



JAL Group First Half Account Settlement For FY2007

Nov 7th 2007

Japan Airlines



Disclaimer

Unless specifically dealing with matters of historical fact, the plans, forecasts and strategies described in this document represent estimates of future results based on the information available at the time of writing, but are inherently subject to risks and uncertainties. These risks and uncertainties may result in divergence between actual results and the forecasts and estimates contained herein. Risks and uncertainties include but are not limited to market risks, rising fuel costs, changes in the exchange rate between the Japanese yen and the US dollar and other currencies, acts of terrorism and war, contagion, and other risks inherent in the airline business.

Information contained herein regarding companies etc. other than JAL and members of the JAL group is quoted from public sources etc., but we have not verified and do not guarantee the accuracy or appropriateness of this information.

All copyrights and other rights with respect to this document belong to Japan Airlines Corp.



Table of Contents

Outline of FH Account Settlement for FY2007

Outline of Consolidated Financial Results	<i>P5</i>	Progress in Wage Cost Cut	<i>P18</i>
Operating Revenue and Income by Segment	<i>P6</i>	Dealing with Improvement in Personnel Productivity	<i>P19</i>
Operating Income of Air Transport Segment	<i>P7</i>	Fleet Renewal and Focus on More Profitable Routes	<i>P20</i>
Revenue Analysis - International Passenger	<i>P8</i>	Progress in Premium Strategy	<i>P21</i>
Demand and Capacity of International Passenger by Routes	<i>P9</i>	Improvement in Service Quality from the Customers' Standpoint	<i>P22</i>
International Passenger - Steady Progress in Mid-term Revival Plan	<i>P10</i>	Revision of Forecast for FY2007	<i>P23</i>
Revenue Analysis - Domestic Passenger	<i>P11</i>	Revision of Forecast by Segment	<i>P24</i>
Domestic Passenger - Competition with Rival Carrier	<i>P12</i>	Revision of Forecast of Air Transportation Operation Income and Assumption for Forecast	<i>P25</i>
Revenue Analysis - International Cargo	<i>P13</i>		
Fuel Cost & FOREX (Air Transportation Segment)	<i>P14</i>		
		Appendix	
		Cash Flow Statement	<i>P27</i>
		Capital Expenditure and Depreciation	<i>P28</i>
Progress in "FY2007-2010 Mid-term Revival Plan" and Forecast for FY2007		Interest-bearing Debt	<i>P29</i>
Improved Safety Quality	<i>P16</i>	Results of Main Subsidiaries	<i>P30</i>
Enhanced Basic Quality	<i>P17</i>		



Outline of First Half Account Settlement for FY2007

Progress in “ FY2007-2010 Mid-term Revival Plan” and Forecast for FY2007

APPENDIX



Outline of Consolidated Financial Results

Drastic Improvement in Profitability

Billions of Yen

	FY06 FH	FY07 FH	yr-yr	yr/yr
Operating Revenues	1,150.0	1,142.9	-7.0	99.4%
(Operating Expenses)	1,141.8	1,086.2	-55.5	95.1%
Operating Income	8.1	56.6	48.4	+694.3%
Ordinary Income	5.3	58.7	53.3	+1100.7%
Net Income	1.5	7.3	5.7	+483.9%



Operating Revenue and Income by Segment

Drastic improvement in profitability in Air Transportation Segment

Billions of Yen

	Operating Revenues			Operating Income	
	FY07 FH	yr-yr	yr/yr	FY07 FH	yr-yr
Air Transportation	931.6	20.6	102.3%	49.7	53.2
Airline-related	181.3	1.9	101.1%	2.4	-2.4
Travel Service	199.7	5.0	102.6%	1.0	0.2
Card·Lease	32.5	0.8	102.8%	2.1	-0.9
Other	49.9	-52.9	48.5%	1.0	-1.8
Total	1,395.2	-24.3	98.3%	56.4	48.2
General corporate assets and intercompany eliminations	-252.3	17.2	-	-0.1	-0.2
Consolidated	1,142.9	-7.0	99.4%	56.6	48.4



Operating Income of Air Transportation Segment



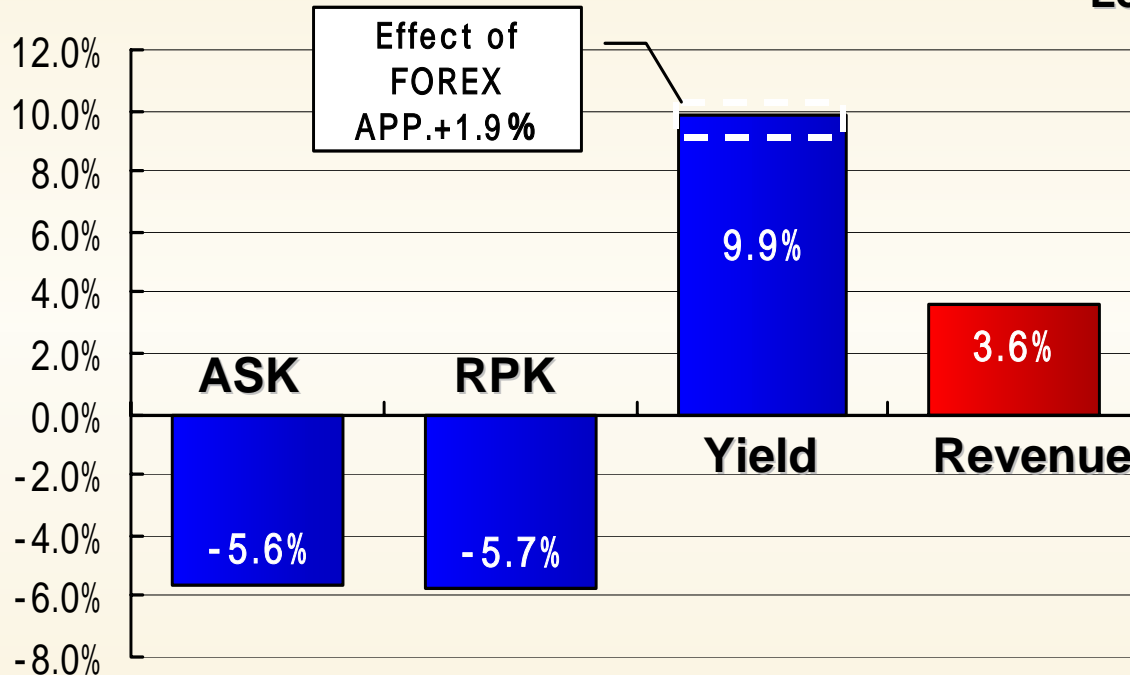
Progress in Revenue Increase and Reduction in Cost

