

Results of Japan Airlines Corporation and Consolidated Subsidiaries for FY2008

Tokyo May 12, 2009: Japan Airlines Corporation announced today, the consolidated financial results of the JAL Group for FY2008, the fiscal year ended March 31, 2009.

As demand for air transport weakened due to the effects of the global financial crisis, the JAL Group's core business of air transportation, and its other airline-related and travel-related businesses sustained sharp declines in earnings. Coupled with the removal of former consolidated subsidiaries of the JAL Group from the consolidated statement through the sale of shares or the change in status to an affiliate, the total consolidated operating revenue for FY2008 declined 12.5% versus the previous year to end at 1,951.1 billion yen.

International passenger yield rose by 8.0%, but demand measured in total revenue passenger kilometers (RPK) fell by 13.6%, resulting in the revenue from international passenger operations to decrease by 50.7 billion yen from the year before to 703.5 billion yen. While the domestic passenger segment saw an initial increase in revenue of 0.8 billion yen in the first three quarters of FY2008, for the full year a 1.6% decrease in revenue was eventually logged, a 10.8 billion yen decrement compared to the same period last year, as the domestic economy started its gradual decline in the last quarter.

Albeit all sales-promotion efforts, upward revisions in the fuel surcharge, and an increase in the ratio of short-haul routes at the same time as a reduction in supply capacity, international cargo revenue was 152.1 billion yen, down by 36.0 billion yen year-on-year as a result of the stark slump in exports that was caused by the worsening economy as well as the strong yen in the second half of this reporting period.

Cost-cutting measures implemented since FY2007 continued across the board within the JAL Group, and together with cost reduction actions from the reformation of its operating structures that were originally planned for FY2009 being bought forward, a total reduction of 138.3 billion yen in operating expense was achieved in FY2008.

Despite the significant reduction in operating costs, the sharp decline in operating revenue resulted in an operating loss of 50.8 million yen and an ordinary loss of 82.1 billion yen is posted for FY2008.

After adding to the extraordinary gains from sales of investment in securities of JALCard, the JAL Group net income decreased 80.1 billion yen from last year's figure to a final net loss of 63.1 billion yen.



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1. JAL Group Consolidated FY2008 Full Year Financial Results

Units: Japanese yen (¥) billions*	FY 2008 Results (Year ending Mar 31, 2009)	FY2007 Results (Year ending Mar 31, 2008)	Difference between FY2008 & FY2007 Results
Total Operating Revenue	1,951.1	2,230.4	-279.2
International passenger	703.5	754.3	-50.7
Domestic passenger	666.5	677.4	-10.8
International cargo	152.1	188.2	-36.0
Other	428.9	610.4	-181.5
Total Operating Expenses	2,002.0	2,140.4	-138.3
Operating Income (loss)	-50.8	90.0	-140.8
Ordinary Income (loss)	-82.1	69.8	-151.9
Net income (loss)	-63.1	16.9	-80.1

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

I. Performance of Core Business Segment: Air Transportation

a. International Passenger

Actions taken in FY2008

- Continued with restructuring the international network and inaugurated or increased flights on 10 routes such as commencement of new daily flights between Tokyo (Haneda) and Hong Kong, as well as between Osaka, (Kansai) and Seoul (Gimpo), while suspending flights on four routes such as between Tokyo (Narita) and Xian and between Osaka (Kansai) and Qingdao.
- Operated some 700 charter flights during the year, maximizing the use of the aircraft to address demands, especially out from Tokyo, Haneda airport.
- Integrated the Group's two airlines, Japan Airlines International and Japan Asia Airways in April 2008 and unifying flights to Taiwan under the JAL name which in effect, contributed to reduction in expenses.
- Maintained fleet downsizing strategy and switched to utilizing smaller, more fuel-efficient Boeing 777 aircraft for routes such as Tokyo-New York and Tokyo-San Francisco, while replacing the medium-sized Boeing 767s with the narrow-body Boeing 737-800 on certain routes between Japan and China.
- Unveiled an improved range of premium products in the form of the latest first class cabin with the JAL Suite, and executive class seat – JAL Shell Flat Neo, introducing them on the flights between Tokyo (Narita) and New York as well as San Francisco. In addition, routes equipped with the award-winning premium economy class JAL Sky Shell Seat were expanded to include flights from Tokyo to New York, San Francisco, Paris, Amsterdam and Moscow.
- Revamped and re-opened economy class check-in counters in terminal 2 of Narita International Airport and



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installed state-of-the-art automated check-in machines and in-line luggage screening systems that will minimize the time taken for checking in.

