Financial Report for the Second Quarter ending March 2023, Major Q and As

■ Overall performance

Q1. Please explain this quarter's performance (July to September) in comparison to the initial performance forecast.

A1. As EBIT was ▽24 billion yen below the initial forecast for this quarter, the EBIT for the first half was ▽4 billion yen below the initial forecast. Breaking down this quarter's performance, revenue was ▽31 billion yen below the forecast, costs were in line with the forecast, and the others category was +7 billion yen above the forecast.

■ Revision of the full-year performance forecast

Q2. Please explain in detail the "Others", which has increased by 17 billion yen from the initial forecast.

A2. The "Others" include factors such as gain/loss on sales of aircraft, employment adjustment subsidies, share of profit/loss of investment and income/expenses from investment. In addition to the current rise in market prices for used fleets, the yen's depreciation has significantly increased the revenue from sales of aircraft.

■ Revenue per passenger

Q3. Please explain how the revenue per passenger for International Pax in the second half is expected to exceed the initial forecast.

A3. Fares are likely to increase due to the tightening supply/demand balance especially from the strong demand and high load factor on the North America and Southeast Asia routes. Net unit price is expected to increase from the effects of revenue management. In addition, revenue per passenger is expected to further increase from the rise of fuel surcharge and increase in foreign currency-denominated fares from the yen's depreciation, as well as from the increased ratio of long-distance routes with higher fares as China's "Zero-COVID" policy continues and demand for Chinese routes remain low.

■ Break-even point

Q4. Are there any changes to the marginal profit of domestic/international pax for the second quarter?

A4. Although it is quite difficult to answer clearly from the rapidly changing market for fuel and foreign exchange, the Full Service Carrier business domain had recorded a black result of 16.6 billion yen in the second quarter, with passenger number compared to pre-COVID being 75% for domestic pax and 40% for international pax. As we had originally guided EBIT profitability to be achieved at 80% for domestic pax and 40% for international pax, the break-even point has clearly decreased.

■ Market share

Q5. How do you see your market share for international pax and domestic pax going forward, as foreign competitors start to bring back their supply?

A5. For international flights to/from Japan, we expect Japanese carriers including our company to maintain a high market share, even with increased supply from foreign competitors expected in the second half.

For domestic, we have expanded our market share compared to pre-COVID by almost completing the replacement of large aircrafts with the A350-900s, and maintaining supply levels for the routes with high demand. This trend is not expected to change significantly in the second half.