

JAL Corporation and Consolidated Subsidiaries April – December 2008 & Third Quarter FY2008 Results

Tokyo February 6, 2009: JAL Group today announced consolidated results for both the third quarter (October-December 2008 inclusive) and the first three quarters (April – December inclusive) of FY2008. The Group has also revised its financial forecast for FY2008, the fiscal year ending March 31, 2009.

In the air transport segment - JAL Group's core business - total operating revenue in the first three quarters of FY2008 was 1,374.3 billion yen, a decline of 18.1 billion yen or 1.3% when compared to the same period the year before. Over the nine-month period, operating income in this segment fell 88.8 billion yen to minus 17.5 billion yen when compared to the previous year. On a consolidated basis, the JAL Group's net income declined 22.3 billion yen to minus 1.9 billion yen.

As air transport demand is expected to continue its downward slide as result of the current global economic slowdown, the JAL Group has revised its financial forecast for FY2008. The JAL Group now expects to post a consolidated net loss of 34 billion yen for the full fiscal year ending March 31, 2009.

1) JAL Group Consolidated FY08 Results for the Period April - December 2008

Units: Japanese yen – billions

	April -December 2008	April -December 2007	Difference	Same period % comparison on previous year
Operating revenue	1,559.3	1,701.1	- 141.8	91.7%
1. <i>International Passenger</i>	570.2	572.9	- 2.7	99.5%
2. <i>Domestic passenger</i>	520.9	520.1	0.8	100.2%
3. <i>International cargo</i>	133.5	143.6	- 10.0	93.0%
4. <i>Other</i>	334.5	464.4	- 129.9	72.0%
Operating expenses	1,568.1	1,618.6	- 50.4	96.9%
Operating income (loss)	- 8.8	82.5	- 91.4	-
Ordinary income (loss)	- 25.6	79.2	- 104.9	-
3rd Quarter Net income (loss)	- 1.9	20.4	- 22.3	-

**All figures rounded down to the nearest tenth of a billion yen.*

Operating Revenue

In accordance with its Medium Term Revival Plan FY2008–10, over the 9-month period the JAL Group continued enhancing the profitability of its air transport business, by downsizing its fleet through the introduction of more fuel efficient, smaller-sized aircraft; strengthening its products and services in line with its Premium Strategy; and by extensively restructuring its network, which included the suspension or reduction of flights on underperforming routes. As a result of these efforts, international passenger revenue only dropped by 0.5%, and domestic passenger revenue increased marginally by 0.2%, when compared to the same period the year before. International cargo operating revenue, however, declined 7% year-on-year. However, due to the global economic slowdown, operating



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revenue in the air transport segment overall fell by 1.3%, down 18.1 billion yen when compared to the year earlier.

Total operating revenue on a consolidated basis during the nine-month reporting period fell by 141.8 billion yen year-on-year, to 1,559.3 billion yen. This was due in part to the drop in operating revenues of the air transportation segment, but also due to a decline in revenue in the travel services business segment, and due to the Pacific Fuel Trading Corporation (PFTC), once a group subsidiary company, being removed from the scope of consolidation as a result of the sale of its shares.

Operating Expenses

Operating expenses were impacted by the unprecedented volatility of fuel prices, which dropped steeply from around the beginning the second half of FY2008, after having remained at all-time highs during the first half of the fiscal year. Against this backdrop, the JAL Group endeavored to curb the rise in fuel costs by employing a variety of measures to reduce fuel consumption and increase fuel efficiency, but ultimately it was unable to prevent fuel costs from rising by 107.4 billion yen, compared the same period a year earlier.

The JAL Group was able to cut costs below year-earlier levels in most other operating cost categories by stepping up the intensity of existing cost-cutting measures, at the same time as accelerating group-wide restructuring of its organization, which included a radical overhaul of work content, process, and form, Combining this with the effect of PFTC being removed from the scope of consolidation, the JAL Group was able to reduce operating expenses by a total of 50.4 billion, a 3.1% decrease compared to the year earlier.

Operating, Ordinary & Net Income

Consequently, consolidated operating income in the nine-month reporting period fell by 91.4 billion yen year-on-year, to minus 8.8 billion yen , and ordinary income declined by 104.9 billion yen to minus 25.6 billion yen . In spite of a year-on-year increase in extraordinary income in the reporting period and a decline in extraordinary losses, net income for the nine-month period fell by 22.3 billion yen to minus 1.9 billion yen.

2) Air Transport Business Segment Outline (April - December 2008)

a) OPERATING REVENUE

International Passenger

Through steady aircraft downsizing mainly on US routes and China routes as well as a review of routes, supply measured in terms of available seat kilometers (ASK) fell 4.5% from the same period last year.

Tourist demand remained sluggish throughout the period, and although demand from business customers and overseas customers had been brisk through the first quarter of FY2008, it slackened from the early autumn under the impact of the rapid economic deterioration worldwide.



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Consequently, there were substantial year-on-year falls in demand on routes to China, where food-related scares at the beginning of 2008 continued to have an impact. Passenger traffic was also below year-earlier levels on all other routes.

