February, 2024

Financial Results for the Nine Months ended December 31, 2023 Q&A Summary

Q1) What is the background behind the revision of earnings forecast for fiscal 2023?

A1)
- The revision of earnings forecast for fiscal 2023 reflects the upward swing in operating income through the first nine months of the current fiscal year, while taking into account the expenses and revenues expected to be incurred in Q4.
- In Q4, operating income was significantly higher than the initial plan due to higher-than-expected yield on international passengers and unit prices on international cargo.
- At the same time, we plan for a decrease in Q4 operating revenue due to out-of-service Airbus aircraft, as well as higher costs associated with an increase in aircraft engine maintenance frequency and measures to improve ANA Group employee engagement.

Q2) What are the elements of the increase in expenses for the air transportation business in your full-year forecast from the initial plan?

A2)
- Maintenance expenses will increase compared to our initial plan for full-year earnings forecast due to increased aircraft engine maintenance work. We also expect personnel expenses to increase compared to the initial plan due to investments in groupwide human capital to improve productivity.

Q3) What is your analysis of current trends and future outlook for unit prices and yield by business segment?

A3) ◎ ANA International Passenger Business

- In Q3, demand for inbound travel to Japan and business travel from Japan remained strong, and substantial yield in the third quarter alone remained high at +47% of pre-COVID-19 levels.
- We expect yield to decline beginning in Q4 as the supply-demand balance eases for North America and other routes, while the currently high yield should normalize gradually over the medium to long term.

◎ ANA Domestic Passenger Business

- Since increasing some fares in June, the effect has continued through Q3. We expect fares to remain higher than pre-COVID-19 levels, including fares not subject to price increases.

◎ ANA International Cargo Business

- Supply and demand tightened in the third quarter due to a sharp increase in trilateral cargo for e-commerce and other demand from China to North America. Unit price rose, particularly on North American routes from Japan.
- We expect unit price to decline in Q4 due to seasonal factors, including the Chinese New Year in China. We have not seen any impact on air cargo demand in connection with ocean shipping, but we intend to monitor future trends closely.

Q4) What is your outlook for the recovery of international passenger demand by destination in fiscal 2024 and beyond?

A4)

- In fiscal 2024, we plan to increase capacity by increasing flights and establishing new routes, mainly on European routes. While capacity for European routes is recovering for ANA and other carriers, we expect the supply-demand environment to remain tight.
- We expect demand on Chinese routes to recover at a slower pace, consisting mainly of passengers visiting Japan on personal visas; however, demand on Asian routes should remain firm.
- Even as other airlines are increasing capacity aggressively for Hawaii routes, the recovery in leisure demand from Japan has been sluggish. We will continue to capture passenger volume as we stimulate demand via promotional fares and other measures beginning in the next fiscal year.

Q5) What is your current forecast for the next fiscal year and beyond?

A5)
- The strong performance this fiscal year has been supported by special circumstances that include government assistance and transitory factors such as the tight supply-demand environment for international flights. At the same time, we are beginning to see numerous issues that we must address, including industry-wide labor shortages and out-of-service Airbus aircraft.
- As the environment normalizes, achieving year-on-year profit growth will become more of a challenge. In any event, the ANA Group intends to pursue medium-term growth through the steady implementation of strategies toward the structural transformation of our business model.

End