

Financial Results, Second Quarter, FY 2012 Q&A Summary

Q-1

- ◆ This concerns ANA's strategic investment in Asia, which was mentioned as the purpose of the recent capital increase. What will be the scale of that investment, the guidelines you use to select investments, and so on?

A-1

- Growth funds procured through the recent capital increase will be used for strategic investment to expand the business domain of the ANA Group to growing markets in Asia.
- Our basic approach is to study several prospective investments and narrow them down based on how much revenue the business we might invest in can contribute to our medium-term management targets, in which we aim for at least 8% ROA and 10% ROE. We also base our decisions on the scale of the investment, an evaluation of its future prospects and risks, whether it can achieve synergy with our existing business, and so on.
- We could potentially invest in other airlines if they offered synergy with our existing business. We are discussing how the ANA Group might develop its business in Asia as a full service carrier and as an operator of low-cost carriers. Additionally, when investing in airline-related business, the key point is to make use of the know-how and resources of the ANA Group.
- Currently various countries have restrictions on foreign ownership, so we can only take a minority position when investing in those nations' airlines. However, ASEAN aims to deregulate the airline industry in that region by 2015.
- Mindful that future deregulation is possible, we are preparing ourselves in order to respond flexibly to changes in the business environment so that the ANA Group's business domain has growth potential in Asia.

Q-2

- ◆ One of your purposes for the capital increase was to develop tolerance for event risks. Do you think you are adequately prepared for event risks concerning the level of shareholders' equity after the capital increase?

A-2

- Currently our ratio of shareholders' equity has risen to 34%. I think this compares well with the world's top airlines. Aside from enabling us to deal with a certain level of event risks, I see this as the next step for enhancing our credit rating.
- However, I would not say the current ratio of shareholders' equity is enough. I think we have to improve it further. We will continue working to increase shareholders' equity ratio by accumulating profit while being mindful to balance reduction of interest-bearing debt with returns to shareholders.

Q-3

- ◆ Your earnings forecast for the fiscal year reduces operating revenue and operating expenses by 30 billion yen each. Can you specify the breakdown and content of those figures?

A-3

- Operating revenues in the air transportation business were about 14 billion yen short of the plan in the first half. In the second half, we forecast a downturn of about 16 billion yen, adding up to a decline of about 30 billion yen for the year. Domestic passenger revenue is expected to decline 13 billion yen, which includes 8 billion yen in the first half results and 5 billion yen in the second half forecast. We lowered international passenger revenue by a total of 18.5 billion yen for the year, which includes a forecast impact of 10 billion yen in lower revenue caused by the Senkaku and Takeshima islands territorial disputes. The yearly total includes 5.5 billion yen in the first half results and 13 billion yen in the second half forecast.
- On the other hand, for the year we estimate 30 billion yen in reduced expenses also. That includes 15 billion yen from first half results and 15 billion yen from the second-half forecast.
- The 15 billion yen in reduced expenses for the second half includes 5 billion yen that we conclude will be achievable in the second half, based on analysis of first-half results. In addition, we expect to have 10 billion yen in reduced expenses from income improvement measures intended to make up for the loss of revenue.
- Looking at the reduced expenses of 30 billion yen for the year by major expense categories, this includes 12.5 billion yen in depreciation and amortization, 6 billion yen in personnel expenses, 4.5 billion yen in aircraft maintenance expenses and 2.5 billion yen in sales commission and promotion expenses, among others.

Q-4

- ◆ Please explain in detail the impact that the Senkaku and Takeshima islands territorial disputes are having on revenue.

A-4

- At this time we estimate the Senkaku and Takeshima islands territorial disputes will cause international route passenger revenue to decline by 10 billion yen for the year. As of September, revenue had declined by 1 to 2 billion yen, and we forecast an impact of about 6 billion yen in the third quarter. We expect the impact to gradually lessen in the fourth quarter, but we forecast that there will still be a revenue decrease of about 2 billion yen in that quarter. We believe that the decline in individual business demand has already hit bottom and is in a recovery trend. However, leisure travel demand is still slow.
- For the current fiscal year, we forecast passenger revenue of about 60 billion yen from Chinese routes, which is 4% to 5% of total operating revenues. Though this is not a great portion, these routes form a network that serves ten airports all together. Therefore we hope for demand recovery as soon as possible.

