17	18	0	18	+1
Embraer 190	12	0	12	14	0	14	+2
Bombardier D8-400	5	1	6	3	0	3	▲3
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	4	1	5	+1
Regional Total	54	1	55	54	1	55	-
Total	205	26	231	211	23	234	+3

《 References 》 FY2018 (Mar/19) Revised Forecast



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Balance Sheet

(JPY Bn)	End of FY2017	End of FY2018		Diff.
	Results	Previous Forecast ⁽¹⁾	New Forecast	
Total Assets ⁽²⁾	1,853.9	1,933.0	1,959.0	+26.0
Balance of Interest-bearing debts ⁽³⁾	125.7	164.0	146.0	▲18.0
Future Rental Expenses under Operating Leases	67.4	64.0	84.0	+20.0
Shareholders' Equity	1,060.3	1,122.0	1,140.0	+18.0
Shareholders' Equity Ratio (%)	57.2%	58.0%	58.2%	+0.1pt
ROIC (%) ⁽⁴⁾	10.1%	9.2%	9.1%	▲0.1pt
ROE (%) ⁽⁵⁾	13.3%	10.1%	10.0%	▲0.1pt
ROA (%) ⁽⁶⁾	9.7%	8.8%	8.8%	▲0.1pt

Cash Flow

(JPY Bn)	FY2017	FY2018		Diff.
	Results	Previous Forecast ⁽¹⁾	New Forecast	
Cash Flow from Operating Activities	281.5	271.0	271.0	-
Cash Flow from Investing Activities ⁽⁷⁾	▲180.1	▲220.0	▲204.0	+16.0
Free Cash Flow ⁽⁸⁾	101.3	51.0	67.0	+16.0
Cash Flow from Financing Activities	▲55.8	▲15.0	▲35.0	▲20.0
EBITDA	285.4	291.0	291.0	-
EBITDAR	305.4	307.0	309.0	+2.0

- 1 Disclosed on April 27, 2018
- 2 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)
- 3 Accounts Payable-installment Purchase included
- 4 Net Operating Profit After Tax (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)

Investment

(JPY Bn)	FY2017	FY2018		Diff.
	Results	Previous Forecast ⁽¹⁾	New Forecast	
Fleet	168.2	172.0	183.0	+11.0
Ground · IT, etc.	43.7	65.0	61.0	▲4.0
Total	211.9	237.0	244.0	+7.0

Growth Investment ⁽⁹⁾	164.0
Replacement investment ⁽¹⁰⁾	80.0

- 7 Exclude deposits and withdrawals from deposit accounts
- 8 Cash Flow from Operating Activities + Cash Flow from Investing Activities
- 9 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.
- 10 Replacement investments = i.e., Replacement of existing old facilities or for compliance to laws and regulations.

International Passenger Operations

	FY2017	FY2018	y/y (%)		
	Results	Forecast	Full-year (Forecast)	1 st Half (Result)	2 nd Half (Forecast)
Passenger Revenue ⁽¹⁾ (JPY Bn)	462.9	540.0 (534.0)	+16.8% (+15.5%)	+17.4% (+16.1%)	+16.2% (+14.8%)
Passengers ('000)	8,585	9,239	+7.6%	+9.4%	+5.9%
ASK (MN seat km)	51,836	55,030	+6.2%	+6.9%	+5.4%
RPK (MN passenger km)	42,013	45,042	+7.2%	+8.7%	+5.8%
L/F (%)	81.0%	81.8%	81.8%	82.4%	81.3%
Revenue per Passenger ⁽¹⁾⁽²⁾ (JPY)	53,919	58,522 (57,847)	+8.5% (+7.3%)	+7.3% (+6.2%)	+9.7% (+8.4%)
Yield ⁽¹⁾⁽³⁾ (JPY)	11.0	12.0 (11.9)	+8.9% (+7.7%)	+8.0% (+6.8%)	+9.9% (+8.6%)
Unit Revenue ⁽¹⁾⁽⁴⁾ (JPY)	8.9	9.8 (9.7)	+10.0% (+8.8%)	+9.8% (+8.6%)	+10.3% (+8.9%)

