

ANA

08-11 Mid-Term Corporate Plan



February 1, 2008

ANA Group Corporate Philosophy

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

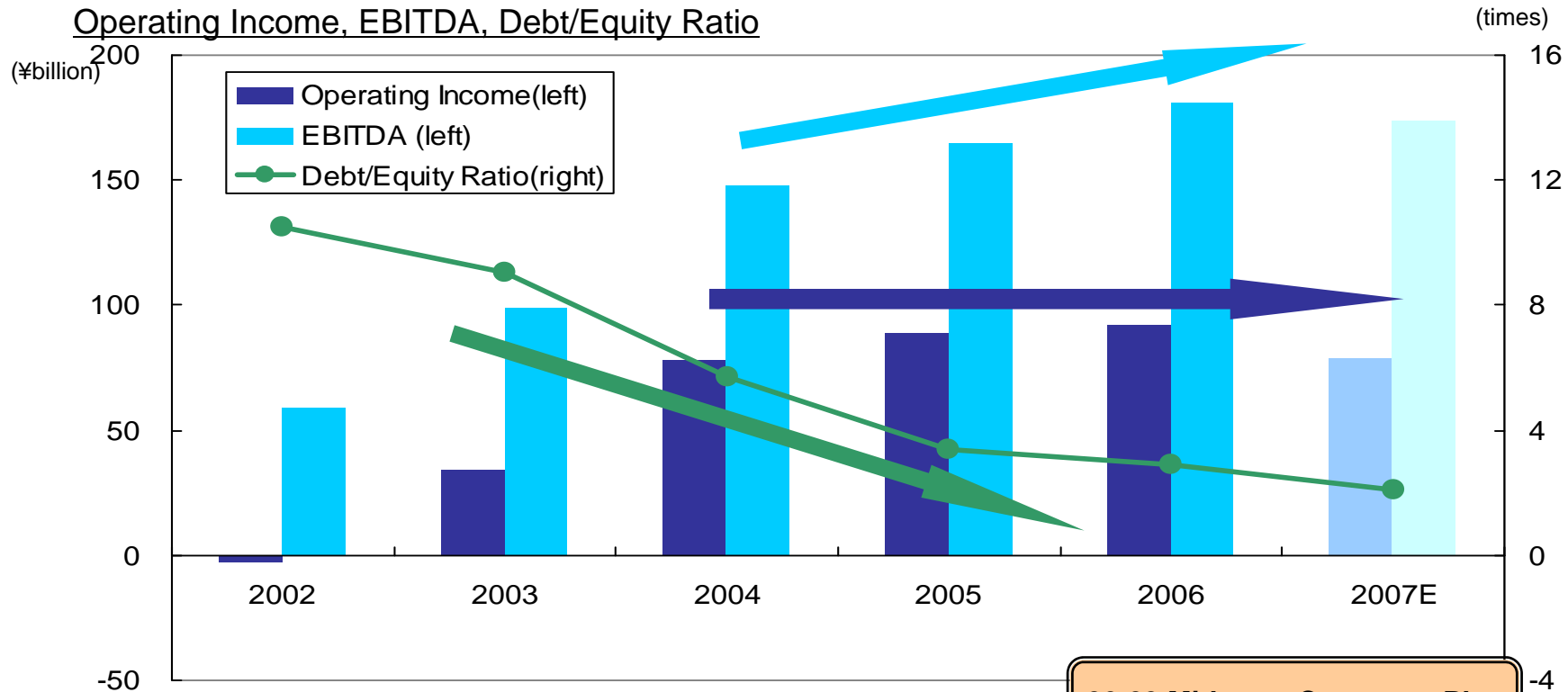
Contents

Introduction	P4
1. 08-11 Mid-Term Corporate Plan Summary	P5-7
2. Air Transportation Strategy	P8-16
(1) Outline of business growth	
(2) International Passenger Operation	
(3) Cargo Operation	
(4) Domestic Passenger Operation	
(5) Fleet Strategy	
(6) Encourage 'Innovation'	
3. Capital Expenditure, Cash Flow, Financial Strategy	P17
4. 08-11 Mid-Term Corporate Plan Target	P18-24
(1) Profit Targets	
(2) Targets by Segment	
(3) Consolidated Cash Flows	
(4) Balance Sheet/Financial Targets	
(5) Assumptions	

Introduction - Accomplishments of 06-09 Corporate Plan

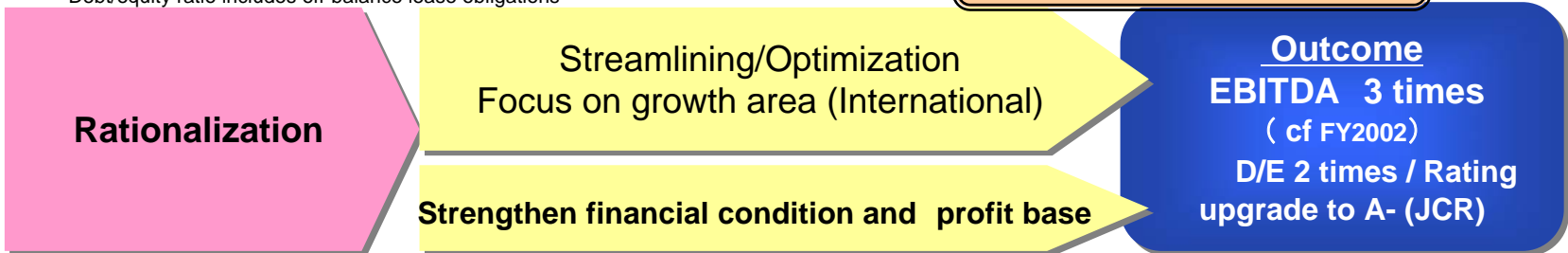
Build robust structure that weathers changing environment

Operating Income, EBITDA, Debt/Equity Ratio



※EBITDA=operating income + depreciation and amortization
Debt/equity ratio includes off-balance lease obligations

