



JAL Group Account Settlement For FY2007

May 9th 2008

Japan Airlines



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**1. Evaluation of FY2007 &
Business Performance Targets for FY2008**

2. Outline of Account Settlement for FY2007

3. Appendices



Evaluation of FY2007 Result



Achieved Profit Targets

Billions of Yen

	FY07 Forecast		FY07 Result	Diff. from Revised Forecast
	Initial forecast	Revised Forecast on Nov.06, 2007		
Operating Revenue	2,197.0	2,238.0	2,230.4	-7.5
(Operating Cost)	2,162.0	2,190.0	2,140.4	-49.5
Operating Income	35.0	48.0	90.0	42.0
Ordinary Income	21.0	44.0	69.8	25.8
Net Income	7.0	7.0	16.9	9.9

Improved Financial Position

Equity Ratio

End of FY06 14.9% End of FY07 21.4%

D/E Ratio*

End of FY06 3.3 End of FY07 2.0

* on a on-balance basis

Steady Improvement toward Revival



Achieved Targets



Basic Principle of the FY2007-2010 Medium Term Revival Plan	Major Measures	FY2007 Results
Enhance Profitability through Cost Reduction	Consolidated Headcount Reduction	Reduced drastically headcount by 2,297 exceeding FY2007 initial target of 697. Most likely can achieve target of consolidated headcount reduction by 4,300 compared to end of FY2006 at the end of FY2008, one year ahead of plan.
	Wage Cost Reduction	Reduced wage cost by ¥52bn compared to FY2006 exceeding the initial target of ¥50bn reduction.
	Reduction in Other Cost	Reduction in fuel consumption(y/y 94%). Reduction in sales commission by revising commission rate -¥12.6bn. Drastic reduction in various cost through productivity improvement.
Promote Downsizing and Enhance Fleet Competitiveness through Fleet Renewal	Fleet Renewal	On top of original plan, additional 1 x 747F retired ahead of initial plan.
	Average Age of Fleet	End of FY06: 11.5 years End of FY07: 11.1 years
Shift to High Profit Routes & Strengthen Total Product Competitiveness	Route Restructuring	IP (International Passenger): Suspended Osaka - Sydney - Brisbane DP (Domestic Passenger): Suspended 9 Routes
	Premium Strategy	Narita Airport: Large-scale renovation of lounge and check-in counter areas. IP: Start of Premium Economy Service DP: Start of First Class Establishment of Corporate Sales Center
	Participation in oneworld	Effect: Forecast ¥3bn Result ¥5bn
Concentrate Resources on Core Business	Sales and Liquidation of Assets	Have completed sales of almost all non-core assets [Reduction in the number of subsidiaries and affiliates] End of FY02 Subsidiaries 307 Affiliates 99 End of FY06 Subsidiaries 247 Affiliates 87 End of FY07 Subsidiaries 225 Affiliates 82

Achieved all the Targets on Major Measures



Evaluation of FY2007 Result ~ Revenue/Cost ~



Operating Revenue

【Air Transportation Segment】 (¥bn)

	FY07 Result	FY06 Result	diff.
IP (International Passenger)	754.3	724.8	29.4
DP (Domestic Passenger)	677.4	675.6	1.7
IC (International Cargo)	188.2	190.5	-2.2
Other	206.7	210.4	-3.7
Total	1,826.7	1,801.5	25.1

➤ Please refer to page 21 for details.

- Especially IP made good progress
- Yield improved in IP, DP and IC due to Premium Strategy and increases in fuel surcharge

(y/y) IP : +7.8%
DP : +4.8%
IC : +1.9%

【FY08】

By further promoting Premium Strategy, establish business base which is strong enough to withstand major fluctuations in demand

Operating Cost

【Air Transportation Segment】 (¥bn)

	FY07 Result	FY06 Result	diff.
Fuel	412.7	420.9	-8.1
Airport Facilities	128.3	131.3	-3.0
Maintenance	122.0	123.3	-1.3
Sales Commission	111.0	123.7	-12.6
Other	973.7	999.5	-25.7
Total	1,748.0	1,798.9	-50.8

➤ Please refer to page 21 for details.

- Absorbed impact of rise in fuel prices through reduction in fuel consumption and effective hedging
- Reduced sharply sales commission due to change in commission rate
- Other costs including airport facility cost and maintenance cost were also drastically reduced

【FY08】

Tackle a surge in fuel prices by implementing further cost reduction including wage cost cut

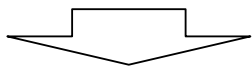


Evaluation of FY2007 Results ~ B/S · Cash-flow ~



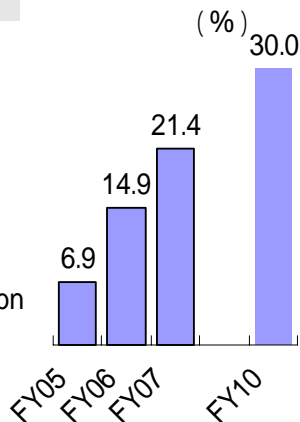
Result of FY2007

- Achieved Profit Target
- Sold Non-core Assets
- Issued Preferred Stock by Third Party Allocation

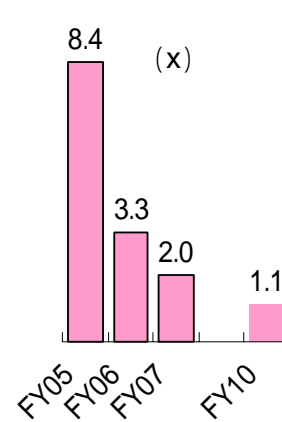


- Reduction in Interest-bearing Debt - ¥106.5bn
- Increase in Cash and Cash Equivalent +¥162.6bn
- Enhanced ability to Generate Cash-flow

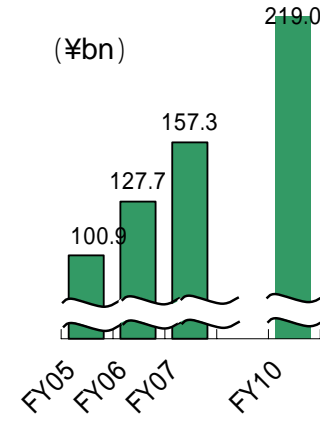
[Equity Ratio]



[D/E Ratio*]



[Operating Cash Flow]



*on a on-balance basis

**Improved Financial Position to Enable New Medium Term Revival Plan to Advance
(Backbone for Steady Capital Expenditure)**

[Result and Target of Capital Expenditure]

	¥bn				
	FY06	FY07	FY08Target	FY09Target	FY10Target
(Aircraft)	70.2	82.6	115.0	77.0	125.0
(Others: Ground Assets, etc.)	63.9	35.8	40.0	32.0	30.0
Capital Expenditure	134.1	118.5	155.0	109.0	155.0

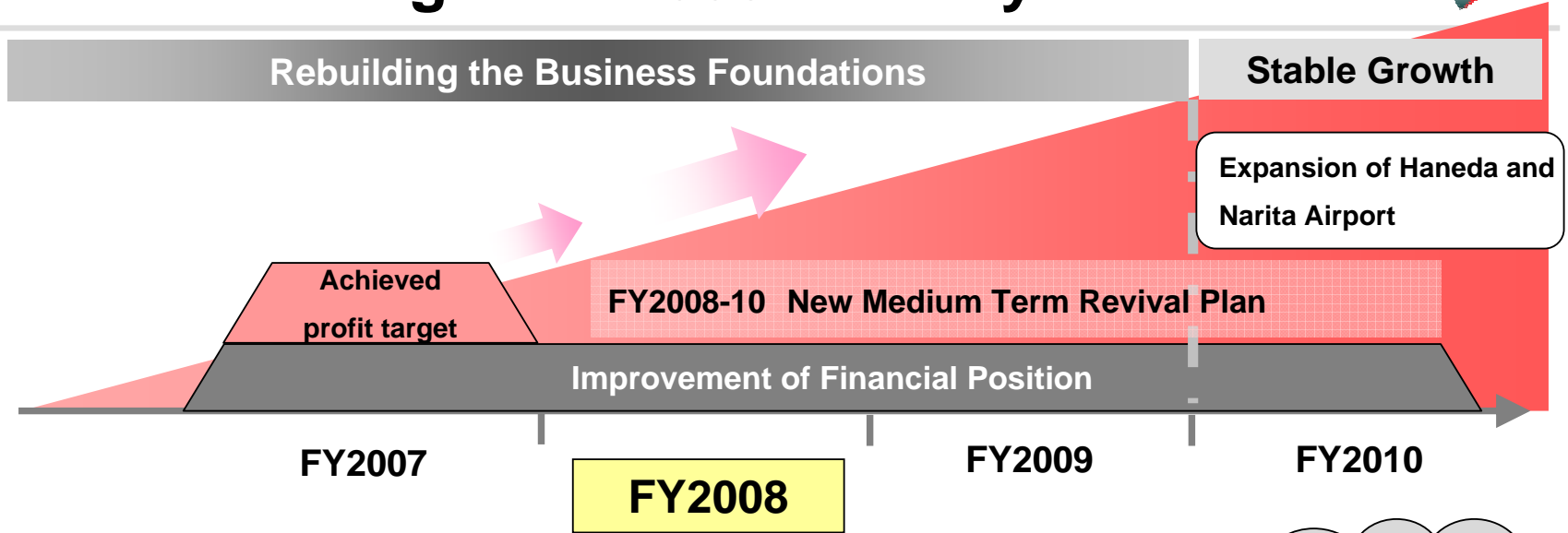
¥35bn out of FY2006 new stock issue and ¥101.5bn out of FY2007 new stock issue is expected to be allocated

