PROSPECTUS

STRICTLY CONFIDENTIAL

# All Nippon Airways Co., Ltd.

**Admission of 537,500,000 Shares of Common Stock to the Official List of the UK Listing Authority (the "Official List"), and to trading on the Main Market (the "Market") of the London Stock Exchange plc (the "London Stock Exchange")**

The date of this Prospectus is July 28, 2009

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## SUMMARY

*This summary should be read as an introduction to the Prospectus only and any decision by a prospective investor to invest in the common stock should be based on consideration of the Prospectus as a whole and not solely on this summarised information. Civil liability will attach to the Directors for this summary, including any translation hereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus. Where a claim relating to the information contained in this document is brought before a court in an EEA state, the claimant may, under the national legislation of the EEA state in which the claim is brought, be required to bear the cost of translating this document before legal proceedings are initiated.*

### Information about the Listing

Application has been made to the Financial Services Authority in the United Kingdom (the "UK Listing Authority") in its capacity as competent authority under the Financial Services and Markets Act 2000 ("FSMA") for the 537,500,000 shares of our common stock to be listed (as a secondary listing by a third country issuer) on the Official List and to the London Stock Exchange for those shares to be admitted to trading on the Market. The shares are new shares of common stock offered and sold pursuant to a global offering (the "global offering") launched on July 1, 2009. The global offering includes 500,000,000 shares and up to 75,000,000 additional shares pursuant to an over-allotment option (the "over-allotment option"). Of the over-allotment option, 37,500,000 shares have been issued as at the date of this Prospectus and are subject to the application for the admission to listing. Up to 37,500,000 shares may be subsequently issued subject to exercise in full of the over-allotment option on or about August 18, 2009. A portion of the global offering was offered outside Japan (the "international offering"). References in this document to our shares being "listed" (and all related references) shall mean that the shares have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Investment Services Directive 93/22/EEC. This application for admission is made pursuant to Listing Rule 14.3.4., which requires an application for admission to listing of equity securities as soon as possible and in any event within one year of the allotment of equity securities of the same class as equity securities that are listed. This Prospectus is published for the purpose of giving information with regard to us, our Group, and the shares of our common stock which is necessary to enable investors to make an informed assessment of our assets and liabilities, financial position, profits and losses and prospects.

### All Nippon Airways Co., Ltd.

We are one of the leading airline groups in the world, ranking third worldwide in terms of market capitalization, based on stock prices and exchange rates as of March 31, 2009, and 12th worldwide in terms of revenue passengers, based on data published by the world's leading airlines. We were the second largest airline in Asia in terms of scheduled passengers carried in the year ended December 31, 2008, according to the World Air Transport Statistics published by IATA. We are a member of the *Star Alliance*, a global airline alliance which, as of December 2008, includes 21 member airlines and serves over 916 destinations in 160 countries and regions.

We are one of the two largest domestic airline groups in Japan with a market share, in terms of number of passengers, of approximately 47% for domestic travel during the year ended March 31, 2008. We conduct regularly scheduled flights to 50 airports in Japan and carried approximately 42.7 million revenue passengers on domestic flights during the year ended March 31, 2009.

Our international destinations for our passenger services include 24 cities in 11 different countries and regions (other than Japan). Asia constitutes our most important geographic region for our international passenger services, with 79% of our international flights departing from or arriving in Asia as of March 31, 2009. As of March 31, 2009, 14% of our international flights departed from or arrived in North America and 7% departed from or arrived in Europe. We carried 4.4 million revenue passengers on international flights during the year ended March 31, 2009.

We had operating revenues of ¥1,229.5 billion and operating income of ¥4.7 billion, before intersegment eliminations, from our air transportation segment during the year ended March 31, 2009. As of March 31, 2009, we operated a fleet of 210 aircraft.

Our other operating segments include travel services and other businesses. Our travel services segment consists primarily of the sale of domestic and international package tours. Our other businesses segment is principally related to air transportation and includes trading and retailing, information and telecommunications, and building maintenance operations.

**Our Competitive Strengths**

We believe our principal competitive strengths are as follows:

- *Operating as a major airline in the comparatively stable and profitable Japanese air transportation market.* We are one of two major airlines in the Japanese domestic air transportation market and benefit from:
  - the relative stability of demand in Japan for domestic air travel;
  - the concentration of traffic at a small number of airports; and
  - a competitive environment that is less severe than in many other national markets.
- *Strong position in the market for international travel to and from Japan.* Our network of international flights connects international airports in Japan to major destinations worldwide. We have leveraged our membership in the *Star Alliance* to increase our competitiveness based on flight schedules, and we are focused on attracting business travelers.
- *Improved business structure and financial foundation.* We have reduced our exposure to risks unrelated to air transportation and achieved steady EBITDA growth through the year ended March 31, 2008.

**Our Strategy**

Our ultimate goal is to become the number one airline group in Asia, measured in terms of quality of service, customer satisfaction and value creation. In order to achieve this goal, we plan to implement the following strategic initiatives:

- *Capitalize on expected growth in international passenger service.* We aim to capitalize on the expected growth in demand for international passenger service by offering convenient flight schedules and utilizing technologically advanced aircraft on our routes from Tokyo International Airport, or Haneda, and Narita International Airport, or Narita, following the increase in international flight slots expected to begin in 2010. We also aim to capture an increased proportion of international travelers connecting to flights through Narita by leveraging our membership in the *Star Alliance* and focusing on increasing the proportion of business travelers on our international flights.
- *Improve the efficiency of our fleet.* We are implementing various plans to enhance the cost efficiency and quality of, and to gradually decrease the number of aircraft types within, our fleet. Our improved fleet will allow us to flexibly match customer demand with cost efficient aircraft.
- *Expand our international cargo operations.* We are establishing a hub in Okinawa, flexibly utilizing our fleet of freighter aircraft and other arrangements, and establishing business-to-business express services.
- *Maximize and strengthen the competitiveness of our domestic passenger service.* We will continue to offer convenient flight routes and schedules while continuously refining our operations and maintaining high standards of comfort and convenience. We will also continue to introduce new products and services to stimulate demand and distinguish ourselves from our competitors.

**Risk Factors**

The material risks identified by our management attaching to an investment in All Nippon Airways are:

Risks related to our business

- Demand for air transportation services is highly sensitive to general economic trends, and any downturn in the global economy or in the local economy in any of our major markets, particularly Japan, could adversely affect our results of operations and financial condition, as illustrated by our anticipated results of operations for the three months ended June 30, 2009
- We may be unable to meet our cost reduction targets
- We rely on The Boeing Company, or Boeing, for substantially all of our new aircraft currently on order and a significant majority of our current fleet, which exposes us to risks should Boeing refuse or be unable to fulfill its obligations, including its ability to deliver Boeing 787s as scheduled
- We face substantial competition in the domestic transportation market from the JAL group, the Shinkansen high-speed rail service and new airlines
- Competition in the international airline market is intense and susceptible to price discounting

- Jet fuel price volatility could affect our profitability
- We have high fixed costs, which can cause small changes to expected business levels to have a material adverse effect on financial performance
- Our indebtedness and lease obligations are substantial, and this could affect our ability to execute our strategy and grow our business
- We may not be able to finance our substantial aircraft procurement plans
- Fluctuations in interest rates may increase the cost of our current and future borrowings
- We make substantially all of our payments for aircraft and jet fuel for international flights using foreign currencies, particularly the U.S. dollar and, therefore, are subject to foreign exchange risks
- We face risks related to our strategic alliances
- If the number of flight slots at Haneda and/or Narita does not increase in the time period or in the manner we currently expect or have assumed for purposes of developing our growth plans, our ability to achieve our future growth targets could be materially and adversely affected
- If Haneda were to suffer a prolonged shutdown, our results of operations could be seriously harmed
- We may be unsuccessful in our business strategies relating to our international cargo operations
- We may suffer losses in the event of an accident or incident involving our aircraft or any other airline
- Labor disruptions could threaten our future operations
- The inability to retain or hire adequate numbers of qualified pilots may affect our future business
- We have reduced the types of aircraft and engines we utilize in recent years, and any problems with these aircraft or engines, whether real or perceived, could significantly harm our business as our new strategically-introduced aircraft may have design defects or mechanical problems in the future
- We rely on our information technology systems to manage key functions of our businesses, and a failure in one or more of these systems could affect our results of operations and our ability to conduct our businesses
- We are dependent on third parties for certain essential services in our air transportation business, and disruptions in these services would negatively impact our business
- Losses related to our retirement benefit plans and a decline in returns on our plan assets may adversely affect our financial condition and results of operations
- Authorities in Europe and the United States have initiated investigations into possible illegal price fixing by airlines, and we are named as a defendant in class action complaints alleging violations of U.S. federal antitrust laws, and the outcome of these or similar proceedings may adversely affect our results of operations and financial condition
- We hold a large share of the domestic market, which makes us subject to antitrust regulation in certain aspects of our business
- We may be subject to liability and regulatory action if we are unable to protect personal and other confidential information

Risks Related to the Airline Industry

- The airline industry experiences seasonal fluctuations, which may cause our results to vary significantly
- The airline industry is affected by risks and events that are beyond our control such as terrorism, political instability, natural disasters and epidemics, and the occurrence of one or more of these events may spark a downturn in our business
- The airline industry is subject to significant regulation, and any additions or changes to such regulations could materially affect our revenues or profits
- The airline industry is subject to increasing environmental regulations, which lead to increased costs and affect profitability

Risks Related to Shares of Our Common Stock

- Due to a limitation on foreign shareholding for Japanese airlines, you may not be able to assert shareholder rights against us
- Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell shares of our common stock at a particular price on any particular trading day, or at all
- Investors holding less than one “unit” of shares of our common stock will have limited rights as shareholders
- Rights of shareholders under Japanese law may be more limited than those under the laws of jurisdictions within the United States and other countries

**Company Information**

Our registered head office is located at Shiodome City Center, 1-5-2, Higashi-Shimbashi, Minato-ku, Tokyo 105-7133, Japan. Our telephone number at that location is +81-3-6735-1001. Our website address is http://www.ana.co.jp. The information contained on our website is not part of this Prospectus.

## RISK FACTORS

*You should consider carefully the following risks and uncertainties, along with the other information in this Prospectus, before making a decision to buy the shares. If any event related to the following risks actually occurs, our business, prospects, financial condition or results of operations could be materially adversely affected. Following the occurrence of any such event, the value of the shares could also decline and you could lose all or a part of your investment.*

*We have described the risks and uncertainties that our management believes are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties, including ones that we currently are not aware of or do not currently deem material, may also result in decreased revenues or increased expenses or have other consequences that could result in a decline in the value of the shares.*

### Risks Related to Our Business

***Demand for air transportation services is highly sensitive to general economic trends, and any downturn in the global economy or in the local economy in any of our major markets, particularly Japan, could adversely affect our results of operations and financial condition, as illustrated by our anticipated results of operations for the three months ended June 30, 2009***

Our business and results of operations are subject to changing economic conditions prevailing from time to time worldwide, particularly in Japan. Because a substantial portion of airline travel (both business and leisure) is discretionary, the industry tends to experience adverse financial results during general economic downturns. Downturns in the airline industry are characterized by excess capacity and lower prices. In the international air cargo industry, demand tends to fluctuate based on cyclical changes in demand for semiconductors and electronic goods as these products constitute a significant portion of cargo carried by airlines. The effects of general economic trends and, to a lesser extent, the cyclical market for semiconductor and electronic goods on financial results are accentuated by the high operating leverage caused by the high percentage of fixed costs within our overall operating expenses. In the past decade, cyclical downturns in demand for air transportation services have generally been occurring at more frequent intervals than was previously the case due not only to economic downturns but also to the impact of terrorist attacks, medical epidemics and anomalies in the global climate.

Most major economies have been severely weakened by the current economic downturn which worsened significantly after September 2008, and economic conditions in Japan, by far our most important market, have been particularly weakened due to significant declines in export demand. Japan's real gross domestic product declined at an annualized rate of 3.5%, 2.5%, 14.4% and 15.2% in the four quarters in the year ended March 31, 2009 compared to the corresponding quarters in the prior year, and other economies related to our operations have also experienced significant declines. As a result of this historic downturn, demand for air travel declined significantly, particularly with respect to business travel which generates higher yields compared to pleasure travel. Our operating revenues for the second half of the year ended March 31, 2009 were 11.8% lower than for the second half of the prior year, and we incurred an operating loss of ¥42.2 billion in the second half of the year ended March 31, 2009 (of which ¥32.7 billion was incurred in the fourth quarter) compared to operating income of ¥17.2 billion in the second half of the prior year. As the economic environment has continued to be severe and with the adverse impact of the swine flu outbreak, we currently anticipate that both operating revenues and operating loss for the three months ended June 30, 2009 will be significantly worse than those for the three months ended March 31, 2009. While our business plans for the current fiscal year assume a gradual recovery from the effects of the global economic downturn beginning in the second half of the fiscal year that such recovery will accelerate through the fourth quarter of the fiscal year, there can be no assurance that the weak economic environment will not continue or worsen in the future, in which case our financial condition and results of operations may be materially and adversely affected or we may need to implement a new or additional business plan in response to the adverse environment.

For a further discussion of the outlook for the three months ended June 30, 2009 and an additional cost reduction plan in response to such outlook, see "Operating and Financial Review — Recent Developments and Outlook — Three Months Ended June 30, 2009".

***We may be unable to meet our cost reduction targets***

In April 2009, we announced a ¥73 billion cost reduction plan for the year ending March 31, 2010. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments and Outlook — Year Ending March 31, 2010 — Cost Reduction Measures". However, we may not be successful in achieving the cost reductions due to various factors. In particular, we have assumed the price of Dubai crude oil to be U.S.$50 per barrel and the price of Singapore kerosene to be U.S.$63 per barrel for purposes of the plan, and a sudden and significant decrease in market prices could lead to a temporary decline in operating income due to the effects of our hedging policy which stabilizes our fuel costs while our fuel surcharges decrease in line with actual price declines.

In July 2009, we announced our FY 2009 Emergency Income Recovery Plan to reduce operating expenses by an additional approximately ¥30 billion in the year ending March 31, 2010. See "Operating and Financial Review — Recent Developments and Outlook — Year Ending March 31, 2010 — Cost Reduction Measures". However, we may not be successful in achieving the cost reductions due to various factors, including:

- the number of employees submitting to the one-month leave may not be as many as we currently anticipate;
- we may encounter resistance from local governments regarding the elimination of unpopular flights; or
- it may prove to be more difficult to terminate existing suppliers than currently envisioned.

In addition, even if we are successful in achieving our cost reduction goals, the measures we implement under the FY 2009 Emergency Income Recovery Plan could reduce our competitiveness and adversely affect our revenues. For instance, if our competitors do not take measures similar to our "pay-for-value" plan, we may lose passengers to them. Also, we may experience a reduction in competitiveness by eliminating unpopular flights, and we may be unable to fully capture demand as a result of such elimination.

***We rely on The Boeing Company, or Boeing, for substantially all of our new aircraft currently on order and a significant majority of our current fleet, which exposes us to risks should Boeing refuse or be unable to fulfill its obligations, including its ability to deliver Boeing 787s as scheduled***

We currently rely on Boeing for substantially all of our planned procurement of aircrafts. As of March 31, 2009, we had orders in place for 89 new aircraft from Boeing, including 50 Boeing 787s. We rely on Boeing to perform its obligations under the purchase agreements and to perform services under related technical support agreements. Because an increasing proportion of our aircraft fleet will be composed of Boeing aircraft, we will continue to be exposed to the risk that Boeing may refuse, or be unable, to perform its obligations under our purchase or technical support agreements due to financial or technical difficulties, labor problems, natural disasters or other reasons. We may also encounter difficulties in our future aircraft procurement and maintenance activities if our relationship with Boeing deteriorates in the future. If Boeing is unable to perform its obligations, our business could suffer as we may not be able to execute our fleet strategy and may be forced to reduce the number of flights and routes that we offer, and our aircraft could also be grounded for an extended period of time. Our competitiveness could also be adversely affected as we may be forced to use aging aircraft until aircraft can be sourced from other suppliers. For example, because of their superior fuel efficiency and performance, the Boeing 787s that we have on order are a key component to our air transportation business strategy. To date, there has been numerous delays relating to Boeing's development of the Boeing 787s. In June 2009, Boeing announced a delay in the first flight of the Boeing 787 due to technical problems in the body of the aircraft. Although the expected first delivery date prior to this announcement was in February 2010, already representing a delay of over 21 months from the originally promised delivery date, we believe there is a significant risk that delivery could be delayed further in light of Boeing's announcement. If such delay results in our inability to introduce the Boeing 787 aircraft in our fleet in time for, or not long after, the flight slot expansions at Haneda and Narita in 2010, it could have a significant effect on our ability to implement our business strategy, and any delay will negatively affect our ability to replace aging aircraft and enhance the fuel efficiency of our fleet.

***We face substantial competition in the domestic transportation market from the JAL group, the Shinkansen high-speed rail service and new airlines***

Our most important source of operating revenues and operating income is our domestic passenger activities. Domestic passenger revenues generated 56.9% of our total air transportation revenues in the year ended March 31, 2009 before intersegment eliminations. Competitive pressures in the domestic transportation market could require us to reduce fares, lead to reduced passenger traffic or otherwise have an adverse effect on our business, financial condition and results of operations.

The Japanese domestic airline market is currently dominated by two airline groups, Japan Airlines Corporation and its subsidiaries and affiliates, or the JAL group, and us. For the year ended March 31, 2008, we and the JAL group had a market share in the Japanese airline market of approximately 47% and 44% in terms of the number of passengers, respectively.

Competition is intense between the JAL group and us, in particular on high demand routes such as between Tokyo and Sapporo, Osaka and Fukuoka.

We also compete with the *"Shinkansen"*, or the so-called "bullet train", which is a high-speed rail service that services many major cities in Japan. Competition with the *Shinkansen* is particularly intense on our shorter routes where we may not have a competitive advantage in total travel time. For example, with respect to passenger service between Tokyo, Osaka and Nagoya, the three largest metropolitan areas in Japan, we do not provide flights between Osaka and Nagoya or between Haneda and Nagoya, in both cases primarily due to our inability to compete with the *Shinkansen.* The *Shinkansen's* market share of passengers between the greater Tokyo area and the greater Osaka area is approximately four times that of air travel, even though the cost of tickets for air travel is often lower than for the *Shinkansen.* The *Shinkansen* generally provides more frequent scheduled departures and more passenger capacity compared to air travel, and its stations are more convenient to urban centers than competing airports, enhancing its relative competitiveness. In addition, the expansion of *Shinkansen* coverage over the years and continuing improvements in *Shinkansen* service quality have led to increased *Shinkansen* market share on some key routes. For example, the *Shinkansen* is scheduled to launch a significant expansion to its services in Kyushu extending from Hakata to Kagoshima in 2011. Some of our most popular routes, including two of our top five domestic routes for the year ended March 31, 2009 by number of passengers, face strong competition from the *Shinkansen.* Furthermore, while the *Shinkansen* currently offers only limited discounted fares based, for instance, on the number of days prior to departure the ticket is purchased, an increase in such discounts could significantly enhance the competitiveness of *Shinkansen* services. In addition, consumer preference for environmentally friendly modes of transportation could strengthen in the future, and this could lead to a loss of our passengers to the *Shinkansen*, which has a significantly smaller negative environmental impact compared to air travel. Recent advertising campaigns for the *Shinkansen* have been emphasizing this positive aspect of rail travel over air travel. If the relative attractiveness of *Shinkansen* services over air travel increases in the future based on any of the above factors or otherwise, our domestic passenger service business may be adversely affected.

