



**JALUX Inc.**

Financial Results Briefing for the Fiscal Year Ended March 2021

June 1, 2021

## Event Summary

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<b>[Company Name]</b>	JALUX Inc.
<b>[Company ID]</b>	2729-QCODE
<b>[Event Language]</b>	JPN
<b>[Event Type]</b>	Earnings Announcement
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2021
<b>[Fiscal Period]</b>	FY2020 Annual
<b>[Date]</b>	June 1, 2021
<b>[Number of Pages]</b>	32
<b>[Time]</b>	11:00 – 11:23 (Total: 23 minutes, Presentation: 23 minutes)
<b>[Venue]</b>	Webcast
<b>[Venue Size]</b>	
<b>[Participants]</b>	
<b>[Number of Speakers]</b>	1 Masashi Shinohara Representative Director, Chief Executive Officer

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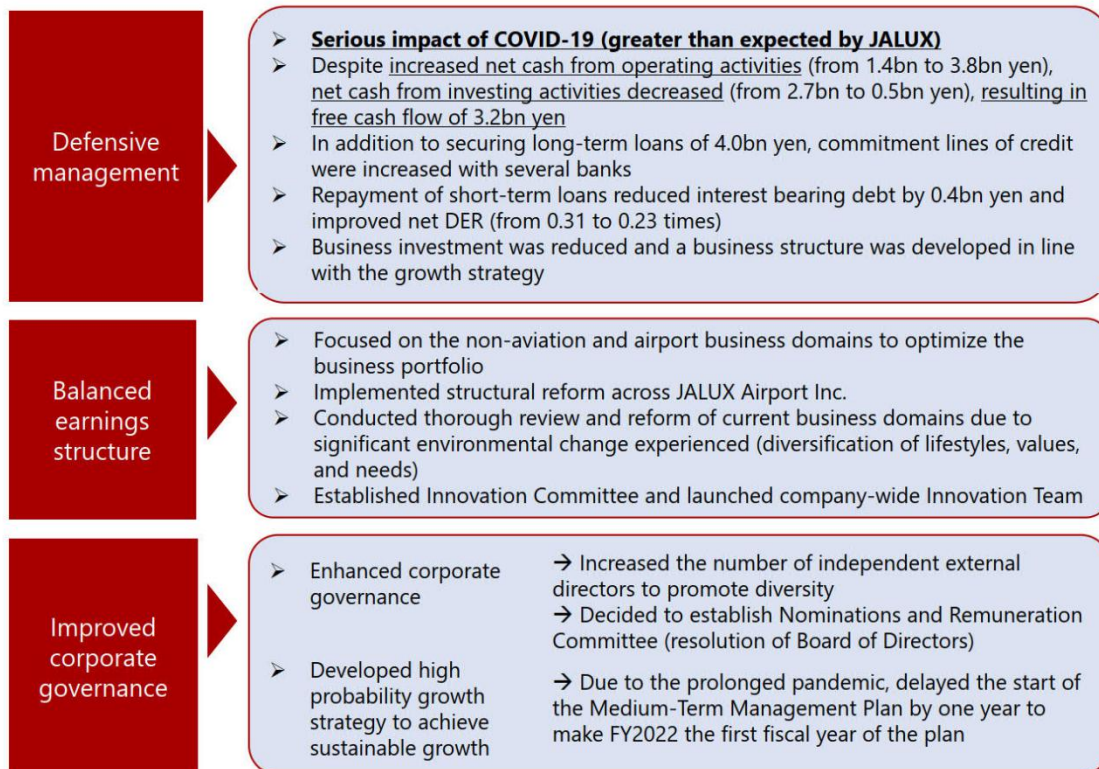
# Presentation

**Shinohara:** My name is Masashi Shinohara, President of JALUX Inc. Thank you for joining us. Today, under the Declaration of a State of Emergency, we are holding an online meeting. I am going to explain our consolidated financial results for FY2020 and the outlook for fiscal 2021.

Financial Results for Year Ended March 31, 2021

## 1 Overview of FY2020

### Overview of Basic Policy for Fiscal Year Ended March 31, 2021



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Please look at page 4. This is a summary of the FY2020 ended March 2021. In the year, our business performance was severely affected by the spread of COVID-19. The impact was far greater than we had anticipated.

At the start of fiscal 2020, we established 3 basic policies after considering a possible impact of COVID-19. The first was to focus on defensive management. The second was to aim for a well-balanced profit structure. The third was to further improve corporate governance. We made steady progress in the above 3 initiatives.

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## 2

## Consolidated P/L (Summary)

Financial Results for Year Ended March 31, 2021

(Million yen)

Consolidated P/L(Summary)	March 2020	March 2021	Year over Year	Year over Year (%)
Net sales	144,688	<b>80,346</b>	△64,341	55.5
Gross profit	25,840	<b>12,518</b>	△13,322	48.4
SG&A expenses	21,870	<b>15,433</b>	△6,436	70.6
Operating profit/Loss	3,969	<b>△2,915</b>	△6,885	—
Non-op. profit/expenses	768	<b>488</b>	△279	63.6
Ordinary profit/Loss	4,738	<b>△2,426</b>	△7,164	—
Extraordinary profit/losses	△182	<b>△1,184</b>	△1,001	—
Profit/Loss attributable to owners of parent	3,081	<b>△2,366</b>	△5,447	—
Gross profit to net sales ratio	17.9	<b>15.6</b>	△2.3	
Ordinary profit to net sales ratio	3.3	<b>△3.0</b>	△6.3	

① Net Sales	80,346	...	YoY △64,341	Sales in aircraft engine parts (△17,675), sales at airport shops (△15,959), sales at duty-free shops (△10,538)
② SG&A expenses	15,433	...	YoY △6,436	Percentage rent (△2,486), labor cost (△1,861), sales commission (△637)
③ <Non-op. profit/expenses>	488	...	YoY △279	Non-operating income: dividend income(97), subsidies (956) Non-operating expense: loss of equity method investments (△469)
④ <Extraordinary profit/losses>	△1,184	...	YoY △1,001	COVID-19 related losses: fixed costs of airport shops during temporary closure (△726), impairment losses on fixed assets (△325)



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Next is the consolidated profit/loss situation.

Net sales were JPY80.3 billion, a YoY decrease of JPY64.3 billion. We saw operating loss of JPY2.9 billion, down JPY6.9 billion YoY. Ordinary loss was JPY2.4 billion, down JPY7.1 billion YoY. Net loss attributable to owners of parent was JPY2.3 billion, down JPY5.4 billion YoY. We incurred the harsh results as you see.

The main reasons were significant declines in sales in aircraft engine parts, sales at airport shops, and those at duty-free shops.

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## Comparison with previous forecasts

Financial Results for Year Ended March 31, 2021

(Million yen)

Comparison with previous forecasts	Forecasts*	Results of March 2021	Difference	Comparison (%)
Net sales	85,000	<b>80,346</b>	△4,654	94.5%
Operating profit	△3,000	△ <b>2,915</b>	85	
Ordinary profit	△2,500	△ <b>2,426</b>	74	
Profit attributable to owners of parent	△2,100	△ <b>2,366</b>	△266	
Earnings per share (yen)	△166.09	△ <b>187.16</b>	△2.93	

※Based on the revision of full-year consolidated earnings forecasts announced on October 30, 2020

【Following expenses reported with the view to structural reforms after COVID-19】

- Write down of aircraft components owned by JALUX AMERICAS, Inc. (△477)
- Impairment loss of aircraft engines owned by JALUX SINGAPORE PTE. LTD. (△208)
- Impairment losses on fixed assets of airport shops (△32)



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Next is a comparison with the earnings forecasts announced on October 30, 2020.

Net loss was JPY2.3 billion, worse than the forecast of loss of JPY2.1 billion. This was due to the second State of Emergency Declaration issued in Q4, and the reporting of restructuring costs in anticipation of the post-COVID-19 period.

