

JAPAN AIRLINES Co., Ltd. Financial Results 3rd Quarter Mar/2019 (FY2018)



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OVERVIEW OF FINANCIAL RESULTS FOR 3RD QUARTER MAR/19

P.1



REVISED CONSOLIDATED FINANCIAL FORECAST FOR MAR/19

P.3



DETAILS OF FINANCIAL RESULTS FOR 3RD QUARTER MAR/19

P.5

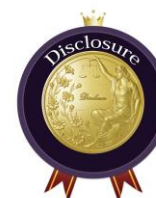


REFERENCES

P.17



※The Award for Passenger
Service System Project



2018 Award for Excellence
in Corporate Disclosure

— Industries —



The Securities Analysts
Association of Japan

- Now, I will present the overview of the third-quarter financial results for the fiscal year ending March 31, 2019.

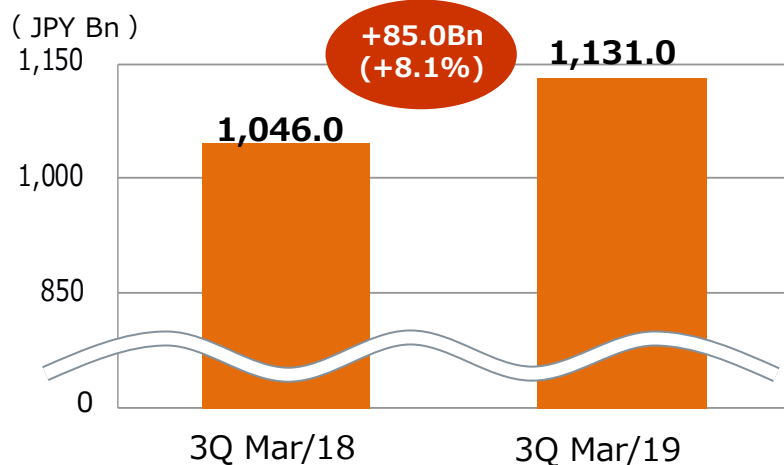
Overview of Financial Results for 3rd Quarter Mar/19



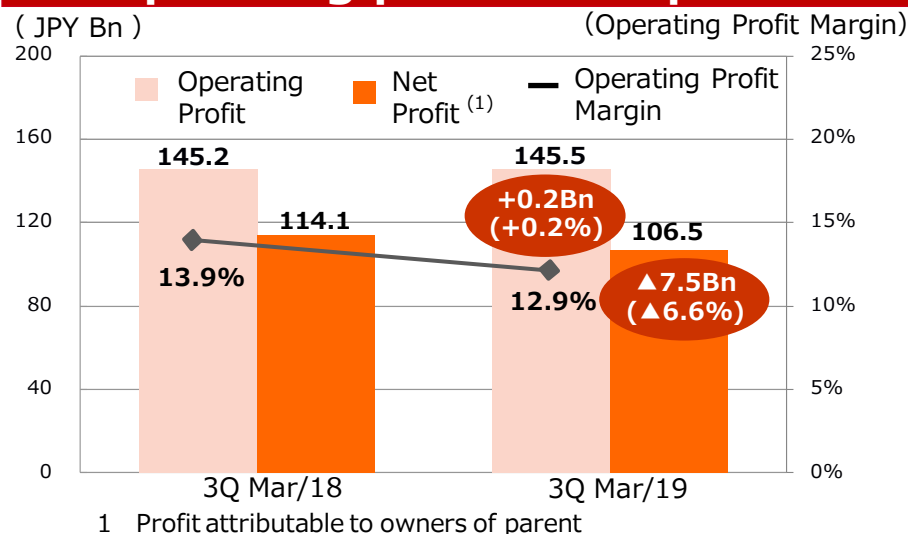
JAPAN AIRLINES

- ✓ Achieved profit growth with growing revenue by capturing passenger demand through capacity expansion and the new system

Operating Revenue



Operating profit · Net profit



Fuel/FX Markets

	3Q MAR/18	3Q MAR/19	y/y
Singapore Kerosene (USD/bbl)	64.1	87.3	+36.2%
Dubai Crude Oil (USD/bbl)	52.0	71.9	+38.3%
FX Rate (JPY/USD)	111.4	110.4	▲0.9%

Operational Precondition/ASK

3rd Quarter Mar/19 (y/y)		
International Routes	Domestic Routes	Total
+6.2%	+1.0%	+4.1%

- Now, I will present the overview of the third-quarter financial results for the fiscal year ending March 31, 2019.
- Operating revenue was 8.1% up year-on-year by 85 billion yen to 1 trillion and 131 billion yen.
- Operating profit increased by 0.2 billion yen, 0.2% up year-on-year, to 145.5 billion yen. Net profit was down 6.6% year-on-year to 106.5 billion yen. Operating profit margin became 12.9% accordingly.
- Through appropriate capacity expansion to meet robust passenger demand and yield increase by our new passenger system, both passenger traffic and revenue per passenger increased over the previous year at the same time, and we achieved higher profit.

- ✓ Take thorough actions to rebuild our safety management system based on the Business Improvement Order
- ✓ Pursue greater convenience & comfort for customers through enhanced networks and new aircraft
- ✓ Contribute to society through challenges to stay one step ahead in creating values through new businesses

Full Service Carrier Business

International flight

- ✓ **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~)

- ✓ **Narita – Moscow flight Increase**
• 4 weekly → 7 weekly (2019.3.31~)



- ✓ **Narita – Chicago Seasonal Increase**
• 7 weekly → 11 weekly
(2019.6.8~2019.9.3)



- ✓ **Launch Narita – Bengaluru**
(~First Half of 2020)



Domestic flight

- ✓ **Introduce Airbus A350-900**
• Introduce on HND=FUK route and expand onto other routes (2019.9~)



- ✓ **Introduce Boeing 787-8**
• Introduce mainly on HND=OSA (ITM) routes (2019 fall~)

New Businesses

- ✓ **Issued Travel Prepaid Card 「JAL Global WALLET」**
 - Issued travel prepaid cards from JAL Payment Port Co., Ltd. (2018.11)
- ✓ **Established Corporate Venture Capital Fund firm**
 - Establishment of 「Japan Airlines Innovation Fund」 (2019.1) (Total amount of investment: 70 million USD)
 - Investment and collaborative supports for domestic and international startups in travel & transportation or lifestyle business

Enter Business/Private Jet Business

- Establishment of 「JAL Business Aviation Co., Ltd.」 (2019.1)
 - JAL investment: 76.5 million yen, 51% ownership
 - 2019.4 Launch operations (planned)



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- I will explain about recent topics.
- JAL was issued a “Business Improvement Order” by the Ministry of Land, Infrastructure, Transport and Tourism last December. In addition to implementing prevention measures, we will dig deeper to uncover problems rooted in organizations and the corporate climate to rebuild our safety system for regaining public trust.
- For international operations, in our release on January 23, a new flight service to Bengaluru in India, daily flights to Moscow, and additional flights to Chicago were disclosed. In addition to Haneda=Manila flight and Narita=Seattle flight that we have already disclosed, we would like to improve and strengthen our network to capture strong outbound demand from Japan and growing inbound demand as well as transit demand.
- For domestic operations, a new type of aircraft, Airbus 350-900 will fly between Haneda and Fukuoka from this coming September. Also, Boeing 787-8 will be put into the domestic market. Please enjoy the new type of aircraft with state-of-the-art cabin facilities.
- For a new business domain, “Japan Airlines Innovation Fund” and entrance to private jet business has been disclosed. Through the new fund, we would like to invest start-up companies in new mobility service and travel experience for further value creation.

