

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





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※The Award for Passenger Service System Project



2018 Award for Excellence in Corporate Disclosure

— Industries —



The Securities Analysts Association of Japan

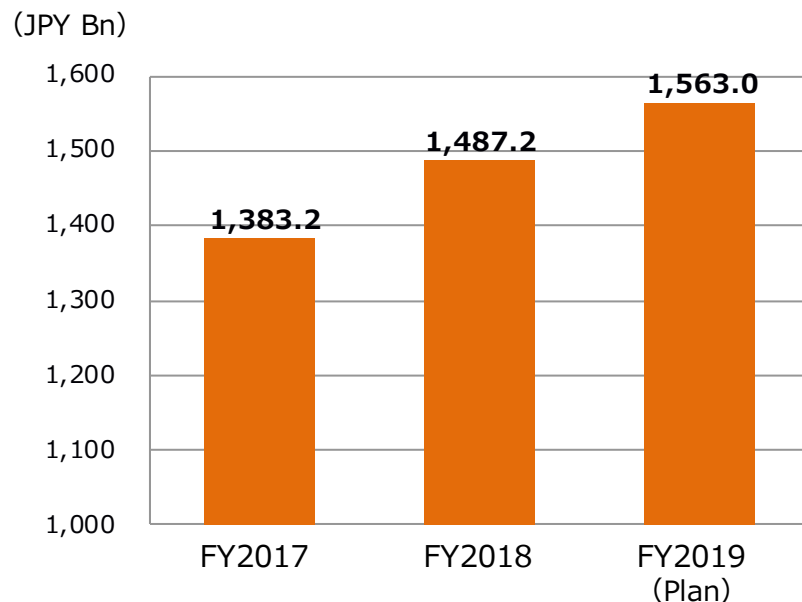
Overview of Financial Results for Mar/19



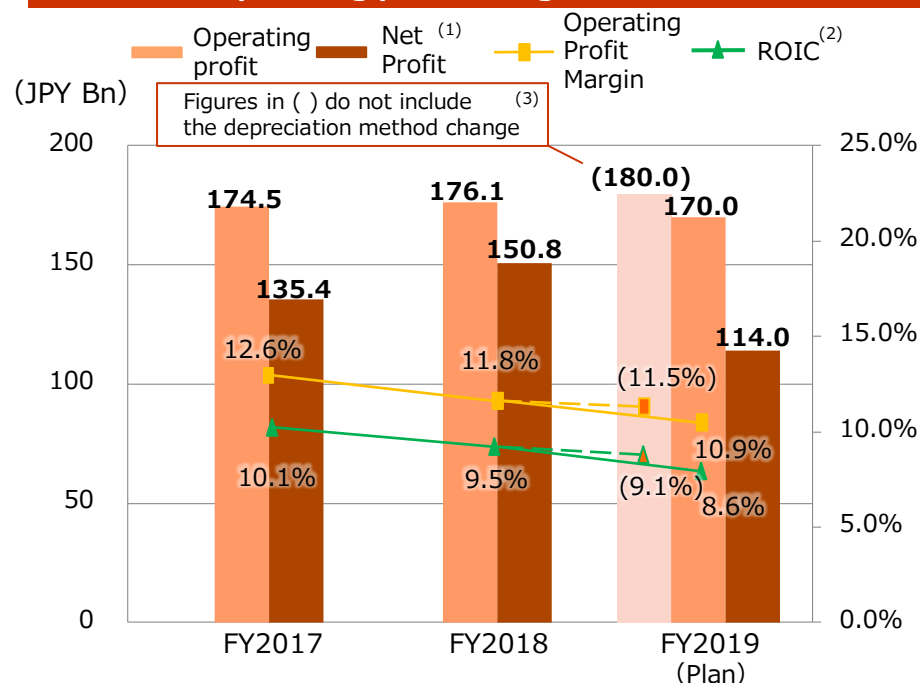
JAPAN AIRLINES

- ✓ 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



Operating profit · Net profit ⁽¹⁾ Operating profit margin · ROIC ⁽²⁾



Fuel/FX Markets		FY2017	FY2018	FY2019 (Plan)
Singapore Kerosene	(USD/bbl)	67.8	83.9	90.0
Dubai Crude Oil	(USD/bbl)	54.9	69.0	70.0
FX Rate	(JPY/USD)	111.2	110.5	115.0

Operational Precondition /ASK	FY2018	FY2019 (Plan)
Int'l	+6.0%	+2.5%
Doms	+1.1%	+2.6%
Total	+4.0%	+2.5%

(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.

※y/y

- 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

(1) Total Return Ratio =

$$\frac{\text{Total dividends} + \text{Total share repurchases}}{\text{Net profit attributable to owners of the parent}}$$

(2) Total Return on Equity Ratio =

$$\frac{\text{Total dividends} + \text{Total Share repurchases}}{\text{Average shareholders' equity at beginning and end of a fiscal year}}$$

Shareholder Return Results and Forecast

Dividends

- ✓ 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

Share Repurchase

- ✓ 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 returns②

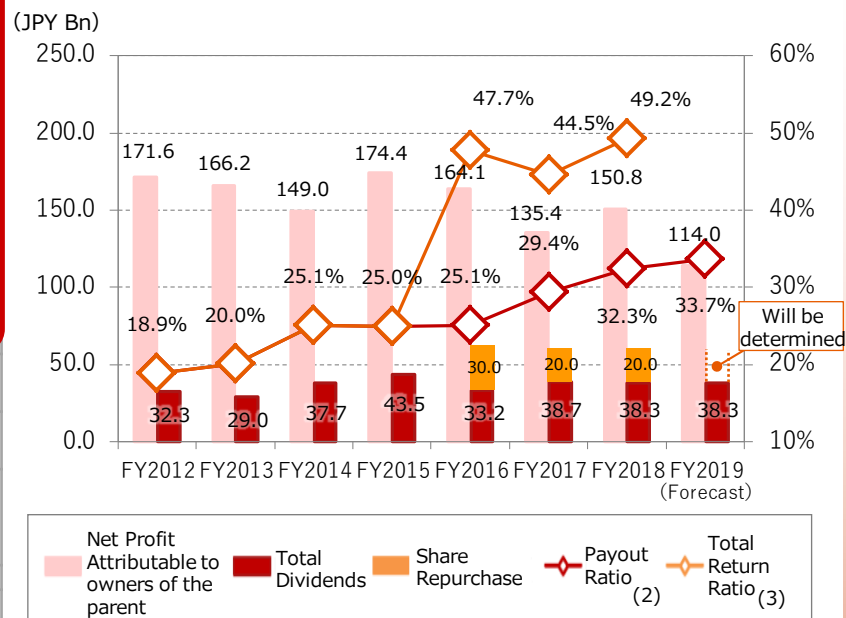


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Shareholder Return Result and Forecast

