Main Q&A on the Announcement of

Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2014(Summary)

◆Costs

Q. Costs increased by 14.4 billion yen year-on-year, excluding impact of foreign exchange rates. How does it compare with the (previous) forecast?

A. We reduced costs by 5 billion yen by the end of the second quarter, but due to an increase in maintenance costs, etc. in the third quarter, costs increased by 2.5 billion yen. However, we managed to reduce administrative costs by approximately 1 billion yen through the penetration of amoeba management into organizations, and such. We will continue to do our best to realize cost reductions.

Q. Why do you control unit costs excluding fuel costs?

A. The reason is because unit cost including fuel costs is vulnerable to changes in fuel prices and foreign exchange rates. Also, it is difficult to clarify productivity to suit the actual situation and cost competitiveness, and to control costs. We control business including costs using a financial indicator of 10%+ operating profit margin and various other indicators. We would appreciate your understanding on this matter.

◆International flights

Q. How does international passenger traffic in Business Class and Economy Class for the first nine months of the fiscal year and bookings in the fourth quarter compare with the previous year?

A. Passenger traffic in Business Class and Economy Class in the first nine months increased by approximately ＋7% and ＋3% respectively. Bookings for Business Class and Economy Class in the fourth quarter are at levels similar to that of the previous year.

Q. What is the projected unit price of international flights next fiscal year?

A. We are currently drawing up a plan of the concrete direction we are aiming for.

◆Domestic flights

Q. Why did unit price of domestic flights in the third quarter decline from the previous fiscal year?

A. The main reasons are that in addition to robust demand of group passengers, whose unit price is lower than individual passengers, the proportion of demand-boosting fares among individual ticket types increased, due to sales of new Tokubin Discount 21 from October 27, an expansion in year-end discount fares, and such.

Q. How does domestic passenger traffic and unit price in the fourth quarter compare with the previous fiscal year?

A. We expect that trends seen in the first nine months will continue into the fourth quarter and passenger traffic will increase by approximately +3%, while unit price will decline slightly.

Q. What is the forecasted unit price of domestic flights next fiscal year?

A. We will balance supply with demand by downsizing aircraft on domestic routes. Therefore, we expect that unit price next fiscal year will basically be the same, but depending on adjustments of supply with demand, we presently consider that a slight increase is possible.

Q. Why did you determine that maintaining for domestic flights after April will lead to maximizing revenue?

A. The first quarter is in the off-season when demand is essential low. If we were to increase fares from April when the consumption tax increase takes effect, we expect a further drop in demand, and given stiff competition with Shinkansen express services, etc., we determined that keeping fares as they are, at least during this period, will lead to maximizing revenue. We will determine the fares from July onwards, according to our revenue and expense plans next fiscal year and demand trends, etc.

◆Stock split

Q. The number of shareholder discount coupons will increase as a result of the stock split. What impacts do you expect?

A. We will undertake a stock split to increase the ratio of individual shareholders. Though the number of shareholder discount coupons will increase, we expect shareholder discount coupons to increase by around 1.7 times to 1.8 times, based on the distribution standard for shareholders holding over 10 units of shares. Incidentally, our basic policy for passing on returns is to pay dividends to our shareholders. We set limits on the sale of seats using shareholder discount coupons depending on congestion of the flight, just like regular discount fares. We control impacts on our earnings as such to maximize revenue. We have expectations that the stock split will induce a decline in share prices, and boost the number of new individual shareholders as well as revenue.

◆Others

Q. Why did you exclude corporate tax adjustments, etc. from consolidated net income in the calculation of dividends this fiscal year? Couldn't it be possible for corporate tax adjustments, etc. of 15 billion yen to suddenly increase at the end of the fiscal year?

A. We initially intended to allot 20% of consolidated net income for the fiscal year to pay dividends to our shareholders. However, we changed this policy to allot approximately 20% of the amount after deducting corporate tax adjustments, etc. from net income, starting this fiscal year. The reason is that we expect to post large amounts of corporate tax adjustments, etc. according to tax effect accounting in the closing of the books this fiscal year, and significant changes in net income are expected. Due to the nature of tax effect accounting, accounting is dependent on forecasts and estimates of future events. As significant changes in deferred tax assets are possible depending on changes in the situation, we have decided to exclude them in the calculation of dividends. The amount of 15 billion yen is not a fixed value, and though we need to scrutinize this as we head toward the end of the fiscal year, we do not expect it to change substantially at present.

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