FY2018 Earnings Forecast



JAPAN AIRLINES

- ✓ Raised operating profit forecast to 175 billion yen, resulting in profit growth, taking into account Q3 results, recent fuel prices and revenue forecasts

(JPY Bn)		FY2017	FY2018		Diff. (Y/Y)	Forecast Diff.
		Results	Previous Forecast ⁽¹⁾	New Forecast		
Operating Revenue		1383.2	1,488.0	1,488.0	+104.7	-
International Passenger ⁽²⁾	Domestic Passenger ⁽²⁾	462.9	540.0	534.0	+71.0	▲6.0
	Cargo / Mail	518.2	523.0	527.0	+8.7	+4.0
	Other	92.0	100.0	101.0	+8.9	+1.0
		310.0	325.0	326.0	+15.9	+1.0
Operating Expense		1,208.6	1,321.0	1,313.0	+104.3	▲8.0
Fuel	Fuel	215.2	263.0	251.0	+35.7	▲12.0
	Excluding Fuel	993.4	1,058.0	1,062.0	+68.5	+4.0
Operating Profit		174.5	167.0	175.0	+0.4	+8.0
Operating Profit Margin (%)		12.6%	11.2%	11.8%	▲0.9pt	+0.5pt
Ordinary Profit		163.1	156.0	161.0	▲2.1	+5.0
Net Profit ⁽³⁾⁽⁴⁾		135.4	110.0	138.0	+2.5	+28.0
Unit Cost (JPY) ⁽⁵⁾		10.1	10.3	10.4	+0.3	+0.1
ROIC ⁽⁶⁾		10.1%	9.1%	9.5%	▲0.6pt	+0.4pt
Dividends per share(JPY)		110	110	110	-	-
Interim Dividends		52.5	55.0	55.0	-	-
Year-End Dividends		57.5	55.0	55.0	-	-

Fuel /FX Markets

	FY2017	FY2018	
	Result	Previous Forecast ⁽¹⁾	New Forecast
Singapore Kerosene (USD/bbl)	67.8	90.5 (2nd half 95)	83.9 (4Q 74)
Dubai Crude Oil (USD/bbl)	54.9	74.9 (2nd half 79)	68.7 (4Q 59)
FX Rate (JPY/USD)	111.2	112.3 (2nd half 115)	110.8 (4Q 112)

1. Disclosed on October 31, 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. Expect to record deferred tax income of approximately 20.0 billion yen at the end of FY2018 (The effect of deferred income taxes will be deducted from dividend calculation)
5. Unit Cost = Air Transportation Segment Operating Cost (excluding fuel cost) / ASK
6. Net Operating Profit After Tax (NOPAT) /Fixed Asset (incl. Future Rental Expenses under Operating Leases)

- I will explain about earnings forecast for 2018.
- We reviewed our earnings forecast for fiscal 2018, taking into account the third-quarter results and recent exchange rate and fuel price estimates, and today we have disclosed our revised earnings forecast.
- Operating revenue remains the same as the previous forecast. However, we raised our estimates for operating profit by 8 billion yen to 175 billion yen, ordinary profit by 5 billion yen to 161 billion yen, and net profit by 28 billion yen to 138 billion yen reflecting differed tax effects.

Revised Consolidated Financial Forecast for Mar/19 (Change in Operating profit)

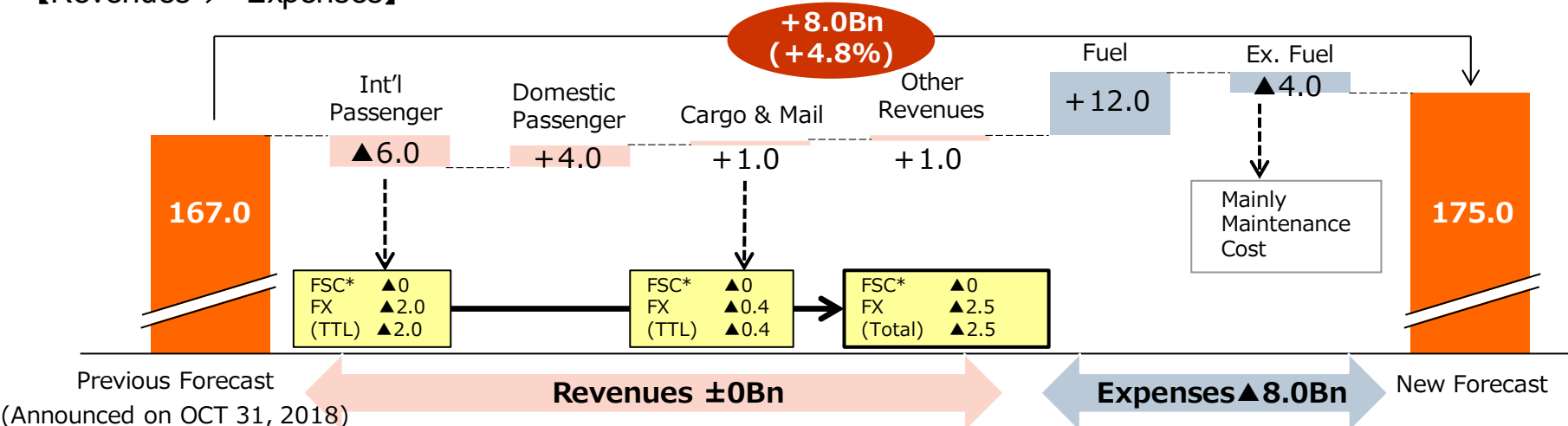


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(JPY Bn)