	F Y06 FH	F Y07 FH	yr-yr	yr/yr
Billions of Yen				
Operating Revenue	910.9	931.6	20.6	102%
International Passenger	370.7	384.1	13.4	104%
Domestic Passenger	345.8	352.7	6.9	102%
International Cargo	92.4	91.4	-0.9	99%
Domestic Cargo	14.2	13.9	-0.3	97%
Other	40.4	42.4	2.0	105%
Incidental Business	47.2	46.8	-0.3	99%
Operating Cost	914.4	881.8	-32.5	96%
Fuel	209.2	206.0	-3.1	99%
Airport facilities	66.2	65.5	-0.6	99%
Maintenance	64.6	58.6	-6.0	91%
Passenger services	25.6	25.5	0.0	100%
Commissions	63.0	57.9	-5.1	92%
Aircraft Depreciation	36.7	36.2	-0.4	99%
Aircraft leases	53.7	54.2	0.5	101%
Personnel	153.0	145.8	-7.1	95%
Other	242.0	231.7	-10.3	96%
Operating Income	-3.4	49.7	53.2	-



Revenue Analysis - International Passenger

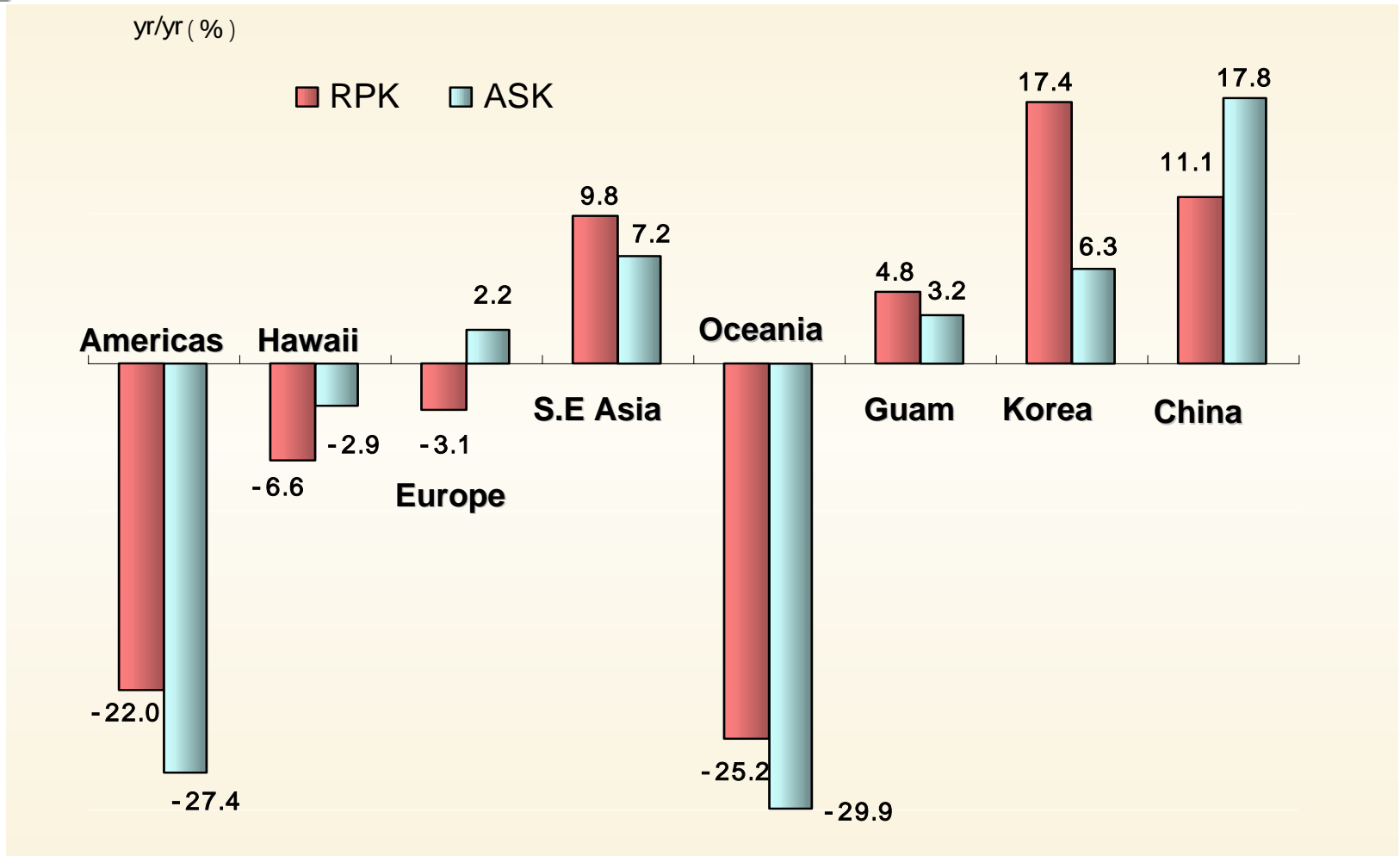
y/y



- Revenue ¥384.1 bln
(y-y + ¥13.4bln)
- Load Factor 71.4%
(y-y +0.0pt)