Q-5

- ◆ Please explain in detail ANA's forecast for second-half domestic passenger demand and unit price.

A-5

- The year-on-year comparison of the number of passengers on domestic routes for the second half includes numbers from AirAsia Japan, which started operating in August. We forecast increased demand due to this fiscal year's portion of recovery from the March 2011 earthquake, the impact of which still remained in the second half of the previous fiscal year, and due to demand stimulation measures such as promotional fares.
- Under our plan, the unit price for domestic routes in the second half will be approximately the same level as in the second half of the previous year. In light of the first-half trends, we are lowering our demand forecast somewhat from our original assumptions. Therefore we consider it important to maintain the unit price level at this time. We plan to maintain the unit price at about the same level as the second half of the previous year by increasing business fares and premium class fares and managing award seats more closely, among other steps.

Q-6

- ◆ Please explain in detail ANA's forecast for second-half international passenger demand and unit price.

A-6

- The load factor on international routes reached 77.6% in the first half, which is extremely high. Basically, we forecast demand will continue to be strong, with the exception of Chinese routes. The assumed load factor for the second half is 72% for North America, 79% for Europe, 50% for China and 74% for Asia.
- We forecast that demand will remain strong on both North American and European routes. In addition, we believe the slump in demand for Chinese routes will have limited impact on overall performance, because ANA's international route structure is well-balanced in every direction.
- The average unit price for the second half on ANA's international routes exclusive of AirAsia Japan will rise because of changes in route structure, since there will be new and increased services, especially in long-haul routes to North America. The plan also assumes that leisure travel demand, which has low unit prices, will decline heavily on Chinese routes. Thus, we expect the change in the passenger fare mix to be another reason the unit price will rise compared to the second half of the previous fiscal year.

Q-7

◆ How do you see the competitive environment, including low-cost carriers, affecting ANA?

A-7

- Our two low-cost carriers are creating new demand and are off to a good start, with load factors of about 80%. This is not to say there will be no cannibalization at all between ANA and our low-cost carriers. We do see a certain impact with customers who use promotional fares on domestic routes and with the leisure travel demand on international routes, but in both cases we expect the impact to stay within the anticipated scale.
- AirAsia Japan is a consolidated subsidiary and Peach is an equity method affiliate, and we believe we can take advantage of these low-cost carriers' performance in our consolidated financial statements.

Q-8

◆ How are profits at the two low-cost carriers as compared to plans?

A-8

- AirAsia Japan and Peach are both largely performing as initially planned. We had forecast that Peach would be profitable in its third year after starting operations, but it has done better than anticipated. As of now it is operating at less of a loss than planned.

Q-9

◆ The Boeing 787 is a mid-sized aircraft that can fly long-haul international flights. What is your goal in using so many of them on domestic routes? Also, you placed an additional order for 11 Boeing 787-9s in September. How does that fit into ANA's fleet strategy?

A-9

- The Boeing 787 is the successor to the 767, which is the main aircraft ANA has used on both domestic and international routes. In the case of domestic specs, a 335-seat 787 can fly for about the same cost as a 270-seat 767, so it is very cost-effective. Its fuel efficiency is 20% better per seat. Besides that, the 787 can capture demand that might be spilled with the capacity of the 767.
- Flights using the 787 have around 10% higher load factor compared to using other aircraft on the same routes or flights, and more passengers are carried for our routes overall. This aircraft makes us highly competitive and so we are using it even on domestic routes as the successor to the 767.
- The 787-9 stretched body type has even greater range than the 787-8s we have already received, as well as greater capacity. (The 787-8 for domestic specs has 335 seats and 158 for international long-haul specs.) We can use the 787-9 on either domestic or international routes, but we think it is better suited to long-haul international routes.
- The number of 787s we have ordered is 66 in total. Our approach is to pursue profitability with this aircraft so that the 787 becomes synonymous with ANA.

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