

JAPAN AIRLINES Co., Ltd.

Financial Results

1st Quarter Mar/2020 (FY2019)



July 31, 2019



JAPAN AIRLINES

OVERVIEW OF FINANCIAL RESULTS FOR 1ST QUARTER MAR/20

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DETAILS OF FINANCIAL RESULTS FOR 1ST QUARTER MAR/20

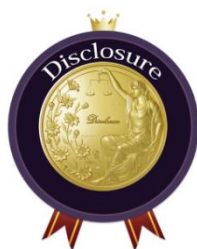
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REFERENCES

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SKYTRAX
5-Star Airline



2018 Award for Excellence
in Corporate Disclosure

— Industries —



The Securities Analysts
Association of Japan



FlightStats
The best on-time
Asia-Pacific Airline

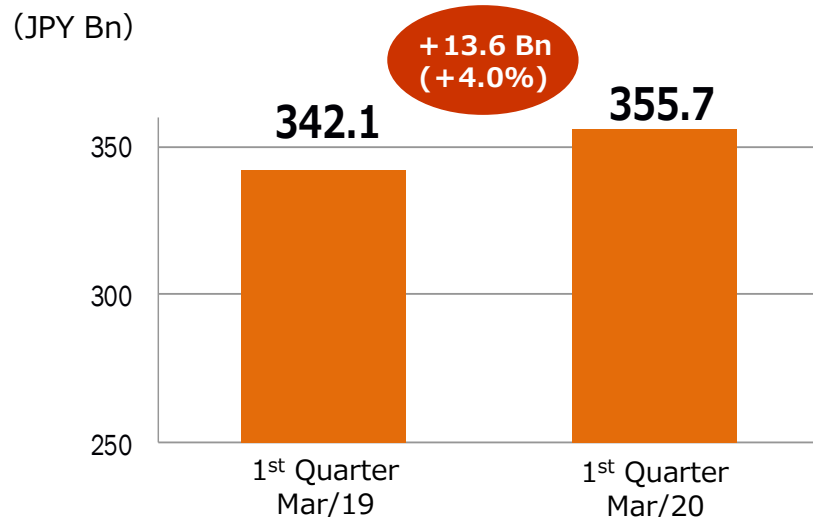


SKYTRAX
The World's Best Economy Class
The Best Economy Class Seat

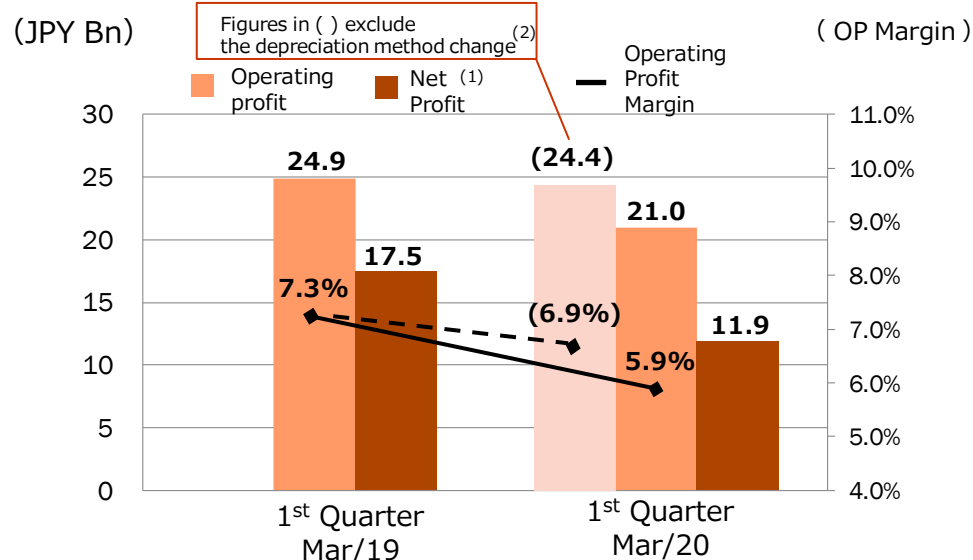
Overview of Financial Results for 1st Quarter Mar/20

- ✓ Operating Revenue increased by capturing demand steadily. Without the depreciation method change, Operating Profit was at the same level year-on-year

Operating Revenue



Operating profit • Net profit ⁽¹⁾ • Operating profit margin



Fuel/FX Markets

	1 st Quarter Mar/19	1 st Quarter Mar/20	y/y
Singapore Kerosene (USD/bbl)	84.7	81.3	▲4.0%
Dubai Crude Oil (USD/bbl)	68.5	69.1	+0.9%
FX Rate (JPY/USD)	108.0	111.0	+2.8%

Operational Precondition/ASK

1 st Quarter Mar/20 (y/y)		
International Routes	Domestic Routes	Total
+2.9%	+0.7%	+2.0%

(1) Net profit attributable to owners of the parent

(2) Before the depreciation method change, all components attached to aircraft were depreciated altogether with aircraft. With the new method, assets are classified to each components, based on economic lives of components such as engines and cabin interiors, and depreciated separately.

- Now, I will present the overview of the first-quarter financial results for the fiscal year ending March 31, 2020.
- In this Quarter, due to the world economy slow down, International Passenger and Cargo demand was not strong, but we steadily captured strong Domestic demand. As a result, Operating Income increased by 13.6 billion yen to 355.7 billion yen, 4.0% up year-on-year.
- Despite the rising fuel cost and the preparatory cost for airport capacity expansion in the coming year, Operating expense increase was limited to 14.1 billion yen, 4.5% up year-on-year to 331.3 billion yen, without the depreciation method change.
- As a result, Operating Profit was 24.4 billion yen without the depreciation method change, staying at the same level as last year, just 0.5 billion yen decrease, down 2.1% year-on-year.
- Net Profit decreased by 32.1% year-on-year to 11.9 billion yen due to an increase of corporate tax.

