

Financial Results, First Quarter, FY2011 Q&A Summary

Q-1

◆ AirAsia Japan

1. You said that even cannibalization between Peach and the Company would be acceptable; how about between AirAsia Japan and the Company?
2. What is your aircraft procurement and financing plan?
3. Apparently, AirAsia Japan will be developed at Narita airport. How do you assume the situation regarding expanded slots at Narita airport? Aren't there risks associated with limiting the expansion of operations by incorporating AirAsia Japan into the ANA Group?
4. What are the key points for ensuring AirAsia Japan's cost competitiveness?

A-1

- 1. Past case studies have clearly shown that if an airline launches an LCC from scratch, involvement by the parent company should be limited as much as possible. In the case of Peach, therefore, the LCC was formed as an equity method affiliate without ANA needing to hold a 50% or higher stake. Because AirAsia Japan intends to expand at Narita airport, our main base for international routes, we assumed that demand might shift away from the Company. Therefore, we decided to include AirAsia Japan in the scope of consolidation to avoid cannibalization. Furthermore, as AirAsia Berhad has its own well-established business model, there are no concerns about brand confusion.
2. I would like to select the most advantageous method of procuring aircraft after considering the options of leasing aircraft from AirAsia Berhad or from the market and purchasing aircraft. Furthermore, AirAsia Japan was launched with 5 billion yen in capital, and I believe that by directly adopting AirAsia Berhad's operating system, we will avoid making any massive investments as much as possible. Therefore I do not envisage a major capital requirement at this stage.
3. Although the former slots at Tokyo Metropolitan area airports were extremely tight, in 2015, slots at Narita airport will expand to 300,000 slots per annum, or 390,000 slots per annum, if Haneda slots for international routes are included. Therefore, I believe that there will be ample opportunities to further develop our operations, mainly at Narita airport, even if a number of Open Skies agreements are forged. This is because the expanded slots at Narita airport will generate quite a lot of extra capacity in this regard. In view of the restrictions on taking off and landing during early morning and late night time slots, one important issue is how to increase aircraft utilization.

4. A key point includes increasing the efficiency of crew training and reducing our parts inventory, for example, by limiting our fleet to one type of aircraft as much as possible, maximizing ASK by enhancing aircraft utilization and maximizing the set number of seats, concentrating our sales tools to the web, simplifying IT systems and promoting employee multitasking.

I would like to keep unit costs low by maximizing ASK and reducing costs.

Q-2

◆ Trends in International Passengers

1. According to your plan, passengers growth will outperform ASK growth from the third quarter onwards on a year-on-year basis. Please explain the reasons for this.

2. You have also planned for yields to increase by 8.6% compared to the second half of the previous year; however, assuming the recovery in passenger for travel drives up the number of package and leisure passengers, yields will probably fall. Therefore, please explain why you believe yields will rise.

3. You say that yields will rise due to the effects of revised FSC (fuel surcharges). Tell us what you think about the risk of passenger demand slumping due to revised FSC.

A-2

- 1. We can now see virtually the whole picture in terms of reservations in the second quarter. We are also keeping an eye on the state of package/leisure travel, for which reservations are made early. Furthermore, in addition to individual business travel demand, which was already strong, demand from foreigners visiting Japan, mainly from Asia in particular, is on the road to recovery. Moreover, after comprehensive consideration of a number of factors, including the fact that private sector economists are forecasting a high GDP level in the second half of the year, I expect demand to grow in the third quarter.

One factor behind the 12.8% increase in RPK compared to the 9.8% increase in ASK is the recovery from the demand slump we saw on China routes due to the Senkaku Islands dispute that occurred in the second half of the previous year.

RPK growth for other destinations generally falls within the scope of ASK growth.

2. I believe that yields will grow in the second half of the year given the difference in FSC assumptions; revenues from FSC, as a unit price factor, are now expected to increase by 11.0 billion yen in the first half and by 22.0 billion yen in the second half of the year; so FSC increased significantly in the second half of the year, in particular.

3. Looking at the first quarter, the year-on-year decline in passenger numbers was only for China routes; passenger numbers on the whole are on the road to recovery. Therefore, I believe that although FSC are at high levels, passenger demand, including demand for package/leisure travel, is strong, and so the risk of a slump is low.

