

Financial Results for the Nine Months Ended December 2021 Q&A Summary

Q1) What were the main variances between Q3 results and plan for operating revenues and expenses in the Air Transportation Business?

- A1) • During Q3, we saw the revenue growth mainly in ANA International Cargo Business and ANA Domestic Passenger Business while continuously implementing cost reduction initiatives centered on fixed cost. As a result, our operating income improved 30.0 billion yen compared to the plan.
- The main variances compared to plan in our Air Transportation Business for Q3 results were as follows:
(Breakdown of the differences vs. plan)
Operating Revenues : +33.0 billion yen
(International Cargo & Mail : +23.0 billion yen, Domestic Passenger : +7.0 billion yen, International Passenger : +3.0 billion yen ,etc.)
Operating Expenses : +3.0 billion yen
(Fuel & Fuel Tax : +5.0 billion yen, Maintenance : -2.0 billion yen, etc.)

Q2) What are the current trends and plans in your passenger business?

- A2) 1) ANA Domestic Passenger
- Q3 saw a rapid recovery in demand for both business and leisure travel following the full lifting of the state of emergency declaration. We have been implementing measures that emphasize profitability, such as the flexible control of capacity, including changes in aircraft and the operation of extra flights.
 - Due to the impact of the Omicron variant, January and February reservations during Q4 are lower compared with Q3. We closely monitor future demand trends and flexibly adjust capacity to hold down variable costs and secure profits.
- 2) ANA International Passenger
- We saw an increase in transit demand during Q3 from Asia through Japan to the U.S. in conjunction with the relaxation of entry restrictions in the U.S. in early November last year. We also noted movement to family homes to/from Japan toward the end of the year, and we captured the recovering demand steadily.
 - Q4 passenger numbers remain generally unchanged compared with Q3, as countries strengthened border control measures including Japan. For the time being, we will continue to be flexible, for example, moving certain North American routes from Haneda to Narita, assuming we will secure marginal profit including both passenger and cargo revenues.

Q3) ANA International Cargo Business is performing well. Please tell us about Q3 results and future outlook.

- A3) • In Q3, we saw a strong trend in mainstay products such as automotive-related goods, electronic devices, semiconductors and medical supplies. Demand peaked due to the overlap of the year-end sales season in North America. The ANA Group maximized ATK by using freighters and passenger aircraft for cargo-only flights, strengthening our ability to capture cargo with higher unit prices. As a result, Q3 weight and unit price reached record highs on a quarterly basis.
- As brisk cargo movement continues in Q4, we expect unit price to remain at high levels compared with the assumptions of the earnings forecast we published in last October. We also expect the tight supply-demand situation to continue in the first half of the next fiscal year.

Q4) What initiatives do you plan for Peach in the future, such as more coordination with ANA?

- A4) • We transferred some ANA-operated flights to Peach beginning with the 2021 winter schedule. Load factors have been favorable for the first time since the launch of service, and we plan to improve load factors further by raising market awareness.
- Although Peach international flights continue to be suspended, we intend to increase domestic flights utilizing the early morning and late night time slots, etc. In this way, we will improve profitability further, while enhancing aircraft utilization.

Q5) What is your outlook for achieving profit plans in the current fiscal year? What are your thoughts on profit levels for the next fiscal year?

- A5) • While we need to monitor passenger demand trends in Q4, we have made no changes to our full-year forecast at this time. We will continue efforts to achieve profit plans through aggressive expansion of international cargo capacity to maximize revenues. We expect international cargo demand to remain strong.
- We are considering profit plans for the next fiscal year, taking into account expectations of the capital markets.

Q6) How do you plan to control overall costs, including personnel expenses, as you enter a phase of expanding capacity to meet the future recovery in demand?

- A6) • We are asking for employees to cooperate with temporary compensation measures based on our intention to protect jobs. Our policy for the next fiscal year is to make a return to full-year net profits mandatory. Our first consideration in formulating budgets will be to restore monthly wages.
- We have reduced 250.0 billion yen in fixed costs through our *Business Structure Reform*, and about half of the amount is expected to remain effective permanently. For the other half, we plan to control increases through technology-based productivity improvements and by encouraging self-service airport procedures. We will pursue a medium-term reduction in unit cost (Cost of ASK) while engaging in detailed cost management.

Q7) Please tell us about the progress of preparations for establishing a third brand.

- A7) • We are currently considering the brand concept, aircraft and cabin specifications, and marketing strategies, etc. Assuming the ANA Group will use our accumulated expertise in flight operations and marketing effectively, we will consider the timing to commence flights, while assessing recovery in passenger demand on international routes.

Q8) What is the purpose and circumstances behind your issuance of convertible bonds (CBs)?

- A8) • The purpose of issuing CBs this time is to invest in growth to accelerate *Business Structure Reform* and to secure funds as quickly as possible for the redemption and repayment of existing debt. When we raise funds, we try to identify the most appropriate means from the perspective of both capital and funds. We have decided to issue CBs after taking into consideration the issuance terms, costs, and benefits.
- Going forward, we intend to meet the expectations of the stock market by pursuing higher earnings per share (EPS), based on our intent to do everything possible to achieve profitability in fiscal 2022.

End