

JAPAN AIRLINES Co., Ltd.

Financial Results

3rd Quarter Mar/2021 (FY2020)



JAPAN AIRLINES



February 1, 2021

Today's Topics

**PERFORMANCE OVERVIEW OF 3rd Quarter
FY2020**

P.3

EARNINGS FORECAST FOR FY2020

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LATEST INITIATIVES

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**DETAILS OF FINANCIAL RESULTS FOR
3rd Quarter 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. All figures include LCC ⁽²⁾ unless otherwise noted.



FTE
2019
Accessibility
Leadership Award



SKYTRAX
2019
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

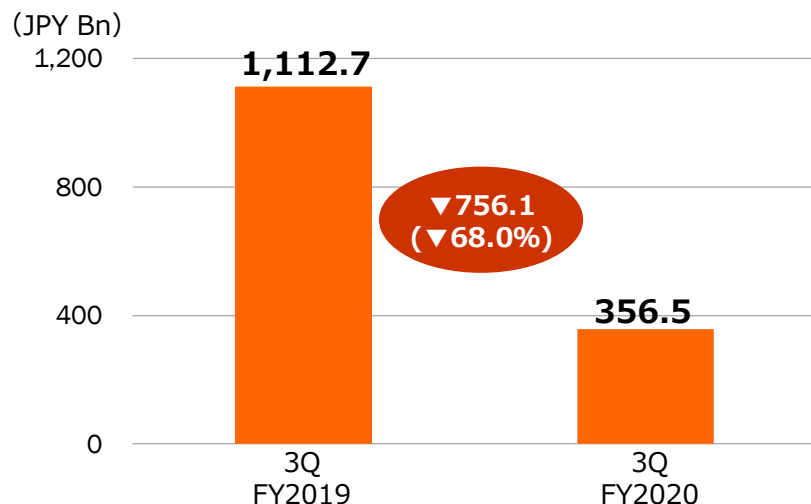
Note (1) Regarding figures in tables of this material, amounts are rounded down to the nearest hundred million yen, and the second decimal point in ratios is rounded off to one decimal point (2) LCC = Low Cost Carrier

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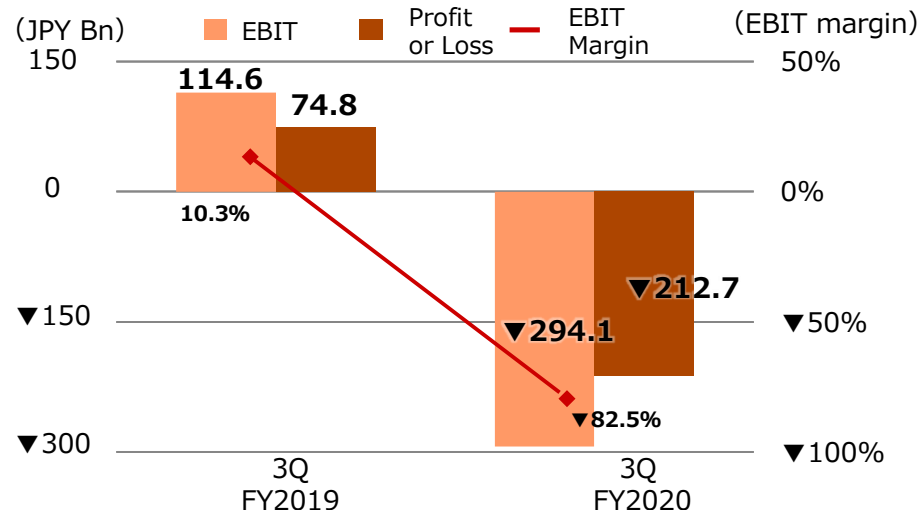
Financial Results for 3Q of FY2020

- ✓ 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

	3Q FY2019	3Q FY2020	y/y
Singapore Kerosene (USD/bbl)	77.7	38.3	▼50.7%
Dubai Crude Oil (USD/bbl)	63.8	37.6	▼41.1%
FX Rate (JPY/USD)	109.0	106.6	▼2.2%

Operational Precondition/ASK

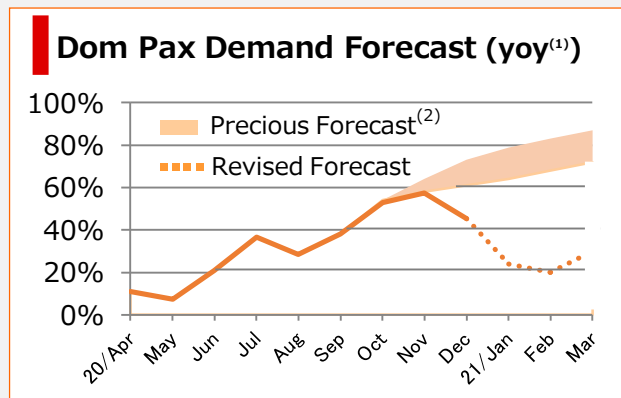
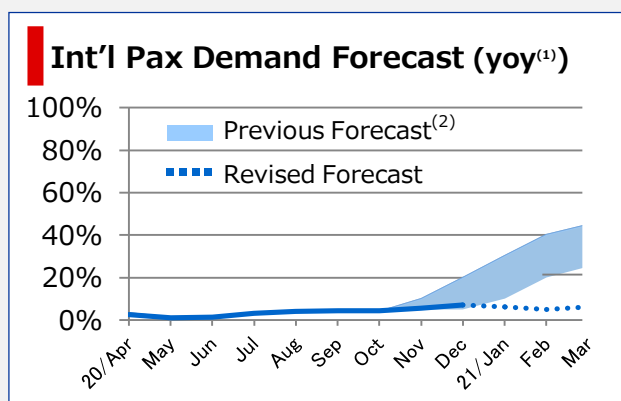
	3Q FY2020(y/y)
International Routes ⁽⁵⁾	▼ 82.1%
Domestic Routes	▼ 43.9%
Total	▼ 66.8%

(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

- This is CFO, Kikuyama speaking.
- Thank you very much for joining us today.
- Today, I will briefly explain our financial results for the third quarter, earnings forecast revision for the current fiscal year, and then, I will touch upon our current initiatives.
- Please turn to Page 3.
- The third revenue dropped by 68% year on year to 356.5 billion yen due to the continuing impact of the COVID-19 pandemic.
- It had been recovering since autumn, the revenue drop was not small, and in spite of our effort to reduce fixed costs and revenue- and capacity-linked costs through flexible capacity adjustments, then EBIT became a loss of 294.1 billion yen and net loss was 212.7 billion yen respectively.
- Please turn to Page 4.

