



JAL Group Q3 Account Settlement For FY2007

Feb 8th, 2008

Japan Airlines Corporation





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. Q3 Account Settlement For FY2007





Outline of the Consolidated Financial Statements

<Big Increase in Operating/Ordinary/Net Income >

	FY06		FY07		Units : Billions of Yen		
	Apr-Dec	Apr-Dec	yr-yr	yr/yr	FY07 Oct-Dec	yr-yr	yr/yr
Operating Revenues	1,734.1	1,701.1	-32.9	98.1%	558.2	-25.8	95.6%
Operating Cost	1,740.0	1,618.6	-121.3	93.0%	532.3	-65.8	89.0%
Operating Income	-5.8	82.5	88.4	-	25.9	39.9	-
Ordinary Income	-7.7	79.2	86.9	-	20.5	33.5	-
Net Income	-9.3	20.4	29.8	-	13.1	24.0	-





Operating Revenue and Income by segment

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

		Units : Billions of Yen				
		FY06 Apr-Dec	FY07 Apr-Dec	yr-yr yr/yr	FY07 Oct-Dec	yr-yr yr/yr
Air Transportation	Operating Revenues	1,363.7	1,392.5	28.7 102.1%	460.8	8.0 101.8%
	Operating Income	-23.0	71.2	94.3	21.4	41.0
Airline-related	Operating Revenues	277.0	263.7	-13.2 95.2%	82.3	-15.1 84.4%
	Operating Income	8.3	4.7	-3.6	2.3	-1.2
Travel Service	Operating Revenues	289.0	291.5	2.4 100.9%	91.7	-2.5 97.2%
	Operating Income	0.0	1.0	1.1	0.0	0.9
Card · Lease	Operating Revenues	48.3	49.4	1.0 102.2%	16.8	0.1 101.0%
	Operating Income	3.9	3.2	-0.7	1.0	0.1
Other	Operating Revenues	158.7	75.4	-83.2 47.5%	25.5	-30.3 45.7%
	Operating Income	5.3	2.3	-2.9	1.2	-1.1
Total	Operating Revenues	2,136.9	2,072.6	-64.2 97.0%	677.4	-39.8 94.4%
	Operating Income	-5.4	82.6	88.1	26.1	39.8
General corporate assets and intercompany eliminations	Operating Revenues	-402.7	-371.4	31.2 92.2%	-119.1	13.9 89.5%
	Operating Income	-0.3	0.0	0.3	-0.2	0.1
Consolidated	Operating Revenues	1,734.1	1,701.1	-32.9 98.1%	558.2	-25.8 95.6%
	Operating Income	-5.8	82.5	88.4	25.9	39.9





Operating Income of Air Transportation segment

< Increase in Revenue, Decrease in Cost >

Units: billions of yen

	FY06 Apr-Dec	FY07 Apr-Dec	y/y	%	FY07 Oct-Dec	y/y	%
Operating Revenue	1,363.7	1,392.5	28.7	102%	460.8	8.0	102%
International Passenger	549.2	572.9	23.6	104%	188.7	10.2	106%
Domestic Passenger	514.8	520.1	5.2	101%	167.3	-1.6	99%
International Cargo	145.5	143.6	-1.9	99%	52.1	-0.9	98%
Domestic Cargo	22.2	21.4	-0.7	96%	7.5	-0.4	95%
Other	61.8	64.3	2.4	104%	21.9	0.4	102%
Incidental Business	69.9	70.0	0.0	100%	23.1	0.4	102%
Operating Cost	1,386.8	1,321.2	-65.5	95%	439.3	-33.0	93%
Fuel	320.4	307.0	-13.3	96%	100.9	-10.1	91%
Airport facilities	99.4	97.4	-1.9	98%	31.8	-1.3	96%
Passenger services	102.5	90.3	-12.2	88%	31.7	-6.1	84%
Commissions	38.7	38.4	-0.2	99%	12.9	-0.1	99%
Aircraft leases	93.8	86.1	-7.7	92%	28.2	-2.5	92%
Personnel	54.8	55.0	0.1	100%	18.8	0.6	104%
Other	81.9	81.1	-0.8	99%	26.8	-1.3	95%
Personnel	234.2	219.3	-14.9	94%	73.4	-7.7	90%
Other	360.7	346.1	-14.5	96%	114.4	-4.2	96%
Operating Income	-23.0	71.2	94.3		21.4	41.0	

