

JAPAN AIRLINES Co., Ltd.

Financial Results

3rd Quarter Mar/2020 (FY2019)



Airbus A350-900 Domestic-Type Interior

January 31, 2020



JAPAN AIRLINES

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2019
健康経営優良法人
Health and productivity
ホワイト500

Health and Productivity
Management Brand



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



FTE
Accessibility Leadership Award



2019 Award for Excellence
in Corporate Disclosure
— Industries —



The Securities Analysts
Association of Japan



SKYTRAX
5-Star Airline



Japan Institute of
Information Technology
IT Award

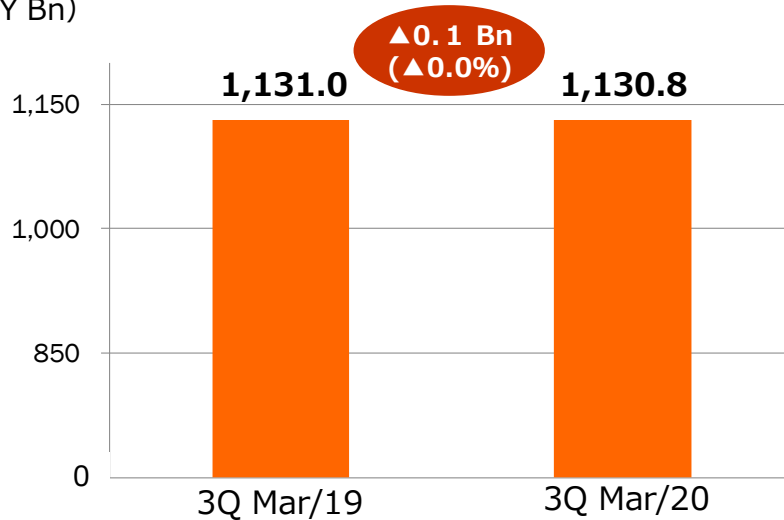
(Note) Regarding figures in tables of this material, amounts are rounded down to the nearest hundred million yen, and the second decimal point in ratios is rounded off to one decimal point.

Overview of Financial Results for 3rd Quarter Mar/20

- ✓ Domestic Passenger was robust but INT'L Passenger & Cargo was weak
- ✓ Operating Profit decreased year-on-year

Operating Revenue

(JPY Bn)

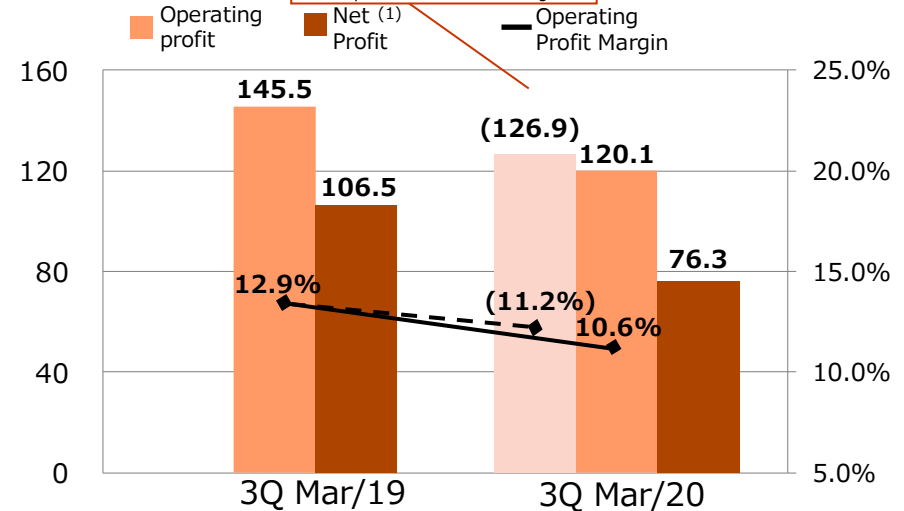


Operating profit · Net profit ⁽¹⁾ · Operating profit margin

(JPY Bn)

Figures in () exclude the depreciation method change⁽²⁾

(OP Margin)



Fuel/FX Markets

	3Q MAR/19	3Q MAR/20	y/y
Singapore Kerosene (USD/bbl)	87.3	77.7	▲11.0%
Dubai Crude Oil (USD/bbl)	71.9	63.8	▲11.3%
FX Rate (JPY/USD)	110.4	109.0	▲1.3%

Operational Precondition/ASK

3rd Quarter Mar/20 (y/y)

International Routes	Domestic Routes	Total
+1.4%	+1.6%	+1.5%

(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.

FY2020 Tokyo Metropolitan Airports Routes


Haneda

✓ INT'L Network Expansion from Mar. 29 with the Additional 12 slots

	Route			Effective
1	Continental United States Routes /Americas 6 Routes	Haneda = Los Angeles	New Service	Mar 29 , 2020
2		Haneda = Chicago	New Service (Transferred from Narita)	
3		Haneda = Dallas	New Service (Transferred from Narita)	
4		Haneda = Honolulu	New Service (Partially Transferred from Narita)	
5		Haneda = Honolulu	New Service (Partially Transferred from Narita)	
6		Haneda = New York	Added (Transferred from Narita)	
7	China 2 Routes	Haneda = Dalian	New Service	
8		Haneda = Shanghai (Pudong)	Added	
9	Finland 1 Route	Haneda = Helsinki	New Service (Transferred from Narita)	
10	Russia 1 Route	Haneda = Moscow (Sheremetyevo ⁽¹⁾)	New Service (Transferred from Narita)	
11	Australia 1 Route	Haneda = Sydney	New Service (Transferred from Narita)	
12	India 1 Route	Haneda = Delhi	New Service (Transferred from Narita)	