Consolidated Financial Results for 1st Quarter Mar/20

(JPY Bn)	1 st Quarter Mar/19	1 st Quarter Mar/20	Diff.	y/y
Operating Revenue	342.1	355.7	+13.6	+4.0%
International Passenger	124.8	127.8	+3.0	+2.4%
Domestic Passenger	117.2	123.9	+6.6	+5.7%
Cargo / Mail	24.2	22.7	▲1.4	▲6.1%
Other	75.7	81.1	+5.3	+7.1%
Operating Expense ⁽¹⁾	317.1	334.6 (331.3)	+17.5 (+14.1)	5.5% (+4.5%)
Fuel	60.3	63.6	+3.2	+5.5%
Excluding Fuel ⁽¹⁾	256.7	271.0 (267.6)	+14.2 (+10.8)	+5.5% (+4.2%)
Operating Profit ⁽¹⁾	24.9	21.0 (24.4)	▲3.8 (▲0.5)	▲15.6% (▲2.1%)
Operating Profit Margin (%) ⁽¹⁾	7.3%	5.9% (6.9%)	▲1.4pt (▲0.4pt)	-
Ordinary Profit	23.1	21.2	▲1.8	▲7.9%
Net Profit ⁽²⁾	17.5	11.9	▲5.6	▲32.1%
ASK (MN seat km)	22,468	22,914	+445	+2.0%
RPK (MN passenger km)	17,134	17,629	+494	+2.9%
EBITDA Margin (%) ⁽³⁾	16.2%	15.6%	▲0.7pt	-
EBITDAR Margin (%) ⁽⁴⁾	17.6%	16.9%	▲0.7pt	-
Unit Cost (JPY) ^{(1) (5)}	10.3	10.6 (10.4)	+0.3 (+0.2)	+3.1% (+1.6%)

(1) Figures in () in 1st Quarter Mar/20, Diff, and y/y do not include the depreciation method change

(2) Net profit attributable to owners of the parent

(3) EBITDA Margin = EBITDA / Operating Revenue EBITDA=Operating Profit + Depreciation and Amortization

(4) EBITDAR Margin = EBITDAR / Operating Revenue EBITDAR=Operating Profit + Depreciation and Amortization + Aircraft Leases

(5) Unit Cost = Air Transportation Segment Operating Expense (excluding fuel cost) / ASK

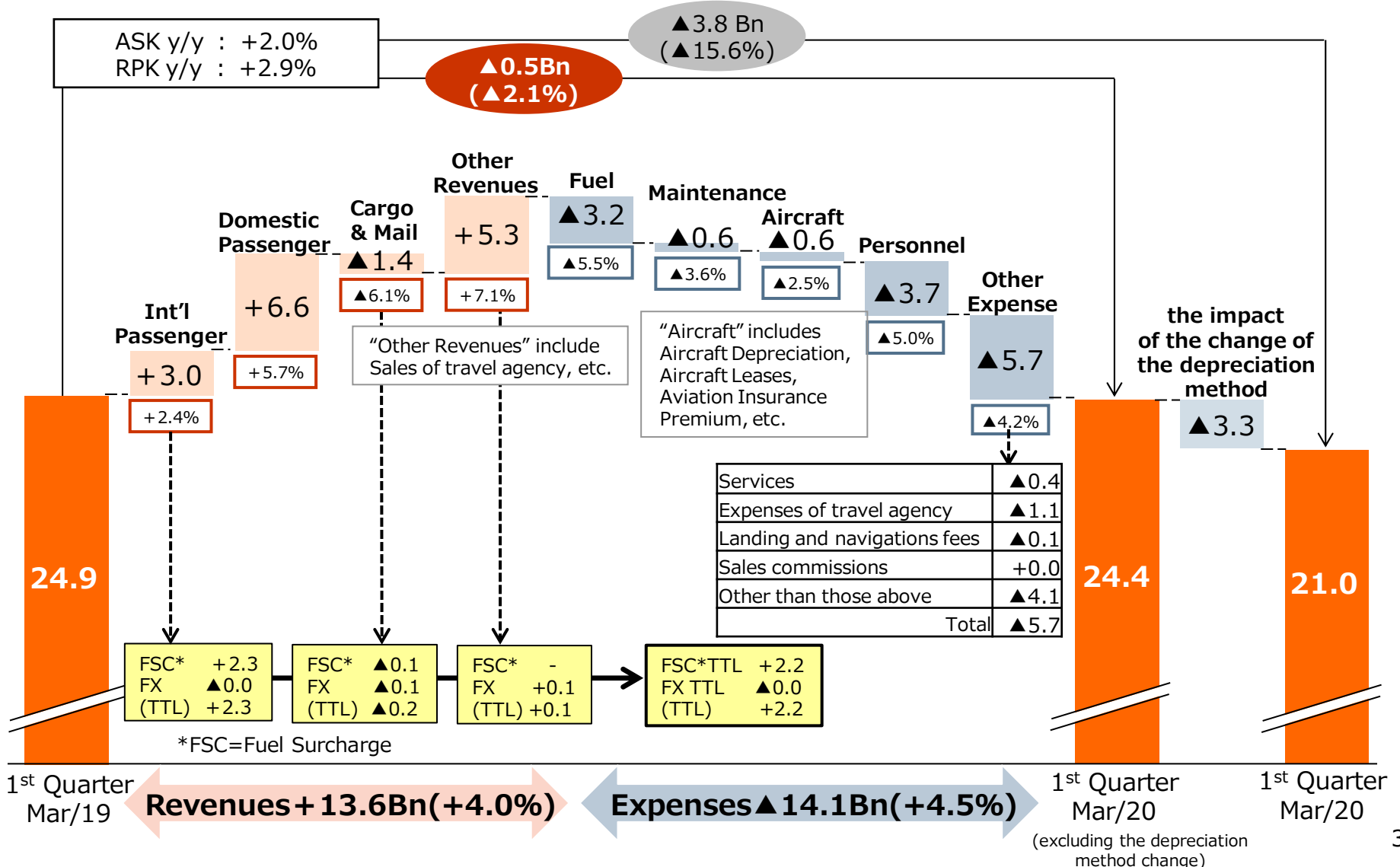
- Now, I will explain our consolidated financial results.
- The figures in brackets do not include the depreciation method change. From this fiscal year, a depreciation method for aircraft components such as aircraft parts has been changed. Then, Depreciation Cost increases, but at the same time, Non-Operating Expense of Disposal Loss also decreases, and they will offset and make Ordinary Profit or Net Profit almost unchanged.

Changes in Operating Profit(Revenues/Expenses)

1st Quarter Mar/20

(JPY Bn)

+ stands for profit increase (revenue increase, cost decrease)
 ▲ stands for profit decrease (revenue decrease, cost increase)