	FY2017 (Result)	FY2018 (Result)	FY2019 (Forecast)
Dividends per share (JPY)	110	110	110
Interim Dividend	52.5	55	55
Year-End Dividend	57.5	55	55
Share Repurchase ⁽¹⁾ (JPY Bn)	20.0	20.0	Will be determined
Payout Ratio ⁽²⁾	29.4%	32.3%	33.7% ⁽⁷⁾
Total Return Ratio ⁽³⁾	44.5%	49.2%	-
Total Return on Equity Ratio ⁽⁴⁾	5.8%	5.2%	-
Net Profit ⁽⁵⁾ (JPY Bn)	135.4	150.8	114.0
Income Tax Deferred (JPY Bn)	▲3.4	▲32.1	
Base Profit for Dividends Calculation ⁽⁶⁾ (JPY Bn)	131.9	118.6	114.0
Total Dividends	38.7	38.3	38.3 ⁽⁷⁾

Total Return History (FY2012~FY2019)



(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

(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

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OVERVIEW OF FINANCIAL RESULTS FOR MAR/19



SHAREHOLDER RETURN



DETAILS OF FINANCIAL RESULTS FOR MAR/19



EARNINGS FORECAST FOR MAR/20



REFERENCES

Consolidated Financial Results Mar/19



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(JPY Bn)	FY2017	FY2018	Diff.	y/y	4th Quarter (Jan-Mar) ⁽⁶⁾	Diff.	y/y
Operating Revenue	1,383.2	1,487.2	+104.0	+7.5%	356.1	+18.9	+5.6%
International Passenger ⁽¹⁾	462.9	530.6	+67.7	+14.6%	127.1	+10.7	+9.2%
Domestic Passenger ⁽¹⁾	518.2	528.0	+9.8	+1.9%	123.3	+3.6	+3.1%
Cargo / Mail	92.0	100.0	+7.9	+8.6%	22.7	▲0	▲0.3%
Other	310.0	328.4	+18.4	+5.9%	82.8	+4.6	+5.9%
Operating Expense	1,208.6	1,311.1	+102.4	+8.5%	325.5	+17.6	+5.7%
Fuel	215.2	251.2	+35.9	+16.7%	59.4	+2.1	+3.8%
Excluding Fuel	993.4	1,059.8	+66.4	+6.7%	266.0	+15.5	+6.2%
Operating Profit	174.5	176.1	+1.5	+0.9%	30.6	+1.3	+4.5%
Operating Profit Margin (%)	12.6%	11.8%	▲0.8pt	-	8.6%	▲0.1pt	-
Ordinary Profit	163.1	165.3	+2.1	+1.3%	26.7	+5.7	+27.5%
Net Profit ⁽²⁾	135.4	150.8	+15.4	+11.4%	44.2	+22.9	+107.7%
ASK (MN seat km)	87,550	91,042	+3,492	+4.0%	22,646	+821	+3.8%
RPK (MN passenger km)	67,656	70,855	+3,198	+4.7%	17,338	+559	+3.3%
EBITDA Margin (%) ⁽³⁾	20.6%	20.2%	▲0.4pt	-	17.4%	▲0.2pt	-
EBITDAR Margin (%) ⁽⁴⁾	22.1%	21.5%	▲0.6pt	-	18.8%	▲0.3pt	-
Unit Cost (JPY) ⁽⁵⁾	10.1	10.4	+0.3	+3.1%	10.5	+0.3	+2.9%
Incl. Fuel	12.5	13.1	+0.6	+4.9%	13.1	+0.3	+2.3%

(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 EBITDA=Operating Profit + Depreciation and Amortization

(4) EBITDAR Margin = EBITDAR / Operating Revenue EBITDAR=Operating Profit + Depreciation and Amortization + Aircraft Leases

(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)

Changes in Operating Profit (Revenues / Expenses)



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Mar/19 (FY2018)

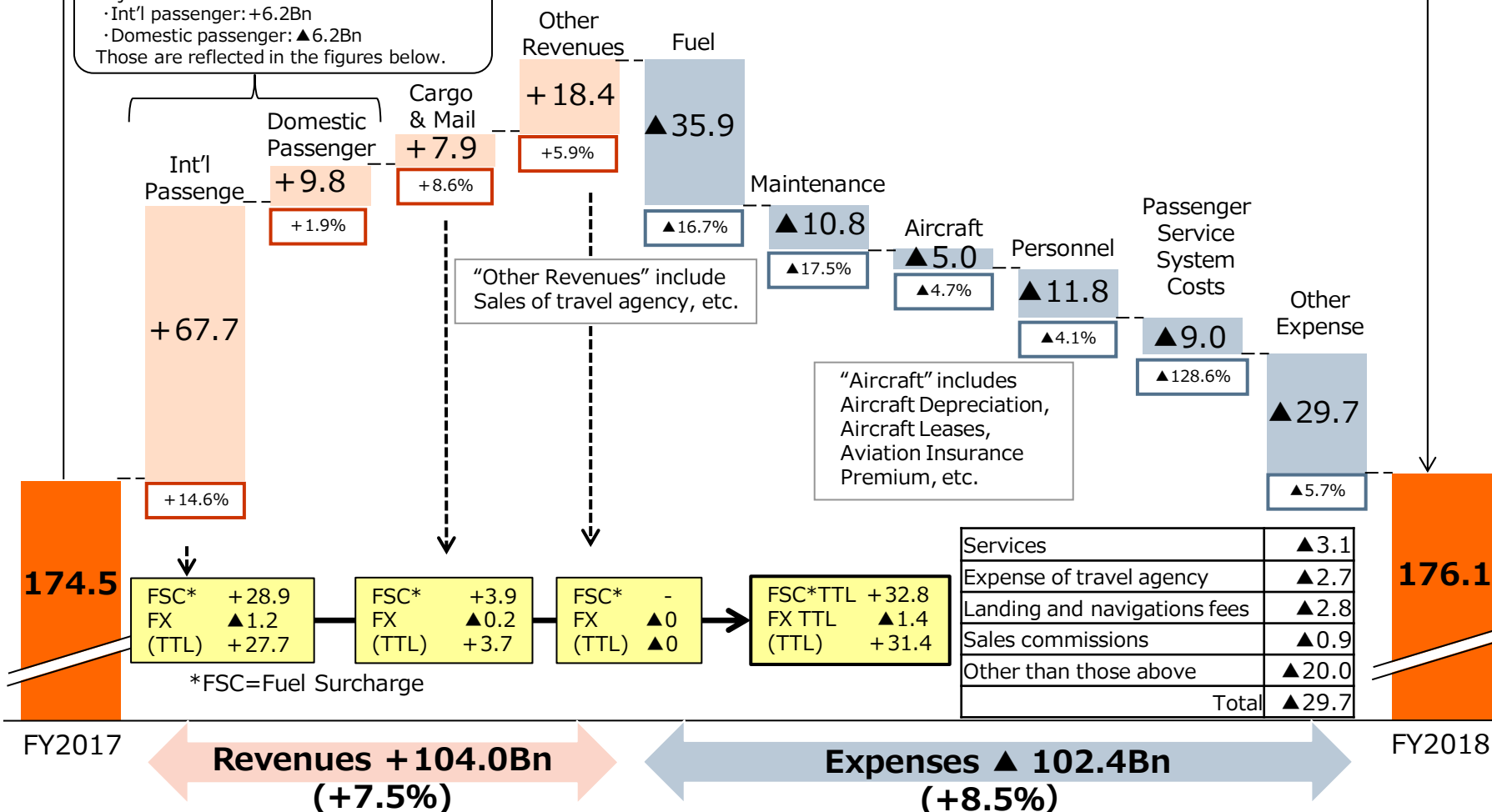
(JPY Bn)

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

**+1.5Bn
(+0.9%)**

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

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.



