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***JAL Group Q1 Account Settlement  
for FY2006***

*Aug 07, 2006*

***Japan Airlines Corporation***

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## JAL Group Q1 Account Settlement for FY2006

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# Highlights



- **Year-on-year increase in Operating Revenue by 3.7%**  
**Year-on-year increase in Net Income by JPY11.5 billion**  
**Operating profit is almost the same as the previous year.**
- **Despite sharp decrease in capacity, Operating Revenue of international passenger flights has increased. Due to the effect of route restructuring and aircraft downsizing, Load Factor increased to 69.9% by 4.6 points and Yield has also improved by 11.2 % compared with the previous year.**
- **Operating Revenue of domestic passenger flights achieved yearly increase and Load Factor gap against competitor is on the recovery track. Premium seat “Class J “ is booming.**

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## **. Q1 Account Settlement for FY2006**

# Outline of the Consolidated Financial Statements

Billions of Yen

	FY04	FY05	yr-yr	yr/yr
Operating Revenues	503.3	522.2	18.8	+3.7%
(Operating Expenses)	535.4	554.1	18.7	+3.5%
Operating Income	-32.0	-31.9	0.1	-
Ordinary Income	-37.4	-35.5	1.8	-
Net Income	-38.3	-26.7	11.5	-

# Operating Revenue & Income by Segment



	Operating Revenues			Operating Income	
	FY06	yr-yr	yr/yr	FY06	yr-yr
Air Transportation	409.9	12.6	+3.2%	-33.0	1.5
Airline-related	86.3	10.2	+13.4%	0.5	-0.9
Travel Service	85.3	-11.8	-12.2%	-2.0	-1.3
Card·Lease	15.6	0.6	+4.5%	1.3	0.3
Other	49.7	1.9	+4.1%	1.0	0.1
<b>Total</b>	<b>647.1</b>	<b>13.6</b>	<b>+2.2%</b>	<b>-32.0</b>	<b>-0.2</b>
General corporate assets and intercompany eliminations	-124.9	5.1	-+4.0%	0.1	0.3
<b>Consolidated</b>	<b>522.2</b>	<b>18.8</b>	<b>+3.7%</b>	<b>-31.9</b>	<b>0.1</b>

Billions of Yen



# Outline of the Result of Air Transportation Segment

Billions of Yen

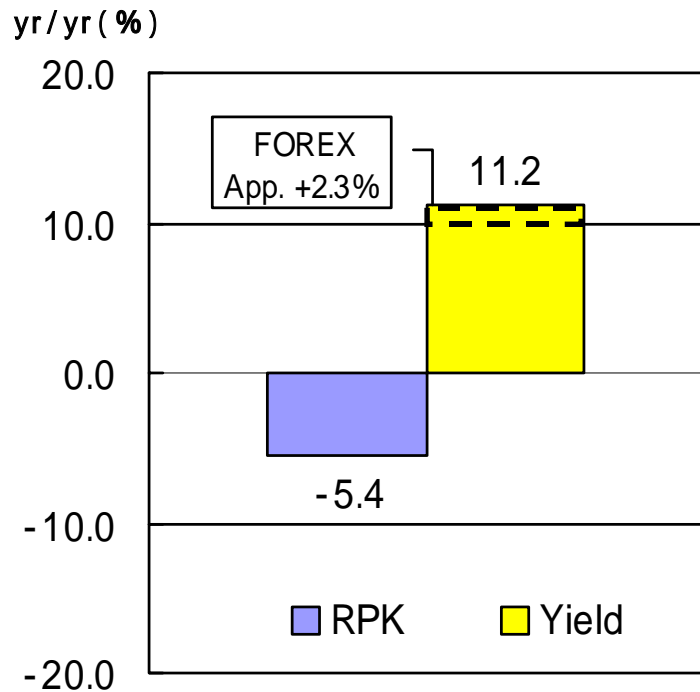
		FY05	FY06	yr-yr	yr/yr
Inter national	Passenger	159.6	167.8	8.2	+5.2%
	Cargo	41.1	43.8	2.6	+6.6%
Domestic	Passenger	150.3	150.9	0.6	0.4%
	Cargo	7.1	6.8	-0.2	-3.8%
Other		17.1	18.8	1.6	+9.8%
Incidental Business		21.9	21.6	-0.3	-1.6%
Segment TTL		397.3	409.9	12.6	3.2%



# Revenue Analysis - International Passenger

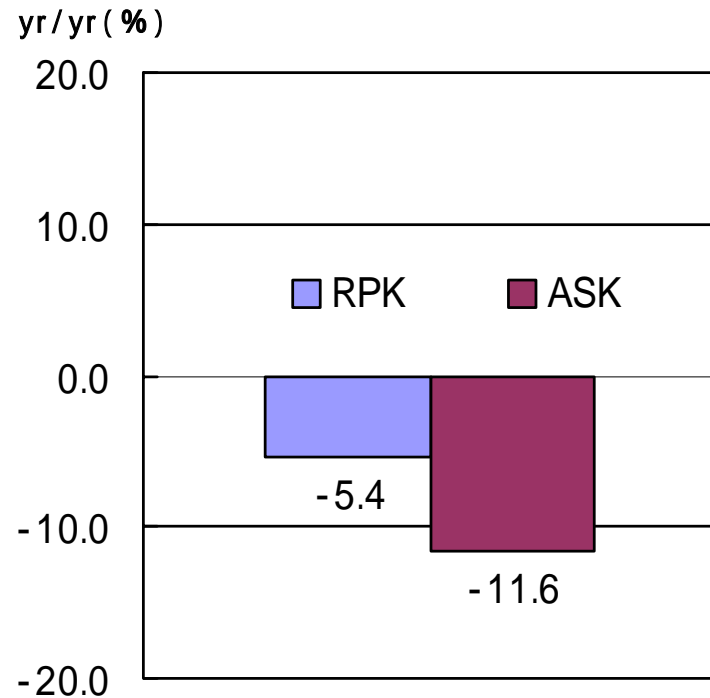
## < Revenue >

FY06 Q1 167.8 billion yen (y/y +5.2%)