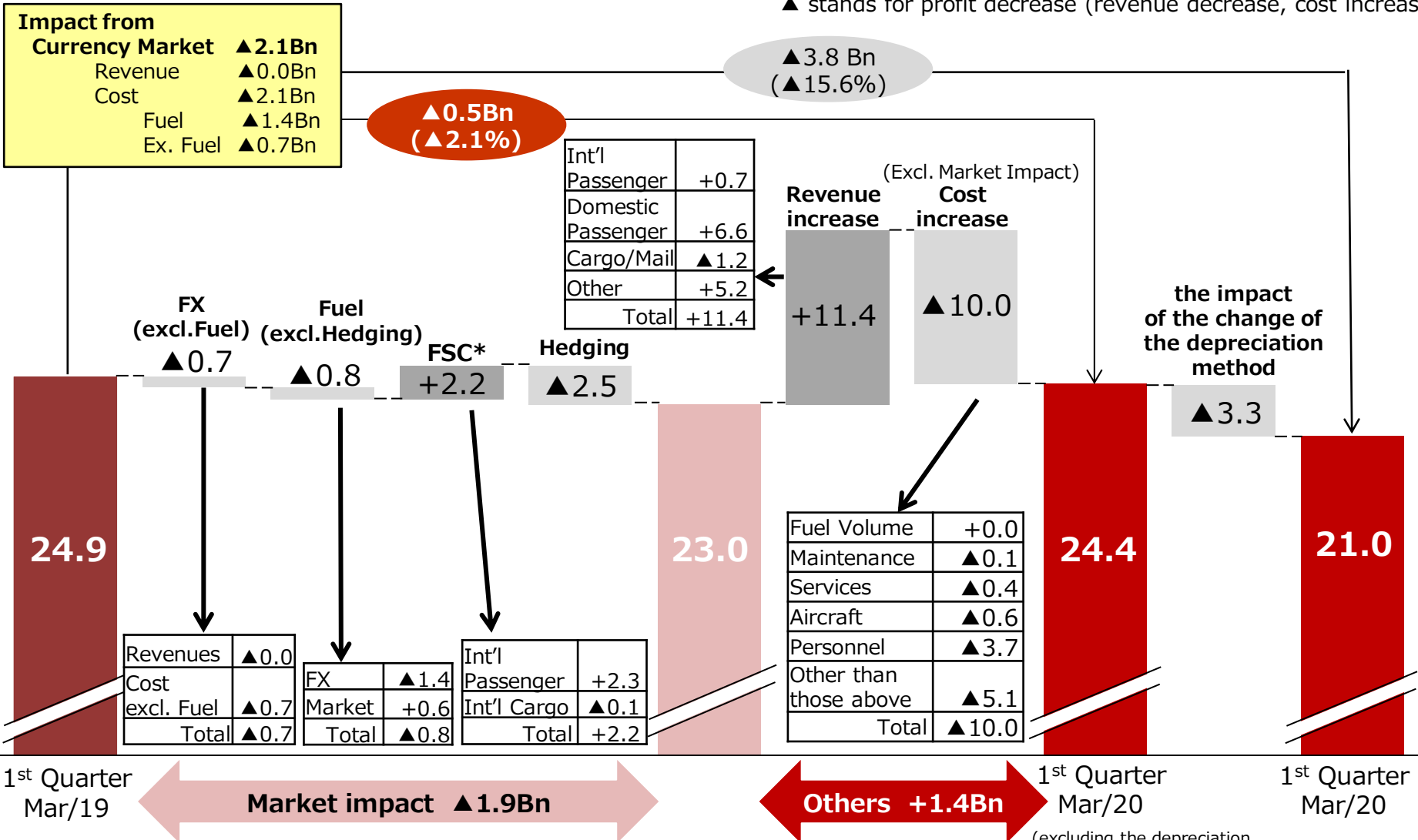
- Now, I will explain about the changes in Operating Profit.
- Operating Revenue increased by 13.6 billion yen year-on-year.
- For Expenses, Fuel Cost increased year-on-year. Some expenses including Personnel are rising as we are preparing for capacity expansion next year. For Maintenance Cost, it increased by 3 billion yen on a plan basis. As a result, Operating Profit is 2.5 billion yen short of our plan. However, this is just a time-lag issue. Overall Maintenance Cost throughout this fiscal year will be within our plan, and we believe that our current Forecast can be achievable.

Changes in Operating Profit (Market/Others)

1st Quarter Mar/20

(JPY Bn)

+ stands for profit increase (revenue increase, cost decrease)
▲ stands for profit decrease (revenue decrease, cost increase)



*FSC=Fuel Surcharge

- This page explains changes in Operating Profit from the viewpoints of market impact and others.

International Passenger Operations

International Passenger

	1 st Quarter Mar/19	1 st Quarter Mar/20	y/y
Passenger Revenue (JPY Bn)	124.8	127.8	+2.4%
Passengers ('000)	2,251	2,262	+0.5%
ASK (MN seat km)	13,506	13,891	+2.9%
RPK (MN passenger km)	10,981	11,140	+1.4%
L/F (%)	81.3%	80.2%	▲1.1pt
Revenue per Passenger ⁽¹⁾ (JPY)	55,441	56,520	+1.9%
Yield ⁽²⁾ (JPY)	11.4	11.5	+1.0%
Unit Revenue ⁽³⁾ (JPY)	9.2	9.2	▲0.4%

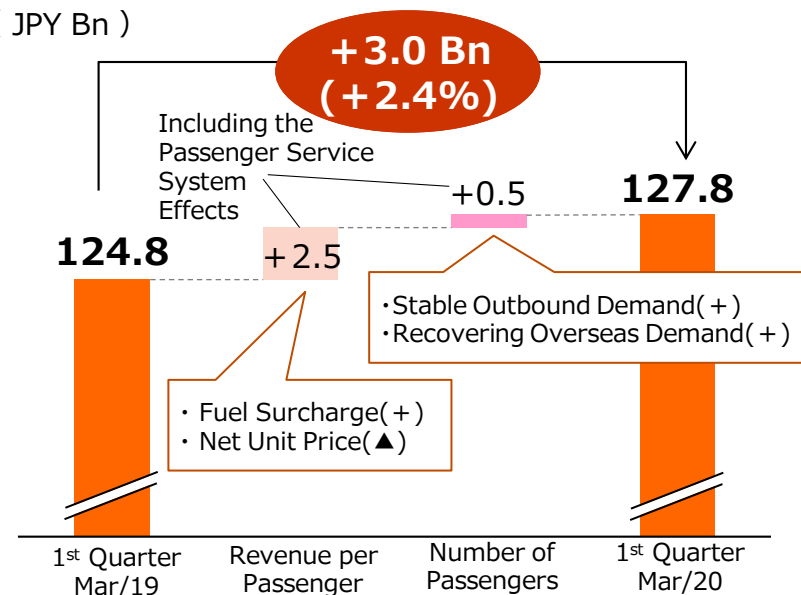
(1) Revenue per Passenger = Passenger Revenue / Passengers

(2) Yield = Passenger Revenue / RPK

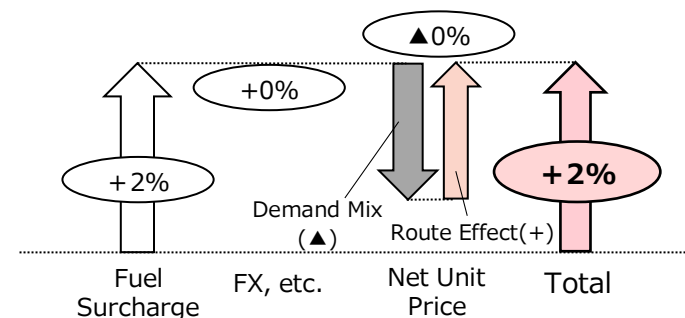
(3) Unit Revenue= Passenger Revenue / ASK

Change in Revenue

(JPY Bn)



Factors of charges in Revenue Per Passenger (estimate)



- For International routes, we increased capacity by introducing a new route and cabin configuration change, however, the number of passenger increased just by 0.5% year-on-year because overseas demand was not strong enough.
- Revenue per Passenger increased by 1.9% year-on-year. Details are shown in the right-bottom graph. Net Unit Price remained unchanged because of world economy slowdown and supply-demand imbalance, however, overseas demand is recovering now. We will increase net unit price by the improved yield management with the new system.
- As a result, International Passenger Revenue increased to 127.8 billion yen, 2.4% up year-on-year.

