

# All Nippon Airways Strategy and Outlook for FY2008



April 2008

## 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.

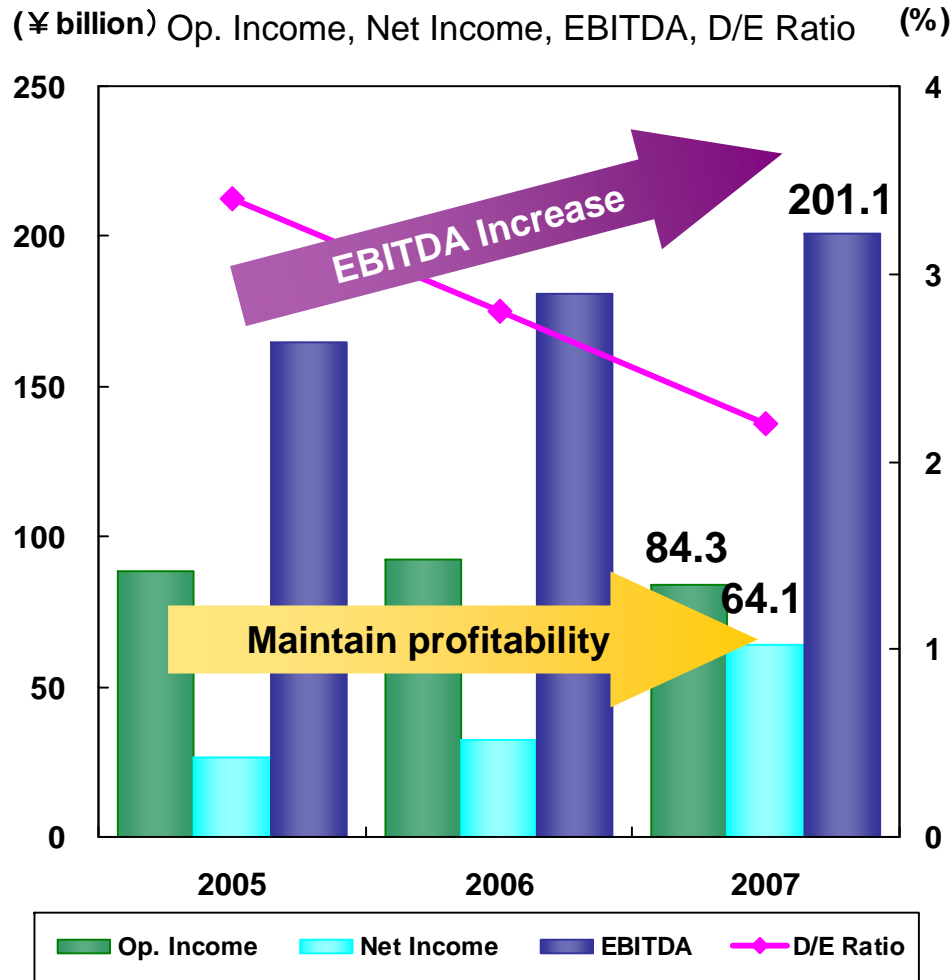
▶▶ Being the leader in Asia means that we will become

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

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# I. Review of Results for FY07

## Stable Profit and Improved Balance Sheet



## Summary of FY07 Results

- Sustain increases in revenue in all segments
  - Hotel business was eliminated from FY07
- Op. income and Op. margin exceeded original plan
- Record net income
- Improved financial condition and rating upgrade to A-
- Finance lease asset /obligation booked on the balance sheet\*