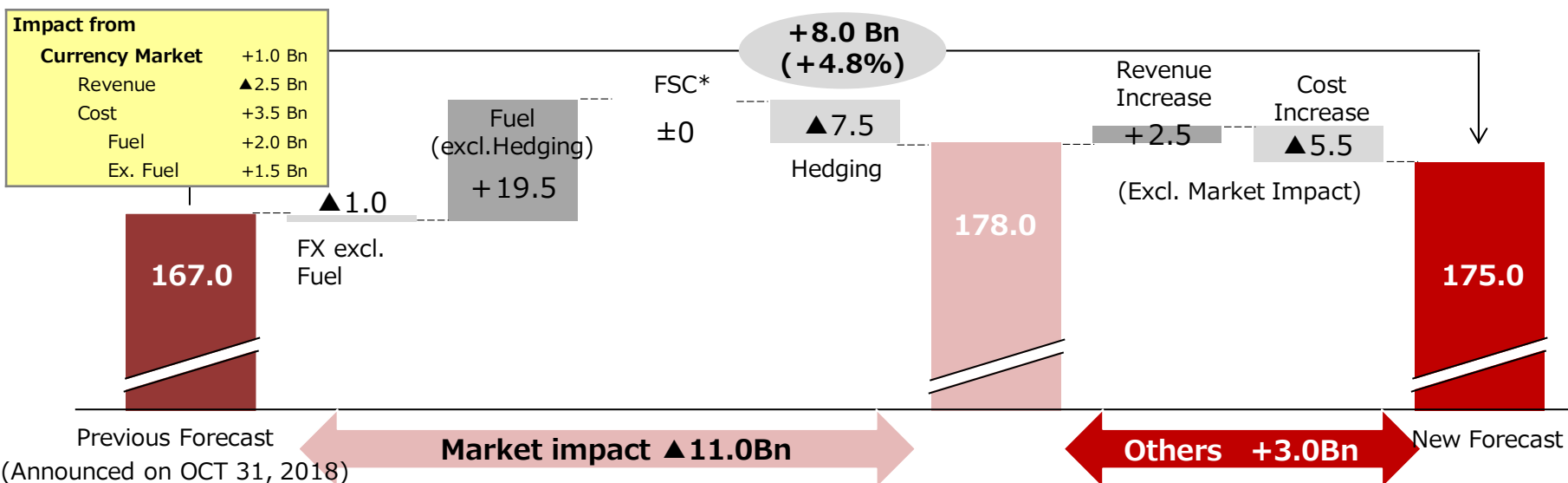
【Revenues / Expenses】

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



【Market / Others】

*FSC=Fuel Surcharge



- The graph at the top shows the financial results broken down in revenues and expenses.
- Regarding revenues, passenger demand was strong in general. However, as passenger and cargo demand from China in this third quarter gradually slowed down, we conservatively calculated demand forecasts for the fourth quarter. As a result, international passenger revenue is expected to decline by 6 billion yen from the previous forecast. Domestic passenger revenue is expected to increase by 4 billion yen. Therefore, the operating revenue will remain the same as the previous forecast.
- As for expenses, taking into account the recent fuel prices and exchange rates, fuel costs are expected to be 12 billion yen lower than the previous forecast. Other costs excluding fuel costs, mainly maintenance costs, are expected to increase approximately by 4 billion yen. As a result, the outlook is the total expense decline of 8 billion yen.
- As a result of the above, we revised up our operating profit by 8 billion yen from the previous forecast of 167 billion yen to 175 billion yen.
- The bottom graph shows the breakdown by fuel and foreign exchange market conditions and the others.
- With two more months to go, we will do our best to achieve the profit target of 18 billion yen in our Mid –Term Management Plan.

Consolidated Financial Results



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Consolidated Financial Results 3rd Quarter Mar/19

(JPY Bn)	3Q FY2017	3Q FY2018	Diff.	y/y ratio	3 rd Quarter (Oct-Dec) ⁽⁵⁾	Diff.	y/y ratio
Operating Revenue	1,046.0	1,131.0	+85.0	+8.1%	380.8	+27.1	+7.7%
Air Transportation Segment	950.5	1,032.1	+81.5	+8.6%	349.2	+26.0	+8.0%
Operating Expense	900.8	985.5	+84.7	+9.4%	332.2	+24.6	+8.0%
Air Transportation Segment	816.2	898.2	+81.9	+10.0%	303.8	+23.8	+8.5%
Operating Profit	145.2	145.5	+0.2	+0.2%	48.6	+2.5	+5.5%
Air Transportation Segment	134.3	133.9	▲0.3	▲0.3%	45.3	+2.2	+5.1%
Operating Profit Margin (%)	13.9%	12.9%	▲1.0pt	-	12.8%	▲0.3pt	-
Ordinary Profit	142.1	138.5	▲3.5	▲2.5%	44.3	▲0.1	▲0.4%
Net Profit ⁽¹⁾	114.1	106.5	▲7.5	▲6.6%	33.1	▲2.9	▲8.2%
ASK (MN seat km)	65,724	68,395	+2,671	+4.1%	22,919	+795	3.6%
RPK (MN passenger km)	50,876	53,516	+2,639	+5.2%	17,906	+739	4.3%
EBITDA Margin (%) ⁽²⁾	21.6%	21.1%	▲0.5pt	-	20.9%	▲0.4pt	-
EBITDAR Margin (%) ⁽³⁾	23.0%	22.4%	▲0.7pt	-	22.2%	▲0.5pt	-
Unit Cost (JPY) ⁽⁴⁾	10.0	10.3	+0.3	+3.1%	10.4	+0.2	+2.3%
Incl. Fuel	12.4	13.1	+0.7	+5.7%	13.3	+0.6	+4.7%

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 and Amortization + Aircraft Leases

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

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

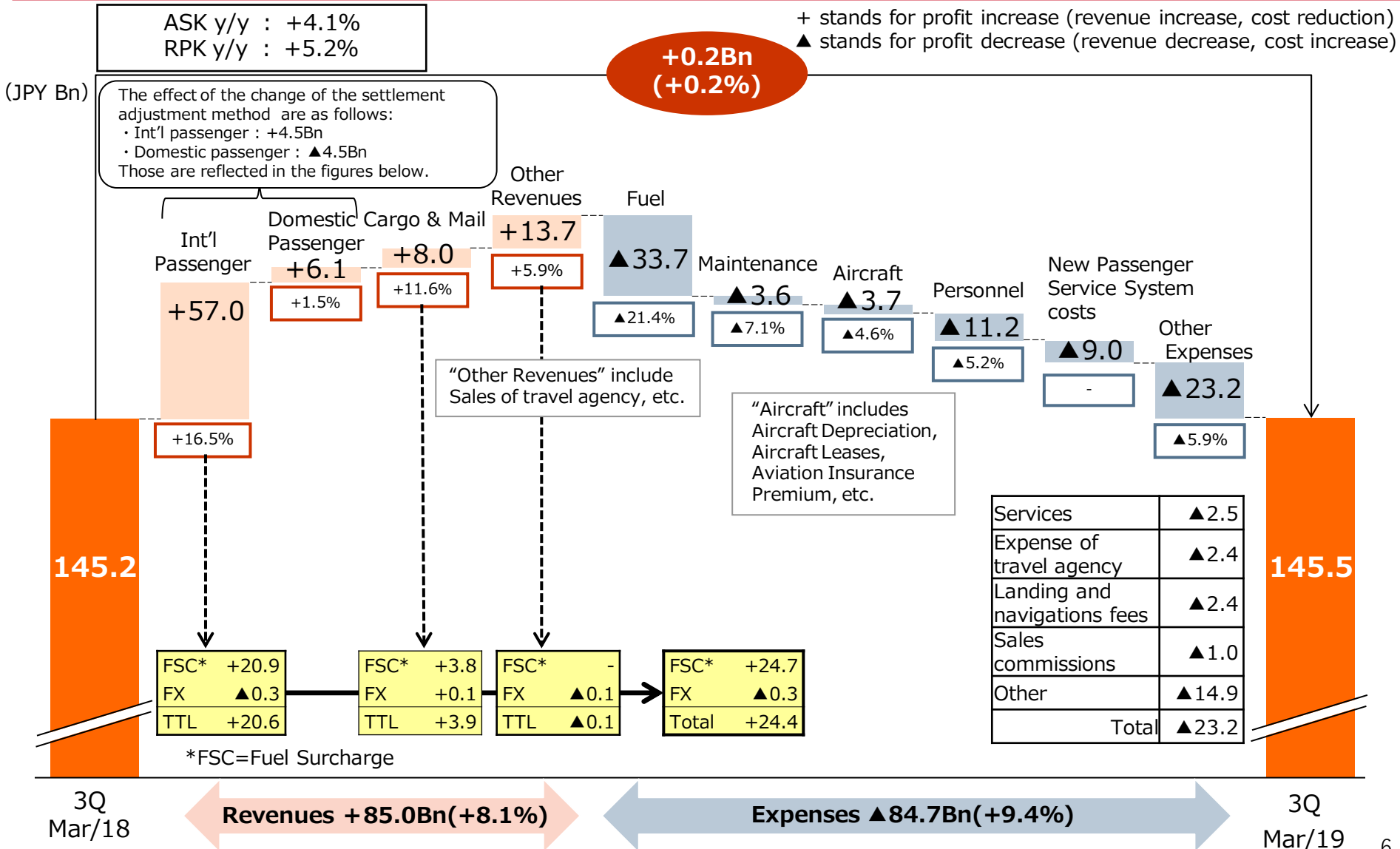
- Now, I will explain our consolidated financial results for the third-quarter financial results for the fiscal year ending March 31, 2019.

