JAPAN AIRLINES Co., Ltd.
Financial Results
MAR/2019 (FY2018)
April 26th, 2019
Today's Topics

OVERVIEW OF FINANCIAL RESULTS FOR MAR/19

SHAREHOLDER RETURN

DETAILS OF FINANCIAL RESULTS FOR MAR/19

EARNINGS FORECAST FOR MAR/20

REFERENCES

※The Award for Passenger Service System Project

(Note) Regarding figures in tables of this material, amounts are rounded down to the nearest hundred million yen, and the second decimal point in ratios is rounded off to one decimal point.
Overview of Financial Results for Mar/19

- Resulted in an increase both in revenue and net profit compared to the previous year.
- Aim to achieve year-over-year growth in both revenue and profit in FY2019.

**Operating Revenue**

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,383.2</td>
<td>1,487.2</td>
<td>1,563.0</td>
<td></td>
</tr>
</tbody>
</table>

**Fuel/FX Markets**

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore Kerosene</td>
<td>(USD/bbl)</td>
<td>67.8</td>
<td>83.9</td>
</tr>
<tr>
<td>Dubai Crude Oil</td>
<td>(USD/bbl)</td>
<td>54.9</td>
<td>69.0</td>
</tr>
<tr>
<td>FX Rate</td>
<td>(JPY/USD)</td>
<td>111.2</td>
<td>110.5</td>
</tr>
</tbody>
</table>

**Operational Precondition /ASK**

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Int’l</td>
<td>+6.0%</td>
<td>+2.5%</td>
</tr>
<tr>
<td>Doms</td>
<td>+1.1%</td>
<td>+2.6%</td>
</tr>
<tr>
<td>Total</td>
<td>+4.0%</td>
<td>+2.5%</td>
</tr>
</tbody>
</table>

(1) Net profit attributable to owners of parent
(2) NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year
(3) Before the depreciation method change, all components attached to aircraft were depreciated altogether with aircraft. With the new method, assets are classified to each components, based on economic lives of components such as engines and cabin interiors, and depreciated separately.
- Operating revenue increased by 104 billion yen, up 7.5% year-on-year, to 1 trillion and 487.2 billion yen.

- Operating profit increased by 1.5 billion yen, or up 0.9% year-on-year, to 176.1 billion yen, and Operating profit margin was 11.8% and Net profit increased 11.4% year-on-year to 150.8 billion yen because we recorded deferred income tax of 32.1 billion yen.

- As disclosed on February 25, 2019, our earnings forecast for Fiscal year 2019 is Operating revenue of 1 trillion and 563 billion yen, Operating profit of 170 billion yen and Net profit of 114 billion yen.

- This Operating profit includes the increase of depreciation, approximately 10 billion yen increase because of the depreciation method change of aircraft components such as engine parts.

- Without the change, the Operating profit would be 180 billion yen, an increase from the previous year.

- We expect a decline in Net profit, but this is because of deferred tax income and the effective tax rate increase from fiscal year 2019. On an actual basis, Net profit should be even with a year before.
Shareholder Return Policy

Dividends

- Focuses on continuity, stability and predictability
- From FY2019, **approximately 35%** will be a benchmark for payout ratio
- Dividends per share will remain unchanged in spite of the effective tax rate increase

Focus on Total Return

- Return will be made through the combination of dividends and share repurchase
- Aims for **a range of approximately 35% to 50% of total return ratio** (1)
- Aims for **approximately 3% or above of total shareholder return on equity ratio** (2)
- Works on improving capital efficiency through monitoring a return level in comparison with a certain portion of equity capital

Shareholder Return Results and Forecast

- **FY2018**: 110 yen per annum (year-end dividends 55yen)  
  (Benchmark payout ratio: approximately 30%)
- **FY2019 Forecast**: 110 yen per annum (interim dividends 55yen, year-end dividends 55yen)  
  (Benchmark payout ratio: approximately 35%)
- Income tax deferred is no longer excluded from 2019, except an extraordinary case, because no special factors in income taxes* exist any more.
  
  * Income taxes current + income taxes deferred

- Decided to conduct share repurchase up to **20 billion yen** (From May 7, 2019 to September 30, 2019)
- **All shares will be cancelled**
We will focus on “Total Return”, which combines dividends and share buyback. For dividends, we will consider continuity, stability and predictability. Our benchmark payout ratio will be approximately 35%, up from 30%. This is because we would like to maintain the current dividends per share level, in spite of the effective tax increase.

Following the above policy, we will pay 55 yen per share for the year-end dividends. Together with the interim dividends of 55 yen per share, the annual dividends per share will be 110 yen. Also, the dividend forecast for FY2019 will be 110 yen per share, 55 yen of interim dividends per share and 55 yen of year-end dividends per share.

Also, we will conduct share buybacks proactively and flexibly. For the total return ratio, we will aim at a range of approximately 35% to 50%. For the total return on equity ratio, we will aim at 3% or above.

As of April 26, we have determined 20 billion yen of share buyback. All shares will be cancelled.
**Shareholder Return Result and Forecast**

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (Result)</th>
<th>FY2018 (Result)</th>
<th>FY2019 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends per share (JPY)</td>
<td>110</td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td>Interim Dividend</td>
<td>52.5</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Year-End Dividend</td>
<td>57.5</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Share Repurchase (JPY Bn)</td>
<td>20.0</td>
<td>20.0</td>
<td>Will be determined</td>
</tr>
<tr>
<td>Payout Ratio (2)</td>
<td>29.4%</td>
<td>32.3%</td>
<td>33.7% (7)</td>
</tr>
<tr>
<td>Total Return Ratio (3)</td>
<td>44.5%</td>
<td>49.2%</td>
<td>-</td>
</tr>
<tr>
<td>Total Return on Equity Ratio (4)</td>
<td>5.8%</td>
<td>5.2%</td>
<td>-</td>
</tr>
<tr>
<td>Net Profit (5) (JPY Bn)</td>
<td>135.4</td>
<td>150.8</td>
<td>114.0</td>
</tr>
<tr>
<td>Income Tax Deferred (JPY Bn)</td>
<td>▲3.4</td>
<td>▲32.1</td>
<td></td>
</tr>
<tr>
<td>Base Profit for Dividends Calculation (6) (JPY Bn)</td>
<td>131.9</td>
<td>118.6</td>
<td>114.0</td>
</tr>
<tr>
<td>Total Dividends</td>
<td>38.7</td>
<td>38.3</td>
<td>38.3 (7)</td>
</tr>
</tbody>
</table>

(1) Share repurchase of a particular fiscal year includes ones determined before the approval of financial reports of that fiscal year
(2) Payout Ratio = Total amounts of dividends / Base profit for dividends calculation
(3) Total return ratio = (Total dividends + Share repurchase) / Base profit for dividend calculation
(4) Total return on equity ratio = (Total dividends + Share repurchase) / Average shareholders’ equity at beginning and end of a fiscal year
(5) Net profit attributable to owners of the parent
(6) Base profit for dividend calculation = (Net profit attributable to owners of parent + income tax deferred)
(From 2019, income tax deferred is no longer excluded)
(7) In the FY2019 total dividends and the payout ratio calculation, the number of shares issued at the end of FY2018, excluding treasury stock, is used
### Consolidated Financial Results Mar/19