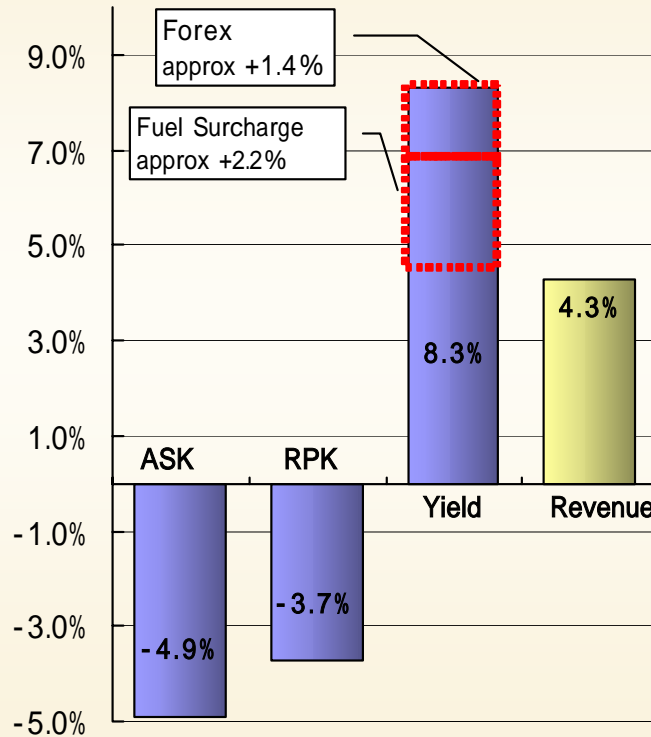




Revenue Analysis - International Passenger

y/y

Apr ~ Dec



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

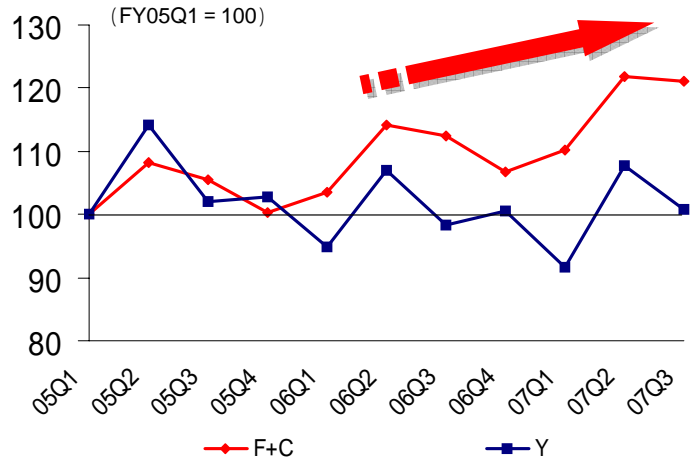




International Passenger – Steady Progress in Medium-term Corporate Plan

Consecutive Rise in Yield by Improvement of Class Mix

The Number of Passenger by Class

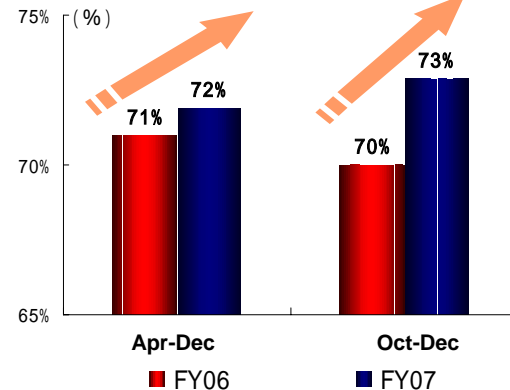


- Sharp Increase in Business Class Passengers
- Stable Demand in Economy Class Passengers

