



# **JAL Group Q3 Account Settlement**

**for**

**FY2005**

**February 6, 2006**

**Japan Airlines Corporation**



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## Notice

Certain statements made in these materials, including some management targets, may contain forward-looking statements which reflect management's beliefs, views and assumptions in light of information currently available. The management targets represent goals that management will strive to achieve through the successful implementation of JAL's business strategies. JAL may not be successful in implementing its business strategies, and management may fail to achieve its targets. The management targets and other forward-looking statements involve current assumptions of future events as well as risks and uncertainties that could significantly affect expected results, including adverse economic or political conditions in Japan or other countries; increased jet fuel prices; negative changes in foreign exchange rates; difficulties or delays in integrating our businesses and achieving desired cost savings; increased competitive pressures; and changes in laws and regulations applicable to our business. Please see our public filing for additional information regarding the risks in our businesses. We have no obligation or intent to update any of the forward-looking statements in these materials.

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# Focused Measures

# Progress of Corporate Reform Plan

## Rationalization of Int'l Passenger Service

Deepening of the Route Restructuring

- Tokyo-Las Vegas-Los Angeles-Tokyo
- Osaka=Los Angeles

## Improvement of Safety and Service

- Opening of "Safety Development Center"
- Setup of expert group to prevent recurrence of human errors
- Enhancement of measures to improve services

**To be materialized in the next mid-term business plan**

## Additional Wage Policy

From January 2006

- Deepening of the cut in board members' compensation
- Salary cut for department managers

As for other employees, negotiation with labor unions is under way aimed to put it into practice in April, 2006

## Renovation of Corporate Culture

Materialization of the report by Safety Advisory Group issued in December 2005

- Reinforcement of internal communication
- Establishing a system in which frontline can act on their own initiative, aiming to improve safety and customer oriented mindset.

# Progress of Cost Structural Reform for 2005

This cost structural reform plan was presented in the previous Mid-term Business Plan, originally released in March 2005 and revised on November 7, 2005.

(billions of yen)

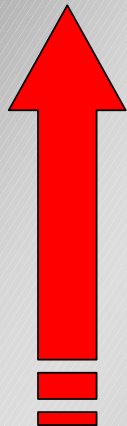
			Q1	Q2	Q3	Q4 Target	Total
Cost Structural Reform	Increase in Personnel Cost Efficiency	Plan as of Nov 7	1	2	4		7
		Result and Target	1	2	2	2	7
	Improvement / Elimination of Low-profit routes	Plan as of Nov 7	0	0	3		3
		Result and Target	0	0	1.5	1.5	3
	Review of Group Outsourcing and Operational Process	Plan as of Nov 7	2	3	11		16
		Result and Target	2	3	5	6	16
	Reduction in sales cost through developing E-business	Plan as of Nov 7	0	0	1		1
		Result and Target	0	0	0.5	0.5	1
	Subtotal	Plan as of Nov 7	3	5	19		27
		Result and Target	3	5	9	10	27
Emergency Measures		Plan as of Nov 7	3	4	23		30
		Result and Target	3	4	10.5	12.5	30
Total		Plan as of Nov 7	6	9	42		57
		Result and Target	6	9	19.5	22.5	57

# Measures to cope with rising fuel price for FY2005

These measures were additionally released during FY2005 to absorb the impact of escalating fuel price.

## Forecast of Fuel Cost for FY2005

Skyrocketing Fuel Price



Difference from budget about ¥40bln

Aiming to absorb by implementing several counter-measures

## Planned Measures for FY2005

(billion of yen)	Q1	Q2	Q3	Q4 Target	Total
Plan as of Nov 7	3.0	9.0	28.0		40.0
results and target	3.0	9.0	9.5	18.5	40.0

### Cost Reduction Target about ¥ 24billion

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

### Targeted Increase in Revenue about 16billion

- International passenger : Fuel Surcharge etc.
- International Cargo: Fuel Surcharge etc.

