JAL Group Account Settlement For FY2006

May 10th, 2007

Japan Airlines

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Outline of Consolidated Financial Results

Billions of Yen

	FY05	FY06	yr-yr
Operating Revenues	2,199.3	2,301.9	102.5
(Operating Expenses)	2,226.2	2,278.9	52.7
Operating Income	-26.8	22.9	49.7
Ordinary Income	-41.6	20.5	62.1
Net Income	-47.2	-16.2	30.9

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Operating Revenue and Income by Segment

Billions of Yen

	Operating Revenue			Operating Income	
	FY06	yr-yr	yr/yr	FY06	yr-yr
Air Transportation	1,801.5	68.5	104%	2.6	46.0
Airline-related	368.7	25.8	108%	8.3	2.4
Travel Service	379.7	-35.6	91%	-0.8	-1.4
Card・Lease	65.8	5.6	109%	5.8	1.5
Other	215.9	3.2	102%	7.2	1.1
Total	2,831.7	67.6	102%	23.3	49.8
General corporate assets and intercompany eliminations	-529.7	-34.8	94%	-0.4	-0.0
Consolidated	2,301.9	102.5	105%	22.9	49.7

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Operating Income of Air-transport Segment

Billions of Yen

	FY05	FY06	yr-yr	yr/yr
Operating Revenue	1732.9	1801.5	68.5	104%
International Passenger	690.2	724.8	34.6	105%
Domestic Passenger	659.9	675.6	15.6	102%
International Cargo	180.5	190.5	9.9	105%
Domestic Cargo	29.4	28.9	-0.5	98%
Other	76.7	83.2	6.5	108%
Incidental Business	96.0	98.2	2.2	102%
Operating Cost	1776.4	1798.9	22.4	101%
Fuel	377.2	420.8	43.6	112%
Airport facilities	134.7	131.3	-3.3	98%
Maintenance	106.5	123.3	16.7	116%
Passenger services	52.4	51.3	-1.1	98%
Commissions	128.7	124.6	-4.1	97%
Aircraft Depreciation	76.7	72.7	-3.9	95%
Aircraft leases	102.8	109.3	6.4	106%
Personnel	316.2	272.0	-44.1	86%
Other	480.7	493.1	12.3	103%
Operating Income	-43.4	2.6	46.0	-

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Financial Results (Change from Forecast dated February 6th)

Billions of Yen

		FY06 Forecast	FY06 Result	Difference
Operating Revenue		2,268.0	2,301.9	33.9
Air Transportation	International Passenger	729.0	724.8	-4.2
	Domestic Passenger	672.0	675.6	3.6
	International Cargo	189.0	190.5	1.5
	Other	207.0	210.4	3.4
	Total	1,797.0	1,801.5	4.5
Other Segment		471.0	500.3	29.3
Operating Cost		2,255.0	2,278.9	23.9
Air Transportation		1,804.0	1,798.9	-5.1
Other Segment		451.0	480.0	29.0
Operating Income		13.0	22.9	9.9
Ordinary Income		0.5	20.5	20.0
Net Income		3.0	-16.2	-19.2

Operating Income +33.9
・Air Transportation Segment +4.5
Operating Cost +23.9
・ Air Transportation Segment –5.1

Non-operating Profit and Loss +10.1
・Foreign Exchange Profit
・Loss on sales and disposal of flight equipment

Extra Ordinary Profit +9.4
・Gain on sales of fixed asset
・Gain on sales of investments in securities
Extra Ordinary Loss +5.4
・Special termination Benefits

Income before income taxes and minority interest – 43.2
・Deferred Tax Asset Adjustments – 43.2