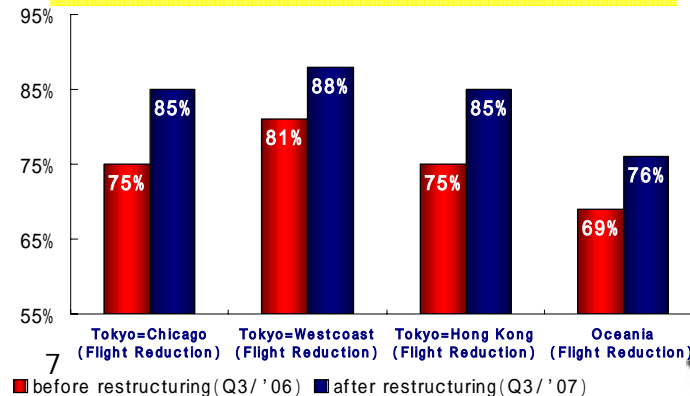
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Improvement of Load Factor(L/F) due to Route Restructuring and Fleet Downsizing

L/F Improvement of Total International Flights

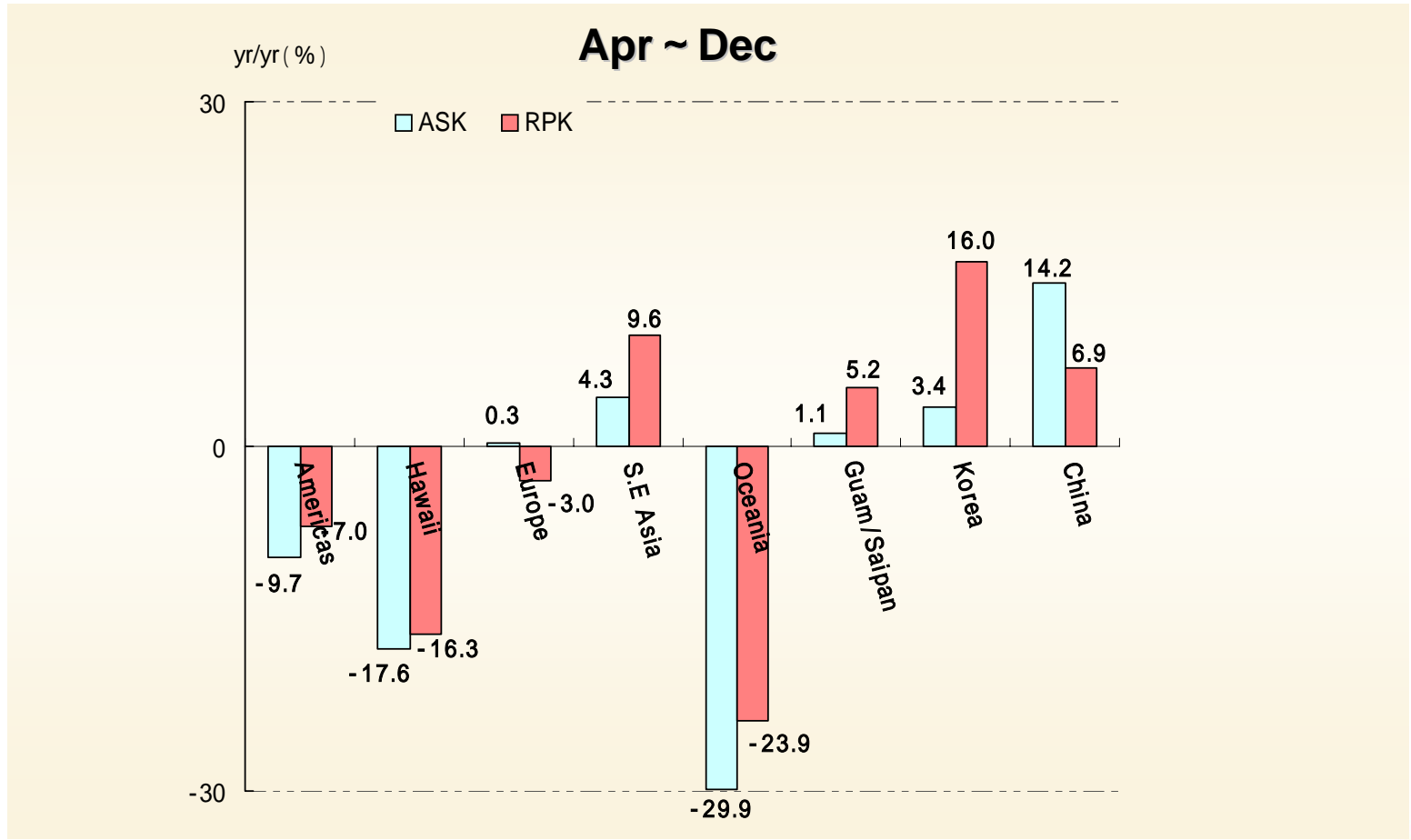


