

All Nippon Airways Financial Results Second Quarter FY2009 Q&A Summary (This briefing was held in Japanese only)

Q-1

- ◆ The decline in the domestic individual passenger unit price was larger than that for package tour travelers, as shown on page 12 in part two of your presentation materials. Can you explain why? What is the outlook for the second half?

A-1

- As you pointed out, the decline in unit price for individual travelers was larger compared to package tour passengers, but this is not because we have significantly lowered the prices themselves.
- This is primarily because of the delay in business demand recovery, with fewer regular one-way and round-trip fare bookings, and a shift toward more discount fares. This resulted in a lower fare mix.
- In addition, although the introduction of the new discounted fares such as “Senior Sorawari” fare have succeeded in stimulating demand, it has had the effect of pushing overall prices downward.
- We expect to see an improvement in the decline of individual traveler prices during the second half of the fiscal year as business demand gradually improves.

Q-2

- ◆ Assumptions for international passenger yield in the second half indicate an expectation for improvement compared to the first half. To what extent do you expect improvement if you exclude the impact of FSC (Fuel Surcharges)?

A-2

- Compared to FY08, FSC is expected to cause an 18.0 billion yen drop in revenue during the second half, compared to a 19.0 billion yen drop during the first half.
- Accordingly, passenger yield for the first half, excluding the impact of FSC, was 9.5 yen, 71 percent of the same period in the prior year. This is expected to be 11.3 yen for the second half of the fiscal year, which will be 103% of the same period in the prior year.
- We expect to improve yield during the second half by improving class mix and yield management, while demand, including business demand, is expected to recover during the second half—particularly the fourth quarter.

Q-3

◆ Can you provide a full-year forecast for the air transport business?

A-3

- You can see our forecast for full-year revenues and costs in the air transport business on page 21 of part two.
- Fuel costs and tax will be 249.5 billion yen based on the latest forecast.
- Our forecast for other non-fuel expenses has not significantly changed since our Q1 results announcement, but we have revised the following items:
 - We lowered our forecast of aircraft leasing fees by 500 million yen, as well as a decrease in depreciation and amortization of 2.0 billion yen due to the delayed introduction of new aircraft and curbs on investments.
 - We raised our forecast of personnel costs by 2.0 billion yen due to an increase in charter flight operations and an ASK revision .
 - A 5.5 billion yen decrease in sales expenses associated with lower revenues.
 - Increased purchasing for in-flight sales has increased “Other” expense by 1.0 billion yen.

Q-4

◆ Your forecast calls for operating income in the second half, but also a recurring loss. Can you explain further about non-operating losses/gains?

A-4

- Normally, posted non-operating losses include retirement of parts, and losses on sales of assets. Over the past several years, these have tended to accumulate in the latter half of the fiscal year, and that is the trend you see here.
- Despite weaker revenue, our operating income forecast is based on 30.0 billion yen in expense reductions in connection with our FY09 Emergency Income Recovery Plan concentrated mostly in the second half of the year.

Q-5

◆ Please explain your forecast for available seat-km in the next fiscal year?

A-5

- We will forecast ASK for the next fiscal year based on a number of factors.
- On domestic routes, our focus is on increasing network profitability and generating stable cash flow. So we believe we will not see a significant increase in available seat-km. When the number of landing slots at Haneda increase beginning October of next year, we plan to increase the number of flights originating there, once the government has set policy.

- We will see more landing slots for international routes at Narita in March, and at Haneda in October of next year. Haneda will offer the ability to operate late night long-distance routes, and we have already completed bilateral operating agreements with most countries. Utilizing Haneda and Narita as a dual hub, we expect to increase the available seat-km we provide by about 10%, mainly in long-distance flights. With the addition of Continental to the alliance, we are also looking at using their hubs. However, the actual routes will require careful selection based on considerations supply and demand as well as network profitability.

Q-6

- ◆ Can you explain the differences between your current mid-term corporate strategy and your management strategy for the next period?
- ◆ Also, please tell us more about the comment that ANA will be considering a new domestic and international aviation business model.