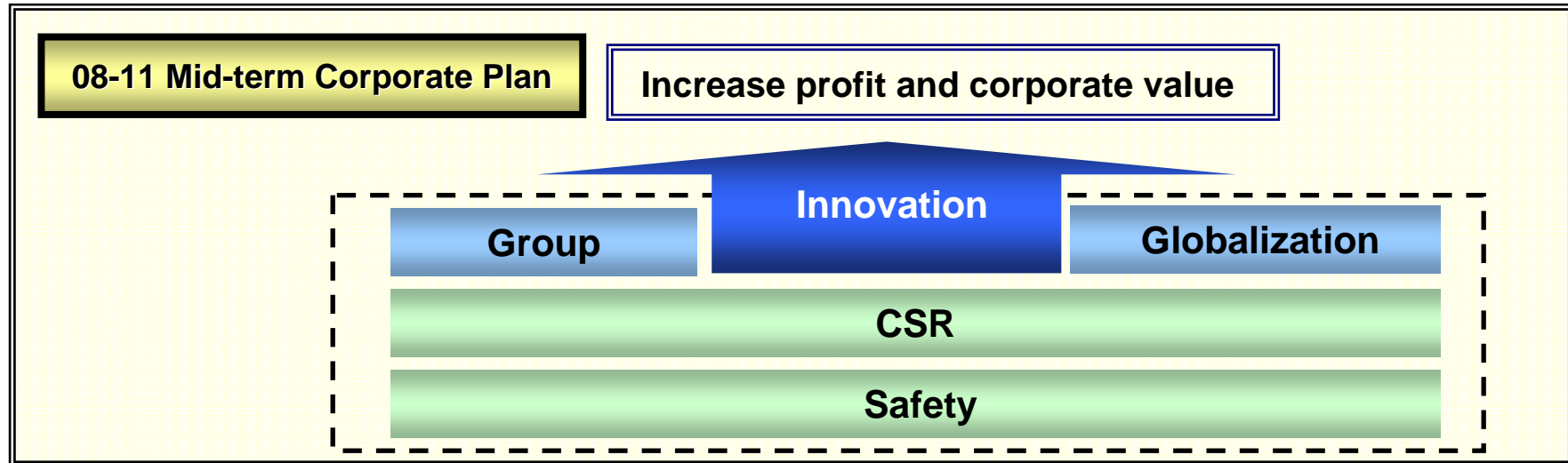
\*Early adoption of the Accounting Standards Board of Japan's Accounting Standards for lease transactions

	FY07	vs. previous guidance (Feb 1, 2008)
Revenue (¥billion)	1,487.8	-2.2
Op. Income (¥billion)	84.3	+5.3
Op. Income Margin	5.7%	+0.4%
Net Income (¥billion)	64.1	+0.1
EBITDA (¥billion)	201.1	27.1
D/E Ratio* (times)	2.2	+0.1

\* Debts include off balance lease obligation

### 08-11 Mid-Term Corporate Plan Summary

Become and maintain position as *No. One Airline in Asia*

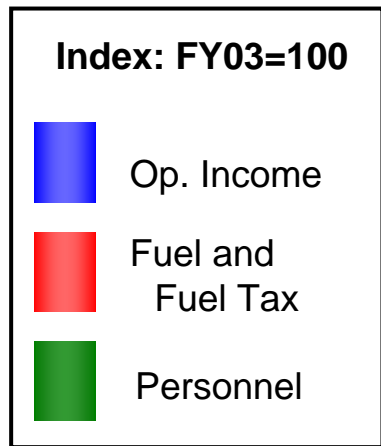


- Haneda and Narita expansion in 2010
- Maturing domestic market - intensifying competition with other airlines and other modes of transport
- Growing Asian market and acceleration of deregulation in Asia
- High crude oil price

### III. Important Issues for FY08

#### Stable Earnings under Tough Environment

Dubai Crude Oil Spot Price  
 \$23 in Apr, 2003 ⇒ \$107 on Apr 25, 2008



Air Transportation	FY03	FY04	FY05	FY06	FY07	FY08E
Fuel and Fuel Tax	143.6	148.5	179.8	236.1	266.1	301
Personnel	220.0	220.3	230.1	232.7	241.3	244
Op. Income	27.2	68.0	74.1	79.7	77.9	73

(¥billion)

## Financial Target and Business Environment for FY08

### Financial Target for FY08

	FY08
Revenues	1,510
Op. Income	80
Op. Income Margin	5.3%
Net Income	27

¥ billion

#### ■ Air Transportation:

Revenues ¥1,339 bn Op. income ¥73 bn

#### ■ Travel, Other Businesses

Revenue ¥391 bn Op. income ¥7 bn ( Eliminations ¥220 bn )

#### ■ Consideration for global economy

#### ■ Shift resources to international and cargo business from domestic business

#### ■ Prior investment for growth

#### ■ Scheduled fuel and currency hedging

⇒ Final hedging target:  
Fuel 100% Currency 90%

#### ■ Current hedging ratio: (as of Mar 08)

⇒ Fuel 80% Currency 80%

### Fuel and Currency Assumptions for FY08

	Revised assumption	Previous assumption
Dubai Crude Oil	\$95/BBL	\$86/BBL
Sin. Jet	\$119/BBL	\$110/BBL
Exchange Rate	¥106/US\$	¥112/US\$