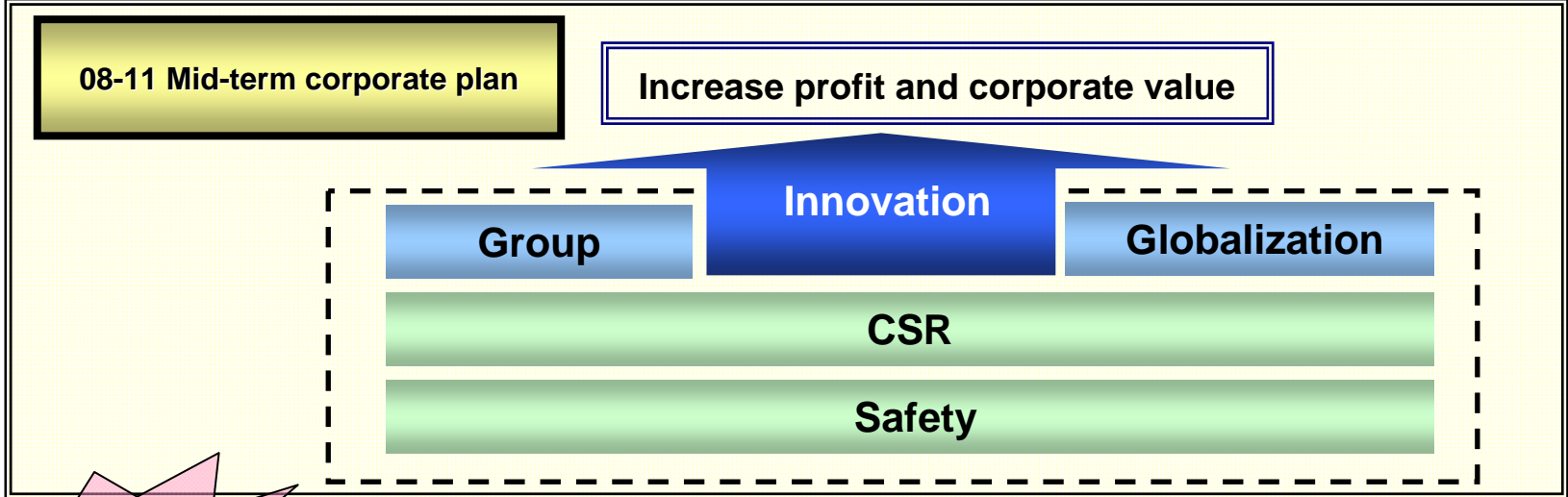
06-09 Mid-term Corporate Plan



1. 08-11 Mid-Term Corporate Plan Summary - Target

Enter a phase of new value creation

Become and maintain No.1 airline in Asia




Changing environment

- 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

1. 08-11 Mid-Term Corporate Plan Summary

Two steps to generate maximum profit from metropolitan airport expansion

• ANA strategy and expected Tokyo metropolitan airport development

	2008	2009	2010	2011	2012~
	(STEP1) Investment for Haneda expansion 'Innovation' > More flights from metropolitan Tokyo		(STEP2) Expansion of operational scale at metropolitan airport Greater profits getting maximum slots		(STEP3) Further improvement
Narita airport			Extended runway brings increased slots		
Haneda airport			New D runway brings increased slots		More slots
New airports near metropolitan Tokyo	Shizuoka	Ibaraki			

1. 08-11 Mid-Term Corporate Plan Summary - Targets

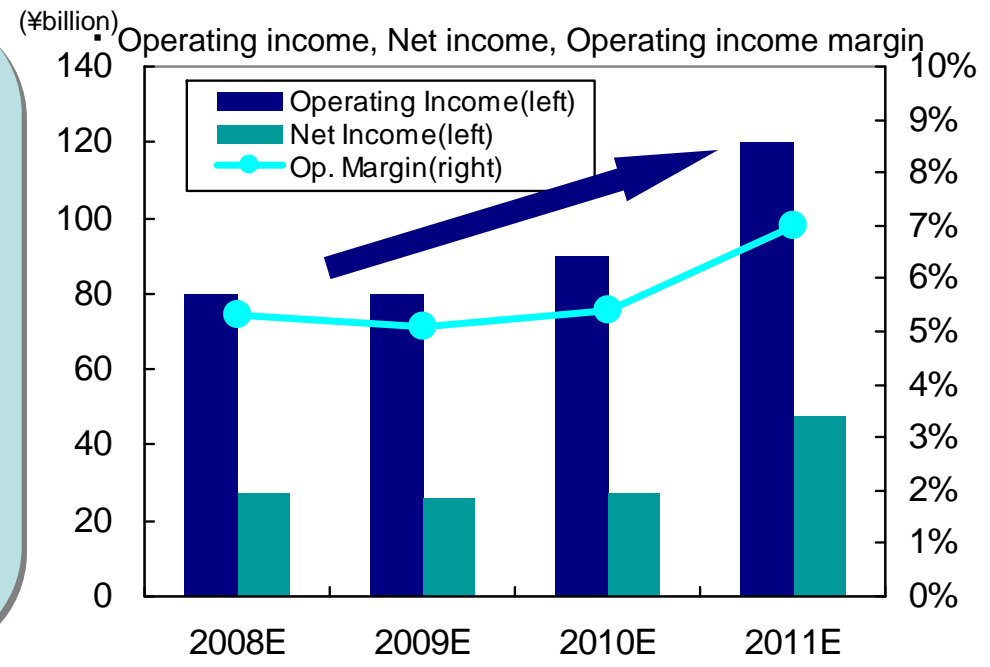
Overcome high crude oil price to become Asia's No.1 for value creation

Mid-term Targets

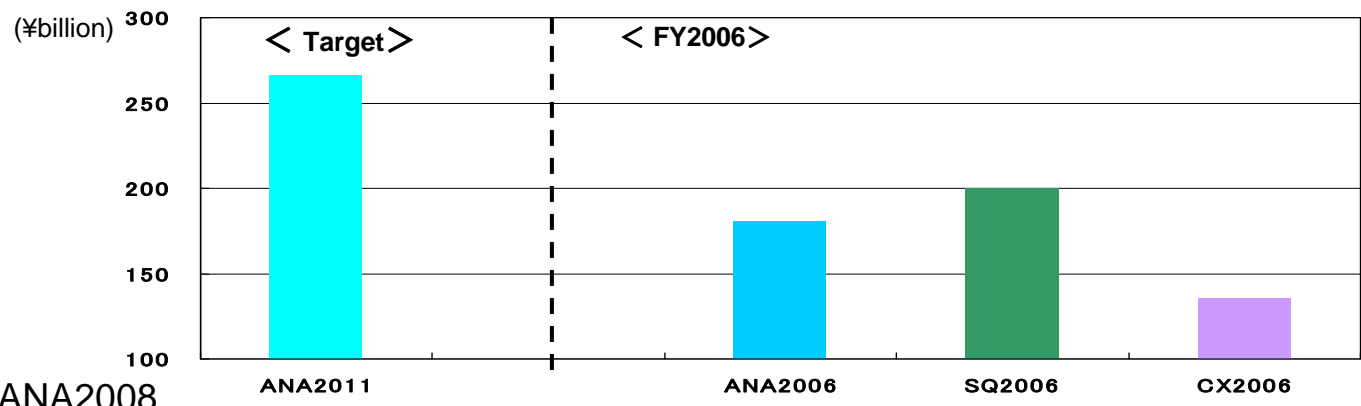
- To become No.1 in Asia by Customer Satisfaction Index
- Operating income: \geq JPY120 billion
- Operating income margin: \geq 7%
- ROA: \geq 6%

*ROA = operating income/simple average of total asset including off-balance lease obligation

Fuel cost assumptions
 Dubai Crude \$86/bbl Sin. Jet \$110/bbl (FY2008)
 Dubai Crude \$83/bbl Sin. Jet \$103/bbl (FY2009 -)
Exchange rate
 112JPY/USD