FY2020 Earnings Forecast

- ✓ Demand Forecast was revised based on the latest booking until fiscal year end
- ✓ Full-year forecast is EBIT of ▼420 billion yen and net loss of ▼300 billion yen
- ✓ To secure liquidity at hand and prevention of worsening financial structure, no dividend is forecasted



Change in Performance Forecast ⁽³⁾					
(JPY Bn)	FY2019	FY2020		Diff.	y/y
	Results	Previous Forecast ⁽²⁾	Revised Forecast		
Revenue	1,385.9	530.0~600.0	460.0	▼925.9	▼66.8%
Int'l Passenger	486.2	40.0~75.0	30.0	▼456.2	▼93.8%
Dom Passenger	529.7	235.0~265.0	165.0	▼364.7	▼68.9%
Cargo / Mail	91.6	—	125.0	+33.3	+36.4%
Other Revenue ⁽⁴⁾	278.3	—	140.0	▼138.3	▼49.7%
EBIT ⁽⁵⁾	88.8	▼380.0~ ▼330.0	▼420.0	▼508.8	—
Profit or Loss ⁽⁶⁾	48.0	▼270.0~ ▼240.0	▼300.0	▼348.0	—

Change in Fuel/FX Market			
	FY2019	FY2020	
	Results	Previous Forecast ⁽²⁾	Revised Forecast
Singapore Kerosene (USD/bbl)	76.3	43.2 (2nd Half 50.0)	42.4 (4Q 54.8)
Dubai Crude Oil (USD/bbl)	63.1	39.7 (2nd Half 44.0)	40.9 (4Q 50.7)
FX Rate (JPY/USD)	109.3	108.8 (2nd Half 110.0)	105.7 (4Q 103.0)

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

(2) Disclosed on October 30, 2020

(3) IFRS is adopted from FY2020 and to the figures in the previous year to enable comparison analysis

(4) Other Revenue = Travel Agency, Mileage, Ground Handling or etc.

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

(6) Profit/Loss = Net Profit Attributable to Owners of Parent

- On this page, I will explain our revised performance forecast of this fiscal year.
- Future International and Domestic Passenger demands depend on the rebound of the spread of COVID-19 and restrictions on international travel so that uncertainty remains to persist.
- Please look at the graph on the left. This graph shows demand forecast based on our booking data for international and domestic travel as of today, and based on this data, we revised our performance forecast.
- We forecast this year's EBIT as a loss of 420 billion yen due to a sharp drop in domestic travel demand. Accordingly, Net Loss will be forecasted as 300 billion yen.
- Therefore, we prioritize liquidity at hand and financial structure, and we regrettably forecast no dividend for year-end dividends.
- Even though this uncertainty continues, we will try our best to minimize the loss amount by reducing cost and adjusting our capacity in accordance with fluctuating demand. Please turn to Page 5.

FY2020 Earnings Forecast Financial Position (1)

- ✓ Cash on hand will be 370 billion yen as of the end of March 2021
- ✓ Equity Ratio will be 44.3% and D/E Ratio will be 0.5 times

(JPY Bn)	End of FY2019	End of FY2020	Diff.
	Results	New Forecast	
Total Assets	1,982.2	2,100.0	+117.7
Cash and Deposits	329.1	370.0	+40.8
Shareholders' Equity ⁽²⁾	1,014.2	930.0	▼84.2
Shareholders' Equity Ratio(%) ⁽³⁾	51.2%	44.3%	▼6.9pt
D/E Ratio (x) ⁽⁴⁾	0.3x	0.5x	+0.3x

(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

- Then, I will explain our forecasted balance sheet.
- Cash on hand will be 370 billion yen as of the end of March 2021.
Equity Ratio will be 44.3% and D/E Ratio will be 0.5 times. In spite of the difficult circumstances, we are able to maintain strong financial structure.
- Please turn to Page 6.

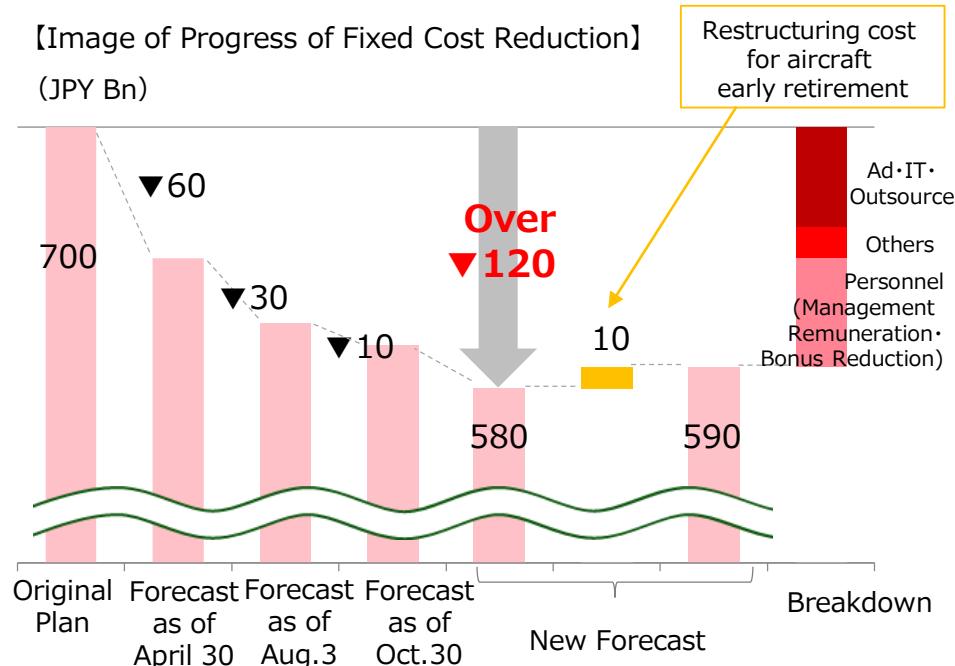
Cost Reduction

Fixed Cost

- Further reduction of **over 120 billion yen** is estimated from the original plan (**102 billion yen** reduction has been achieved till Q3 of FY2020)

【Image of Progress of Fixed Cost Reduction】

(JPY Bn)



Revenue- and Capacity-linked Cost Reduction

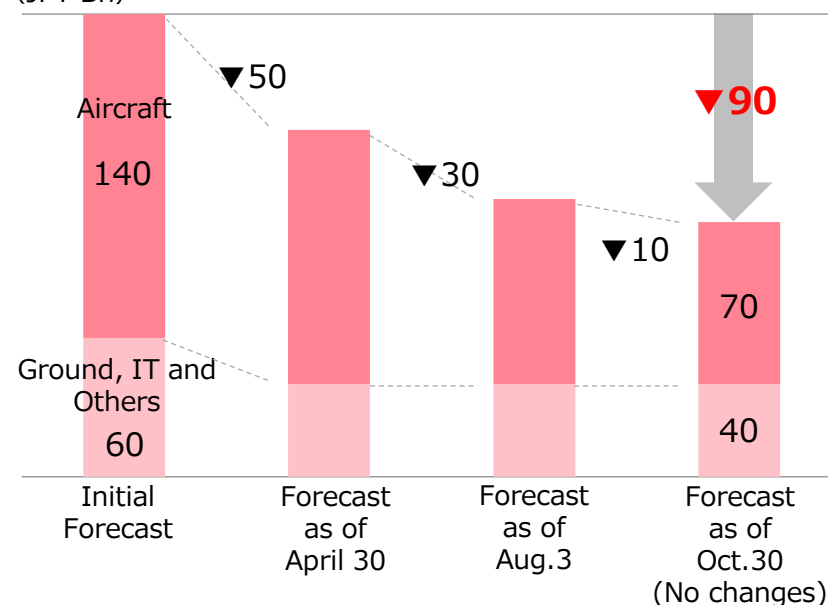
- Continue to aim for cost reduction equivalent to 40% of reduced revenue (**Achieved** approximately **40% cost** reduction of decreased revenue as targeted for Apr to Dec of FY2020)

