August 2016

"Financial Results for the Three Months ended June 30, 2016" Q&A Summary

Q-1

◆Please tell us about actual versus planned operating revenues and expenses for the Air Transportation Business during the first quarter.

A-1

- Air Transportation Business revenues were approximately 4.5 billion yen below plans. Revenues from International Passenger Business exceeded plans. However, revenues from cargo business were below plans due to both intensifying competition with other airlines and yen appreciation that was stronger than our assumptions for the current fiscal year. LCC Business revenues also were slightly below plans.
- On the other hand, operating expenses were approximately 6.0 billion yen below plans. As a breakdown, fuel expenses were approximately 1.5 billion yen and non-fuel expenses were about 4.5 billion yen below plans. Sales-linked expenses, particularly on cargo business were below plans and foreign currency expenses converted to yen were lower due to yen appreciation.
- As a result, operating income for Air Transportation Business was above plans by approximately 1.5 billion yen.

Q-2

◆ Please tell us about the impact of the Kumamoto Earthquake and your future demand forecast on the Domestic Passenger Business.

A-2

- During the first quarter, the impact on the Domestic Passenger Business caused by the Kumamoto Earthquake was approximately a 1.0 billion yen decline in revenues. The impact on consolidated revenues, including the Travel Services Business, was a decline in revenues of approximately 1.5 billion yen.
- We forecast that passenger numbers during the second quarter will exceed the previous year and in line with our plans. We foresee that the impact of the earthquake will continue. However, we believe this impact will be limited to the first half of the fiscal year thanks to expanding sales of travel and package products related to the "Kyushu Fukko Wari," discount fare for Kyushu reconstruction.

Q-3

◆ **Please tell us about demand trends by destination and yield forecasts for International Passenger Business.**

A-3

- During the first quarter, RPK exceeded plans thanks to overall demand being firm, particularly outbound business demand from Japan. Passenger numbers increased by approximately 12% year on year. Additionally, the same level of growth was secured in business class passenger numbers.
- Yield was slightly below plans due to the impact of further yen appreciation compared to our assumptions. However, substantial yield, which excludes the fuel surcharge revenues and the impact of currency fluctuations, was in line with our plans.
- During the second quarter, we forecast that demand will remain firm in all destinations, particularly North American and Asian/Oceanian routes. Although yen appreciation will make yield lower, we forecast that RPK will exceed our plans.
- On China routes, the impact of expanding capacity by both Japanese and Chinese airlines since last autumn resulted in first quarter RPK remaining largely unchanged from the previous year. For the second quarter, which is a peak season, we forecast that RPK will significantly exceed the previous year's result thanks to improved supply and demand balance.

Q-4

◆ **Please tell us the respective results of sales in Japan and in overseas for International Passenger Business.**

A-4

- According to data published by the Japan National Tourism Organization (JNTO) on July 20, the number of Japanese overseas travelers from April to June of 2016 increased by almost 5% compared to the previous year. Although we cannot make a straight comparison, ANA sales numbers in Japan exceeded overall market trends, which increased by approximately 10% compared to the previous year. We have been able to increase market share thanks to the benefits of increased market recognition for our network expansion in Tokyo Metropolitan area airports.
- On the other hand, ANA overseas passenger sales numbers increased by approximately 14%. Our growth rate did not catch up to the total inbound traffic market. We believe this gap is due to expanded demand for cruise lines, particularly out of China.

Q-5

- **It appears that the unit price for International Cargo Business continues to decline. Please tell us about future improvement measures.**

A-5

- During the first quarter, we worked aggressively to capture trilateral cargo via Japan. However, in addition to tough competition, the impact of yen appreciation resulted in a significant drop in unit price.
- During the second quarter, we will work to capture import/export cargo further, which is now in recovery trend, to secure volume and improve unit price. We also will implement measures such as the adjustment and reorganization of our freighter network as part of strict cost control.

Q-6

- **Why did you plan for a year-on-year decline in operating income for the air transportation business during the first quarter? Also, Japanese yen is trending significantly stronger than your assumptions. How will this impact your profit plan?**

A-6

- During the previous fiscal year, we made an interim upward revision to the earnings forecast, which resulted in the extra provisions for performance-linked bonuses being recorded in the second half of the fiscal year. This fiscal year, we plan to record appropriate amounts for each quarter without placing particular weight on any specific period. Under consideration of these special factors, we planned for a decline in income for the air transportation business during the first quarter.
- For cost management, we have incorporated 25 billion yen reductions for the full-year budget as the effect of Cost Restructuring Initiatives. We will aim to achieve our earnings target by implementing aggressive cost management.
- This fiscal year, we have already completed the required amount of hedging for both fuel and currency. Revenues and expenses will respectively increase/decrease by almost equivalent amounts as a result of market fluctuations. Thanks to this offsetting, we forecast the impact on income to be limited.

Q-7

◆ **Please tell us first quarter results and your future forecast for the LCC business（Vanilla Air）.**

A-7

- During the first quarter, Vanilla Air revenues were largely unchanged from the previous year. Passenger numbers increased by approximately 14% compared to the previous year but the impact of intensifying competition on the key Taiwan route resulted in the lower unit price.
- During the second quarter, we forecast being able to secure a high load factor but we foresee that intense competition will continue. We will implement effective pricing and yield management to increase revenues while giving consideration to the impact of the currency fluctuations in overseas sales.

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