- Expanded codesharing alliance with fellow **oneworld** member airlines, British Airways and Finnair, as well as non-members China Eastern Airlines, Air France and Jetstar Airways. By so doing, JAL enhanced its network even further, and thereby provided its customers with added convenience.

Japan Airlines International and JALways, the Group's international airlines, carried a total of 11,704,043 passengers for the reporting term, a 12.4% decline on last year in spite of the efforts mentioned above. Improvement of profitability as mapped out in the Group's Medium Term Revival Plan announced in February 2008 through a reduction in seat capacity by 5.4%, measured in available seat kilometers (ASK) by means of continued network restructuring and fleet downsizing, was mired by the drastic and unexpected drop in demand that followed the deterioration of the world economy in the second half of the term under review. As a result, international passenger load factor was 65.6% and operating revenue was down by 6.7% to 703.5 billion yen compared to 754.3 billion yen posted the same period last year.

b. Domestic Passenger

Actions taken in FY2008

- Suspended 14 under-performing routes such as the Sapporo-Okinawa route, and reduced flight frequency on 5 other routes.
- Introduced the Embraer 170, more fuel-efficient regional jet, into its fleet in the second half.
- Extended JAL's reputable domestic first class service offering on the Haneda-Fukuoka and Haneda-Sapporo routes and increased the number of flights equipped with this service on the original route between Haneda and Itami.
- Established exclusive security gates in the Group's Sakura Lounges at airports in Fukuoka, Itami and Sapporo's New Chitose Airport, to complement the Group's premium class of travel on the domestic route.

The 8 consolidated air-transport operators of the JAL Group carried a total of 41,154,433 passengers domestically, 1.8% less than the number transported in the year before. In spite of the reduction in capacity by 1.8% closely corresponding with a drop in demand by 1.4%, operating revenue from domestic passenger operations slid 1.6% from 677.4 billion yen to 666.5 billion yen in view of the lowering of fares to stay abreast with heightened competition in this arena. Furthermore, while the number of group travelers showed a year-on-year improvement, individual and business travelers dwindled, adding to the erosion of yield which fell 0.2%.

c. International Cargo

Actions taken in FY2008



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- Responding swiftly to market changes, JAL inaugurated a cargo route between Nagoya (Centrair) and Chicago, via Narita, and suspended freighter flights on the route to New York due to poor demand.
- To ensure a close match of supply of space with the scale of demand, almost all conventional Boeing 747 freighters were decommissioned in 2008, and on routes to China and Southeast Asia, services were provided primarily through the deployment of medium-sized Boeing 767 freighters.
- Expanded high-value-added J PRODUCTS service, which is designed to cater to diverse customers' needs, in order to stimulate demand.

Demand for air cargo transport on routes to the Americas and Europe slumped against the backdrop of the global economic downturn and the strength of the yen. While demand showed year-on-year growth on routes to Southeast Asia and China during the first half of FY2008, it later also fell abruptly in the second half as business confidence sank. A total of 627,213 tons of international cargo was carried by JAL Group in this reporting term, which represents a 17.8% slide from the year before. This and the sharp decline in demand by 20.2% in terms of revenue cargo ton-kilometers (RCTK) well reflect the effects of the world economy. Despite the cut in capacity by 8.2% and cargo yield rising by 1.3% due to intensified competition and the yen's sharp appreciation in the fourth quarter of FY2008, the persistent drop in cargo traffic eventually led to a 19.2% plunge in international cargo operating revenue compared to the same period last year.

