Q3 Account Settlement

Feb 8th, 2008

Japan Airlines Corporation
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JAL Group Q3 Account Settlement For FY2007

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### Outline of the Consolidated Financial Statements

#### <Big Increase in Operating/Ordinary/Net Income>

<table>
<thead>
<tr>
<th>Units: ¥ Billion</th>
<th>FY06 Apr-Dec</th>
<th>FY07 Apr-Dec</th>
<th>yr-yr</th>
<th>yr/yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>1,734.1</td>
<td>1,701.1</td>
<td>-32.9</td>
<td>98.1%</td>
</tr>
<tr>
<td>Operating Cost</td>
<td>1,740.0</td>
<td>1,618.6</td>
<td>-121.3</td>
<td>93.0%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>-5.8</td>
<td>82.5</td>
<td>88.4</td>
<td>-</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>-7.7</td>
<td>79.2</td>
<td>86.9</td>
<td>-</td>
</tr>
<tr>
<td>Net Income</td>
<td>-9.3</td>
<td>20.4</td>
<td>29.8</td>
<td>-</td>
</tr>
</tbody>
</table>
Operating Revenue and Income by segment

<table>
<thead>
<tr>
<th>Units</th>
<th>Apr-Dec FY06</th>
<th>Apr-Dec FY07</th>
<th>Oct-Dec FY07</th>
<th>Oct-Dec FY08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>1,701.1</td>
<td>558.2</td>
<td>1,392.5</td>
<td>494.4</td>
</tr>
<tr>
<td>General corporate assets and intercompany eliminations</td>
<td>-371.4</td>
<td>-51.4</td>
<td>-277.0</td>
<td>-263.7</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>2,072.6</td>
<td>506.8</td>
<td>1,115.5</td>
<td>467.7</td>
</tr>
</tbody>
</table>

**< Major Improvement in Operating Revenue and Operating Income in Air Transportation>**

- **Operating Income**
  - Apr-Dec FY06: 8.3
  - Oct-Dec FY06: 2.4
  - Apr-Dec FY07: 4.7
  - Oct-Dec FY07: 2.3
  - Apr-Dec FY08: 3.2
  - Oct-Dec FY08: 1.0

- **Operating Revenues**
  - Apr-Dec FY06: 1,701.1
  - Oct-Dec FY06: 1,363.7
  - Apr-Dec FY07: 558.2
  - Oct-Dec FY07: 277.0
  - Apr-Dec FY08: 460.8
  - Oct-Dec FY08: 158.7

**Notes:**
- Units are in billions of Yen.
- All figures are as of the respective fiscal periods.
## Q3 Account Settlement for FY2007

### Operating Income of Air Transportation segment

#### < Increase in Revenue, Decrease in Cost >

<table>
<thead>
<tr>
<th>Item</th>
<th>FY06 Apr-Dec</th>
<th>FY07 Apr-Dec</th>
<th>y/y %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Passenger</td>
<td>549.2</td>
<td>572.9</td>
<td>23.6</td>
</tr>
<tr>
<td>Domestic Passenger</td>
<td>514.8</td>
<td>520.1</td>
<td>5.2</td>
</tr>
<tr>
<td>International Cargo</td>
<td>145.5</td>
<td>143.6</td>
<td>-1.9</td>
</tr>
<tr>
<td>Domestic Cargo</td>
<td>22.2</td>
<td>21.4</td>
<td>-0.7</td>
</tr>
<tr>
<td>Other</td>
<td>61.8</td>
<td>64.3</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Operating Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel</td>
<td>320.4</td>
<td>307.0</td>
<td>-13.3</td>
</tr>
<tr>
<td>Airport facilities</td>
<td>99.4</td>
<td>97.4</td>
<td>-1.9</td>
</tr>
<tr>
<td>Passenger services</td>
<td>38.7</td>
<td>38.4</td>
<td>-0.2</td>
</tr>
<tr>
<td>Commissions</td>
<td>93.8</td>
<td>86.1</td>
<td>-7.7</td>
</tr>
<tr>
<td>Aircraft leases</td>
<td>81.9</td>
<td>81.1</td>
<td>-0.8</td>
</tr>
<tr>
<td>Personnel</td>
<td>234.2</td>
<td>219.3</td>
<td>-14.9</td>
</tr>
<tr>
<td>Other</td>
<td>360.7</td>
<td>346.1</td>
<td>-14.5</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>-23.0</td>
<td>71.2</td>
<td>94.3</td>
</tr>
</tbody>
</table>

**Note:** All values are in billions of yen.
Revenue Analysis - International Passenger

- Revenue ¥572.9 bln (y-y + ¥23.6 bln)
- Load Factor 71.9% (y-y +0.9pt)

Yield Revenue:
- April: 4.3%
- December: 8.3%

ASK RPK:
- April: -4.9%
- December: -3.7%

Fuel Surcharge:
- Approx +1.4" (April)
- Approx +2.2" (December)

Forex:
- Approx +1.4" (April)
- Approx +3.0" (December)
International Passenger – Steady Progress in Medium-term Corporate Plan

