

JAPAN AIRLINES Co., Ltd.

Financial Results

2nd Quarter Mar/2021 (FY2020)



JAPAN AIRLINES



October 30, 2020

Boeing 767 (JA613J) Specially Painted Aircraft for Domestic Routes

In the midst of a gloomy atmosphere in our society, JAL Group employees (mechanics) wished to cheer up people in Japan and painted the bottom of the aircraft with a mythical Japanese spirit called "AMABIE", which is said to subside the plague

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Today's Topics

PERFORMANCE OVERVIEW OF 1st HALF FY2020

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



Japan Institute of
Information Technology
IT Award



FTE
Accessibility
Leadership Award



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



SKYTRAX
5-Star Airline



2020
健康経営優良法人
Health and productivity
ホワイト500

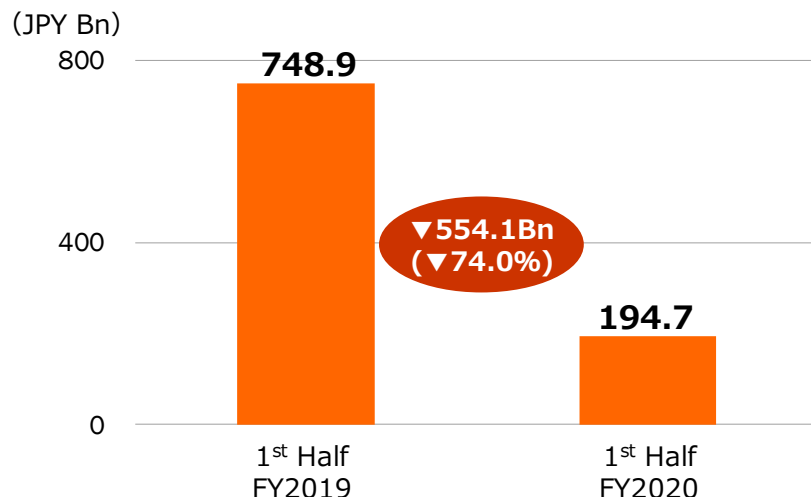
Health and Productivity
Management Brand

(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.

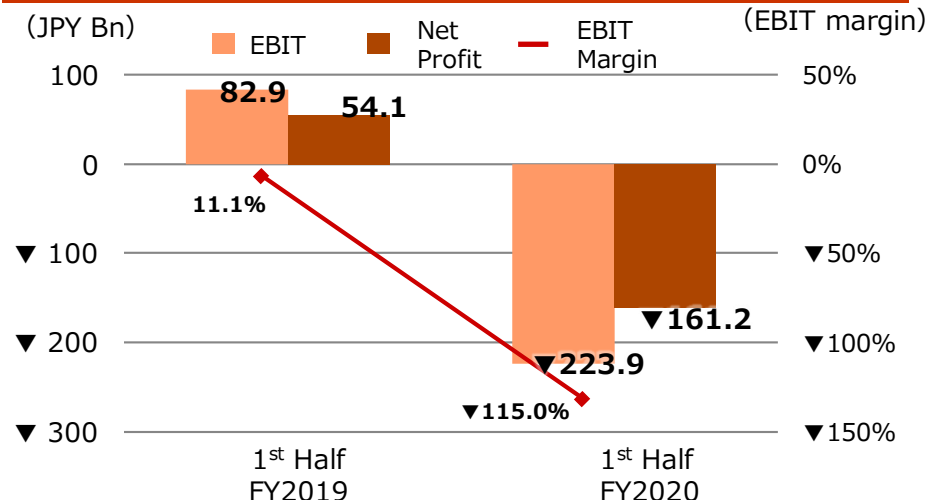
Financial Results for the 1st Half of FY2020

- ✓ Large drop in revenue due to the COVID-19 pandemic
- ✓ Despite the cost reduction efforts, we were unable to cover the decline in revenue and posted a significant loss

Revenue⁽¹⁾



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



Fuel/FX Markets

	1 st Half FY2019	1 st Half FY2020	y/y
Singapore Kerosene (USD/bbl)	78.6	36.3	▼53.8%
Dubai Crude Oil (USD/bbl)	65.2	35.4	▼45.7%
FX Rate (JPY/USD)	109.2	107.5	▼1.6%

Operational Precondition/ASK

	1 st Half FY2020(y/y)
International Routes ⁽⁵⁾	▼88.1%
Domestic Routes	▼51.4%
Total	▼73.5%

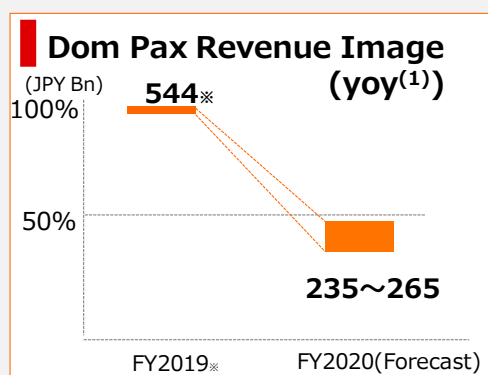
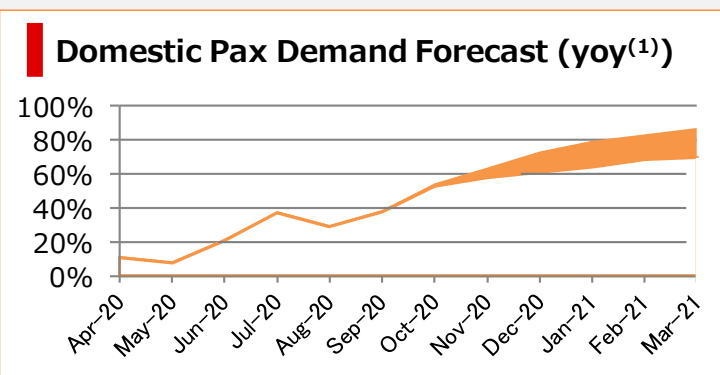
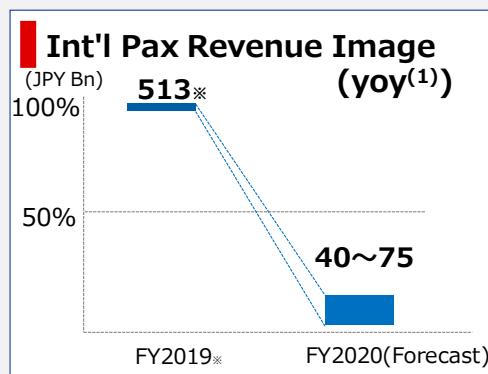
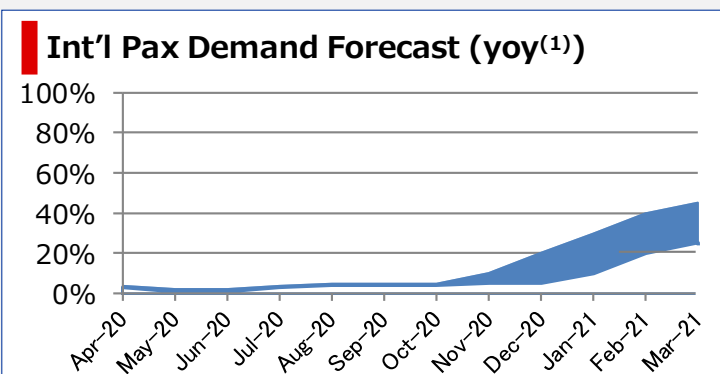
(1) IFRS is adopted from FY2020 and to the figures in the previous year to enable comparison analysis (2) EBIT = Profit/Loss before Financing and Income tax (Profit/Loss before Tax – Finance Income/Expenses) (3) Profit/Loss = Quarterly Profit Attributable to Owners of Parent (4) EBIT Margin = EBIT / 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

- Thank you for joining us today for the financial results briefing for the first half of the fiscal year 2020, ending March 2021.
- Today, I will briefly explain our financial results for the first half, earnings forecast for the current fiscal year, and then, I will touch upon our efforts toward post-COVID-19.
- The first half revenue dropped 74% year on year to 194.7 billion yen due to the continuing impact of the COVID-19 pandemic.
- With continuing low demand, we are striving for reducing fixed costs and for controlling revenue- and capacity-linked costs through flexible capacity adjustments.
- Our EBIT decreased to loss of 223.9 billion yen and net profit dropped to loss of 161.2 billion yen.
- Having said that, we regret to inform our shareholders that we have decided not to pay the interim dividend.
- In light of the current situation, we would like you to understand our decision.

