

ANA Reports Financial Results for the First Half of FY08

– revenue and profits down in tougher operating environment –
– forecast for whole year revised down –

TOKYO October 31, 2008 ANA Group today reported its consolidated half year financial results for the interim period April 1 to September 30, 2008. The Group, which consists of airlines, travel and other businesses, reported an operating profit of ¥49.8 billion and a net profit of ¥22 billion on revenue of ¥753 billion - falls of 25.7%, 79.1% and 1.3% respectively - against a background of declining passenger numbers. Net profit, in the same period in the previous year, had been boosted beyond normal levels by an extraordinary gain on the sale of ANA's hotel properties.

ANA executive vice president Finance, Tomohiro Hidema, said of the Group's performance: "These midterm results reflect the challenging operating environment in which we find ourselves. Beyond the price of oil, which hit historic highs and sent our fuel bill soaring for most of the period under review, we are faced at home with softening overall demand and increased competition from other airlines and the railways. These elements, coupled with our own cuts in capacity, have meant that revenue on our domestic operation was down year-on-year. On the international front, however, despite the shadow cast by the global recession on business travel demand on our North American routes in the first instance, and latterly on our European routes, and a drop in demand for travel in general to China, revenue was up on last year, buoyed in part by growth in the intra-Asia cargo market.

Nevertheless, and despite our best efforts to control costs and stimulate demand, consolidated revenue, operating profit and net profit fell during the six months under review.

Looking forward, given the recent turmoil in the world's financial markets, the sudden slow down in economic activity and the ensuing fall in demand for travel - beyond anything we could have imagined at the beginning of the current fiscal year - we are having to downwardly revise our outlook for the full 12 months of fiscal year 2008. We will tighten our belts to gain further cost reductions where possible and step up our sales efforts to spur demand as we try to minimise the effect of the slowdown on revenue."

Consolidated Financial Performance

unit: billion yen (rounded down)

	1H/ 2008	1H/ 2007	Change	% Y/Y	2Q/ 2008	Change
Revenue	753.3	763.2	-9.9	-1.3	407.8	-5.8
Operating costs	703.4	696.1	+7.3	+1.0	372.5	+12.7
Operating profit	49.8	67.0	-17.2	-25.7	35.2	-18.6
Non-operating profit/loss	-10.3	-10.3	0	—	-6.7	-2.8
Recurring profit	39.5	56.7	-17.2	-30.4	28.4	-21.5
Extraordinary profit	-0.8	112.0	-112.8	—	-1.7	+18.6
Net profit	22.0	105.5	-83.4	-79.1	15.3	-2.7

Performance by business segment (consolidated)

unit: billion yen (rounded down)

	1H/ 2008		1H/ 2007		change		2Q/ 2008		change	
	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit
Air Transport	666.8	48.2	666.1	62.7	0.7	-14.5	359.3	33.6	-0.7	-16.9
Travel	102.4	0.2	113.9	1.8	-11.4	-1.6	60.9	0.7	-6.2	-0.9
Others	74.8	1.1	97.3	2.5	-22.5	-1.3	38.3	0.7	-11.2	-0.8

Domestic Air Transport

Against a backdrop of falling overall demand for domestic air travel and stiffer competition from other airlines and the shinkansen bullet train, ANA was able to improve profitability by better matching aircraft capacity with demand, introducing more efficient new aircraft and re-designing parts of its network.

Equally, on the sales front ANA improved its products for business travellers by introducing new business fares, and stimulated greater demand among leisure travellers during the summer by increasing the availability of 'Tabiware' advanced purchase tickets.

Despite these measures and an improved unit price following a fare rise in April, passenger numbers and revenue fell 3.3% and 2.3% respectively. However, this was less than the 4.2% capacity cut on the domestic network, so load factors rose as a consequence.