# IV. Primary Measures for FY08

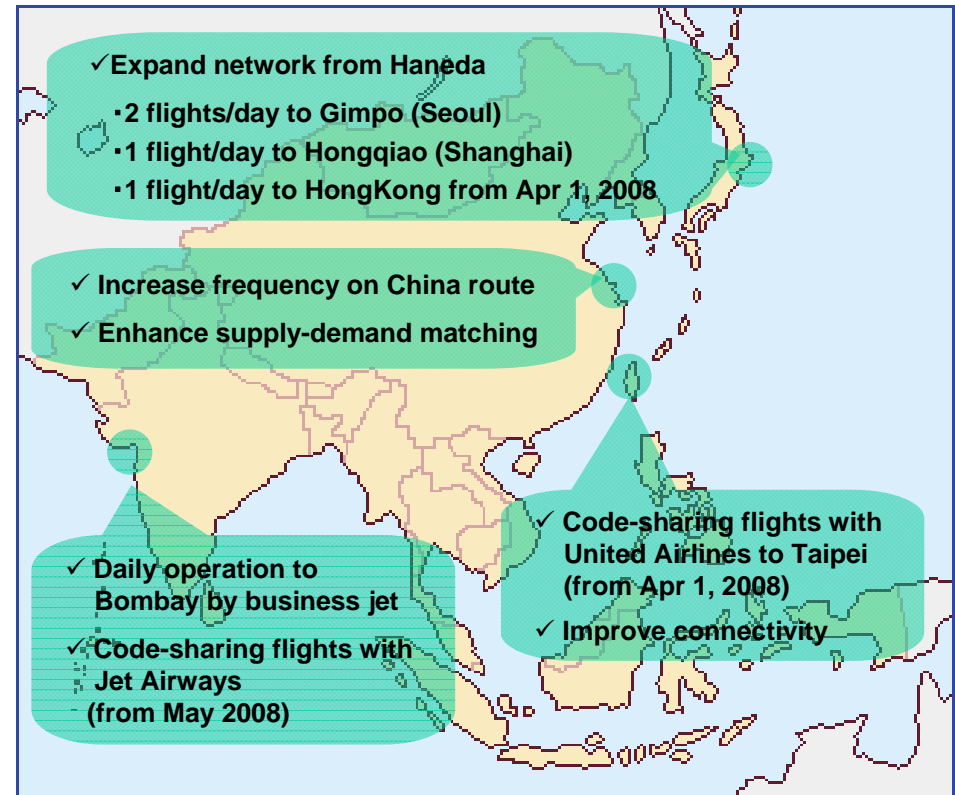
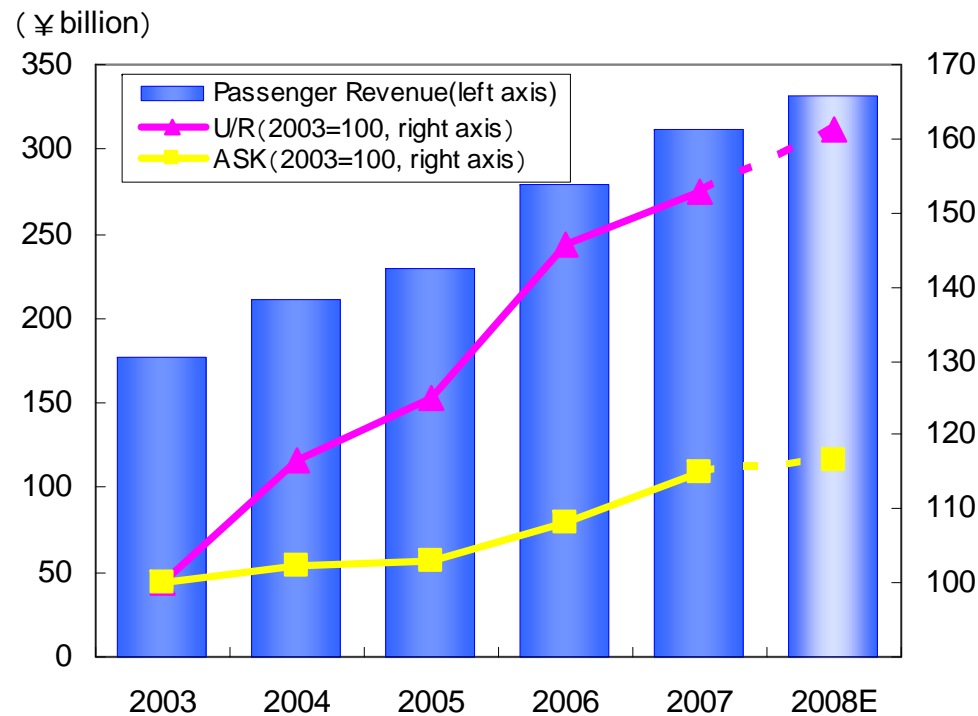