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>1,383.2</td>
<td>1,487.2</td>
<td>+104.0</td>
<td>+7.5%</td>
<td>356.1</td>
<td>+18.9</td>
<td>+5.6%</td>
</tr>
<tr>
<td>International Passenger (1)</td>
<td>462.9</td>
<td>530.6</td>
<td>+67.7</td>
<td>+14.6%</td>
<td>127.1</td>
<td>+10.7</td>
<td>+9.2%</td>
</tr>
<tr>
<td>Domestic Passenger (1)</td>
<td>518.2</td>
<td>528.0</td>
<td>+9.8</td>
<td>+1.9%</td>
<td>123.3</td>
<td>+3.6</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Cargo / Mail</td>
<td>92.0</td>
<td>100.0</td>
<td>+7.9</td>
<td>+8.6%</td>
<td>22.7</td>
<td>▲0</td>
<td>▲0.3%</td>
</tr>
<tr>
<td>Other</td>
<td>310.0</td>
<td>328.4</td>
<td>+18.4</td>
<td>+5.9%</td>
<td>82.8</td>
<td>+4.6</td>
<td>+5.9%</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>1,208.6</td>
<td>1,311.1</td>
<td>+102.4</td>
<td>+8.5%</td>
<td>325.5</td>
<td>+17.6</td>
<td>+5.7%</td>
</tr>
<tr>
<td>Fuel</td>
<td>215.2</td>
<td>251.2</td>
<td>+35.9</td>
<td>+16.7%</td>
<td>59.4</td>
<td>+2.1</td>
<td>+3.8%</td>
</tr>
<tr>
<td>Excluding Fuel</td>
<td>993.4</td>
<td>1,059.8</td>
<td>+66.4</td>
<td>+6.7%</td>
<td>266.0</td>
<td>+15.5</td>
<td>+6.2%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>174.5</td>
<td>176.1</td>
<td>+1.5</td>
<td>+0.9%</td>
<td>30.6</td>
<td>+1.3</td>
<td>+4.5%</td>
</tr>
<tr>
<td>Operating Profit Margin (%)</td>
<td>12.6%</td>
<td>11.8%</td>
<td>▲0.8pt</td>
<td>-</td>
<td>8.6%</td>
<td>▲0.1pt</td>
<td>-</td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>163.1</td>
<td>165.3</td>
<td>+2.1</td>
<td>+1.3%</td>
<td>26.7</td>
<td>+5.7</td>
<td>+27.5%</td>
</tr>
<tr>
<td>Net Profit(2)</td>
<td>135.4</td>
<td>150.8</td>
<td>+15.4</td>
<td>+11.4%</td>
<td>44.2</td>
<td>+22.9</td>
<td>+107.7%</td>
</tr>
<tr>
<td>ASK (MN seat km)</td>
<td>87,550</td>
<td>91,042</td>
<td>+3,492</td>
<td>+4.0%</td>
<td>22,646</td>
<td>+821</td>
<td>+3.8%</td>
</tr>
<tr>
<td>RPK (MN passenger km)</td>
<td>67,656</td>
<td>70,855</td>
<td>+3,198</td>
<td>+4.7%</td>
<td>17,338</td>
<td>+559</td>
<td>+3.3%</td>
</tr>
<tr>
<td>EBITDA Margin (%) (3)</td>
<td>20.6%</td>
<td>20.2%</td>
<td>▲0.4pt</td>
<td>-</td>
<td>17.4%</td>
<td>▲0.2pt</td>
<td>-</td>
</tr>
<tr>
<td>EBITDAR Margin (%) (4)</td>
<td>22.1%</td>
<td>21.5%</td>
<td>▲0.6pt</td>
<td>-</td>
<td>18.8%</td>
<td>▲0.3pt</td>
<td>-</td>
</tr>
<tr>
<td>Unit Cost (JPY) (5)</td>
<td>10.1</td>
<td>10.4</td>
<td>+0.3</td>
<td>+3.1%</td>
<td>10.5</td>
<td>+0.3</td>
<td>+2.9%</td>
</tr>
<tr>
<td>Incl. Fuel</td>
<td>12.5</td>
<td>13.1</td>
<td>+0.6</td>
<td>+4.9%</td>
<td>13.1</td>
<td>+0.3</td>
<td>+2.3%</td>
</tr>
</tbody>
</table>

(1) Including the effect of a change of settlement adjustment method for domestic sectors on international itineraries (INT + 6.2Bn, DOM▲6.2Bn)
(2) Net profit attributable to owners of the parent
(3) EBITDA Margin = EBITDA / Operating Revenue
(4) EBITDAR Margin = EBITDAR / Operating Revenue
(5) Unit Cost = Air Transportation Segment Operating Cost (excluding fuel cost) / ASK
(6) The results for 4Q (January to March) are calculated by deducting the results of 3Q (April to December) from full-year (April to March)
The effect of the change of the settlement Adjustment method are as follows:

- Int'l passenger: +6.2Bn
- Domestic passenger: ▲6.2Bn

Those are reflected in the figures below.

Changes in Operating Profit (Revenues / Expenses)

Mar/19 (FY2018)

(FY Bn)

ASK y/y : + 4.0%
RPK y/y : + 4.7%

Other Revenues
Fuel
Maintenance
Aircraft
Personnel
Passenger Service System Costs
Other Expense

Int'l Passenger
Domestic Passenger
Cargo & Mail
“Other Revenues” include Sales of travel agency, etc.
“Airplane” includes Aircraft Depreciation, Aircraft Leases, Aviation Insurance Premium, etc.

FSC* + 28.9
FX (TTL) ▲1.2
+ 27.7

FSC* + 3.9
FX (TTL) ▲0.2
+ 3.7

FSC* - FSC*TTL + 32.8
FX TTL ▲1.4
(TTL) + 31.4

+1.5Bn (+0.9%)

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

Revenues +104.0Bn (+7.5%)
Expenses ▲ 102.4Bn (+8.5%)

FY2017
FY2018

Services ▲ 3.1
Expense of travel agency ▲2.7
Landing and navigations fees ▲2.8
Sales commissions ▲0.9
Other than those above ▲20.0
Total ▲29.7
■ International passenger revenue increased significantly by 67.7 billion yen, or up 14.6% year-on-year. This is because of strong demand and an increase in capacity by new routes and increased flight frequency, together with an increase in fuel surcharge revenue and exchange rate.

■ Domestic passenger revenue increased by 9.8 billion yen, or up 1.9% year-on-year, mainly due to an increase in individual passenger demand.

■ Cargo and mail revenue increased by 7.9 billion yen, or up 8.6% year-on-year, due to strong international air freight demand and higher fuel surcharge revenue.

■ Fuel costs increased by 35.9 billion yen due to rising fuel prices. Maintenance costs rose by 10.8 billion yen because of an increase in engine maintenance. Personnel costs increased by 11.8 billion yen because of headcount increase with capacity expansion and incentive bonuses for employees. The increase in other costs is mainly due to capacity increase. In addition, passenger service system cost increased by 9 billion yen.

■ As a result, Operating profit increased by 1.5 billion yen year-on-year to 176.1 billion yen.
Changes in Operating Profit (Market / Others)

Mar/19 (FY2018)

<table>
<thead>
<tr>
<th>Impact from Currency Market</th>
<th>+1.2Bn (+0.9%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>▲1.4Bn</td>
</tr>
<tr>
<td>Cost</td>
<td>+2.6Bn</td>
</tr>
<tr>
<td>Fuel</td>
<td>+1.2Bn</td>
</tr>
<tr>
<td>Ex. Fuel</td>
<td>+1.4Bn</td>
</tr>
</tbody>
</table>

(FY Bn)

Revenue increase: +40.1Bn
Domestic Passenger: +9.8Bn
Cargo/Mail: +4.2Bn
Other: +18.5Bn
Total: +72.6Bn

Cost increase: +64.9Bn
Fuel: +6.1Bn
Maintenance: +11.4Bn
Services: +3.2Bn
Aircraft: +5.1Bn
Personnel: +11.9Bn
Other than those above: +27.2Bn
Total: +64.9Bn

Revenue ▲42.8Bn
Cost ▲1.2Bn
Fuel ▲44.0Bn
Maintenance ▲11.4Bn
Services ▲3.2Bn
Aircraft ▲5.1Bn
Personnel ▲11.9Bn
Other than those above ▲27.2Bn
Total ▲9.0Bn