[¥113bn was allocated out of proceeds of FY2006 new stock issue]

[¥50bn is expected to be allocated out of proceeds of FY2007 new stock issue]



Positioning of FY2008 and Key Measures



Priority Measures for FY2008

Implementation of New Medium Term Revival Plan

- ✓ Premium Strategy
- ✓ Business Profitability Improvement
- ✓ Personnel Productivity Improvement
- ✓ Review of Related Business

+

- ✓ Greatly expand and deepen existing measures
- ✓ Additional measures

External Environment

- Tougher competition
- Reduced demand by slowdown in world economy
- Unprecedented rise in fuel prices



Target of FY2008 Business Performance



Billions of Yen

	FY07	FY08	Difference
Operating Revenue	2,230.4	2,184.0	-46.4
(International Passenger)	754.3	807.0	52.7
(Domestic Passenger)	677.4	704.0	26.5
(International Cargo)	188.2	193.0	4.7
(Other)	610.4	480.0	-130.4
Operating Cost	2,140.4	2,134.0	-6.4
Operating Income	90.0	50.0	-40.0
Ordinary Income	69.8	30.0	-39.8
Net Income	16.9	13.0	-3.9

[FY08 Assumption]

		yr/yr
International Passenger	Supply	95.8%
	Demand	96.6%
	Yield	110.7%
Domestic Passenger	Supply	98.1%
	Demand	100.9%
	Yield	103.1%
International Cargo	Supply*	89.6%
	Demand	100.6%
	Yield	101.7%
* Supply of cargo freighter only		
<Average Market Rate>		
Fuel (Singapore Kerosene)		\$110/bbl
Hedge ratio		66%
FOREX (1USD)		¥110

· Supply = ASK, ATK

· Demand = No. of Passenger, Tonnage

· Yield = per Passenger, per weight

* Supply of cargo freighter only

<Average Market Rate>

Fuel (Singapore Kerosene) \$110/bbl

Hedge ratio 66%

FOREX (1USD) ¥110



International Passenger Business



Premium Strategy

■ Expansion of Premium Economy Service

[Routes Available in FY2007]

Narita = London
Narita = Frankfurt



[Planned Routes Premium Economy to be Introduced in FY2008]

Narita = Paris, Amsterdam, Moscow
New York, San Francisco
Kansai = London
Chubu = Paris

■ Introduction of New First and Business Class Seats

Installed in 777-300ER

August, 2008 Narita = New York
September, 2008 Narita = San Francisco

Route and Fleet Planning

■ Downsizing and Introduction of Fuel Efficient Aircraft

IP ASK : y/y - 4.2%
Average age of IP aircraft
:FY07: 10.2 years FY08: 8.8 years

- Narita = New York 747-400 777-300ER
- Narita=San Francisco 747-400 777-300ER
- Narita=Guangzhou 767-300 737-800
- Narita=Kaohsiung 747-400 767-300
- Kansai = Guangzhou 767-300 737-800
- Chubu = Busan 767-300 737-800

■ Sharp Increase in Charter Flights

FY08 Target : Approx.1,200 (600 RT)
Especially charter flights to/from Haneda will drastically increase
Approx.800(400RT) FY07 Approx. 280

- Haneda = Hong Kong daily flights from July,2008
- Haneda = Incheon every weekend flight from Apr. 2008
- Also operate to Honolulu, Palau, Ulan Bator



Domestic Passenger Business



Premium Strategy

■ Expansion of First Class Service

Dec. '07 Started on Haneda = Osaka (Itami)
(10 RT flights as of May)

Apr. '08 Introduced on Haneda = Fukuoka
(6 RT flights as of May)

Good Start : L/F approx. 80%

Future Plans for Expanding First Class

- Haneda = Osaka (Itami)
Jul. '08 Expand to all 15 RT flights
- Haneda = Fukuoka
Apr. '09 Expand to 10 RT flights
Sep. '09 Expand to all 18 RT flights
- Haneda = Sapporo
Jun. '08 Introduce on 2 RT flights
Apr. '09 Expand to 5 RT flights



Routes, Flight Frequency & Fleet Plan

■ Route Suspensions (2 routes)

Apr.01 '08 ~ Sapporo=Okinawa,
Kushiro=Asahikawa

■ Enhancing Fleet Renewal

· Introduce most advanced “Embraer 170” regional jet for the first time ever in Japan

Introduce 2 aircraft in FY08 (10 firm /5 optional orders)

J-AIR start operating routes from Nagoya (Komaki) base.



[Embraer170 76seats]

· Start retirement of MD81

End of FY07 – 18 aircraft in fleet

FY08 - Plan to retire 6 aircraft

End of FY10 - Plan to retire all MD81 from fleet



International Cargo Business



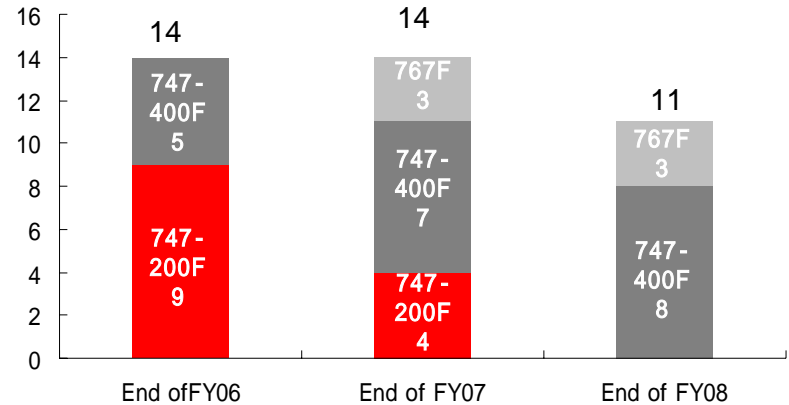
Basic Principle

**Changing our Principle from
“Revenue Growth by Expansion” to
“Emphasis on Profitability”**

- Optimizing capacity and accelerating retirement of fuel-inefficient aircraft
- Pursue “Commitment of Quality”
”Improvement in Basic Quality” &
”Offering Value-added products”
- Continue to strengthen business foundations by improving safety, quality, and productivity

While implementing the above measures, we will also explore a variety of options including business reorganization

Routes, Flight Frequency & Fleet Plan



【Plans for FY08】

- 747-200F Retire All 4 fleets
ATK (Cargo flights) FY07 y/y - 10.4%
- Accelerate retirement of fuel-inefficient aircraft
- Concentrate on high profit routes & increase fleet utilization
- Utilize 767F on demand-based short-haul routes