# **Q3 Account Settlement for FY2005**





# Outline of the Consolidated Financial Statement

	Oct. ~ Dec.	y/y(%)	Apr. ~ Dec.	y/y(%)
Operating Revenue	556.9	21.0 103.9%	1,669.2	57.6 103.6%
Operating Expense	573.5	33.9 106.3%	1,670.1	141.6 109.3%
Operating Income	-16.6	-12.8	-0.8	-83.9
Ordinary Income	-20.6	-21.5	-10.8	-119.6
Net Income	-11.0	-7.3	-23.0	-102.3



# Operating Revenue & Income by Segment

(billions of yen)

		Oct. ~ Dec.	y/y(%)	Apr. ~ Dec.	y/y(%)
Air Transportation	Operating Revenue	435.4	101.4%	1,319.8	102.0%
	Operating Cost	-22.1	-13.3	-15.4	-83.7
Airline-related Business	Operating Revenue	90.2	117.5%	249.2	113.5%
	Operating Cost	2.5	0.5	5.1	-0.3
Travel Services	Operating Revenue	103.8	101.3%	322.4	99.4%
	Operating Cost	-0.1	-0.3	1.5	0.2
Credit Card & Leasing Services	Operating Revenue	14.5	100.5%	44.6	100.8%
	Operating Cost	0.9	0	3.2	0.2
Other	Operating Revenue	54.1	98.0%	156.2	102.1%
	Operating Cost	2.1	0.3	5.1	-0.1

## Outline of the Result of Air Transportation Segment



## &lt; Breakdown of operating revenue &gt;

(billions of yen)

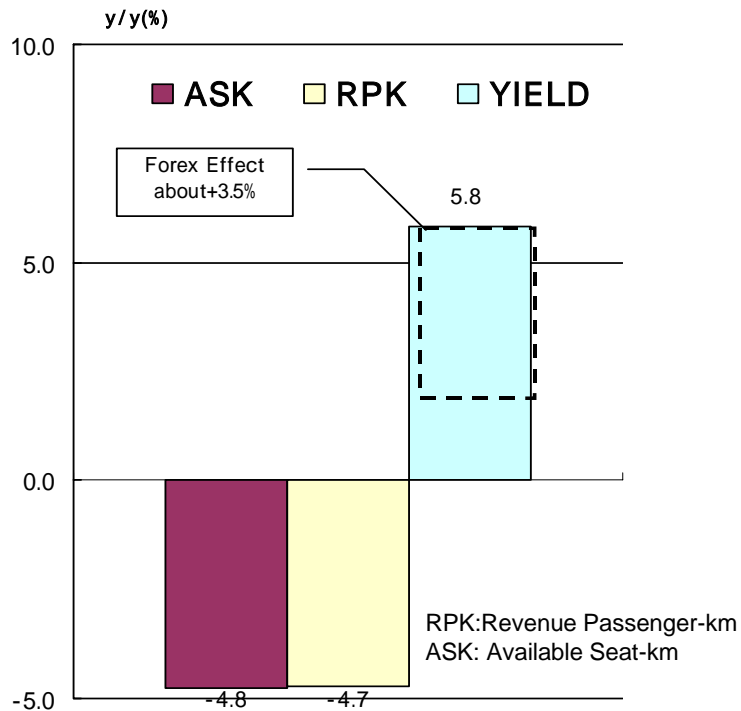
		Oct. ~ Dec.	y/y(%)	Apr. ~ Dec.	y/y(%)
International	Passenger	167.7	13 100.8%	528.2	15.7 103.1%
	Cargo	53.1	41 108.6%	138.6	6.1 104.6%
Domestic	Passenger	163.7	-28 98.3%	504.2	-7.2 98.6%
	Cargo	8.0	-1 98.1%	22.6	-0.9 96.1%
Others		42.7	35 109.1%	126.1	12.6 111.2%
Total		435.4	61 101.4%	1,319.8	26.4 102.0%



# Revenue Analysis - International Passenger

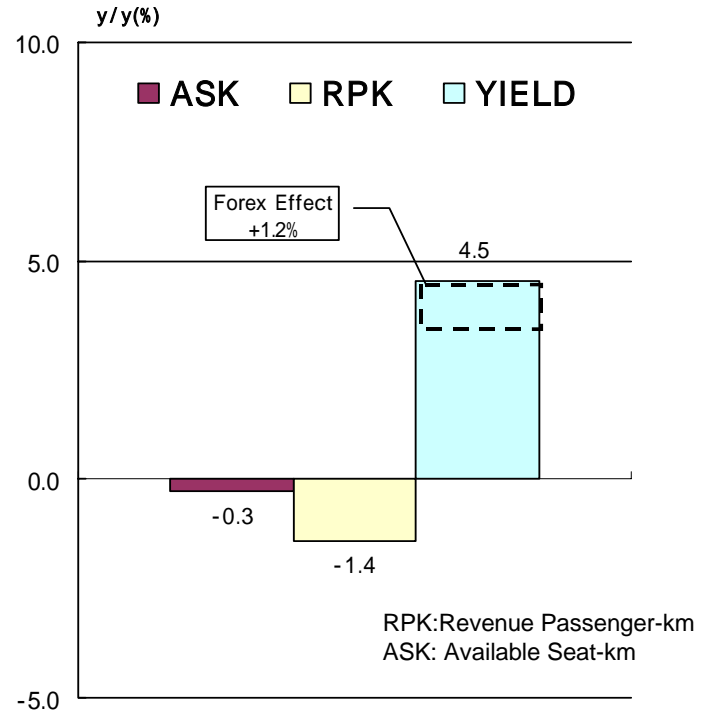
## Oct. - Dec.