II. Operating Costs, Foreign Exchange and Financial Indicators

a. Fuel costs

Fuel prices showed unprecedented volatility during this reporting term, reaching record-high levels during the first half and then falling sharply in the second. Albeit JAL's endeavours to restrain rises in fuel costs by using such means as weight-reduction on board, switching to more fuel-efficient aircraft, introducing new aircraft operating methods that use less fuel, to reduce fuel consumption, the impact of other factors ultimately caused fuel costs to increase by a substantial 96.3 billion yen from the previous year to a total of 509.1 billion yen. The resulting average market price for aircraft fuel after the fluctuations was high at US\$112.7 per barrel for FY2008, an increase from the US\$93.2 per barrel (Singapore Kerosene) recorded the previous fiscal year.

b. Non-fuel costs

Most of the other cost categories showed year-on-year declines which eventually led to an overall reduction of 138.3 billion yen in expenses. This was largely a result of the removal of former subsidiary company Pacific Fuel Trading Corporation (PFTC) from the scope of consolidation, and bringing forward the reformation of the Group's cost structure, including more exhaustive implementation of existing "nothing off-limits" cost-cutting measures and the radical overhaul of the operating structure and business processes. As much as possible, the Group targeted cost reduction in areas that are not determined by external influences (like fuel cost) but within its control such as



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adjustments to its wage system, reduction in annual bonuses, improvement of personnel productivity and implementation of early retirement and special refreshment leave programs.

c. Foreign exchange

The average yen-to-dollar exchange rate for the fiscal year ended March 31, 2009 was ¥100 to US\$1.00 compared to the previous fiscal year's average rate of ¥115 to US\$1.00. The average yen-to-Euro foreign exchange rate was €1 = ¥145 compared with €1 = ¥161 the previous year. As a result, the impact of the exchange rate on operating income was an overall improvement of 55.7 billion yen.

d. Financial Indicators

	FY08 year ended Mar 31, 2009	FY07 year ended Mar 31, 2008	Difference
Total Assets (billion yen)	1,750.6	2,122.7	- 372.1
Stockholders' Equity (billion yen) *	174.6	453.9	-279.2
Capital to Asset Ratio (%)*	10.0%	21.4%	-11.4 points
Interest-bearing debt on balance sheet (billion yen)	808.7	919.6	-110.8
Debt/ Equity Ratio (on balance sheet) *	4.6	2.0	+2.6

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

Debt/Equity Ratio(on balance sheet) = interest bearing debts (on balance sheet) divided by stockholders equity.

As we repaid debts and redeemed bonds in order to reduce interest bearing debts and used capital procured through allocation of priority shares to third parties on equipment investments including aircraft, total assets fell by 37.2 billion yen. Equity capital ratio was 10.0%, and Debt/Equity ratio increased to 4.6.

Interest bearing debts totaled 808.7 billion yen, a significant decrease of 110.8 billion yen from the last reporting term.

About Japan Airlines

The JAL Group is Asia's biggest airline group in terms of sales revenues and 2nd largest in Asia in terms of passengers carried annually. JAL Group airlines serve 220 airports in 35 countries and territories, including 59 airports in Japan. The international network covers over 250 passenger routes and 28 cargo routes, and the domestic network covers 143 routes.

With around 23,000 employees in the air transport segment, JAL Group operates a fleet of some 270 aircraft including Boeing 747s and 777s and is now in the process of a major fleet renewal, introducing more fuel-efficient small and medium aircraft such as the B737 New Generation series and in the future the new high-tech Boeing 787 "Dreamliner".

JAL First Class offers fully reclining Skysleeper or Skysleeper Solo seats. "JAL Executive Class - Seasons," introduces the concept of "quality time" spent on board and features the award-winning JAL Shell Flat Seat that reclines to almost the horizontal and provides a high degree of personal privacy.



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From December 2007 JAL started offering JAL Premium Economy on key business routes, and from August 2008 started introducing on US routes a luxurious new suite to JAL First Class and the JAL Shell Flat NEO, a leading-edge seat for JAL Executive Class.

Top quality in-flight service has always been the hallmark of JAL's reputation. Cuisine offered in all classes is a combination of Western and Japanese food. JAL carries a fine selection of award-winning wines and sake in First Class and JAL Executive Class - Seasons, JAL's business class. Quality in-flight entertainment systems are a feature of JAL's international fleet aircraft.

A member of the **oneworld** global alliance since April 2007, JAL offers customers many benefits, such as the JAL Mileage Bank frequent flier program.

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