## < Load Factor >

FY06 Q1 69.9% (y/y +4.6%)



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





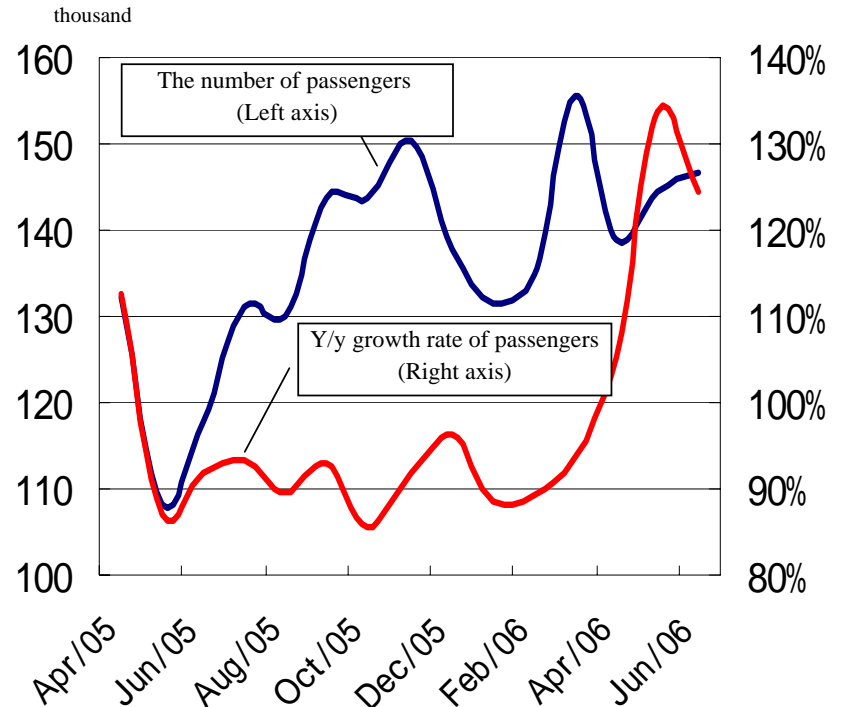
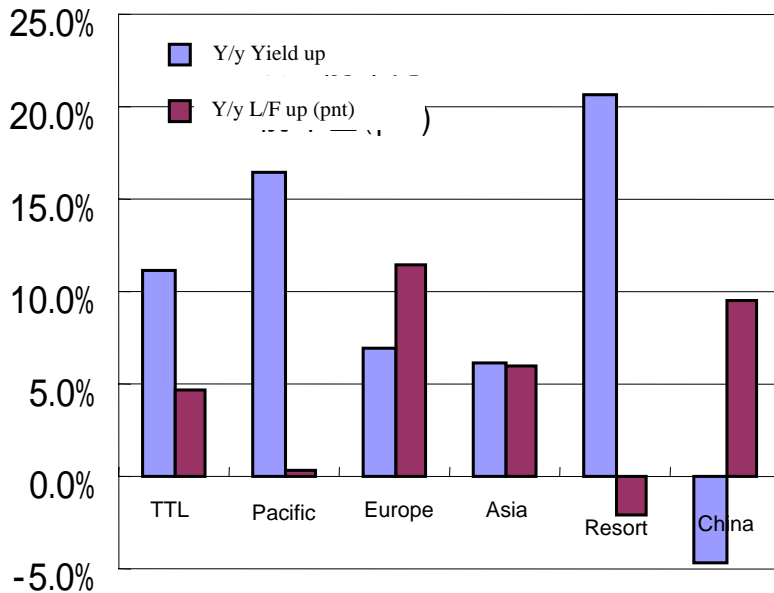
# Sign of Change-International Passenger

## Improvement of Load Factor and Yield

## Sharp Recovery of China Routes

➤ Almost every destination shows L/F and yield improvement.

➤ Drastic improvement of passenger demand





# Sign of Change-International Passenger

## L/F Improvement by Route Restructuring and Fleet Downsizing

## Major International Restructured Routes

### Suspended Operation

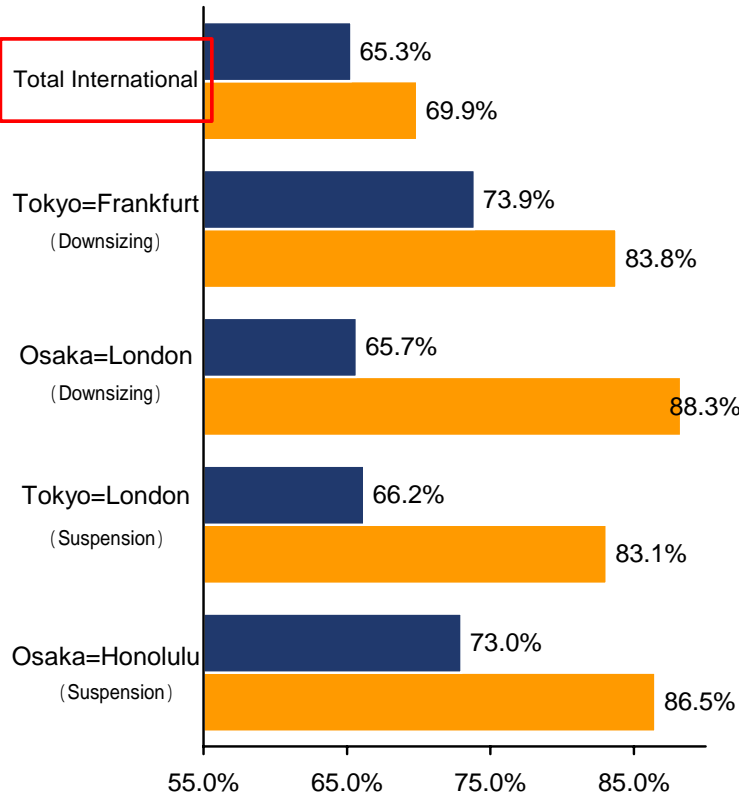
Oct 2005 ~ Fukuoka = Honolulu  
 Oct 2005 ~ Fukuoka = Hong Kong  
 Oct 2005 ~ Tokyo = Saipan  
 Oct 2005 ~ Osaka = Saipan  
 Oct 2005 ~ Nagoya = Guam  
 Oct 2005 ~ Fukuoka = Seoul  
 Mar 2006 ~ Komatsu = Seoul  
 Mar 2006 ~ Hiroshima = Seoul

