

FY2025 CFO Small Meeting Thursday, December 18th, 2025

■Part 1 (13:30~14:30) (60 minutes)

Topic: Current Business Situation and others

Speakers: SAITO Yuji, Representative Director, Executive Vice President

YUMISAKI Masao, Executive Officer, Senior Vice President-Finance & Accounting, Senior Vice President-Business Administration

■Part 2 (14:30~15:00) (30 minutes)

Topic: JAL's opportunities and issues from the perspective of Outside Independent Director

Speaker: YANAGI Hiroyuki, Outside Director

【PART 1】

■Opening remarks on the current situation from Executive Vice President Saito

■Main Q&A

Q1: Please explain the background reasons of the strong yield on International Passenger and outlook going forward.

A1:

In the first half, fuel surcharge decreased but the actual unit price did not. Inbound demand has remained strong, and due to the extremely tight supply and demand, the unit price significantly increased in Q3. Additionally, business demand from Japan has been growing month by month even now, and we expect it to recover to about 80% of the pre-COVID levels within this fiscal year.

Due to limited aircraft and pilot resources, U.S. airlines have given low priority to Japan routes and have not increased flights, creating extremely tight supply-demand conditions especially on Japan-North America routes. Further analysis is needed on why these routes capacity is not increasing, but it may be that Japan routes have become less attractive for them or the cost structure due to exchange rates makes it easier for JAL to make profit.

In any case, the competitive environment is very favorable for JAL.

Q2: Contrary to the strong performance on America routes, domestic consumption in the U.S. is polarized. Are there concerns about economic downturn effects in the future? What is your view?

A2: We have concerns that the U.S economy could worsen but we do not expect a major recession. Currently, there are no signs of slowdown and reservations remain very strong.

Q3: What would happen if the Russia-Ukraine war ends and the airspace over Russia reopens?

A3: Flying over Russian airspace would free up crew and aircraft resources, creating opportunities for increasing supply on America routes, for example. Meanwhile, for Europe routes alone, since other airlines have not increased supply at all, competition is even better than the North American routes. We need to closely watch how European carriers expand supply and how that increase affects the competitive environment after reopening.

Q4: Please explain the situation of ZIPAIR.

A4: Performance of Q2 alone was weak because of aggressive yield management during the summertime, which was in fact a weak demand period, worsened the load factor. However, pricing policy has been adjusted in Q3 and the performance is improving.

Q5: What is the performance outlook of the next fiscal year or later?

A5: The next fiscal year will be a challenging year for us. This fiscal year included fuel subsidies and special profits from company accommodation sales, but these positive factors will disappear next year. Supply will not increase either so it will be a plateau. However, mid-term growth is made through increasing supply with aircraft purchase and expansion of the mileage business.

Q6: Please explain the latest ASK outlook for Domestic Passenger, International Passenger, and LCC of FY2026 and onward and the factors driving profit growth.

A6: For Domestic Passenger, supply will be reduced through fleet downsizing and route restructuring. International Passenger will grow with larger and additional aircraft. ZIPAIR (LCC) will also increase the number of aircraft. By FY2030, the whole group plans to increase the international supply roughly 1.3 times larger than that of FY2025.

Profit growth factors include International Passenger (JAL and ZIPAIR) and the Mileage/Finance & Commerce business. The Mileage business, in addition to organic growth, will achieve non-continuous growth including M&A. On the other hand, challenges remain on Domestic Passenger, where currently profit margin is about 1%. By FY28, aiming to restore a pre-Covid profit margin level of 10% through measures including aircraft replacement.

Q7: Regarding International Passenger supply, while the group plans 1.3 times increase by FY2030 compared to FY2025 including ZIPAIR, what about JAL alone?

A7: About 115%. JAL will upscale aircraft size and modify seat numbers by introducing 787-9s and A350-900s, not by increasing the number of aircraft.

Q8: What measures will be taken to expand the Mileage business, and what are the challenges?

A8:

The Mileage business has grown steadily. Currently, 30% of miles issued come from aviation, 70% from other than aviation so the external mile issuance is large.

Miles earned via JAL Card payments grow about 10% annually and will continue increasing.

We will also strengthen mileage points redemption to other points. This year, we invested in Money Square, an FX trading company, who provides mileage points through FX trading. (This acquisition of equity, not just a partnership agreement, allows them to share JAL's customer base and creates stronger synergy effects.)

