August 2017

Financial Results for the Three Months ended June 2017, QA Summary

Q-1

◆ **Please tell us about actual versus planned operating income for the Air Transportation Business during the first quarter.**

A-1

■ Operating income for Air Transportation Business was above plans by approximately 10.0 billion yen. This was due to revenues exceeding plans by approximately 10.0 billion yen. As a breakdown, revenues from Domestic Passenger Business, International Passenger Business and International Cargo Business each were approximately 3.0 billion yen above plans.

(Domestic Passenger Business)
- Our demand-based promotional fares "Tabiwari" contributed to sales.

(International Passenger Business)
- Japan outbound business demand was firm, resulting in a significant year-on-year increase in business class passenger numbers.
- By destination, passenger numbers on China routes underperformed the previous year due to the impact of the expanding demand and supply gap. However, North America, Europe and Asia/Oceania routes were all favorable.

(International Cargo Business)
- A favorable turn in the demand and supply environment resulted in increased cargo volume. Also, our unit price significantly improved from the previous year.

(LCC Business)
- Peach Aviation (consolidated in April) and Vanilla Air both recorded performance in line with plans.

Q-2

◆ **Please tell us about progress for cost management, including the status of unit cost.**

A-2

■ This fiscal year, we are planning on the ANA passenger operations unit cost to increase by approximately 0.1 yen year-on-year to 9.0 yen. Our Group is positioning fiscal 2017 and 2018 as the period to solidify our management platform, including increases in maintenance and personnel expenses related to a "Comprehensive review of safety and quality services."

■ Unit cost during the first quarter was within the planned range. Moving forward, we will continue our efforts related to reinforcing cost management.

Q-3

- **Domestic Passenger Business saw a year-on-year increase in revenues. However, the unit price decreased compared to the previous year. Please tell us about your approach to sales strategy moving forward.**

A-3

- For Domestic Passenger Business, our present policy is to pursue increased revenue by expanding passenger numbers. Our strategy is to carefully examine demand trends per flight and use “Tabiwari” promotional fares effectively on low-demand flights.
- Although the first quarter is generally a low demand season, passenger numbers exceeded 10.0 million passengers this year. Revenues have been the highest in several years, indicating that our current sales strategy is effective. Over the medium-term, we will pursue revenue maximization by increasing our unit price, combined with continued demand and supply optimization efforts, including our Dynamic Fleet Assign Model.
- Regarding in-flight Wi-Fi services, we are making a comprehensive evaluation of whether or not the benefits are worth the investment amount and trends throughout the entire airline industry, including overseas airlines. This evaluation will reflect a consideration of the overall services in the Domestic Passenger Business.

Q-4

- **Please tell us about the background behind the year-on-year increase in operating income for Airline-Related Business.**

A-4

- Airline-Related Business includes Group companies that support the Air Transportation Business such as airport handling, catering and other businesses. In recent years, these companies have increased business contracts from other airlines outside the Group due to the expansion of slots at Haneda and Narita. As a result, segment income is increasing.
- Looking ahead to the 2020 Tokyo Olympic and Paralympic Games, we anticipate the further expansion of airport slots and view this as a future business opportunity.

Q-5

- ◆ **The crude oil market is currently below your assumptions for this fiscal year. Please tell us how increases or decreases in fuel surcharge revenues and fuel expenses will impact operating income, including your hedge policies.**

A-5

- ■ In the fuel surcharge table for the International Passenger Business, our assumptions in the revenue plan are “7,000 yen/barrel for Japan outbound travel” and “USD 60/barrel for overseas outbound travel” for this fiscal year. On the other hand, the crude oil market during the first quarter transitioned below these levels. As such, we have decided to change the table applied to ticketing for August and September from “7,000 yen/barrel” to “6,000 yen/barrel.” Also, there is the possibility that the applicable table for October and beyond could be below assumptions.
- ■ Our Group conducts fuel and currency hedge transactions in order to control profit fluctuation risks. Even if the market transitions at current levels, fuel expenses will decline compared to plans at a level almost equivalent to the decline in fuel surcharge revenues. Therefore, we view the impact of market fluctuations on operating income to be limited.
- ■ The recent expansion of the International Passenger Business results in an increase in fuel surcharges and foreign currency revenues that enable us to decrease the impact of fluctuations in fuel and currency markets on our profit.

end