Demand measured in terms of revenue passenger kilometers (RPK) fell by 12.5%. Compared to the year before, the revenue seat passenger load factor (L/F) was 65.8%, down by 6.1 points, and the total number of passengers was 8,891,313, an 11.6% decrease year on year.

Despite the downward impact of a decline in sales overseas due to the yen's appreciation, passenger yield overall rose by 13.8% from the previous year. This was achieved not only through fare and the international fuel surcharge increases, but also through the expansion of JAL's Premium strategies which have included increasing the ratio of first and business class seating onboard aircraft, introduction of new international first and business class seating on US routes, and expanded introduction of JAL's Premium Economy service. As a result, revenues from international passenger operations decreased just by 0.5% year-on-year to 570.2 billion yen.

Domestic Passenger

Capacity on domestic routes fell by 1.2% year-on-year in terms of available seat-kilometers (ASK), owing to positive progress made in route restructuring and aircraft downsizing with the purpose of enhancing profitability.

There was a year-on-year decline in demand in the first half of FY2008 in the case of individual passengers, impacted in part by the above-mentioned capacity cuts. From November onwards, the effect of the global economic slowdown was to accentuate this decline. In contrast, group travel demand was up on the previous year all the way up until November, stimulated by various measures which included a range of newly created products.

As a result, the combined demand of individual and group passengers remained at around its year-earlier level in terms of revenue passenger kilometers (RPK), up by 0.6%. The average passenger load factor (L/F) rose by 1.2 points, to 64.7%., and the number of passengers increased by 0.1% to 31,940,692.

Passenger yield slightly decreased, by just 0.4% year-on-year, with the result that domestic passenger revenues remained at around their year-earlier level of 520.9 million, up 0.2% year-on-year.

International Cargo

International air cargo transportation supply measured in terms of available cargo ton-kilometers substantially shrank by 5.8% year-on-year. During the 9-month period, JAL completed the retirement of all conventional Boeing 747 freighters to enhance profitability, and belly space decreased with the suspension or reduction in the number of passenger flights as a result of the restructuring of its international passenger network.



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The global economic slowdown and the accelerating appreciation of the yen led to a substantial year-on-year decrease in demand on Europe and US routes throughout the nine-month period. Factors such as the reduction of capacity by rival airlines had helped to boost demand on routes to Southeast Asia and China in the first half of FY2008, but demand slumped on these routes also in the third quarter. The net result of these developments was that revenue cargo ton-kilometers (RCTK) fell by 14.0% year-on-year.

Yield, however, increased by 8.2%, boosted by the expansion of the airline group's high-value-added J-PRODUCTS range, sales-promotion measures and by the upward revision of the fuel surcharge. Operating revenue from international cargo operations, however, declined by 7.0% year-on-year, to 133.5 billion yen.

b) Operating Expenses

Fuel

Every effort was made to absorb the impact of the volatile price of fuel, which reached all time highs in the first half of FY2008, from hedging to fuel consumption reduction measures. But even combining this with the positive effect that the appreciation in yen may have had, fuel costs in the air transportation segment still rose by 107.4 billion yen from the corresponding period of the previous year, to 414.5 billion yen.

3) JAL Group Consolidated FY2008 Third Quarter Result (Oct - Dec 2008)

Units: Japanese yen – billions

	3 rd Quarter FY08 Oct-Dec 2008	3 rd Quarter FY07 Oct-Dec 2007	Difference	Same period % comparison on previous year
Operating revenue	485.7	558.2	- 72.5	87.0%
1. International Passenger	176.3	188.7	- 12.3	93.4%
2. Domestic passenger	168.4	167.3	1.0	100.6%
3. International cargo	38.1	52.1	- 14.0	73.2%
4. Other	102.7	149.9	- 47.2	68.5%
Operating expenses	524.7	532.3	- 7.5	98.6%
Operating income (loss)	- 39.0	25.9	- 65.0	-
Ordinary income (loss)	- 43.6	20.5	- 64.2	-
3rd Quarter Net income (loss)	- 38.5	13.1	- 51.7	-

**All figures rounded down to the nearest tenth of a billion yen*



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4) Consolidated Financial Forecast for the Year Ending March 31, 2009

Given the severe conditions facing the air transport segment due to the decline in demand resulting from the current global economic slowdown, the JAL Group has reassessed its financial forecast for the fiscal year ending March 2009. Details are as follows:

Units: billion yen	FY2008 New Revised Forecast (A)	FY2008 Revised Forecast (B) <small>Announced Nov 11, 2008</small>	Difference in forecasts (A – B)	FY2007 Result at Mar 31, 2008
Operating revenue	1,977.0	2,093.0	- 116.0	2,230.4
<i>International passenger</i>	712.0	765.0	- 53.0	754.3
<i>Domestic passenger</i>	672.0	691.0	- 19.0	677.4
<i>International cargo</i>	158.0	187.5	- 29.5	188.2
<i>Other</i>	435.0	449.5	- 14.5	610.4
Operating Expenses	2,014.0	2,065.0	- 51.0	2,140.4
Operating income (loss)	- 37.0	28.0	- 65.0	90.0
Ordinary income (loss)	- 63.0	5.0	- 68.0	69.8
Net income (loss)	- 34.0	13.0	- 47.0	16.9

**Figures rounded down to the nearest 100 million yen*

The preconditions for the forecasts above are a foreign exchange rate of US\$1 = 95.2 yen, and an average Singapore jet fuel price of US\$77.5 per barrel for the second half of FY2008 (October 1, 2008 – March 31, 2009).