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## Breakdown of SG&amp;A expenses

Financial Results for Year Ended March 31, 2021

(Million yen)

Breakdown of SG&A Expenses	March 2020	March 2021	Year over Year	Year over Year (%)
Gross profit	25,840	<b>12,518</b>	△13,322	48.4
Personnel expenses	7,951	<b>6,090</b>	△1,861	76.6
Rent expenses	4,538	<b>2,051</b>	△2,486	45.2
External service fee	1,653	<b>1,452</b>	△201	87.8
Depreciation	662	<b>555</b>	△107	83.8
Packing and transportation expenses	1,749	<b>1,456</b>	△292	83.3
Other expenses	5,315	<b>3,827</b>	△1,488	72.0
SG&A expenses	21,870	<b>15,433</b>	△6,436	70.6
Operating profit	3,969	<b>△2,915</b>	△6,885	—

※Loss due to temporary closure of airport stores (personnel expenses, rent, depreciation) ¥726 million was recorded as an extraordinary loss

① Decrease in SG&A expenses due to decrease in sales	△3,332	...	Ratio rent (△2,346), sales comission (△637), transportation costs (△292)
② Decrease in SG&A expenses because of cost reduction efforts	△2,274	...	Personnel expenses (△1,304), external services (△201), travel expenses (△287)
③ Decrease in SG&A expenses due to transfer of extraordinary losses※	726	...	Personal expenses, rent and depreciation cost during temporary closure (△726)



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Next is the breakdown of SG&A expenses.

There was a total of JPY15.4 billion as a result of every possible cost reduction effort. The amount was down JPY6.4 billion YoY.

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# 5 Consolidated B/S (Summary)

(Million yen)

Consolidated B/S (Summary)	March 31 2020	March 31 2021	Year over Year	Year over Year (%)
Current assets	48,765	<b>40,788</b>	△7,977	83.6
Cash and deposits	6,175	<b>8,466</b>	2,290	137.1
Non-current assets	12,079	<b>11,487</b>	△591	95.0
Property plant and equipment	5,266	<b>4,472</b>	△793	84.9
Intangible assets	673	<b>593</b>	△80	88.1
Investments and other assets	6,138	<b>6,421</b>	282	104.6
<b>Total assets</b>	<b>60,844</b>	<b>52,276</b>	<b>△8,568</b>	<b>85.9</b>
Current liabilities	31,704	<b>23,159</b>	△8,544	73.0
Non-current liabilities	1,093	<b>4,431</b>	3,337	405.3
<b>Net assets</b>	<b>28,046</b>	<b>24,685</b>	<b>△3,361</b>	<b>88.0</b>
(Net assets attributable to the Company's shareholders)	(26,337)	<b>(23,465)</b>	(△2,872)	(89.0)
<b>Total liabilities and net assets</b>	<b>60,844</b>	<b>52,276</b>	<b>△8,568</b>	<b>85.9</b>

①	Assets	52,276	...	△8,568	Increase: Cash and deposits (+2,290) Decrease: sales receivables for aircraft engine parts (△11,118)
②	Liabilities	27,590	...	△5,207	Increase: Long-term loans for securing liquidity (+3,335), issuance of commercial paper (+998) Decrease: Trade payables for aircraft engine parts (△3,803), short-term loans payable (△4,747)
③	Net assets	24,685	...	△3,361	Loss attributable to owners of parent, dividends payment, decrease in non-controlling interest



Next is the consolidated balance sheet.

Net assets attributable to owners of parent totaled JPY23.5 billion, a YoY decrease of JPY2.9 billion. This was due to the net loss of JPY2.3 billion for fiscal 2020 and dividend payment of JPY600 million.

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(Million yen)

Financial Position	March 31 2020	March 31 2021	Year over Year	Year over Year (%)
Total assets	60,844	<b>52,276</b>	△8,568	85.9
Shareholders' equity	26,337	<b>23,465</b>	△2,872	89.0
Shareholders' equity ratio (%)	43.3	<b>44.9</b>	1.6	
Interest bearing debt	14,329	<b>13,904</b>	△425	97.0
Debt/Equity ratio (times)	0.31	<b>0.23</b>	△0.08	

① Shareholders' equity ratio	44.9%	...	Increased 1.6%: Total assets 52,276 (△8,568), shareholders' equity 23,465 (△2,872)
② Interest bearing debt	13,904	...	Decreased 425: As a result of increase in long-term loans (+3,335) and commercial paper (+998), decrease in short-term loans
③ Debt/Equity ratio	0.23times	...	Improved △0.08points: As a result of decrease in interest bearing debt (△425) and increase in cash and deposit (+2,290)



Next is the financial status.

As a result of our defense-oriented management, we saw a capital adequacy ratio of 44.9%, interest-bearing debt of JPY13.9 billion, and a NetDER of 0.23x. We believe that we have maintained a certain degree of financial soundness.

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# 7 Consolidated Cash Flows (Summary)

(Million yen)

Consolidated Cash Flow	March 2020	March 2021	Year over Year
Cash flows from Operating Activities	1,488	<b>3,825</b>	2,337
Cash flows from Investing Activities	△2,744	<b>△592</b>	2,152
Free Cash Flows	△1,255	<b>3,233</b>	4,489
Cash flows from financing Activities	1,418	<b>△917</b>	△2,335

① C/F from Operating Activities: (+)	+ 3,825	...	Net loss before adjustment of taxes (△3,611), collection of account receivables for aircraft engine parts (11,688), payment of account payables (△3,724)
② C/F from Investing Activities:	△592	...	Purchase of fixed assets (△618)
Free Cash Flows	(+ 3,233)	...	C/F from Operating Activities (3,825) + C/F from Investing Activities (△592) = Free Cash Flows (3,233)
③ C/F from Financing Activities:	△917	...	Net reduction in loans payable (△1,267), issuance of commercial paper (998), dividends payment (△632)



Next are consolidated cash flows.

Cash flow from operating activities was a positive JPY3.8 billion. Cash flow from investing activities was a negative JPY592 million. As a result, free cash flows were a positive JPY3.2 billion. Cash flow from financing activities was a negative JPY917 million due to a decrease in borrowings. That is all.

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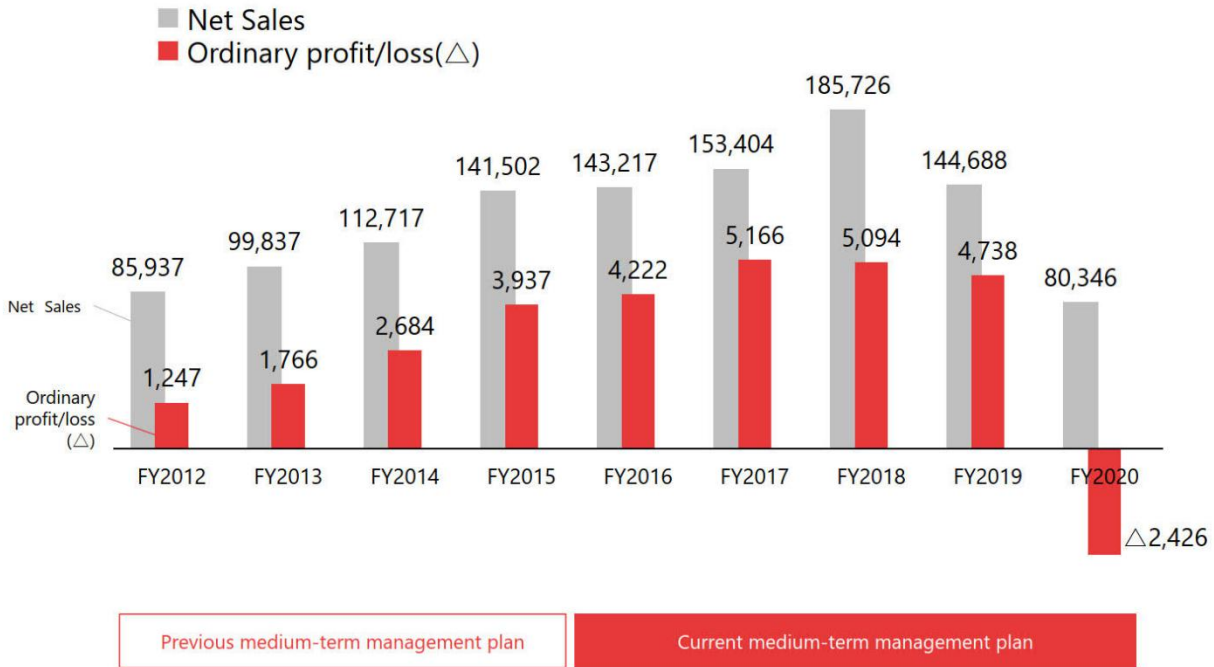
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Performance trends from FY2012 to FY2020