Domestic Air Transport (consolidated)

revenue given as billion yen (rounded down)

	1H/ 2008	1H/ 2007	Change	% Y/Y	2Q/ 2008	% Y/Y
Revenue	372.5	381.2	-8.6	-2.3	206.1	-2.5
No of passengers (x1,000)	22,281	23,036	-754	-3.3	11,827	-3.7
Available Seat Kilometres (million km)	30,452	31,699	-1,246	-3.9	15,529	-4.3
Revenue Passenger Kilometres (million km)	19,542	20,167	-624	-3.1	10,460	-3.8
Load Factor (%)	64.2	63.6	+0.6	—	67.4	+0.4

International Air Transport

Demand for business travel on Europe routes remained robust for most of the six months period and leisure traffic also grew on Asia routes (excluding China). However, a downward trend was seen on North America and China mainly due to the US sub-prime crisis in the former and food scares in the latter, resulting in a 3.7% drop in passengers across the network. Demand for business travel generally also began to soften rapidly towards the end of the second quarter due to the sudden global economic slowdown.

Notwithstanding the fall in traffic, fuel surcharge revisions led to an improved unit price and a 2.2% year-on-year increase in revenue.

International Air Transport (consolidated)

revenue given as billion yen (rounded down)

	1H/ 2008	FY 2007 1H	Change	% Y/Y	2Q/ 2008	% Y/Y
Revenue	165.6	162.1	+3.5	+2.2	87.0	+1.6
No of passengers (x1,000)	2,335	2,424	-88	-3.7	1,187	-6.6
Available Seat Kilometres (million km)	14,227	14,112	+114	+0.8	7,140	+0.7
Revenue Passenger Kilometres (million km)	10,376	10,764	-387	-3.6	5,254	-6.1
Load Factor (%)	72.9	76.3	-3.3	—	73.6	-5.4

Cargo

An improvement of more than 20% in both volumes carried and revenue was posted for ANA's international cargo operation, thanks to strong demand for cargo services intra-Asia, from Asia to North America and Europe, and from North America and Europe to Japan. No growth was evidenced in cargo exported from Japan.

Furthermore, ANA took delivery of the world's first Boeing 767 passenger-to-freighter conversion, adding capacity to the network, and ANA's express parcel delivery service, All Express (ALLEX), began operations on July 1.

On the domestic front, an increase in unit price in April and efforts to improve sales in periods of low demand led to an almost 10% increase in revenue.

Cargo (consolidated)

revenue given as billion yen (rounded down)

		1H/ 2008	1H/ 2007	Change	% Y/Y	2Q/ 2008	% Y/Y
Domestic	Revenue	16.5	15.0	+1.4	+9.8	8.4	+9.7
	Freight carried (1,000 tonnes)	235	225	+10	+4.5	122	+4.2
	Tonne Kilometers (mil)	229	217	+11	+5.5	118	+5.6
International	Revenue	41.4	34.2	+7.1	+20.9	217	+24.0
	Freight carried (1,000 tonnes)	197	159	+38	+24.2	100	+12.2
	Tonne Kilometers (mil)	915	777	+137	+17.7	455	+11.7

Outlook for FY2008
Forecast for FY 2008 (April 1, 2008 – March 31, 2009)

unit: billion yen (rounded down)

	Revised Forecast FY2008	Original Forecast FY08 (as of April 30, 2008)	Change	FY2007	Change
Revenue	1,460	1,510	-50	1,487	-27.8
Operating profit	55	80	-25	84.3	-29.3
Recurring profit	29	52	-23	56.5	-27.5
Net profit	17	27	-10	64.1	-47.1

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Notes for Editors

- All monetary figures are given in billions of yen rounded down; other figures and percentages are rounded up.
- All comparisons are year-on-year.
- 2Q/ 2008 figures are given for reference only.
- ANA Group airlines comprise: All Nippon Airways (ANA), Air Nippon (ANK) Air Japan (AJX), Air Nippon Network (A-Net), Air Central (CRF), Air Next (NXA).