

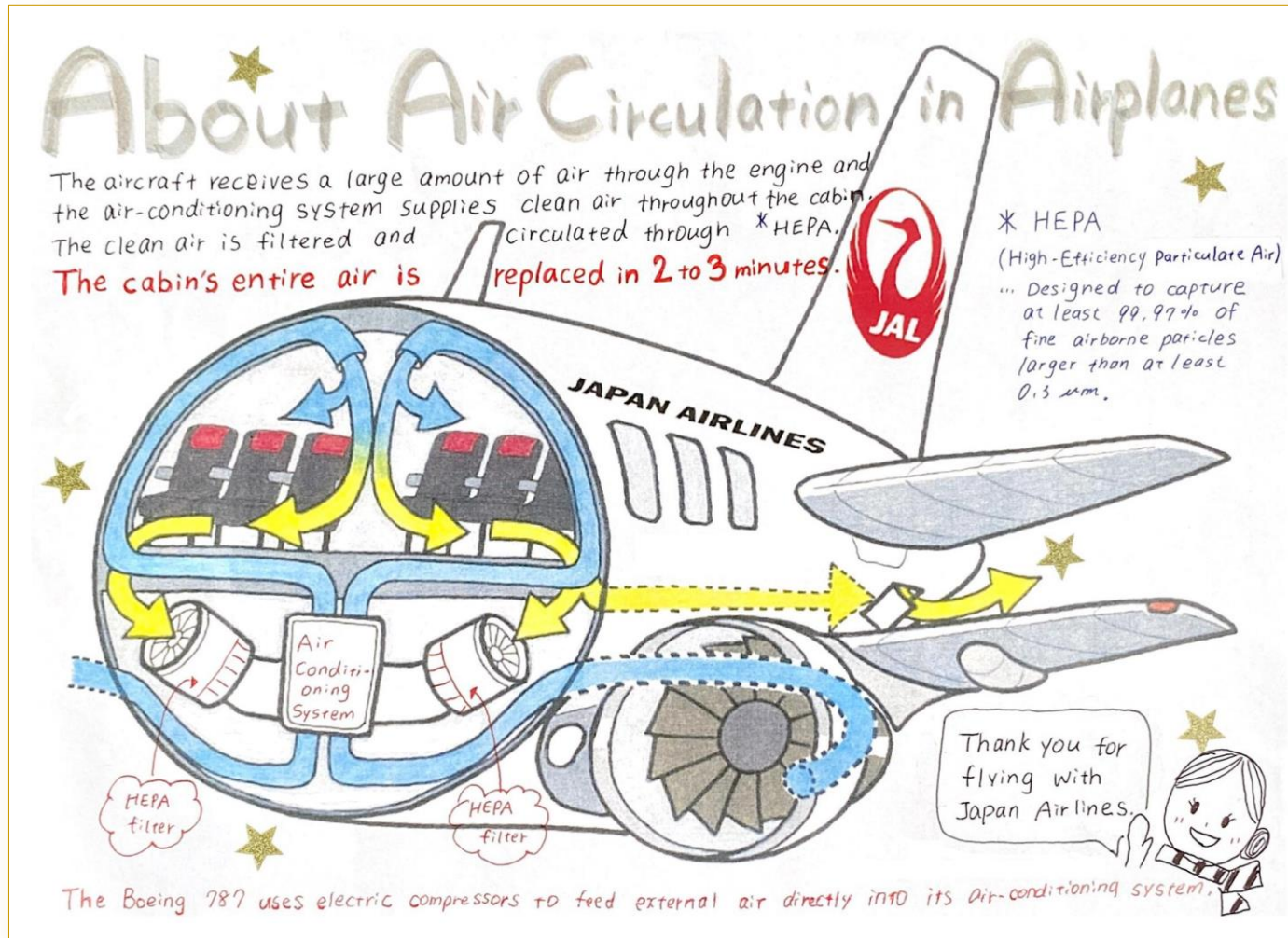
JAPAN AIRLINES Co., Ltd.

Financial Results

1st Quarter Mar/2021 (FY2020)



JAPAN AIRLINES



『Team Asahikawa』 (Handwritten by JAL Asahikawa Airport Office, JAL Engineering Asahikawa Airport Maintenance Office) and JAL Cabin Attendants)

August 3, 2020

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Today's Topics

OVERVIEW OF FINANCIAL RESULTS FOR 1ST
QUARTER MAR/2021

P.3

THE CURRENT OVERVIEW AND IMMEDIATE
INITIATIVES

P.12

NEAR FUTURE INITIATIVES

P.16

TOWARD THE NEW NORMAL

P.20

REFERENCES

P.23

IFRS is adopted from the fiscal year ending Mar 2021, instead of the Japanese standard. Accordingly, figures in the previous years are also calculated in IFRS as well for comparison analysis.



Japan Institute of
Information Technology
IT Award



2019 Award for Excellence
in Corporate Disclosure
— Industries —

SAAJ The Securities Analysts
Association of Japan



FTE
Accessibility
Leadership Award



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



SKYTRAX
5-Star Airline



Health and Productivity
Management Brand

(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.

- Today, I will explain our performance and initiatives in four different time scale; Past, Current and Near Future and Future.
- As we have already explained, we have applied IFRS from this fiscal year. To make a comparative analysis, we have also applied IFRS to the previous year's results.

Financial Results

1st Quarter Mar/2021

THE CURRENT OVERVIEW AND
IMMEDIATE INITIATIVES

NEAR FUTURE INITIATIVES

TOWARD THE NEW NORMAL

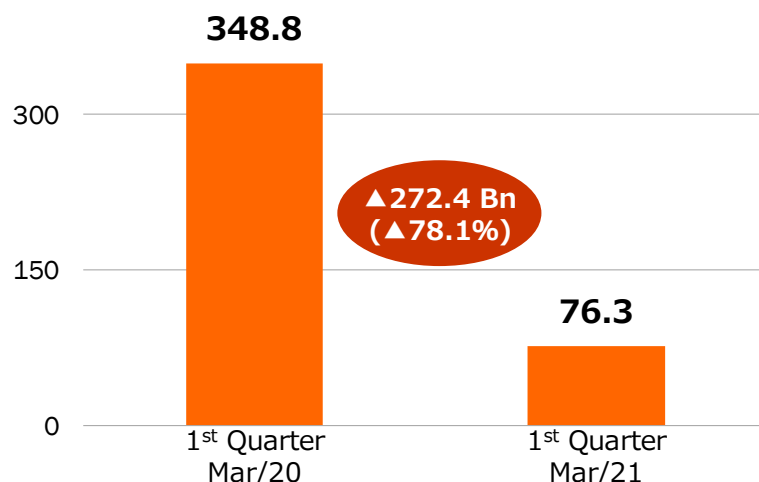
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Overview of Financial Results for 1st Quarter Mar/21

- ✓ Large drop in revenue due to COVID-19 spread
- ✓ No interim dividends are paid to secure liquidity at hand as first priority