### Reduced Operation

Oct 2005 ~ Osaka = Honolulu (14 7 flights per week)  
 Mar 2006 ~ Tokyo = London (14 7 per week)  
 Mar 2006 ~ Tokyo = Bangkok (21 14 per week)  
 Mar 2006 ~ Osaka = Denpasar (7 3 per week)

### Further flight Suspension

Oct 2006 ~ Osaka = Los Angeles  
 Oct 2006 ~ Tokyo = Las Vegas = Los Angeles

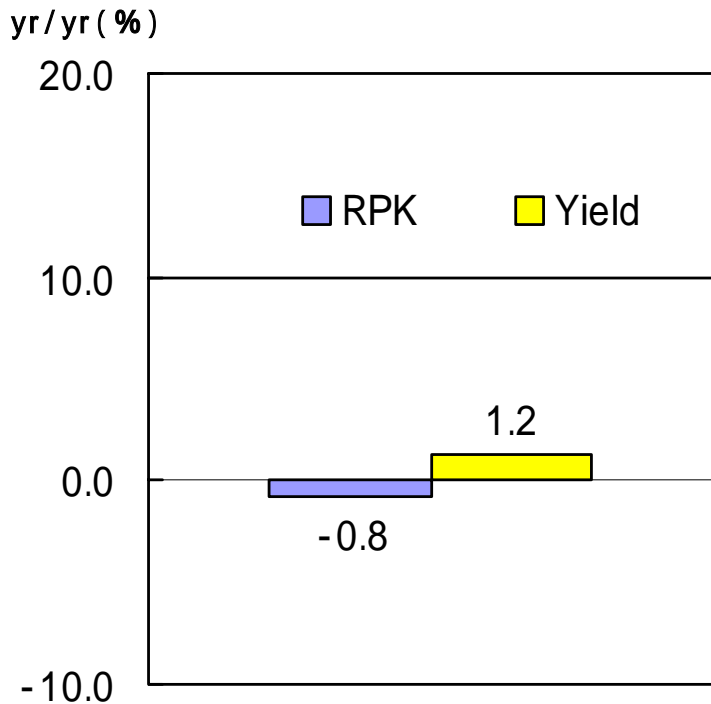


■ after restructuring (5/2006) ■ before restructuring (5/2005)

# Revenue Analysis - Domestic Passenger

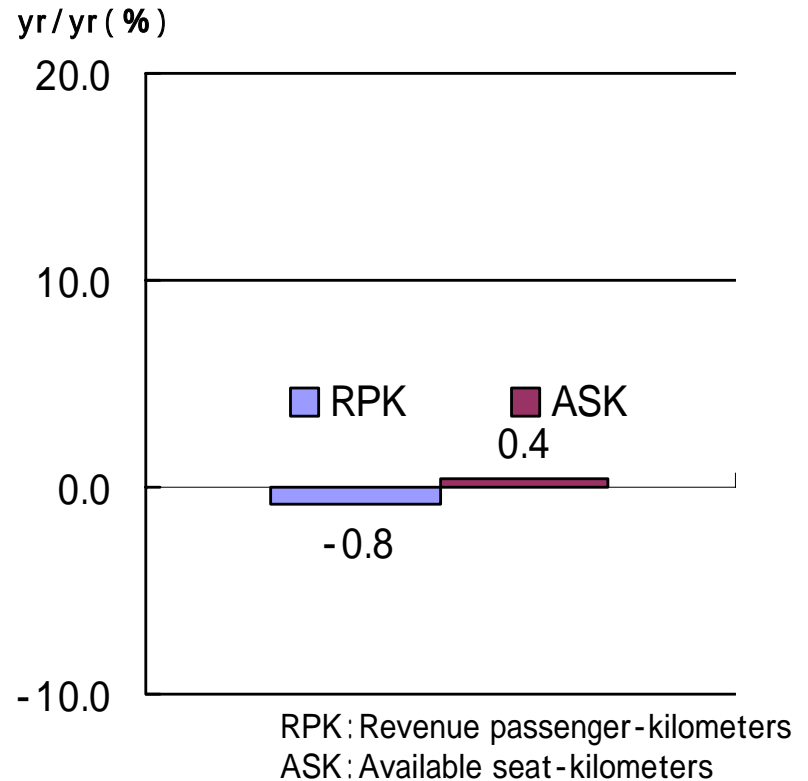
## < Revenue >

FY06 Q1 150.9 billion yen (y/y +0.4%)



## < Load Factor >

FY06 Q1 60.4% (y/y -0.8%)

