

**JAL Group Announces FY2017 Consolidated Financial Results**

Tokyo, April 27, 2018: JAL Group (JAL) today announced the consolidated financial results for FY2017.

During the fiscal year, ending March 31, 2018, air travel demand remained strong for domestic and international flights due to moderate economic recovery trends seen in Japan and the overseas market. Crude oil prices, which affect JAL's fuel costs and international passenger/cargo revenues, increased as OPEC agreed to maintain oil production cuts leading to the emergence of geopolitical risks. Through the twelve months, the exchange rate of the Japanese yen against the US dollar ranged between 105 and 115 yen.

Under these economic conditions, the company implemented profit conscious management strategies based on the principles of JAL Philosophy and the divisional profitability management system. In order to reach the goals set out in the [FY2017-2020 JAL Group Medium Term Management Plan](#), the company will strive to realize greater management efficiencies and provide unparalleled service to customers, while committing to provide a safe and comfortable travel experience.

As a result of the above, operating revenue for the consolidated fiscal year increased 7.3% to 1,383.2 billion yen, while operating expenses increased 8.1% to 1,208.6 billion yen. Operating profit increased 2.5% to reach 174.5 billion yen and ordinary profit declined 1.1% from the previous year to 163.1 billion yen. Finally, profit attributable to owners of parent was 135.4 billion yen, down 17.5% due to deferred income taxes from the previous fiscal year.

(1) JAL Group Consolidated Results for the Period April 1, 2017 - March 31, 2018

Unit: Billions of yen	Fiscal Year 2016 (4/1/2016 - 3/31/2017)	Fiscal Year 2017 (4/1/2017 - 3/31/2018)	Difference vs. Prior Year	% vs. Prior Year
Operating Revenue	1,288.9	1,383.2	+ 94.2	107.3
International Passenger	415.2	462.9	+ 47.7	111.5
Domestic Passenger	498.6	518.2	+ 19.6	103.9
Cargo (Inter/Dom)	65.5	78.4	+ 12.8	119.6
Other	309.5	323.7	+ 14.1	104.6
Operating Expense	1,118.6	1,208.6	+ 90.0	108.1
Operating Profit	170.3	174.5	+ 4.2	102.5
Operating Profit Margin	13.2%	12.6%	- 0.6 points	-
Ordinary Profit	165.0	163.1	- 1.8	98.9
Profit attributable to owners of parent	164.1	135.4	- 28.7	82.5

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



(2) Air Transportation Segment

International Passenger

In international passenger operations, passenger traffic increased 2.3% and revenue based passenger load factors reached a record high at 81%, attributed to strong outbound/inbound demand.

With regard to route operations, in addition to the launch of new services between Tokyo (Narita)=Melbourne and Tokyo (Narita)=Kona in September 2017, JAL increased flights between Tokyo (Haneda)=London in October 2017 to capture additional corporate and leisure demand. The company also signed new partnership agreements with Vietjet, Vistara, Hawaiian Airlines, Aeromexico, and Aeroflot to further improve its network.

On the service front, JAL won top honors for “Loyalty (Repeat Intention Rate)” for the fifth consecutive year in addition to “Customer Satisfaction” in the latest Japanese Customer Satisfaction Index (JCSI). For in-flight meals, JAL introduced new menus in Premium Economy and Economy Class on medium to long-haul routes. The menus were created by chefs featured in RED U-35, which is Japan’s largest culinary competition for the newest generation of talented chefs.

As a result of the above, the capacity on international routes measured in Available Seat Kilometers (ASK) increased by 2.4% year-on-year, and international passenger revenue was up 11.5% recording 462.9 billion yen.

Domestic Operations

In domestic passenger operations, due to competition with other airlines, revenue per passenger declined from the previous year but passenger traffic increased by 4.5%. This can be partially attributed to the recovery in demand in the aftermath of the Kumamoto Earthquakes in April 2016, in addition to various demand-boosting measures.

In route operations, in order to improve the convenience and comfort level on regional routes, the Embraer 190 aircraft was introduced on flights to/from Osaka (Itami) airport. In addition, the state-of-the-art ATR42-600 turboprop was introduced to the island routes near Kagoshima Prefecture, operated by Japan Air Commuter.

Regarding products, JAL began to offer complimentary in-flight Wi-Fi service on flights operated with JAL SKY NEXT aircraft and has received positive reviews. In addition, Boeing 737-800 aircraft operated by Japan Transocean Air were retrofitted with JAL SKY NEXT cabin interiors to add greater convenience and comfort in air travel.



On the sales and marketing front, JAL and TripAdvisor, Inc. have collaborated to open a travel information website to provide travel content on lesser-known local sights and events in Japan to foreign travelers. Appropriately named “Untold Stories of Japan”, the immersive portal on TripAdvisor’s website provides information on tourist facilities and activities, as well as a special fare for overseas visitors “JAL Japan Explorer Pass” to boost and spread inbound tourism across Japan. Furthermore, JAL partnered with Hyakusen Renma, a company that provides Airbnb accommodations in Japan. The two companies look to create new travel products to promote inter-regional travel by both domestic and overseas visitors.

As a result of the above, the capacity on domestic routes measured in Available Seat Kilometers (ASK) increased by 0.8% year-on-year, and domestic passenger revenue was up 3.9% from the year before recording 518.2 billion yen.

(3) JAL Group Consolidated Financial Position

	FY2016 As of March 31, 2017	FY2017 As of March 31, 2018	Difference
Total Assets (billion yen)	1,728.7	1,854.2	+ 125.4
Net Assets (billion yen)	1,003.3	1,094.1	+ 90.7
Equity Ratio *1(%)	56.2	57.2	+ 1.0 point
Interest-bearing Debt (billion yen)	116.0	125.7	+ 9.7
Debt/Equity Ratio *2	0.1x	0.1x	- 0.0x

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) Dividends Policy

As reference, JAL has adopted Dividend on Equity (DOE) in addition to the current dividend indicator.

Regarding the payout ratio, approximately 30% of the net profit attributable to owners of parent excluding deferred income tax is considered as dividends to shareholders. At the same time, JAL will aim for DOE of 3% or above, considering the target ROE level (10%) and the target payout ratio (30%). The Company will continue to further improve capital efficiency and realize stable shareholder returns.



Based on this policy, the dividend at the fiscal year-end will be 57.50 yen per share. As a result, the annual dividend per share for this fiscal year will be 110 yen, including the interim dividend of 52.50 yen. In the next fiscal year, the year-end dividend is expected to be 110 yen per share, with the interim dividend at 55 yen per share.

	Dividends per Share		
	2nd Quarter End	Fiscal Year End	Total
FY2016	-	94.0	94.0
FY2017	52.5	57.5	110.0
FY2018 (Forecast)	55.0	55.0	110.0

(5) Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2019

Unit: Billions of yen	Operating Revenue	Operating Profit	Ordinary Profit	Profit attributable to owners of the parent
Entire Fiscal Year	1,455.0	167.0	156.0	110.0

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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