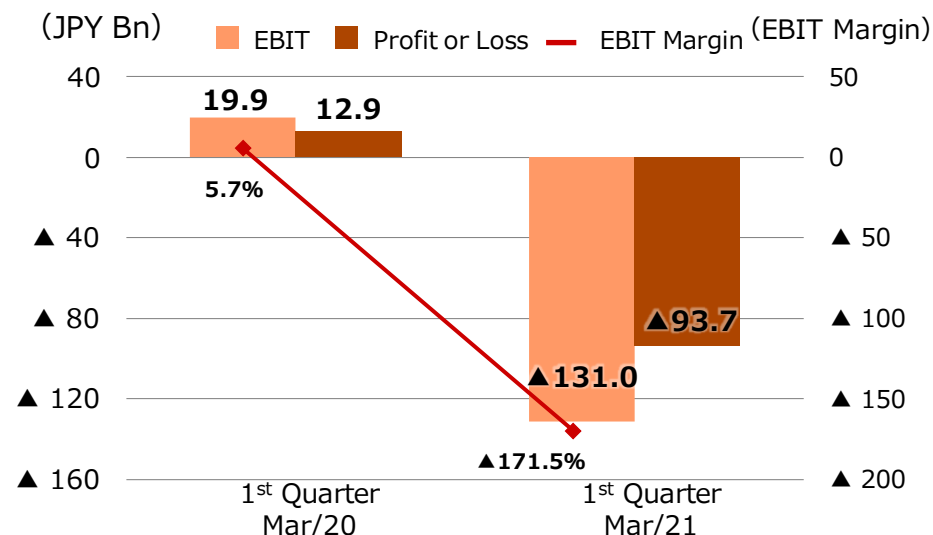
Revenue⁽¹⁾

(JPY Bn)



EBIT⁽¹⁾⁽²⁾/Profit or Loss⁽¹⁾⁽³⁾/EBIT Margin⁽¹⁾⁽⁴⁾

(JPY Bn)



Fuel/FX Markets

	1 st Quarter Mar/20	1 st Quarter Mar/21	y/y
Singapore Kerosene (USD/bbl)	81.3	29.8	▲63.3%
Dubai Crude Oil (USD/bbl)	69.1	28.2	▲59.2%
FX Rate (JPY/USD)	111.0	108.3	▲2.4%

Operational Precondition/ASK

	1 st Quarter Mar/21 (y/y)
International Routes ⁽⁵⁾	▲91.7%
Domestic Routes	▲64.2%
Total	▲80.8%

(1) IFRS is adopted from FY20 and to the figures in the previous year to enable comparison analysis (2) EBIT = Profit/Loss before Financing and Income tax (Profit/Loss before Tax – Finance Income/Expenses) (3) Profit/Loss = Quarterly Profit Attributable to Owners of Parent (4) EBIT Margin = EBIT / Revenue (5) Changes in codeshare passengers on other airlines are reflected from FY20 and to the previous year's figures as well for comparison analysis

- On this slide, I will explain the first quarter result of Fiscal Year 2020.
- We will use EBIT, which represents the result of our business and investment, as our target index instead of Operating Profit that we had used for a long time.
- Due to the spread of COVID-19, Revenue decreased to 76.3 billion yen, down 78.1% year-on-year.
- In order to cover the rapidly-lost revenue, variable cost reduction through flexible operation and fixed cost reduction were pursued, however, EBIT decreased to loss of 131 billion yen, Profit decreased to loss of 93.7 billion yen.
- Upon this tough result, our first priority for the moment is liquidity on hand. Therefore, we have decided not to provide interim dividends at this moment.
- We would like to ask for your understanding.

Consolidated Financial Results for 1st Quarter Mar/21⁽¹⁾

(JPY Bn)	1 st Quarter Mar/20	1 st Quarter Mar/21	Diff.	y/y
Revenue	348.8	76.3	▲272.4	▲78.1%
International Passenger	130.6	2.7	▲127.8	▲97.9%
Domestic Passenger	127.1	18.9	▲108.1	▲85.1%
Cargo / Mail	22.7	26.5	+3.8	+16.9%
Other Revenue ⁽²⁾	68.3	28.1	▲40.2	▲58.8%
Operating Expense	330.9	205.8	▲125.0	▲37.8%
Fuel	63.6	19.4	▲44.2	▲69.5%
Excluding Fuel	267.2	186.3	▲80.8	▲30.2%
Others ⁽³⁾	2.0	▲1.5	▲3.6	-
EBIT	19.9	▲131.3	▲150.9	-
EBIT Margin (%)	5.7%	▲171.5%	▲177.2pt	-
Profit or Loss	12.9	▲93.7	▲106.6	-
ASK (MN seat km) ⁽⁴⁾	22,789	4,366	▲18,423	▲80.8%
RPK (MN passenger km) ⁽⁴⁾	18,989	1,110	▲17,878	▲94.2%
EBITDA Margin (%) ⁽⁵⁾	17.2%	▲115.0%	▲132.3pt	-

(Note) New unit cost definition is under reconsideration to properly reflect an actual cost upon application of IFRS and new JAL Group business portfolio

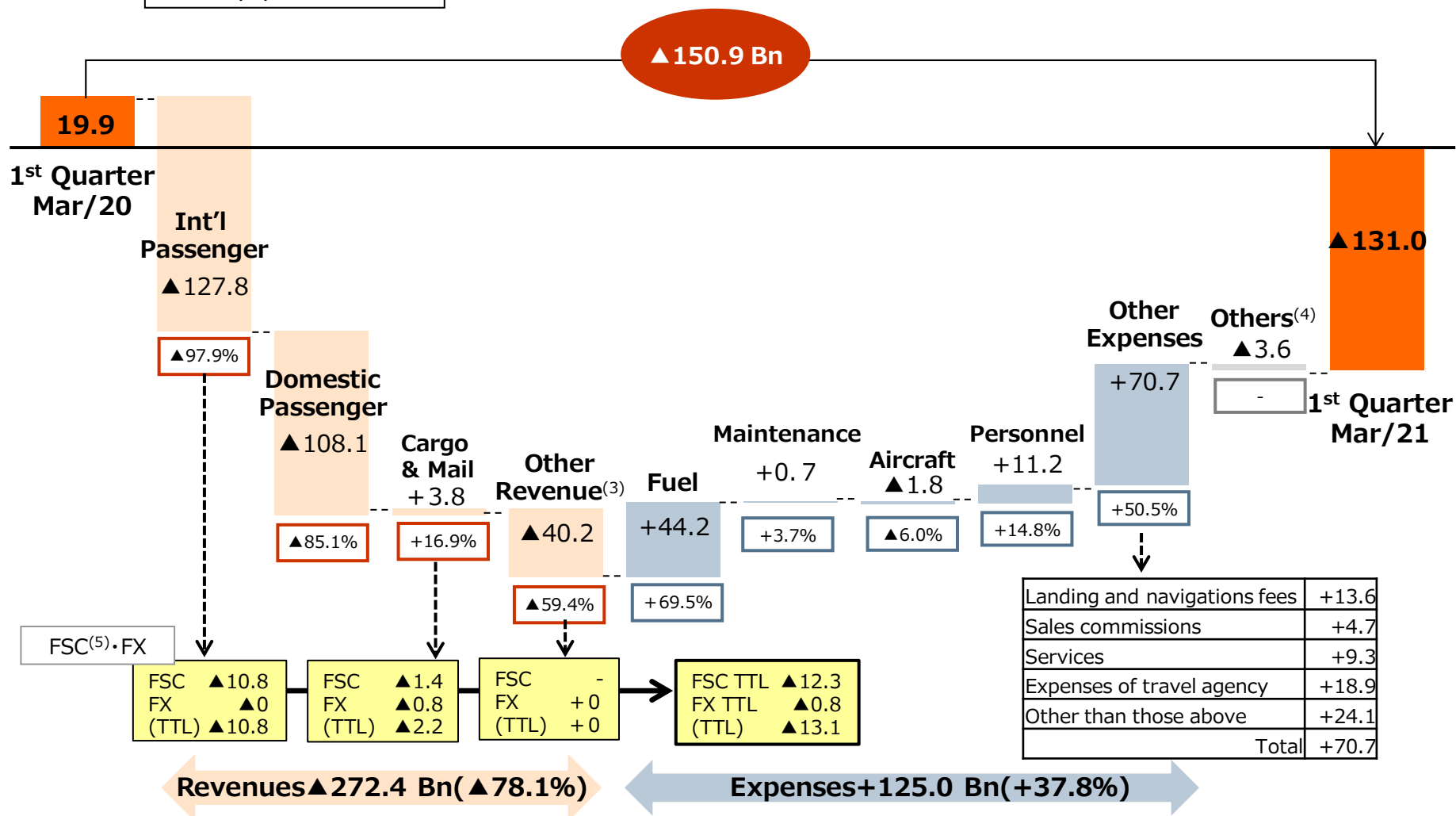
(1) IFRS is adopted from FY20 and to the figures in the previous year to enable comparison analysis (2) Other Revenue = Travel Agency, Mileage, Ground Handling or etc. (3) Others = Gain or Loss on Sales of Flight Equipment, Other Revenue, Share of Profit or Loss of Investment and Income/Expenses from Investment (4) Changes in codeshare passengers on other airlines are reflected from FY20 and to the previous year's figures as well for comparison analysis (5) EBITDA Margin = EBITDA / Revenue EBITDA=EBIT+ Depreciation

