

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

Q-1

- ◆ Operation of all 17 of your Boeing 787s has been suspended. If that situation continues, will substitute aircraft be needed? What scenarios do you foresee regarding the 787 problem? How will your fleet plan respond to those scenarios?

A-1

- We are assuming that the suspension of 787 operations will not be that prolonged. We aim to get through the immediate situation by maximizing utilization of other aircraft as a short-term solution and maintain our flight operations. The number of flights on domestic routes has only dropped by about 3%. On international routes, it is only about 5%.
- If the situation is clearly going to be prolonged, we will extend the service of aircraft due to retire and introduce substitute aircraft. Our aircraft procurement department has already begun coordinating with Boeing to see if we can take ownership ahead of schedule of already ordered aircraft, which we would use as substitution.
- The key point when we suddenly have to reassign aircraft is how we can fulfill our original business plan without harming profitability. We might try to make the route plan itself more compact. For example, we could temporarily suspend direct routes between regional airports and let passengers make connections at Haneda instead. This would let us secure the aircraft to use additional slots at Haneda and open new routes from Narita.
- The current 787 problem would be difficult for us to solve on our own. However, there were repeated delays of 787 deliveries in the past. During those experiences we repeatedly had to deal with making fleet arrangements. We will closely watch the response of those concerned in Japan and abroad. We will cooperate in all aspects of the investigation of the causes. Meanwhile, our priority management issue is to make sure the 787 is safe when we offer service on it to our passengers.

Q-2

- ◆ Since 787 operations have been suspended, what do you see as the impact on your traffic results and earnings in the current and coming periods?

A-2

- It is not as if all affected passengers who had made reservations on 787 flights cancelled their trips. We cannot identify how much decline in passengers directly results from the 787 problem. However, looking at demand trends on domestic routes, we forecast that passengers will be up 1 - 2% year on year in January, and aside from the 787 problem, that includes the impact from flight cancellations due to major snowstorms. As for February, our flight schedule for the latter half of the month are not yet decided. But, our passenger forecast is within a range of 0% change to a decline of 2% year on year. Compared with our earnings assumptions for the second half of the fiscal year, our current passenger forecast shows slight weakness. However, there are business indexes, such as the Industrial Production Index, that indicate an improving trend. So we think it necessary to closely watch demand trends for the time being.
- We estimate that revenue will be down by 1.4 billion yen in January due to the 787 problem. However, we will be able to save variable costs like fuel expense, so we believe that the impact on profits in general will be about half that.
- We will be closely examining the earnings impact for the coming fiscal year and beyond in light of how things go hereafter. We will get ready so we can discuss this when we announce our Corporate Plan for the next period.

Q-3

- ◆ Since 787 operations have been suspended, what portion of the burden will be borne by ANA, and what portion by others concerned? For example, lost opportunities for making revenue, and future costs of arranging for substitute aircraft.

A-3

- Our first concern is resuming 787 operations safely. To that end, we will make every effort to work with those concerned. When the facts, including the cause of the problem, are all clear, we will consider seeking compensation from others for losses or costs, if appropriate.

Q-4

- ◆ We hear you are going to postpone the announcement of new Corporate Plan. However, do you foresee being able to achieve the goals of the cost restructuring you are now pursuing, including benefits from changing to a holding company system?

A-4

- We have been pursuing cost restructuring to lower our CASK by one yen (equivalent to 100 billion yen cost reduction all together), and we are making progress as originally planned. In April we will adopt the holding company system. With a slim holding company at the top, more efficient indirect departments at our operating company and a stronger organization enhanced by independent management, we believe we can achieve cost restructuring as planned.

Q-5

- ◆ Tell us about unit price and yield trends from domestic and international passengers in the third quarter.

A-5

- On domestic routes last year, we set an embargo for promotional fares during our busiest times, such as right before and after the New Year. This fiscal year, however, to maximize passenger revenue, we have allocated seats for promotional fares during some periods. This has enabled us to greatly increase passengers. As a result, though the average unit price in the third quarter was down 2.2% year on year, passengers increased 4.4%, or 1.7 points greater than our 2.7% plan assumption, which helped secure revenue.
- Yield on international routes in the third quarter was down 6.3%. The biggest factor was changes in route composition. Demand was slow on short-haul Chinese routes. However, medium- to long-haul routes increased: we opened new routes to Yangon, Delhi and Seattle and added flights to New York. So yield, which ordinarily decreases gradually with distance, declined year on year when the overall average is compared. However, this does not mean that yield declined all around. Business class yield for the third quarter, especially on long-haul route like North American and European routes, did not decline compared to the second quarter and also remained solid.

Q-6

- ◆ Please update us on the performance of AirAsia Japan and Peach.

A-6

- We have discovered a number of issues that need to be solved at AirAsia Japan. Narita Airport restricts operating hours, and the carrier has been unable to increase aircraft utilization. So the number of aircraft implemented is lower than originally planned. Going forward, we expect to get enough slots through the slot expansion process at Narita, and to develop operations at Chubu Airport, which runs 24 hours a day. This will let us increase aircraft utilization and help us add craft as planned for AirAsia Japan.
- We are making improvements to the reservations system we implemented, since it is tough to use in the Japanese market. Ticket reservations, sales channels and means of payment have been mainly through Internet and credit card sales. We need to diversify these so people can use convenience stores, travel agents, etc. We are making those improvements now. If such initiatives allow AirAsia Japan to penetrate the market more deeply, we believe there is potential for LCC business to grow at Narita.
- Peach has gotten off to a good start, with a load factor of about 70%. It has a high percentage of non-Japanese passengers on its international routes. By working in the growing Asian market, it is creating new demand and growing too. Although still operating in the red, the deficit is less than planned, so profitability is improving at a faster pace than originally expected.

Q-7

- ◆ On the foreign exchange market, the yen is weakening. What do you see as the impact of this on earnings, including the effect of hedging?

A-7

- ANA has considerable US dollar-based costs, which are related to aircraft and fuel procurement, meaning basically we are structured so that a weak yen increases our costs. On the other hand, we are hedging a certain amount of exposure to the US dollar, and we have to bear in mind that recently we are getting an increasing amount of foreign currency revenue from international passengers and international cargo.
- The purpose of our hedging strategy is to stabilize operating income. By using our currency hedge benefit and by allocating our foreign-denominated revenue to pay foreign-denominated costs, we aim to minimize the risk of a fluctuating foreign exchange market. Based on the rates at which the various currencies are now trading, we calculate that we can slightly improve profitability as compared to the plan for the current fiscal year.

End