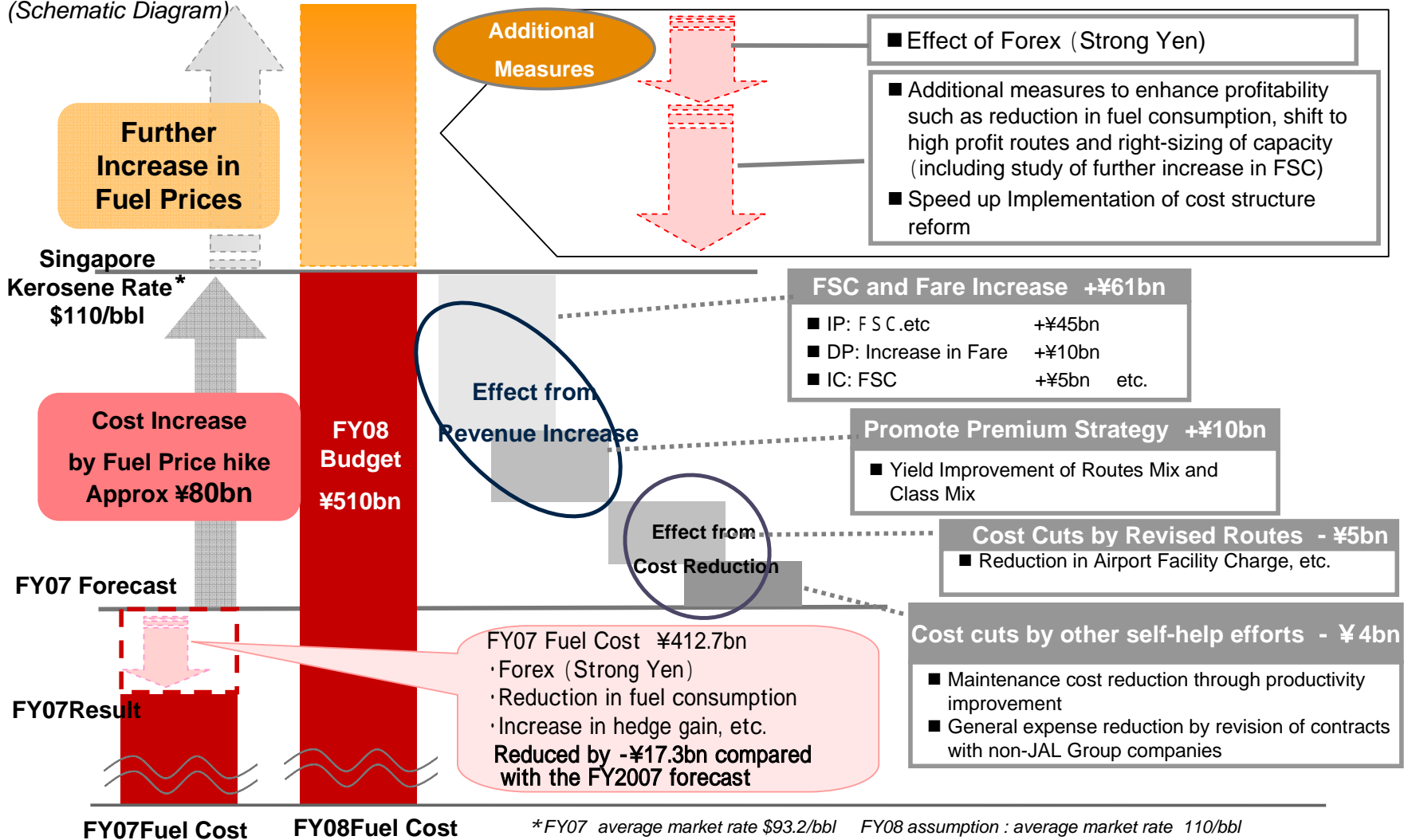
Improve Profitability of Cargo Flights & Cargo Business



Countermeasure for Fuel Cost Increases



(Schematic Diagram)



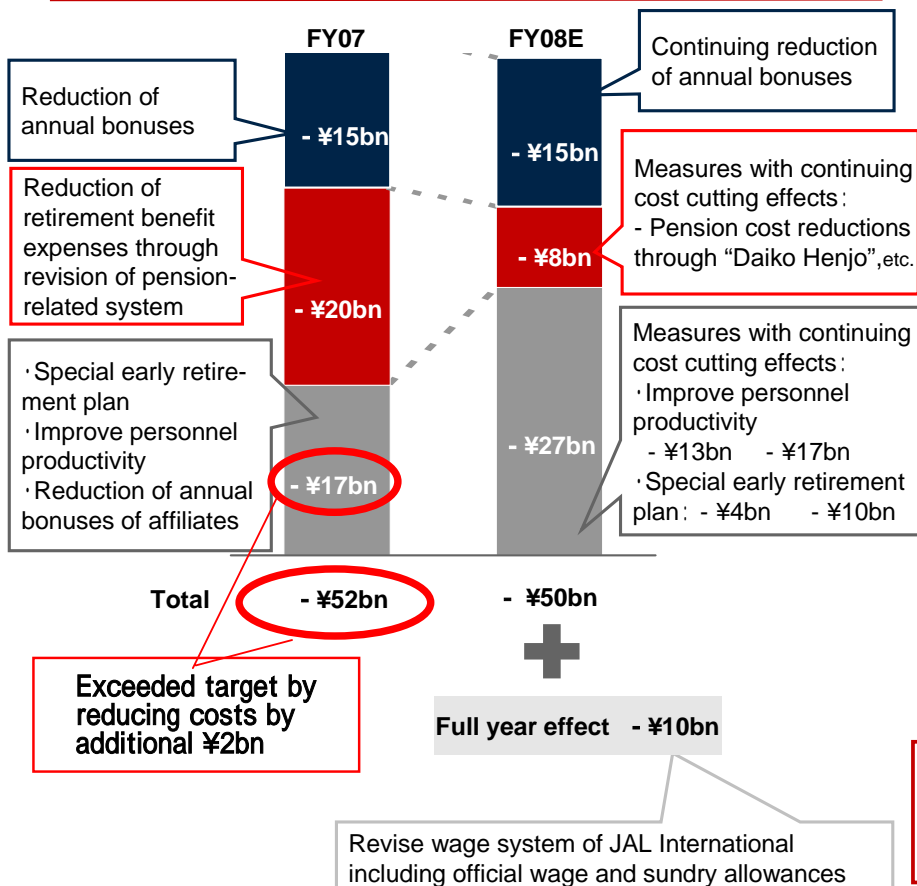


Improvement in Personnel Productivity (Wage Cost Cut Measures)



Wage Cost Cut Measures

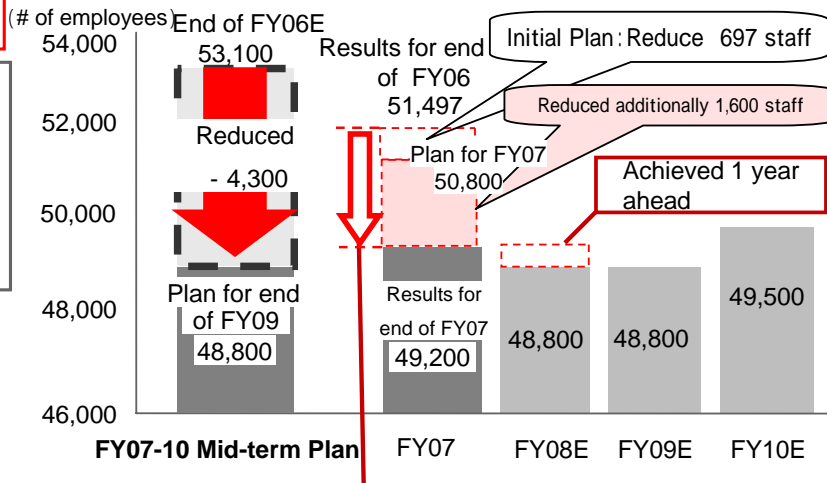
Measures to Reduce ¥50bn in Consolidated Wage Costs Compared with FY2006



Measures to Reduce Number of Employees

- Drastically exceeded initial plans (reduce 697 staffs) of FY07 Reduced 2,297 staff
- Expect to achieve reduction of consolidated staff by 4,300 compared to the end of FY06 in FY08, one year ahead of schedule