Domestic Passenger Operations

Domestic Passenger

	1 st Quarter Mar/19	1 st Quarter Mar/20	y/y
Passenger Revenue (JPY Bn)	117.2	123.9	+5.7%
Passengers ('000)	8,297	8,654	+4.3%
ASK (MN seat km)	8,962	9,022	+0.7%
RPK (MN passenger km)	6,153	6,488	+5.5%
L/F (%)	68.7%	71.9%	+3.3pt
Revenue per Passenger ⁽¹⁾ (JPY)	14,137	14,327	+1.3%
Yield ⁽²⁾ (JPY)	19.1	19.1	+0.2%
Unit Revenue ⁽³⁾ (JPY)	13.1	13.7	+5.0%

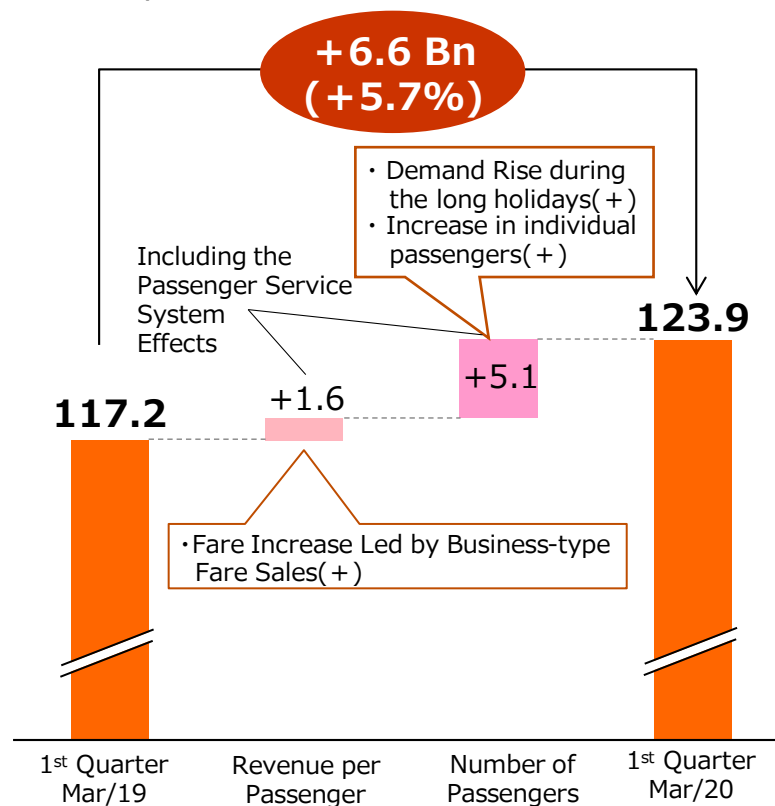
(1) Revenue per Passenger = Passenger Revenue / Passengers

(2) Yield = Passenger Revenue / RPK

(3) Unit Revenue= Passenger Revenue / ASK

Change in Revenue

(JPY Bn)



- Next, for domestic routes.
- The number of passenger leaped 4.3% led by rising individual passenger demand especially during the long holidays. Load factor also improved to the record high of 71.9% as a first quarter.
- Revenue per Passenger increased 1.3% year-on-year. Not only during the long holiday period, also during the other period, strong demand and our competitive quality and service increased Revenue per Passenger.
- A shift of a consumption pattern toward experience increased domestic travel demand. With increasing sales of our promotional fares, we will further increase Revenue per Passenger and Passenger Number through the improved yield-management with the new system.
- As a result, Domestic Passenger Revenue increased to 123.9 billion yen, up 5.7% year-on-year.

Major Operating Expense Items

Operating Expenses				
(JPY Bn)	1 st Quarter Mar/19	1 st Quarter Mar/20	Diff.	y/y
Fuel	60.3	63.6	+3.2	+5.5%
Landing and navigation fees	21.2	21.4	+0.1	+0.6%
Maintenance	18.5	19.2	+0.6	+3.6%
Sales commissions (Air Transport)	4.7	4.6	▲0.0	▲2.0%
Aircraft ⁽¹⁾ ⁽²⁾	27.4	31.5 (28.1)	+4.0 (+0.6)	+14.7% (+2.5%)
Services ⁽³⁾	10.8	11.3	+0.4	+4.0%
Personnel	73.7	77.4	+3.7	+5.0%
Expenses of travel agency	19.1	20.3	+1.1	+5.9%
Other	80.8	85.0	+4.1	+5.2%
Total Operating Expenses ⁽²⁾	317.1	334.6 (331.3)	+17.5 (+14.1)	+5.5% (+4.5%)

ASK y/y : +2.0%

(1) Aircraft= Aircraft Depreciation+ Aircraft Leases+ Aviation Insurance Premium, etc.

(2) Figures in() in 1st Quarter Mar/20, Diff, and y/y do not include the depreciation method change

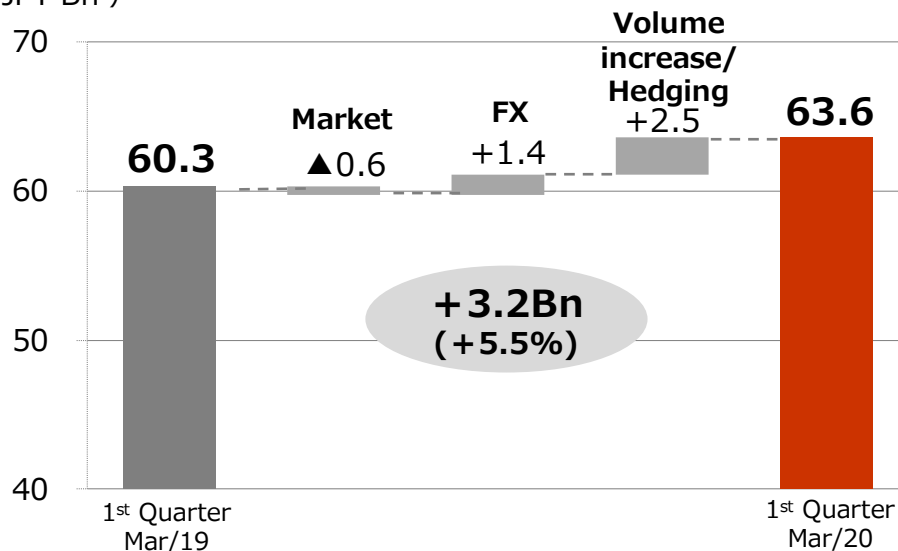
(3) Services= Expenses regarding inflight services, airport lounges, cargo equipment, etc.

