

# All Nippon Airways Performance Review First-Half 2007

November 2007



## ANA Group Corporate Philosophy

— Our Commitments —

On a foundation of security and reliability, the ANA Group will:

- Create attractive surroundings for customers
- Continue to be a familiar presence
- Offer dreams and experiences to people around the world

## ANA Group Safety Principles

- ✓ Safety is our promise to the public and is the foundation of our business.
- ✓ Safety is assured by an integrated management system and mutual respect
- ✓ Safety is enhanced through individual performance and dedication

## ANA Group Corporate Vision

With passenger and cargo transportation in Japan, elsewhere in Asia, and around the world as its core field of business, the ANA Group aims to be one of the leading corporate groups in Asia.

▶▶ Being the leader in Asia means that we will become

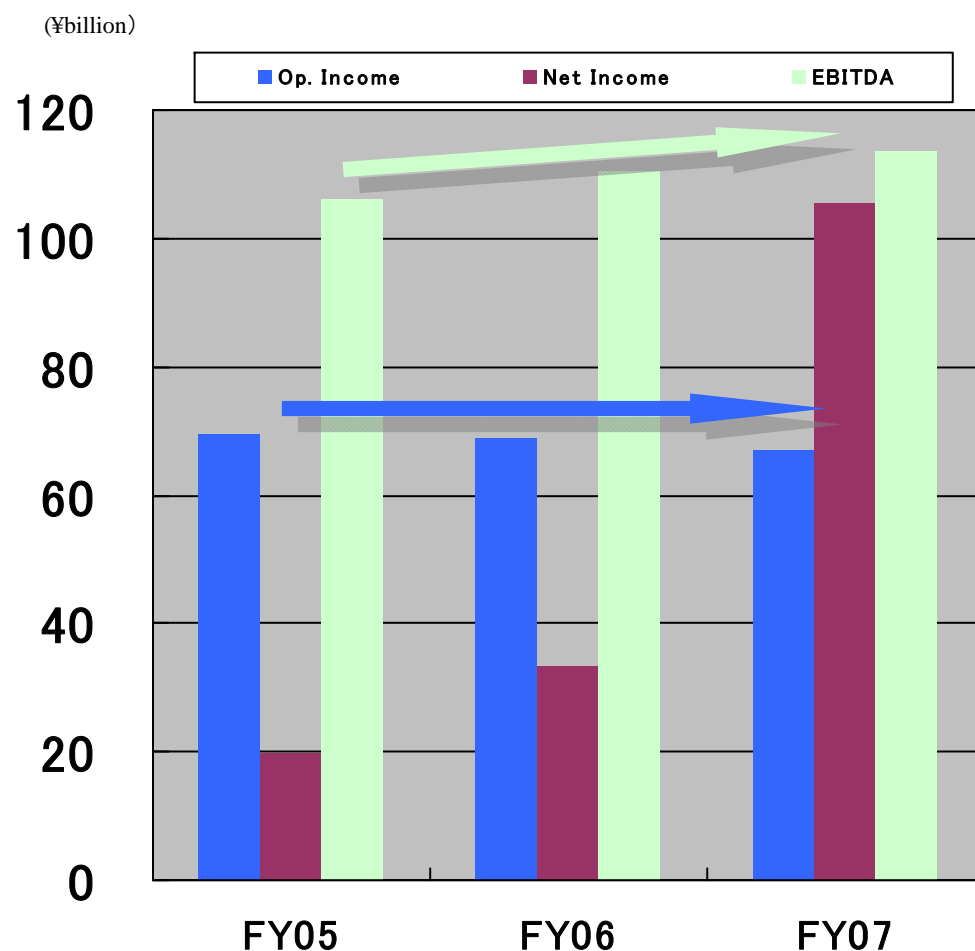
- Number one in quality
- Number one in customer satisfaction
- Number one in value creation

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**Forward-Looking Statements.** This material contains statements based on ANA's current plans, estimates, strategies and beliefs; all statements that are not statements of historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's managers based on currently available information. Air transportation, the Company's core business, involves government-mandated costs that are beyond the Company's control, such as airport utilization fees and fuel taxes. In additions, conditions in the markets served by the Company are subject to significant fluctuations. It is possible that these conditions will change dramatically due to a number of factors, such as trends in technologies, demand, prices and economic environments; foreign exchange rate fluctuations; and others. Due to these risks and uncertainties, it is possible that the Company's future performance will differ significantly from the contents of this material. Accordingly, there is no assurance that the forward-looking statements in this material will prove to be accurate.