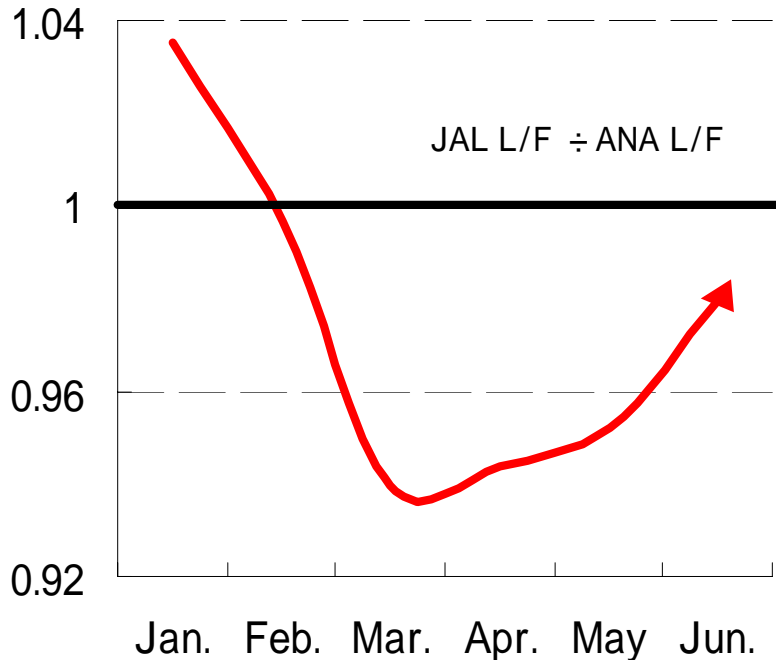




# Sign of Change – Domestic Passenger

## Comparison of Load Factors

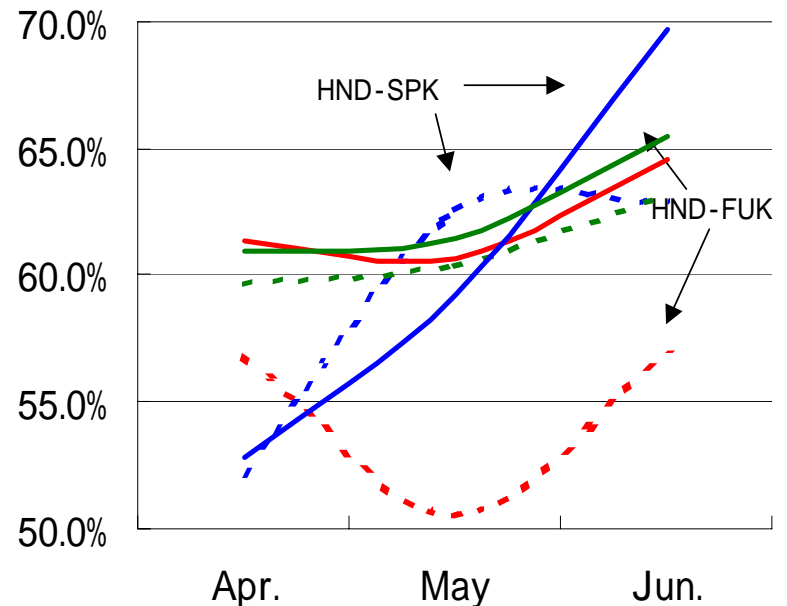
➤ Load Factor gap between JAL and ANA is decreasing.



	Jan.	Feb.	Mar.	Apr.	May	Jun.
JAL L/F	58.5%	63.5%	66.8%	58.8%	61.4%	61.1%
ANA L/F	56.5%	63.7%	71.1%	62.3%	64.5%	62.4%
Gap(pnt)	2.0	-0.2	-4.3	-3.5	-3.1	-1.3

## Load Factors of Trunk Routes

➤ Load Factors on trunk routes such as Haneda-Sapporo and Haneda-Fukuoka have greatly improved.



Dotted line: FY2005 Full line: FY2006

Blue: HND-SPK Red: HND-FUK Green: Trunk Routes total

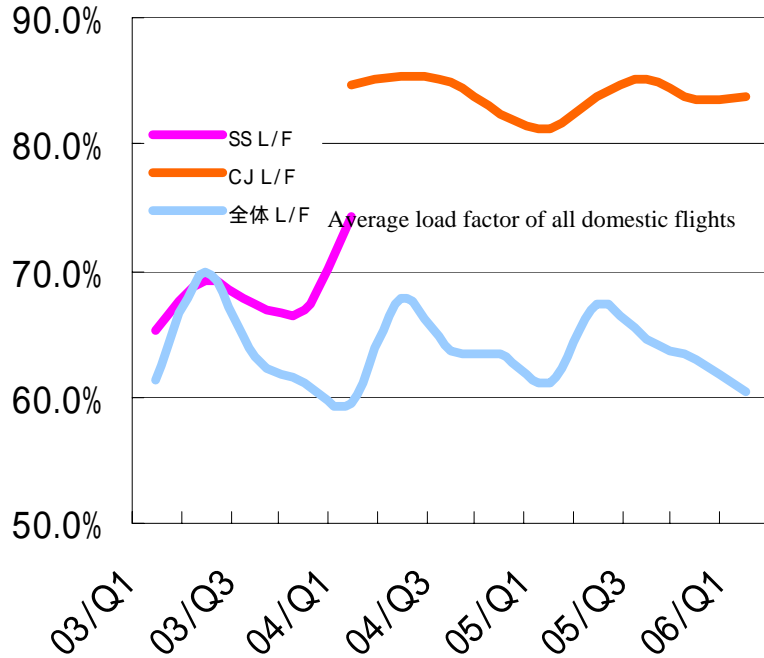


# Sign of Change – Domestic Passenger

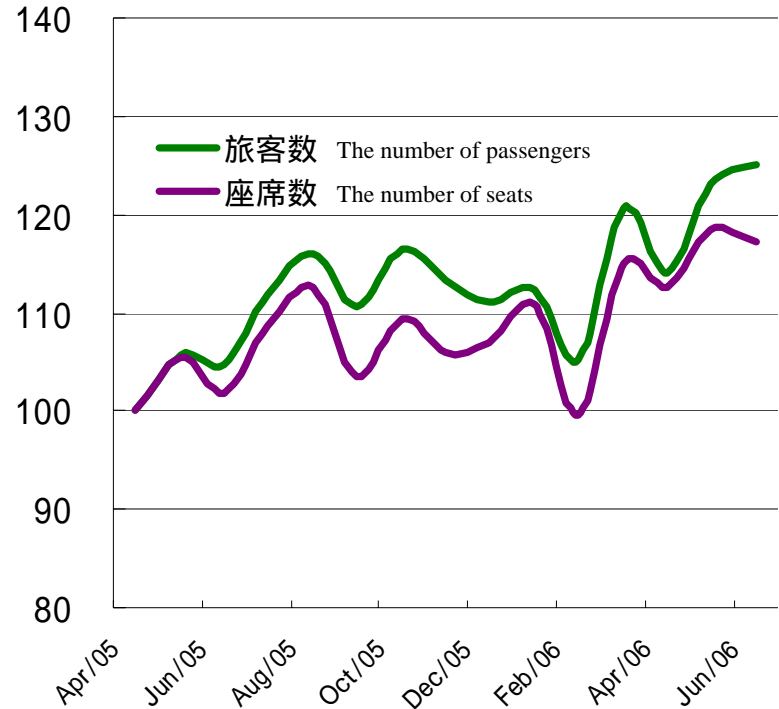
## Successful Result of Premium Seat “ Class J ”

➢ Continuous high Load Factor since introduction ➢ The growth rate of passenger continues over that of capacity.