- This slide shows the details of the consolidated financial result of the first quarter result.

Changes in EBIT (Revenues/Expenses) (1)

(JPY Bn) (2) ASK y/y : ▲80.8%
RPK y/y : ▲94.2%

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



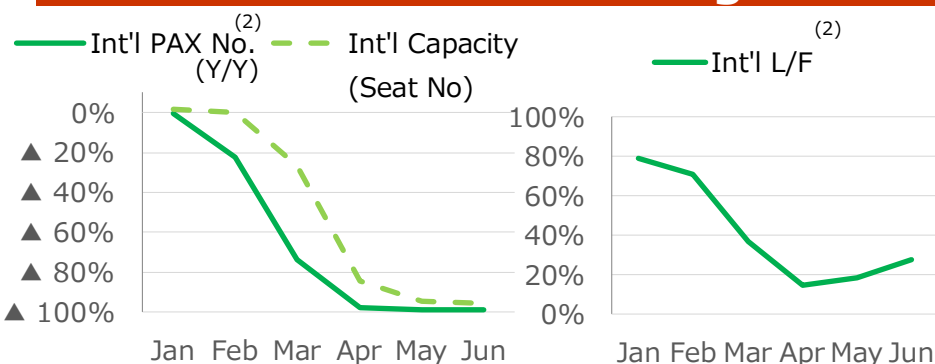
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- This slide shows the ups and downs of EBIT.
- Revenue fell largely due to COVID-19, except Cargo and Mail.
- Operating Expense decreased by 125 billion yen year-on-year due to aircraft operating cost reduction and fixed cost reduction.

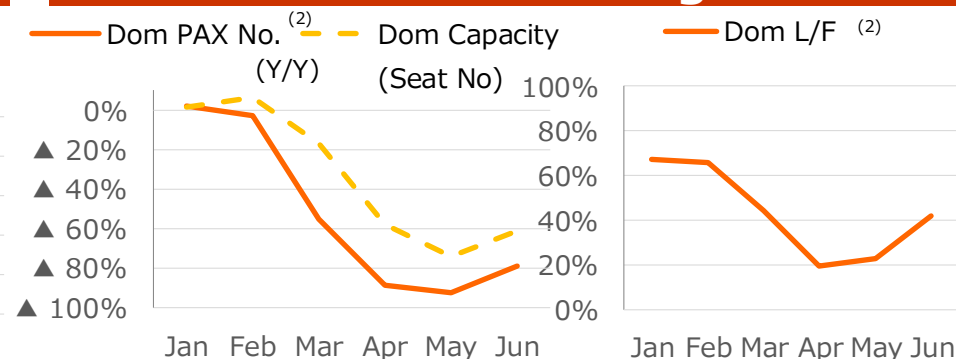
International/ Domestic Passenger Operations

- ✓ Capacity was reduced largely as demand falls rapidly in COVID-19
- ✓ Domestic demand is gradually coming back in June

International Passenger ⁽¹⁾



Domestic Passenger



International Passenger ⁽¹⁾

Passenger Revenue (JPY Bn) ⁽²⁾	
Passengers ('000) ⁽²⁾	
ASK (MN seat km)	
RPK (MN passenger km) ⁽²⁾	
L/F (%) ⁽²⁾	
Revenue per Passenger (JPY) ^{(2) (3)}	
Yield (JPY) ^{(2) (4)}	
Unit Revenue (JPY) ^{(2) (5)}	

1 st Quarter Mar/20	1 st Quarter Mar/21	y/y
130.6	2.7	▲97.9%
242.9	3.3	▲98.6%
13,767	1,138	▲91.7%
12,016	198	▲98.3%
87.3%	17.5%	▲69.8pt
53,768	80,030	+48.8%
10.9	13.6	+25.4%
9.5	2.4	▲74.9%

Domestic Passenger

1 st Quarter Mar/20	1 st Quarter Mar/21	y/y
127.1	18.9	▲85.1%
927.2	123.1	▲86.7%
9,022	3,227	▲64.2%
6,973	911	▲86.9%
77.3%	28.3%	▲49.0pt
13,707	15,390	+12.3%
18.2	20.8	+14.0%
14.1	5.9	▲58.3%

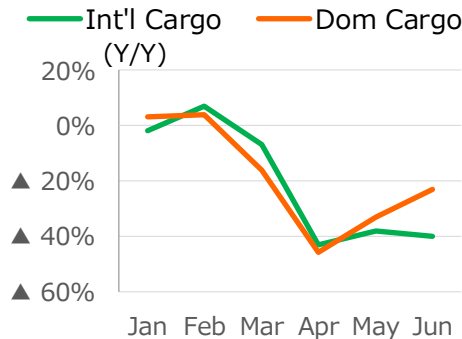
(1) Changes in codeshare passengers on other airlines are reflected from FY20 and to the previous year's figures as well for comparison analysis (2) Passengers with mileage award tickets are included from FY20 due to revenue recognition change by applying IFRS and also included in the previous year's figures for comparison analysis, however, Passenger Number and L/F from Jan. to Mar. in the graphs above exclude passengers with mileage award tickets due to the Japanese Standard. (3) Revenue per Passenger = Passenger Revenue / Passengers (4) Yield = Passenger Revenue / RPK (5) Unit Revenue= Passenger Revenue / ASK

- On this slide, I will explain International and Domestic Passenger Business.
- International passenger demand disappeared due to travel restrictions imposed by many countries. Passenger Number decreased by 98.6% year-on-year.
- Domestic long-distance travel was also discouraged, then Passenger Number decreased unprecedentedly by 86.7% year-on-year. It is coming back gradually, though.