Since February 1, 2000, the domestic airline market has become increasingly deregulated, which has created opportunities for new airlines to enter the market. Currently, there are five new domestic airlines in the market with which we compete. These smaller competitors generally compete with us by offering lower-priced standard fares and focusing their service on a small number of high-demand or underserved routes. To date, these airlines have been unable to secure a significant number of flight slots at Haneda, the domestic airport servicing the greater Tokyo area, to present a significant competitive threat, and we entered into code-sharing alliances with four of the five new domestic airlines. However, one of the official policy goals of the Ministry of Land, Infrastructure, Transport and Tourism, or MLIT, the principal regulatory authority for the domestic air transportation industry, is to enhance competition in the industry by giving priority to new airlines with respect to various regulatory actions, including the allocation of flight slots. For example, Haneda is expected to complete construction of a fourth runway in 2010, at which time the number of available domestic and international flight slots at Haneda is expected to increase significantly, and we expect that approximately half of the new domestic flight slots will be allocated to our smaller competitors. In addition, in connection with the redistribution of flight slots at major airports that the MLIT conducts at least once every five years, we were required to transfer 18 daily flight slots (or nine daily round trip flight slots), and the JAL group was required to transfer 22 daily flight slots (or 11 daily round trip flight slots), at Haneda to our smaller competitors in the spring of 2005. Similar distributions at other congested airports, such as Itami, the domestic airport serving the greater Osaka area, could occur in the future. Future growth in the market presence of new airlines, including additional market entrants, as a result of increased flight slots, increased brand recognition or other factors are likely to lead to increased competitive pressures, which could require us to reduce fares to maintain passenger traffic or to take other measures that have an adverse effect on our business, financial condition or results of operations.

***Competition in the international airline market is intense and susceptible to price discounting***

The international airline market is highly competitive, and we face competition from other airlines on all our international routes, several of which have greater name recognition and financial and other resources than us, as well as from indirect flights and charter services. In the international airline market, the principal competitive factors are convenience of flight schedules, level of service, brand recognition, membership in airline alliances, the attractiveness of frequent flyer programs and price. Our pricing decisions are affected by many factors, including competition from other airlines, some of which have cost structures that are lower than ours or have other competitive advantages. In addition, the impact of the recent global financial crisis may induce governments to grant subsidies or other public aid to one or more of our competitors, which could distort the markets and deteriorate our competitive position, or precipitate mergers and alliances between carriers that could alter the competitive landscape. Fare discounting by competitors, in particular on our Asia (excluding China) and North American routes, has historically had a negative effect on our financial results because we are generally required to respond to competitors' fares to maintain passenger traffic, and the ease in obtaining pricing information through the Internet has intensified such price competition. We also face competition from low-cost carriers that are able to offer lower pricing due to significantly lower cost structures. In addition, future supply of international passenger services could significantly exceed demand, and there can be no assurance that we will be able to implement pricing policies in a manner that is effective in competing with other airlines due to our inability to accurately assess other airlines' pricing policies in a timely manner or otherwise. In such cases, we may suffer declines in passenger traffic despite the implementation of fare reductions. Competitive pressures in the international airline market could lead to reduced passenger traffic or require us to reduce fares or take other measures that have an adverse effect on our business, financial condition or results of operations.

***Jet fuel price volatility could affect our profitability***

Jet fuel costs account for a significant portion of our operating expenses and, therefore, substantial changes in jet fuel costs could materially affect our operating results. Jet fuel costs (including applicable taxes) represented approximately 19.0% and 21.9% of our operating expenses for the year ended March 31, 2008 and 2009, respectively. Jet fuel prices are directly affected by crude oil prices, which in turn are subject to fluctuations based on, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries, or OPEC, pricing policies, the rapid growth of economies such as China, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. In addition, speculative trading activities by financial investors have increased the volatility of crude oil prices in recent years. The price of Dubai crude oil, historically an indicator of jet fuel prices, increased from U.S.$51 per barrel in January 2007 to a record price of over U.S.$131 per barrel in July 2008 and then dropped to approximately U.S.$40 in December 2008. As of July 10, 2009, the market price for Dubai crude oil was U.S.$60.8 per barrel. We currently expect jet fuel prices to remain high for the foreseeable future.

We regularly enter into commodity derivatives contracts to hedge the effect of fluctuations in the market price for jet fuel on our cost of jet fuel. Because the derivatives contracts that we currently utilize have the effect of making our effective purchase price of jet fuel roughly equal to the average of the historical market price for jet fuel over the three-year period prior to the actual purchase, the impact of changes in the market price for jet fuel on our jet fuel costs is generally spread over a three-year span after such change. As a result, even if market prices for jet fuel were to fall in coming periods, our average unit cost of jet fuel may not decrease due to our hedging policy. See "Operating and Financial Review — Market Risks — Jet Fuel Price Risks".

While we also seek to reduce the impact of jet fuel prices by passing some of the price increases to our customers, reducing aircraft weight and optimizing our fleet usage, our operating results may be significantly and adversely affected to the extent these efforts are not sufficient to absorb the full impact of jet fuel cost increases. Furthermore, pricing on international routes is determined by IATA, and any price increases require the approval of this organization. For example, our fare increases and fuel surcharges did not keep pace with the extraordinary increases in the price of fuel that occurred in 2008. In addition, while our hedging policy has the effect of stabilizing our costs, it also results in mismatches between our revenue and costs over the short term, because our fare increases and fuel surcharges are generally priced based on short-term historical jet fuel costs, and this could result in significant fluctuations in our results of operations during periods of severe volatility in jet fuel prices.

***We have high fixed costs, which can cause small changes to expected business levels to have a material adverse effect on financial performance***

A high proportion of our operating expenses, including personnel costs and depreciation, lease and maintenance costs related to aircraft, do not vary proportionately to operating revenues. In addition, operating expenses related to a given flight, such as jet fuel costs and landing and navigation fees, are affected primarily by the type of aircraft and not by the load factor or number of passengers. As a result, a minor decline in passenger traffic, load factors and yields can have a significant negative impact on our operating income. Furthermore, the significant amount of our interest-bearing debt has the effect of enhancing this operating leverage with respect to our net income due to the significant amount of interest expenses.

***Our indebtedness and lease obligations are substantial, and this could affect our ability to execute our strategy and grow our business***

As of March 31, 2009, we had ¥897.2 billion in interest-bearing debt and ¥194.8 billion in off-balance sheet lease obligations, almost all of which were related to leases of aircraft. Our high level of interest-bearing debt and lease obligations could have important consequences. For example, it could:

- divert substantial cash flows from our operations and capital expenditure plans in order to service our obligations;
- make us more vulnerable to downturns in general economic conditions in terms of earnings and liquidity;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and
- place us at a possible competitive disadvantage compared to less leveraged competitors and competitors that have better access to capital resources.

***We may not be able to finance our substantial aircraft procurement plans***

Some of the key aircraft in our fleet, including our Boeing 747-400, Boeing 767-300 and Airbus A320-200 aircraft, are aging, and we plan to replace such aircraft with new, more efficient aircraft in coming years. In undertaking this strategy, we had orders in place for 92 new aircraft as of March 31, 2009, with total outstanding payment obligations of ¥735.9 billion under our aircraft purchase agreements as of the same date, of which ¥141.7 billion is payable in the current fiscal year. We intend to finance the purchase of these aircraft primarily through loans, as well as through cash flows from our operations and the proceeds of the global offering. In addition, we continue to have significant debt, lease and other payment obligations. For example, in the year ending March 31, 2010, we will be required to make ¥169.4 billion of principal payments on interest-bearing debt and ¥33.8 billion in lease payments. A number of factors could limit our ability to finance these new aircraft purchases on acceptable terms or at all, including:

- *Downturns in the airline market.* Downturns in the airline market due to changing economic conditions or other events that are largely outside of our control, as discussed further under "— Risks Related to the Airline Industry", could materially and adversely affect our results of operations. In the event we are required to take delivery of aircraft under our existing purchase obligations during such a downturn, we may not be able to secure financing for these new aircraft on acceptable terms or at all.
- *Disruptions in global financial markets.* The recent global economic downturn led to severe disruptions in global capital and debt markets, characterized by widening of credit spreads and substantially more limited availability of funding. Although conditions have improved in recent months, renewed disruptions could lead to our inability to secure financing for these new aircraft on acceptable terms or at all.
- *Decline in credit quality.* Our borrowing costs and ability to raise funds are determined in part by our credit ratings. Credit ratings are subject to revision, suspension or withdrawal by rating organizations at any time. In the event we suffer a significant downgrade due to the deterioration of our financial condition or results of operations or for any other reason, our cost of funds, as well as our ability to raise funds, will be impacted. For example, Moody's Investors Service, from whom we receive unsolicited credit ratings, recently placed our Baa3 long-term debt ratings on review for possible downgrade, and this could prompt other credit rating agencies to also review our credit ratings.
- *The loss of JBIC credit support.* We currently rely on guarantees from the international wing of The Japan Finance Corporation, a policy-based financing institution wholly owned by the Japanese government, or JBIC, in connection with the financing of our aircraft purchases to lower our financing costs. JBIC's mandate is to undertake lending and other operations for the promotion of Japanese exports, imports and economic activities overseas. If JBIC guarantees became unavailable for any reason and we are unable to obtain comparable credit support from other sources, our financing costs for aircraft may increase.

Any of these factors could cause our cost of financing for our aircraft to increase, which would adversely affect our financial condition and our results of operations. In addition, if any of these or other factors result in our inability to secure financing required for our aircraft purchase obligations on acceptable terms or at all, we may not be able to implement our aircraft procurement plans, which constitutes an important part of our overall business strategy.

***Fluctuations in interest rates may increase the cost of our current and future borrowings***

The Bank of Japan currently maintains short-term interest rates at levels near zero percent. If interest rate policies change or if yen interest rates otherwise increase, the applicable interest rate on our debts with floating interest rates will increase. As of March 31, 2009, ¥44.0 billion of our interest-bearing debt (on a non-consolidated basis and after giving effect to our interest rate swaps, but not including ¥58.0 billion in short-term loans from our wholly-owned consolidated subsidiary, Winglet Co., Ltd.) carried floating interest rates, which fluctuate based on market interest rates. In addition, we expect to issue bonds and notes or enter into additional loan agreements in the future to fund our operations and capital expenditures, and the cost of financing for these obligations will depend greatly on market interest rates. As a result, an increase in yen interest rates due to a change in Bank of Japan policy or otherwise, to the extent their effects are not hedged, will increase our financing costs, and our results of operations could be materially and adversely affected.

***We make substantially all of our payments for aircraft and jet fuel for international flights using foreign currencies, particularly the U.S. dollar and, therefore, are subject to foreign exchange risks***

We are exposed to foreign exchange rate fluctuations primarily with respect to our aircraft lease and purchase obligations, substantially all of which are denominated in U.S. dollars, and our jet fuel purchases. To the extent possible, we use foreign currency earned from our operating activities to pay operating and other expenses denominated in the same foreign currency, thereby reducing foreign exchange fluctuation risks and commissions. However, U.S. dollar payments, particularly for aircraft and jet fuel, are substantially larger than our U.S. dollar revenues, and as a result, depreciation of the Japanese yen against the U.S. dollar generally has a negative effect on our net income. We utilize forward exchange contracts to hedge certain foreign currency transactions related to our U.S. dollar commitments. However, these hedging strategies do not cover all of our foreign currency liabilities and may not always be effective.

***We face risks related to our strategic alliances***

We view our membership in the *Star Alliance* airline network as a key element of our business strategy, and its importance to our international passenger operations has increased significantly in recent years. We derive various benefits from our membership, including ticket sales to customers of member airlines, increased competitiveness of our flights based on flight schedules that are optimized for connection with member airline flights, enlarged flight network based on code-sharing flights, enhanced brand strength (particularly outside of Japan) and attractiveness of our frequent flyer program. If the *Star Alliance* loses members that are important to our current or future business, whether as a result of one or more member airlines terminating their membership, having their membership suspended by the *Star Alliance* or for any other reason, our business could be materially and adversely affected. In addition, other members may decide to change their flight routes or flight schedules in a manner that diminishes the attractiveness of our flights or reduces our flight network. Furthermore, there is a risk that the *Star Alliance* may be required to disband or materially alter its services due to antitrust and other similar laws and regulations of countries in which member airlines operate. If other airline alliances achieve a stronger market position as a result of mergers or the inability of the *Star Alliance* to attract new members that it may require to be successful in the future or if the *Star Alliance* is required to disband or materially alter its services due to antitrust or other similar laws and regulations, the competitive advantage that we derive from our membership in the *Star Alliance* could be reduced or eliminated.

***If the number of flight slots at Haneda and/or Narita does not increase in the time period or in the manner we currently expect or have assumed for purposes of developing our growth plans, our ability to achieve our future growth targets could be materially and adversely affected***

Our hub for our domestic passenger service is Haneda, and our hub for our international passenger service is Narita. Flight slots available and useful to us at these two airports are extremely limited at present. However, Haneda is scheduled to increase its total capacity by approximately 77,000 flight slots in October 2010 through the opening of a fourth runway and the utilization of late night/early morning flight slots. We expect approximately 27,000 of these new flight slots will be reserved for domestic flights. The remaining 50,000 new flights slots are expected to be reserved for international flights, consisting of approximately 20,000 for flights arriving and departing between 6 a.m. and 11 p.m. and subject to limitation on route distance and 30,000 for flights arriving and departing between 11 p.m. and 6 a.m. and not subject to limitation on route distance. A further increase of 57,000 flight slots (including international flight slots) is expected by 2012. Capacity at Narita is expected to increase by approximately 20,000 annual flight slots through the extension of length of the second runway in March 2010. Haneda and Narita, as well as the MLIT and other governmental authorities, have not made any official announcements regarding the allocation of the new flight slots, and it is necessary for us to make certain assumptions regarding their allocation for purposes of determining our future business strategy. These assumptions include the following:

- half of the new flight slots allocated to domestic flights at Haneda will be allocated to our smaller competitors, with the remainder being divided roughly equally between the JAL group and us;
- half of the new flight slots allocated to international flights at Haneda will be allocated to non-Japanese airlines, with the remainder being divided roughly equally between the JAL group and us; and
- half of the new flight slots for international flights at Narita will be allocated to non-Japanese airlines, with the remainder being divided roughly equally between the JAL group and us.

Although we believe that each of our assumptions set forth above are reasonable, official sources have not confirmed any of these assumptions, and there can be no assurance that Haneda and/or Narita will expand their flight slots in the time periods or in the manner set forth above. In the event our assumptions prove to be incorrect, our ability to achieve our future growth targets could be materially and adversely affected.

***If Haneda were to suffer a prolonged shutdown, our results of operations could be seriously harmed***

As of March 31, 2009, over 64% of our domestic passengers departed from or arrived into Haneda. If Haneda were to suffer a prolonged shutdown due to an earthquake or other natural disaster or any other reason, a substantial portion of our fleet would be grounded and our results of operations could be seriously harmed.

***We may be unsuccessful in our business strategies relating to our international cargo operations***

The expansion of our international cargo business is a key factor in our strategy for future growth. If we are unsuccessful in implementing such strategies, our ability to realize our growth plans will be materially and adversely affected. Because the success of our plan depends on growth in demand for our cargo services in Asia, particularly demand for cargo services between China and Japan and express cargo services, we may not be able to achieve our plans if such growth does not occur. Cargo demand, including demand relating to China, has declined significantly during the year ended March 31, 2009 as a result of the global economic downturn, and there can be no assurance that such demand will recover. Our international cargo strategy involves alliances and joint ventures with various third parties, such as an alliance with Overseas Courier Service Co., Ltd., or OCS, and a joint venture with five Japanese logistics companies called All Express Corporation, or Allex (OCS and Allex announced a board-approved plan on June 26, 2009 to merge, subject to approval from their respective shareholders). If our alliance and joint venture partners decide to terminate their relationship with us or if the alliances and joint ventures are unsuccessful for any other reason, our ability to implement our plans may be materially and adversely affected. In addition, we plan to open our Okinawa hub in October 2009 as a key logistics center for our international cargo operations. If we are not able to operate the Okinawa hub in an efficient manner, it could result in delays in our cargo shipments, which could lead to reputational damage and loss of customers, or our international cargo business could otherwise be materially and adversely affected.

***We may suffer losses in the event of an accident or incident involving our aircraft or any other airline***

An accident or incident involving one of our aircraft could require repair or replacement of a damaged aircraft, its consequential temporary or permanent loss from service and significant liability to injured passengers and others. Although we believe we currently maintain liability insurance in amounts and of the type generally consistent with industry practice, the amount of such coverage may not be adequate to cover in full the costs related to the accident or incident, resulting in harm to our results of operations and financial condition. In addition, any aircraft accident or incident, even if fully insured, could cause a public perception that we are less safe or reliable than other airlines, which would harm our competitive position and result in a decrease in our operating revenues. We may be similarly subject to liability to passengers of our code-share flights operated by other carriers, and we generally have no direct control over the safety and security measures taken by such carriers. Moreover, a major accident or incident involving the aircraft of any of our competitors may cause demand for air travel in general to decrease, which would adversely affect our results of operations and financial condition.

***Labor disruptions could threaten our future operations***

Almost all of our pilots are members of labor unions for pilots and most of our other employees are members of other labor unions. In the event that any strike, work stoppage or work slowdown by our employees occurs, our business, financial condition and results of operations could be adversely affected. We regularly receive notices of strikes from our unions, although we are usually successful in averting strikes through negotiation. We experienced a 24-hour work stoppage in each of March and April 2009 by four of our pilot unions related to negotiations on employee benefits and certain other issues which resulted in significant delays and cancellations with respect to our flights. There can be no assurance that we will not experience strikes in the future or that the negative effects of future strikes will not be more significant. Furthermore, any future implementation of personnel cost reductions and other cuts in employee benefits could meet with significant resistance from labor unions and result in strikes or other action by our employees or our inability to implement such cost-cutting measures.