(Million yen)



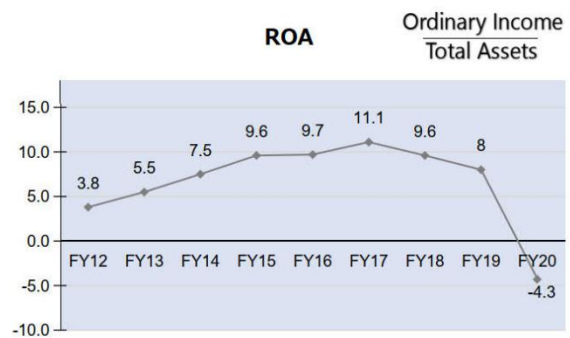
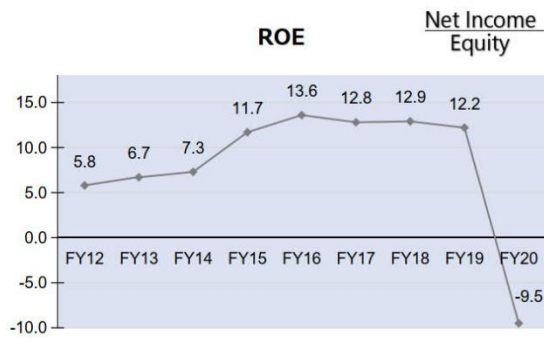
Next, you can see our business performance trends for the 9 fiscal years from FY2012 to FY2020. This graph shows how severe fiscal 2020 was for our company.

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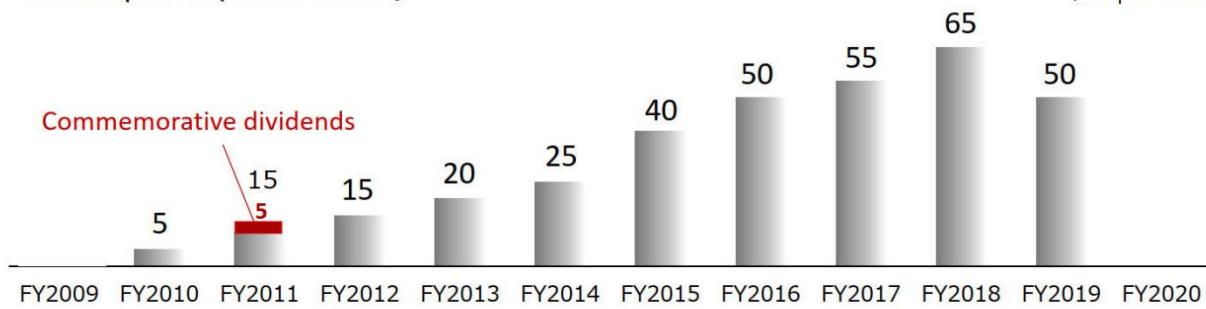
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Dividends per Share (FY2009~FY2020)

(Yen per share)



Next, you can see the changes in ROE, ROA, and dividends.

Due to the net loss of JPY2.3 billion for fiscal 2020, we have decided not to pay a dividend for the year.

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# 10 Net Sales by Segment

Financial Results for Year Ended March 31, 2021

(Million yen)

Net Sales by Segment	March 2020	March 2021	Year over Year	Year over Year (%)
Aviation & Airport	48,819	<b>28,640</b>	△ 20,179	58.7
Life service	13,095	<b>13,979</b>	884	106.8
Retail	57,625	<b>20,296</b>	△ 37,328	35.2
Food & Beverage	26,574	<b>17,857</b>	△ 8,716	67.2
Eliminations	△ 1,426	△ <b>427</b>	999	-
<b>Total</b>	<b>144,688</b>	<b>80,346</b>	△ 64,341	55.5

※Breakdown by segment is the amount before elimination of internal transactions



Next, I will explain the results by business segment.

Net sales for each segment are shown.

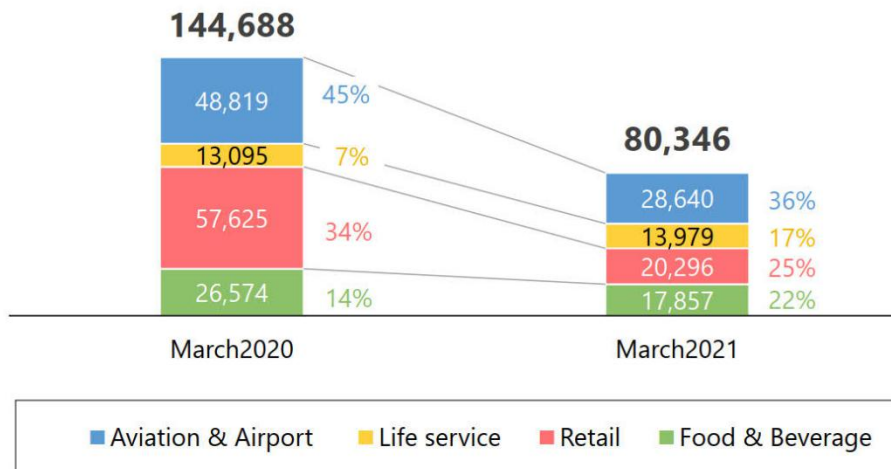
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(Million yen)



※Sales including inter-segment transaction

- Aviation & Airport : The demand of aircraft engine maintenance has sign of recovery, while the demand of its manufacturing significantly declined because of lowering engine's production
- Life Service : Largely steady real estate business and insurance business, growing demand for hygiene products related to COVID-19
- Retail : Domestic passenger traffic is recovering but partially offsets due to the re-spread of COVID-19 infection; Significant reduction of international flights affected our duty-free business
- Food & Beverage : Decreasing demand for restaurants and travel affected businesses such as marine products, wines, souvenir snacks, and lunch boxes



The composition of segment sales is also as shown here.

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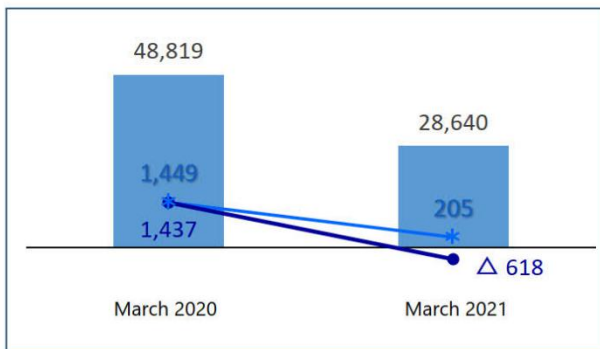
# 12 Aviation & Airport

Financial Results for Year Ended March 31, 2021

(Million yen)

Aviation & Airport	March 2020	March 2021	Year over Year	Year over Year (%)
Net sales 	48,819	<b>28,640</b>	△20,179	58.7
Operating profit/loss 	1,449	<b>205</b>	△1,244	14.2
Ordinary profit/loss 	1,437	<b>△618</b>	△2,055	-

※1 Net sales and Operating profit including inter-segment transaction  
 ※2 Operating profit/loss before allocating common expense



Remarks
<b>【Factors of the decrease in sales】</b>
➢ Aircraft engine parts business remained sluggish
✓ - maintenance demand decline has partially bottomed out and signs of recovered
✓ - manufacturing demand significantly declined because of lowering engine's production
<b>【Factors of the decrease in operating income】</b>
➢ Write down of aircraft components owned by overseas subsidiaries due to sluggish demand for aircraft parts
<b>【Factors of the decrease in ordinary income】</b>
➢ Overseas airport operation business in Lao PDR and Myanmar: recorded loss of affiliated companies due to significant decline of flight



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Next, I will explain the results for each segment.

