

Fiscal 2011-12 Corporate Plan Q&A Summary

Q-1

- ◆ Please describe your perspective on shareholder returns, including the specific levels of the dividend plan.

A-1

- I recognize that shareholder returns, which are represented by dividends, are a key management issue. As we continued to work together as one with the goal of swinging to profitability and recommencing dividend payments in fiscal 2010, we are now at the point where we can expect to pay dividends.
- In order to continue paying stable dividends going forward, I believe we must first continue our efforts to ensure we can generate stable profits in the mid-long term. I am also keenly aware that in terms of financial position, we are trailing behind Singapore Airlines and Cathay Pacific Airways, our competitors in Asia. The improvement of our financial position is a key management issue, as well as the payment of dividends.
- While we secure stable profits in the mid-long term, I would like to decide shareholder returns, considering the level of capital expenditures and debt payments. I will also consider a dividend level of about 30%, which is the average payout ratio for companies listed on the First Section of the Tokyo Stock Exchange, when I decide.

Q-2

- ◆ Is the free cash flow improvement target an indication of management's strong resolve to steadily strengthen the financial position?
- ◆ If performance falls below your expectations, can you flexibly review the capital expenditures plan?

A-2

- Our reiteration of the positive free cash flow targets in our two-year plan served exactly that purpose. Given our current credit rating, I believe we must continue to shore up the foundations of our financial position to secure stable financing in the future.
- In recent years, the market conditions for issuing corporate bonds have been extremely difficult; however, things are now gradually beginning to improve. We would like to utilize both direct and indirect financing appropriately, while improving our credit rating.
- We are yet to achieve interest-bearing debt/EBITDA or a D/E ratio which is on par with our competitors in Asia. Therefore, we are also seeking to improve these financial targets, while keeping capital expenditures at an appropriate level.

- Our major capital expenditure items are aircraft, engines, spare parts and IT systems investment. However, on the whole, aircraft-related expenditure levels are the highest. We do not intend to delay the introduction of our strategic aircraft such as the B787, and we basically intend to own such aircraft. On the other hand, it will be possible to adjust cash flow from investing activities while also utilizing lease contracts for those aircraft which have a lower priority level from the perspective of our business strategy, or those which will be introduced on a provisional basis for the purpose of adjusting capacity.
- IT Systems-related investment also represents a major portion of our capital expenditures, and so we will flexibly review investment levels while closely examining the importance and priority levels of such investment.

Q-3

- ◆ Please describe the international passenger revenue plan for the next two years and any prerequisites and incorporated factors.

A-3

- The core of this plan's growth strategy is "to capture Asian growth." As our ASK share at both Haneda and Narita airports is still only about 10%, we are planning to increase it by about 3%. Passenger traffic from Asia to Japan remains robust, and also Japanese companies are entering Asian markets. There is still a lot of latitude for us to pick up demand, and I believe that this demand will sustain our growth going forward. For that reason, I believe we can achieve the plan goal of increasing revenues by 100 billion yen in two years.
- Load factors for international routes to/from Haneda are over 80%, while those for the same destination routes to/from Narita are maintaining high load factors as well. Although competition is growing fiercer as foreign airlines have also entered Haneda, for ANA, demand from passengers transferring from domestic routes represents about 25% of total demand. Therefore, the internationalization of Haneda has stimulated demand, as we anticipated.
- It is true that the supply-demand balance for European routes, where foreign airlines have launched A380 services, is becoming slack due to the overall increased capacity. However, we remain competitive, having introduced a suite of new products and services in business class, so I believe that we can maintain and enhance our market share. In economy class, our response will include fare promotions which are in line with the supply-demand situation.
- Our two-year plan to increase international passenger revenues will involve deriving 22 billion and 36 billion of the 58 billion yen in increased revenues for fiscal 2011 from unit price factors and passenger factors, respectively. In terms of the 45 billion yen in increased revenues for fiscal 2012, if unit price factors are netted, they come to plus or minus zero. Therefore, the entire amount will be derived from passenger factors.

- The reason why our assumptions for yield growth are somewhat lower than our unit price assumptions for international routes is because there has been a substantial increase in the portion of long haul routes in the route mix. Most of the 22 billion yen in increased revenues from unit price factors, about 20 billion yen, will be due to rising Fuel Surcharges (FSC). Considering that ASK is currently growing at a rate of over 10% per year, we have decided that increases in underlying unit prices must be estimated quite conservatively.
- Yield without FSC never returned to its pre-Lehman collapse levels, due largely to changes in route mix and foreign exchange rates between then and now.
- We plan to launch the winter schedule for our JVs in North America and Europe in fiscal 2011, and certain effects have been incorporated. I do not believe that the LCC with whom we compete or those in which we participate as equity holders are yet at the stage where their impact should be incorporated.