Changes in Operating Profit (Revenues / Expenses)



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3rd Quarter Mar/19 (FY2018)



- I will explain about the changes in operating profit.
- Revenue was strong in international passenger, domestic passenger and international cargo. Combined with higher fuel surcharge revenue, we recorded a revenue increase of 85 billion yen year on year, or up by 8.1%.
- Regarding expenses, fuel costs increased by 33.7 billion yen due to higher fuel prices, depreciation costs of the passenger service system increased by 9 billion yen, maintenance costs rose by 3.6 billion yen due to increased engine maintenance work. Costs linked to capacity and demand growth also rose. As a result, expenses in total increased by 84.7 billion yen year on year, or up by 9.4%.
- As a result, operating profit increased by 0.2 billion yen year on year to 145.5 billion yen.

Changes in Operating Profit (Market / Others)

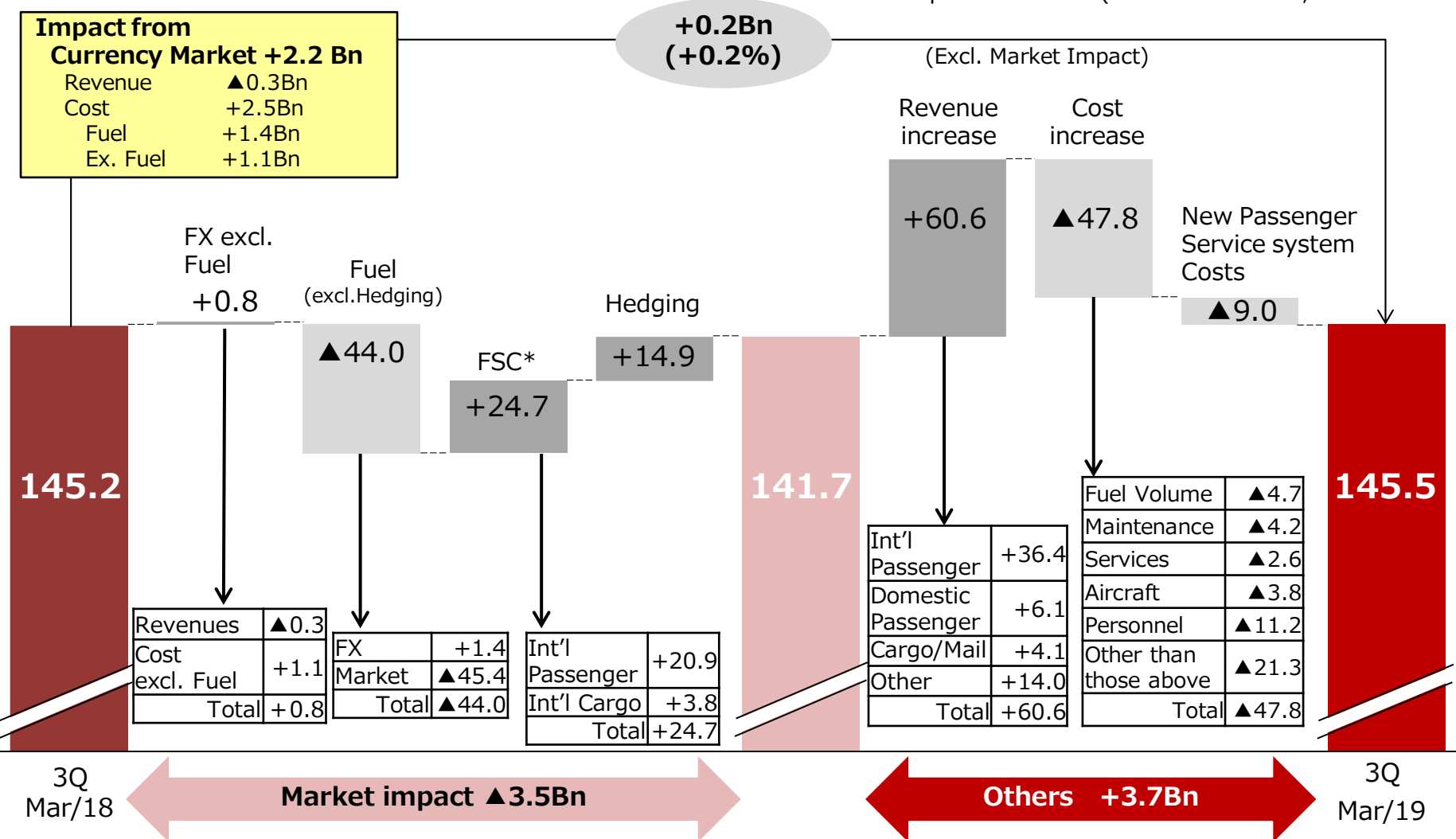


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3rd Quarter Mar/19 (FY2018)

(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.
- Fuel costs rose significantly due to higher fuel prices, but through fuel surcharge revenue and hedging, we were able to suppress the negative impacts on profit to 3.5 billion yen year on year.
- Regarding factors other than market conditions, as revenue growth exceeded expense growth, we achieved a positive impact on profit of 3.7 billion yen year on year. In total, we have achieved 0.2 billion yen of profit growth year on year.

International Passenger Operations



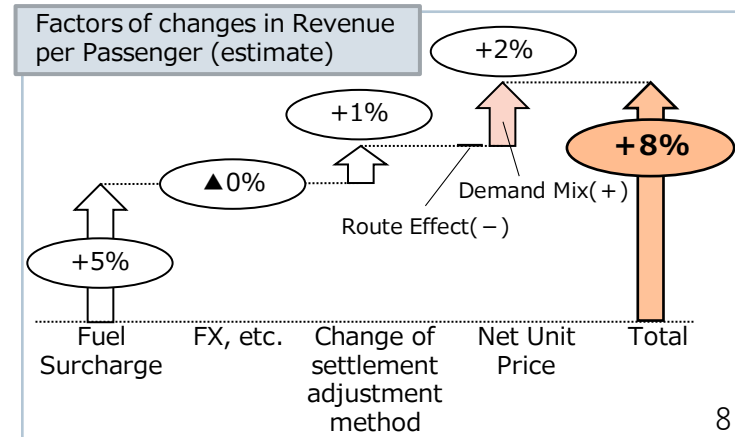
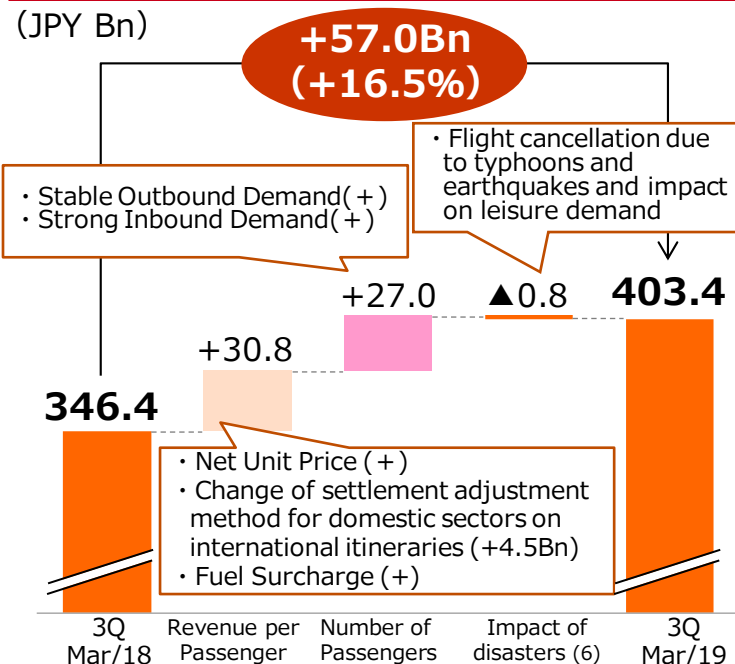
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International Passenger

