



# JAL Group First Half Account Settlement for FY2005

November 7, 2005

Japan Airlines Corporation

# Table of Contents



## JAL Group First Half Account Settlement for FY2005

### Part 1 Revision of the Business Performance Forecast for FY2005 and Business Reform Strategy

Revision of the Business Performance Forecast for FY2005	<i>P3</i>
Tougher Business Environment	<i>P4</i>
Measures for Coping with Escalating Fuel Price	<i>P5</i>
Forecast of Business Performance for 2005	<i>P6</i>
Main Factors for Forecast Revision	<i>P7</i>
Progress of Cost Structural Reform	<i>P8</i>
Corporate Reform Plan	<i>P9</i>
Path to the Reform	<i>P10</i>
1-1.Development of International Passenger Operation(The Image of Structural Reform)	<i>P11</i>
Operation(The Main Pillar of Structural Reform)	<i>P12</i>
1-2.Development of International Passenger Operation (Image of business progress)	<i>P13</i>
1-4.Development of International Passenger Operation(Participation to "oneworld")	<i>P14</i>
2-1.Improvement of Safety and Service Quality (Efforts to improve safety)	<i>P15</i>
2-2. Improvement of Safety and Service Quality (Toward improving service quality)	<i>P16</i>
3.Additional Wage Policy	<i>P17</i>
4.Renovation of Corporate Culture	<i>P18</i>
Future Picture of JAL Group Development and Financial Progress	<i>P19</i>

### Part 2 Semiannual Settlement for FY2005

Semiannual Settlement for FY 2005	<i>P21</i>
Outline of the Consolidated Financial Statement	<i>P22</i>
Operating Revenue & Income by Segment	<i>P23</i>
Results of main Subsidiaries	<i>P24</i>
Outline of the Result of Air Transportation Segment	<i>P25</i>
Revenue Analysis - International Passenger	<i>P26</i>
Demand and Supply of International Passenger	<i>P27</i>
Revenue Analysis ? Domestic Passenger	<i>P28</i>
Revenue Analysis - International Cargo	<i>P29</i>
Outline of the Break down of Operating Costs (Air transportation Segment)	<i>P30</i>
Fuel and FOREX (Air Transportation Segment)	<i>P31</i>

### APPENDIX

Assumptions	<i>P33</i>
Forecast of Business Results for FY2005 by segment	<i>P34</i>
Capital Expenditure and Depreciation	<i>P35</i>
Interest-bearing Debt	<i>P36</i>

# Part 1

## Revision of the Business Performance Forecast for FY2005 and Corporate Reform Plan

# . Revision of the Business Performance Forecast for FY2005



# Tougher Business Environment

Decline in  
demand

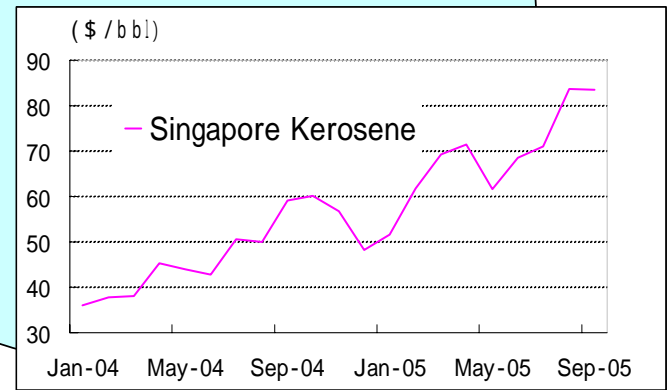
Cost  
Increase

Influence of  
anti-Japanese  
and terrorism

Long lasting in  
influence of Safety-  
related Troubles



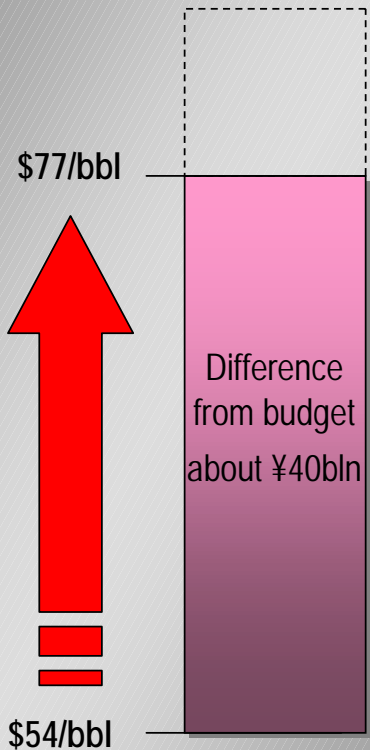
SkYROCKETING  
Fuel Price





# Measures for Coping with Escalating Fuel Price

## Forecast of Fuel Cost



Possible to absorb by implementing several counter-measures

## Planned Measures

(billion of yen)	Q1	Q2	Q3+Q4	Total
announced on Jul 29	3	9	33	45
results and forecast	3	9	28	40

### Cost Reduction about ¥24billion

- Deepening cost structural reform
- Financial technique such as hedging and Options
- Sales of Assets
- Reduction in general operating cost, etc

### Increase in Revenue about ¥16billion

- International passenger :  
Fuel Surcharge, Revision of IATA fares
- International Cargo: Fuel Surcharge

