

# JAPAN AIRLINES Co., Ltd.

## Financial Results

### 2<sup>nd</sup> Quarter Mar/2022 (FY2021)



**JAPAN AIRLINES**



Japan Airlines marked 70th Anniversary  
of the foundation on October 1, 2021

**November 2, 2021**



APEX

Health Safety Powered  
by SimpliFlying Audit  
Diamond



SKYTRAX

Covid-19 Safety Rating  
5 Star



SKYTRAX  
COVID-19 Excellence Award



SKYTRAX  
2021  
The World's Best Economy Class  
The Best Economy Class Seat



SKYTRAX

5-Star Airline



2021 Award for Excellence  
in Corporate Disclosure

— Industries —



The Securities Analysts  
Association of Japan



The 8th  
IR Good Visual Award

1. PERFORMANCE OVERVIEW FOR 1<sup>st</sup> Half FY21
2. EARNINGS FORECAST
3. RECENT TOPICS
4. DETAILS OF FINANCIAL RESULTS FOR  
1<sup>st</sup> Half FY21
5. REFERENCES



NPO J-Win

2021 J-Win Diversity Award  
Advanced Achievement Award  
Executive Management Award



2021  
健康経営優良法人  
Health and productivity  
ホワイト500

Health and Productivity  
Management Brand



DX銘柄2021  
Digital Transformation

**IFRS is adopted from FY2020. Accordingly, figures for FY2019 are also calculated under IFRS for comparison.  
All figures include LCC <sup>(2)</sup> unless otherwise noted.**

**The 2<sup>nd</sup> Quarter results (July to September) are calculated by deducting the results of 1<sup>st</sup> Quarter (April to June) from 1<sup>st</sup> Half (April to September).**

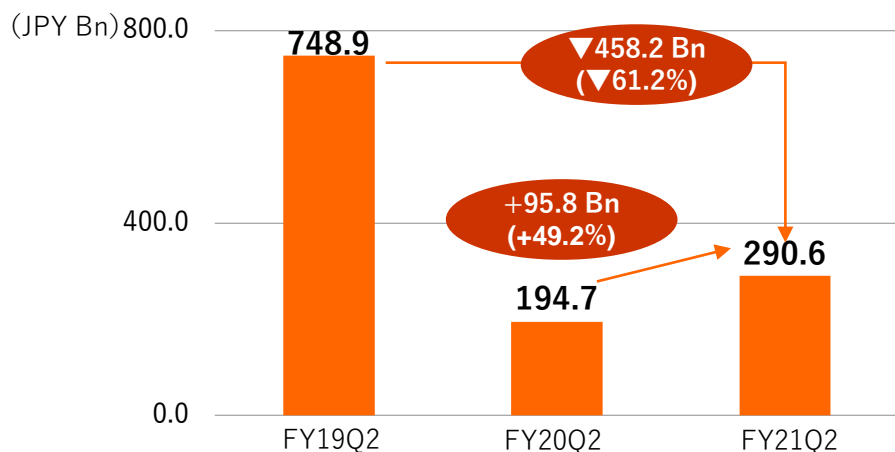
**For SPRING JAPAN, as the results from acquisition of the subsidiary until the end of June are minor, passenger revenue from July is included as passenger revenue for LCC.**

# PERFORMANCE OVERVIEW FOR 1<sup>st</sup> Half FY21

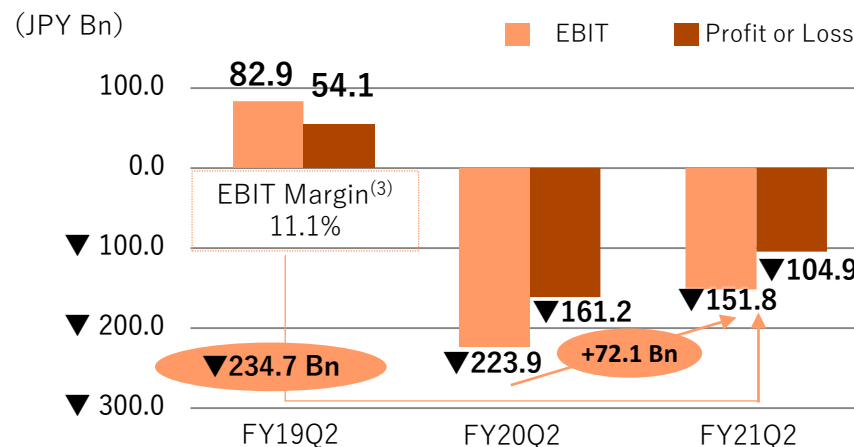


✓ Amid the COVID effects, Revenue and EBIT are on the rise toward recovery

## Revenue



## EBIT <sup>(1)</sup> / Profit or Loss <sup>(2)</sup>



## Fuel/FX Markets

	1 <sup>st</sup> Half FY20	1 <sup>st</sup> Half FY21	y/y
Singapore Kerosene (USD/bbl)	36.3	72.1	+98.6%
Dubai Crude Oil (USD/bbl)	35.4	67.9	+91.8%
FX Rate (JPY/USD)	107.5	109.5	+1.9%

## Operational Preconditions/ASK

	Vs. 1 <sup>st</sup> Half FY19	Vs. 1 <sup>st</sup> Half FY20
International Routes	▼60.3%	+234.9%
Domestic Routes	▼41.6%	+20.1%
Total	▼52.8%	+78.1%

(1) EBIT= Profit/Loss before Financing and Income tax (Profit/Loss before Tax – Finance Income /Expenses) (2) Profit/Loss = Quarterly Profit Attributable to Owners of Parent  
(3) EBIT Margin = EBIT / Revenue

- Thank you very much for participating in our conference call for the 2<sup>nd</sup> Quarter Financial Result Reporting.
- The 1<sup>st</sup> Half Revenue was 290.6 billion yen, which was about 40% of pre-COVID revenue but it was about 1.5 times larger year-on-year.
- The COVID infection still affects us so EBIT ended up with negative 151.8 billion yen and Net Loss was 104.9 billion yen accordingly.
- Those are tough numbers, however, EBIT improved by 72.1 billion yen year-on-year and improved by 13.4 billion yen from the previous quarter. Our performance is surely recovering now.

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# FULL-YEAR PERFORMANCE FORECAST MAR/2022

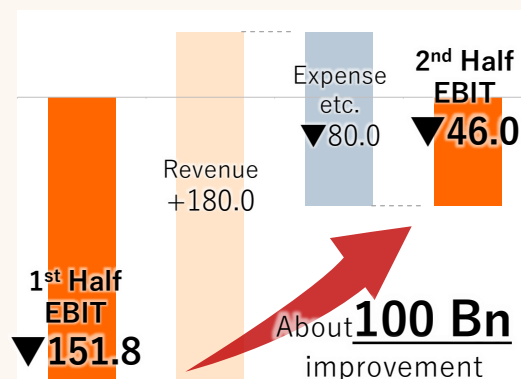


- ✓ Full-year performance forecast is expected to improve significantly y/y to EBIT ▼198 billion yen and Net loss ▼146 billion yen
- ✓ The 2<sup>nd</sup> half is expected to improve from the 1<sup>st</sup> Half by about EBIT 100 billion yen
- ✓ Full-year actual fixed cost is expected to be 475 billion yen, 25 billion yen less than the initial and previous year's level of 500 billion yen

## Full-year Performance Forecast

(Bn Yen)	FY2020	FY2021		
	Result	Forecast	Diff.	y/y
Revenue	481.2	766.0	+284.7	+59.2%
Int'l PAX	27.9	93.0	+65.0	+232.5%
Dom PAX	174.0	297.0	+122.9	+70.7%
Cargo / Mail	128.8	201.0	+72.1	+56.0%
Other Revenue <sup>(1)</sup>	150.4	175.0	+24.5	+16.3%
Operating Expense	885.0	974.0	+88.9	+10.1%
Others <sup>(2)</sup>	5.5	10.0	+4.4	+81.6%
EBIT	▼398.3	▼198.0	+200.3	-
Profit or Loss	▼286.6	▼146.0	+140.6	-

## EBIT Improvement

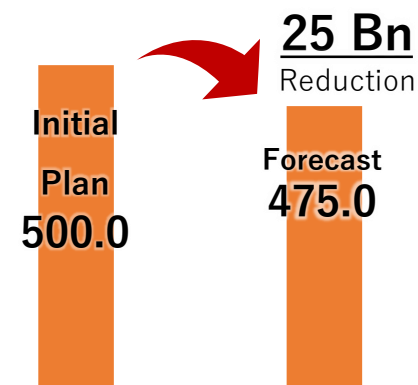


- Steady increase in Dom. Pax. Revenue
- Good revenue continues in Cargo

## 【2<sup>nd</sup> Half Fuel/FX Markets Assumptions】

- Singapore Kerosene : 90USD/bbl
- Dubai Crude Oil : 83USD/bbl
- FX : 110 yen/USD

## Actual Fixed Cost<sup>(3)</sup> vs. Initial Plan



- Personnel : about 20 Bn yen reduced
- Services or Rent : about 5 Bn yen reduction

## Sensitivity※

- Fuel : about 0.4 Bn (1USD/bbl)
- FX : about 0.3 Bn (1yen/USD)

※For the 2<sup>nd</sup> Half only, Hedging included.