Consecutive Rise in Yield by Improvement of Class Mix

- The Number of Passenger by Class

Improvement of Load Factor (L/F) due to Route Restructuring and Fleet Downsizing

- L/F Improvement of Total International Flights

Major Routes where L/F Sharply improved

- Sharp Increase in Business Class Passengers
- Stable Demand in Economy Class Passengers
Q3 Account Settlement for FY2007

Demand and Capacity of International Passenger by Routes

Apr~Dec

yr/yr (%)
Revenue Analysis – Domestic Passenger

Revenue ¥520.1 bln
(y-y ¥5.2 bln)
Load Factor 63.5%
(y-y - 0.8 pt)
Domestic Passenger – Stable Improvement of Competitiveness

Comparison with ANA since FY2006

Load Factor Comparison *

Unit Price Comparison **

* JAL L/F ✗ ANA L/F

** JAL Revenue/Passenger No. ✗ ANA Revenue/Passenger No.
Revenue Analysis – International Cargo

**y/y**

**Apr-Dec**

Y143.6bn
(yr-yr - ¥1.9bn)

**Cargo Demand by Destination**

**Apr-Dec**

China: -1.3%
Europe: 0.9%
Pacific: -2.2%
Asia (Except China): -5.0%

Fuel Surcharge: approx +2.2%
Fuel Cost & FOREX
(Air Transportation Segment)

< Analysis of Fuel Cost (y/y) >

- Impact
  - FY06/Apr-Dec
  - FY07/Apr-Dec

- Average Fuel Price
  - USD*
  - EU*

- Average Rate
  - Based on the average company exchange rate

- Reduction in Fuel Consumption

- Price Hike

- Hedge Effect etc.

- Forex (Low Yen)

- Hedging of Fuel
  - 95% of FY07
  - As of Jan. 21, 2008

- FY06 Apr-Dec
  - USD*
  - EU*

- FY07 Apr-Dec
  - USD*
  - EU*

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Forecast for FY2007 (consolidated)

The forecast for FY2007 remains unchanged this time compared with the announcement on Nov 6, 2007.

However, there is a minor revision within the Operating Revenue as follows:

Int’l Passenger +4 bln yen
Domestic Passenger - 4 bln yen

<table>
<thead>
<tr>
<th></th>
<th>Revision on Nov, 06 2007</th>
<th>Minor Change of This Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Int’l Passenger</td>
<td>744.5 748.5 4.0</td>
<td>-</td>
</tr>
<tr>
<td>Domestic Passenger</td>
<td>689.0 685.0 -4.0</td>
<td>-</td>
</tr>
<tr>
<td>Int’l Cargo</td>
<td>188.5 188.5 0</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>206.0 206.0 0</td>
<td>-</td>
</tr>
</tbody>
</table>

Operating Revenue 2,238.0 2,238.0 0
Operating Income 48.0 48.0 0
Ordinary Income 44.0 44.0 0
Net Income 7.0 7.0 0
Progress of
“FY2007-2010 Medium-term Corporate Plan”
### Improved Safety Quality

#### Decline in the Number of Irregular Operations

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of safety problems</th>
<th>Incidence rate per 1,000 flights</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2007/Apr-Dec</td>
<td>317,448</td>
<td></td>
</tr>
<tr>
<td>FY2005</td>
<td>417,453</td>
<td>( )</td>
</tr>
<tr>
<td>FY2006</td>
<td>421,833</td>
<td>( )</td>
</tr>
</tbody>
</table>

#### Types of Accidents

- **Accident**: 0 (0)
- **Serious Incident**: 5 (0.012)
- **Irregular Operation**: 131 (0.313)
- **Total Flight Operation**: 417,453
Enhanced Basic Quality

Improved Punctuality as part of Enhancing Product Competitive Edge

Punctuality (Comparison with the previous year and competitor)

【International passenger flight】
Departure ratio within 15 minutes delay

【Domestic passenger flight】
Departure ratio within 15 minutes delay

These figures are available on JAL and ANA website.
Progress in Wage Cost Cut

FY07 Reduction in Consolidated Wage Cost by ¥ 50 bln

- ¥15 bln

- ¥20 bln

- ¥15 bln

➢ Reduction of annual bonuses
  : cost reduction ¥15 bln
  (Already paid bonuses at planned level both for summer and winter )

➢ Reduction of retirement benefit expenses through revision of pension-related system : cost reduction ¥20 bln
  (In December, already agreed with the largest union about the revised retirement benefit plan.)