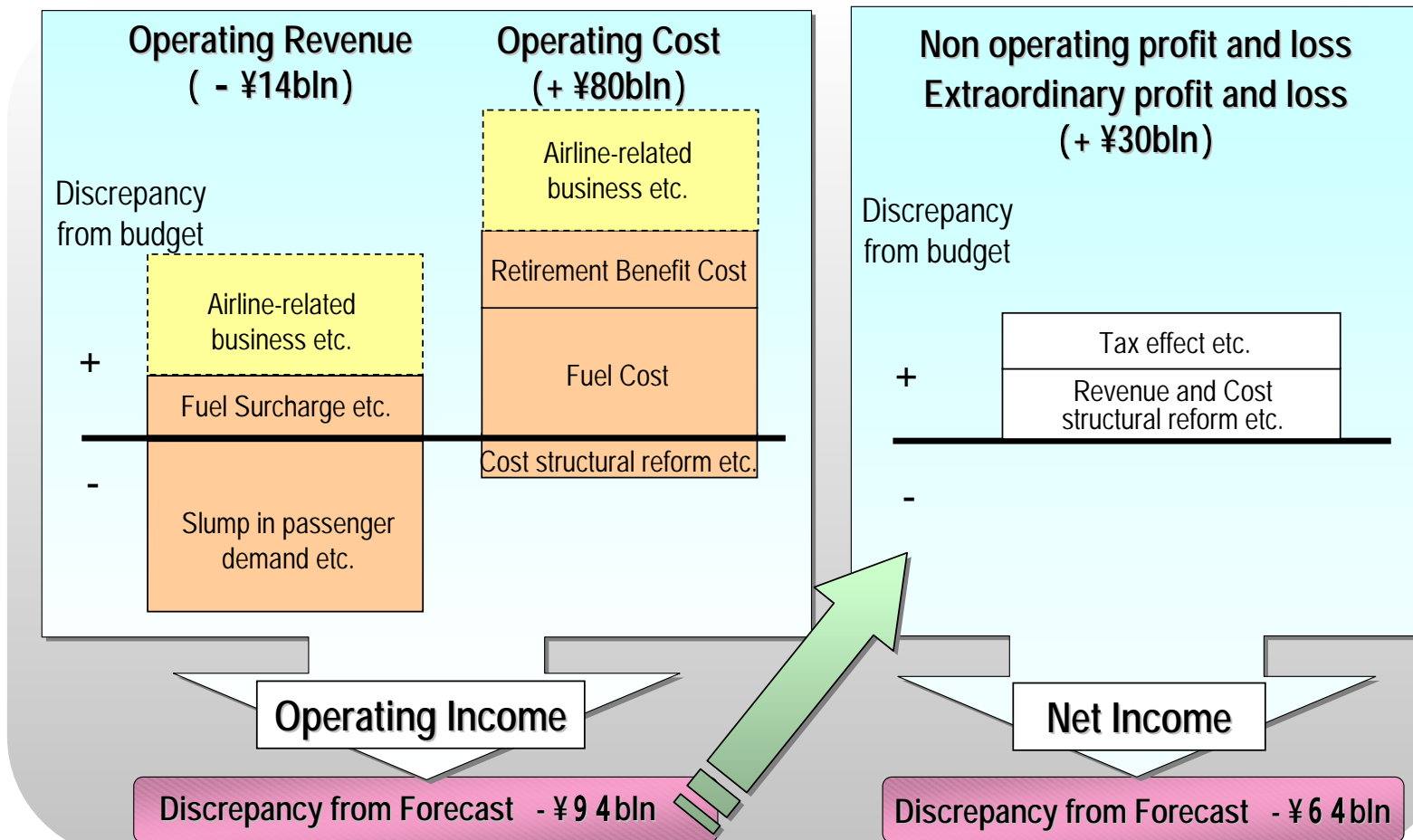


# Forecast of Business Performance for 2005

	Forecast on May 9,2005 (a)	Corrected Forecast on Nov 7,2005 (b)	billions of yen Difference (b)-(a)
Operating Revenue	2,209	2,195	-14
IP(International Passenger)	720	688	-32
DP(Domestic Passenger)	685	667	-18
IC(International Cargo)	175	177	2
Others	629	663	34
Operating Income	60	-34	-94
Ordinary Income	29	-57	-86
Net Income	17	-47	-64



# Main Factors for Forecast Revision







# Progress of Cost Structural Reform

## First Half Result and Forecast

(billion of yen)

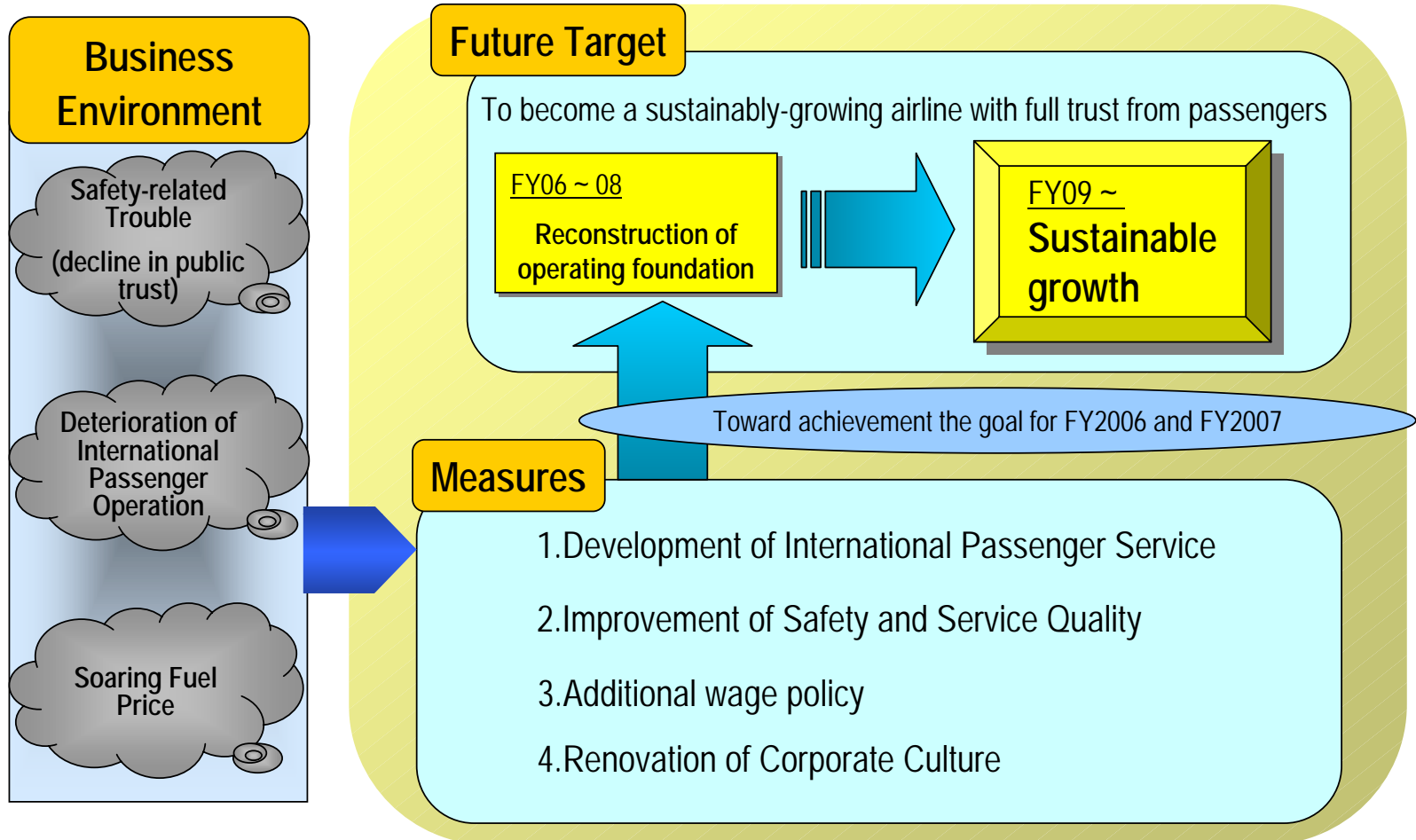
			Q1	Q2	Q3+Q4	Total
Cost Structural Reform	Increase in Personal Cost Efficiency	announced on Jul 29	1	2	14	17
		Result and Forecast	1	2	4	7
	Improvement / Elimination of Low-profit routes	announced on Jul 29	0	0	3	3
		Result and Forecast	0	0	3	3
	Review of Group Outsourcing and Operational Process	announced on Jul 29	2	3	11	16
		Result and Forecast	2	3	11	16
	Reduction in sales cost through developing E-business	announced on Jul 29	0	0	1	1
		Result and Forecast	0	0	1	1
	Subtotal	announced on Jul 29	3	5	29	37
		Result and Forecast	3	5	19	27
	Emergency Measures	announced on Jul 29	3	19	21	43
		Result and Forecast	3	4	23	30
Total	announced on Jul 29	6	24	50	80	
	Result and Forecast	6	9	42	57	