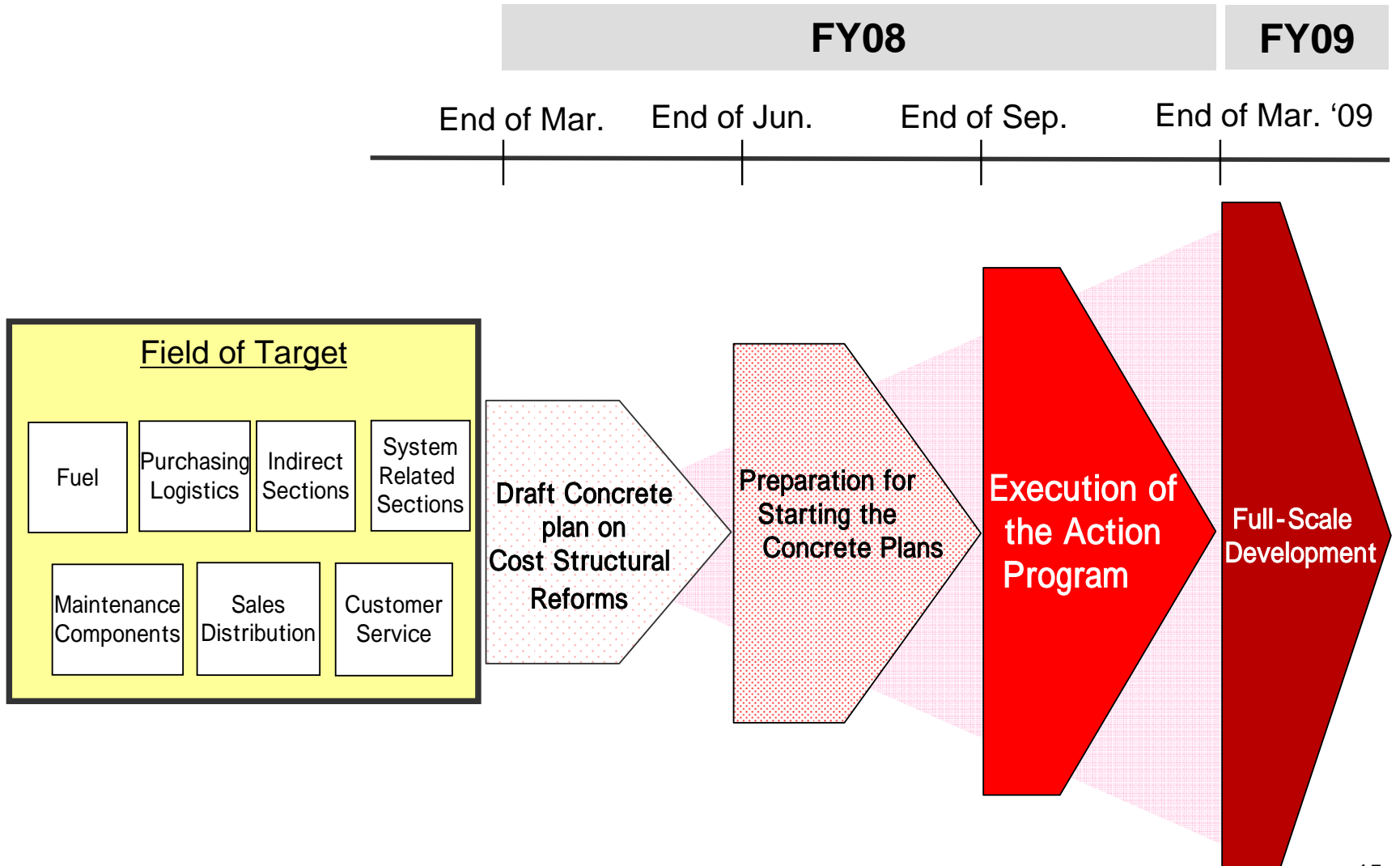
Trend in Consolidated Staff Numbers (As of the end of each Fiscal Year)



FY06 FY07 - 2,297staff
 * Consolidated Ground Staff Approx. 35,600 (- 2,100 staff)
 * JAL International staff 15,847 (- 1,474 staff)



Cost Structure Reform

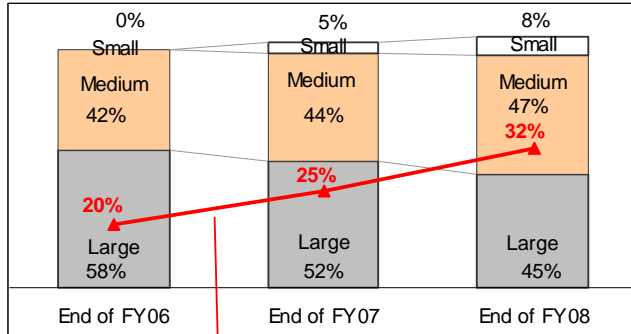




Fleet Plan (Accelerating Downsizing)

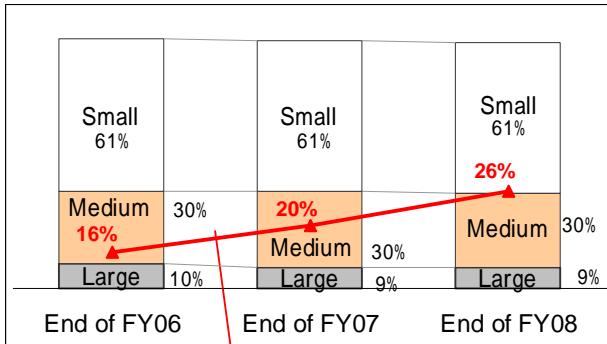


[International Routes]



Fuel-efficient aircraft*

[Domestic Routes]



Fuel-efficient aircraft*

: Large :747-400, 747, 777-300,
 Medium :787, 767, 777-200, A300-600
 Small :MD90, MD81, MD87, 737, E170, other regional jet
 As for fuel-efficient aircraft, propeller aircraft is excluded when calculating the percentage.

[FY07-08 Breakdown of Aircraft Introduction & Retirement]

<Introduction >

	777-300ER	777-200	767-300ER	737-800	Q400 **	E170 ***	767-300F	Total
Results of FY07	1	1	3	8	2	0	3	18
Plans for FY08	3	0	5	9	0	2	0	19

< Retirement >

	747LR	767-300	MD87	MD81	BN2B ****	747-200F	Total
Results of FY07	5	0	6	0	1	5	17
Plans for FY08	7	2	2	6	0	4	21

> 1x777, which was shifted from leasing to possession after termination of lease contract, is excluded from the chart above.

Delay in Delivery of 787

[Impact on FY08 Plans]

- ✓ No impact on FY08 plans (FY09 introduction already incorporated into the latest Medium Term Corporate Plan)

[Policy Over the Medium-term]

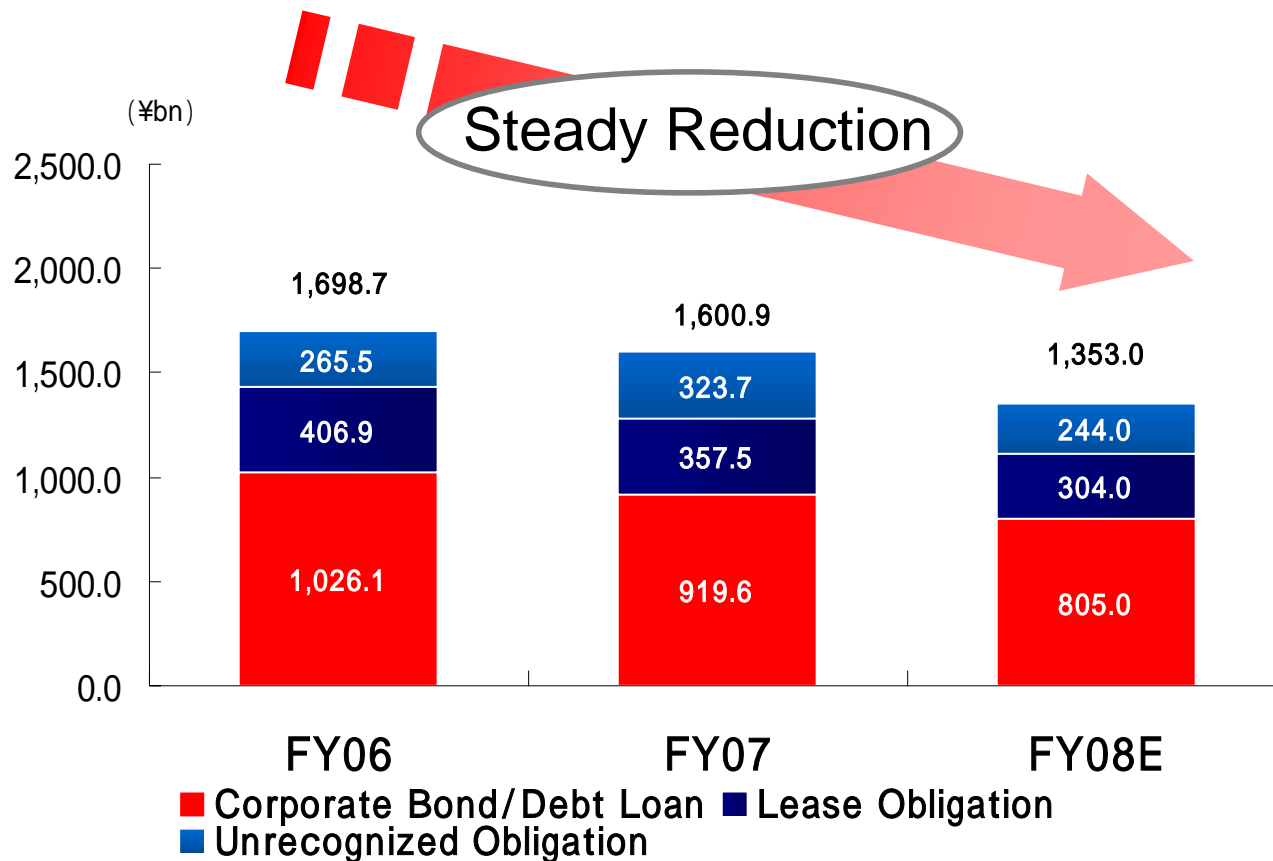
- ✓ Mainly respond by delaying 767 retirement
- ✓ Implement retirement of classic type 747 as scheduled
- ✓ Consider acquiring substitute aircraft
- ✓ Currently considering how to deal with the impact of the delay beyond FY09, but intend to continue downsizing & accelerating renewal of aging aircraft
- ✓ Consider seeking compensation from Boeing