CAPEX Reduction

90 billion yen reduction from the initial plan is estimated as the previous forecast

【FY20 CAPEX】

(JPY Bn)



Aircraft Investment

- Negotiation for deferral of payment and delivery of aircraft was taken place
- Further scrutinization of investments in aircraft parts was conducted

Ground, IT and Others

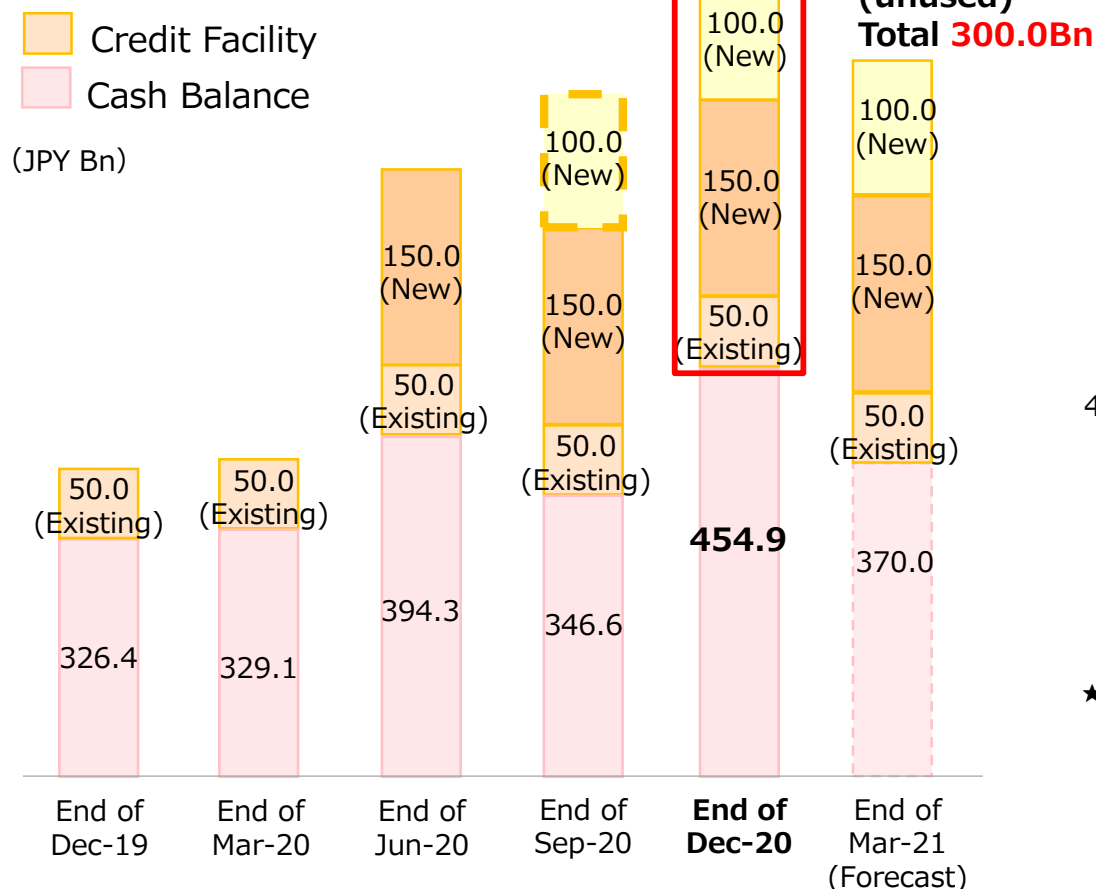
- Further scrutinization of necessity and timing was conducted

- On this page, I will explain cost and CAPEX reduction.
- Our fixed cost reduction target as of Q2 financial report was 100 billion yen from the original plan. However, due to our utmost efforts, we estimate further 20 billion yen or even more can be reduced.
- As a result, fixed cost will be reduced more than 120 billion yen for full-year from the original plan, and this is more than double of 60 billion yen of our initial reduction target.
- Please note that our restructuring initiative will retire aging 777 early. Then, Depreciation cost will increase by about 10 billion yen. And the total fixed cost for full-year will be about 590 billion yen, 110 billion yen less than our original plan of 700 billion yen.
- We will aim for 40% of revenue reduction for revenue- and capacity-linked cost.
- On the right-hand side, CAPEX will be reduced by 90 billion yen as we forecasted previously from the original plan.
- We will continue our cost and CAPEX reduction initiatives. Please turn to Page 7.

Bolstering Liquidity

- ✓ Liquidity at hand as of the end of Dec is more than 750 billion yen, including unused credit line
- ✓ Cash burn is steadily decreasing until Q3. In Q4, it will remain around the half of the Q1 level because of cash outflow reduction efforts despite the uneasy situation

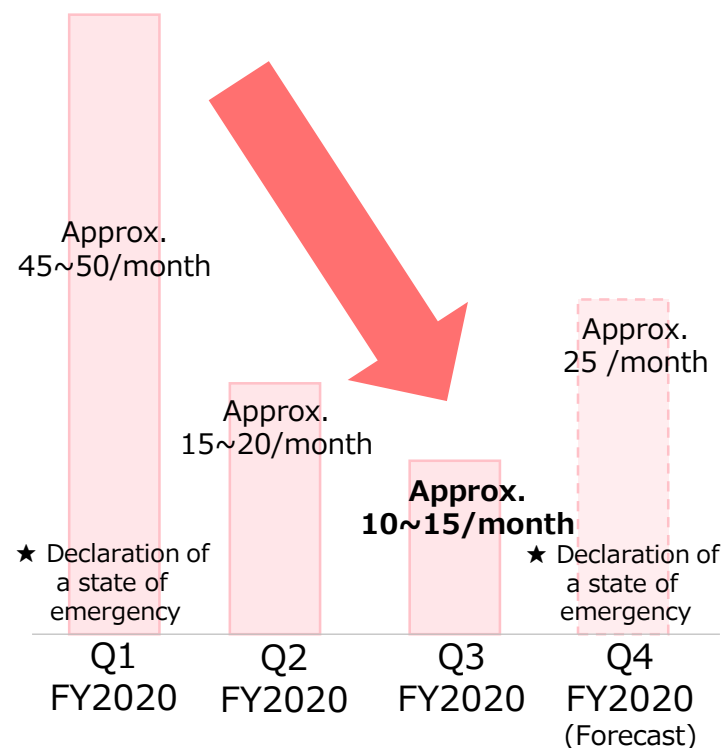
Cash Balance & Credit Facility



Cash Burn⁽¹⁾

(1) Operating CF (one-time factors excluded) + Repayment of Interest-bearing Debts

(JPY Bn)



- On this page, I will explain liquidity at hand and cash burn.
- Cash on hand at the end of December was 454.9 billion yen. Together with the unused credit line of 300 billion yen, our liquidity at hand is more than 750 billion yen, which is sufficient.
- Cash burn decreased to just about 10 to 15 billion yen per month because of limited amounts of refund. Because of the rebound of COVID-19, the monthly cash burn for the fourth quarter period will increase to around 25 billion yen, but it still remains at the half of the first quarter cash burn level, because of our cash outflow reduction efforts.
- Even if the current difficult situation continues, the liquidity at hand now would last for about 18 months, considering future CAPEX. Therefore, we believe we have enough COVID-19 resilience so far.
- We will continue to ensure the sufficient liquidity by financing in a timely manner. Please turn to Page 8.