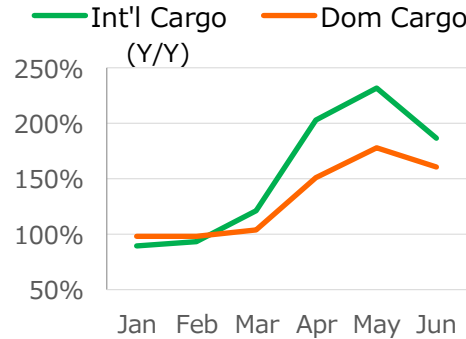
Cargo / Mail

- ✓ Tight supply-demand situation continues as capacity is being reduced worldwide
- ✓ Cargo flights with passenger aircraft totaled to 3,754 from Apr to Jun
- ✓ ZIPAIR also started cargo flights on Narita= Bangkok routes from Jun
- ✓ Revenue exceeded previous year (+17% yoy) due to price increase

Weight



Price



Cargo Flights with PAX aircraft (One-way)⁽¹⁾

	Mar	Apr	May	Jun
America	0	63	289	345
Europe	18	86	136	177
Asia/Oceania	17	197	302	347
China	73	250	442	316
Int'l TOTAL	108	596	1,169	1,185
Domestic	0	155	339	310
Int'l+Dom TOTAL	108	751	1,508	1,495

(1) Including ZIPAIR cargo flights

America

Steady US-bound semiconductor demand

Europe

Strong Fresh Foods demand to Japan

China

Strong medical supplies to Japan and Europe till May
Tight situation softened since June

Asia/Oceania

Steady electric parts demand for Japan and North America

Domestic

Nesting consumption increased parcel demand

- For Cargo and Mail, the supply-demand situation became very tight due to large capacity reduction worldwide. We operated about 3,800 cargo flights using passenger aircrafts from April to June.
- Price hiked in that situation, so the revenue actually increased by 16.9% year-on-year.
- ZIPAIR started its Bangkok cargo flight from Narita in June. It will start Narita-Seoul cargo flights as well.

Major Operating Expense Items⁽¹⁾

- ✓ Revenue- and capacity-linked costs decrease as approximately 40% of revenue reduction (108.4 Bn JPY)
- ✓ Fixed cost also steadily decreases more than estimated (Details on P.18)

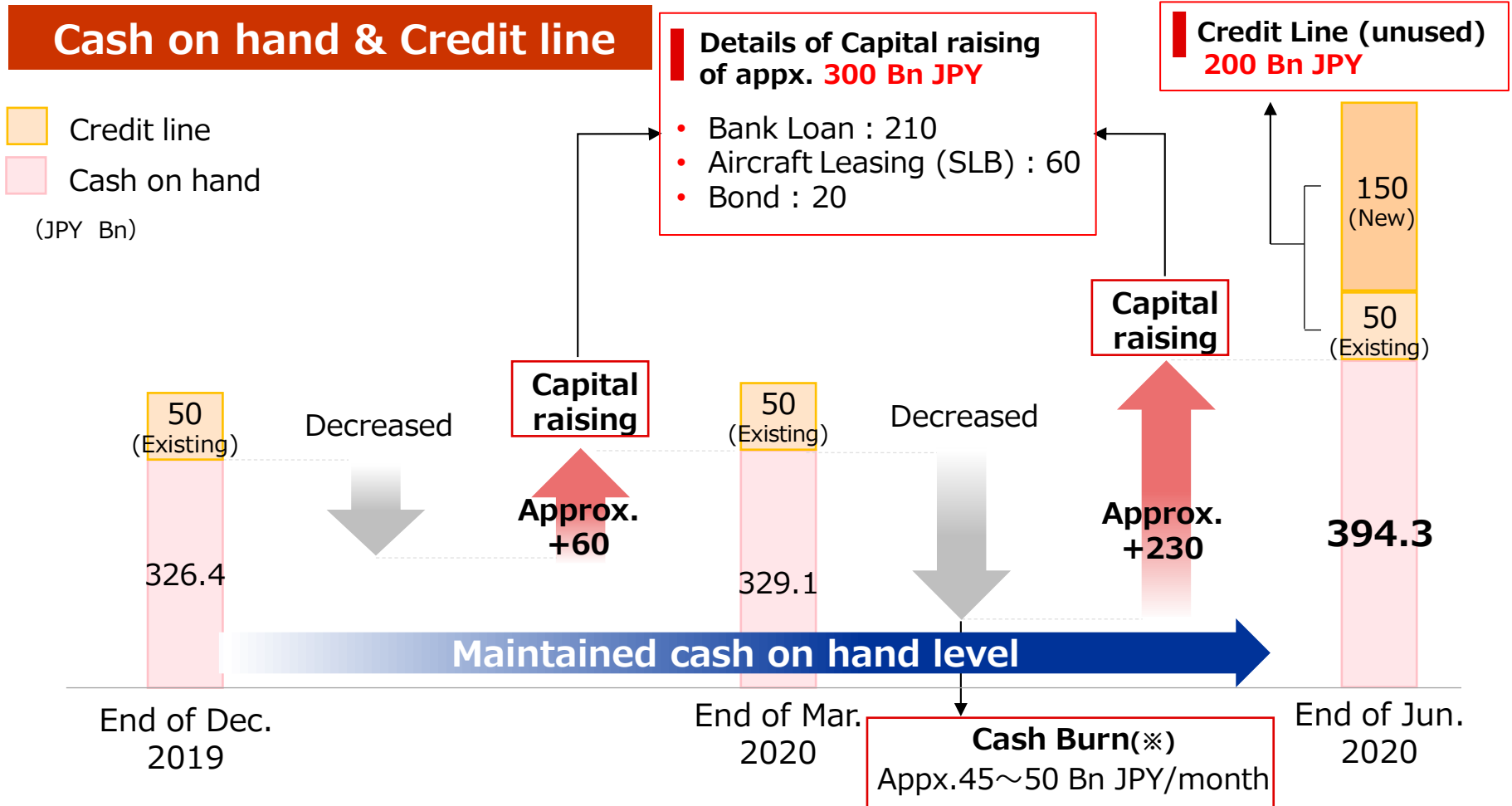
(JPY Bn)		1 st Quarter Mar/20	1 st Quarter Mar/21	Diff.	y/y	
Revenue		348.8	76.3	▲272.4	▲78.1%	
Revenue- and Capacity- linked Cost	Fuel	63.6	19.4	▲44.2	▲69.5%	Some portions are fixed costs
	Landing and navigation fees	21.4	7.7	▲13.6	▲63.6%	
	Maintenance	19.2	18.5	▲0.7	▲3.7%	
	Sales commissions (Air Transport)	4.6	▲ 0.0	▲4.7	-	
	Services ⁽²⁾	11.3	1.9	▲9.3	▲82.3%	
	Other linked cost ⁽³⁾	50.6	14.8	▲35.8	▲70.7%	
	Total revenue- and capacity-linked cost	170.9	62.5	▲108.4	▲63.4%	
Fixed Cost	Aircraft	31.7	33.6	+1.8	+6.0%	Some portions are revenue-and capacity-linked costs
	Personnel	76.0	64.7	▲11.2	▲14.8%	
	Other fixed cost	52.0	44.8	▲7.2	▲13.9%	Some portions are revenue-and capacity-linked costs
	Total fixed cost	159.9	143.2	▲16.6	▲10.4%	
Total Operating Expenses		330.9	205.8	▲125.0	▲37.8%	

(1)IFRS is adopted from FY20 and to the figures in the previous year to enable comparison analysis (2) Services= Expenses regarding inflight services, airport lounges, cargo equipment, etc. (3) Other linked cost = Traven agency, Mileage, Ground handling or etc.

- On this slide, Revenue- and capacity-linked costs decreased by about 40% to 108.4 billion yen year-on-year. Fixed cost also reduced by 16.6 billion yen year-on-year. More details will be explained later. Please note our fixed cost reduction is going well. It will exceed our original plan.

Liquidity at hand

- ✓ 394.3 Bn JPY Liquidity at hand remains as of the end of June by prompt capital-raising and reduction of capital expenditure
- ✓ Total capital-raising reached to appx. 500 Bn JPY level with unused credit line since Feb
- ✓ Cash burn rate is decreasing as cancelled tickets are decreases in and after Q2



※Operating CF + Repayment of Interest-bearing Debts in Financing CF

- On this slide, Liquidity at Hand will be explained.
- Since February, we have raised about 300 billion yen. Our credit line, which remains still unused, also increased by 150 billion yen to the total of 200 billion yen.
- As of the end of June, our Cash on Hand is 394.3 billion yen.
- Our monthly cash-burn for the first quarter is about 45 to 50 billion yen. It will decrease gradually because of less refund expected as cancelation is expected to decrease.
- We will secure enough Liquidity at Hand as a situation changes.