	3Q FY2017	3Q FY2018	y/y ratio	3rd Quarter (Oct-Dec) ⁽⁵⁾	y/y ratio
Passenger Revenue (JPY Bn)	346.4	403.4 (399.0)	+16.5% (+15.2%)	134.2 (132.6)	+14.6% (+13.3%)
Passengers ('000)	6,373	6,872	+7.8%	2,267	+4.8%
ASK (MN seat km)	38,815	41,211	+6.2%	13,812	+4.7%
RPK (MN passenger km)	31,375	33,699	+7.4%	11,126	+4.9%
L/F (%)	80.8%	81.8%	+0.9pt	80.6%	+0.2pt
Revenue per Passenger ⁽¹⁾⁽²⁾ (JPY)	54,355	58,706 (58,054)	+8.0% (+6.8%)	59,208 (58,520)	+9.4% (+8.1%)
Yield ⁽¹⁾⁽³⁾ (JPY)	11.0	12.0 (11.8)	+8.4% (+7.2%)	12.1 (11.9)	+9.3% (+8.0%)
Unit Revenue ⁽¹⁾⁽⁴⁾ (JPY)	8.9	9.8 (9.7)	+9.7% (+8.5%)	9.7 (9.6)	+9.5% (+8.3%)

- 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 3Q (October to December) are calculated by deducting the results of 1H (April to September) from cumulative 3Q (April to December)
- 6 Effects arising out of heavy rain in July in Western Japan, typhoons from July to September and the earthquakes in Hokkaido in September

Change in Revenue



- For international routes, in order to meet both robust outbound and inbound demand, we increased capacity through more flights and cabin configuration change. As a result, ASK increased by 6.2% year on year and passenger traffic increased by 7.8% year on year.
- Regarding revenue per passenger, as seen in the bar charts at the bottom right corner, we steadily enjoyed the benefits of our new passenger service system. Net unit price increased approximately by 2%. This excluded fuel surcharge revenue and the effect of the change in the settlement adjustment method.
- As a result, international passenger revenue stood at 403.4 billion yen, up by 16.5% year on year.

Domestic Passenger Operations



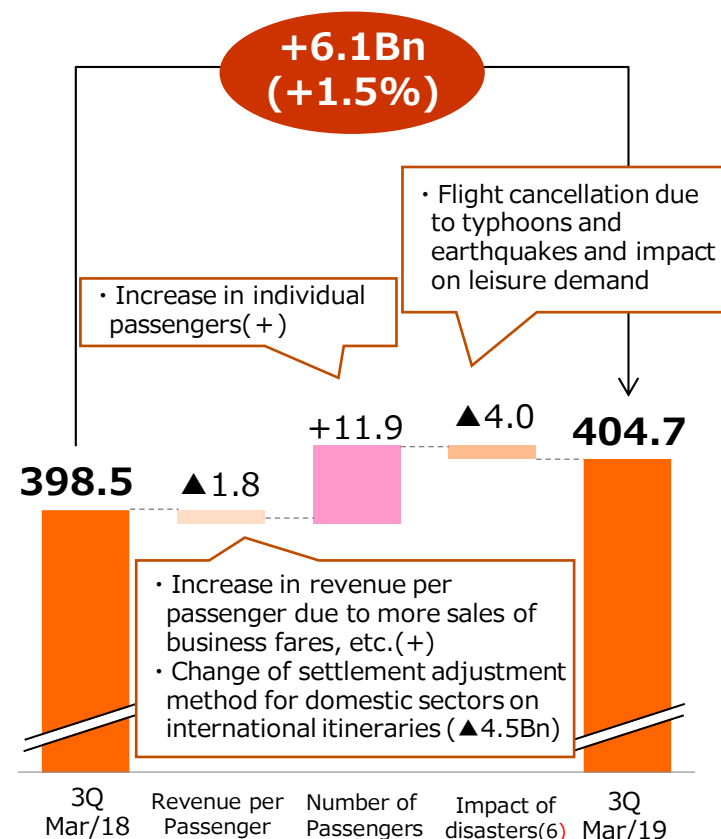
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Domestic Passenger

	3Q FY2017	3Q FY2018	y/y ratio	3rd Quarter (Oct-Dec) ⁽⁵⁾	y/y ratio
Passenger Revenue ⁽¹⁾ (JPY Bn)	398.5	404.7 (409.1)	+1.5% (+2.7%)	136.5 (138.1)	+2.3% (+3.5%)
Passengers ('000)	25,919	26,437	+2.0%	9,029	+3.2%
ASK (MN seat km)	26,909	27,184	+1.0%	9,107	+2.0%
RPK (MN passenger km)	19,501	19,817	+1.6%	6,780	+3.4%
L/F (%)	72.5%	72.9%	+0.4pt	74.4%	+1.0pt
Revenue per Passenger ^{(1) (2)} (JPY)	15,376	15,308 (15,477)	▲0.4% (+0.7%)	15,125 (15,298)	▲0.9% (+0.2%)
Yield ⁽¹⁾⁽³⁾ (JPY)	20.4	20.4 (20.6)	▲0.1% (+1.0%)	20.1 (20.4)	▲1.1% (+0.1%)
Unit Revenue ⁽¹⁾⁽⁴⁾ (JPY)	14.8	14.9 (15.1)	+0.5% (+1.6%)	15.0 (15.2)	+0.3% (+1.4%)

Change in Revenue

(JPY Bn)



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 3Q (October to December) is calculated by deducting the results of 1H(April to September) from cumulative 3Q (April to December)

6 Effects arising out of heavy rain in July in Western Japan, typhoons from July to September and the earthquakes in Hokkaido in September

- Next, for domestic routes.
- To meet strong domestic air travel demand, we operated larger aircraft on Osaka (Itami) routes. Despite the flight cancellations due to weather and other factors, ASK increased by 1% over the previous year. The number of individual passengers grew significantly through sales of promotional fares, resulting in a 2% year-on-year increase in passenger traffic.
- Revenue per passenger increased year on year, which is shown in brackets. The effect of settlement adjustment between international and domestic passenger is excluded in the numbers in the brackets. Revenue per passenger increased by 0.7% year on year for April to December, and by 0.2% year on year for October to December. Revenue per passenger in both individual and group are rising.
- As a result, domestic passenger revenue ended at 404.7 billion yen, up by 1.5% year on year.