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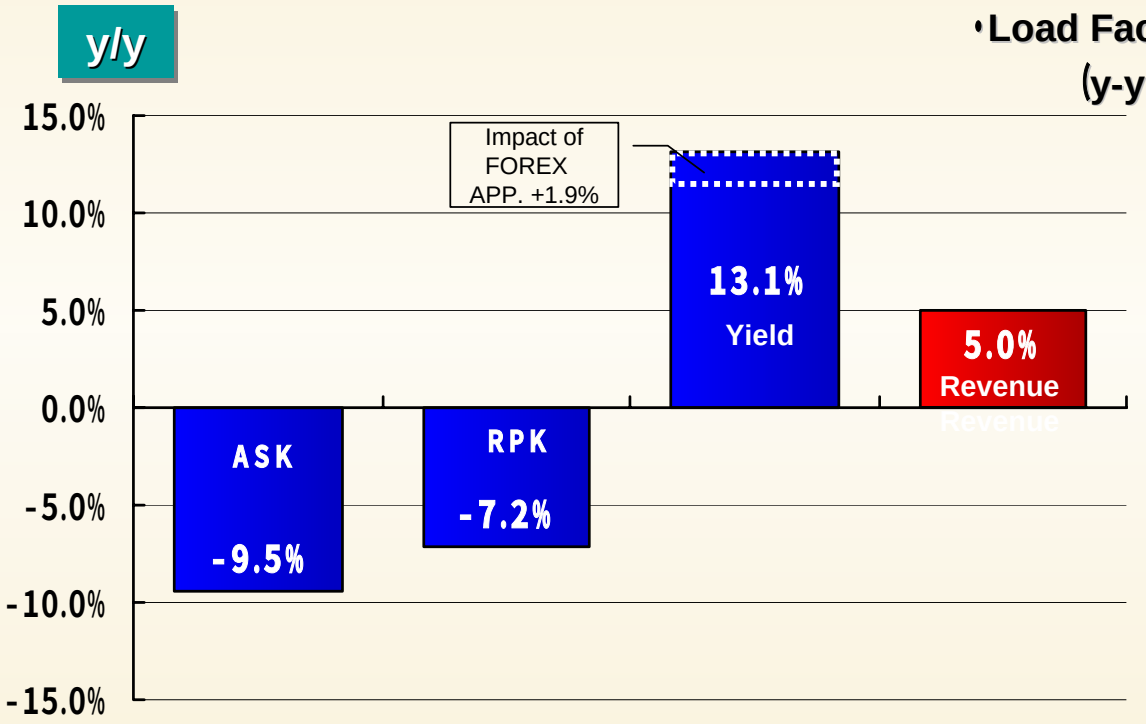
Revenue Analysis - International Passenger

- Revenue ¥ 724.8 bln
  (y-y +34.6 bln)
- Load Factor 71.1%
  (y-y +1.7%pt)



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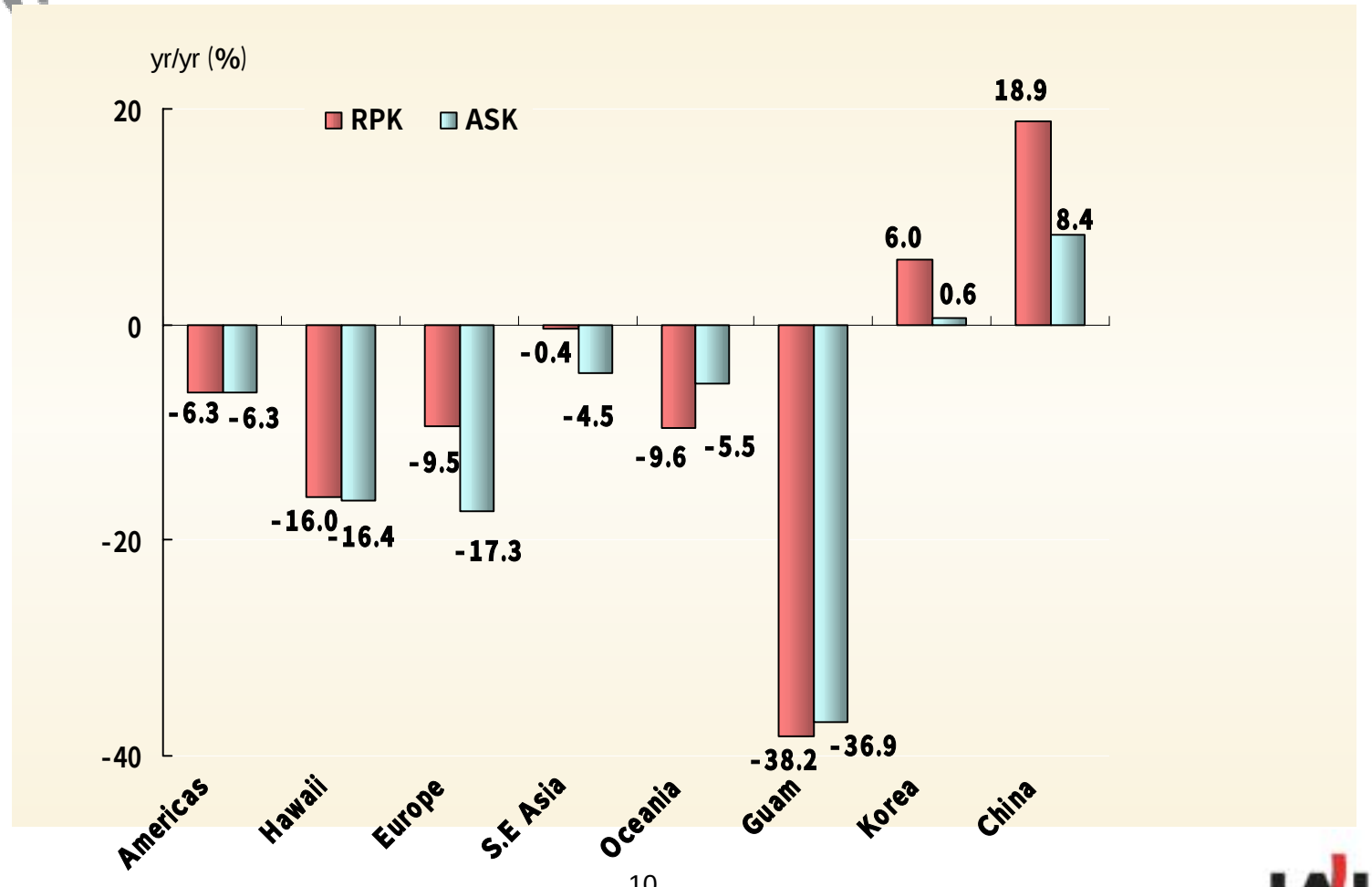
Demand and Supply of International Passenger by Routes