FY2020 Earnings Forecast

- ✓ Based on IATA's demand forecast, we assume demand recovery within a certain range, taking into account the recent passenger demand trends, the current status of COVID-19 and the gradual lifting of immigration restrictions
- ✓ Full-year EBIT for the fiscal year ending March 31, 2021 is expected to be within a range of ▼330.0 Bn JPY to ▼380.0 Bn JPY
- ✓ We will strive to minimize losses by flexibly adjusting capacity in response to latest demand trend and by further reducing fixed costs

【Market Assumption for 2nd Half】⁽³⁾
 • Singapore Kerosene: 50 USD/bbl
 • Dubai Crude Oil: 44 USD/bbl
 • FX Rate: 110 JPY/USD



FY2020 Earnings Forecast	
(JPY Bn)	FY2020 Forecast
Revenue	530~600
EBIT ⁽²⁾ (▼:loss)	▼330~ ▼380
Profit or Loss (▼:loss)	▼240~ ▼270

(1) FY2019 numbers are based on the revised forecast that was disclosed at FY19Q3 Financial Results announced on January 31, 2020

(2) EBIT includes impairment loss

(3) Even if the assumptions remain unchanged, the actual passenger revenue results may not fall within the range described above

- Here are our earnings forecasts for FY2020.
- We have no choice but to expect a significant loss of 330 to 380 billion yen in EBIT for the current fiscal year. As the management, we take very seriously our responsibility to present such a large loss projection.
- Please see the graph on the left side. It is difficult to provide a definitive forecast of passenger demand recovery at the moment, but we decided to provide a range of forecasts based on multiple assumptions.
- The domestic demand has bottomed out and shown steady recovery backed by the tailwind of “Go To Travel Campaign”. But the international demand has not shown any sign of a recovery yet.
- As a part of the restructuring of international passenger business, we plan early retirement of 777s. And the impairment loss and other costs related to the retirements are included in EBIT forecast.
- In spite of the uncertainty of prospect, we will make every effort to minimize losses through flexible capacity adjustment and thorough cost reduction.

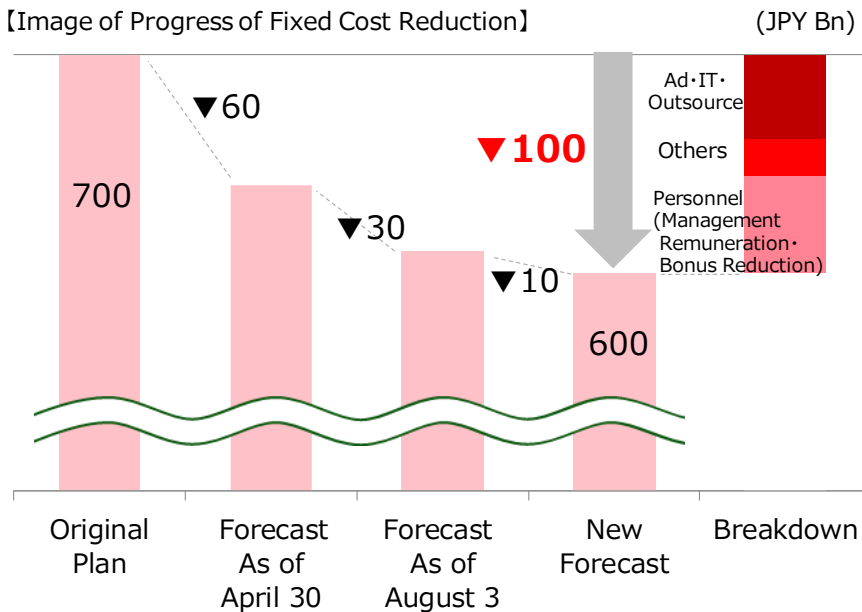
Cost and CAPEX Reduction Initiatives

Cost Reduction

Fixed Cost

- We are targeting **100 Bn JPY** reduction by adding **10 Bn JPY** to the previous target (**90 Bn JPY** less than the initial projection)
(Achieved **64 Bn JPY** reduction in 1st half of FY20)

[Image of Progress of Fixed Cost Reduction]



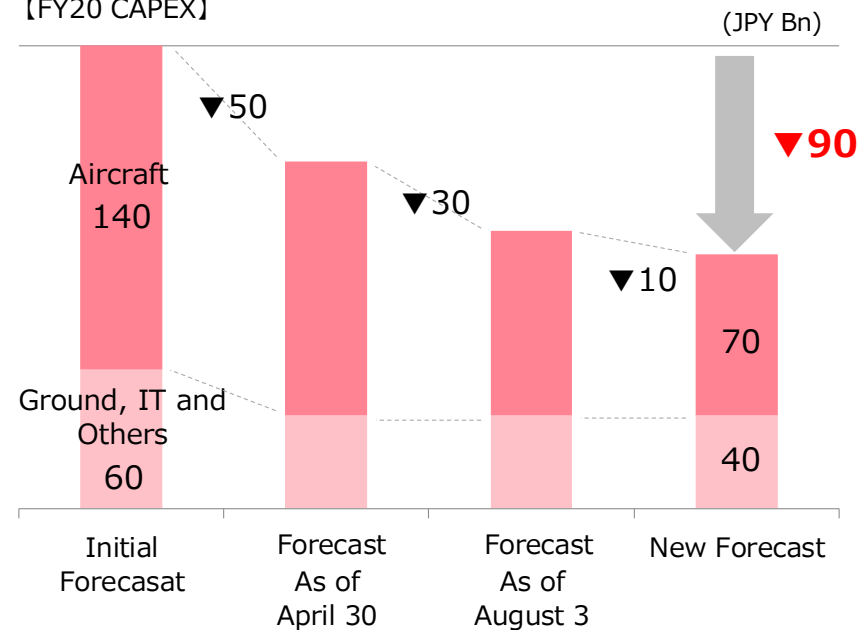
Revenue- and Capacity-linked Cost Reduction

- Continue to aim for cost reduction equivalent to **40%** of reduced revenue (**Achieved** approximately **40% cost** reduction of decreased revenue as targeted for 1st half of FY2020)

CAPEX Reduction

We are targeting **90 Bn JPY** reduction by adding **10 Bn JPY** to the previous forecast of **80 Bn JPY** reduction compared to the original plan

[FY20 CAPEX]



■ Aircraft Investment

- Negotiation for deferral of payment and delivery of aircraft
- Further scrutinization of investments in aircraft parts

■ Ground, IT and Others

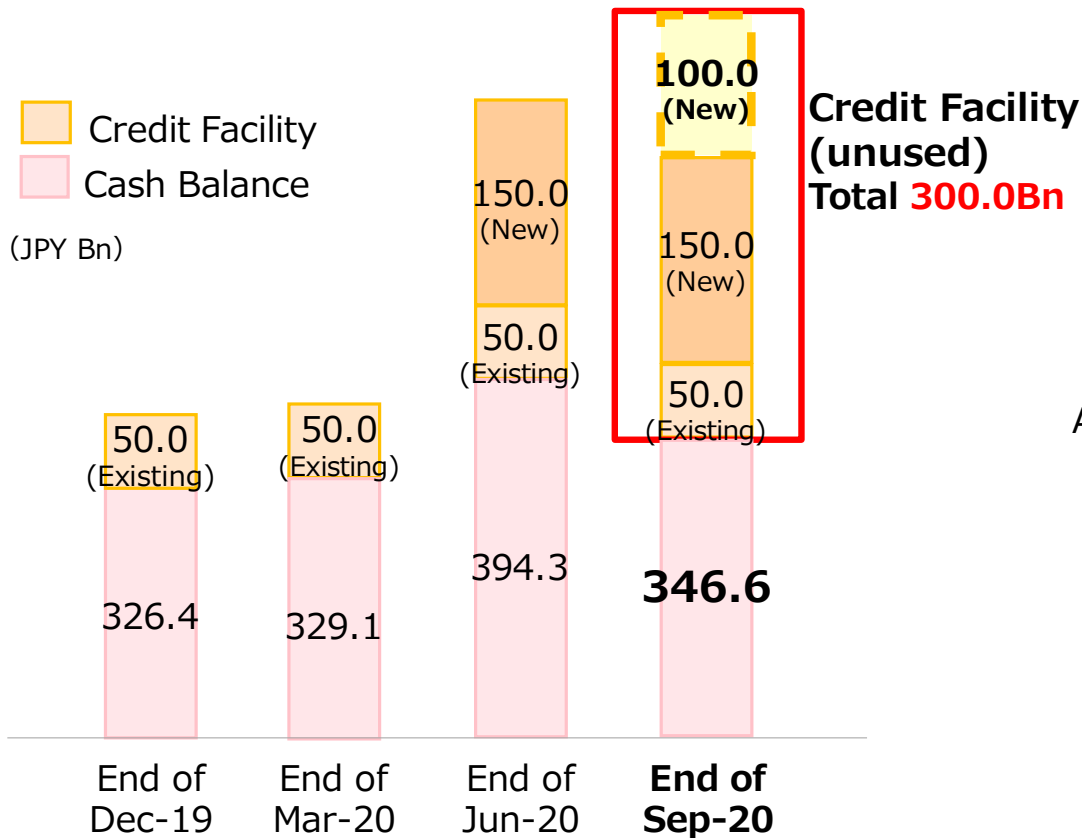
- Further scrutinization of necessity and timing

- On this slide, I will explain the progress of our cost and capex cutting initiatives and the forecast for this fiscal year.
- We originally targeted at the 90 billion yen fixed cost reduction for the year. But as we have made a good progress, we have raised our target to 100 billion yen, resulting in the reduced total fixed cost of 600 billion yen.
- As for revenue- and capacity-linked costs, we continue to aim to reduce the cost equivalent of 40% of the decreased revenue.
- On the right side, we have raised the capex reduction target to 90 billion yen from the previous target of 80 billion yen.
As the result, our CAPEX target is now 110 billion yen, 90 billion yen cut from the original plan of 200 billion yen.
- We will continue to carry out drastic cost and capex reduction initiatives in a timely manner and company-wide efforts to improve our performance.