First, in the aviation & airport segment, ordinary loss was JPY618 million, down JPY2 billion YoY. This was due to the weakness in the aircraft engine parts business, a write-down of aircraft parts inventories, and a slowdown in the overseas airport operations business.

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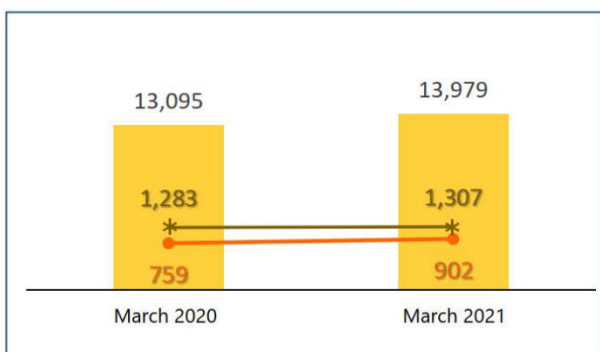
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(Million yen)

Life Service	March 2020	March 2021	Year over Year	Year over Year (%)
Net sales 	13,095	<b>13,979</b>	884	106.8
Operating profit/loss 	1,283	<b>1,307</b>	24	101.9
Ordinary profit/loss 	759	<b>902</b>	143	118.9

※1 Net sales and Operating profit including inter-segment transaction  
 ※2 Operating profit/loss before allocating common expense



Remarks	
<b>【Factors of the increase in sales/operating income】</b>	
➤ Machinery & Materials	: Import and sales of hygiene products on growing demand
➤ Insurance	: Remaining steady; insurance sales to overseas travelers decreased while group insurance increased
➤ Real estate	: Decreased facility management due to decline of airport users. Partial cancellation of subleases. Generally strong through the development consultants and leasing brokerage business
<b>【Factors of the increase in ordinary income】</b>	
Temporal increase in dividend income	



Next is the Life Service segment.

Ordinary profit was JPY902 million, representing a YoY increase. This was due to strong performance in the real estate and insurance services businesses, as well as one-time dividend income and sales of anti-COVID-19 hygiene products.

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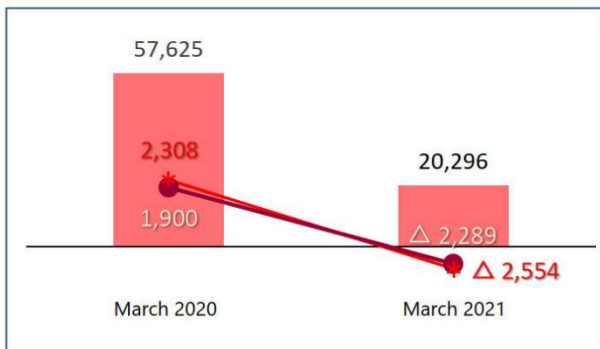


# 14 Retail

(Million yen)

Retail	March 2020	March 2021	Year over Year	Year over Year (%)
Net sales	57,625	<b>20,296</b>	△37,328	35.2
Operating profit/loss	2,308	<b>△2,554</b>	△4,862	-
Ordinary profit/loss	1,900	<b>△2,289</b>	△4,190	-

※1 Net sales and Operating profit including inter-segment transaction  
 ※2 Operating profit/loss before allocating common expense



Remarks	
<b>【Factors of the decrease in sales/operating income】</b>	
➢ Airport shops	Domestic passenger traffic is recovering but partially offset due to the re-spread of COVID-19 infection. [BLUE SKY] Narita airport : Continued closure of all the 10 stores
➢ Duty-free shops	First half : Generally all stores closed [JAL DUTYFREE] Second half : Narita airport : Some stores reopened with shorter hours
➢ Duty-free wholesale	: Almost all clients still closed
➢ Mail order	: (+) Online sales, mainly in gourmet products and beauty & health products going well due to the demand of Stay-at-home consumption
➢ Food gifts	: (+) Increased demand for year-end gifts and new-year dishes
<b>【Factors of the increase in ordinary income】</b>	
➢ Non-op.profit	: Subsidies for temporary closure of airport shops
➢ Extraordinary losses	: Fixed costs of airport shops during temporary closure



In the retail segment, ordinary loss was JPY2.3 billion. It was a significant YoY decrease of JPY4.2 billion. This was due to the struggling performance of the airport store business "BLUE SKY", the duty-free store business "JAL DUTYFREE", and duty-free wholesale sales amid the significant restrictions on human movement and contact due to the spread of COVID-19.

On the other hand, "JAL Shopping", a mail-order service, and gift food products at department stores performed well due to the increased preference for shopping at home.

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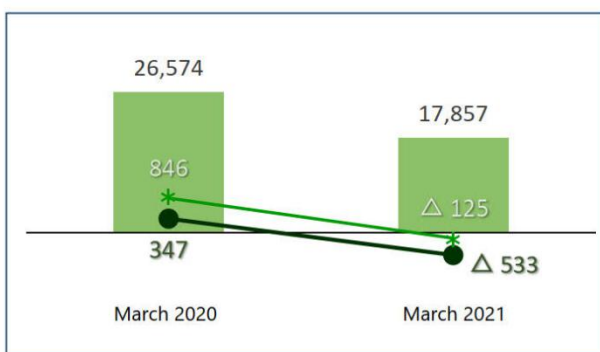


# 15 Food & Beverage

(Million yen)

Food & Beverage	March 2020	March 2021	Year over Year	Year over Year (%)
Net sales 	26,574	<b>17,857</b>	△8,716	67.2
Operating profit/loss 	846	△125	△971	-
Ordinary profit/loss 	347	△533	△881	-

※1 Net sales and Operating profit including inter-segment transaction  
 ※2 Operating profit/loss before allocating common expense



Remarks	
<b>【Factors of the decrease in sales/operating income】</b>	
➤ Marine products	Demand for eating out declined. Wholesale of processed marine products for restaurants decreased. Extension of the state of emergency in Thailand affected Thonglor Nihon Ichiba in the country
➤ Agricultural products	(+) Sales of paprika wholesale to retail stores are going well. Imports of okra and tomatoes decreased due to soaring air transportation costs
➤ Wine	Domestic wholesale sales were sluggish due to a decline in demand for eating out. (+) Increased sales to new clients such as retail stores
➤ Processed foods/Food manufacturer	Decreased wholesale sales of souvenirs and bento boxes for transport-related retailers. (+) Increased sales to new clients such as retail stores



Finally, the food & beverage segment.

Operating loss was JPY533 million. It was down JPY88 million YoY. The spread of COVID-19 affected areas where there is a large amount of human movement and contact such as restaurants and hotels. And as a result, it had a significant impact on or business areas of marine products, agricultural products, wine, and processed food and food manufacturing.