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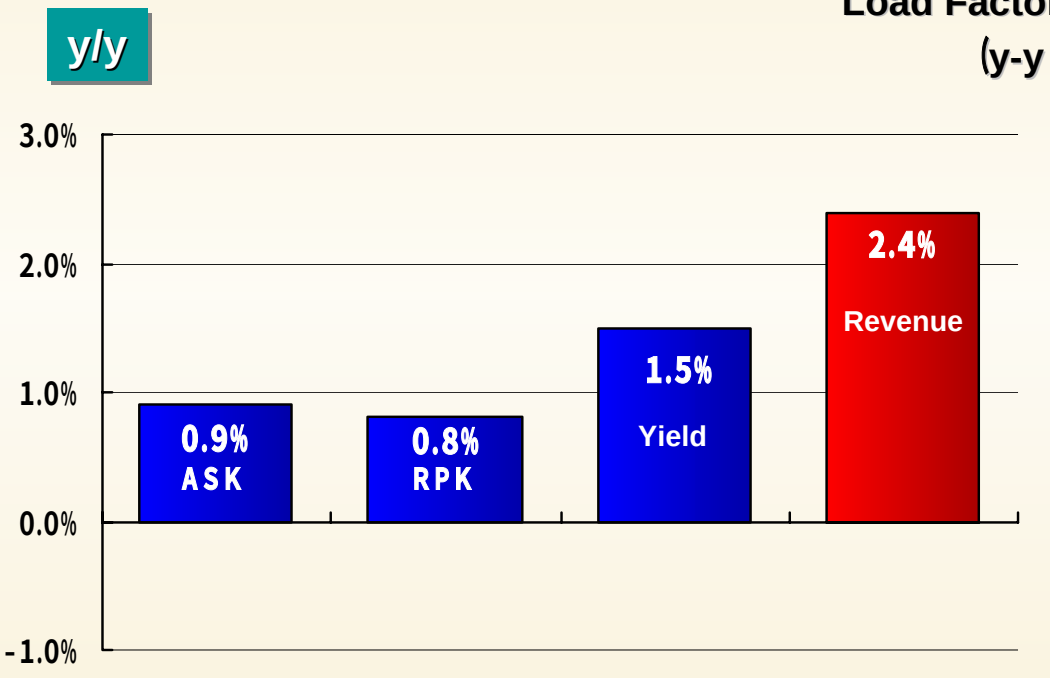
Revenue Analysis - Domestic Passenger

Revenue ¥ 675.6 bln
(y-y +15.6bln)
Load Factor 64.0%
(y-y ±0 pt)