FX (excl. Fuel) +0
Fuel (excl. Hedging) ▲42.8Bn
Hedging ▲12.9Bn
FSC* ▲12.9Bn

Revenue increase: +1.4Bn
Cost excl. Fuel +1.4Bn
Total: +0.0Bn

Revenues: +1.4Bn
Revenue excl. Fuel: +1.4Bn
Total: +0.0Bn

Market impact: +2.9Bn
Others ▲1.3Bn

FY2017 174.5
FY2018 176.1

*FSC = Fuel Surcharge

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

Impact from Currency Market

Revenue ▲1.4Bn
Cost +2.6Bn
Fuel +1.2Bn
Ex. Fuel +1.4Bn

Fuel Volume ▲6.1Bn
Maintenance ▲11.4Bn
Services ▲3.2Bn
Aircraft ▲5.1Bn
Personnel ▲11.9Bn
Other than those above ▲27.2Bn
Total ▲9.0Bn

Revenue ▲42.8Bn
Cost ▲1.2Bn
Fuel ▲44.0Bn
Maintenance ▲11.4Bn
Services ▲3.2Bn
Aircraft ▲5.1Bn
Personnel ▲11.9Bn
Other than those above ▲27.2Bn
Total ▲9.0Bn

Market impact: +2.9Bn
Others ▲1.3Bn

Revenues: +1.4Bn
Revenue excl. Fuel: +1.4Bn
Total: +0.0Bn

Revenue increase: +1.4Bn
Cost excl. Fuel +1.4Bn
Total: +0.0Bn

*FSC = Fuel Surcharge
This page explains changes in Operating profit from the viewpoints of market impact and others.

Regarding the market impact, higher fuel prices caused higher fuel costs, however, as a result of fuel surcharge revenue and appropriate hedging, there was a positive effect of 2.9 billion yen year-on-year.

Regarding other factors, revenue increase offset the increase in maintenance costs and personnel costs. However, because of the increase of 9 billion yen in passenger service system costs, there was a negative effect of 1.3 billion yen year-on-year.
### International Passenger Operations

#### International Passenger

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (JPY Bn)</th>
<th>FY2018 (JPY Bn)</th>
<th>y/y ratio</th>
<th>4th Quarter (Jan-Mar)(5)</th>
<th>y/y ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Revenue(1)</td>
<td>462.9</td>
<td><strong>530.6</strong></td>
<td>+14.6%</td>
<td><strong>127.1</strong></td>
<td>+9.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(524.4)</td>
<td>(+13.3%)</td>
<td>(125.4)</td>
<td>(+7.7%)</td>
</tr>
<tr>
<td>Passengers (’000)</td>
<td>8,585</td>
<td><strong>9,128</strong></td>
<td>+6.3%</td>
<td>2,255</td>
<td>+2.0%</td>
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<tr>
<td>ASK (MN seat km)</td>
<td>51,836</td>
<td><strong>54,925</strong></td>
<td>+6.0%</td>
<td>13,714</td>
<td>+5.3%</td>
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<tr>
<td>RPK (MN passenger km)</td>
<td>42,013</td>
<td><strong>44,659</strong></td>
<td>+6.3%</td>
<td>10,960</td>
<td>+3.0%</td>
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<tr>
<td>L/F (%)</td>
<td>81.0%</td>
<td><strong>81.3%</strong></td>
<td>+0.3pt</td>
<td>79.9%</td>
<td>▲1.8pt</td>
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</tr>
<tr>
<td>Revenue per Passenger(1)(2) (JPY)</td>
<td>53,919</td>
<td><strong>58,136</strong> (57,453)</td>
<td>+7.8%</td>
<td>56,399 (55,621)</td>
<td>+7.1%</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>(+6.6%)</td>
<td></td>
<td>(+5.6%)</td>
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<td></td>
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</tr>
<tr>
<td>Yield(1)(3) (JPY)</td>
<td>11.0</td>
<td><strong>11.9</strong> (11.7)</td>
<td>+7.8%</td>
<td>11.6 (11.4)</td>
<td>+6.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(+6.6%)</td>
<td></td>
<td>(+4.5%)</td>
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</tr>
<tr>
<td>Unit Revenue(1)(4) (JPY)</td>
<td>8.9</td>
<td><strong>9.7</strong> (9.5)</td>
<td>+8.2%</td>
<td>9.3 (9.1)</td>
<td>+3.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(+6.9%)</td>
<td></td>
<td>(+2.3%)</td>
</tr>
</tbody>
</table>

(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 4Q (January to March) are calculated by deducting the results of the cumulative 3Q (April to December) from the FY2018 full year results (April to March)

(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

- **+67.7Bn (+14.6%)**
  - Net Unit Price (+)
  - Change of settlement adjustment method for domestic sectors on international itineraries (+6.2Bn)
  - Fuel Surcharge (+)
  - Stable Outbound Demand(+)  
  - Strong Inbound Demand(+)  
  - Flight cancellation due to typhoons and earthquakes and impact on leisure demand

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (JPY Bn)</th>
<th>FY2018 (JPY Bn)</th>
<th>y/y ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Revenue</td>
<td><strong>462.9</strong></td>
<td><strong>530.6</strong></td>
<td>+14.6%</td>
</tr>
<tr>
<td>Passengers</td>
<td>8,585</td>
<td><strong>9,128</strong></td>
<td>+6.3%</td>
</tr>
<tr>
<td>ASK</td>
<td>51,836</td>
<td><strong>54,925</strong></td>
<td>+6.0%</td>
</tr>
<tr>
<td>RPK</td>
<td>42,013</td>
<td><strong>44,659</strong></td>
<td>+6.3%</td>
</tr>
<tr>
<td>L/F</td>
<td>81.0%</td>
<td><strong>81.3%</strong></td>
<td>+0.3pt</td>
</tr>
<tr>
<td>Revenue per Passenger</td>
<td>53,919</td>
<td><strong>58,136</strong> (57,453)</td>
<td>+7.8%</td>
</tr>
<tr>
<td>Yield</td>
<td>11.0</td>
<td><strong>11.9</strong> (11.7)</td>
<td>+7.8%</td>
</tr>
<tr>
<td>Unit Revenue</td>
<td>8.9</td>
<td><strong>9.7</strong> (9.5)</td>
<td>+8.2%</td>
</tr>
</tbody>
</table>

Factors of charges in Revenue Per Passenger (estimate)

- Net Unit Price (+)
- Route Effect (None)
- Fuel Surcharge (+)
- Change of settlement adjustment method

+1%
+8%
+1%
+6%

- Change of settlement adjustment method
- Net Unit Price
- Total
International passenger revenue stood at 530.6 billion yen, up by 14.6% year-on-year.

The change in the settlement adjustment method shifted 6.2 billion yen revenue year-on-year from Domestic passenger business to International passenger business. The figures excluding this impact are shown in the bracket.

Passenger traffic increased by 6.3% year-on-year because of strong demand, an increase in capacity by new routes and increased flight frequency. Also, cabin seat optimization increased capacity. Load factor reached to 81.3%, highest ever.

Revenue per passenger increased by 7.8% year-on-year. This is because of strong high-yield demand both inbound and outbound. Also, the new passenger service system improved revenue management. Fuel surcharge increased as well.