- Now, I will explain the major operating expense items, which totaled to 331.3 billion yen, up 4.5% year-on-year, when the depreciation method change is excluded.
- All expenses are within our plan except Maintenance, which has just a time-lag issue. It will also be within our plan eventually.

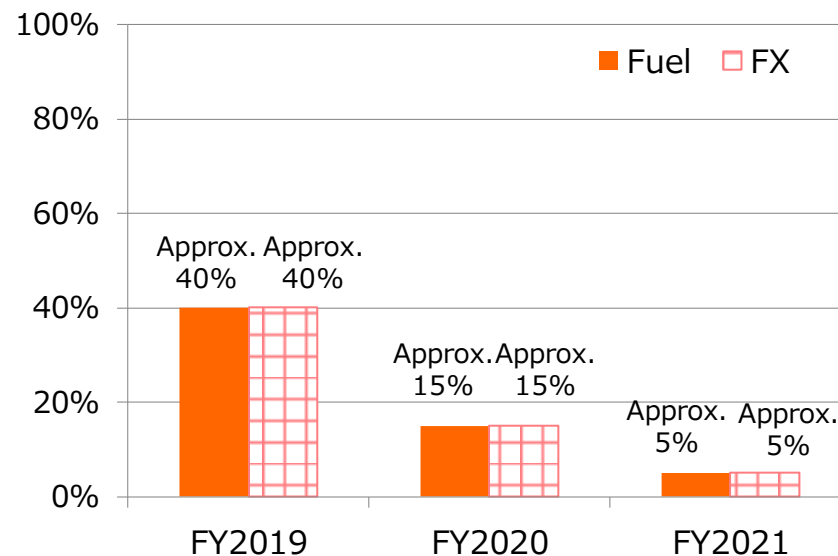
Impact of Fuel and FX Markets

Fuel Cost Breakdown by Factors

(JPY Bn)



Hedge Ratio (As of End of Jun/2019)



Fuel / FX Markets

	1st Quarter Mar/19	1st Quarter Mar/20	y/y
Singapore Kerosene (USD/bbl)	84.7	81.3	▲4.0%
Dubai Crude Oil (USD/bbl)	68.5	69.1	+0.9%
FX Rate (JPY/USD)	108.0	111.0	+2.8%

Profit Impact by Fuel and FX Markets From FY2019 2nd Quarter (Inc. Hedging, Fuel Surcharge)

Singapore Kerosene (USD/bbl) FX(JPY/USD)	USD 70	USD 75	USD 80	USD 90
JPY 115	+6.0Bn	+1.5Bn	+3.0Bn	Forecast 0.0Bn
JPY 110	+6.5Bn	+6.0Bn	+3.5Bn	+1.0Bn
JPY 105	+11.0Bn	+7.0Bn	+8.0Bn	+6.0Bn

- Fuel Cost increased by 3.2 billion yen to 63.6 billion yen because of FX and hedging.
- The right bottom chart shows the impact on the profit of the second quarter or later. The fuel surcharge for August and September has already been fixed. With July and August Fuel Cost forecast, those profit impacts are estimated in the chart. Our current market assumption is 115 yen per dollar and 90 dollar for Singapore Kerosene.
- If the current market situation continues throughout this fiscal year, it should give a positive effect to Operating Profit.

Major Balance Sheet Items and Cash Flow Items

Balance Sheet

(JPY Bn)	End of Mar/19	End of 1 st Quarter Mar/20	Diff.
Total Assets	2,030.3	2,016.8	▲13.5
Cash and Deposits ⁽¹⁾	522.0	491.7	▲30.3
Balance of Interest-bearing Debt ⁽²⁾	142.3	142.0	▲0.3
Future Rental Expenses under Operating Leases	81.1	77.1	▲3.9
Shareholders' Equity	1,165.1	1,145.5	▲19.5
Shareholders' Equity Ratio(%)	57.4%	56.8%	▲0.6pt
D/E Ratio (x) ⁽³⁾	0.1x	0.1x	+0.0x

- (1) Certificate of Deposits etc. included
 (2) Accounts Payable-installment Purchase included
 (3) On-balance sheet Interest-bearing Debt / Shareholders' Equity

Cash Flow

(JPY Bn)	1 st Quarter Mar/19	1 st Quarter Mar/20	Diff.
Cash Flow from Operating Activities	71.8	52.6	▲19.1
Depreciation and Amortization	30.5	34.3	+3.7
Cash Flow from Investing Activities	▲62.1	▲51.3	+10.8
Capital Investment ⁽⁴⁾	▲69.7	▲54.0	+15.7
Free Cash Flow ⁽⁵⁾	9.6	1.3	▲8.3
Cash Flow from Financing Activities	▲37.5	▲31.2	+6.2
Total Cash Flow ⁽⁶⁾	▲27.9	▲29.9	▲2.0
EBITDA	55.5	55.3	▲0.1
EBITDAR	60.3	60.2	▲0.0

- (4) Investment, capital contribution or etc.
 (5) Cash Flow from Operating Activities + Cash Flow from Investing Activities
 (6) Cash flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities

- Page 9 indicates our balance sheet and our cash flows.
- For buyback, we have completed to acquire 2.17 million shares, equivalent to 7.6 billion yen. We will continue to acquire shares up to 20 billion yen in total by the end of September.

Revenue of International Routes by Geographic Segment

Passenger Revenue

(%)	y/y	Component Ratio	
	1Q Mar/20	1Q Mar/19	1Q Mar/20
America	+16.4%	26%	30%
Europe	▲2.7%	17%	16%
Asia/Oceania	▲1.1%	33%	31%
China	+3.1%	11%	11%
Hawaii/Guam	▲10.4%	13%	12%
Total	+2.4%	100%	100%

Revenue Passengers Carried

('000)	1Q Mar/19	1Q Mar/20	y/y
America	330	368	+11.2%
Europe	182	185	+1.6%
Asia/Oceania	1,045	1,054	+0.9%
China	393	405	+3.1%
Hawaii/Guam	299	249	▲16.8%
Total	2,251	2,262	+0.5%

ASK

(MN seat km)	1Q Mar/19	1Q Mar/20	y/y
America	3,859	4,222	+9.4%
Europe	1,930	2,012	+4.3%
Asia/Oceania	4,737	4,897	+3.4%
China	853	913	+7.0%
Hawaii/Guam	2,125	1,845	▲13.2%
Total	13,506	13,891	+2.9%

Load Factor

(%)	1Q Mar/19	1Q Mar/20	y/y
America	81.8%	82.1%	+0.2pt
Europe	84.9%	81.1%	▲3.8pt
Asia/Oceania	80.3%	78.5%	▲1.8pt
China	85.1%	83.0%	▲2.0pt
Hawaii/Guam	77.8%	78.0%	+0.3pt
Total	81.3%	80.2%	▲1.1pt

RPK

(MN passenger km)	1Q Mar/19	1Q Mar/20	y/y
America	3,158	3,465	+9.7%
Europe	1,638	1,632	▲0.4%
Asia/Oceania	3,804	3,844	+1.0%
China	726	758	+4.4%
Hawaii/Guam	1,653	1,440	▲12.9%
Total	10,981	11,140	+1.4%

- Please let me explain about International Routes by Geographic Segment.
- For the Hawaiian routes, where our competitor is increasing its capacity, we have decreased our capacity for solid operation. As a result, load factor did not fall, and Passenger Number and Revenue per Passenger are within our plan.
- This is the end of my presentation. Thank you very much for your attention.

