February 2014

Financial Results, Third Quarter, FY 2013 Q&A Summary

Q-1

◆ **There was an increase in the rate of decline in unit prices on domestic operations compared to the same period of the previous year. Is competition getting tough?**

A-1

- The decline in unit price for domestic operations is in part due to the impact of the expansion of our promotional fare menu implemented since October 27 of last year. Furthermore, we also expanded seat allocation for discounts fare in consideration of the 9 consecutive holidays during the New Year vacation. We believe the major reason for the drop in unit price is more attributable to this strategic pricing management and less to do with competition from the other carriers.
- Discount flight coupons for shareholders were a major factor in unit price decline during the first half but in a comparison of results through November, you can see that the growth rate (year-on-year) for the number of coupons used decreased significantly for December alone, when the number of discount flight coupons issued following the public offering in 2012 leveled off. We also forecast that usage to slow down from the fourth quarter onward and thus expect that the level of influence discount flight coupons has on domestic operational fares will continue to be minor.
- Overall, our pricing strategy for domestic operations will focus on increase the standard level of normal fares while also expanding promotional fare menus such as "Tabiwari", as we work to expand the pricing ranges for all our fares. Under this type of strategy, we hope to accurately ascertain seasonal factors and other demand trends while promoting yield management.

Q-2

◆ **Regarding domestic operational fares, fare levels for April through June were adjusted solely to offset increases in consumption taxes but what are your plans for July and beyond?**

A-2

- Due to the impact of yen depreciation and other factors, the increase in fuel expenses have reached a level where internal absorption efforts are not enough to offset. As such, we are moving in a direction that will involve hikes in fare levels. On the other hand, the period from April through June is in general period of the year with relatively low demand. In light of this and in consideration of competitor trends, revision in domestic operational fares for April through June will be limited to a level equivalent to the increase in consumption taxes.
- From July onward, we will enter a period of higher demand on domestic operations, thus we will look to increase fares and improve profitability. However, any final decisions will be made having given comprehensive consideration to demand trends and market competition.

Q-3

◆ **Unit price and yield on international operations have improved beyond expectations. What are contributing factors?**

A-3

■ We believe the improvements to the yield of international operations and the unit price are due to tight supply and demand balance as well as benefits of our yield management efforts. Once China route demand recovers, it has the effect of pulling unit price downward. However the overall average for unit price on all international operations improved by 12.5% through the first three quarters compared to the previous year and during the third quarter alone improved to a level that is +8.8% year-on-year. As indicated on P14 of the presentation materials, the biggest contributor to the increase in unit price is currency factors. Amid this environment of yen depreciation, ANA is implementing management strategies to control the supply side, such as increasing the ratio of overseas sales, in order to increase overall profitability.

■ Unit price during the third quarter improved steadily for North America, Europe, and Asia. Despite increasing ASK on the North America by switching to double daily flights for Chicago, we still recorded nearly 10% growth. In Europe, we continued with supply and demand adjustments by downsizing aircraft on the Munich route. Meanwhile, unit price in Asian route has been supported mainly by strong demand on our Singapore and Bangkok routes.

■ Looking at unit price by class during the third quarter, unit price increased for both business and economy cabin classes. Excluding the China route, overall increases in demand led to improvements in unit price.

Q-4

◆ **What are your forecasts for the fourth quarter demand for international and domestic operations?**

A-4

■ For the fourth quarter domestic operations, we are forecasting ASK of just under +5% year-on-year and RPK of approximately +7% year-on-year. RPK growth exceeding ASK growth is due to the impact of the Boeing 787 operation suspension that occurred last year in January. While last year we were unable to secure demand from customers, particularly general individual passengers, who make last-minute flight reservations, this year we succeed in securing demand from that segment of passengers. Also, as we are able to use promotional fares to increase sales during January and February, a period of the year with relatively low demand, we expect to see steady growth and our current monthly passenger forecast (year-on-year) is +9% for January, +7% for February, and +5% for March.

■ For international operations as well, similar to the third quarter we are expecting to see continued growth in demand. We are forecasting ASK of +8% year-on-year and RPK of +7% year-on-year.

Furthermore, our projections for monthly passengers (year-on-year) are +6% for January, +5% for February, and +3% for March. Momentum of demand in the fourth quarter is strong as well and we are projecting at least 10% growth year-on-year for business class passenger numbers.

Q-5

◆ **What were the results for the third quarter operating expenses compared to plans? Also, what is your forecast for the fourth quarter?**

A-5

■ Operating expenses during the third quarter for our air transportation business exceeded plans by approximately 3 billion yen, which include increase in sales-linked expenses (sales commissions, passenger service expenses) and contracted maintenance expenses. Other expenses resulted according to plans. For the fourth quarter, we are considering the expenses are under control and are not expecting significant difference compared to our revised plan. In addition to achieving consolidated operating income of 60 billion yen, which is our revised income goal, we will work to achieve income above this figure to the extent possible.

Q-6

◆ **ASK on international operations will be expanded from the end of March. What are your impressions on future market competition?**

A-6

■ We expect ASK on international operations for the first half of fiscal 2014 to increase +20% year-on-year. This breaks down to a nearly 100% increase at Haneda and a minor decrease at Narita. Haneda provides convenient access from central Tokyo and is convenient for passengers in the Tokyo Metropolitan area. Additionally, at Haneda it is possible to utilize the existing domestic route networks connecting various domestic cities, which makes it possible to increase demand out of Haneda. As for Narita, we intend to control the supply and demand balance with Haneda while adjusting flight schedules to take advantage of the unique features of both airports and increase convenience. This will enable us to increase demand while maintaining yield levels.

■ In regards to market competition in specific regions, we were working under the expectation that supply volume would increase in Europe. Based on information released by various carriers, it is possible we could see competition increase on the Paris route, which is expected to see the largest increase in supply volume. However, for Europe overall, the increase in volume for all carriers combined is expected to be around +15-20% year-on-year. We believe we are seeing the benefits of combined ASK adjustments at Haneda and Narita.

■ United States is not included to for the latest allocation of slots at Haneda but the JAL plans to increase flights on its New York route will result in increased supply volume among Japanese carriers. As such, we will need to feature trends in market competition.

■ Compared to Europe and North America, Asia has seen a larger increase in ASK and our impression is that we will be able to adjust supply and demand on the Singapore and Bangkok routes. On the other hand, on Jakarta, Manila, and Hanoi routes, the collective increase in volume by both ANA and our competitors is expected to result in weaker demand. However, among Japanese carriers, we are the only carrier able to operate out of Haneda in the daytime operation, mainly between 6am and 11pm, and we intend to use that competitive advantage to improve profitability.

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