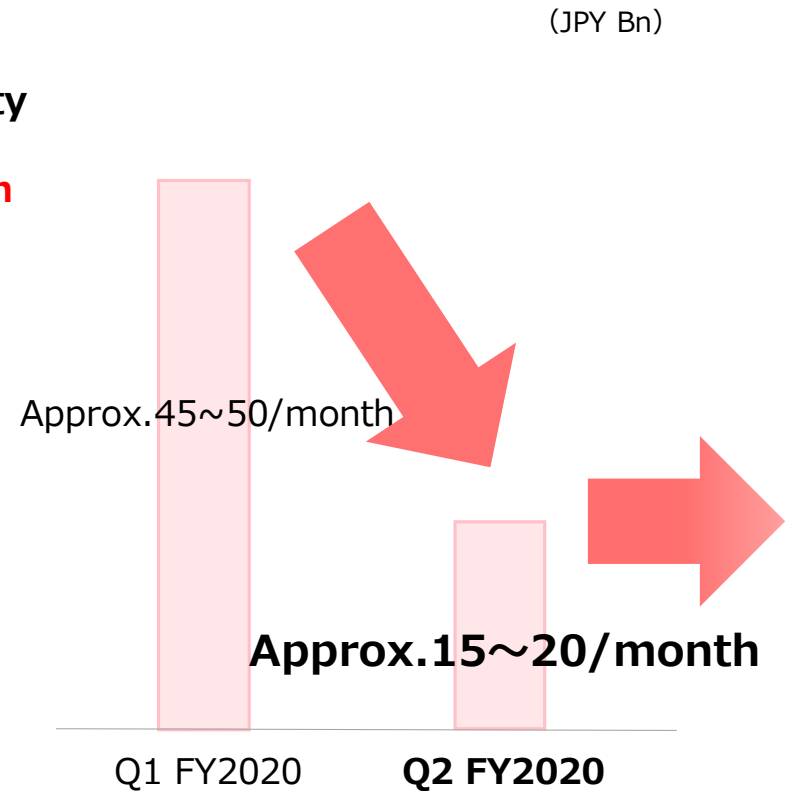
Bolstering Liquidity

- ✓ Secured 346.6 Bn JPY cash at hand as of the end of September by prompt financing and reducing cash outflows
- ✓ Plan to set up additional 100 Bn JPY credit facility to secure further liquidity
- ✓ Cash burn keeps steadily declining in Q2

Cash Balance & Credit Facility



Cash Burn⁽¹⁾

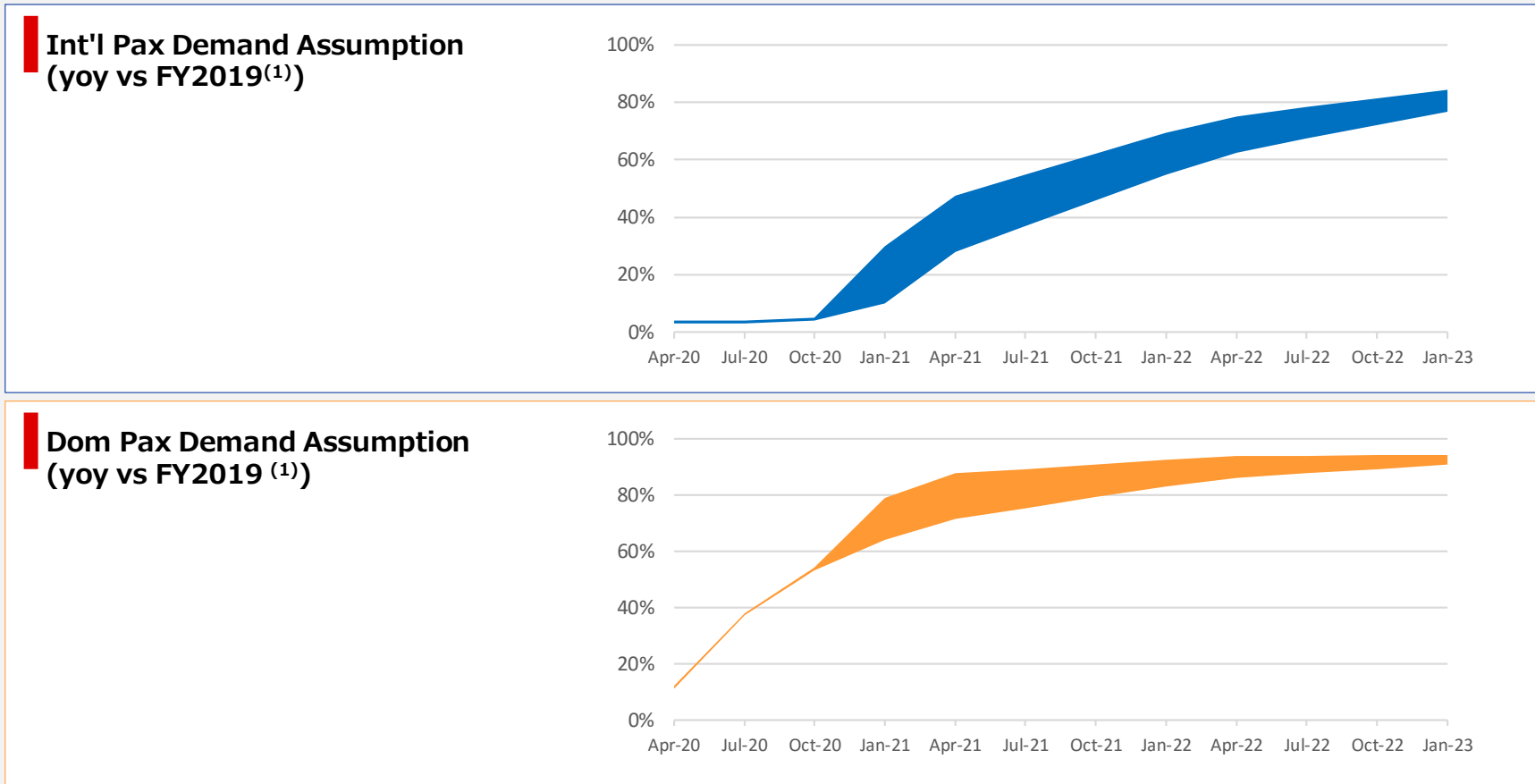


(1) Operating CF + Repayment of Interest-bearing Debts

- On this slide, I will explain our liquidity position.
- We have cash balance of 346.6 billion yen at the end of September 2020. In addition, we plan to set up addition 100 billion yen credit facility next month, resulting in the total amount of unused credit facility of 300 billion yen.
- Thus, we have secured ample liquidity of more than 600 billion yen.
- Furthermore, our cash burn, which was approximately 45-50 billion yen per month during the 1st quarter, dropped substantially to 15-20 billion yen from the 2nd quarter onwards, as refunds for air ticket cancellations have settled down.
- We believe the cash burn will remain at around the same level going forward.
- If you see our liquidity position and cash burn level, you can see that we are well-prepared to withstand the unlikely scenario of unexpectedly prolonged COVID-19 effect.
- We will continue to ensure the sufficient liquidity by financing in a timely manner.

