Financial Report for the First Half of FY2024 (ending March, 2025), Major Q and As

■Business performance in the first half of FY2024

Q1：Please explain the first half's (April-September) EBIT by business sector, and break down each major upside/downside factor in comparison with the plan.
A1：EBIT was down by 6 billion yen, compared to the plan. On the revenue side, ▽25 billion yen short of the domestic passenger revenue, ▽6 billion yen short of the international passenger revenue, and ▽6 billion yen short of LCC revenue. On the expense side, we cut down fuel costs by ▽24 billion yen and common expenses by ▽6 billion yen, compared to the plan.

Q2：To what extent did weather factors contribute to the short of ▽25 billion yen in revenue of domestic passengers in the first half of the year?
A2: Approximately 3.5 billion yen.

Q3：Was the 3.5 billion yen valuation loss unexpected? Also, does it only affect the second quarter?
A3：A valuation loss of 3.5 billion yen was recorded through the U.S. venture capital fund in which we have invested, but this was not planned. It is a one-time loss.

■Outlook for the Third Quarter and Full-year performance of FY2024

Q4：Even though there is no change in the full-year forecast, please tell us about major upside/downside factors in the second half of FY2024.
A4：Compared to the second half of FY2023, we plan to increase about 34 billion yen EBIT profit. This is based on the assumption of increasing 24 billion yen in business performance (10 billion yen in Full Service Carrier and 14 billion yen in the others) and 10 billion yen through the market conditions of fuel price and FX.

Q5：EBIT in the first half of the year was down by ▽6 billion yen from the plan. How will it be retrieved in the second half of the year?
A5：The current situation is favorable, and we believe that we will be able to retrieve most of the decrease of ▽6 billion yen EBIT profit in the third quarter(October-December). The booking for both international and domestic passengers is shown in the presentation material, and both are rising steadily. In November-December, the demand of business travel from Japan is recovering and the inbound travel remains strong. For domestic passengers, we are also implementing measures to capture demand, particularly group passengers. We will make a solid recovery in the third quarter, so please look forward to it.

Q6：Please explain about the recovery level of business outbound demand of international passengers.
A6：Excluding China routes, business demand (outbound business demand from Japan) was at 62% of pre-COVID levels in April to May, but has recovered to 74-75% of pre-COVID in the third quarter.

Q7：The net unit price for international passengers has decreased compared to the initial forecast. What is the outlook for the second half of FY2024?
A7：There are two main factors for the net unit price decrease. The first is that despite the outbound demand from Japan to China remaining sluggish, we have captured the inbound demand from China. The second is that overall demand from Southeast Asia has been weaker than expected, leading us to implement demand-stimulating measures. For the second half of FY2024, we expect to maintain the unit price because of the recovery in outbound business demand from Japan and continuingly strong inbound demand, particularly from Europe and the United States.

Q8：Please explain the unit price outlook for domestic passengers.
A8：There is no significant change in demand for individual passengers, but we are making efforts to capture demand of group passengers and expect the unit price to decrease in the second half of FY2024 accordingly. However, we plan to secure revenue by increasing the number of passengers through demand-stimulating measures.

Q9: How about trends for international passengers by routes?
A9: China routes are weaker compared to the plan. North American and European routes are exceeding the plan. These high-yield long-haul routes are driving the trend. East Asian routes, such as Hong Kong and Taiwan, are also performing steadily.

■Expenses

Q10: Please explain about the outlook of the second half of FY2024 and the measures taken in the first half.
A10: Costs are being well controlled through departmental profitability. In the first half, common expenses were down by ▽6 billion yen, compared to the plan, with a reduction of about 1 billion yen per month. We also foresee further reductions in the third quarter, and we expect to reduce costs by approximately 6 billion yen in the second half as well.

■Aircraft

Q11: Are there any concerns about delays in aircraft delivery in the coming fiscal years?
A11: We expect some delivery delays. Specifically, ZIPAIR has received a delay notification from Boeing. The original plan was to increase the fleet to 10 aircraft by adding 2 more in FY2025, however the addition of two aircraft is now expected to be delayed to the first half of FY2026. On the other hand, the Airbus A350-1000 deliveries are proceeding smoothly, and we are scheduled to receive the 8th aircraft in this fiscal year. In FY2025, we plan to receive an additional 3 aircraft and expand A350-1000 routes to another destination in Europe, in addition to London, and to the West Coast of the United States. Overall, apart from ZIPAIR, there are no major concerns about delivery delays.