\*SS: Super seat CJ: Class J



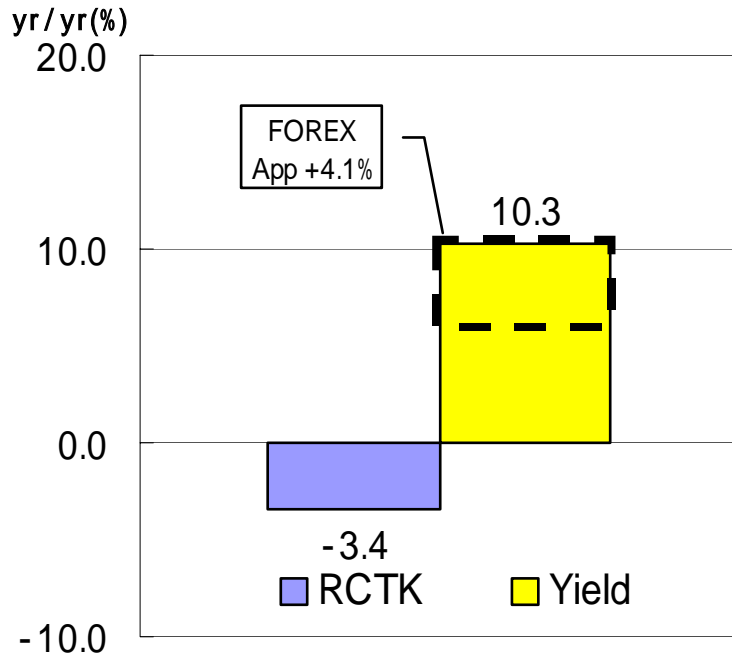
The number of Passengers and seats of Class J (Apr.2005 =100)



# Revenue Analysis - International Cargo

## < Revenue >

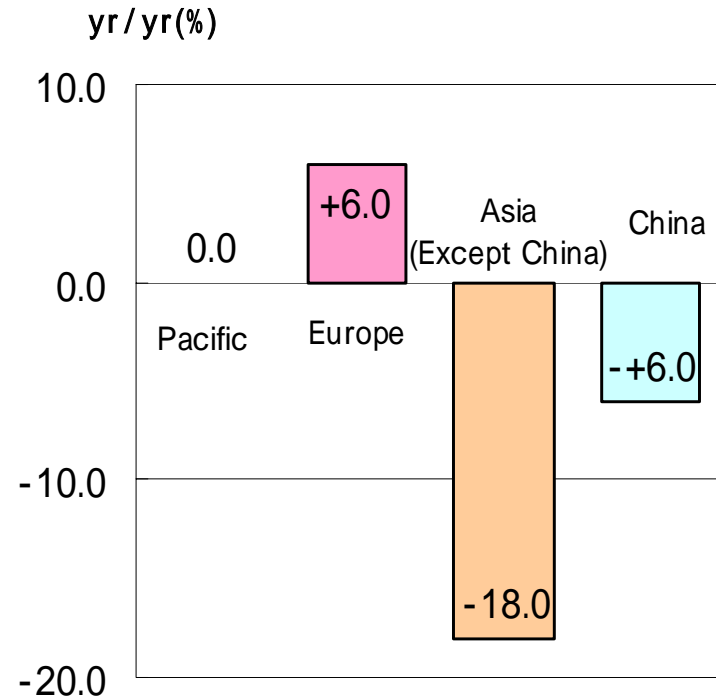
FY06 Q1 43.8 billion yen (y/y + 6.6%)



RCTK: 有償貨物トンキロ Revenue Cargo Ton kilometers

## < Tonnage >

FY06 Q1 178,529 ton (y/y - 4.9%)





## Outline of the Breakdown of Operating Costs

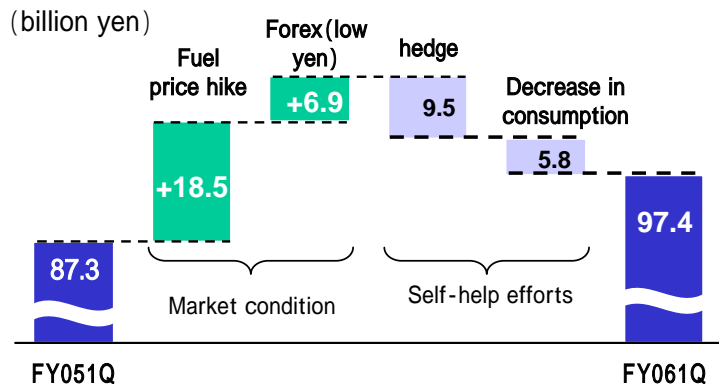
( Air Transportation Segment )

	Billions of Yen			
	FY 0 5	FY 0 6	yr-yr	yr/yr
<b>Fuel</b>	87.3	97.4	10.1	+11.6%
<b>Airport facilities</b>	33.5	32.4	-1.0	-3.2%
<b>Maintenance</b>	28.9	36.3	7.3	+25.5%
<b>Passenger services</b>	12.1	12.0	0.0	-0.8%
<b>Commissions</b>	30.2	29.1	-1.1	-3.8%
<b>Aircraft Depreciation</b>	19.2	18.3	-0.8	-4.4%
<b>Aircraft leases</b>	25.5	26.6	1.0	+4.1%
<b>Personnel</b>	79.9	78.3	-1.5	-1.9%
<b>Other</b>	114.9	112.1	-2.8	-2.4%
<b>Total</b>	431.9	443.0	11.0	+2.6%