Revenue ¥167.7bln (y/y +¥1.3bln)  
L / F 69.2% (y/y ±0.0% )



## Apr. - Dec.

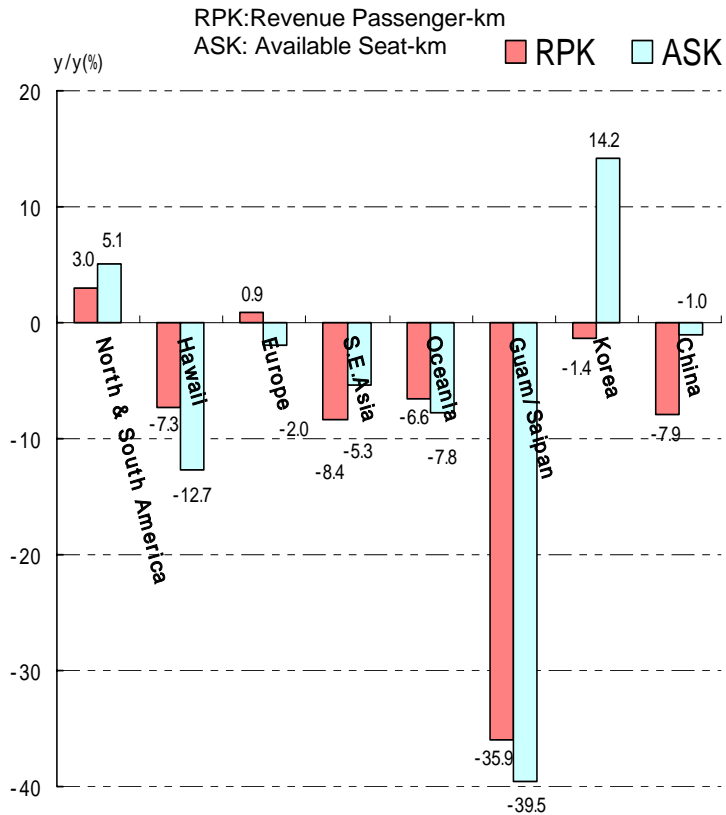
Revenue ¥528.2bln (y/y + ¥15.7bln)  
L / F 68.3% (y/y - 0.8% )



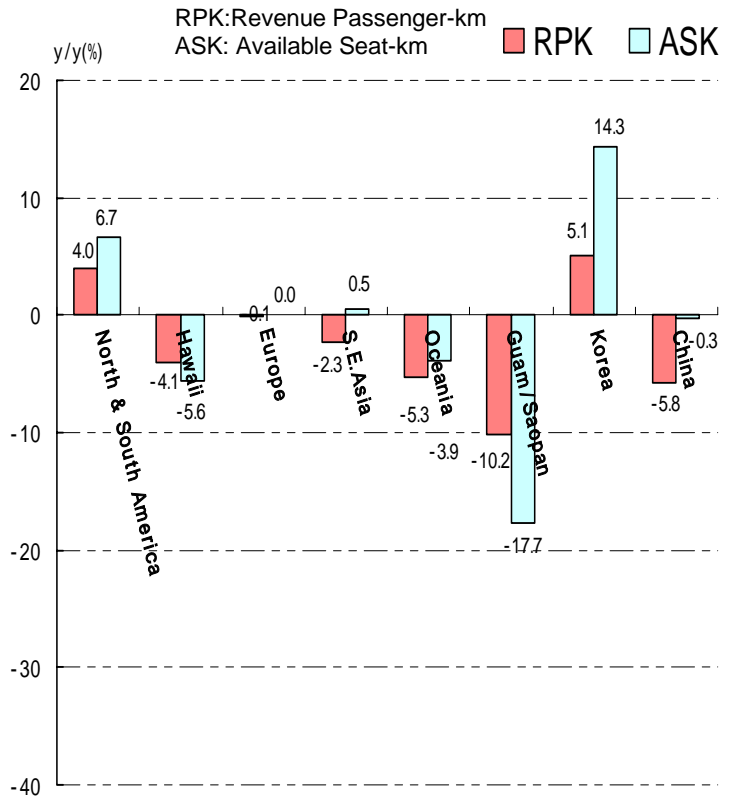
# Demand and Supply of International Passenger



Oct. - Dec.