Summary of Consolidated Statement of Financial Position and Cash Flow⁽¹⁾

BS

- ✓ The 394.3 Bn JPY of Cash and 200 Bn JPY of Credit Line make our long-term fund enough, while the repayment within one year remains at 50.7 Bn JPY
- ✓ D/E Ratio is still at a sound level in spite of the increased interest-bearing debts

CF

- ✓ Capital expenditure decreased as investment was suppressed with the business environment rapidly changed

Balance Sheet	End of Mar/20	End of 1st Quarter Mar/21	Diff.
Total Assets	1,982.2	2,037.3	+55.1
Cash and Deposits	329.1	394.3	+65.1
Balance of Interest-bearing Debt	277.4	504.6	+227.2
Repayment within one year (※)	38.6 (11.0)	50.7 (14.0)	+12.1 (+2.9)
Shareholders' Equity ⁽²⁾	1,014.2	934.4	▲79.8
Shareholders' Equity Ratio(%) ⁽³⁾	51.2%	45.9%	▲5.3pt
D/E Ratio (x) ⁽⁴⁾	0.3x	0.5x	+0.3x

(JPY Bn)

※Figures in brackets represent aircraft lease payment within one year

Cash Flow	1st Quarter Mar/20	1st Quarter Mar/21	Diff.
Cash Flow from Operating Activities	56.6	▲130.2	▲186.8
Depreciation and Amortization	40.2	43.1	+2.9
Cash Flow from Investing Activities	▲49.4	▲25.1	+24.3
Capital Investment	▲54.0	▲28.9	+25.0
Free Cash Flow ⁽⁵⁾	7.1	▲155.3	▲162.4
Cash Flow from Financing Activities	▲37.1	220.4	+257.5
Total Cash Flow ⁽⁶⁾	▲29.9	65.1	+95.0
EBITDA	60.1	▲87.8	▲148.0

(JPY Bn)

(1) IFRS is adopted from FY20 and to the figures in the previous year to enable comparison analysis

(2) Equity attributable to owners of the parent

(3) Ratio of equity attributable to owners of the parent to total assets

(4) Interest-bearing Debt/ Shareholders' Equity

(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

- This slide explains Consolidated Statement of Financial Position and Cash Flow.
- Cash at hand is 394.3 billion yen as of the end of the quarter. Repayment within one year including lease payments is just 50.7billion yen, which means we have a good amount of long-term fund. Upon capital raising, we carefully considered the post-COVID-19 financial burden.
- Balance of Interest-bearing Debts increased but D/E ratio still remains at the level of 0.5.
- Investment reduction reduced Cash Outflows from Investing Activities by 24.3 billion yen.

Financial Results
1st Quarter Mar/2021

**THE CURRENT OVERVIEW AND
IMMEDIATE INITIATIVES**

NEAR FUTURE INITIATIVES

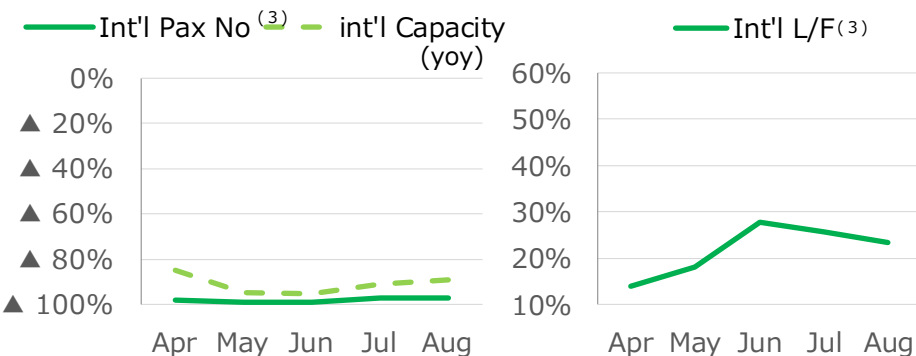
TOWARD THE NEW NORMAL

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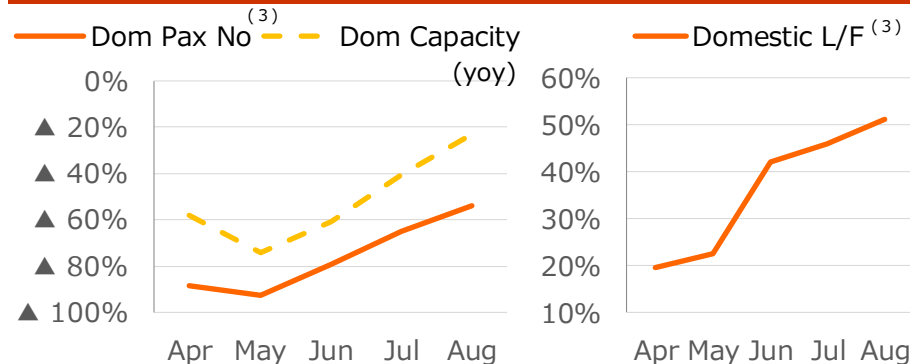
Current Outlook (COVID-19 Impact)

- ✓ **International Passenger Business remains unchanged due to travel restrictions**
- ✓ **Domestic Passenger Business recovers as leisure demand in addition to business demand gradually recovers to a 75% yoy level in capacity**

International Passenger ⁽¹⁾⁽²⁾



Domestic Passenger ⁽¹⁾



Int'l

- Together with cargo demand, some capacity is added mainly to Europe and Southeast Asia routes for the Japanese returnees demand and expats demand as visa issuance is restarted, as well as the transit demand between North America and Southeast Asia

- More flights will be added as travel restrictions are eased

Dom

- Upon the lift of the state of emergency declaration, travel demand, especially urgent travel, is gradually coming back and summer vacation demand is also back from July
- Considering carefully the spread of COVID-19 in Japan and a demand outlook, appropriate measures will be taken at appropriate timing to capture a recovering demand

(1)As of July 27, 2020 (2) Changes in codeshare passengers on other airlines are reflected from FY20 and to the previous year's figures as well for comparison analysis (3) Passengers with mileage award tickets are included from FY20 due to revenue recognition change by applying IFRS and also included in the previous year's figures for comparison analysis

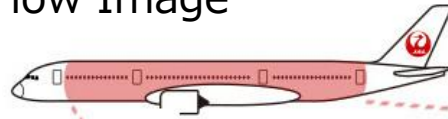
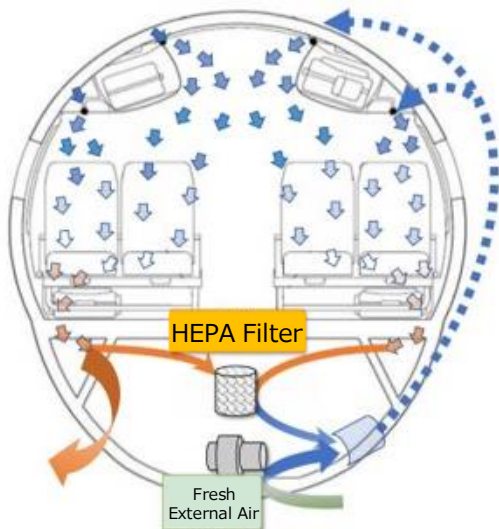
- From this slide, I will explain the current situations and our immediate countermeasures.
- For International Passenger Business, travel restrictions still continue so that our capacity reduction for August and September will be around 90% level of previous year. In August, out of cargo flights, some flights that can capture passenger demand between North America and Southeast Asia will be back as passenger flights as well.
- For Domestic Passenger Business, the demand is gradually coming back. In addition to business, leisure passengers including group tour are coming back.
- We will take appropriate measures to capture a passenger demand in an appropriate timing, while carefully considering the increase of new infections and the demand trend.