As shown in the revenue per passenger graph at the right bottom corner, Net unit price increased.
### Domestic Passenger Operations

#### Domestic Passenger

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>y/y ratio</th>
<th>4th Quarter (Jan-Mar)</th>
<th>y/y ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Revenue(1)</td>
<td>518.2</td>
<td>528.0</td>
<td>+1.9% (+3.1%)</td>
<td>123.3 (125.1)</td>
<td>+3.1% (+4.6%)</td>
</tr>
<tr>
<td>(JPY Bn)</td>
<td></td>
<td>(534.3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passengers ('000)</td>
<td>34,033</td>
<td>34,859</td>
<td>+2.4%</td>
<td>8,421</td>
<td>+3.8%</td>
</tr>
<tr>
<td>ASK (MN seat km)</td>
<td>35,714</td>
<td>36,116</td>
<td>+1.1%</td>
<td>8,932</td>
<td>+1.5%</td>
</tr>
<tr>
<td>RPK (MN passenger km)</td>
<td>25,643</td>
<td>26,195</td>
<td>+2.2%</td>
<td>6,378</td>
<td>+3.9%</td>
</tr>
<tr>
<td>L/F (%)</td>
<td>71.8%</td>
<td>72.5%</td>
<td>+0.7 pt</td>
<td>71.4%</td>
<td>+1.7 pt</td>
</tr>
<tr>
<td>Revenue per Passenger (1)(2) (JPY)</td>
<td>15,227</td>
<td>15,149</td>
<td>▲0.5% (+0.7%)</td>
<td>14,651 (14,859)</td>
<td>▲0.7% (+0.7%)</td>
</tr>
<tr>
<td>(15,328)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yield (1)(3) (JPY)</td>
<td>20.2</td>
<td>20.2</td>
<td>▲0.2% (+0.9%)</td>
<td>19.3 (19.6)</td>
<td>▲0.7% (+0.7%)</td>
</tr>
<tr>
<td>(20.4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit Revenue (1)(4) (JPY)</td>
<td>14.5</td>
<td>14.6</td>
<td>+0.8% (+2.0%)</td>
<td>13.8 (14.0)</td>
<td>+1.6% (+3.1%)</td>
</tr>
<tr>
<td>(14.8)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(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 4Q (January to March) are calculated by deducting the results of cumulative 3Q (April to December) from the FY2018 full-year results (April to March)

(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

- **FY2017** Revenue per Passenger: 15,227 (JPY)
- **FY2018** Revenue per Passenger: 15,149 (JPY)

#### FY2018 Revenue Change

- **+9.8Bn (+1.9%)**
- **+16.4 ▲4.0**

- Increase in individual passengers (+)
- Flight cancellation due to typhoons and earthquakes and impact on leisure demand
- Increase in revenue per passenger due to more sales of business fares, etc. (+)
- Change of settlement adjustment method for domestic sectors on international itineraries (▲6.2Bn)

Number of Passengers Impact of disasters (6)

- 518.2 ▲2.6
- 528.0

---

The detailed notes on changes in revenue and passenger metrics are provided in the table format, along with explanatory notes on the calculation methods and the impact of various factors on the revenue figures.
Domestic passenger revenue stood at 528 billion yen, up by 1.9% year-on-year.

The impact of the settlement adjustment method change was negative 6.2 billion yen year-on-year. The figures excluding this negative impact is shown in the bracket.

Passenger traffic increased 2.4% year-on-year due to robust demand mainly due to individual passengers. We were able to minimize the negative impact of natural disasters. The load factor was 72.5%, which is also highest ever.

Revenue per passenger, excluding the impact of the settlement adjustment method change, increased 0.7% year-on-year. This is shown in the bracket. More precise revenue management with the new passenger service system, increasing business fare sales and an increase of revenue per passenger in group travel are the reason of the price increase.
The New Passenger Service System

The Effect during FY18
20 billion yen (estimated as maximum)
International flights: 10.0 Bn yen
Domestic flights: 10.0 Bn yen

Improvement of Load Factor
Y/Y
International: +0.3pt
Domestic: +0.7pt

Improvement of Yield
International: +2%
Domestic: +1%

Improvement of Unit Revenue (1)

INTERNATIONAL

- Improved Functions of Overseas Websites
  - Fare/Class Display
  - Multilingual services
- Reservation Control on Itinerary Basis, instead of a Single Flight Basis
- More Precise and Advanced Revenue Management

DOMESTIC

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
FY18:134

Captured more transit passengers
Ref. Revenue through overall transit passengers (Excluding fuel surcharge)
FY17:100
FY18:122

Reservation Forecasts with Greater Precision
Ref. Revenue from high-yield business farers (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
The full-year revenue increase in fiscal year 2018 is expected to reach to approximately 20 billion yen as maximum. We believe that we have achieved our targets earlier than the initial plan.

We will continue to have further effects of the passenger service system through more precise revenue management and additional functions.
## Major Operating Expense Items

### Operating Expenses

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY2017</th>
<th>FY2018</th>
<th>Diff.</th>
<th>y/y</th>
<th>4th Quarter (Jan-Mar)</th>
<th>Diff.</th>
<th>y/y</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fuel</strong></td>
<td>215.2</td>
<td>251.2</td>
<td>+35.9</td>
<td>+16.7%</td>
<td>59.4</td>
<td>+2.1</td>
<td>+3.8%</td>
</tr>
<tr>
<td>Landing and navigation fees</td>
<td>83.5</td>
<td>86.3</td>
<td>+2.8</td>
<td>+3.4%</td>
<td>21.4</td>
<td>+0.4</td>
<td>+2.0%</td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td>62.0</td>
<td>72.9</td>
<td>+10.8</td>
<td>+17.5%</td>
<td>17.8</td>
<td>+7.1</td>
<td>+67.1%</td>
</tr>
<tr>
<td>Sales commissions (Air Transport)</td>
<td>17.9</td>
<td>18.9</td>
<td>+0.9</td>
<td>+5.5%</td>
<td>4.8</td>
<td>▲0.0</td>
<td>▲0.6%</td>
</tr>
<tr>
<td><strong>Aircraft</strong> (1)</td>
<td>107.1</td>
<td>112.2</td>
<td>+5.0</td>
<td>+4.7%</td>
<td>28.3</td>
<td>+1.3</td>
<td>+4.9%</td>
</tr>
<tr>
<td><strong>Services</strong> (2)</td>
<td>42.2</td>
<td>45.3</td>
<td>+3.1</td>
<td>+7.5%</td>
<td>10.9</td>
<td>+0.5</td>
<td>+5.6%</td>
</tr>
<tr>
<td><strong>Personnel</strong></td>
<td>290.3</td>
<td>302.1</td>
<td>+11.8</td>
<td>+4.1%</td>
<td>76.1</td>
<td>+0.5</td>
<td>+0.7%</td>
</tr>
<tr>
<td>Expenses of travel agency</td>
<td>83.8</td>
<td>86.6</td>
<td>+2.7</td>
<td>+3.3%</td>
<td>20.2</td>
<td>+0.2</td>
<td>+1.5%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>306.1</td>
<td>335.2</td>
<td>+29.0</td>
<td>+9.5%</td>
<td>86.1</td>
<td>+5.2</td>
<td>+6.5%</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>1,208.6</td>
<td>1,311.1</td>
<td>+102.4</td>
<td>+8.5%</td>
<td>325.5</td>
<td>+17.6</td>
<td>+5.7%</td>
</tr>
</tbody>
</table>

**ASK y/y : +4.0%**

1. Aircraft = Aircraft Depreciation + Aircraft Leases + Aviation Insurance Premium, etc.
2. Services = Expenses regarding inflight services, airport lounges, cargo equipment, etc.
3. The results for 4Q (January to March) are calculated by deducting the results of 3Q (April to December) from the FY2018 full-year results (April to March)
4. Includes Passenger Service System related expenses (+9.0Bn)
Although Fuel costs were 251.2 billion yen, up by 35.9 billion yen, through appropriate hedging, we were able to cut the increase of the Fuel costs. It would have been up by 42.8 billion yen without hedging.

For the costs excluding fuel, we were able to keep their increase within the scope of increases in revenue and capacity, excluding the increase of maintenance costs and the passenger service system costs.

For maintenance costs, engine maintenance costs increased mainly due to repairs of engines and safety enhancement measures.

