

## JAL Group Announces 1<sup>st</sup> Quarter Consolidated Results for Financial Year 2008

**Tokyo August 7, 2008:** Today the JAL Group announced consolidated financial results for the first quarter (April through June 2008) of FY2008, the current financial year ending March 31, 2009. When compared to the same period last year, the Group saw an improvement in the air transportation segment - its core business - with operating revenue increasing by 6.1 billion yen to 428.1 billion yen, and operating income increasing by 14.2 billion yen to 3.3 billion yen.

Total consolidated operating revenues for the three-month period were 490.3 billion yen, 30.3 billion yen (- 5.8%) down on the same period last year. The decrease occurred primarily due to two companies being removed from the list of JAL Group consolidated subsidiaries. In November 2007, JAL Corporation decreased its shareholding in AGP Corporation and, in January 2008 transferred all of its shares in Pacific Fuel Trading Corporation (PFTC).

In the air transportation segment, however, there was an increase in total revenue. Operating revenue for the air transport segment including both international and domestic passenger and cargo businesses, increased by 1.4% up 6.1 billion yen from 422.0 billion yen to 428.1 billion yen, boosted by an 11.2% year-on-year increase in international passenger yields.

With regard international and domestic passenger operations, the JAL Group got off to a good start carrying out the various strategies of its FY2008-10 medium-term revival plan announced on February 29, 2008, by proactively restructuring its network and downsizing aircraft in its fleet. Consequently, supply measured in available seat kilometers (ASK) decreased by 3.5% on international routes and by 2.6% on domestic routes compared to the same period last year.

International passenger demand and domestic passenger demand, measured in revenue passenger kilometers, (RPK) were down 5.7% and 0.3% respectively when compared to the previous year, primarily due to the decrease in supply already mentioned.

Operating expenses were 486.4 billion yen, down 42.8 billion yen or 8.1% on the same period last year, a result of steady implementation of cost reforms outlined in the JAL Group medium-term revival plan. The JAL Group managed to limit the full impact of an unprecedented rise in the price of fuel by carrying out a wide range of fuel consumption reduction and fuel efficiency improvement measures in addition to flexible fuel hedging, which included fleet renewal, weight reduction measures, regular engine washing, and adoption of more fuel efficient flight operation procedures.

Compared to the same period last year, the JAL Group's operating income in the first quarter of FY08 increased by 12.4 billion to a total of 3.9 billion yen, and ordinary income increased by 3.9 billion yen to a total of 0.7 billion yen. Net income increased by 0.8 billion yen resulting in the JAL Group posting a net loss of 3.4 billion yen. This is the fifth consecutive year since FY2003 that the JAL Group has reduced its net loss in the first quarter.

### 1. JAL Group First Quarter Consolidated Results for FY08

<i>Units: billions of yen</i>	1st Quarter FY08 (April 1 – June 30, 2008)	1st Quarter FY07 (April 1 – June 30, 2007)	Previous Year Comparison	Previous Year % Comparison
Total operating revenue	490.3	520.6	- 30.3	94.2%
International passenger	180.4	172.1	+ 8.3	104.8%
Domestic passenger	153.7	155.4	- 1.6	98.9%
International cargo	45.4	44.4	+ 1.0	102.3%
Other	110.7	148.7	- 37.9	74.5%
Total operating expenses	486.4	529.2	- 42.8	91.9%
Operating income (loss)	3.9	- 8.5	+ 12.4	-
Ordinary income (loss)	0.7	- 3.2	+ 3.9	-
1st quarter net income (loss)	- 3.4	- 4.2	+ 0.8	-

*(Figures rounded down to one decimal place.)*



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## 2. Air Transport Segment Details