EBITDA

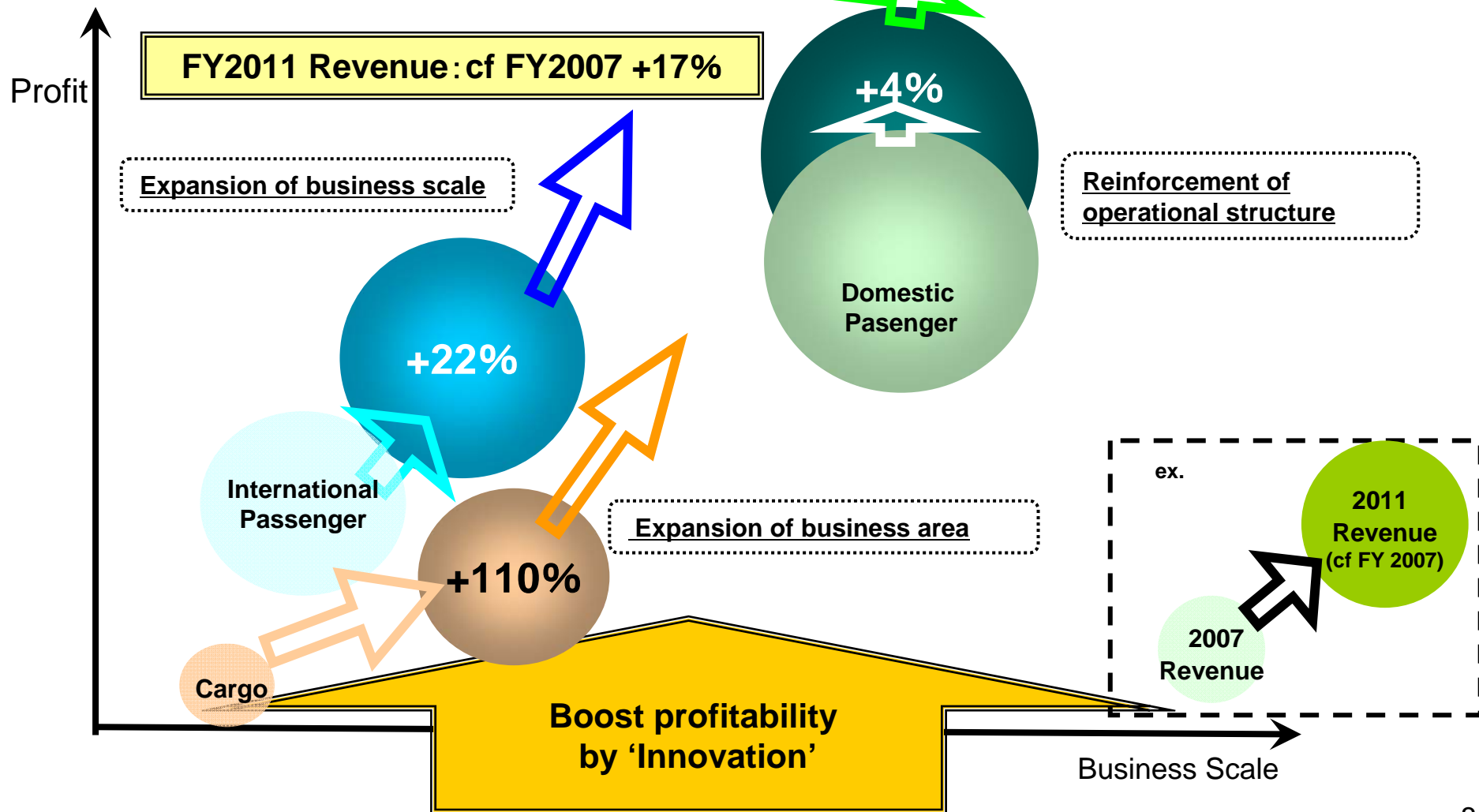


※EBITDA= operating income + depreciation and amortization
 ※SQ.CX: figures based on their latest earnings and converted into JPY

2. Air Transportation Strategy - (1) Outline of Business Growth

Increase Profitability by 'Innovation' and 'Globalization'

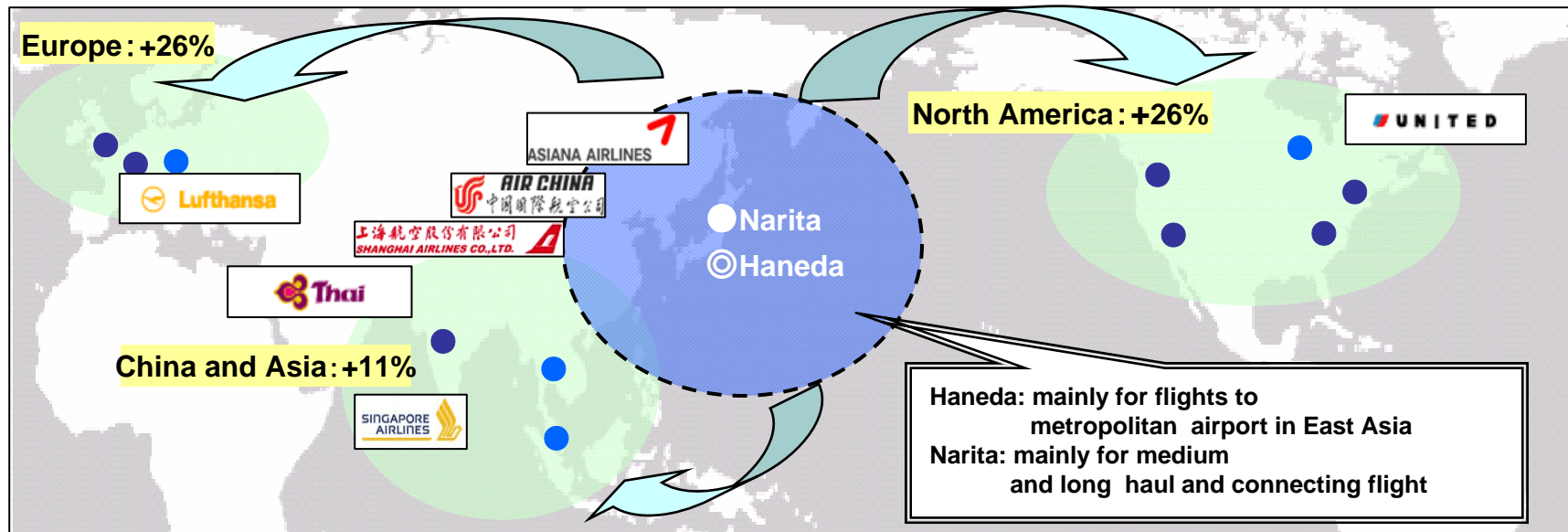
·Planned expansion of business scale and profit (model)



2. Air Transportation Strategy - (2) International Passenger Operation

Expand network from Haneda and Narita to all regions from 2010

2011 Available Seat-Km (ASK) growth by route of 2007



➤ Enhance supply-demand matching

- China routes; Up frequency to daily and downgauged aircraft on certain routes
- Develop Fleet Assignment Model with B787