- 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)



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Mar/19 (FY2018)

(JPY Bn)

Impact from Currency Market +1.2Bn

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

+1.5Bn
(+0.9%)

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

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

(Excl. Market Impact)

Revenue increase

+72.6

Cost increase

▲64.9

Passenger Service System costs
▲9.0

FX (excl. Fuel) +0

Fuel (excl. Hedging) ▲42.8

Hedging +12.9

FSC* +32.8

174.5

177.4

176.1

Revenues	▲1.4
Cost excl. Fuel	+1.4
Total	+0.0

FX	+1.2
Market	▲44.0
Total	▲42.8

Int'l Passenger	+28.9
Int'l Cargo	+3.9
Total	+32.8

Int'l Passenger	+40.1
Domestic Passenger	+9.8
Cargo/Mail	+4.2
Other	+18.5
Total	+72.6

Fuel Volume	▲6.1
Maintenance	▲11.4
Services	▲3.2
Aircraft	▲5.1
Personnel	▲11.9
Other than those above	▲27.2
Total	▲64.9

FY2017

FY2018

Market impact + 2.9Bn

Others ▲ 1.3Bn

*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

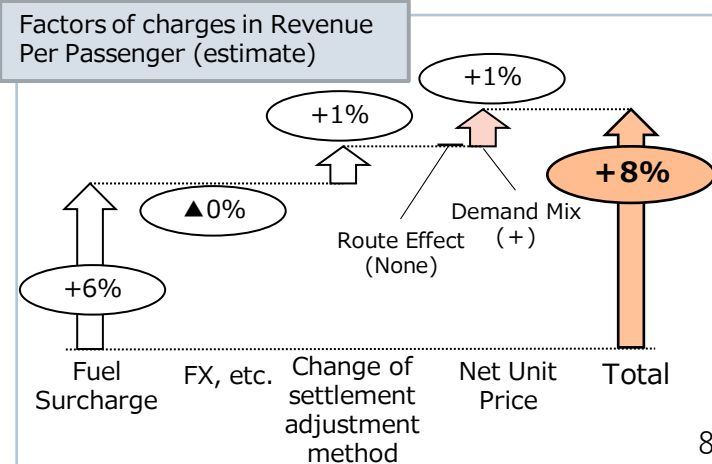
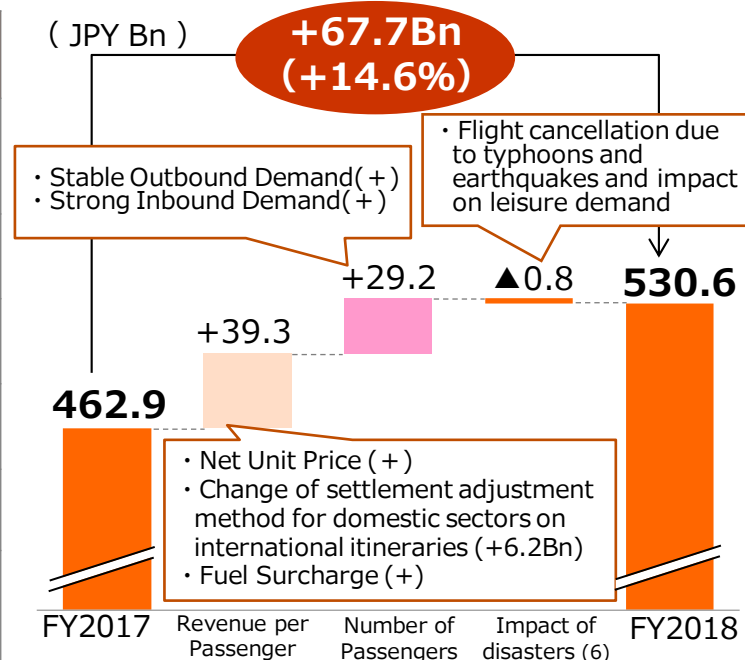


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International Passenger

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

Change in Revenue



- (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

- 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

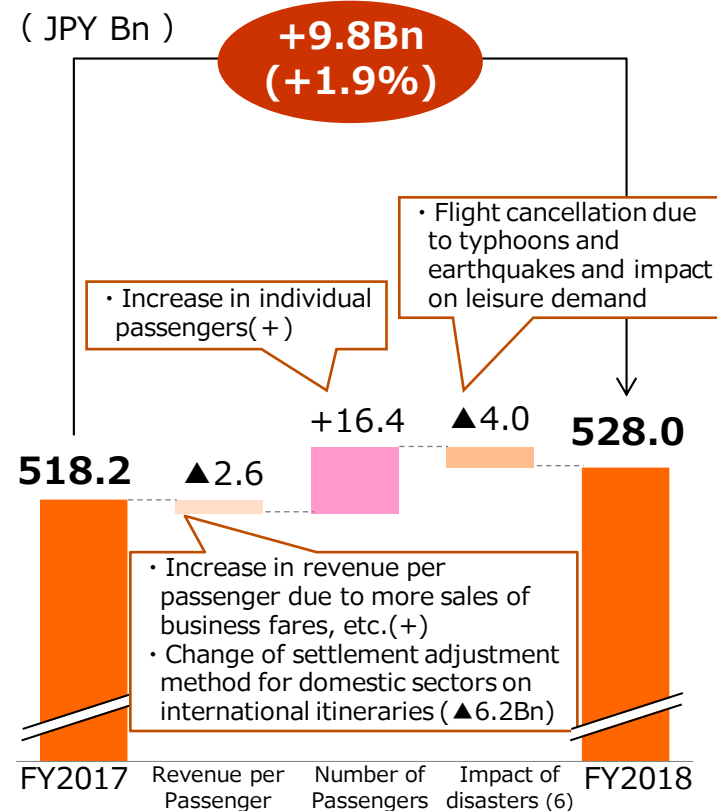


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Domestic Passenger

	FY2017	FY2018	y/y ratio	4th Quarter (Jan-Mar) ⁽⁵⁾	y/y ratio
Passenger Revenue ⁽¹⁾ (JPY Bn)	518.2	528.0 (534.3)	+1.9% (+3.1%)	123.3 (125.1)	+3.1% (+4.6%)
Passengers ('000)	34,033	34,859	+2.4%	8,421	+3.8%
ASK (MN seat km)	35,714	36,116	+1.1%	8,932	+1.5%
RPK (MN passenger km)	25,643	26,195	+2.2%	6,378	+3.9%
L/F (%)	71.8%	72.5%	+0.7pt	71.4%	+1.7pt
Revenue per Passenger ^{(1) (2)} (JPY)	15,227	15,149 (15,328)	▲0.5% (+0.7%)	14,651 (14,859)	▲0.7% (+0.7%)
Yield ⁽¹⁾⁽³⁾ (JPY)	20.2	20.2 (20.4)	▲0.2% (+0.9%)	19.3 (19.6)	▲0.7% (+0.7%)
Unit Revenue ⁽¹⁾⁽⁴⁾ (JPY)	14.5	14.6 (14.8)	+0.8% (+2.0%)	13.8 (14.0)	+1.6% (+3.1%)

Change in Revenue



- (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

- 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



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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⁽¹⁾**