FINANCIAL RESULTS (DETAILS)

- From now, I will explain the details of our third quarter performance.
- On Page 9, our consolidated financial results are shown.
- Please turn to Page10.

Consolidated Financial Results for 3Q FY2020 ⁽¹⁾

(JPY Bn)	3Q FY2019	3Q FY2020	Diff.	y/y	3rd quarter FY2020 ⁽⁶⁾	Diff.	y/y
Revenue	1,112.7	356.5	▼756.1	▼68.0%	161.7	▼202.0	▼55.5%
International Passenger	401.3	18.8	▼382.4	▼95.3%	9.6	▼118.7	▼92.5%
Domestic Passenger	427.9	136.9	▼291.0	▼68.0%	67.3	▼74.8	▼52.6%
Cargo / Mail	69.1	90.9	+21.8	+31.5%	37.4	+13.4	+56.4%
Other Revenue ⁽²⁾	214.2	109.8	▼104.4	▼48.8%	47.2	▼21.9	▼31.7%
Operating Expense	1,005.5	655.4	▼350.1	▼34.8%	236.0	▼98.0	▼29.4%
Fuel	189.6	73.5	▼116.0	▼61.2%	28.8	▼33.0	▼53.3%
Excluding Fuel	815.9	581.8	▼234.0	▼28.7%	207.1	▼65.0	▼23.9%
Others ⁽³⁾	7.4	4.7	▼2.7	▼36.6%	4.0	+2.0	+105.1%
EBIT	114.6	▼294.1	▼408.8	-	▼70.2	▼101.9	-
EBIT Margin (%)	10.3%	▼82.5%	▼92.8pt	-	▼43.4%	▼52.1pt	-
Profit or Loss	74.8	▼212.7	▼287.5	-	▼51.4	▼72.1	-
ASK (MN seat km) ⁽⁴⁾	69,070	22,901	▼46,169	▼66.8%	10,659	▼12,188	▼53.3%
RPK (MN passenger km) ⁽⁴⁾	58,776	8,923	▼49,852	▼84.8%	4,679	▼14,676	▼75.8%
EBITDA Margin (%) ⁽⁵⁾	21.1%	▼44.4%	▼65.5pt	-	▼13.5%	▼33.4pt	-

(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) 3rd quarter results (October to December) are calculated by deducting the results of 1H (April to September) from 3Q (April to December)

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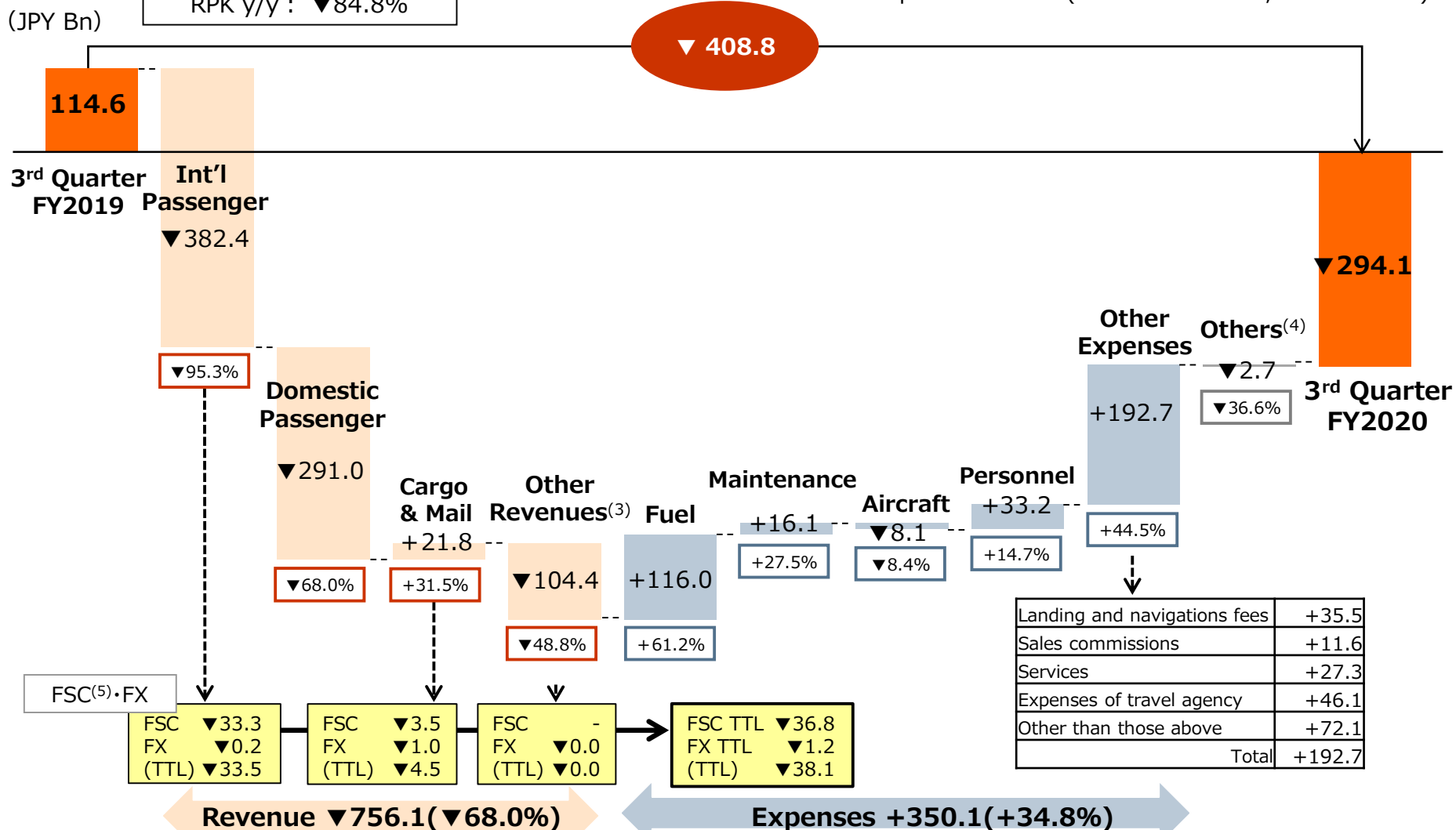
Changes in EBIT (Revenues/Expenses) (1)



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(2) ASK y/y : ▼66.8%
RPK y/y : ▼84.8%