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

(2) Others = Gain or Loss on Sales of Flight Equipment, Other Revenue, Share of Profit or Loss of Investment and Income/Expenses from Investment

(3) Actual Fixed Cost: (Total Fixed Cost) – (costs that may be variable according to operational size and number of passengers, temporary or additional costs in association with the structural restructuring)

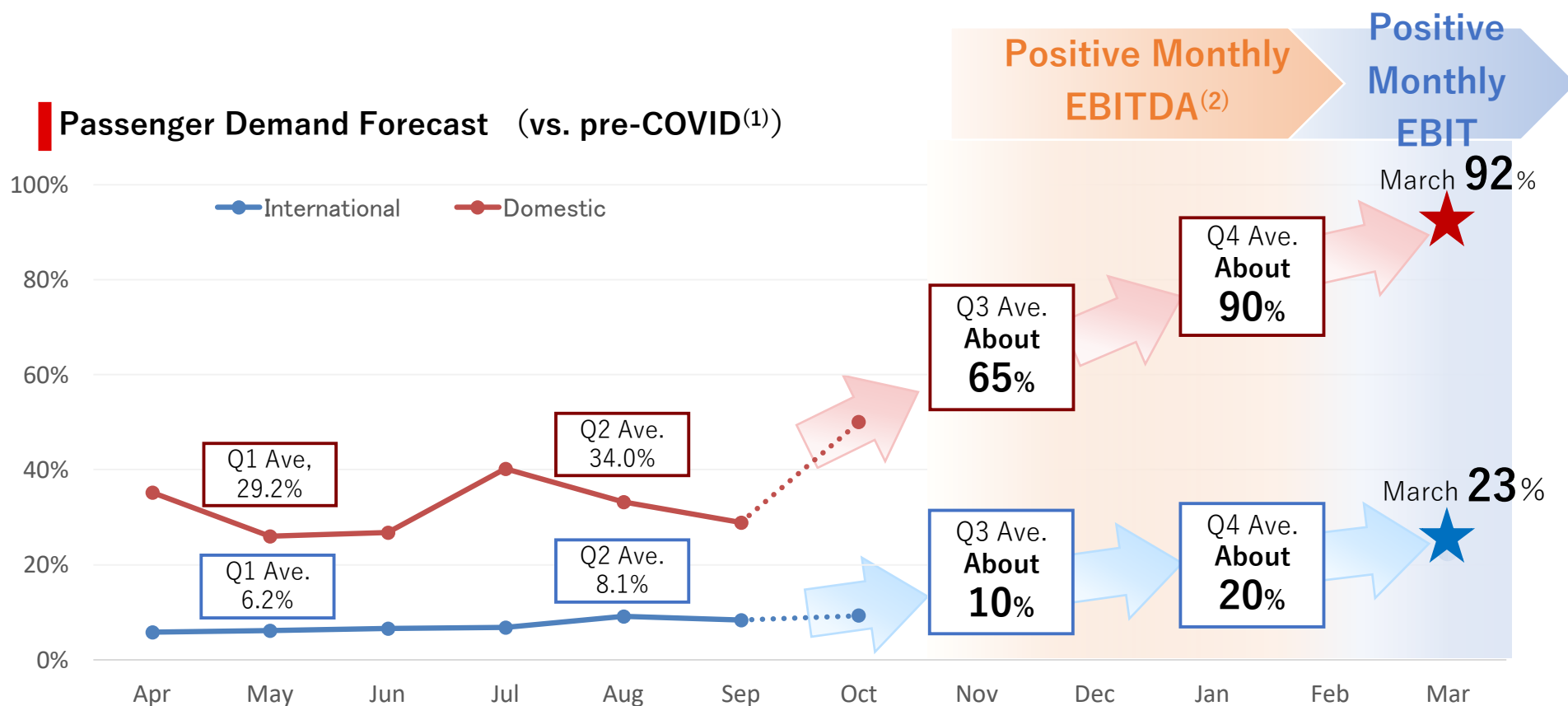
- We disclosed our full-year forecast today.
- We expect EBIT to be negative 198 billion yen and Net Loss to be negative 146 billion yen.
- **The 2<sup>nd</sup> Half EBIT will be negative 46 billion yen, which will be improved by more than 100 billion yen from the 1<sup>st</sup> Half. We expect that our monthly EBIT will turn positive by the end of this fiscal year, therefore we are expecting recovery.**
- Revenue is expected to be 766 billion yen, up by 284.7 billion yen year-on-year. We will surely capture the recovering Domestic Passenger demand. For Cargo, we expect a significant increase of revenue year-on-year in the excessive demand situations.
- For cost control, we are conducting thorough cost control while the variable cost increases as our capacity increases. As a result, **our Actual Fixed Cost will be just 475 billion yen, which is 25 billion yen less than our initial target of 500 billion yen.**
- We assume Singapore Kerosene to be 90 dollars per barrel and the foreign exchange rate to be 110 yen per US dollar. Because of our hedging policy, the current market condition gives a limited impact to our performance.

# FULL-YEAR PERFORMANCE FORECAST MAR/2022



## Passenger Demand Forecast

- ✓ INT'L PAX. demand is expected to increase gradually with ease of border restrictions
- ✓ Dom. PAX. demand is expected to increase steadily along with vaccination
- ✓ Cargo demand is expected to remain strong throughout this fiscal year



(1) Compared with FY2019 results, but the January to March figures are based on performance forecasts disclosed upon FY19Q3 financial reports

