

Financial Results, Second Quarter, FY2013 Q&A Summary

Q-1

- ◆ Regarding your revisions to the full-year earnings forecast, can you provide specific amounts that have impacted your air transportation business for each of the factors indicated on P34 of the presentation materials?

A-1

- Regarding the impact of yen depreciation, we are forecasting a profit decline of approximately 4 billion yen for the fiscal year. During the first half, the market rate for the yen depreciated 4 yen below our assumed rate of 95 yen, which resulted in a profit decline of approximately 2 billion yen. For the second half, we are raising the assumed rate to 100 yen, which is 5 yen higher than our original plan and which assumes a profit decline of approximately 2 billion yen. Overall, this impact is in line with our perception indicated at the beginning of the fiscal year that yen depreciation of 1 yen will cause a fluctuation in profit equivalent to 800 million yen.
- We forecast profit decline for our LCC business to be approximately 4.5 billion yen lower than our original plan. This is due to factors such as corporate plan changes resulting from the dissolution of the joint venture with AirAsia and the cost of preparations for the new brand.
- In terms of revenue, we are assuming a decrease in revenue of approximately 10 billion yen due to factors related to the ANA network plan. The delay in the launch of a second flight on the Narita=Chicago route due to Boeing 787 delivery delays and the postponing of increase in the volume of flights on Japan - China routes out of Haneda were the main factors. As for a reevaluation of the revenue plan for factors other than yen depreciation, LCC business, and ANA network plan, we are forecasting a decrease in revenue of approximately 14 billion yen. One of the factors behind this is that unit price for domestic passengers has been edging lower than expected. Furthermore, although currently the number of passengers on China routes has recovered to levels prior to the Senkaku Islands territorial dispute, the pace of recovery was slower than expected.
- Regarding expenses, because we forecast that of the target amount of 25 billion yen for cost restructuring we will only reach 20 billion yen, the impact of cost increases is approximately 5 billion yen. Finally, a reevaluation of expenses plan for factors other than yen depreciation, LCC business, and cost restructuring, we are forecasting an increase in expenses of approximately 12.5 billion yen. Factors include maintenance plan changes resulting from the Boeing 787 operation suspension.

Q-2

- ◆ Regarding the differences between actual versus planned for revenue and expenses that were factors leading to revisions for full-year earnings forecast, please explain the major differences for the first half and second half respectively.

A-2

- International passenger revenues decreased approximately 6.5 billion in the first half. The revised plan for the second half forecasts decrease revenue of 13.5 billion yen, which is the difference from the original plan. The biggest factor behind first half losses was the 10 billion yen decline in revenue from China routes. European routes were nearly on par with planned figures and revenues for North American and Asia actually exceeded planned amounts. Currently, demand on China routes is recovering but, in terms of the revision in comparison to our original plan, we are assuming a 9 billion yen decrease in revenue on China routes during the second half of this fiscal year. The major factors behind the decrease in revenue on China routes are the residual impact of the Senkaku Islands territorial dispute and changes to the network plan that resulted in the postponing of the increase for flights out of Haneda.
- Domestic passenger revenues declined 3 billion yen in the first half mainly due to unit price factors and the revised plan for the second half is assuming a decrease of 4.5 billion yen, which totals a downward revision of approximately 7.5 billion yen for the full year.
- Operating expenses increased by approximately 14.5 billion yen in the first half and an increase of 10.5 billion yen is forecast for the second half, which are higher than the original plan respectively. The expenses that increased the most were fuel expenses and aircraft maintenance expenses.

Q-3

- ◆ In conditions where you do not experience any temporary risk factors, at this point by how much do you believe you can increase earnings? In moving forward based on management that focuses on the ability to withstand event risks and setting a medium- to long-term target of operating income of 150 billion yen, what is your outlook for the future, what problems are you focused on, and what level of certainty do you have in terms of achieving this target?

A-3

- We operate in an industry that constantly faces the possibility of event risks but it would be impossible to avoid being impacted by the type of significant change in operating environment caused by the global economic decline such as the recession seen after the Lehman Shock.