Costs excluding fuel and maintenance were generally in line with our estimation. We will continue to work on cost efficiency.
### Major Balance Sheet Items and Cash Flow Items

#### Balance Sheet

<table>
<thead>
<tr>
<th>Item (JPY Bn)</th>
<th>End of FY2017</th>
<th>End of FY2018</th>
<th>Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets$^{(1)}$</td>
<td>1,853.9</td>
<td>2,030.3</td>
<td>+176.3</td>
</tr>
<tr>
<td>Cash and Deposits$^{(2)}$</td>
<td>448.8</td>
<td>522.0</td>
<td>+73.2</td>
</tr>
<tr>
<td>Balance of Interest-bearing Debt $^{(3)}$</td>
<td>125.7</td>
<td>142.3</td>
<td>+16.5</td>
</tr>
<tr>
<td>Future Rental Expenses under Operating Leases</td>
<td>67.4</td>
<td>81.1</td>
<td>+13.7</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>1,060.3</td>
<td>1,165.1</td>
<td>+104.7</td>
</tr>
<tr>
<td>Shareholders’ Equity Ratio (%)</td>
<td>57.2%</td>
<td>57.4%</td>
<td>+0.2pt</td>
</tr>
<tr>
<td>D/E Ratio (x) $^{(4)}$</td>
<td>0.1x</td>
<td>0.1x</td>
<td>+0.0x</td>
</tr>
<tr>
<td>ROIC (%) $^{(5)}$</td>
<td>10.1%</td>
<td>9.5%</td>
<td>▲0.6pt</td>
</tr>
<tr>
<td>ROE (%) $^{(6)}$</td>
<td>13.3%</td>
<td>13.6%</td>
<td>+0.2pt</td>
</tr>
<tr>
<td>ROA (%) $^{(7)}$</td>
<td>9.7%</td>
<td>9.1%</td>
<td>▲0.7pt</td>
</tr>
</tbody>
</table>

#### Cash Flow

<table>
<thead>
<tr>
<th>Item (JPY Bn)</th>
<th>FY2016</th>
<th>FY2017</th>
<th>Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow from Operating Activities</td>
<td>281.5</td>
<td>296.7</td>
<td>+15.1</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>110.8</td>
<td>124.1</td>
<td>+13.2</td>
</tr>
<tr>
<td>Cash Flow from Investing Activities$^{(8)}$</td>
<td>▲180.1</td>
<td>▲186.3</td>
<td>▲6.2</td>
</tr>
<tr>
<td>Capital Investment $^{(9)}$</td>
<td>▲211.9</td>
<td>▲226.2</td>
<td>▲14.3</td>
</tr>
<tr>
<td>Free Cash Flow $^{(10)}$</td>
<td>101.3</td>
<td>110.3</td>
<td>+8.9</td>
</tr>
<tr>
<td>Cash Flow from Financing Activities</td>
<td>▲55.8</td>
<td>▲37.0</td>
<td>+18.8</td>
</tr>
<tr>
<td>Total Cash Flow $^{(11)}$</td>
<td>45.5</td>
<td>73.2</td>
<td>+27.7</td>
</tr>
<tr>
<td>EBITDA</td>
<td>285.4</td>
<td>300.2</td>
<td>+14.8</td>
</tr>
<tr>
<td>EBITDAR</td>
<td>305.4</td>
<td>320.1</td>
<td>+14.7</td>
</tr>
</tbody>
</table>

---

$^{(1)}$ 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

$^{(5)}$ NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year.

$^{(6)}$ (Net income attributable to owners of the parent) / (Average of shareholder's equity at beginning and end of a fiscal year)

$^{(7)}$ (Operating profit) / (Average of total assets at beginning and end of a fiscal year)

$^{(8)}$ Excluding deposits and withdrawals from deposit accounts.

$^{(9)}$ Investment, capital contribution or etc.

$^{(10)}$ Cash Flow from Operating Activities + Cash Flow from Investing Activities

$^{(11)}$ Cash flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities
This page is about balance sheet and cash flows.

For Balance sheet, the balance of interest-bearing debt including off-balance sheet outstanding liabilities increased by approximately 30 billion yen, in accordance with our policy of disciplined debt utilization.

At the same time, we were able to maintain a firm financial structure. The equity ratio increased 0.2 percentage points from the end of the previous fiscal year to 57.4%.

ROIC was 9.5%, and we have achieved our target of 9% or above.

For cash flow, capital investments increased by 14.3 billion yen year-on-year to 226.2 billion yen, mainly due to an increase in aircraft investments. Compared with the investment guidance disclosed on February 25, there is a decline of about 10 billion yen. This is because of aircraft parts and ground investment schedule change.

Free cash flow was 110.3 billion yen.
### Passenger Revenue

<table>
<thead>
<tr>
<th>(% )</th>
<th>FY2018 y/y</th>
<th>4Q 3Months y/y</th>
<th>Component Ratio</th>
<th>4Q Component Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>America</td>
<td>+13.4%</td>
<td>+21.4%</td>
<td>26%</td>
<td>26%</td>
</tr>
<tr>
<td>Europe</td>
<td>+12.8%</td>
<td>▲2.0%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Asia/Oceania</td>
<td>+11.5%</td>
<td>+3.2%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>China</td>
<td>+24.4%</td>
<td>+7.7%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Hawaii/Guam</td>
<td>+19.2%</td>
<td>+19.1%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Total</td>
<td>+14.6%</td>
<td>+9.2%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

### ASK

<table>
<thead>
<tr>
<th>(MN seat km)</th>
<th>4Q (Cumulative)</th>
<th>4Q (3Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2017</td>
<td>FY2018</td>
</tr>
<tr>
<td>America</td>
<td>14,971</td>
<td>15,581</td>
</tr>
<tr>
<td>Europe</td>
<td>7,962</td>
<td>7,790</td>
</tr>
<tr>
<td>Asia/Oceania</td>
<td>18,042</td>
<td>19,322</td>
</tr>
<tr>
<td>China</td>
<td>3,292</td>
<td>3,422</td>
</tr>
<tr>
<td>Hawaii/Guam</td>
<td>7,569</td>
<td>8,808</td>
</tr>
<tr>
<td>Total</td>
<td>51,836</td>
<td>54,925</td>
</tr>
</tbody>
</table>

### RPK

<table>
<thead>
<tr>
<th>(MN passenger km)</th>
<th>4Q (Cumulative)</th>
<th>4Q (3Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2017</td>
<td>FY2018</td>
</tr>
<tr>
<td>America</td>
<td>11,735</td>
<td>12,714</td>
</tr>
<tr>
<td>Europe</td>
<td>6,571</td>
<td>6,580</td>
</tr>
<tr>
<td>Asia/Oceania</td>
<td>14,936</td>
<td>15,661</td>
</tr>
<tr>
<td>China</td>
<td>2,610</td>
<td>2,870</td>
</tr>
<tr>
<td>Hawaii/Guam</td>
<td>6,158</td>
<td>6,831</td>
</tr>
<tr>
<td>Total</td>
<td>42,013</td>
<td>44,659</td>
</tr>
</tbody>
</table>

### Load Factor

<table>
<thead>
<tr>
<th>(%)</th>
<th>4Q (Cumulative)</th>
<th>4Q (3Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2017</td>
<td>FY2018</td>
</tr>
<tr>
<td>America</td>
<td>78.4%</td>
<td>81.6%</td>
</tr>
<tr>
<td>Europe</td>
<td>82.5%</td>
<td>84.5%</td>
</tr>
<tr>
<td>Asia/Oceania</td>
<td>82.8%</td>
<td>81.1%</td>
</tr>
<tr>
<td>China</td>
<td>79.3%</td>
<td>83.9%</td>
</tr>
<tr>
<td>Hawaii/Guam</td>
<td>81.4%</td>
<td>77.6%</td>
</tr>
<tr>
<td>Total</td>
<td>81.0%</td>
<td>81.3%</td>
</tr>
</tbody>
</table>
This page shows Revenue of International Routes by Geographic Segment.

As you noticed, the load factor on Hawaii and Guam routes in the 4th quarter dropped sharply by 6.7 percentage points from the previous year.