Demand and Capacity of International Passenger by Routes





International Passenger - Steady Progress in Mid-term Revival Plan

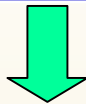


Continuation of Robust Business Passenger Demand and Steady Tourist Demand

Route Restructuring
Fleet Renewal
Downsizing
 ASK - 5.6%

+

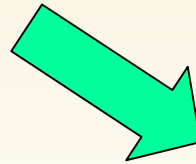
Japanese outbound travelers
 -1.5%(y/y)*



Rise in unit price

Rise in Yield
+9.9% (y/y)
 Shift to highly-profitable routes

Increase in F/C-class ratio
 Weak Yen
 Additional fuel surcharge



Steady JAL passenger demand in spite of decrease in capacity & total demand

Increase in Business Class Passengers
109% (y/y)

Steady Tourist Demand
Economy Class 98%

S.E Asia 108%
 China 110%
 Korea 113%
 Guam 103% (y/y)

The effect of increase in high-demand business routes

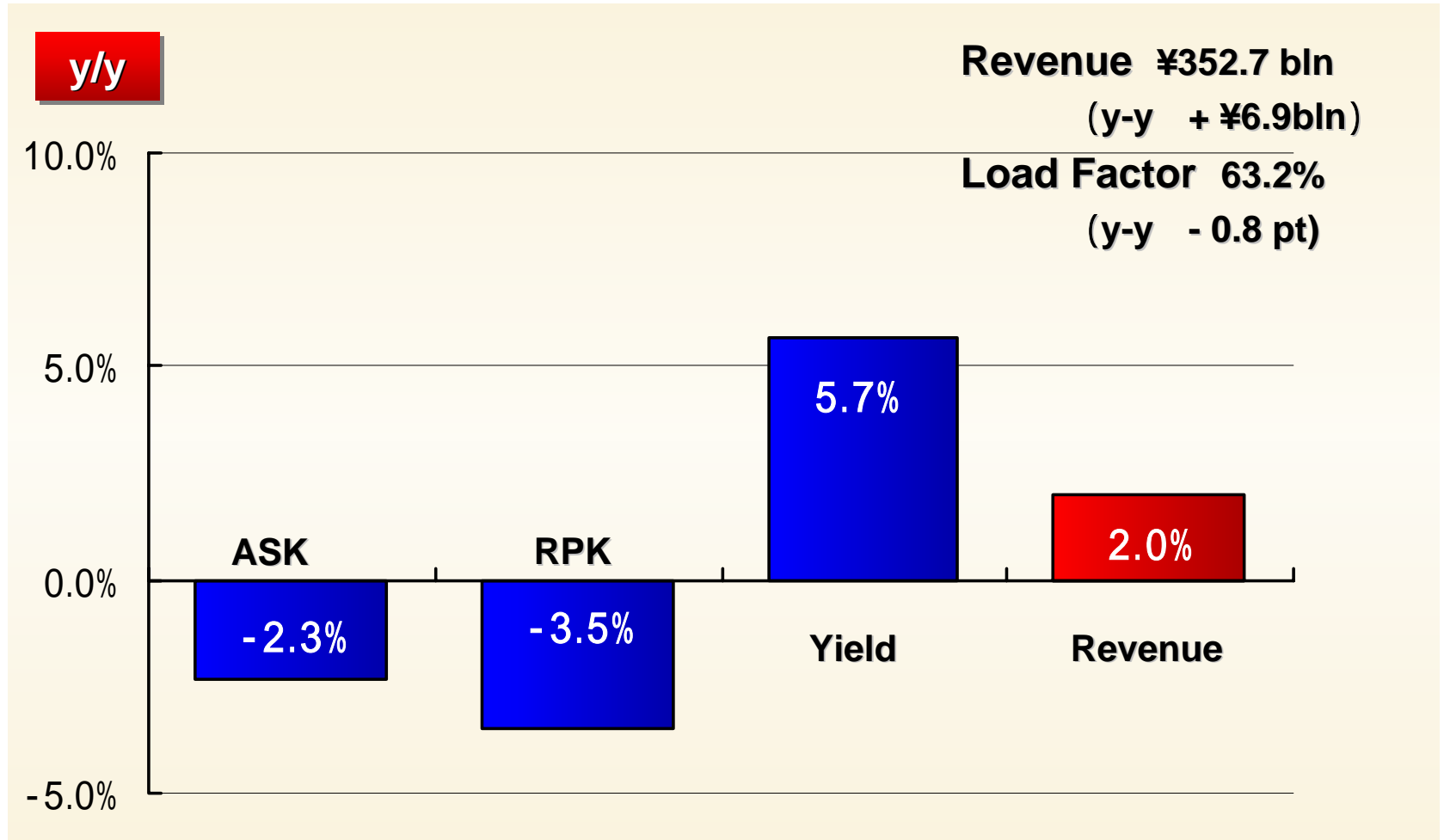
- Tokyo = New York 10 13flights/week
 Available seats +45%, Passenger +40%
- Japan=Vietnam
 Available seats +10%, Passenger +19%
- Tokyo=New Delhi 3 4flights/week
 Available seats +51%, Passenger +43%