***The inability to retain or hire adequate numbers of qualified pilots may affect our future business***

We expect to face increasing difficulty in securing a sufficient number of qualified pilots for maintaining or expanding our air transportation services. There has traditionally been a limited supply of qualified commercial airline pilots in Japan, and a disproportionately large percentage of these pilots are expected to reach retirement age over the next few years. In addition, other Japanese airlines, including the JAL group, are expected to expand services significantly upon the completion of the new runway at Haneda in 2010, which is expected to further increase demand for pilots. The training of new pilots is a costly and time-consuming process, and it has historically been difficult to find a sufficient number of suitable candidates to fill our pilot training programs. The number of graduates from the Civil Aviation College (*koku daigakko*), which is a training school for new pilots operated by the government of Japan, is also limited. We may hire pilots who have reached retirement age to operate certain types of aircraft, but if we are unable to secure a sufficient number of pilots either from within Japan or overseas, we may be required to curtail our expansion plans or even reduce our operations, which would have a material adverse effect on our results of operations.

***We have reduced the types of aircraft and engines we utilize in recent years, and any problems with these aircraft or engines, whether real or perceived, could significantly harm our business as our new strategically-introduced aircraft may have design defects or mechanical problems in the future***

We have in recent years reduced the types of aircraft and engines used in our fleet to make its operation more efficient. This rationalization of our fleet makes us more vulnerable to any problems that might be associated with our aircraft or engines. Our business would be significantly harmed if, for instance, it was discovered that a particular aircraft model had a design defect or mechanical problem and our entire fleet of such aircraft model was grounded while such defect or problem was corrected or we otherwise incurred significant costs to replace or repair a defective part and such costs were not covered under a manufacturer warranty. For example, in the year ended March 31, 2006, we incurred costs of ¥37.3 billion to replace an engine part in some of our Boeing 777s as a result of a manufacturing defect. In addition, we have a significant number of Boeing 787s on order, and such aircraft are yet unproven in terms of reliability. The MLIT could suspend or restrict the use of a portion of our fleet in the event of any actual or perceived mechanical or design problems with respect to one of our aircraft or engine types while it conducts its own investigation. Furthermore, if the public perceives our fleet to be less safe due to the discovery of any defect or mechanical problem or the instigation by MLIT of an investigation related to the safety of our fleet, demand for our passenger service and, therefore, our results of operations could be materially harmed.

***We rely on our information technology systems to manage key functions of our businesses, and a failure in one or more of these systems could affect our results of operations and our ability to conduct our businesses***

The ability to conduct functions vital to our businesses, including ticket sales and reservations in our air transportation and travel segments, is dependent upon the proper operation of our computer systems. In addition, our Quality Service Index, or QSI, Fleet Assignment Model, or FAM, and Passenger Revenue Optimization System, or PROS, which play a central role in our efforts to rationalize our aircraft fleet and improve our operating income, are computer-based systems. In May 2007, due to a network malfunction that affected our check-in systems, we were subject to disruptions of our flight schedules that led to the cancellation of 130 flights. In September 2008, despite investments to prevent similar malfunctions, we experienced another systems malfunction relating to our check-in systems that led to the cancellation of 53 flights. There can be no assurance that similar systems disruptions will not occur in the future. While we maintain back-up systems for our computer systems, they are located mainly in the same building as our main systems thereby subjecting us to the risk of total loss if a catastrophic event affects the building. Future system failures could affect our results of operations, either through the cancellation or delay of flight and check-in operations, our inability to use our QSI, FAM and PROS software, or generally through the impact of negative publicity.

***We are dependent on third parties for certain essential services in our air transportation business, and disruptions in these services would negatively impact our business***

We are dependent upon the services of third parties for our air transportation operations, such as air traffic controllers, jet fuel handlers and baggage handlers. Any interruption in the normal business activities of these third parties, such as operational malfunctions or prolonged strikes, in particular at Haneda or Narita, could result in a material adverse effect on our business, financial condition and results of operations.

***Losses related to our retirement benefit plans and a decline in returns on our plan assets may adversely affect our financial condition and results of operations***

Costs related to our pension and retirement benefit plans may increase if the fair value of our pension plan assets declines or if there is a change in the actuarial assumptions on which the calculations of the retirement benefit obligation are based, such as a decline in the expected rate of return on plan assets. In addition, we may be required to recognize expenses related to the recognition of previously unrecognized service costs as a result of plan amendments. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded retirement benefit obligations and the resulting annual amortization expense. In addition, as a result of a change in accounting rules, the discount rate used to determine retirement benefit obligations beginning the year ending March 31, 2010 will be based on risk-free interest rates as of the end of the fiscal year as opposed to a five-year average applicable until the year ended March 31, 2009. As a result, the discount rate that we use could decline in the fiscal year ending March 31, 2010 and our pension obligations could increase.

The recent global economic downturn has resulted in a material decline in investment returns and a material decrease in the value of our pension plan assets, particularly as a result of the decline in domestic stock markets, which will result in higher pension expenses and potentially higher required contributions in future years.

***Authorities in Europe and the United States have initiated investigations into possible illegal price fixing by airlines, and we are named as a defendant in class action complaints alleging violations of U.S. federal antitrust laws, and the outcome of these or similar proceedings may adversely affect our results of operations and financial condition***

*International Cargo*

In February 2006, authorities in the United States and Europe visited the offices of, and otherwise contacted or issued subpoenas to, over two dozen airlines based in multiple countries in connection with an investigation into possible illegal price fixing in the international air cargo industry. In connection with this matter, the United States Department of Justice, Antitrust Division, National Criminal Enforcement Section, served on us a "subpoena to testify before a grand jury" on March 1, 2006, the primary purpose of which was to require us to produce documents related to our air cargo operations. We have cooperated with the U.S. Department of Justice with respect to the subpoena, and we are the subject of an ongoing investigation into possible violations of federal antitrust law in relation to our international cargo operations. In Europe, on December 19, 2006, we received a request for information regarding our international cargo operations from the European Commission, with which we cooperated. On December 18, 2007, the European Commission issued a Statement of Objections alleging our involvement in an international air cargo cartel in violation of the European Community Treaty. We replied to the Statement of Objections on March 27, 2008. We expect the European Commission to issue an adverse decision in the near future. We have not reserved for any potential losses related to the U.S. investigation and have reserved ¥16.1 billion for potential losses related to the European investigation. In the event we are found to have violated U.S. or European antitrust laws or any other laws or regulations in connection with investigations regarding our cargo operations in these or other jurisdictions, we may, among other things, be subject to substantial monetary penalties or fines, and our ability to defend against related civil litigation may be negatively impacted. In the case of the European investigation, such fines could exceed any reserves we had made. We may also be required to reserve additional amounts in connection with these investigations prior to their resolution. Any of these circumstances could materially and adversely affect our financial condition and results of operations.

Beginning in February 2006 and continuing into early 2007, approximately 100 purported class action complaints against over 20 airlines and airline holding companies were filed in various U.S. federal district courts. We were named as a defendant in approximately 20 of these complaints, which allege, among other things, that the defendants engaged in illegal price fixing of cargo rates in international aviation markets in violation of federal antitrust law. In June 2006, these cases were transferred and consolidated in the U.S. District Court for the Eastern District of New York. In February 2007, the plaintiffs filed a first amended consolidated complaint naming as defendants a total of thirty-nine U.S. and foreign airlines, including us, alleging price-fixing of cargo rates and charges and other conduct in violation of federal antitrust law, certain U.S. state laws and certain European laws. We and other defendants filed a motion to dismiss the claims on multiple grounds on July 18, 2007. Under the direction of the federal district judge, a magistrate judge issued on September 26, 2008 a Report & Recommendation regarding the motion to dismiss, which recommended that the plaintiffs' claims be dismissed, and, with respect to certain of the claims, that they be permitted to file an amended complaint on the condition that it be pleaded with a higher level of specificity. The motion to dismiss is now pending decision by the court. In the event we are subject to an adverse judgment in these or any future civil litigation related to alleged or other illegal price fixing in the air cargo industry, we may be required to pay substantial civil damages, which may materially and adversely affect our financial condition and results of operations.

*International Passenger*

The European Commission carried out unannounced inspections at the premises of a number of international airlines in March 2008 related to possible anticompetitive price-fixing and collusive behavior in traffic between the European Union and Japan. This infringement may cover facts from the second half of the 1990s to the date of the inspections. As one of the two major Japanese international airlines, we are cooperating fully with the Commission in its investigation. Based on the size of commerce and duration involved, we could be subject to substantial penalties or fines in connection with violations of European antitrust or other laws, or damages in connection with any related civil litigation, and these could have a material adverse effect on our financial condition and results of operations.

In March 2007, the U.S. Department of Justice, with the assistance of the United States Federal Bureau of Investigation, enforced a search warrant on our offices in Torrance, California. Documents were seized and a "subpoena to testify before a grand jury" was served on us. The subpoena required us to produce documents relating to scheduled air carrier passenger service to and from the United States, including documents relating to pricing and to any actual or alleged violation of antitrust, competition or wire fraud laws of the United States. We have cooperated with the U.S. Department of Justice with respect to the subpoena, and we are the subject of an ongoing investigation into possible violations of federal antitrust laws in relation to our passenger operations. In the event we are found to have violated U.S. antitrust laws or any other laws or regulations in connection with the investigation or any other investigation in other jurisdictions, we may, among other things, be subject to substantial monetary penalties or fines, and our ability to defend against related civil litigation may be negatively impacted, any of which could materially and adversely affect our financial condition and results of operations.

Beginning in November 2007 and continuing into March 2008, approximately 30 purported class action complaints against over 10 airlines and airline holding companies, including us, were filed in the federal courts for the Central and Northern District of California. The complaints allege price fixing in passenger fares and fuel surcharges for passenger fares on routes between the United States and Asia-Pacific destinations in violation of federal antitrust law. In early 2008, these complaints were transferred and consolidated in the U.S. District Court for the Northern District of California. The plaintiffs have not yet filed an amended consolidated complaint. In the event we are subject to an adverse judgment in these or any future civil litigations related to alleged or other illegal price fixing in the air passenger industry, we may be required to pay substantial civil damages, which may materially and adversely affect our financial condition and results of operations.

***We hold a large share of the domestic market, which makes us subject to antitrust regulation in certain aspects of our business***

For the year ended March 31, 2008, we had an approximately 47% share of the domestic air transportation market, based on number of passengers, and under the Law Concerning the Prohibition of Private Monopoly and the Methods of Preserving Fair Trade (Law No. 54 of 1947, as amended), or the Japanese Antitrust Law, we are subject to antitrust regulation in various aspects of our business activities, including the pricing of our fares, the formation of alliances, the operation of code-sharing flights, the determination of contractual terms with our suppliers and the conduct of merger and acquisition activities. For example, in September 2002, two of our smaller competitors filed complaints with the Fair Trade Commission of Japan, or FTC, alleging that pricing on certain routes operated by JAL, Japan Air System Co., Ltd. (a domestic carrier that has subsequently been acquired by JAL) and we violated the Japanese Antitrust Law. In response to these allegations, the FTC informally requested that each of us increase our prices, and we complied with the request. Due to these restrictions arising from Japanese antitrust regulation, we may be unable to take advantage of certain business opportunities or may be unable to match the pricing of domestic airlines that are not subject to such restrictions, which could have an adverse effect on our business, financial condition, results of operations or market share.

***We may be subject to liability and regulatory action if we are unable to protect personal and other confidential information***

Under the Law Concerning Protection of Personal Information of Japan (Law No. 57 of 2003, as amended) designed to generally protect the personal information of individuals, relevant authorities may issue recommendations or orders against us as an institution in possession of personal information if we fail to protect the personal information of our customers, and we may be required to provide compensation for economic loss and emotional distress arising out of a failure to protect personal information in accordance with this law. In addition, incidents of mishandling personal information could create a negative public perception of our operations, which may in turn lead to loss of market share, reduced sales or otherwise materially and adversely affect our business, results of operations and financial condition. As of March 31, 2009, we had approximately 18.6 million members in our frequent flyer program.

**Risks Related to the Airline Industry**

***The airline industry experiences seasonal fluctuations, which may cause our results to vary significantly***

The airline industry is seasonal in nature. Demand for scheduled airline services, including our services, is lowest during the winter months. Historically, sales for our flights are strongest during the summer months, particularly August, and around other holiday periods in Japan. Operating profits for the second quarter of any fiscal year are generally significantly higher than the fourth quarter, and operating profits for the third and first quarters are generally at varying levels in between the second and fourth quarters. Accordingly, our results of operations for any quarter of a fiscal year are not indicative of those for any other quarter. In addition, because much of our profitability for any fiscal year is attributable to the heavy demand for air travel during the summer months, significant declines in demand for air travel during this period in any fiscal year will materially and adversely affect our results of operations for such fiscal year.

***The airline industry is affected by risks and events that are beyond our control such as terrorism, political instability, natural disasters and epidemics, and the occurrence of one or more of these events may spark a downturn in our business***

Our international and, to a lesser extent, our domestic air transportation businesses, as well as our travel business, are exposed to various risks and events that occur throughout the world that could lead to significant decreases in passenger traffic and ticket prices. For example, the global airline industry suffered a prolonged downturn beginning with the terrorist attacks in the United States on September 11, 2001 and magnified by the political instability, enhanced threat of terrorism and rising costs of jet fuel stemming from the subsequent war in Iraq. This downturn was further exacerbated by the outbreak of severe acute respiratory syndrome, or SARS, in the first half of 2003, particularly in the Asia Pacific region before beginning to recover in the second half of 2003.

In addition, we are subject to similar, but more localized, risks and events that disproportionately affect us or one of the markets we service. For example, the temporary closure of Bangkok Suvarnabhumi International Airport due to political instability in December 2008 and the terrorist incident in Mumbai in November 2008 had an impact on demand for air travel to such areas. Japan experienced a record number of typhoons in 2004, which caused significant disruptions to our operations and reduced demand for air travel. In 2008, concerns over food safety in China and the Sichuan earthquake led to reduced demand for air travel to and from China.

Widespread medical epidemics, such as an outbreak of avian flu, any future global political instability, terrorist threats or acts or more localized events affecting the markets we service would result in reduced demand for air travel and could have a material adverse effect on our financial condition and results of operations.

The H1N1 strain of new influenza A virus, commonly referred to as "swine flu", is currently impacting travel behavior. The World Health Organization stated in June 2009 that this virus poses a Phase 6 threat, which indicates that a global pandemic is under way. Over 700 cases of infection have been reported in Japan, and demand from business and pleasure passengers has been negatively affected in recent months as businesses discourage travel to affected areas and schools and travel agencies cancel group trips. We are unable to predict the scope or duration of the new influenza A outbreak or its impact on our business, and although the virus appears to be milder than originally suspected, a change in perception regarding the toxicity of the virus due for example to an increase in deaths during winter months or a mutation in the virus could result in a material adverse affect on our results of operations.

***The airline industry is subject to significant regulation, and any additions or changes to such regulations could materially affect our revenues or profits***

The operation of airlines in general, and particularly the awarding and retention of international route rights, is regulated by laws and regulations, bilateral and multilateral treaties between the airline's home country and other countries, as well as recommendations from regulatory authorities or equipment manufacturers, all of which are subject to change. In addition, Japanese airline companies are regulated by the Civil Aeronautics Law as enforced by the MLIT. We cannot predict what laws and regulations, either internationally or domestically, will be adopted in the future or what changes to international air transportation treaties will be made and any such changes may have an adverse effect on our business. For example, following the terrorist attacks of September 11, 2001, there was a considerable enhancement to regulation relating to airport security, both internationally and in Japan, which led to increased costs for us and other airlines, and the inconvenience to passengers caused by the increase in security could have had the effect of depressing demand. In addition, various costs related to the operation of an airline in Japan imposed by the Japanese government, including landing and navigation fees as well as fuel taxes, have a significant effect on our results of operations.

***The airline industry is subject to increasing environmental regulations, which lead to increased costs and affect profitability***

In recent years, regulatory authorities in Japan and other countries have issued a number of directives and other regulations to address, among other things, aircraft noise and aircraft engine emissions, the use and handling of hazardous materials, aircraft age and environmental contamination clean-up. These requirements impose high fees, taxes and substantial ongoing compliance costs on airlines, particularly as new aircraft brought into service will have to meet the environmental requirements during their entire service life. For example, the European Union issued a directive in October 2008 to include airlines that operate in Europe in a "cap and trade" program for emissions beginning in 2012. In addition, the Ministry of the Environment of Japan has proposed a number of times, most recently in November 2008, to impose an environment tax on the consumption of kerosene, crude oil, coal and other fossil fuels. We expect to continue to incur expenditures on an ongoing basis to comply with environmental regulations. Furthermore, compliance with environmental regulations could restrict our ability to modify or expand facilities or continue operations, or could require us to install costly pollution control equipment or incur other significant expenses, including remediation costs.

## Risks Related to Shares of Our Common Stock

***Due to a limitation on foreign shareholding for Japanese airlines, you may not be able to assert shareholder rights against us***

The Civil Aeronautics Law effectively limits ownership of shares of our common stock by foreigners to shares representing under one-third of our outstanding voting rights. Upon the Company's receipt of the all shareholders notice from JASDEC, we may refuse to register the shares held by foreigners in our register of shareholders in the manner prescribed under the Civil Aeronautics Law in the case that the voting rights held by foreigners account for one-third or more of our outstanding voting rights. Foreigners whose shares are not registered in our register of shareholders would be unable to exercise their shareholder rights against the Company, such as the right to receive dividends or exercise the voting rights of their shares, in respect of the shares which are not registered. As of March 31, 2009, foreigners held shares of our common stock representing 4.5% of our voting rights.

In the event that the voting rights held by foreigners account for one-third or more of our outstanding voting rights, our license for our air transport service business would be automatically invalidated. In addition, such limitation on foreign shareholding effectively bars a non-Japanese company from acquiring control of us. The reduced likelihood of us being subject to a change of control may have an adverse effect on our share price.

***Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell shares of our common stock at a particular price on any particular trading day, or at all***

Stock prices on the Tokyo Stock Exchange and the Osaka Securities Exchange are determined on a real-time basis by the balance between bids and offers. The Tokyo Stock Exchange and the Osaka Securities Exchange are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, each of the exchanges sets daily upward and downward price range limitations for each listed stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits on the exchange. Consequently, an investor wishing to sell at a price above or below the relevant daily limit set by such exchange may not be able to effect a sale at such price on a particular trading day, or at all on such exchange. See "Clearance and Settlement — Daily Price Fluctuation Limits under Japanese Stock Exchange Rules".

***Investors holding less than one "unit" of shares of our common stock will have limited rights as shareholders***

The Company's articles of incorporation provide that 1,000 shares of common stock constitute one "unit". The Company Law of Japan (Law No. 86 of 2005, as amended), or the Company Law, imposes significant restrictions and limitations on holders of shares that do not constitute a whole unit. In general, holders of shares constituting less than one unit do not have the right to vote with respect to those shares. For a more complete description of the unit share system and its effect on the rights of our shareholders, see "Description of Common Stock — Unit Share System".