Y/Y

International:

+1%

Domestic:

+1%

**Improvement of
Unit Revenue ⁽¹⁾**

Y/Y

International:

+2%

Domestic:

+2%

The New Passenger Service System

**Main functional
enhancements**

Major Improvements

INT

**Improved
Functions of
Overseas
Websites**

- Fare/Class Display
- Multilingual services

**Revenue Increase from
Inbound Business Class and
Premium Economy Class Sales**

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

FY17:100

FY18:134

**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

FY18:122

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

- 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



JAPAN AIRLINES

Operating Expenses

(JPY Bn)	FY2017	FY2018	Diff.	y/y	4th Quarter (Jan-Mar) ⁽³⁾	Diff.	y/y
Fuel	215.2	251.2	+35.9	+16.7%	59.4	+2.1	+3.8%
Landing and navigation fees	83.5	86.3	+2.8	+3.4%	21.4	+0.4	+2.0%
Maintenance	62.0	72.9	+10.8	+17.5%	17.8	+7.1	+67.1%
Sales commissions (Air Transport)	17.9	18.9	+0.9	+5.5%	4.8	▲0.0	▲0.6%
Aircraft ⁽¹⁾	107.1	112.2	+5.0	+4.7%	28.3	+1.3	+4.9%
Services ⁽²⁾	42.2	45.3	+3.1	+7.5%	10.9	+0.5	+5.6%
Personnel	290.3	302.1	+11.8	+4.1%	76.1	+0.5	+0.7%
Expenses of travel agency	83.8	86.6	+2.7	+3.3%	20.2	+0.2	+1.5%
Other	306.1	335.2	+29.0 ⁽⁴⁾	+9.5%	86.1	+5.2	+6.5%
Total operating expenses	1,208.6	1,311.1	+102.4	+8.5%	325.5	+17.6	+5.7%

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



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

(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)

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

(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.

Revenue of International Routes by Geographic Segment

Passenger Revenue

(%)	FY2018 y/y	4Q 3Months y/y	Component Ratio		4Q Component Ratio
			FY2017	FY2018	
America	+13.4%	+21.4%	26%	26%	25%
Europe	+12.8%	▲2.0%	16%	16%	13%
Asia/Oceania	+11.5%	+3.2%	33%	33%	35%
China	+24.4%	+7.7%	11%	11%	12%
Hawaii/Guam	+19.2%	+19.1%	14%	14%	15%
Total	+14.6%	+9.2%	100%	100%	100%

ASK

(MN seat km)	4Q (Cumulative)			4Q (3Months)	
	FY2017	FY2018	y/y	FY2018	y/y
America	14,971	15,581	+4.1%	3,866	+5.1%
Europe	7,962	7,790	▲2.2%	1,857	▲2.9%
Asia/Oceania	18,042	19,322	+7.1%	4,944	+3.7%
China	3,292	3,422	+4.0%	854	+3.4%
Hawaii/Guam	7,569	8,808	+16.4%	2,191	+19.4%
Total	51,836	54,925	+6.0%	13,714	+5.3%

Revenue Passengers Carried

('000)	4Q (Cumulative)			4Q (3Months)	
	FY2017	FY2018	y/y	FY2018	y/y
America	1,230	1,332	+8.4%	327	+10.3%
Europe	733	734	+0.1%	166	▲4.7%
Asia/Oceania	4,146	4,270	+3.0%	1,085	▲1.4%
China	1,409	1,554	+10.3%	373	▲0.5%
Hawaii/Guam	1,066	1,236	+15.9%	303	+14.5%
Total	8,585	9,128	+6.3%	2,255	+2.0%

RPK

(MN passenger km)	4Q (Cumulative)			4Q (3Months)	
	FY2017	FY2018	y/y	FY2018	y/y
America	11,735	12,714	+8.3%	3,113	+10.5%
Europe	6,571	6,580	+0.1%	1,500	▲4.7%
Asia/Oceania	14,936	15,661	+4.9%	3,978	▲1.2%
China	2,610	2,870	+10.0%	692	▲0.1%
Hawaii/Guam	6,158	6,831	+10.9%	1,674	+9.8%
Total	42,013	44,659	+6.3%	10,960	+3.0%

Load Factor

(%)	4Q (Cumulative)			4Q (3Months)	
	FY2017	FY2018	y/y	FY2018	y/y
America	78.4%	81.6%	+3.2pt	80.5%	+3.9pt
Europe	82.5%	84.5%	+1.9pt	80.8%	▲1.5pt
Asia/Oceania	82.8%	81.1%	▲1.7pt	80.5%	▲4.0pt
China	79.3%	83.9%	+4.6pt	81.1%	▲2.8pt
Hawaii/Guam	81.4%	77.6%	▲3.8pt	76.4%	▲6.7pt
Total	81.0%	81.3%	+0.3pt	79.9%	▲1.8pt

- 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.

《 Reference 》 Number of Aircraft



JAPAN AIRLINES

	End of Mar/18			End of Mar/19			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	14	3	17	+6
Boeing 767-300	6	0	6	6	0	6	-
Boeing 767-300ER	28	1	29	29	0	29	-
Middle-sized Total	69	2	71	74	3	77	+6
Boeing 737-400	8	0	8	3	0	3	▲5
Boeing 737-800	34	23	57	42	20	62	+5
Small-sized Total	42	23	65	45	20	65	-
Embraer 170	17	0	17	18	0	18	+1
Embraer 190	12	0	12	14	0	14	+2
Bombardier D8-400	5	1	6	1	0	1	▲5
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	5	1	6	+2
ATR72-600	0	0	0	1	0	1	+1
Regional Total	54	1	55	52	1	53	▲2
Total	205	26	231	211	24	235	+4



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



JAPAN AIRLINES

Revenue and Expenditure Plan (JPY Bn)	FY2018	FY2019 (Plan)	Diff.	y/y
Operating Revenue	1,487.2	1,563.0	+75.7	+5.1%
International Passenger	530.6	575.0	+44.3	+8.4%
Domestic Passenger	528.0	539.0	+10.9	+2.1%
Cargo / Mail	100.0	106.0	+5.9	+6.0%
Other	328.4	343.0	+14.5	+4.4%
Operating Expense ⁽¹⁾	1,311.1	1,393.0 (1,383.0)	+81.8 (+71.8)	+6.2% (+5.5%)
Fuel	251.2	284.0	+32.7	+13.0%
Excluding Fuel ⁽¹⁾	1,059.8	1,109.0 (1,099.0)	+49.1 (+39.1)	+4.6% (+3.7%)
Operating Profit ⁽¹⁾	176.1	170.0 (180.0)	▲6.1 (+3.8)	▲3.5% (+2.2%)
Operating Profit Margin (%) ⁽¹⁾	11.8%	10.9% (11.5%)	▲1.0pt (▲0.3pt)	-
Ordinary Profit	165.3	171.0	+5.6	+3.4%
Net Profit ⁽²⁾	150.8	114.0	▲36.8	▲24.4%
Unit Cost (JPY) ^{(1) (3)}	10.4	10.6 (10.5)	+0.2 (+0.1)	-
ROIC ^{(1) (4)}	9.5%	8.6% (9.1%)	▲1.0pt (▲0.5pt)	-
EBITDA Margin (%) ⁽⁵⁾	20.2%	19.8%	▲0.4pt	-
EBITDAR Margin (%) ⁽⁶⁾	21.5%	20.9%	▲0.6pt	-