*Calculation based on JNTO material between Apr and Sep 07





Revenue Analysis - Domestic Passenger

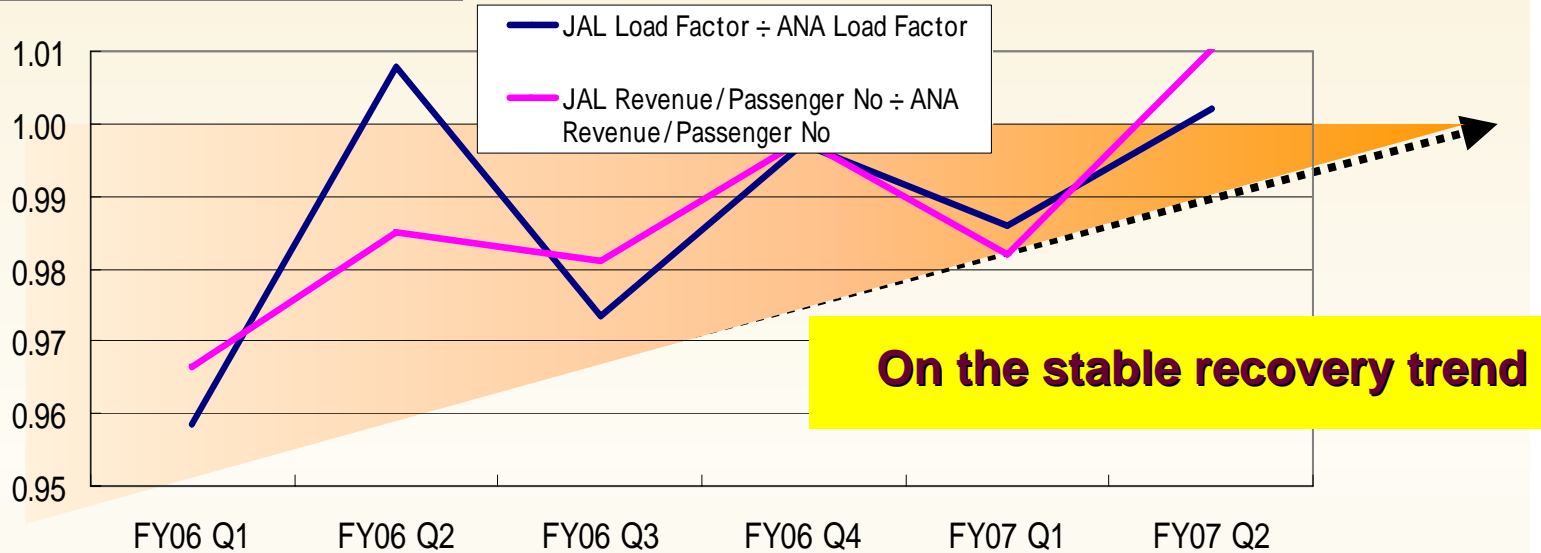




Domestic Passenger - Competition with Rival Carrier



Comparison Since FY2006



On the stable recovery trend

		FY06 Q1	FY06 Q2	FY06 Q3	FY06 Q4	FY07 Q1	FY07 Q2
Load factor (%)	JAL	60.4%	67.5%	64.9%	62.9%	59.2%	67.1%
	ANA	63.1%	67.0%	66.7%	63.1%	60.1%	67.0%
Unit Prices (yen)	JAL	¥14,563	¥16,483	¥14,985	¥15,293	¥15,497	¥17,400
	ANA	¥15,070	¥16,735	¥15,272	¥15,328	¥15,782	¥17,223

