

Financial Results for the Three Months Ended June 2021 Q&A Summary

Q1) What were the main variances between Q1 results and plan for operating revenues and expenses in the Air Transportation Business?

- A1) • During Q1, domestic passenger revenues underperformed plan. However, we narrowed our operating loss by 15.0 billion yen compared to plan due to increased cargo revenue and deeper cost reductions.
- The main variances compared to plan in our Air Transportation Business for Q1 results were as follows:
(Breakdown of the differences vs. plan)
Operating revenues : - 13.0 billion yen
[ANA : - 11.0 billion yen
(International Passenger : + 3.5 billion yen, Domestic Passenger : - 27.0 billion yen, International Cargo & Mail : + 8.5 billion yen, Others : + 4.0 billion yen)
[Peach : - 2.0 billion yen]
Operating expenses : - 28.0 billion yen
(Fuel & Fuel Tax : - 4.0 billion yen, Landing / navigation fees : - 3.0 billion yen, Maintenance : - 4.5 billion yen, Aircraft leasing fee / Depreciation and Amortization : - 5.5 billion yen, Contracts / Others : - 11.0 billion yen)

Q2) Unit price was lower year-on-year in your Domestic Passenger Business. What is your forecast for unit price considering a future recovery in passenger demand?

- A2) • Unit price in Q1 declined by approximately 10% compared to the previous year. This decline was mainly due to the fact that we included award ticket passengers in our results beginning this fiscal year to reflect our application of new accounting standards for revenue recognition.
- The impact of remote work and voluntary restraints on business travel means that the pace of recovery in the comparatively high-unit-price business travel will only be gradual for the time being. On the other hand, leisure demand will recover first, leading to challenges in raising unit prices over the short term. However, we do expect unit price to improve thereafter, as business demand recovers.
 - Even in this unusual environment in which restrictions have been imposed on travel, time sales promotions, etc., targeting regions not subject to a declaration of a state of emergency have helped ANA and Peach both develop passenger demand. We will continue to assess demand trends in detail by area, implementing appropriate revenue management.

Q3) Unit price is improving steadily in your International Cargo Business. What is your future outlook?

- A3) • Unit price is exceeding the previous year at a high level. This is the result of strong demand for mainstay products, such as electronic devices, semiconductors, automotive-related goods, etc., as well as the tight balance between supply and demand in the international cargo market.
- In the future, the pace of automobile production should recover as the global semiconductor shortage begins to correct itself. Therefore, we expect to see a rising composition of high-unit-price products for complete vehicles, automobile components, etc. While this will depend on the balance of supply and demand, we expect the recent solid unit price levels to continue for some time.
 - We will engage in initiatives to expand revenues in terms of both unit price and cargo volume to sustain our solid performance.

Q4) Cost reductions have had a positive impact on performance in Q1. Will these effects continue in Q2 and beyond?

- A4) • Q1 operating expenses were 28.0 billion yen lower than plan. A decrease in fixed costs accounted for over 60% of this result. We are seeing the positive effects stemming from *Business Structure Reform*, including accelerated aircraft retirements implemented through the end of fiscal 2020.
- Going forward, we expect variable costs to increase to a certain extent with the recovery in capacity. We plan to maintain the effects of fixed cost reductions in Q2 and beyond.

Q5) What is your current policy regarding the transfer of operating flights from ANA to Peach?

- A5) • We plan to transfer some operating flights from ANA to Peach with the 2021 winter schedule beginning October 31. We are currently formulating the details, and plan to make an announcement for our 2021 Winter Flight Schedule Plan in late-August.
- The declaration of a state of emergency continues in Japan; however, Peach experienced firm reservation trends for August. We also assume that passenger demand will recover, particularly in leisure travel, as vaccinations progress. We will work together as a group to build an optimal network to capture as much demand as possible by leveraging the strengths of the LCC business.

Q6) How do you foresee a recovery in passenger demand in the future? Are you still aiming to post a net profit this fiscal year, considering the latest reservation trends?

- A6) • We are reviewing our forecasts for domestic passenger demand based on vaccination progress in Japan. Based on the example of the U.S., we expect to see more active travel when 40% or so of Japan's citizens have been vaccinated. The government has stated its policy to complete vaccinations for essentially every person wishing to do so by October or November. We will monitor future trends closely and forecast demand based on our observations.
- We have performed simulations for our international business based on the situation with infections, reflecting the relaxation of travel restrictions and the timing of demand recovery by country.
 - Although the external environment remains challenging, we have not changed our intent as management to aim for full-year profitability. We will engage in our own efforts to capture recovering passenger demand, to expand cargo revenues, to implement cost reduction initiatives further, etc., while focusing carefully on infection prevention.

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