

## **Financial Results for the Nine Months ended December 31, 2022 Q&A Summary**

### **Q1) What were the main variances between Q3 (Oct.-Dec.) results and plan for operating revenues and expenses in the Air Transportation Business?**

- A1) • In Q3, we saw the strong recovery in international passenger demand, which drove the revenue growth. Also, operating expenses were lower than plan due to our thorough cost management, while enjoying the benefit of fixed cost reductions based on *Business Structure Reform*. As a result, operating income of the Air Transportation Business outperformed plan by 28.5 billion yen.
- The main differences compared to plan for Q3 results were as follows:  
[Breakdown of the differences vs. plan (Air Transportation Business, Q3(Oct.-Dec.))]  
Operating revenues: +5.0 billion yen  
(International Passenger +10.5 billion yen, Domestic Passenger +0.5 billion yen, International Cargo -6.0 billion yen, etc.)  
Operating expenses: -23.5 billion yen  
(Fuel & Fuel Tax -3.0 billion yen, Maintenance -9.5 billion yen, Controlled cost via cargo capacity adjustments -4.0 billion yen, etc.)

### **Q2) What is your analysis of record-high profit and profit margin for Q3 (Oct.-Dec.)?**

- A2) • In Q3, yield of International Passenger remained high, and unit price of International Cargo was 3.3 times higher than pre-COVID-19 levels. We expanded top-line revenues while maintaining high profitability.
- On the cost front, thorough cost management efforts, including initiatives to control operation-linked costs, enabled us to curb increases in expenses even as we expanded the scale of our business significantly.
  - We believe our efforts in terms of both revenues and expenses were successful, in addition to government support in the form of tax reductions, exemptions, and so forth.

**Q3) Why did you leave the Q4 plan unchanged based on the revised assumptions as October 2022.**

- A3) • The Q4 is the period when the domestic demand settles down, and profits tend to be smaller than in other quarters.
- The upward revision reflects the upward swing in profits in Q3. However, due to uncertainties that include trends in COVID-19 infections and geopolitical risk, we decided to leave Q4 plan unchanged from the plan revisions we made at the end of October last year. For Q4, our target is to achieve the plan that we revised at the end of October, 2022.
  - Going forward, we continue to improve profitability in terms of both revenues and expenses, and pursue further profit levels, which will lead to a return to growth from the next fiscal year onwards.

**Q4) How do you handle yield management for International Passenger in the future?**

- A4) • Yield in Q3, even when excluding fuel surcharge revenues, improved compared to the previous year, demonstrating the benefits of thorough yield management.
- Beginning in the next fiscal year, we intend to expand ASK while focusing on profitability, including prioritized resumption of flights to and from Haneda, as well as stepped up efforts to capture bilateral demand with relatively high yields.
  - When the capacity including overseas airlines recovers, yield may gradually decline from the current level. However, we engage in initiatives to expand revenues in terms of both yield and passenger numbers to sustain our solid performance.

**Q5) The unit price of International Cargo is currently entering a correction phase. Please tell us about the future outlook.**

- A5) • In the air cargo market, the supply-demand balance is heading towards normalization due to weak cargo movements especially in automotive parts and semiconductor-related, while the supply of belly space is increasing as passenger flights resume.
- From Q4 onwards, unit price is expected to decline from current levels. However, we believe that we can maintain double the level of pre-COVID-19, over the medium terms, by strengthening marketing and utilizing freighters to capture higher unit price demand.
  - We also expect the transportation of semiconductor production equipment to increase beginning in the second half of fiscal 2023, as the semiconductor market is expected to resume growth in fiscal 2024. We will aim for further growth in the cargo business, maintaining our competitiveness by leveraging our strength in using freighters to transport large-sized special cargo, which entails higher unit prices.

**Q6) How will wage increases affect business performance in the next fiscal year and beyond?**

- A6) • We are considering how to address base increases and lump-sum payments for the group during the spring negotiations. Of course, we will take into account various social conditions, including rising prices and guidelines from Keidanren, Japan Business Federation.
- We expect the airline industry to see an increase in contracting unit prices and other expenses. But we will engage in detailed yield management to maximize revenue, while strengthening our ability to compete on cost through improved worker productivity. In this way, we will do our best to absorb the impact of higher costs.

**Q7) Cash flow is steadily improving. What are your current thoughts on financial strategy for the time being, including the policy of resuming dividends?**

- A7) • Liquidity on hand exceeds 1 trillion yen, but we intend to maintain the current level for the time being. We are also preparing to repay 400 billion yen in subordinated loans, ensuring repayment on the due date stipulated in the loan agreement.
- Regarding the resumption of dividends, it is with great regret that we will not pay dividend for fiscal 2022, as we have already announced. In the next ANA Group Corporate Strategy, we will explain our approaches to resume dividends in the future.

End