Passenger Demand Assumption toward the New Normal

- ✓ Based on IATA's demand forecast, we have set the passenger demand assumptions considering the characteristics of our home market and other factors
 - Int'l Passenger: Assumed recovery to approx. 80% of the pre-COVID-19 level by the end of FY2022 and continued gradual recovery toward FY2024
 - Dom Passenger: Assumed recovery compared to international and return to near pre-COVID-19 level after FY2022

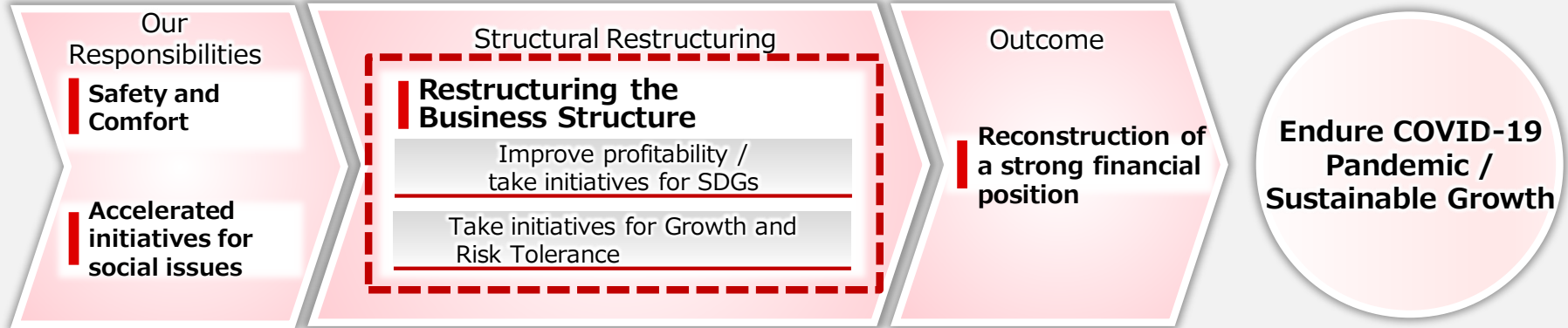


(1) FY2019 Results is the revised forecast that was disclosed at FY2019Q3 Financial Results announced on Jan. 31, 2020

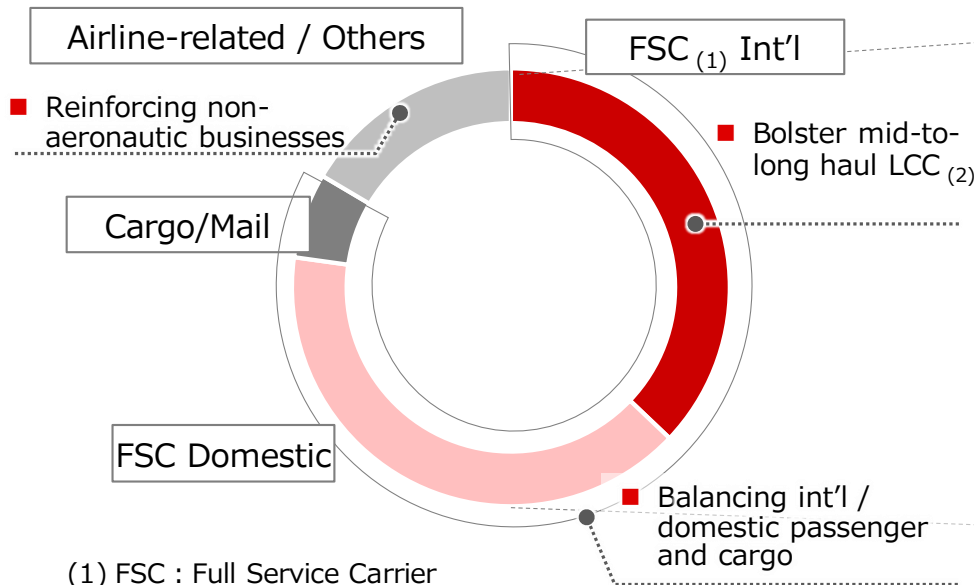
- From here, I will explain our future vision toward the New Normal post-COVID-19 and our current initiatives for it.
- This slide shows our scenarios of passenger demand recovery until the end of Fiscal Year 2022.
- As with our demand forecast for this fiscal year, we have come up with these scenarios with a certain range, based on IATA's demand forecast as well as our assumption of recovery in Japanese market.
- International passenger demand is assumed to continue to recover from Fiscal Year 2021 onwards to approximately 80% of the pre-COVID-19 level in the end of Fiscal Year 2022.
- But it will take about three to four years to return to the level of pre-COVID-19.
- Domestic passenger demand is assumed to continue to recover steadily and be almost back to the previous level after Fiscal Year 2022 onwards.
- Both international and domestic demand from business passengers will take time to recover to pre-COVID-19 levels and may not completely get back to the prior levels.
- On the other hand, we take into account the solid recovery and further growth of demand from leisure and VFR passengers.
- On the next page, I will explain what our future will look like based on this demand assumption.

Strategic Direction Toward New Normal

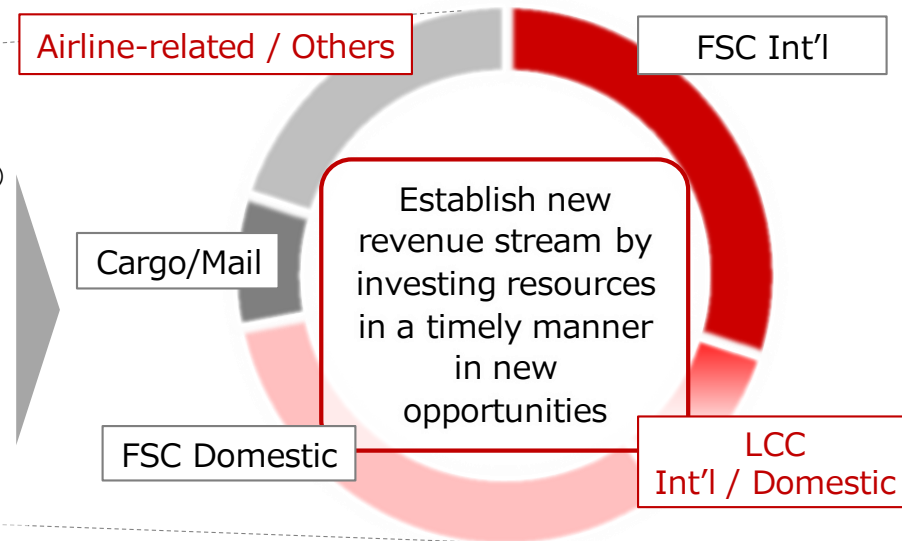
Path to Recovery of Enterprise Value



Revenue Breakdown in FY2019



Illustrative Business Portfolio Tailored to New Normal



- Firstly, we will continue to improve safety and comfort, and accelerate initiatives for social issues as our first priority.
- In order to endure the COVID-19 pandemic, we will promptly proceed with restructuring of the business structure and reconstruction of a strong financial position with a view to pursuing sustainable growth.
- As a part of the restructuring of the business structure, we will temporarily downsize international full service carrier business because of the uncertain demand forecast. On the other hand, we will strengthen our LCC business by launching ZIPAIR and enhancing coordination with our LCC partners to capture leisure and VFR demands, which are expected to recover relatively more quickly and grow.
- Also, we will strengthen cargo and non-aeronautic businesses to enhance our risk tolerance, and flexibly adjust a balance among our businesses.
- In the future, we will set the proportion of revenue from international and domestic full service carrier business to approximately 60% from current approximately 70% in the mid-to-long term while expanding LCC and other businesses.
- As JAL group is continuously seeking growth even in the post-COVID-19 era, we aim at sustainable growth of our full service carrier business addressing the changing trend in passenger demand although its weight in JAL group will shrink.

Structural Review for the New Normal

Restructuring of the Business Structure

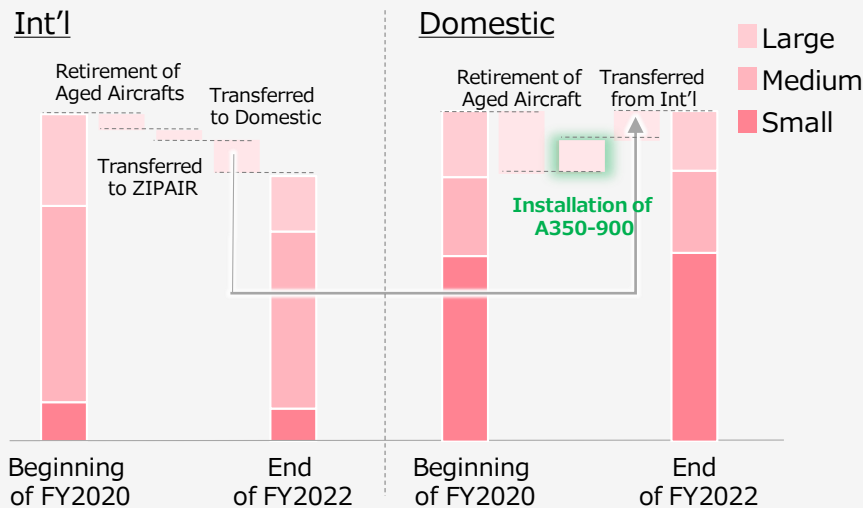
Improve Profitability / Take Initiatives for SDGs

■ FSC Business

Flexible adjustments of fleets and retirement of aged aircrafts addressing temporary demand downturn due to COVID-19
⇒ Control aircraft-related cost and maintenance cost / reduce CO₂ emission

- ✓ All of the **11x** 777-200ERs for international services to be retired by the end of FY2020 (some to be used for domestic)
- ✓ All of the **13x** 777s for domestic services to be retired by the end of FY2022
- ✓ **5x** of the leased 737-800s to be returned by 1st half of FY2022