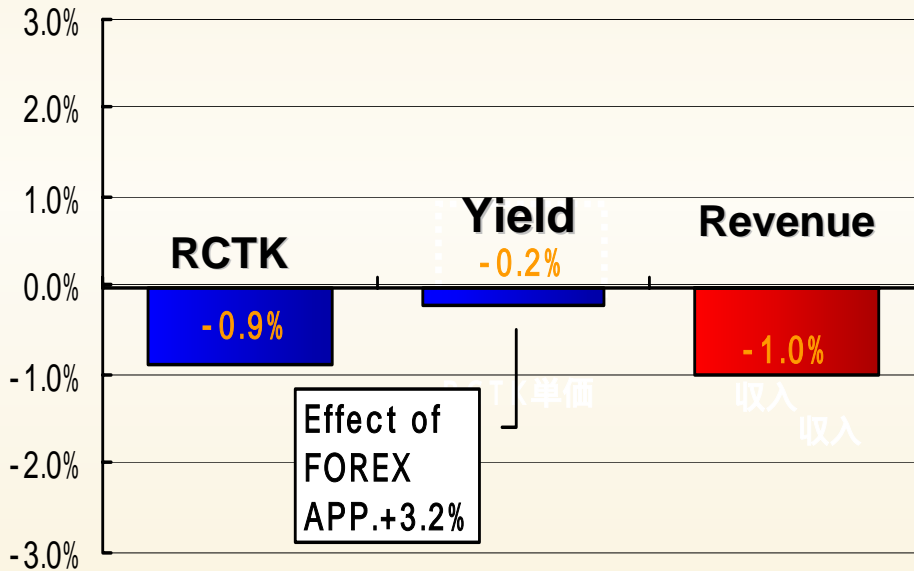


Revenue Analysis - International Cargo



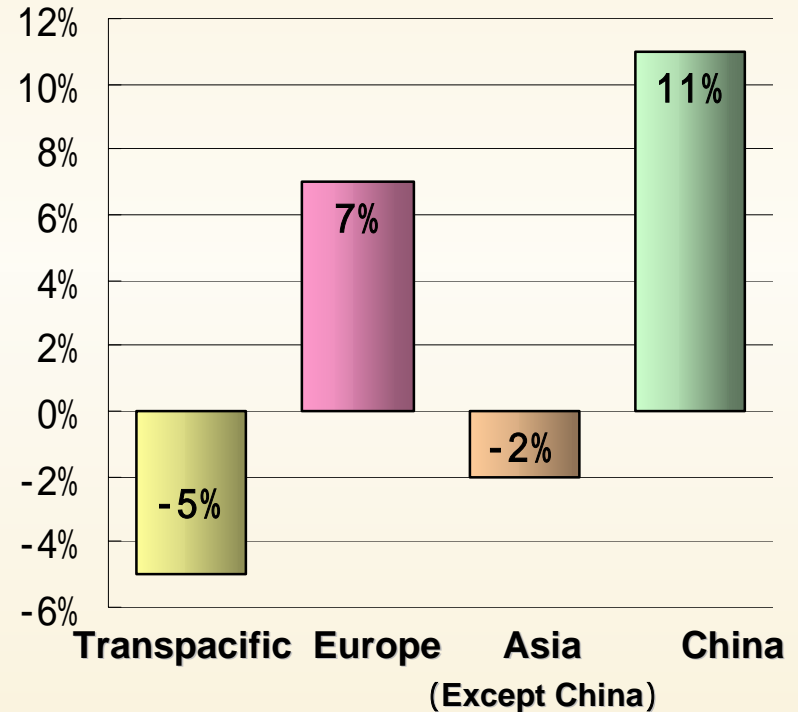
y/y

Revenue ¥91.4 bln
(y-y - ¥0.9 bln)



Cargo Demand by Destination

y-y(%)





Fuel Cost & FOREX (Air Transportation Segment)

Fuel Cost

< Average Market Fuel Price >

	FY06 Q1	FY07 Q1
USD*	\$84.9	\$82.2

*SIN Kerosene average \$/bbl

< FY07 Hedging of Fuel >

	Q1	Q2	LH	FY07
Hedging of Fuel	94%	98%	73%	85%

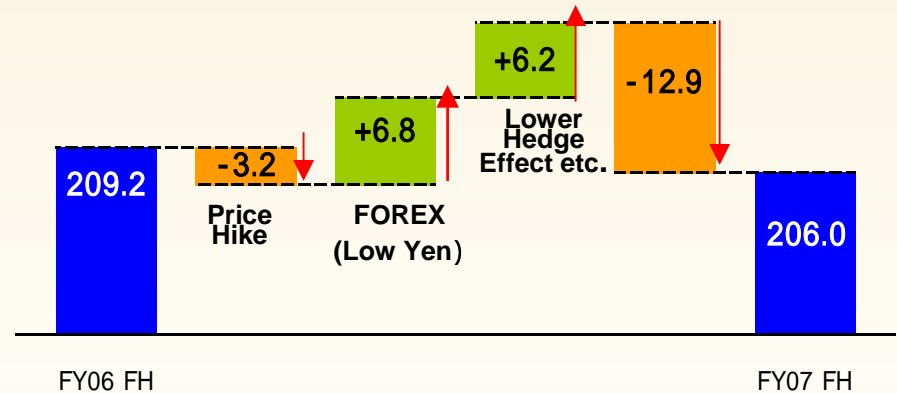
FOREX

< Average Market Rate >

	FY06 FH	FY07 FH
USD*	¥115.5	¥119.7

*Based on the average company internal settlement rate for Apr.2007-Sep.2007

< Analysis of Fuel Cost (y/y) >



< Impact >

	Billions of Yen
Operating Revenue	+9.9
Operating Expenses	+13.7
Operating Income	-3.7



Outline of First Half Account Settlement for FY2007

Progress in “ FY2007-2010 Mid-term Revival Plan” and Forecast for FY2007

APPENDIX



Improved Safety Quality

Decline in the Number of Serious Incidents and Irregular Operations

➤ Number of safety problems () incidence rate/1,000 flights

Types of Accidents	FY2004		FY2005		FY2006		1st half of 2007	
Accident	2	(0.005)	0	(0)	1	(0.002)	0	0
Serious Incident	1	(0.002)	5	(0.012)	0	(0)	0	(0)
Irregular Operation	13	(0.267)	131	(0.313)	99	(0.235)	47	(0.222)
Total Flight Operation	422955		417,453		421,833		211,760	