- In order to limit such impact to the bare minimum, we continuously pursue optimal hedging methods to manage fuel expenses and currency risks. Furthermore, we have created various protective measures designed to take care of fluctuations in earnings, including the creation of a flexible supply structure to achieve appropriate matching of demand and the development of a lump-sum payment that is tied to earnings. The current fiscal year left us with various points which need improvement as a result of the Boeing 787 operation suspension, including the inability to optimize supply and demand matching, aircraft deployment, or our network plan. I want to apply this experience toward enhancing our ability to withstand event risks.
- Furthermore, in addition to achieving growth in Asia through strategic investments, I believe expanding our airline related businesses will progress with the optimization of our business portfolio and provide somewhat of an absorber of the volatility of the air transportation business.
- In order to move toward our target of 150 billion yen in operating income, I want to review the state of our revenues and cost structures in the next mid-term corporate plan.

Q-4

- ◆ Progress on cost restructuring for the current fiscal year is behind schedule but what level of achievement do you believe is possible for the 45 billion yen reduction target planned for the upcoming fiscal year?

A-4

- We believe we have had a certain level of success reducing unit cost excluding fuel expenses but it is true that of the fiscal year plan for the 100 billion yen cost restructuring we have been working on since fiscal year 2011, the planned figures for fiscal year 2014, which is the final year of this plan, are relatively high. This is due to the outlook that it would take time to reach settlements concerning matters requiring negotiations with business partners and matters that were subject to negotiations with the labor union.
- At present, progress on our plan to use the transition to the holding company structure as a way to streamline direct and indirect businesses is behind schedule. On this issue, we intend to research external models of non-group companies to establish benchmarks and work to improve the cost advantages of each company in the ANA Group.
- In terms of how we will reform our cost structure and improve productivity, we will evaluate ongoing efforts, including initiatives toward the original plan of 100 billion yen in cost reductions, and incorporate this into the next plan.

Q-5

- ◆ Thus far you have analyzed market trends and the business environment to determine pricing strategy, but what are your thoughts on the direction for future pricing strategy?

A-5

- In principle, I believe we have to absorb costs increases resulting from short-term fuel costs and currency fluctuations through our own efforts. On the other hand, in a case of long-term cost burdens beyond our own efforts, we do see pricing strategy as one option for responding to such a situation.
- In either case, we think we must make careful judgments based on an analysis of various factors including market conditions and the business environment.

Q-6

- ◆ What level of contribution do you expect the expansion of slots for international routes out of Haneda Airport will provide to revenue and profit?

A-6

- We were able to secure 11 slots for daytime operating hours so we will be able to improve convenience for transfers from domestic flights as well as other improvements to establish this expansion of slots as a major pillar for the growth of our Haneda international route network in the upcoming fiscal year and beyond.
- In regards to the revenue and contributions to profit, this changes depending on the route and the aircraft in service. As for the estimates in media-report of 10 billion yen in revenue and 1 billion yen in profit per aircraft, there are some routes that achieve revenue above that when talking about long-haul flights using wide body aircraft. However, on the other hand, short-haul routes using mid- and narrow-body aircraft will not see that level of revenue. As such, it is difficult to make generalizations.

Q-7

- ◆ What is the current status of Boeing 787 deliveries that were delayed due to the operation suspension? Also, what is the expected timing of the replacement of wide-body aircraft?

A-7

- The original plan for delivery of the Boeing 787 called for 20 aircraft by the end of the previous fiscal year and 27 aircraft by the end of the current fiscal year. However, the operation suspension that occurred in January resulted in deliveries being stopped at 17 aircraft. Following the resumption of delivery, as of the end of the second quarter we have received 6 aircraft and are planning to receive 4 more aircraft in the second half of this fiscal year. This means that by the end of the current fiscal year we will be able to conduct operations based on the 27 aircraft outlined in the original plan. Moving forward, the deliver delay will have no impact on route plans.
- We are beginning to consider a successor to the Boeing 777 so we will evaluate our overall fleet plan and make a judgment regarding replacement at the appropriate time.

Q-8

- ◆ Vanilla Air will expand routes with a focus on international routes out of Narita but will the company be able to increase its aircraft utilization?

A-8

- We believe we can improve the aircraft utilization by expanding business with international routes. We will implement a type of aircraft utilization that focuses on international take-offs at night just before the night curfew at Narita Airport and receiving landings from overseas with the start of operating hours in the morning. For daytime operating hours, we are considering operating domestic routes such as Okinawa and Sapporo and short-haul international routes with high tourism demand such as Hong Kong and Taiwan, and incorporating marketing for leisure travelers.
- If we can improve the aircraft utilization and achieve a load factor of around 80%, we will be able to get close to the current operating levels for Peach. We want to reference the successful example of Peach as we rebuild our network plan.

End