The New Passenger Service System



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The Effect during FY18 3rd Quarter
16 billion yen (estimated as maximum)

International flights : 10.0 Bn yen

Domestic flights : 6.0 Bn yen

Improvement of Load Factor

Y/Y

International:
+0.9pt
Domestic:
+0.4pt

Improvement of Yield⁽¹⁾

Y/Y

International:
+2%
Domestic:
+1%

Improvement of Unit Revenue ⁽¹⁾

Y/Y

International:
+3%
Domestic:
+2%

The new passenger service system

Main functional enhancements

Major Improvements (Nine months ended December 31, 2017=100)

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
FY18:144

INT

Reservation Control on Itinerary Basis, instead of a Single Flight Basis

Captured more transit passengers

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

FY17:100
FY18:130

DOM

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

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

- On this page, I will explain the positive effects of our new passenger service system.
- Regarding the revenue increase effects, although it is hard to pinpoint and quantify each factor since the result is a composition of various complex factors, in cumulative third-quarter financial results, while capacity increased, unit revenue excluding fuel surcharge on international routes increased by approximately 3% year on year, and unit revenue on domestic routes increased by approximately 2%.
- The effect of increased revenue through higher unit revenue is estimated to be up to 16 billion yen as maximum in cumulative third-quarter financial results. The breakdown is 10 billion yen in international passenger and 6 billion yen in domestic passenger. The effect during April to September was 13 billion yen. Therefore, this shows additional 3 billion revenue was made during October to December. Specific examples of revenue growth by the new system are shown on the right-hand side of this page. Our internal analysis suggests that functional improvements through the new system contributed significantly to revenue growth.
- We will continue to steadily accumulate further effects generated by the new system, such as more precise revenue management and further revenue growth with additional functions.

Major Operating Expense Items



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Operating Expenses

(JPY Bn)	3Q FY2017	3Q FY2018	Diff.	y/y ratio	3rd Quarter (Oct-Dec) ⁽³⁾	Diff.	y/y ratio
Fuel	157.9	191.7	+33.7	+21.4%	66.3	+10.3	+18.6%
Landing and navigation fees	62.5	64.9	+2.4	+3.8%	21.7	+0.4	+2.2%
Maintenance	51.3	55.0	+3.6	+7.1%	18.3	+2.8	+18.3%
Sales commissions (Air Transport)	13.1	14.1	+1.0	+7.8%	4.6	+0.1	+2.3%
Aircraft ⁽¹⁾	80.1	83.8	+3.7	+4.6%	28.2	+0.9	+3.4%
Services ⁽²⁾	31.8	34.3	+2.5	+8.1%	11.7	+0.6	+5.8%
Personnel	214.7	225.9	+11.2	+5.2%	75.6	+2.7	+3.7%
Expenses of travel agency	63.8	66.3	+2.4	+3.8%	20.5	+0.5	+2.6%
Other	225.2	249.0	+23.8 ⁽⁴⁾	+10.6%	84.9	+6.0	+7.6%
Total Operating Expenses	900.8	985.5	+84.7	+9.4%	332.2	+24.6	+8.0%

ASK y/y : +4.1%

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

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

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

4 Includes Passenger Service System related expenses (+9.0Bn)

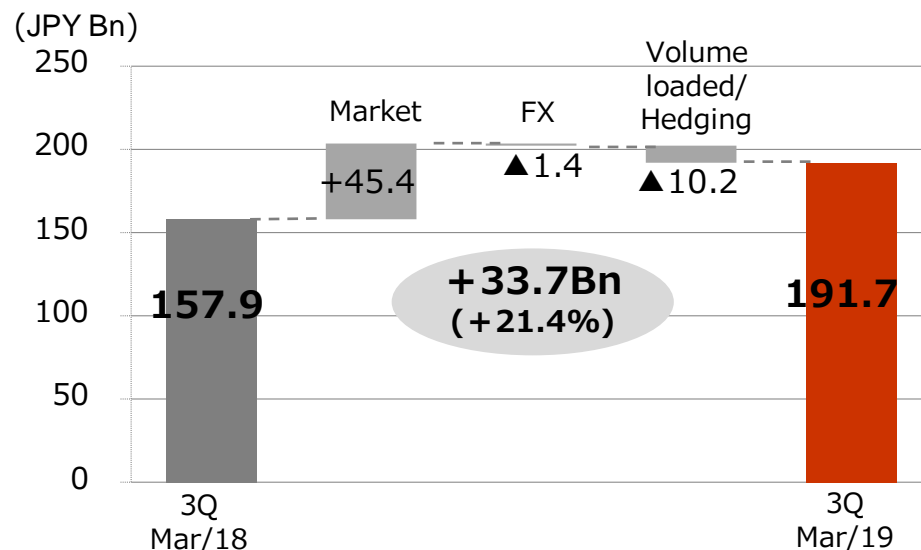
- Next, please look at the details of operating expenses.
- In maintenance costs, engine maintenance costs increased significantly due to repairs of engines and enhanced safety measures to improve quality.
- Depreciation cost of the new passenger service system from April to December was up by 9 billion yen year on year. Since the introduction of the new system was in November 2017, the increase of depreciation cost from April to September was 8 billion yen year on year, while there was only 1 billion yen increase from October to December year on year.
- Other costs are within our estimates. We will continue to work to reduce costs.

Impact of Fuel and FX Markets

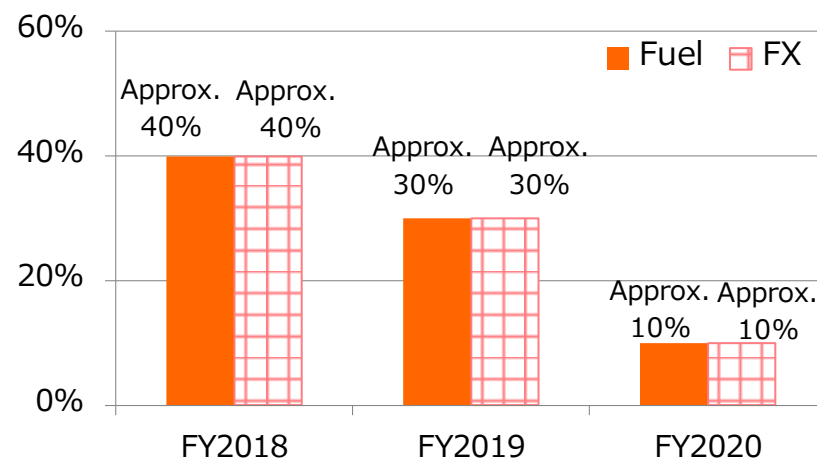


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Transition of Fuel Cost by Factors



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



Fuel / FX Markets

	3Q Mar/18	3Q Mar/18	y/y
Singapore Kerosene (USD/bbl)	64.1	87.3	+36.2%
Dubai Crude Oil (USD/bbl)	52.0	71.9	+38.3%
FX Rate (JPY/USD)	111.4	110.4	▲0.9%

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)	JPY 2.1 Bn Per Year

※Without hedging

- I will explain the impact of Fuel and FX Markets.
- Fuel prices, based on the cumulative total for the third quarter, increased nearly 40% year on year.
- However, we were able to suppress the increase in fuel costs to 33.7 billion yen year on year, or 21.4%, through hedging.

Major Balance Sheet Items and Cash Flow Items



JAPAN AIRLINES

Balance Sheet (JPY Bn)	End of Mar/18	End of 3 rd Quarter Mar/19	Diff.
Total Assets ⁽¹⁾	1,853.9	1,934.1	+80.1
Cash and Deposits ⁽²⁾	448.8	460.5	+11.7
Balance of Interest-bearing Debt ⁽³⁾	125.7	129.4	+3.6
Future Rental Expenses under Operating Leases	67.4	76.3	+8.8
Shareholders' Equity	1,060.3	1,106.4	+46.1
Shareholders' Equity Ratio (%)	57.2%	57.2%	+0.0pt
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)	3 rd Quarter Mar/18	3 rd Quarter Mar/19	Diff.
Cash Flow from Operating Activities	204.2	205.6	+1.4
Depreciation and Amortization	80.7	92.7	+12.0
Cash Flow from Investing Activities ⁽⁵⁾	▲155.3	▲143.6	+11.6
Capital Investment ⁽⁶⁾	▲169.6	▲168.7	+0.8
Free Cash Flow ⁽⁷⁾	48.9	62.0	+13.0
Cash Flow from Financing Activities	▲66.2	▲49.9	+16.2
Total Cash Flow ⁽⁸⁾	▲17.2	12.0	+29.3
EBITDA	225.9	238.2	+12.3
EBITDAR	241.0	253.1	+12.1

- 5 Excluding deposits and withdrawals from deposit accounts
- 6 Investment, capital contribution or etc.
- 7 Cash Flow from Operating Activities + Cash Flow from Investing Activities
- 8 Cash flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities

- Please be noted that page 13 indicates our balances sheet and our cash flows.
- The level of cash on hand still remains at a high level as of December, but we will achieve the optimal level in accordance with our capital policy.
- At the end of this material, we have provided some references on Revenue of International Routes by Geographic, Number of Aircraft and our consolidated earnings forecast for the fiscal year ending March 31, 2019.

