

(1)Business Performance in the Second Quarter of FY2025

Q1: Please provide the detailed information of EBIT compared to the plan in the Second Quarter.

A1: For the second quarter alone (July to Sep), while revenue was roughly in line with the plan, expenses were somewhat higher by +3.0 billion yen, resulting in EBIT falling short of plan by ▲3.0 billion yen. Meanwhile, EBIT for the first quarter alone was +18.0 billion yen, so for the First Half EBIT was +15.0 billion yen vs. plan.

Q2: Please provide a breakdown of the expense compared to the plan for the second quarter alone (July to Sep).

A2: Fuel cost was ▲5.0 billion yen and the others were +8.0 billion yen. For the others (+8.0 billion yen), maintenance cost was +1.0 billion yen, personnel expenses +3.0 billion yen, and others +4.0 billion yen. For maintenance cost, engines were worn out more than expected, requiring more maintenance works than anticipated. Personnel expenses appeared higher, but this was because we could not achieve the challenging efficiency targets. Others also reflect shortfalls against the challenging reduction targets.

(2)Forecast for the performance for the Third Quarter of FY2025

Q3: You mentioned the full year EBIT remains unchanged. What are the upside/downside factors for the second half EBIT?

A3: The second half EBIT is expected to be roughly in line with the plan. Revenues of International and domestic passenger segments will be likely to outperform our plan as the first half, but expenses are planned at a challenging level so that they may slightly exceed the plan. As a result, we expect the second half EBIT to stay in line with the plan.

■International and Domestic Passengers

Q4: We have high expectations for the Third Quarter. Please share the booking outlook.

A4: The outlook for domestic passengers remains solid. As October and November are peak months in the Third Quarter, we will strive to improve unit price and expect about 103% growth year on year. With stronger demand during the autumn season, we expect the passenger numbers at 102% and the revenue at 105% year on year. For international passengers, we expect both unit price and passenger numbers to be 106% (the falling fuel surcharge(▼6%) will be offset by the rising net unit price (+12%)), year on year.

Q5: Regarding international yields, you mentioned that net prices excluding fuel surcharges are up year on year. Please explain the situation by region and the outlook for the second half.

A5: Yields have risen significantly, primarily on the transpacific routes. The European routes have also achieved yield improvements thanks to high load factors and our flexible revenue management strategy. Other routes such as Honolulu are also steady. We expect the favorable trend observed in the first half to continue into the second half as well.

Q6: Regarding ZIPAIR, the passenger numbers declined and load factor fell in the second quarter alone (July to September). If this trend is temporary; please explain the recovery scenario going forward.

A6: For ZIPAIR, the load factor in the second quarter alone was decreased to 70.2%. This is because we had aimed for higher unit prices although inbound demand had not been as strong as expected. From the third quarter onward, we will change our policy based on this lesson. We plan to recover at least to the first quarter level of profit.

■Costs

Q7: You mentioned the second half outlook is in line with the plan. Should we understand that both revenue and expenses will exceed the plan, resulting in a net zero difference? The presentation materials indicate that if the exchange rate hovers around 150 JPY/USD, the profit impact would be ▲4.0 billion yen.

A7: Your understanding of the second half outlook is correct. The ▲4.0 billion yen profit at 150 JPY/USD is as shown, but we believe we can offset the market impact of ▼4.0 billion JPY with the additional fuel subsidies that are not included in the plan. There are media reports about the abolition of the provisional tax rate (ending the gasoline price mitigation measures), but we expect subsidies to remain in place at least through December.

(3)Others

Q8: It appears productivity improvements are falling short of plan. Are there any changes to achieving the second half plan and the full year EBIT target of 200.0 billion yen? Also, are there any changes to the 230.0 billion yen EBIT target for 2028?

A8: There are no changes to the plan of EBIT target. While yen depreciation and inflation are factors to watch closely, productivity improvements do not deliver much effects on a single year basis, so we should consider roughly three years for the productivity improvement to come into effect. We recognize that cost increases will continue beyond next year, and it will be difficult to fully offset them with just the efficiency measures alone, so we will enhance profitability. Business structure reforms are the initiatives to improve profitability, and we will work on them further. International passenger performance is progressing well toward the second half, and yield improvements are advancing more than expected; Under the current circumstances, we anticipate further yield improvement. We will work on business structure reform to develop a structure that is resilient to the rising costs.

Q9: What discussions are underway for the next mid-term management plan?

A9: In the post-COVID new business environment, amid worsening labor shortages, productivity and profitability improvements are key themes for the airline industry. For our company, one theme is to accelerate our business structure reforms and drive non-linear growth in the mileage business, which is a non-aviation segment. Although the LCC segment stalled this fiscal year, we could identify the issue of overreliance on inbound demand. We will accelerate performance growth going forward.

Q10: Regarding the alcohol related incident, is it correct to understand there is no impact on the business performance?

A10: While no impact on performance has been observed so far, if we do not work hard enough on the prevention measures, it could affect our brand going forward. Our business cannot exist without safety, so we all will make our utmost efforts together to regain trust from the society and our customers, with the strong will of each of our employees not to cause any similar cases again.

End.