

## **CEO Small Meeting Q&A Summary**

### **Q1) What is the background behind this fleet order and what are the details of the investment?**

- A1) • While we curtailed fleet replacement and additional orders during the COVID-19 pandemic, we must now procure aircraft for further medium- to long-term growth. Our decision to place this order reflects the increased demand for aircraft across the airline industry and the potential for delivery delays due to geopolitical factors.
- The actual price is expected to be less than the catalog price, reflecting discounts negotiated with the aircraft manufacturers.

### **Q2) What measures will you take in the future to improve the profitability of the Domestic Passenger Business?**

- A2) • The profitability of the Domestic Passenger Business has declined compared to pre-COVID levels, primarily due to a reduction in high-unit-price passengers and increased costs. We also anticipate a potential medium- to long-term decline in demand due to population contraction and other factors.
- In response, we intend to improve unit revenue and enhance overall profitability on domestic routes, including regional routes, by optimizing capacity through fleet downsizing and fare revisions. We will accomplish this policy in part by utilizing the newly ordered Embraer E190-E2 aircraft.
  - As the Embraer aircraft will not be delivered until fiscal year 2028 or later, in the short term, we will pursue self-help efforts, including unit price improvement and cost optimization. We must also cooperate and coordinate with other carriers in certain operations and training.

**Q3) What is your outlook for future yield trends as the International Passenger Business continues to expand?**

- A3) • We expect demand for international flights to remain strong. However, we do not anticipate that overall market supply will increase significantly in the medium term due to fleet delivery delays caused by supply chain disruptions. Therefore, we expect a modest decline in yield levels over the medium term.
- We expect the International Passenger Business to expand primarily by increasing flights from Narita Airport. At the same time, we will carefully consider the division of roles between Narita and Haneda Airports while controlling fixed cost increases. We anticipate that our International Passenger Business will scale while maintaining high profitability.

**Q4) In light of the fleet order, what is your view on the balance between shareholder returns and capital investment?**

- A4) • As we have indicated, our policy is to strengthen shareholder returns in stages, balanced by profit forecasts and growth investments. We will consider various shareholder return options, including stable and continuous dividends and share buybacks, while maintaining financial soundness.
- The fleet order will result in a cash outflow, which we will cover through ample liquidity and operating cash flow. We will consider debt financing, if necessary.

**Q5) What is your strategy regarding balance sheet management, return on capital, and cost of equity?**

- A5) • Regarding balance sheet management, our policy is to build a strong financial base by accumulating total shareholders' equity through profit accumulation and optimizing liquidity on hand.
- The cost of equity is trending upward compared to pre-COVID levels. We believe an 8% cost of equity is necessary, based on recent capital market perspectives. We will continue to identify and reduce the cost of equity to control volatility while we enhance ESG-related information disclosures to increase capital market confidence.
  - We target an ROE of 12% to ensure a stable equity spread of at least 4%. We will also optimize our allocation of management resources across the group to improve profitability and efficiency.

End