

FY2021 CFO Small Meetings (two meetings), December 9, 2021

Representative Director, Senior Managing Executive Officer, Finance & Accounting (CFO): Hideki KIKUYAMA

CFO KIKUYAMA commenced his presentation as the followings:

1. Current updates on international and domestic passenger business and cargo business
Domestic passenger demand was approximately 50% in October and 60% in November compared to FY2019, and it is steadily recovering. As for international passenger business, demand of returnees or expatriates and a transit demand which is excluded from Japan's immigration restrictions was strong during the New year holiday season and we see no effect from Omicron variant. Cargo business is still in a good condition.
2. Current financial position
It is expected that the cash burn will be diminished in November, and we will strive to achieve turning EBIT positive within FY2021.
3. JALUX to be a consolidated subsidiary
Placing JALUX as a core company for non-aviation business domain, we will fully utilize JAL's strong customer base and multiply Japan Airlines and Sojitz's own strength to create outstanding synergy.
4. Jointly purchasing SAF (Sustainable Aviation Fuel) with members of oneworld alliance
Jointly purchasing SAF (Sustainable Aviation Fuel) with members of oneworld alliance
We have announced that we will jointly purchase SAF from Aemetis. Inc based in the U.S. We already invested in Fulcrum BioEnergy, Inc., but we will take a further step forward to achieve the goal of switching total fuel to SAF by 1% for FY2025.

Major Q&As:

Q Possibility of reviving freighter in cargo business

A We are not considering introducing freighter to highly volatile cargo business, however, we will discuss without preconception on future direction of cargo business in Medium-Term Management Plan.

Q What is the level of Actual Fixed Cost for the next fiscal year ?

A It is our commitment to keep Actual Fixed Cost below 500 billion yen per year. For the first half, demand was less than our expectation thus it remained lower than 250 billion yen, which is half of 500 billion yen per annum, and our full-year Actual Fixed Cost will be at a 475 billion yen level. Even in the phase of demand recovery next fiscal year and onwards, we will not increase the level from 500 billion yen.

Q Possibility of additional financing

A We have conducted hybrid financing and strengthened shareholder's equity as result. We still have capacity for collateral and have been maintaining our credit rating thus we are in a condition where we can still utilize debt financing such as bonds and bank loans

Q Domestic flight fares and revenue per passenger

A Currently, fares are subdivided by segment (flight), but it will be renewed to new fare based on global standard like it is for international flights which realizes optimization in network. We would like to ask for your understanding that this does not aim to raise fare like it was reported on media nor to abolish early-bird discount fare. With flexible pricing and expanded fare lineup, customer's convenience will enhance and option in purchasing tickets will increase. It also leads to increase in revenue per passengers in total as results of improvement in accuracy of yield management.

Q Progress in Medium Term Management Plan disclosed in May 2021

A Although the timing of the demand recovery remains unclear due to COVID-19, we are making step-by-step progress. We have taken the lead in a recovery phase in domestic passenger business as result of strengthening our competitiveness by renewing flagship fleets. In LCC business, in addition to Spring Japan becoming our subsidiary in June and ZIPAIR launching its first route to the U.S. West Coast, service to Los Angeles to be offered from December 25, Jetstar Japan which plays a role in domestic passenger business also shows recovery in its load factor up to 80% level, and we are taking a gradual step forward by responding to the structural change in demand in post-COVID19. In expanding business domains, JALUX will be one of the biggest tools.

Q Initiatives towards net-zero CO2 emissions by 2050

A Regarding the pillar of CO2 emission reduction, we have set the goals of switching total fuel to SAF by 1% for 2025 and by 10% for 2030, and we will work with industry as a whole to build supply chain in Japan. In addition, we are introducing fuel-efficient aircraft Airbus 350 as planned even under difficult business environment.