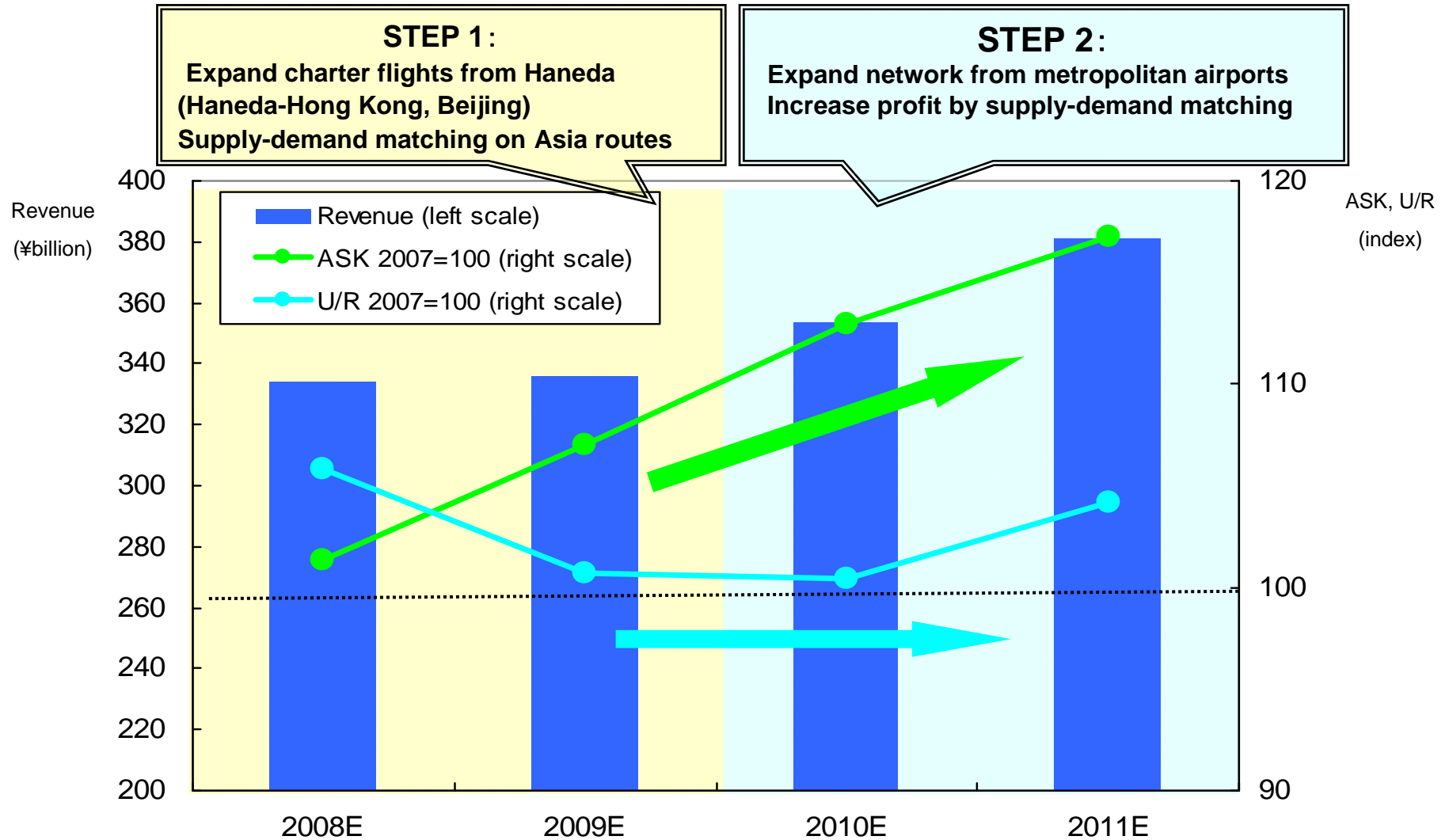
➤ Strengthen competitiveness through products and service

- Enhance alliance and tie-up

Boost profitability by expansion of business scale

2. Air Transportation Strategy - (2) International Passenger Operation

•ASK, Unit Revenue (U/R) *, Revenue



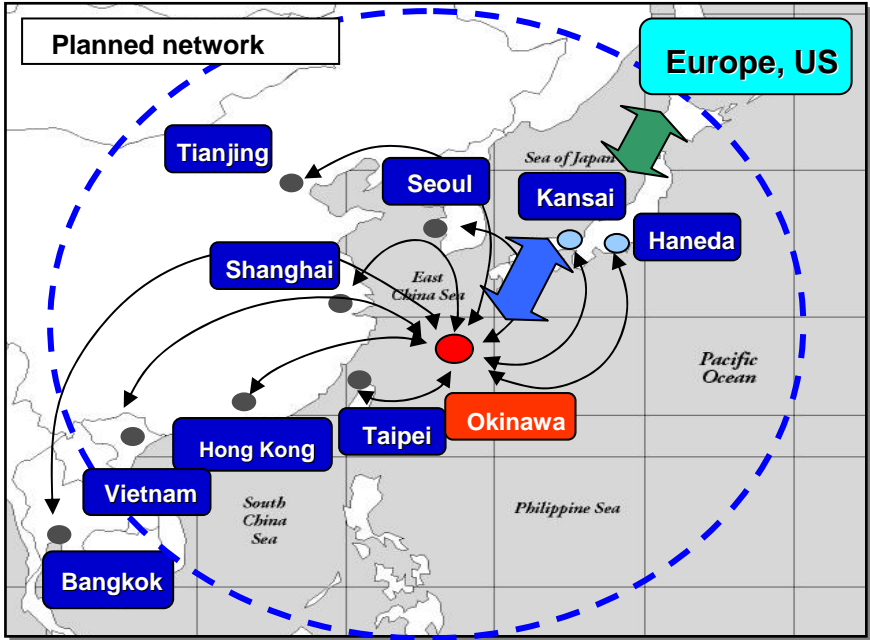
* Unit Revenue=passenger operating revenues /available seat-km

2. Air Transportation Strategy - (3) Cargo Operation

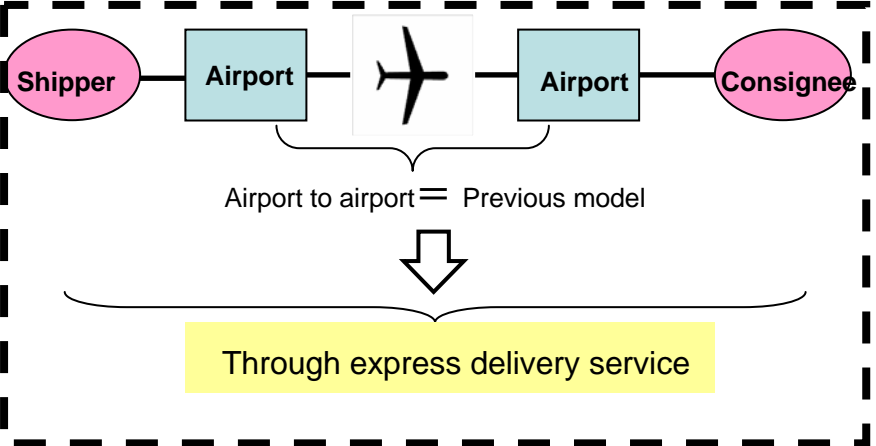
Expand scale and area of business

Estimated growth in demand (per year): world average 7-8%
 within Asia: Normal cargo 7% Express cargo 13%
 Asia – US: Normal cargo 8% Express cargo 13%