Q-4

- ◆ To what extent has the introduction of B787s been incorporated into the plan?
- ◆ Is the correlation between the two-year plan to introduce new aircraft and the growth in ASK appropriate?

A-4

- Although we expect to receive 14 B787s in fiscal 2011, we are planning to introduce them mainly into domestic routes, and then gradually introduce them into short and long haul international routes. Although we anticipate that income will be improved by lower fuel expenses and increased cargo volumes, almost none of these effects have been incorporated into the plan for fiscal 2011.
- As the retirement of B767s and A320s was postponed because the introduction of B787s was delayed, when the B787s are introduced, we will have a temporary surplus of aircraft. From fiscal 2012, we will gradually start retiring the 10 B747s used in domestic routes, and accelerate the retirement of B767s and A320s as new aircraft such as the B787, B737 and MRJ are introduced. Previously, we changed over approximately 12-13 aircraft per year, but in the next few years, a larger number will be replaced.

Q-5

- ◆ Oil market prices are currently soaring. If current market levels persist, how will this impact the two-year profit plan for fiscal 2011-2012?

A-5

- Our fuel price assumptions for the two-year plan are that kerosene will be priced at \$100/bbl, which is about \$20 below the current market level of \$120. Based on our calculations of the non hedged sensitivity of fuel expenses to oil prices and the current hedge ratio for fiscal 2011, we have tentatively calculated a fuel expense increase of around 16 billion yen.
- On the other hand, if the price of kerosene remains at \$120/bbl, FSC will also increase beyond plan assumptions, so by simple calculation, revenues will increase by approximately 20 billion yen. However, it is possible that the price elasticity would weaken demand for economy class if FSC rose. Furthermore, as soaring crude oil prices would impact the real economy, possibly causing demand for air transportation to decline, I do not believe that it would be possible for us to achieve the full 20 billion yen revenue increase we have calculated under these conditions.
- Therefore, I believe it is highly likely that the increase in fuel expenses will be roughly offset by the increase in revenues, and the two will balance out leaving us in profit. If fuel expenses increased, triggering a decline in profits, we would set about implementing additional measures for boosting revenues and reducing costs.

Q-6

- ◆ Apparently, ANA has a mid-term target of increasing operating income to 150 billion yen from fiscal 2012 onwards. Do you intend to implement even more in-depth measures, even though you have already worked hard to reduce costs through operations and cost restructuring, the restructuring of the Group and other measures, over the next two years?
- Given that the competitive environment will grow even fiercer in the future, the most important thing is whether the Company itself has the corporate strength required to prevail over the competition. Thus, a major pillar of this plan is enhancing productivity and reducing unit costs.
- We planned to reduce costs by 86 billion yen in fiscal 2010, and feel confident of achieving this target. Although some expenses will become less responsive to the effects of cost reduction as Group performance recovers, basically, we will continue implementing almost all of the cost reduction measures we have executed to date by doing things like lengthening normal working hours, revising benefits, reducing sales costs and revising total expenses.
- However, this is not all that we will do. I have ordered a comprehensive internal investigation to ascertain where our cost levels are positioned globally. We will freshly examine whether we have any latitude to increase aircraft utilization hours, whether the estimated weight of aircraft and airport operating costs are appropriate and whether each division is functioning in an economical manner, and immediately implement any improvements which are possible. I believe that such initiatives will strengthen our capability to cope with volatility in the business environment by enhancing productivity and reducing unit costs.

Q-7

- ◆ If scheduled revisions to the tax system by the Government such as a lower effective corporate tax rate and reduced aviation fuel taxes are not realized in the current fiscal year, how will this impact performance?

A-7

- The plan was formulated based on the assumption that the draft tax reform bill would be approved by the Diet by the end of the current fiscal year. The earnings forecast has been announced based on the assumption that the effect of the reversal of deferred tax assets, which would accompany the lowering of the effective corporate tax rate, would amount to 17 billion yen in the current fiscal year. If the tax reform bill was passed next fiscal year, our deferred tax assets would not be reversed this period; however we have tentatively calculated that in fiscal 2011, there would be a reversal of approximately 14 billion yen. Furthermore, we have incorporated the effect of aviation fuel taxes being lowered from early fiscal 2011. Therefore, it would result in an annual cost reduction of 11 billion yen.
- If any factors changed in a way that was contrary to plan assumptions, we would implement measures to ensure that the impact on the profit plan was minimized, and make the appropriate announcements. When necessary, in the announcement of financial results for the full year, which is scheduled for the end of April, or at the time when the revised business plan is formulated, which is scheduled for some time during July and August, I would take the opportunity to describe our response.

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