May 2017

Fiscal 2016 (ended March) Financial Results and Corporate Strategy Q&A Summary

Q-1

- **Please tell us about the following three points related to your FY2017 earnings forecast.**

Q-1-1

- **As it relates to your revenue plans, your approach to yield and unit price for the International and the Domestic Passenger Business.**

A-1-1

- For the International Passenger Business, we are planning on yield of +2% year on year. Based on our market assumption of US$68/bbl for Singapore kerosene, increases in fuel surcharge revenue will contribute to raised yield. On the other hand, we forecast that the impact of foreign currency on yield will be limited, because we are assuming a foreign exchange rate of 110 yen/US$, which is largely unchanged from the previous year. Although expansion in medium- to long-range routes such as Asian destinations is a factor resulting in yield decline, we are assuming the positive impact of a certain level of yield control since demand keeps firm.
- We are planning for the unit price on the Domestic Passenger Business to decline by more than 1% year on year, which consists of less than minus 3% in 1H and largely unchanged in 2H from the previous year. Not only the impact of Kumamoto Earthquake which caused a decline in demand for leisure travel during 1H of the previous year, but also the aggressive offering of promotional fares for low demand flights during the previous 2H resulted in the difference in yield plans between 1H and 2H in FY2017. During 1H of this fiscal year, both recovery of leisure demand and expansion of promotional fares will lead to increased passenger numbers, but decrease in the unit price. On the other hand, these factors will come full circle during 2H so that we are forecasting a unit price will be largely unchanged from the previous year.

Q-1-2

- **In relation to your expense plans, the background of increases in aircraft maintenance and personnel expenses**

A-1-2

- Since autumn of last year, we have focused on addressing the Boeing 787 engine blade issue. In light of the available capacity of the Maintenance Department, we decided to outsource a portion of Boeing 777 engine maintenance outside the Group. We will adopt shorter cycles of engine maintenance work compared to other airlines in order to pursue further safety.

- Our Group has been proceeding systematic personnel hiring to match the business expansion. However, the personnel shortages facing various industries in Japan results in a negative impact on turnover ratio at certain Group companies. To increase the Group's recruitment competitiveness and promote workstyle reform, not only will we implement regular raises and increase base salary but also enhance personnel education and training, which will enable us to ensure superiority in our human resources.

Q-1-3

◆ **Points to be revised in the FY2016-2020 Mid-Term Corporate Strategy**

A-1-3

- In the updated version of the Corporate Strategy, we position FY2017 and FY2018 as the period for solidifying our management platform. With uncertain political circumstances in major leading nations, increasing geopolitical risks and a tight domestic labor market, the business environment surrounding our Group has changed dramatically since we disclosed our original corporate strategy. We are planning for the mild expansion of our International business over the next two years. During this period, we will solidify preparations for the next expansion of slots at Tokyo Metropolitan area airports.
- Based on this approach, we reexamined plans to implement a comprehensive review of safety and quality services as well as our investment in human resources. As indicated in A-1-2, we reevaluated expense plans for aircraft maintenance and personnel. Also we conducted a thorough review of plans for each business such as increasing our revenue assumptions for International Passenger Operations, which continues to capture firm demand. Plus we revised our assumptions for crude oil and foreign currency rates.
- As a result of these reviews, we have set operating income in our earnings forecast for FY2017 to 150.0 billion yen.

	Corporate Strategy (Disclosed in Jan. 29,2016)	**Earnings forecast** (Disclosed in Apr. 28,2017)
Consolidated Op. Income for FY2017	¥170.0Bn	¥150.0Bn

【Assumptions】		
Dubai Crude Oil	US$47/bbl	US$55/bbl
Singapore Kerosene	US$60/bbl	US$68/bbl
FX Rate	¥125/US$	¥110/US$

Q-2

◆ **Please tell us the direction of strategies to achieve the unchanged targets for FY2020.**

A-2

- As we have outlined as a target thus far, we will aim to achieve operating income of 200.0 billion yen in FY2020. There is no change in our basic strategy of International business driving Group growth.
- During the current fiscal year, we plan to draft a new Mid-term Corporate Strategy for the period between FY2018 and FY2020. The direction for each business is as follows.

(1) ANA Brand ︰Upgrade and expand global network as a top tier level of full service carrier
(2) LCC Brands ︰Develop new routes with both Vanilla Air and Peach Aviation by their own decision
Consider advancing into mid-distance destinations using mid-body aircraft
(3) Non-air business : Utilize Group customer platform, including ANA Mileage Club and ANA website
Engage in new business, reform business model

Q-3

◆ **Please tell us your approach going forward regarding the management resources allocation.**

A-3

- Since transitioning to a holding company structure in FY2013, our Group has continued to increase profits, which resulted in an increase of capital. As of the end of FY2016, our shareholders' equity ratio had risen to approx. 40%, which was the optimal level we have set as a target thus far. Regarding our financial platform, we are assuming to maintain our current level of financial health and believe we can stably maintain our A credit rating.
- We are planning for the mild expansion of our International business over the next two years. However, as we head toward FY2020, we will take the expansion of slots at Tokyo Metropolitan area airports as an opportunity for growth. We will continue with aggressive capital expenditures aimed at increasing future income with a focus on aircraft as well as airport facilities and IT systems.
- While continuing with growth investments and maintaining our financial soundness, we also want to enhance shareholder returns. We continue to consider not only a dividend increase but also buybacks.

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