Q-3

◆ Compared to the initial plan that was released in February this year, you are planning to reduce operating expenses by approximately 50.0 billion yen. Please explain the details of this plan.

A-3

■ The main reason is the reduction in ASK.

In particular, we have reduced operation-linked costs such as landing and navigation fees, aircraft maintenance expenses and contracts.

Furthermore, as we have reduced revenue by 84.0 billion yen, sales-linked expenses - commissions, advertising and other expenses - have been reduced.

■ On the other hand, in terms of fuel prices, given the current market situation, we are assuming Singapore kerosene at \$125/bbl, which is higher than the initial plan. Despite the fact that fuel consumption was reduced as a result of lowering ASK, fuel expenses have increased by 10.0 billion yen.

Q-4

◆ In fiscal 2011, you announced the 30.0 billion yen Emergency Plan. Are there any costs that will increase from next fiscal year onwards?

A-4

■ Even if costs are reduced, I believe that the role of management is to ensure there are no reactionary increases in costs the following year.

We have been reducing costs each year since fiscal 2008; internally, it is common knowledge that in the following year, costs must not be allowed to increase at all or rebound under any circumstances. I would like to continue preparing and administering strict budgets. Furthermore, some personnel expenses are determined in line with the income as it helps boost employee morale. Therefore, I would like to ensure that we design a means of achieving this without increasing personnel expenses.

■ Although our unit revenues are high, it is a fact that unit costs are also high as we have a large number of domestic and international short-haul flights in service.

Over the next 5 years, we will manage costs in line with our mid-term corporate plan to enable a unit cost reduction of approximately 1 yen.

Q-5

- ◆ Is there any price competition, now that your major competitor has improved its cost competitiveness?

A-5

- Rather than merely competing on price, I believe a key issue for ANA is establishing a cost structure that will enable us to compete globally by further enhancing productivity. Therefore, I would like to implement measures for reducing unit costs even sooner.

Q-6

- ◆ Capital expenditures have been reduced by 30.0 billion yen since the initial plan that was announced in February. Will capital expenditures for next year increase relative to the initial plan?

A-6

- Although free cash flow in fiscal 2009 was negative, in fiscal 2010, based on our target of continually generating free cash flow, we managed to bring free cash flow into positive territory not only by reducing capital expenditures, but also by selling assets. I would like to generate appropriate levels of free cash flow by pursuing the same policy this fiscal year.
- Next fiscal year, capital expenditures on aircraft and engines will be higher than this fiscal year; however, looking at the overall balance, which includes cash flow from operating activities, I would like to respond to generate free cash flow.

Q-7

- ◆ In terms of the financing situation, on the one hand you are planning to generate free cash flow this fiscal year. On the other you are increasing interest-bearing debt by 80.0 billion yen compared to the February initial plan. Is this because you believe the financing situation is extremely favorable this fiscal year?

A-7

- Interest-bearing debt has increased because we borrowed 50.0 billion yen in emergency short-term loans due to the earthquake, which caused debt levels to increase. There is no change in our intention to improve our D/E ratio and D/C ratio through appropriate cash management while utilizing our Commitment Lines, rather than seeking to increase cash and cash equivalents at the end of the fiscal year.

Q-8

- ◆ Please tell us why you believe the ANA can adequately compete with the Boeing 787 aircraft, when your competitors are introducing Airbus A380 aircraft in European routes. What do you see as the strengths of the Boeing 787?

A-8

- At present, ANA has launched the Boeing 777 on European routes and is offering new seats and services under the brand concept of "Inspiration of Japan," which has been highly acclaimed, mainly by business class passengers. Our competitors are operating Airbus A380 aircraft on Frankfurt and Paris routes; but demand for our flights has not consequently fallen.

We are planning to compete through our cabin product, expanding the new seats and services that I just mentioned, including expanding the brand concept to Boeing 787 aircraft.

- I believe that the strength of the Boeing 787 aircraft is that it is a mid-body aircraft that can be operated on long-haul routes. Therefore, we can operate Boeing 787 aircraft on routes that in the past could only be serviced using wide-body aircraft, as well as those routes for which demand is too low to use wide-body aircraft. It will also enable us to operate an additional flight on routes already serviced by ANA.

End