



JAL Group Announces Consolidated Financial Results for Third Quarter of Fiscal Year 2022

February 02, 2023

The JAL Group today announced the consolidated financial results for Third Quarter Ending March, Period April 1, 2022–December 31, 2022.

1. JAL Group Consolidated results

Passenger demand for both international and domestic is steadily recovering as a result of the growing trend toward balancing the prevention of the COVID-19 pandemic and socioeconomic activities. For international passenger demand, inbound demand recovered rapidly due to the relaxation of immigration restrictions by various governments that led to the resumption of free movement of people both domestically and internationally, as business travel demand by Japanese companies gradually recovered after the phased relaxation of border restrictions, and the drastic relaxation of Japan's immigration regulations from October 2022. Domestic demand had recovered steadily despite the 8th wave of infections, as new behavioral patterns were established and restrictions to movements were removed, as well as the positive effects of the nationwide travel support program. For international cargo, while total air cargo demand declined from the previous year, demand and unit prices for our company remained strong. The mileage business continued to record stable earnings and profits.

As a result of the above, the revenue for the Third Quarter increased by 101.7% year on year to 1 trillion and 5.5 billion yen, the operating expenses increased by 43.9% year on year to 990.1 billion yen, the profit before financing and income tax (hereinafter referred as "EBIT") was a gain of 34.7 billion yen (year on year difference +218.0 billion yen in the previous year). The profit attributable to owners of the parent was 16.3 billion yen (year on year difference attributable +144.6 billion yen in the previous year). Fuel expenses for the Third Quarter period were 241.6 billion yen, which increased by 137.3% from the same period last year, due to higher fuel prices and sharp yen depreciation, but we were able to control actual fixed costs to 367.1 billion yen, below the annual target of 500 billion yen, and made solid cost control efforts. In the third quarter alone, EBIT was 34.4 billion yen, the business performance is steadily recovering. Going forward, the entire company will make a concerted effort to further increase profits.

International passenger revenue for Full Service Carriers was 287.1 billion yen (increased by 509.7% year on year), domestic passenger revenue was 335.5 billion yen (increased by 92.7% year on year), and cargo mail revenue was 183.4 billion yen (increased by 13.9% year on year).



Details of the consolidated financial results are as follows (Including LCC)

