

JAL Group JAL Vision 2035, Major Q and As

■The forecast for FY2026 and beyond

Q1: Regarding the EBIT target, please explain the anticipated growth of each business segment to increase EBIT from 180 billion yen in FY26 to 300 billion yen in FY30.

A1: The FSC segment will grow by 90 billion yen. The International passenger business will grow by 30 billion yen driven by increased supply particularly on North America and South Asia routes through the increasing size of aircrafts. The Domestic passenger business will grow by 60 billion yen by achieving a 10% profit margin by FY28. The LCC segment will grow by 10 billion yen primarily through scale expansion by increasing the number of aircrafts. The Mileage/Finance and Commerce segment will grow by 10 billion yen including the expansion of business investment like M&A activities. As a result, we aim to achieve an EBIT of 300 billion yen in FY30. As the FSC capacity growth will be limited leading up to FY35, we see the LCC and the Mileage/Finance and Commerce as our growth drivers. We expect to be able to bring the profit ratio between the FSC and the others closer to 50:50 after FY30.

Q2: Are your performance forecasts for the Mileage/Finance and Commerce conservative?

A2: Mileage issuance is projected to grow by approximately 10% per annum, mainly with JAL Card. In addition to this organic growth, we will expand the business through ①increased Mileage point issuance and ②diversification of redemption options. Regarding ①the increase in Mileage point issuance, exchanging third-party points with our Mileage points is increasing recently. For example, through our partnership with Capital One, we successfully captured demand from overseas customers who converted points that were earned from financial institutions into our Mileage points for tickets to Japan. To further enhance this trend, we have invested in a foreign FX trading company.

Regarding ②the diversification of redemption options, while our mileage program allows customers to redeem mileage points, on a fare-linked basis, for air tickets anytime throughout a year, we aim to expand non-flight, experiential options such as entertainment for redeeming mileage points. This will allow us to reach 'light' flight users and expand the customer base for the Mileage/Finance and Commerce segment.

Returning to the question, the reason why the projected profit of 70 billion yen in FY30 may appear modest is because it includes 10 billion yen in annual depreciation expenses related to IT investments for renewing our Mileage customer management infrastructure. Regarding our planned business investment of 80 billion yen over 5 years, we intend to make additional profits of 10-20 billion yen through M&A and revenue growth.

Q3: Please suggest any risk factors associated with achieving the goal.

A3: One factor is geopolitical risk. There will be such risk but we are sure that we can overcome such risk. Another one is the progress of our productivity improvement. We have set a goal of ▼10% reduction in headcounts through efficiency improvement by FY30. This ▼10% reduction in headcounts is equivalent to ▼40 billion yen out of personal costs of 400 billion yen. In addition to our ongoing AI utilization and business process optimization in airport and reservation operations, we have newly announced further efficiency improvement for our back-office departments. It is a key for cost reduction whether we can make significant progress including AI utilization. We intend to offset the increased costs associated with human capital investments through these productivity improvements.

Q4: Regarding the policy of expanding the medium- to long-haul international routes to FY35, amid the global shortage of aircraft, do you consider reallocating wide-body aircrafts from domestic routes to international routes when international passenger demand grows more than expected?

A4: No. We have already taken into account the supply optimization for domestic routes, and there will be no additional reduction of supply in domestic routes. However we do have optional slots in aircraft orders so we may consider using such optional slots for further demand growth in international routes. We will make decisions as such option's execution limit comes, depending on the demand trend.

Q5: Regarding domestic passenger business EBIT growth of 60 billion yen in FY30, please tell us the likelihood of the achievement as well as how you achieve such profits.

A5: While a final conclusion of the advisory council will be provided this May, we will be able to establish some level of cooperation with other airlines. Based on discussions at "the advisory council meeting on the future of domestic aviation", our plan reflects cooperation with other airlines not only on remote-island routes but also on certain regional routes. Also, our plan incorporates the introduction of fuel surcharge for the domestic passenger business starting at the beginning of FY27. As this is going to be a significant change, we will conduct public relations for our customers in advance in FY26.

Q6: Regarding the segregation of FSC and LCCs in both FY30 and FY35, you mentioned plans to grow ZIPAIR going forward. Could you also explain how SPRING JAPAN and Jetstar will be utilized.

A6: To make the basic assumption clear, each LCC targets a different market so cannibalization will not occur. While ZIPAIR focuses on medium- to long-haul, SPRING JAPAN and Jetstar target the other destinations within 4 hours by flights, which account for 70% of the whole inbound traffic to Japan. Although SPRING JAPAN is currently affected by the lower demand, it will target inbound demand from China that will recover eventually.

Q7: Regarding the FY26 profit forecast, is the 35 billion yen y/y increase in maintenance costs temporal, or is it due to structural issues?

A7: As you pointed out, the increase in maintenance cost is relatively larger than the other ones, but this is temporary. Due to the delay in new aircraft deliveries, we had to extend the operational life of Boeing 777, 767, and 737-800 longer than initially planned, and therefore engine maintenance costs are increasing. While this trend is expected to last until early FY28, maintenance costs should be normalized once retirements of aircrafts progress or we receive new aircrafts.

■The others

Q8: With the target ROE of 12% suggested as an efficiency indicator, which will be the primary profit driver, the aviation business or the asset-light Mileage/Finance and Commerce business?

A8: As we will actively invest in aircraft over the next 4~5 years going forward, we regard revenue increase in the FSC domain as the primary profit driver during this period. Besides, as the Mileage/Finance and Commerce segment is not only asset-light but also highly profitable, we plan to enhance its profitability through investments such as M&A in addition

to organic growth. The result of these investments should start to come up around FY29~30, therefore the Mileage/Finance and Commerce segment will be a profit driver afterwards, which will improve the efficiency indicators such as ROE.

Q9: Regarding shareholder returns, the base policy remains unchanged but do you plan to enhance returns?

A9: Although our basic policy for shareholder returns remains unchanged, the actual dividend amount itself will increase as EBIT grows than before through business expansion. We have conducted stock repurchases this year, and we will consider further repurchases again, carefully looking at the overall balance with our investment plan.

End.