➤ **Okinawa cargo hub (FY2009 -)**



➤ **Expand to international express delivery service**



➔ **Acquisition of intra-Asia cargo demand**

- ✓ Favourable geographical location of Okinawa, major Asian metropolitan centers
- ✓ 24 hours operation

- ✓ Set up new company on April 2008
- ➔ Provide business-to-business

international express delivery service



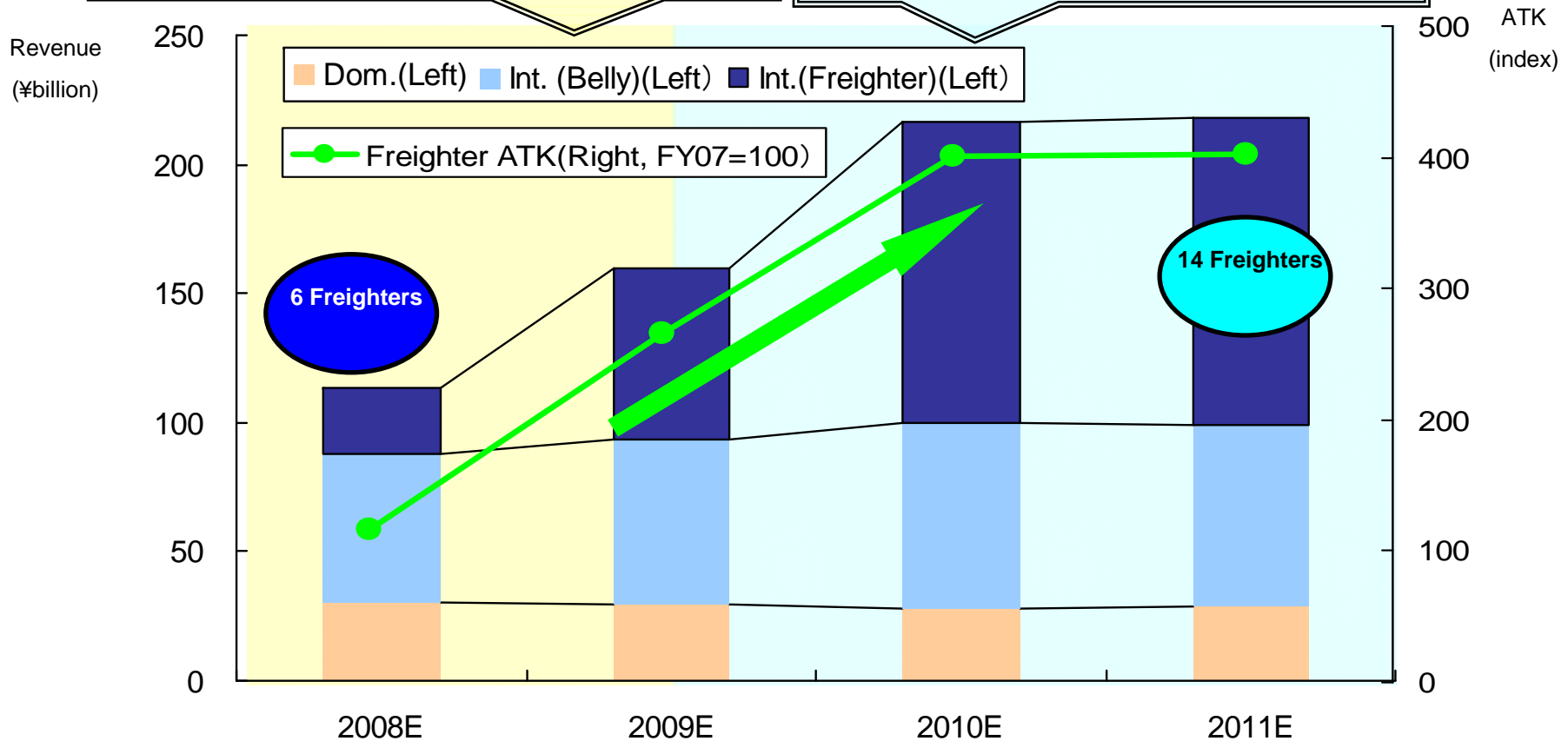
Improve profitability

2. Air Transportation Strategy - (3) Cargo Operation

Available Ton-Km (ATK), Revenue

STEP 1:
Establish weekday daily network by adding more freighters including wide-body freighters

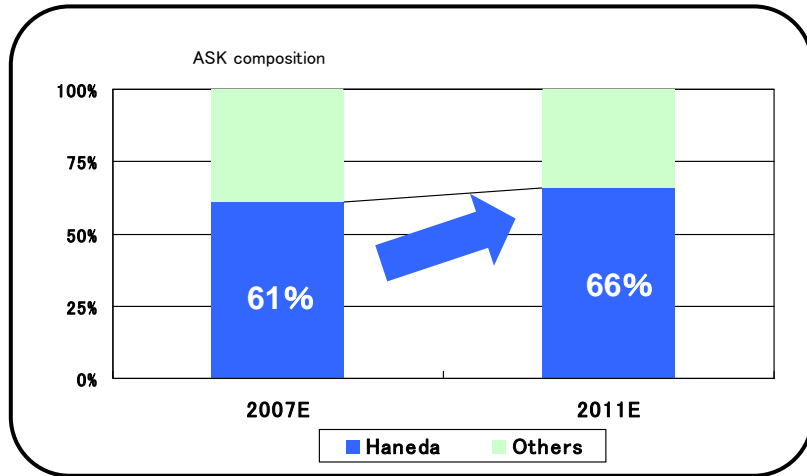
STEP 2:
Okinawa cargo hub
Expand to international express delivery service within Asia



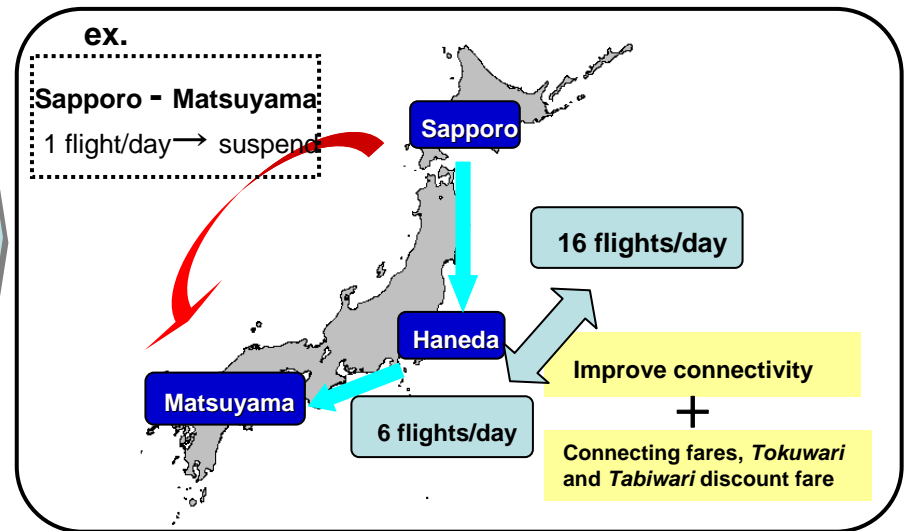
2. Air Transportation Strategy - (4) Domestic Passenger Operation