Operational Preconditions ※y/y	FY2018	FY2019 (Plan)
ASK Int'l	+6.0%	+2.5%
Doms	+1.1%	+2.6%
Total	+4.0%	+2.5%
RPK Int'l	+6.3%	+4.3%
Doms	+2.2%	+1.3%
Total	+4.7%	+3.2%

Fuel/FX Markets	FY2018	FY2019 (Plan)
Singapore Kerosene (USD/bbl)	83.9	90.0
Dubai Crude Oil (USD/bbl)	69.0	70.0
FX Rate (JPY/USD)	110.5	115.0

- (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
 EBITDA=Operating Profit + Depreciation and Amortization
 (6) EBITDAR Margin = EBITDAR / 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)



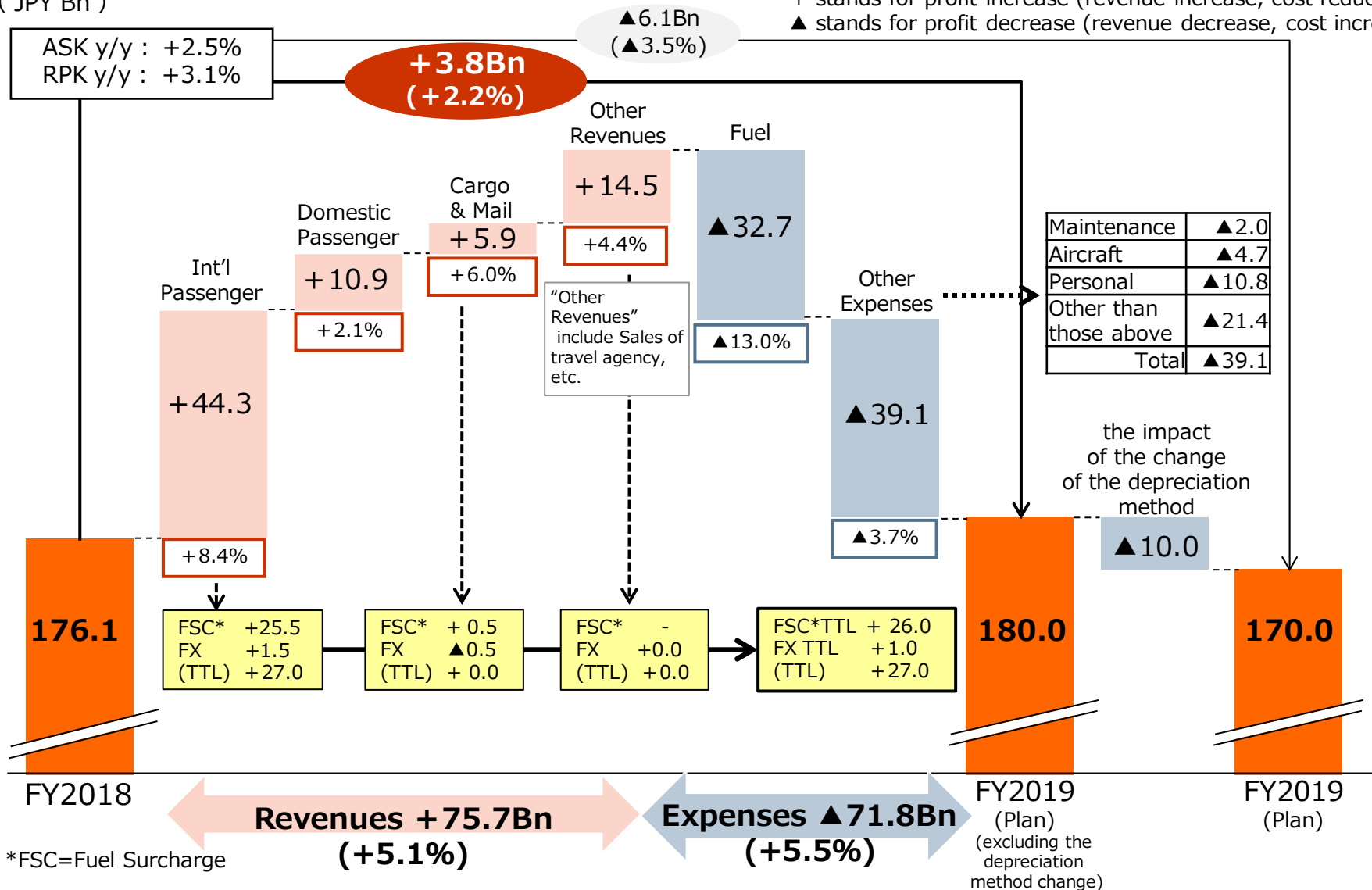
JAPAN AIRLINES

Mar/20 (FY2019)

(JPY Bn)

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

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



- 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)



JAPAN AIRLINES

Mar/20 (FY2019)

(JPY Bn)

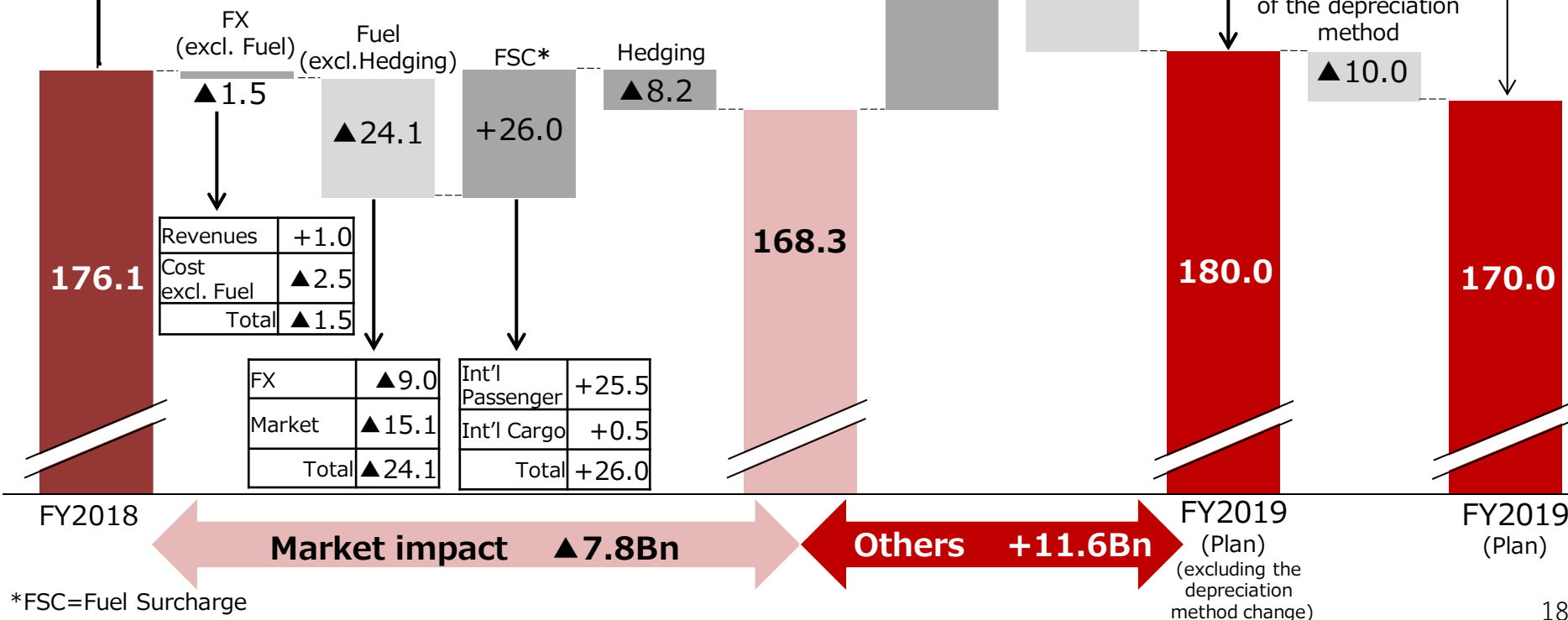
+ stands for profit increase (revenue increase, cost decrease)