Illustrative Fleet Portfolio of FSC Business

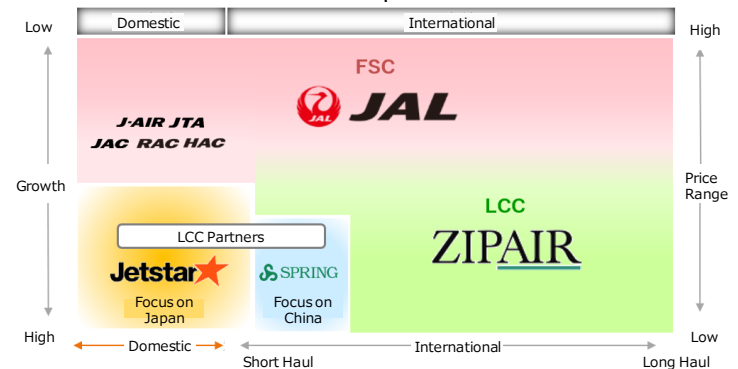


Take initiatives for Growth and Risk Tolerance

■ LCC Business

Strengthen LCC business to capture the growing demand
⇒ Capture the leisure and VFR passengers⁽¹⁾

- ✓ Establish LCC network centered at Narita leveraging ZIPAIR and LCC partners
- ✓ ZIPAIR to aim for steady growth as the demand recovers
 - 3rd to 6th aircrafts to be installed (further addition could be considered)
 - Preparation for service to Honolulu almost completed



■ Airline-related / Others

- Further strengthen mileage / credit card related business
- Monetize revitalization of local economy
- ✓ Established Regional Vitalization Business Division (effective on November 1, 2020)

- On this slide, I will explain concrete actions regarding the restructuring of the business structure.
- As shown in the left side, for full service carrier business, we will proceed with early retirement of aged aircrafts for international services to address the temporary downturn in demand due to COVID-19.
- We plan the early retirement of total 29 aircrafts, 24 777s and 5 737-800s, which will reduce costs including maintenance and fuel expenses. In addition, we flexibly transfer some of our aircrafts from international to domestic services and to ZIPAIR. The associated cost with the early retirement is limited such as approximately 10 billion yen in this fiscal year 2020, and approximately total 3 billion yen in FY2021 and later years.
- Through the scheduled installation of A350s, new aircrafts for domestic services, we will not only improve profitability but also reduce CO₂ emissions with a view to achieving SDGs.
- With these approaches, we will optimize our business scale tailored to the estimated demand.
- Then, on the right side of the slide, I will explain our actions to enhance growth and risk tolerance.
- We strengthen our LCC business to capture the growing demand for leisure and VFR. Through the launch of ZIPAIR and coordination with our LCC partners, Jetstar Japan and Spring Airlines Japan, we will establish a strong LCC network centered at Narita, leveraging advantages of each player.
In addition, ZIPAIR will steadily proceed with the additional installation of aircrafts and preparation for the launch of non-stop service to Honolulu to capture the recovered demands and achieve solid growth.
- With flexible and swift execution of these actions, we will pursue the optimized business structure. And, we are currently developing a new mid-term management plan and will disclose it by the end of Fiscal Year 2020.

FINANCIAL RESULTS (DETAILS)

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Consolidated Financial Results for 1st Half FY2020⁽¹⁾

(JPY Bn)	1st Half FY2019	1st Half FY2020	Diff.	y/y	2nd quarter FY2020 ⁽⁶⁾	Diff.	y/y
Revenue	748.9	194.7	▼554.1	▼74.0%	118.4	▼281.7	▼70.4%
International Passenger	272.9	9.1	▼263.7	▼96.6%	6.4	▼135.8	▼95.5%
Domestic Passenger	285.8	69.6	▼216.1	▼75.6%	50.6	▼108.0	▼68.1%
Cargo / Mail	45.1	53.4	+8.3	+18.4%	26.8	+4.4	+19.9%
Other Revenue ⁽²⁾	145.0	62.5	▼82.5	▼56.9%	34.3	▼42.2	▼55.2%
Operating Expense	671.5	419.4	▼252.0	▼37.5%	213.6	▼126.9	▼37.3%
Fuel	127.7	44.6	▼83.0	▼65.0%	25.2	▼38.8	▼60.6%
Excluding Fuel	543.7	374.7	▼168.9	▼31.1%	188.3	▼88.1	▼31.9%
Others ⁽³⁾	5.5	0.7	▼4.8	▼87.2%	2.2	▼1.1	▼34.3%
EBIT	82.9	▼223.9	▼306.9	-	▼92.9	▼155.9	-
EBIT Margin (%)	11.1%	▼115.0%	▼126.1pt	-	▼78.5%	▼94.3pt	-
Profit or Loss	54.1	▼161.2	▼215.3	-	▼67.5	▼108.7	-
ASK (MN seat km) ⁽⁴⁾	46,222	12,242	▼33,980	▼73.5%	7,875	▼15,556	▼66.4%
RPK (MN passenger km) ⁽⁴⁾	39,419	4,243	▼35,176	▼89.2%	3,132	▼17,297	▼84.7%
EBITDA Margin (%) ⁽⁵⁾	21.7%	▼70.1%	▼91.8pt	-	▼41.1%	▼66.7pt	-

(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 FY2020 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 (6) 2nd quarter results (July to September) are calculated by deducting the results of 1Q (April to June) from 1H (April to September)

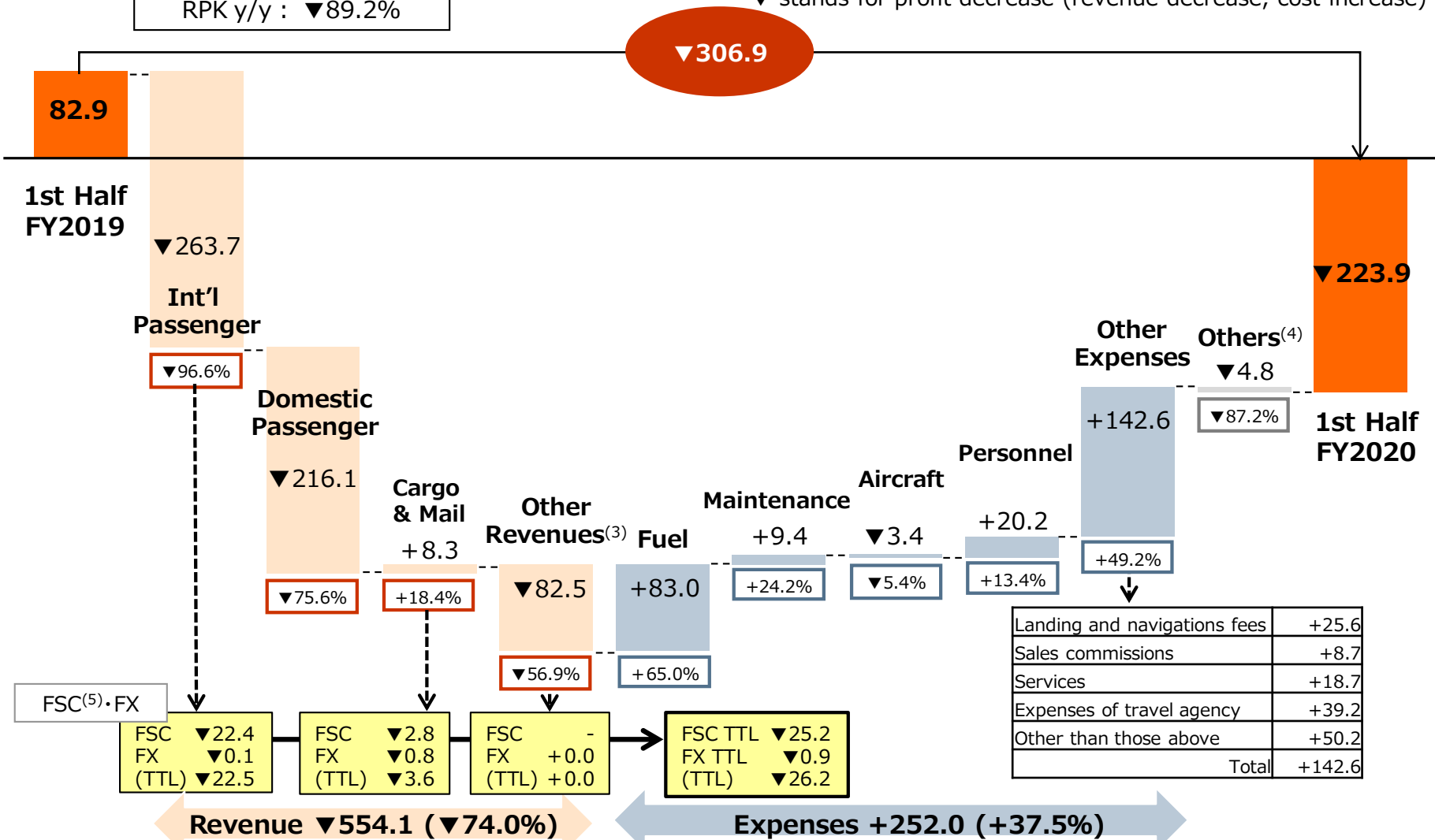
- On this slide, I will explain the details of 1st half results in Fiscal Year 2020.
- Page 11 shows the consolidated financial results. Please see this slide for the details later.

