

Financial Results for the Six Months Ended September 2020 Q&A Summary

Q1) With respect to your full-year forecast, what are the main factors in the differences between the first half and second half profit plan?

A1) We expect operating revenues for the second half to recover significantly, given the recent marked recovery in domestic passenger and international cargo demand. At the same time, our second-half expense plan reflects the following two major differences compared with the first half:

- Depreciation and amortization : We postponed the delivery schedule for some aircraft from the first half to the second half
- Personnel expenses : We reflected the decrease in performance-linked bonuses in first half results

We will continue our cost-reducing efforts in pursuit of performance improvements.

Q2) What are your current plans for the International Cargo Business?

A2) We are consolidating all freighters, including wide-body freighters, on routes to and from Narita to maximize their use. As the balance between supply and demand in the cargo market remains tight, we expect demand and unit prices to remain firm for the time being. We plan to continue this approach to operations. We will continue to capture demand aggressively, not only for import and export cargo, but also for trilateral cargo via Japan.

Q3) What aircraft are subject to early retirement? Also, what portion of the special losses planned for this fiscal year is due to the retirement of aircraft?

A3) We will retire some Boeing 777s, 767s, and 737s earlier than the original plan. As announced in today's timely disclosure, of the approximately 110 billion yen in special losses planned this fiscal year, we expect approximately 70% to be incurred as a result of retiring aircraft.

Q4) Are there any cost reduction measures that will continue to be effective in the next fiscal year and beyond?

A4) For the time being, by reducing the number of aircrafts, we will be able to reduce aircraft and maintenance expenses. We will continue to work on limiting personnel expenses in the next fiscal year as well, assuming that the impact of COVID-19 will be prolonged.

Over the medium term, we believe it is important to lower unit costs by continuing to implement cost-reduction measures and pursuing labor-saving operations. We will increase our cost competitiveness while seeking productivity improvements.

Q5) What is your outlook for passenger demand levels over the next fiscal year?

A5) We are assuming that passenger numbers will recover to 70% of pre-COVID-19 levels for domestic routes and 50% of pre-COVID-19 levels for international routes as of the end of this fiscal year. At the moment, domestic passenger demand is exceeding our assumptions for the second half of the fiscal year and we expect demand will continue improving heading into the next fiscal year. However, rather than becoming over-optimistic, we intend to engage in comprehensive cost management to secure a balance of profits.

Q6) What is your business model for your third brand?

A6) For our third brand, we are looking into using the Boeing 787-8 aircraft currently used on ANA domestic routes. The ANA Group intends to leverage the expertise we built in the LCC business under Peach Aviation to grow our business by targeting routes in Asia/Oceania. Based on the premise that we will grow the business rapidly using the resources of Air Japan, we believe we can convert flight crew and other personnel expenses to variable costs as part of establishing a structure prepared for event risks and highly resistant to volatility.

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