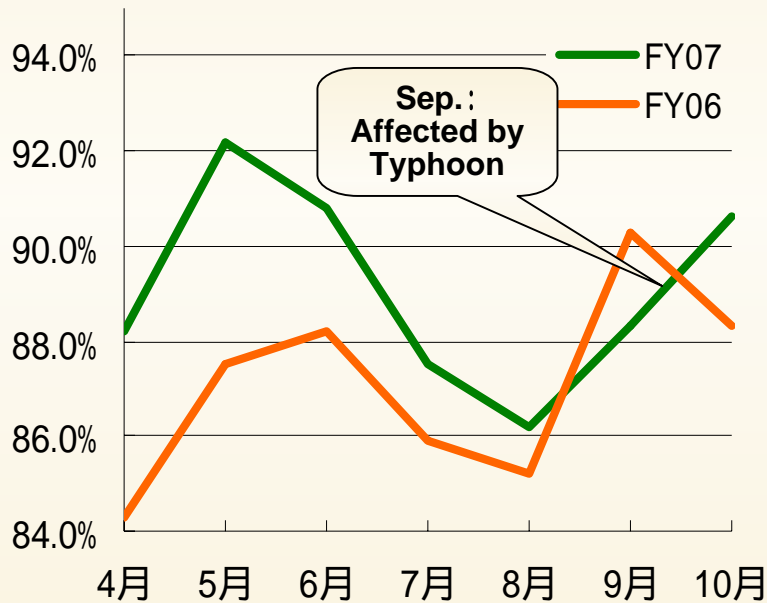


Enhanced Basic Quality

Improved Punctuality as part of Enhancing Product Competitive Edge

【International passenger】

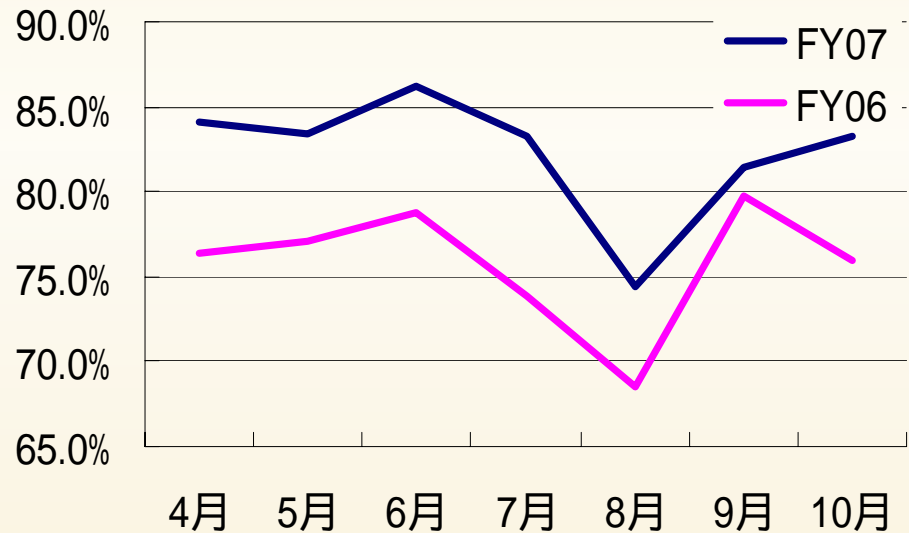
Departure ratio within 15 minutes delay
(Target : Scheduled flights of JAL/JAZ/JAA)



Oct 07 preliminary figures included for Int'l & Domestic flights

【Domestic passenger*】

Departure ratio within 5 minutes delay
(Target : Scheduled flights of JAL/JEX)



* This ratio is used by JAL for internal evaluation



Progress in Wage Cost Cut

FY07 Reduction in Consolidated Wage Cost by ¥50 bln



➤ **Reduction of annual bonuses**
: cost reduction ¥15 bln

(Summer bonuses paid at planned level having agreed bonus reduction for whole year with largest union.)

➤ **Reduction of retirement benefit expenses through revision of pension-related system** ¥20 bln

(In mid-October, already proposed to each union the revised retirement benefit plan.)

➤ **Other measures : cost reduction ¥15 bln**

- Rise in personnel productivity by 10%
: cost reduction ¥11 bln

- Special early retirement plan* etc.

Completed early retirement plan in June for 250 division chiefs : cost reduction ¥2 bln

630 middle managers retirement to be carried out in Nov : cost reduction ¥2 bln

*Cabin Crew : Notified of retirement plan Oct. Planned implementation date in March



Dealing with Improvement in Personnel Productivity



In 2007 July, moved to practical phase aiming at improving personnel productivity by 10%



The plan of headcount reduction is making smooth progress



Achieve improvement in productivity by 10% while maintaining high safety level and service standard
(Also expecting reduction of 4300 employees one year ahead of schedule)

Toyota Production System(TPS) "KAIZEN" to become a permanent element of corporate culture



Fleet Renewal and Focus on More Profitable Routes



Drastic improvement of L/F due to route restructuring (y/y)

Additional change in route plan for FY2007 (Passenger flight)

U.S West Coast: Decreased 48% available no. of seats Load factor 80% 90%
 (Suspended Tokyo = Las Vegas , Osaka = Los Angeles from FY06)
Oceania: Decreased 28% available no. of seats Load factor 67% 72%
Hong Kong: Decreased 17% available no. of seats Load factor 77% 82%

	[Route]		[Change]	[Date]
Frequency Increase	Tokyo = New York	10 flights per week	13 flights per week	October 28, 2007
	Tokyo = New Delhi	5 flights per week	7 flights per week	October 28, 2007
	Tokyo = Guangzhou	13 flights per week	14 flights per week	October 28, 2007
Frequency Decrease	Tokyo - Hong Kong	17 flights per week	14 flights per week	October 27, 2007
	Tokyo = Los Angeles	8 flights per week	7 flights per week	October 27, 2007
	Tokyo = Paris	10 flights per week	7 flights per week	November 2, 2007
Inauguration	Tokyo(Haneda) = Shanghai(Hongqiao)	2 flights per day	(including core-sharing flights)	September 29, 2007

Main fleet change for FY2007

Forecast number of fleet at the end of FY2007
272 (down 2 y/y)

	[Fleet Type]	[Change]	[Number of Fleet at the end of FY07]
Intoroduction	Boeing777	+2	40
	Boeing767	+3	43
	Boeing767F	+3	3
	Boeing737 - 800	+8	10
Retire	Boeing747LR	- 5	9
	Boeing747F	- 6	3
	MD87	- 8	0