Safety and Comfort

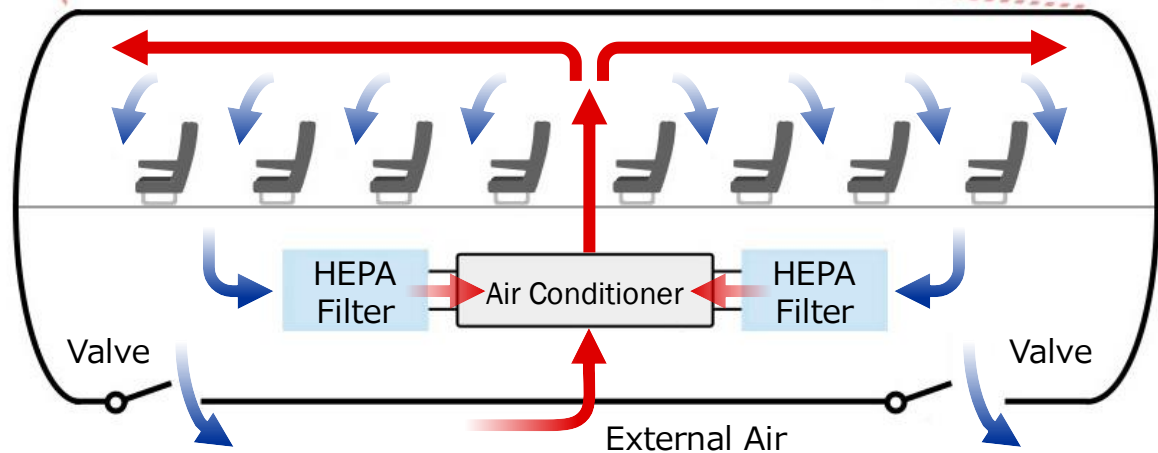
Cabin

Appeal of Flysafe Environment in Cabin

In-cabin Air Flow Image



- In-cabin air is replaced in two to three minutes
- Air flows from top to bottom
- Passengers do not get on/off during cruise
- Passengers face to the same direction
- HEPA Filter is equipped

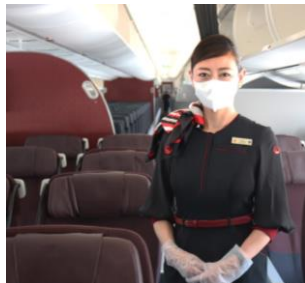


Hygiene measures

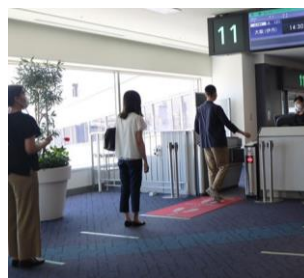
Thorough measures for Flysafe



Sanitization



Facial mask and gloves



Social Distancing



Partition



Less Contact with others

- This slides explains our Flysafe Hygiene measures.
- We would like to appeal to the public that there has been no in-cabin infection case reported ever in the world. This is because an in-cabin environment is suitable for prevention. We would like to reiterate that the in-cabin environment is safe.
- In-cabin air is constantly being refreshed every two to three minutes by intaking air through engines and replacing the air inside the cabin. HEPA filter also cleanses the air.
- We are also taking Flysafe Hygiene measures such as body temperature check, social distancing, disinfection of cabin or airport facilities, and wearing face masks or gloves.

Contribution as Social Infrastructure

Supports logistic network



Domestic chartered flights for increasing parcel demand



Cabin loading of medical supplies



Special containers with temperature control for pharmaceuticals

Chartered rescue flights

Completes social roles by providing travel supports to those who want to return their homeland

Destinations	Thailand, India, Russia, United States, China and Japan
Flight No.	More than 20 flights
PAX No.	More than 3,000 passengers

(As of the end of July 2020)

Social Engagement

More engagement of JAL employees in social activities amid less workload for airline business

- Production and donation of face shields or facial mask
- Volunteer works for farms nearby airports
- Workforce to Ministry of Health, Labour and Welfare
- Approval of a side job at medical facilities for certified employees

- On this slide, we are fulfilling our social mission as public transportation provider.
- We support logistic network within Japan and between Japan and the rest of the world by operating cargo flights as many as possible to carry medical supplies.
- Also, chartered flights were operated for those who could not make their way to homeland due to cancellation of many flights.

Financial Results 1st Quarter Mar/2021

THE CURRENT OVERVIEW AND
IMMEDIATE INITIATIVES

NEAR FUTURE INITIATIVES

TOWARD THE NEW NORMAL

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To Recover Demand

Immediate

2nd Half of FY20

FY21 or later

“Go To Travel Campaign” Promotion

External Environments

Ease of Travel Restriction

COVID-19 Testing Expansion through Establishment of PCR Testing Center

Mid- & Long-haul LCC ZIPAIR Starts to Operate to Bangkok(※)・Seoul (※)・Honolulu
※ starts as cargo flights

SMART AIRPORT to Five Domestic Airports

※Haneda, Sapporo(New Chitose)・
Osaka(Itami)・Fukuoka・Naha

Cooperation with Local Governments and Tourism Authorities

Enhanced Training for Crew and Airport Staff to Improve their ability

JAL's Initiatives

New Products as New Travel Style in the Era of the New Normal

Products with Focus on Safety and Comfort throughout Journey from Origin to Destination

Initiatives for Safety & Comfort (Hygiene Measures and Less Contact with Others)

Flight Safety

Recover Demand as soon as possible through cooperation with concerned organizations

- This slide explains our counter measures for a near future.
- Demand stipulating initiatives will be taken.
- For International Passenger Business, JAL will cooperate with governmental authorities to establish PCR centers to promote demand recovery.
- To limit contact with others, SMART AIRPORT will be provided at major domestic airports.
- Hygiene tours or new styles of travel will be suggested in the era of “new normal” lifestyle or business style.
- ZIPAIR will aim to launch its Hawaii route by the end of Fiscal Year 2020.

Cost and CAPEX Reduction Initiatives

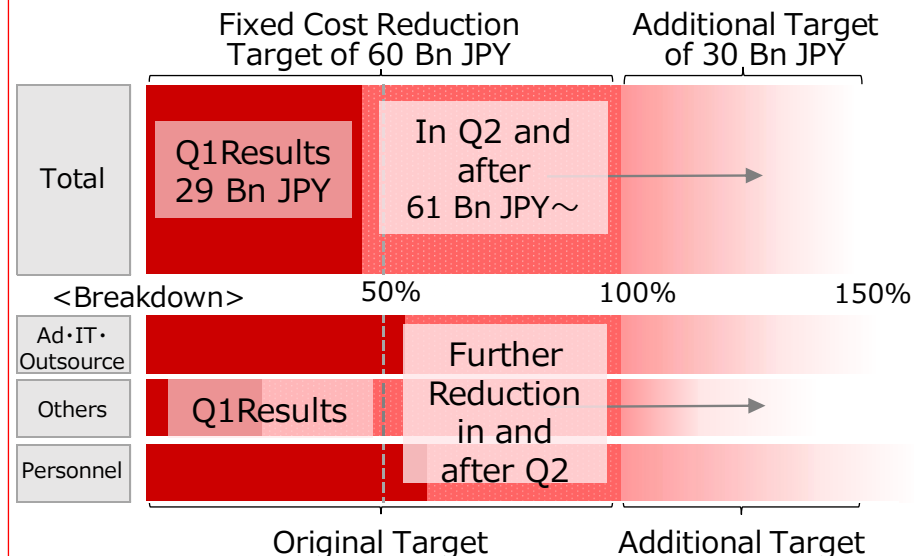
Cost Reduction

The revenue- and capacity-linked costs were **steadily reduced by 40% of a rev. reduction level** (108.4 Bn JPY reduction from Apr to Jun⁽¹⁾), and the fixed cost reduction is aimed at **90 Bn JPY⁽²⁾** for FY20

