

## Japan Airlines Announces FY2021 Earnings Forecast— Future Trends in Travel Demand and Business Recovery to Be Closely Watched

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by Japan Airlines Co., Ltd. (security code: 9201) regarding earnings forecast for the fiscal year ending March 2022 (FY2021).

- (1) Japan Airlines Co., Ltd. (the "Company") announced its full-year earnings forecast for FY2021 on November 2, along with the second-quarter results. It expects large losses for two years in a row, including 198.0 billion yen in EBIT loss and 146.0 billion yen in net loss attributable to owners of the parent, which in FY2020 were 398.3 billion yen and 286.6 billion yen in loss, respectively.
- (2) Because of the continuous declaration of state of emergency until October, recovery in the number of passengers on domestic flights is slow. Even though there are signs of an increase in passengers with the lifting of declaration, a turnaround in business travel demand may be delayed due to the spread of video conferencing and other factors. Moreover, as entry restrictions in many countries continue, the number of passengers on international flights remain low and is hardly likely to pick up rapidly. JCR thus assumes that full business recovery will take some more time. Meanwhile, cargo operations have been robust, and the break-even point has been lowered with reductions in fixed costs, making losses smaller. Also, the Company maintains a good financial structure thanks partly to the procurement of funds of equity nature in the amount of 350 billion yen (equity content: "medium" or "50" (against 100 of a stock)) via subordinated bonds and subordinated loan in FY2021 in addition to a capital increase in FY2020. Liquidity on hand is sufficient, thus presenting no particular concerns about financing. Even though the future remains uncertain, JCR considers that there still is some room to keep watching the Company's situation. Going forward, close attention will be paid to recovery in travel demand, earnings and cash flows.

Hiroyuki Chikusa, Masayoshi Mizukawa

### <Reference>

Issuer: Japan Airlines Co., Ltd.

Long-term Issuer Rating: A      Outlook: Negative

### Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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