1 The effect of the change of the settlement adjustment method for domestic sectors on international itineraries is excluded in the figures in parentheses (INT + 6.0Bn, DOM ▲ 6.0Bn)

2 Revenue per Passenger = Passenger Revenue / Passengers

3 Yield = Passenger Revenue / RPK

4 Unit Revenue=Passenger Revenue / ASK

Domestic Passenger Operations

	FY2017	FY2018	y/y (%)		
	Results	Forecast	Full-year (Forecast)	1 st Half (Result)	2 nd Half (Forecast)
Passenger Revenue ⁽¹⁾ (JPY Bn)	518.2	523.0 (529.0)	+0.9% (+2.1%)	+1.2% (+2.3%)	+0.6% (+1.9%)
Passengers ('000)	34,033	34,521	+1.4%	+1.4%	+1.5%
ASK (MN seat km)	35,714	36,132	+1.2%	+0.5%	+1.8%
RPK (MN passenger km)	25,643	25,858	+0.8%	+0.7%	+1.0%
L/F (%)	71.8%	71.6%	71.6%	72.1%	71.0%
Revenue per Passenger ⁽¹⁾⁽²⁾ (JPY)	15,227	15,147 (15,327)	▲0.5% (+0.7%)	▲0.2% (+0.9%)	▲0.9% (+0.4%)
Yield ⁽¹⁾⁽³⁾ (JPY)	20.2	20.2 (20.5)	+0.1% (+1.3%)	+0.5% (+1.5%)	▲0.3% (+0.9%)
Unit Revenue ⁽¹⁾⁽⁴⁾ (JPY)	14.5	14.5 (14.6)	▲0.3% (+0.9%)	+0.6% (+1.7%)	▲1.2% (+0.1%)

1 The effect of the change of the settlement adjustment method for domestic sectors on international itineraries is excluded in the figures in parentheses (INT + 6.0Bn, DOM ▲ 6.0Bn)