Major Routes where L/F Sharply improved





Demand and Capacity of International Passenger by Routes



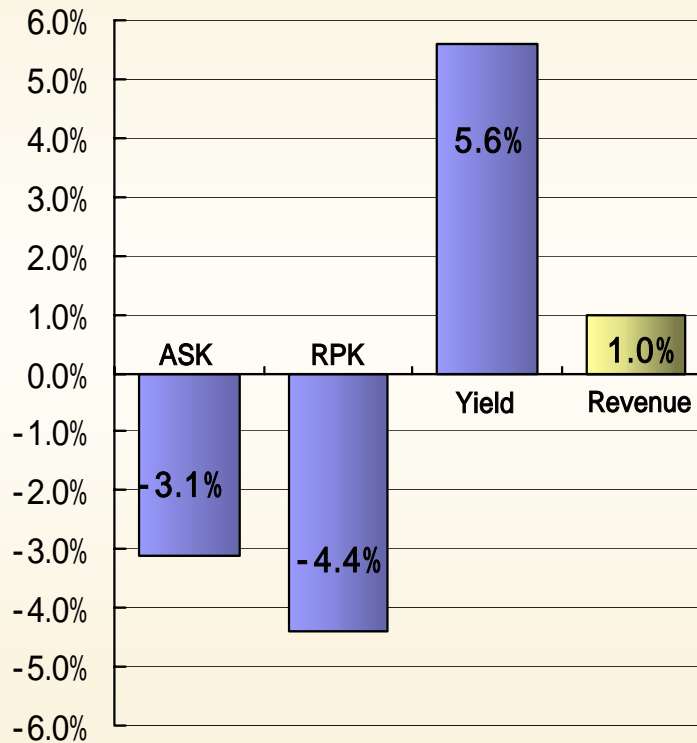


Revenue Analysis – Domestic Passenger

y/y

Apr ~ Dec

Revenue ¥520.1 bln
(y-y + ¥5.2bln)
Load Factor 63.5%
(y-y - 0.8 pt)