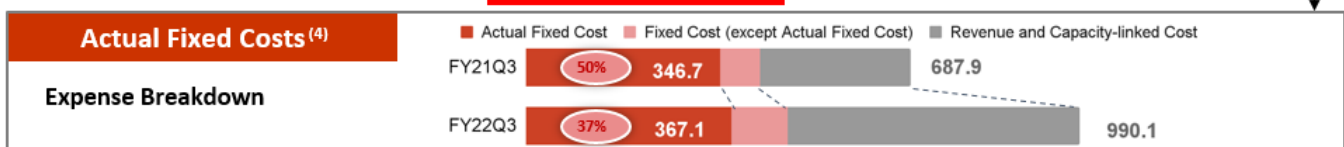
| (JPY Bn) | Q3 (Apr. to Dec.) | | | | | | | | Q3 (Oct. to Dec.) | | |
|--|-------------------|--------|---------|------------|---------|------------|---------|--------|-------------------|---------|--|
| | FY19Q3 | FY21Q3 | FY22Q3 | Vs. FY19Q3 | | Vs. FY21Q3 | | FY22Q3 | Vs. FY21Q3 | | |
| | | | | Diff. | y/y | Diff. | y/y | | Diff. | y/y | |
| Revenue | 1,112.7 | 498.4 | 1,005.5 | ▼107.1 | ▼9.6% | +507.1 | +101.7% | 387.0 | +179.2 | +86.2% | |
| Full Service Carrier | 910.7 | 385.8 | 817.6 | ▼93.1 | ▼10.2% | +431.7 | +111.9% | 311.7 | +144.9 | +86.9% | |
| International PAX | 401.3 | 47.0 | 287.1 | ▼114.2 | ▼28.5% | +240.0 | +509.7% | 123.8 | +105.9 | +589.7% | |
| Domestic PAX | 427.9 | 174.0 | 335.5 | ▼92.4 | ▼21.6% | +161.4 | +92.7% | 126.8 | +42.5 | +50.4% | |
| Cargo / Mail | 69.1 | 161.0 | 183.4 | +114.3 | +165.4% | +22.4 | +13.9% | 57.1 | ▼5.4 | ▼8.7% | |
| Other Revenue | 12.2 | 3.6 | 11.4 | ▼0.8 | ▼6.6% | +7.8 | +215.3% | 3.7 | +2.0 | +112.7% | |
| LCC (1) | - | 1.8 | 20.1 | - | - | +18.3 | - | 8.5 | +7.6 | +829.0% | |
| Mileage, Lifestyle and Infrastructure and others (2) | 201.9 | 110.8 | 167.7 | ▼34.1 | ▼16.9% | +56.9 | +51.4% | 66.7 | +26.5 | +66.2% | |
| Operating Expense | 1,005.5 | 687.9 | 990.1 | ▼15.4 | ▼1.5% | +302.1 | +43.9% | 352.7 | +107.7 | +44.0% | |
| Fuel | 189.6 | 101.8 | 241.6 | +52.0 | +27.4% | +139.8 | +137.3% | 86.8 | +43.9 | +102.7% | |
| Excluding Fuel | 815.9 | 586.1 | 748.4 | ▼67.4 | ▼8.3% | +162.3 | +27.7% | 265.8 | +63.7 | +31.5% | |
| Others (3) | 7.4 | 6.1 | 19.2 | +11.7 | +156.7% | +13.1 | +214.2% | 0.1 | ▼5.5 | ▼97.5% | |
| EBIT | 114.6 | ▼183.3 | 34.7 | ▼79.9 | ▼69.7% | +218.0 | - | 34.4 | +66.0 | - | |
| EBIT Margin(%) | 10.3% | - | 3.5% | ▼6.9pt | - | - | - | 8.9% | - | - | |
| Profit or loss | 74.8 | ▼128.3 | 16.3 | ▼58.5 | ▼78.2% | +144.6 | - | 18.4 | +41.8 | - | |
| RPK (MN passenger km) | 58,776 | 13,089 | 38,079 | ▼20,696 | ▼35.2% | +24,990 | +190.9% | 14,935 | +8,908 | +147.8% | |
| ASK (MN seat km) | 69,070 | 35,830 | 57,466 | ▼11,603 | ▼16.8% | +21,636 | +60.4% | 21,128 | +7,370 | +53.6% | |
| EBITDA Margin(%) (4) | 21.1% | - | 15.5% | ▼5.6pt | - | - | - | 18.8% | +13.1pt | - | |

- (1) LCC = Passenger revenue and related charges or fees (2) Mileage, Lifestyle and Infrastructure and others = Travel Agency, Mileage, Ground Handling etc.
 (3) Others = Gain on Sales of Aircraft, Other Income, Share of Profit or Loss of Investment and Income/Expenses from Investment
 (4) EBITDA Margin = EBITDA/Revenue EBITDA=EBIT+Depreciation and Amortization

Major Operating Expense Items

| (JPY Bn) | Q3 (Apr. to Dec.) | | | | | | | | Q3 (Oct. to Dec.) | | |
|-----------------------------------|-------------------|--------|--------|------------|--------|------------|---------|--------|-------------------|---------|--|
| | FY19Q3 | FY21Q3 | FY22Q3 | Vs. FY19Q3 | | Vs. FY21Q3 | | FY22Q3 | Vs. FY21Q3 | | |
| | | | | Diff. | y/y | Diff. | y/y | | Diff. | y/y | |
| Fuel | 189.6 | 101.8 | 241.6 | +52.0 | +27.4% | +139.8 | +137.3% | 86.8 | +43.9 | +102.7% | |
| Landing and navigation fees | 65.2 | 25.9 | 38.4 | ▼26.8 | ▼41.2% | +12.4 | +47.8% | 14.2 | +4.5 | +46.5% | |
| Maintenance | 58.8 | 50.2 | 76.8 | +17.9 | +30.6% | +26.6 | +53.1% | 29.1 | +13.3 | +84.6% | |
| Sales commissions (Air Transport) | 13.9 | 5.2 | 15.1 | +1.1 | +8.3% | +9.8 | +186.6% | 5.7 | +3.3 | +139.9% | |
| Services(1) | 35.4 | 10.8 | 23.5 | ▼11.9 | ▼33.7% | +12.6 | +117.4% | 9.5 | +5.2 | +123.7% | |
| Other variable cost(2) | 159.4 | 76.2 | 127.2 | ▼32.2 | ▼20.2% | +50.9 | +66.8% | 50.1 | +20.9 | +71.8% | |
| Aircraft(3) | 97.6 | 102.3 | 101.8 | +4.2 | +4.3% | ▼0.4 | ▼0.5% | 33.8 | +0.6 | +1.8% | |
| Personnel(3) | 226.3 | 183.6 | 211.5 | ▼14.7 | ▼6.5% | +27.9 | +15.2% | 72.3 | +11.2 | +18.4% | |
| Other cost(3) | 158.9 | 131.5 | 153.8 | ▼5.0 | ▼3.2% | +22.3 | +17.0% | 50.8 | +4.4 | +9.5% | |
| Total Operating Expenses | 1,005.5 | 687.9 | 990.1 | ▼15.4 | ▼1.5% | +302.1 | +43.9% | 352.7 | +107.7 | +44.0% | |

