



Embracing a New Business Model

Cargo Business Growth Drivers: A Hub in Okinawa and the Express Business

ANA has decided to aggressively deploy management resources in the cargo business in Asia, a region where strong growth is expected to continue. The ANA Group Mid-Term Corporate Strategy (April 2008 to March 2012) has set the objective of expanding this business to achieve operating revenues of more than ¥200 billion by the fiscal year ending March 2012.

The following covers ANA's strategies for making its cargo business pivotal to the logistics needs of Japanese companies in Asia in order to meet this growth objective.

- Basic Strategy for Generating Dramatic Growth in the Cargo Business*
- Building a New Business Model and a Cargo Hub in Okinawa*
- Express Services: Creating a New Business*

Basic Strategy for Generating Dramatic Growth in the Cargo Business

The Air Cargo Needs of Japanese Companies

Computer parts, semiconductors and other high-technology products and components account for the largest proportion of air cargo demand from Japanese companies. Moreover, Japanese companies maintain component inventories at warehouses overseas to avoid domestic inventory costs, and their logistics requirements include flying the necessary components for assembly into Japan on a nearly daily basis. On the other hand, because the shift of production overseas among Japanese companies has caused concerns about the outflow of know-how, many manufacturers produce key components only at their domestic plants. ANA therefore forecasts stable demand for consistent transportation services for the customized components required by manufacturers' production plans.

Framework for Growth in the Cargo Business

Under the ANA Group Mid-Term Corporate Strategy (April 2008 to March 2012), ANA will establish a cargo hub in Okinawa with the aim of attaining leadership in air cargo logistics for Japan-Asia and intra-Asia city pairs. ANA will respond to diverse customer requirements for business-to-business ("B-to-B") logistics by establishing an express freight business and providing door-to-door delivery services while enhancing its network in North America and Europe with wide-body cargo freighters.

Advantages of the Okinawa Hub



Promoting Three Strategies to Build a New Business Model

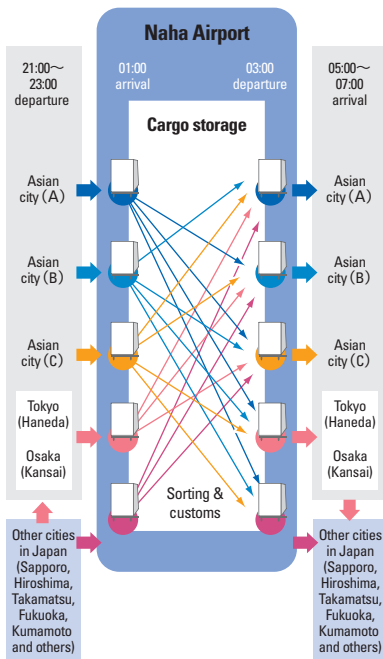
Building advanced logistics from the three perspectives of quality, speed and cost is a critical issue for many companies today. ANA has decided to concentrate on B-to-B logistics by building a new business model that is distinct from its existing cargo business, which emphasizes high volume using wide-body freighters. In order to expand the cargo business, which is key to our Mid-Term Corporate Strategy, we will organically apply the three strategies of establishing a cargo hub in Okinawa, building the express business, and expanding our Europe and North America network. I am certain that these initiatives will raise the satisfaction of shipping customers.

Akinori Nomoto
Executive Vice President, Cargo Marketing & Services



Building a New Business Model and a Cargo Hub in Okinawa

The Okinawa Cargo Hub Shipping Model



From Okinawa to Asia, from Asia to Okinawa

Okinawa is centrally located among sources of strong air cargo demand in Japan and Asia. Numerous key cities are within four hours by plane, and ANA has a broad network of domestic passenger flights accessing Okinawa. ANA will make the most of these strengths by constructing a cargo hub in Okinawa to start an efficient shipping system during the fiscal year ending March 2010. This hub will be a concentrated, efficient cargo transshipment point linking cities in Japan and Asia. Preparations for the construction of a large-scale cargo handling facility on a 27,700m² site are progressing steadily, and ANA will set up an operations and management system in cooperation with Okinawa Prefecture.

Effectively Using the Benefits of Transit Flights

When completed, the Okinawa hub will be capable of operating 24 hours a day, thus allowing ANA to offer late-night flights. Cargo departing from its origin between approximately 9:00 and 11:00 PM will be able to pass through Okinawa and arrive at its destination between approximately 5:00 and 7:00 AM the next day (see chart at left).

For specific city pairs where insufficient cargo demand makes direct flights unprofitable, ANA will increase load efficiency and enhance profitability by routing transshipments through Okinawa. This will enable ANA to provide competitive air cargo rates for a diverse array of products to capture demand between numerous city pairs, including on intra-Asia routes originating outside Japan, where demand has been growing in recent years.



A Competitive Cargo Hub Creates Even More Potential for ANA

ANA will build an efficient shipping system with the construction of the Okinawa cargo hub. The resulting high-density network in Asia will use medium-body freighters as well as cargo space in the approximately 80 ANA passenger flights per day between the main islands of Japan and Okinawa. This original business model will allow ANA to provide a wide range of express services. The creation of the Okinawa cargo hub will require sophisticated know-how in airport operations, and we will deploy the on-site knowledge and wisdom the ANA Group has accumulated to ensure its competitiveness. The hub will also contribute to industrialization and economic development in Okinawa, and preparations for construction are progressing steadily with the full cooperation of Okinawa Prefecture.

Masahiko Tsuchiya
Manager, Cargo Services Planning

Express Services: Creating a New Business

Demand for High-Quality, Seamless, Business-to-Business Shipping

Issues faced by current air cargo service providers include cargo size regulations and other restrictions, guaranteed loading, flight punctuality, and the quality-related matters of damage, theft and missing cargo. After interviewing approximately 100 Japanese companies that are manufacturing in Asia and conducting market surveys, ANA has learned that strong demand exists for high-quality, seamless, business-to-business shipping services, and that existing suppliers are not sufficiently meeting such total logistics needs.

The Start of Integrated Express Shipping

In April 2008, ANA established All Express Corporation, a joint venture with Nippon Express Co., Ltd., Kintetsu World Express Inc., MOL Logistics (Japan) Co., Ltd., and Yusen Air & Sea Service Co., Ltd., to provide business-to-business international express delivery services. This company's objective is to acquire new customers by meeting corporate demand for logistics services that are not currently provided by existing shippers.

All Express started operations in July 2008 with service from Japan to Hong Kong and Shanghai, and will successively expand its destinations and initiate service originating outside Japan. ANA projects operating revenues of around ¥2.0 billion for its first year of operations, rising to between ¥50.0 billion and ¥60.0 billion in the fiscal year ending March 2012 following the full-scale expansion of its shipping network in tandem with the start of operations at the Okinawa cargo hub in the fiscal year ending March 2010.

Planned Cargo Business Operating Revenues