### a) Operating Income of Air Transport Segment -

	FY07 Apr-Jun	FY08 Apr-Jun	yr-yr	yr/yr
Operating Revenue	422.0	428.1	6.1	101%
International Passenger	172.1	180.4	8.3	105%
Domestic Passenger	155.4	153.7	-1.6	99%
International Cargo	44.4	45.4	1.0	102%
Domestic Cargo	6.7	8.2	1.5	123%
International Mail	2.2	2.2	0.0	103%
Domestic Mail	2.4	1.3	-1.0	57%
Other	15.6	16.5	0.8	106%
Incidental Business	23.0	20.0	-2.9	87%
Operating Cost	432.9	424.8	-8.1	98%
Fuel	97.5	101.1	3.6	104%
Airport facilities	32.4	30.9	-1.4	95%
Maintenance*	31.6	30.1	-1.4	96%
Passenger services	11.8	11.3	-0.5	96%
Commissions	26.1	24.9	-1.2	95%
Aircraft Depreciation	17.8	18.4	0.6	104%
Aircraft leases*	27.1	26.7	-0.3	99%
Personnel	72.5	71.5	-1.0	99%
Other*	115.9	109.4	-6.5	94%
Operating Income	-10.8	3.3	14.2	-

### b) International passenger traffic

- In line with the measures set out in the JAL Group's new medium-term revival plan, passenger capacity on international routes declined by 3.5% year-on-year as measured by available seat-kilometers (ASK), owing to route restructuring and aircraft downsizing.
- Passenger demand increased on Hawaii routes and Korea routes, where inbound traffic was very strong, but demand was down year-on-year on Europe, Transpacific, Oceania, Southeast Asia, and Guam routes, on which capacity had been reduced and leisure demand was weak.
- Passenger traffic on routes serving China, particularly in terms of tourists, was weak because of reported food-scares, and the Sichuan earthquake, and was well down on the previous first quarter.
- Consequently, overall demand fell by 5.7% in terms of revenue passenger kilometers (RPK), and the passenger load factor (L/F) slipped by 1.5 points, to 66.3%.
- Revenues from international passenger operations increased by 4.8% year-on-year to JPY180.4 billion. The principal factors behind this were growth in business demand, the shift of resources to more profitable routes, and the raising of fares and fuel surcharges, which boosted passenger yield by 11.2% year-on-year.
- A total of 2,935,698 passengers were carried on JAL international flights, down 5.1% on the previous year.

### c) Domestic passenger traffic

- Capacity on domestic routes fell by 2.6% year-on-year in terms of available seat-kilometers (ASK), primarily because of route restructuring and the adaptation of aircraft size to supply and demand.
- Demand, however, was down by only 0.3% in terms of revenue passenger kilometers (RPK), because in spite of the slowing of demand growth by individual passengers through the quarter, demand for group travel was strong.
- In consequence, the passenger load factor (L/F) rose by 1.4 points, to 60.6%.
- Passenger yield fell by 0.8% year-on-year, particularly among group passengers, causing domestic passenger revenues



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to decline by 1.1%, to JPY153.7 billion.

- A total of 9,958,042 passengers were carried on JAL domestic flights, down 0.7% on the previous year.

#### d) International cargo traffic

- Total capacity for international air cargo transportation declined by 4.9% year-on-year in terms of available cargo ton-kilometers, as a result of network restructuring and aircraft downsizing combined with the retirement of classic-type Boeing 747 freighters to cope with the high cost of fuel.
- On the demand side, factors such as the slowing of the economy and the strength of the yen against the dollar were instrumental in causing a year-on-year fall in demand on routes to the United States and Europe, on which capacity had been reduced, even though cargo space utilization efficiency had been improved.
- On routes to China, on which capacity had been increased, there was robust demand with both export and import cargo volumes exceeding year-earlier levels.
- Demand on routes to Southeast Asia was up year-on-year, in part because of the suspension of operations by competitors.
- As a result, due to the increase in percentage of short-haul routes operated to China and Southeast Asia the total volume of air cargo transportation in terms of revenue cargo ton-kilometers (RCTK) declined by 6.6% year-on-year.
- Cargo yield rose by 9.6%, boosted by the April increase in the international cargo fuel surcharge. As a result, revenue rose by 2.3% year-on-year, to JPY45.4 billion.
- The volume of international cargo carried was 179,645 tons, down 2.8% on the year before.