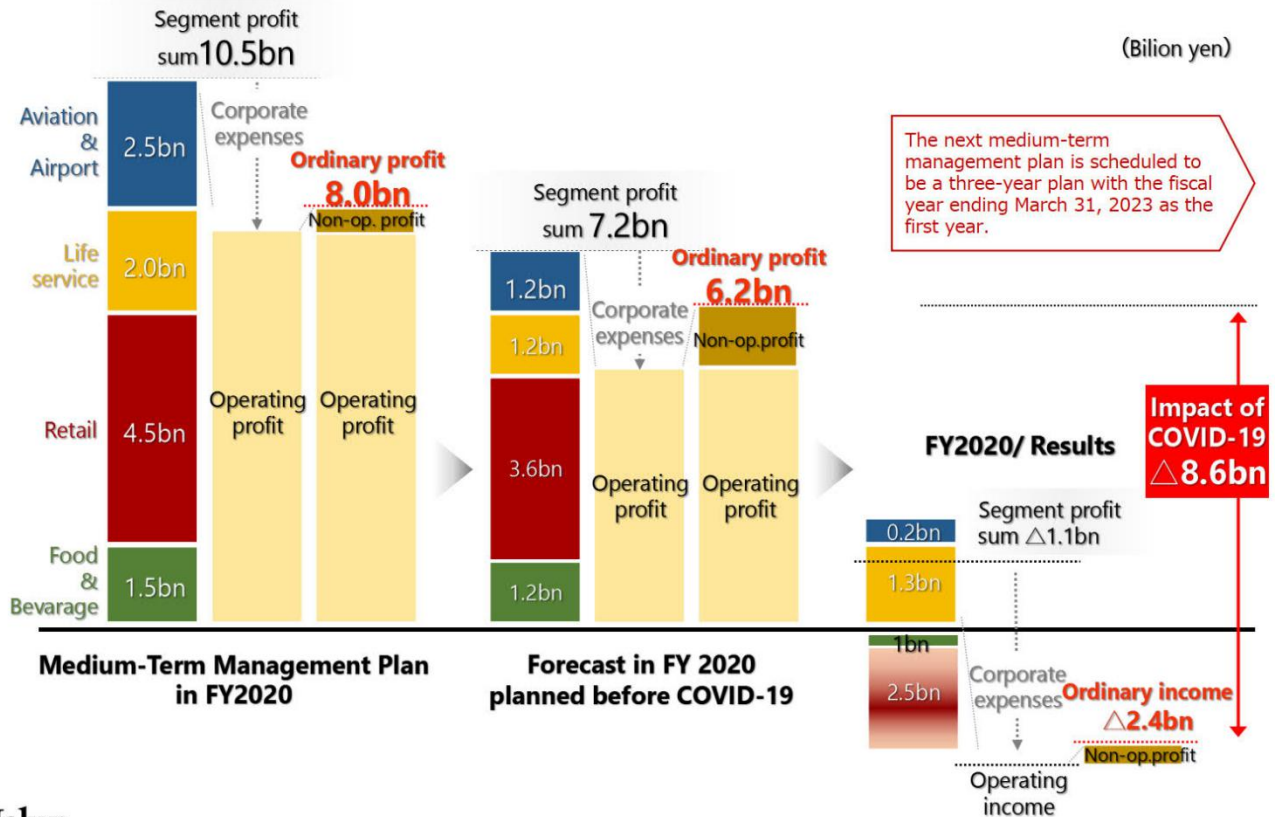
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# 16 Impact of COVID-19 on Forecasts



Next, in the medium-term management plan that ended in FY2020, we had targeted ordinary profit of JPY8 billion for the final year. However, due to the peak out of inbound demand and the failure to conduct business investment as planned, our forecast for ordinary profit for FY2020 would have been JPY6.2 billion even if there had been no impact of COVID-19. Actually, the COVID-19 impact was a negative JPY8.6 billion, resulting in the ordinary loss of JPY2.4 billion in FY2020.

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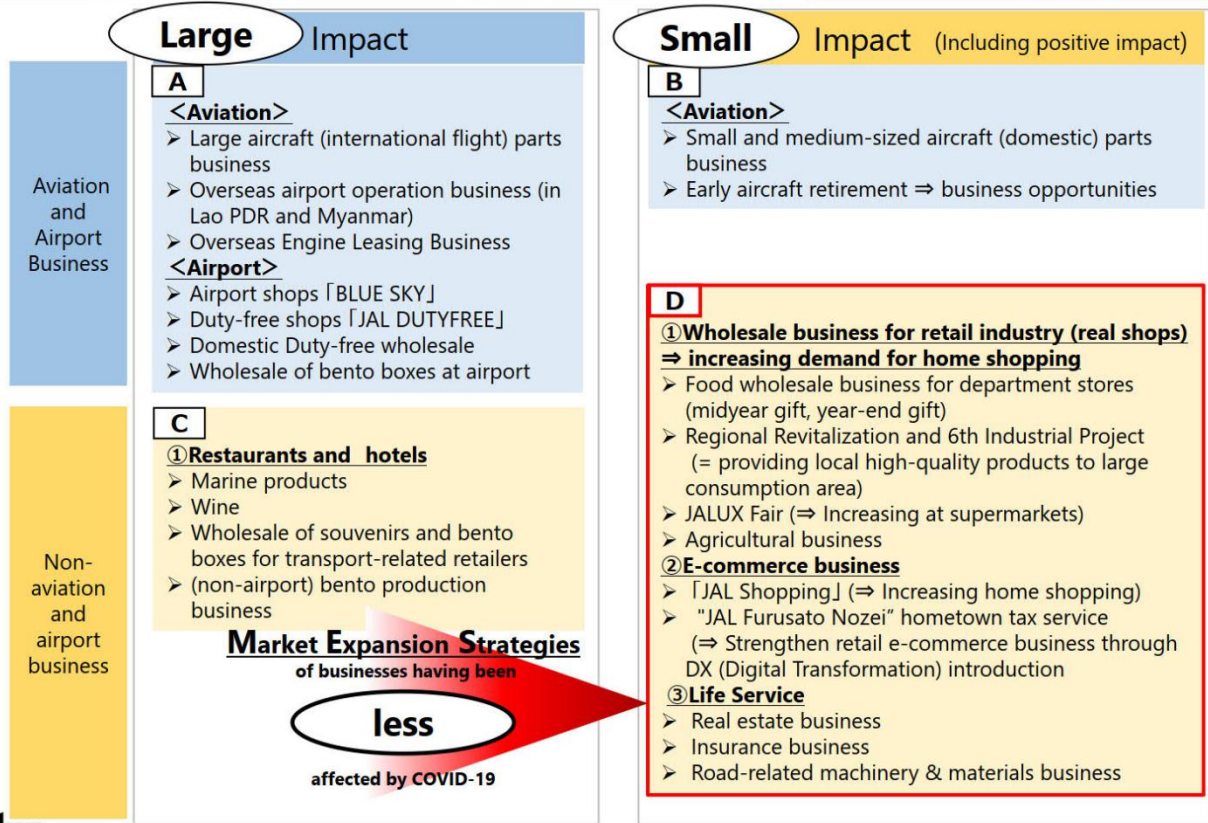
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# 《COVID-19 Impact Matrix for JALUX Group》

(The spread of COVID-19 ⇒ greatly restricted movement and contact of people)



Next, I will explain our consolidated earnings forecasts for fiscal 2021.

Please refer to the matrix that analyzes and organizes the COVID-19 impact on the JALUX Group.

As the spread of COVID-19 infections greatly restricted the movement and contact of people, it had a major impact on the aviation and airport businesses. It also had a significant impact on the non-aviation and non-airport businesses, such as seafood and wine, which have large transactions with restaurants and hotels as well as confectionery and boxed lunches for transportation-related retailers.

On the other hand, the business areas where the COVID-19 impact was small or, conversely, it had a positive impact are the D areas circled in red on the slide. First is the wholesale business for the retail industry. Next is the e-commerce business. These are all due to the increase in at-home demand. We believe that the potential for sustainable growth and enhancement of our corporate value lies in these business areas, and we implemented various strategies in these areas in fiscal 2020.

At the same time, we have been promoting a market expansion strategy for our businesses of restaurants, bars, and hotels into the new markets such as the retail market and the e-commerce market.

