

Financial Report for the Third Quarter ending March 2024, Major Q And As

■ Overall performance

Q1: Please explain this quarter's performance (October to December) in comparison with the plan.

A1: EBIT for the third quarter was 37.7 billion yen. Compared to the plan, EBIT was about +11.0 billion yen (above the plan), revenue was about +4.0 billion yen, and expenses were about ∇ 7.0 billion yen (decrease in expenses). For revenue, +4.0 billion yen was from domestic passenger revenue, for expenses ∇ 4.0 billion yen was from fuel costs (decrease in expenses), and the remainder is a decrease in aircraft depreciation and external service expenses.

■ Full-Year Performance Forecast

Q2: With factors such as the accident of JL516 resulting in an operating loss of 15 billion yen, and international passengers underperforming, please tell us about your countermeasures to achieve the annual EBIT forecast of 130 billion yen.

A2: We believe that achieving 130 billion yen in EBIT is fully possible. Passenger demand for international passengers did not recover as expected in December. In particular, we could not fully capture transit demand from overseas passengers connecting to Japan, so we have revised our strategy for February and March. We also expect to be able to maintain the current level of revenue per passenger. Passenger demand for domestic passengers in January seems weaker than expected, but this is due to reduced flights following the closure of Runway C at Haneda Airport, and the impact is temporary.

Q3: Is the insurance payment for the accident on JL516 included in the full-year EBIT forecast of 130 billion yen.

A3: Insurance for the accident of JL516 is not included in the full-year forecast as the timing of payment is currently unknown. Therefore, if the loss of 15 billion yen due to the total loss of the aircraft is not taken into account, EBIT for the full year would be 145 billion yen.

■ International and Domestic Passengers

Q4: Although revenue per passenger for international passengers is favorable, please tell us if there are any concerns that revenue per passenger will decline going forward.

A4: We expect to be able to maintain the same level of revenue per passenger in the fourth quarter as in the third quarter. In the long run, there may be a gradual decline, but we believe that the current high level can be maintained at least until the second quarter of

the next fiscal year.

Q5: Growth in demand from Japan for international passengers is trending lower than expected. What are your prospects for recovery?

A5. Tourism demand from Japan is still low and there are limited signs of recovery as of now. However, rapid recovery is seen during peak periods such as the New Year holidays and the long holiday in May especially for business class and those who had been traveling overseas prior to the COVID-19 pandemic. Our task is to attract younger passengers who did not have the opportunity to travel overseas due to the pandemic. We are working to meet the needs of younger passengers and stimulate demand for overseas travel by launching measures such as the 70th anniversary campaign and a campaign for free in-flight Wi-Fi.

Q6: Regarding international passengers, there is a possibility that the supply-demand balance on North American routes will loosen due to factors such as the return of flights by U.S.-based carriers. What is your view of the North American market going forward?

A6. For international routes, North American and Southeast Asian routes are particularly strong in demand and profitable. Total market supply in the North American market has returned to pre-pandemic levels, but both JAL and ZIPAIR have been able to increase their market shares and will continue to strengthen their initiatives. As for European routes, JAL will begin service to Doha on March 31. This is our first entry into the Middle East area, but our partner Qatar Airways also flies many routes, and we expect to generate revenue through this route as a southbound connecting flight to Europe.

Q7: The revenue per passenger for domestic flights continues to be high. Please tell us whether you expect this level to remain high going forward.

A7. The increase in revenue per passenger for standard fares and flex fares, for which we have raised prices, will be maintained. Other factors contributing to higher revenue per passenger include changes in the composition of individual and group passengers and the effects of revenue management, which will also be maintained.

■ LCCs

Q8. EBIT for the third quarter was a loss of 1.4 billion. Please explain the reason for the loss amidst the growth of ZIPAIR.

A8. The LCCs consist of ZIPAIR, Spring Japan, and Jetstar Japan (Jetstar Japan is an affiliated company accounted for by the equity-method). ZIPAIR is continuing to

perform strongly. On the other hand, Spring Japan is struggling due to the slow recovery of demand from China. Jetstar Japan is recovering from the previous year, but demand has not fully returned to the pre-pandemic levels. The combination of these factors resulted in a loss for the LCC business domain in the third quarter.

■ Outlook for the next fiscal year.

Q9: Please give details on your outlook for the next fiscal year.

A9: We believe that we will be able to increase both revenue and profit next year.

For international passengers, we expect a recovery in demand from Japan, and we will continue to capture strong business demand. For China routes, conditions are currently difficult, but there is potential for recovery in the second half of the next fiscal year. For LCCs, ZIPAIR will expand its routes.

For domestic passengers, demand has already recovered to pre-pandemic levels. Therefore, we will steadily improve revenue per passenger to improve earnings.

For Cargo/Mail, a new freighter business will be launched.

For Mileage, Lifestyle and Infrastructure, revenue from mileage declined this fiscal year due to a decrease in expiry rates, but the number of issued mileage points is growing steadily, and we forecast this growth will continue.

We will provide more details in the "JAL Group Medium-Term Management Plan Rolling Plan 2024" which is scheduled to be announced on March 21.