May 2011

All Nippon Airways

FY2010 (ended March 31, 2011) Financial Results Q&A Summary

Q-1

◆ You announced that you would raise the dividend for the fiscal year ended Mar 31, 2011 (fiscal 2010). Please explain your perspective on dividends.

A-1

■ We achieved our targets of “swinging into profitability,” “resuming dividends” and “securing free cash flows,” and managed to secure net income of 23.3 billion yen which exceeded our target. On the other hand, we must be cautious given the uncertainty surrounding the future business environment. Given such circumstances, we decided to increase dividends to two yen per share which is equivalent to a payout ratio of approximately 21%.

Q-2

◆ Please explain the reason(s) why operating expenses for fiscal 2010 were lower than the plan that was announced previously.

A-2

■ We managed to reduce air transportation operating expenses by 13.7 billion yen relative to the plan. This was largely attributable to the fact that although the market oil price increased during the fourth quarter, the significant effects of hedging gains as a result of the relatively rapid increase in oil prices and impact of the foreign exchange caused fuel expenses to fall by approximately 5 billion yen. Aircraft maintenance expenses decreased by more than 5 billion yen due to the insourcing of overseas maintenance operations, as we increased the amount of maintenance performed in-house. Aircraft leasing fees were reduced by about 4 billion yen, as block seat from domestic code-sharing partner carriers was adjusted.

Q-3

◆ How long does management expect that the impact of the earthquake will continue, compared to past events such as those mentioned in Slide 8 (September 11 terrorist attacks, Iraq War, Avian influenza, Lehman Shock, H1N1 flu)?

A-3

■ At this point in time, we have been unable to decide which past event could be used as a model for assessing the effects of this earthquake. Even now, demand is recovering steadily, and the mood of restraint with regards to travel and the number of people refraining from travel are easing.

■ Whatever happens, our management has a duty to ensure that we finish in profit and continue to pay dividends. Therefore, we would like to work towards achieving our targets using all of feasible income improvement measures.

Q-4

- ◆ Turning now to the ASK Plan during the first quarter, it appears that compared to domestic passenger ASK, which has been reduced significantly beyond the initial plan, international passenger ASK has been reduced only slightly. Please explain the background to this situation.

A-4

- ■ International passenger ASK in this first quarter will be increased by about 25% compared to the same period in the previous year primarily because of the new routes we started when the capacity of Haneda and Narita airport expanded.
- ■ Meanwhile, we have been implementing measures since the earthquake, reducing the number of flights, including the suspension of Incheon routes, and switching to narrow-body aircraft for overlapping Haneda and Narita routes. Although cutting international passenger ASK by only about 1-2% compared to the initial plan may seem to be a limited reduction, our policy is principally to continue operating flights in all other routes provided marginal profits can be secured, as these are considered our essential network.
- ■ Recent passenger traffic numbers have been recovering, especially in terms of business demand. Therefore, for the time being, we would like to wait for demand to recover, while keeping a close eye on the situation. As demand from non-Japanese passengers is also gradually recovering, we anticipate increased demand from this segment.

Q-5

- ◆ If demand declines in the future, to what extent will you be able to sacrifice yield to stimulate demand? Describe your pricing strategy for the pleasure segment.?

A-5

- ■ As passenger mix has significantly improved because the domestic individual passenger and international business class passenger demand are picking up, the unit prices for March and April increased more than we expected after the earthquake. Approximately one month has passed since the earthquake, and, for example, we have introduced a new fare, "Weekend Discount" to stimulate demand for domestic flights on Saturdays and Sundays.
- ■ Going forward, in terms of the overall pricing strategy, we will decide how to respond to the situation while assessing whether the current mood of restraint with regards to travel will subside and things will return to normal. We believe that from the perspective of stimulating the overall demand, it is more important to send out the message that "Japan is safe" rather than to simply lower fares.

Q-6

- ◆ What are the current traffic numbers (passenger numbers and Load Factor)?
- ◆ Foreign airlines are cutting ASK; are you seeing a shift in passenger demand?

A-6

- ■ The number of domestic passengers and L/F were approximately 80% year on year and slightly under 50% in April, and 86% and slightly under 60% in May, respectively. Furthermore, the booking curve is improving day by day for international routes, and at this point in time, the number of international passengers and L/F are expected to reach 96% year on year and slightly under 60% in April, and 100% and about 65% in May, respectively,. The downward trend in demand has abated, and we are now beginning to see signs of a recovery in both domestic and international passenger demand.
- ■ Some European airlines are flying via Incheon, and Chinese and North American airlines are reducing flights, which indicates that some passenger traffic is surely flowing to us, although it is difficult to quantitatively measure the traffic. Each country has progressively begun declaring that Tokyo is safe, and I find that foreign airlines are gradually restoring the reduced flights to Japan.

Q-7

- ◆ In your Emergency Measures, will you implement a further 30 billion yen in cost reductions in addition to the 10 billion yen announced in February's Corporate Plan? Please provide a breakdown of these measures.
- ◆ To what extent must ASK be adjusted during the second quarter and later, in addition to the ASK cuts to be made during the first quarter, to achieve 9 billion yen of the cost reductions set forth in the Emergency Measures?

A-7

- ■ The 10 billion yen in cost reductions announced in February's Corporate Plan are progressing smoothly. We will also pursue further cost reductions of 30 billion yen, which consists of 9 billion yen in variable expenses such as landing fees and fuel expenses, that will be reduced due to changes in the route plan, and 20 billion yen cost reduction conducted by each department, such as cutting sales and advertising expenses and the insourcing of overseas maintenance operations.
- ■ During the second quarter, we are assuming that we will cut ASK by 5-6%, mainly in domestic routes. This may be revised in accordance with future trends in demand

Q-8

- ◆ What are your assumptions for fuel expenses, fuel taxes and other costs for fiscal 2011? Furthermore, I am aware that 20 billion of the 86 billion in cost reductions achieved in fiscal 2010 will be "reversed" in fiscal 2011. How should we interpret this situation at this stage?

A-8

- ■ Although we expected that fuel taxes would reduce expenses by 11-12 billion yen, this has become, in reality, difficult to realize in fiscal 2011. We believe that fuel expenses will not fall for now, given trends in oil futures curves, the situation in the Middle East and the ongoing excess liquidity of U.S. dollars (near-zero interest rate policy). Although our fuel price assumptions for the fiscal 2011-12 Corporate Plan are that kerosene is priced at $100 for fiscal 2011, this figure will need to be revised to about $120.
- ■ Of the 86 billion yen in cost reduction measures that were implemented in fiscal 2010, we initially assumed that approximately 20 billion yen in expenses, including personnel, would be reversed in fiscal 2011. However, as we are currently revising a profit plan in accordance with the demand forecast, we will determine the treatment of those reversed costs during that process.

Q-9

- ◆ It appears that international cargo FSC (fuel surcharges), which were revised from May, have been levied on long-haul routes, but lowered for short-haul routes. Please explain the background to this situation.

A-9

- ■ We have reduced the FSC for short-haul flights, mainly to Asia, and increased fares for long-haul flights as fuel prices soar. The decisions in this regard are based on demand trends and changes in the business and competitive environment. Our policy is to increase overall cargo unit prices by continuing to evolve yield management and strengthening cargo space control, as we have done until now. Cargo operations have been less severely affected by the earthquake than passenger operations, and so we would like to increase overall revenue by maximizing unit prices and revenue tons.