***Rights of shareholders under Japanese law may be more limited than those under the laws of jurisdictions within the United States and other countries***

The Company's articles of incorporation, share handling regulations, regulations of the Board of Directors and the Company Law govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties and shareholders' rights may be different from those that would apply if we were a non-Japanese company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions within the United States. For example, under the Company Law, only holders of 3% or more of our total voting rights or our outstanding shares excluding treasury shares are entitled to examine our accounting books and records. Furthermore, there is a degree of uncertainty as to what duties the directors of a Japanese joint stock corporation may have in response to an unsolicited takeover bid, and such uncertainty may be more pronounced than that in the United States and certain other jurisdictions. Furthermore, Japanese courts may not be willing to enforce judgments of U.S. courts against us in actions brought in Japan which are based upon U.S. federal or state securities laws.

## ADMISSION TO LISTING

This Prospectus comprises a prospectus for the purposes of Articles 5.4 of Directive 2003/71/EC (the "Prospectus Directive") and for the purpose of giving information with regard to us, and our Group, and the shares of our common stock which is necessary to enable investors to make an informed assessment of our assets and liabilities, financial position, profits and losses and prospects. All Nippon Airways Co., Ltd. and each of its directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of All Nippon Airways Co., Ltd. and each of its directors, having taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any information sourced from a third party has been accurately reproduced and as far as we are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Application has been made to the UK Listing Authority, in its capacity as competent authority under the FSMA, for the 537,500,000 shares of our common stock, being new shares of common stock offered and sold pursuant to the global offering, to be listed on the Official List and to the London Stock Exchange for those shares to be admitted to trading on the Market pursuant to resolutions of the Company dated July 1, 2009. The global offering includes 500,000,000 shares and up to 75,000,000 additional shares pursuant to the over-allotment option. Of the over-allotment option, 37,500,000 shares have been issued as at the date of this Prospectus and are subject to the application for the admission to listing. Up to 37,500,000 shares may be subsequently issued subject to exercise in full of the over-allotment option on or about August 18 2009.

## ENFORCEMENT OF LIABILITIES

We are a Japanese joint stock corporation (*kabushiki kaisha*). All of our directors and corporate auditors named under "Management" reside outside the United States, and a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or elsewhere outside Japan on us or such persons or to enforce against us or such persons judgments obtained in U.S. courts or elsewhere in actions such as those predicated upon the civil liability provisions of U.S. federal or state securities laws. We have been advised by our Japanese counsel, Nishimura & Asahi, that there is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities whether or not predicated upon U.S. federal or state securities laws or other laws of the United States or any state thereof.

## AVAILABLE INFORMATION

We publish information in accordance with Rule 12g3-2(b) under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. We have agreed that so long as any of the international shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, at any time we are not subject to Section 13 or 15(d) of the Exchange Act or lose our exemption from the reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) under the Exchange Act, provide to each holder of restricted securities and to each prospective purchaser (as designated by the holder) of restricted securities, upon request of the holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. This covenant is intended to be for the benefit of the holders, and the prospective purchasers designated by the holders, from time to time of restricted securities.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that are based on our current expectations, assumptions, estimates and projections about our business and industry. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of words such as "may", "will", "expect", "anticipate", "intend", "believe", "continue", "estimate", "plan", "aim", "endeavor", "probability", "project", "risk", "seek", "should", "strive", "target" or similar expressions. These statements discuss future expectations, identify strategies, contain projections of results of operations or of our financial condition, or state other forward-looking information. Known and unknown risks, uncertainties and other factors could cause our actual results to differ materially from those contained in any forward-looking statement. We cannot give any assurances that the expectations expressed in these forward-looking statements will turn out to be correct. Our actual results could be materially different from expectations. Important risks and considerations that could cause actual results to be materially different from our current expectations include, without limitation:

- further downturns in the global or Japanese economy;
- our inability to meet our cost reduction targets;
- increased competition in the domestic transportation market, including from new domestic airlines and rail services, and in the international air transportation market on routes which we service;
- our reliance on Boeing for our aircraft and the risk of delay in the delivery of Boeing 787s;
- volatility in the price of jet fuel;
- levels of our fixed costs and changes in such levels due to interest rate increases or otherwise;
- our ability to finance our substantial aircraft procurement plans and otherwise maintain sufficient liquidity;
- fluctuations in currency exchange rates, especially between the yen and U.S. dollar;
- changes from current expectations regarding the expansion of flight slots at Haneda and Narita airports;
- safety-related occurrences;
- occurrence of labor strikes, work stoppages or other interruptions to, or difficulties in the employment of, labor in Japan and other markets that we service;
- increases in our pension obligations or losses and declines of the value of our pension plan assets; and
- acts of terrorism, natural disasters, outbreaks of medical epidemics, including swine and avian influenza, and other factors beyond our control that affect domestic and/or international demand for air travel.

Other potential risks and uncertainties also include those identified and discussed in "Risk Factors", "Operating and Financial Review", "Business" and elsewhere in this Prospectus.

All subsequent written and oral forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

Prospective investors are cautioned not to place undue reliance on forward-looking statements. All forward-looking statements in this Prospectus are made as of the date of this Prospectus, based on information available to us as of that date. We do not undertake to update or revise any of our forward-looking statements to reflect future events or circumstances, except in the limited circumstances required by stock exchanges or the Prospectus Rules, Disclosure Rules or Listing Rules.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Prospectus, "we", "us", "our" and the "ANA group" refer to All Nippon Airways Co., Ltd. and, unless the context indicates otherwise, its consolidated subsidiaries, and the "Company" refers to All Nippon Airways Co., Ltd. References to "ANA" refer to our brand.

In this Prospectus, except as otherwise indicated, currency amounts are expressed in Japanese yen ("yen" or "¥") or in United States dollars ("U.S. dollars", "dollars" or "$"). For convenience, yen amounts translated into dollars in this Prospectus have been translated at the rate of ¥98.23 = $1.00, the approximate rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2009, unless indicated otherwise. However, these translations should not be construed as representations that the yen amounts have been, could have been or could be converted into dollars at that or any other rate. The rate of exchange quoted by The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of 10:00 A.M. (Tokyo time) on July 27, 2009 was ¥94.85 = $1.00.

In this Prospectus, where information is presented in thousands, millions or billions of yen or thousands, millions or billions of dollars, amounts of less than one thousand, one million, or one billion, as the case may be, have been truncated unless otherwise specified. Fractions of a dollar and yen have been truncated to the nearest tenth or one hundredth of a dollar or yen. All percentages have been rounded to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be. In some cases, figures presented in tables in this Prospectus may not total due to such truncating or rounding.

Our financial statements are prepared in accordance with accounting principles generally accepted in Japan, or Japanese GAAP, which differ in certain respects from accounting principles generally accepted in certain other countries. Potential investors should consult their own professional advisors for an understanding of the differences between Japanese GAAP and accounting principles generally accepted in certain other countries, and how those differences might affect their analysis of the financial information set forth in this Prospectus.

Unless otherwise indicated, all operating revenue information for our operating segments is presented after intrasegment eliminations but before intersegment eliminations.

Except as otherwise indicated, all financial information with respect to us presented in this Prospectus is presented on a consolidated basis. Our fiscal year end is March 31 of each year.

## GLOSSARY

The following terms used in this Prospectus relating to operating performance within the airline industry have the meanings indicated below:

- "Available seat-km" represents the number of seats available for passengers multiplied by the number of kilometers the seats are flown.
- "Code-sharing" represents an agreement between two airlines under which certain flights are operated using the aircraft of one of the parties but sold by both of the airlines. These flights are identified using the name, IATA, or International Air Transport Association, code and flight number of both airlines.
- "Flight slot" represents a time slot granted at an airport to an airline for either the take-off or landing of a flight.
- "Fuel surcharge" represents the surcharge applied to ticket prices by airlines in response to costs incurred as a result of an increase in fuel prices.
- "Hub" represents, with respect to an airline, an airport at which such airline centralizes and co-ordinates a high number of in- and out-bound flights.
- "Passenger load factor" represents the percentage of aircraft seating capacity that is actually utilized (revenue passenger-km divided by available seat-km).
- "Passenger yield" represents passenger revenues divided by revenue passenger-km.
- "Revenue passenger-km" represents the number of kilometers flown by revenue passengers.
- "Revenue passengers" represents the total number of paying passengers flown on an airline's flights. Paying passengers on flights of other airlines through arrangements in which we purchase blocks of seats on such airlines' flights are included as our revenue passengers.
- "Revenue ton" represents the total weight of cargo or mail carried.
- "Revenue ton-km" represents the weight of cargo or mail carried multiplied by the number of kilometers flown.
- "Revenue ton-km yield" represents cargo or mail revenues divided by revenue ton-km.
- "Scheduled flights" represent flights operated with such frequency and regularity that they constitute an organized series of flights.
- "Unit revenues" represents passenger revenues divided by available seat-km.

# INFORMATION CONCERNING OUR COMMON STOCK

## Dividend Policy

The declaration, payment and amount of any dividend by the Company require shareholders' approval at a general shareholders' meeting of the Company and are subject to Japan's statutory restrictions. If such approval is received, dividend payments are made to shareholders or pledgees of record as of the record date for such payments. The record date for annual dividends is March 31. Holders as of March 31, 2010 (Tokyo time) of shares issued in the global offering will be entitled to dividends declared in respect of the year ending March 31, 2010. Shareholders of record as of the March 31 record date may not receive the dividend they anticipate because the dividend amount is subject to shareholders' approval at the shareholders meeting held in June. We do not provide for the payment of interim dividends under the Company's articles of incorporation. See "Description of Common Stock — Distribution of Surplus".

We are focused on the importance of providing a return to shareholders. However, we are also currently working to solidify our financial condition through retention of retained earnings and to bolster our management foundation in preparation for our future undertakings. As such, the amount of any future dividends will be determined based on factors including, but not limited to, our earnings for the relevant period, financial condition and cash requirements, current business conditions and business prospects and such other factors as may be relevant at the time, including statutory and other restrictions with respect to the payment of dividends. Dividends paid to shareholders, including those who are non-residents of Japan or non-Japanese corporations without a permanent establishment in Japan, will be subject to Japanese withholding taxes. See "Taxation — Japanese Taxation".

We have paid annual dividends as follows for the periods indicated in the table below:

| Year ended March 31, | Dividend per share |
|---|---|
| | (yen) |
| 2005 | ¥3.0 |
| 2006 | 3.0 |
| 2007 | 3.0 |
| 2008 | 5.0 |
| 2009 | 1.0 |

Pursuant to the Civil Aeronautics Law, upon the Company's receipt of the all shareholders notice from JASDEC, we may refuse to register the shares held by foreigners in our register of shareholders in the manner prescribed under the Civil Aeronautics Law in the case that the voting rights held by foreigners account for one-third or more of our outstanding voting rights. Under the Company Law, shareholders must be listed in such register in order to exercise shareholder rights with respect to the Company, such as voting rights or the right to receive dividends. For more information, see "Risk Factors — Risks Related to Shares of Our Common Stock — Due to a limitation on foreign shareholding for Japanese airlines, you may not be able to assert shareholder rights against us" and "Regulation — Japanese Regulation — Licensing".

## Changes in Issued Share Capital

As of the date of this Prospectus, we have an authorized share capital of 3,900,000,000 shares of common stock, of which 2,487,459,257 shares are issued and fully paid. Up to an additional 37,500,000 shares may be issued on or before August 18, 2009 upon exercise in full of the over-allotment option. Our shares have no par value. The following table shows the changes in our issued share capital as of the dates indicated:

| Date | Description | Number of new shares | Total issued share capital |
|---|---|---|---|
| March 9, 2006 | Global offering | 230,500,000 | 1,930,459,257 |
| March 22, 2006 | Third-party allotment | 19,500,000 | 1,949,959,257 |
| July 22, 2009 | Global offering | 537,500,000 | 2,524,959,257 |

**Market Information**

The primary markets for shares of our common stock are the Tokyo Stock Exchange and the Osaka Securities Exchange.

The following table shows, for the periods indicated, the closing high and low reported sales prices of shares of our common stock on the Tokyo Stock Exchange, the average trading volume of shares of our common stock on the Tokyo Stock Exchange and the highs and lows of the closing Nikkei Stock Average and the closing Tokyo Stock Price Index, or TOPIX:

| | Price per share | | Average daily trading volume | Nikkei Stock Average | | TOPIX | |
|---|---|---|---|---|---|---|---|
| | High | Low | | High | Low | High | Low |
| | (yen) | | (shares) | (yen) | | (points) | |
| **Year ended March 31,** | | | | | | | |
| 2005 | ¥396 | ¥313 | 3,256,984 | ¥12,163.89 | ¥10,505.05 | 1,217.87 | 1.053.77 |
| 2006 | 505 | 323 | 5,702,024 | 17,059.66 | 10,825.39 | 1,728.16 | 1,109.19 |
| 2007 | 487 | 396 | 6,604,061 | 18,215.35 | 14,218.60 | 1,816.97 | 1,458.30 |
| 2008: | | | | | | | |
| First quarter | 484 | 451 | 6,341,661 | 18,240.30 | 17,028.41 | 1,789.38 | 1,682.49 |
| Second quarter | 468 | 430 | 5,280,387 | 18,261.98 | 15,273.68 | 1,792.23 | 1,480.39 |
| Third quarter | 465 | 410 | 4,751,403 | 17,458.98 | 14,837.66 | 1,677.52 | 1,437.38 |
| Fourth quarter | 451 | 389 | 6,204,050 | 14,691.41 | 11,787.51 | 1,424.29 | 1,149.65 |
| 2009: | | | | | | | |
| First quarter | 444 | 391 | 3,995,935 | 14,489.44 | 12,656.42 | 1,430.47 | 1,230.49 |
| Second quarter | 408 | 368 | 4,984,063 | 13,603.31 | 11,259.86 | 1,332.57 | 1,087.41 |
| Third quarter | 388 | 316 | 5,853,902 | 11,368.26 | 7,162.90 | 1,011.13 | 746.46 |
| Fourth quarter | 408 | 330 | 4,765,102 | 9,239.24 | 7,054.98 | 888.25 | 700.93 |
| 2010: | | | | | | | |
| First quarter | 379 | 337 | 3,984,639 | 10,135.82 | 8,351.91 | 950.54 | 793.82 |
| Second quarter (through July 13) | 317 | 268 | 31,145,333 | 9,939,93 | 9,050,33 | 928.30 | 852.42 |
| **Recent six months:** | | | | | | | |
| January | 352 | 330 | 3,663,526 | 9,239.24 | 7,682.14 | 888.25 | 768.28 |
| February | 353 | 337 | 3,475,210 | 8,076.62 | 7,268.56 | 792.78 | 730.28 |
| March | 408 | 347 | 6,928,809 | 8,636.33 | 7,054.98 | 826.81 | 700.93 |
| April | 379 | 347 | 4,417,476 | 8,964.11 | 8,351.91 | 848.97 | 793.82 |
| May | 369 | 353 | 3,319,000 | 9,522.50 | 8,977.37 | 900.45 | 846.85 |
| June | 352 | 337 | 4,116,090 | 10,135.82 | 9,549.61 | 950.54 | 901.69 |

On July 13, 2009, the reported closing price of our shares on the Tokyo Stock Exchange was ¥337 per share and the closing Nikkei Stock Average and the closing TOPIX were ¥9,050.33 and 852.42, respectively.

## EXCHANGE RATES

The following table sets forth, for each period indicated, the high, low and average exchange rates for dollars against yen as published by the Bank of Japan and the exchange rate quotations at each period end, expressed in yen per $1.00:

| Year ended March 31, | High | Low | Average[1] | Period end |
|---|---|---|---|---|
| | | (yen per dollar) | | |
| 2005 | ¥114.66 | ¥102.03 | ¥107.48 | ¥106.97 |
| 2006 | 121.29 | 104.75 | 113.24 | 117.47 |
| 2007 | 121.92 | 109.17 | 116.88 | 118.05 |
| 2008 | 124.07 | 97.38 | 114.35 | 99.37 |
| 2009 | 110.34 | 87.92 | 100.60 | 98.31 |
| **Calendar year 2009** | | | | |
| January | 93.54 | 88.34 | 90.34 | 89.51 |
| February | 97.94 | 88.88 | 92.52 | 97.87 |
| March | 99.61 | 95.48 | 97.83 | 98.31 |
| April | 101.17 | 95.88 | 98.92 | 97.67 |
| May | 99.39 | 94.26 | 96.43 | 96.45 |
| June | 98.56 | 94.76 | 96.58 | 95.56 |
| July (through July 13) | 96.78 | 92.46 | 94.73 | 92.46 |

Note:

(1) Averages are calculated based on the closing exchange rates on each business day for the period.

The exchange rates included above are for reference only and are not necessarily the rates used to calculate ratios or to convert yen to U.S. dollars in our financial statements or elsewhere in this Prospectus.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our short-term debt and consolidated capitalization, consisting of long-term debt and total net assets, as of March 31, 2009, and as adjusted to give effect to the issuance of the shares in the global offering (assuming no exercise of the over-allotment option).

The information in this table should be read together with "Operating and Financial Review" and our audited consolidated financial statements and related notes included elsewhere in this Prospectus.

The figures in the table below are unaudited.

| | As of March 31, 2009 | | |
|---|---|---|---|
| | Actual | As adjusted | |
| | (unaudited) (millions of yen or thousands of dollars) | | |
| **Short-term debt:** | | | |
| Short-term loans, including current portion of long-term debt and finance lease obligations | ¥ 169,462 | ¥ 169,462 | *$ 1,725,155* |
| **Long-term debt:** | | | |
| Long-term debt, less current portion, and finance lease obligations | ¥ 727,774 | ¥ 727,774 | *$ 7,408,877* |
| **Shareholders' equity:** | | | |
| Common stock: | | | |
| Authorized — 3,900,000,000 shares | | | |
| Issued — 1,949,959,257 shares (2,449,959,257 shares as adjusted for the global offering) | 160,001 | 222,071 | *2,260,724* |
| Capital surplus | 125,720 | 187,790 | *1,911,737* |
| Retained earnings | 123,830 | 123,830 | *1,260,612* |
| Net unrealized holding gain on securities | 1,391 | 1,391 | *14,160* |
| Deferred loss on hedging instruments | (82,597) | (82,597) | *(840,853)* |
| Foreign currency translation adjustment | (68) | (68) | *(692)* |
| Less treasury common stock, at cost (16,778,017 shares at March 31, 2009) | (6,394) | (6,394) | *(65,092)* |
| Minority interests | 3,914 | 3,914 | *39,845* |
| Total shareholders' equity | 325,797 | 449,937 | *4,580,441* |
| Total capitalization | ¥1,053,571 | ¥1,177,711 | *$11,989,318* |

Note:

(1) There have been no material changes in our capitalization since March 31, 2009, other than a long-term unsecured loan of ¥148.0 billion received from a syndicate of commercial banks in May 2009 and the global offering.