Narita ⁽²⁾

✓ Enhanced Network with Enhanced Transit Hub for INT'L Travel

	Route			Effective
1	 JAPAN AIRLINES	Narita = Vladivostok	New Service	Feb 28 , 2020
2		Narita = Bengaluru	New Service	Mar 29 , 2020
3		Narita = San Francisco	New Service	Mar 29 , 2020
4		Narita = Guam	Added	July 1 , 2020
5		Narita = Chicago	Resume ⁽³⁾	February 15 , 2021
6	ZIPAIR	Narita = Bangkok	New Service	May 14 , 2020
7		Narita = Seoul (Incheon)	New Service	July 1 , 2020

(1) Moscow airport was changed from Domodedovo to Sheremetyevo (2) Further routes will be announced when ready

(3) Temporary suspension (To be suspended from Mar. 29, 2020 to Feb. 14, 2021)

FY2019 Earnings Forecast

- ✓ Operating Revenue Forecast decreases again by 30 billion yen due to sluggish INT'L PAX/CGO
- ✓ Despite the steady cost reduction, Operating Profit Forecast decreases by 30 billion yen and so does Net Profit Forecast by 21 billion yen but no change in Dividend Forecast

Revenue & Expense Forecast Revised					
(JPY Bn)	FY2018	FY2019	FY2019	Diff. (y/y)	Forecast Diff.
	Results	Previous Forecast ⁽⁴⁾	New Forecast		
Operating Revenue	1,487.2	1,516.0	1,486.0	▲1.2	▲30.0
International Passenger	530.6	524.0	513.0	▲17.6	▲11.0
Domestic Passenger	528.0	547.0	544.0	+15.9	▲3.0
Cargo / Mail	100.0	96.0	91.0	▲9.0	▲5.0
Other	328.4	349.0	338.0	+9.5	▲11.0
Operating Expense ⁽¹⁾	1,311.1	1,346.0 (1,336.0)	1,346.0 (1,336.0)	+34.8 (+24.8)	-
Fuel	251.2	251.0	251.0	▲0.2	-
Excluding Fuel ⁽¹⁾	1,059.8	1,095.0 (1,085.0)	1,095.0 (1,085.0)	+35.1 (+25.1)	-
Operating Profit ⁽¹⁾	176.1	170.0 (180.0)	140.0 (150.0)	▲36.1 (▲26.1)	▲300
Operating Profit Margin(%) ⁽¹⁾	11.8%	11.2% (11.9%)	9.4% (10.1%)	▲2.4pt (▲1.8pt)	▲1.8pt (▲1.8pt)
Ordinary Profit	165.3	171.0	145.0	▲20.3	▲26.0
Net Profit ⁽²⁾	150.8	114.0	93.0	▲57.8	▲21.0
ROIC(%)(¹)(³)	9.5%	8.6% (9.1%)	7.1% (7.6%)	▲2.5pt (▲1.9pt)	▲1.5pt (▲1.5pt)
Dividends per share(JPY)	110	110	110	-	-
Interim Dividends	55.0	55.0	55.0	-	-
Year-End Dividends	55.0	55.0	55.0	-	-

Fuel/FX Market			
	FY2018	FY2019	
	Result	Previous Forecast ⁽⁴⁾	New Forecast
Singapore Kerosene (USD/bbl)	83.9	76.8 (2nd half 75.0)	77.0 (4Q 75.0)
Dubai Crude Oil (USD/bbl)	69.0	62.1 (2nd half 59.0)	62.6 (4Q 59.0)
FX Rate (JPY/USD)	110.5	109.6 (2nd half 110.0)	109.3 (4Q 110.0)

- (1) Figures in () do not include the depreciation method change
 (2) Net profit attributable to owners of the parent
 (3) NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year
 (4) Disclosed on October 31, 2019

※Hedge Ratio (As of End of Dec/2019)

FY2019 : Fuel and FX Approx. 40%
 FY2020 : Fuel and FX Approx. 30%
 FY2021 : Fuel and FX Approx. 10%

※Sensitivity for Fuel Costs (hedging excluded)

Crude Oil (Change in 1 USD/bbl)
 : Approx. JPY 2.7 Bn Per Year

FX (Change in 1 JPY/USD)
 : Approx. JPY 1.9 Bn Per Year

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Consolidated Financial Results

(JPY Bn)	3Q MAR/19	3Q MAR/20	Diff.	y/y ratio	3rd Quarter (Oct-Dec) ⁽⁶⁾	Diff.	y/y ratio
Operating Revenue	1,131.0	1,130.8	▲0.1	▲0.0%	371.0	▲9.8	▲2.6%
International Passenger	403.4	392.1	▲11.3	▲2.8%	126.1	▲8.1	▲6.1%
Domestic Passenger	404.7	415.4	+10.7	+2.7%	138.5	+2.0	+1.5%
Cargo / Mail	77.2	69.1	▲8.1	▲10.5%	23.9	▲3.5	▲12.8%
Other	245.6	254.1	+8.5	+3.5%	82.3	▲0.2	▲0.3%
Operating Expense ⁽¹⁾	985.5	1,010.7 (1,003.9)	+25.1 (+18.3)	+2.6% (+1.9%)	332.1 (330.5)	▲0.0 (▲1.6)	▲0.0% (▲0.5%)
Fuel	191.7	189.6	▲2.0	▲1.1%	61.9	▲4.4	▲6.7%
Excluding Fuel ⁽¹⁾	793.8	821.0 (814.2)	+27.2 (+20.4)	+3.4% (+2.6%)	270.2 (268.6)	+4.4 (+2.8)	+1.7% (+1.1%)
Operating Profit ⁽¹⁾	145.5	120.1 (126.9)	▲25.3 (▲18.5)	▲17.4% (▲12.7%)	38.8 (40.4)	▲9.8 (▲8.2)	▲20.2% (▲16.9%)
Operating Profit Margin ⁽¹⁾ (%)	12.9%	10.6% (11.2%)	▲2.2pt (▲1.6pt)	-	10.5% (10.9%)	▲2.3pt (▲1.9pt)	-
Ordinary Profit	138.5	121.8	▲16.7	▲12.1%	39.2	▲5.0	▲11.3%
Net Profit ⁽²⁾	106.5	76.3	▲30.2	▲28.4%	25.1	▲8.0	▲24.4%
ASK (MN seat km)	68,395	69,388	+992	+1.5%	22,928	+9	+0.0%
RPK (MN passenger km)	53,516	54,274	+758	+1.4%	17,896	▲9	▲0.1%
EBITDA Margin (%) ⁽³⁾	21.1%	19.7%	▲1.4pt	-	19.8%	▲1.1pt	-
EBITDAR Margin (%) ⁽⁴⁾	22.4%	21.1%	▲1.3pt	-	21.3%	▲0.9pt	-
Unit Cost (JPY) ^{(1) (5)}	10.3	10.5 (10.4)	+0.2 (+0.1)	+2.1% (+1.2%)	10.6 (10.5)	+0.2 (+0.1)	+2.1% (+1.4%)