Excludes temporal costs and variable factors, etc



- (1) Services = Expenses regarding flight services, airport lounges, cargo equipment, etc. (2) Other variable cost = Travel agency, Mileage, Ground handling etc.
 (3) Includes costs that have variable factors such as the number of flights and passengers, and temporary and additional costs associated with business structural reforms.
 (4) Actual Fixed Costs excludes the variable factors such as the number of flights and passengers, and temporary and additional costs associated with business structural reforms.



2. Summary of Consolidated Statement of Financial Position and Cash Flow

–Equity ratio is 39.5% and Net D/E ratio is x0.2 both in terms of credit evaluation basis, keeping a healthy level.

–Liquidity at hand was maintained at a sufficient amount of 553.0 billion yen at the end of December, combined with the unused credit line of 250.0 billion yen.

–As a result of a recovery trend in passenger demand, cash flow from operating activities (inflow) in the third quarter improved significantly to 191.4 billion yen (increase of 278.1 billion yen from the same period of the previous year). Free cash flow was also positive at 117.3 billion yen.

| Balance Sheet | End of FY21 | End of FY22Q3 | Diff. |
|--|---------------|---------------|-----------------|
| Total Assets | 2,375.7 | 2,439.6 | +63.9 |
| Cash and Deposits | 494.2 | 553.0 | +58.8 |
| Balance of Interest-bearing Debt | 928.4 | 892.1 | ▼36.3 |
| Repayment within one year (※1) | 86.7 (14.4) | 100.3 (13.8) | +13.6 (▼0.5) |
| Shareholders' Equity (1) | 799.7 | 788.3 | ▼11.3 |
| Shareholders' Equity Ratio(%) (2) (※2) | 33.7% (41.0%) | 32.3% (39.5%) | ▼1.3pt (▼1.5pt) |
| D/E Ratio (x) (3) | 1.2x | 1.1x | ▼0.0x |
| Net D/E Ratio (x) (4) (※3) | 0.5x (0.3x) | 0.4x (0.2x) | ▼0.1x (▼0.1x) |

| Cash Flow | FY21Q3 | FY22Q3 | Diff. |
|-------------------------------------|--------|--------|--------|
| Cash Flow from Operating Activities | ▼86.7 | +191.4 | +278.1 |
| Depreciation and Amortization | +132.6 | +121.4 | ▼11.2 |
| Cash Flow from Investing Activities | ▼137.7 | ▼74.0 | +63.6 |
| Capital Investment | ▼145.3 | ▼86.5 | +58.8 |
| Free Cash Flow (5) | ▼224.4 | +117.3 | +341.7 |
| Cash Flow from Financing Activities | +334.0 | ▼61.1 | ▼395.2 |
| Total Cash Flow (6) | +109.6 | +56.2 | ▼53.4 |
| EBITDA (7) | ▼50.6 | +156.1 | +206.7 |

(JPY Bn)

※1 Figures in brackets represent aircraft lease payment within one year

※2 Figures in brackets represent Shareholders' Equity Ratio based on credit rating evaluation considering Hybrid Finance

※3 Figures in brackets represent Net D/E Ratio based on credit evaluation considering Hybrid Finance

(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 Investment Activities

(6) Cash flow from Operating Activities + Cash flow from Investment Activities + Cash Flow from Financial Activities

(7) EBITDA=EBIT+Depreciation and Amortization

3. Third Quarter and recent initiatives

【ESG strategy】

– November 2022, Japan's first "Sustainable Charter Flight" with net zero CO2 emissions on the Tokyo (Haneda)=Okinawa (Naha) route was operated by JAL. We reduced CO2 emissions through the use of SAF and carbon offsets and eliminated plastics through the use of paper muddlers and paper cup lids. We also implemented initiatives to reduce food loss, promote D&I, and contribute to regional revitalization.

