February 2012

Financial Results, Third Quarter, FY2011 Q&A Summary

Q-1

- ◆ You lowered your forecast of full-year operating expenses in your air transportation business by 17 billion yen, while at the same time increasing your earnings forecast. Please tell us more, and please explain the relationship between these revisions and your medium-term 100 billion yen cost reduction plan.

A-1

- ■ The main areas in which we were able to reduce our full-year outlook for operating expenses are fuel expenses—including the positive effect of foreign exchange, lower depreciation and amortization with the delayed delivery of B787s, and lower aircraft maintenance expenses due to a streamlined work process and component revisions. At the same time, we increased our full-year earnings forecast. This naturally increases our personnel expenses in terms of year-end lump sum reserve related to profit performance.
- ■ Addressing expense reductions by category, we will implement 8 billion yen in savings in advance out of the targeted savings of 100 billion yen we are going to include in our new corporate plan. We will find 4 billion yen in savings related to foreign exchange benefits, mainly in connection with fuel expenses. Another 5 billion yen in cost reductions will be found across other expense categories.
- ■ Savings related to this 8 billion yen in priority measures will continue to have an effect next year and beyond, which is reflected within our 100 billion yen cost reduction plan. We are incorporating savings in areas of aircraft leasing fees, aircraft maintenance expenses, sales commissions, and other costs where structural reform has been achieved.
- ■ Our overall cost reduction plan includes some measures that will take time to bring the desired adjustments and impact. We are currently working on plans that should result in a target 100 billion yen in cost savings over the next two to three fiscal years. We will not be increasing personnel in lock-step with business growth, which is just one more way that we will create more efficiency and control expenses.

Q-2

◆ In addition to your upward earnings forecast revision, do you see an upside in free cash flows for this fiscal period given the delayed delivery of a certain number of aircraft?

A-2

■ While the pace of B787 deliveries is behind schedule by months, we do not expect to make any changes in the total number of aircraft delivered this fiscal year. We expect to spend slightly less than 200 billion yen in capital investment during the year, which is in line with our plan. We do, however, expect cash flow from operation activities to be higher than the original plan. So, there is a chance that free cash flows will exceed our current estimates.

■ However, we still intend to manage our investment plans and cash flows from more of a medium-term perspective. This means we might adjust the timing of our investment outlays at the end of this fiscal year and the beginning of the next. As you can see, there are still some elements in flux with respect to full-year cash flow projections.

Q-3

◆ International route yield for the fiscal third quarter was up 3.2% year on year, which is a greater improvement than called for in your plans. Please tell us more about this improvement, as well as the impact of fuel surcharges.

A-3

■ Strong business class passenger demand and fuel surcharges have resulted in cumulative earnings through the third quarter that are up 2.2% year on year. Overall passenger numbers are up 10.8%, but business class alone has showed a 12.6% improvement, demonstrating the strong demand for business travel. At the same time, yield is down 6.2% year on year when we exclude fuel surcharges.

■ Yield for the non-cumulative third quarter was up 3.2%, which exceeded the 2.7% in our plan assumptions. Looking by region, we see that North American routes performed much higher than we forecast. Passenger numbers, particularly in business class, increased, which we believe is a reflection of the quality of our in-flight services (Inspiration of Japan) designed to improve our competitive posture.

Q-4

◆ You lowered your outlook for international route yield for the fourth quarter. Can you tell us more about trends in current demand and the reasons for this downward revision?

A-4

- Our forecast for non-cumulative fourth quarter yield was 2.2% higher in our original plan; however, we have now set our forecast to be level with the same period in the prior fiscal year. While we don't believe the uncertain economic future will have an immediate and significant effect on demand, we are focusing now on how to structure fares in a way that will maintain demand. It is important that we have secure control over total unit prices, including fuel surcharges.
- In this sense, our outlook calls for a slight increase in revenues compared to plan, despite a lower forecast for fourth quarter yield. We believe that we will be able to manage revenues while keeping a close eye on trends in yield and demand.

Q-5

◆ How does ANA intend to maintain a medium and long-term competitive advantage -including cost advantages- over your major competitor in Japan?

A-5

- We must continue to offer products that are worthy of the ANA brand to become the airline of choice for customers and the market. Our strategy for global network expansion includes making the most of the Star Alliance. We have been engaged in activities on both fronts for quite some time.
- We want to be the most convenient network carrier and offer the best products to attract high-end customers to the greatest extent possible. We continue to strengthen our marketing to support this strategy. Our basic strategy is to restructure 100 billion yen in costs over the next two to three years. This will enhance our competitive advantage in all categories, including costs.

Q-6

◆ Please tell us more about the current status of your two low-cost carrier businesses.

A-6

- The ANA Group Corporate Plan that we announced on January 17 did not include the ASK for AirAsia Japan. As soon as the AirAsia Japan business plan has been settled, we will include it in our overall Corporate Plan.
- Peach will start operations in March, and we hear that it has already taken more reservations than initially projected.
- While we can't discuss our low-cost carrier business only from present conditions or on a short-term perspective, we have not changed our strategy to create new air travel demand through low-cost carriers. We will be steadily expanding these businesses.

Q-7

◆ Your competitor in Japan has started domestic operation out of Narita. Will this have any effect on your current competitive position or medium-term profitability with the ANA routes at Haneda? Will there be a negative effect on demand for AirAsia Japan routes at Narita?

A-7

■ Given the very large demand for our Haneda-Sapporo route, we do not think this route will be affected by anything at Narita. On the other hand, passenger flow for the Haneda-Asahikawa route is small, which means this route might see an impact from competition at Narita. Passenger load factor for the Haneda-Asahikawa route, which we operate in conjunction with AirDO, has declined slightly compared to the same period of last year.

■ We do compete in the Narita-Fukuoka and Narita-Okinawa routes. For ANA, these are mainly feeder networks for passengers connecting to international flights. As such, we have not made any significant supply adjustments in our fiscal 2012 corporate plan. We will be keeping a close eye on demand trends, and we will respond appropriately to any notable changes.

■ We may be targeting the same demand as our major competitor when AirAsia Japan begins to fly domestic routes at Narita. Here, we will be looking to maintain our competitive advantage, including our advantage in terms of cost competitiveness.

End