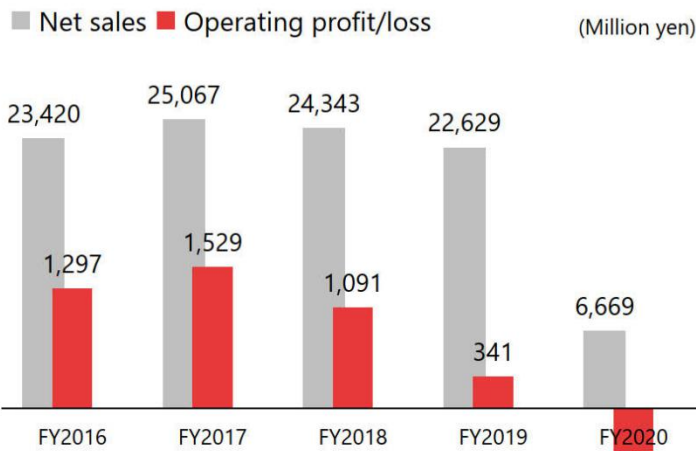
And in the e-commerce business, with an eye on the post-COVID-19 era, we are working to expand the scale of our business through digital transformation.

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Number of persons using Haneda and Narita airports (Thousand people)

	FY2016	FY2017	FY2018	FY2019	FY2020
Haneda Airport	81,735	88,532	85,487	81,707	19,713
Narita Airport	37,249	38,962	41,238	39,541	3,050

Source: Ministry of Land, Infrastructure, Transport and Tourism; Airport Management Status Survey

**Post-COVID-19 strategy**

1. Radically reform business structure
2. Gain competitive advantage

- Flatten out the organization to share important data such as purchase, sales, and product compositions
- Implement the PDCA cycle in a timely and speedy manner to improve business performance

(1) Thorough use of store sales data

▽

- Product optimization ⇒ Improve customer satisfaction
- Purchase optimization ⇒ Reduce losses
- Personnel optimization ⇒ Improve (assignment and shifts) productivity

(2) Rationalization efforts  
⇒ Close some stores  
(78 stores operating across 27 airports)



On the next page, I will explain what we think about the 2 businesses that contributed greatly to the Group's earnings, although they have been forced to struggle due to the significant impact of COVID-19.

First is "BLUE SKY" airport store business.

Although the business used to generate large profits, competition from other companies has become fierce. Therefore, as our strategy for the post-COVID-19 era, we are working firstly on a fundamental business structure reform and secondly on gaining a competitive advantage. Specifically, by flattening the organization we are trying to share important data such as those on purchases, sales, and product mix and improve our performance by rotating the PDCA cycle in a timely and speedy manner.

We will optimize the following 3 items by utilizing the critical data. First, we will increase customer satisfaction by optimizing products. Next, we will reduce food losses by optimizing purchasing. Thirdly, we will increase productivity by optimizing staffing and shifts.

And as part of our rationalization efforts, we will scrap some stores.

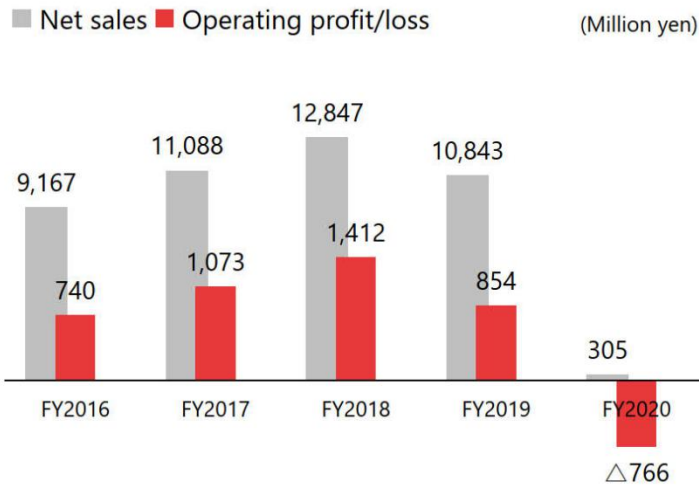
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# 19 "JAL DUTYFREE" Duty-Free Stores: 5-Year Trend



Number of inbound tourists (Thousand people)

	FY2016	FY2017	FY2018	FY2019	FY2020
Inbound	24,823	29,772	31,626	27,768	242

Source: Japan National Tourism Organization (JNTO); Japan Tourism Statistics

**Considerable time needed for recovery of global air passenger demand**

According to a July 2020 report by the International Air Transportation Association (IATA), global air passenger demand is expected to return to 2019 levels in 2024

(1) Ongoing cost reduction efforts

- ① Full-time secondments
- ② Relocation of personnel to BLUE SKY after COVID-19

(2) Inbound tourism from East Asia (the main customer base)

- ① Expected to recover earlier than the global inbound tourism market



Next, I would like to talk about the "JAL DUTYFREE" store business.

This business also used to realize significant revenues with the increase in inbound tourism. However, in short, I believe that now is the time for patience for this business. This is because it is said that it will take a considerable amount of time for global passenger demand in aviation to recover. In July 2020, IATA announced that a recovery to pre-COVID-19 levels is expected in 2024. Therefore, we will continue our efforts to reduce costs.

Meanwhile, our main customer base is in East Asia. We believe that the recovery of inbound tourism from East Asia will be faster than the worldwide recovery, so we will steadily prepare for the early recovery in the region.

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## 20 Non-Aviation and Airport Business Domains

### **Driving initiatives in non-aviation and airport business domains to reduce concentration risk and achieve growth strategy**

#### Regional Revitalization and Agribusiness Industry Projects

- Made policy decision to **focus on the food business** where the JALUX Group has built up significant management resources over many years
- Through partner strategies with local governments and leading retail businesses, the Group is engaged from many perspectives in businesses that are directly linked to sustainability and sustainable development of local economies through food
- **Growth strategy = (Product lineup) × (Retail store lineup)**

1. Expansion of product lineup → Partner strategy with local governments (E.g., Comprehensive partnership agreement with "Food Valley Tokachi" in Obihiro City, Hokkaido)

2. Expansion of retail store lineup → Partner strategy with retail businesses (E.g., Collaboration and cooperation with National Supermarket Association of Japan)

#### Enhanced retail e-commerce businesses through digital transformation (DX)

- Actively adopting digital technologies and improving the sophistication of understanding and analyzing consumer trends through e-commerce sites, including the "JAL Shopping" mail-order business and JAL Hometown Tax service "JAL FURUSATO NOZEI" enabling diversion of taxes to selected hometowns, with the aim of increasing value-added for customers and rapidly growing the size of businesses



I will add some more explanation about our efforts in the non-aviation and non-airport business areas.

The aim of these initiatives is to reduce concentration risk and to work towards our growth strategy. The first is the project for regional development and the so-called sixth-order industrialization; revitalize the primary industry by leveraging the secondary, or manufacturing, industry and the tertiary, or service, industry. We have decided to focus on the food business, where we have abundant management resources since our group has built them up over the years. We will work on a multifaceted approach to sustainable local economic development and businesses directly related to sustainability through food, using a partnership strategy with local governments and retailers.

The growth strategy for this project is to multiply the product lineup and the retail shop lineup. First, in terms of expanding our product lineup, we are pursuing a partnership strategy with local governments. Secondly, for the expansion of our retail shop lineup, we are proceeding with a partnership strategy with retailers.

The next step is to strengthen the retail e-commerce business by introducing DX, digital transformation. We will proactively introduce digital technology to e-commerce sites such as "JAL Shopping", a mail-order business, and "JAL Furusato Nozei", a hometown tax service. By a more sophisticated understanding and analysis of consumer trends, we aim to increase the added value we provide to our customers and quickly expand the scale of our business.