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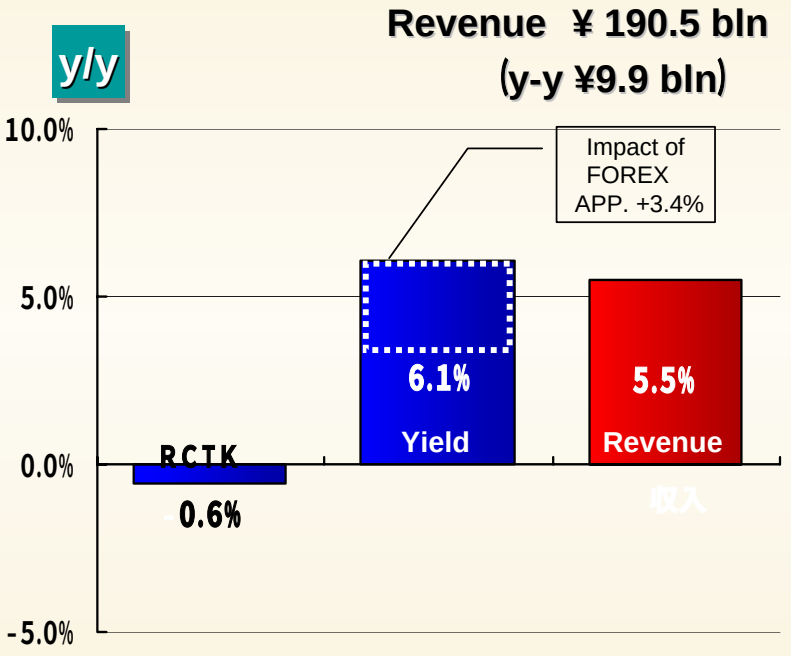
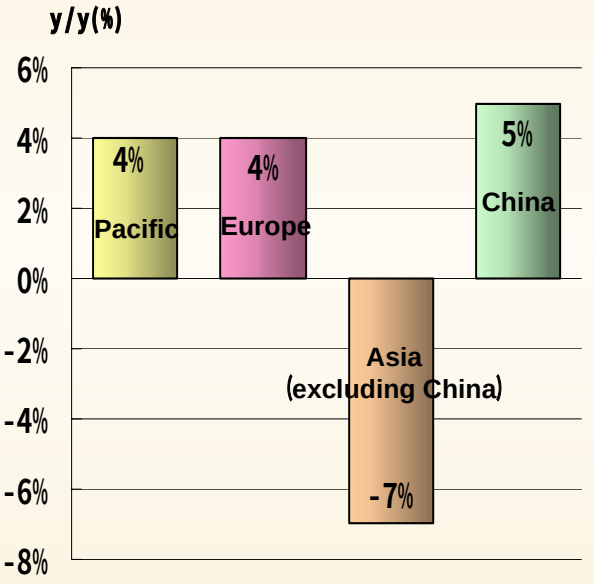
Revenue Analysis - International Cargo

Cargo Demand by Destination





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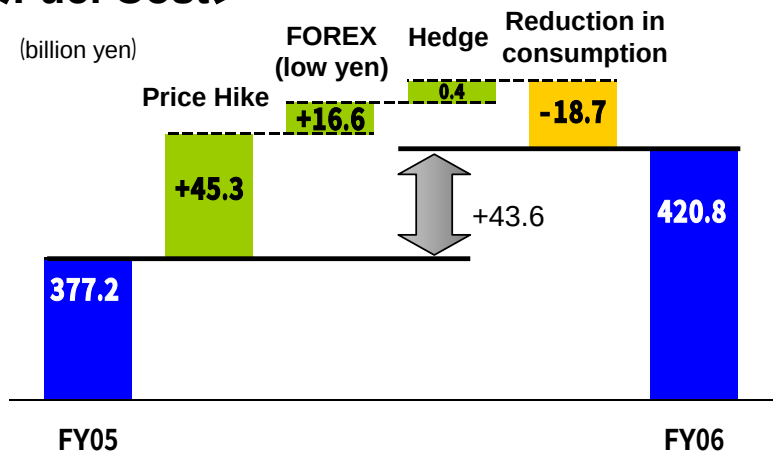
Fuel Cost & FOREX

(Air-transportation Segment)