1 freighter aircraft will be retired ahead of schedule.
 Transpacific cargo routes will be streamlined to 4 routes, 19 flights per week from 8 routes, 21 flights per week with the aim of more profitable and efficient operations



Progress in Premium Strategy

Outline of Measures Introduced to Meet Business Passenger Needs

International Passenger

◆ Revamped JAL VIP Lounges at Narita International Airport-Terminal2

- ✓ Unveiled Japan's largest 4,000m² lounge (Jul.2007 ~)
Numbers of lounge users significantly increased to **3140** (Sep.) from 2620 (Jun.) per month

◆ New service Between Haneda = Shanghai (Hongqiao) from Sep. 29 with First Class Cabin

- ✓ The first time ever first class introduced on an international route using Haneda Airport (Oct.28 ~)
- ✓ Day trips now possible between the two cities if combined with Narita flights serving Shanghai (Pudong)

◆ Introduction of a Premium Economy Service

- ✓ To be introduced on Tokyo=London routes (Dec.2007 ~) and in 2008 on US and other Europe routes
- ✓ Innovative, state-of-the-art seats with 20% more leg room than economy class

◆ Planning to Introduce New Seats in First and Executive Class in FY2008

Domestic Passenger

◆ Introduction of a First Class Service

- ✓ Highest Class in Domestic flights (Dec.2007 ~)
- ✓ FY07: Haneda=Itami, FY08: Planned expansion to Haneda-Fukuoka/Haneda-Sapporo routes

Corporate Sales Center



◆ Targeting corporate customers:

“JAL Corporate Flight Merit”

Number of participating companies:

FY2007 App.1000 companies

FY2006 App. 600 companies



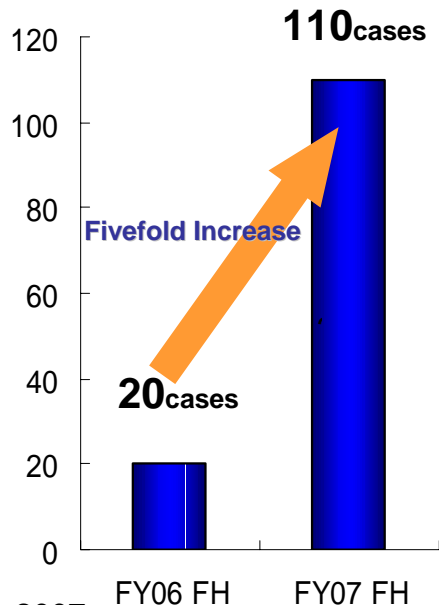
Improvement in Service Quality from the Customers' Standpoint



Products & Services Created to Meet Customer Need & Wants

Enhancing products & services from the customers' standpoint

- ◆ Significant increases in the number of product and service improvements made in response to customer suggestions



Creating a corporate culture which placing the utmost importance on customers' the point of view

- ◆ Implementation of "Heartful JAL"

- ✓ Improvement in human service to customers who need special assistance

App. 350 qualified service staff members allocated in 42 domestic airports



- ◆ Universal Design applied to products & services

- ✓ User-friendly signage reflecting customers and staff suggestion installed





Revision of Forecast for FY2007

	Initial Forecast	Revised Forecast	Billions of Yen Difference
Operating Revenues	2,197.0	2,238.0	+41.0
(Operating Expenses)	2,162.0	2,190.0	+28.0
Operating Income	35.0	48.0	+13.0
Ordinary Income	21.0	44.0	+23.0
Net Income	7.0	7.0	0.0

•Compared with the forecast announced on 10 MAY,
Operating Revenues +¥41.0bln
Operating Expenses +¥28.0bln
Operating Income +¥13.0bln
Ordinary Income +¥23.0bln

•No-change of ¥7bln in net income due to increase of extraordinary expenses

The main items for extraordinary expenses are
Special retirement benefits
Impairment of aircrafts
Reserve for anti-competitive practices litigation



Revision of Forecast by Segment

Billions of Yen

	Operating Revenues			Operating Income		
	FY07	Revised Forecast	Difference	FY07	Revised Forecast	Difference
Air Transportation	1,811.0	1,828.0	17	23.0	39.0	16.0
Airline-related	363.5	355.0	-8.5	3.5	4.0	0.5
Travel Service	381.5	382.0	0.5	1.0	0.0	-1.0
Card·Lease	70.0	63.5	-6.5	3.5	3.5	0.0
Other	99.0	99.5	0.5	3.0	2.0	-1.0
Total	2,725.0	2,728.0	3.0	34.0	48.5	14.5
General corporate assets and intercompany eliminations	-528.0	-490.0	38	1.0	-0.5	-1.5
Consolidated	2,197.0	2,238.0	41	35.0	48.0	13.0



Revision of Forecast of Air Transportation Operating Income and Assumption for Forecast



Forecast of operating income of Air Transportation Segment

	Initial forecast	Revised forecast	(Billions of Yen) Difference
Operating Revenue	1,811.0	1828.0	17.0
International Passenger	724.0	744.5	20.5
Domestic Passenger	691.0	689.0	-2.0
International Cargo	192.5	188.5	-4.0
Other	203.5	206.0	2.5
Operating Cost	1,788.0	1789.0	1.0
Fuel	425.0	430.0	5.0
Airport Facilities	129.0	129.0	0.0
Maintenance	129.0	128.0	-1.0
Passenger Services	53.0	52.0	-1.0
Commissions	110.0	113.0	3.0
Aircraft Depreciation	73.0	73.5	0.5
Aircraft Leases	109.0	109.5	0.5
Personnel	276.0	270.0	-6.0
Other	484.0	484.0	0.0
Operating Income	23.0	39.0	16.0

