February 2017

Financial Results for the Nine Months ended December 2016, Q&A Summary

Q-1

◆ **Please tell us about the status of sales for the steady-performing International Passenger Business.**

A-1

- During the third quarter, outbound business demand from Japan was firm for all destinations. Similar to the second quarter, the number of business class passengers increased by double digits year-on-year.
- According to data published by the Japan National Tourism Organization (JNTO) on January 17, the number of Japanese overseas travelers from April to December of 2016 increased by approximately 6% year-on-year. Although it is difficult to make a simple comparison, sales in Japan for ANA international passenger operation through the cumulative third quarter of the fiscal year increased by approximately 9%. Efforts to capture demand in the Tokyo Metropolitan area contributed to us outperforming overall market trends.
- The JNTO data also indicates that the number of visitor arrivals to Japan during that period increased by nearly 17%, while inbound passenger numbers for ANA international flights increased by approximately 13%. Considering another factor behind overall market growth is the increase in passengers from cruise ships, we believe our Group is maintaining a competitiveness.
- Yield during the third quarter declined by approximately 13% year-on-year which was deeper than the second quarter mainly due to the impact of yen appreciation. However, substantial yield, which excludes the decline in fuel surcharge revenue and the impact of currency market fluctuations, was largely unchanged compared to the previous year. This means yield control works out well.

Q-2

◆ **Please tell us about the situation with the International Passenger Business by destination.**

A-2

- Among North American routes, operation results of the Haneda - New York/Chicago routes launched on last October 30 were firm. In addition to excellent access to cities, Haneda Airport has the extensive domestic network of our Group. This has enabled us to capture demand not only in the Tokyo Metropolitan area, but also wide-ranging demand from local cities in Japan. In light of the firm connection demand from Chicago to other cities in the USA, we will work to further increase load factor by enhancing connection convenience for the Chicago route, including cooperation with our joint venture partner, United Airlines.
- On China routes, the demand and supply gap that has been expanding since autumn 2015 is getting smaller. Amid a market of increasing inbound travelers, our Group used aggressively competitive fares to capture demand. We forecast that demand will continue to be firm during the fourth quarter, particularly during the Chinese New Year, thus expect that the demand and supply environment will continue to improve.
- Performance on Asian and Oceania routes was favorable. This fiscal year we are continuing to launch new routes and increase the number of flights on existing routes. The Narita – Ho Chi Minh City route, for which we have increased the number of flights since October, achieved a high load factor in the third quarter. According to information published by Narita International Airport Corporation on January 26, transit passengers on international flights at the airport during 2016 were down year-on-year. However, our Group continues to record increases in the numbers.

Q-3

◆ **Domestic Passenger Business revenues decreased year-on-year. Please tell us about your thoughts on future sales policies.**

A-3

- The Domestic Passenger Business worked to generate demand by aggressively introducing promotional fares for low-demand flights. Thanks to flexible fare management, cumulative third quarter passenger numbers exceeded the previous year and load factor also increased. However, revenues underperformed year-on-year due to the Kumamoto Earthquake that occurred in April as well as the impact of the launch of services on the Hokkaido Shinkansen and competition from other airlines.
- Going forward, we will further optimize supply to demand by using the Airbus A321ceo, for which we already are receiving deliveries, and the A321neo, for which deliveries are scheduled to begin next fiscal year, as the core aircraft in our Dynamic Fleet Assign Model as we increase revenues by introducing effective promotional fares.

Q-4

◆ **Please tell us the background behind third quarter International Cargo Business improvements compared to the first half.**

A-4

- Heading into the third quarter, amid a recovering trend of overall demand, our Group succeeded in capturing import/export cargo demand that outperformed overall market growth. Among exports, automotive parts to China and electronic parts to Asia performed favorably. Among imports, cargo volume increased, particularly from China. Among trilateral demand via Japan, increased cargo from China bound for North America also contributed. We expect firm demand trends during the fourth quarter.
- For freighters, we reevaluated routes in operation and have been controlling aircraft utilization with the goal of improving profitability. As a result, we are beginning to see the benefits of various measures, including load factors outperforming the previous year.

Q-5

◆ **Please tell us about your progress in resolving the issue related to Boeing 787 aircraft engine parts.**

A-5

- Suspension of some aircraft due to the issue related to the Boeing 787 engine blades is fully concluded in mid-January.
- The production and supply of renovated blades have already begun by Rolls-Royce and we are planning to gradually replace these parts.

Q-6

◆ **The shareholders' equity ratio reached 40% at the end of the third quarter. Please tell us about your shareholder equity and ROE targets, and your thoughts on shareholder returns.**

A-6

- At the end of the third quarter, shareholders' equity ratio reached 40%, which is our target level. However, this increase since the end of the previous fiscal year includes the effect of an improvement in deferred hedge losses, which reflects the impact of market fluctuations. Therefore, we will aim to achieve a financial status that enables us to maintain a shareholders' equity ratio of 40% while pursuing and implementing optimal hedge transactions in order to control fluctuation risks on profit.
- For ROE, we have set a medium-term goal of 10%. We will try to maintain the target level by improving capital efficiency with maintaining a financial soundness.
- Shareholder returns are an important management priority and we want to enhance these based on a balance between capital accumulation and investments for growth. We will evaluate buy-backs in addition to dividends considering the approach of total return ratio.

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