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## Forecasts for the Fiscal Year Ending March 31, 2022

## Premise for the business forecasts

- We assume that the severe business environment will remain unchanged as the spread of the COVID-19 continues
- Regarding vaccination, which is the key to ending COVID-19, the first thing to note is that securing the quantity of vaccine is progressing. Second, we assume that the progress of vaccination will move from confusion to expediting and that there will be a recovery trend toward the end of the fiscal year
- Passengers on domestic flights will begin to recover from Q2 onward, while the trend of international passenger traffic is highly uncertain

(Published figures)

(Million yen)

Consolidated Earnings Forecasts	March 2021	March 2022 (E)	Year over Year	Year over Year (%)
Net sales	80,346	<b>110,000</b> (Rf)	+29,654	136.9%
Operating profit/loss	△2,915	<b>300</b> (Rf)	+3,215	-
Ordinary profit/loss	△2,426	<b>200</b>	2,626	-
Ordinary profit/loss	△2,366	<b>100</b>	2,466	-
Profit/loss attributable to owners of parent [EPS] (yen)	△187.16	<b>7.91</b>	195.07	-

Since the beginning of the fiscal year ended March 31, 2022, "Accounting Standard for Revenue Recognition" (ASBJ\* Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 26, 2021) have been adopted. Ordinary profit, profit attributable to owners of parent, and earnings per share are expected based on this standard. \*The Accounting Standards Board of Japan.



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I will explain our business forecasts for fiscal 2021.

First of all, as a premise for the business forecasts, we assume that the severe business environment will remain unchanged as the spread of the COVID-19 continues. Next, regarding vaccination, which is the key to ending COVID-19, the first thing to note is that securing the quantity of vaccine is progressing. Second, we assume that the progress of vaccination will move from confusion to expediting and that there will be a recovery trend toward the end of the fiscal year. Furthermore, passengers on domestic flights will begin to recover from Q2 onward, while the trend of international passenger traffic is highly uncertain.

We forecast net sales at JPY110 billion, operating profit at JPY300 million, ordinary profit at JPY200 million, and profit attributable to owners of parent at JPY100 million. For the current fiscal year, we expect to turn into the black. It will depend on how quickly vaccination progresses in the future, but we will continue to aim for even higher levels.

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(Million yen)

Net Sales by Segment	March 2021	March 2022	Year over Year	Year over Year(%)
Aviation & Airport	28,640	<b>43,000</b>	+14,360	150.1%
Life service	13,979	<b>14,000</b>	+21	100.2%
Retail	20,296	<b>33,000</b>	+12,704	162.6%
Food & Beverage	17,857	<b>21,000</b>	+3,143	117.6%
Eliminations	△427	△ <b>1,000</b>	△573	
Total	80,346	<b>110,000</b>	+29,654	136.9%

Note: Sales including inter-segment transaction

- |                    |   |
|--------------------|---|
| ➤ Aviation&Airport | : Expect recovery in the maintenance business of aircraft engine  |
| ➤ Life service     | : Expect relatively unchanged year over year  |
| ➤ Retail           | : Expect recovery in the domestic airport store business with increasing domestic passenger                                   |
| ➤ Food&Beverage    | : Expect recovery as easing restrictions on movement and contact.<br>Driving initiatives in non-aviation and airport business |



The forecasts for segment sales are shown in the table here, and I will explain the details of each segment later.

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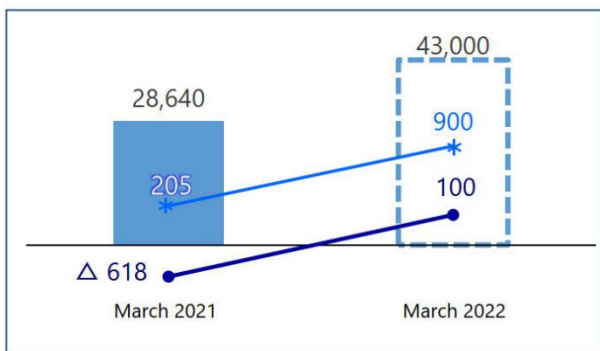


(Million yen)

Aviation & Airport	March 2021	March 2022	Year over Year	Year over Year(%)
Net sales ※1	28,640	<b>43,000</b>	+14,360	150.1%
Operating profit/loss△ ※2	205	<b>900</b>	+695	439.0%
Ordinary profit/loss	△618	<b>100</b>	+718	—

※1 Net sales and Operating profit including inter-segment transaction

※2 Operating profit/loss before allocating common expense



## Remarks

- Expect recovery in the aircraft parts sales in the maintenance
- Profit increase in the absence of one-time write down of used aircrafts in FY2020
- Equity in earnings of affiliates from the overseas airport operation business is not expected to recover significantly

First, the aviation and airport segment.

We expected ordinary profit of JPY100 million. This is due to a recovery in the aircraft engine parts sales business and an increase in profit from the absence of a one-time loss from the write-down of aircraft parts in the previous fiscal year. Meanwhile, equity in earnings of affiliates from the overseas airport operation business is not expected to recover significantly.

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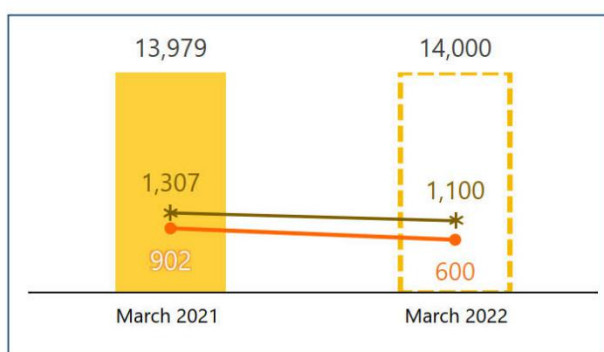
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(Million yen)

Life Service	March 2021	March 2022	Year over Year	Year over Year(%)
Net sales ※1	13,979	<b>14,000</b>	+21	100.2%
Operating profit/loss ※2	1,307	<b>1,100</b>	△207	84.2%
Ordinary profit	902	<b>600</b>	△302	66.5%

※1 Net sales and Operating profit including inter-segment transaction

※2 Operating profit before allocating common expense



## Remarks

- Expect relatively unchanged YoY in the real estate business
- Expect flat YoY in the insurance service business
- Expect to Increase sales and rationalization in the road-related machinery & materials business
- Decrease in profit in reaction to the one-time dividend income and business generated in the previous fiscal year



Next is the life service segment.

We forecast ordinary profit of JPY600 million. This is because the real estate business and the insurance service business will be flat YoY, there will be a rise in sales and rationalization in the road-related materials and equipment business, and a decrease in profit in reaction to the one-time dividend income and business generated in the previous fiscal year.

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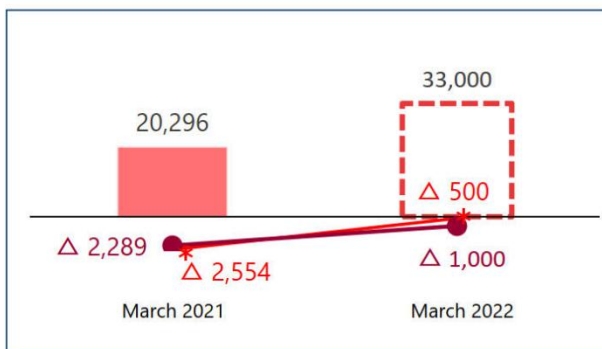
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(Million yen)

Retail	March 2021	March 2022	Year over Year	Year over Year(%)
Net sales ※1	20,296	<b>33,000</b>	+12,04	162.6%
Operating profit/loss ※2	△2,554	△ <b>500</b>	+2,054	—
Ordinary profit/loss	△2,289	△ <b>1,000</b>	+1,289	—

※1 Net sales and Operating profit including inter-segment transaction  
 ※2 Operating profit/loss before allocating common expense



## Remarks

- The business of "JAL DUTYFREE" shops remain difficult since passenger recovery on international flights take time
- Expect to get out of red in the "BLUE SKY" domestic airport store business due to the recovery in domestic passenger traffic
- Expect a profit increase in "JAL Shopping" by developing products meeting the increasing demand for home shopping Ex) JAL Lounge Curry
- Expect a profit increase due to business expansion and growth of the "JAL FURUSATO NOZEI" hometown tax service



Next is the retail segment.