Assumption for revenue forecast

	Initial forecast	Revised forecast
Int'l Passenger		
Supply(ASK)	95.4%	96.0%
Demand(No.)	98.7%	99.9%
Yield per Head	101.2%	102.8%
Dom Passenger		
Supply(ASK)	97.5%	96.8%
Demand(No.)	98.4%	96.5%
Yield per Head	103.9%	105.7%
Int'l Cargo		
Supply(ASK)	94.3%	94.3%
Demand(No.)	105.4%	103.6%
Yield per Weight	95.9%	95.6%
Forex¥/US\$	¥120.0	¥117.0
Fuel(SIN-K)	\$75	\$91



Outline of First Half Account Settlement for FY2007

Progress in “ FY2007-2010 Mid-term Revival Plan” and Forecast for FY2007

APPENDIX



Cash Flow Statement

Billions of Yen

	FY06 FH	FY07 FH
Net cash provided by operating activities	72.5	109.1
Net cash used in investing activities	-42.0	-27.3
Net cash used in financing activities	87.3	-49.2
Increase & decrease in cash and cash equivalents	118.0	33.7
Cash and cash equivalents at end of period	290.4	225.1

[Net cash provided by operating activities]

- Income before income taxes and others
¥26.3 bln
- Depreciation expenses ¥58.1bln
- Decrease of acceptance receivable ·
other accounts receivable -¥19.9 bln

[Net cash used in investing activities]

- Acquisition of noncurrent assets
-¥86.1 bln
- Sale of noncurrent assets ¥39.3 bln
- Sale of investment in securities ¥13.1bln

[Net cash used in financing activities]

- Long term debt ¥61.0 bln
- Repayment of long term debt -¥56.8bln
- Redemption of straight corporate bonds
-¥50.0bln



Capital Expenditure and Depreciation

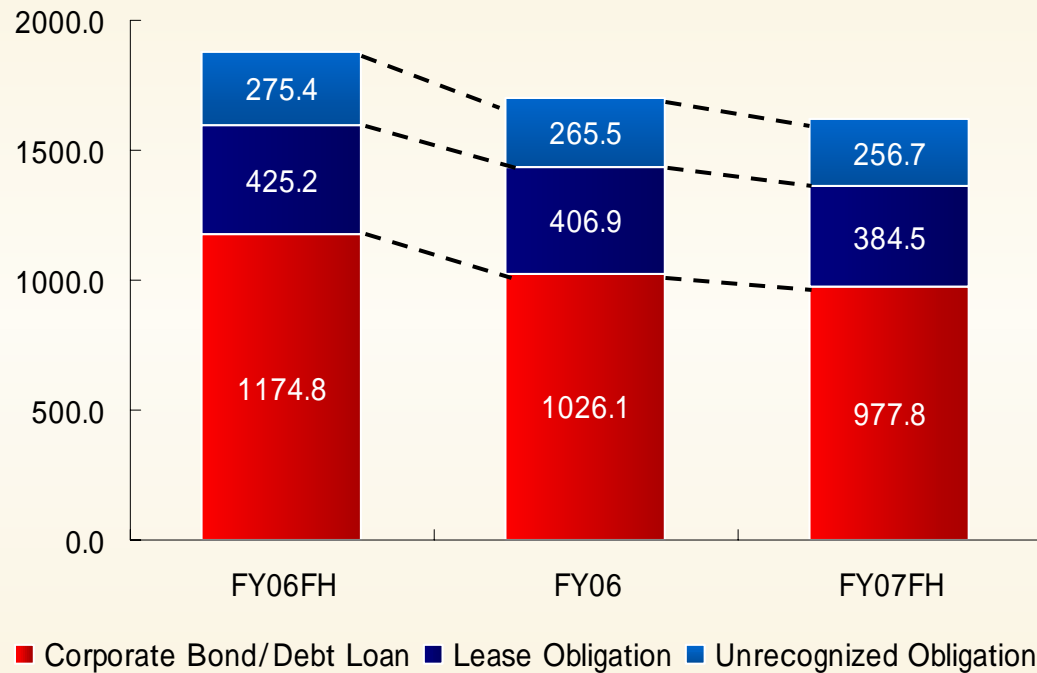
Result & Forecast

	06FH	07FH	FY07Forecast	
			Initial forecast	Revised Forecast
Invesment (Purchase) (A)	66.0	52.0	108.0	108.0
(Aircraft)	46.3	36.0	72.0	72.0
Others (Ground Assets etc.)	19.5	16.0	36.0	36.0
Capital Investment (Finance Lease) (B)	27.2	-	-	-
(A)+(B)	93.2	52.0	108.0	108.0
Depreciation (C)	58.9	58.1	118.0	118.0
Pricipal Payment of Finance Lease (D)	27.6	29.4	51.0	51.0



Interest-bearing Debt

Interest-bearing debt is steadily decreasing





Results of Main Subsidiaries

(Billions of Yen)

		Operating revenue		Operating Income		Net Income	
		07FH	yr/yr Difference	07FH	yr/yr Difference	07FH	yr/yr Difference
Airline-related	AGP	5.3	+0.4	0.3	+0.0	0.1	+0.0
	TFK	13.5	+0.4	0.6	-0.1	0.4	-0.1
Travel Service	JALT	65.3	+0.5	-0.0	-0.5	-0.0	-0.2
	JLPK	94.5	+2.8	0.6	+0.6	0.5	-0.2
Other	JCI	10.7	-0.2	1.3	-0.8	1.3	+0.0
	JAL Hotels	9.1	-0.1	0.3	+0.0	+0.0	-1.0



Japan Airlines Corporation