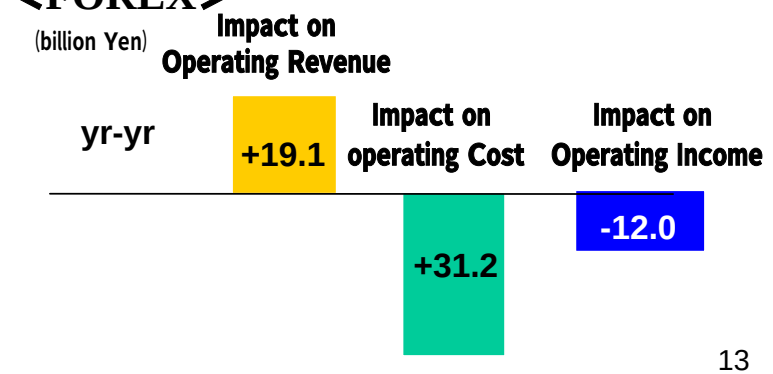
<Fuel Cost>



<Hedging of Fuel>

	FY05	FY06
Hedge ratio	–	89%
Average Market Oil Prices	$72.1	$79.7

<FOREX>



	FY05	FY06	Assumption for FY06
USD*	¥112.1	¥117.2	¥120.0

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1. Outline of Account Settlement for FY2006

2. Business Performance Targets for FY2007

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FY2007-2010 JAL Group Mid-term Revival Plan

Restructure our business foundataion to generate stable profits through implementing the Mid–term Revival Plan

《Main Pillar of the Revival Plan 》

- **Enhance profitability by cost restructuring**
- **Downsize fleet and strengthen competitive edge by fleet renewal**
- **Shift to highly profitable routes and strengthen total product competitiveness**
- **Concentrate resources on air - transportation business**

～ enhance asset efficiency ～

《Strengthening of Progress Management of the Revival Plan》

- Thorough progress management by the Revival Plan Promotion Committee
- Utilization of outside consultant

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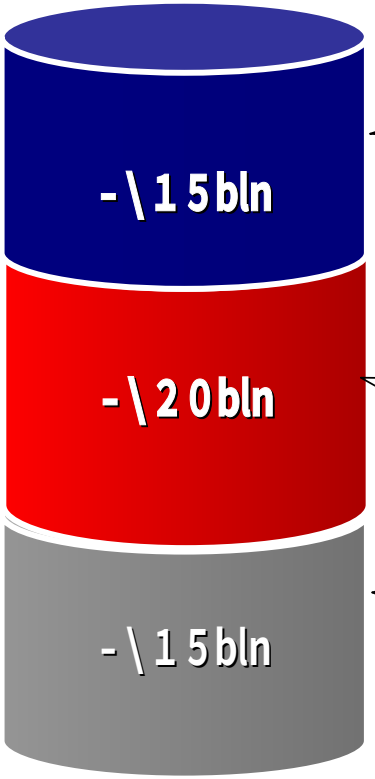
Cost-cutting Measures (Reduction in Wage Cost 1)

FY07 Reduction in consolidated wage cost by ¥50 bln



- Reduction of annual bonuses - ¥15 bln
  (already agreed with the largest labor union)

- Reduction of retirement benefit expenses by revision of pension-related system - ¥20 bln
  (In order to apply as from April 2008、aiming at concluding agreement within FY2007)

- Other measures - ¥15 bln
  - Special early retirement plan
    (Already implemented for division chief level - ¥2 bln)

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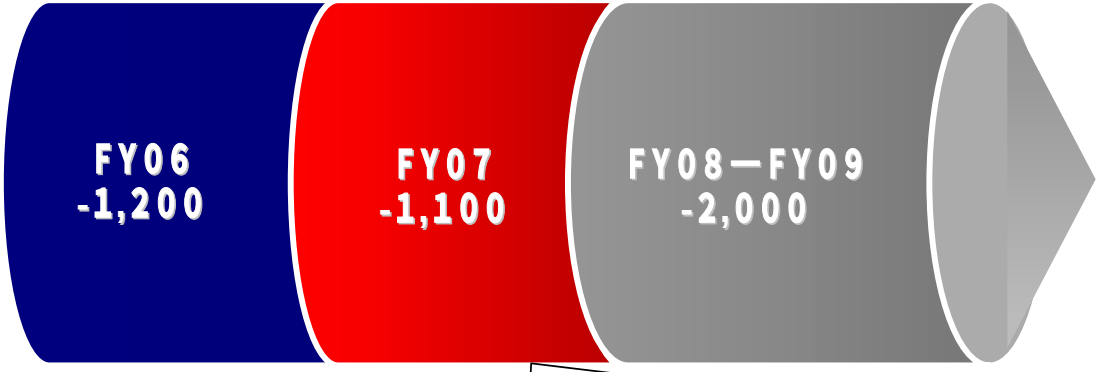
Cost-cutting Measures (Reduction in Wage Cost 2)

