JAL Group Medium-Term Management Plan FY2021-2025 Rolling Plan 2025,
Major Q and As

■The forecast for FY2025 and beyond

Q1：At the time of the third-quarter financial results for FY2024, the progress to the target for EBIT of 200 billion yen for FY2025 was somewhat negative. However, the EBIT target remained at 200 billion yen this time. Were there any changes in your outlook assumptions?
A1：At the time of the third-quarter financial results, we were somewhat pessimistic, but both International and Domestic Passengers exceeded expectations in the forth-quarter. Then, we gained the confidence that we can surely achieve an EBIT of 170 billion yen for FY2024. In addition, the situation is looking better than planned for International Passengers in April and May of FY2025, and we are also seeing positive signs in other business segments. Therefore, we have decided to maintain the initial target of an EBIT of 200 billion yen for FY2025.

Q2：Please provide detailed information on the factors contributing to the increase profits for FY2025, especially on Mileage/Finance and Commerce, and Others segments (Travel・Ground Handling)
A2：As mentioned on P.35 of the presentation material, we are expecting an increase of 9 billion yen from FY2024 regarding Mileage/Finance and Commerce. In which, approximately 7 billion yen is due to adjustments in the mileage liability balance, based on the assumption that the expiration rate of miles will normalize. Additionally, we are beginning to see the effects of a new program that will increase revenue of JAL credit card membership.

Q3：Regarding the breakdown of EBIT changes for FY2025, please provide details of the factors contributing to additional 11 billion yen in other income and expenses.
A3：The sale of equipment accounts for two-third of this 11 billion yen, which is related to the retirement of Boeing 777 aircraft.

Q4：Regarding the exchange rate assumption of 145 yen for FY2025, it remains unchanged from the assumption made one year ago. Please explain the reason for this assumption. Additionally, at the time of the third-quarter financial results for FY2024, the exchange rate was approximately 155 yen to a dollar, but now it has become stronger by about 5 yen since then. Can we consider the strong yen somewhat contributes to the achievement of an EBIT 170 billion yen for FY2024?
A4：Due to the narrowing trend in the interest rate differential between Japan and the United States, we have kept the assumption unchanged at 145 yen as last year. We see the current strong yen as a positive factor.

Q5：How do you plan to improve the profitability of domestic flights going forward?
A5：We believe there is room to consider introducing fuel surcharges, which are already implemented for international flights, to domestic flights as well. Additionally, we think that improving profitability can be achieved through measures such as downsizing aircraft, directing inbound passengers to domestic flights, and increasing unit prices.

Q6：Regaring the order of 90 aircraft from FY2026 to FY2035, it seems that the number of deliveries are relatively low. Is this influenced by Boeing's delivery delays? And are there any issues with deliveries for the coming fiscal years?
A6：Since we are ordering 90 aircraft over the next ten years, it can not say that deliveries are low. We made a timely decision regarding the confirmed orders because we assumed that securing manufacturing slots would become more challenging in the future.

Q7：Regarding the announcement of the EBIT target for FY2028, the growth rate from FY2025 seems quite low. Please explain the background when setting an increase of 30 billion yen in EBIT.
A7：Although the plans for the years beyond 2026 will be outlined in the upcoming medium-term management plan, during this review of this time, we decided to set the target for the next three years instead, as it is hard to see the business performance five years ahead. We believe there are two challenges for the next three years. Regarding international flights, the increase of JAL's international fleet is scheduled beyond FY2028, so we could not see the effect of the increased fleet in FY2028. Additionally, while the Mileage business will be scheduled for system update in FY2028, it will have some impacts due to the depreciation. Therefore, with the current situation, there are some areas that could not demonstrate actual growth accurately, and we would like to show our outlook in detail in our plans for the upcoming fiscal years.

Q8：Regarding future cash allocation, how do you plan to adjust the allocation, depending on upside or downside fluctuations of future cash flow, including shareholder returns?
A8：Firstly, as having said before, we aim to achieve a dividend payout ratio of 35%. In addition, we intend to utilize cash for shareholder returns, while considering the purchase of treasury shares. On the other hand, as aircraft investments are set to increase in the future, we aim to raise the total return ratio while maintaining balance. If operating cash flow falls below expectations, we would like to maintain shareholder returns to a possible extent. A significant decrease may change our stance, though.

■Regarding Financing

Q9：Please explain the background of not obtaining a capital rating for perpetual subordinated bonds announced today.
A9：The details are published in the disclosure document on P.38. In FY2021, we prioritized increasing the equity ratio on a credit rating basis by obtaining a capital rating for the hybrid finance. However, we now have emerged from the Covid-19 pandemic and are generating profits, our equity ratio is stable. Obtaining a capital rating for the current financing would have imposed financial constraints at the time of repayment, restricting management flexibility, so we decided not to obtain a capital rating this time.

Q10：Regarding the perpetual subordinated bonds announced today, can we perceive the shelf registration supplements as JAL is preparing its issuance and is changing the Articles of Incorporation? How do you determine its issuance in the future?
A10：Bond-type class stock is subject to amendments to the Articles of Incorporation to prepare for future issuances, not the perpetual subordinated bonds. We are preparing for a future issuance of class stock but the decision is not made yet. On the other hand, we are considering issuing perpetual subordinated bonds in April.

Q11：Regarding the early realization of share buyback, how should we consider the balance with the equity ratio target of 50% when conducting the purchase of treasury shares? Additionally, what will be the source of funds?
A11：We would like to consider the purchase of treasury shares during FY2025. The source of funds should be operating cash flow. We may consider changing the current equity ratio target of 50%, but this equity ratio target has nothing to do with share buyback this time.

End.