# . Corporate Reform Plan

~ The realization of “FY2005-2007 Mid-Term Business Plan” and Future Prospect ~

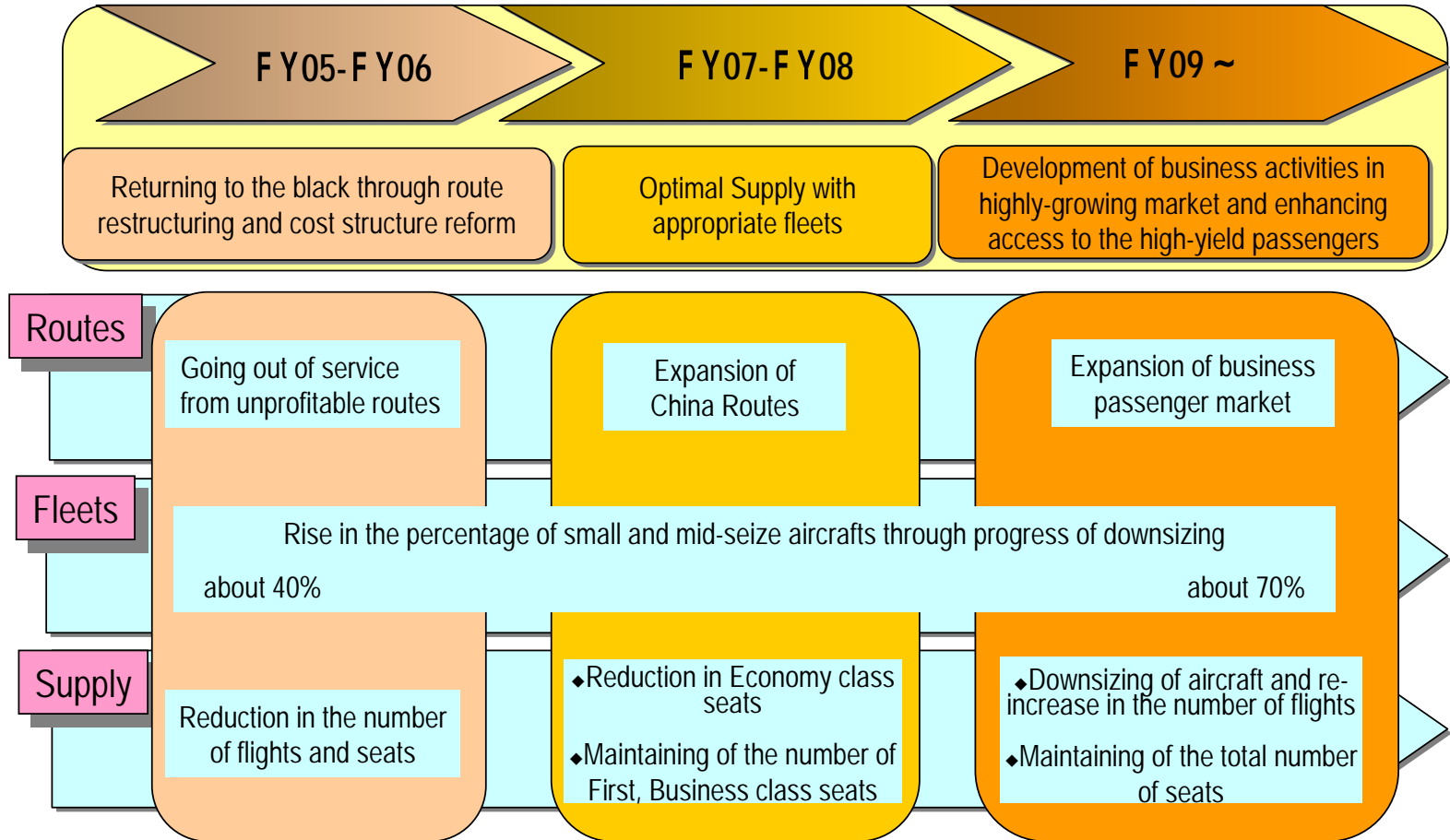


# Path to the Reform



# 1-1. Development of International

## Passenger Operation (The Image of Structural Reform)

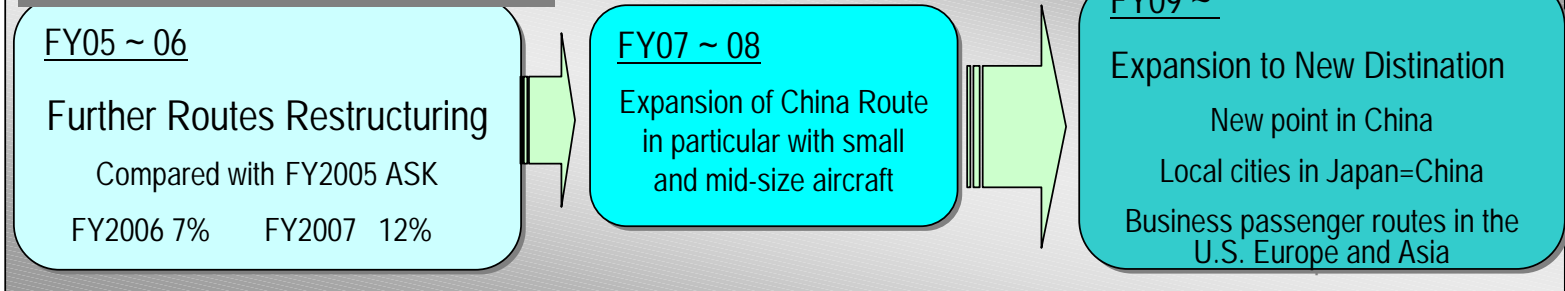


# 1-2. Development of International

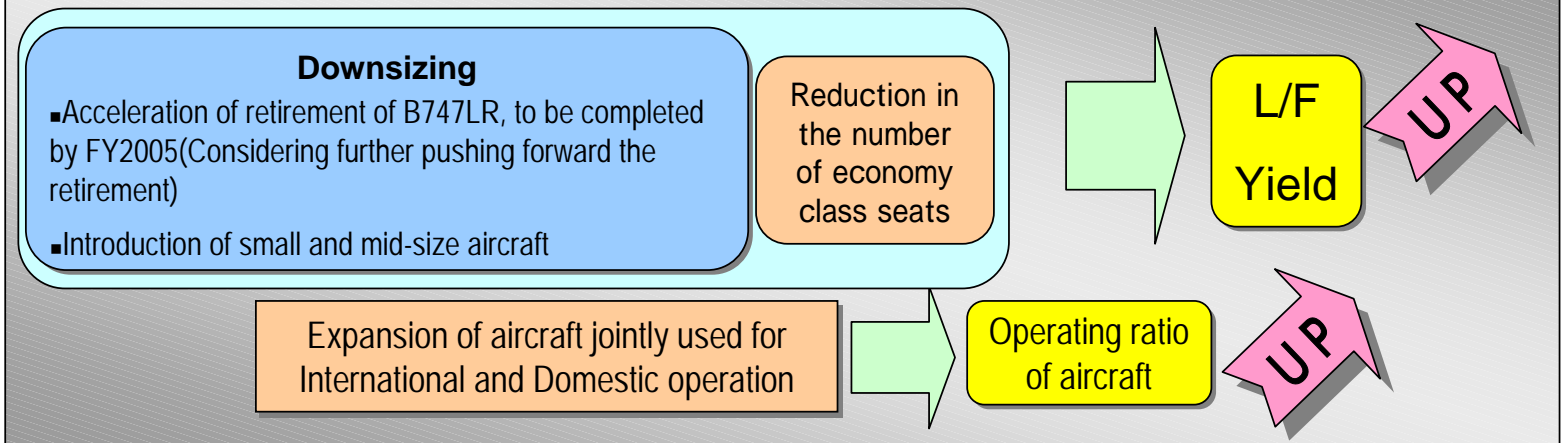
## Passenger Operation (The Main Pillar of Structural Reform)