*Fuel-efficient aircraft = 777, 787, 737-800, E170

**Q400 = Bombardier DHC-8-400

***E170 = Embraer 170

****BN2B =Britten-Norman BN-2B





1. Evaluation of FY2007 &
Business Performance Targets for FY2008

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3. Appendices



Outline of the Consolidated Financial Statements (y-y)



	Billions of Yen		
	FY06	FY07	y-y
Operating Revenue	2,301.9	2,230.4	-71.4
(Operating Cost)	2,278.9	2,140.4	-138.5
Operating Income	22.9	90.0	67.0
Ordinary Income	20.5	69.8	49.2
Net Income	-16.2	16.9	33.1



Operating Revenue and Income by Segment



	Billions of Yen				
	Operating Revenue			Operating Income	
	FY07	yr-yr	yr/yr	FY07	yr-yr
Air Transportation	1,826.7	25.1	101%	78.6	76.0
Airline - related	348.8	-19.9	95%	4.2	-4.1
Travel Service	373.7	-6.0	98%	0.9	1.7
Card · Lease	65.8	0.0	100%	3.8	-2.0
Other	101.4	-114.5	47%	2.6	-4.6
Total	2,716.5	-115.1	96%	90.3	67.0
General corporate assets and intercompany eliminations	-486.1	43.6	92%	-0.3	0.0
Consolidated	2,230.4	-71.4	97%	90.0	67.0



Operating Income of Air Transportation Segment



	<u>FY06</u>	<u>FY07</u>	<u>yr-yr</u>	<u>yr/yr</u>
Operating Revenue	1,801.5	1,826.7	25.1	101%
International Passenger	724.8	754.3	29.4	104%
Domestic Passenger	675.6	677.4	1.7	100%
International Cargo	190.5	188.2	-2.2	99%
Domestic Cargo	28.9	27.8	-1.0	96%
Other	83.2	86.1	2.9	104%
Incidental Business	98.2	92.6	-5.5	94%
Operating Cost	1,798.9	1,748.0	-50.8	97%
Fuel	420.9	412.7	-8.1	98%
Airport facilities	131.3	128.3	-3.0	98%
Maintenance	123.3	122.0	-1.3	99%
Passenger services	51.3	50.5	-0.7	99%
Commissions	123.7	111.0	-12.6	90%
Aircraft Depreciation	72.7	73.5	0.7	101%
Aircraft leases	109.3	107.7	-1.5	99%
Personnel	272.0	272.0	-0.0	100%
Other	494.0	469.8	-24.1	95%
Operating Income	2.6	78.6	76.0	-

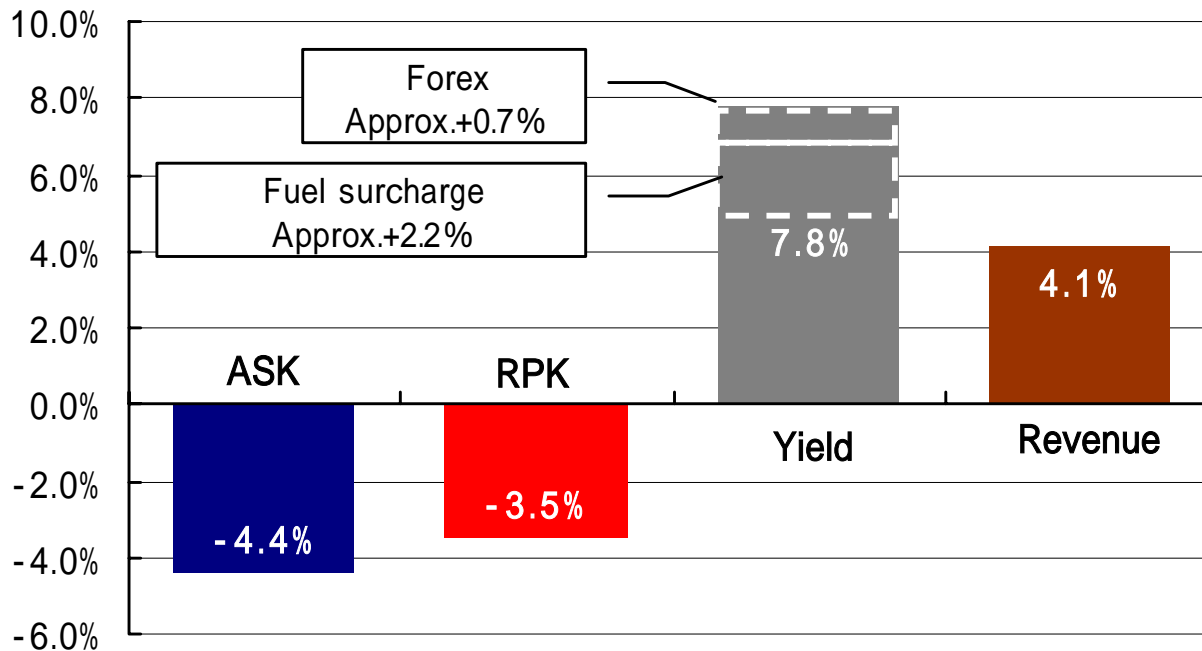


Revenue Analysis – International Passenger



y/y

- Revenue ¥754.3 bn
(y-y +¥29.4 bn)
- Load Factor 71.8%
(y-y +0.7pt)

