

## JAL Announces Earnings Forecast for FY2020—No Immediate Impact on Rating but Future Performance to Be Closely Watched

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement made by Japan Airlines Co., Ltd. (security code: 9201) regarding the earnings forecast for the fiscal year ending March 2021 (FY2020).

- (1) Japan Airlines Co., Ltd. (the "Company") announced on October 30 its full-year earnings forecast, which previously was not available, along with the second-quarter results for FY2020. According to this forecast under IFRS, the Company projects negative 330 to 380 billion yen for EBIT (earnings before interest and taxes) and a loss attributable to owners of the parent of 240 to 270 billion yen, turning negative from positive 60.8 billion yen and a profit of 27.6 billion yen for FY2019, respectively. A huge drop in passenger demand due to the COVID-19 pandemic is a major factor behind this loss projection.
- (2) JCR in its rating review announced on July 3, 2020 changed the outlook for the Company's long-term issuer rating from Stable to Negative to reflect its view that the Company's business performance and financial structure were likely to weaken drastically as the business environment would remain tough for a while. It was also noted that close attention must be paid to how far the business performance and financial structure would be affected when recovery in passenger demand was highly uncertain.
- (3) While passenger traffic is picking up gradually for domestic flights, passenger demand on the whole is hardly recovering as international traffic is still stagnant. Moreover, net loss for FY2020 is estimated to be equivalent to around one-fourth of equity attributable to owners of the parent as at the end of FY2019, which amounted to 1,014.2 billion yen. These factors, combined with growth in interest-bearing debt, will inevitably weaken financial indicators. That said, the financial structure as of the end of FY2020 is expected to remain at a decent level. The Company is also working on cost and investment reductions and profitability improvement so as to rebuild a firm financial structure. There are no particular concerns about financing as financial institutions remain supportive. Based on the above, JCR at this point considers it not necessary to immediately revise the rating. Going forward, attention will be paid to trends in passenger demand, prospects for recovery in business performance and financial structure, etc. to be reflected in the rating.

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

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.