(1) Figures in() 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+ Aircraft Leases

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

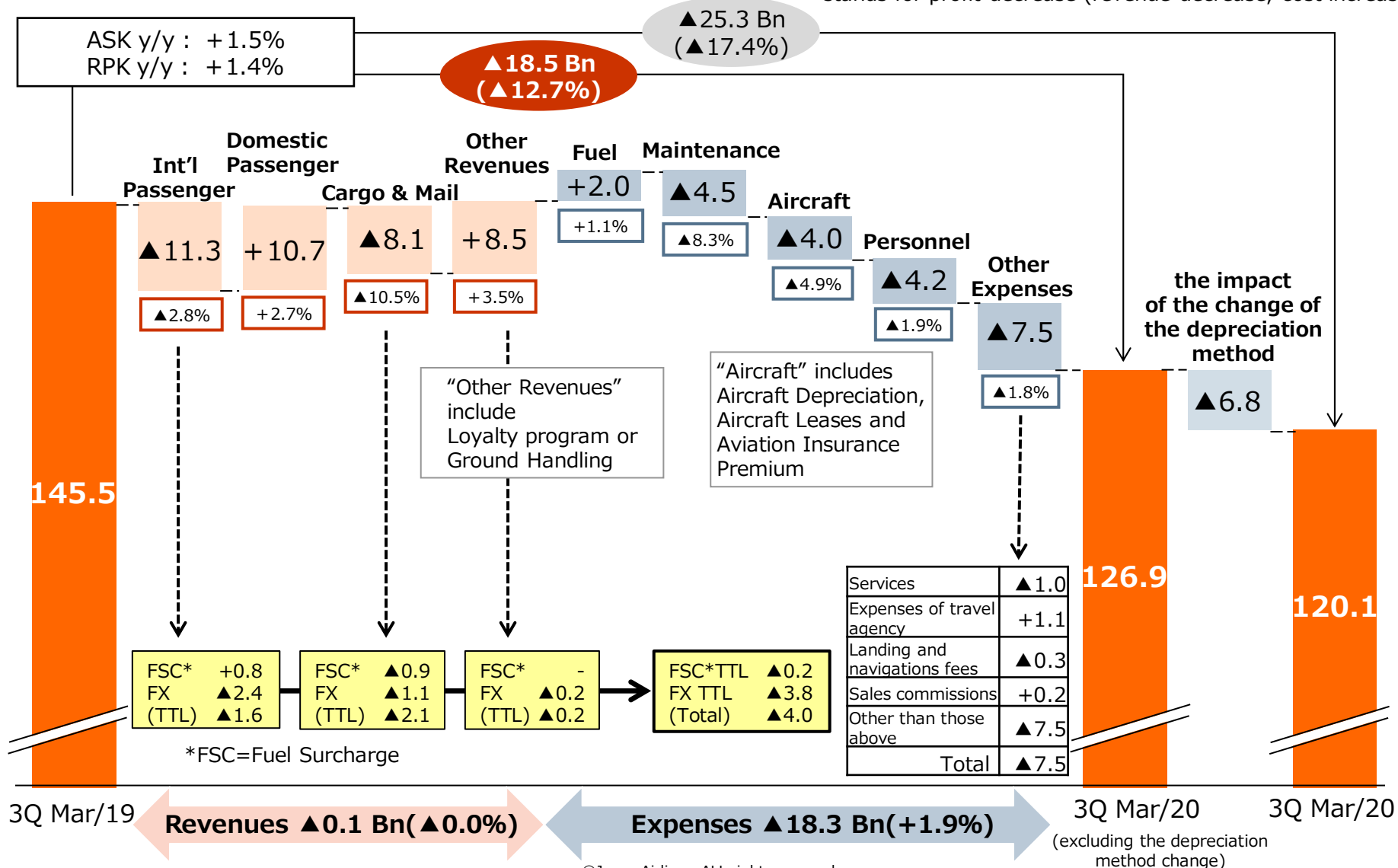
(6) The results for 3Q (October to December) are calculated by deducting the results of 1H (April to September) from cumulative 3Q (April to December)

Changes in Operating Profit (Revenues/Expenses)

3rd Quarter Mar/20

(JPY Bn)

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



Changes in Operating Profit (Market/Others)

3rd Quarter Mar/20

(JPY Bn)

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

Impact From Currency Market +1.2 Bn

Revenues	▲3.8 Bn
Expenses	+5.0 Bn
Fuel	+2.3 Bn
Ex. Fuel	+2.8 Bn

▲25.3 Bn
(▲17.4%)

▲18.5 Bn
(▲12.7%)

Fuel Volume	+0.8
Maintenance	▲5.4
Services	▲1.4
Aircraft	▲4.1
Personnel	▲4.6
Other than those above	▲7.6
Total	▲22.4

FX excl. Fuel ▲1.0
Fuel (excl. Hedging) +15.9
FSC* ▲0.2
Hedging ▲14.7

(Excl. Market Impact)