A STAR ALLIANCE MEMBER

## International Passenger Operations: Improve Profitability and Expand Network to Asia

ASK 101.5% / Revenue 106.4%  
(US 99.7% / 103.6%)  
(Europe 97.6% / 103.3%)  
(China-Asia 107.0% / 110.7%)

Revenue, Unit Revenue, ASK

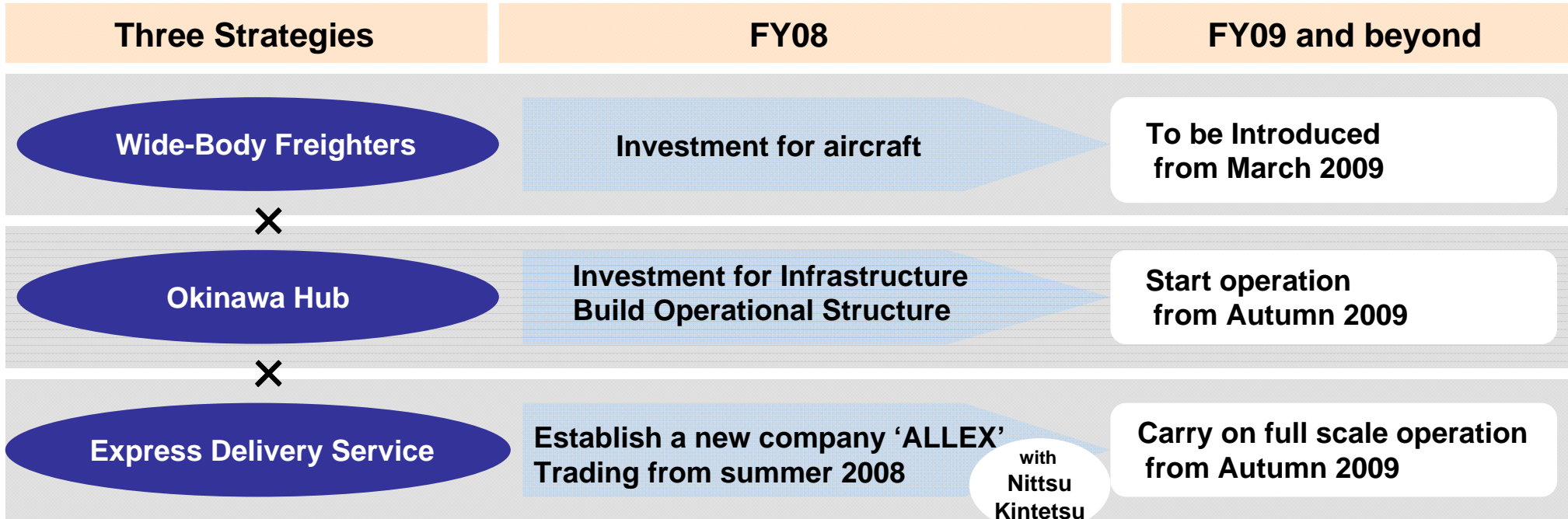


# IV. Primary Measures for FY08



## Cargo Operations: Three Strategies to Establish Business Model

ATK(Freighter) 116.2%  
Cargo Revenue 110.1%



### Support three strategies

Streamline the revenue base ~ enhance marketing and sales

- Build basic network
- Strengthen revenue management
- Enhance sales structure
- Advance cargo alliance
- Streamline IT infrastructure