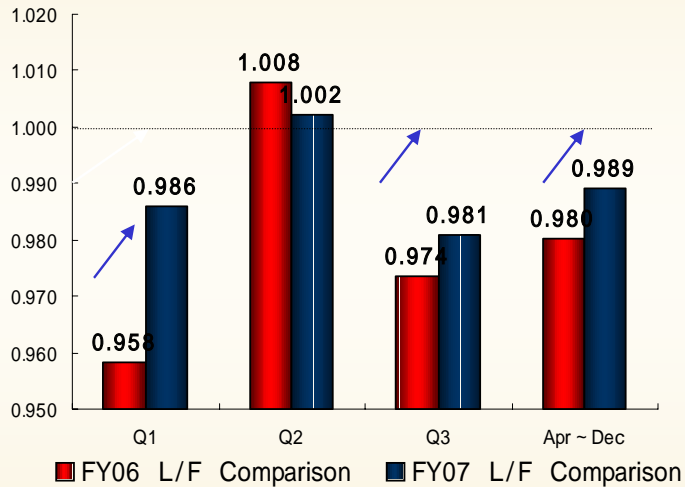




Domestic Passenger – Stable Improvement of Competitiveness

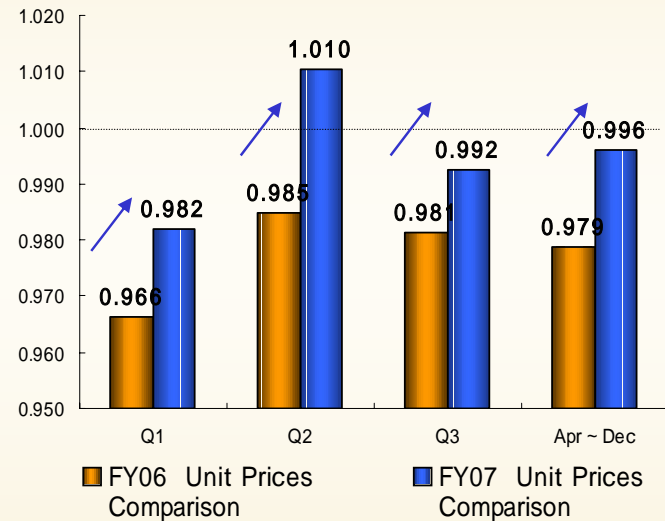
Comparison with ANA since FY2006

Load Factor Comparison *



* JAL L/F ÷ ANA L/F

Unit Price Comparison **



** JAL Revenue/Passenger No. ÷ ANA Revenue/Passenger No.

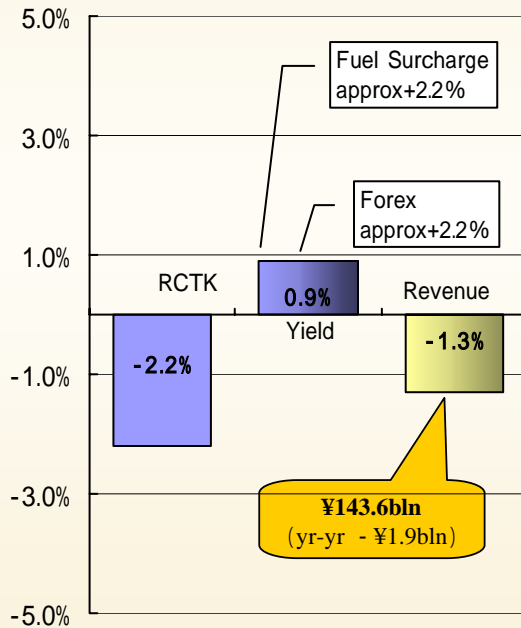




Revenue Analysis – International Cargo

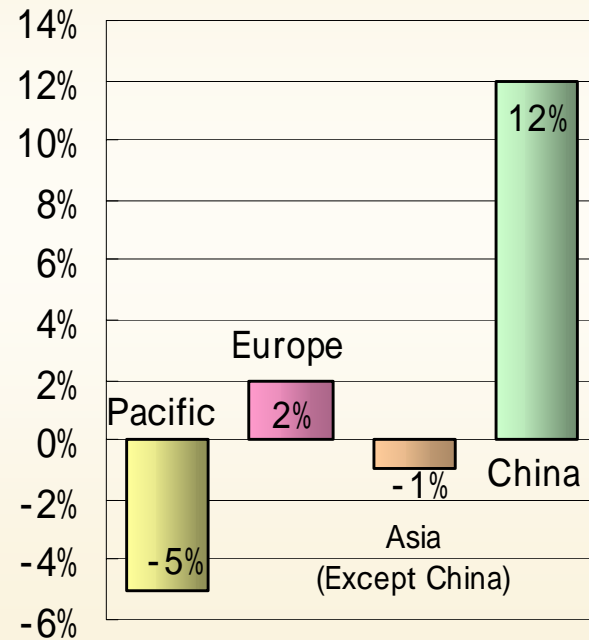
y/y

Apr ~ Dec



Cargo Demand by Destination

Apr ~ Dec





Fuel Cost & FOREX (Air Transportation Segment)

Fuel Cost

[Average Fuel Price]

	FY06 Apr-Dec	FY07 Apr-Dec
USD*	\$81.9	\$88.1

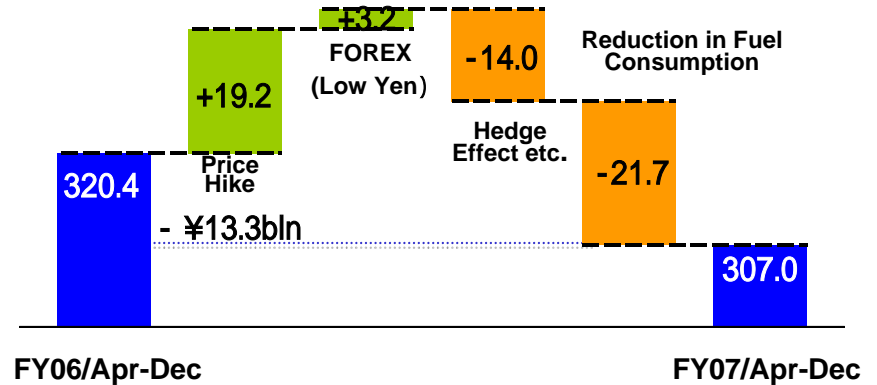
*SIN Kerosene average \$/bbl

< FY07 Hedging Ratio >

	FH	SH	FY07
Hedging of Fuel	95%	79%	87%

As of Jan.21,2008

< Analysis of Fuel Cost (y/y) >



FOREX

[Average Rate]