Revenue Increase +3.8
Cost Increase ▲22.4

the impact of the change of the depreciation method
▲6.8

145.5

Revenues	▲3.8
Cost excl. Fuel	+2.8
Total	▲1.0

Int'l Passenger	+0.8
Int'l Cargo	▲0.9
Total	▲0.2

FX	+2.3
Market	+13.7
Total	+15.9

145.6

Int'l Passenger	▲9.6
Domestic Passenger	+10.7
Cargo/Mail	▲5.9
Other	+8.7
Total	+3.8

126.9

120.1

3Q Mar/19

Market Impact +0.1 Bn

Others ▲18.6 Bn

3Q Mar/20

3Q Mar/20

(excluding the depreciation method change)

*FSC=Fuel Surcharge

International Passenger Operations

International Passenger

	3Q MAR/19	3Q MAR/20	y/y	3rd Quarter (Oct-Dec) ⁽⁴⁾	y/y
Passenger Revenue (JPY Bn)	403.4	392.1	▲2.8%	126.1	▲6.1%
Passengers ('000)	6,872	6,769	▲1.5%	2,187	▲3.5%
ASK (MN seat km)	41,211	41,781	+1.4%	13,709	▲0.7%
RPK (MN passenger km)	33,699	33,830	+0.4%	11,062	▲0.6%
L/F (%)	81.8%	81.0%	▲0.8pt	80.7%	+0.1pt
Revenue per Passenger ⁽¹⁾ (JPY)	58,706	57,931	▲1.3%	57,658	▲2.6%
Yield ⁽²⁾ (JPY)	12.0	11.6	▲3.2%	11.4	▲5.5%
Unit Revenue ⁽³⁾ (JPY)	9.8	9.4	▲4.1%	9.2	▲5.4%

(1) Revenue per Passenger = Passenger Revenue / Passengers

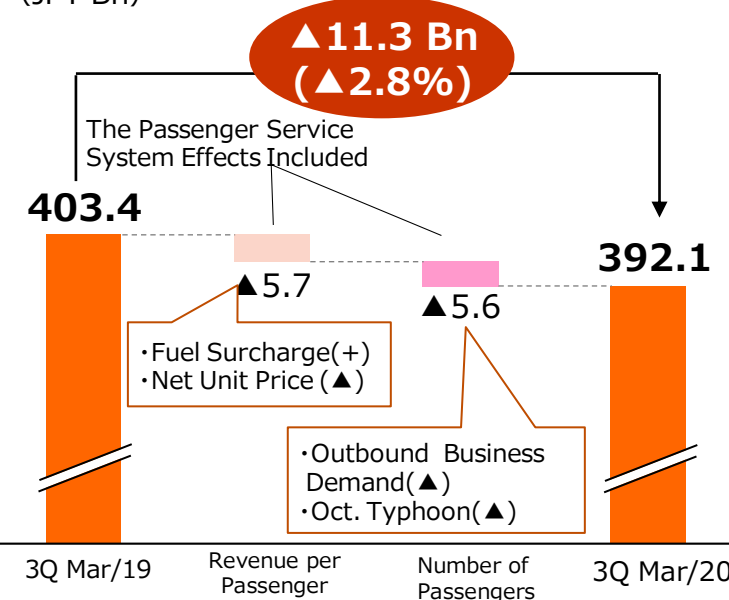
(2) Yield = Passenger Revenue / RPK

(3) Unit Revenue = Passenger Revenue / ASK

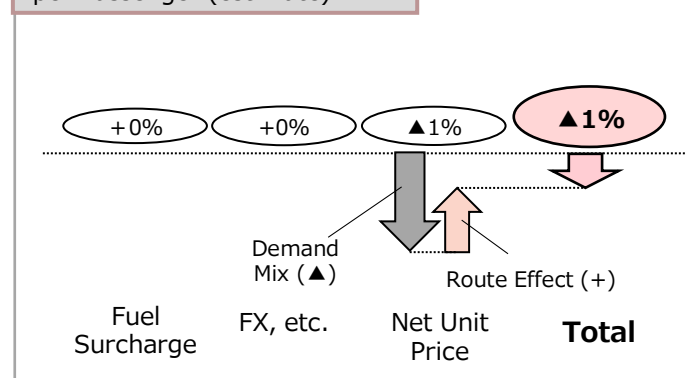
(4) The results for 3Q (October to December) are calculated by deducting the results of 1H (April to September) from cumulative 3Q (April to December)

Change in Revenue

(JPY Bn)



Factors of changes in Revenue per Passenger (estimate)