➢ Other measures : cost reduction ¥15 bln
  • Rise in personnel productivity by 10% and etc.
    : cost reduction ¥11 bln
  • Special early retirement plan*

  □ Completed early retirement plan in June for 250 division chiefs : cost reduction ¥2 bln
  □ Completed early retirement plan in November for 630 managers : cost reduction ¥2 bln

* In addition, 320 cabin crew applied for an early retirement plan as of December, 2007.
Fleet Renewal and Focus on More Profitable Routes

**Fleet Replacement for FY2007**

<table>
<thead>
<tr>
<th></th>
<th>FY07 Initial Plan</th>
<th>Actual Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Retirement</td>
<td>-19</td>
<td>-20</td>
</tr>
</tbody>
</table>

The Number of Fleet (the end of FY2007)

- 272
- y/y: -2
- Comparison with Initial plan: -1

**Revision of Routes (International Passenger)**

International – focusing on profitable business routes and suspend unprofitable leisure Routes

<p>| | | |</p>
<table>
<thead>
<tr>
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</tbody>
</table>

Domestic – thorough revision of unprofitable routes

- Frequency decrease
  11 routes 13 flights per day (including additional reduction of 7 routes 7 flights per day compared with the original plan)
- Routes Suspension
  9 routes
Good Start for Premium Strategy

“Premium Strategy” gets off to a good start by fulfilling business passenger needs

**International Passenger**
- Revamped JAL VIP Lounges and Check-in Counter at Narita Airport
  - Jul.2007~ Opened Japan’s largest lounge area
  - Dec.2007~ Extensive renewal of check-in counter of First and Executive Class and opened new JCG and Support Counter
- Introduction of Premium Economy Service
  - Increase in seats for business passenger in 777-300ER
    - Before Introduction; F9/C63/Y220 (F+C ratio 25%)
    - After Introduction; F9/C63/YP44/Y156 (F+C+YP ratio 43%)
  - Dec.2007~ Introduced to Tokyo=London route
  - Feb.2008~ Expanded to Tokyo=Frankfurt route

**Domestic Passenger**
- Introduction of First Class Service
  - Dec.2007~ Introduced to Haneda=Itami route
  - Thereafter load factor has been higher than expected. December load factor 90.4%

**Corporate Sales Center**
- Establishment of Corporate Sales Center where Int’l and domestic sales have been integrated
  - Effect: Increase in the number of companies participating in JAL Corporate Flight Merit
    - Dec.2007 approx 1.125 companies (End of FY2006 approx 600 companies)
Concentration on Core Air Transportation Business

< Major asset sales carried out in FY2007 aiming at focusing on core business >

**Fixed Assets**
- London Hanover Court Building (Mar/2008)

**Affiliated Company Stocks**
- Pacific Fuel Trading Co. (Jan/2008)
- Hotel Nikko Saipan (Dec/2007)
- The Montcalm (Dec/2007)
- AGP (Partially sold, Oct/2007)
- JAMCO (Partially sold, Sep/2007)
Stable Reduction of Interest-bearing Debt

The figures of FY07 Dec. are company’s estimation.
Route, Flight Frequency & Fleet Plan for FY2008
(International Passenger)

- Acceleration of Fleet Replacement (Fleet downsizing)
- Network Expansion using Narita Airport
- Enhancement of International Flights at Haneda Airport

- Fleet Change
  - NRT = NYC
    - SFO 747-400 → 777-300ER
  - NRT = CAN
    - 767-300 → 737-800
  - Fleet downsizing & aircraft renewal on 3 other routes

- Increase 'e'Œ'‰'‡'ˆ" Frequency
  - NRT = NYC
    - 13/W → 14/W
  - NRT = PUS
    - 7/W → 14/W
  - In addition to this, flight frequency will be increased on 4 other routes including NRT=PAR and NRT=MOW

- Planned introduction of Haneda=Beijing routes in addition to current flights to Seoul and Shanghai

- Expansion of International charter flights using Haneda slots available at night

Introduction of 777-300ER to U.S. routes and expansion of 737-800 on China routes

Increase in flights to/from Narita and network enhancement of Kansai area
Route, Flight Frequency & Fleet Plan for FY2008
(Domestic Passenger & Cargo)

< Domestic Passenger >
- Increased use of cost-efficient 737-800
- Enhancement of local network by strategically using Embraer 170 regional jet (E170)
- Expansion of Domestic First Class
  - Kansai = Taipei 2/W
  - Kansai = Sendai 1 flight per day
  - Shizuoka = Sapporo 1 flight per day
  - Shizuoka = Fukuoka 3 flights per day
- Route Suspensions
  - Sapporo = Okinawa 1/D - 0/D
  - Kushiro = Asahikawa 1/D - 0/D
- Flight Frequency Reductions & Increases
  - Haneda = Miyazaki 4/D - 5/D
  - Itami = Fukushima 2/D - 1/D
- Domestic First Class Route Expansion
  - Haneda = Fukuoka
  - Haneda = Sapporo

< Cargo >
- Improvement of fuel efficiency and fleet movement by replacing 747-200F with -400F
- Effective allocation of mid-sized 767F focusing on robust demand in China and South-east Asia market
  - Narita = Guangzhou 747F ~ 767F
- New Routes
  - Kansai = Tianjin - Dalian - Kansai 767F
  - Narita = Tianjin - Dalian - Narita 767F
  - 3 direct routes such as NRT-DLC changed to two point-stop routings
- Route Change
  - Narita - Tianjin - Dalian - Narita 767F
  - Narita - Tianjin - Dalian - Kansai 767F
- In addition, implemented route changes to 4 other routes

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