To retain leadership under intensifying competition and low growth in demand

➤ Focus on network to/from Haneda



➤ Improve network competitiveness ~ Connection Network



➤ Enhance competitiveness of product and service

- Online sales and SKiP service to more passenger
- Promote ANA Mileage Club (AMC) customer retention
- Expand 2 class service by introducing Premium class on more domestic routes throughout Japan

➤ Improve efficiency and quality of operation

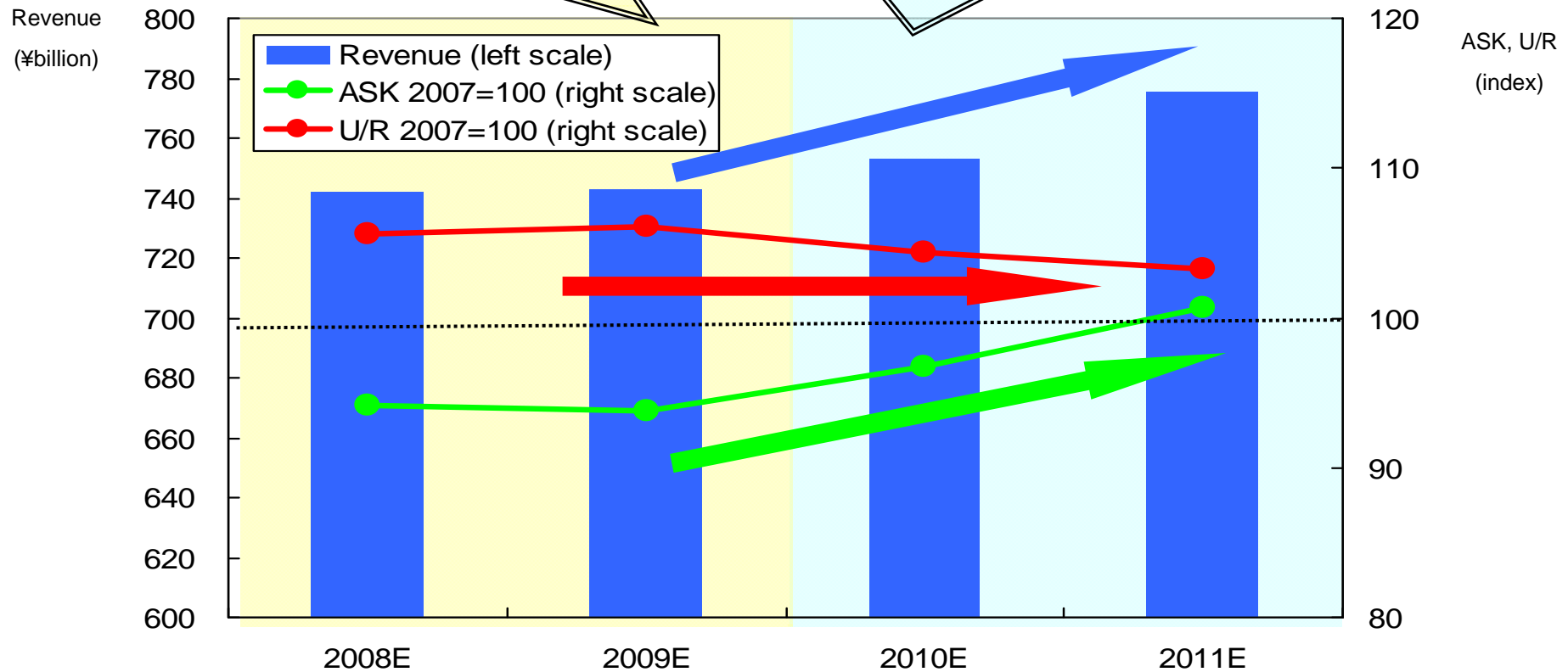
- Simple Rotation of aircraft
- Optimize operational allocation within ANA group airlines
More code-sharing flights

➤ Enhance supply-demand matching

Secure stable profit by improving load factor (L/F)

2. Air Transportation Strategy - (4) Domestic Passenger Operation

-ASK, U/R, Revenue



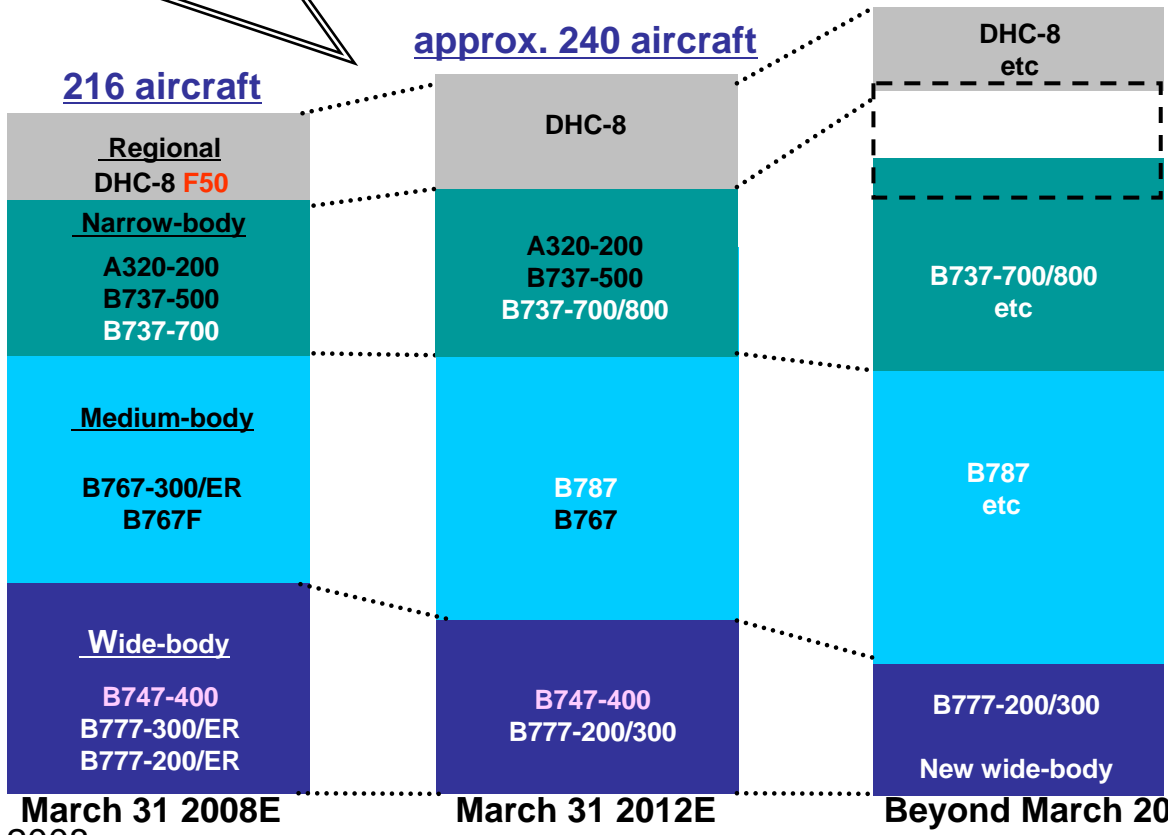
2. Air Transportation Strategy - (5) Fleet Strategy

Accelerate switch-over to fuel efficient and low emission aircraft for cost competitiveness

<08-11 Fleet plan>
 B777-300ER: 5
 B787: 26
 B737-700, 800: 28 etc.



