

Financial Results for the Six Months ended September 30, 2022 Q&A Summary

Q1) What were the main variances between Q2 (Jul.-Sep.) results and plan for operating revenues and expenses in the Air Transportation Business?

- A1) • In Q2, International Passenger revenue increased due to the easing of Japan's border control measures. However, Domestic Passenger volume was short of initial plan due to an increase in the number of COVID-19 infections. As a result, the operating income of the Air Transportation Business underperformed plan by 11.0 billion yen.
- The main differences compared to plan for Q2 results were as follows:
[Breakdown of the differences vs. plan (Air Transportation Business, 2Q(Jul.-Sep))]
Operating revenues: -9.0 billion yen
(International Passenger +30.0 billion yen, Domestic Passenger -31.0 billion yen, Peach -11.0 billion yen, etc.)
Operating expenses: +2.0 billion yen (Fuel & Fuel Tax +6.5 billion yen, etc.)

Q2) What are the current trends in passenger demand?

- A2) 1) International Passenger (ANA)
- Due to the accelerated recovery in demand following the easing of Japan's border control measures, our revised plan reflects updated passenger volume assumptions to 40% of pre-COVID-19 levels for Q3 and 55% for Q4.
 - We expect passenger volume for Q3 to exceed plan assumptions given the steady growth in bookings, particularly for North American and Asia-Oceania routes.
- 2) Domestic Passenger (ANA+Peach)
- A seventh wave of COVID-19 infections caused a delay in the recovery of demand compared to our initial forecast at the beginning of the fiscal year. In light of this fact, we revised group passenger volume assumptions to 90% of the pre-COVID-19 levels for Q3 and 95% for Q4.
 - Recently, the number of reservations has been steadily increasing, mainly for leisure demand, partly due to Nationwide Travel Support.

Q3) How do you analyze the current trend and future prospects for yields of International Passenger business?

- A3) • First-half yield, excluding fuel surcharge revenue, showed a significant improvement compared to the same period in fiscal 2019, demonstrating the benefits of yield management.
- For the second half, planned yield is 15.8 yen, and we expect the environment to be more conducive to the impact of yield management when load factor exceeds 70%.
 - If the current demand trend continues, we believe that substantial yield, excluding the impact of fuel surcharge revenue, will remain high compared to pre-COVID-19 levels.

Q4) Please tell us the reason for the upward revision of the full-year earnings forecast at this stage.

- A4) • Although the upward revision reflected the upswing in profits in the first half, we left the initial profit level for the second half unchanged due to uncertain factors, including COVID-19 infection trends and the international situation.
- On international routes, we have increased capacity, mainly in North America and Asia, beginning with the winter schedule. On domestic routes, we resumed operations under a total of 15 wide-body aircraft (Boeing 777s) in the beginning of October. As a Group, we aim to achieve our profit targets by ensuring that the recovery in passenger demand leads to an improvement in the top line.

Q5) Do you expect to be able to maintain the current high unit prices for International Passengers and Cargo businesses?

- A5) • Among International Passengers, trilateral demand accounted for about 50% of the total number of passengers in the first half. We expect class mix will converge to pre-COVID-19 levels gradually. Therefore, yield should rise further as the composition of bilateral demand, which has relatively high unit price, increases. Since the market as a whole is expected to remain unable to offer supply sufficiently to meet the recovery in demand, we intend to strengthen yield management further in this environment.
- In International Cargo, the supply-demand balance began to gradually loosen. However, the favorable environment continues, and unit price is expected to remain high in the second half. Even as we move toward the post-COVID-19 era, we intend to maintain unit price above pre-COVID-19 levels through measures to stabilize earnings. These measures will include capturing large-scale cargo demand and signing long-term contracts.

Q6) How will you maintain cost competitiveness, as you enter a phase of expanding capacity to meet the future recovery in demand?

- A6) • In the second half, variable costs, mainly fuel expenses, are expected to increase due to the expansion of ASK in international operations from the initial plan. On the other hand, the reduction of fixed costs is progressing smoothly along with the initial plan.
- At the same time, we reduced the break-even sales point as a result of reducing fixed costs substantially in response to the COVID-19 pandemic. We believe that if the scale of our Air Transportation Business expands further as demand recovers, profit before the recovery of fixed costs will increase, and our earnings structure will improve further.
 - Supported by the results of Business Structure Reform, we aim to achieve operating revenues of 2 trillion yen, operating income of 200 billion yen, and an operating income margin of 10% during the period of the next Medium-Term Corporate Strategy.

End