Number of Aircraft



	End of Mar/19 (March 31, 2019)			End of 1 st Quarter Mar/20 (June 30, 2019)			Diff.
	Owned	Leased	Total	Owned	Leased	Total	
Airbus A350-900	0	0	0	1	0	1	+1
Boeing 777-200	12	0	12	12	0	12	-
Boeing 777-200ER	11	0	11	11	0	11	-
Boeing 777-300	4	0	4	4	0	4	-
Boeing 777-300ER	13	0	13	13	0	13	-
Large-sized Total	40	0	40	41	0	41	+1
Boeing 787-8	25	0	25	25	0	25	-
Boeing 787-9	14	3	17	14	3	17	-
Boeing 767-300	6	0	6	6	0	6	-
Boeing 767-300ER	29	0	29	29	0	29	-
Middle-sized Total	74	3	77	74	3	77	-
Boeing 737-400	3	0	3	1	0	1	▲2
Boeing 737-800	42	20	62	43	19	62	-
Small-sized Total	45	20	65	44	19	63	▲2
Embraer 170	18	0	18	18	0	18	-
Embraer 190	14	0	14	14	0	14	-
Bombardier D8-400	1	0	1	0	0	0	▲1
Bombardier D8-400CC	5	0	5	5	0	5	-
SAAB340B	8	0	8	7	0	7	▲1
ATR42-600	5	1	6	5	1	6	-
ATR72-600	1	0	1	2	0	2	+1
Regional Total	52	1	53	51	1	52	▲1
Total	211	24	235	210	23	233	▲2

《 Reference 》 FY2019 Earnings Forecast

※No change from the figures disclosed on April 26, 2019

Revenue and Expenditure Plan (JPY Bn)	FY2018	FY2019 (Plan)	Diff.	y/y
Operating Revenue	1,487.2	1,563.0	+75.7	+5.1%
International Passenger	530.6	575.0	+44.3	+8.4%
Domestic Passenger	528.0	539.0	+10.9	+2.1%
Cargo / Mail	100.0	106.0	+5.9	+6.0%
Other	328.4	343.0	+14.5	+4.4%
Operating Expense ⁽¹⁾	1,311.1	1,393.0 (1,383.0)	+81.8 (+71.8)	+6.2% (+5.5%)
Fuel	251.2	284.0	+32.7	+13.0%
Excluding Fuel ⁽¹⁾	1,059.8	1,109.0 (1,099.0)	+49.1 (+39.1)	+4.6% (+3.7%)
Operating Profit ⁽¹⁾	176.1	170.0 (180.0)	▲6.1 (+3.8)	▲3.5% (+2.2%)
Operating Profit Margin (%) ⁽¹⁾	11.8%	10.9% (11.5%)	▲1.0pt (▲0.3pt)	-
Ordinary Profit	165.3	171.0	+5.6	+3.4%
Net Profit ⁽²⁾	150.8	114.0	▲36.8	▲24.4%
Unit Cost (JPY) ^{(1) (3)}	10.4	10.6 (10.5)	+0.2 (+0.1)	-
ROIC ^{(1) (4)}	9.5%	8.6% (9.1%)	▲1.0pt (▲0.5pt)	-
EBITDA Margin (%) ⁽⁵⁾	20.2%	19.8%	▲0.4pt	-
EBITDAR Margin (%) ⁽⁶⁾	21.5%	20.9%	▲0.6pt	-

Operational Preconditions ※y/y	FY2018	FY2019 (Plan)
ASK Int'l	+6.0%	+2.5%
Doms	+1.1%	+2.6%
Total	+4.0%	+2.5%
RPK Int'l	+6.3%	+4.3%
Doms	+2.2%	+1.3%
Total	+4.7%	+3.2%

Fuel/FX Markets	FY2018	FY2019 (Plan)
Singapore Kerosene (USD/bbl)	83.9	90.0
Dubai Crude Oil (USD/bbl)	69.0	70.0
FX Rate (JPY/USD)	110.5	115.0

- (1) Figures in () in FY2019 plan, Diff, and y/y do not include the depreciation method change
 (2) Net profit attributable to owners of the parent
 (3) Unit Cost = Air Transportation Segment Operating Expense (excluding fuel cost) / ASK
 (4) NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year
 (5) EBITDA Margin = EBITDA / Operating Revenue
 EBITDA=Operating Profit + Depreciation and Amortization
 (6) EBITDAR Margin = EBITDAR / Operating Revenue
 EBITDAR=Operating Profit + Depreciation and Amortization + Aircraft Leases

《 Reference 》 FY2019 Earnings Forecast

※No change from the figures disclosed on April 26, 2019



JAPAN AIRLINES

Balance Sheet

(JPY Bn)	End of FY2018	End of FY2019 (Plan)	Diff.
Total Assets	2,030.3	2,040.0	+9.6
Balance of Interest-bearing debts	142.3	167.0	+24.6
Shareholders' Equity	1,165.1	1,192.0	+26.8
Shareholders' Equity Ratio (%)	57.4%	58.4%	+1.0pt
ROIC (%) ^{(1) (2)}	9.5%	8.6% (9.1%)	▲1.0pt (▲0.5pt)
ROE (%) ⁽³⁾	13.6%	9.7%	▲3.9pt
ROA (%) ^{(2) (4)}	9.1%	8.4% (8.8%)	▲0.7pt (▲0.2pt)

- (1) NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year
- (2) Figures in () in End of FY2019 Plan and Diff do not include the depreciation method change
- (3) (Net profit attributable to owners of the parent) / (Average of shareholder's equity at beginning and end of a fiscal year)
- (4) (Operating profit) / (Average of total assets at beginning and end of a fiscal year)
- (5) Including approximately JPY 80billion yen injection to Corporate Pension Fund scheduled in the first half of FY2019
- (6) Cash Flow from Operating Activities + Cash Flow from Investing Activities
- (7) Growth investments = i.e., Introduction of aircraft that will contribute route expansion, flight frequency increase, or operational efficiency improvement, improvement of quality, service or efficiency, or development of new business domains.
- (8) Replacement investments = i.e., Replacement of old regional prop aircraft or aircraft parts, replacement of existing old facilities, or for compliance to laws and regulations.