# Fuel Cost and FOREX (Air-transportation Segment)

## < Fuel Cost >

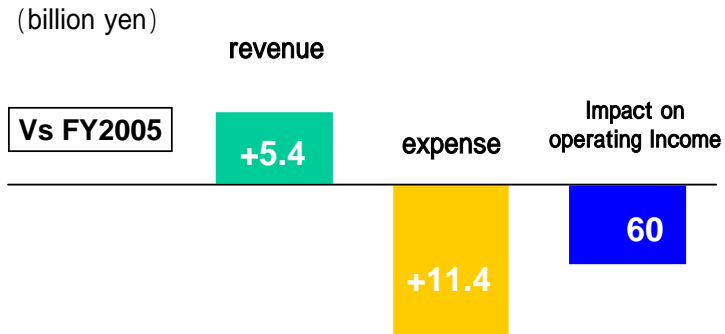


## Hedging of Fuel (as of August 2006)

	FY2005	FY2006	FY2007
Hedging Ratio	-	75%	35%
Assumption of mid-term business plan	-	\$75	\$75
Singapore Kerosene average price \$/bbl	\$66.7	\$82.0	-

Sensitivity  
Increase of \$1/bbl = decrease in operating income of JPY45 billion

## < FOREX >



## Average Foreign Exchange Rate

	FY2005 Q1	FY2006 Q1
USD*	¥106.7	¥115.0

\*Average of JAL's corporate monthly settlement rate

Assumption of mid-term business plan : ¥120





# Passenger Demand during Summer Vacation Period

## International Flights (total of JAL, JAA, JAZ)

the number of seats		the number of booking		ratio of occupancy
	vspy		vspy	
557,374席	91.2%	470,781人	101.3%	84.5%

	the number of seats	vspy	the number of passengers	vspy	ratio of occupancy
Honolulu	62,915	80.5%	59,919	92.2%	95.2%
USA	62,315	110.5%	59,899	122.9%	96.1%
Europe	52,747	82.5%	47,025	92.2%	89.2%
S.E.Asia	125,548	92.2%	104,783	104.7%	83.5%
Oceania	26,526	95.6%	23,554	95.8%	88.8%
Guam	13,586	37.8%	12,858	41.7%	94.6%
Korea	67,074	92.9%	61,932	104.1%	92.3%
China	89,447	100.6%	58,030	130.0%	64.9%

## Domestic Flights (total of JAL, JTA, JEX, J-AIR, RAC, JAC, HAC)

the number of seats		the number of booking		ratio of occupancy
	vspy		vsoy	
2,032,975席	100.1%	1,467,620人	103.5%	72.2%

## Financial Targets (Consolidated) for FY2006

(Announced on May 10, 06)



	Billions of Yen			
	FY05	FY06	yr-yr	yr/yr
Operating Revenue	2,199.3	2,301.0	101.7	4.6%
International Passenger	690.2	725.0	34.8	5.0%
Domestic Passenger	659.9	703.0	43.1	6.5%
International Cargo	180.5	198.0	17.5	9.7%
Others	668.5	675.0	6.5	1.0%
Operating Income	-26.8	17.0	43.8	-
Ordinary Income	-41.6	0.5	42.1	-
Net Income	-47.2	3.0	50.2	-

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# . Global Offering



# Offering Summary

Shares Offered : 750 million shares (including green shoe option )  
 (The number of issued shares is 1,982 million as of May 31, 2006.)

Tranche Structure : Domestic 320 million shares, Overseas 430 million shares

Net Proceeds : JPY 148.5 billion (JPY198/share)

Objective of Offering : Investment in aircraft and aircraft parts

Others : The concrete number of shares to be issued under the green shoe option will be decided on August 23, 2006.

## 【Aircraft Introduction Plan】

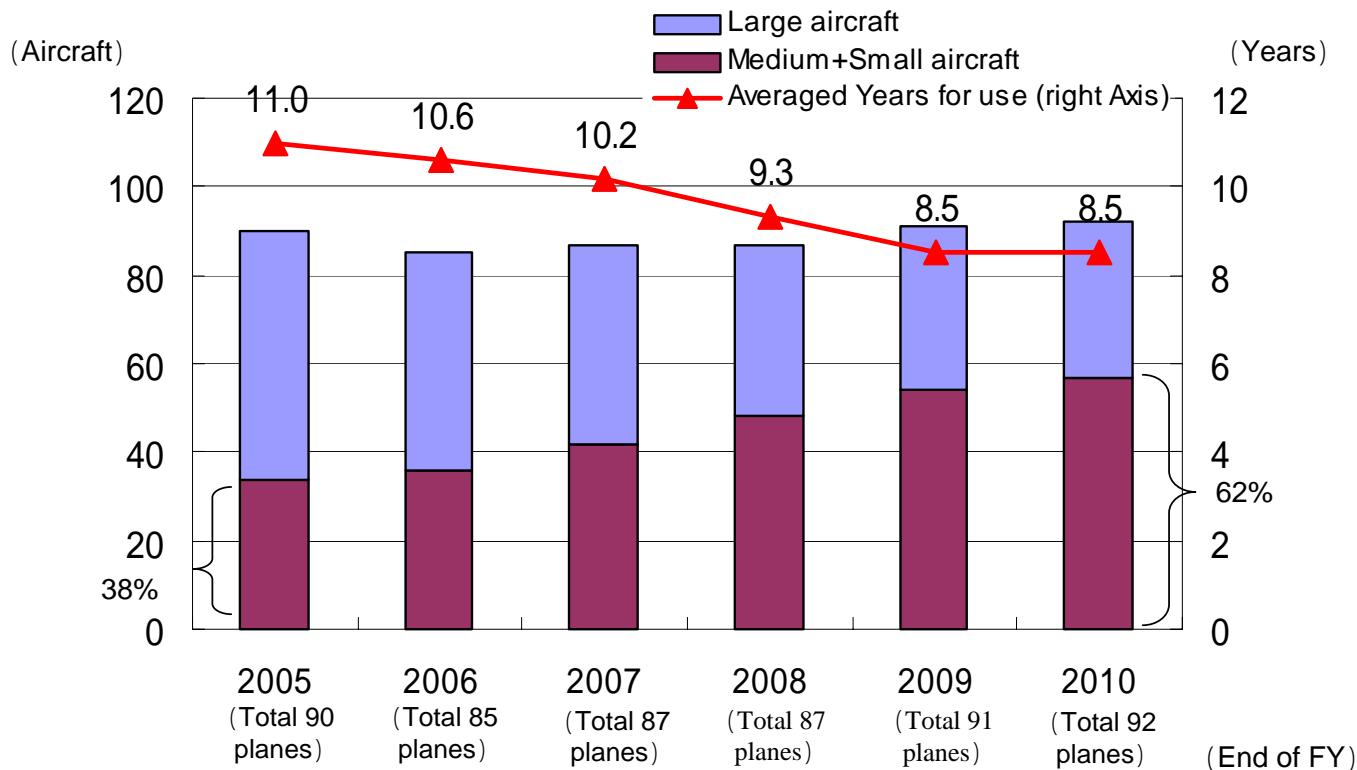
	FY2006	FY2007	FY2008	FY2009	FY2010	Total
aircraft to be introduced	9	18	19	21	19	86