Ratio of fuel efficient aircraft; approx. 50% by 2011
 (B777, B787, B737NG)

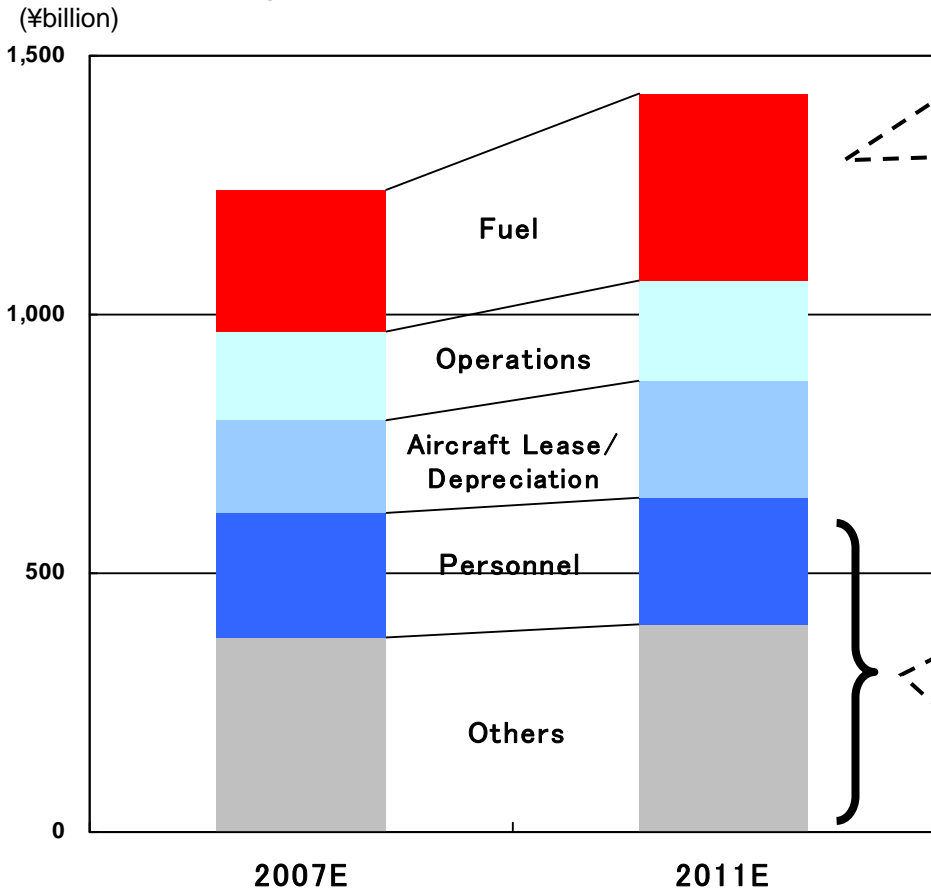


- F50 Retirement (FY2008)
- Regional (90 seats) under exploration
- A321 Retirement (February 2008)
- B747-400 Int. retirement

2. Air Transportation Strategy - (6) Encourage 'Innovation'

Innovative cost structure

Operating Expenses (FY2011 cf FY2007)



Operating expenses FY2011: cf FY2007 +15%

- **Measured response to high oil price**
 - Reduce volatility by jet fuel hedging
 - Improve fuel efficiency
 - Enhance supply-demand matching
 - Implement fleet strategy

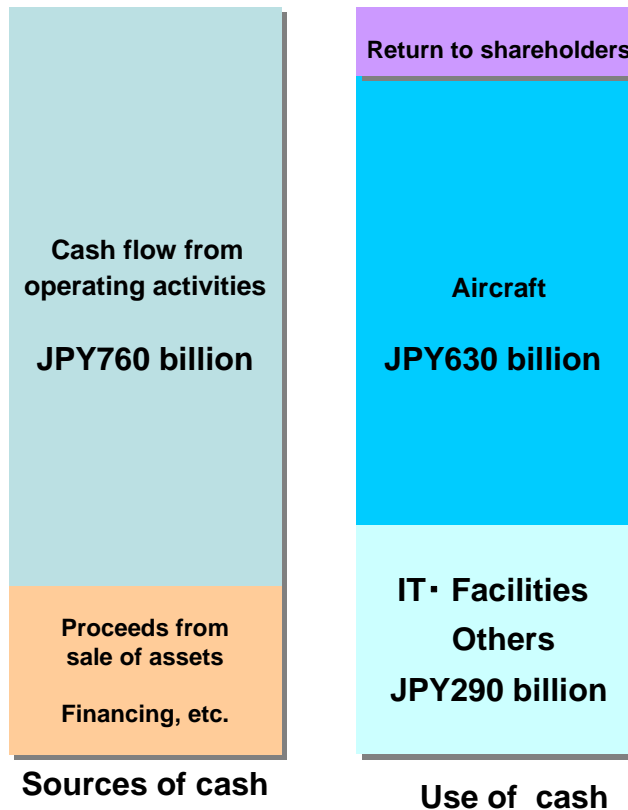
- **Cost cut by 'Innovation'**
 - **Revamp support functions**
 - Reduction in support functions head-count
 - Outsourcing
 - **Streamline the operation**
 - Automate through information technology
 - **Improve individual productivity**
 - Expand operation while maintaining the staff headcount around present level