(2) EBITDA=EBIT + Depreciation

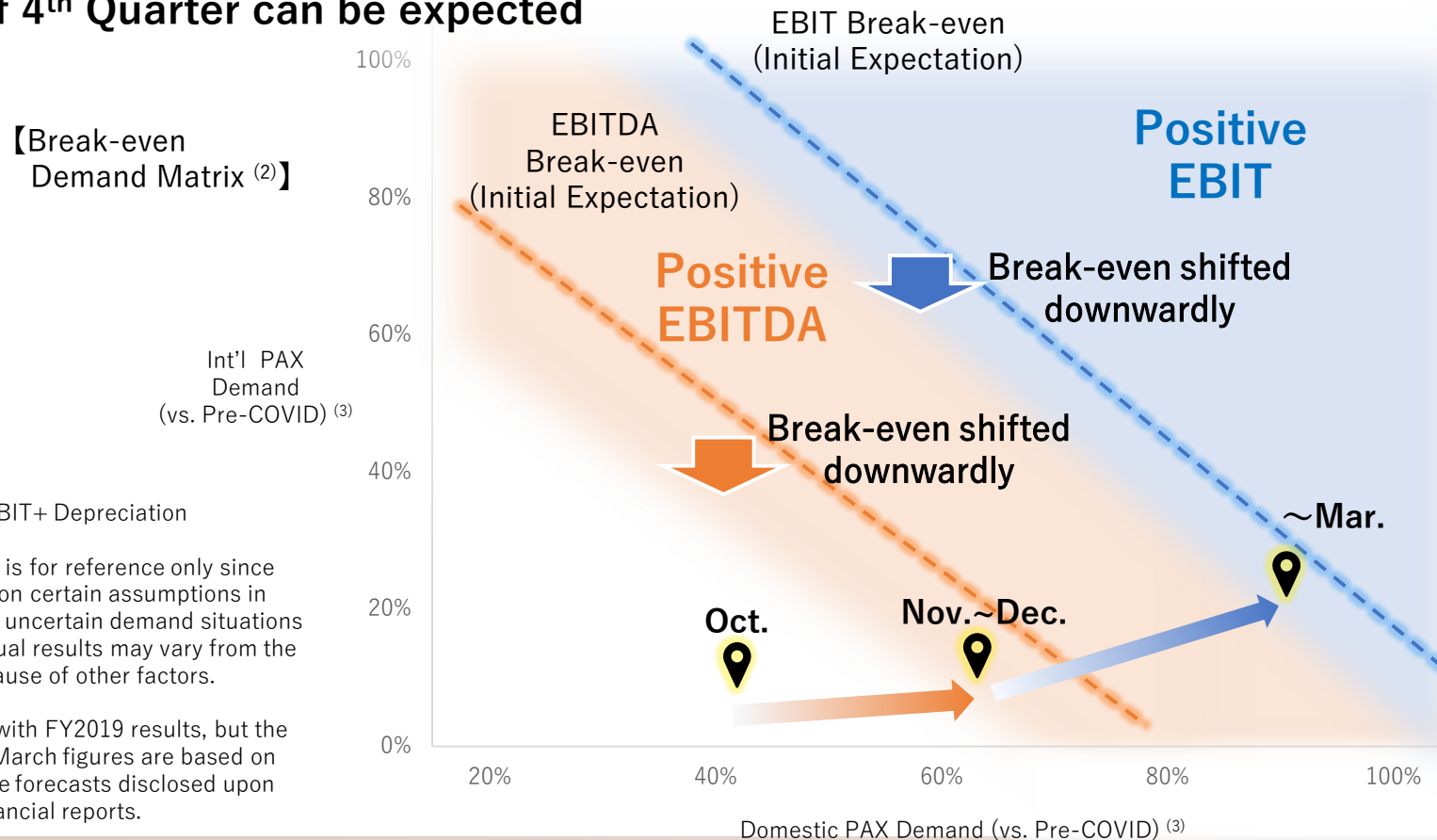


- I would like to explain our demand assumptions for both International Passenger and Domestic Passenger.
- For International Passenger, the 2<sup>nd</sup> Half demand will be 14% of pre-COVID level due to border restrictions in many countries. However, we hope recovery will be seen on routes between Japan and countries or regions where vaccination is being advanced.
- For Domestic Passenger, the demand is rapidly recovering now so the 2<sup>nd</sup> Half demand is expected to be 78% of pre-COVID level. Depending on the COVID infection, if the current upward trend continues, **we expect it will reach 92% of pre-COVID level by the end of this fiscal year.**
- Consequently, **we expect cash-burn will diminish and EBITDA will turn positive in the 3<sup>rd</sup> Quarter. Monthly EBIT will turn positive by the end of this fiscal year.**

# AN UPDATED BREAK-EVEN MATRIX



- ✓ EBIT · EBITDA <sup>(1)</sup> break-even Int'l PAX/Dom. PAX demand matrix <sup>(2)</sup> was updated as below
- ✓ The break-even points decreased from the initial plan by the good Cargo business and further fixed cost reduction.
- ✓ Positive monthly EBITDA by the end of the 3<sup>rd</sup> Quarter and positive monthly EBIT by the end of 4<sup>th</sup> Quarter can be expected



- (1) EBITDA=EBIT+ Depreciation
- (2) This matrix is for reference only since it is based on certain assumptions in the current uncertain demand situations so that actual results may vary from the matrix because of other factors.
- (3) Compared with FY2019 results, but the January to March figures are based on performance forecasts disclosed upon FY19Q3 financial reports.

- We have shown the break even matrix, and we updated the matrix by reflecting the good Cargo business and further Actual Fixed Cost reduction.
- Accordingly, we assume EBITDA will turn positive with 20% International Passenger demand and 60% Domestic Passenger demand. Also, EBIT will turn positive with 20% International Passenger demand and 90% Domestic Passenger demand.
- For Operating Cash Flow, **the full-year operating cash flow will turn positive on an actual basis when last year's tax payment deferral of 64 billion yen cash outflow is excluded. Our performance is surely recovering.**

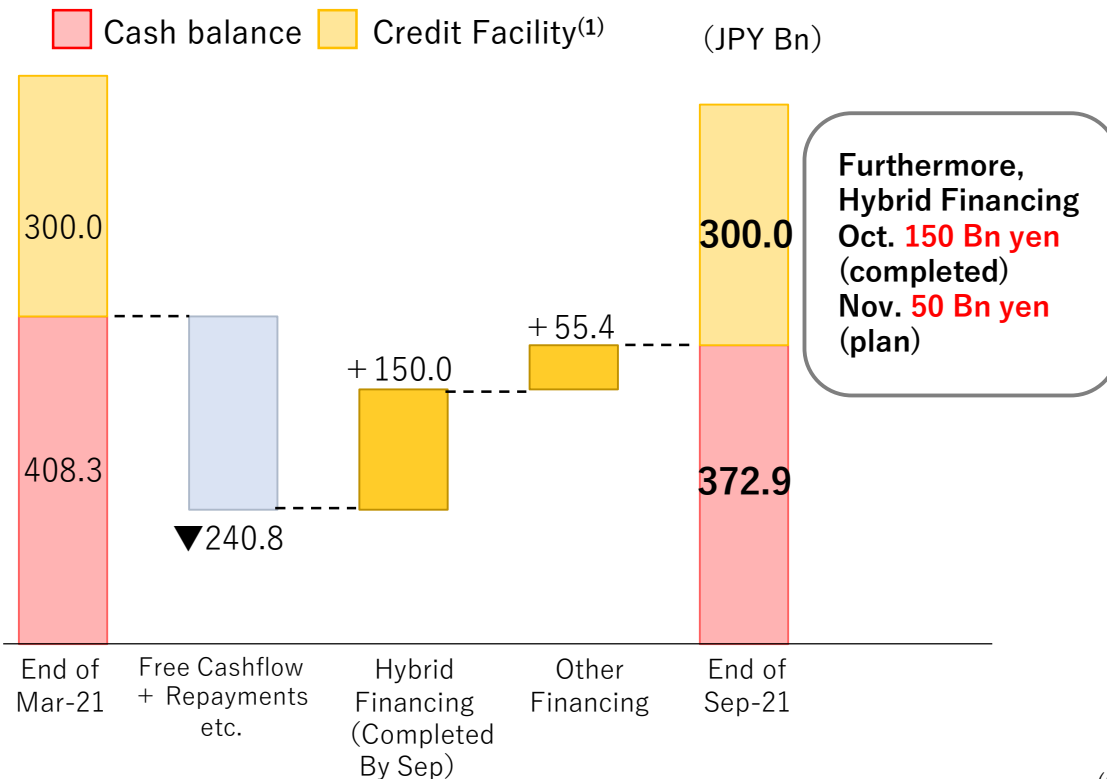
# INITIATIVES FOR LIQUIDITY AT HAND

## Liquidity and cash burn

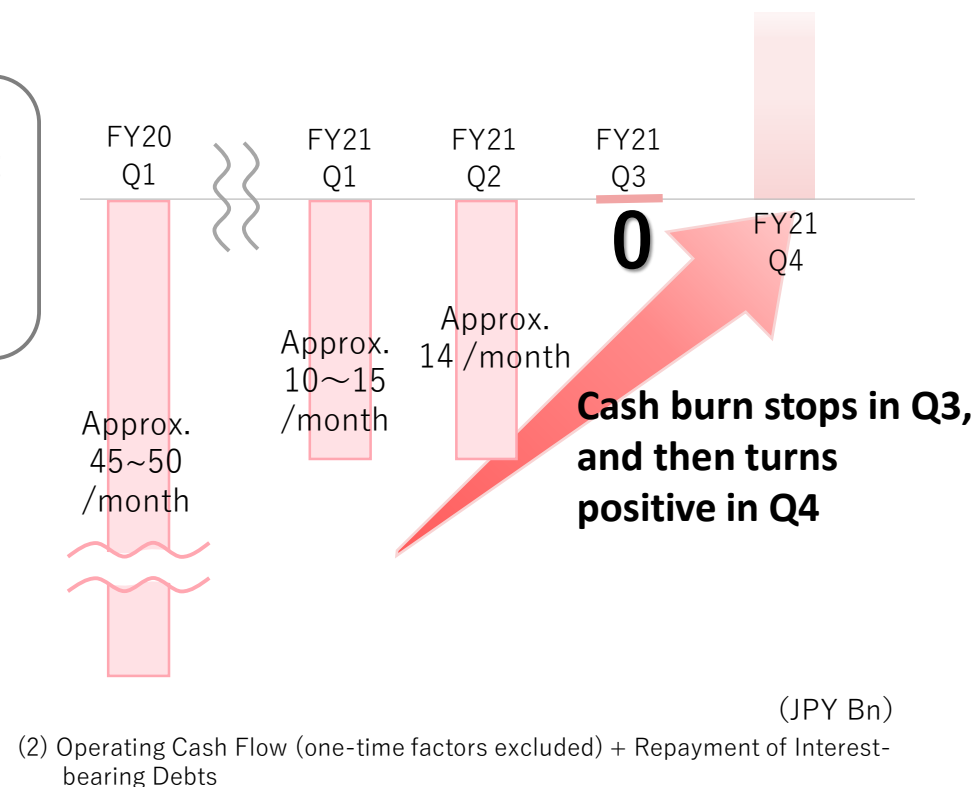


- ✓ Sufficient funds of more than 670 billion yen were secured as of the end of SEP/21
- ✓ 200 billion yen will be added through hybrid financing from October
- ✓ Cash-burn will diminish in the 3<sup>rd</sup> Quarter, and it turns to be positive in the 4<sup>th</sup> Quarter