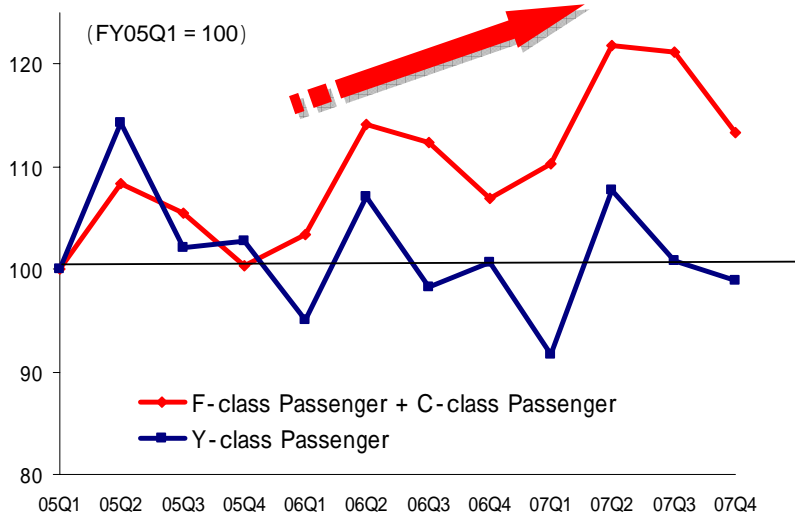


- ASK: Supply Available Seat Kilometer
- RPK: Demand Revenue Passenger Kilometer



Improvement in Class-Mix

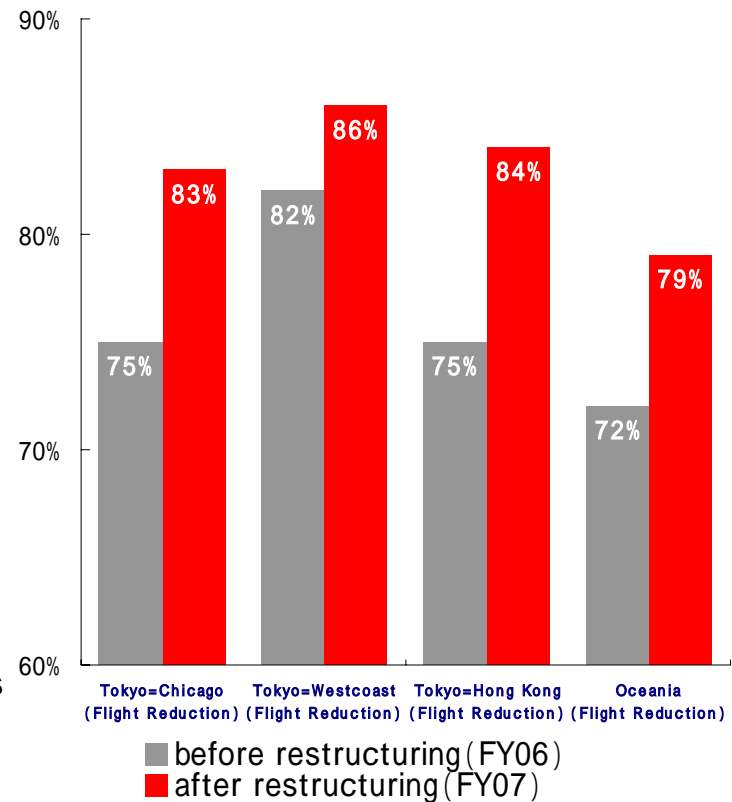
Number of Passengers by Class



- Sharp Growth in Business Class Passengers
- Maintaining the Level of Economy Class Passengers of FY05·FY06

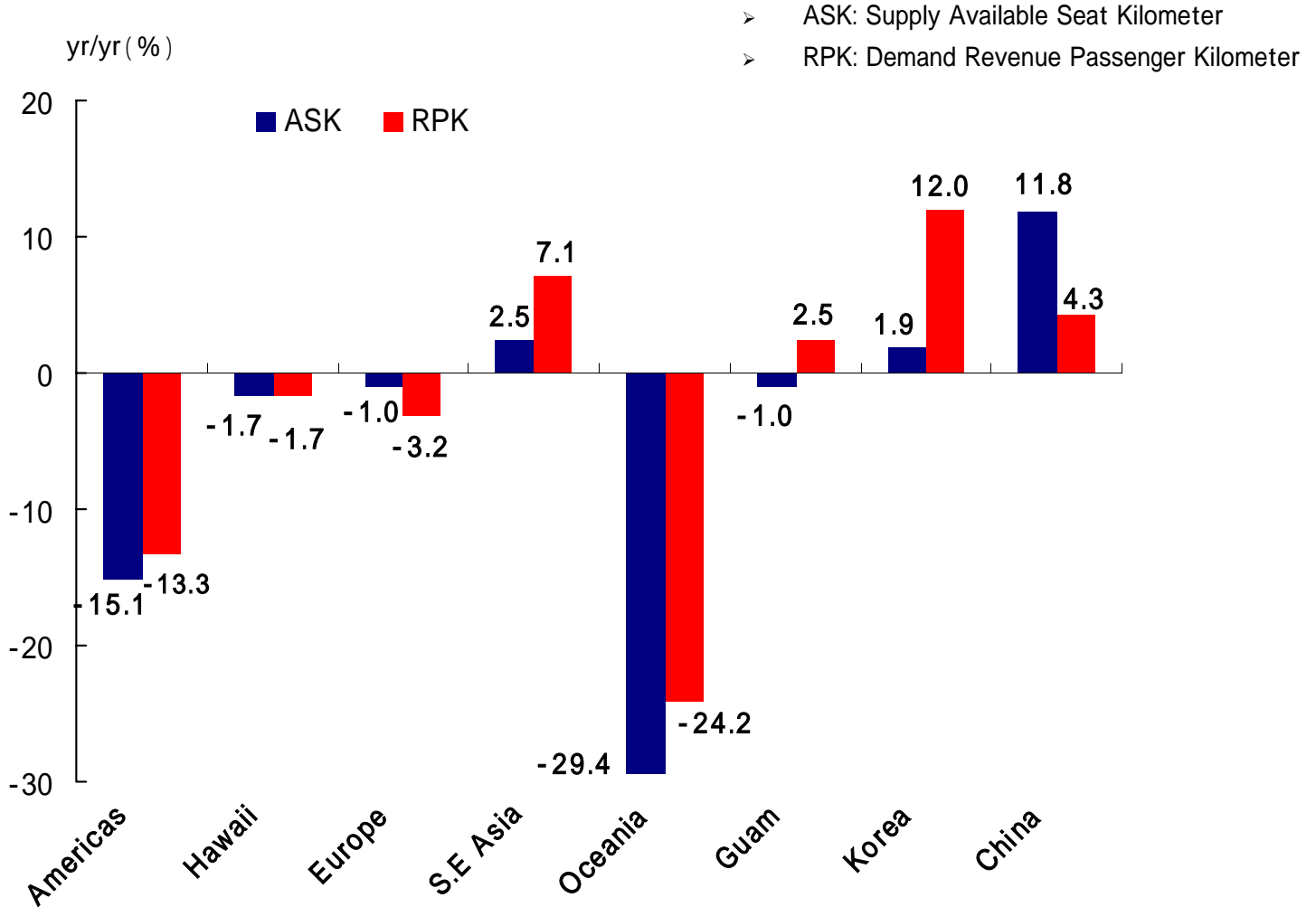
Improvement of Load Factor due to Flexible Adjustment of Capacity

Major Routes where L/F Sharply Improved





Demand and Capacity of International Passenger by Routes



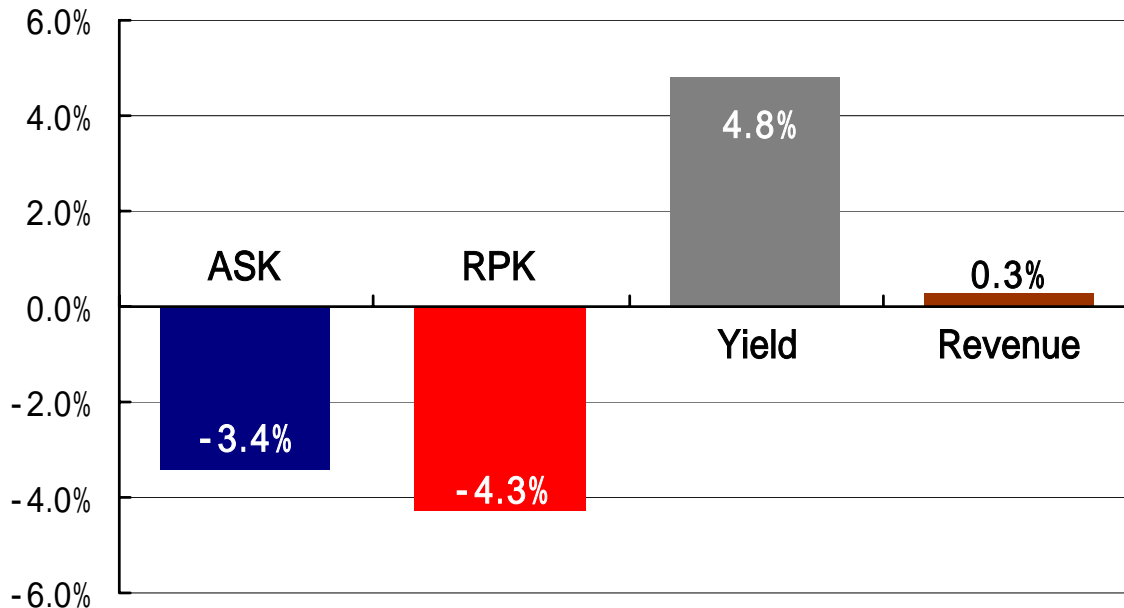


Revenue Analysis – Domestic Passenger



y/y

Revenue ¥677.4 bn
(y-y +¥1.7 bn)
Load Factor 63.4%
(y-y - 0.6 pt)