As at the date of this Prospectus, we were contingently liable as guarantor of loans, principally to affiliates, amounting to ¥146 million.

A further analysis of our indebtedness as at March 31, 2009 is provided below, distinguishing between guaranteed, secured and unguaranteed/unsecured indebtedness:

| | Indebtedness as at March 31, 2009 |
|---|---|
| | (unaudited) (millions of yen) |
| **Total current and non-current debt** | |
| Guaranteed[(1)] | — |
| Secured[(2)] | 405,537 |
| Unguaranteed/unsecured | 491,699 |
| | 897,236 |

Notes

(1) Guaranteed by the Company

(2) Secured primarily by aircraft

**Net Indebtedness**

Our current and non-current indebtedness, as at March 31, 2009, was:

| | As at March 31 2009 (unaudited) (millions of yen) |
|---|---|
| A Cash and Cash equivalents[1] | 59,668 |
| B Marketable securities | 84,483 |
| **C Liquidity (A+B)** | 144,151 |
| D. Current Financial Receivable | — |
| E Current bank debt | 46,571 |
| F Current portion of non current debt | 122,891 |
| G Other current financial debt | — |
| **H Current financial debt (E+F+G)** | 169,462 |
| **I Net Current Financial Indebtedness (H-D-C)** | 25,311 |
| J Non current bank loans | 546,975 |
| K Bonds issued | 165,000 |
| L Other non current loans | — |
| **M Non current financial indebtedness (J+K+L)** | 711,975 |
| **N Net financial indebtedness (I+M)** | 25,311 |

Notes

(1) Short-term, highly liquid investments with a maturity of three months or less are treated as cash equivalents.

## SELECTED CONSOLIDATED FINANCIAL DATA AND OTHER INFORMATION

The following tables set forth selected consolidated financial data and other information for the Company and its consolidated subsidiaries. The selected consolidated statement of operations data for the years ended March 31, 2005, 2006, 2007, 2008 and 2009 and the balance sheet data as of March 31, 2005, 2006, 2007, 2008 and 2009 have been derived from our audited consolidated financial statements included elsewhere in this Prospectus. Our financial statements are prepared in accordance with Japanese GAAP, which differ in certain respects from accounting principles generally accepted in certain other countries.

The information below should be read together with "Operating and Financial Review" and the audited consolidated financial statements and related notes included elsewhere in this Prospectus.

| | For the year ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** | ***2009*** |
| | (millions of yen or thousands of dollars) | | | | | |
| **Statement of operations data:** | | | | | | |
| Air transportation revenues(1)(2): | | | | | | |
| Domestic passenger revenues | ¥ 658,762 | ¥ 685,074 | ¥ 726,063 | ¥ 739,514 | ¥ 699,389 | *$ 7,119,912* |
| International passenger revenues | 210,735 | 229,232 | 278,478 | 311,577 | 291,077 | *2,963,218* |
| Cargo and mail revenues | 90,988 | 96,716 | 105,143 | 114,306 | 109,752 | *1,117,296* |
| Other | 106,456 | 121,642 | 139,098 | 136,232 | 129,307 | *1,316,369* |
| Total air transportation revenues | 1,066,941 | 1,132,664 | 1,248,782 | 1,301,629 | 1,229,525 | *12,516,797* |
| Travel services revenues(1)(2) | 190,294 | 199,492 | 208,026 | 215,397 | 188,780 | *1,921,816* |
| Hotel operations revenues(1)(2)(3) | 69,498 | 66,376 | 66,637 | — | — | — |
| Other businesses revenues(1)(2) | 183,357 | 190,913 | 196,895 | 198,974 | 148,206 | *1,508,765* |
| Total operating revenues(2) | 1,510,090 | 1,589,445 | 1,720,340 | 1,716,000 | 1,566,511 | *15,947,378* |
| Intersegment eliminations | (217,277) | (220,653) | (230,682) | (228,173) | (173,930) | *(1,770,640)* |
| Consolidated operating revenues(2) | 1,292,813 | 1,368,792 | 1,489,658 | 1,487,827 | 1,392,581 | *14,176,738* |
| Operating expenses: | | | | | | |
| Aircraft and flight operations(4) | 302,854 | 326,622 | 385,554 | 394,422 | 433,316 | *4,411,238* |
| Aircraft maintenance(5) | 101,256 | 112,563 | 109,892 | 112,528 | 114,796 | *1,168,645* |
| In-flight services | 56,527 | 65,495 | 66,175 | 70,601 | 69,696 | *709,518* |
| Flight control and ground handling | 248,960 | 258,018 | 269,594 | 282,125 | 268,020 | *2,728,494* |
| Reservations, sales and advertising | 206,031 | 214,588 | 230,327 | 232,696 | 204,762 | *2,084,515* |
| General and administrative | 36,708 | 35,516 | 39,831 | 42,743 | 42,575 | *433,421* |
| Depreciation and amortization(4) | 70,446 | 76,201 | 88,610 | 116,787 | 112,881 | *1,149,149* |
| Other costs(5) | 192,257 | 190,987 | 207,485 | 151,536 | 138,946 | *1,414,496* |
| Total operating expenses | 1,215,039 | 1,279,990 | 1,397,468 | 1,403,438 | 1,384,992 | *14,099,480* |
| Operating income (loss): | | | | | | |
| Air transportation | 68,041 | 74,113 | 79,721 | 77,937 | 4,791 | *48,773* |
| Travel services | 3,124 | 3,218 | 1,920 | 1,074 | (628) | *(6,393)* |
| Hotel operations | (467) | 4,635 | 5,222 | — | — | — |
| Other businesses | 6,982 | 6,790 | 5,614 | 5,198 | 3,348 | *34,083* |
| Intersegment | 94 | 46 | (287) | 180 | 78 | *794* |
| Total operating income (loss) | 77,774 | 88,802 | 92,190 | 84,389 | 7,589 | *77,257* |
| Non-operating income (expenses) | (32,095) | (36,369) | (41,126) | 30,835 | (12,034) | *(122,508)* |
| Income (loss) before income taxes and minority interests | 45,679 | 52,433 | 51,064 | 115,224 | (4,445) | *(45,250)* |
| Income taxes: | | | | | | |
| Current | 34,592 | 20,935 | 12,818 | 84,886 | 1,334 | *13,580* |
| Deferred | (16,960) | 5,955 | 4,552 | (34,692) | (1,277) | *(13,000)* |
| Minority interests | 1,077 | (1,179) | 1,036 | 887 | (242) | *(2,463)* |
| Net income (loss) | ¥ 26,970 | ¥ 26,722 | ¥ 32,658 | ¥ 64,143 | ¥ (4,260) | *$ (43,367)* |

Notes:

(1) Operating segment revenues figures are before intersegment eliminations.

(2) Revenues are stated at the amount net of the related consumption tax.

(3) Hotel operations were discontinued in the year ended March 31, 2008 as a result of our sale of such operations in June 2007.

(4) In the year ended March 31, 2008, we adopted new accounting standards for lease transactions in accordance with Japanese GAAP. See Note 2(m) to our audited consolidated financial statements included elsewhere in this Prospectus.

(5) Certain reclassifications between "Aircraft maintenance" and "Other costs" were made to the March 31, 2005, 2006, 2007 and 2008 information to conform with the March 31, 2009 presentation.

| | As of March 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** | ***2009*** |
| | **(millions of yen or thousands of dollars, except per share data)** | | | | | |
| **Balance sheet data:** | | | | | | |
| Total assets | ¥1,606,613 | ¥1,666,843 | ¥1,602,091 | ¥1,783,393 | ¥1,761,065 | *$17,927,975* |
| Short-term loans, including current portion of long-term debt, and finance lease obligations[1] | 204,454 | 149,438 | 158,724 | 136,399 | 169,462 | *1,725,155* |
| Long-term debt, less current portion, and finance lease obligations[1] | 737,802 | 696,879 | 590,722 | 631,477 | 727,774 | *7,408,877* |
| Net assets[3] | 224,501 | 353,441 | 405,912 | 455,946 | 325,797 | *3,316,675* |
| Minority interests | 10,217 | 7,132 | 7,689 | 2,974 | 3,914 | *39,845* |
| **Per share data[2]:** | | | | | | |
| Net assets per share[3] | ¥ 128.31 | ¥ 177.89 | ¥ 204.42 | ¥ 232.58 | ¥ 166.50 | *$ 1.69* |
| Dividends per share | 3.00 | 3.00 | 3.00 | 5.00 | 1.00 | *0.01* |
| Net income (loss) per share: | | | | | | |
| Basic | 17.26 | 15.64 | 16.77 | 32.93 | (2.19) | *(0.02)* |
| Fully-diluted[4] | 15.31 | 15.64 | 16.77 | 32.93 | (2.19) | *(0.02)* |

Notes:

(1) Finance lease obligations are included for March 31, 2008 and 2009 figures only because such obligations were off balance sheet items in prior years. See Note 2(m) to our audited consolidated financial statements included elsewhere in this Prospectus.

(2) Amounts presented on a per-share basis have been rounded to the nearest one-hundredth.

(3) As a result of revision of "Implementation of Guidelines for Accounting Standards for Net Income per Share" (Financial Accounting Standard Implementation Guidelines No. 4 issued by the Accounting Standards Board of Japan on January 31, 2006), the amount of deferred gain on hedging instruments, net of tax, was included in net assets as of March 31, 2007 attributable to common stock.

(4) Fully-diluted net income per share is calculated by dividing the sum of (i) net income and (ii) any interest payable on dilutive securities during the period by the sum of (i) the average number of outstanding shares of common stock on a fully diluted basis during the period *minus* the average number of treasury shares held during the period and (ii) any increase in the number of shares of common stock from the beginning to the end of period. Fully-diluted net income per share was not calculated for years in which net income was negative.

We use measures of operating performance in our air transportation segment. For definitions of the measures set forth below, see "Glossary". Operating performance data are unaudited.

| | For the year ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006[(1)] | 2007[(2)] | 2008[(3)] | 2009[(3)] |
| **Domestic operations** | | | | | |
| Domestic passengers: | | | | | |
| Revenue passengers (thousands) | 44,485 | 45,474 | 46,471 | 45,556 | 42,753 |
| Available seat-km (millions) | 60,648 | 60,972 | 62,414 | 62,650 | 59,222 |
| Revenue passenger-km (millions) | 38,454 | 39,712 | 40,563 | 39,927 | 37,596 |
| Passenger load factor | 63.4% | 65.1% | 65.0% | 63.7% | 63.5% |
| Unit revenues[(4)] | ¥ 10.9 | ¥ 11.2 | ¥ 11.6 | ¥ 11.8 | ¥ 11.8 |
| Passenger yield[(4)] | ¥ 17.1 | ¥ 17.3 | ¥ 17.9 | ¥ 18.5 | ¥ 18.6 |
| Domestic cargo: | | | | | |
| Revenue ton (ton) | 422,397 | 440,750 | 457,914 | 462,569 | 475,014 |
| Revenue ton-km (thousands of ton-km) | 409,685 | 426,741 | 442,139 | 443,998 | 463,712 |
| Revenue ton-km yield[(4)] | ¥ 72.0 | ¥ 69.5 | ¥ 69.2 | ¥ 68.8 | ¥ 71.4 |
| Domestic mail: | | | | | |
| Revenue ton (ton) | 87,272 | 87,513 | 90,977 | 88,649 | 37,997 |
| Revenue ton-km (thousands of ton-km) | 92,621 | 93,135 | 97,013 | 92,027 | 37,035 |
| **International operations** | | | | | |
| International passengers: | | | | | |
| Revenue passengers (thousands) | 4,116 | 4,134 | 4,552 | 4,826 | 4,432 |
| Available seat-km (millions) | 25,190 | 25,337 | 26,607 | 28,285 | 27,905 |
| Revenue passenger-km (millions) | 19,191 | 18,769 | 20,144 | 21,290 | 19,360 |
| Passenger load factor | 76.2% | 74.1% | 75.7% | 75.3% | 69.4% |
| Unit revenues[(4)] | ¥ 8.4 | ¥ 9.0 | ¥ 10.5 | ¥ 11.0 | ¥ 10.4 |
| Passenger yield[(4)] | ¥ 11.0 | ¥ 12.2 | ¥ 13.8 | ¥ 14.6 | ¥ 15.0 |
| International cargo: | | | | | |
| Revenue ton (ton) | 234,417 | 248,735 | 277,571 | 332,507 | 354,251 |
| Revenue ton-km (thousands of ton-km) | 1,083,820 | 1,134,805 | 1,271,267 | 1,644,900 | 1,652,872 |
| Revenue ton-km yield[(4)] | ¥ 46.2 | ¥ 48.8 | ¥ 48.9 | ¥ 43.9 | ¥ 41.8 |
| International mail: | | | | | |
| Revenue ton (ton) | 13,764 | 14,252 | 15,389 | 15,330 | 18,772 |
| Revenue ton-km (thousands of ton-km) | 59,532 | 60,050 | 67,317 | 75,383 | 100,929 |

Notes:

(1) Domestic figures include ANA group and code-sharing flights (IBEX Airlines Co., Ltd. and Hokkaido International Airlines Co., Ltd. (AIR DO)). International figures include: ANA group and code-sharing flights (US and EVA AIR).

(2) Domestic figures include ANA group and code-sharing flights (IBEX Airlines Co., Ltd., Hokkaido International Airlines Co., Ltd. (AIR DO) and Skynet Asia Airways Co., Ltd.). International figures include ANA group and code-sharing flights (US and EVA AIR).

(3) Domestic figures include ANA group and code-sharing flights (IBEX Airlines Co., Ltd., Hokkaido International Airlines Co., Ltd. (AIR DO), Skynet Asia Airways Co., Ltd. and Star Flyer Inc.). International figures include ANA group and code-sharing flights (US and EVA AIR).

(4) Unit revenues, passenger yield and revenue ton-km yield amounts were calculated using operating revenues before intersegment eliminations.

## OPERATING AND FINANCIAL REVIEW

*The following discussion and analysis should be read in conjunction with our consolidated financial statements contained elsewhere in this Prospectus. Our financial statements have been prepared in accordance with Japanese GAAP, which differs in certain respects from accounting principles generally accepted in certain other countries. The discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Forward-Looking Statements" and "Risk Factors".*

### Overview

We are one of the leading airline groups in the world, ranking third worldwide in terms of market capitalization, based on stock prices and exchange rates as of March 31, 2009, and 12th worldwide in terms of revenue passengers, based on data published by the world's leading airlines. We conduct regularly scheduled flights to 50 airports in Japan and carried approximately 42.7 million revenue passengers on domestic flights during the year ended March 31, 2009. In our international passenger operations, we fly to 24 cities in 11 different countries and regions (other than Japan) and carried approximately 4.4 million revenue passengers during the year ended March 31, 2009.

Over the past several years through the year ended March 31, 2007, we generally had steady growth in both operating revenues and operating income, which showed slight decreases for the year ended March 31, 2008 principally due to weakened demand for our services and increases in jet fuel prices. With the severe global economic downturn in the year ended March 31, 2009, which worsened significantly after September 2008, we recorded substantial decreases in operating revenues and operating income and a net loss for the year. In particular, our results of operations were severely hit by the economic turmoil for each of the third and fourth quarters of that year resulting in the recording of a substantial operating loss for each of such quarters, as described in "— Quarterly Financial and Other Information". As the economic environment has continued to be unexpectedly severe and difficult and with the adverse impact of the swine flu outbreak, we recently came to anticipate, and are currently anticipating, that our results of operations for the three months ended June 30, 2009 is likely to worsen significantly. See "— Recent Developments and Outlook — Three Months Ended June 30, 2009". Although we expect a recovery from the effects of the global economic downturn beginning in the second half of the fiscal year that will accelerate through the fourth quarter of the fiscal year and that such recovery will lead to increased demand for our air transportation services, there is still much uncertainty regarding whether this will indeed be the case, and our results of operations for the rest of the fiscal year continues to be uncertain.

In response to the decline in our operating results for the year ended March 31, 2009, we formulated a cost reduction plan in April 2009 that contemplates cost reductions totaling ¥73 billion for the year ending March 31, 2010. In addition, based on our expectations of negative operating results for the three months ended June 30, 2009, we announced on July 1, 2009 an additional cost reduction plan which contemplates approximately ¥30 billion in additional cost reductions to be achieved during the rest of the year ending March 31, 2010. See "— Recent Developments and Outlook — Year Ending March 31, 2010 — Cost Reduction Measures".

Over the longer term, we are seeking growth opportunities with the anticipated increase in flight capacity at Haneda and Narita in 2010, the improvement of the efficiency of our fleet including through the procurement of a significant number of the new energy-efficient Boeing 787 aircraft and our plans to grow our international cargo business. See "Business — Our Strategy" and "Risk Factors — Risks Related to Our Business — We rely on The Boeing Company, or Boeing, for substantially all of our new aircraft currently on order and a significant majority of our current fleet, which exposes us to risks should Boeing refuse or be unable to fulfill its obligations, including its ability to deliver Boeing 787s as scheduled".

Our operating segments consist of air transportation, travel services and other businesses. Air transportation is our primary operating segment, accounting for 78.5% of operating revenues for the year ended March 31, 2009 before intersegment eliminations. Air transportation accounted for 63.8% of operating income for the year ended March 31, 2009 before intersegment eliminations. While we also had a hotel operations segment, we sold all our hotels in June 2007 in order to reduce our exposure to risks associated with the ownership of real estate and as part of our efforts to enhance the concentration of our resources on our air transportation business and improve our return on assets, and such operations ceased being an operating segment beginning the year ended March 31, 2008.

As of March 31, 2009, the Company had 107 subsidiaries, 76 of which are consolidated subsidiaries and five of which are accounted for under the equity method. We also had 41 affiliates, 19 of which are accounted for under the equity method.

***Our Operating Segments***

Set forth below is a description of the principal components of operating revenues and operating expenses in each of our four operating segments.

*Air Transportation*

Operating revenues from our air transportation segment consist of passenger revenues, cargo revenues and mail revenues, all three of which are divided into domestic and international, and other revenues. The main components of each of these revenues sources are as follows:

- *Passenger revenues* consist primarily of revenues derived from transport of passengers on domestic and international flights we operate (before deduction of any commissions or other fees paid to travel agencies and other intermediaries) and revenues derived from ticket sales and commissions related to code-sharing for transport of passengers on flights that are operated by other airlines.

- Under code-sharing arrangements, the marketing airline sells seats on the operating airline's flights from the operating airline's inventory. The marketing airline receives a commission for bringing a passenger to the operating airline. We generate revenues from code-sharing arrangements as both the marketing airline and the operating airline. Revenues from the sale of passenger tickets to our travel services segment that are included in package tours are eliminated from our air transportation segment revenues upon consolidation of our operating results. Other passenger revenues are derived primarily from baggage handling operations, including surcharges for overweight baggage carried.