### Cash Balance & Credit Facility



### Cash Burn <sup>(2)</sup>



- Then, I would like to explain liquidity at hand and cash-burn.
- On the left-hand side, our liquidity as of the end of September is more than 670 billion yen including unused credit line, which is sufficient enough.
- The total hybrid financing amount was about 350 billion yen. We have already financed 300 billion yen by October through hybrid loan and hybrid bonds. Then, we will finance 50 billion yen more in November. This financing is for future investments as well as liquidity just in case.
- The 2<sup>nd</sup> quarter cash-burn was just 14 billion yen per month.
- **Future demand recovery and our cost reduction effort will stop cash burn in the 3<sup>rd</sup> Quarter and turn the cash-burn to a positive cash flow in the 4<sup>th</sup> Quarter.**

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# RECENT TOPICS



## Initiatives for Safety and Comfort



Your Safety, Our Priority  
**JAL FLYSAFE**  
JAL is conducting thorough preventive measures  
「JAL FLY SAFE」 for safe and comfortable flights



The first Japanese airlines with the triple best rewards for preventive measures



### ✓ Measures at airports

- Contactless 「JAL SMART AIRPORT」 to domestic airports
- Start of boarding procedures with facial recognition technology 「Face Express」 at Haneda and Narita International terminals



Touch-less KIOSK



Automated Baggage Check-in



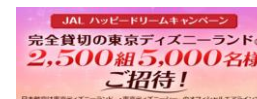
Facial Recognition

### ✓ Complimentary COVID Cover

Extended complimentary COVID-19 cover for passengers

## Initiatives for demand stimulation

### ✓ Sales Promotion in a timely manner for spurring demand recovery



### ✓ Award Anytime tickets



Award domestic tickets that allow booking even in a peak season

## Initiatives for Future growth

### ✓ Next Generation Mobility (Drone • Flying Taxi)



©Volocopter

- JALDRONE : 「logistical supports to remote islands or mountains, or aid supplies logistics in disaster」 (Amami)
- JAL AIR TAXI( Flying Taxi) : 「Transportation from airports, sightseeing, emergency medical air lift or disaster response」 (Osaka Expo 2025, Mie and Chitose)

- I would like to explain our recent initiatives.
- First, we are taking various preventive measures called 「JAL FLY SAFE」 for safe and comfortable flights in the COVID era. Those initiatives are highly awarded by external evaluation organizations. At airports, we are expanding “JAL SMART AIRPORT” nationwide for automated services. New boarding procedures with facial recognition “Face Express” has started at Haneda and Narita International terminals. With those measures, we are advancing toward “contact-less” services.
- Also, we will conduct sales promotions in a timely manner to accelerate demand recovery.
- In addition, we are working with partner companies and municipal governments on experiments of next generation air mobility business for post-COVID growth.

# JALUX to be a consolidated subsidiary



- ✓ Conducts a joint tender offer with Sojitz Corporation to make JALUX a consolidated subsidiary
- ✓ Places JALUX as a “core company for non-aviation business” toward leaping business expansion and profit growth

## Objectives



➔ **Maximizes corporate value by sharing each company's strength with each other**

## Business Strategy in Mid-term Management Plan (Business restructuring)

Business domains expand as markets change ➔

**Full Service Carrier**

Improve Profitability

**Cargo/Mail**

Steady Revenue Increase

**LCC**

Develop New Markets

Mileage · Lifestyle & Infrastructure

Expand into Growing Fields

Enhanced by this deal

Non-Aviation Business Domain

## Outline of the tender offer

### ■ Structure

- JAL establishes with Sojitz a tender offeror company as JAL's consolidated subsidiary to commence a joint tender offer.
- JALUX will be our consolidated subsidiary as a result of share acquisition (48.1%) through the tender offeror in addition to JAL's shares of JALUX (21.6%)
- Japan Airport Terminal will continue to hold JALUX shares to increase JALUX's corporate value (non-tender)

### ■ Tender Offer Price (planned) / Amounts · Schedule

- Tender Offer Price (planned) : 1 share 2,560 JPY  
Total Amounts by JAL : approx. 7.9 Bn JPY

【Ref.】 Vs. the simple average closing price for the latest one (1)-month period: Premium : +48.7%

2 Nov	<b>Tender Offer Plan Notice</b>
Early February	<b>Tender Offer Commencement</b> (After approval of Chinese antitrust authority) Acquisition of shares of the tender offeror company to make it JAL's subsidiary
Middle March	<b>Completion of Tender Offer (JALUX to be JAL's subsidiary)</b> Squeeze-Out Procedures
May~	<b>Completion of Squeeze-Out and JALUX to be delisted</b>

- Then, I will explain our plan of tender offer for shares of JALUX to make it our subsidiary, which has been disclosed at 3 o'clock today.
- In our Mid-term Management Plan, we aim to conduct business restructuring to increase non-aviation business domain profits.
- Today, we decided to conduct a joint tender offer with Sojitz Corporation to make JALUX our consolidated subsidiary. Sojitz is currently No.1 shareholder of JALUX. We will place JALUX as a core company for non-aviation business domain for leaping business domain expansion and profit growth.
- Japan Airlines, JALUX as aviation-oriented trading company and Sojitz as general trading company, those three partners will multiply their own strength to create outstanding synergy to increase their corporate values.
- For the tender offer scheme, we recently established a tender offeror company, which is our subsidiary, will acquire JALUX's shares and we will aim to complete the tender offer by the end of March. The tender offer price is 2,560 yen per share, and our planned total amounts for the deal is 7.9 billion yen. For further details, please take a look at our press release.
- While tough situations still continue, we will strive to work altogether for early recovery and achievement of our mid-term management plan goals. This deal will be a big stepping stone for the challenge.

# RECENT TOPICS

## ESG



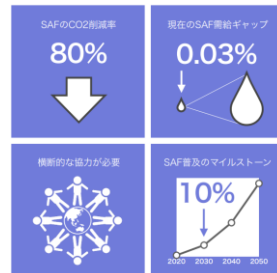
### Address to Climate Change



#### SAF(Sustainable Aviation Fuel) its development acceleration and use

- ✓ Promotes SAF, together with the governments and various industries

JAL has developed a joint report with ANA "Toward Virtually Zero CO2 Emissions from Air Transport in 2050," (1)



- ✓ Used SAF for delivery flights of 12<sup>th</sup> Airbus 350 and 3<sup>rd</sup> ATR42-600 received in September(2)

#### Upgrades to Fuel-efficient Aircraft

- ✓ Replaced more than 70% of large-scale aircrafts for domestic trunk routes with fuel-efficient A350s

A350: up to 25% less CO2 emission than other large aircrafts

### Improving Accessibility



- ✓ Contributed to Tokyo 2020 Paralympic by safe and comfortable transportation supports to the athletes

- Smooth airport assistance and high-quality logistical support
- Promotes para-sports or accessible tourism with the Paralympic know-how



### Regional Revitalization



- ✓ Started a sustainable project at newly selected World Heritage Amami islands

Acted toward regional promotion and social issues solutions(3)



(Photos by Yamato Village Shuraku Marugoto Kyogikai, Ministry of the Environment)

Village Project  
(SDGs Tour, conservation activities)

Drone Project  
(Aid Supplies)

(1) Joint release URL : <https://press.jal.co.jp/en/release/202110/006262.html>

(2) A flight from the delivery point: Toulouse, France to Japan

(3) <https://press.jal.co.jp/ja/release/202110/006275.html>

- On this slide, I will explain our ESG initiatives.
- Toward net-zero emission, we will strive to develop and use Sustainable Aviation Fuel widely in Japan, together with governments and various industries. One of the those initiatives is a joint report with ANA.
- Also, we have replaced more than 70% of large-scale aircrafts on domestic trunk routes with more fuel-efficient Airbus 350s.
- For accessibility improvement, we provided safe and comfortable transportation support to Tokyo2020 Paralympic athletes with our excellent know-how.
- Also, we started a sustainable project toward regional revitalization social issue solution at Amami islands, which were newly included into World Heritage recently.