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



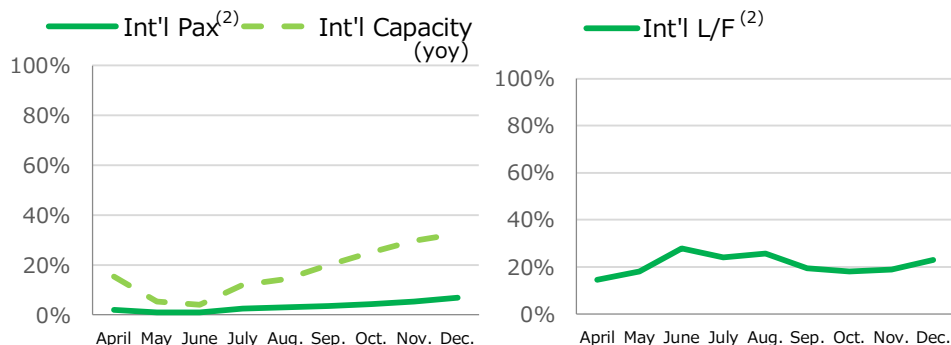
(1) IFRS is adopted from FY2020 and to the figures in the previous year to enable comparison analysis (2) Changes in codeshare passengers on other airlines are reflected from FY2020 and to the previous year's figures as well for comparison analysis (3) Other Revenue = Travel Agency, Mileage, Ground Handling or etc. (4) Others = Gain or Loss on Sales of Flight Equipment, Other Revenue, Share of Profit or Loss of Investment and Income/Expenses from Investment (5) FSC = Fuel Surcharge

- On this page, Ups and Downs of EBIT is shown.
- For revenue, a large drop in demand caused by COVID-19 let a large decrease in International Passenger and Domestic Passenger.
- On the other hand, Cargo and Mail revenue increased by 31.5% year-on-year even with the limited capacity.
- For expense, it reduced by 350.1 billion yen year on year through variable cost reduction by our flexible capacity adjustment and also fixed cost reduction efforts such as personnel, advertisement and IT expenses.
- Please note that aircraft expense increased by 8.1 billion yen year on year due to increase of depreciation and impairment loss caused by early retirement of 777.
- Despite the cost reduction effort, it was not enough to cover a large decrease of revenue and it resulted in a big loss. Please turn to Page 11.

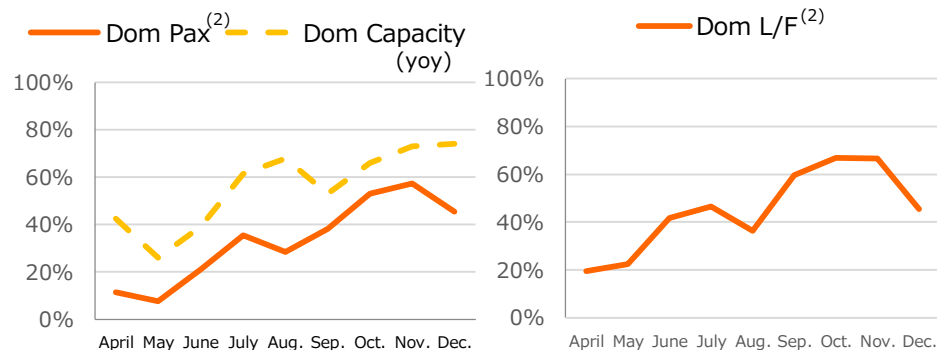
Int'l/Domestic Passenger Operations (Full Service Carrier)

- ✓ Significant reduction in the international passenger demand continues
- ✓ Domestic passenger demand was on recovery and GoTo Travel promotional campaign increased group tour passengers while revenue per passenger dropped due to demand mix

International Passenger ⁽¹⁾



Domestic Passenger



International Passenger ⁽¹⁾

Domestic Passenger

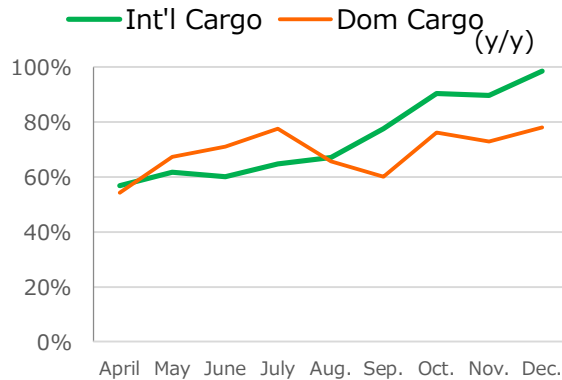
	3Q FY2020	3Q FY2020	y/y	3rd quarter FY2020 ⁽⁶⁾	y/y	3Q FY2020	3Q FY2020	y/y	3rd quarter FY2020 ⁽⁶⁾	y/y
Passenger Revenue (JPY Bn) ⁽²⁾	401.3	18.8	▼95.3%	9.6	▼92.5%	427.9	136.9	▼68.0%	67.3	▼52.6%
Passengers ('000) ⁽²⁾	7,325	246	▼96.6%	134	▼94.3%	29,149	9,720	▼66.7%	5,075	▼47.9%
ASK (MN seat km)	41,463	7,295	▼82.4%	3,991	▼70.7%	27,606	15,488	▼43.9%	6,550	▼29.0%
RPK (MN passenger km) ⁽²⁾	36,753	1,493	▼95.9%	805	▼93.3%	22,022	7,427	▼66.3%	3,871	▼47.1%
L/F (%) ⁽²⁾	88.6%	20.5%	▼68.2pt	20.2%	▼68.1pt	79.8%	48.0%	▼31.8pt	59.1%	▼20.3pt
Revenue per Passenger (JPY) ^{(2) (3)}	54,784	76,303	+39.3%	71,700	+32.9%	14,683	14,088	▼4.0%	13,265	▼9.1%
Yield (JPY) ^{(2) (4)}	10.9	12.6	+15.5%	12.0	+12.5%	19.4	18.4	▼5.1%	17.4	▼10.5%
Unit Revenue (JPY) ^{(2) (5)}	9.7	2.6	▼73.3%	2.4	▼74.3%	15.5	8.8	▼43.0%	10.3	▼33.3%

(1) Figures for LCC are excluded. 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) 3rd quarter results (October to December) are calculated by deducting the results of 1H (April to September) from 3Q (April to December)

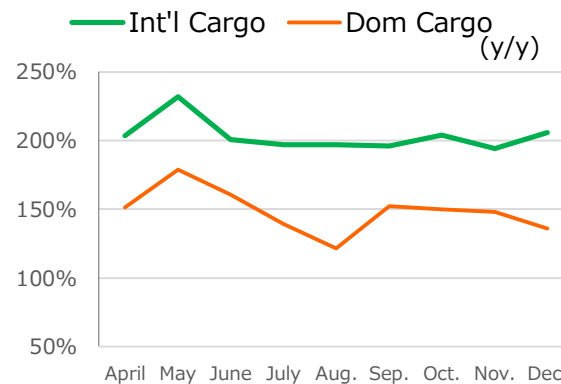
- I will update International Passenger and Domestic Passenger on this page.
- Due to travel restrictions, Passenger Number decreased by 96.6% year on year in International Passenger. Revenue per Passenger increased largely by 39.3% year on year.
- Domestic travel had been on the rise, thanks to inclusion of Tokyo into GoTo travel promotional campaign from October, however, it declined again due to the rebound of COVID-19 from December.
- Revenue per Passenger in the third quarter decreased by 9.1% year on year. This is due to the increase of group passenger demand and mileage passenger demand. Please turn to Page 12.

- ✓ Demand was captured as much as possible to increase revenue significantly (yoy+31.5%) in spite of the limited passenger flights.
- ✓ Cargo flights utilizing passenger aircrafts totaled at 11,378 from Apr to Dec 2020.
- ✓ Large-lot cargo demand was captured by chartered freighter flights.