- *Cargo revenues* consist primarily of revenues from the transportation of cargo, other than mail, in cargo bays of our passenger aircraft and, to a much lesser extent, on our dedicated freighter aircraft.

- *Mail revenues* consist primarily of revenues from the transportation of mail for Japan Post and postal organizations of other countries in cargo bays of our passenger aircraft and, to a much lesser extent, our dedicated freighter aircraft.

- *Other transportations services revenues* consist primarily of revenues from providing aircraft line maintenance, which consists of providing regular maintenance for aircraft between flights, and ground services, including passenger check-in and baggage handling, for other international airlines at Narita, Kansai International Airport, or Kansai, and Central Japan International Airport, or Centrair, and to smaller domestic airlines at airports throughout Japan, sales of frequent flyer miles to our partner airlines and retailers, and in-flight sales of merchandise.

Operating expenses of the air transportation segment consist primarily of personnel costs, jet fuel costs (including jet fuel tax), landing and navigation fees, fees related to aircraft leasing, depreciation and amortization, and aircraft maintenance expenses. A substantial portion of our operating expenses related to our air transportation segment are fixed or recurring costs that do not vary proportionately based on operating revenues, aircraft utilization rates, the number of passengers or amount of cargo carried or the ratio of revenue passenger seats to the total seating capacity of a particular flight. These expenses include our personnel costs, fees related to aircraft leasing, depreciation and amortization expenses and aircraft maintenance expenses. A smaller portion of our operating expenses are related directly to the number of flights flown and the type of aircraft used on our routes, including our jet fuel costs and landing and navigation fees. For a more detailed discussion of the operating expenses of our air transportation segment, see "— Factors Affecting Our Results of Operations — Factors Affecting Operating Expenses".

*Travel Services*

Our travel services consist primarily of the sale of domestic and international package tours, which include transportation, lodging and other services. Revenues from the sale of package tours include the entire purchase price paid by customers. We also derive revenues in our travel services segment from individual sales (i.e., not as a part of package tours) of tickets on our flights, lodging at hotels and other travel services. Revenues from these individual sales consist primarily of commissions.

A substantial portion of our operating expenses for our travel services includes amounts paid to service providers for services included in our package tours. The cost of tickets on our flights included in our package tours are eliminated upon consolidation of our operating results.

Other operating expenses of our travel services include, among other things, personnel costs and costs related to operating our 48 travel agency offices.

*Hotel Operations*

The primary activities in our hotel operations, prior to their sale in June 2007, were the operation of 13 hotels in Japan, of which 10 consisted of properties we owned and three consisted of leased properties. Included in our owned hotels is the ANA Hotel Tokyo. We also managed two third-party hotels in Japan and one hotel in Xian, China under hotel management agreements. We derived operating revenues from our hotel management agreements through management fees earned based on the hotel's gross revenues. We also licensed our franchise to an additional 11 hotels operated by third parties in Japan, from which we earned franchising fees from franchisees based on a percentage of the hotel's gross revenues, and had referral arrangements with four third-party hotels which generate referral fees based on the number of referrals.

Our operating expenses for our hotel operations consisted primarily of personnel and other operating costs related to providing lodging and meals to guests, rent payments for the three hotels that we leased and depreciation and amortization expenses related to our hotel properties.

Our hotel operations segment suffered from operating losses or otherwise low profitability for several years prior to its sale in June 2007 primarily as a result of the effects of the stagnation of the Japanese economy.

In June 2007, we sold substantially all of our hotel operation-related assets, and our only involvement in our former hotel operations is through the licensing of the ANA brand to IHG ANA Hotels Group LLC, which is the management company for the hotels. We retain a 25% equity stake in such management company. As a result of the sale, we recognized a gain on sale of hotel businesses of ¥132,992 million in the year ended March 31, 2008.

Our hotel operations segment was eliminated at the beginning of the year ended March 31, 2008.

*Other Businesses*

Our other businesses consist mainly of trading and retailing, information and telecommunications, building maintenance and other services. Of these businesses, revenues from goods sold in the trading and retailing business, particularly through our duty-free and other shops and restaurants located in airports, accounted for substantially all of our sales to external customers within other businesses in each of the three years ended March 31, 2009.

Operating revenues from our trading and retailing business include those generated through sales of goods to third parties through our duty-free and other shops as well as restaurants. We also provide aircraft equipment, machinery and other goods to our air transportation business, but substantially all of the revenues generated by this business are eliminated in our consolidation process. The largest portion of our operating expenses for our trading and retailing business consists of cost of goods sold.

The primary activity of our information and telecommunications business is the development, installation and maintenance of aviation-related information systems equipment and software for the ANA group. Substantially all of these revenues are eliminated upon consolidation.

***Factors Affecting Our Results of Operations***

*Factors Affecting Operating Revenues*

Demand for airline passenger services is highly sensitive to general economic conditions. Because a substantial portion of airline travel (both business and leisure) is discretionary, the industry tends to experience severe adverse financial results during general economic downturns. In addition, demand is impacted by the occurrence of terrorist attacks, medical epidemics and anomalies in the global climate, and cyclical downturns in demand have become more frequent in the past decade as a result.

*Demand for Domestic Air Travel*

The Japanese domestic airline industry and demand for our domestic passenger service have been, and we expect will continue to be, primarily affected by the following factors:

- domestic economic conditions; and
- events that have a temporary impact on demand for domestic air travel, in particular leisure travel, such as natural disasters, adverse weather conditions, including typhoons and earthquakes, and medical epidemics such as swine flu.

For a more detailed discussion of the Japanese domestic airline industry, see "Business — The Airline Industry — The Domestic Air Transportation Industry". Demand for our domestic passenger service is also affected by competition we face in the Japanese market, in particular from the JAL group and the *Shinkansen,* and we expect competition in our domestic passenger service to increase following the expansion of Haneda in 2010. See “Business — Competition — Domestic Passenger Service”.

*Demand for International Air Travel*

The international airline industry and demand for our international passenger service have been, and we expect will continue to be, primarily affected by:

- global economic conditions;
- terrorist activities, such as the attacks in the United States on September 11, 2001;
- medical epidemics, such as swine flu, and the threat of future epidemics, such as the potential threat of avian flu;
- other events beyond our control that affect our markets, such as reduced demand for travel to and from China in 2008 as a result of concerns over food safety and the effects of the Sichuan earthquake; and
- the amount of fuel surcharges.

For a more detailed discussion of the global airline industry, see “Business — The Airline Industry — The International Air Transportation Industry”. Demand for our international passenger service is also affected by competition on our routes. Pricing decisions by international airlines that focus more on market share, rather than profitability, or that otherwise have different operating strategies or have lower cost structures particularly affect demand from leisure travelers for our international passenger service. See “Business — Competition — International Passenger Service”.

*Demand for Air Cargo*

Demand for our domestic air cargo services has been relatively stable, and we expect such demand to gradually decline as surface transportation systems continue to develop. Demand for our international cargo services tends to fluctuate based on cyclical changes in demand for semiconductors and electronic goods as these products constitute a significant portion of cargo carried by us. We plan to establish our international cargo hub in Okinawa and strengthen our express cargo business to seek additional demand for our cargo services. See “Business — Our Strategy — Expand our international cargo operations”.

*Availability of Flight Slots at Haneda and Narita Airports*

Our hub for our domestic passenger service is Haneda, and our hub for our international passenger service is Narita. Flight slots available and useful to us at these two airports have historically been extremely limited, and this has been the most significant limiting factor to the growth of our air transportation business. Both Haneda and Narita airports are scheduled to increase the number of available flight slots significantly in 2010. We expect an increase in available capacity for our air transportation business to the extent we are able to obtain a portion of the additional slots. See “Business — Our Strategy — Capitalize on expected growth in international passenger service”.

*Pricing*

Operating revenues are also affected by our pricing. Changes in pricing are dictated mainly by our efforts to adjust pricing on individual flights to match demand and price changes based on changes in jet fuel costs. See “— Factors Affecting Our Results of Operations — Factors Affecting Operating Income” and “— Factors Affecting Our Results of Operations — Factors Affecting Operating Expenses — Jet Fuel Costs”.

*Factors Affecting Operating Expenses*

The following is a general description of our operating expense line items in our statements of operations:

- *Aircraft and flight operations* consists primarily of jet fuel costs (including jet fuel taxes), lease expenses related to our aircraft (in which we also include amounts paid to other airlines under agreements through which we purchase blocks of seats on such airlines’ flights) and personnel costs related to our pilots.
- *Aircraft maintenance* consists primarily of expenses related to parts procured and outsourcing costs, as well as costs related to our maintenance personnel and facilities.
- *In-flight services* consists primarily of personnel costs related to cabin crew, costs related to our meal and beverage service, and other supplies used on our flights.

- *Flight control and ground handling* consists primarily of landing and navigation fees, personnel costs related to our non-maintenance personnel at airports, such as ticketing agents, and employees related to aircraft operations, outsourcing costs related to maintenance and ground services provided by other airlines to us primarily at airports outside of Japan and rent expense related to facilities leased at airports.
- *Reservations, sales and advertising* consists principally of commissions payable to agents for airline ticket sales, amounts paid for services included in our package tours, and personnel costs related primarily to our reservation and air ticket sales personnel.
- *General and administrative* consists primarily of costs related to our headquarters and our management functions.
- *Depreciation and amortization* consists primarily of depreciation and amortization related to our aircraft equipment and, to a lesser extent, our real estate assets.
- *Other costs* consists primarily of costs of goods sold, personnel and other costs related to our other businesses segments, as well as costs related to maintenance and ground services we provide to other airlines at airports in Japan.

Our operating expenses are affected primarily by costs related to our air transportation segment. The largest components of our air transportation operating costs are jet fuel costs, personnel costs, costs related to our aircraft procurement and our fleet, landing and navigation fees and aircraft maintenance costs. The following describes factors that affect each of these costs:

*Jet Fuel Costs*

Jet fuel costs constituted 24.8% of operating expenses of our air transportation segment for the year ended March 31, 2009 before intersegment eliminations. Jet fuel costs include payments for jet fuel, as well as related fuel taxes. We believe jet fuel taxes are higher in Japan than in most other countries. Jet fuel costs are included under "aircraft and flight operations" in our consolidated statements of operations.

During 2007 and the first half of 2008, jet fuel prices were at unprecedented high levels. The following table sets forth the market price for Dubai crude oil (historically an indicator of jet fuel prices) as of each of the dates set forth below:

| Date | Price per barrel |
|---|---|
| | (dollars) |
| March 31, 2006 | $ 60.5 |
| June 30, 2006 | 67.6 |
| September 29, 2006 | 57.9 |
| December 29, 2006 | 56.6 |
| March 31, 2007 | 63.0 |
| June 29, 2007 | 66.1 |
| September 28, 2007 | 76.6 |
| December 28, 2007 | 89.3 |
| March 31, 2008 | 97.4 |
| June 30, 2008 | 136.3 |
| September 30, 2008 | 87.7 |
| December 31, 2008 | 36.4 |
| March 31, 2009 | 46.7 |
| June 30, 2009 | 71.5 |

*Source:* Company's figures

As of July 10, 2009, the market price for Dubai crude oil was U.S.$60.8 per barrel.

Fuel prices are susceptible to world political and economic developments as described under "Risk Factors — Risks Related to Our Business — Jet fuel price volatility could affect our profitability", and we are currently assuming a gradual increase in the price of jet fuel over the short term for purposes of our business plans. We are also taking various measures to reduce our jet fuel costs during the current fiscal year. See "— Recent Developments and Outlook — Year Ending March 31, 2010 — Cost Reduction Measures".

We seek to control the risk of fluctuations in the price of jet fuel and to stabilize expenses by regularly entering into crude oil and jet fuel commodity derivatives contracts. Because the derivatives contracts that we currently utilize have the effect of making our effective purchase price of jet fuel roughly equal to the average of the historical market price for jet fuel over the three-year period prior to the actual purchase, the impact of changes in the market price for jet fuel on our jet fuel costs is generally spread over a three-year span after such change. For a further discussion of our hedging transactions see "— Market Risks — Jet Fuel Price Risks".

We utilize foreign exchange forward contracts, options and swaps to hedge our exposure to foreign exchange risk related to the estimated amount of future dollar payments relating to jet fuel purchases. We generally begin applying these hedges five years in advance of the estimated time of payment, based on projections of our future U.S. dollar payment needs, and gradually increase the hedged portion until 80% of such estimated future payment is hedged in accordance with our hedging policy. Even after taking these hedges into account, depreciation of the Japanese yen against the U.S. dollar has a negative effect on our net income. For a further discussion of our hedging transactions see "— Market Risks — Currency Risk".

To offset increases in our costs resulting from jet fuel price increases, we generally apply fuel surcharges on our international passenger fares and cargo fares based on prevailing jet fuel prices. Specifically, changes to our fuel surcharges on our international passenger fares are determined every three months based on the three-month average of jet fuel prices, and fuel surcharges on cargo fares are fixed every month based on the one-month average of jet fuel prices. We also implement price increases on our domestic passenger fares, generally once a year, based on factors that include prevailing jet fuel prices. While our hedging policies have the effect of stabilizing our costs, it also results in mismatches between our revenue and costs over the short term, because our fare increases and fuel surcharges are generally priced based on short-term historical jet fuel costs, and this could have a negative effect on our results of operations during periods of sudden and significant declines in jet fuel prices, and vice versa.

*Personnel*

Costs related to our personnel constitute the largest portion of operating expenses and are included within each of the operating expense line items, other than depreciation and amortization, in our consolidated statements of operations. As of March 31, 2009, we had 33,045 full-time employees. With respect to our air transportation segment, personnel costs constituted 19.0% of operating expenses allocated to the segment for the year ended March 31, 2009 before intersegment eliminations. In the past several years, we have taken measures to reduce our personnel costs, including changes to our retirement and pension benefits systems, reductions in the base salaries of all management and non-management employees and headcount reduction through early retirement packages and other incentives and reducing the number of new hires. We plan to continue efforts to reduce personnel costs in the current fiscal year. See "— Recent Developments and Outlook — Year Ending March 31, 2010 — Cost Reduction Measures".

*Aircraft Procurement and Our Fleet*

With respect to aircraft which we own, rather than lease, we incur depreciation expenses. We depreciate our aircraft primarily on a straight-line basis over 17 to 20 years, based on the estimated useful lives of our aircraft. As we replace older aircraft with new fuel-efficient aircraft and increase the size of our fleet over the next several years, we expect our depreciation expenses related to aircraft to increase. During the year ended March 31, 2009, we incurred depreciation expenses related to our air transportation segment in the amount of ¥110.0 billion, a substantial majority of which was related to our aircraft. For information on our aircraft procurement plans going forward, see "— Liquidity and Capital Resources — Liquidity" and "Business — Fleet".

*Landing and Navigation Fees*

Landing fees consist primarily of airport and landing fees, while navigation fees consist of routing taxes and other fees related to navigation paid to various air traffic controllers. Landing and navigation fees represented approximately 6.5% of our operating expenses for the year ended March 31, 2009 before intersegment eliminations. Landing and navigation fees constituted 8.3% of operating expenses of our air transportation segment for the year ended March 31, 2009 before intersegment eliminations. Landing and navigation fees are included under "flight control and ground handling" in our consolidated statements of operations.

In Japan, the government implemented a temporary measure to reduce landing and navigation fees at Japanese airports beginning in July 2008 and effective through March 2010 as part of its economic stimulus program. See "— Recent Developments and Outlook — Year Ending March 31, 2010 — Cost Reduction Measures — FY 2009 Emergency Plan" for more information regarding the effect of the reduction in landing and navigation fees for the year ending March 31, 2010. Despite the fee reduction, landing and navigation fees at Japanese airports are still generally substantially higher than fees at airports in other countries. The high level of Japanese landing and navigation fees adversely affects our results of operations when compared with airlines that utilize hubs in other countries.

*Aircraft Maintenance*

Aircraft maintenance expenses primarily include expenses related to parts procured and outsourcing costs, as well as costs related to our maintenance personnel and facilities and maintenance contracts. Maintenance materials and repairs are expensed when incurred, other than costs with respect to larger parts, such as engines, which are recorded on our balance sheet as "property and equipment".

*Reservations, Sales and Advertising*

Commissions payable to agents for airline ticket sales and amounts paid for services included in our package tours correlate with the amount of sales related to such channels, and commissions and amounts paid to our subsidiaries are eliminated upon consolidation.

*Factors Affecting Operating Income*

Although a variety of factors determine our profitability and performance, we pay particular attention in our air transportation segment to our "unit revenues". Unit revenues are a function of two key indicators of our operations, "load factor" and "yield". Load factor measures the percentage of aircraft seating capacity (or cargo capacity) that is actually utilized, whereas yield measures the average amount of revenue received per kilometer flown by each revenue passenger or ton of cargo.

Our management looks to unit revenues to assess whether we are achieving an optimal balance between our load factor and yield in order to maximize our profitability. Management of our unit revenues is particularly important as none of our major operating expenses increase significantly due to increases in load factor or yield. Significant improvements in load factor can be achieved through efficient allocation of aircraft to flights so that seat capacity matches the level of customer demand as closely as possible. Because smaller aircraft consume less fuel and require lower landing and navigation fees, application of smaller aircraft for flights with lower customer demand further enhances profitability. On the other hand, profitability increases significantly when we are able to assign larger aircraft to match high demand. Increases in load factor can also be achieved by lowering pricing on our routes. However, lower pricing of our services will generally result in downward pressure on our yields, which has a negative effect on our unit revenues and overall profitability. We look to control this downward pressure by careful allocation of seats to various price categories, including an emphasis on gaining business travelers due to their positive effect on yields.

We utilize the following operation and revenue management systems to enhance our unit revenues:

- *Fleet Assignment Model.* FAM aims to optimize aircraft allocation on our domestic flights by analyzing demand trends based on QSI, our air travel demand prediction tool, together with our flight route network and flight schedules, work patterns of flight crews, operating expenses and other factors to improve load factors in an efficient manner. We use similar principles to allocate aircraft on our international routes.
- *Passenger Revenue Optimization System.* PROS aims to enhance passenger yield without significant sacrifices in passenger load factors by allocating seats to various fare categories in line with demand trends. We typically make available several classes of discount fares based on the number of days prior to the date of flight the ticket is purchased. Under PROS, we analyze real-time reservation data against historical demand trends and periodically re-adjust the number of seats that we make available to each fare class.

On our international flights, we have in recent years been reducing the usage of the Boeing 747 in favor of the smaller, more cost efficient Boeing 777 in an effort to improve our passenger load factor and lower overall costs associated with our operations. We have looked to offset, in part, the downward pressure on our passenger yields from the use of smaller aircraft, by allocating a larger percentage of seating on our Boeing 777s to business and first class seating. On our domestic flights, we have also been reducing the usage of the Boeing 747 in favor of the mid-sized Boeing 767 and have been endeavoring to offset the downward pressure on our passenger yields by introducing *Premium Class* seats and matching fare levels with demand.

