



JAL Group Announces Consolidated Financial Results for First Quarter of Fiscal Year 2014

TOKYO July 29, 2014: JAL Group (JAL) today announced the consolidated financial results for first quarter of fiscal year 2014 - the period from April 1 to June 30, 2014. For the details, please refer to attached [Consolidated Financial Results for the Three Months Ended June 30, 2014].

During the reporting period of consolidated financial results for the first quarter of the fiscal year (April 1 to June 30, 2014) (hereinafter referred to as the “first quarter”), the Japanese economy has been recovering at a moderate pace, while affected by a reactionary decline in demand following the front-loaded increase in demand prior to the consumption tax hike, though the impact has gradually weakened. Effects of the Japanese government’s stimulus package have begun to show, although the prolonged downturn of European economies has been a downside risk to the Japanese economy. Under these conditions, JAL Group strived to increase management efficiency and provide unparalleled service to the customers, founded on its strong commitment to flight safety in order to achieve the targets in Rolling Plan 2014 of the Medium Term Management Plan announced on March 26, 2014.

As a result of the above, consolidated operating revenues increased by 4.4% year-on-year to 307.0 billion yen and operating expenses increased by 6.0% to 288.4 billion yen, while operating income declined by 15.6% from the previous year to 18.6 billion yen and ordinary income declined by 14.0% to 16.9 billion yen. Net income for the first quarter was 14.7 billion yen, down 19.4% from a year ago.

(1) JAL Group Consolidated Results for the Period April 1 – June 30, 2014

Unit: Billions of yen	Fiscal Year 2013 (April 1 – June 30, 2013)	Fiscal Year 2014 (April 1 – June 30, 2014)	Difference vs. prior year	% vs. prior year
Total Operating Revenues	294.1	307.0	+ 12.9	104.4
International Passenger	98.9	107.2	+ 8.2	108.4
Domestic Passenger	108.8	105.7	- 3.0	97.2
Int. and Dom. Cargo	18.9	19.8	+ 0.8	104.6
Others	67.3	74.2	+ 6.8	110.2
Total Operating Expenses	272.0	288.4	+ 16.4	106.0
Operating Income	22.0	18.6	- 3.4	84.4
Operating Margin	7.5%	6.1%	- 1.4 points	-
Ordinary Income	19.6	16.9	- 2.7	86.0
Net Income	18.3	14.7	- 3.5	80.6

Figures are rounded down to the nearest tenth of a billion yen while percentages are rounded off to the first decimal place.

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(2) Air Transportation Segment

International Passenger

In route operations, we launched new daytime services between Haneda and London/Paris/ Singapore/Bangkok using our additional international flights at Haneda. We also opened a route between Haneda and Ho Chi Minh City using our midnight and early morning slots. Through the effective use of Haneda for domestic and international connections, we aimed to attract customers from regional Japan travelling overseas through Haneda, and vice versa, overseas visitors to regional Japan via Haneda.

On the product side, we increased our SKY SUITE fleet. Thirteen Boeing 777-300ERs, dubbed SKY SUITE 777, were rolled out on the Haneda=London/Paris routes and the Narita=New York/Los Angeles/Chicago/Frankfurt/Jakarta routes. We also revamped our Boeing 767-300ERs, dubbed SKY SUITE 767, and deployed them on mainly Asian routes such as Kuala Lumpur and Singapore.

As a result of the above, international supply when measured in available-seat-kilometer (ASK) increased by 4.2% year-on-year, demand in terms of revenue-passenger-kilometer (RPK) increased by 5.1% year-on-year, and the Load Factor (L/F) increased 0.6 points year-on-year to 73.3%. International passenger revenue increased by 8.4% year-on-year to 107.2 billion yen.

Domestic Passenger

We increased flights on select Haneda routes (e.g. Haneda=Itami/Kansai/Naha/ Okayama etc.). In addition, the airline increased flights between Haneda and Yamagata using contest slots, in which the local government and airlines worked together to improve regional routes. Besides Haneda routes, JAL also increased flights on Itami=Naha route with expected demand to improve customers' convenience.

In cabin services, we have rolled out aircraft featuring the JAL SKY NEXT interior since May 28, 2014. Additionally, JAL, being the first Japanese airline, began introducing inflight internet service-JAL SKY Wi-Fi on its domestic routes in July 23. Passengers can enjoy inflight entertainment and internet services by using their own smartphones and notebook computers etc. We sought to create a luxurious ambience through a totally coordinated cabin interior and to provide cabin service with enhanced quality.

As a result of the above, domestic supply during the reporting period decreased by 4.0% year-on-year when measured in available-seat-kilometer (ASK), demand increased by 2.2% in terms of revenue-passenger-kilometer (RPK), while the load factor (L/F) increased by 3.8 point year-on-year to 62.4%. Domestic passenger revenue decline by 2.8% year-on-year to 105.7 billion yen.

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**International and Domestic Cargo**

In international cargo operations, we actively captured automobile-related shipments prompted by the moderate recovery of exports, improved revenue management, and efficiently captured transit shipments such as perishables in an effort to maximize revenues. In sales, we improved our system at Haneda airport and did our best to increase domestic and international transfers (J-LINK), given the increase of flights at Haneda. On routes with expected demand, we transported shipments on other airlines' aircraft through airline charter agreements, on minimizing risks. During the reporting period, the volume of international cargo in terms of revenue-cargo-ton-kilometers (RCTK) increased by 16.5% year-on-year, and international cargo revenue increased by 9.2% to 14.0 billion yen.

Domestic cargo operations were affected by the front-loaded increase in demand prior to the consumption tax hike which continued to the beginning of the first quarter, and a modal shift from surface transport to air transport due to a shortage of trucks, which consequently increased shipments temporarily. However due to the decrease in supply, the volume of domestic cargo during the reporting period when measured in revenue-cargo-ton-kilometers (RCTK) came minus 6.0 % year-on-year, and domestic cargo revenue was 5.7 billion yen, minus 5.0% over the previous year.

(3) JAL Group Consolidated Financial Position

	FY2013 As of March 31, 2014	1st Quarter FY2014 As of June 30, 2014	Difference
Total assets (billion yen)	1,340.1	1,342.3	+ 2.2
Net assets (billion yen)	711.0	666.1	- 44.8
Equity ratio ^{*1}(%)	51.5	48.2	- 3.3 points
Interest-bearing debt (billion yen)	134.2	123.1	- 11.1
Debt/Equity Ratio ^{*2}	0.2	0.2	- 0.0

Figures are rounded down to the nearest tenth of a billion yen while percentages are rounded off to the first decimal place.

Note: 1. Shareholders' equity is total net assets excluding minority interests

2. Debt-to-equity ratio is interest-bearing debt divided by shareholders equity

(4) Forecast of JAL Group Consolidated Financial Results

There are no changes in the forecast of consolidated financial results for the fiscal year 2014 announced in "Consolidated Financial Results for the year ended March 31, 2014" disclosed on April 30, 2014.

[Reference]

Unit: Billions of yen	Operating Revenues	Operating Income	Ordinary Income	Net Income
Forecast for the full fiscal year ending March 31, 2015	1,350.0	140.0	135.0	115.0

Note: The forecast above represents estimates of future results based on the information available at the time of release and the company's reasonable judgment on this information. They are inherently subject to risks which may result in a divergence in the actual result from the forecasts and estimates contained herein.

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