CFO KIKUYAMA commenced the session through the following opening remarks:

1. Recent trends in international passenger, domestic passenger and cargo business
   For international pax, there is rapid recovery for Japan-bound and transit routes. However, recovery for demand from Japan is slow. Business demand for Japan is recovering from the 4th quarter. We are also paying close attention to the situation in China, with preparation to return supplies.
   For domestic pax, while the set target is high, we believe demand for December will return to around 90% of pre-pandemic levels. The effect of the 8th wave of infections is assumed to be limited. Demand from regional areas and group tours are recovering, and the current demand for regional areas is above 80% of pre-pandemic levels.
   For cargo, revenue is in line with the forecast. The overall supply-demand balance of the market is loosening, but we have managed to keep unit price at a competitive level.

2. Costs
   While variable costs are increasing from increase in supply, actual fixed costs are managed appropriately.
   Regarding the market, we have revised the assumption for the second half to Singapore Kerosene at 125USD/bbl and the fx rate at 145JPY/USD, while the recent market is Singapore Kerosene at 102USD/bbl and the fx rate at 137JPY/USD. If this level continues, the profit improvement is assumed to be about 2~3 billion yen per month.

Major Q&As:
Q Please explain why demand for flights for international pax from Japan is weak, according to leisure/business demand.
A For leisure, the effect of currency rates and fuel surcharge is significant. For example, ZIPAIR is capturing demand as it has no fuel surcharge. Business demand is less affected by currency rates and fuel surcharge, but the regulation on business trips is yet to be revised for many companies.

Q How do you see the yield for international passenger? There is pent-up demand while supply is also expected to increase.
A Although overall supply is expected to increase, many airline companies are struggling to return supply while demand continues to be strong. Thus, the tight supply-demand situation is expected to continue. If Chinese routes return, yield is expected to decrease due to route effects, but this would be positive as passenger numbers will increase.

Q What do you think about prices for domestic pax from next fiscal year onwards?
A This is an important topic, and we are taking into account many possibilities such as increases in domestic fares.
Q Why is volume for international cargo for your company relatively stable compared to the downward trend in the market?
A Due to long-term contracts comprising a part of our cargo, and our competitiveness in transporting pharmaceuticals and other urgent needs with a high unit price.

Q Please explain the recent trends of the Mileage, Lifestyle and Infrastructure business domain
A The mileage business is especially strong in terms of recording stable profits, which we anticipate as our growth driver. The Travel business and Contracted Services business are steadily recovering in line with the recovering air transport demand.

Q Please explain the recent situation of the LCC Business Domain
A ZIPAIR is performing very strongly. The new San Jose route is anticipated to capture demand. Spring Japan depends on the situation in China and Jetstar Japan is struggling due to delayed domestic demand for flights from Narita.

Q About dividends
A Although our commitment to resuming dividends has not changed, we have decided the dividends amount as “undecided” as it was necessary to access the business environment. We would like to provide more details as soon as possible, after the financial results announcement for the 3rd quarter.