### Routes ~ from reduction to expansion ~



### Fleet Strategy ~ upgrading profitability ~

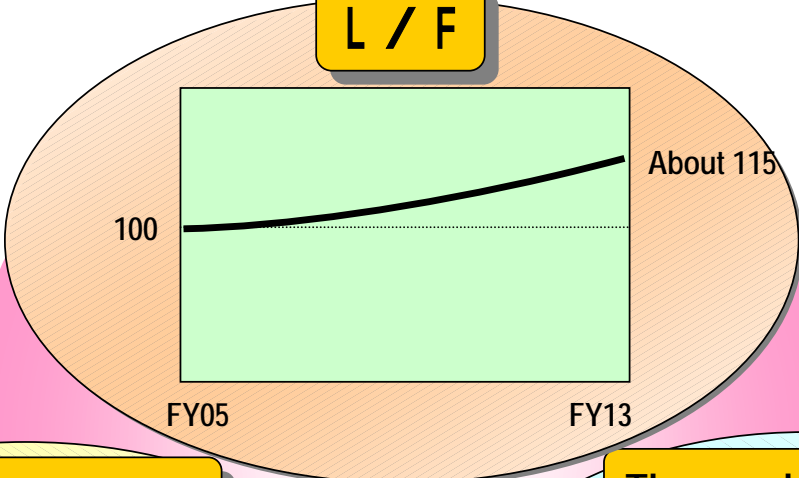


# 1-2. Development of International

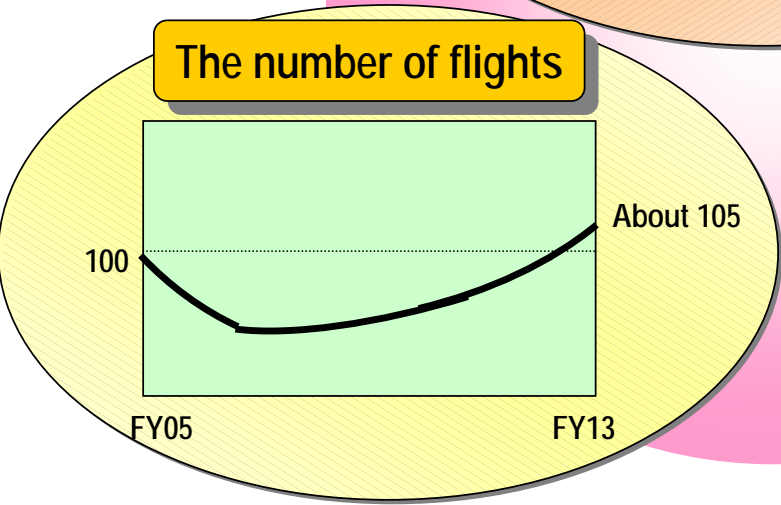
## Passenger Operation (Image of business progress)