#### e) Fuel

The average price of jet fuel (Singapore kerosene) for the April-June period was USD141.2 per barrel, compared to an average of USD79.3 per barrel a year earlier. During the first quarter of FY2008 the price of fuel rose to unprecedented high levels moving in the US\$125–175 per barrel range over the period. Aside from the favorable effect of a strong Japanese yen against the US dollar, JAL has been conducting a flexible fuel hedging policy, carrying out a comprehensive range of fuel consumption reduction and fuel efficiency improvement measures, and endeavoring to increase sales revenue by creating products and services more focused on business and top-tier passengers with the overall aim of offsetting the impact of increases in the price of fuel. Fuel costs in the first quarter of FY2008 increased by 3.6 billion yen to 101.1 billion yen compared to last year.

#### f) Miscellaneous

As for air transportation segment operating expenses besides fuel, the total cost of almost all items on the financial statement decreased in the first quarter of FY2008 compared the same period last year through the JAL Group's own efforts.

**g) Financial Targets for the consolidated results FY2008, the year ending March 31, 2009** remain unchanged on the forecast made on May 9, 2008.

Unit: Japanese yen (¥) billions	FY 2008 Forecast (Year ending March 31, 2009)	FY 2007 Result (Year ending March 31, 2008)	Difference FY2008 vs. FY2007
Total operating revenues	2184.0	2,230.4	- 46.4
International passenger	807.0	754.3	52.7
Domestic passenger	704.0	677.4	26.6
International cargo	193.0	188.2	4.8
Other	480.0	610.4	- 130.5
Operating income	50.0	90.0	- 40.0
Ordinary income	30.0	69.8	- 39.8
Net income	13.0	16.9	- 3.9

(Figures rounded down to the nearest tenth of a billion yen).



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Key assumptions used for above figures: ¥110 = US\$1.00; average jet fuel price = \$110 per barrel

## 3. JAL Group Consolidated Traffic Statistics First Quarter

	First Quarter FY2008 (April 1 – June 30 2008)	First Quarter FY2007 (April 1 – June 30 2007)	Change % Or points
<b>INTERNATIONAL</b>			
Passenger number	2,935,698	3,091,999	94.9%
Revenue passenger Kilometers (000)	13,225,918	14,024,825	94.3%
Available seat Kilometers (000)	19,953,650	20,675,767	96.5%
Revenue seat load factor	66.3%	67.8%	- 1.5 points
Revenue cargo ton Kilometers (000)	1,001,200	1,071,818	93.4%
Mail ton kilometers (000)	48,263	40,685	118.6%
Revenue ton Kilometers (000)	2,275,108	2,412,255	94.3%
Available ton kilometers	3,549,765	3,714,138	95.6%
Revenue weight load factor	64.1%	64.9%	- 0.8 points
<b>DOMESTIC</b>			
Passenger number	9,958,042	10,028,920	99.3%
Revenue passenger Kilometers (000)	7,435,981	7,459,864	99.7%
Available seat Kilometers (000)	12,263,524	12,592,882	97.4%
Revenue seat load factor	60.6%	59.2%	1.4 points
Revenue cargo ton Kilometers (000)	109,508	94,032	116.5%
Mail ton kilometers (000)	8,496	20,055	42.4%
Revenue ton Kilometers (000)	675,244	673,080	100.3%
Available ton kilometers	1,475,583	1,475,472	98.8%
Revenue weight l/factor	46.3%	45.6%	0.7 points
<b>TOTAL</b>			
Passenger number	12,893,740	13,120,919	98.3%
Revenue passenger Kilometers (000)	20,661,899	21,484,689	96.2%
Available seat Kilometers (000)	32,217,174	33,268,649	96.8%
Revenue seat load factor	64.1%	64.6%	- 0.5 points
Revenue cargo ton Kilometers (000)	1,110,708	1,165,850	95.3%
Mail ton kilometers (000)	56,759	60,740	93.4%
Revenue ton Kilometers (000)	2,950,352	3,085,335	95.6%
Available ton Kilometers (000)	5,007,348	5,189,610	96.5%
Revenue weight l/f	58.9%	59.5%	- 0.6 points

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

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