Apr. - Dec.



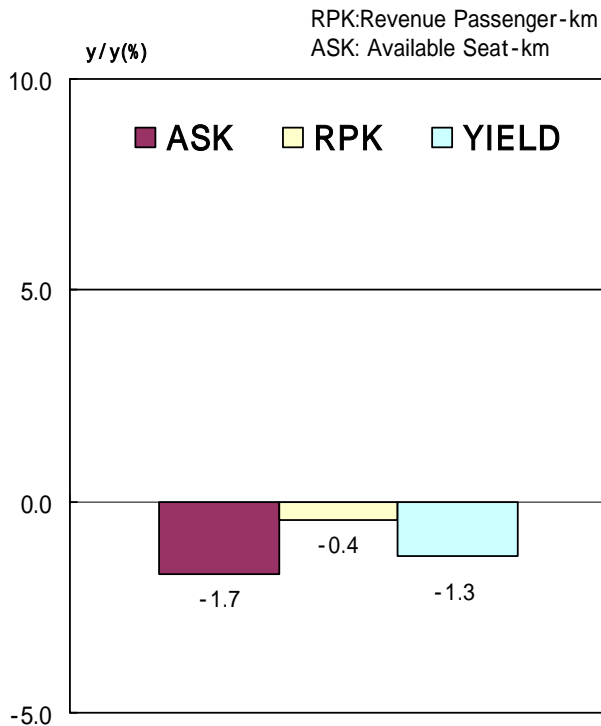


# Revenue Analysis – Domestic Passenger

## Oct. - Dec.

Revenue ¥163.7bln (y/y - ¥2.8bln)

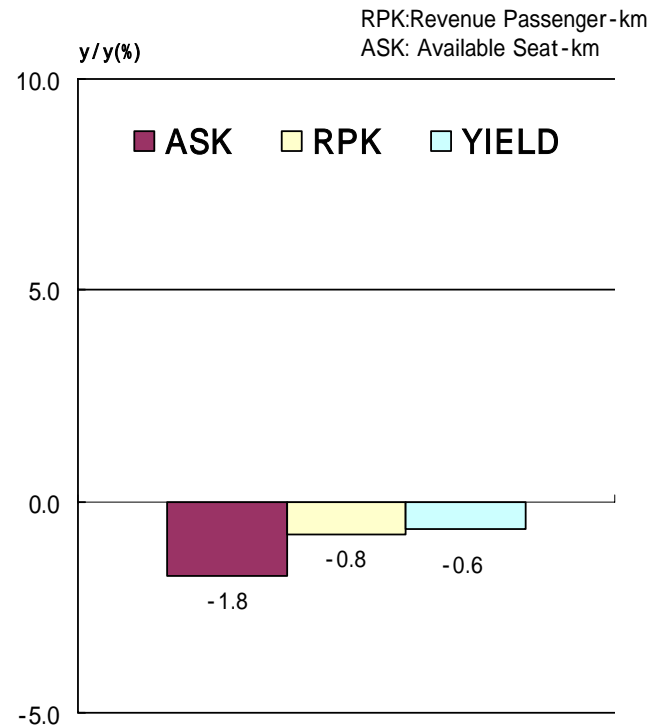
L / F 64.5% (y/y +0.8%)



## Apr. - Dec.

Revenue ¥504.2bln (y/y - ¥7.2bln)

L / F 64.4% (y/y +0.7%)



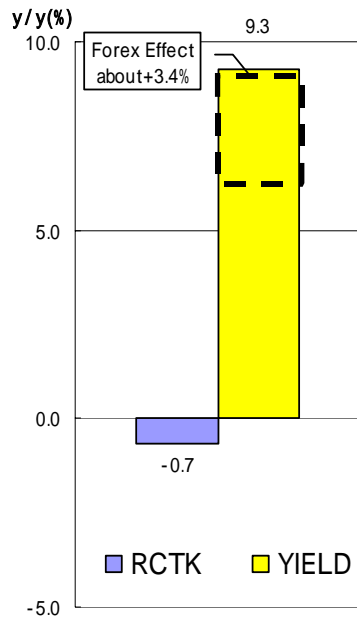


# Revenue Analysis - International Cargo

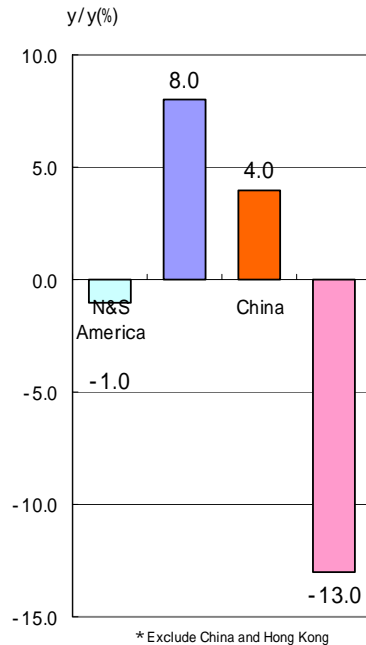
## Oct. - Dec.