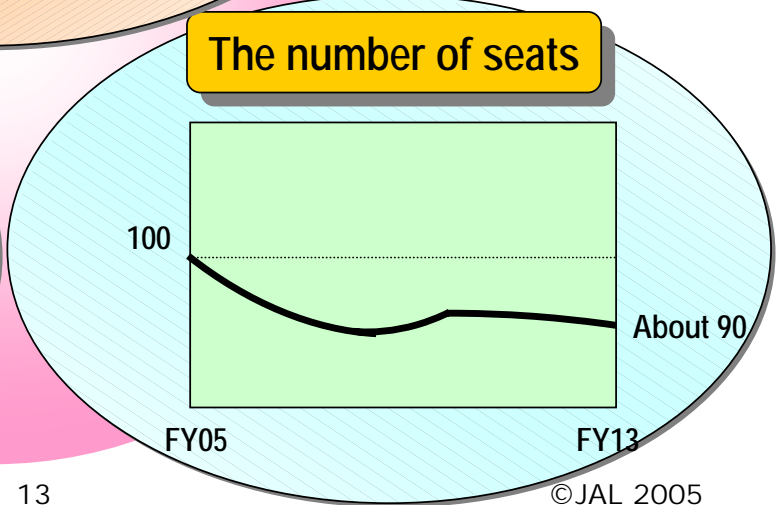
L / F



The number of flights

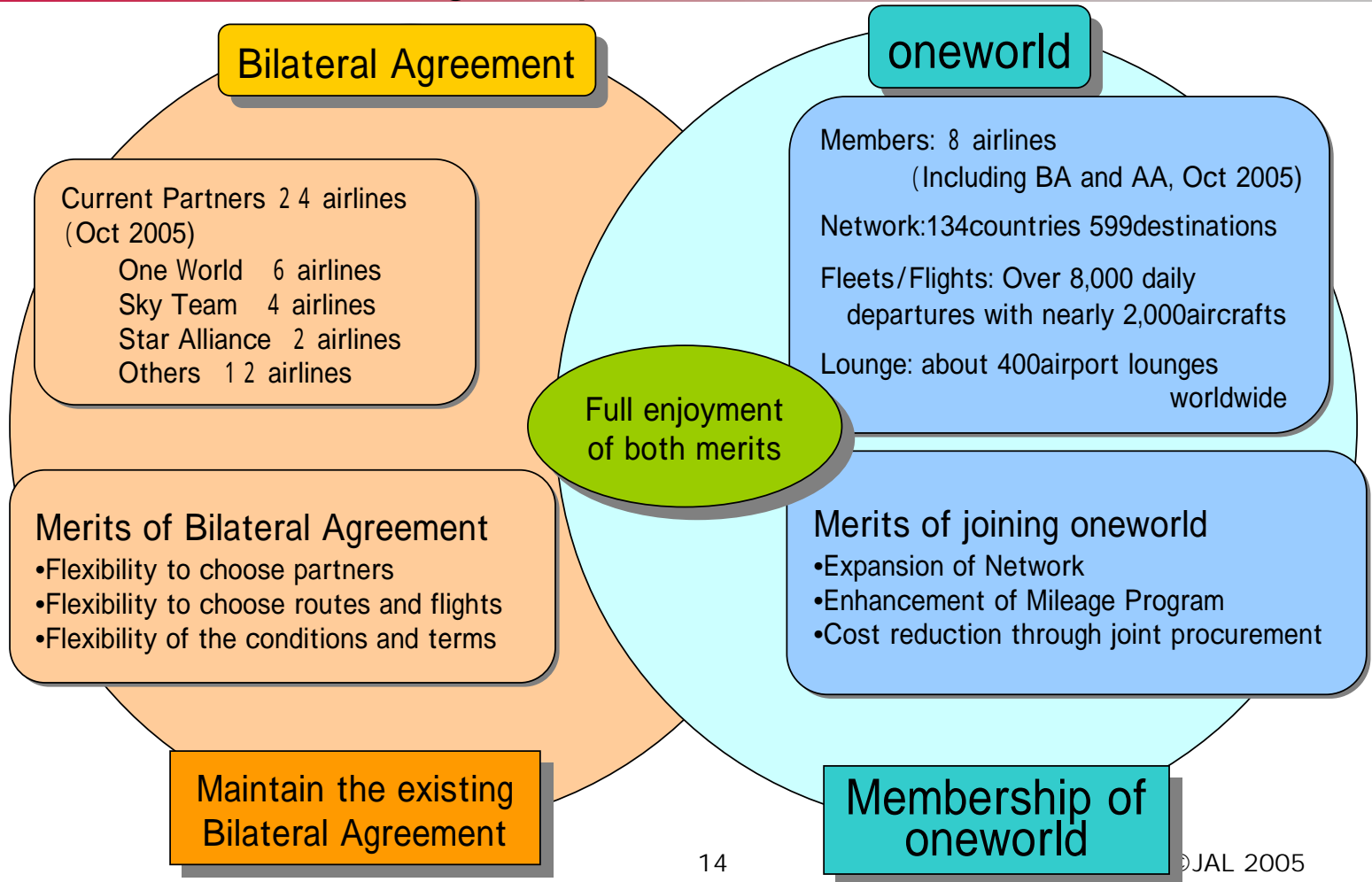


The number of seats

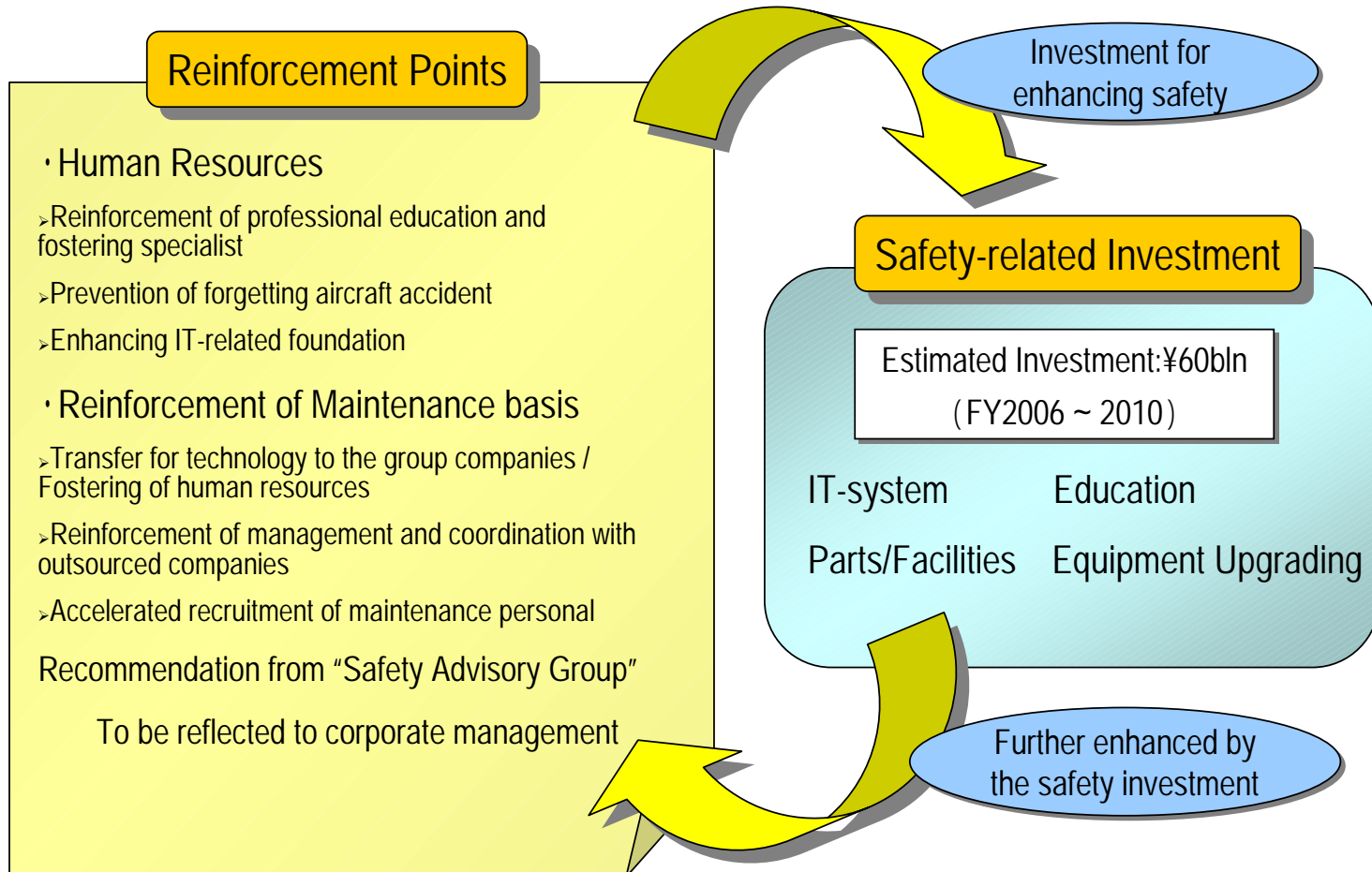




# 1-4. Development of International Passenger Operation (Participation to "oneworld")



## 2-1.Improvement of Safety and Service Quality (Efforts to improve safety)





## 2-2. Improvement of Safety and Service Quality (Toward improving service quality)



### Enhancing quality of products and services from the customers' standpoint

Estimated investment :  
¥65bln  
(FY2006 ~ 2010)

- Creation of customer information data base
- Counter-measures to increase competitiveness booking and sales
- Introduction of more competitive cabin facilities
- Creation of products and services based on the "Universal Design"
- Reform of airport facilities

### Reorganization of Sales Structures

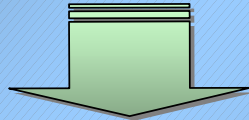
(Apr 2006)

- Reflecting quickly passengers' wants and needs to creating new products
- Strengthening marketing power

# 3. Additional Wage Policy

Efficiency of personnel cost

Further progress of  
route restructuring of  
international passenger



Expansion of FY 2002-2007  
personnel cost efficiency  
plan ( 5,900)

Wage policy

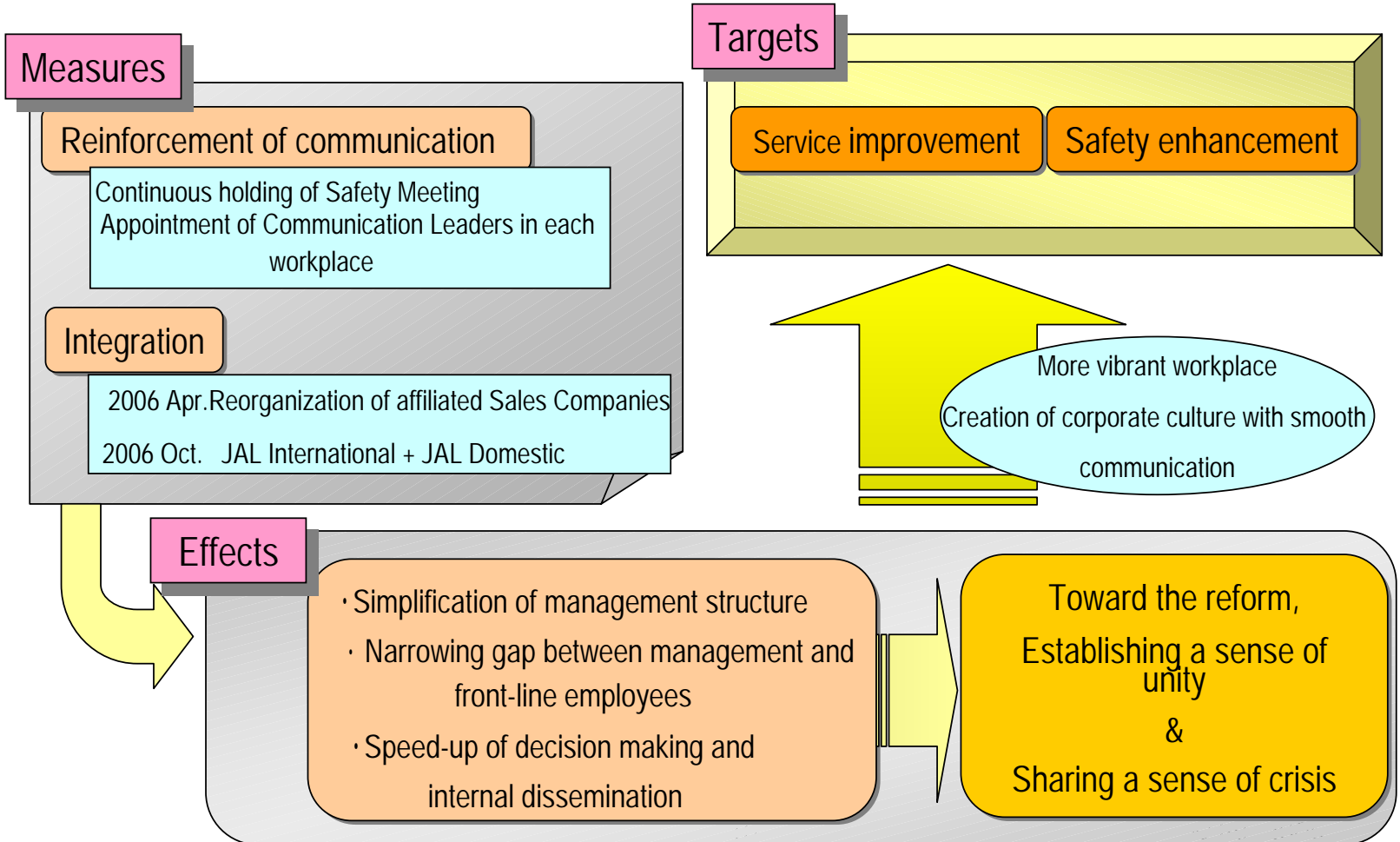
Time-limited special  
measures on basic  
wages