This is due to a weak demand in spite of capacity expansion. Another reason is an increase of mileage passenger travelling with award tickets. We changed our mileage program rules to promote the use of award tickets. Because of this change, mileage passenger increased but this increase is not included in the load factor shown here. The increase of the mileage passengers is equivalent to 3 percentage points of the load factor year-on-year.
### Number of Aircraft

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>End of Mar/18</th>
<th></th>
<th>End of Mar/19</th>
<th></th>
<th>Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owned</td>
<td>Leased</td>
<td>Total</td>
<td>Owned</td>
<td>Leased</td>
</tr>
<tr>
<td>Boeing 777-200</td>
<td>12</td>
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<td>Boeing 777-200ER</td>
<td>11</td>
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<tr>
<td>Boeing 777-300</td>
<td>4</td>
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<tr>
<td>Boeing 777-300ER</td>
<td>13</td>
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<td>13</td>
<td>13</td>
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<tr>
<td>Large-sized Total</td>
<td>40</td>
<td>0</td>
<td>40</td>
<td>40</td>
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<tr>
<td>Boeing 787-8</td>
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<td>Boeing 787-9</td>
<td>10</td>
<td>1</td>
<td>11</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>Boeing 767-300</td>
<td>6</td>
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<td>6</td>
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<tr>
<td>Boeing 767-300ER</td>
<td>28</td>
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<td>29</td>
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<td>Middle-sized Total</td>
<td>69</td>
<td>2</td>
<td>71</td>
<td>74</td>
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<tr>
<td>Boeing 737-400</td>
<td>8</td>
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<td>Boeing 737-800</td>
<td>34</td>
<td>23</td>
<td>57</td>
<td>42</td>
<td>20</td>
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<tr>
<td>Small-sized Total</td>
<td>42</td>
<td>23</td>
<td>65</td>
<td>45</td>
<td>20</td>
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<td>17</td>
<td>18</td>
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<td>Embraer 190</td>
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<tr>
<td>Bombardier D8-400</td>
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<td>6</td>
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<tr>
<td>Bombardier D8-400CC</td>
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<tr>
<td>SAAB340B</td>
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<tr>
<td>Bombardier D8-300</td>
<td>1</td>
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<td>1</td>
<td>0</td>
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</tr>
<tr>
<td>ATR42-600</td>
<td>4</td>
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<td>4</td>
<td>5</td>
<td>1</td>
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<tr>
<td>ATR72-600</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Regional Total</td>
<td>54</td>
<td>1</td>
<td>55</td>
<td>52</td>
<td>1</td>
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<tr>
<td>Total</td>
<td>205</td>
<td>26</td>
<td>231</td>
<td>211</td>
<td>24</td>
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</table>
OVERVIEW OF FINANCIAL RESULTS FOR MAR/19

SHAREHOLDER RETURN

DETAILS OF FINANCIAL RESULTS FOR MAR/19

EARNINGS FORECAST FOR MAR/20

REFERENCES
## FY2019 Earnings Forecast

### Revenue and Expenditure Plan (JPY Bn)

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019 (Plan)</th>
<th>Diff.</th>
<th>y/y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>1,487.2</td>
<td>1,563.0</td>
<td>+75.7</td>
<td>+5.1%</td>
</tr>
<tr>
<td>International</td>
<td>530.6</td>
<td>575.0</td>
<td>+44.3</td>
<td>+8.4%</td>
</tr>
<tr>
<td>Passenger</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Passenger</td>
<td>528.0</td>
<td>539.0</td>
<td>+10.9</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Cargo / Mail</td>
<td>100.0</td>
<td>106.0</td>
<td>+5.9</td>
<td>+6.0%</td>
</tr>
<tr>
<td>Other</td>
<td>328.4</td>
<td>343.0</td>
<td>+14.5</td>
<td>+4.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,078.2</td>
<td>2,092.0</td>
<td>+13.8</td>
<td>+0.6%</td>
</tr>
</tbody>
</table>

### Operational Preconditions

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019 (Plan)</th>
<th>Diff.</th>
<th>y/y</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASK Int’l</td>
<td>+6.0%</td>
<td>+2.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domains</td>
<td>+1.1%</td>
<td>+2.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+4.0%</td>
<td>+2.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RPK Int’l</td>
<td>+6.3%</td>
<td>+4.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domains</td>
<td>+2.2%</td>
<td>+1.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>+4.7%</td>
<td>+3.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Fuel/FX Markets

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore Kerosene</td>
<td>83.9</td>
<td>90.0</td>
</tr>
<tr>
<td>Dubai Crude Oil</td>
<td>69.0</td>
<td>70.0</td>
</tr>
<tr>
<td>FX Rate (JPY/USD)</td>
<td>110.5</td>
<td>115.0</td>
</tr>
</tbody>
</table>

---

1. Figures in ( ) in FY2019 plan, Diff, and y/y do not include the depreciation method change
2. Net profit attributable to owners of the parent
3. Unit Cost = Air Transportation Segment Operating Cost (excluding fuel cost) / ASK (including ZIPAIR)
4. NOPAT/Average Fixed Asset (including Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year
5. EBITDA Margin = EBITDA / Operating Revenue
6. EBITDAR Margin = EBITDAR / Operating Revenue

---

(1) Figures in ( ) in FY2019 plan, Diff, and y/y do not include the depreciation method change
(2) Net profit attributable to owners of the parent
(3) Unit Cost = Air Transportation Segment Operating Cost (excluding fuel cost) / ASK (including ZIPAIR)
(4) NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year
(5) EBITDA Margin = EBITDA / Operating Revenue

---

EBITDAR = Operating Profit + Depreciation and Amortization + Aircraft Leases
Page 16 explains the forecast of FY2019.

No change is made from the one we disclosed on February 25, 2019, however, we updated ROIC as the balance sheet as of the end of March 2019 was fixed.
FY2019 Changes in Operating Profit (Revenues / Expenses)

Mar/20 (FY2019)

( JPY Bn )

Revenues +75.7Bn (+5.1%)

Expenses ▲71.8Bn (+5.5%)

FY2018

FY2019 (Plan)

FY2019 (Plan) (excluding the depreciation method change)

ASK y/y : +2.5%

RPK y/y : +3.1%

+3.8Bn (+2.2%)

Other Revenues

Fuel

▲32.7

▲39.1

▲3.7%

Other Expenses

Maintenance ▲2.0

Aircraft ▲4.7

Personal ▲10.8

Other than those above ▲21.4

Total ▲39.1

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

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

+6.1Bn (+3.5%)

Other Revenues include Sales of travel agency, etc.

Maintenance ▲2.0

Aircraft ▲4.7

Personal ▲10.8

Other than those above ▲21.4

Total ▲39.1

the impact of the change of the depreciation method

▲10.0

180.0

170.0

176.1

Domestic Passenger

+44.3

+8.4%

Cargo & Mail

+14.5

+6.0%

+4.4%

FSC* +25.5

FX +1.5

(TTL) +27.0

Int'l Passenger

+10.9

+2.1%

“Other Revenues” include Sales of travel agency, etc.

FSC* + 0.5

FX ▲0.5

(TTL) + 0.0

FSC* - FX ▲0.0

FSC*TTL + 26.0

FX TTL + 1.0

(TTL) + 27.0

▲6.1Bn (+3.5%)

ASK y/y : +2.5%

RPK y/y : +3.1%

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

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

FSC* Fuel Surcharge

FY2018

▲71.8Bn (+5.5%)

FY2019 (Plan) (excluding the depreciation method change)

FY2019 (Plan)
- Our market assumptions is 90 US dollars for Singapore kerosene and 115 Japanese yen to US dollar.

- Capacity increase is 2.5% for international routes and 2.6% for domestic routes. Total increase is 2.5%.

- We expect revenue to increase by 75.7 billion yen year-on-year because of capacity increase, our competitive service and products, and advanced revenue management. Fuel surcharge also increases.

- Total expenses are expected to rise by 71.8 billion yen year-on-year. Fuel cost will increase by 32.7 billion yen. Others will increase by 39.1 billion yen year-on-year. Personnel cost and Aircraft cost increase for airport capacity expansion in 2020 are included here.

- Because of the depreciation method change, Depreciation costs will increase by 10 billion yen year-on-year. However, the same amount will decrease in non-operating expenses.