Volume



Unit Price



International

- PC, gaming hardware and electric parts demand has been robust
- Auto-related demand is on the rise

Domestic

- Nesting consumption increased demand for parcel delivery

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

	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Total
International	596	1,169	1,185	1,022	1,003	993	1,213	1,217	1,073	9,471
Domestic	155	339	310	255	56	145	203	186	258	1,907
Int'l-Dom Total	751	1,508	1,495	1,277	1,059	1,138	1,416	1,403	1,331	11,378

(1) Including ZIPAIR cargo flights

- I will explain Cargo and Mail on this page.
- Even though passenger flight capacity is limited, we maximized revenue through operating a large number of cargo flights utilizing passenger aircrafts. Also, we chartered cargo freighters to carry large-lot cargo.
- Unit Price is still at a very high level, and revenue increased greatly by 31.5% year on year.
- We will support logistical network and increase aircraft turnover. Also, we will prepare logistical support for vaccine transportation, if any.
- Please turn to Page 13.

Major Operating Expense Items ⁽¹⁾

- ✓ Reduced revenue- and capacity-linked costs, equivalent of approximately 40% of reduced revenue (298.8 Bn JPY)
- ✓ Fixed cost is steadily reduced by 102 billion yen from the original plan (Details on P.6)

(JPY Bn)		3Q FY2019	3Q FY2020	Diff.	y/y	3rd quarter FY2020 ⁽⁴⁾	Diff.	y/y	
Revenue		1,112.7	356.5	▼756.1	▼68.0%	161.7	▼202.0	▼55.5%	
Revenue- and Capacity- Linked Cost	Fuel	189.6	73.5	▼116.0	▼61.2%	28.8	▼33.0	▼53.3%	Some portions are fixed costs
	Landing and navigation fees	65.2	29.7	▼35.5	▼54.4%	11.9	▼9.8	▼45.2%	
	Maintenance	58.8	42.6	▼16.1	▼27.5%	12.9	▼6.7	▼34.1%	
	Sales commissions (Air Transport)	13.9	2.3	▼11.6	▼83.3%	1.4	▼2.9	▼66.1%	
	Services ⁽²⁾	35.4	8.0	▼27.3	▼77.1%	3.3	▼8.6	▼71.8%	
	Other linked cost ⁽³⁾	159.4	67.3	▼92.0	▼57.7%	31.6	▼19.8	▼38.5%	
	Total revenue- and capacity-linked cost	522.6	223.8	▼298.8	▼57.2%	90.3	▼80.9	▼47.3%	
Fixed Cost	Aircraft	97.6	105.7	+8.1	+8.4%	38.8	+4.7	+13.9%	Some portions are revenue-and capacity-linked costs
	Personnel	226.3	193.1	▼33.2	▼14.7%	62.2	▼12.9	▼17.2%	
	Other fixed cost	158.9	132.7	▼26.2	▼16.5%	44.5	▼8.9	▼16.7%	Some portions are revenue-and capacity-linked costs
	Total fixed cost	482.9	431.6	▼51.2	▼10.6%	145.6	▼17.1	▼10.5%	
Total Operating Expenses		1,005.5	655.4	▼350.1	▼34.8%	236.0	▼98.0	▼29.4%	

(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) 3rd quarter results (October to December) are calculated by deducting the results of 1H (April to September) from 3Q (April to December)

- This page explains major operating expense items 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, 298.8 billion yen. Fixed cost also decreased by 51.2 billion yen year-on-year. But as I mentioned earlier, we have reduced fixed cost of 102 billion yen from our original plan, except aircraft early retirement.
- For full-year, our fixed cost reduction will reach to more than 120 billion yen, which is more than double of our initial target. We will try our best as one team for further reduction.
- Please turn to Page 14.

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

BS

- ✓ Equity capital increased through public offerings to 1 trillion and 17.1 billion yen and the equity ratio was 47.6%
- ✓ Interest-bearing debts decreased to 494.5 billion yen from the end of Q2, the repayment within one year including leasing is just 61.5 billion yen, D/E Ratio was still at 0.5 times

CF

- ✓ Operating cash flow improved to ▼29.9 billion yen in Q3 from ▼130.2 billion yen in Q1

Balance Sheet	End of FY2019	End of 3rd Quarter FY2020	Diff.
Total Assets	1,982.2	2,136.4	+154.2
Cash and Deposits	329.1	454.9	+125.8
Balance of Interest-bearing Debt	277.4	494.5	+217.1
Repayment within one year (※)	38.6 (11.0)	61.5 (14.7)	+22.9 (+3.6)
Shareholders' Equity ⁽²⁾	1,014.2	1,017.1	+2.8
Shareholders' Equity Ratio(%) ⁽³⁾	51.2%	47.6%	▼3.6pt
D/E Ratio (x) ⁽⁴⁾	0.3x	0.5x	+0.2x

(JPY Bn)

※Figures in brackets represent aircraft lease payment within one year

Cash Flow	3Q FY2019	3Q FY2020	Diff.
Cash Flow from Operating Activities	65.8	▼179.8	▼245.6
Depreciation and Amortization	120.5	135.8	+15.3
Cash Flow from Investing Activities	▼188.3	▼73.0	+115.3
Capital Investment	▼195.7	▼79.3	+116.3
Free Cash Flow ⁽⁵⁾	▼122.5	▼252.9	▼130.3
Cash Flow from Financing Activities	▼73.1	378.9	+452.0
Total Cash Flow ⁽⁶⁾	▼195.6	126.0	+321.7
EBITDA ⁽⁷⁾	235.1	▼158.3	▼393.4

(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
- (7) EBITDA=EBIT+ Depreciation

- Then, I will explain consolidated balance sheet and cash flow.
- As a result of the public offering in November, Shareholders' Equity became 1 trillion and 17.1 billion yen. Equity ratio is at 47.6%, which is the highest 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 0.5 times, and we are confident that we continue to have a sound financial base.
- We secured sufficient Liquidity at hand, which is more than 750 billion yen.
- The balance of debt including lease liabilities that are off-balance in J-GAAP is 494.5 billion yen, which is less than the debt balance at the end of September. Also, we control the repayment of debt within one year to 61.5 billion yen including lease expense.
- Operating cash flow was minus 29.9 billion yen in the third quarter against minus 130.2 billion yen in the first 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. Please turn to Page 16.

