The JAL Group Announces Consolidated Financial Results For First Quarter of Fiscal Year 2017

TOKYO July 31, 2017: The JAL Group (JAL) today announced the consolidated financial results for first quarter of fiscal year 2017 - the period from April 1 to June 30, 2017. For the details, please refer to attached [Consolidated Financial Results for the Three Months Ended June 30, 2017].

During the first three months of the fiscal year ending March 31, 2018 (April 1 to June 30, 2017, hereinafter referred to as "the first quarter"), the Japanese economy is on a moderate recovery; The employment and income situation is improving, while private consumption and business investment are picking up. In overseas economies, Weakness was observed in Europe partially. Crude oil prices, which affect our fuel purchasing costs, international passenger revenue and international cargo revenue, have been higher than the year before, but decreased from June 2017 due to disarray following OPEC agreed to reduce oil production. The JPY/USD foreign exchange rate showed the Japanese yen maintaining the same level compared to the last year.

Under these economic conditions, we worked to increase profit consciousness of all our employees through efforts based on the JAL Philosophy and the divisional profitability management system, realize greater management efficiencies, and provide unparalleled service to customers, anchored in our firm commitment to flight safety, in order to reach the targets set out in Fiscal Years 2017-2020 JAL Group Medium Term Management Plan announced on April 28, 2017.

As a result of the above, consolidated operating revenue increased by 5.9% year-on-year to 314.8 billion yen and operating expense increased by 5.4% to 290.0 billion yen, while operating profit increased by 12.0% year on year to 24.7 billion yen and ordinary profit increased by 24.6% to 24.5 billion yen. Profit attributable to owners of parent for the first quarter was 19.5 billion yen, up 32.9% year on year.

(1) JAL Group Consolidated Results for the Period April 1 – June 30, 2017

Unit: Billions of yen	**Fiscal Year 2016 (April 1 – June 30, 2016)**	**Fiscal Year 2017 (April 1 – June 30, 2017)**	**Difference vs. prior year**	**% vs. prior year**
Operating Revenue	297.2	314.8	+ 17.6	105.9
International Passenger	99.5	105.5	+ 6.0	106.1
Domestic Passenger	109.4	116.1	+ 6.7	106.1
Int. and Dom. Cargo	15.4	17.8	+ 2.4	115.7
Others	72.7	75.2	+ 2.4	103.4
Operating Expenses	275.1	290.0	+ 14.9	105.4
Operating Profit	22.0	24.7	+ 2.6	112.0
Operating Margin	7.4%	7.9%	+ 0.4 points	-
Ordinary Profit	19.7	24.5	+ 4.8	124.6
Profit attributable to owners of parent	14.7	19.5	+ 4.8	132.9

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 international passenger operations, inbound demand from overseas remained robust and outbound demand has been buoyant, resulting in higher load factors than the year before.

In route operations, the Narita=New York JFK route operated with the 787-8 was upgauged to the 777-300ER with a First Class cabin from March 26, 2017, and a new Haneda=New York JFK route was launched starting on April 1, 2017. Both of these routes have been in great demand by our customers. In addition to a new route between Narita and Melbourne (from September 1, 2017) and the resumed service between Narita and Kona (from September 15, 2017), flights between Haneda and London will be increased (from October 29, 2017) to provide customers with a more convenient and extensive network.

On the marketing and service front, a second and newly painted JAL Doraemon Jet began operating between Haneda and Beijing and between Haneda and Guangzhou to inspire customers to fly with JAL when travelling between Japan and China. The JAL Doraemon Jet is painted in a special livery featuring the iconic manga character Doraemon, which is popular in China. JAL also launched sales of the JAL FALCON Business Jet Service in collaboration with Dassault Falcon Service to offer a private business jet charter service providing passengers flying on JAL's scheduled flights between Tokyo and Paris with seamless onward connections.

On the product side, JAL won the title for the Best Economy Class Airline Seat at the 2017 SKYTRAX World Airline Awards held at Paris Air Show. JAL received this award for the second time, after winning it in 2015.

As a result of the above, capacity on international routes measured in Available Seat Kilometers (ASK) decreased by 0.8% year-on-year, and international passenger revenue was 105.5 billion yen, up 6.1% from the year before thanks to JAL's revenue management initiatives, an increase in fuel surcharge revenue and such.