We also aim to increase our operating income through other cost reduction measures. For example, the introduction of the new Boeing 787s scheduled in February 2010, which could be delayed due to the postponement of first flight announced by Boeing in June 2009, will help enhance the fuel efficiency of our flights as discussed under "Business — Our Strategy — Improve the efficiency of our fleet". While the positive impact of the launch of Boeing 787s on our operating income will at most be limited in the current fiscal year, its impact in the year ending March 31, 2011 is expected to be considerable, assuming timely delivery. See "Risk Factors — Risks Related to Our Business — We rely on The Boeing Company, or Boeing, for substantially all of our new aircraft currently on order and a significant majority of our current fleet, which exposes us to risks should Boeing refuse or be unable to fulfill its obligations, including its ability to deliver Boeing 787s as scheduled".

*Seasonality*

The airline industry is seasonal in nature. Historically, sales for our flights are strongest during the summer months, in particular August, and is weakest during the winter months. The seasonality of our primary business results in fluctuations in our operating revenues and significant fluctuations in operating income. Operating income for the second quarter of any fiscal year is generally significantly higher than the fourth quarter, and operating income for the third and first quarters are generally in between the second and fourth quarters. As a result, results of operations for any one quarter of a fiscal year is not indicative of any other quarter. See "— Quarterly Financial and Other Information".

*Factors Affecting Non-Operating Income and Expenses*

Our consolidated operating results are affected by our non-operating income and expenses, in particular the following:

*Disposal of Property and Equipment*

In the past several years, we had been disposing of certain of our real estate assets as part of our efforts to improve our operating performance, culminating in the year ended March 31, 2008 with the sale of our hotel business assets for a gain of ¥132.9 billion. During the years ended March 31, 2008 and 2009, we recorded non-operating losses on sale or disposal property and equipment of ¥8.9 billion and ¥8.2 billion, respectively, which were related mainly to the sale of retired aircraft and aircraft parts in the ordinary course of our air transportation business. Separately, we incurred a loss on disposal of parts for retired aircraft property and equipment of ¥11.1 billion in the year ended March 31, 2008 related to parts for Boeing 747-200 and 747-400 and Airbus A320 and A321 aircraft which we decided to discontinue in our fleet. We dispose of aircraft and related equipment in the ordinary course of our business. Because aircraft and related equipment are generally not revalued based on market prices, we regularly incur or record losses and gains as a result of their disposal.

*Interest Expense*

We finance a significant portion of our operations, including a portion of our aircraft purchases, through the issuance of debt and bank loans. As of March 31, 2009, we had outstanding bonds and notes and loans with an aggregate principal amount of ¥839.6 billion.

As of March 31, 2009, ¥44.0 billion of our interest-bearing debt (on a non-consolidated basis and after giving effect to our interest rate swaps, but not including ¥58.0 billion in short-term loans from our wholly-owned consolidated subsidiary, Winglet Co., Ltd.) carried floating interest rates, which fluctuate based on market interest rates. In addition, we expect to issue bonds and notes, or enter into additional loan agreements, in the future to fund our operations and capital expenditures and to refinance indebtedness that comes due, and the cost of financing for these obligations will depend greatly on market interest rates. The Bank of Japan currently maintains short-term interest rates at levels near zero percent. If interest rates increase as a result of policy changes or otherwise, our future interest expenses may increase substantially. We currently expect the level of our interest-bearing debt to be roughly the same over the next two fiscal years.

*Retirement Benefit Plans*

We and our domestic subsidiaries maintain defined benefit plans, consisting of welfare pension fund plans, tax-qualified pension plans and lump-sum pension plans, covering substantially all employees other than directors, officers and corporate auditors. Under the plans, eligible employees are entitled, upon mandatory retirement or earlier voluntary severance, to lump-sum payments and/or annuity payments based on their compensation at the time of departure and years of service. As of March 31, 2009, our retirement benefit obligation was ¥269.7 billion and our plan assets at fair value was ¥82.9 billion. We amortize the difference pursuant to Japanese GAAP. For more information regarding our retirement benefit plans, see Note 7 to our audited consolidated financial statements included elsewhere in this Prospectus.

*Others*

Our consolidated results have from time to time been materially affected by various non-recurring gains and losses. In particular, the following had material impacts on our results of operations during the periods analyzed below:

- extraordinary depreciation of ¥22.3 billion relating to the re-evaluation of our method of depreciation for existing aircraft and determining the useful lives and residual values of ancillary assets attached to these aircraft; and

- a provision for loss on antitrust proceedings of ¥16.1 billion related to the ongoing proceedings with the European Commission antitrust authorities with respect to an alleged breach of European antitrust laws in our cargo operations.

**Critical Accounting Policies**

We prepare our financial statements in accordance with Japanese GAAP. The preparation of these financial statements requires the use of estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following are our critical accounting policies. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and potentially result in materially different results under different assumptions and conditions.

***Revenue Recognition***

We record passenger revenues, cargo revenues and other operating revenues when services are rendered.

The amount of passenger ticket sales and commissions not yet recognized on our statements of operations is reflected in "advance ticket sales" and "prepaid expenses", respectively, in the consolidated balance sheet.

***Frequent Flyer Accounting***

We use a number of estimates in accounting for our *ANA Mileage Club* frequent flyer program that we believe are consistent with market practice.

We record a liability for the estimated incremental cost of providing travel awards based on a database of all program participants and consideration of each individual's outstanding awards balance. We also record a liability for payments we expect to make to partner airlines for *ANA Mileage Club* members' redemptions for travel on the other airlines, for payments we expect to make to vendors for *ANA Mileage Club* members' use of frequent flyer miles to purchase goods and for conversion of frequent flyer miles to electronic money under the *Edy* program. Not all program members redeem accumulated miles for flight awards or other goods under the plan, and some program members may never redeem accumulated miles. Accordingly, we calculate our program liability based on an analysis of previous experience under the program, anticipated behavior of customers, expectations of future awards to be issued, and analysis of current accumulated mileage balances.

We assess incremental cost estimates and award redemption assumptions on a periodic basis throughout the year. Any known or expected trends in individual components are considered in developing estimates of the expected future incremental costs of awards to be issued under the program. We believe that our estimates regarding cost estimates or assumptions regarding redemption of miles awards are reasonable; however, a change to these estimates, the actual redemption activity, the amount of redemptions on alliance airlines or the minimum award level could have a significant impact on our liability in the period of change as well as future years.

We also sell mileage credits in the *ANA Mileage Club* program to participating partners, such as credit card companies and hotels. Income from the sale of mileage is recognized as "other transportations services revenues" at the time of such sale.

***Impairment of Long-Lived Assets***

An impairment loss is required to be recognized when the carrying amount of an asset significantly exceeds its recoverable amount. Our primary fixed assets in use are property and equipment. Our cash flow estimates are based on our estimate of future market and operating conditions while taking into account historical results. The net carrying amount of impaired assets is reduced to fair value, and the difference is recorded as a non-operating expense. Our estimate of fair value is generally based on estimates of asset values from a third party appraiser. In the year ended March 31, 2008, we recorded an impairment loss of ¥14.1 billion, consisting of a loss taken on aircraft that we planned to sell. We regularly review the estimated useful lives and salvage values for our aircraft, spare parts and other long-lived assets.

***Deferred Tax Assets***

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating losses and tax credits carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is charged to operations in the period that includes the enactment date. In each reporting period, we assess the likelihood that our deferred tax assets will be recovered from future taxable income. To the extent we believe that recovery is not likely, we establish a valuation allowance, which is recorded within the income tax provision in our consolidated statements of operations.

Significant management judgment is required in determination of our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. Based on our estimate of future taxable income over a maximum of five years, we have concluded that it would be appropriate to recognize most of our deferred tax assets and, therefore, have recorded a relatively small valuation allowance. As of March 31, 2009, our deferred tax assets, net of deferred tax liabilities, were ¥154.8 billion.

The estimates and assumptions used in determining future taxable income are consistent with those used in our forecast of future operations approved by our management. Our actual future taxable income amounts may be different from our estimates. If our future taxable income is less than management forecasts, we may be required to reduce all or a significant portion of our existing deferred tax assets.

***Retirement Benefits***

We have retirement benefit plans that cover substantially all of our employees, other than directors, officers and corporate auditors. Accrued retirement benefits for employees at a balance sheet date are provided at an amount calculated based on the retirement benefit obligation and the fair market value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized net retirement benefit obligations at transition, unrecognized actuarial gains or losses and unrecognized prior service costs. Changes in the retirement benefit costs and liabilities may occur in the future due to changes in assumptions or in the number of employees covered. Inherent in these valuations are key assumptions, including the discount rate and expected long-term rate of return on plan assets. We used a discount rate of 2.5% and assumed the expected long-term rate of return on plan assets of between 1.0% to 5.5% in determining our retirement benefit costs and liabilities in the year ended March 31, 2009. We annually review the assumptions underlying the actuarial calculations, making adjustments based on current market data. While we believe the assumptions we use in making our calculations are appropriate, differences in actual experiences or changes in assumptions may affect our future operating results and financial condition.

## Recent Accounting Pronouncements in Japan

***Principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliates***

On April 1, 2008, we began applying "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement" (Practical Issues Task Force No. 18 issued by the Accounting Standards Board of Japan on May 17, 2006), which relates to the principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliates. The application of this standard had no impact on operating income and loss before income taxes and minority interests for the year ended March 31, 2009.

***Inventories***

On April 1, 2007, we and our domestic subsidiaries and affiliates adopted "Accounting Standards for Measurement of Inventories" (Financial Accounting Standard No. 9 issued by the Accounting Standards Board of Japan on July 5, 2006).

***Property and equipment and depreciation (excluding leased assets)***

On April 1, 2007, we and our domestic subsidiaries and affiliates changed our method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or after April 1, 2007.

***Bond issuance costs***

On April 1, 2007, we changed our method of amortization for bond issuance costs due to adoption of the "Tentative Guidelines for Accounting Treatment of Deferred Assets" (Practical Issues Task Force No. 19 issued by the Accounting Standards Board of Japan on August 11, 2006).

***Leased assets and amortization***

On April 1, 2007, we and our domestic subsidiaries and affiliates adopted "Accounting Standards for Lease Transaction" (Financial Accounting Standard No. 13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the Accounting Standards Board of Japan on March 30, 2007) and "Implementation Guidelines for Accounting Standards for Lease Transactions" (Financial Accounting Standard Implementation Guidelines No. 16 originally issued by the Accounting System Committee of the Japanese

Institute of Certified Public Accountants on January 18, 1994 and revised by the Accounting Standards Board of Japan on March 30, 2007). As a result, tangible fixed assets increased by ¥69,727 million, intangible assets increased by ¥315 million, current liabilities increased by ¥15,797 million and long-term liabilities increased by ¥56,899 million in the consolidated balance sheets as compared with the corresponding amounts that would have been reported under the previous methods. In the consolidated statements of operations, operating income increased by ¥2,440 million and income before income taxes and minority interests decreased by ¥3,022 million as compared with the corresponding amounts that would have been reported under the previous methods.

***Net assets per share***

As a result of revision of "Implementation of Guidelines for Accounting Standards for Net Income per Share" (Financial Accounting Standard Implementation Guidelines No. 4 issued by the Accounting Standards Board of Japan on January 31, 2006), the amount of deferred gain on hedging instruments, net of tax, was included in net assets as of March 31, 2007 attributable to common stock.

***Cash equivalents***

Domestic negotiable certificates of deposits included in "Cash" as of March 31, 2007 were reclassified into "marketable securities" due to a series of revisions for accounting standards resulting from enforcement of the Financial Instruments and Exchange Law.

**Quarterly Financial and Other Information**

The following statement of operations data for each quarter of the year ended March 31, 2009 has been derived from our unaudited quarterly consolidated financial statements prepared in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan. Such quarterly consolidated financial statements are on a basis substantially consistent with that of our audited annual consolidated financial statements included elsewhere in this Prospectus, with certain limited exceptions, in particular that the calculation of income tax payments is limited to major taxable additions and subtractions and tax credits. Because of this inconsistency in the calculation of income tax payments, the table below presents statement of operations data only through income (loss) before income taxes and minority interests for each of the four quarters with a separate column of all line items for the full fiscal year using data derived from our audited annual consolidated financial statements.

| | For the three months ended | | | | For the year ended |
|---|---|---|---|---|---|
| | **June 30, 2008** | **September 30, 2008** | **December 31, 2008** | **March 31, 2009[1]** | **March 31, 2009** |
| | **(unaudited)** | **(unaudited)** | **(unaudited)** | **(unaudited)** | |
| | | | **(millions of yen)** | | |
| **Statement of operations data:** | | | | | |
| Air transportation revenues[2][3]: | | | | | |
| Domestic passenger revenues | ¥166,446 | ¥206,114 | ¥176,867 | ¥149,962 | ¥ 699,389 |
| International passenger revenues | 78,559 | 87,044 | 73,697 | 51,777 | 291,077 |
| Cargo and mail revenues | 29,722 | 32,080 | 28,863 | 19,087 | 109,752 |
| Other | 32,826 | 34,098 | 31,922 | 30,461 | 129,307 |
| Total air transportation revenues | 307,553 | 359,336 | 311,349 | 251,287 | 1,229,525 |
| Travel services revenues[2][3] | 41,502 | 60,963 | 45,596 | 40,719 | 188,780 |
| Other businesses revenues[2][3] | 36,532 | 38,340 | 38,179 | 35,155 | 148,206 |
| Total operating revenues[2][3] | 385,587 | 458,639 | 395,124 | 327,161 | 1,566,511 |
| Intersegment eliminations | (40,063) | (50,835) | (41,028) | (42,004) | (173,930) |
| Consolidated operating revenues[3] | 345,524 | 407,804 | 354,096 | 285,157 | 1,392,581 |
| Operating expenses | 330,919 | 372,574 | 363,599 | 317,900 | 1,384,992 |
| Operating income (loss) | 14,605 | 35,230 | (9,503) | (32,743) | 7,589 |
| Non-operating income (expenses) | (2,617) | (8,503) | (9,735) | 8,821 | (12,034) |
| Income (loss) before income taxes and minority interests | 11,988 | 26,727 | (19,238) | (23,922) | (4,445) |
| Income taxes: | | | | | |
| Current | | | | | ¥ 1,334 |
| Deferred | | | | | (1,277) |
| Minority interests | | | | | (242) |
| Net income (loss) | | | | | ¥ (4,260) |

Notes:

(1) Prepared by subtracting statement of operations data derived from unaudited quarterly consolidated financial statements for the three quarters ended December 31, 2008 from statement of operations data derived from audited annual consolidated financial statements for the year ended March 31, 2009.

(2) Operating segment revenues figures are before intersegment eliminations.

(3) Revenues are stated at the amount net of the related consumption tax.

The following table sets forth certain operating performance data for our air transportation segment for each quarter of the year ended March 31, 2009 . For definitions of the measures set forth below, see "Glossary". Operating performance data are unaudited.

| | For the three months ended | | | |
|---|---|---|---|---|
| | June 30, 2008 | September 30, 2008 | December 31, 2008 | March 31, 2009 |
| **Domestic operations**(1) | | | | |
| Domestic passengers: | | | | |
| Revenue passengers (thousands) | 10,453 | 11,827 | 10,945 | 9,526 |
| Available seat-km (millions) | 14,923 | 15,529 | 14,790 | 13,978 |
| Revenue passenger-km (millions) | 9,082 | 10,460 | 9,611 | 8,442 |
| Passenger load factor | 60.9% | 67.4% | 65.0% | 60.4% |
| Unit revenues(2) | ¥ 11.2 | ¥ 13.3 | ¥ 12.0 | ¥ 10.7 |
| Passenger yield(2) | ¥ 18.3 | ¥ 19.7 | ¥ 18.4 | ¥ 17.8 |
| Domestic cargo: | | | | |
| Revenue ton (ton) | 113,387 | 122,274 | 130,871 | 108,481 |
| Revenue ton-km (thousands of ton-km) | 110,280 | 118,769 | 127,642 | 107,020 |
| Revenue ton-km yield(2) | ¥ 73.2 | ¥ 71.0 | ¥ 71.1 | ¥ 70.2 |
| Domestic mail: | | | | |
| Revenue ton (ton) | 10,484 | 8,863 | 9,908 | 8,740 |
| Revenue ton-km (thousands of ton-km) | 9,967 | 8,525 | 9,866 | 8,675 |
| **International operations** | | | | |
| International passengers: | | | | |
| Revenue passengers (thousands) | 1,148 | 1,187 | 1,068 | 1,027 |
| Available seat-km (millions) | 7,086 | 7,140 | 7,026 | 6,651 |
| Revenue passenger-km (millions) | 5,121 | 5,254 | 4,615 | 4,368 |
| Passenger load factor | 72.3% | 73.6% | 65.7% | 65.7% |
| Unit revenues(2) | ¥ 11.1 | ¥ 12.2 | ¥ 10.5 | ¥ 7.8 |
| Passenger yield(2) | ¥ 15.3 | ¥ 16.6 | ¥ 16.0 | ¥ 11.9 |
| International cargo: | | | | |
| Revenue ton (ton) | 97,575 | 100,115 | 87,597 | 68,962 |
| Revenue ton-km (thousands of ton-km) | 459,259 | 455,860 | 408,216 | 329,536 |
| Revenue ton-km yield(2) | ¥ 42.8 | ¥ 47.8 | ¥ 43.6 | ¥ 29.8 |
| International mail: | | | | |
| Revenue ton (ton) | 4,274 | 4,247 | 5,309 | 4,941 |
| Revenue ton-km (thousands of ton-km) | 21,883 | 22,918 | 28,628 | 27,500 |

Notes:

(1) Domestic figures include ANA group and code-sharing flights (IBEX Airlines Co., Ltd., Hokkaido International Airlines Co., Ltd. (AIR DO), Skynet Asia Airways Co., Ltd. and Star Flyer Inc.). International figures include ANA group and code-sharing flights (US and EVA AIR).

(2) Unit revenues, passenger yield and revenue ton-km yield amounts were calculated using operating revenues before intersegment eliminations.

While we have historically recorded a peak in demand during the second quarter followed by declines in the third and fourth quarters, as described in "— Overview — Factors Affecting Our Results of Operations — Factors Affecting Operating Income — Seasonality", the third and fourth quarter declines in the year ended March 31, 2009 were particularly severe. As shown in the above tables, the impact of the global economic downturn that affected our results of operations for the year ended March 31, 2009 hit particularly severely after September 2008, as passenger demand (both leisure and business) and cargo demand dropped significantly. In addition, the sudden and significant decline in jet fuel prices led to lower fuel surcharges, thus negatively affecting operating revenues, while our jet fuel costs did not decline as significantly due to our hedging policy that stabilizes the effects of sudden changes in jet fuel prices. As a result, we incurred significant before tax losses in the third quarter which increased further in the fourth quarter.