Changes in EBIT (Revenues/Expenses) (1)

(JPY Bn)

(2) ASK y/y : ▼73.5%
RPK y/y : ▼89.2%

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



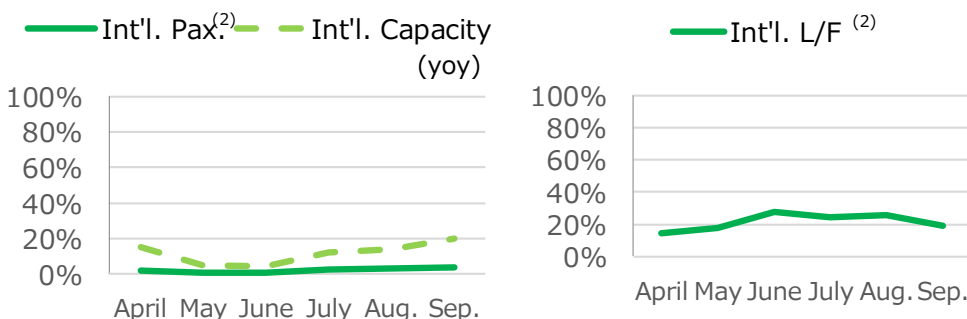
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- This slide shows the changes in EBIT.
- For revenue side, despite an increase in revenue of cargo and mail business, we have posted the significant decline in revenue since there was a significant decline in international and domestic passenger revenue due to the impact of COVID-19 pandemic.
- Operating Expense was down 252 billion yen compared to the previous year as a result of our efforts to reduce the cost for aircraft operation due to flexible cancellation of services in response to the stagnant demand.

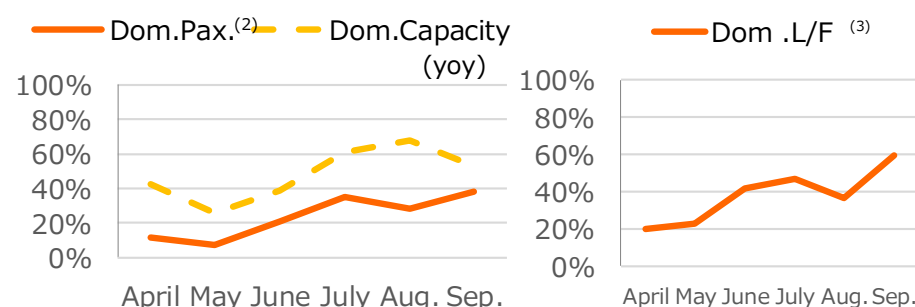
International/ Domestic Passenger Operations

- ✓ Significantly reduced the capacity for international passengers as demand falls rapidly in COVID-19
- ✓ Domestic demand have gradually recovered since September after a temporary dip in August due to an increased cases of COVID-19. Unit price was down due to the sharp drop in demand just before the peak season and increased mileage usage

International Passenger ⁽¹⁾⁽²⁾



Domestic Passenger ⁽¹⁾



International Passenger ⁽¹⁾

Domestic Passenger

	1st Half FY2019	1st Half FY2020	Y/Y	Q2 FY2020 ⁽⁶⁾	Y/Y	1st Half FY2019	1st Half FY2020	Y/Y	Q2 FY2020 ⁽⁶⁾	Y/Y
Passenger Revenue (JPY Bn) ⁽²⁾	272.9	9.1	▼96.6%	6.4	▼95.5%	285.8	69.6	▼75.6%	50.6	▼68.1%
Passengers ('000) ⁽²⁾	4,946	112	▼97.7%	78	▼96.9%	19,409	4,644	▼76.1%	3,413	▼66.3%
ASK (MN seat km)	27,835	3,303	▼88.1%	2,165	▼84.6%	18,387	8,938	▼51.4%	5,710	▼39.0%
RPK (MN passenger km) ⁽²⁾	24,716	687	▼97.2%	488	▼96.2%	14,703	3,555	▼75.8%	2,643	▼65.8%
L/F (%) ⁽²⁾	88.8%	20.8%	▼68.0pt	22.6%	▼67.7pt	80.0%	39.8%	▼40.2pt	46.3%	▼36.2pt
Revenue per Passenger (JPY) ⁽²⁾⁽³⁾	55,175	81,841	+48.3%	82,626	+46.2%	14,725	14,988	+1.8%	14,844	▼5.2%
Yield (JPY) ⁽²⁾⁽⁴⁾	11.0	13.3	+20.8%	13.2	+18.0%	19.4	19.6	+0.7%	19.2	▼6.7%
Unit Revenue (JPY) ⁽²⁾⁽⁵⁾	9.8	2.8	▼71.7%	3.0	▼70.5%	15.5	7.8	▼49.9%	8.9	▼47.6%

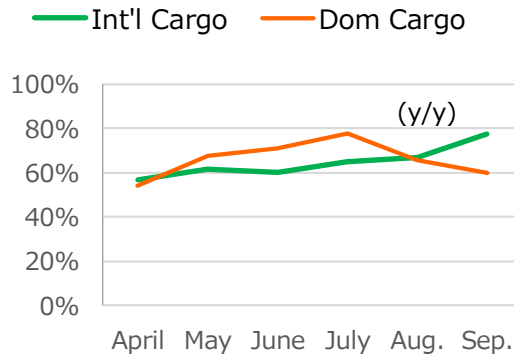
(1) Changes in codeshare passengers on other airlines are reflected from FY2020 and to the previous year's figures as well for comparison analysis (2) Passengers with mileage award tickets are included from FY2020 due to revenue recognition change by applying IFRS and also included in the previous year's 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 (6) 2nd quarter results (July to September) are calculated by subtracting the first quarter results (April to June) from 1st half total (April to September)

- On this slide, I will explain the current situation of international and domestic passenger business.
- International passenger demand decreased by 97.7% year-on-year due to the continuing stringent immigration restrictions in various countries.
- Domestic passenger demand was on the recovery trend in June and July after the lifting of the state of emergency, but the demand declined once again in August due to the increased number of COVID-19 cases.
However, the demand has been now on recovery trend again from September onwards.
- In this 2nd quarter, The revenue per passenger for the domestic business is down 5.2% year on year due to the sharp drop in demand just before the peak season and increased mileage usage, however, excluding the mileage effect, it should be about 2% drop.

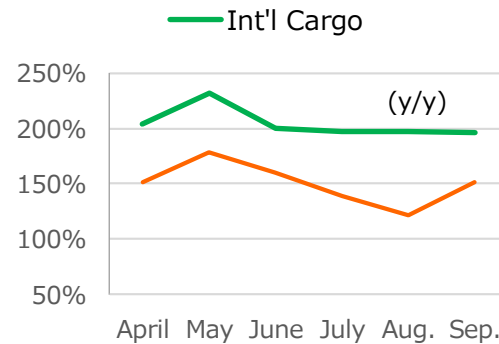
Cargo / Mail

- ✓ Despite a significant decrease in volume, revenue exceeded the previous year (+18% yoy) due to price hike
- ✓ Tight supply-demand situation continues as capacity is being reduced worldwide
- ✓ Cargo flights utilizing passenger aircrafts totaled at 7,228 in 1st half of FY2020
- ✓ ZIPAIR also launched cargo flights on the Narita=Seoul route from September

Volume



Unit Price



International

- Steady demand for medical supplies and semiconductor-related product
- Demand for automobiles, construction equipment and food products has bottomed out
- Volume has been recovering since mid-August

Domestic

- Nesting consumption increased demand for parcel delivery

of Cargo Flights with PAX aircrafts (One-way)⁽¹⁾

	Apr	May	June	July	Aug.	Sep.	Total
America	63	289	345	300	262	223	1,482
Europe	86	136	177	101	89	90	679
Asia/Oceania	197	302	347	336	341	397	1,920
China	250	442	316	285	311	283	1,887
Int'l TOTAL	596	1,169	1,185	1,022	1,003	993	5,968
Domestic	155	339	310	255	56	145	1,260
Int'l•Dom TOTAL	751	1,508	1,495	1,277	1,059	1,138	7,228

(1) Including ZIPAIR cargo flights

- For Cargo and Mail, the supply-demand situation continues to be tight due to large capacity reduction worldwide.
- We operated approximately 7,200 cargo flights using our passenger aircrafts in 1st Half of Fiscal Year 2020.
- Unit price also remained at high level and the revenue from cargo and mail business increased by 18% year-on-year.
- We will continue to support the logistics network and optimize the use of our aircrafts.