– In December, we were selected for the first time as a constituent of the "DJSI Asia Pacific Index" that is utilized by many investors globally as an investing criterion, and an "A-" rating on climate change from CDP, an international environmental not-for-profit organization.

In addition, our company's sustainability initiatives and service quality were recognized as among the world's best, thus we were awarded the "WORLD CLASS" by APEX (Airline Passenger Experience Association) for the second consecutive year. We will continue to promote our ESG strategy toward sustainable growth.

【Full Service Carrier business domain】

– On international routes, the number of passengers arriving in and departing from Japan is gradually recovering especially for inbound passengers, drastic relaxation was conducted from mid-October



including the exemption of temporary visitor visas formerly required for tourism purposes. Furthermore, we have responded flexibly to changes in the business environment, including the establishment of flight schedules that offer convenient transit at Narita Airport, aimed at capturing transit demand particularly between Asia and North America, where demand is recovering quickly.

– For domestic passengers, demand had recovered steadily especially for tourists, as new behavioral patterns were established and restrictions to movements were removed, as well as the positive effects of the nationwide travel support program from mid-October. In response to the increase in passengers, we provided sufficient capacity, including the establishment of additional flights and the aircraft upscale. As a result, many passengers boarded our flight especially during the high-demand period, and the number of passengers during the New Year's holiday recovered to approximately 90% of FY2019 levels.

【LCC business domain】

– ZIPAIR has seen steady progress in business operations, with rising customer recognition and steady increase in its load factors. In addition, ZIPAIR has started its service of the San Jose route in December and has been steadily accumulating results, in line with the recovery of international passenger demand. Spring Japan which targets China routes, is working to improve its profitability by temporarily increasing the number of domestic flights to make effective use of its resources as demand in China is not expected to recover in the near term. The three LCCs including Jetstar Japan which mainly operates domestic flights are working together to strengthen their earnings.

【Non-Aviation Business Domain】

– We have started to offer “JAL Purpose Loans”, which can be used for various purposes through “JAL NEOBANK” – an online bank account for JAL Mileage Bank members. JALUX, which became a consolidated subsidiary in the last fiscal year, has been working to develop regional areas and create more associated demand centering on the JAL Group's destinations, through the “JAL hometown tax donation program” site. To further expand our business beyond the air transportation business, we are working to create new products, services, and businesses.

4. Future Outlook

To reflect the recent trend in air transport demand as of today, the full-year consolidated financial results forecast for the fiscal year is revised from the full-year consolidated financial results forecast announced on November 1, 2022, as shown in the table below.

The forecast for revenue has been revised to 1 trillion and 358.0 billion yen (decrease of 46.0 billion yen compared to the previous full-year forecast), EBIT has been revised to 50.0 billion yen (decrease of 30.0 billion yen compared to the previous full-year forecast), and the profit attributable to owners of parent has been revised to 25.0 billion yen (decrease of 20.0 billion yen compared to the previous full-year forecast).

International passenger revenue is expected to exceed the forecast by 3.0 billion yen mainly due to higher unit prices, domestic passenger revenue is expected to fall 26.0 billion yen short of the previous forecast due to sluggish demand growth. Cargo and mail revenues are also expected to be 11.0 billion yen below the previous forecast due to lower than expected unit prices. For operating expenses, we forecast a decrease of 16.0 billion yen. While fuel expenses remained largely in line with expectations



and we were able to steadily reduce non-fuel expenses, this was not enough to cover the decrease in revenues.

Although with only two months left in the current fiscal year, we will continue to make our utmost effort to further improve our profitability