10% reduction  
on average

2006 Jan.-2008 Mar.)



# 4. Renovation of Corporate Culture



# Future Picture of JAL Group Development and Financial Progress



Rough image of finance in FY2010 (compared with FY2005)

Revenue : up about 10%, Interest-bearing debt : down 25%

F Y2006 : Turning into the black

Creation of a corporate group needed by the world and all the employees can feel proud of

~ improving employees motivation ~

Development of Int'l Passenger

Becoming a top airline to be selected worldwide

Safety and service improvement

Ensuring high level safety and services

Additional wage policy

Strong cost structure compatible to Asian carriers

Corporate culture renovation

Aiming at the same goal with a sense of unity and speed

Measures for Reform

# **Part 2**

## **Semiannual Settlement for**

### **FY 2005**

# . Semiannual Settlement for FY 2005



## Outline of the Consolidated Financial Statement

	(Billions of yen)		
	FY04/FH	FY05/FH	Difference
Operating Revenue	1,075.7	1,112.3	36.5
Operating Income	86.8	15.7	-71.1
Ordinary Income	107.8	9.7	-98.0
Net Income	82.9	-12.0	-95.0

# Operating Revenue & Income by Segment



	(Billions of yen)			
	Operating Revenue		Operating Income	
	FY05/FH	y/y difference	FY05/LH	y/y difference
Air Transportation	884.4	20.2	6.7	70.4
Airline-related Business	159.0	16.1	2.5	0.9
Travel Services	218.5	-3.2	1.6	0.5
Card·Lease*	30.0	0.2	2.3	0.1
Other*	102.0	4.3	2.9	0.5

All figures are before consolidation adjustment

\*From this Account settlement, "Other" segment has been divided into "Card·Lease" segment and "Other" segment.





# Results of main Subsidiaries

(Before Consolidated Adjustment, Billions of Yen)

		Operating Revenue		Operating Income		Net Income	
		FY05/FH	y/y difference	FY05/FH	y/y difference	FY05/FH	y/y difference
<b>Airline-related</b>	AGP	4.5	0.1	0.2	0.1	0.3	0.3
	TFK	13.3	0.2	0.5	0.2	0.5	0.3
<b>Travel Service</b>	JALT	63.1	7.4	0.5	-0.0	0.7	0.0
	JLPK	98.8	-2.9	-0.0	0.3	0.2	0.1
	JSA	16.7	-4.0	1.0	0.3	0.0	-0.4
<b>Card/Lease</b>	JCI	9.8	1.2	1.8	0.2	0.1	0.1
<b>Others</b>	JAL Hotels	11.1	-1.4	0.6	-0.5	-0.3	-1.3
	JALUX	45.8	4.6	0.9	0.1	0.5	-0.1

# Outline of the Result of Air Transportation Segment



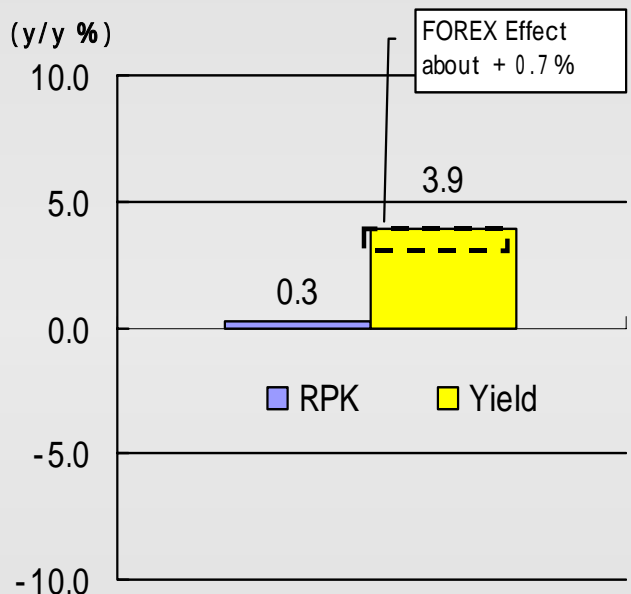
Operating Revenue		(Billion Yen)			
		FY04/FH	FY05/FH	Difference	y.o.y(%)
International	Passenger	346.0	360.4	14.4	104.2%
	Cargo	83.5	85.4	1.9	102.3%
Domestic	Passenger	344.9	340.4	-4.4	98.7%
	Cargo	15.3	14.5	-0.7	95.1%
Others		74.3	83.4	9.1	112.3%
Total		864.1	884.4	20.2	102.3%



# Revenue Analysis - International Passenger

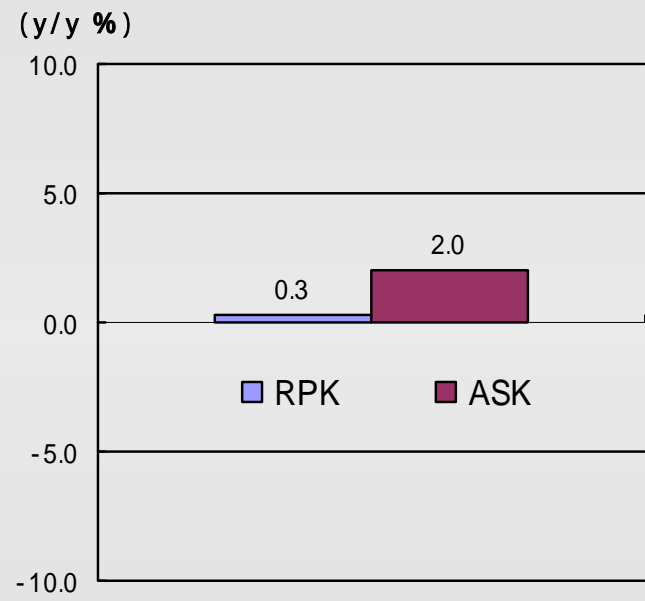
## < Revenue >

FY05 FH 360.4 billion yen (y/y + 4.2%)



