

## **FY2023-2025 ANA Group Corporate Strategy Q&A Summary**

### **Q1) How are you reflecting risks and opportunities in your ANA Group Corporate Strategy?**

#### A1) 1) Risks

- The issue of labor shortages is becoming more apparent, particularly in Europe and the U.S. Some overseas airlines cannot restore capacity fully due to difficulties in securing pilots, airport staff, and other personnel. Japan is also experiencing concerns about the current labor shortage in certain sectors of the travel and hotel industry, which may affect the extent to which we capture inbound demand in the future.
- Geopolitical risk, climate change, and other changes in the external environment are also risks to which airline companies should pay attention.

#### 2) Opportunities

- Strong inbound demand, combined with our ability to offer new travel experiences through innovation, represents opportunities to expand our top line. We also believe we can improve profitability further by increasing cost competitiveness through labor savings and other digital transformation measures.
- In new business, if the results of investment and development appear quickly, it will provide an opportunity for further business expansion.

### **Q2) What is your outlook for International Passenger Business during the period covered under your Corporate Strategy?**

#### A2) 1) Demand

- During the COVID-19 pandemic, we saw an increase in the ratio of trilateral routes compared with total passengers. Since October last year, demand for travel to Japan and business travelers originating from Japan continued to increase after Japan's government began easing border control measures. Beginning with the next fiscal year, we plan to resume routes to/from Haneda, and capture bilateral demand in anticipation of a recovery in leisure demand originating from Japan. We expect the composition ratio of trilateral routes to gradually return to pre-COVID levels.
- Business demand, which declined temporarily during the COVID-19 pandemic, will increase again in the medium term. We plan to target business travel originating not only from Japan, but also overseas. And we expect to capture demand at levels even higher than the period before COVID-19.

## 2) Composition ratio by destination

- In terms of ASK, the composition of North American and Asian routes increased temporarily due to current capacity constraints on European and Chinese routes.
- We expect composition ratio by route to return to pre-COVID levels in general over the medium term. However, we assume that ASK for Chinese routes will not recover to pre-COVID levels due to ongoing downsizing of aircraft.

## 3) Yield

- We assume that beginning in the next fiscal year, current yield levels will settle gradually as other airline companies recover capacity.
- We will continue to strive to improve unit revenues through rigorous yield management and by prioritizing bilateral demand, which has relatively high yields.

### **Q3) What are your current thoughts on demand and unit prices in your Domestic Passenger Business?**

#### A3) 1) Demand

- During the period covered by the Corporate Strategy, we expect to recover business demand slowly due to the shift to online meetings, etc. We plan to strengthen our efforts to capture not only business demand, but also leisure demand and inbound travelers.

#### 2) Unit Prices

- We expect to maintain the current unit price level over the next fiscal year and beyond, as we make appropriate assessments of demand by route and continue to adjust operating aircraft size and take other measures to optimize supply to demand.

### **Q4) How do you intend to achieve the unit price level set under this strategy for the International Cargo Business? Also, what are your thoughts on future strategies using freighters?**

- A4) • Over the medium term, we expect growth in cargo demand will outpace the growth in supply, as the airline industry as a whole continues to downsize passenger aircraft. Therefore, we believe that unit price should remain at about double the pre-COVID level during the period of the Corporate Strategy.
- In medium- and large-sized markets such as North American routes, we will use freighters to transport large-sized special cargo. On short-range routes, such as Asia, we will use belly space, taking advantage of our extensive route network of passenger flights. In this way, we will maintain our advantage in the cargo business by leveraging our strength as a combination carrier, pursuing the optimal division of roles by leveraging the characteristics of our fleet.
  - We expect it will take some time for the supply of belly space to recover to pre-COVID levels. As a result, we believe the advantage of wide-body freighters, which can secure supply volume, will increase.

**Q5) How do you intend to manage fixed costs over the period of Corporate Strategy?**

- A5) • Of the fixed costs saved through Business Structure Reform, we expect to maintain a reduction effect of 130.0 billion yen throughout the period of the Corporate Strategy.
- At the same time, foreign currency costs are likely to rise due to the weak yen, particularly related to maintenance expenses. We expect inflation in the U.S. and European economies to also contribute to higher maintenance expenses. We assume that the outsourcing costs of ground handling and other services at overseas airports will also rise.
  - Incorporating these factors into our Corporate Strategy, we expect fixed costs for fiscal 2025 to increase compared with fiscal 2019 results. However, we intend to curb the increase through ongoing cost management, despite the impact of the weak yen, inflation, and other external environmental factors.

**Q6) How will costs in fiscal 2023 affect income and expenditure plans compared to fiscal 2022?**

- A6) • We expect fuel costs to increase beginning in the next fiscal year due to soaring hedging prices, as well as an increase in fuel consumption as we expand business in line with the recovery in international passenger demand. In addition to fuel costs, we intend to invest in our employees to enhance engagement and improve compensation. We also expect a decrease in the amount of government support in the form of tax reductions, exemptions, and so forth.
- Our plan assumes that operating income will increase 25.0 billion yen to 120.0 billion yen, compared with 95.0 billion yen this fiscal year. We have factored in the assumption that expenses for the next fiscal year are likely to increase by several tens of billions of yen compared with fiscal 2022.

**Q7) What is your policy regarding medium-term financial strategies and shareholder returns?**

- A7) • To maintain a sound financial structure capable of withstanding risk events, including the re-emergence of a pandemic in the post-COVID-19 world, we are targeting shareholders' equity of 1 trillion yen and a shareholders' equity ratio of 45% over the medium term. We aim to return to an A credit rating by capturing recovering passenger demand and improving our ability to generate cash flow further.
- Performance is improving steadily since the beginning of fiscal 2022, as we are narrowing the deficit in retained earnings. We aim to resume dividend payments as soon as possible by generating stable profits in the future by strengthening our financial base, investing in growth for the future, and improving employee compensation.

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