A-6

- Compared to the previous 2008-11 Mid-term Corporate Strategy, we see some major differences in the management environment, including supply and demand trends, changes in the competitive environment, and open-sky policies and other liberalization.
- There will be an increased number of landing slots in metropolitan Tokyo in 2010, and one of our key themes will be the question of how, in this deflationary environment, we can take advantage of that expansion to compete and survive at a global level.
- In addition to business structural reforms, our next corporate strategy also incorporates fundamental systemic improvements, cost structure reforms, and other measures.
- Regarding a new domestic and international aviation business model, we believe that, in regions outside of the metropolitan area, it should be possible to utilize business models similar to those of overseas low-cost carriers, and to collaborate regionally to develop new profitable businesses, generating demand for air travel. We are currently looking at ways of doing this.
- Details of our next corporate strategy will be provided when we announce that plan.

Q-7

- ◆ Productivity improvements for the next period call for a reduction of 1,000 indirect staff. Specifically, how will this be carried out?

A-7

- We have been working on operational reforms in our indirect divisions since before the recession. We intend to expand operations at current staffing levels over the following period, reassigning indirect staff to frontline positions.
- Specifically, we will integrate head office and administrative functions for the group as a whole in one location. We will create a division to collectively handle accounting, personnel, and other operations. This will enable us to optimize staffing from the ground up after years of operating with a head-office-oriented structure.

Q-8

- ◆ Will your 100 billion yen in income improvements stem from income in the current period?
- ◆ How much of that 100 billion in income improvements will result from cost structure reforms?

A-8

- We know that a significant increase in international routes in fiscal 2010 will result in between 75 and 80 billion yen in increased costs. Revenue is difficult to calculate. Our plan calls for cutting costs of about 100 billion yen from that forecast, which is why it is not being presented as a comparison to FY09 income.
- We have proposed five measures to achieving 100 billion yen in income improvements, between 70 and 90 billion yen of which is in cost structure reforms. We are looking to reduce marketing-related costs, labor, indirect costs, and others, making this the largest-scale improvement in our history. We will change our old ways of thinking, put together an implementation team, and quickly roll this effort out company-wide.

Q-9

- ◆ Please tell us more about compensation from Boeing associated with the delivery delay of the B787. When is the plane scheduled to be delivered?
- ◆ How will this delay affect operations?

A-9

- As has been announced by Boeing, the B787 is scheduled for its first flight by the end of this year. We should see delivery approximately one year later, in Q3 of fiscal 2010 (October-December). The first aircraft off the line is marked for delivery to ANA, but we are still working out a schedule with Boeing based on their actual production process. We should have a better picture of the delivery schedule by the time we announce our next corporate strategy.
- Since any penalties will only come into play once the delivery schedule is finalized, the amount has yet to be negotiated.
- We expect full deployment of the B787 to start in fiscal 2011. Operationally, we will see some impact for the first half of fiscal 2010, but we will manage with other aircraft.

Q-10

- ◆ Please explain the amount of your commitment line as of the end of September, and how it is being used.

A-10

- We currently have no commitment line-based financing. The approximately 150.0 billion yen we borrowed in May was in the form of a syndicated loan from our banks.

Q-11

- ◆ Please describe your forecast for deferred income taxes for the end of this fiscal year.

A-11

- Total current and long-term deferred income taxes as of the end of September were approximately 150.0 billion yen.
- ◆ Subsequent to our Q2 closing, we posted deferred income taxes according to the audit, and assume we will continue doing so for the full year.

Q-12

- ◆ Are there any changes to your capital expenditure plan?
- ◆ As you manage your balance sheet going forward, do you expect to continue targeting a D/E ratio of about 2 times?

A-12

- We expect to conduct capital investments at originally planned levels, or about 230.0 billion yen.
- In the medium term, we believe it is important that we work to strategically deploy more fuel-efficient aircraft before our competitors. We do not expect to change those plans.
- However, we do plan on modulating spending by cutting back on other capital investments.
- The D/E ratio as of the end of September was about 2.1 times on balance sheet, and about 2.5 times including off balance sheet items.
- We intend to maintain this level and our rating, and hope to increase it in the future.