FY07-FY10 Revival Plan : Consolidated Headcount Reduction - 4,300



FY06

- Selling non-core businesses such as JALUX to make them out of consolidated account
  【already reduced ahead of schedule】
  -1,200

FY07

- Improvement of Employee Productivity -1,000
  - ① Special early retirement
    (already implemented in April as the first step)
    Division chief level -250
  - ②Natural attrition through not filling up retirees
- Restructuring of affiliated companies -100

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Cost-cutting Measures (Fuel Cost)

Current Market Price
app. $80/bbl
(FY07 budget assumption $75)

FY07
Hedge Ratio 65%

Fuel Cost Sensitivity
- With 65% hedge, around ¥1.6bln/$1
- In case of no-hedge, around ¥4.7bln/$1

FY07 reduction in Fuel Consumption
(vs FY06) 95%

- Routes restructuring, Fleet downsizing
- Shift to fuel-efficient aircraft

Swift reaction to the market rate fluctuation
(Fuel Surcharge)

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Enhancement of Competitive Edge

Measures to improve customer trust and competitiveness

<Countermeasures taken >

- **Sales promotion and marketing**
- **Improve product and service quality**
- **Enhance safety level**
- **Establishment of better company-wide communication**

HALF WAY TO RECOVERY

- **Slow recovery of domestic business passenger**
- **Result of preference survey**

IMPROVED

- **Reduction in incident**
- **Hospitable corporate culture with better communication**
- **Raised employees motivation**
- **Improved flight punctuality**
- **Increase in passenger**
- **Recovery of International business passenger**

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Recovery Trend (International Passenger)

Strong growth of Business Passenger on US and Europe routes

FY05 SH vs FY06 SH

Hike in seat factor *

app.77% ⇒ app.80%

Up 3 points

**Nbr of Passengers/Nbr of seats*

Rise in revenue component of business passenger*

app.57% ⇒ app.62%

Up 5 points

**First//business/normal economy fare passenger*

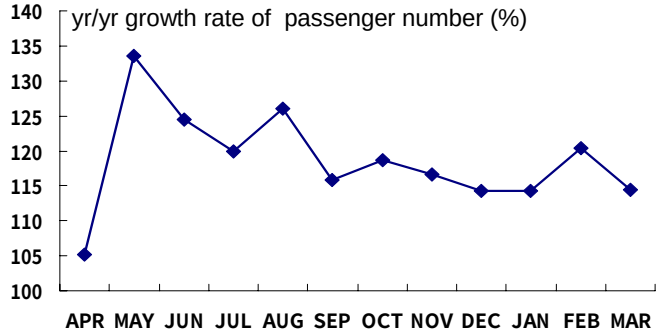
Sharp rise in yield

(excluding fuel surcharge)