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# DETAILS OF FINANCIAL RESULTS FOR 1<sup>st</sup> Half FY21

## Consolidated Financial Results



(JPY : Bn )			1 <sup>st</sup> Half					2 <sup>nd</sup> Quarter		
	FY19	FY20	FY21	FY19		FY20		FY21	FY20	
				Diff.	y/y	Diff.	y/y		Diff.	y/y
Revenue	748.9	194.7	290.6	▼458.2	▼61.2%	+95.8	+49.2%	157.6	+39.2	+33.1%
International PAX	272.9	9.1	29.8	▼243.1	▼89.1%	+20.6	+225.0%	18.5	+12.0	+187.2%
Domestic PAX	285.8	69.6	89.9	▼195.8	▼68.5%	+20.2	+29.1%	51.8	+1.1	+2.4%
Cargo / Mail	45.1	53.4	98.3	+53.2	+117.8%	+44.9	+84.0%	50.7	+23.8	+88.6%
Other Revenue <sup>(1)</sup>	145.0	62.5	72.5	▼72.4	▼50.0%	+10.0	+16.0%	36.4	+2.1	+6.1%
Operating Expense	671.5	419.4	442.9	▼228.5	▼34.0%	+23.4	+5.6%	227.4	+13.8	+6.5%
Fuel	127.7	44.6	58.9	▼68.7	▼53.8%	+14.3	+32.0%	32.3	+7.1	+28.3%
Excluding Fuel	543.7	374.7	383.9	▼159.7	▼29.4%	+9.1	+2.4%	195.0	+6.6	+3.6%
Others <sup>(2)</sup>	5.5	0.7	0.4	▼5.0	▼91.5%	▼0.2	▼33.0%	0.6	▼1.5	▼69.4%
EBIT	82.9	▼223.9	▼151.8	▼234.7	-	+72.1	-	▼69.1	+23.7	-
EBIT Margin (%)	11.1%	-	-	-	-	-	-	-	-	-
Profit or Loss	54.1	▼161.2	▼104.9	▼159.1	-	+56.2	-	▼47.0	+20.4	-
ASK (MN seat km)	46,222	12,242	21,801	▼24,421	▼52.8%	+9,559	+78.1%	11,335	+3,459	+43.9%
RPK (MN pax km)	39,419	4,243	7,058	▼32,361	▼82.1%	+2,814	+66.3%	4,022	+889	+28.4%
EBITDA Margin (%) <sup>(3)</sup>	21.7%	-	-	-	-	-	-	-	-	-

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

(2) Others = Gain or Loss on Sales of Flight Equipment, Other Revenue, Share of Profit or Loss of Investment and Income/Expenses from Investment

(3) EBITDA Margin = EBITDA / Revenue      EBITDA= EBIT + Depreciation

- I would like to explain the details of 2<sup>nd</sup> Quarter financial results.

# DETAILS OF FINANCIAL RESULTS FOR 1<sup>st</sup> Half FY21

## Changes in EBIT (Revenues/Expenses)

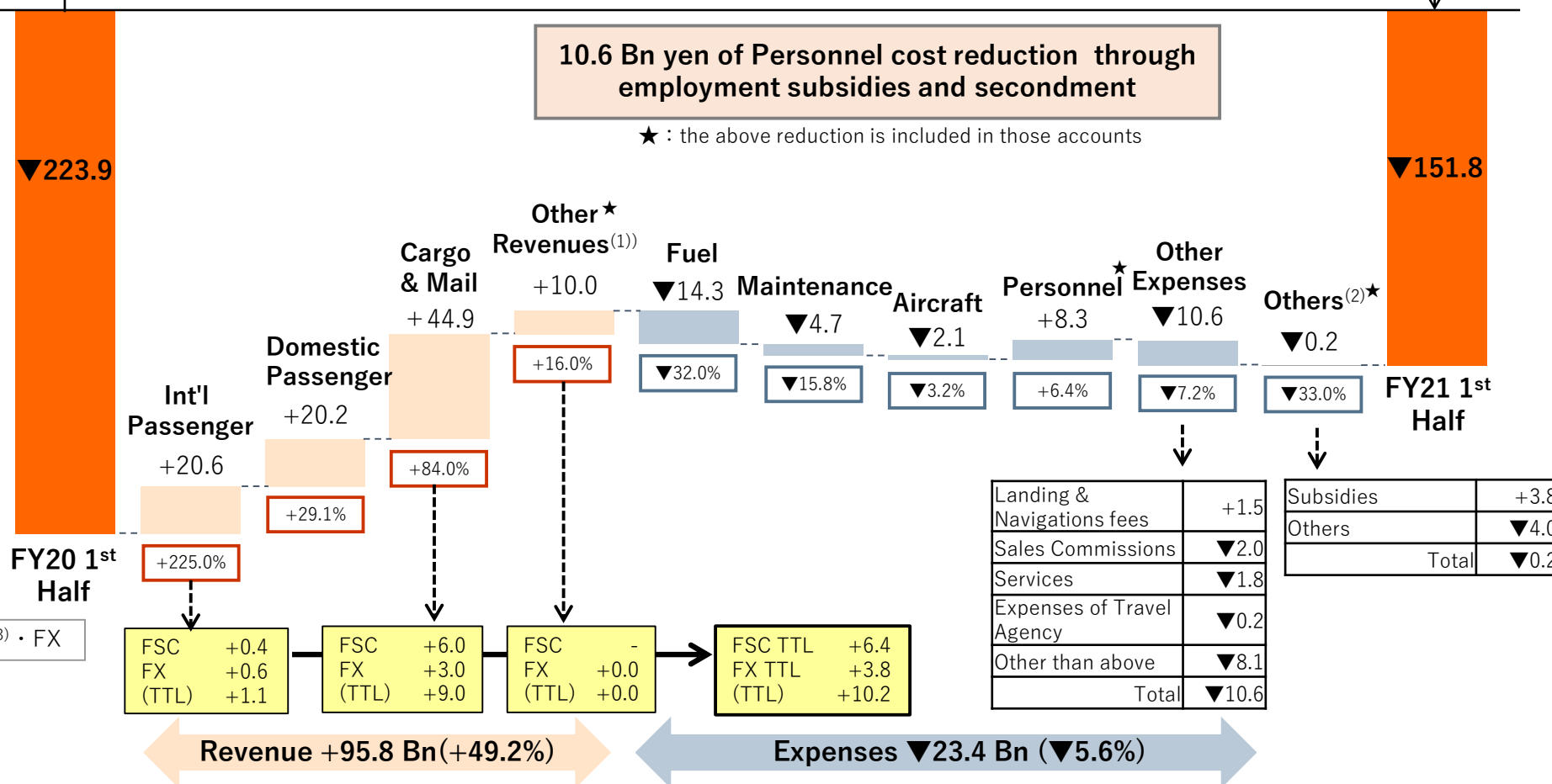


ASK y/y : +78.1%  
RPK y/y : +66.3%

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

**+72.1 Bn**

(JPY:Bn)



(1) Other Revenues = Travel Agency, Mileage, Ground Handling or etc.

(2) Others = Gain or Loss on Sales of Flight Equipment, Other Revenue, Share of Profit or Loss of Investment and Income/Expenses from Investment (3) FSC=Fuel Surcharge

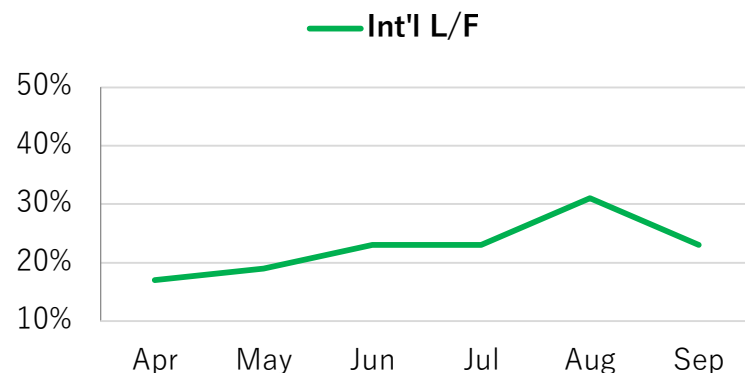
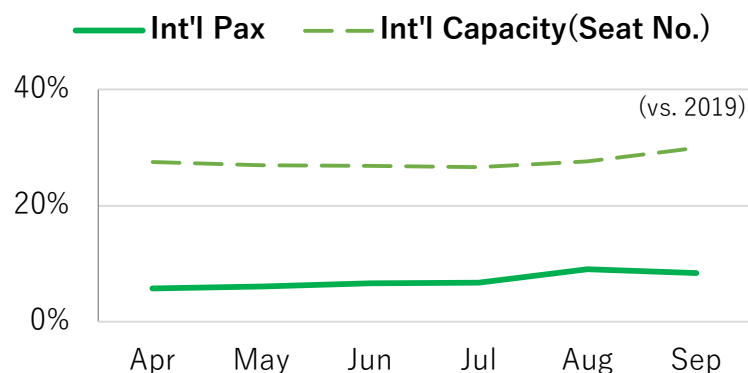
- On this page, Ups and downs of Revenue and Expenses are shown.
- COVID is still affecting us, however, Revenue increased by 95.8 billion yen year-on-year through the passenger number increase and the good Cargo business.
- For Expenses, the increase of variable cost remained around 34% of the revenue increase in spite of capacity increase. Fixed cost increased as new aircrafts were introduced, but we reduced other fixed costs including personnel cost. Consequently, the Operating Expense increased by just 23.4 billion yen.
- As a result, EBIT improved by 72.1 billion yen year-on-year.
- Through various efforts to use excessive human resources, we successfully reduced the total Personnel cost, which is equivalent to 10.6 billion yen impact during the 1<sup>st</sup> Half.