Revenue ¥53.1bln (y/y + ¥4.1bln)  
 Loaded weight 211,397 ton (y/y - 3,236 ton)

RCTK:Revenue Cargo Ton -km



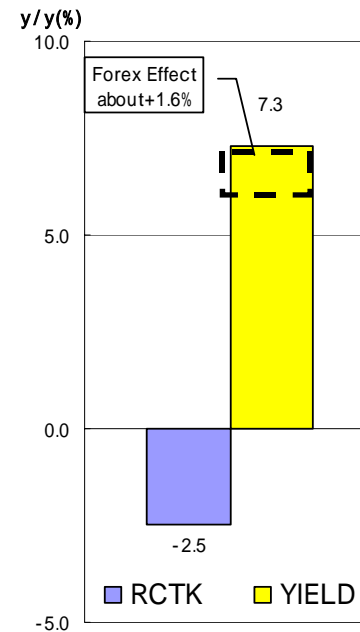
### Loaded weight by route



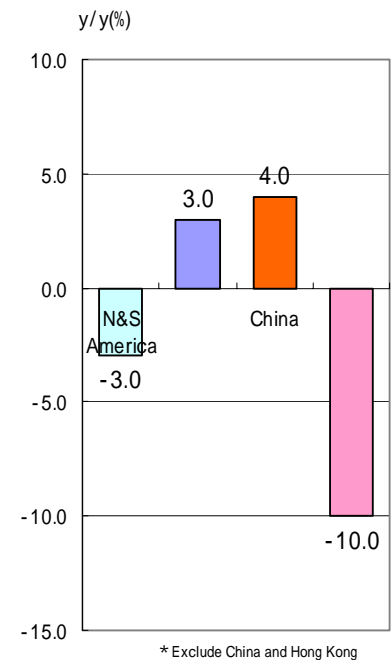
## Apr. - Dec.

Revenue :¥138.6bln (y/y + ¥6.1bln)  
 Loaded weight 601,217 ton (y/y - 21,296 ton)

RCTK:Revenue Cargo Ton -km



### Loaded weight by route



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



(billions of yen)

	Oct. ~ Dec.	y/y(%)	Apr. ~ Dec.	y/y(%)
Fuel	102.7	22.2 127.6%	284.0	66.4 130.6%
Airport Facilities	33.7	-0.2 99.2%	102.2	0.6 100.6%
Maintenance	29.5	0.0 99.8%	83.6	0.7 100.8%
Passenger Service etc	13.1	-0.1 99.1%	39.2	-0.5 98.6%
Commissions	33.5	-1.1 96.7%	102.5	-2.1 97.9%
Aircraft Depreciation	19.6	-1.0 105.9%	58.1	2.1 103.9%
Aircraft Leases	26.1	-1.3 95.1%	77.4	-2.6 96.7%
Personnel	82.4	-2.3 97.2%	237.8	47.6 125.0%
Others	116.5	-1.4 101.2%	350.1	-2.1 99.4%
Total	457.5	19.4 104.4%	1,335.3	110.1 109.0%





# Fuel and FOREX (Air Transportation Segment)

## < Fuel Price > (Apr.-Dec. )

### [ Averaged Market Price ]

	FY04	FY05
USD	49.0	71.3

(\*) Singapore Kerosene \$/bbl



### [ Impact ]

FY04	217.6
FY05	284.0
Difference	66.4
Factor Analysis	68.6
Forex	4.0
Market Rate	72.0
Hedging etc	7.4
Consumption	2.2

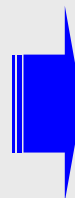
Hedging Ratio
FY05 : 76%
( FY05 Jan-Mar : over 80% )
FY06 : app. 75%
FY07 : app. 35%

## < Forex > (Apr.-Dec.)

### [ Average Rate during the Period ]

	FY04	FY05
USD	108.9	110.7

(\*) Average Company Exchange rate  
for Apr.-Dec. of FY2005



### [ Impact ]

Operating Revenue	8.2
Operating Cost	7.3
Operating Income	0.8

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