## < Load Factor >

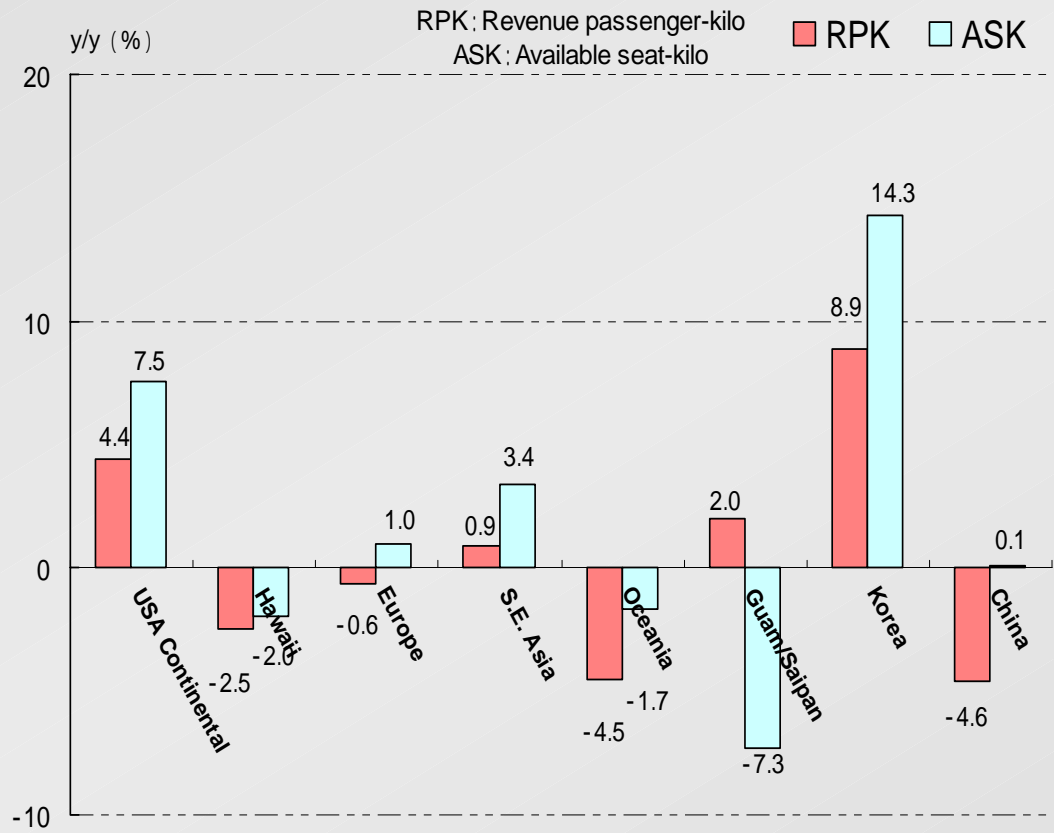
FY05 FH 67.9% (y/y - 1.1%)



RPK: Revenue passenger-kilometers  
ASK: Available passenger-kilometers



# Demand and Supply of International Passenger

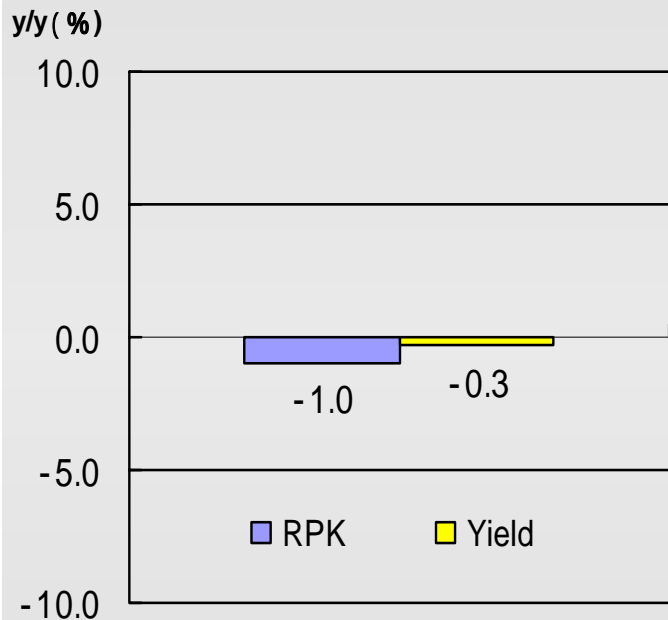




# Revenue Analysis – Domestic Passenger

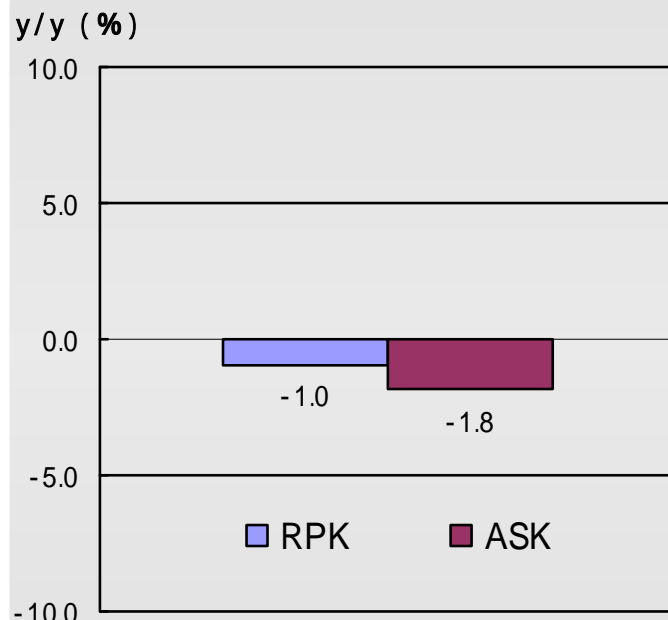
## < Revenue >

FY05 FH 340.4 billion yen (y/y - 1.3%)



## < Load Factor >

FY05 FH 64.3% (y/y +0.6%)



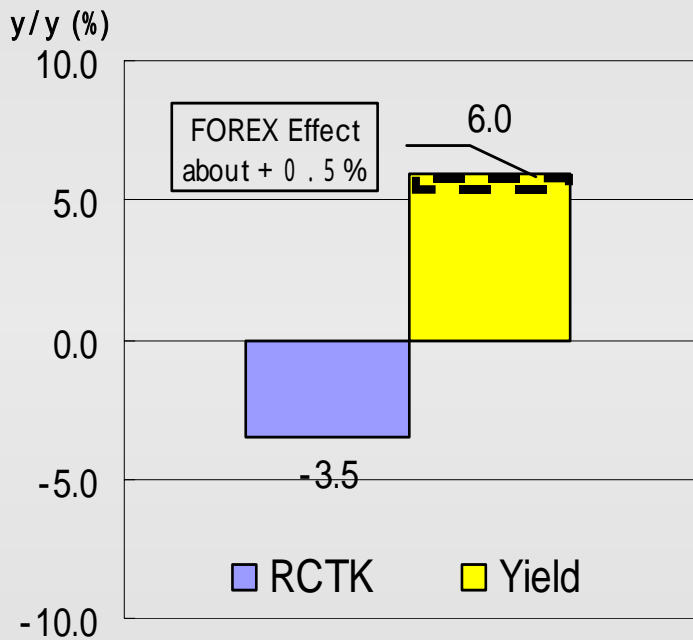
RPK: Revenue passenger-kilometers  
ASK: Available passenger-kilometers