However, mile redemption is a challenge. Although 70% of mile issuance is non-aviational, about 80% of redemptions are made to award air tickets. No matter how many mileage points are issued, growth will stall if redemption remains mostly to airline tickets. We need to create attractive alternatives to award tickets, such as entertainment or lodging experience, as new mileage redemption options.

Q9: Please explain the medium-to-long term growth outlook for mileage points issuance.

A9: Although airline capacity will not grow, currently the most mile redemptions are made to award tickets. Our award ticket policy requires more mileage points but guarantees reserved seats. However, this alone is not sufficient for growth so it is necessary to add alternative redemption options.

There are two major scenarios for increasing mileage points issuance: One is expanding issuance occasions for the current mileage members (i.e., through acquisition of Money Square).

The other is expanding the customer base by targeting new customers, increasing issuance occasions, other than aviation, and inviting them to our mileage membership program.

Q10: Please explain financing plans including those for future aircraft investment.

A10: This year, we issued perpetual subordinated bonds to prepare for hybrid finance repayments. Going forward, substantial growth investment funds will be needed so we will continue financing accordingly.

Q11: What is the balance between growth investment and shareholder returns in the next medium-term management plan?

A11: From FY21-25, growth investment was restrained to overcome COVID-19. Going forward, growth investment will increase. Our shareholder return policy will maintain a dividend payout ratio of 35% and the total payout ratio of 50%. Regarding share buyback toward the 50% total payout ratio going forward, we will make a balance between share buyback and growth investments.

Q12: How do you absorb cost increases from next fiscal year onward?

A12: Costs are expected to rise over 3%, with labor cost increasing over 3%. Traditionally, cost increases have been handled by cost-cutting. We will continue strict cost management but cost-cutting has limits. The business model must be changed to increase revenue continuously to offset cost increases. Load factors on International and Domestic Passenger remain very high, so yield improvement is a key to raise revenue. We will also review the right approach for Domestic Passenger, in which profitability is deteriorating. Also, productivity improvements will offset labor cost increases, which are expected to an inflation rate. We are thriving to improve operational efficiency by 30% at airports, call centers, and back-office departments and we would like to expand these efforts to other departments.

Q13: How does the rise in interest rates affect business management?

A13: Most of the debts have fixed interest rates so the impact is minimal.

Q14: Please provide the latest update on aircraft deliveries considering Boeing's manufacturing recovery, including adjustments in deliveries schedules and plans for each aircraft type.

A14: There is nothing new. We constantly confirm delivery status with Boeing and Airbus. This fiscal year, ZIPAIR's 9th and 10th aircraft are arriving as planned. Others will be introduced after FY28. Some delays exist but no major delays are expected. We will respond to delays by extending use of existing aircraft.

Q15: Please share with us the progress of measures with authorities for improving Domestic Passenger profitability.

A15: Currently, we have increased yield to increase revenue for Domestic Passenger. Our efforts include reducing supply by downsizing aircraft from 767 to A321. Industry-wide, the government-led advisory council meetings are reviewing the future of domestic aviation. One factor of the deteriorated profitability is demand structure changes leading to the over-supply situation. Since Covid-19, business demand decreased due to widespread use of online meetings, and the business passenger number recovery is about 80% of pre-Covid levels. Lost demand is being replaced with leisure passengers, causing yield declines.

Also, about 40% of costs are paid in foreign currency. Weakened yen and escalation are

pushing costs up. This cost increase has not been fully offset by yield increases. These are the two main factors that have deteriorated profitability.

The council meeting is discussing how to establish an appropriate supply level, even with the Fair Trade Commission. Their conclusion is expected to be announced in May next year.

Q16: Regarding domestic aviation structural reforms, when do you expect effects to become visible?

A16: New government policies are expected to be announced in May 2026. Based on that policy, networks will be reorganized, including code-sharing with other companies and flight schedule coordination with other airlines.

We expect network reorganization will start in mid-FY2027 and profit improvement will be reflected from FY2028 onwards.

Q17: In the council meeting, has fuel surcharge been discussed?

A17: Fare discussions are not allowed in the meeting. I also believe that it is no good to limit the discussion at the council to regional routes. Even for Haneda and Itami routes, supply optimization while maintaining network with antitrust exemption is necessary. We have been making this argument to the government. Another challenge is routes competing with bullet trains. Since bullet trains can be an alternative for those rain-competing routes, whether air transportation service should be fully provided for those routes should be discussed further.