## Stable Earnings Continued under Adverse Market Conditions

1st Half Operating Income • EBITDA • Net Income



### Summary of FY2007 1st Half Result

- ◎ Air Transportation Operating Profit increased;  
Appropriate response to soaring oil price and tough competition
- ◎ Sale of Hotel Business;  
Improved balance sheet

	FY2007 1st Half	Change
Revenue (¥billion)	763.2	+10.4
Op. Income (¥billion)	67.0	△1.6
Net Income (¥billion)	105.5	72.2

Op. Income Margin	8.8%	△0.3%
EBITDA ※	113.4	+3.0
D/E Ratio (times) ※ ※	1.9	△0.9

※EBITDA operating income + depreciation and amortization

※※Debts includes off balance lease obligations

### Profit Target Achieved by Measured Response to Managerial Issues

#### FY2007 Ongoing Managerial Issues

Establish Safety to the Highest Standard in the World

Improve Fundamental Quality of Operations

Focus on the Growth Areas of International Passenger and Cargo

Strengthen Business Structure to Deal with the Changing Environment

Improve Financial Condition

Rating Upgrade

A-(JCR)

BBB+(R&I)

Continuation of High Oil Price, Intensifying Competition in Domestic Market

#### Outlook for FY2007

No Change

	Forecast	Change
Revenue (¥billion)	1,490.0	+0.4
Op. Income (¥billion)	79.0	△13.1
Op. Income Margin	5.3%	△0.9%
Net Income (¥billion)	64.0	+31.4