Major Operating Expense Items ⁽¹⁾

- ✓ **Reduced revenue- and capacity-linked costs, equivalent of approximately 40% of reduced revenue (217.8 Bn JPY)**
- ✓ **Fixed costs has also decreased more than estimated (Details on P.5)**

(JPY Bn)		1st Half FY2019	1st Half FY2020	Diff.	y/y	2nd quarter FY2020 ⁽⁴⁾	Diff.	y/y	
Revenue		748.9	194.7	▼554.1	▼74.0%	118.4	▼281.7	▼70.4%	
Revenue- and Capacity- linked Cost	Fuel	127.7	44.6	▼83.0	▼65.0%	25.2	▼38.8	▼60.6%	Some portions are fixed costs
	Landing and navigation fees	43.5	17.8	▼25.6	▼59.0%	10.0	▼12.0	▼54.5%	
	Maintenance	39.1	29.7	▼9.4	▼24.2%	11.1	▼8.7	▼44.0%	
	Sales commissions (Air Transport)	9.5	0.8	▼8.7	▼91.3%	0.9	▼3.9	▼81.4%	
	Services ⁽²⁾	23.4	4.7	▼18.7	▼79.9%	2.7	▼9.3	▼77.6%	
	Other linked cost ⁽³⁾	107.9	35.7	▼72.2	▼66.9%	20.8	▼36.4	▼63.6%	
	Total revenue- and capacity-linked cost	351.3	133.4	▼217.8	▼62.0%	70.9	▼109.4	▼60.7%	
Fixed Cost	Aircraft	63.5	66.9	+3.4	+5.4%	33.3	+1.5	+4.8%	Some portions are revenue-and capacity-linked costs
	Personnel	151.1	130.8	▼20.2	▼13.4%	66.0	▼8.9	▼12.0%	
	Other fixed cost	105.4	88.1	▼17.3	▼16.4%	43.3	▼10.0	▼18.9%	Some portions are revenue-and capacity-linked costs
	Total fixed cost	320.1	285.9	▼34.1	▼10.7%	142.6	▼17.5	▼11.0%	
Total Operating Expenses		671.5	419.4	▼252.0	▼37.5%	213.6	▼126.9	▼37.3%	

(1)IFRS is adopted from FY2020 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. (4) 2nd quarter results(July to September) are calculated by subtracting the first quarter results (April to June) from 1st half total(April to September)

- On this page, major operating expense items are shown with the categorization of revenue- and capacity-linked costs and fixed costs.
- Revenue- and capacity-linked costs steadily decreased by about 40% of decreased revenue, 217.8 billion yen. Fixed cost also decreased by 34 billion yen year-on-year. But as I mentioned earlier, we have reduced fixed cost of 64 billion yen from our initial assumption. We have made a good progress for the targeted fixed costs reduction of 100 billion yen, and committed to further cost reductions as one team.

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

BS

- ✓ Have secured sufficient long-term funding with the cash balance of 346.6 Bn JPY and the credit facility of 300 Bn JPY, while the repayment within one year is only 50.9 Bn JPY
- ✓ D/E Ratio is still at a sound level of 0.6x in spite of the increased interest-bearing debts

CF

- ✓ Operating cash flow significantly improved from ▼130.2 Bn JPY in Q1 to ▼19.7 Bn JPY in Q2

Balance Sheet	End of FY2019	End of 1st half FY2020	Diff.
Total Assets	1,982.2	1,994.3	+ 12.1
Cash and Deposits	329.1	346.6	+ 17.5
Balance of Interest-bearing Debt	277.4	501.1	+223.7
Repayment within one year (※)	38.6 (11.0)	50.9 (13.9)	+12.2 (+2.8)
Shareholders' Equity ⁽²⁾	1,014.2	870.3	▼143.9
Shareholders' Equity Ratio(%) ⁽³⁾	51.2%	43.6%	▼7.5pt
D/E Ratio (x) ⁽⁴⁾	0.3x	0.6x	+0.3x

(JPY Bn)

※Figures in brackets represent aircraft lease payment within one year

Cash Flow	1st Half FY2019	1st Half FY2020	Diff.
Cash Flow from Operating Activities	38.1	▼149.9	▼188.0
Depreciation and Amortization	79.7	87.4	+7.7
Cash Flow from Investing Activities	▼103.9	▼39.2	+64.7
Capital Investment	▼109.9	▼44.6	+65.3
Free Cash Flow ⁽⁵⁾	▼65.8	▼189.2	▼123.3
Cash Flow from Financing Activities	▼60.3	206.8	+267.2
Total Cash Flow ⁽⁶⁾	▼126.2	17.6	+143.8
EBITDA	162.6	▼136.4	▼299.1

(JPY Bn)

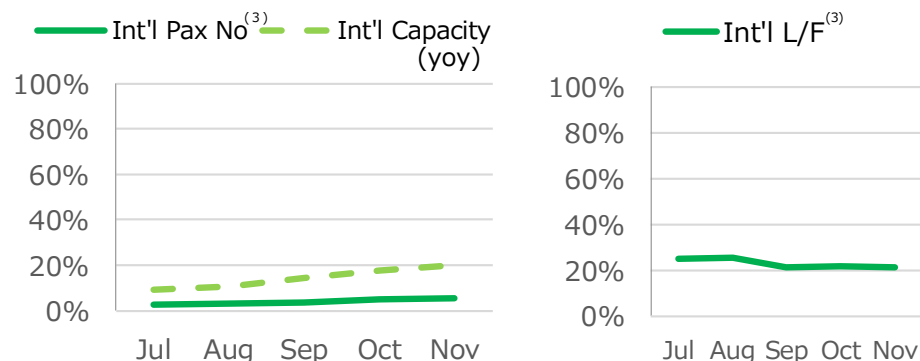
- (1) IFRS is adopted from FY20 and to the figures in the previous year to enable comparison analysis
- (2) Equity attributable to owners of the parent
- (3) Ratio of equity attributable to owners of the parent to total assets
- (4) Interest-bearing Debt/ Shareholders' Equity
- (5) Cash Flow from Operating 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 our consolidated balance sheet and cash flow.
- Cash balance stands at 346.6 billion yen as of the end of 2nd quarter. We secured sufficient liquidity including unused credit facility of 300 billion yen.
In addition, we control the repayment of debt within one year to 50.9 billion yen including lease expense. And the future annual debt repayments will not go up
- We did not borrow new loans in the 2nd quarter. The balance of debt including lease liabilities that are off-balance in J-GAAP reached to 501.1 billion yen, following the financing in 1st quarter.
But shareholders' equity ratio stands at 43.6% and remain extremely high level among global airlines even in IFRS, in which mileage obligation is included in debt while that is not recognized as debt in J-GAAP.
In addition, Debt Equity ratio, including lease obligations, is 0.6 times, and we are confident that we continue to have a sound financial base.
- Operating cash flow was minus 19.7 billion yen in the 2nd quarter against minus 130.2 billion yen in the 1st quarter, achieving a significant reduction of the negative range.
This is because the refunds of flight cancellation have settled down in addition to shrinking operating losses.

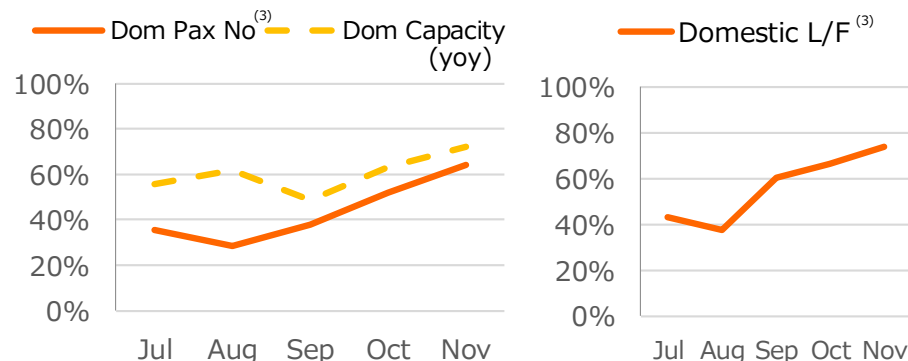
Current Outlook (COVID-19 Impact)

- ✓ International passenger business is showing signs of recovery backed by ease of travel restrictions mainly for business trips among some countries
- ✓ Domestic passenger business is steadily recovering as a mood of self-restraint in traveling has been eased since late September

International Passenger (1)(2)



Domestic Passenger⁽¹⁾



Int'l

- Gradual moves toward the lifting of border closure backed by enhanced quarantine capacity, lowering of travel alert, and progress in bilateral negotiations between countries
- PCR testing center to open at Narita Airport
- Expected tailored easing of the required 14-day quarantine according to the status of the number of new COVID-19 cases in each country

Dom

- Accelerating recovery in leisure demand by the inclusion of trips to/from Tokyo in "Go To Travel Campaign" from October
- Travels under COVID-19 gradually taking root

(1) Results / forecasts As of October 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 FY2020 due to revenue recognition change by applying IFRS and also included in the previous year's figures for comparison analysis

- This page shows the current situation of international and domestic businesses.
- As for international business, even though immigration restrictions are still in place in many countries, we expect gradual resumption of traffic from now on. We will consider the restart of services considering passenger demand while assessing the immigration and quarantine systems in each country.
- On the other hand, the mood of restraint in travel on domestic routes has eased since the end of September, and from October, there has been a steady recovery mainly in tourism demand, thanks to the addition of Tokyo to “Go To Travel” promotional campaign that subsidizes tourists.
- We will continue to carefully monitor passenger demand and develop appropriate demand stimulus measures in a timely manner.