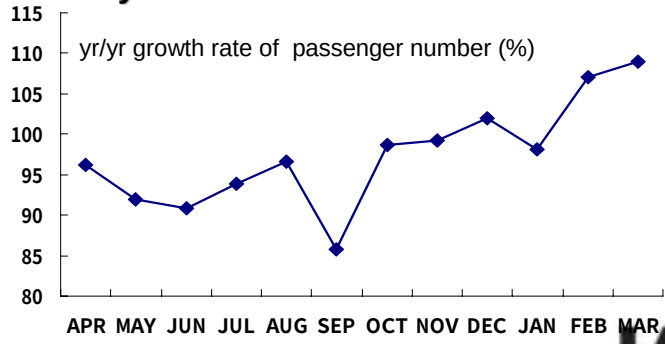
Y/Y 115%

Drastic Recovery on China and Asian Routes

【Continuous rapid growth in Passenger on China routes】



【Strong recovery of S.E.A routes after FY2006 second Half】



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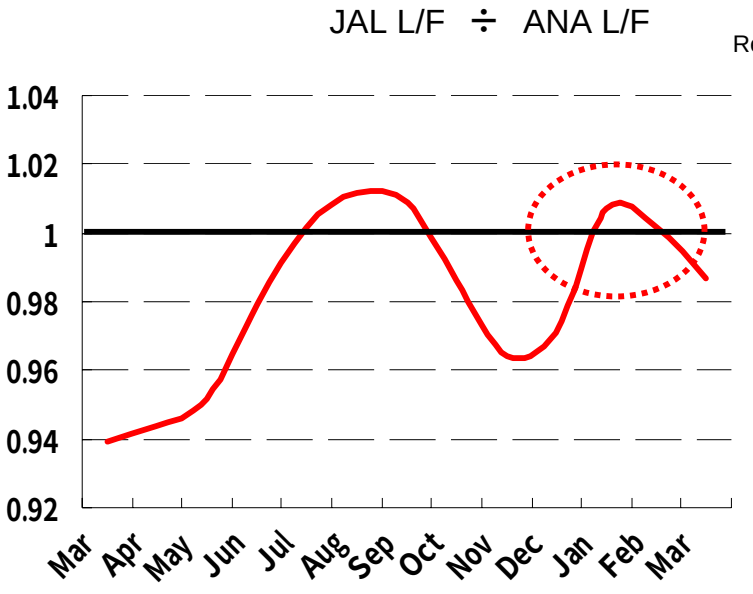
Recovery Trend (Domestic Passenger)

Narrower JAL/ANA gap in load factor and fares



Revenue/Passenger No. (yen)	JAL	ANA	JAL÷ANA
1Q	14,563	15,070	96.6%
2Q	16,483	16,735	98.5%
3Q	14,985	15,272	98.1%
4Q	15,293	15,328	99.8%
FY06	15,361	15,624	98.3%

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Major action plan in FY2007

Improve and strengthen "Premium Strategy" for high yield passenger

April 2007 Establishment of Corporate Sales center
(Enhance sales and support for high yield business paseenger, Focus on Domestic and Int'nal sales to corporate)
April 2007 Opening of high-yield-customer desk at call center
(Domestic and Int'nal Reservation Desk for Diamond and Premium Customer)

【International passenger business】

- Introduction of newest products such as Premium Economy Seat
- Renewal of Narita Airport Terminal Facility
- Maximization of "oneworld" effect

【Domestic passenger business】

- Premium service such as introduction of First Class Seat
- Increase in L/F and Yield by ARO (seat management system) and Airflite (Optimal fleet allocation system)
- Promotion of demand-driving fares (SAKITOKU), Dynamic Package, Sales campaign

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Financial Targets and Assumption for FY2007

Billions of Yen

	FY06	FY07	Difference
Operating Revenue	2,301.9	2,197.0	-104.9
(IP)	724.8	724.0	-0.8
(DP)	675.6	691.0	15.4
(IC)	190.5	192.5	2.0
(Other)	710.8	589.5	-121.3
Operating Income	22.9	35.0	12.1
Ordinary Income	20.5	21.0	0.5
Net Income	-16.2	7.0	23.2

		yr/yr
IP	Supply	95.4%
	Demand	98.7%
	Yield	101.2%
DP	Supply	97.5%
	Demand	98.4%
	Yield	103.9%
IC	Supply	94.3%
	Demand	105.4%
	Yield	95.9%

・Supply＝ASK、ATK

・**Demand＝No. of Passenger、Tonnage**

・Yield＝per Passenger、per weight

Fuel (SIN Kerosene)	: $75/bbl
FOREX (1USD)	: \120

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Financial Targets by Segment

Billions of Yen

	Operating Revenues		Operating Income	
	FY07	yr-yr	FY07	yr-yr
Air Transportation	1,811.0	9.5	23.0	20.4
Airline-related	363.5	-5.2	3.5	-4.9
Travel Service	381.5	1.8	1.0	1.8
Card・Lease	70.0	4.2	3.5	-2.4
Other	99.0	-116.9	3.0	-4.3
Total	2,725.0	-106.6	34.0	10.6
General corporate assets and intercompany eliminations	-528.0	1.8	1.0	1.4
Consolidated	2,197.0	-104.9	35.0	12.1

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Financial Targets of Air-transportation Segment

