

## **Financial results for the Year Ended March 2022 Q&A Summary**

### **Q1) With respect to Air Transportation Business operating expenses, what were the factors that caused expenses to increase in Q4, despite having decreased year on year through Q3?**

- A1) • Operating expenses for the Air Transportation Business in Q4 increased by 12.0 billion yen compared to the plan.
- The main reason was that maintenance expenses for leased aircraft returned by Peach during the fiscal year exceeded the initial estimate. We reserved an additional maintenance expense allowance at the end of Q4 to prepare for other returns of leased aircraft in the future.
  - The increase was also due to special payments to group employees in Q4.
  - For these reasons, Q4 expenses were higher than planned. However, these costs were all one-time measures and will not affect our cost plan for fiscal 2022 and beyond.

### **Q2) Please tell us about the concept of demand assumptions for fiscal 2022.**

- A2) 1) ANA Domestic Passenger
- Business demand is currently recovering ahead of leisure demand, and it is assumed that leisure demand will increase after the summer. We project that the number of passengers for the group, including Peach, will recover to the pre-COVID-19 levels during the first half of the fiscal year.
  - The impact of government support measures such as *GoTo Travel Campaign* is not included in the plan.
- 2) ANA International Passenger
- We assume that the number of passengers entering and leaving Japan will increase due to the easing of government's border control measures.
  - The number of travelers entering Japan is restricted currently to 10,000 persons per day for all airlines combined, but if the government eases restrictions further, we believe demand for inbound and outbound travel to/from Japan will increase steadily. The ANA Group will continue to lobby the government for eased restrictions and capture demand as it recovers.

**Q3) You have been unable to operate Boeing 777 aircraft on domestic routes due to a technical engine issue. How do you plan to capture future demand?**

- A3)
- We are coordinating with the relevant authorities and manufacturers, aiming to resume operations by demand peak in summer.
  - If the recovery in demand exceeds our expectations, we believe we can secure capacity to a certain extent by using international-spec Boeing 787 aircraft on domestic routes.
  - In addition, we are preparing to capture demand during summer high-traffic by adjusting capacity for both ANA and peach brands.

**Q4) Recently, crude oil prices have been rising, while the yen has been weakening. What influence will this have on earnings plan for fiscal 2022?**

A4) 1) Impact of Crude Oil Prices Rise

- It is assumed that increase of fuel expenses caused by oil price rise for International operations will be offset by fuel surcharge revenue. As surcharges, which are passed on through fares, are revised several months after actual market conditions change, fuel expense will increase in advance when oil price rise, as is the case currently.
- Our policy is to use hedging as a means to deal with fuel expense on domestic operations. We have completed our hedging for the first half of fiscal 2022, and almost complete for the second half, so the impact of rising market prices has been controlled to a certain degree. However, if the current price level continues, there is a possibility that fuel expense will increase over the medium term.
- In addition to revising passenger fares and fuel surcharges, we will also reduce the impact of market fluctuations on earnings through measures that include reducing fuel consumption volume in flight operations.

2) Impact of Yen Depreciation

- Our fiscal 2022 plan incorporates an increase in foreign currency revenues in connection with recovery in international passenger demand, in addition to strong performance in international cargo business. We expect to offset about 70% of foreign currency expenses with foreign currency revenues.
- The remaining 30% of the foreign currency shortfall is subject to hedging. But since foreign currency hedging has been largely completed for the current fiscal year, the impact on earnings caused by foreign exchange will be limited.

**Q5) How do you expect business and non-business passenger demand to recover in the medium term?**

A5) 1) ANA Domestic Passenger Business

- Business travel accounted for 40% of demand before the outbreak of COVID-19, and we forecast it to be 30% of demand in the post-COVID-19 era. We base this assumption on our expectation that passengers traveling for business purposes will not return to pre-COVID-19 levels due to the emphasis on work-style reform and other factors.
- On the other hand, we project leisure demand will increase, leading to a higher ratio of non-business travel compared to the pre-COVID-19 era, as customers experience a stronger desire to travel in the wake of COVID-19. We also expect domestic travel by inbound passengers to recover over the medium term.

2) ANA International Passenger Business

- It is assumed that business demand from Japan will decrease compared to the pre-COVID-19 era. At the same time, there will be significant room for capturing business travel originating overseas, even while we have captured a certain degree of demand through joint ventures and other means.
- Business demand accounted for 30% of total demand pre-COVID-19. We intend to strengthen marketing and sales under the ANA brand to capture demand, including passengers originating overseas, aiming to bring business demand back to 30% of total over the medium term.

**Q6) As you continue to strengthen cooperation between ANA and Peach, how do you plan to respond to changing customer needs?**

- A6) • ANA and Peach serve very different customer needs. Therefore, we have the option of moving ANA flights to Peach for leisure market destinations and keeping ANA flights for business market destinations. In this and other ways, the group will make adjustments in a flexible manner.
- We intend to pursue an optimal Air Transportation Business portfolio by developing networks in regions targeted by each brand.

**Q7) What are your current thoughts on policies for medium-term performance Targets level?**

- A7) • Of the 250 billion yen in fixed costs reduced through cost management, 130 billion yen will be sustained on a permanent basis. We respect to the 120 billion yen difference, we aim to reduce unit cost over the medium-term by controlling future increases as capacity recovers.
- As a result so far, the break-even point sales have been steadily declining. By continuing to improve the operating income margin through detailed cost management, we aim to achieve operating revenues of 2 trillion yen and operating income of 200 billion yen in the medium term.

End