main aircraft to be introduced : mid and small sized aircraft such as B777, B787 and B737-800



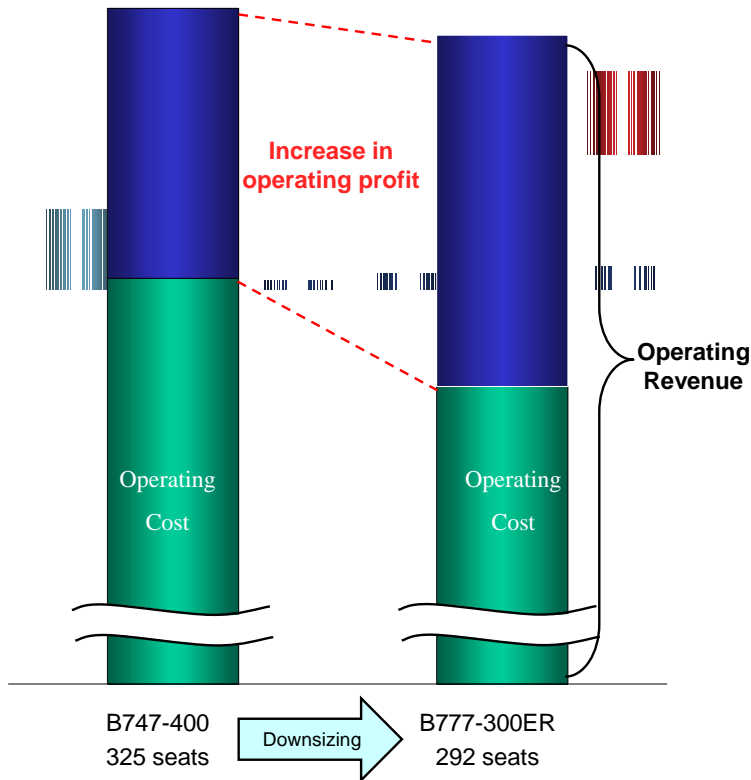
# Aircraft Strategy (International Passenger)

The ratio of Medium+Small Aircraft will lift significantly by aircraft replacement



# Effect of Aircraft Downsizing

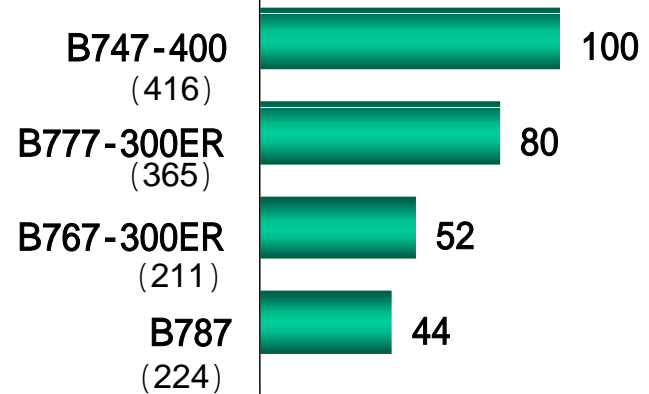
## < Image of Fleet Downsizing Effect >



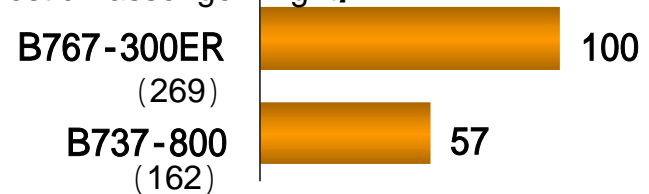
Note: This page shows only image. The size of illustration does NOT reflect actual figures.

## < Comparison of Fuel Consumption by Fleet Type >

( )=standard number of seats announced by Boeing  
[International Passenger Flight]



[Domestic Passenger Flight]



Source: Boeing

<sup>1</sup> For international fleet, fuel consumption of B747-400 flying 4,000nm =100.  
For domestic fleet, fuel consumption of B767-300ER flying 1,000nm =100.



# Improvement of Financial Structure

## < Financial Indicator after Offering >

	FY2005	After offering *
Gross Asset	21,612	23,097
Stockholders' Equity	1,481	2,966
Interest-bearing Debt (on balance sheet)	12,364	12,364
Interest-bearing Debt (off balance sheet)	16,566	16,566
Capital to Asset Ratio	6.9%	12.8%
Debt/Equity Ratio (on balance sheet)	84x	42x
Debt/Equity Ratio (including lease obligation)	11.2x	56x

\*On condition that the net proceeds is 1,485 after the green shoe option is executed.