# DETAILS OF FINANCIAL RESULTS FOR 1<sup>st</sup> Half FY21

## International Passenger Operations (Full Service Carrier)



- ✓ Despite border restrictions, transit passenger demand and Tokyo 2020 Olympic and Paralympic athletes and staff demand were captured to increase revenue y/y
- ✓ Flight schedule was adjusted for transit passengers between Asia and North America



International Passenger <sup>(1)</sup>	1 <sup>st</sup> Half					2 <sup>nd</sup> Quarter	
	FY19	FY20	FY21	Vs. FY19	Vs. FY20	FY21	Vs. FY20
Passenger Revenue (JPY Bn)	272.9	9.1	<b>29.1</b>	▼89.3%	+217.6%	17.9	+177.3%
Passengers ('000)	4,946	112	<b>353</b>	▼92.9%	+215.5%	204	+161.0%
ASK (MN seat km)	27,835	3,303	<b>10,742</b>	▼61.4%	+225.2%	5,520	+155.0%
RPK (MN passenger km)	24,716	687	<b>2,442</b>	▼90.1%	+255.1%	1,423	+191.2%
L/F (%)	88.8%	20.8%	<b>22.7%</b>	▼66.1pt	+1.9pt	25.8%	+3.2pt
Revenue per Passenger (JPY) <sup>(2)</sup>	55,175	81,841	<b>82,392</b>	+49.3%	+0.7%	87,775	+6.2%
Yield (JPY) <sup>(3)</sup>	11.0	13.3	<b>11.9</b>	+8.0%	▼10.6%	12.6	▼4.8%
Unit Revenue (JPY) <sup>(4)</sup>	9.8	2.8	<b>2.7</b>	▼72.3%	▼2.3%	3.2	+8.8%

(1) Figures for LCC are excluded (2) Revenue per Passenger = Passenger Revenue / Passengers

(3) Yield = Passenger Revenue / RPK (4) Unit Revenue = Passenger Revenue / ASK



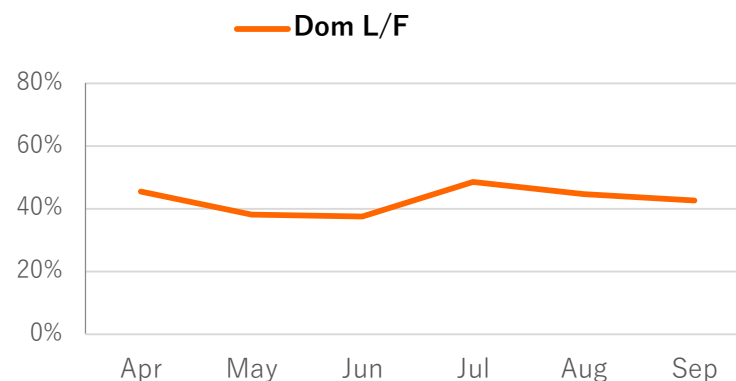
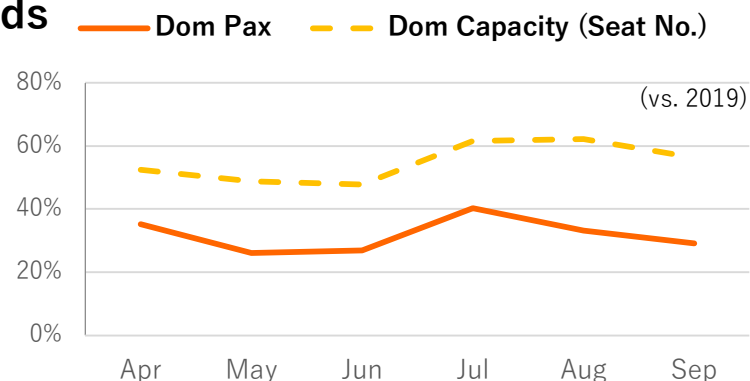
- I will explain International Passenger, Domestic Passenger and Cargo.
- Page 16 shows International Passenger results.
- Strict border restrictions still continue in many countries. We captured an expats and returnee demand and a transit passenger demand between Asia and North America. Also, we captured Tokyo 2020 Olympic and Paralympic demand. Then, Revenue and the passenger number increased more than 3 times larger year-on-year.

# DETAILS OF FINANCIAL RESULTS FOR 1<sup>st</sup> Half FY21

## Domestic Passenger Operations (Full Service Carrier)



- ✓ Base demand was steadily captured amid the COVID spread nationwide and the repeated declarations of a state of emergency
- ✓ Swift capacity adjustment and revenue management were conducted in the rapidly-changing demands



Domestic Passenger <sup>(1)</sup>	1 <sup>st</sup> Half					2 <sup>nd</sup> Quarter	
	FY19	FY20	FY21	Vs. FY19	Vs. FY20	FY21Q2	Vs. FY20
Passenger Revenue (JPY Bn)	285.8	69.6	<b>89.7</b>	▼68.6%	+28.9%	51.7	+2.0%
Passengers ('000)	19,409	4,644	<b>6,155</b>	▼68.3%	+32.5%	3,446	+1.0%
ASK (MN seat km)	18,387	8,938	<b>10,694</b>	▼41.8%	+19.6%	5,722	+0.2%
RPK (MN passenger km)	14,703	3,555	<b>4,582</b>	▼68.8%	+28.9%	2,570	▼2.8%
L/F (%)	80.0%	39.8%	<b>42.9%</b>	▼37.1pt	+3.1pt	44.9%	▼1.4pt
Revenue per Passenger (JPY) <sup>(2)</sup>	14,725	14,988	<b>14,582</b>	▼1.0%	▼2.7%	15,001	+1.1%
Yield (JPY) <sup>(3)</sup>	19.4	19.6	<b>19.6</b>	+0.8%	+0.0%	20.1	+5.0%
Unit Revenue (JPY) <sup>(4)</sup>	15.5	7.8	<b>8.4</b>	▼46.0%	+7.8%	9.0	+1.8%

(1) Figures for LCC are excluded (2) Revenue per Passenger = Passenger Revenue / Passengers

(3) Yield = Passenger Revenue / RPK (4) Unit Revenue = Passenger Revenue / ASK

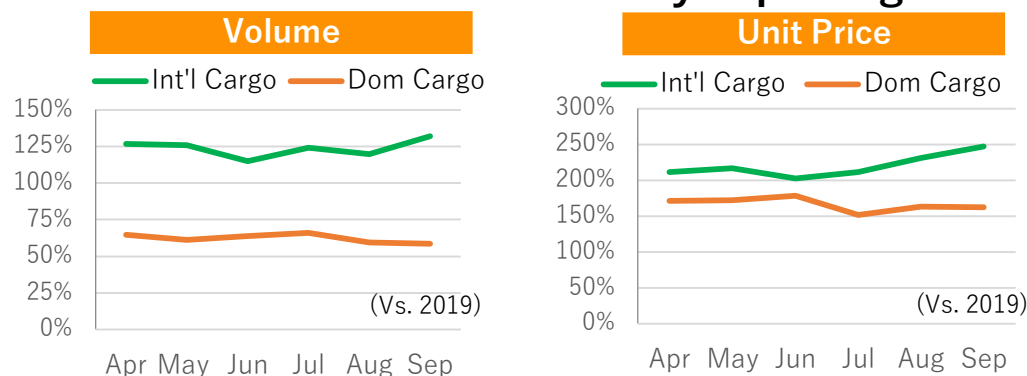
- On this slide, Domestic Passenger result is shown.
- In spite of the repeated declarations of a state of emergency, we were able to capture a base demand. The passenger number increased by 30% year-on-year.
- We reacted swiftly by flexible capacity adjustment and revenue management to this rapidly-changing demands to improve our performance.

