February 2021

Financial Results for the Nine Months Ended December 2020 Q&A Summary

Q1) Please tell us about the results for the cumulative third quarter compared to your plan and outlook for the full year.

A1) ・Air Transportation Business operating income in the third quarter exceeded plan by about 33 billion yen. We took advantage of strong demand in international cargo and posted a record-high for quarterly operating revenues. In this way, we controlled the decline in revenues for the Air Transportation Business when compared to the first half of the fiscal year.

・We expect Q4 international cargo revenue to remain at a significantly higher level than the previous year. Due to the impact of the declaration of a state of emergency, domestic passenger demand is lower than our plan. But we are committed to achieving our full-year targets by adjusting capacity flexibly and engaging in other cost reduction measures according to circumstances.

Q2) What are the current trends in passenger and cargo demand?

A2) ・Demand trends in each business are as follows.

[ANA International Passengers]

Continued sluggish demand due to the re-establishment of strict immigration restrictions

[ANA Domestic Passengers]

Passenger numbers declined by 70%-80% compared to the previous year due to the declaration of the state of emergency. However, the number of canceled reservations has declined recently.

[ANA International Cargo]

Average cargo volume between January and February remained at the same level as the previous year, and we have seen ongoing steady demand

[Peach Domestic Passengers]

Passenger numbers declined by 60%-70% year on year; we will closely monitor the pace of recovery after the declaration of a state of emergency is lifted.

Q3) Is there any room for further expansion of capacity in the International Cargo Business?

A3) ・ We are making the best use of our 11 freighters, and they are already operating at a high level. We will focus on routes where we can capture demand with higher unit prices continuously. On top of that, we will maximize capacity and aim to further increase revenue by resuming passenger flights and operating cargo flights on passenger aircraft, while keeping an eye on cargo demand trends.

Q4) Why is your Q4 forecast for fixed cost reductions lower than your actual Q3 result?

A4) ・ We calculate cost reductions as the costs saved through our own efforts when compared to the same period in the prior fiscal year.

・ We began some measures in the latter half of Q4 in fiscal 2019 when the impact of COVID-19 first appeared. Therefore, we expect the impact of fixed cost reductions for Q4 this fiscal year to be smaller than Q3.

・ Our latest forecast for fixed cost reduction for this fiscal year is 158.0 billion yen, which reflects our efforts to dig deeper than when we formulated our plan at the end of October last year.

Q5) Can you tell us more about your cash flow situation?

A5) ・ Cash flow used in operating activities for the stand-alone third quarter amounted to 10.0 billion yen. We reduced the scope of expenditures compared to Q2.

・ In terms of substantial free cash flows, our per-day outflow has improved from the beginning of the fiscal year, from approximately 1.9 billion yen in Q1 to approximately 0.9 billion yen in Q2, and approximately 0.5 billion yen in Q3.

・ We planned for annual capital expenditures of 255 billion yen; however, we expect to come in below plan currently due to our efforts to control investments.

・ We will continue to make steady efforts in eliminating the outflow of cash.

Q6) In light of the impact of the declaration of a state of emergency, what is your forecast for the level of passenger demand at the end of this fiscal year? Also, please tell us about your efforts to return to profitability in the next fiscal year.

A6)
- As of the end of Q2, we expected to see passenger demand recover to about 50% of pre-COVID-19 levels on international routes and about 70% on domestic routes by the end of the fiscal year. Now, however, we believe it will be difficult to recover due to the sluggish demand caused by the second declaration of a state of emergency.
- However, load factors on domestic flights during October and November last year exceeded 60%, confirming that demand will recover rapidly once the spread of COVID-19 subsides substantially. We expect international cargo to continue the current strong demand.
- We are seeing positive signs for the coming fiscal year, including the transition from vaccine development to actual implementation. In light of this business environment, we are conducting simulations on demand assumptions for the next fiscal year, separating our simulations into early-, mid-, and late-year.
- We intend to increase the probability of our return to profitability in the next fiscal year by identifying demand trends, being even more flexible in making capacity adjustments, and engaging in thorough cost management.

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