# Revenue Analysis - International Cargo

## < Revenue >

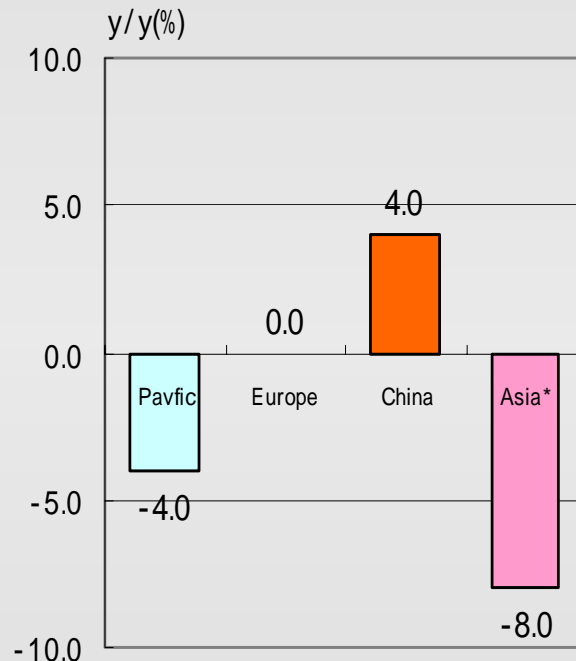
FY05 FH 85.4 billion yen (y/y + 2.3%)



RCTK: Revenue cargo ton-kilometers

## < Tonnage >

FY05 FH 389,821 ton (y/y - 4.4%)



\* Excluding China



## Outline of the Break down of Operating Costs (Air transportation Segment)

	Billion Yen			
	FY04FH	FY05FH	Difference	y/y (%)
Fuel	137.0	181.3	44.2	132%
Airport Facilities	67.6	68.5	0.8	101%
Maintenance	53.3	54.1	0.7	101%
Passenger Service etc	26.4	26.0	-0.4	98%
Commissions	70.0	69.0	-1.0	99%
Aircraft Depreciation	37.4	38.5	1.0	103%
Aircraft Leases	52.5	51.2	-1.2	98%
Personnel	105.3	155.3	50.0	147%
Others	237.5	233.8	-3.7	98%
<b>Total</b>	<b>787.0</b>	<b>877.7</b>	<b>90.6</b>	<b>112%</b>



# Fuel and FOREX (Air Transportation Segment)

## < Fuel Price >

### [ Average Market Price ]

	FY04/FH	FY05/FH
USD	44.4	69.6

\*Singapore Kerosene \$/bbl



## 【 Impact 】

	Billion Yen
FY04FH	137.0
FY05FH	181.3
difference	44.2
factor analysis	43.7
Forex	1.4
market rate	51.7
hedging etc	6.6
amount of consumption	0.5

Hedging Ratio  
 FY05 : 75%  
 (FY05FH : about 80%)  
 FY06 : about 70%  
 FY07 : about 30%

## < FOREX >

### [ Average Rate during the period ]

	FY04FH	FY05FH
USD	109.7	108.5

\*Based on the averaged Company Exchange Rate for Apr-Sep of FY2005



## 【 Impact 】

	Billion Yen
Operating Revenue	+2.8
Operating Cost	-1.6
Operating Income	+4.5

FOREX  
 Hedging Ratio  
 FY05 : 100%  
 FY06 : about 70%  
 FY07 : about 40%



# Appendix



# Assumptions

		LH05	FY05 Year Total	
y.o.y		Forecast (Nov 7)	Forecast (May 9)	Forecast (Nov 7)
International Passenger	ASK	-6.5%	1.5%	-2.3%
	Number of Passenger	-7.8%	3.1%	-4.0%
	Yield	9.2%	4.0%	6.8%
Domestic Passenger	ASK	-0.8%	-1.8%	-1.3%
	Number of Passenger	-0.1%	1.9%	-0.6%
	Yield	-0.7%	-0.4%	-0.5%
International Cargo	ATK*	2.9%	4.1%	3.7%
	Tonnage	2.5%	4.5%	-1.2%
	Yield	1.5%	-2.4%	4.5%

ASK: Available seat Kilometers  
ATK: Available Ton Kilometers

\*Freighter

	LH05	FY05 Year Total	
	Forecast (Nov 7)	Forecast (May 9)	Forecast (Nov 7)
FOREX (1USD)	¥110	¥110	¥109
Fuel (Singapore Kerosene )	\$84/bbl	\$54/bbl	\$77/bbl

## Forecast of Business Results for FY2005 by segment



(unit:Billions of yen)

	Operating Revenue		Operating Income	
	Forecast for FY05	Difference from announced data on May9	Forecast for FY05	Difference from announced data on May9
Air Transportation	1,730.0	-45.0	-46.5	-90.5
Airline-related	330.0	33.0	4.0	0.0
Travel Services	425.0	-8.0	-1.0	-2.0
Card·Lease	57.0	0.0	4.0	0.0
Others	211.0	-1.0	5.0	-1.5

All figures are before consolidation adjustments

# Capital Expenditure and Depreciation

Billions of YEN

## Forecast and Results of Capital expenditure & depreciation

	FY04	FH05	Forecast for FY05	
			May 9	Nov 7
Investment (Purchase) (A)	121.9	<b>82.5</b>	150.0	<b>162.0</b>
(Aircraft)	63.6	<b>64.6</b>	96.0	<b>108.0</b>
(Ground Assets etc.)	37.1	<b>11.3</b>	37.0	<b>37.0</b>
(Intangible Fixed Assets)	21.1	<b>6.6</b>	17.0	<b>17.0</b>
Capital Investment (Finance Lease) (B)	96.0	<b>52.7</b>	77.0	<b>57.0</b>
(A)+(B)	217.9	<b>135.2</b>	227.0	<b>219.0</b>
Depreciation (C)	124.7	<b>62.0</b>	125.0	<b>125.0</b>
Principal Payment of Finance Lease (D)	60.6	<b>27.8</b>	51.0	<b>51.0</b>
(C)+(D)	185.3	<b>89.8</b>	176.0	<b>176.0</b>



# Interest-bearing Debt

Billions of Yen

## Balance & Forecast for Interest-Bearing Debt

				Forecast for FY05	
		FY04	FH05	May 9	Nov 7
On Balance	Long-term loans	972.8	<b>915.3</b>		
	Bonds	325.0	<b>310.0</b>		
	Short-term loans	11.6	<b>12.1</b>		
	Installment	9.0	<b>7.9</b>		
	<b>Total</b>	<b>1,318.5</b>	<b>1,245.4</b>	<b>1,215.0</b>	<b>1,235.0</b>
Off Balance	Lease Obligation	424.8	<b>443.2</b>	432.0	<b>420.0</b>
	Unrecognized Net Loss & Pension Liabilities	355.5	<b>320.6</b>	278.0	<b>313.0</b>
	<b>Total of interest- bearing Debt</b>	<b>2,098.9</b>	<b>2,009.2</b>	<b>1,925.0</b>	<b>1,968.0</b>

Please refer to the Financial Information (“Kessan Tanshin”) for the precise figures on the account settlement.

Any statements in this document, other than those of historical facts, are forward-looking statements about future performance, which are based on management’s assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts, due to such risks and uncertainties. Such risks and uncertainties include, without limitation, market risk, terrorism, war and disease.

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