	FY06 Apr-Dec	FY07 Apr-Dec
USD*	¥116.3	¥117.6
EUR*	¥146.6	¥162.0

*Based on the average company exchange rate

[Impact]

	Billions of Yen
Operating Revenue	+10.8
Operating Expenses	+10.2
Operating Income	+0.6



Forecast for FY2007 (consolidated)

Forecast for FY2007 (consolidated)

(Unites : billions of yen)

	Revision on Nov,06 2007	Minor Change of This Time	Difference
Operating Revenue	2,238.0	2,238.0	0
Int'l Passenger	744.5	748.5	4.0
Domestic Passenger	689.0	685.0	-4.0
Int'l Cargo	188.5	188.5	0
Other	206.0	206.0	0
(Operating Cost)	2,190.0	2,190.0	0
Operating Income	48.0	48.0	0
Ordinary Income	44.0	44.0	0
Net Income	7.0	7.0	0-

• 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



.Progress of

“FY2007-2010 Medium-term Corporate Plan”



Improved Safety Quality ~ quality enhancement ~

Decline in the Number of Irregular Operations

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

Types of Accidents	FY2005		FY2006		FY2007 / Apr-Dec	
Accident	0	(0)	1	(0.002)	1	(0.003)
Serious Incident	5	(0.012)	0	(0)	2	(0.006)
Irregular Operation	131	(0.313)	99	(0.235)	67	(0.211)
Total Flight Operation	417,453		421,833		317,448	

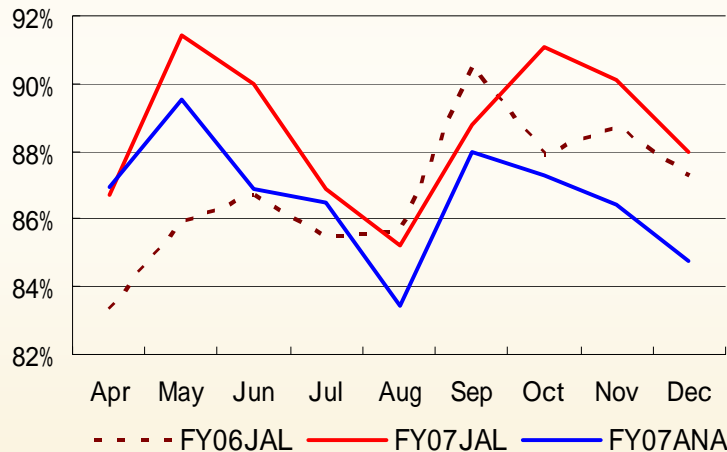


Enhanced Basic Quality ~ quality enhancement ~

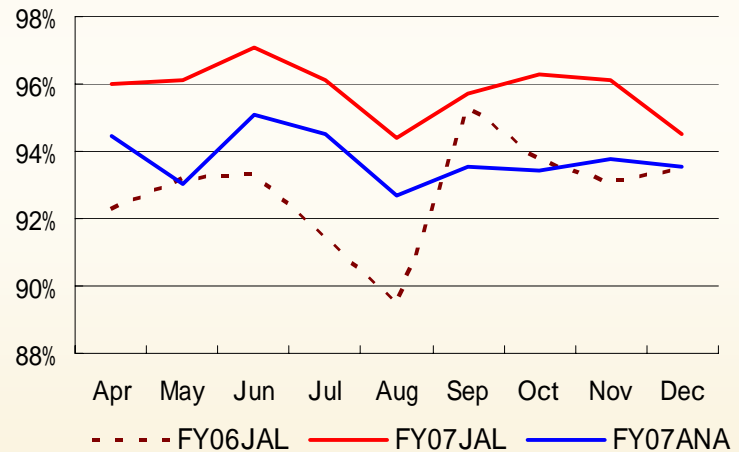
Improved Punctuality as part of Enhancing Product Competitive Edge

