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

■Business Performance in the Third Quarter of FY2024

Q1：Please explain this quarter's (October-December) EBIT by business sector, and break down by each major upside/downside factor in comparison with the plan.
A1：EBIT exceeded the plan by +6 billion yen. On the revenue side, ▽2 billion yen short of the domestic passenger revenue, ▽6 billion yen short of the international passenger revenue, and ▽4 billion yen short of LCC revenue. On the expense side, we cut down fuel costs by ▽19 billion yen but common expenses increased by +1 billion yen, compared to the plan.

Q2：Regarding the explanation that revenue shortfall in international and domestic passenger revenues compared to the plan, I understand that the demand for group passengers from China and domestic was lower while the plan was set high. Although the plan was not achieved, it can also be considered that the actual demand was not bad. How do you see the underlying trend?
A2：International passenger demand was strong. Although the fuel surcharge was lower than the plan, the load factor went higher. The unit revenue, which we focus on, has also improved in both the consolidated cumulative third quarter (April-December) and the third quarter alone (October-December). Additionally, the underperforming China routes capacity has been shifted to other routes.
For domestic passengers, we have not been able to increase the yield as per the plan but we are focusing on steadily acquiring the number of passengers. The load factor is at a high level of 82.9% for the third quarter alone, and as a result, the unit revenue is also steadily increasing by +5.1% year-on-year, resulting in the improved business performance.

Q3：Regarding the unit price for international passengers, they are lower compared to the initial assumptions. Could you provide more details on this?
A3：There are two reasons for this. The first is that while business travel demand from Japan is slowly recovering, the number of passengers originating from overseas has increased. As a result, the proportion of departures from overseas, which has relatively lower unit prices, has increased and resulted in a decrease in overall unit price. The second reason is that for Southeast Asia and China routes, we have lowered the unit price to attract more passengers, taking into account the increase in flights by other airlines.

Q4：How do you perceive the high profit margins of mileage and ground handling business?
A4：For the ground handling business, both the number of handled flights and the unit price have increased compared to the previous year.

Q5：EBIT by Mileage/Finance and Commerce business in the third quarter alone seems to have shown little growth. Is this in line with the plan?
A5：The distinctive part is the commerce segment. It seems low EBIT growth in the third quarter while JALUX / aviation and airport sectors performed well, it is due to the concentration of EBIT growth in the first and second quarters.

■Outlook for the Full-year performance of FY2024

Q6：Regarding the outlook for the fourth quarter, could you tell us the differences from the current assumptions towards achieving the plan?
A6：Although both international and domestic passenger revenues are expected to fall short of the plan, we don’t change the annual EBIT forecast of 170 billion yen from the previous outlook. While it is a slightly challenging target, we will continue to make efforts to achieve the plan.

■Outlook for the performance of FY2025 (ending March, 2026)

Q7：The EBIT target was revised upward to 200 billion yen in March 2024. Given that, would you think that the original plan of 185 billion yen can be achievable?
A7：We think that it is necessary to increase yield for domestic passengers in order to achieve an EBIT target of 200 billion yen. However, we need to examine how we can increase yield.

Q8：What factors are considered for profit growth in the next fiscal year?
A8：We would like to increase profits through expansion of international passengers, unit price increase for domestic passengers and increase in the number of domestic passengers.

Q9：What is the route plan for FY2025, including aircraft allocation?
A9：For FY2025, we plan routes to North America and South Asia for international flights, and we aim to increase ASK by approximately 4%. The A350-1000s are being received as scheduled, and there are no particular issues with the engines or other components. ZIPAIR is also progressing as planned, with two aircraft scheduled to be delivered in FY2026. Overall, there are no major issues with the supply plan.

Q10：It has been mentioned that achieving the target of next fiscal year will be challenging. Is there anything that the market will appreciate in the coming medium-term management rolling plan on March 19?
A10：We think it is not easy to increase the unit price of domestic passengers in order to achieve an EBIT target of 200 billion yen next fiscal year. Detailed information will be provided in March, but we plan to present profit forecasts for the next three years, growth strategies, and the allocation of management resources and shareholder return policies associated with them.

■Others

Q11：Could you provide specific details about the progress of business model reform?
A11： While advancing our medium-term management plan starting from FY2021, we are focusing more on expanding other businesses (LCC business, Mileage/Finance and Commerce business) than on the full-service carrier business. In fact, while the full-service carrier business decreased in profits in the cumulative third quarter of this fiscal year, the LCC business and the mileage/finance and commerce business have been steadily increasing their profits. As of FY2019, the full-service carrier business accounted for about

70% of the total profit, but currently, it stands at 60%. In the future, we aim to grow the other businesses to make it account for 50% of the total profit.

Q12：There are bottleneck issues such as labor shortages and fuel shortages at airports located other than Tokyo/Osaka. How are these issues currently progressing?
A12：As before, JAL is now able to secure human resources. The current number of contracted ground handling services provided by JAL is up 19% year-on-year, which is close to pre-COVID levels, and there are no issues with contracted services for foreign airlines. In regional areas, there have been instances where other companies have canceled their scheduled flights, but not on a large scale, and the contracted business is steadily growing. Regarding fuel, while there are some issues remaining with foreign airlines, but they are also controlling the situation by importing fuel and carrying additional fuel for a return flight. Overall, there are no significant issues for foreign airlines to fly to Japan so that they can increase their flight number as they want.

End.