- As a result, operating profit is estimated at 170 billion, or down 6.1 billion yen year-on-year, however, without the depreciation method change, 3.8 billion yen profit increase is expected on an actual basis.
FY2019 Changes in Operating Profit (Market / Others)

Mar/20 (FY2019)

( JPY Bn )

<table>
<thead>
<tr>
<th>Fuel/FX Markets</th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore Kerosene</td>
<td>83.9</td>
<td>90.0</td>
</tr>
<tr>
<td>Dubai Crude Oil</td>
<td>69.0</td>
<td>70.0</td>
</tr>
<tr>
<td>FX Rate</td>
<td>110.5</td>
<td>115.0</td>
</tr>
</tbody>
</table>

+ 3.8Bn (+2.2%)

+ 6.1Bn (+3.5%)

FX (excl. Fuel)
+ 1.5

Fuel (excl. Hedging)
+ 24.1

FSC*
+ 26.0

Hedging
+ 8.2

Revenue increase
+ 58.3

Cost increase
△ 37.0

the impact of the change of the depreciation method
△ 10.0

Revenues + 1.0

Cost excl. Fuel △ 2.5

Total △ 1.5

168.3

180.0

170.0

Market impact △ 7.8Bn

Others + 11.6Bn

FY2019 (Plan)
(excluding the depreciation method change)

FY2019 (Plan)

Revenue increase △ 68.7

Cost increase △ 37.0

Total △ 31.7

Market impact △ 10.0

Others + 11.6Bn

FY2019 (Plan)

Revenue increase △ 68.7

Cost increase △ 37.0

Total △ 31.7

Market impact △ 10.0

Others + 11.6Bn

FY2019 (Plan)

Revenue increase △ 68.7

Cost increase △ 37.0

Total △ 31.7

Market impact △ 10.0

Others + 11.6Bn

FY2019 (Plan)

Revenue increase △ 68.7

Cost increase △ 37.0

Total △ 31.7

Market impact △ 10.0

Others + 11.6Bn

FY2019 (Plan)

Revenue increase △ 68.7

Cost increase △ 37.0

Total △ 31.7

Market impact △ 10.0

Others + 11.6Bn

FY2019 (Plan)

Revenue increase △ 68.7

Cost increase △ 37.0

Total △ 31.7

Market impact △ 10.0

Others + 11.6Bn

FY2019 (Plan)
This Page explains the market effect.

The overall market effect is negative 7.8 billion yen to profit year-on-year.

For the non-market effect, we are going to make more revenues than the preparation expenses for airport capacity expansion in 2020. Without the depreciation method change, the non-market effect should be positive 11.6 billion yen.
Reservations in the long holidays “Golden Week” *

- Large Increase in Reservation Rate year on year in both International and Domestic Passenger

Demand Outlook for April to June 2019

- **Japan-Outbound** - Strong business demand - Good outlook on America routes
  - Leisure demand in line with expectation

- **Japan-Inbound** - China, temporarily slowed down in 4th Q FY18, is recovering

- **Individuals** - Robust demand in both business and promotional fares will continue throughout 1st Q FY19

- **Groups** - Strong demand especially with increasing last-minute demand

*(From April 27 to May 6) As disclosed on April 19, 2019*
This page shows the current market situation for International passenger and Domestic passenger.

First of all, reservations during the 10-day holiday period starting from tomorrow have largely exceeded a year before.

For Domestic passenger, it looks very good. For International passenger, all routes except Europe exceeded the previous year booking level.

The 1st Quarter outlook is good for both outbound and inbound in International business. In the 4th Quarter FY2018, there was temporary slowdown in ex-China demand, but it is recovering now.

Outbound business demand is strong.

For Domestic passenger, very strong demand continues.
## FY2019 Earnings Forecast

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>2,030.3</td>
<td>2,040.0</td>
<td>+9.6</td>
</tr>
<tr>
<td>Balance of Interest-bearing debts</td>
<td>142.3</td>
<td>167.0</td>
<td>+24.6</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>1,165.1</td>
<td>1,192.0</td>
<td>+26.8</td>
</tr>
<tr>
<td>Shareholders’ Equity Ratio (%)</td>
<td>57.4%</td>
<td>58.4%</td>
<td>+1.0pt</td>
</tr>
<tr>
<td>ROIC (%) (1) (2)</td>
<td>9.5%</td>
<td>8.6% (9.1%)</td>
<td>▲1.0pt ▲0.5pt</td>
</tr>
<tr>
<td>ROE (%) (3)</td>
<td>13.6%</td>
<td>9.7%</td>
<td>▲3.9pt</td>
</tr>
<tr>
<td>ROA (%) (2) (4)</td>
<td>9.1%</td>
<td>8.4% (8.8%)</td>
<td>▲0.7pt ▲0.2pt</td>
</tr>
</tbody>
</table>

1. NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year
2. Figures in ( ) in End of FY2019 Plan and Diff do not include the depreciation method change
3. (Net profit attributable to owners of the parent) / (Average of shareholder’s equity at beginning and end of a fiscal year)
4. (Operating profit) / (Average of total assets at beginning and end of a fiscal year)
5. Including approximately JPY 80billion yen injection to Corporate Pension Fund scheduled in the first half of FY2019
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 old regional prop aircraft or aircraft parts, replacement of existing old facilities, or for compliance to laws and regulations.

### Cash Flow

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY2018</th>
<th>FY2019 (Plan)</th>
<th>Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow from Operating Activities</td>
<td>296.7</td>
<td>219.0 (8)</td>
<td>▲77.7</td>
</tr>
<tr>
<td>Cash Flow from Investing Activities (6)</td>
<td>▲186.3</td>
<td>▲259.0</td>
<td>▲72.6</td>
</tr>
<tr>
<td>Free Cash Flow (7)</td>
<td>110.3</td>
<td>▲40.0 (5)</td>
<td>▲150.3</td>
</tr>
<tr>
<td>Cash Flow from Financing Activities</td>
<td>▲37.0</td>
<td>▲47.0</td>
<td>▲9.9</td>
</tr>
<tr>
<td>EBITDA</td>
<td>300.2</td>
<td>309.0</td>
<td>+8.7</td>
</tr>
<tr>
<td>EBITDAR</td>
<td>320.1</td>
<td>327.0</td>
<td>+6.8</td>
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</table>

### Investment

<table>
<thead>
<tr>
<th>(JPY Bn)</th>
<th>FY2018</th>
<th>FY2019 Plan</th>
<th>Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fleet</td>
<td>175.4</td>
<td>189.0</td>
<td>+13.5</td>
</tr>
<tr>
<td>Ground • IT, etc</td>
<td>50.8</td>
<td>75.0</td>
<td>+24.1</td>
</tr>
<tr>
<td>Total</td>
<td>226.2</td>
<td>264.0</td>
<td>+37.7</td>
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<tr>
<td>Growth Investments (8)</td>
<td></td>
<td>195.0</td>
<td></td>
</tr>
<tr>
<td>Replacement investments (9)</td>
<td></td>
<td>69.0</td>
<td></td>
</tr>
</tbody>
</table>

Cash flow from operating activities in FY2019 includes a cash injection of 80 billion yen to Corporate Pension Fund. Free cash flow is expected to be negative 40 billion yen, but it should be plus 40 billion yen when the pension fund injection is excluded.

Equity ratio at the end of FY2019 is expected to rise to 58.4%. ROIC is expected to fall below 9% temporarily due to upfront investments and costs for airport capacity expansion in 2020. However, we will capture the business opportunities of the airport expansion and the Olympic and Paralympic Games to recover ROIC to 9% or above as quickly as possible.

Capital investments in FY2019 are expected to increase by 37.7 billion yen year-on-year to 264 billion yen because we will be taking delivery of many aircraft. Out of this amount, 195 billion yen is for growth investments.
The fuel surcharge applicable from April to July 2019 has been already determined as below:

※ April-May: Japan outbound/Zone JPY7,000, others excluding Japan outbound/Zone USD70

June-July: Japan outbound/Zone JPY8,000, others excluding Japan outbound/Zone USD70

With the fuel surcharges above, the recent fuel prices and the exchange rates from April to May, the impact on profit will be approximately negative 7.0 billion yen (not included in the profit impact matrix chart above)
This page explains the impact of Fuel and FX Markets for FY2019.