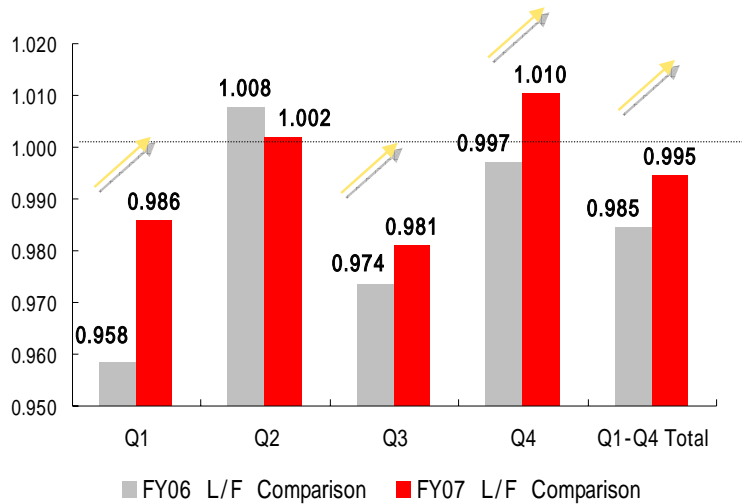


- ASK: Supply Available Seat Kilometer
- RPK: Demand Revenue Passenger Kilometer



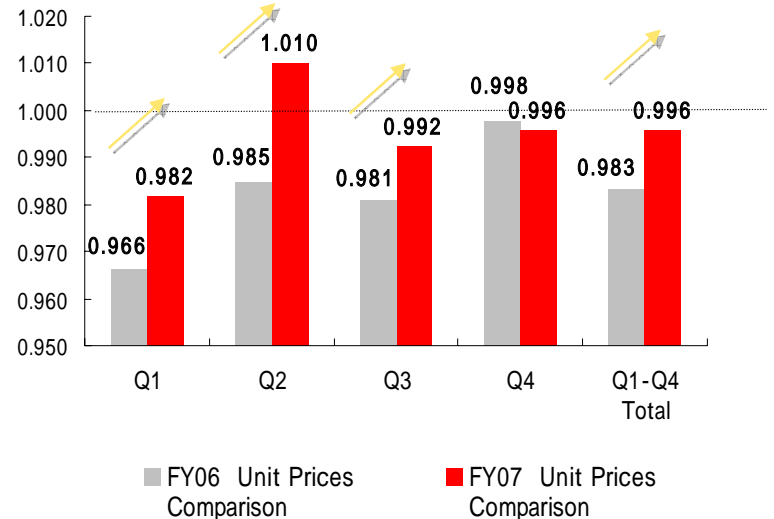
Comparison with ANA since FY2006

Load Factor Comparison *



* $JAL\ L/F \div ANA\ L/F$

Unit Price Comparison **



** $JAL\ Unit\ Price \div ANA\ Unit\ Price$

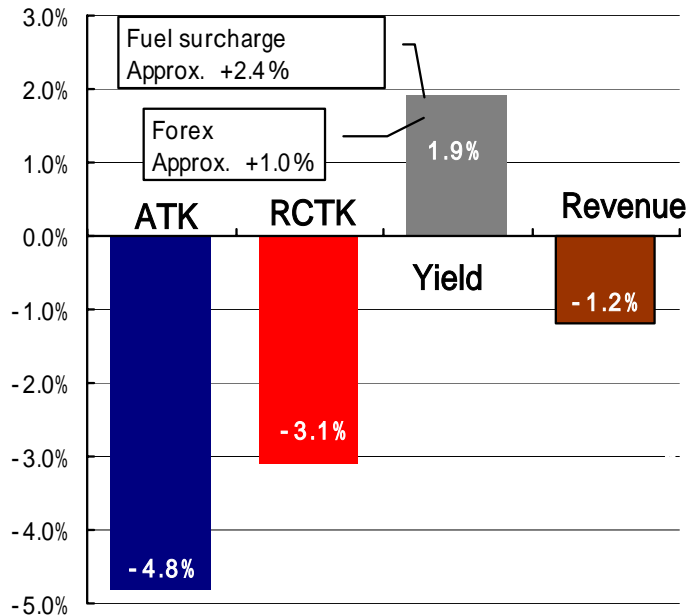


Revenue Analysis – International Cargo

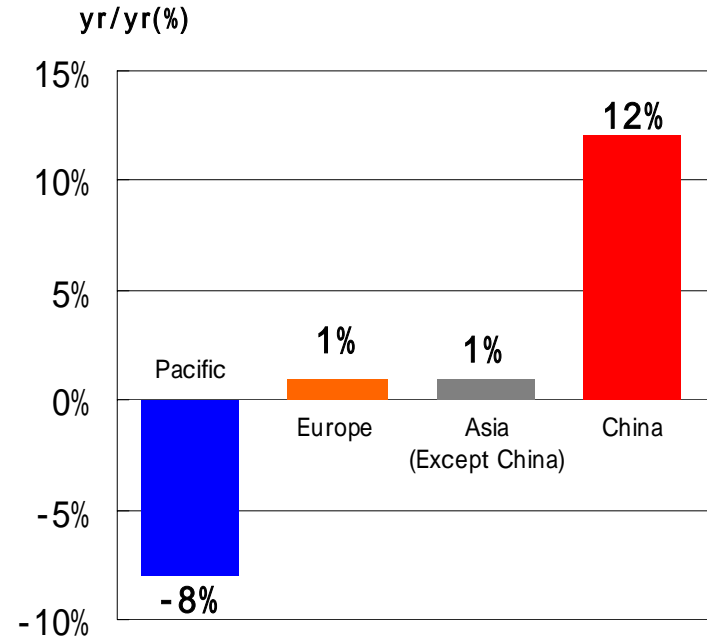


y/y

Revenue ¥188.2 bn
(y-y - ¥2.2 bn)



Cargo Demand by Destination



Capacity : ATK (Available Cargo Ton-Kilometer) Passenger Flights & Cargo Freighter

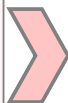
Demand : RCTK (Revenue Cargo Ton-Kilometer)



Achieved Cost Reduction



- Widespread company culture reform
- Reduction in general costs through reduction in number of staff
- Reduction in intra-JAL Group transactions through company integration simplification of cost management
- Start of strict monthly control of cost management
- Actualization of various ongoing efforts yielding result, such as continuous revision of contracts with companies outside JAL Group



Expanded effect of companywide cost reduction efforts



Achieved drastic reduction in consolidated Operating Cost

Result of Air Transportation Segment

	FY07	yr-yr
Fuel	412.7	-8.1
Airport facilities	128.3	-3.0
Maintenance	122.0	-1.3
Passenger services	50.5	-0.7
Commissions	111.0	-12.6
Aircraft Depreciation	73.5	0.7
Aircraft leases	107.7	-1.5
Personnel	272.0	-0.0
Other	469.8	-24.1
Operating Cost	1,748.0	-50.8

~ Realization of Full Effect of Productivity Improvement ~

[Fuel Cuts]

- Amid sharp fuel price hike, achieved cost reduction of ¥26.4bn by reducing fuel consumption. (P.29)
- Enjoyed successful outcomes from various measures such as frequent engine washing and aircraft downsizing

[Airport Facility Cost cuts] Achieved by route restructuring and downsizing

[Maintenance Cost cuts] Achieved by fleet renewal & productivity Improvement

[Commissions Cuts]

Achieved by bringing down the rate of sales commission for IP (7% 5%)

[Personnel Costs Cuts]

- Almost maintain the level of the previous year, in spite of an adverse effect of one-time cost reduction from "Daiko Henjo" for FY06 (+¥36.6bn)
- Exceeded the initial plans for improving personnel productivity (P.14)

[Ground Handling Service Commission Cuts]

Revision of commission rate by improving productivity (-¥9.7bn)

[Incidental Expense Cuts]

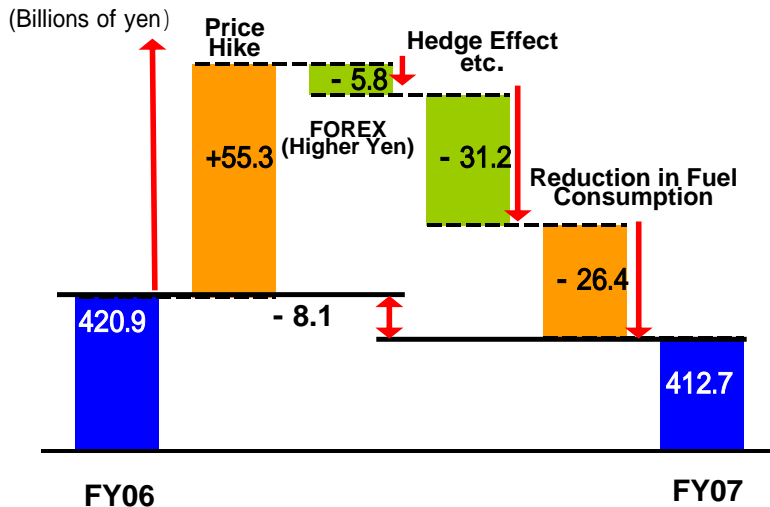
Cost reduction arising from reduction of trusted business revenue (-¥2.4bn)