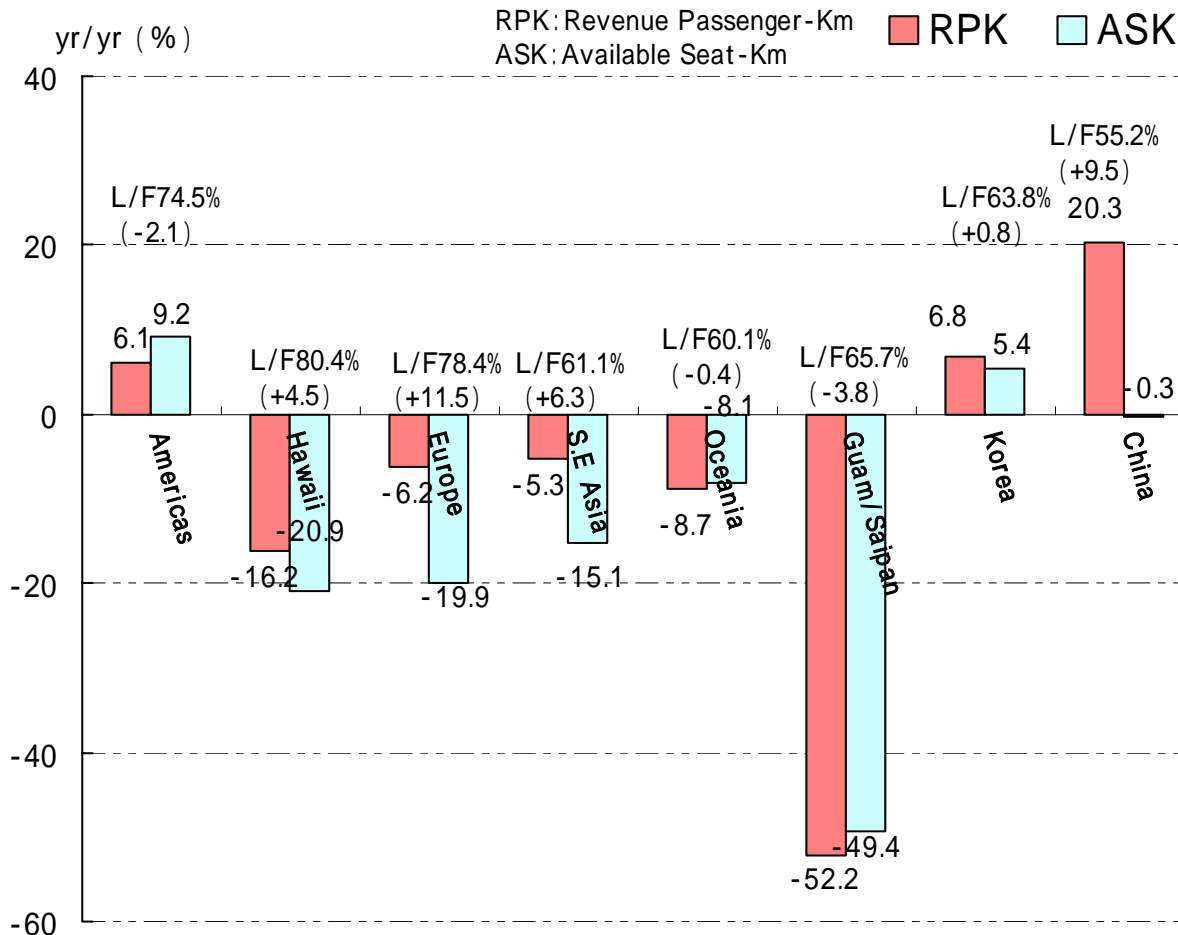
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# Appendix





# Demand and Supply of International Passenger by Route (yr/yr)



# Progress of Cost Structural Reform



Billions of Yen

		Q1 (Result)		Q2 (Forecast)		LH (Forecast)		Year (Forecast)	
		yr-yr	accumulated total	yr-yr	accumulated total	yr-yr	accumulated total	yr-yr	accumulated total
Cost Structural Reform	Increase in Personnel Cost Efficiency	<b>+1.5</b>	8.5	<b>+1.0</b>	9.5	<b>+3.5</b>	13.0	<b>+6.0</b>	13.0
	Improvement/Elimination of Low-profit routes	<b>+1.2</b>	4.2	<b>+1.3</b>	5.5	<b>+8.0</b>	13.5	<b>+10.5</b>	13.5
	Review of Group Outsourcing and Operational Process	<b>+3.0</b>	19.0	<b>+3.0</b>	22.0	<b>+6.0</b>	28.0	<b>+12.0</b>	28.0
	Reduction in sales cost through developing E-business	<b>+0.2</b>	1.2	<b>+0.8</b>	2.0	<b>+1.5</b>	3.5	<b>+2.5</b>	3.5
	Reduce Interest expenses by reducing assets	<b>0.0</b>	0.0	<b>0.0</b>	0.0	<b>+2.0</b>	2.0	<b>+2.0</b>	2.0
	<b>Total</b>	<b>+5.9</b>	32.9	<b>+6.1</b>	39.0	<b>+21.0</b>	60.0	<b>+33.0</b>	60.0
Emergency Measures		<b>+3.1</b>		<b>+3.9</b>		<b>+14.0</b>		<b>+21.0</b>	



## Recent Topics

- 2006.Apr.19 : Establishment of a “Safety Development Center”
- 2006.Jun.01 : Long-term procurement agreements with oil development & refinery company (AOC Holdings) through equity investment.
- 2006.Jun.04 : Official signing to participate in oneworld
- 2006.Jul.05 : Announced an agreement to build a comprehensive partnership with JTB
- 2006.Jul.13 : Agreement of Governmental Air Talks between Japan and China
- 2006.Jul.18 : Full Operation of AIR FLITE (G-FOS Optimal Fleet Allocation System)

# Disclaimer



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