Revenue of International Routes by Geographic Segment

Passenger Revenue

(%)	3Q Cumulative y/y	3Q 3Months y/y	Component Ratio		
			3Q Mar/18	3Q Mar/19	3Q 3Months
America	+11.1%	+14.6%	27%	26%	26%
Europe	+17.3%	+12.3%	17%	17%	15%
Asia/Oceania	+14.8%	+12.2%	32%	32%	34%
China	+30.9%	+20.9%	10%	11%	11%
Hawaii/Guam	+19.2%	+19.0%	14%	14%	14%
Total	+16.5%	+14.6%	100%	100%	100%

ASK

(MN seat km)	3Q (Cumulative)			Q3 (3Months)	
	Mar/18	Mar/19	y/y	Mar/19	y/y
America	11,293	11,715	+3.7%	3,935	+4.1%
Europe	6,048	5,932	▲1.9%	1,928	▲2.7%
Asia/Oceania	13,274	14,378	+8.3%	4,819	+3.4%
China	2,466	2,568	+4.2%	856	+4.4%
Hawaii/Guam	5,733	6,617	+15.4%	2,271	+16.3%
Total	38,815	41,211	+6.2%	13,812	+4.7%

Revenue Passengers Carried

('000)	3Q (Cumulative)			Q3 (3Months)	
	Mar/18	Mar/19	y/y	Mar/19	y/y
America	933	1,005	+7.7%	327	+10.0%
Europe	558	567	+1.6%	180	+1.1%
Asia/Oceania	3,045	3,185	+4.6%	1,082	+1.6%
China	1,034	1,181	+14.2%	370	+6.5%
Hawaii/Guam	801	932	+16.4%	306	+12.0%
Total	6,373	6,872	+7.8%	2,267	+4.8%

RPK

(MN passenger km)	3Q (Cumulative)			Q3 (3Months)	
	Mar/18	Mar/19	y/y	Mar/19	y/y
America	8,918	9,601	+7.7%	3,129	+10.1%
Europe	4,996	5,079	+1.7%	1,622	+1.6%
Asia/Oceania	10,909	11,683	+7.1%	3,992	+1.7%
China	1,917	2,177	+13.6%	680	+5.7%
Hawaii/Guam	4,632	5,157	+11.3%	1,701	+6.4%
Total	31,375	33,699	+7.4%	11,126	+4.9%

Load Factor for Revenue Passengers

(%)	3Q (Cumulative)			Q3 (3Months)	
	Mar/18	Mar/19	y/y	Mar/19	y/y
America	79.0%	82.0%	+3.0pt	79.5%	+4.3pt
Europe	82.6%	85.6%	+3.0pt	84.2%	+3.5pt
Asia/Oceania	82.2%	81.3%	▲0.9pt	82.8%	▲1.4pt
China	77.8%	84.8%	+7.0pt	79.4%	+1.0pt
Hawaii/Guam	80.8%	77.9%	▲2.9pt	74.9%	▲7.0pt
Total	80.8%	81.8%	+0.9pt	80.6%	+0.2pt

《 References 》

Number of Aircraft



JAPAN AIRLINES

	End of Mar/18 (March 31, 2018)			End of 3 rd Quarter/19 (December 31, 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	2	15	+4
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	2	75	+4
Boeing 737-400	8	0	8	5	0	5	▲3
Boeing 737-800	34	23	57	40	21	61	+4
Small-sized Total	42	23	65	45	21	66	+1
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	8	0	8	▲2
Bombardier D8-300	1	0	1	0	0	0	▲1
ATR42-600	4	0	4	4	1	5	+1
ATR72-600	0	0	0	1	0	1	+1
Regional Total	54	1	55	53	1	54	▲1
Total	205	26	231	211	24	235	+4

《 References 》 FY2018 (Mar/19) Revised Forecast



JAPAN AIRLINES

Balance Sheet

(JPY Bn)	End of FY2017	End of FY2018		Diff.
	Results	Previous Forecast ⁽¹⁾	New Forecast	
Total Assets ⁽²⁾	1,853.9	1,959.0	1,974.0	+15.0
Balance of Interest-bearing debts ⁽³⁾	125.7	146.0	144.0	▲2.0
Future Rental Expenses under Operating Leases	67.4	84.0	84.0	-
Shareholders' Equity	1,060.3	1,140.0	1,155.0	+15.0
Shareholders' Equity Ratio (%)	57.2%	58.2%	58.5%	+0.3pt
ROIC (%) ⁽⁴⁾	10.1%	9.1%	9.5%	+0.4pt
ROE (%) ⁽⁵⁾	13.3%	10.0%	12.5%	+2.5pt
ROA (%) ⁽⁶⁾	9.7%	8.8%	9.1%	+0.4Pt

Cash Flow

(JPY Bn)	FY2017	FY2018		Diff.
	Results	Previous Forecast ⁽¹⁾	New Forecast	
Cash Flow from Operating Activities	281.5	271.0	274.0	+3.0
Cash Flow from Investing Activities ⁽⁷⁾	▲180.1	▲204.0	▲198.0	+6.0
Free Cash Flow ⁽⁸⁾	101.3	67.0	76.0	+9.0
Cash Flow from Financing Activities	▲55.8	▲35.0	▲37.0	▲2.0
EBITDA	285.4	291.0	300.0	+9.0
EBITDAR	305.4	309.0	319.0	+10.0

- 1 Disclosed on October 31, 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	183.0	179.0	▲4.0
Ground · IT, etc.	43.7	61.0	59.0	▲2.0
Total ⁽⁹⁾	211.9	244.0	238.0	▲6.0