Fixed Cost

- Total 90 Bn JPY reduction is aimed by adding 30 Bn JPY more to the previous forecast of 60 Bn JPY reduction compared to the original plan

【 Image of Progress of Fixed Cost Reduction 】



Revenue- & Capacity-linked Cost

- Continue to Aim for 40% of rev. reduction

CAPEX Reduction

Total **80 Bn JPY** reduction is aimed by adding **30 Bn JPY** more to the previous forecast of **50 Bn JPY** reduction compared to the original plan

【FY20 CAPEX】

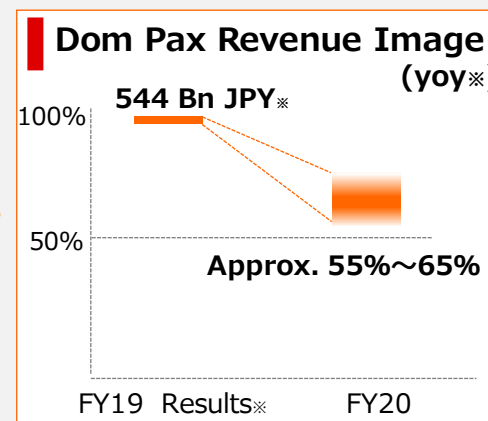
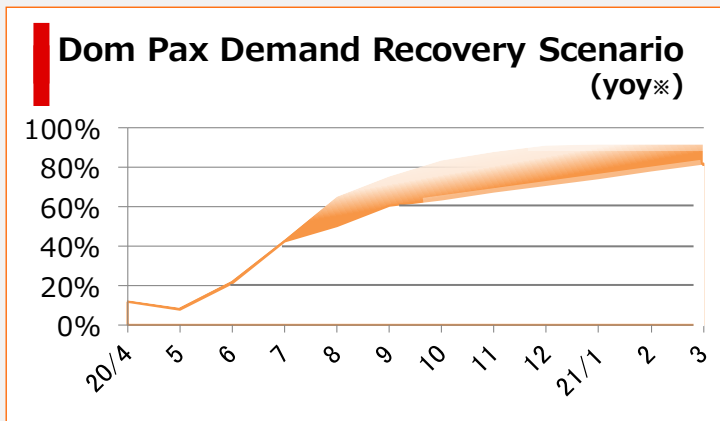
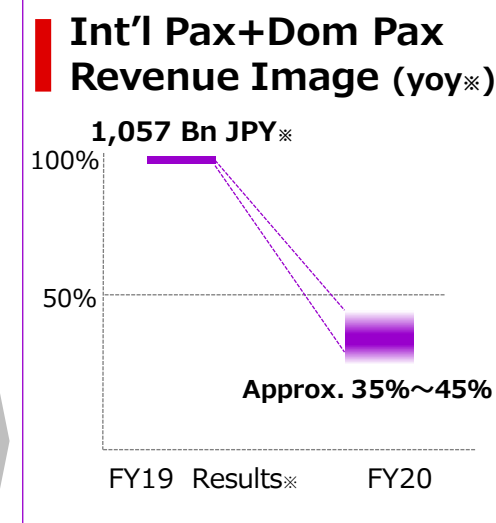
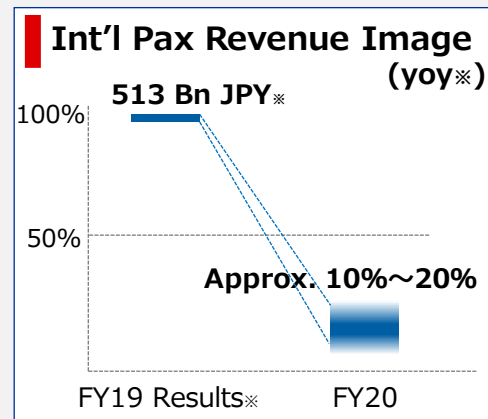
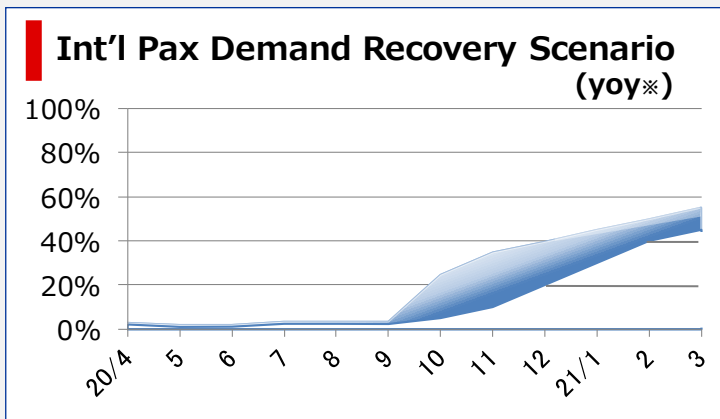


- Aircraft Investment
 - Negotiation for deferral of delivery
- IT, Ground and Others
 - Scrutinization of necessity and Timing

- On this slide, I will explain our current and further cost reduction measures.
- For fixed cost reduction, our initial target was 60 billion yen reduction against our forecast. In the first quarter, we have already achieved almost half of the target, 29 billion yen. To cut fixed cost further, 30 more billion yen is added to the target to make it to 90 billion yen reduction as the new target.
- For investment reduction, 50 billion yen reduction from the initial forecast was our previous target, but 30 billion yen reduction in aircraft investment can be added to make the new target of 80 billion yen reduction annually.
- We will mitigate a negative impact to our performance by fundamental cost reduction measures and investment reduction.

Future Demand Scenarios

- ✓ The consolidated financial earnings forecast for Mar/21 cannot be provided at this moment but will be provided as soon as the COVID-19 effect becomes foreseeable
- ✓ For references, some demand and revenue scenarios and their impact on profits are shown as below



Impact on Profit:
Approx. 50% of Consolidated Revenue Reduction including Int'l Pax and Dom Pax Revenue

(Note) The results may not fall into the above scenarios even if the assumption remains unchanged in order to eliminate the COVID-19 impact

※FY19 Results is the revised forecast that was disclosed at FY19Q3 Financial Results disclosed on Jan. 31, 2020

- I will explain recovery of air transport demand on this slide.
- At this moment, our consolidated earnings forecast for this fiscal year is not determined because the spread of COVID-19 is not foreseeable at all. We will disclose our forecast as soon as when it becomes available.
- However, for your reference we provide some simulation of revenue change in International Passenger and Domestic Passenger year-on-year in different scenarios if demand recovers in a certain way.
- This is not our demand forecast because it is not foreseeable, but if the demand recovers like those simulations, International and Domestic Passenger Revenue of this year will be 35 to 45% of the previous year.
- Then, considering other revenue and further cost reduction including fixed cost, the impact on EBIT is estimated as approximately 50% of lost Consolidated Revenue, including both International and Domestic Passenger Revenue. Once again, the impact on EBIT is 50% of Consolidated Revenue reduction.

