

Summary of Analyst Meeting Q&A
(First Quarter Financial Results for FY2013 Ending March 31, 2014)

◆ **Costs**

Q. How cost-containment initiatives progress in the first quarter?

A. Other costs (Rents, Outsourcing fee, etc.) were below the target. We will continue to improve cost management.

Q. How did Unit Cost reduction efforts go?

A. We assume the reason that Unit Cost did not increase is partly due to seasonality. We will continue to control costs to achieve the annual target of 8.6 yen.

◆ **International flights**

Q. What were the key factors for the increase in revenue per passenger on international routes?

A. In the first quarter, revenue per passenger increased by 4.4% and passenger yield by 0.4%. Performance was weak on short-distance routes with low absolute fares, such as Korea, while performance on routes with high absolute fares such as Europe and North America was robust, thus leading to an increase in revenue per passenger. The reason passenger yield did not grow as much as revenue per passenger is because of the increase of passengers on long-distance routes.

Q. How was performance on international routes?

A. In the first quarter, both L/F and yield increased on London flights operated by aircraft with new seats from January, and performance was extremely good. Therefore, we expect L/F and yield to increase on New York flights operated by aircraft with new seats from May. We also started discussions for a joint business with Finnair on our Helsinki route launched in July, and expect our competitive edge to increase.

Q. As you do not expect a rebound in demand on China routes, what is your policy for ship scheduling?

A. We reduced flights between Narita and Beijing from 1st June to 5th July, and will consider other measures, as necessary.

◆ Domestic flights

Q. What is the current situation and projected demand on domestic flights?

A. Though we face tough competition with the Shinkansen “bullet” train and other airlines in Kyushu, group passengers are increasing. After the increase of departure and landing slots at Itami, demand of group passengers on flights to/from Itami has been strong. We expect individual passengers to increase as well by publicizing these services to markets.

◆ Others

Q. What is the situation of fuel hedging and exchange rate hedging? Will you be impacted if the yen continues to depreciate?

A. We hedge about 40% of our fuel requirements and about 80% of our foreign exchange requirements. Sensitivity of fuel prices and exchange rates is about 2 billion yen and about 2.5 billion yen respectively. As we have nearly completed exchange rate hedging for this year, we will not be impacted very much anymore. At the end of March 2013, we announced the ratio of fuel hedging and exchange rate hedging for next fiscal year as 10% and 10% respectively, but it was actually 15% and 25% respectively at the end of the first quarter.

Q. Why did personnel costs increase?

A. As wages are partly paid in foreign currency, they are affected by exchange rates. We also paid 2.2 months of summer bonus. An additional 0.2 months year-on-year is reflected in the bonus for the first half of the year.

Q. Are there possibilities of further losses due to the suspension of 787 operations?

A. As the 787 has resumed operations, we do not expect losses to increase significantly.

End