Establish business model with high level of competitiveness

# IV. Primary Measures for FY08



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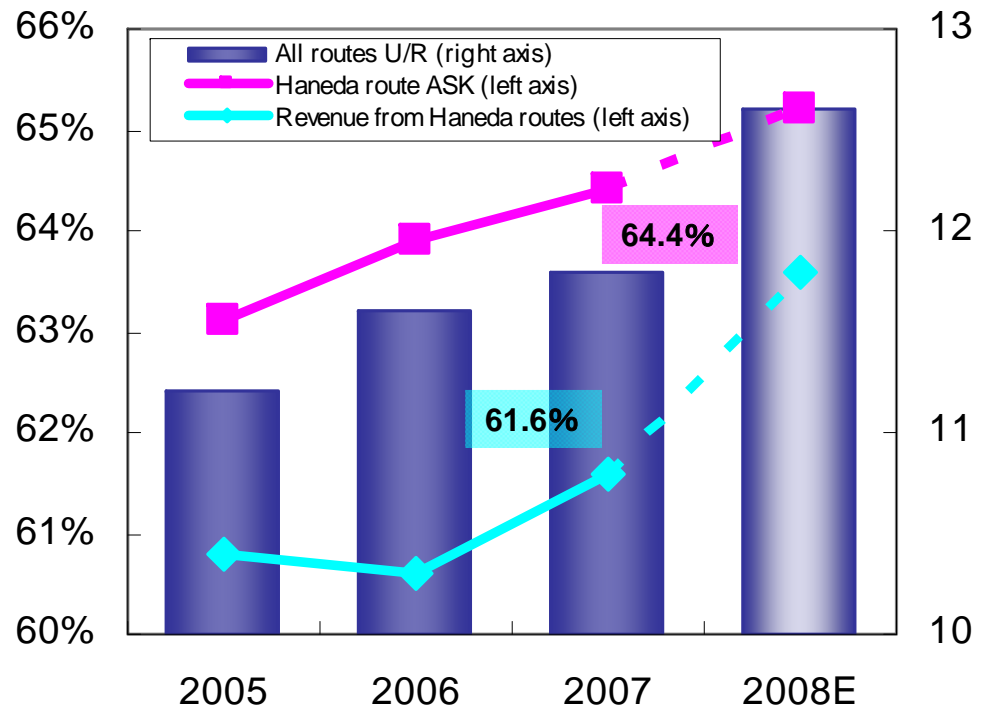
## Domestic Operations: Two Strategies to Increase Profitability

ASK 94.2% / Revenue 100.4%

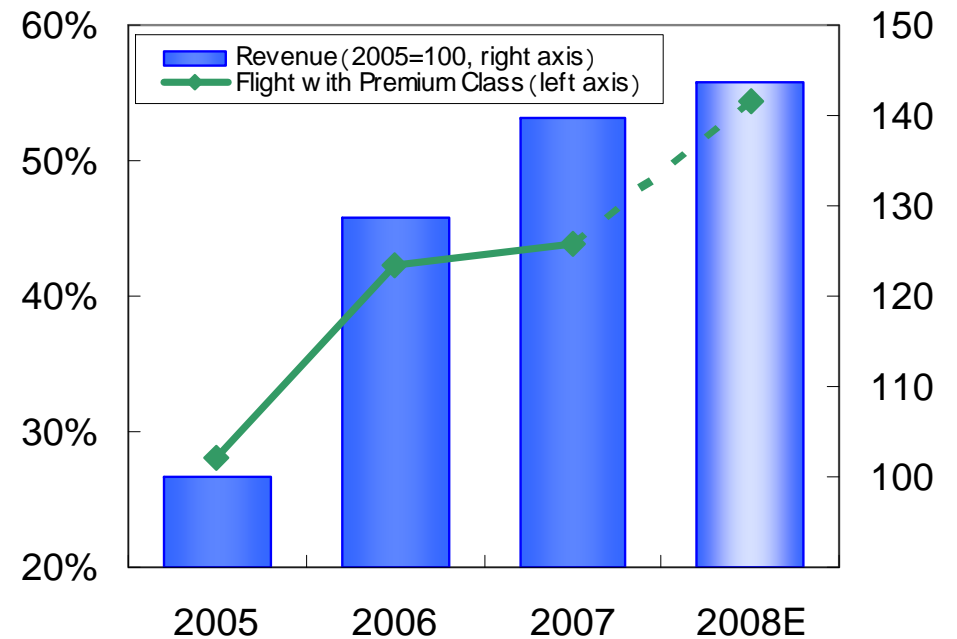
■ Supply-demand matching across whole network  
⇒ Focus on high demand routes to/from Haneda

■ Expand routes with *Premium Class*  
⇒ Retain high yield passengers

Highly profitable routes to/from Haneda U/R (¥)