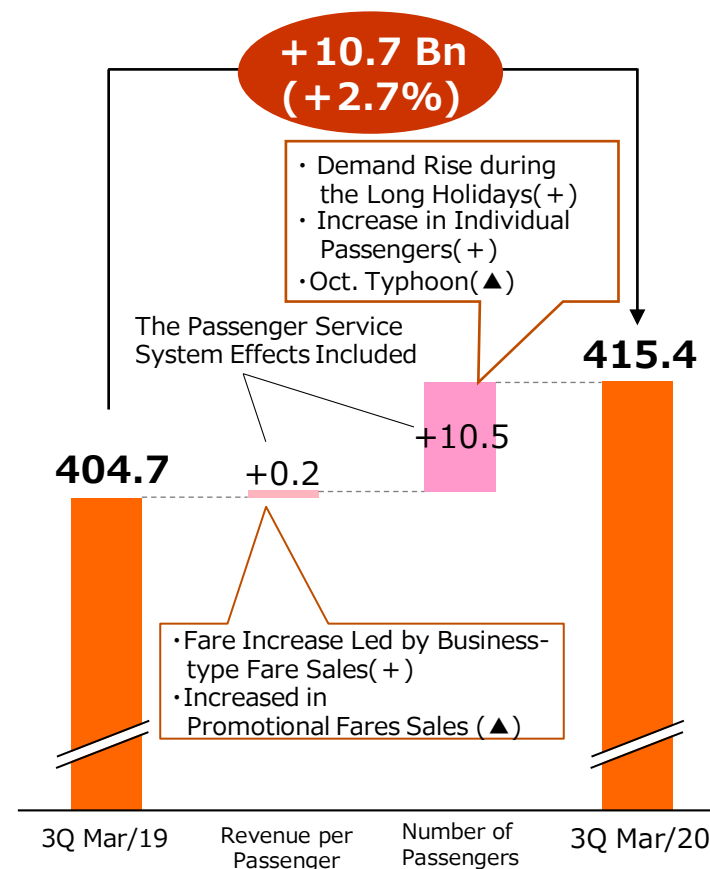
Domestic Passenger Operations

Domestic Passenger

	3Q MAR/19	3Q MAR/20	y/y	3rd Quarter (Oct-Dec) ⁽⁴⁾	y/y
Passenger Revenue (JPY Bn)	404.7	415.4	+2.7%	138.5	+1.5%
Passengers ('000)	26,437	27,124	+2.6%	9,117	+1.0%
ASK (MN seat km)	27,184	27,606	+1.6%	9,219	+1.2%
RPK (MN passenger km)	19,817	20,444	+3.2%	6,834	+0.8%
L/F (%)	72.9%	74.1%	+1.2pt	74.1%	▲0.3pt
Revenue per Passenger ⁽¹⁾ (JPY)	15,308	15,316	+0.1%	15,201	+0.5%
Yield ⁽²⁾ (JPY)	20.4	20.3	▲0.5%	20.3	+0.7%
Unit Revenue ⁽³⁾ (JPY)	14.9	15.0	+1.1%	15.0	+0.2%

Change in Revenue

(JPY Bn)



(1) Revenue per Passenger = Passenger Revenue / Passengers

(2) Yield = Passenger Revenue / RPK

(3) Unit Revenue= Passenger Revenue / ASK

(4) The results for 3Q (October to December) are calculated by deducting the results of 1H (April to September) from cumulative 3Q (April to December)

Major Operating Expense Items

Operating Expenses							
(JPY Bn)	3Q MAR/19	3Q MAR/20	Diff.	y/y ratio	3 rd Quarter (Oct-Dec) ⁽⁴⁾	Diff.	y/y ratio
Fuel	191.7	189.6	▲2.0	▲1.1%	61.9	▲4.4	▲6.7%
Landing and navigation fees	64.9	65.2	+0.3	+0.5%	21.7	+0.0	+0.3%
Maintenance	55.0	59.6	+4.5	+8.3%	19.6	+1.3	+7.2%
Sales commissions (Air Transport)	14.1	13.9	▲0.2	▲1.6%	4.4	▲0.2	▲5.8%
Aircraft ⁽¹⁾⁽²⁾	83.8	94.7 (87.9)	+10.8 (+4.0)	+13.0% (+4.9%)	32.2 (30.6)	+3.9 (+2.3)	+14.1% (+8.4%)
Services ⁽³⁾	34.3	35.4	+1.0	+3.0%	12.0	+0.2	+2.3%
Personnel	225.9	230.2	+4.2	+1.9%	76.2	+0.6	+0.8%
Expenses of travel agency	66.3	65.1	▲1.1	▲1.8%	19.1	▲1.4	▲7.1%
Other	249.0	256.6	+7.5	+3.0%	84.7	▲0.1	▲0.1%
Total Operating Expenses ⁽²⁾	985.5	1,010.7 (1,003.9)	+25.1 (+18.3)	+2.6% (+1.9%)	332.1 (330.5)	▲0.0 (▲1.6)	▲0.0% (▲0.5%)

ASK y/y : +1.5%

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

(2) Figures in() do not include the depreciation method change

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

(4) The results for 3Q (October to December) are calculated by deducting the results of 1H (April to September) from cumulative 3Q (April to December)

Major Balance Sheet Items and Cash Flow Items

Consolidated Balance Sheet

(JPY Bn)	End of Mar/19	End of 3rd Quarter Mar/20	Diff.	Remarks
Total Assets	2,030.3	1,941.7	▲88.5	
Cash and Deposits (incl. Certificate of Deposits etc)	522.0	326.4	▲195.6	82.7 Bn. yen injection to Pension Fund in Sep. and temporary cash-out equiv. to 30 Bn. yen such as tax to be refunded are included
Balance of Interest-bearing Debt	142.3	156.2	+13.8	
Future Rental Expenses under Operating Leases	81.1	71.7	▲9.3	
Shareholders' Equity	1,165.1	1,182.5	+17.4	
Shareholders' Equity Ratio (%)	57.4%	60.9%	+3.5pt	
D/E Ratio (x)	0.1x	0.1x	+0.0x	On-balance sheet Interest-bearing Debt / Shareholders' Equity

Consolidated Cash Flow

(JPY Bn)	3Q MAR/19	3Q MAR/20	Diff.	Remarks
Cash Flow from Operating Activities	205.6	51.0	▲154.6	82.7 Bn. yen injection to Pension Fund in Sep. and temporary cash-out equiv. to 30 Bn. yen such as tax to be refunded are included
Depreciation and Amortization	92.7	102.5	+9.7	
Cash Flow from Investing Activities	▲143.6	▲191.4	▲47.8	
Capital Investment	▲168.7	▲195.7	▲27.0	
Free Cash Flow	62.0	▲140.4	▲202.4	Cash Flow from Operating Activities +Cash Flow from Investing Activities
Cash Flow from Financing Activities	▲49.9	▲55.2	▲5.2	
Total Cash Flow	12.0	▲195.6	▲207.7	Cash flow from Operating Activities + Cash Flow from Investing Activities+ Cash Flow from Financing Activities
EBITDA	238.2	222.6	▲15.6	
EBITDAR	253.1	238.6	▲14.5	

Revenue of International Routes by Geographic Segment

Passenger Revenue

(%)	3Q Cumulative y/y	3Q 3Months y/y	Component Ratio		
			3Q Mar/19	3Q Mar/20	3Q 3Months
America	+6.6%	+0.3%	26%	28%	28%
Europe	▲4.9%	▲3.0%	17%	17%	15%
Asia/Oceania	▲4.2%	▲6.8%	32%	31%	34%
China	▲7.0%	▲17.4%	11%	11%	10%
Hawaii/Guam	▲11.0%	▲10.5%	14%	13%	13%
Total	▲2.8%	▲6.1%	100%	100%	100%