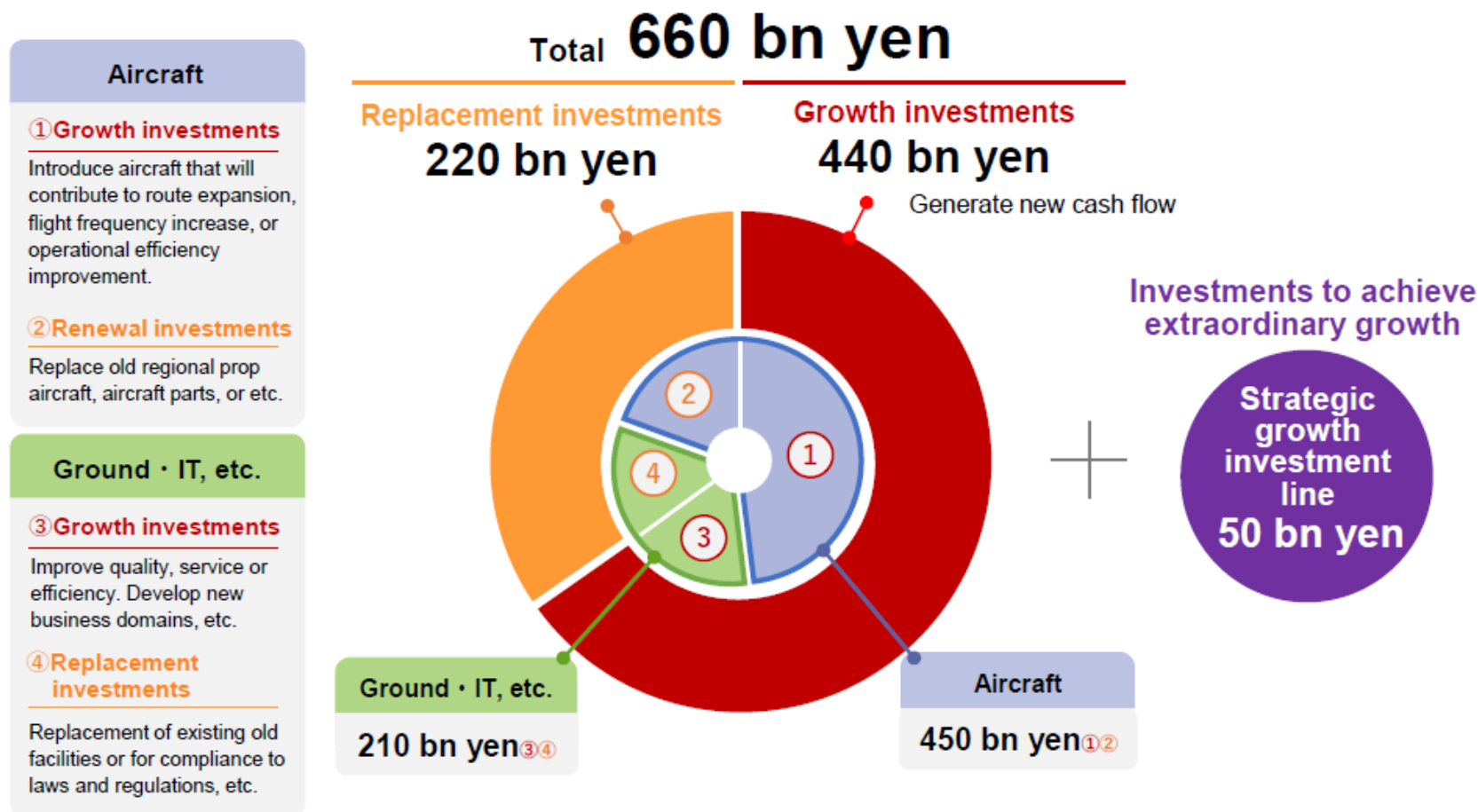
Growth Investment ⁽¹⁰⁾	159.0
Replacement investment ⁽¹¹⁾	79.0

- 7 Exclude deposits and withdrawals from deposit accounts
- 8 Cash Flow from Operating Activities + Cash Flow from Investing Activities
- 9 Investment, capital contribution or etc.
- 10 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.
- 11 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

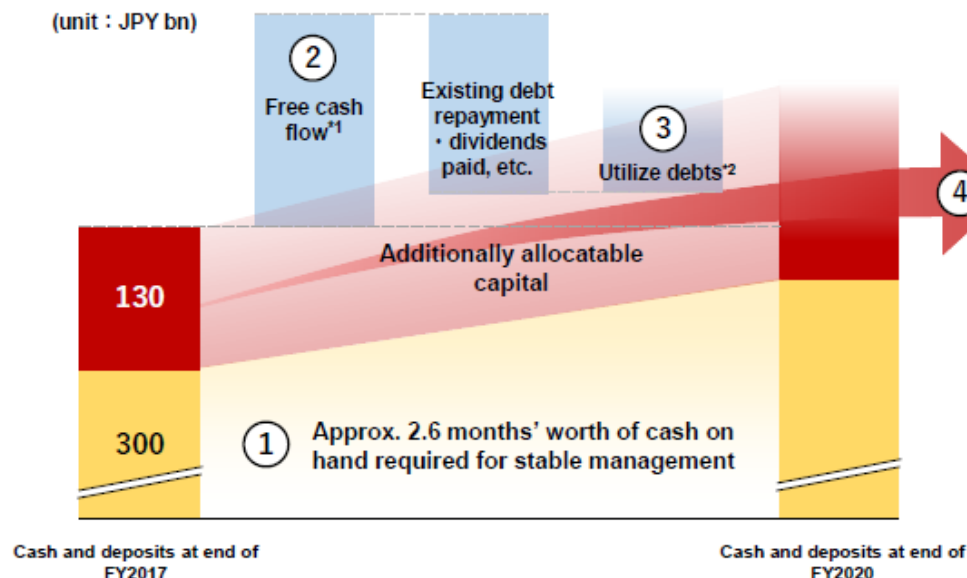


We will strategically allocate capital to increase corporate value, while maintaining a firm financial structure as well as high capital efficiency at the same time

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

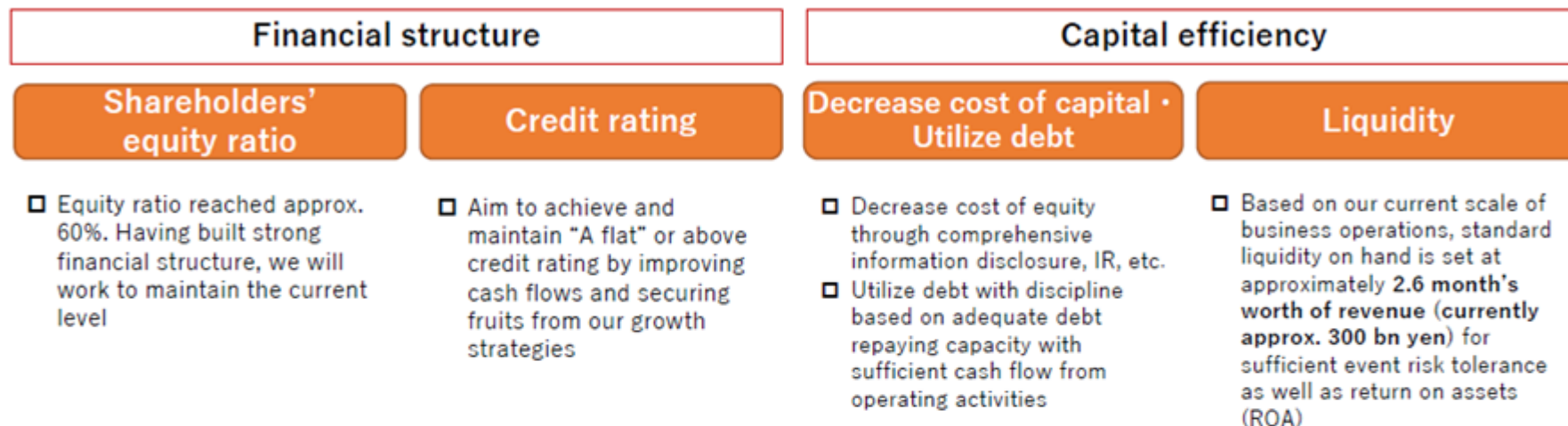
- Pay stable and highly predictable amounts of dividends, taking into account DOE (Dividend on Equity Ratio)^{*3} in addition to the payout ratio
- Consider and execute share repurchase in a timely manner

*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



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.



JAPAN AIRLINES

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