FY22 Full-Year Performance Forecast

| (JPY Bn) | FY2021 | FY2022 | | | |
|---|---------|----------------------------------|--------------|----------------|-----------|
| | Results | Previous Forecast ⁽⁴⁾ | New Forecast | Diff. Forecast | Diff. y/y |
| Revenue | 682.7 | 1,404.0 | 1,358.0 | ▼46.0 | +675.2 |
| Full Service Carrier | 528.2 | 1,128.0 | 1,094.0 | ▼34.0 | +565.7 |
| International PAX | 68.7 | 404.0 | 407.0 | +3.0 | +338.2 |
| Domestic PAX | 235.1 | 471.0 | 445.0 | ▼26.0 | +209.9 |
| Cargo / Mail | 218.3 | 238.0 | 227.0 | ▼11.0 | +8.6 |
| Other Revenue | 6.0 | 15.0 | 15.0 | 0 | +8.9 |
| LCC (1) | 2.9 | 35.0 | 30.0 | ▼5.0 | +27.0 |
| Mileage, Lifestyle and Infrastructure and others(2) | 151.5 | 241.0 | 234.0 | ▼7.0 | +82.4 |
| Operating Expense | 940.2 | 1,356.0 | 1,340.0 | ▼16.0 | +399.7 |
| Fuel | 145.4 | 322.0 | 322.0 | 0 | +176.5 |
| Excluding Fuel | 794.7 | 1,034.0 | 1,018.0 | ▼16.0 | +223.2 |
| Others(3) | 18.0 | 32.0 | 32.0 | 0 | +13.9 |
| EBIT | ▼239.4 | 80.0 | 50.0 | ▼30.0 | +289.4 |
| Profit or loss | ▼177.5 | 45.0 | 25.0 | ▼20.0 | +202.5 |

(1) LCC= Passenger revenue and related charges or fees. Revenues of the two consolidated subsidiaries, ZIPAIR and Spring Japan. EBIT of the two subsidiaries and any factors related to the affiliated company accounted for by the equity-method, Jetstar Japan

(2) Mileage, Lifestyle and Infrastructure and others = Travel Agency, Mileage, Ground Handling etc.

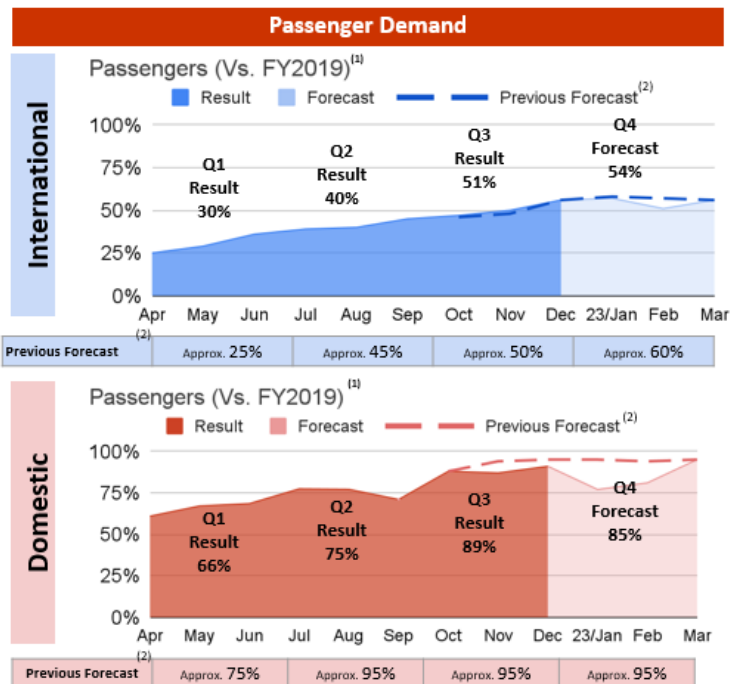
(3) Others = Gain on Sales of Aircraft, Other Income, Share of Profit or Loss of Investment and Income/Expenses from Investment

(4) Disclosed on November 1, 2022

In calculating the above forecast, we have assumed the dollar-yen exchange rate for the 4th financial quarter to be 130 yen, and the market price of Singapore kerosene, an indicator of aviation fuel costs, of US \$120 for the 4th financial quarter.

5. Dividends

Since the spread of the COVID-19 pandemic, the JAL Group has not provided dividends for fiscal years 2020 and 2021 as it was necessary to place the highest priority on securing liquidity on hand and strengthening our financial position. As air transport demand is still recovering and as there are many uncertain factors in the business environment surrounding our company, however, the JAL Group plans to pay its year-end dividend for the current fiscal year, as cash flow is steadily recovering. The forecasted dividend per share is 20 yen per share at the end of the current fiscal year. From the next fiscal year onward, we will aim for a dividend payout ratio of 35% or more through generating a sufficient level of profit, placing emphasis on dividend continuity and stability.



(1) vs FY2019 For January to March, based on demand estimation released in FY19 Q3 results
(2) Disclosed on November 1, 2022 (3) FSC=Fuel Surcharge