August 2012

Financial Results, First Quarter, FY2012 Q&A Summary

Q-1

◆ For your first quarter settlement, how did the results measure up to your plans? Also, please comment on your profit forecasts for the second quarter.

A-1

■ Reviewing the first quarter, our air transportation business operating income increased by about 5 billion yen over the original plan. For operating revenues, with both domestic passenger and international passengers slightly below the targeted levels, the air transportation business declined by about 2 billion yen in total. Operating expenses, however, finished about 7 billion yen below our projections.

■ Fuel expenses slightly exceeded the original plan. Depreciation and amortization expenses, however, were somewhat below the plan, for reasons including delays in the service startup dates of newly introduced aircraft. Aircraft maintenance expenses were below the plan, due to certain outlays being shifted to the following quarter.

■ Under our forecast of existing conditions, there is the possibility that revenue will also finish slightly below the original plan during the second quarter. However, considering that first quarter operating income finished above the original plan, and projections that second quarter fuel expenses will be somewhat below the plan, we forecast that total operating income for the first half will be generally inconsistent with our original plan.

Q-2

◆ Please provide a detailed report of domestic passenger business in the first quarter, and your second quarter traffic forecast.

A-2

■ The unit price on our domestic routes in the first quarter declined by about five percent on a year-on-year basis. This was due to the recovery in leisure travel demand compared to the heavy decline in the previous year following the March 11 disaster, with the results in line with our forecast.

■ Under passenger traffic forecasts for the second quarter, we predict increases of 7 percent in July, 1 percent in August and 1 percent in September. Unit price is forecast to be on a par with the previous year, as predicted in the original plan.

■ Meanwhile, comparing passenger traffic with the same period of fiscal 2010, traffic for this first quarter fell by 0.7%, while second quarter traffic is predicted to decline by 0.3%. While demand doesn't seem to be growing, the actual reason lies in the vigorous implementation of promotional fares during the first half of fiscal 2010 to stimulate demand.

Q-3

◆ Please provide a detailed report of international passenger business in the first quarter, and your second quarter traffic forecast.

A-3

■ For the first quarter, international passenger traffic finished above the plan assumption level. By route, with the exception of service to Europe, passenger traffic was above the original plan, reflecting generally solid demand. In particular, North American routes showed the effects of our joint ventures, with the impact of connections to Asia, where growth remains robust, also generated. For unit price, our business class recorded a 2 percent year-on-year decline, and our economy class recorded a 6 percent decline. On China routes, the unit price fell due to expanded leisure travel demand, pushing down the overall unit price for our international routes.

■ Turning to second quarter demand forecasts, for our business class, the original plan predicted an increase of 7% from the same quarter last year. Compared to that, we now forecast growth of 10% in July, 12% in August and 6% in September (an average gain of 9% for the second quarter overall). For our economy class, the original plan was for an increase of 8% from the same quarter last year. Compared to that, we now forecast growth of 11% in July, 10% in August and 13% in September (an average gain of 11% for the second quarter overall). We consequently have no concerns about demand, which is expected to be solid. Unit price, meanwhile, is forecast to carry on from the first quarter at levels below the plan. This is not because of a slowing in business demand, however, but rather due to normalization in the passenger composition due to the recovery in leisure travel demand. With growth in passenger traffic as a result, we will be striving through appropriate yield management to maximize revenue.

Q-4

◆ How would you summarize short-term trends in international cargo business ?

A-4

■ For international cargo, due to problems such as the strong yen and the sovereign debt crisis in Europe, cargo demand for export from Japan continues weak - particularly for electrical appliances. We have moved to compensate for that situation with efforts to boost cargo traffic between China, Asia and other regional beyond Japan, with the unit price falling as a result.

■ Our challenge in gearing up for the second half, during which cargo demand is strong, is to raise the unit price. With signs that the Okinawa Cargo Hub network will come to be used as a hub for international parcel delivery, we have high hopes for progress on that front from here on.

Q-5

◆ What progress has been made in your plan to achieve cost reductions of 19 billion yen for the current fiscal year?

A-5

■ Of our total cost reduction goal of 100 billion yen, the plan is to cut costs by 19 billion yen this fiscal year - 8 billion yen in the first half and 11 billion yen in the second half. During the first quarter, we reduced costs by 4 billion yen, which is generally in line with the plan. For depreciation and amortization, personnel, outsourcing, sales commission and promotion, we have reduced costs as targeted in the plan.

■ For personnel, we need to instill greater flexibility and efficiency in our flight crew work system. Moreover, in preparing for the shift to a holding company system next year, we face needs to reduce back office personnel. While these are initiatives that will require some time to achieve, we will be moving steadily in that direction.

Q-6

◆ Please tell us about performance of Peach Aviation, and the booking status of AirAsia Japan to date.

A-6

■ For Peach, we achieved over 70% of the target load factor in the first quarter, with performance also advancing as planned. While Peach is presently in the red, generating an equity method loss on us, the plan is to achieve single fiscal year profitability from the carrier's third year. We are confident that Peach will continue to generate new demand and grow as envisioned.

■ AirAsia Japan has also achieved a solid service startup. Some flights were fully booked during the mid-August holiday travel season, with overall reservations also proceeding in satisfactory fashion.

Q-7

◆ For international passengers business, what is your assessment of upcoming competition with foreign airlines?

A-7

■ This year, we have hopes for a demand recovery. However, it is also our view that foreign airlines which last year, suspended or reduced flights or introduced smaller aircraft, have once again entered the capacity expansion phase. As a result, we are keeping a close watch on reintroduction of the A380 on European routes, market entries of Middle Eastern airlines and other trends.

■ Yet, in addition to the competitive strength of our products, we will also be striving to effectively utilize the joint venture networks being advanced with United Airlines and Lufthansa Airlines to steadily win over business demand. In this way, we are confident of being able to deal with the competition.

■ Furthermore, while closely monitoring the balance between supply and demand, we will also be exercising thorough yield control.

End