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## Notice of Implementation of FY2009 Emergency Income Recovery Plan

Faced with a major downturn in the global economy following the financial market shock, we are in the process of implementing our FY2009 Emergency Plan, which comprises three areas: business strategy review based on the matching of supply and demand volumes; and critical strengthening of our business structure, including cost cutting measures. Such implementation is imperative in the current environment of rapidly decreasing airline demand. However, we see the planned expansion of Narita and Haneda Airports in 2010 as a key business opportunity.

Since the start of the current fiscal year, we have been expecting the recovery in airline demand to occur in the latter half of the year. However, despite signs of recovery in global markets, the economic outlook currently remains uncertain. The spread of a new influenza strain presented another market shock, and thus we found ourselves in a difficult environment for the current first quarter, following the fourth quarter of FY2008. In particular, demand for business travel dropped more than expected at the start of the term. Passenger numbers for April and May this year fell considerably from the previous year: down 14.0% and 13.1%, respectively, for domestic flights, and down 10.1% and 16.7% for international flights. Domestic flights, which were more significantly impacted by the effects of influenza, suffered a greater drop than initially expected. Lagging demand has continued through June, with passenger numbers as of June 25 falling 14.0% (domestic) and 17.8% (international) as compared with the same period last year. And we may see revenue decreases at the end of the first quarter of this year amounting to approximately ¥30 billion compared to our revenue plans. Results for the first quarter are therefore expected to be significantly worse than the fourth quarter of FY2008.

Our response to this economic climate has been to formulate the FY2009 Emergency Income Recovery Plan to recover approximately ¥30 billion through the following four measures: more efficient matching of capacity and demand through business plan revision; flexible cost cutting to match production volume, including personnel cost cuts; general procurement cost cuts; and introduction of "Pay-for-Value," which incorporates a review of current services and charging for new value-added services. These four measures will be implemented in addition to the FY2009 Emergency Plan to respond effectively to the sharper than expected decrease in passenger demand in the first quarter.

With the declining number of influenza cases and gradually increasing signs of economic recovery, we continue to expect a rise in passenger demand in the latter half of the current fiscal year.

We aim to offset the impact of the expected revenue decrease for the first quarter (approximately 30 billion yen) on the current fiscal year's results, and to achieve the FY2009 target published on April 30, 2009, through the vigorous implementation of our newly formulated FY2009 Emergency Income Recovery Plan as well as the continued implementation of the FY2009 Emergency Plan.

Details of the FY2009 Emergency Income Recovery Plan will be announced as soon as they have been determined.

## **Outline of FY2009 Emergency Income Recovery Plan**

### **Further matching of capacity to demand through revisions business plan**

- Suspension and decrease of flights in accordance with demand, while securing departure/arrival slot rights
- Postponing the introduction of wide-body cargo aircraft
- Improving profitability through more closer matching of capacity and demand

### **Flexible reduction of personnel and other costs based on reduced capacity levels**

- Early implementation of cost-cutting measures planned for FY2010 and later
- Increase measures like one-month unpaid leave, in line with revised business plan
- Budget reviews based on business size and passenger demand

### **Reduction of general procurement costs**

- Establishing project teams to control general procurement costs
- Unification of Group procurement function
- Strengthening of structures for supply management and request management

### **Introduction of “Pay-for-Value”**

- Introduction of new value-added charged services, mainly on international flights
- Review of current services on domestic flights

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