

Fiscal 2015 (ended March 2016) Financial Results Q&A Summary

Q-1

- ◆ **Please tell us about actual versus planned operating revenues and expenses for the Air Transportation Business during fiscal 2015.**

A-1

- Air Transportation Business revenues were approximately 2.0 billion yen below plans. This was mainly because cargo and mail revenues were below plans due to a downturn in demand.
- Operating expenses were approximately 14.5 billion yen below plans. In addition to fuel expenses being down approximately 8.5 billion yen, sales-linked expenses, particularly those related to cargo services were below plans. As a result, operating income was above plans by approximately 12.5 billion yen.

Q-2

- ◆ **Please tell us about the state of International Passenger Business during the fourth quarter of fiscal 2015 and revenue plans for fiscal 2016.**

A-2

- During the fourth quarter of fiscal 2015, outbound business demand from Japan and inbound travelers from overseas were as firm as the third quarter. Yield during the period declined by approximately 8% year on year due to a decline in fuel surcharge revenues caused by the drop in the crude oil market. However, as a result of yield management efforts substantial yield excluding fuel surcharges continued to outperform the previous year. The growth rate for substantial yield has shrunk compared to results through the third quarter. This is mainly due to currency markets trending towards yen appreciation from the beginning of 2016.
- As for revenue plans for fiscal 2016, we project that the favorable demand trend from the previous year on routes in North America, Asia and Oceania will continue. On the other hand, we are conservatively assuming the same level of demand for European routes, which have been impacted by terrorism since last autumn, and we are taking into account the increasing gap between supply and demand, particularly in the first half on China routes.
- With the currency market transitioning towards yen appreciation, the macro environment is changing and we have reports on concerns of Japanese corporate performance. At present, however, we have not seen any major changes in business demand trends. The status of reservations for the Narita-Houston, Narita-Kuala Lumpur, and Haneda-Sydney routes newly established during fiscal 2015 are relatively firm.
- The contents of the "Allocation of Haneda Airport International Slots for Japan-USA Routes" announced by the MLIT on April 26 have not been reflected in our business plan for fiscal 2016. We will advance preparations for the daytime operation of North American routes from/to Haneda.

Q-3

- ◆ **Foreign visitors to Japan are increasing. What is the status of overseas sales in fiscal 2015 results and fiscal 2016 forecast?**

A-3

- There is the possibility that inbound traffic could be impacted by currency market fluctuations in the short-term. However, we think this upward trend will continue structurally thanks to concrete measures by the government such as the relaxation of visa requirements.
- We distribute our seat sales between domestic and overseas markets with consideration to the currency market in order to maximize revenue. During fiscal 2015, the ratio of passengers from overseas sales in our International Passenger Business increased significantly to approximately 50% mainly due to a weaker yen compared to the previous year.
- As for fiscal 2016, at present we are forecasting an overseas sales ratio comparable to the previous year since our revenue plans assume a stronger yen than last year.

Q-4

- ◆ **Please give us an overview of Domestic Passenger Business for fiscal 2015 and tell us about your approach to revenue plans for fiscal 2016.**

A-4

- During fiscal 2015, passenger numbers declined compared to the previous year mainly due to the impact of the opening of the Hokuriku Shinkansen bullet train. However, we achieved a revenue increase by improving our unit price with effective pricing management.
- For fiscal 2016, we will analyze demand on each route and aim to continue revenue increases mainly by taking advantage of promotional fares aggressively. Compared to fiscal 2015, we assume unit price factors will account for a decline in revenue of approximately 12 billion yen while an increase in revenue of approximately 13 billion yen by expanding passenger numbers.

Q-5

- ◆ **Please tell us about fiscal 2015 results and fiscal 2016 forecasts for the LCC business, Vanilla Air.**

A-5

- In fiscal 2015, Vanilla Air revenues increased by approximately 10 billion yen year on year. Load factor improved by 5 points, reaching 85%. Efforts to improve yield and control cost increases resulted in achieving the goal we set at the beginning of the fiscal year of “recording a surplus for a single year.”
- For fiscal 2016, we will deploy new routes and aim to expand both revenues and income.