➤ 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



➤ **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

	FY07 Initial Plan	Actual Result
Introduction	18	18 same as the plan
Retirement	-19	-20 <u>(747F -1)</u>

➤ 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

Domestic – thorough revision of unprofitable routes

	Increase in Flight	Flight Suspension & Reduction
Original Plan	8 routes & 16 flights	4 routes & 17 flights
Additional Measures	6 routes & 20 flights	4 routes & 9 flights

■ 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 >

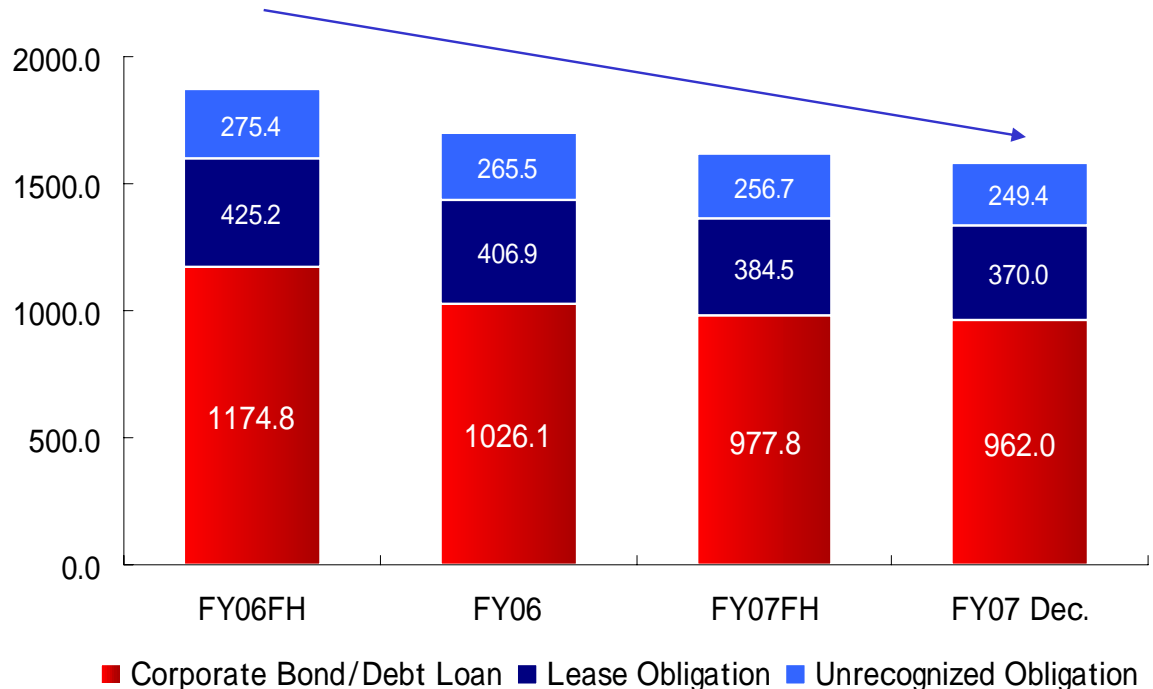
Fixed Assets

- ✓ 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 747-400 777-300ER
SFO
NRT = CAN 767-300 737-800

Fleet downsizing & aircraft renewal on 3 other routes
to the latest fleet in other 3Routes.

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

• Increase Flight 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

• International Operations at Haneda Airport

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

**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

• New Routes

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
Kansai = Okinawa 4/D 6/D (Oct ~ : 5/D)
Itami = Fukushima 2/D 1/D

• Domestic First Class Route Expansion

Haneda = Fukuoka : Apr/2008 ~
Haneda = Sapporo : Jun/2008 ~

< 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

• Route Change

Narita - Tianjin - Dalian - Narita : 767F
Narita - Tianjin - Dalian - Kansai : 767F

3 direct routes such as NRT=DLC changed to two-point-stop routings

• Fleet Change

Narita = Guangzhou 747F 767F

• New Routes

Kansai = Taipei 2/W

• In addition, implemented route changes to 4 other routes

Disclaimer

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