We expect the fuel cost to increase to 284 billion yen, up by 32.7 billion yen mainly due to fuel price increase.

The right bottom matrix chart shows the profit impact. If FX is 110 yen and Singapore Kerosene is 80 dollars throughout a year, Operating profit will be up by 5.5 billion yen over the forecast.

However, Fuel surcharge from April to July has been set a level below our assumptions. Also, the actual fuel prices and exchange rates from April to May are below our market assumptions. Overall effect to Profit is negative 7 billion yen from our forecast. Please note that this negative impact is not included in this chart.
### International Passenger

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>y/y(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Full-year (Forecast)</td>
</tr>
<tr>
<td>Passenger Revenue (JPY Bn)</td>
<td>530.6</td>
<td>575.0</td>
<td>+8.5%</td>
</tr>
<tr>
<td>Passengers ('000)</td>
<td>9,128</td>
<td>9,490</td>
<td>+4.0%</td>
</tr>
<tr>
<td>ASK (MN seat km)</td>
<td>54,925</td>
<td>56,284</td>
<td>+2.5%</td>
</tr>
<tr>
<td>RPK (MN passenger km)</td>
<td>44,659</td>
<td>46,559</td>
<td>+4.3%</td>
</tr>
<tr>
<td>L/F (%)</td>
<td>81.3%</td>
<td>82.7%</td>
<td>82.7%</td>
</tr>
<tr>
<td>Revenue per Passenger (JPY) (1)</td>
<td>58,136</td>
<td>60,672</td>
<td>+4.4%</td>
</tr>
<tr>
<td>Yield (JPY) (2)</td>
<td>11.9</td>
<td>12.4</td>
<td>+4.1%</td>
</tr>
<tr>
<td>Unit Revenue(JPY) (3)</td>
<td>9.7</td>
<td>10.2</td>
<td>+5.9%</td>
</tr>
</tbody>
</table>

### Domestic Passenger

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>y/y(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Full-year (Forecast)</td>
</tr>
<tr>
<td>Passenger Revenue (JPY Bn)</td>
<td>528.0</td>
<td>539.0</td>
<td>+2.2%</td>
</tr>
<tr>
<td>Passengers ('000)</td>
<td>34,859</td>
<td>35,400</td>
<td>+1.6%</td>
</tr>
<tr>
<td>ASK (MN seat km)</td>
<td>36,116</td>
<td>37,060</td>
<td>+2.6%</td>
</tr>
<tr>
<td>RPK (MN passenger km)</td>
<td>26,195</td>
<td>26,547</td>
<td>+1.3%</td>
</tr>
<tr>
<td>L/F (%)</td>
<td>72.5%</td>
<td>71.6%</td>
<td>71.6%</td>
</tr>
<tr>
<td>Revenue per Passenger (JPY) (1)</td>
<td>15,149</td>
<td>15,246</td>
<td>+0.6%</td>
</tr>
<tr>
<td>Yield (JPY) (2)</td>
<td>20.2</td>
<td>20.3</td>
<td>+0.8%</td>
</tr>
<tr>
<td>Unit Revenue(JPY) (3)</td>
<td>14.6</td>
<td>14.6</td>
<td>▲0.4%</td>
</tr>
</tbody>
</table>

(1) Revenue per Passenger = Passenger Revenue / Passengers
(2) Yield = Passenger Revenue / RPK
(3) Unit Revenue = Passenger Revenue / ASK

FY2019 (Mar/20) Earnings Forecast (Air transportation Segment)
Page 22 page shows our forecast in International passenger business and Domestic passenger business.

From page 23, we have provided some references about our ESG initiatives, Financial Strategy and Capital Policy that were explained in our Medium-term Management Plan.
OVERVIEW OF FINANCIAL RESULTS FOR MAR/19

SHAREHOLDER RETURN

DETAILS OF FINANCIAL RESULTS FOR MAR/19

EARNINGS FORECAST FOR MAR/20

REFERENCES
Environmental

- Low-Carbon Initiatives: Introduce fuel-efficient aircraft and aim for eco-friendly operation
- Promote usage of Biofuel: Invested in Fulcrum BioEnergy, Inc., a Biofuel manufacturer

Social

- Diversity promotion initiatives
- Build a sustainable supply chain
- Contribute to regional revitalization through tourism and promote inbound tourism

[**Diversity promotion initiatives**]
- Reemployment support for women
  - Implemented the “Work Again Program”
- Awarded a second prize in the Advanced Category at the J-Win Diversity Award’s Corporate Awards Division

[**Building a Sustainable Supply Chain**]
- Joined to “Global membership” of Sedex
- Formulate a JAL Group Supplier Code of Conduct
- Comply to the Tokyo 2020 Olympic and Paralympic Games Sustainable Sourcing Code
- Conduct CSR audit to suppliers

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

**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

**CO2 Emissions**

- Steadily striving toward the goal of the CO2 emissions reduction by 23% from the FY2005 emission level

**Share of “Fuel-Efficient Aircraft”**

- Applicable Aircraft: A350, 787, 777, 737-800, E170/190
  - 2018: Result, 2019+: Plan

**Contribute to Regional Revitalization through Tourism and Promote Inbound Tourism**

- Invested in ALL JAPAN Tourism Oriented Country Fund
- Named as Japan’s best airline for the third consecutive year in the 2019 TripAdvisor® Travelers’ Choice™ awards for Airlines
Capital investments will be made within cash flow from operating activities. Approximately 2/3 of the total investment will be actively used for growth investment to increase corporate value. Aircraft investments will be accelerated with the additional 40 bn yen for further growth.
We will strategically allocate capital to increase corporate value, while maintaining a firm financial structure with high capital efficiency.

**Improve asset efficiency and capital efficiency**
- Due to investments and preparatory costs for “development at Haneda and Narita” in FY2020, together with temporary supply-demand imbalance, ROE and ROIC will decline temporarily. However, we aim to maintain or increase ROE from 10% and further increase ROIC through sustainable profit growth.

**Capital allocation**
- We will maintain approximately 2.6 months’ worth of revenue as cash on hand required for stable management and allocate the additional capital strategically.
- Growth investment is actively promoted with interest-bearing debt. Also, the 50-billion yen strategic growth investment line will be effectively utilized.
- By the first half of FY2019, approximately 80 billion yen will be injected to the Corporate Pension Fund for strengthening its financial base and reducing debts relating to JAL retirement benefits.

**Further increase shareholder returns**
- We will raise the dividend payout ratio from FY2019 to maintain the current level of dividend per share, after the effective tax rate increase, in order to stabilize dividends while referring to Dividend on Equity Ratio (DOE).
- Combining stable dividends and flexible share repurchases, we will implement shareholder return measures, taking into account a total return ratio.

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*Originally disclosed on February 25, 2019*
Stable financial structure with high capital efficiency
Enhancement of shareholder return and capital allocation for corporate value increases

Financial structure

- Shareholders’ equity ratio
  - Equity ratio reached approx. 60%. Having built strong financial structure, we will work to maintain the current level

Credit rating

- Aim to achieve and maintain “A flat” or above credit rating by improving cash flows and securing fruits from our growth strategies

Capital efficiency

- Decrease cost of capital
  - Utilize debt
    - 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

Liquidity

- Based on our current scale of business operations, standard liquidity on hand is set at approximately 2.6 months’ worth of revenue (currently approx. 330 bn yen) for sufficient event risk tolerance as well as return on assets (ROA)

Shareholders return

- To maintain dividend levels despite increase in effective tax rate, raise payout ratio from FY2019 and pay stable dividends with reference to Dividend on Equity Ratio (DOE)

- Implement shareholder return enhancement measures by combining stable dividend and active share repurchase, taking into account a total return ratio

Total Shareholder Return History (FY2012~FY2018)

- Net profit attributable to owners of parent
- Total amount of dividend
- Amount of share repurchase
- Dividend payout ratio
- Total return ratio

※Originally disclosed on February 25, 2019
Fly into tomorrow.

JAPAN AIRLINES

Finance & Investor Relations, Japan Airlines
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