We expected ordinary loss of JPY1 billion. This is because, first of all, passenger recovery on international flights will take time so the business environment for "JAL DUTYFREE" shops will remain difficult. On the other hand, due to the recovery in domestic passenger traffic, the "BLUE SKY" domestic airport store business is expected to get out of the red ink. In "JAL Shopping", we will expand products to meet increasing demand for home shopping and expect an increase in profit. We also expect a profit increase due to business expansion and growth of the "JAL Furusato Nozei" hometown tax service. This is what we expect for the retail segment.

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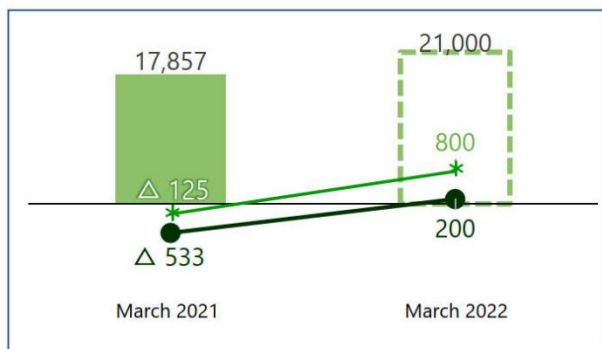
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(Million yen)

Food & Beverage	March 2021	March 2022	Year over Year	Year over Year(%)
Net sales ※1	17,857	<b>21,000</b>	+3,143	117.6%
Operating profit/loss ※2	△125	<b>800</b>	+925	—
Ordinary profit/loss	△533	<b>200</b>	+733	—

※1 Net sales and Operating profit including inter-segment transaction

※2 Operating profit/loss before allocating common expense



## Remarks

- Expect to increase the demand gradually from restaurants and hotels
- Strengthen wholesale to supermarkets, a non-aviation and non-airport business area. Ex)JALUX fair
- Expect to discover, develop, and expand sales of local products by promoting the Regional Revitalization and Agribusiness Industry Projects



Finally, the food & beverage segment.

We expected ordinary profit of JPY200 million. We expect that demand from restaurants, bars, and hotels will gradually recover from Q2 onward. We will strengthen wholesale sales to supermarkets, a non-aviation and non-airport business area. By promoting the regional development and the sixth-order industrialization project, we expect to discover, develop, and expand sales of local products. This is what we expect for the retail segment.

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## 27 Basic Strategy and Sustainable Growth

«Positioning **“Accelerate Innovation”** and **“Promote Sustainability”** as two key management strategies while targeting business recovery in the short term and sustainable growth in the medium to long term»

### “Accelerate Innovation”

- Accelerate initiatives in domains derived or merged from existing businesses
- Actively adopt and utilize digital technologies → JAL Shopping, JAL Hometown Tax, etc.
- Take on the challenges of open innovation (have already invested in food-related venture business investment funds)

Building of an innovation system:

1. Establish an Innovation Promotion Committee to reflect the intentions of management
2. Form a company-wide Innovation Team with a focus on young members to generate a wide range of innovation ideas → Pursue opportunities for new business investment

### “Promote Sustainability”

- Work on solving environmental and social issues, target sustainable growth for the Group, and promote sustainability management to realize a prosperous society

<Five key material issues (materialities)>

Many interviews were held internally and externally, and key issues were analyzed, discussed, and determined, from the perspectives of stakeholder expectations and demands, and their impact on the Group



Lastly, I will explain our approach to sustainable growth.

Our basic policy is to position the promotion of innovation and sustainability as the 2 drivers of our management strategy: aiming for both a short-term recovery in business performance and sustainable growth over the medium to long term.

First, in terms of promoting innovation, we will accelerate our efforts in areas that are derived from existing businesses and those that have merged with existing businesses. We will actively introduce and utilize digital technology to grow businesses such as "JAL Shopping" and "JAL Furusato Nozei". We will also promote the challenge of open innovation.

Next, with regard to the promotion of sustainability, we will work to solve environmental and social issues, aiming for sustainable growth of the Group, and promote sustainability management to realize a prosperous future.

This time, we have identified 5 materialities, key issues. As part of the materiality identification process, we conducted a number of internal and external interviews and have analyzed, discussed, and passed resolutions for relevant issues from the perspective of stakeholder expectations and requests and the impact on the Group.

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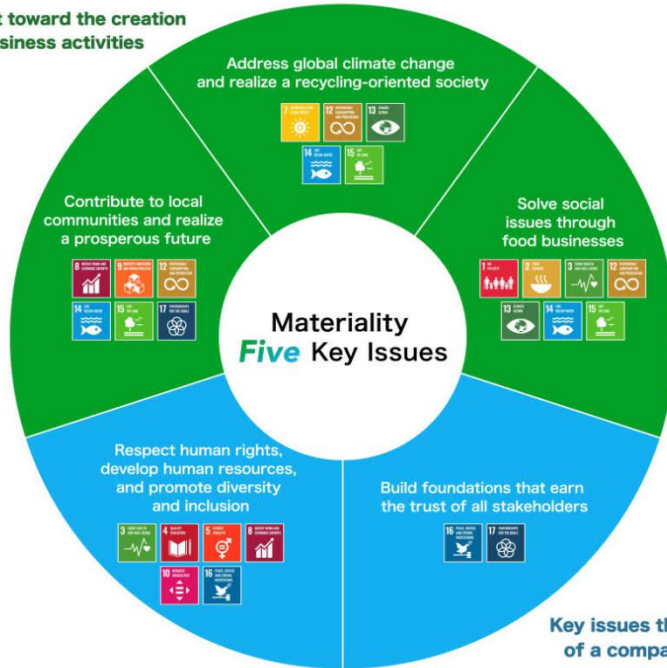
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The JALUX Group is committed to solving a range of environmental and social issues through corporate activities while realizing sustainable society and continually improving corporate value. Incorporating sustainability perspectives into management and business strategies, it will also drive sustainability management in order to realize a prosperous society.

Key issues that can make an impact toward the creation of a better society through business activities



Key issues that will become foundations of a company and business activities



The two pages are the detailed explanation posted on our website on May 25.

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<p><b>Address global climate change and realize a recycling-oriented society</b></p> <p>To realize carbon neutrality by 2050 and recycling-oriented society across the entire supply chain as initiatives towards global environmental issues, we are working to collaborate with stakeholders in all business domains of the JALUX Group.</p>	<p>Related SDGs</p> 
<p><b>Contribute to local communities and realize a prosperous future</b></p> <p>We aim to develop and grow together with local communities through expanding nationwide network, delivering regional products to more consumers than ever and helping create sustainable production systems throughout Japan.</p>	
<p><b>Solve social issues through food businesses</b></p> <p>Leveraging the strengths of the JALUX Group in developing businesses across the entire supply chain, from raw material procurement and production to distribution and sales, we endeavor to solve food-related social issues surrounding food safety, food loss and waste, recycling and upcycling, ethical consumption, and sustainable food supply in each phase.</p>	
<p><b>Respect human rights, develop human resources, and promote diversity and inclusion</b></p> <p>We respect human rights in all our corporate activities. We also work to develop our diverse human resources to enable each of them to reach their full potential and create new value.</p>	
<p><b>Build foundations that earn the trust of all stakeholders</b></p> <p>We strive to pursue transparency in corporate management and do our best to provide safe, high-quality products and services with sincerity backed by a commitment to compliance.</p>	



That is all for my explanation. Thank you very much for your kind attention.

[END]

**Document Notes**

1. Portions of the document where the audio is unclear are marked with [Inaudible].
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