Domestic Passenger

In route operations, Embraer 190 operated routes were further expanded, primarily to and from Itami (Osaka), and the state-of-the-art ATR42-600 turboprop was newly introduced to Japan Air Commuter's services to outlying island routes of Kagoshima, Kyushu to improve convenience and comfort on regional network routes.

On the product side, JAL launched Japan's one and only free inflight Wi-Fi service on domestic routes available aboard JAL SKY NEXT flights as part of its value creation initiatives for domestic passenger services. In addition, the 737-800 aircraft, operated by Japan Transocean Air, are progressively being retrofitted with JAL SKY NEXT cabin interiors to add greater convenience and comfort in air travel.

Airport services saw renovations of Sakura Lounge at Fukuoka Airport and Hiroshima Airport, and the opening of the newly renovated luxury lounge for top-tier domestic passengers, Diamond Premier Lounge, at Fukuoka Airport, following those opened at Haneda, New Chitose (Sapporo), and Itami (Osaka). Meal and drink service menus were improved and service hours were reviewed to improve the quality of lounge services.

As a result of the above, capacity on domestic routes measured in Available Seat Kilometers (ASK) increased by 0.9% year-on-year, and domestic passenger revenue was 116.1 billion yen, up 6.1% from the year before.

International and Domestic Cargo

International cargo operations saw an improvement in demand. Thanks to active demands on both inbound and outbound routes, cargo volume increased by 24.4% year-on-year when measured in Revenue Cargo Ton Kilometers (RCTK). International cargo revenue came to 12.4 billion yen, up 25.4% year on year.

In domestic cargo operations, the demand increased thanks to implementation of positive sales activities, but domestic cargo revenue stood at 5.3 billion yen, down 1.9% from a year ago, due to the change of lineup of cargo, and such.

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(3) JAL Group Consolidated Financial Position

	FY2016 As of March 31, 2017	1st Quarter FY2017 As of June 30, 2017	Difference
Total assets (billion yen)	1,728.7	1,731.3	+ 25.0
Net assets (billion yen)	1,003.3	988.8	- 14.4
Equity ratio *1(%)	56.2	55.4	- 0.8 points
Interest-bearing debt (billion yen)	116.0	107.0	- 9.0
Debt/Equity Ratio *2	0.1	0.1	- 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 and Dividend

Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2018

Unit: Billions of yen	Operating Revenue	Operating Profit	Ordinary Profit	Profit attributable to owners of parent
Previous forecast (A) (Announced on April 28, 2017)	1,339.0	142.0	137.0	100.0
New forecast (B)	**1,348.0**	**153.0**	**146.0**	**108.0**
Change (B-A)	9.0	11.0	9.0	8.0

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.

Reasons for Revisions of Financial Forecast for the Fiscal Year Ending March 31, 2018

- Full-year consolidated revenues are expected to increase 9.0 billion yen over the previous forecast, as international passenger unit revenue, domestic passenger demand, and cargo demand outperformed their respective forecasts for the first quarter.
- Full-year consolidated expenses are expected to decline 2.0 billion yen from the previous forecast due to lower-than-expected fuel prices during the reporting period and continuous efforts to increase cost effectiveness throughout the year. Full-year consolidated operating profit reflecting these factors is seen to increase 11.0 billion yen over the previous forecast.
- We have revised our earnings forecast for the fiscal year ending March 31, 2018 due to a 9.0 billion yen increase in full-year consolidated ordinary profit and an 8.0 billion yen increase in full-year net profit attributable to owners of parent.

Forecast of Dividends

	Dividends per Share		
	2nd Quarter End	**Fiscal Year End**	**Total**
Previous forecast (Announced on April 28, 2017)	Yen 45.0	Yen 45.0	Yen 90.0
New forecast for Fiscal year 2017	**48.00**	**48.0**	**96.0**

Note: Revisions to the most recently disclosed dividend forecasts: Yes

Reasons for Revision of Dividend for the Fiscal Year Ending March 31, 2018

- Based on revisions to the full-year consolidated earnings forecast, we have revised our dividend forecast for the fiscal year ending March 31, 2018 to 96.0 yen per share and our interim dividend forecast to 48.0 yen per share.

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