

Financial Report for FY2025, Major Q&As

(1)Forecast of FY2026

■Impact of the Middle East Situation

Q1: Based on the monthly average impact of the Middle East situation on profit, is it correct that if the current market conditions continue throughout the year, the negative impact on the FY26 forecast will be ▼51 billion yen? What are the plans to offset this negative impact?

A1: Based on a simple calculation, the profit impact would be as you mentioned. However, if the current fuel market conditions continue throughout the year, the profit impact cannot be measured so simply. On the revenue side, we expect to secure profits by capturing already strong demand, improving unit prices, taking advantage of the extra demand caused by the Middle East situation, utilizing government mitigation measures, and implementing fuel surcharges. Therefore, if the fuel price surge subsides, we can achieve our full-year profit target. On the other hand, if the current conditions persist throughout the year, revenue may drop because higher fuel surcharges could reduce demand and force flight cuts. Therefore, the profit impact will fluctuate constantly and cannot be fully measured at this point.

Q2: Regarding the government mitigation measures, will they continue throughout the year? Are there any plans to move forward domestic flight initiatives?

A2: We expect them to continue. We are not currently facing a fuel shortage that requires us to limit fuel use. While the mitigation measures cover 40% of the gasoline subsidy equivalent, we are lobbying the government for an additional increase. Regarding domestic flights, we are not considering bringing forward flight schedule adjustments. Regardless of the Middle East situation, the market may be ready for further price increases. Furthermore, media reports indicate that various airlines are similarly examining the introduction of fuel surcharges for domestic flights, increasing the probability that we can reliably introduce them in April, 2027.

Q3: How long will the special demand from the Middle East situation last?

A3: As long as the current situation persists—where Middle Eastern airlines reduce their capacity and passengers tend to avoid traveling via the Middle East—it will continue. However, if this special demand subsides, fuel costs are also expected to decrease, so the two factors balance each other out.

■International Passengers

Q4: Regarding international passenger unit prices, what led to the positive outlook in Q1? How will the price elasticity of demand fluctuate in relation to the increase in fuel surcharges?

A4: In addition to the already very strong demand for international flights, the supply-demand balance has tightened due to the special demand from the Middle East, allowing us to raise prices further. The primary factor behind the FY25 full-year financial results exceeding the forecast announced on March 2, 2026 was the increase in international flight demand. Regarding the impact of rising fuel surcharges, much of the current last-minute demand consists of passengers booking and buying tickets early for travel in the summer and beyond. We will keep a close eye on how much booking momentum slows down due to the increase in fuel surcharges. If passenger volume fluctuates to a degree that disrupts the

market, we will flexibly adjust unit prices.

Q5: Regarding international flight demand, what is your take on the fact that bookings in June are tracking higher year-on-year? Are there any changes in booking trends from July onward?

A5: The upside is driven by the strength of overall market demand rather than an increase in our market share. Only the European routes have seen significant growth in market share, with passenger numbers up by +8 points year-on-year, resulting from the restrictions on flights from Middle Eastern airlines. Secondly, there are no major movements from July onward at present. We will closely monitor future trends, including the impact of rising fuel surcharges on demand, as well as the effects of the summer season, where we anticipate a decline in inbound demand due to extreme heat alongside an increase in outbound demand from Japan.

(2) Others

Q6: What are the intentions behind (1) fundraising through bond-type class shares and (2) the investment in Lifenet Insurance Company?

A6: (1) The purpose of this fundraising is to secure funds for future growth investments, as we plan to invest approximately 2 trillion yen over the next 5 years, as mentioned in the "JAL Vision 2035". (2) In light of the fact that we have been considering expanding the scope of our mileage business, many customers spend money on insurance within the financial sector. Lifenet Insurance has a distinct characteristic of launching unique products in a field where it is generally difficult to differentiate product features. We aim to develop products that benefit both companies and sell them through our distribution channels. In terms of customer segments, Lifenet Insurance has a high proportion of younger users, which aligns perfectly with the segment we wish to expand.

Q7: What is the message behind keeping the dividend forecast for FY26 unchanged?

A7: If the impact of the Middle East situation subsides at a certain point, we can achieve our FY26 profit target. Within the framework of our "JAL Vision 2035" which envisions growing profits every fiscal year, our forecast reflects our firm commitment to growing dividends without allowing them to fall below FY25 levels.

Q8: Regarding future flight plans, do you consider reducing flights on low-profit routes?

A8: Even if Singapore kerosene prices remain at \$200/bbl, we judge that it is better to operate flights than to ground them, as we are generating a marginal profit on most routes, except for a few such as remote island routes. On the other hand, if fuel becomes depleted or prices soar even higher, we may consider capacity reductions mainly on less profitable routes, taking social impacts into account.

Q9: Will the fuel surcharge increase further in July?

A9: The fuel surcharge table for May–June was determined based on the average market price for February and March, but market conditions in February had not yet surged. Consequently, since the July–August surcharge will be determined by the average market price for April and May—following the surge in fuel prices—the fuel surcharge will indeed increase.

End.