ROA	5.2%	△0.8%
Dividends per share (¥)	5	+2

Dubai crude oil (\$/BBL)	63
Kerosene (\$/BBL)	83
Exchange rate (¥/\$)	115

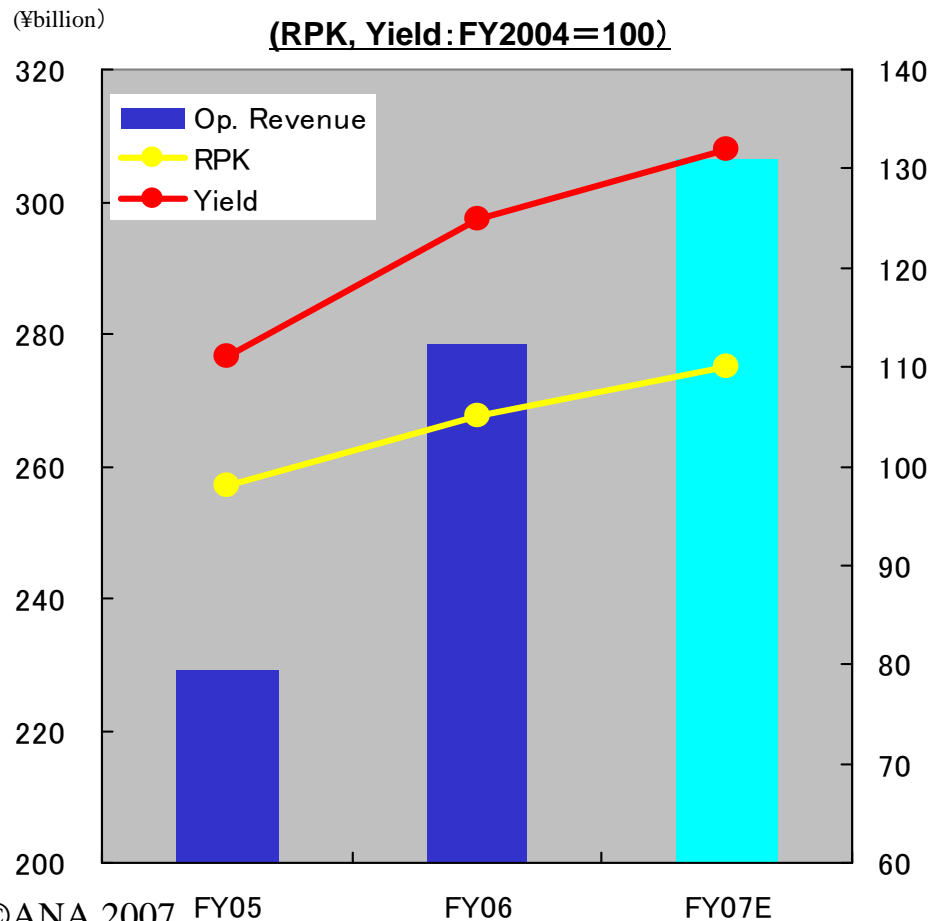
# III. Primary Measures for FY2007

## International Passenger Operation: Gaining More Passengers and Improving Yield

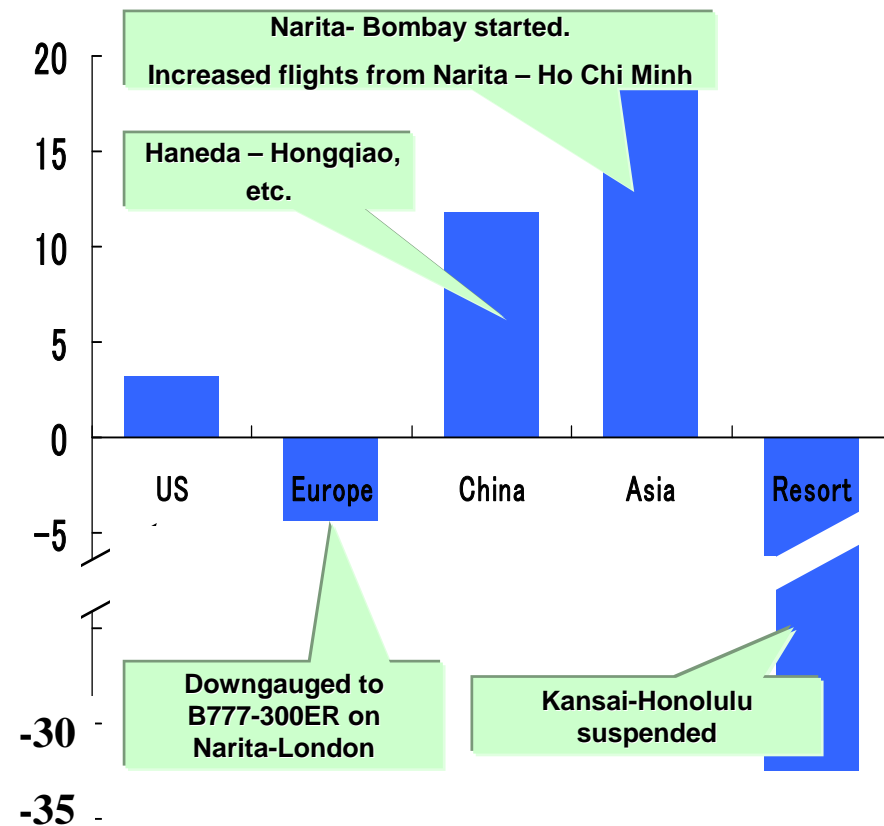
Revenue Increased with Strong Demand from High Yield Passenger

Network Expansion Centered on Profitable Routes

**Op. Revenues \* RPK \* Yield**  
(RPK, Yield: FY2004=100)



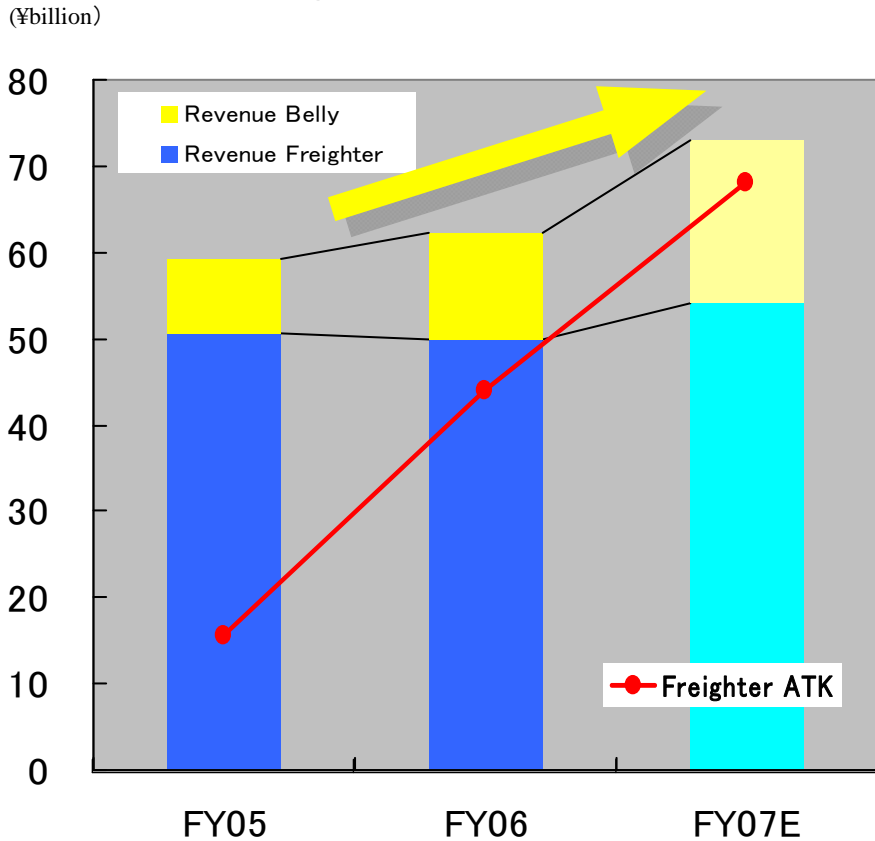
**ASK Growth Rate by Route in Second-Half**  
(year on year)



