

## Financial Results for the Three Months Ended June 2023 Q&A Summary

### **Q1) Please tell us about the main differences between the Q1 results and the plan for operating revenues and expenses in the Air Transportation Business.**

- A1) • Operating income improved by ¥27.0 billion from the plan as a result of continued cost management, in addition to top line-line growth centered on ANA International and Domestic Passenger Business.
- The main differences in operating revenues and expenses from the plan are as follows. [Breakdown vs. plan (Air Transportation Business, Q1 (April-June))]  
Operating revenues: +18.5 billion yen  
(International Passenger: +14.0 billion yen, Domestic Passenger: +8.0 billion yen, Peach: +3.0 billion yen, International cargo: -6.0 billion yen, etc.)  
Operating expenses: -8.5 billion yen  
(Fuel and Fuel Tax: -7.5 billion yen,  
Below budget cargo operating costs by freighter capacity reduction: -2.0 billion yen)

### **Q2) What is your analysis of the record-high operating income for Q1?**

- A2) • Compared to Q1 FY2017, when we recorded our last record-high for operating income (profit), we saw a significant increase in revenue due to higher yield and unit price for both ANA International Passenger and International Cargo this quarter.
- Profitability in International Cargo improved due to the impact of a number of initiatives, including a revision to our freighter network during the COVID-19 pandemic.

**Q3) Please tell us about unit price and yield trends in the Passenger Business.**

A3) 1) ANA International Passenger Business

- In Q1, substantial yield was well above plan when excluding the impact of fuel surcharge revenues. We conducted particularly effective yield management on the North America and China routes, as the supply of direct flights between the U.S. and China remained low, while demand for connecting flights via Haneda increased more than expected.
- We expect the supply-demand situation to remain tight in Q2 and yield to remain high. However, we forecast a gradual decline in yield beginning in the second half, as capacity from other companies recovers.

2) ANA Domestic Passenger Business

- Unit price in Q1 remained at pre-COVID-19 levels thanks to flexible yield management amid various sales campaigns, as well as the impact of fare increases for flights beginning in June. We intend to continue with detailed fare policies, and we expect unit price in July and August to be higher than pre-COVID-19 levels.

**Q4) What factors will drive further recovery in passenger demand on international routes compared with current levels?**

- A4)
- We expect inbound demand to increase further on Japan-China routes once the visa ban on group travel is lifted by the Chinese authorities.
  - On Japan-Europe routes, we are bypassing Russian airspace due to the situation in Russia and Ukraine. Once this restriction is resolved, we will be able to increase capacity through more efficient utilization of aircraft, crew, etc., which will lead to the capture of further demand.
  - We are seeing firm bookings for leisure demand on Hawaii and other routes during the high-demand summer flights. But there has been a delay in the recovery of off-season demand. We expect travel sentiment to improve further once inflation overseas, the excessively weak yen, and high fuel surcharges ease.

**Q5) What is your outlook for the recovery of capacity in the international market?**

- A5)
- U.S. airlines have prioritized the recovery of capacity on the more profitable trans-Atlantic routes. However, with the recent recovery in traffic from Asia, including China, some airlines are now adding flights on trans-Pacific routes as well.
  - We assume that both U.S. and Chinese airlines will resume direct flights between the U.S. and China gradually, as direct flights are more profitable than connected flights.
  - However, some airlines are facing a chronic shortage of labor in airport handling, struggling to secure resources. Therefore, it is unlikely that capacity will recover rapidly, and all airlines will likely expand capacity in stages depending on how demand recovers.

**Q6) What are your views on potential risk factors by business?**

A6) 1) ANA International Passenger Business

- Risk factors include prolonged restrictions on group travel by the Chinese authorities. In addition, if competing airlines accelerate the recovery of capacity, including direct flights between the U.S. and China, yields may decline more than expected.

2) ANA Domestic Passenger Business

- We expected business demand to recover to 80% of the pre-COVID-19 levels in Q1. However, demand is currently at around 60% of the pre-COVID-19 levels. We are monitoring trends closely.

3) ANA International Cargo Business

- We assume that demand for major commodities will recover in the second half and later. But we see that a full-fledged recovery, particularly for semiconductors, may be delayed until fiscal 2025. We will monitor cargo demand recovery trends closely.

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