

Financial Results for the Year Ended March 2023 Q&A Summary

Q1) Please tell us about the main factors behind the decrease in operating expenses from the plan in Q4 (January to March) in the Air Transportation Business.

- A1) • Operating expenses for Q4 were 20.0 billion yen lower than plan.
As for the main difference in operating expenses, fuel expenses decreased by 18.0 billion yen due to the impact of crude oil price falling short of assumptions in earnings forecasts.
- As a result of curbing the cargo flight capacity in light of current demand trends, we reduced aircraft leasing fees and outsourcing expenses by 5.0 billion yen.

Q2) What effect did the 70th anniversary campaign have on revenue in the Domestic Passenger Business?

- A2) • When we decided to conduct the campaign, booking trends were weak due to the impact of the 8th wave of COVID-19. We were also uncertain about the extension of nationwide travel support, so we felt the need to stimulate customer travel sentiment through self-help efforts.
- Our analysis indicates that the campaign had a definite effect in attracting new customers and reactivating past users, and we believe the campaign supported revenues during the off-season months of January and February.

Q3) How do you interpret the significant improvement in operating cash flow in fiscal 2022 compared with fiscal 2021?

- A3) • When customers receive tickets and pay their fares in advance of their flights, cash inflows precede revenue recognition. We also record a contract liability on the balance sheet.
- In fiscal 2022, the rapid recovery in passenger demand and the large increase in contract liabilities contributed to a significant improvement in cash flow.
- However, as the gap between the number of tickets issued to customers and the number of boardings continues to narrow, the upward effect on operating cash flow due to the change in contract liabilities should diminish.

Q4) What is behind the increase in profit margin in your fiscal 2023 profit plan as opposed to the ANA Group Corporate Strategy announced February 15, 2023?

- A4) • In the fiscal 2023 plan recently announced, we revised our crude oil price assumptions downward compared to our figures from the ANA Group Corporate Strategy. Although fuel surcharge revenues will shrink, fuel costs should decrease at a greater rate, resulting in a projected profit margin improvement of 24.0 billion yen.
- Reflecting current demand trends, we project International Passenger Business revenue to increase and International Cargo Business revenue to decrease. As a result, these effects will offset.
 - In addition, we reexamined our cost estimates in light of recent trends, including price hikes and increases in the unit cost of outsourced ground handling. As a result, we expect costs to increase by 5.0 billion yen.

Q5) What are your assumptions regarding unit prices and yields by business in fiscal 2023?

A5) 1) ANA International Passenger Business

- We forecast relatively high yield levels in the first half of the fiscal year, as the supply-demand situation will likely remain tight for the time being. This forecast reflects ASK for direct flights between North America and Asia remaining at about 50% of the pre-COVID-19 levels for all airlines combined, even for the 2023 summer schedule.
- Even excluding the impact of fuel surcharge revenues, yields should improve over pre-COVID-19 levels throughout the fiscal year.
- However, we assume that yields will begin to normalize in stages beginning in first half and through the second half the as capacity for each airline company recovers gradually.

2) ANA Domestic Passenger Business

- In principle, there is no change in our basic policy of strengthening yield management. We will continue to pursue revenue maximization in terms of passenger volume and unit price, optimizing supply to demand by assessing demand on each route in a proper manner.
- The impact of revised flex fares on domestic routes has not been reflected in the forecast.

3) ANA International Cargo Business

- Given the current weakening demand for major commodities, we assume the unit price adjustment phase will continue through the first half of the year. However, we still believe that the unit price level can be maintained at around double pre-COVID-19 levels.
- As overall market demand recovers gradually beginning in the second half of the year, we expect the supply-demand balance to tighten again compared to the first half in the first half of next year. We also assume that unit price will improve beginning in the second half.

Q6) How do your demand assumptions for the International Passenger Business factor in a recovery?

- A6) • In the context of leisure demand from Japan, resistance to overseas travel seems to be less than before with the recent reduction in fuel surcharge levels and the value of the yen beginning to stabilize. Combined with the fact that it is no longer necessary to present vaccination certificates or negative certificates when returning to Japan, we expect that travel sentiment among Japanese travelers will improve and leisure demand from Japan will recover gradually over the second half of the year.
- We conservatively factored in the impact of increased flights for Chinese routes implemented in anticipation of increased demand for inbound travel to Japan.
- Going forward, our policy is to pursue the further capture of passenger numbers by recovering supply flexibly while monitoring demand trends closely.

Q7) Please share your thoughts on shareholder returns.

- A7) • We plan to determine the timing of dividend payment resumption as we take a comprehensive look into investments in human capital, including restoration of employee wages, the recovery of our financial base, and growth investments for the future.
- We significantly exceeded our initial profit target in fiscal 2022, and we are steadily narrowing the deficit in retained earnings. We recognize that the stage is being set for a resumption of dividend payments.
 - Although we indicated that the timing for a resumption of dividends is “to be decided” in light of the impact of global economic trends on the U.S. and other countries, oil market conditions, and other uncertainties in the external environment, we intend to achieve our profit targets for fiscal 2023 and resume dividends as quickly as possible.

End