# DETAILS OF FINANCIAL RESULTS FOR 1<sup>st</sup> Half FY21

## Cargo



- ✓ An increase in volume vs. pre-COVID and high unit prices continued in the limited belly-hold capacity situations
- ✓ Achieved significant increase of revenue y/y through actively operating cargo flights with own passenger aircrafts and chartered freighters
- ✓ Aims for further sales increase by capturing more cargo demands in the coming peak season

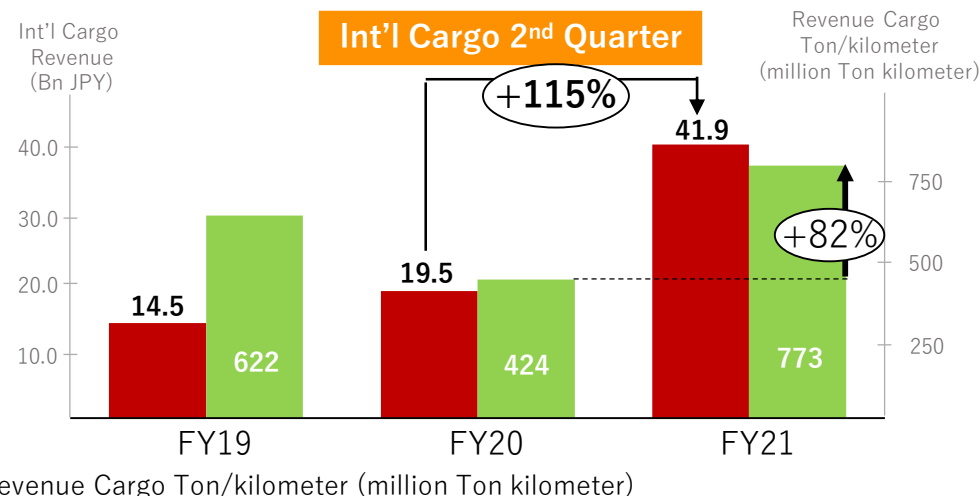
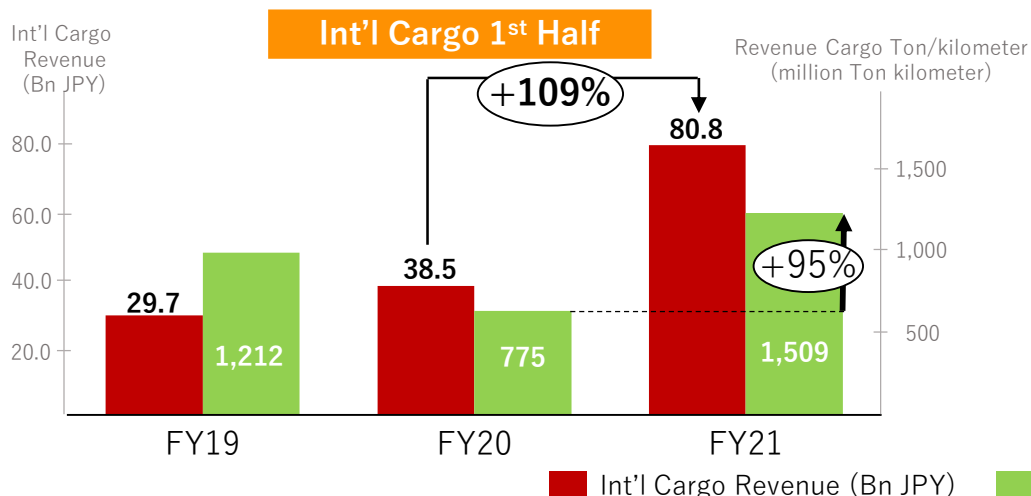


### International

- Demands of auto parts or electric parts to North America were steady

### Domestic

- Strong parcel demand continued



- Then, I would like to explain Cargo.
- Cargo continues to be good. Last year was a good year when compared with the pre-COVID level, but this year it is getting even better. Revenue increased more than twice year-on-year.
- To capture this strong demand, we actively operated cargo flights to provide almost twice larger capacity year-on-year. Yet, the price level remains at a very high level that is double of pre-COVID and it is increasing even further in the coming peak season.
- We will increase the cargo revenue even more.

# DETAILS OF FINANCIAL RESULTS FOR 1<sup>st</sup> Half FY21

## Expenses

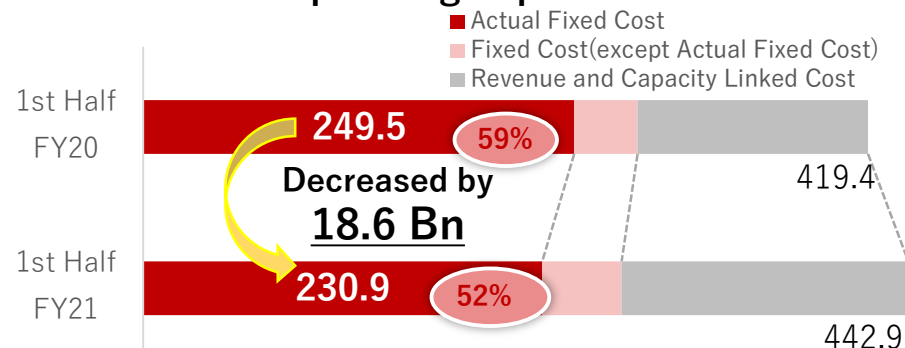


### Actual Fixed Cost<sup>(1)</sup>

- ✓ Actual fixed cost for 1<sup>st</sup> Half FY21 was 230.9 billion yen. It is under control toward 475 billion yen from the initial target of 500 billion yen per annum
- ✓ Actual fixed cost is just 52% of the total operating expense, which shows resilience to a drastically-changing environment

(1) Actual Fixed Cost: (Total Fixed Cost) – (costs that may be variable according to operational size and number of passengers, temporary or additional costs in association with the structural restructuring)

### Breakdown of Operating Expenses



### Major Operating Expense Items

(JPY : Bn)	1 <sup>st</sup> Half						2 <sup>nd</sup> Quarter			
	FY19	FY20	FY21	Vs. FY19		Vs. FY20	FY21	Vs. FY20		FY21
				Diff.	y/y			Diff.	y/y	
Fuel	127.7	44.6	58.9	▼68.7	▼53.8%	+14.3	32.3	+7.1	+28.3%	32.3
Landing and navigation fees	43.5	17.8	16.2	▼27.2	▼62.6%	▼1.5	8.2	▼1.7	▼17.9%	8.2
Maintenance	39.1	29.7	34.4	▼4.7	▼12.2%	+4.7	16.8	+5.6	+51.0%	16.8
Sales commissions (Air Transport)	9.5	0.8	2.8	▼6.6	▼69.8%	+2.0	1.5	+0.6	+72.0%	1.5
Services <sup>(2)</sup>	23.4	4.7	6.5	▼16.8	▼72.0%	+1.8	3.4	+0.7	+28.1%	3.4
Other variable cost <sup>(3)</sup>	107.9	35.7	47.0	▼60.8	▼56.4%	+11.3	24.2	+3.3	+16.2%	24.2
Aircraft <sup>(4)</sup>	63.5	66.9	69.0	+5.5	+8.7%	+2.1	36.1	+2.8	+8.6%	36.1
Personnel <sup>(4)</sup>	151.1	130.8	122.5	▼28.6	▼18.9%	▼8.3	61.7	▼4.3	▼6.5%	61.7
Other fixed cost <sup>(4)</sup>	105.4	88.1	85.1	▼20.3	▼19.3%	▼3.0	42.7	▼0.5	▼1.3%	42.7
Total Operating Expenses	671.5	419.4	442.9	▼228.5	▼34.0%	+23.4	227.4	+13.8	+6.5%	227.4

Variable factors or one-time factors are excluded

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

(3) Other Variable cost = Travel agency, Mileage, Ground handling or etc.

(4) These are nominal fixed costs however that include variable parts that are linked to capacity or passenger numbers and one-time/additional expenses due to business restructuring



- This slides explains expenses.
- The Actual Fixed Cost was 230.9 billion yen. We are successfully controlling it toward the initial target of 500 billion yen, and the full year forecast is 475 billion yen.
- And, its ratio to the whole operating expense is 52%, which shows our resilience to external environment changes.
- For variable costs, thanks to the governmental support including landing fee reduction, the increase of the variable cost is just 34% of the revenue increase, which shows our solid cost control.
- We will strive to reduce expenses even further.