REFERENCES

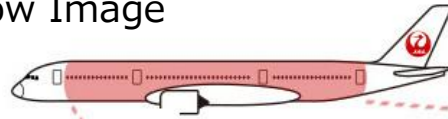
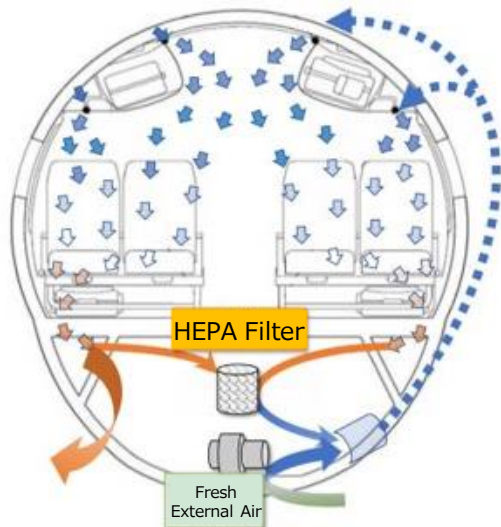
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《Reference》 Anti-COVID-19 Measures

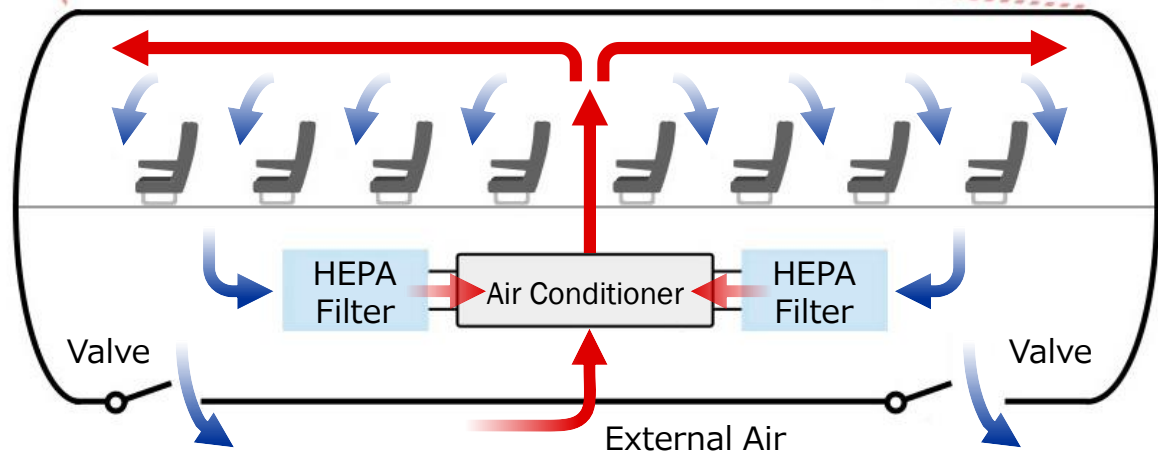
Cabin

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

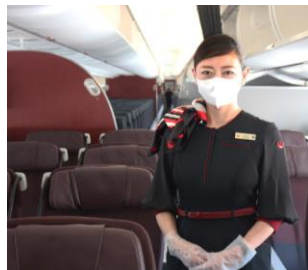


For Better Flysafe

Various initiatives including enhancement of hygiene and contactless



Sanitization



Facial mask and gloves



SMART AIRPORT
Less Contact with others and hygiene



Complimentary
insurance coverage

- On Page 16, our initiatives for Flysafe are shown. Also, on Page 19 and 20, Our strategy for New Normal, which was disclosed at the second quarter financial report, is shown again.
- In New Normal, we expect business travel demand in International Passenger would temporarily drop, therefore we will reduce capacity from Full Service Carrier's international passenger market. For example, 777-200ER in International Passenger will be shifted to Domestic Passenger. Also, demand is expected to recover early in Low Cost Carrier Business, so we will strengthen that Business.
- For Domestic Passenger, we will introduce the-state-of-the-art A350 and retire 777 early. Then, we will improve our competitiveness, efficient operation and carbon emission reduction. We will capture recovery demand in a timely manner by maintaining domestic capacity at pre-COVID level.
- For our new mid-term management plan, the spread of COVID-19 is not unforeseeable now, and we would like to carefully assess the ongoing situation. Then, we are seeking an appropriate disclosure timing. We will announce the disclosure date once we decide. This ends my presentation.

Passenger Revenue (1)

(%)	3Q Cumulative y/y	3rd quarter y/y	3Q (Cumulative)		%
			FY2019	FY2020	
America	▼94.9%	▼91.0%	28%	30%	33%
Europe	▼94.2%	▼91.5%	16%	20%	17%
Asia/Oceania	▼95.1%	▼92.8%	32%	33%	32%
China	▼93.7%	▼87.6%	11%	15%	16%
Hawaii/Guam	▼99.3%	▼99.1%	13%	2%	2%
Total	▼95.3%	▼92.5%	100%	100%	100%

Revenue Passengers Carried (1) (2)

('000)	3Q (Cumulative)			3rd quarter	
	FY2019	FY2020	y/y	FY2020	y/y
America	1,208	64	▼94.6%	35	▼91.0%
Europe	610	33	▼94.5%	16	▼91.9%
Asia/Oceania	3,425	117	▼96.6%	65	▼94.3%
China	1,199	26	▼97.8%	16	▼95.3%
Hawaii/Guam	881	4	▼99.5%	2	▼99.3%
Total	7,325	246	▼96.6%	134	▼94.3%

ASK (2)

(MN seat km)	3Q (Cumulative)			3rd quarter	
	FY2019	FY2020	y/y	FY2020	y/y
America	12,639	3,458	▼72.6%	2,007	▼51.1%
Europe	6,125	1,663	▼72.8%	843	▼58.2%
Asia/Oceania	14,373	2,019	▼85.9%	1,041	▼78.0%
China	2,740	87	▼96.8%	55	▼94.0%
Hawaii/Guam	5,584	67	▼98.8%	43	▼97.6%
Total	41,463	7,295	▼82.4%	3,991	▼70.7%

Load Factor (1) (2)

(%)	3Q (Cumulative)			3rd quarter	
	FY2019	FY2020	y/y	FY2020	y/y
America	90.1%	17.8%	▼72.3pt	16.6%	▼72.6pt
Europe	89.8%	18.5%	▼71.3pt	17.5%	▼71.6pt
Asia/Oceania	87.6%	24.6%	▼63.0pt	27.0%	▼63.3pt
China	81.8%	57.0%	▼24.8pt	55.5%	▼14.0pt
Hawaii/Guam	90.1%	36.8%	▼53.3pt	28.4%	▼61.4pt
Total	88.6%	20.5%	▼68.2pt	20.2%	▼68.1pt

RPK (1)(2)

(MN passenger km)	3Q (Cumulative)			3rd quarter	
	FY2019	FY2020	y/y	FY2020	y/y
America	11,390	615	▼94.6%	334	▼90.9%
Europe	5,500	307	▼94.4%	147	▼91.8%
Asia/Oceania	12,590	496	▼96.1%	281	▼93.4%
China	2,240	49	▼97.8%	30	▼95.2%
Hawaii/Guam	5,032	24	▼99.5%	12	▼99.2%
Total	36,753	1,493	▼95.9%	805	▼93.3%