Cash Flow

(JPY Bn)	FY2018	FY2019 (Plan)	Diff.
Cash Flow from Operating Activities	296.7	219.0 ⁽⁵⁾	▲77.7
Cash Flow from Investing Activities	▲186.3	▲259.0	▲72.6
Free Cash Flow ⁽⁶⁾	110.3	▲40.0 ⁽⁵⁾	▲150.3
Cash Flow from Financing Activities	▲37.0	▲47.0	▲9.9
EBITDA	300.2	309.0	+8.7
EBITDAR	320.1	327.0	+6.8

Investment

(JPY Bn)	FY2018	FY2019 Plan	Diff.
Fleet	175.4	189.0	+13.5
Ground · IT, etc	50.8	75.0	+24.1
Total	226.2	264.0	+37.7

Growth Investments ⁽⁷⁾	195.0
Replacement investments ⁽⁸⁾	69.0

OVERVIEW OF FINANCIAL RESULTS FOR
1ST QUARTER MAR/20

DETAILS OF FINANCIAL RESULTS FOR
1ST QUARTER MAR/20

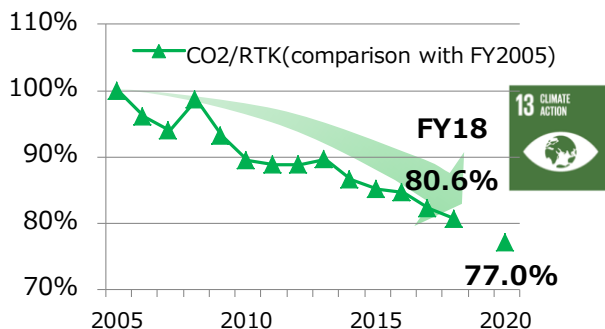
REFERENCES

- ✓ Contribute to achieve SDGs, through our business activities, toward the realization of a sustainable society and corporate value increase
- ✓ Established The JAL Group Code of Conduct “Commitment to Society”

Environmental

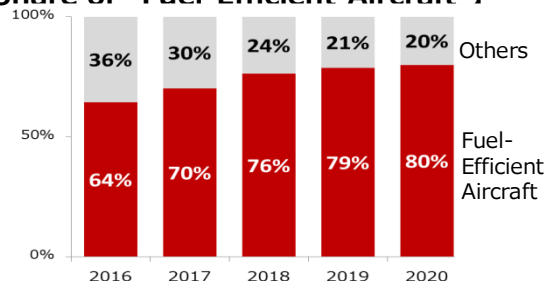
- Low-Carbon Initiatives:
Introduce fuel-efficient aircraft and aim for eco-friendly operation
- Promote usage of Biofuel :
Invested in *Fulcrum BioEnergy, Inc.* a Biofuel manufacturer

CO2 Emissions



Steadily striving toward the goal of the CO2 emissions reduction by 23% from the FY2005 emission level

Share of “Fuel-Efficient Aircraft”



Applicable Aircraft : A350,787,777,737-800,E170/190
~2018 : Result, 2019~: Plan

Social

- Diversity promotion initiatives
- Build a sustainable supply chain
- Contribute to regional revitalization through tourism and promote inbound tourism

Diversity promotion initiatives

- Reemployment support for women
Implemented the “Work Again Program”
- Awarded a second prize in the Advanced Category at the J-Win Diversity Award’s Corporate Awards Division



Building a Sustainable Supply Chain

- Joined to “Global membership” of Sedex
- Formulate a JAL Group Supplier Code of Conduct
- Comply to the Tokyo 2020 Olympic and Paralympic Games Sustainable Sourcing Code
- Conduct CSR audit to suppliers



Contribute to Regional Revitalization through Tourism and Promote Inbound Tourism

- Invested in ALL JAPAN Tourism Oriented Country Fund
- Named as Japan’s best airline for the third consecutive year in the 2019 TripAdvisor® Travelers’ Choice™ awards for Airlines



Governance

- High transparency and strict management oversight :
 - 3 Independent External Directors with extensive management experience
 - 3 Independent External Auditors with legal and accounting expertise
 - Voluntarily set up various committees, in which the majority of members of each committee are External Directors
 - The members are publicly disclosed
 - Chairpersons are all External Directors excluding the Personnel Committee, which supervises personnel affairs of Executive Officers

Board of Directors

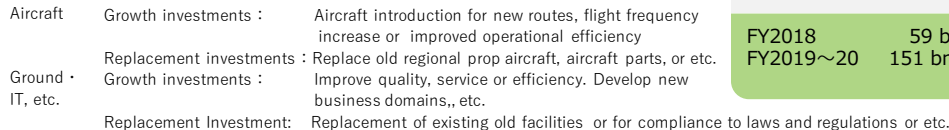
3 External Directors out of ten Directors(30%)

Recommendation

Establishment of Various Committees

- Corporate Governance Committee
- Nominating Committee
- Compensation Committee
- Personnel Committee
- Officers Disciplinary Committee

Aircraft investments will be accelerated with the additional 40 bn yen for further growth.



Financial Strategy and Capital policy② ※Originally disclosed on February 25,2019

We will strategically allocate capital to increase corporate value, while maintaining a firm financial structure with high capital efficiency.

Improve asset efficiency and capital efficiency

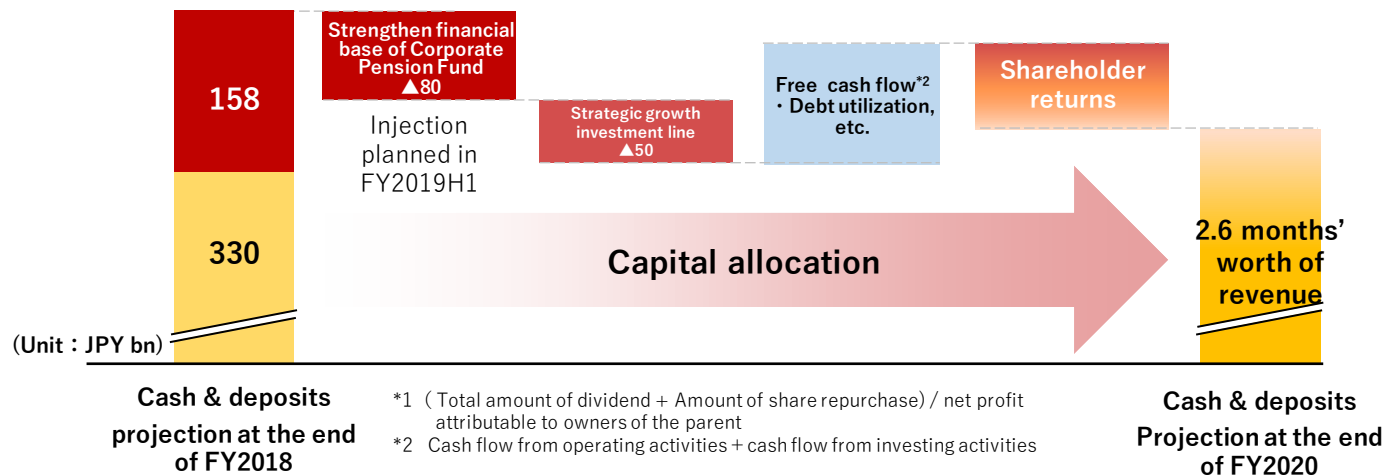
- Due to investments and preparatory costs for “development at Haneda and Narita” in FY2020, together with temporary supply-demand imbalance, ROE and ROIC will decline temporarily. However we aim to maintain or increase ROE from 10% and further increase ROIC through sustainable profit growth.