ASK

(MN seat km)	3Q (Cumulative)			3Q (3Months)	
	Mar/19	Mar/20	y/y	Mar/20	y/y
America	11,715	12,682	+8.3%	4,117	+4.6%
Europe	5,932	6,161	+3.8%	2,033	+5.4%
Asia/Oceania	14,378	14,612	+1.6%	4,790	▲0.6%
China	2,568	2,740	+6.7%	925	+8.0%
Hawaii/Guam	6,617	5,584	▲15.6%	1,843	▲18.8%
Total	41,211	41,781	+1.4%	13,709	▲0.7%

Revenue Passengers Carried

('000)	3Q (Cumulative)			3Q (3Months)	
	Mar/19	Mar/20	y/y	Mar/20	y/y
America	1,005	1,103	+9.7%	352	+7.5%
Europe	567	577	+1.7%	189	+4.6%
Asia/Oceania	3,185	3,172	▲0.4%	1,065	▲1.6%
China	1,181	1,124	▲4.8%	315	▲14.9%
Hawaii/Guam	932	791	▲15.1%	265	▲13.4%
Total	6,872	6,769	▲1.5%	2,187	▲3.5%

RPK

(MN passenger km)	3Q (Cumulative)			3Q (3Months)	
	Mar/19	Mar/20	y/y	Mar/20	y/y
America	9,601	10,402	+8.3%	3,323	+6.2%
Europe	5,079	5,098	+0.4%	1,677	+3.4%
Asia/Oceania	11,683	11,712	+0.2%	3,974	▲0.5%
China	2,177	2,103	▲3.4%	591	▲13.1%
Hawaii/Guam	5,157	4,514	▲12.5%	1,495	▲12.1%
Total	33,699	33,830	+0.4%	11,062	▲0.6%

Load Factor for Revenue Passengers

(%)	3Q (Cumulative)			3Q (3Months)	
	Mar/19	Mar/20	y/y	Mar/20	y/y
America	82.0%	82.0%	+0.1pt	80.7%	+1.2pt
Europe	85.6%	82.7%	▲2.9pt	82.5%	▲1.6pt
Asia/Oceania	81.3%	80.2%	▲1.1pt	83.0%	+0.1pt
China	84.8%	76.8%	▲8.0pt	63.9%	▲15.5pt
Hawaii/Guam	77.9%	80.8%	+2.9pt	81.1%	+6.2pt
Total	81.8%	81.0%	▲0.8pt	80.7%	+0.1pt

Number of Aircraft

	End of Mar/19 (March 31, 2019)			End of 3 rd Quarter/20 (December 31, 2019)			Diff.
	Owned	Leased	Total	Owned	Leased	Total	
Airbus A350-900	0	0	0	5	0	5	+5
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	45	0	45	+5
Boeing 787-8	25	0	25	28	0	28	+3
Boeing 787-9	14	3	17	15	3	18	+1
Boeing 767-300	6	0	6	6	0	6	-
Boeing 767-300ER	29	0	29	29	0	29	-
Middle-sized Total	74	3	77	78	3	81	+4
Boeing 737-400	3	0	3	0	0	0	▲3
Boeing 737-800	42	20	62	43	19	62	-
Small-sized Total	45	20	65	43	19	62	▲3
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	6	0	6	▲2
ATR42-600	5	1	6	7	1	8	+2
ATR72-600	1	0	1	2	0	2	+1
Regional Total	52	1	53	52	1	53	-
Total	211	24	235	218	23	241	+6

《 Reference 》 FY2019 Earnings Forecast

Consolidated Balance Sheet

(JPY Bn)	End of FY2018	End of FY2019		Diff.
	Results	Previous Forecast ⁽¹⁾	New Forecast	
Total Assets	2,030.3	2,010.0	1,962.0	▲48.0
Balance of Interest-bearing debts	142.3	171.0	171.0	-
Shareholders' Equity	1,165.1	1,174.0	1,166.0	▲8.0
Shareholders' Equity Ratio (%)	57.4%	58.4%	59.4%	+1.0pt
ROIC (%) ⁽²⁾⁽³⁾	9.5%	8.6%	7.1%	▲1.5pt
		(9.1%)	(7.6%)	(▲1.5pt)
ROE (%) ⁽⁴⁾	13.6%	9.7%	8.0%	▲1.8pt
ROA (%) ⁽³⁾⁽⁵⁾	9.1%	8.4%	7.0%	▲1.4pt
		(8.9%)	(7.5%)	(▲1.4pt)

(1) Disclosed on October 31, 2019

(2) NOPAT/Average Fixed Asset (incl. Future Rental Expenses under Operating Leases) at beginning and end of a fiscal year

(3) Figures in () do not include the depreciation method change

(4) (Net profit attributable to owners of the parent) / (Average of shareholder's equity at beginning and end of a fiscal year)

(5) (Operating profit) / (Average of total assets at beginning and end of a fiscal year)

Consolidated Cash Flow

(JPY Bn)	FY2018	FY2019		Diff.
	Results	Previous Forecast ⁽¹⁾	New Forecast	
Cash Flow from Operating Activities ⁽⁶⁾	296.7	204.0	152.0	▲52.0
Cash Flow from Investing Activities	▲186.3	▲234.0	▲232.0	+2.0
Free Cash Flow ⁽⁶⁾⁽⁷⁾	110.3	▲30.0	▲80.0	▲50.0
Cash Flow from Financing Activities	▲37.0	▲50.0	▲50.0	-
EBITDA	300.2	307.0	277.0	▲30.0
EBITDAR	320.1	328.0	298.0	▲30.0

(6) Cash injection to Corporate Pension Fund (JPY 82.7 bil. (result)) is included

(7) Cash Flow from Operating Activities + Cash Flow from Investing Activities

(8) 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.

