

FY2006–2009

ANA Group Mid-Term Corporate Plan

The following plan anticipates the expansion of Haneda Airport in FY2009 and the coming “age of great competition.” By that year we aim to be Asia’s top airline in terms of “quality, customer satisfaction and value creation.”

We have positioned this Mid-Term period as one in which we fully prepare for the Haneda expansion. By focusing resources on growth areas such as international passenger and cargo & mail operations, we will work to expand these businesses and improve profitability. Further, we will steadily implement our Cost Structure Reform and Fleet Strategy, aiming for a corporate constitution able to withstand fluctuating risks and remain profitable even in the face of rising oil prices.

1. Positioning

A continued emphasis on flight safety will improve our competitiveness and corporate strength, and positions these four years as a significant step towards achieving our Group Corporate Vision of becoming Asia’s top airline by FY2009.

2. Demand Forecast

- (1) Domestic: A gradual recovery of Japan’s economy is expected to continue, with demand improving $\pm 0\%$ to $+3\%$ over FY2005.
- (2) International: In Europe, gradual growth of ± 0 to $+3\%$ over FY2005 is expected; for Asia and China routes, a healthy growth of $+2\%$ to max. $+8\%$ over FY2005 is expected.
- (3) Cargo & Mail: Though domestic cargo’s growth may remain around 2%, a large growth of 10% to 15% (depending on destination) is expected for the Japan-outbound and China-outbound international cargo markets.
- (4) These assumptions are based on an exchange rate of US\$1 = ¥115, Dubai crude price of US\$55 per barrel, and Singapore kerosene price of US\$74 per barrel.

3. Strategy

(1) Business Strategy

• International Strategy

Our partner hub strategy calls for greater transport capacity to Star Alliance partner hub airports specialized in business passengers, and well-balanced North America, Europe, China and Asia networks. We will strengthen our competitiveness and optimize supply and demand with more frequent flights using smaller aircraft (such as the Airbus 320 and Boeing 737-700), mainly on routes in China and Asia, further improving profitability.

On the occasion of all ten Star Alliance members being located in Narita Airport’s Terminal 1, from June 2006, we plan to further improve connections with these carriers. At Haneda, meanwhile, we will prepare for that airport’s internationalization following its expansion. During this Mid-Term, we will introduce the world’s first B737-700ER as a strategic aircraft for mid- and long-haul international routes.

• Domestic Strategy

Stable revenue growth will be sought through more convenient connections, optimal supply

and demand, and enhanced revenue management.

- **Cargo & Mail Strategy**

To strengthen the foundation of our cargo & mail business, one of three pillars in our growth strategy, we will establish basic networks encompassing Japan-China, Japan-U.S. and Japan-Asia utilizing Kansai and Chubu airports.

(2) **Financial Strategy**

The following financial goals have been set for the above strategies.

- Value creation goal: Revenue of ¥1.550 trillion and consolidated operating profit of ¥100 billion in FY2009.
- As a measure against higher fuel costs, we will reduce indirect fixed costs by ¥10 billion from the current Mid-Term (FY2005–2007) by FY2007, and direct costs by ¥10 billion from the current Mid-Term (FY2005–2007) by FY2009.
- We will reduce the real interest-bearing debt by approximately ¥200 billion and reduce the present debt-to-equity ratio to 3:1 (from approximately 5:1).
- Losses from other businesses within the Group and losses arising from the liquidation of assets are expected to amount to ¥20 billion.

* Details will be forthcoming in the single-year [annual] business plan.

(3) **Financial Forecast**

(4) **Financial Forecast**

Profit goals for the Mid-Term are as follows :

(Units: ¥100 million; % denotes comparison with FY2005)

FY2006 goal
FY2007 goal
FY2008 goal
FY2009 goal

Consolidated Operating Revenues
Consolidated Operating Profit
Consolidated Recurring Profit
Consolidated Net Profit

Operating Data

(ton/k growth-rate for freighters)

(available seat-km growth rate for domestic passengers)

(available seat-km growth rate for international passengers)

- Based on Dubai crude price of ¥37/bbl (FY2005–2007 Mid-Term Corporate Strategy); \$55/bbl (FY2006–2009 Mid-Term Corporate Strategy)

For reference only: Mid-Term Corporate Plan FY2005–2007
Consolidated Operating Profit

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