

Financial Results for the Year Ended March 2020 Q&A Summary

**Q1) Liquidity on hand as of March 2020 decreased compared to December 2019.
What are the reasons for this and what is your future outlook?
What are your thoughts concerning capital procurement?**

A1) Liquidity on hand increased temporarily at the end of December 2019 due to solid advanced purchases of tickets related to the year-end and New Year holidays. At the end of March 2020, the spread of COVID-19 led to an increase in ticket refunds, which resulted in a comparative decline in liquidity on hand.

Once the impact of COVID-19 became apparent, we took steps to prioritize liquidity on hand. We are also working with government-linked banks for financing, having secured loans and increased commitment lines from private banks. In addition to 240 billion yen in liquidity on hand at the end of March, we expect to secure 950 billion yen from the sources I just mentioned. We believe we have completed our financing for the time being.

As of now, the capital procurement we have conducted to date should mean no financial issues for us through at least the end of the year. On the other hand, forecasting future demand trends is difficult. Our first priority is to conduct cost reductions and other self-help efforts. We are also preparing for further contingencies in stages, if needed.

**Q2) What percentage of total costs is represented by fixed costs?
In addition, what measures will you implement to reduce fixed costs?**

A2) The cost structure of our Air Transportation Business is about 60% fixed costs to 40% variable costs. We are engaged in the following major initiatives to reduce fixed costs:

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| (1) Aircraft-related expenses | : Postpone the delivery of aircraft for fiscal 2020 and revise our fleet composition over the medium term |
| (2) Personnel expenses | : Implement temporary leaves and limit new hires, etc. |
| (3) Capital expenditures | : Reassess the need for expenditures based on the latest business environment |

Q3) Why did personnel expenses decrease in the fourth quarter of fiscal 2019?

In addition, do you expect the temporary leaves to further reduce personnel expenses for the first quarter of fiscal 2020?

A3) The main reasons for the decrease in personnel expenses in the fourth quarter of fiscal 2019 are as follows:

- (1) A decrease in year-end bonuses linked to fiscal 2019 results
- (2) Revision to the summer bonus factors for the fiscal 2020 for management class employees

For the first quarter of fiscal 2020, we will adopt the following measures to control personnel expenses. At the very least, these measures should allow us to reduce personnel expenses by approximately 9% for the fiscal year.

- (1) Temporary leave: Encourage temporary leaves across an expanded number of target employees and target group companies
- (2) Remuneration/salaries: Reduce officer remuneration and manager salary

Q4) What specific adjustments are you making related to fleet investments and aircraft delivery schedule?

In addition, are you considering the retirement of aircraft or modifying passenger aircraft into freighters?

A4) We are working with manufacturers to postpone the timing of aircraft delivery and payments to the second half of the year or later. This includes the Airbus A380 and Boeing 787 we planned to introduce during the first half of fiscal 2020. We intend to revise our fleet plans as we identify demand trends. The retirement of aircraft we already own is included as one of our options.

Given the cost-benefit outlook, we are not considering modifying any passenger aircraft into freighters at this time. We will leverage freighters and other aircraft in our current fleet to actively capture cargo demand.

Q5) The supply and demand environment is changing in the cargo market. Can you tell us more about recent situation?

In addition, please tell us your outlook for April capacity and demand.

A5) With the decline in global passenger flights, supply and demand in the cargo market has been tightening, especially since March. We are providing emergency transport for medical supplies, so March unit price outperformed the same month in the prior fiscal year for the first time in nearly 12 months. We expect this figure to rise further in April. We expect to see continued cancellations of passenger flights, including on overseas airlines. The current supply and demand environment is likely to continue for the next three months or so.

In light of this situation, we are setting up extra flights for freighters and others, working

actively to capture demand. By loading cargo in the cabin area of our passenger aircraft, we have secured 1.4 times the volume compared to belly space only (for Boeing 787 aircraft), providing capacity in response to increased demand for hygiene supplies.

We forecast April belly supply to be about 80% lower compared to last year due to passenger flight cancellations and reductions. On the other hand, we are actively operating extra flights via freighters. When combining belly and freighters, we expect April ATK and RTK to be about 60% lower compared to last year, respectively. We will try to minimize the impact of the decrease in passenger flights as much as possible.

Q6) Recently, ASK on domestic routes has decreased significantly. Can you tell us more about your activity in fuel hedging?

A6) It is very difficult right now to predict future ASK on domestic routes. Given this situation, we are being careful and taking a conservative approach to fiscal 2020 fuel hedges to prevent over-hedging. Although crude oil prices are at historically low levels, we will make decisions to reflect our comprehensive views, including higher forward hedging prices, a certain level of recovery in passenger demand in conjunction with crude oil price increase, and other factors.

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