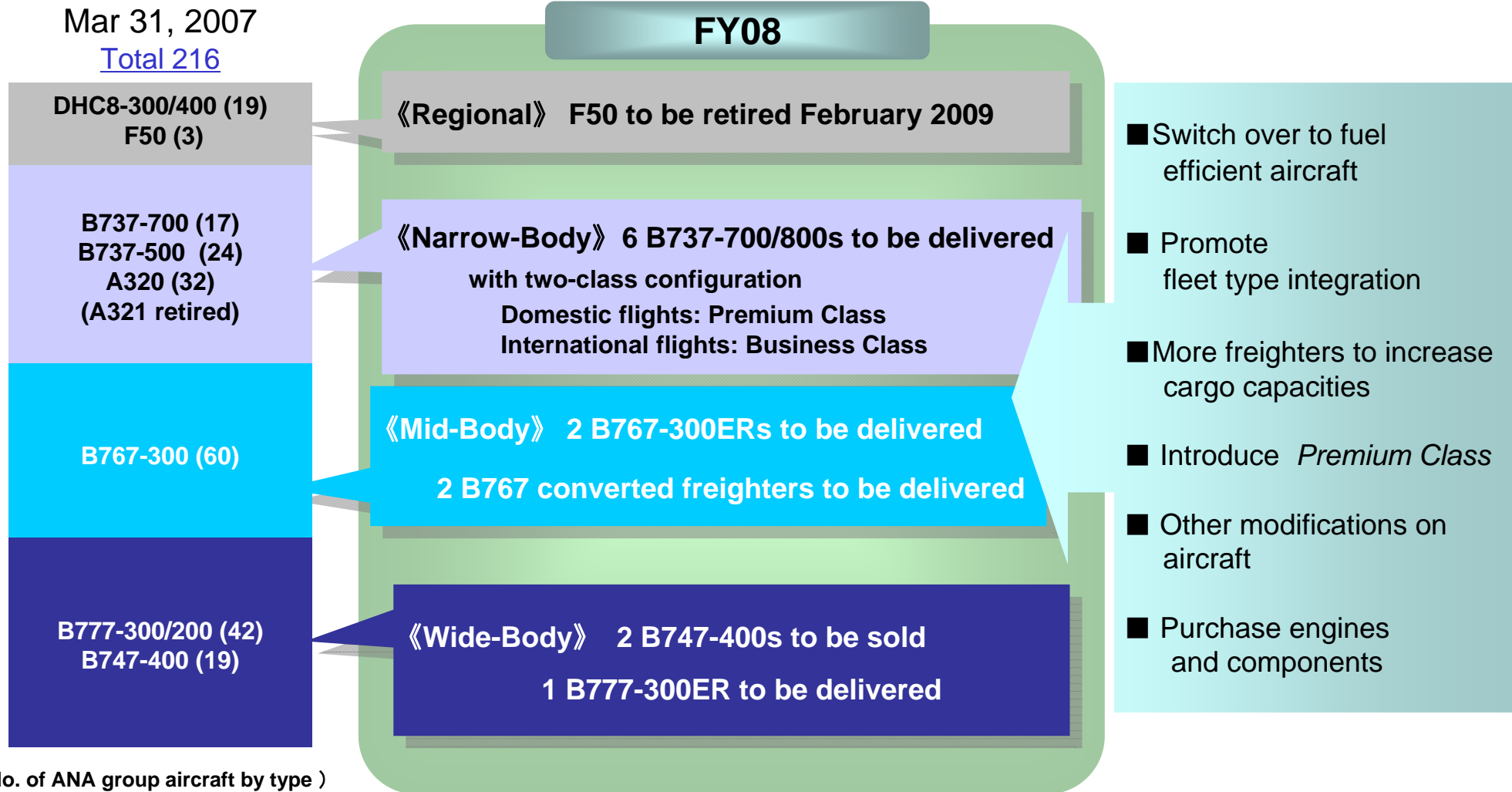


Revenue and number of flights with *Premium Class*



( *Premium Class* was known as *Super Seat Premium* until the end of FY07 )

## Promote Fleet Rationalization and Switch-over to Fuel Efficient Aircraft



(No. of ANA group aircraft by type )

## Innovate to Expand Business Scale

《Dramatic growth = New value creation》 Greater productivity, more competitive products

New ways of working  
Support function reform

- Introduce flexible ways of working
- Expand business scale without increasing personnel

■ Reemploy former employees (cabin attendants), improve productivity of support functions, reassign employees to front-line position

Passenger service reform

- Reform service, assignment, management models
- Improve quality, shorten check-in procedure, fewer staff at lower cost

■ Further automation of check-in and boarding system

Airport operation reform

- Expand scale and enhance competitiveness for 2010 Tokyo metropolitan airport expansion
- Create airport operation model that cannot be emulated by competitors

■ Invest in Okinawa cargo hub and maintenance facilities

**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.**

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