2 Revenue per Passenger = Passenger Revenue / Passengers

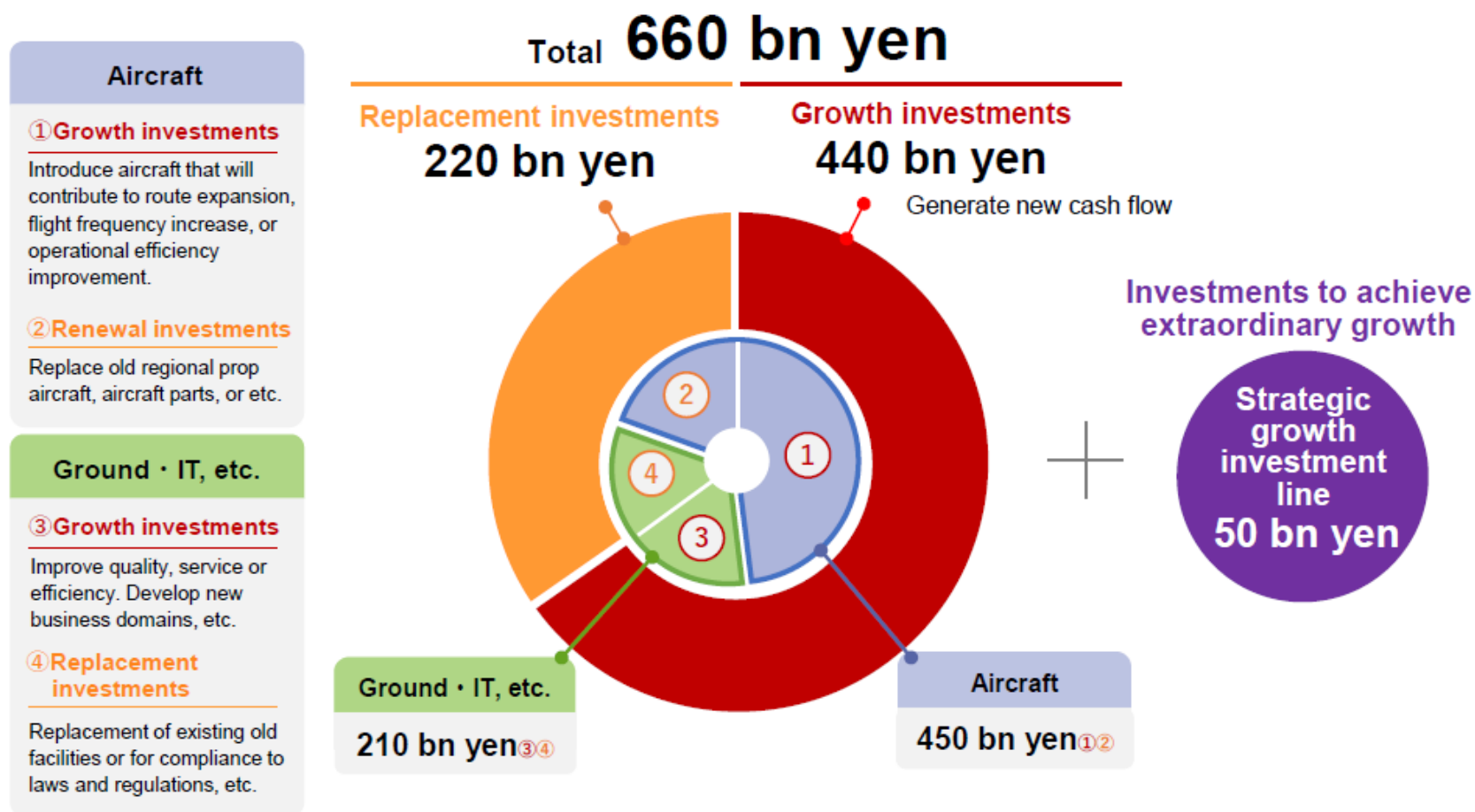
3 Yield = Passenger Revenue / RPK

4 Unit Revenue = Passenger Revenue / ASK

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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

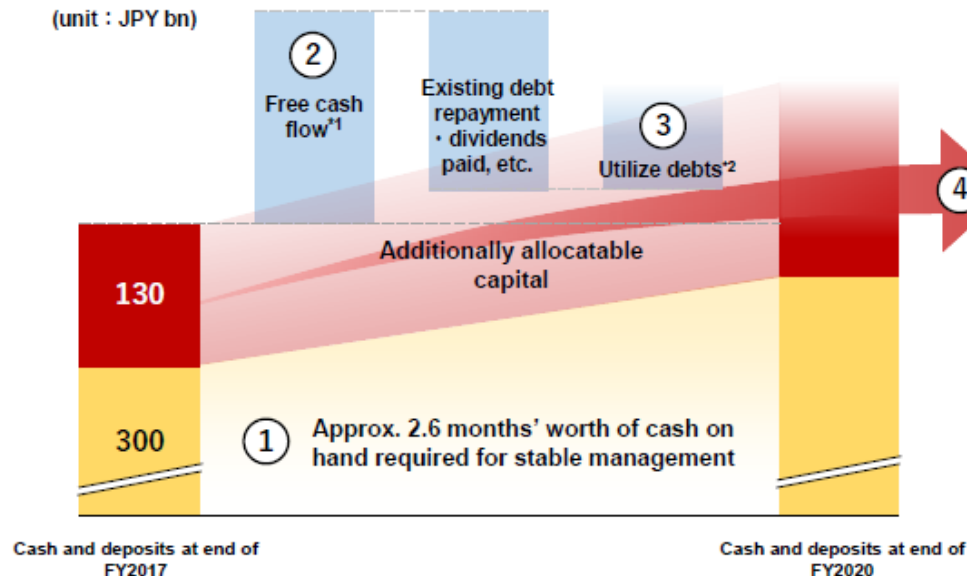


We will strategically allocate capital to increase corporate value, while maintaining a firm financial structure as well as high capital efficiency at the same time

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

Fly into tomorrow.



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Disclaimer



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