Financial Results 1st Quarter Mar/2021

THE CURRENT OVERVIEW AND
IMMEDIATE INITIATIVES

NEAR FUTURE INITIATIVES

TOWARD THE NEW NORMAL

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Toward the New Normal①

Changes in Business Environments

Industry

- Slow Recovery on International Travel
- Changes in Business Demand
- Industry Reform

Society

- New Normal and Work Style Reform
- Changes in Society and the Local Economy
- Environmental Issues

JAL Group

- Increase of interest-bearing Debts



Directions JAL Group should head

Reconstruction of a firm financial Structure

Improvement of Safety and Comfort Measures

Accelerated Initiatives for Social Issues facing Society

Restructuring the Business Structure

- Lastly, I will explain the changes to our business environment in the “new normal” and the new direction that our group should head to.
- There will be a significant change for the entire society and the airline industry.
- For the JAL Group, the increase of interest-bearing debts will inevitably affect the management of the company.
- Upon the change of the surrounding environment, we have set the following four criteria for our future direction; Reconstruction of a firm financial structure, Improvement of Safety and Comfort measures, Accelerated Initiatives for Social Issues facing Society, and Restructuring the Business Structure.

Toward the New Normal ②

JAL's Measures

Reconstruction of a firm financial Structure

- Structural Reform
 - Fixed cost reduction and transformation to variable costs
- Improve Efficiency
- Reduce investments

Improve Safety and Comfort Measures

- Heightened hygiene standards and promoting minimal contact during travel
 - Cleaner Airport and Cabin
 - Further enhance mobile products through technology

Accelerated Initiatives for Social Issues facing Society

- Measures for Environmental Issues
 - ⇒ **Zero CO2 Emissions by 2050 on an actual basis**
- Revitalization of local economy
 - Satellite Office

Restructuring the Business Structure

Unclear **Business Demand**

- Optimization of Full Service Carrier Business Scale
 - Temporary review of International Passenger Business
 - ⇒ **Network and Fleet Optimization** in accordance with demand trend (especially business demand)
 - ✓ Early retirement of aged fleet (ex. 777)
 - Enhanced Partnership with other airlines

Steady recovery of **leisure demand**

- Enhanced LCC Business
 - Utilization of ZIPAIR
 - Enhanced Partnership with LCCs
- Enhanced Risk Resilience
 - Development of non-airline business opportunities
 - Selection and Concentration of Business opportunities

New Mid-term Management Plan will be disclosed by the end of FY20

- Firstly, we will implement structural reforms, improve efficiency and reduce investments during the early onset to reconstruct a firm financial structure.
- We will also improve safety and comfort measures by strengthening hygiene standards and promoting less-contact during travel, which is a new theme for the post-COVID-19 society.
- There is a possibility that a temporary drop in air transport demand for business and leisure travel will occur during the post-COVID-19 era. Therefore, the JAL Group will reform its business structure, especially in international passenger services, including a review of its portfolio in the full service carrier and low-cost carrier market.
- Also, the company will select and develop non-airline business opportunities that rely less on air transport demand; making the JAL Group more risk-resilient.
- Lastly, in order to solve social issues and respond to concerns on the environmental front, we will aim to reach zero emissions of CO₂ by 2050 on an actual basis.
- We will prepare a new mid-term management plan, by the end of this fiscal year, that contains business strategies in the new normal.

REFERENCES

- The following slides show Revenue of International Routes by Geographical Segment, Number of Aircraft and Major changes by IFRS Application.
- This ends my presentation. Thank you very much for your attention.

Revenue of International Routes by Geographic Segment

Passenger Revenue

(%)	y/y	Component Ratio	
	1Q Mar/21	1Q Mar/20	1Q Mar/21
America	▲98.4%	29%	22%
Europe	▲97.3%	16%	21%
Asia/Oceania	▲96.8%	31%	49%
China	▲98.7%	12%	7%
Hawaii/Guam	▲99.8%	12%	1%
Total	▲97.9%	100%	100%

Revenue Passengers Carried ^{(1) (2)}

('000)	1Q Mar/20	1Q Mar/21	y/y
America	399	8	▲97.8%
Europe	195	3	▲98.1%
Asia/Oceania	1,126	18	▲98.3%
China	431	2	▲99.5%
Hawaii/Guam	276	0	▲99.9%
Total	2,429	33	▲98.6%

ASK ⁽²⁾

(MN seat km)	1Q Mar/20	1Q Mar/21	y/y
America	4,206	465	▲88.9%
Europe	2,005	230	▲88.5%
Asia/Oceania	4,797	424	▲91.2%
China	913	8	▲99.1%
Hawaii/Guam	1,845	9	▲99.5%
Total	13,767	1,138	▲91.7%

Load Factor ^{(1) (2)}

(%)	1Q Mar/20	1Q Mar/21	y/y
America	89.4%	17.3%	▲72.2pt
Europe	87.7%	14.8%	▲72.9pt
Asia/Oceania	85.2%	18.4%	▲66.8pt
China	88.2%	46.4%	▲41.8pt
Hawaii/Guam	86.8%	22.0%	▲64.7pt
Total	87.3%	17.5%	▲69.8pt

RPK ^{(1) (2)}

(MN passenger km)	1Q Mar/20	1Q Mar/21	y/y
America	3,762	80	▲97.9%
Europe	1,758	34	▲98.1%
Asia/Oceania	4,089	78	▲98.1%
China	805	3	▲99.5%
Hawaii/Guam	1,601	2	▲99.9%
Total	12,016	198	▲98.3%

(1) Passengers with mileage award tickets are included from FY20 due to revenue recognition change by applying IFRS and also included in the previous year's figures for comparison analysis

(2) Changes in codeshare passengers on other airlines are reflected from FY20 and to the previous year's figures as well for comparison analysis

Number of Aircraft

	End of Mar/20 (March 31, 2020)			End of 1st Quarter Mar/20 (June 30, 2020)			Diff.
	Owned	Leased	Total	Owned	Leased	Total	
Airbus A350-900	4	1	5	2	4	6	+1
Boeing 777-200	11	0	11	11	0	11	-
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	43	1	44	41	4	45	+1
Boeing 787-8	29	0	29	29	0	29	-
Boeing 787-9	17	3	20	17	3	20	-
Boeing 767-300	5	0	5	4	0	4	▲1
Boeing 767-300ER	29	0	29	29	0	29	-
Middle-sized Total	80	3	83	79	3	82	▲1
Boeing 737-800	43	19	62	43	18	61	▲1
Small-sized Total	43	19	62	43	18	61	▲1
Embraer 170	18	0	18	18	0	18	-
Embraer 190	14	0	14	14	0	14	-
Bombardier D8-400CC	5	0	5	5	0	5	-
SAAB340B	5	0	5	5	0	5	-
ATR42-600	7	1	8	7	1	8	-
ATR72-600	2	0	2	2	0	2	-
Regional Total	51	1	52	51	1	52	-
Total	217	24	241	214	26	240	▲1

《Reference》 Major Changes by IFRS Adoption

Profit/Loss Statement

- Due to changes in accounting rules for mileage points, revenue allocated to mileage points is deferred as a liability, and recognized when miles are redeemed (The impacts to Profit/loss are limited)
- Our main index for performance will be EBIT⁽¹⁾ instead of Operating Profit/Loss

Balance Sheet

- As liabilities increase ⁽²⁾ due to transition to IFRS , an equity ratio decreases, but this is a technical phenomenon and there is no substantial change

Cash Flow

- Payments regarding operating lease is classified to a cash flow from financing activities instead of a cash flow from operating activities

Traffic Results

- Passengers with mileage award tickets are included to revenue passengers
(Increase or decrease of revenue passenger number, revenue passenger-load factor and RPK)

(1) EBIT = Profit/Loss before Financing and Income tax (Profit/Loss before Tax – Finance Income/Expenses)

(2) Includes operating lease or reevaluation of mileage liabilities

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JAPAN AIRLINES

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