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

Fuel/FX Markets	FY18	FY19
Singapore Kerosene	83.9	90.0
Dubai Crude Oil	69.0	70.0
FX Rate	110.5	115.0

**+3.8Bn
(+2.2%)**

**▲6.1Bn
(▲3.5%)**



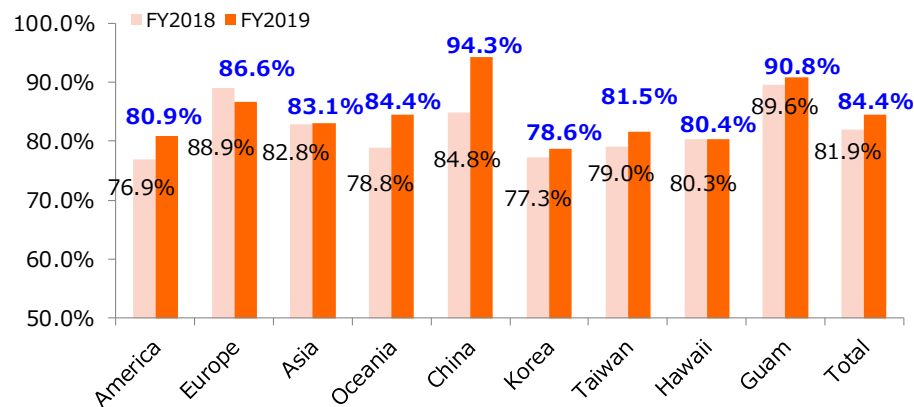
- This Page explains the market effect.
- The overall market effect is negative 7.8 billion yen to profit year-on-year.
- For the non-market effect, we are going to make more revenues than the preparation expenses for airport capacity expansion in 2020. Without the depreciation method change, the non-market effect should be positive 11.6 billion yen.

Reservations in the long holidays "Golden Week" *

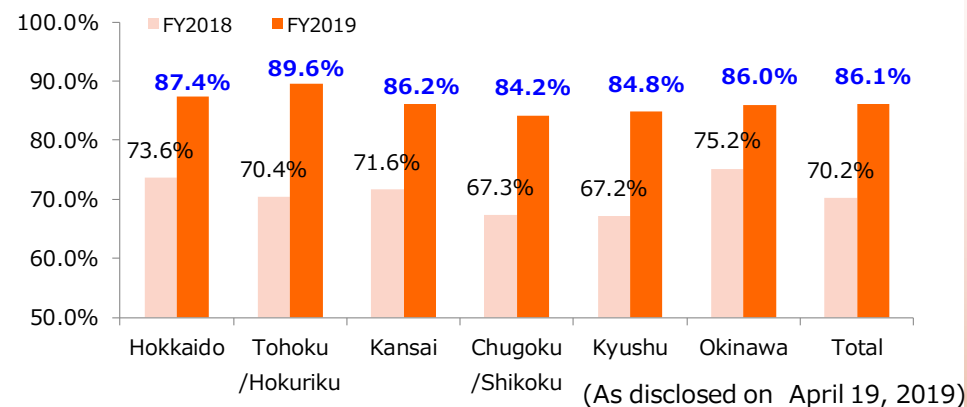
- ✓ Large Increase in Reservation Rate year on year in both International and Domestic Passenger

*From April 27 to May 6

International Passenger



Domestic Passenger



Demand Outlook for April to June 2019

INT'L

- ◆ 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

Domestic

- ◆ Individuals - Robust demand in both business and promotional fares will continue throughout 1st Q FY19
- ◆ Groups - Strong demand especially with increasing last-minute demand

- 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



JAPAN AIRLINES

Balance Sheet

(JPY Bn)	End of FY2018	End of FY2019 (Plan)	Diff.
Total Assets	2,030.3	2,040.0	+9.6
Balance of Interest-bearing debts	142.3	167.0	+24.6
Shareholders' Equity	1,165.1	1,192.0	+26.8
Shareholders' Equity Ratio (%)	57.4%	58.4%	+1.0pt
ROIC (%) ^{(1) (2)}	9.5%	8.6% (9.1%)	▲1.0pt (▲0.5pt)
ROE (%) ⁽³⁾	13.6%	9.7%	▲3.9pt
ROA (%) ^{(2) (4)}	9.1%	8.4% (8.8%)	▲0.7pt (▲0.2pt)

- (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

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

Investment

(JPY Bn)	FY2018	FY2019 Plan	Diff.
Fleet	175.4	189.0	+13.5
Ground · IT, etc	50.8	75.0	+24.1
Total	226.2	264.0	+37.7

Growth Investments ⁽⁸⁾	195.0
Replacement investments ⁽⁹⁾	69.0

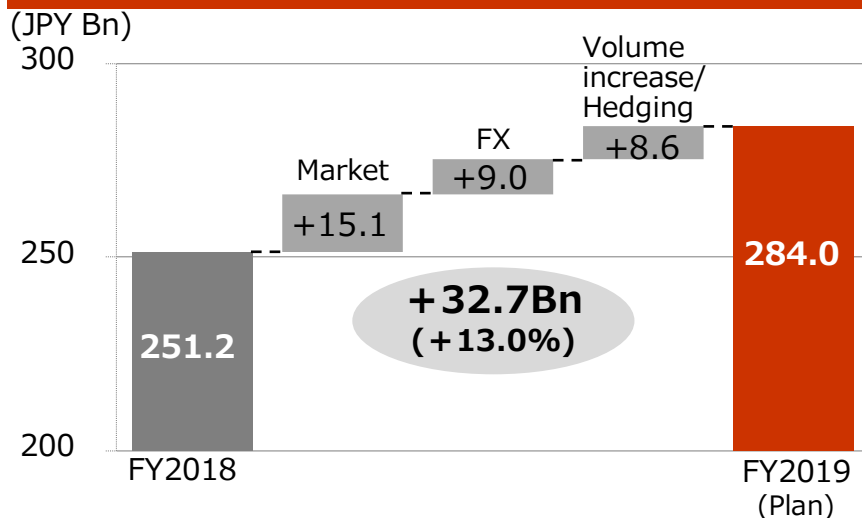
- Page 20 shows FY2019 Balance sheet and Cash flow guidance.
- Cash flow from operating activities in FY2019 includes a cash injection of 80 billion yen to Corporate Pension Fund. Free cash flow is expected to be negative 40 billion yen, but it should be plus 40 billion yen when the pension fund injection 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.