Improve profitability by curbing personnel and other costs

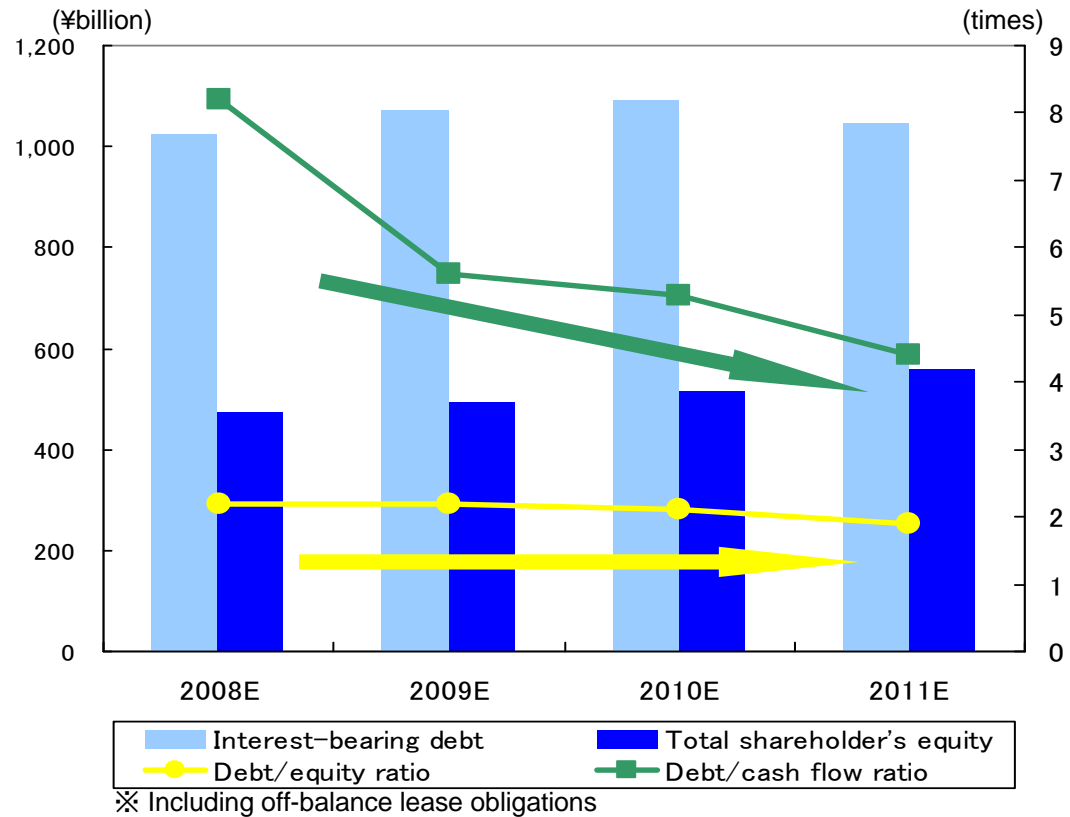
3. Capital Expenditure, Cash flow, Financial Strategy

Prior investment for 2010, maintaining strong financial condition

➤ **Planned total cash flow 2008-2011**



▪ Interest-bearing debt, Total shareholders equity, Debt/equity ratio, Debt/cash flow ratio



Assure return to shareholders while investing for growth

4. 08-11 Mid-term Corporate Plan Targets



(1) Profit Targets

Operating Income JPY120 billion by 'Innovation' and Expansion of Business Scale

	FY07E	FY08E	FY09E	FY10E	FY11E
Operating Revenues	1,490	1,510	1,570	1,660	1,720
Operating Income	79	80	80	90	120
Op. Margin (%)	5.3	5.3	5.1	5.4	7.0
Recurring Income	46	52	47	52	83
Net Income	64	27	26	27	48
EBITDA*1	174	183	198	226	266
EBITDA Margin (%)	11.7	12.1	12.6	13.6	15.5

*1 EBITDA: operating income + depreciation and amortization

(¥billion)

(2) Targets by Segment

Profit Growth focused on Air Transportation

		FY07E	FY08E	FY09E	FY10E	FY11E
Operating Revenues	Air Transportation	1,312	1,334	1,389	1,478	1,538
	Travel, Others	410	405	403	405	412
	Eliminations	-232	-229	-222	-223	-230
	Total	1,490	1,510	1,570	1,660	1,720
Operating Income	Air Transportation	72	73	73	82	112
	Travel, Others	7	7	7	8	8
	Eliminations	—	—	—	—	—
	Total	79	80	80	90	120

(¥billion)

(3) Consolidated Cash Flows

Prior Investment for 2010 and beyond

	FY07E	FY08E	FY09E	FY10E	FY11E
Net Income	64	27	26	27	48
Depreciation and Amortization	95	103	118	136	146
Principal Payment for Aircraft Lease	43	33	23	23	24
Cash Flow from Operating Activities	177	125	191	206	238
Capital Expenditures	-369	-242	-253	-233	-196
Cash Flow from Investing Activities	-61	-223	-241	-232	-195
Free Cash Flow	116	-98	-50	-26	43
Cash Flow from Financing Activities	-164	73	40	16	-53

(¥billion)



(4) Balance Sheet/ Financial Targets

Maintain Strong Financial Condition and Improve Profitability

	FY07E	FY08E	FY09E	FY10E	FY11E
Shareholders' Equity ^{*1}	456	474	494	515	558
Interest Bearing Debts	647	775	844	889	866
including off balance lease obligation	943	1,026	1,071	1,093	1,047
Debt/Equity Ratio (times)	1.4	1.6	1.7	1.7	1.6
including off balance lease obligation (times)	2.1	2.2	2.2	2.1	1.9
Operating Income	79	80	80	90	120
Net Income	64	27	26	27	48
ROA (%) ^{*2}	5.2	5.0	4.7	5.0	6.5
ROE (%) ^{*3}	15.0	5.8	5.5	5.4	9.0

*1 Shareholder's equity: shareholder's equity + evaluation and exchange adjustments

*2 ROA: (Operating income + interest and dividend income)/simple average of total assets

*3 ROE: Net income/simple average of total shareholder's equity

(¥billion)

(5) Assumptions

		FY07E	FY08E	FY09E	FY10E	FY11E
Domestic Passengers	Available Seat Km	99.9	94.2	99.6	103.0	104.2
	Revenue Passenger Km	98.7	98.5	99.5	101.8	103.1
	Passengers	98.6	98.8	99.3	101.3	102.6
	Load Factor(%)	64.2	67.2	67.1	66.3	65.6
	Unit Revenue	102.8	105.6	100.5	98.4	98.8
	Yield	104.0	101.0	100.6	99.6	99.9
	Unit Price	104.2	100.7	100.7	100.1	100.4
International Passengers	Available Seat Km	106.5	101.3	105.6	105.6	103.8
	Revenue Passenger Km	105.6	98.7	101.4	102.6	108.6
	Passengers	106.3	99.2	102.1	100.6	103.7
	Load Factor (%)	75.1	73.1	70.2	68.2	71.4
	Unit Revenue	105.1	105.8	95.2	99.6	103.9
	Yield	106.0	108.6	99.1	102.5	99.3
	Unit Price	105.4	108.0	98.4	104.6	104.0

(% year on year)

(5) Assumptions (Continued)

		FY07E	FY08E	FY09E	FY10E	FY11E
Domestic Cargo	Revenue Ton	102.1	101.3	98.6	97.9	102.0
	Unit Price	98.5	97.0	98.3	98.3	100.6
International Cargo	Revenue Ton	118.2	103.8	154.1	136.2	99.4
	Unit Price	97.7	109.1	101.9	106.1	101.0
Freighter	Available Ton Km	151.7	115.8	229.6	150.7	100.2
	Revenue Ton Km	125.6	165.4	261.8	154.5	105.8
	Revenue Ton	145.7	118.5	227.2	166.2	100.5

(% year on year)

		FY07E	FY08E	FY09E	FY10E	FY11E
Exchange Rate / Oil Price	Exchange Rate (JPY/USD)	115	112	112	112	112
	Dubai Crude Oil (USD/BBL)	63	86	83	83	83
	Singapore Kerosene (USD/BBL)	83	110	103	103	103

Cautionary Statement

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 addition, 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.

Thank you

This material is available on our website.

<http://www.ana.co.jp>

Investor Relations  **Financial Information**  **Presentation**



TEL: +81-(0)3-6735-1030

FAX: +81-(0)3-6735-1185

e-mail: ir@ana.co.jp

Investor Relations, All Nippon Airways Co., Ltd.