(Billions of Yen)

	FY06	FY07 Forecast	FY07-FY06
Operating Revenue	**1,801.5**	**1811.0**	**9.5**
International Passenger	724.8	724.0	-0.8
Domestic Passenger	675.6	691.0	15.4
International Cargo	190.5	192.5	2.0
Other	210.4	203.5	-6.9
Operating Cost	**1,798.9**	**1788.0**	**-10.9**
Fuel	420.8	425.0	4.2
Airport Facilities	131.3	129.0	-2.3
Maintenance	123.3	129.0	5.7
Passenger Services	51.3	53.0	1.7
Commissions	124.6	110.0	-14.6
Aircraft Depreciation	72.7	73.0	0.3
Aircraft Leases	109.3	109.0	-0.3
Personnel	272.0	276.0	4.0
Other	493.1	484.0	-9.1
Operating Income	**2.6**	**23.0**	**20.4**

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1. Outline of Account Settlement for FY2007

2. Business Performance Targets for FY2007

3. Appendix

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Capital Expenditure and Depreciation

(Billions of Yen)

	FY05	FY06	FY07
Investment(Purchase)	146.0	134.1	108.0
(Aircraft)	108.0	70.2	72.0
Others(Ground Asset)	37.8	63.9	36.0
Investment (Finance Lease)	59.7	45.0	-
Depreciation	125.1	117.5	118.0
Principal Repayment of Finance Lease	55.4	56.6	51.0

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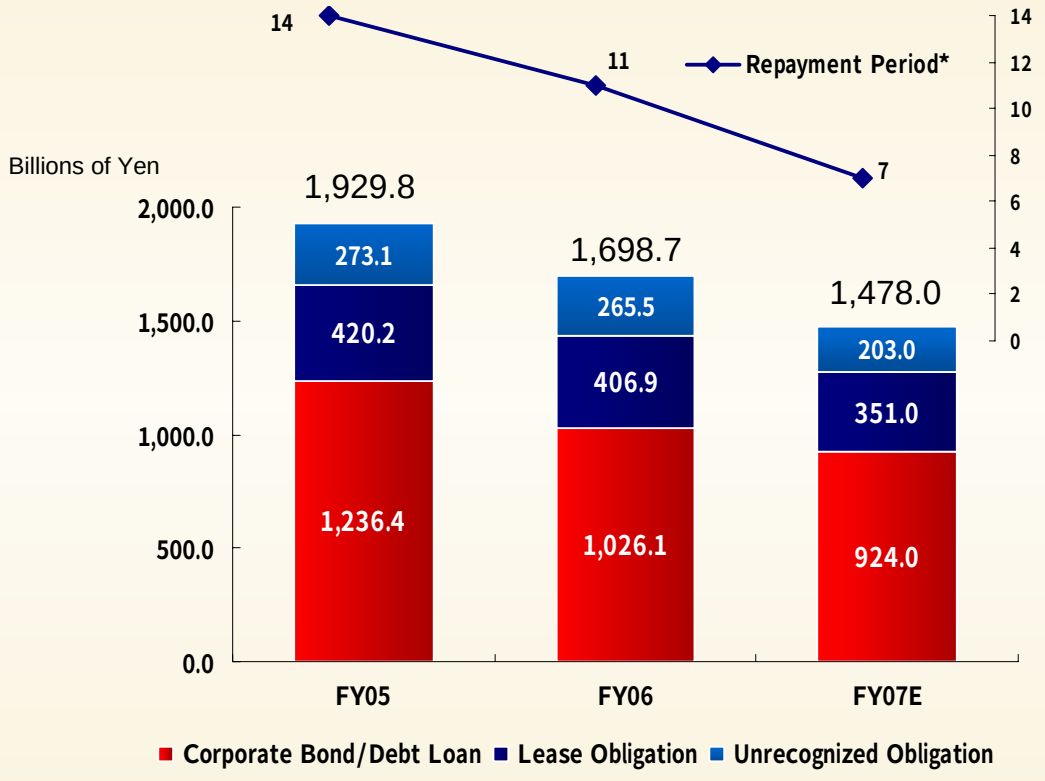
Interest-bearing Debt



* *Repayment Period=Interest-bearing debt/(Operating Income + Net Interest Expense-(Tax+Dividend)Repayment Lease Principle+Depreciation.etc.)*

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