

FY2012 (ended March, 2013) Financial Results Q&A Summary

Q-1

◆ What were the factors that caused the slight underperformance in operating income for fiscal 2012?

A-1

- Through the third quarter, the outlook for the achievement of term goals was positive. However, in the fourth quarter operation suspension of the 787 from January resulted in a decrease in revenue of 7 billion yen. Also, the forecast for the impact of the Senkaku/Takeshima disputes was estimated as a 10 billion yen decrease in the revised revenue plan and actual figures were very similar to the estimate.
- In the end, we were unable to cover these decreases in revenue through the reduction of expenses and this was the ultimate factor in us being unable to achieve planned operating income.

Q-2

◆ Please explain the key points of assumptions used in the fiscal 2013 revenue plan.

A-2

- For both domestic and international routes, the expansion of AirAsia Japan business is working to increase both ASK and passengers as well as drive down unit price. The level of contribution from AirAsia Japan was particularly significant during the second half.
- For domestic passengers, compared to the first half, passengers and RPK growth are higher in the second half. The factor behind this is that demand projections assume slight economic recovery heading into the second half and based on this we have included the impact of a 1% increase in demand.
- The year-on-year assumption for domestic passenger unit price is that the extent of negative growth will improve in the second half. Unit price for the ANA brand only is a decrease of 1.1% for the first half and an increase of 0.9% for the second half, thus by the second half we will transition into positive territory. The factor behind the year-on-year improvement in the second half is that, as a result of the capital increase during the previous fiscal year, number of discount flight coupons for shareholders issued and used since November increased, which caused the average unit price to decrease but we forecast that by the second half of the current fiscal year that impact will have passed.
- In the international route revenue plan, assumptions for foreign exchange include yen depreciation, which has had the effect of increasing unit price and revenue. At the same time, as we are forecasting a second half recovery in demand on China routes, which have a low unit price, we are assuming a year-on-year decrease. However, for the ANA brand only, our unit price assumptions are an increase of 5.1% for the first half and 0.7% for the second half, and we forecast maintaining year-on-year plus figures including the second half as well.

Q-3

- ◆ Please provide an explanation concerning the state of recent reservations for domestic and international passengers. Also, please provide information about economic climate and business demand trends as well as the outlook for future yield.

A-3

- For domestic routes, the first quarter passenger demand trends suggest business demand will be steady while overall passenger volume will be between flat and slightly increased compared to the previous year. Going into the new fiscal year, we expect demand trends to be relatively strong.
- While we were impacted by the operation suspension of the 787, our ability to reconfigure flight schedule at an early stage has enabled us to secure passenger demand. If resumption of operations for the 787 is moved up to June from the previously assumed July, there is the possibility of demand forecasts edging toward the upside of figures.
- As for international route passenger demand in the first quarter, trends similar to those seen in the fourth quarter of the previous fiscal year are continuing. Passengers are down year on year due to the impact of a decrease in demand on China routes but we forecast being able to secure positive results for RPK. Looking at each passenger class, business class is extremely strong, continuing near double digit growth on average for the first quarter.
- Factors behind this include steady passenger traffic from North America to Asia, which has been boosted by our joint venture with United Airlines. Currently, 787 routes are suspended but after resumption of operations we believe we can expect even further demand.
- As the economic mood continues to recover, we expect to see increased demand in business and package/leisure travels. However, ANA believes it vital that we carefully examine passenger demand trends and be able to manage yield control and the state of fares. We already have knowledge and experience in producing results in relation to these points and we will continue such initiatives in order to secure increased revenue.

Q-4

- ◆ What are your thoughts on investment plans from fiscal 2013 and beyond, including 787 deliveries and strategic investment in Asia?

A-4

- Fiscal 2013 investment plans are projected at approximately 200 billion yen for the entire Group, of which we are planning to use approximately 130 billion yen for investments in aircraft. Ongoing capital expenditures are projected to transition towards a scale of roughly 200 billion yen per year.
- This 200 billion yen investment plan does not include strategic investments in Asia. We will work those investment projects into the cash flow plan as they materialize. The most vital issue for management is securing free cash flow and, as such, we will continue to consider this as we outline investment plans.
- As for the implementation of strategic investments in Asia, we will continue to maintain clear investment management standards such as the target period for achieving profitability and exit criteria. While carefully analyzing each investment opportunity, we will continue to pursue investments that allow us to tie Asian growth to the growth of the Group.

Q-5

◆ Please explain foreign exchange sensitivity.

A-5

- As shown on page 41 of the presentation materials, at present we forecast a decrease in operating income of approximately 0.8 billion yen with one yen depreciation versus the US dollar. Calculations reflect operating expense increases, mainly fuel expense, as a result of yen depreciation, current hedge effect, and passenger and cargo revenues increases in foreign currencies.
- For the US dollar, one yen depreciation is a significant impact in terms of increased fuel expense, and will result in a decrease in operating income of 1.9 billion yen. At the same time, the impact of other currencies with fluctuations equivalent to one yen depreciation against the US dollar results in a revenue increase that exceeds the increase in expenses and result in a sales profit improvement of 1.1 billion yen. As such, we are estimating a decrease in operating income of 0.8 billion yen.
- Furthermore, the impact of foreign exchange on profit in our fiscal 2013 plan is forecast to result in a decrease in operating income of nearly 10 billion yen year on year when you combine increased revenue from international passengers and international cargo with increases in fuel expense among other expenses.

Q-6

◆ What are your thoughts on future prospects for LCC businesses, including AirAsia Japan operations?

A-6

- AirAsia Japan result in fiscal 2012 did not achieve planned performance in terms of either revenue or profit.
- By bringing existing brands and business models established in Southeast Asia to Japan, we were able to launch business with prompt preparation but as a result, not enough attention was given to adapting to the Japanese market.
- Already we are working to enhance non-internet sales channels and promotions. In terms of improving aircraft utilization, we forecast improvements as a result of the extension of curfew at Narita Airport in case of irregular operation and the expansion of flight network to Chubu Airport where 24-hour operations are allowed.
- In terms of initiatives to increase foreign passengers, we are utilizing the strength of the AirAsia brand in Asia to secure Japan-inbound passengers and promoting expanded use of domestic routes in Japan by foreign visitors.
- From these initiatives, we feel there are more than sufficient opportunities for LCC profitability. Through our multi-brand strategy, we will set fiscal 2013 as the period for profit equilibrium and fiscal 2014 as a profit source.

Q-7

- ◆ Please explain reforms of pension benefit plan and the benefits.

A-7

- Retirement benefit obligations as of the end of the previous fiscal year were nearly 300 billion yen as the result of a reevaluation of the discount rate. When we subtract pension assets and the accrued employees' retirement benefits, we end up off balance with unrecognized retirement benefit obligations of nearly 60 billion yen.
- Based on the reforms of the plan currently proposed to the labor union, we estimate that we can reduce unrecognized retirement benefit obligations by 10 billion yen when estimates are based on a specific set of assumptions.
- The greatest merit of this reform is that we are able to reduce future balance sheet risks related to pension liabilities. Management will remain dedicated to these efforts, which we view as a conclusion to our structural reforms.

End