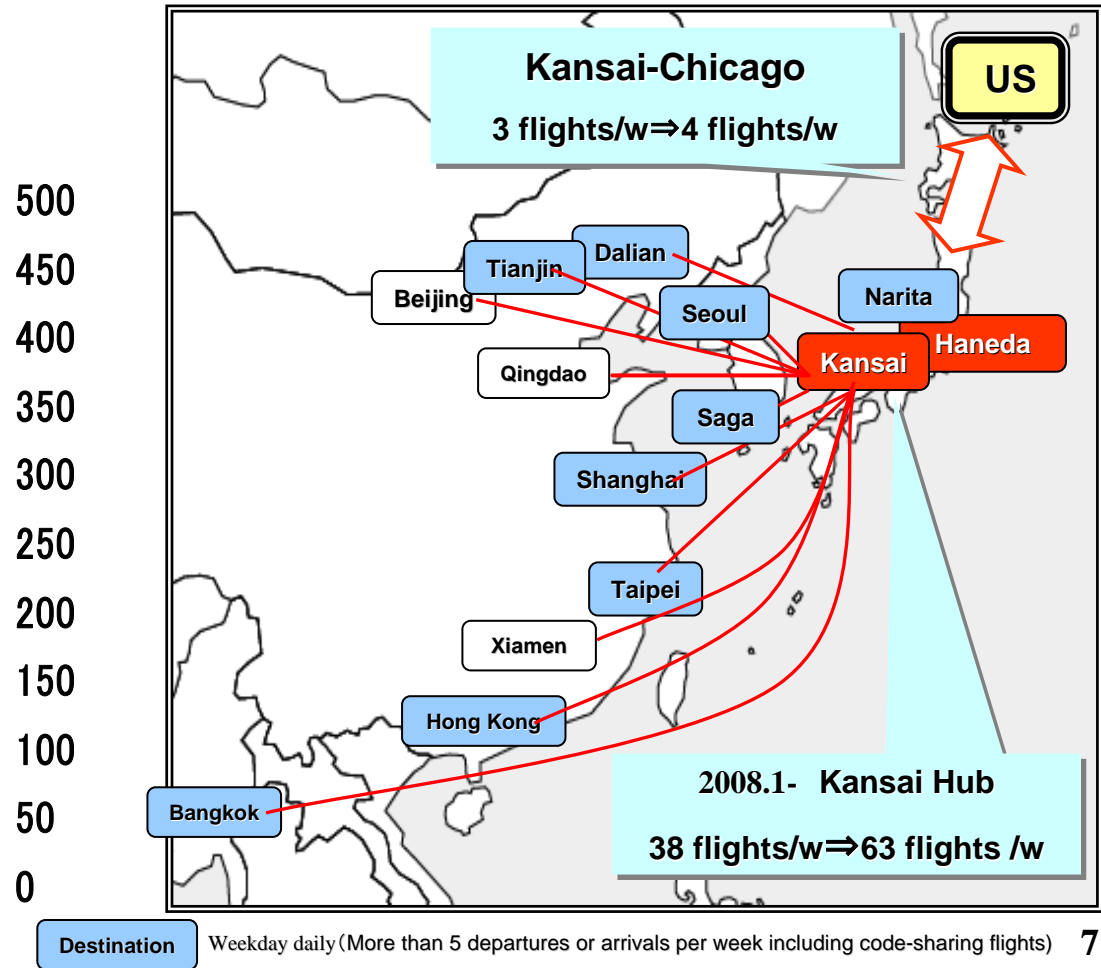
## Cargo Operation: Build Operational Infrastructure by Establishing Fundamental Network

