

**Financial Results for the Year Ended March 2021 Q&A Summary**

**Q1) What are the current trends in passenger demand? In addition, what is your future outlook in terms of yield in passenger business?**

A1) • Our forecasts for passenger demand in April and May compared to the pre-COVID-19 levels (April & May 2019) are as described below:

[D o m e s t i c] Passenger Numbers : - 60% to - 70%, ASK : Approx.- 40%

[International] Passenger Numbers : Approx. - 95%

- In the short term, we expect to see an yield recovery on international routes to/from Europe and the U.S. firstly, where vaccinations are in progress. Our expectations are mainly for high-unit-price demand such as business travel or travel to/from long-term overseas assignments. In the medium term, however, the composition of leisure and trilateral demand should experience relative increases.
- We project that the composition of business demand on domestic routes will be smaller than in the pre-COVID-19 era. As a result of these changes, we expect yields will trend downward. We will engage in consistent *Business Structure Reform* to reduce costs, improving unit cost to strengthen profitability.

**Q2) In International Cargo Business, operating revenues increased in fiscal 2020. What has been the effect on profit?**

A2) • While passenger flights have been canceled or reduced in number, we have been expanding ATK in our cargo business by establishing extra flights using freighters. The tightening of the supply-demand balance in the cargo market has led to higher unit prices. This tightness also contributed to an increase in revenue of approximately 58 billion yen in fiscal 2020 compared to the previous fiscal year.

- In terms of impact on income and expenses, variable costs increased due to factors including the operation of cargo only flights utilizing passenger aircraft. However, these factors resulted in widely higher operating revenues in the cargo business, contributing significantly to improved group earnings.

**Q3) Please tell us about the scale of cost reductions during fiscal 2021. Also, if demand is lower than planned, will there be room for further cost reductions?**

- A3) • During fiscal 2020, we reduced fixed costs by 172.0 billion yen, and we plan to reduce costs further during fiscal 2021. Our plan calls for reducing approximately 300 billion yen in costs, mainly in fixed costs and certain variable costs, such as reductions and exemptions in taxes and public dues.
- We will respond to demand trends in a flexible manner, and we are considering multiple plans in case demand is less than what we forecast in our plan.

**Q4) Have there been any changes in the cost structure as a result of the cost reduction measures implemented?**

- A4) • The cost structure of our Air Transportation Business is as follows:

[Pre-COVID19]

Fixed 60% : Variable 40%

[FY2020]

Significant control over capacity; temporary increase in fixed cost ratio

→ Fixed 70% : Variable 30%

[FY2021]

Gradual recovery in capacity and deeper engagement in fixed cost reductions

→ Fixed 65% : Variable 35% (Forecast)

[Mid-term]

Increase capacity; shift of some fixed costs into variable costs

→ Fixed 50% : Variable 50% (Target)

**Q5) When do you expect substantial free cash flows to become positive? Also, if the recovery of demand happens later than expected, will you need to take any financial measures?**

A5) • During fiscal 2020, changes in our substantial free cash flows per day are as illustrated below:

[1Q] - 1.9 billion yen

[2Q] - 0.9 billion yen

[3Q] - 0.5 billion yen

[4Q] - 0.8 billion yen

- During fiscal 2021, we plan to turn substantial free cash flows to the positive in July on a single-month basis. We also expect operating income to swing to positive territory beginning in the second quarter. By reviewing our cost structure and lowering our break-even point, we have introduced greater resilience to our financial foundation than ever before.
- As of the end of fiscal 2020, we have secured shareholders' equity in excess of 1 trillion yen and liquidity on hand of approximately 1 trillion yen. We are not considering additional public offerings of new shares at this time, since our cash flow has improved steadily due to our cost reduction efforts, etc.

**Q6) Can you explain the impact of your decarbonization efforts on profitability?**

A6) • The ANA Group has pursued decarbonization initiatives based on *ANA FLY ECO 2020*. We will strengthen our responses to environmental issues on an ongoing basis by increasing the ratio of fuel-efficient and other measures.

- With regard to Sustainable Aviation Fuel (SAF) procurement, we recognize that there are currently issues in terms of both unit price and quantity. We believe that it is important for the industry as a whole to encourage all related parties to ensure the stable procurement of SAF at low prices in Japan.
- We will take all possible measures to ensure that the cost burden associated with our environmental initiatives do not affect our future earnings.

End