FY2019 Impact of Fuel and FX Markets

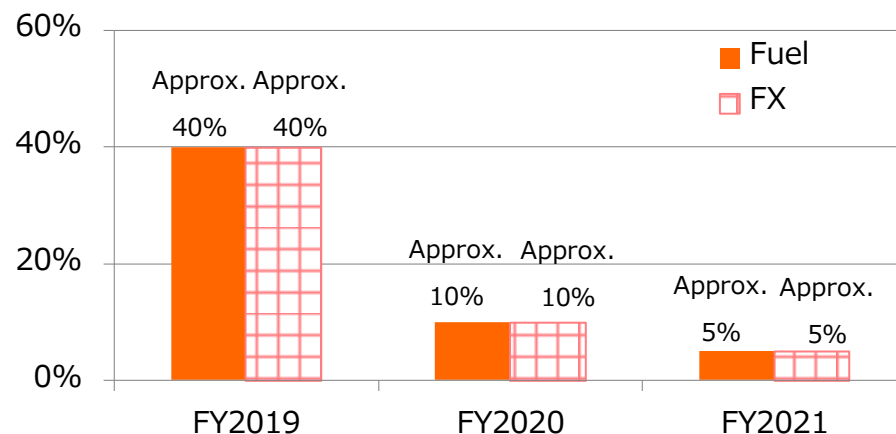


JAPAN AIRLINES

Fuel Cost Breakdown by Factors



Hedge Ratio (As of End of Mar/2019)



Fuel / FX Markets

	FY2018	FY2019 Plan
Singapore Kerosene (USD/bbl)	83.9	90.0
Dubai Crude Oil (USD/bbl)	69.0	70.0
FX Rate (JPY/USD)	110.5	115.0

Profit Impact by Fuel and FX Markets (Inc. Hedging, Fuel Surcharge)

Singapore Kerosene FX Rate (JPY/USD)	USD75	USD80	USD90	USD95
JPY 115	+ 3.0Bn	+5.0Bn	0.0Bn	▲6.5Bn
JPY 110	+ 9.0Bn	+5.5Bn	+1.5Bn	+ 1.0Bn
JPY 105	+10.0Bn	+12.5Bn	+9.0Bn	+ 2.5Bn

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.

FY2019 (Mar/20) Earnings Forecast (Air transportation Segment)



JAPAN AIRLINES

International Passenger	FY2018	FY2019	y/y(%)		
			Full-year (Forecast)	1H (Forecast)	2H (Forecast)
Passenger Revenue (JPY Bn)	530.6	575.0	+8.5%	+8.5%	+8.5%
Passengers ('000)	9,128	9,490	+4.0%	+3.1%	+4.8%
ASK (MN seat km)	54,925	56,284	+2.5%	+3.1%	+1.8%
RPK (MN passenger km)	44,659	46,559	+4.3%	+3.7%	+4.8%
L/F (%)	81.3%	82.7%	82.7%	82.8%	82.6%
Revenue per Passenger (JPY) ⁽¹⁾	58,136	60,672	+4.4%	+5.2%	+3.5%
Yield (JPY) ⁽²⁾	11.9	12.4	+4.1%	+4.6%	+3.5%
Unit Revenue(JPY) ⁽³⁾	9.7	10.2	+5.9%	+5.2%	+6.6%

Domestic Passenger	FY2018	FY2019	y/y(%)		
			Full-year (Forecast)	1H (Forecast)	2H (Forecast)
Passenger Revenue (JPY Bn)	528.0	539.0	+2.2%	+2.1%	+2.3%
Passengers ('000)	34,859	35,400	+1.6%	+1.7%	+1.4%
ASK (MN seat km)	36,116	37,060	+2.6%	+2.0%	+3.2%
RPK (MN passenger km)	26,195	26,547	+1.3%	+1.8%	+0.9%
L/F (%)	72.5%	71.6%	71.6%	71.9%	71.3%
Revenue per Passenger(JPY) ⁽¹⁾	15,149	15,246	+0.6%	+0.4%	+0.8%
Yield (JPY) ⁽²⁾	20.2	20.3	+0.8%	+0.4%	+1.3%
Unit Revenue(JPY) ⁽³⁾	14.6	14.6	▲0.4%	+0.1%	▲0.9%

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

(3) Unit Revenue = Passenger Revenue / ASK

- 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

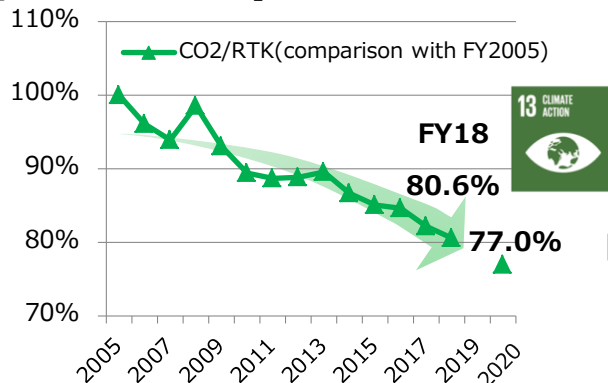


REFERENCES

Environmental

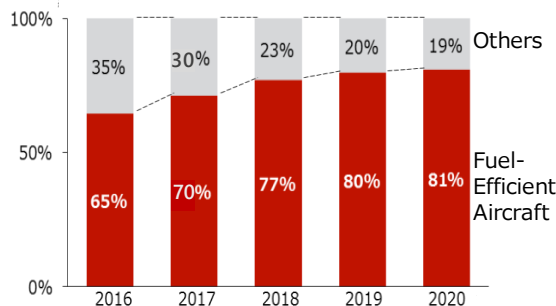
- Low-Carbon Initiatives:
Introduce fuel-efficient aircraft and aim for eco-friendly operation
- Promote usage of Biofuel :
Invested in *Fulcrum BioEnergy, Inc.* a Biofuel manufacturer

【 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

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



【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



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%)