Revenue Increased by Adding Freighters

International Cargo revenue·Freighter ATK  
(Freighter ATK: FY2005=100)

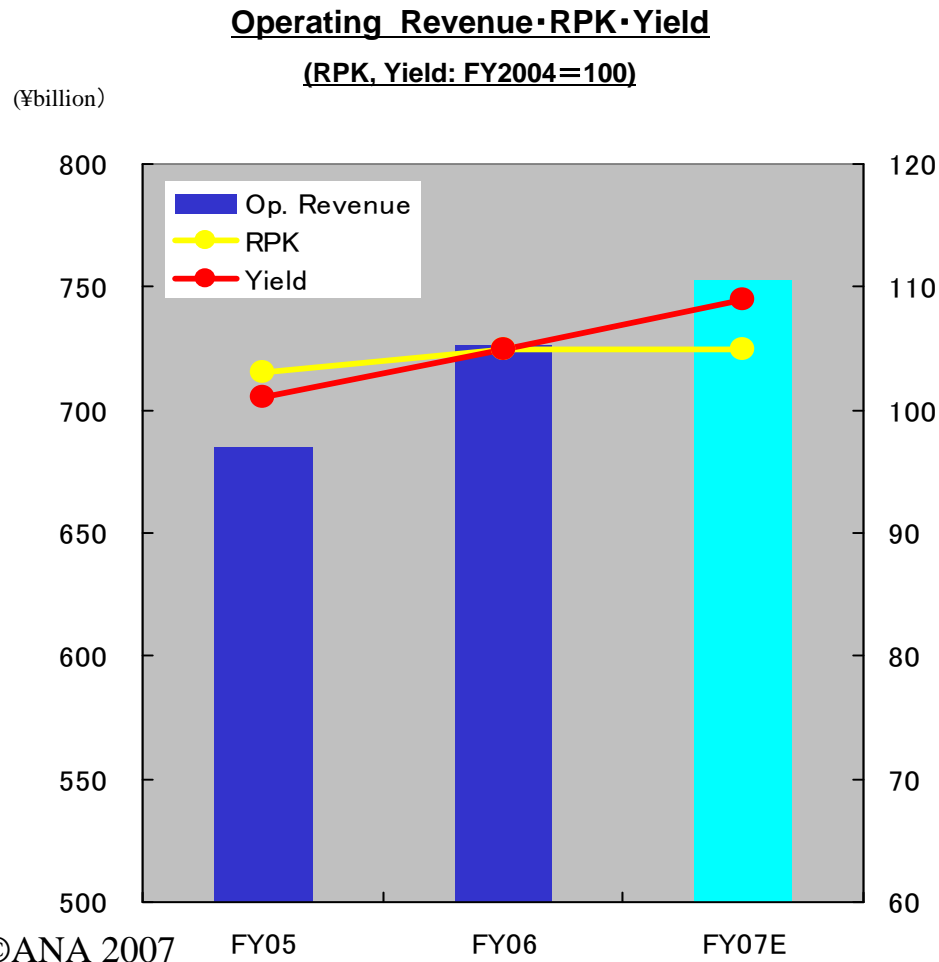


Building Hub Network around Kansai Airport



## Domestic Passenger Operation: Keeping Trend to Increase Revenue under Intensifying Competition

### Revenue Increased by Improving Yield



### Further Improvement of Profitability

New Boarding System Rolled Out to All Domestic Airports

- Expand to 50 domestic airports by Dec. 07'
- Complete E-Ticket coverage
- Skip Service available to more passengers



Strong Measures on Competitive Routes

Building Efficient Network

- Suspend unprofitable routes and concentrate on profitable routes.
- Improve passenger convenience by introducing transit fares.