(9) 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.

Investment

(JPY Bn)	FY2018	FY2019		Diff.
	Results	Previous Forecast ⁽¹⁾	New Forecast	
Fleet	175.4	185.0	185.0	-
Ground · IT, etc	50.8	73.0	72.0	▲1.0
Total	226.2	258.0	257.0	▲1.0

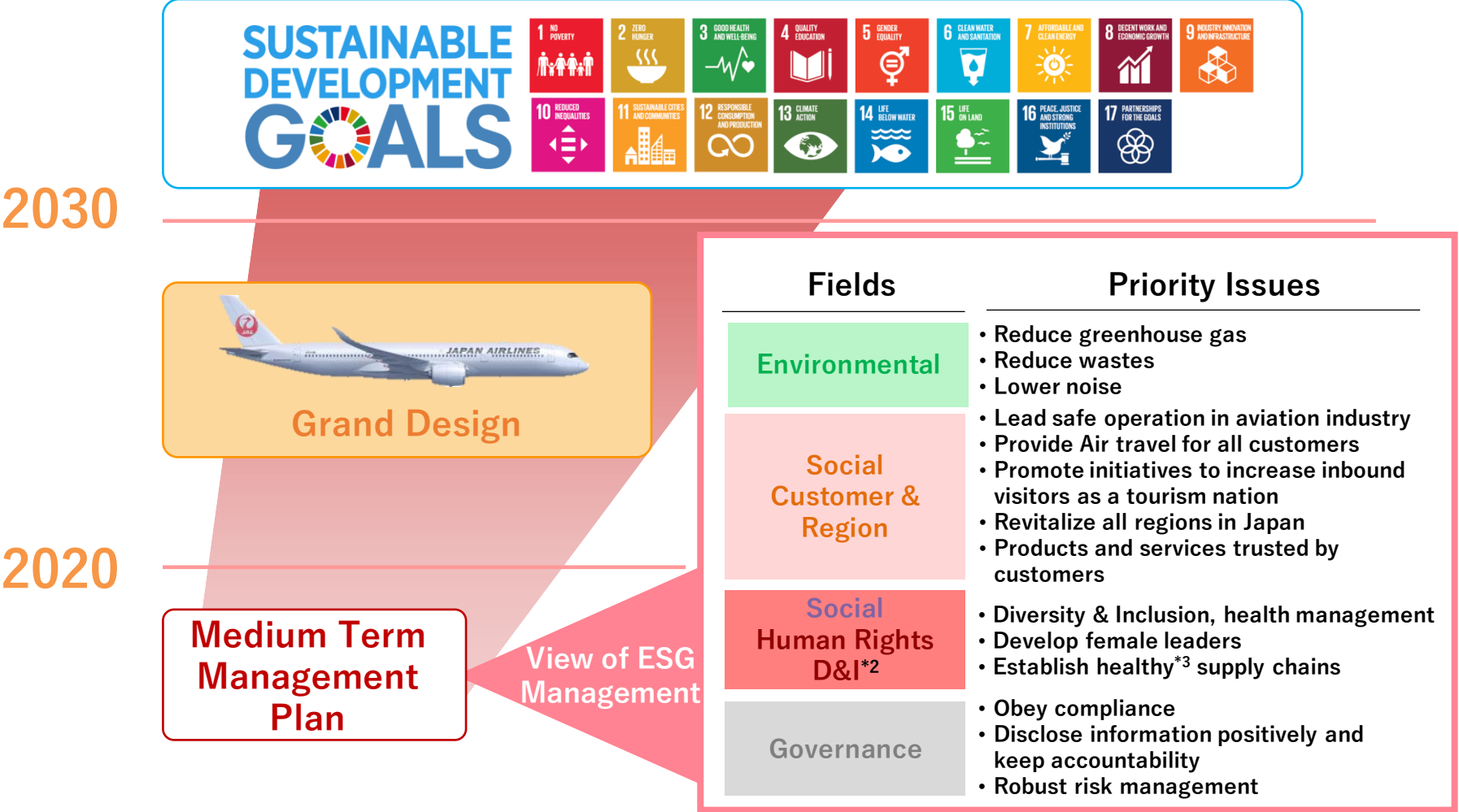
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Growth Investment ⁽⁸⁾	193.0
Replacement investment ⁽⁹⁾	64.0

INTENTIONALLY LEFT BLANK

※Originally disclosed on February 25,2019

In this Medium Term Management Plan,
we look to identify priority issues from the viewpoint of ESG management.
And strive to solve social issues through to achieve SDGs*1 in 2030.



*1 Aiming to realize a sustainable society, SDGs consist of 17 targets that the international community should be solved by 2030.
*2 To take advantage of different experiences and perspectives, accepting the difference, and create new things.
*3 Condition which realize close attention to environment, fair business process, respect of human right etc.

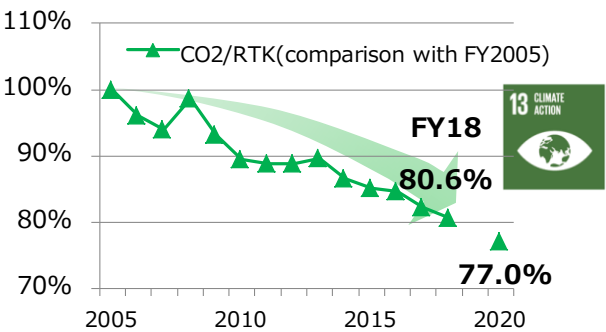
ESG

- ✓ 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

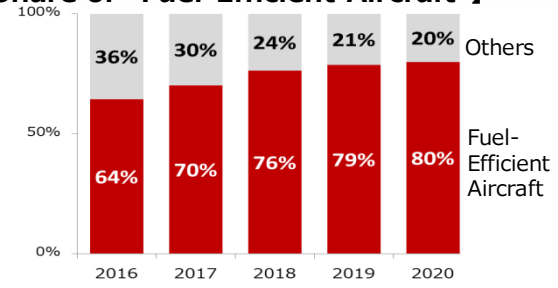
- Low-Carbon Initiatives:
Introduce fuel-efficient aircraft and aim for eco-friendly operation
- Promote usage of Biofuel :
Invested in *Fulcrum BioEnergy, Inc.* a Biofuel manufacturer

