August 2015

"Financial Results for the Three Months ended June 30, 2015" Q&A Summary

Q-1

- **Please provide a breakdown of the first quarter profit for the Air Transportation Business compared to plans.**

A-1

- Revenues for the Air Transportation Business outperformed plans by approximately 8.5 billion yen. As a breakdown, domestic and international passenger revenues were approximately 2.0 billion yen and 8.0 billion yen above plans respectively, while cargo and mail revenues were approximately 4.0 billion yen below plans. Other revenues, including the LCC Business, were approximately 2.5 billion yen above plans.
- On the other hand, operating expenses were approximately 3.0 billion yen below plans. Fuel expenses were in line with plans and costs other than fuel expenses approximately 3.0 billion yen below plans including approximately 2.0 billion yen due to the change in expenditure period to the second quarter and beyond. As a result, operating income exceeded plans by 11.5 billion yen.

Q-2

- **What factors are causing the outperformance compared to plans in the unit price of your Domestic Passenger Business and in the yield of your International Passenger Business? Do you expect this trend to continue during the second quarter and beyond? Also, please tell us about your forecast so far.**

A-2

- The unit price in our Domestic Passenger Business increased by 3.3% year-on-year, which outperformed plans. We view this as being attributable to the fare raise since last year in July and flexible pricing of discount fares based on demand trends.
  For the second quarter, we project that the unit price will be the same level compared to the previous year based on expectations that the effect of the fare raise will come to an end year-on-year and we are planning to stimulate demand by utilizing discount fares for low-demand flights. Even though we will continue to control ASK, we expect that passenger numbers will slightly outperform the previous year.
- The yield in our International Passenger Business increased by 0.7% year-on-year, which outperformed plans. Although fuel surcharge revenues decreased due to the decline in crude oil prices, we had positive effect from promoting strategic pricing and yield management with a consideration of weaker yen trend.
  We project that yield during the second quarter will decrease compared to the previous year based on our forecast that the impact of declining fuel surcharge revenues will be greater than in the first quarter. We expect RPK will remain solid and outperform the previous year, continuing the trend from the first quarter.

Q-3

- **Please provide the state of sales in overseas for International Passenger Business, including from the perspective of capturing inbound traffic.**
  There is a continuing trend of outbound Japanese passenger numbers decreasing compared to the previous year. Please tell us about the status of sales in Japan.

A-3

- Passenger numbers from sales in overseas account for roughly 50% of all sales in International Passenger Business, representing year-on-year increase of approximately 5 points. Our inbound passengers have increased significantly by approximately 70% year-on-year, and comprised nearly 30% of all. In particular, our inbound passengers on China routes have nearly doubled compared to the previous year and contributed to a significant improvement in our load factor. This steady inbound traffic has been a tailwind not only for the Air Transportation Business but across other businesses including increased sales at airport duty free stores in the Trade and Retail Business.
- According to the information released by the Japan National Tourism Organization (JNTO) on July 22, the number of foreign travelers to Japan increased by 46.0% year-on-year during the first half in 2015. On the other hand, the number of outbound Japanese travelers decreased by 4.9% during the same period. Although a simple comparison is difficult, passenger numbers from sales in Japan during the first quarter on ANA international flights increased by approximately 4% year-on-year, which indicates steady performance compared to overall market trends. The reason for this success is attributable to greater penetration of our significant network expansion in the spring 2014, particularly the increase in flights from/to Haneda, and our effective marketing activities.

Q-4

- **What caused the decrease in revenues for the International Cargo Business compared to the previous year? Please tell us about future countermeasures.**

A-4

- We foresaw a decrease in fuel surcharge revenues due to a decline in the crude oil price, so we raised some fares in response. However, cargo volume decreased due to not only the impact of price elasticity but weaker demand for Japan to Asia and China to Europe. These resulted in decreased revenues.
- In the second quarter and beyond, we will increase revenues by targeting firm cargo traffic such as China to North America and Europe to Asia, and by enhancing sales activities for agents with which we have only had limited transactions thus far.

Q-5

◆ **Please tell us about the performance of your LCC Business.**

A-5

■ Vanilla Air had a load factor of approximately 84% in the first quarter, which was a great improvement compared to the previous year. Their measures for securing demand such as inbound travelers on international flights made a good performance steadily.
As a result, their operating revenues and expenses were mostly balanced during the first quarter. This marks a solid start for turning to a surplus in FY2015.

Q-6

◆ **You have completed your fuel hedging for FY2015. How about the status for FY2016? Please tell us your forecast of the impact on operating income in FY2016, if the current market trends continue.**

A-6

■ Compared to past years, thanks to the recent expansion of International Business, fuel surcharge revenues gradually have been able to offset changes in fuel expenses caused by crude oil market fluctuations. As of the end of the first quarter, the fuel hedge ratio for FY2016 was 35%, an increase of 5 points compared to the end of last fiscal year. This represents significant progress in relation to our target level.

■ The FY2014-2016 ANA Group Corporate Strategy released on February 14, 2014 sets a FY2016 operating income target of 130.0 billion yen. We are estimating operating income some 5.0 to 10.0 billion yen above this target if we revise only assumptions for crude oil price and foreign exchange rate (refer to Overview of Long-term Strategic Vision / Financial Results FY2014 for Third Quarter released on February 2, 2015). We are planning to release our new Mid-term Corporate Strategy, which will contain details, by the end of this fiscal year.

FY2016 Assumptions	【Released on Feb.14, 2014】 FY2014-16 ANA Group Corporate Strategy	【Released on Feb.2, 2015】 -Overview of Long-term Strategic Vision -Financial Results FY2014 Third Quarter
Dubai Crude Oil	US$112/bbl	US$77/bbl
Singapore Kerosene	US$130/bbl	US$95/bbl
Exchange Rate	¥105/US$	¥120/US$

End