Q18: Please explain the impact of Japan-China- relations.

A18: Revenue on China routes declined about approximately 10% in November and 20–30% from December year-on-year. However, China routes account for a small share about 8% of total international flights including LCCs.

Therefore, the 20–30% drop of revenue results in only a 2–3% reduction impact of the overall revenue.

If prolonged, the impact would grow, but this year's shortfall can be sufficiently covered by strong performance in other routes. Cancellation is increasing in group tours but JAL does not carry group tour passengers in the first place so its impact is limited.

[PART 2] Dialogues with an Independent Outside Board Member

Overview of main agenda and discussions for the next medium-term management plan and the progress update of the alcohol-related issue initiatives, addressed by Mr. Yanagi.

(1) Next Medium-Term Management Plan

The next medium-term management plan will focus on not only growth strategies for the aviation business but also ongoing business restructuring and group-wide value creation. Corporate growth strategies can generally be categorized into two patterns: One pattern is to complement the core business with other businesses and grow them together, while the other is a domain-fusion type in which several technologies are horizontally integrated across several domains.

For JAL, I think the former pattern is more appropriate and the challenge is how to grow further after complementing the core business. Therefore, the key discussions are what should be done to foster a culture of challenge and how to allocate resources to business domains with growth potential.

(2) Group Management Issues

Any corporate groups have to face governance issues.

JAL has roughly 50 consolidated subsidiaries, which is rather a small group, and they are small and located far away, which makes them distant.. Such “distant and small” companies tend to have weak governance so governance issues should be discussed further within JAL Group.

(3) Current Status of Alcohol-Related Issues

The true nature of JAL’s recurring alcohol-related incidents is that self-discipline of each employee was not enough to guarantee safe air travel yet, even though the company’s alcohol testing system is working properly.

In that regard, organizational cultural reform is indispensable. Namely, the key point will be how to build a system where safe operations are guaranteed by the self-discipline of each employee, in addition to enforcement. Therefore, in addition to strict review by the internal committee, going back to basic principles for safety promotion, which are the root of JAL’s safety consciousness is crucial. We started with having direct dialogues between management executives and flight crew in order to feel closely with each other, which triggered spontaneous initiatives among the flight crew. I think a big movement is about to start now.

■Main Q&A

Q1: Regarding the next CEO, how does the nomination committee weigh factors in the nomination processes? What skill requirements are considered in the process?

A1: The most important value for the current management team is how to create and enhance customer value.

Cross-functional collaboration between customer experience and solution sales is indispensable. We need a leader who leads this value creation so that we develop such leaders and let them challenge bravely. Also, we need supplementary growth for the entire group. We need leaders and management for such objectives.

Q2: M&As are more likely ever in the mid-term.. Please explain your approaches and considerations.

A2:

From my own experience and past succeeded cases, there are three keys for success:

- Whether the grand design of the business is properly drawn.
- Whether market assessment and self-capability assessments are properly and objectively made. Improvement of such objective assessment requires data analysis skills and absorbing opinions from various departments.

- Whether the company-wide approach is undertaken.

Especially corporate divisions’ role in assessment and support are critical. Failures often occur when these three key elements are not met, particularly in post-merger-and-acquisition integration process.

Q3: Please summarize how the company has changed over the past three years.

A3: The management aims for a challenge-oriented culture but there are challenges. The company has experience of facing big difficulties so that business management skills on a daily-basis and quick reactions to industry changes are superb. However, challenges remain in challenging new value creation. I think JAL’s employees share the corporate values but the challenge remains in turning such values to changes in actions. Pilots and

cabin crew have changed to act with a “I am JAL” mindset and they have started to take on challenges now. Increasing such human resources with such a mindset company-wide is a key point and in that perspective we need human resource investment.

Q4: The phase of COVID recovery is ending, that is, JAL is now tackling unclear challenges to aim higher, after completing clear targets. Do you think the current initiatives are enough to overcome those unclear challenges?

A4: Yes, but more challenge-oriented personnels are necessary. JAL’s core business is air transportation and they are developing supplementary businesses. Too much weighing on the supplementary businesses may harm the overall balance so that both businesses have to grow. They have to take on challenges by breaking away from the mindset of “it is impossible”. Once initiatives to encourage challenges have been established, big changes will occur.

End.