CO2 Emissions



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

Share of “Fuel-Efficient Aircraft”



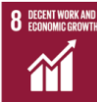
Applicable Aircraft : A350,787,777,737-800,E170/190
~2018 : Result, 2019~: Plan

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

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

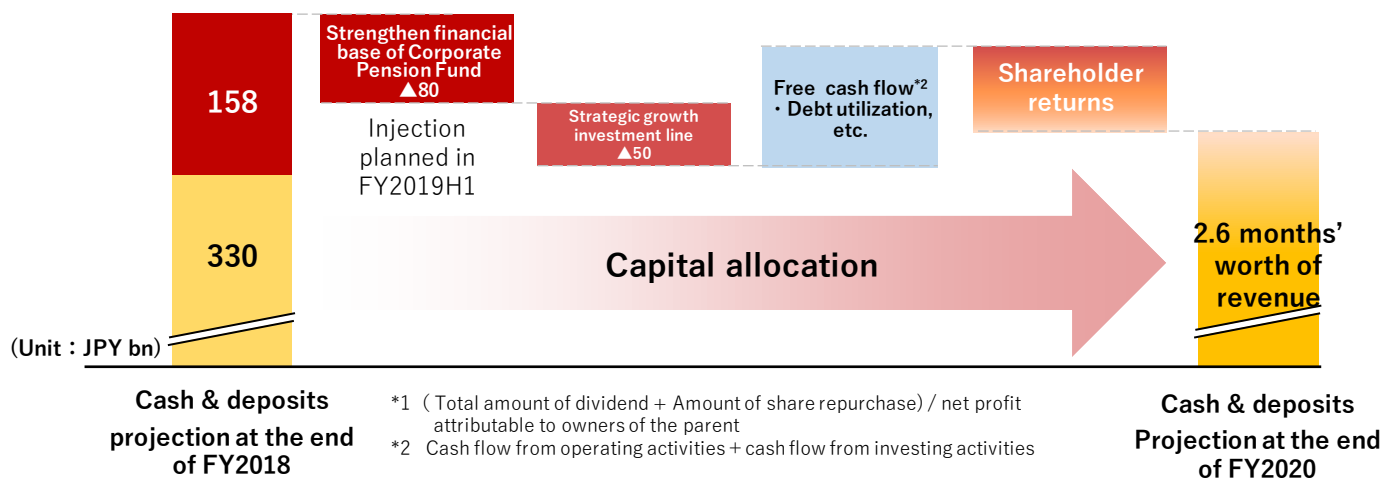
- Due to investments and preparatory costs for “development at Haneda and Narita” in FY2020, together with temporary supply-demand imbalance, ROE and ROIC will decline temporarily. However we aim to maintain or increase ROE from 10% and further increase ROIC through sustainable profit growth.

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

□ Dividends with focuses on continuity, stability and predictability

- Approximately 35% is a benchmark for payout ratio.
- Income tax deferred is no longer excluded from 2019, except an extraordinary case.

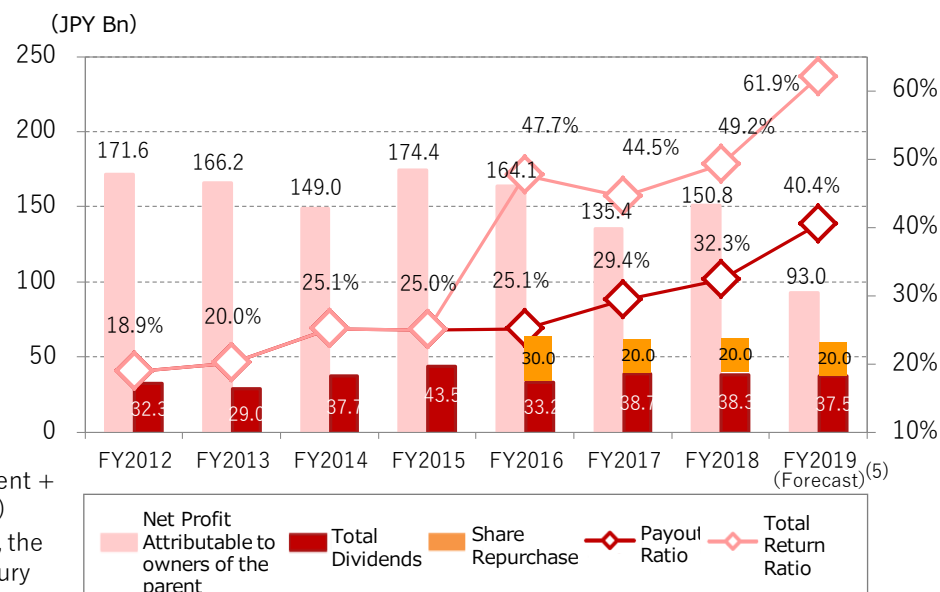
□ Total return will be focused

- Return will be made through the combination of dividends and share repurchase, aiming for a range of approximately 35% to 50% of total return ratio

- (1) Amount of share repurchases include those whose resolutions were passed before the closing of accounts for the current fiscal year
- (2) Dividend payout ratio = Total dividends / Base profit for dividends calculation⁽⁴⁾
- (3) Total return ratio = (Total amount of dividend + Amount of share repurchase) / Base profit for dividends calculation⁽⁴⁾
- (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)
- (5) In the FY2019 total dividends, the payout ratio and Total Return Ratio calculation, the number of shares issued at the end of the 3rd Quarter of FY2019, excluding treasury stock, is used.

Total Shareholder Return History (FY2012~FY2019)

※Updated



Fly into tomorrow.



JAPAN AIRLINES

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