Recommendation

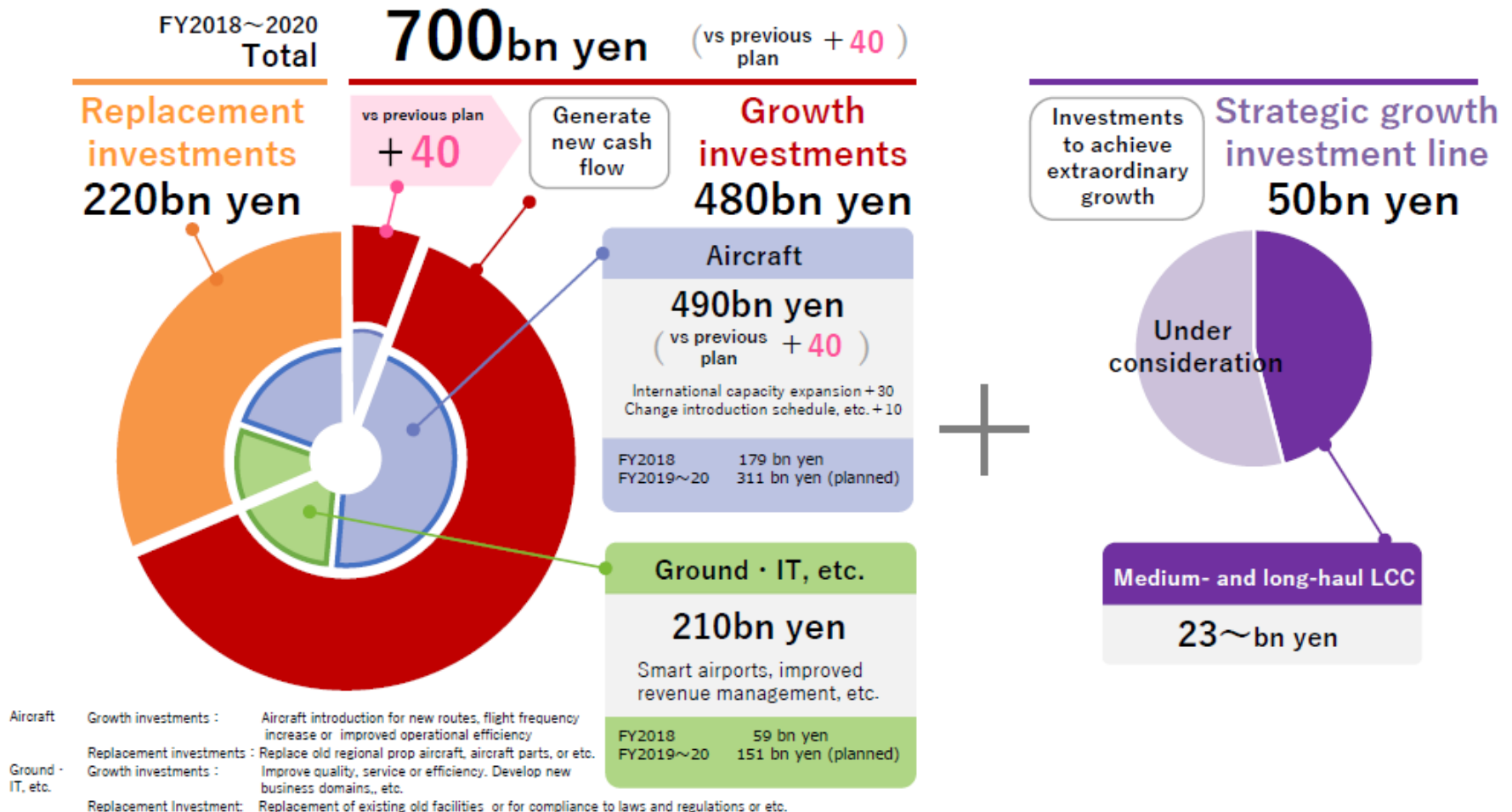
Establishment of Various Committees

- Corporate Governance Committee
- Nominating Committee
- Compensation Committee
- Personnel Committee
- Officers Disciplinary Committee

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

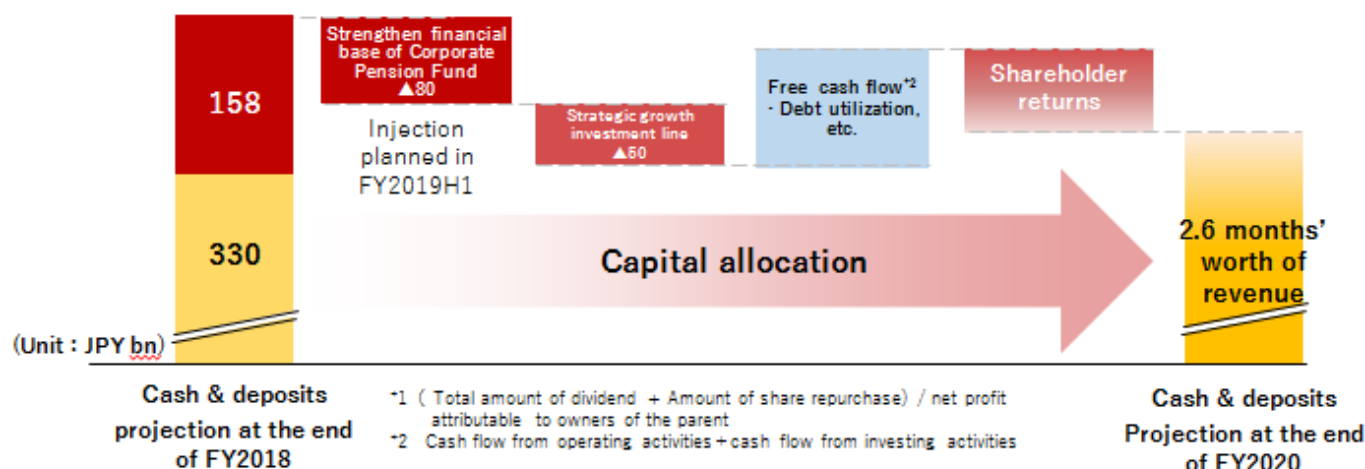
- Due to investments and preparatory costs for “development at Haneda and Narita” in FY2020, together with temporary supply-demand imbalance, ROE and ROIC will decline temporarily. However we aim to maintain or increase ROE from 10% and further increase ROIC through sustainable profit growth.

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^{*1}.



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

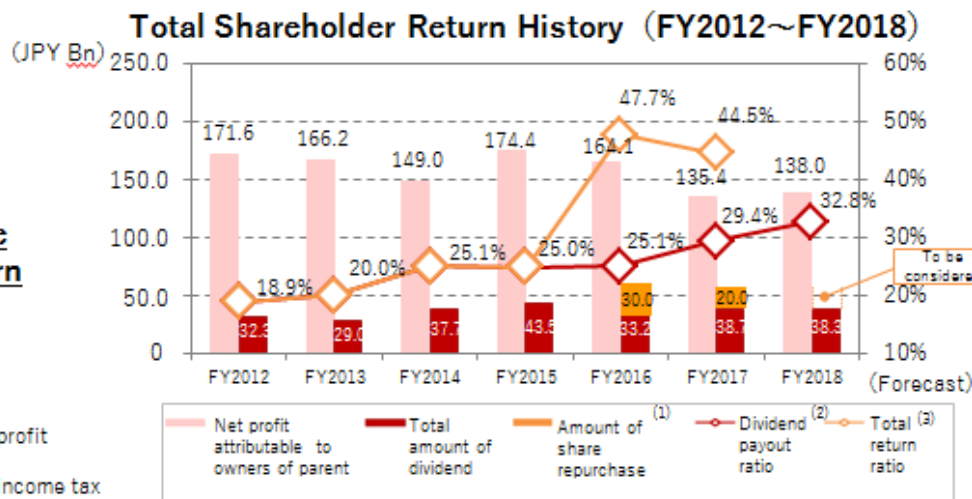
Liquidity

- 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



(1) Amount of share repurchases include those whose resolutions were passed before the closing of accounts for the current fiscal year

(2) Dividend payout ratio = Total dividends / Net profit attributable to owners of parent*

(3) Total return ratio = (Total amount of dividend + Amount of share repurchase) / Net profit attributable to owners of parent*

*FY2013~2018 net profit attributable to owners of parent excludes effects of deferred income tax

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