Capital allocation

- We will maintain approximately 2.6 months' worth of revenue as cash on hand required for stable management and allocate the additional capital strategically.
- Growth investment is actively promoted with interest-bearing debt. Also, the 50-billion yen strategic growth investment line will be effectively utilized.
- By the first half of FY2019, approximately 80 billion yen will be injected to the Corporate Pension Fund for strengthening its financial base and reducing debts relating to JAL retirement benefits.

Further increase shareholder returns

- We will raise the dividend payout ratio from FY2019 to maintain the current level of dividend per share, after the effective tax rate increase, in order to stabilize dividends while referring to Dividend on Equity Ratio (DOE).
- Combining stable dividends and flexible share repurchases, we will implement shareholder return measures, taking into account a total return ratio ^{*1}.



Stable financial structure with high capital efficiency

Enhancement of shareholder return and capital allocation for corporate value increases

Financial structure

Shareholders' equity ratio

- Equity ratio reached approx. 60%. Having built strong financial structure, we will work to maintain the current level

Credit rating

- Aim to achieve and maintain "A flat" or above credit rating by improving cash flows and securing fruits from our growth strategies

Capital efficiency

Decrease cost of capital Utilize debt

- Decrease cost of equity through comprehensive information disclosure, IR, etc.
- Utilize debt with discipline based on adequate debt repaying capacity with sufficient cash flow from operating activities

Liquidity

- Based on our current scale of business operations, standard liquidity on hand is set at approximately **2.6 months' worth of revenue (currently approx. 330 bn yen)** for sufficient event risk tolerance as well as return on assets (ROA)

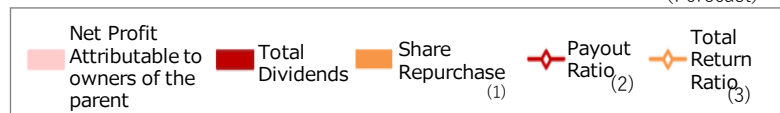
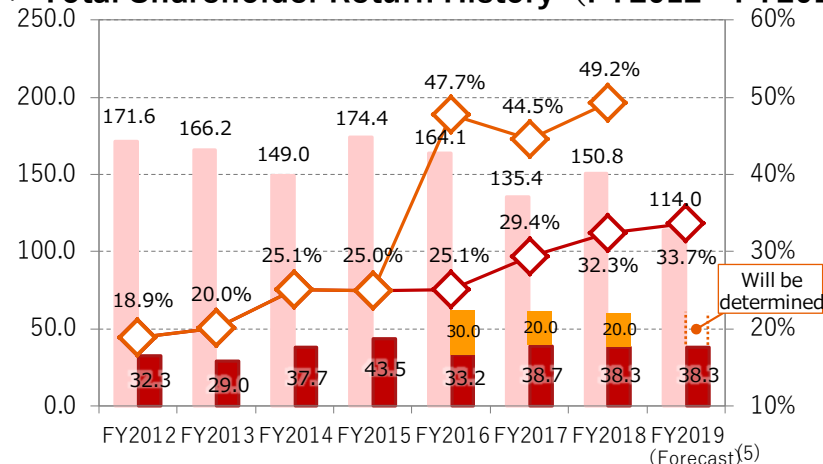
Shareholders return

※FY2018 Result and FY2019 Forecast were added to the graph originally disclosed on Feb 25, 2019

- To maintain dividend levels despite increase in effective tax rate, raise payout ratio from FY2019 and pay stable dividends with reference to Dividend on Equity Ratio (DOE)
- Implement shareholder return enhancement measures by combining stable dividend and active share repurchase, taking into account a total return ratio

- Amount of share repurchases include those whose resolutions were passed before the closing of accounts for the current fiscal year
- Dividend payout ratio = Total dividends / Base profit for dividends calculation ⁽⁴⁾
- Total return ratio = (Total amount of dividend + Amount of share repurchase) / Base profit for dividends calculation ⁽⁴⁾
- Base profit for dividend calculation = (Net profit attributable to owners of the parent + income tax deferred) (From FY2019, income tax deferred is no longer excluded)
- In the FY2019 total dividends and the payout ratio calculation, the number of shares issued at the end of FY2018, excluding treasury stock, is used

(JPY Bn) Total Shareholder Return History (FY2012~FY2019)



Shareholder Return Policy

Dividends

- ✓ Focuses on continuity, stability and predictability
 - ✓ From FY2019, **approximately 35%** will be a benchmark for payout ratio
- ➡ Dividends per share will remain unchanged in spite of the effective tax rate increase

Focus on Total Return

- ✓ Return will be made through the combination of dividends and share repurchase
 - ✓ Aims for **a range of approximately 35% to 50% of total return ratio⁽¹⁾**
 - ✓ Aims for **approximately 3% or above of total shareholder return on equity ratio⁽²⁾**
- ➡ Works on improving capital efficiency through monitoring a return level in comparison with a certain portion of equity capital

(1) Total Return Ratio =

$$\frac{\text{Total dividends} + \text{Total share repurchases}}{\text{Net profit attributable to owners of the parent}}$$

(2) Total Return on Equity Ratio =

$$\frac{\text{Total dividends} + \text{Total Share repurchases}}{\text{Average shareholders' equity at beginning and end of a fiscal year}}$$

Shareholder Return Results and Forecast

Dividends

- ✓ FY2018 : **110 yen per annum (year-end dividends 55yen)**
(Benchmark payout ratio: approximately 30%)
 - ✓ FY2019 Forecast: **110 yen per annum (interim dividends 55yen, year-end dividends 55yen)**
(Benchmark payout ratio: approximately 35%)
 - ✓ Income tax deferred is no longer excluded from 2019, except an extraordinary case, because no special factors in income taxes* exist any more.
- * Income taxes current + income taxes deferred

Share Repurchase

- ✓ Decided to conduct share repurchase up to **20 billion yen** (From May 7, 2019 to September 30, 2019)
- ✓ **All shares will be cancelled**

Fly into tomorrow.



JAPAN AIRLINES

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