## Upgrade the Product, Matching Customer Needs and Preferences

### Super Seat Premium

April 2008~

### Premium Class



- Introduced to B737 narrow body aircraft
- ⇒Expand 2 class service to more domestic routes throughout Japan

B747-400  
B777-200, 300  
B767-300

+

B737-700  
B737-800

Roll out across 70% of the ANA jet aircraft by the end of FY2009

- Increased seat pitch, access to ANA Lounge at Haneda and Itami, meals on all flights
- Expected to cost an average of ¥1000-¥2000 more than the present Super Seat Premium fare

### ANA Mileage Club

April, 2008~

### Revamp for 10<sup>th</sup> anniversary



- More distance, more time, more value
- ~ Making redeeming and accruing mileage more fun

#### Distance

- Miles needed varies with distance

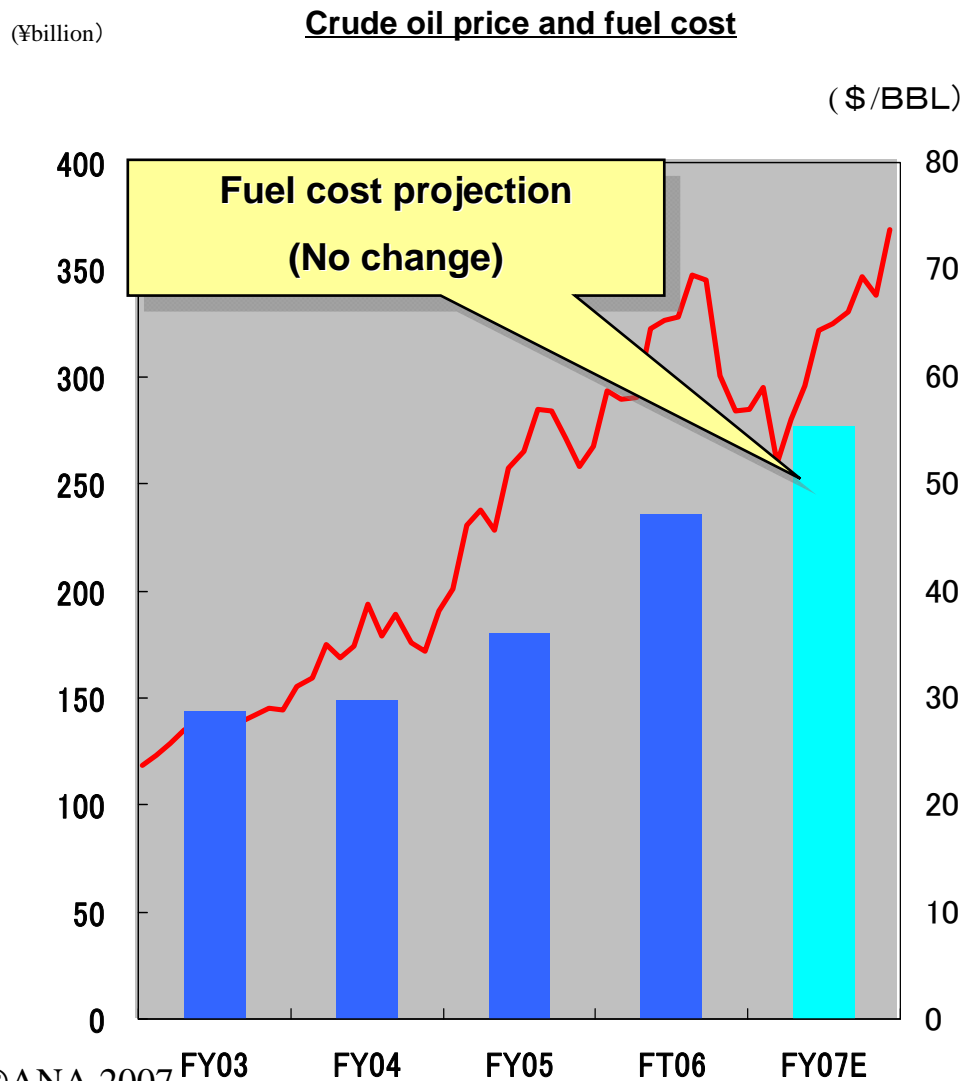
#### Time

- Extend validity to 36 months from the month of activity
- No embargo periods; miles needed varies with season