(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

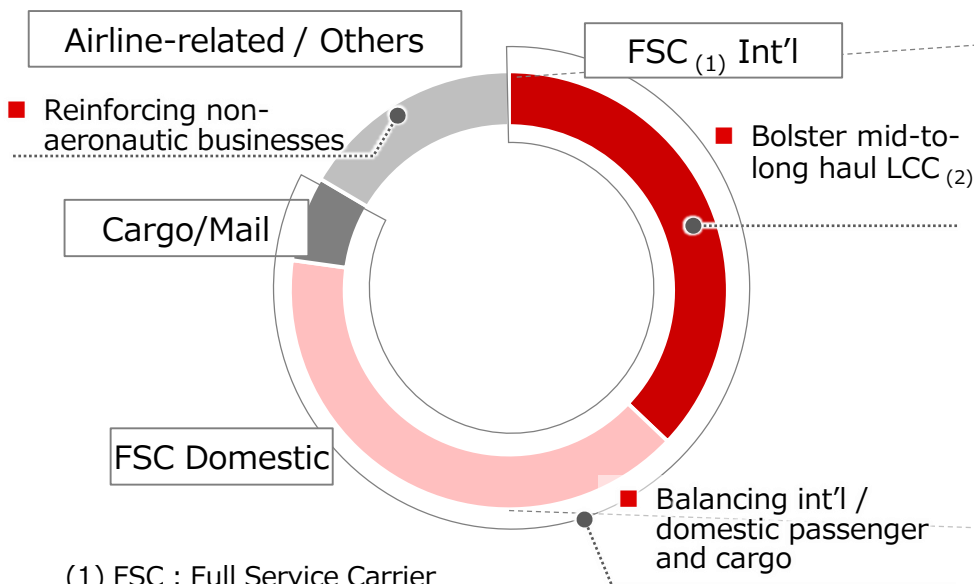
				End of FY2019 (March 31, 2020)			End of 3rd Quarter FY2020 (December 31, 2020)			Diff.
				Owned	Leased	Total	Owned	Leased	Total	
Int'l	FSC (1)	Large	Boeing 777-300ER	13	0	13	13	0	13	-
			Boeing 777-200ER	11	0	11	11	0	11	-
			Large-sized Total	24	0	24	24	0	24	-
		Middle	Boeing 787-9	17	3	20	17	3	20	-
			Boeing 787-8	23	0	23	23	0	23	-
			Boeing 767-300ER	13	0	13	13	0	13	-
		Middle-sized Total	53	3	56	53	3	56	-	
		Small	Boeing 737-800	7	2	9	7	2	9	-
	Int'l FSC Total			84	5	89	84	5	89	-
	LCC	Middle	Boeing 787-8 (ZIPAIR)	2	0	2	2	0	2	-
		Int'l LCC Total			2	0	2	2	0	2
International Total				86	5	91	86	5	91	-
Domestic	Large	Airbus A350-900	4	1	5	4	4	8	+3	
		Boeing 777-300	4	0	4	4	0	4	-	
		Boeing 777-200	11	0	11	9	0	9	▼2	
		Large-sized Total	19	1	20	17	4	21	+1	
	Middle	Boeing 787-8	4	0	4	4	0	4	-	
		Boeing 767-300ER	16	0	16	16	0	16	-	
		Boeing 767-300	5	0	5	2	0	2	▼3	
		Middle-sized Total	25	0	25	22	0	22	▼3	
	Small	Boeing 737-800	36	17	53	36	16	52	▼1	
	Regional	Embraer 170 / Embraer 190	32	0	32	32	0	32	-	
		Bombardier D8-400CC	5	0	5	5	0	5	-	
		SAAB340B	5	0	5	5	0	5	-	
		ATR42-600 / ATR72-600	9	1	10	10	1	11	+1	
		Regional Total	51	1	52	52	1	53	+1	
Domestic Total				131	19	150	127	21	148	▼2
Int'l – Dom Total				217	24	241	213	26	239	▼2

(1) FSC = Full Service Carrier

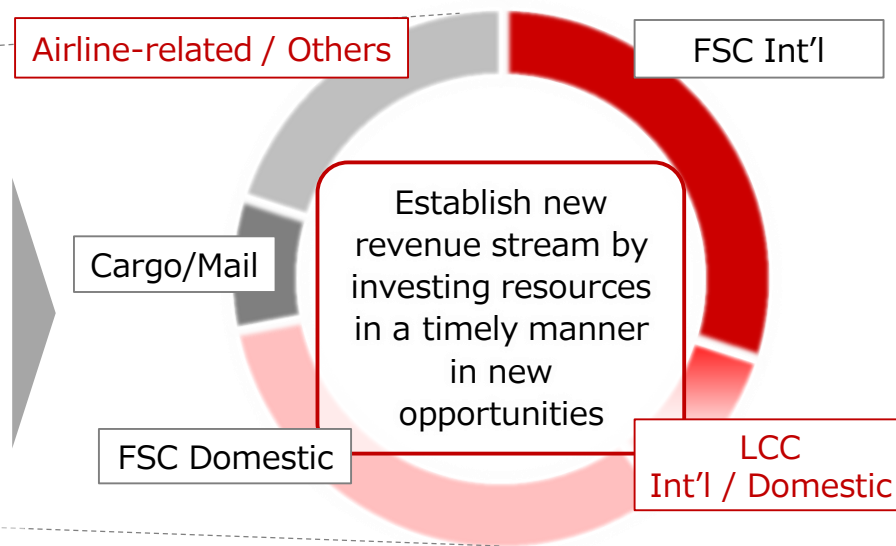
Path to Recovery of Enterprise Value



Revenue Breakdown in FY2019



Illustrative Business Portfolio Tailored to New Normal



Restructuring of the Business Structure

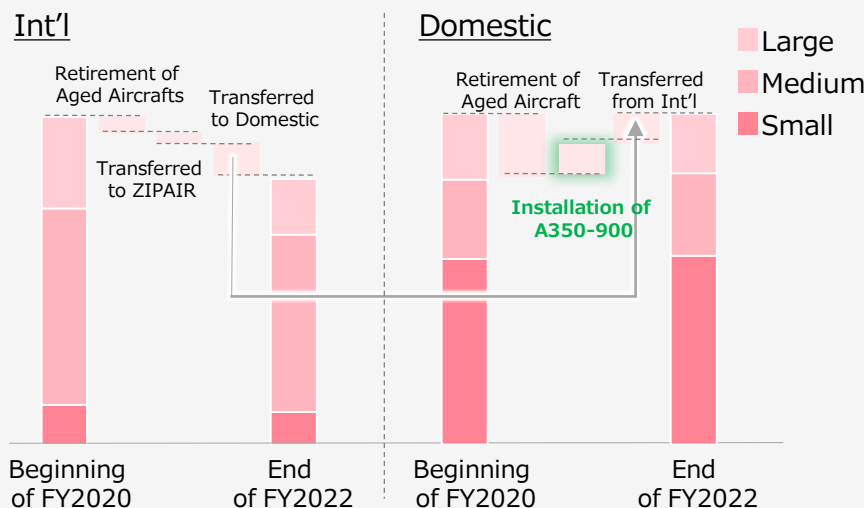
Improve Profitability / Take Initiatives for SDGs

■ 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

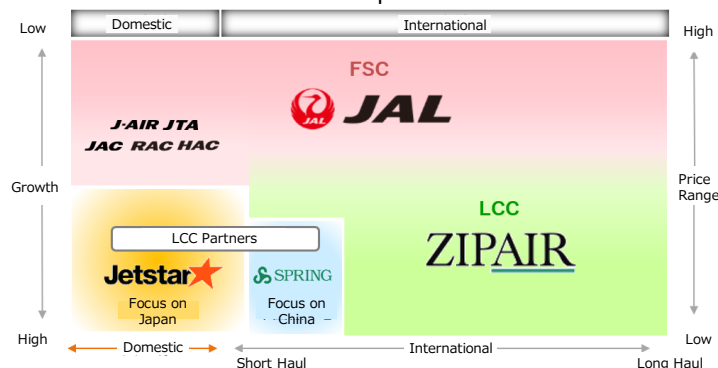


Take initiatives for Growth and Risk Tolerance

■ 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)

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

Fly into tomorrow.



JAPAN AIRLINES

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