Due to the big drop in air transport demand caused by the global economic slowdown, operating revenue is expected to fall below the JAL Group's previous forecasts for FY2008. Total operating expenses are now forecast to be lower than previous estimates, as the JAL Group expects to reduce costs in almost all areas through continuation and acceleration of self-help efforts, implementation of emergency measures initiated in the second half of FY2008, and a downward revision of expected total fuel costs due to the appreciation of the yen.

Compared to the last forecast announced on November 11, 2008, JAL Group operating revenue is now expected to decline by 116 billion yen to 1,977 billion yen in FY2008. However, a deeper than expected reduction in operating expenses will to some degree offset this decline in revenue. In FY2008, the Group now expects to post an operating loss of 37 billion yen, an ordinary loss of 63 billion yen, and net loss of 34 billion yen.



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5) Future Plans (FY2009 onwards)

As rapid changes in the global economic situation are making it difficult to predict the future trend of demand, the JAL Group will announce by mid-March its plans just for FY2009, the financial year ending March 31, 2010.

With business confidence falling and demand expected to drop far more than originally expected, the pressure to increase profitability, focus more on cost reduction and increase productivity levels will intensify.

Network restructuring, cost reform including personnel cost reform, capital investment reduction and other key elements of the current Medium Term Revival Plan FY2008 – 2010 (announced Feb 29, 2008) will all be continued and expanded in the FY2009 plan.

With the objective of increasing productivity levels, in FY2009 the JAL Group will continue with organizational restructuring which is already yielding greater than expected results in the current financial year. The Group expects to secure in FY2009 around a 50 billion yen cost reduction from an ongoing overhaul of the work content, process, and form in eight areas of its business: fuel, purchasing, back office support, IT systems, maintenance parts, sales logistics, customer service, and property management.

The JAL Group will not announce until the middle of FY2009 its corporate plan for FY2010 onwards. At that time, the JAL Group will outline its medium-term and long-term business strategies which will take into account the slot expansion at Tokyo International (Haneda) and Narita International airports in 2010.

6) JAL Group – Consolidated Traffic Statistics Apr 1 – Dec 31, 2008 vs. Apr 1 – Dec 31, 2007

	Apr 1 – Dec 31, 2008 FY08 – year ending Mar 31, 2009	Apr 1 – Dec 31, 2007 FY07 – year ended Mar 31, 2008	Same period % comparison or point change on previous year
INTERNATIONAL			
Passenger number	8,891,313	10,061,760	88.4%
Revenue passenger kms (000)	39,970,292	45,697,349	87.5%
Available seat kms (000)	60,745,669	63,600,428	95.5%
Revenue seat load factor	65.8%	71.9%	- 6.1 points
Revenue cargo ton kms (000)	2,901,189	3,374,920	86.0%
Mail ton kilometers (000)	150,115	144,113	104.2%
Revenue ton kms (000)	6,754,908	7,753,143	87.1%
Available ton kms (000)	10,834,909	11,450,204	94.6%
Revenue weight load factor	62.3%	67.7%	- 5.4 points



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DOMESTIC			
Passenger number	31,940,692	31,915,821	100.1%
Revenue passenger kms (000)	24,254,824	24,106,789	100.6%
Available seat kms (000)	37,495,690	37,954,571	98.8%
Revenue seat load factor	64.7%	63.5%	+ 1.2 points
Revenue cargo ton kms (000)	358,317	307,135	116.7%
Mail ton kilometers (000)	22,012	66,531	33.1%
Revenue ton kms (000)	2,198,078	2,180,237	100.8%
Available ton kms (000)	4,471,163	4,452,543	100.4%
Revenue weight l/factor	49.2%	49.0%	+0.2 points
TOTAL			
Passenger number	40,832,005	41,977,581	97.3%
Revenue passenger kms (000)	64,225,116	69,804,138	92.0%
Available seat kms (000)	98,241,359	101,554,999	96.7%
Revenue seat load factor	65.4%	68.7%	- 3.3 points
Revenue cargo ton kms (000)	3,259,506	3,682,055	88.5%
Mail ton kilometers (000)	172,127	210,644	81.7%
Revenue ton kms (000)	8,952,986	9,933,380	90.1%
Available ton kms (000)	15,306,072	15,902,747	96.2%
Revenue weight load factor	58.5%	62.5%	- 4.0 points

- International results include data from JAL International and JALways.

- Domestic results include data from JAL International, Japan Transocean Air, JAL Express, Japan Air Commuter, Hokkaido Air System, J-Air & Ryukyu Air Commuter.

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