# DETAILS OF FINANCIAL RESULTS FOR 1<sup>st</sup> Half FY21

## Summary of Consolidated Statement of Financial Position and Cash Flow



BS

- ✓ Equity ratio as 39.3%, and the financial foundation was enhanced by the hybrid financing
- ✓ Repayment within one year including lease payments is just 66.2 billion yen, while sufficient long-term funds are secured

CF

- ✓ Net D/E ratio still remains low at 0.4x in spite of the increase of the interest-bearing debts
- ✓ Operating cash flow significantly improved from negative 149.9 billion yen in the previous fiscal year to negative 95.8 billion yen this fiscal year

(JPY Bn)

Balance Sheet	End of FY20	End of 1 <sup>st</sup> Half FY21	Diff.
Total Assets	2,107.2	2,154.2	+46.9
Cash and Deposits	408.3	372.9	▼35.3
Balance of Interest-bearing Debt	515.1	701.2	+186.1
Repayment within one year (※)	69.6 (20.5)	66.2 (16.0)	▼3.3 (▼4.5)
Shareholders' Equity <sup>(1)</sup>	947.4	847.1	▼100.3
Shareholders' Equity Ratio(%) <sup>(2)</sup>	45.0%	39.3%	▼5.6pt
D/E Ratio (x) <sup>(3)</sup>	0.5x	0.8x	+0.3x
Net D/E Ratio (x) <sup>(4)</sup>	0.1x	0.4x	+0.3x
Cash Flow	1 <sup>st</sup> Half FY20	1 <sup>st</sup> Half FY21	Diff.
Cash Flow from Operating Activities	▼149.9	▼95.8	+54.0
Depreciation and Amortization	87.4	89.3	+1.8
Cash Flow from Investing Activities	▼39.2	▼104.0	▼64.8
Capital Investment	▼44.6	▼111.4	▼66.8
Free Cash Flow <sup>(5)</sup>	▼189.2	▼199.9	▼10.7
Cash Flow from Financing Activities	206.8	163.9	▼42.9
Total Cash Flow <sup>(6)</sup>	17.6	▼35.9	▼53.6
EBITDA <sup>(7)</sup>	▼136.4	▼62.5	+73.9

### Hybrid Financing

Sep : 150 billion yen (completed)



Oct : 150 Billion yen (completed)  
Nov : 50 Billion yen (plan)

※Figures in brackets represent aircraft lease payment within one year

(JPY Bn)

- (1) Equity attributable to owners of the parent
- (2) Ratio of equity attributable to owners of the parent to total assets
- (3) Interest-bearing Debt/ Shareholders' Equity
- (4) (Interest-bearing Debt – Cash and Deposits) / 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

- This slides shows our balance sheet and cash flow.
- The interest-bearing debts are increasing, however, the net D/E ratio is still at 0.4 and Equity Ratio is about 40%, which show our robust financial foundation. Our operating cash flow is still negative but it was surely improved year-on-year.
- Hybrid financing of 350 billion yen will add 175 billion yen to our equity upon credit rating. Through this hybrid financing, we avoided deterioration of our financial foundation and at the same time, we have secured investment funds for future growth.
- Later pages are for your references.
- This ends my presentation today. Thank you very much for your attention.

1. PERFORMANCE OVERVIEW FOR 1<sup>st</sup> Half FY21
2. EARNINGS FORECAST
3. RECENT TOPICS
4. DETAILS OF FINANCIAL RESULTS FOR  
1<sup>st</sup> Half FY21
5. REFERENCES

# 《Reference》 Operation Performance by Geographic Segment<sup>(1)</sup> (Full Service Carrier)



## Passenger Revenue

(%)	1st Half			2nd Quarter	
	FY21 Component Ratio	Vs.FY19	Vs. FY20	FY21 Component Ratio	Vs. FY20
America	49%	▼81.3%	+466.7%	50%	+359.5%
Europe	15%	▼90.1%	+111.1%	17%	+96.5%
Asia/Oceania	25%	▼91.3%	+132.9%	22%	+124.2%
China	8%	▼92.6%	+89.2%	8%	+43.7%
Hawaii/Guam	3%	▼97.9%	+259.6%	3%	+182.0%
Total	100%	▼89.3%	+217.6%	100%	+177.3%

## ASK

(MN seat km)	1st Half			2nd Quarter	
	FY21	Vs. FY19	Vs. FY20	FY21	Vs. FY20
America	5,324	▼37.6%	+267.2%	2,736	+178.0%
Europe	2,239	▼45.5%	+172.9%	1,181	+100.4%
Asia/Oceania	2,930	▼69.6%	+199.7%	1,464	+164.6%
China	114	▼93.7%	+260.1%	58	+151.3%
Hawaii/Guam	133	▼96.4%	+473.7%	78	+456.6%
Total	10,742	▼61.4%	+225.2%	5,520	+155.0%

## RPK

(MN passenger km)	1st Half			2nd Quarter	
	FY21	Vs. FY19	Vs. FY20	FY21	Vs. FY20
America	1,377	▼82.2%	+389.6%	796	+296.5%
Europe	361	▼90.2%	+126.3%	243	+94.4%
Asia/Oceania	594	▼92.8%	+175.9%	314	+129.0%
China	46	▼97.1%	+144.5%	29	+96.9%
Hawaii/Guam	62	▼98.2%	+408.3%	39	+284.5%
Total	2,442	▼90.1%	+255.1%	1,423	+191.2%

## Revenue Passengers Carried

('000)	1st Half			2nd Quarter	
	FY21	Vs.FY19	Vs. FY20	FY21	Vs.FY20
America	146	▼81.3%	+392.9%	84	+304.2%
Europe	39	▼90.1%	+123.6%	26	+91.0%
Asia/Oceania	133	▼91.3%	+157.1%	70	+113.1%
China	23	▼92.6%	+121.1%	15	+84.2%
Hawaii/Guam	10	▼97.9%	+410.5%	6	+286.5%
Total	353	▼89.3%	+215.5%	204	+161.0%

## Load Factor

(%)	1st Half			2nd Quarter	
	FY21	FY19	FY20	FY21	FY20
America	25.9%	90.5%	19.4%	29.1%	20.4%
Europe	16.1%	90.1%	19.5%	20.6%	21.3%
Asia/Oceania	20.3%	86.3%	22.0%	21.5%	24.8%
China	40.4%	88.0%	59.5%	50.4%	64.3%
Hawaii/Guam	46.6%	90.3%	52.6%	50.1%	72.5%
Total	22.7%	88.8%	20.8%	25.8%	22.6%

(1) Figures for LCC are excluded

# 《 Reference 》 Fleet Information



		End of FY20 (March 31, 2021)				End of 1 <sup>st</sup> Half FY21 (September 30, 2021)				Diff. Total2 of Mar/21 and Sep/21
		Owned	Leased	Total 1	Total 2 retired aircraft excluded	Owned	Leased	Total 1	Total 2 retired aircraft excluded	
FSC (1)	Large	Airbus A350-900	4	4	8	8	4	12	12	+4
		Boeing 777-300ER	13	0	13	13	0	13	13	-
		Boeing 777-300	4	0 <sup>(2)</sup>	4	4	0 <sup>(2)</sup>	4	0	-
		Boeing 777-200ER	11	0	11	10	0	10	5	▼1
		Boeing 777-200	9	0	9	9	0	9	0	-
	Large-sized Total		41	4	45	44	4	48	30	+3
	Middle	Boeing 787-9	17	3	20	19	3	22	22	+2
		Boeing 787-8	27	0	27	27	0	27	27	-
		Boeing 767-300ER	29	0	29	29	0	29	29	-
		Boeing 767-300	2	0	2	2	0 <sup>(2)</sup>	2	0	▼2
	Middle-sized Total		75	3	78	77	3	80	78	-
	Small	Boeing 737-800	43	18	61	46	15	61	61	-
		Small-sized Total	43	18	61	46	15	61	61	-
	Regional	Embraer 170 / Embraer 190	32	0	32	32	0	32	32	-
		De Havilland DHC-8-400CC	5	0	5	5	0	5	5	-
		SAAB340B	3	0 <sup>(2)</sup>	3	2	0	2	2	-
		ATR42-600 / ATR72-600	10	1	11	12	1	13	13	+2
	Regional Total		50	1	51	51	1	52	52	+2
	FSC Total		209	26	235	218	23	241	221	+5
LCC	Boeing 787-8		2	0	2	2	0	2	2	-
	Boeing 737-800		0	0	0	0 <sup>(3)</sup>	6	6	6	+6
LCC Total		2	0	2	2	2	6	8	8	+6
FSC – LCC Total		211	26	237	218	220	29	249	229	+11

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