November 2015

“Financial Results for the Six Months ended September 30, 2015” Q&A Summary

Q-1

- **Please tell us about actual versus planned profit for the Air Transportation Business during the first half.**
  Also, please tell us your second half forecast and your thoughts of full-year consolidated earnings forecast.

A-1

- Revenues from the Air Transportation Business outperformed plans by approximately 12.0 billion yen. As a breakdown, domestic and international passenger revenues were approximately 1.5 billion yen and 15.5 billion yen above plans respectively while cargo and mail revenues were approximately 9.0 billion yen below plans. Other revenues, including the LCC business, were approximately 4.0 billion yen above plans.
- On the other hand, operating expenses were approximately 2.5 billion yen below plans. As a breakdown, fuel expenses were approximately 3.5 billion yen above plans and non-fuel expenses were about 6.0 billion yen below plans, including approximately 2.0 billion yen in expenditures for which the planned implementation period was shifted to the second half. On domestic passenger operations, fuel consumption volume exceeded plans due to the deployment of non-scheduled flights and aircraft upsizing to capture demand during the summer season and Silver Week, a long holiday in September. As a result of the above, operating income outperformed plans by approximately 14.5 billion yen.
- For the third quarter, overall, we are assuming a firm demand trend. We are forecasting passenger numbers for domestic operations will be on the same level as the previous year and RPK for international operations will increase by 17% compared to the previous year. However, due to uncertainties in China and other foreign economies, the growing destabilization of financial markets and, currency fluctuations, we will refrain from making any revisions to our current full-year consolidated earnings forecast.
- Prices on the crude oil market are below the assumptions outlined in our plan. However, this fiscal year, we forecast that the effect of the decline in crude oil prices on operating income will be extremely limited because we have already proceeded with hedging. The reduction in fuel expenses will be on par with the decline in fuel surcharge revenues.

Q-2

◆ **Please tell us about the status of sales in Japan and inbound demand for international passenger operations.**
Also, what future trends are you predicting for inbound demand?

A-2

- According to data published by the Japan National Tourism Organization (JNTO) on October 21, the number of Japanese overseas travelers from January to September of 2015 declined by approximately 5% compared to the previous year. Although it is difficult to make a simple comparison because the periods differ, sales in Japan for ANA international passenger operation during the first half increased by more than 5% compared to the previous year. This means a firm performance in comparison to overall market trends. Our group network strategy centered on the Tokyo Metropolitan area airports is working steadily.
- The same JNTO data also indicates that the number of visitor arrivals to Japan during that period increased by nearly 50%, while inbound passenger numbers for ANA international passenger operations during the first half actually increased by approximately 65% compared to the previous year. Amid growing market demand, we are succeeding in expanding our market share.
- Going forward, we expect continued solid growth for inbound traffic and we will continue working to take advantage of these market conditions. On China routes, we expect the balance between supply and demand to moderate based on the fact that overall ASK increase, including the new routes and increased flights on ANA, is exceeding the current demand growth.

Q-3

◆ **Please tell us about first half performance for the LCC business.**
Also, what are your full-year forecasts and your thoughts on strategies for future growth?

A-3

- First half revenues for Vanilla Air doubled from the previous year. Also, load factor increased significantly to approximately 87%. Brand recognition is penetrating in both Japan and in international markets, and this enables us to improve yield. We expect the company to move firmly towards achieving an operating profit for the full-year.
- As measures for future growth, we believe it is necessary that the company promotes capturing the steady inbound demand and accurately ascertains the new destinations in which high-demand is expected, particularly among the Asian resorts.

Q-4

◆ **Please tell us about your forecasts for future fleet plans.**
Also, are you influenced by delays in test flights for the Mitsubishi Regional Jet (MRJ)?

A-4

■ The ANA Group already decided to place orders for 70 aircraft in March 2014 and 15 aircraft in January 2015 as future growth resources. We plan on increasing the ratio of medium- and narrow-body aircraft such as the B787, B737-800 and the Airbus A320/A321 neo from the perspectives of promoting supply and demand optimization and cost reductions achieved through fuel efficiency based on our fleet strategy emphasizing the integration of aircraft types.

■ Going forward, as part of our next corporate strategy that covers the 5-year period from fiscal 2016 through fiscal 2020, we will verify various elements such as the possibilities, timing, and scale of slot expansion at the Tokyo Metropolitan area airports, and decide the delivery period of aircraft based on our contracts with manufacturers.

■ The MRJ, for which the ANA Group is the launch customer (not included in the above-mentioned 85 aircraft), postponed its initial flight schedule but we have been told that this will not impact the delivery timing of the first aircraft, which is scheduled for 2017.

Q-5

◆ **How will you approach management resource allocation in the future?**

A-5

■ We are always conscious of focusing on a balance for investments for future growth, maintaining our financial platform, and shareholders' return. In our next corporate strategy, we will focus more than ever on shareholders' return.

■ Financial performances achieved over the past several years greatly improved our financial platform. We believe two key indexes - a D/E ratio of 1.0 and shareholders' equity ratio of 40%- are essential to improving our credit rating (securing an A Rating from the Rating and Investment Information, Inc.).

■ For shareholders' return, we plan to achieve stable dividends of 5 yen per share in consideration of a payout ratio of 30%. We are aware that the buy-back of shares will become one of the key issues in order to approach our comprehensive shareholders' return.

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