Approach Toward Demand Recovery

New Type of Trip Under “New Normal” / the revitalization of local communities



Reasonable
Self-PCR Test



温泉 Biz
(Workation)



JAL Online Trip



Regional Vitalization Division
(Homeland Ambassador)

LCC : ZIPAIR

ZIPAIR

- ✓ Launched passenger services to/from Tokyo-Seoul and from Bangkok to Tokyo in October
- ✓ “Contactless” inflight service corresponding to “New Normal”



LCC's First Inflight Self-ordering System



Free Inflight Wi-Fi

Leverage Talent



Ancillary operation for PCR
testing commissioned
from MHLW⁽¹⁾

Various approaches toward a recovery in demand,
closely coordinating with internal/external parties

- On this page, I will explain our approach toward a recovery in passenger demand.
- In order to alleviate the anxiety of our customers even in COVID-19 pandemic and to make their travel experience safer, we have launched new services listed on the top left on this page, "Reasonable Self-PCR Test".
- Also, ZIPAIR launched a passenger service to Seoul in October 16 and a service from Bangkok in October 28 to accumulate operating experience and to develop employee's skills.
- Through these efforts, we hope to actively support the recovery of passenger demand with a view to preparing for Tokyo Olympic and Paralympic game next July.

REFERENCES

- In the following pages, we show the revenue breakdown by each destination in international business, fleet information, accounting impact by IFRS adoption, and finally, anti-COVID-19 measures for our customers.
- That's all I have to say today. Thank you very much.

Operation Performance by Geographic Segment

Passenger Revenue

(%)	1st Half y/y	2nd quarter y/y	1st Half %		%
			FY2019	FY2020	
America	▼96.7%	▼95.0%	28%	28%	30%
Europe	▼95.3%	▼93.6%	17%	23%	24%
Asia/Oceania	▼96.3%	▼95.8%	30%	34%	27%
China	▼96.1%	▼93.8%	12%	13%	16%
Hawaii/Guam	▼99.4%	▼99.1%	13%	2%	3%
Total	▼96.6%	▼95.5%	100%	100%	100%

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

('000)	1st Half			2nd quarter	
	FY2019	FY2020	y/y	FY2020	y/y
America	819	29	▼96.4%	21	▼95.0%
Europe	411	17	▼95.7%	13	▼93.6%
Asia/Oceania	2,271	51	▼97.7%	33	▼97.1%
China	856	10	▼98.7%	8	▼98.0%
Hawaii/Guam	587	1	▼99.7%	1	▼99.5%
Total	4,946	112	▼97.7%	78	▼96.9%

ASK ⁽²⁾

(MN seat km)	1st Half			2nd quarter	
	FY2019	FY2020	y/y	FY2020	y/y
America	8,531	1,450	▼83.0%	984	▼77.2%
Europe	4,108	820	▼80.0%	589	▼72.0%
Asia/Oceania	9,639	977	▼89.9%	553	▼88.6%
China	1,815	31	▼98.2%	23	▼97.4%
Hawaii/Guam	3,740	23	▼99.4%	14	▼99.3%
Total	27,835	3,303	▼88.1%	2,165	▼84.6%

Load Factor ^{(1) (2)}

(%)	1st Half			2nd quarter	
	FY2019	FY2020	y/y	FY2020	y/y
America	90.5%	19.4%	▼71.1pt	20.4%	▼71.2pt
Europe	90.1%	19.5%	▼70.7pt	21.3%	▼71.2pt
Asia/Oceania	86.3%	22.0%	▼64.2pt	24.8%	▼62.5pt
China	88.0%	59.5%	▼28.5pt	64.3%	▼23.5pt
Hawaii/Guam	90.3%	52.6%	▼37.7pt	72.5%	▼21.2pt
Total	88.8%	20.8%	▼68.0pt	22.6%	▼67.7pt

RPK ^{(1) (2)}

(MN passenger km)	1st Half			2nd quarter	
	FY2019	FY2020	y/y	FY2020	y/y
America	7,722	281	▼96.4%	200	▼94.9%
Europe	3,703	159	▼95.7%	125	▼93.6%
Asia/Oceania	8,315	215	▼97.4%	137	▼96.8%
China	1,597	18	▼98.8%	15	▼98.1%
Hawaii/Guam	3,377	12	▼99.6%	10	▼99.4%
Total	24,716	687	▼97.2%	488	▼96.2%

(1) Passengers with mileage award tickets are included from FY2020 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 FY2020 and to the previous year's figures as well for comparison analysis

Fleet Information

	End of FY2019 (March 31, 2020)			End of 2nd Quarter FY2020 (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	9	0	9	▼2
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	39	4	43	▼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	212	26	238	▼3

《Reference》 Accounting Impact 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 adjustment coming from the different accounting standards and there is no substantial change in our actual financial position

Cash Flow

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

Traffic Performance

- Passengers with mileage award tickets are included to revenue passengers
(Increase in 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)

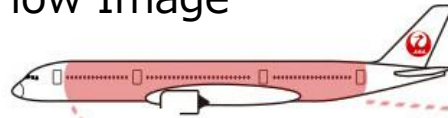
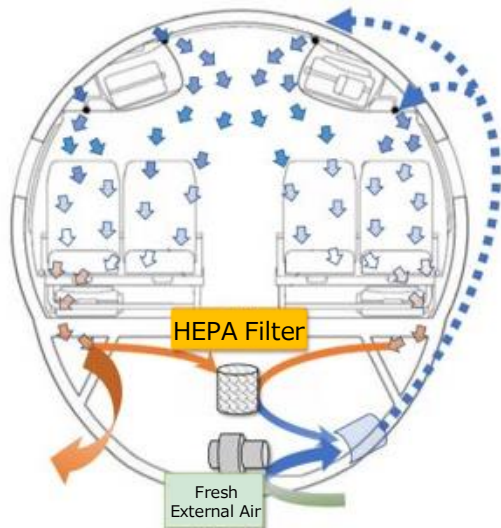
(2) Includes operating lease or reevaluation of mileage liabilities

Anti-COVID-19 Measures

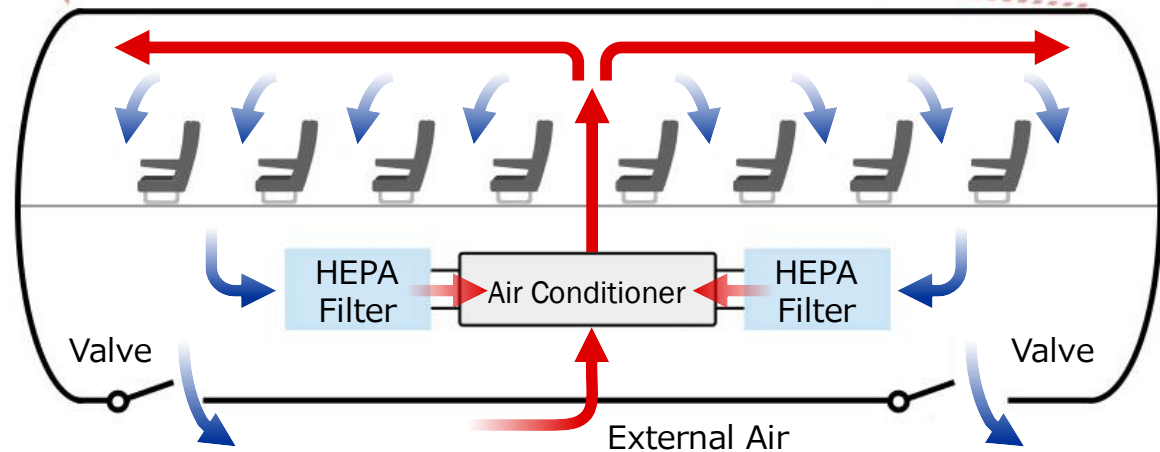
Cabin

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 the flight
- Passengers face to the same direction
- HEPA Filter is equipped

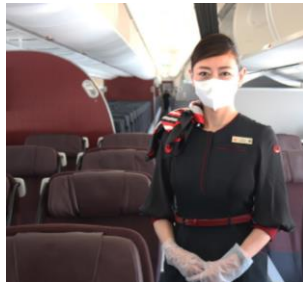


Hygiene measures

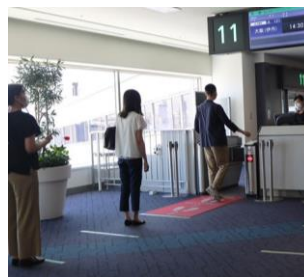
Thorough measures for Flysafe



Sanitization



Facial mask and gloves



Social Distancing



Partition



Less Contact with others

Fly into tomorrow.



JAPAN AIRLINES

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