Fuel Cost & FOREX (Air Transportation Segment)



Comparison of Fuel Cost (y/y)

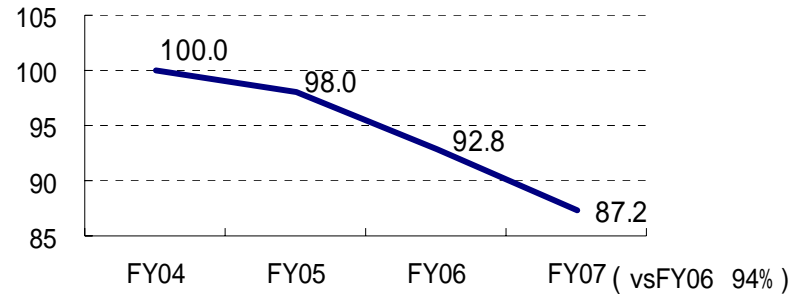


< FY07 Hedging Ratio >

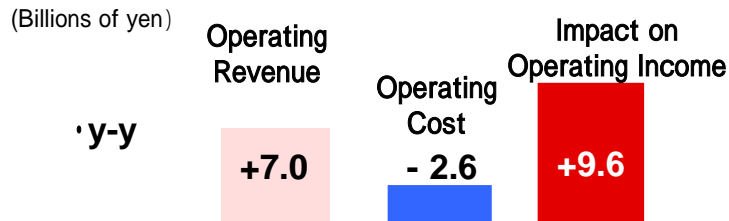
	FY06	FY07
Hedging Ratio	89%	89%
Average Market Fuel Price*	\$79.7	\$93.2

* Average Singapore Kerosene \$/bbl

< Drop in Fuel Consumption > (FY04 = 100)



Impact of FOREX



< FOREX Average Market Rate >

	FY06	FY07
USD**	¥117.2	¥115.5
EUR**	¥149.2	¥161.3

** Based on the average company exchange rate



1. Evaluation of FY2007 &
Business Performance Targets for FY2008

2. Outline of Account Settlement for FY2007

3. Appendices



Financial Targets by Segment



Billions of Yen

	Operating Revenues		Operating Income	
	FY08	yr-yr	FY08	yr-yr
Air Transportation	1,899.5	72.7	39.0	-39.6
Airline - related	228.5	-120.3	3.5	-0.7
Travel Service	370.0	-3.7	1.5	0.5
Card · Lease	63.5	-2.3	4.0	0.1
Other	87.0	-14.4	2.0	-0.6
Total	2,648.5	-68.0	50.0	-40.3
General corporate assets and intercompany eliminations	-464.5	21.6	0.0	0.3
Consolidated	2,184.0	-46.4	50.0	-40.0



Financial Targets of Air Transportation Segment



	FY07	FY08 Forecast	(Billions of Yen) y-y
Operating Revenue	1,826.7	1,899.5	72.7
International Passenger	754.3	807.0	52.7
Domestic Passenger	677.4	704.0	26.5
International Cargo	188.2	193.0	4.7
Other	206.7	195.5	-11.2
Operating Cost	1,748.0	1,860.5	-112.4
Fuel	412.7	510.0	97.2
Airport Facilities	128.3	127.5	-0.8
Maintenance	122.0	124.5	2.4
Passenger Services	50.5	52.5	1.9
Commissions	111.0	110.5	-0.5
Aircraft Depreciation	73.5	76.0	2.4
Aircraft Leases	107.7	109.0	1.2
Personnel	272.0	278.5	6.4
Other	469.8	472.0	2.1
Operating Income	78.6	39.0	-39.6



Capital Expenditure & Depreciation



	F Y 0 6	F Y 0 7	(Billions of Yen) F Y 0 8
Investment(Purchase)	134.1	118.5	155.0
(Aircraft)	70.2	82.6	115.0
Others(Ground Asset)	63.9	35.8	40.0
Investment (Finance Lease)	45.0	-	-
Depreciation	117.5	116.5	123.0
Principal Repayment of Finance Lease	56.6	58.6	51.0



Improved Safety Quality



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

Types of Accidents	FY2005		FY2006		FY2007	
	Number	Incidence Rate	Number	Incidence Rate	Number	Incidence Rate
Accident	0	(0)	1	(0.002)	2	(0.005)
Serious Incident	5	(0.012)	0	(0)	3	(0.007)
Irregular Operation	131	(0.313)	99	(0.235)	86	(0.204)
Total Flight Operation	417,453		421,833		421,900	

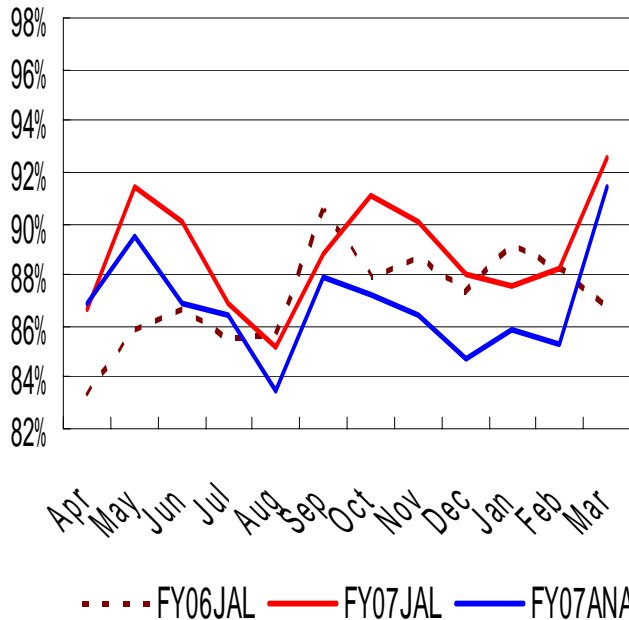


Enhanced Basic Quality

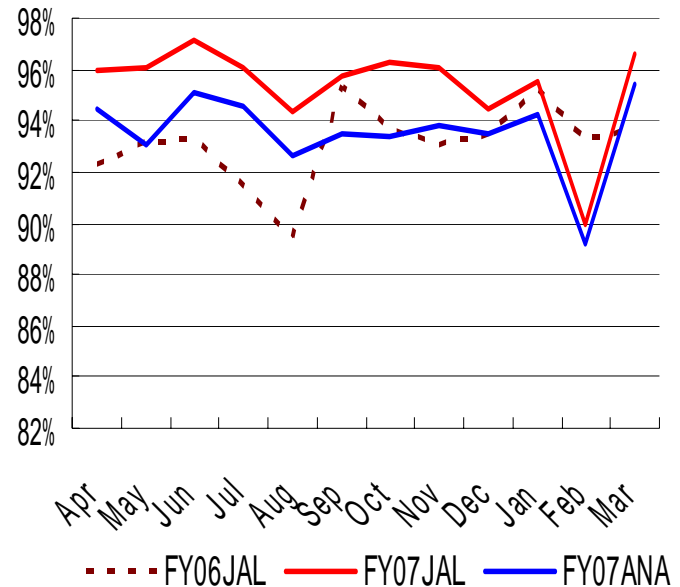


➤ Punctuality (Comparison with the previous year and competitor)

【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.



Results of Main Subsidiaries



(Billions of Yen)

		Operating revenue		Operating Income		Net Income	
		FY07	yr-yr	FY07	yr-yr	FY07	yr-yr
Airline-related	PACIFIC FUEL TRADING CORPORATION	122.8	-14.5	0.4	0.0	0.3	0.0
	TFK	27.0	1.0	1.2	0.0	0.7	0.0
Travel Service	JALTOURS	124.3	1.9	-0.9	-0.2	-1.1	-1.6
	JALPAK	176.9	-6.1	1.0	1.5	0.6	0.2
Card · Lease	JALCARD	21.8	-0.6	2.3	-1.3	1.8	-0.2
Other	JAL HOTELS	18.1	-0.6	0.7	-0.1	0.9	0.7



Japan Airlines Corporation