#### Value

- Premium membership according to the fare paid and distance flown

## Appropriate Response to Soaring Oil Price



### Fuel Cost Management

- Effective jet fuel hedging
- Various measures to reduce fuel consumption

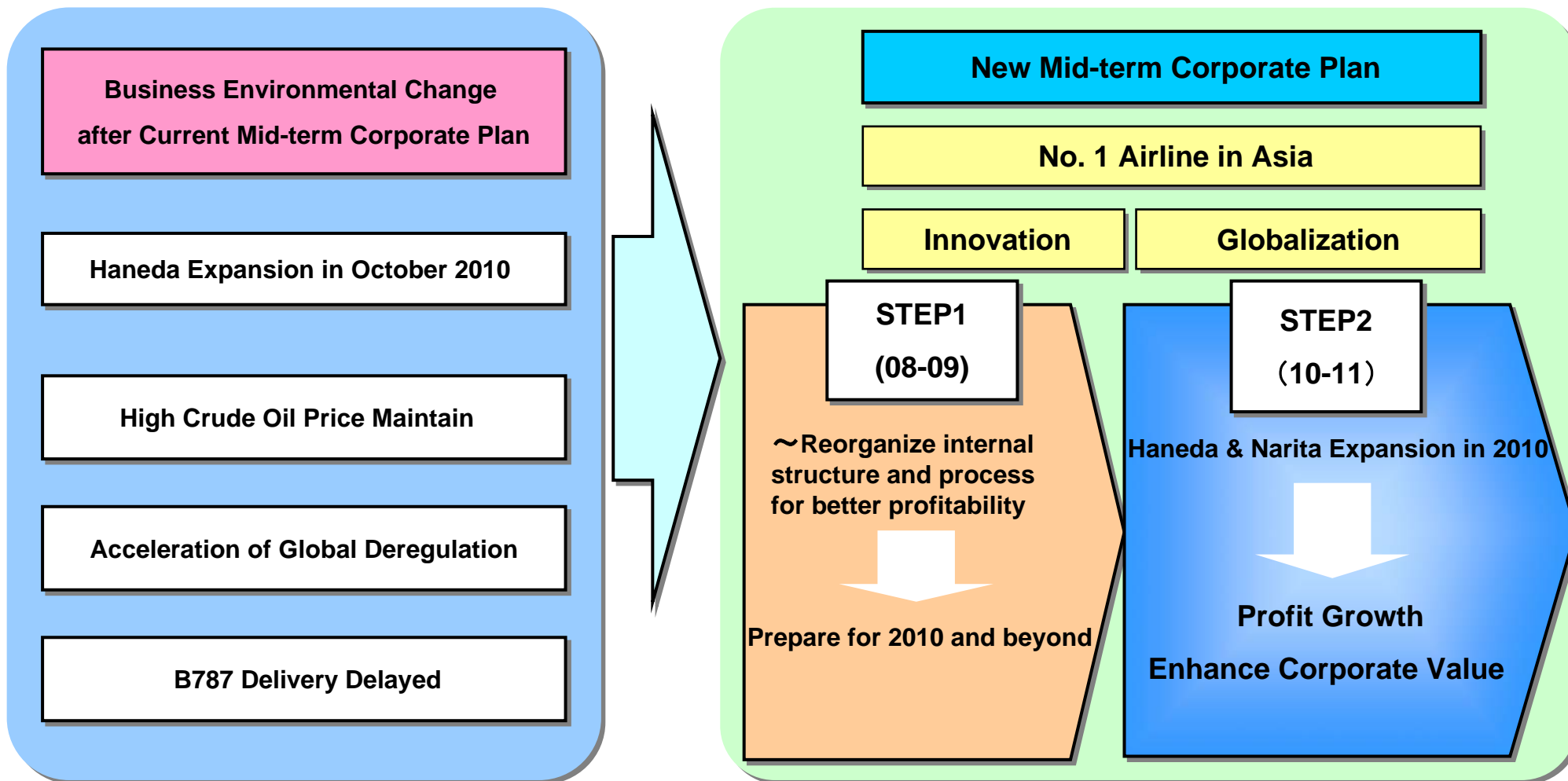
### Upgrade to Fuel-Efficient Aircraft

- B777-300ER: Introducing 4 in FY2007
- B737-700: Introducing 6 in FY2007
- B747-400: Retiring 5 in FY2007

### Fare and Surcharge Response to Rising Fuel Price

- International Passenger Fuel Surcharge
  - International Cargo Fuel Surcharge
- Oct. 2007~

## Essentials of New Mid-term Corporate Plan



Thank you.