### Recent Developments and Outlook

The following includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that are based on our current expectations, assumptions, estimates and projections about our business and industry. These forward-looking statements are subject to various risks and uncertainties, including those set forth in "Forward-looking Statements" and "Risk Factors".

#### *Three Months Ended June 30, 2009*

The following table shows operating performance data for our air transportation segment for April, May and June (through June 25), 2009, including a percentage comparison with the corresponding period in the prior year. Operating performance data are unaudited.

| | Single month average for the three months ended March 31, 2009 | April 2009 | | May 2009[1] | | June 2009 (through June 25) |
|---|---|---|---|---|---|---|
| | Operating performance data | Operating performance data | Percentage compared to same month in prior year | Operating performance data | Percentage compared to same month in prior year | Percentage compared to same period in prior year |
| **Domestic operations** | | | | | | |
| Domestic passengers: | | | | | | |
| Revenue passengers (thousands) | 3,175 | 2,834 | 86.0% | 3,173 | 86.9% | 86.0%[2] |
| Available seat-km (millions) | 4,659 | 4,626 | 94.7 | 4,848 | 95.4 | n.a. |
| Revenue passenger-km (millions) | 2,814 | 2,480 | 86.6 | 2,782 | 88.0 | n.a. |
| Passenger load factor | 60.4% | 53.6% | (5.0)[4] | 57.4% | (4.8)[4] | n.a. |
| Domestic cargo: | | | | | | |
| Revenue ton (ton) | 36,160 | 37,548 | 95.6 | 35,159 | 94.1 | 99.2[3] |
| **International operations** | | | | | | |
| International passengers: | | | | | | |
| Revenue passengers (thousands) | 342 | 344 | 89.9 | 317 | 83.3 | 82.2[2] |
| Available seat-km (millions) | 2,217 | 2,187 | 93.9 | 2,286 | 94.2 | n.a. |
| Revenue passenger-km (millions) | 1,456 | 1,524 | 91.6 | 1,452 | 85.1 | n.a. |
| Passenger load factor | 65.7% | 69.7% | (1.7)[4] | 63.5% | (6.7)[4] | n.a. |
| International cargo: | | | | | | |
| Revenue ton (ton) | 22,987 | 27,635 | 85.7 | 28,326 | 85.9 | 95.9[3] |

Notes:

(1) May 2009 figures are preliminary figures that may be revised on July 15, 2009.

(2) June 2009 (through June 25, 2009) figures are based on non-official data that includes non-revenue passengers, and percentage comparison is with comparable data for June 2008 (through June 25, 2008).

(3) June 2009 (through June 25, 2009) figures are based on non-official data that includes non-revenue cargo, and percentage comparison is with comparable data for June 2008 (through June 25, 2008).

(4) Difference between load factors for the two periods.

As shown in the above table, operating performance data from April 1 through June 25, 2009 was significantly worse than data for the corresponding period in the previous year, and we believe that the results of operations for the three months ended June 30, 2009 will reflect this trend. The actual operating performance data from April 1 through June 25, 2009 was significantly lower than our expectations on which our target for the year ending March 31, 2010 (see subsection immediately below) is based due mainly to the effects of the global economic downturn being more severe than our original expectations and the effects of the unforeseen swine flu pandemic.

Passenger demand for April and May 2009 was significantly weaker compared to the corresponding period in the prior year as reflected in revenue passenger-km figures. While monthly yield information is not available, we believe that yields for the three months ended June 30, 2009 will also be weak as a result of the difficulty in maintaining higher prices due to lower demand in our domestic operations and as a result of lower fuel surcharges and particularly weak demand from business-use passengers in our international operations. As a result, we expect significant declines in operating revenues for the three months ended June 30, 2009 compared to the corresponding period in the prior year.

Passenger load factors for April and May 2009 were significantly lower than the average passenger load factor for the corresponding period in the prior year as we were unable to offset the full effects of lower demand through capacity adjustments. We expect that the low load factor, together with the weak yields, will result in significant declines in operating income for the three months ended June 30, 2009 compared to the corresponding period in the prior year despite the positive effects of the implementation of the FY 2009 Emergency Plan described in "— Recent Developments and Outlook — Year Ending March 31, 2010 — Cost Reduction Measures — FY 2009 Emergency Plan".

In the three months ended March 31, 2009, we recorded weak operating revenues and a significant operating loss. See "— Quarterly Financial and Other Information". Due to the seasonality of the airline industry, our operating revenues and operating income for the first fiscal quarter are typically higher than the fourth fiscal quarter that precedes it. However, based on operating data for April and May 2009 compared to the one-month average of the operating data for the three months ended March 31, 2009, both domestic revenue passenger-km and domestic load factor were significantly lower in April and May 2009. Also, while the same indices for our international operations for the one-month average of the three months ended March 31, 2009 were between the April and May 2009 figures, we believe operating revenue and operating income (loss) for the three months ended June 30, 2009 were also adversely affected by weak yields. As a result, we believe that both operating revenues and operating loss for the three months ended June 30, 2009 will be significantly worse than those for the three months ended March 31, 2009.

In response to the above situation, we are implementing our FY 2009 Emergency Income Recovery Plan in an effort to offset the adverse effects of the above business trends in the first quarter, which we estimate to be a decrease of roughly ¥30 billion in operating revenues compared to our revenue plans. See "— Recent Developments and Outlook — Year Ending March 31, 2010".

***Year Ending March 31, 2010***

The Tokyo Stock Exchange requires listed companies to make timely disclosure of corporate information. The information includes preliminary unaudited historical financial information and guidance as to likely future earnings. In accordance with the example format for this disclosure provided by the Tokyo Stock Exchange, in April 2009, we announced our target for the year ending March 31, 2010:

| | **Year ending March 31, 2010** |
|---|---|
| | **(unaudited)** **(millions of yen)** |
| Operating revenues | ¥1,350,000 |
| Operating income | 35,000 |
| Recurring profit (loss) | 5,000 |
| Net income (loss) | 3,000 |

This target is prepared internally and is not required to be, and is not, reviewed by independent auditors and is not prepared is such a way as to be consistent in all respects with the requirements of Japanese GAAP.

The above forward looking statements are made based on the information available to us as of the date of its publication and assumptions as of the same date, as further described below, with respect to the various factors which might have an impact on our future financial results. Investors should be aware that the actual results could differ materially due to various factors, including as described in the subsection titled "Our Target for the Year Ending March 31, 2010" below and in "Risk Factors".

The rules of the Tokyo Stock Exchange require us to amend our published targets if at any time we consider that new actual results could differ significantly. Such amendments may be made at any time and for any reason.

Accordingly, under these specific circumstances particular to Japanese issuers and as discussed and agreed with the UKLA, the target has not been reported on by independent auditors.

We set our target based on information available at the time as well as various assumptions regarding the economic and industry environment over such year. The target also took into account the effects of a cost reduction plan titled the FY 2009 Emergency Plan which we established in response to the decline in our operating results in the year ended March 31, 2009. However, because of the adverse business trends in the first quarter as described above, our ability to achieve our target was significantly impaired, and we announced on July 1, 2009 our FY 2009 Emergency Income Recovery Plan in an effort to offset the effects of such trends.

*Our Target for the Year Ending March 31, 2010*

Our target is to achieve a roughly break-even year in terms of net income for the year ending March 31, 2010. This target is based on various assumptions regarding the economic and industry environment. In particular, it assumes that the global economy will recover from the effects of the global economic downturn beginning in the second half of the fiscal year and that this recovery will accelerate through the fourth quarter of the fiscal year, leading to increased demand. We assume that demand in the second half of the fiscal year will return to levels significantly exceeding the second half of the year ended March 31, 2009 and approaching the second half of the year ended March 31, 2008, a period when strong demand in both domestic and international passenger operations was supported by a robust domestic and global economy. We also assume that we will be able to expand our market share in the domestic passenger market, including through the expansion of code-sharing arrangements with smaller domestic airlines, and that yields will increase significantly in the second half due to a solid recovery in business travel demand, including a significant increase in demand for business and first class seats on international flights. Assumptions regarding fuel prices and exchange rates were that they would remain stable at $50 per barrel for Dubai crude oil, $63 per barrel for Singapore kerosene and $1.00 = ¥95. In addition, we are implementing cost reduction measures during the year ending March 31, 2010 totaling approximately ¥103 billion, as described in the paragraph below. Achieving our target for the fiscal year ending March 31, 2010 also requires the successful implementation of such cost reduction measures without compromising our ability to generate revenues. The target also does not take into account any possible significant adverse effect from any future realization of the various risks inherent in our business, including those set forth in “Risk Factors”. If actual developments in the economic and industry environment fall short of our assumptions, including as a result of a delay in the recovery of the global or domestic economy or a smaller beneficial effect on our business in the event of a recovery, or if we are unable to successfully implement our cost reduction measures without compromising our ability to generate revenues, including as a result of the risks set forth in “Risk Factors — Risks Related to Our Business — We may be unable to meet our cost reduction targets”, or if any of the other risks inherent in our business are realized, including any of the other risks set forth in “Risk Factors”, we may not be able to realize our target for the fiscal year ending March 31, 2010 and could record a net loss, possibly significant in size, for such fiscal year.

*Cost Reduction Measures*

*FY 2009 Emergency Plan*

In response to the decline in our operating results in the year ended March 31, 2009, we announced a cost reduction plan in April 2009 that aims to reduce consolidated operating expenses by ¥73 billion for the year ending March 31, 2010. We plan to achieve the cost reductions by implementing the following initiatives:

- *Jet fuel costs.* We plan a reduction in our fuel-related costs of approximately ¥48 billion mainly as a result of the declines in market price levels, our reviewing our business plan to reduce fuel usage, through the suspension or termination of unprofitable routes, reduction of capacity to increase efficiency and flexible matching of aircraft size with demand, and our implementing a fuel-saving program which aims to enhance fuel savings through more thorough cleaning of engines and reduction of aircraft equipment weights.

- *Landing and navigation fees.* We plan to achieve an approximately ¥7 billion in cost-savings related to landing and navigation fees based on temporary reductions implemented by the Japanese government in connection with its economic stimulus package.

- *Personnel costs.* By reducing executive compensation, employee bonuses, base salaries for management-level employees and other employee benefits, we plan to achieve personnel cost reductions of approximately ¥6 billion.

- *Sales and advertising costs, and others.* We plan to reduce sales and advertising costs through the streamlining of our sales and advertising activities and a reduction in commissions paid to agents for international tickets. We also plan to implement an engine replacement program which in addition to increasing fuel efficiency will reduce our significant maintenance costs associated with aging engines. The cost reductions planned through these initiatives are approximately ¥12 billion.

While we believe that we will be able to achieve the above cost reductions, there can be no assurance that we will be able to execute the initiatives as planned. In particular, we have assumed the price of Dubai crude oil to be U.S.$50 per barrel and the price of Singapore kerosene to be U.S.$63 per barrel for purposes of the plan, and a sudden and significant decrease in market prices could lead to a temporary decline in operating income due to the effects of our hedging policy which stabilizes our fuel costs while our fuel surcharges decrease in line with actual price declines. See "Risk Factors — Risks Related to Our Business — We may be unable to meet our cost reduction targets".

*FY 2009 Emergency Income Recovery Plan*

In addition to the FY 2009 Emergency Plan, we announced our FY 2009 Emergency Income Recovery Plan on July 1, 2009 to reduce operating expenses (or, on a limited basis, increase operating revenues as in the case of the introduction of "pay-for-value" described below) by an additional approximately ¥30 billion in the year ending March 31, 2010. This plan is in addition to the FY 2009 Emergency Plan and consists of a temporary downward adjustment to the size of cargo and passenger capacity and the early implementation of measures that we had originally planned to begin applying in the year ending March 31, 2011. Measures under the new plan, in the order of expected positive effect on operating income, are as follows:

- *Further matching of capacity to demand through revisions to business plan.* We plan to match capacity to the weaker-than-expected demand, including through the following measures:
  - postponing our use of wet charter wide-body freighters originally planned to commence in October 2009; and
  - utilizing the temporary suspension of the "use it or lose it" rule by most major airports worldwide this summer to implement more frequent cancellations of international flights with low load factors. The "use it or lose it" rule is a rule adopted by airports worldwide that requires airlines to forfeit flight slots if such slots are not actually utilized for more than a specified number of times over a specified period of time;
- *Flexible reduction of personnel and other costs based on reduced capacity levels.* We plan to reduce personnel and other costs, including through the following measures:
  - implementing personnel cost reductions originally planned for future fiscal years ahead of schedule; and
  - significantly expanding our program of granting volunteering employees unpaid one-month leaves of absence, mainly targeting cabin and ground crew;
- *Reduction of general procurement costs.* We plan to reduce various procurement costs by promoting the consolidation of suppliers throughout our various offices worldwide and managing suppliers on a more selective and centralized basis; and
- *Introduction of "pay-for-value".* We plan to review certain services provided in our domestic flights and begin charging passengers for certain services as well as offer a wider selection of services on our international flights but charging the customer for such services, while aiming to limit the adverse effect on our competitiveness.

While we believe that we will be able to achieve the above cost reductions, there can be no assurance that we will be able to execute the initiatives as planned. In particular, the number of employees submitting to the one-month leave may not be as many as we currently anticipate and our competitiveness may be impaired as a result of the "pay-for-value" plan if our competitors do not implement a similar plan, in which case we may be forced to retract such plan. In addition, the implementation of our cost reduction measures could compromise our ability to generate revenues. See "Risk Factors — Risks Related to Our Business — We may be unable to meet our cost reduction targets".

**Results of Operations — Year Ended March 31, 2009 Compared with Year Ended March 31, 2008**

***Operating Revenues***

Our operating revenues decreased by ¥95,246 million, or 6.4%, to ¥1,392,581 million in the year ended March 31, 2009 compared to ¥1,487,827 million in the prior year. The following tables set forth operating revenues by operating segment for the years ended March 31, 2008 and 2009. We have presented operating revenues both before and after intersegment eliminations in the tables below.

***Operating Revenues by Operating Segment before Intersegment Eliminations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2008 | 2009 | |
| | (millions of yen) | | (percent) |
| Air transportation | ¥1,301,629 | ¥1,229,525 | (5.5)% |
| Travel services | 215,397 | 188,780 | (12.4) |
| Other businesses | 198,974 | 148,206 | (25.5) |
| Total revenues before intersegment eliminations | 1,716,000 | 1,566,511 | (8.7) |
| Intersegment eliminations | (228,173) | (173,930) | (23.8) |
| Total operating revenues | ¥1,487,827 | ¥1,392,581 | (6.4) |

***Operating Revenues by Operating Segment after Intersegment Eliminations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2008 | 2009 | |
| | (millions of yen) | | (percent) |
| Air transportation | ¥1,178,884 | ¥1,120,945 | (4.9)% |
| Travel services | 195,376 | 171,117 | (12.4) |
| Other businesses | 113,567 | 100,519 | (11.5) |
| Total operating revenues | ¥1,487,827 | ¥1,392,581 | (6.4) |

The following is a discussion of our operating revenues for each of our operating segments. Unless indicated otherwise, operating revenue amounts discussed below are presented before intersegment eliminations.

*Air Transportation Segment*

Revenues from our air transportation segment (after intersegment eliminations), which constituted 80.5% of our total operating revenues, decreased by ¥57,939 million, or 4.9%, to ¥1,120,945 million in the year ended March 31, 2009 compared to ¥1,178,884 million in the prior year. Revenues from our air transportation segment (before intersegment eliminations) decreased by ¥72,104 million, or 5.5%, to ¥1,229,525 million in the year ended March 31, 2009 compared to ¥1,301,629 million in the prior year.

The following table sets forth a breakdown of our operating revenues from our air transportation segment into domestic passenger revenues, international passenger revenues, cargo and mail revenues and other revenues for the years ended March 31, 2008 and 2009:

***Air Transportation Revenues before Intersegment Eliminations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2008 | 2009 | |
| | (millions of yen) | | (percent) |
| Domestic passenger | ¥ 739,514 | ¥ 699,389 | (5.4)% |
| International passenger | 311,577 | 291,077 | (6.6) |
| Cargo and mail | 114,306 | 109,752 | (4.0) |
| Others | 136,232 | 129,307 | (5.1) |
| Total | ¥1,301,629 | ¥1,229,525 | (5.5) |

*Domestic Passenger*

Domestic passenger revenues decreased by ¥40,125 million, or 5.4%, to ¥699,389 million in the year ended March 31, 2009 compared to ¥739,514 million in the prior year.

The following table sets forth passenger revenues, revenue passengers, passenger capacity, passenger traffic, load factor, unit revenues and passenger yield for our domestic passenger operations for the years ended March 31, 2008 and 2009:

***Operating Data for Domestic Passenger Operations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2008 | 2009 | (percent) |
| Passenger revenues (millions) | ¥739,514 | ¥699,389 | (5.4)% |
| Revenue passengers (thousands) | 45,556 | 42,753 | (6.2) |
| Passenger capacity or available seat-km (millions) | 62,650 | 59,222 | (5.5) |
| Passenger traffic or revenue passenger-km (millions) | 39,927 | 37,596 | (5.8) |
| Passenger load factor | 63.7% | 63.5% | (0.2)(1) |
| Unit revenues(2) | ¥ 11.8 | ¥ 11.8 | 0.0 |
| Passenger yield(2) | ¥ 18.5 | ¥ 18.6 | 0.4 |

Notes:

(1) Difference between load factors for the two periods.

(2) Unit revenues and passenger yield are calculated using operating revenues before intersegment eliminations.

Demand for domestic air travel during the year ended March 31, 2009 was adversely affected by a decline in demand due to the effect of the economic slowdown and intensified competition with other airlines and alternative methods of transportation. The negative effects of the economic slowdown worsened significantly after September 2008 as economic conditions deteriorated further, and our measures to stimulate demand were unsuccessful in preventing the declines in passenger numbers.

As a result, the number of revenue passengers and passenger traffic fell by 6.2% and 5.8%, respectively, during the year ended March 31, 2009 compared to the prior year. Passenger yield was largely unchanged.

Our passenger capacity decreased by 5.5% during the year ended March 31, 2009 as we moved to the use of smaller aircraft to improve our profitability per flight.

*Domestic Cargo and Mail*

*Domestic Cargo.* Domestic cargo revenues increased by ¥2,531 million, or 8.3%, to ¥33,097 million in the year ended March 31, 2009 compared to ¥30,566 million in the prior year.

The following table sets forth domestic cargo revenues, revenue ton, cargo traffic and revenue ton-km yield for the years ended March 31, 2008 and 2009:

***Operating Data for Domestic Cargo Operations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2008 | 2009 | (percent) |
| *Domestic Cargo:* | | | |
| Cargo revenues (millions) | ¥ 30,566 | ¥ 33,097 | 8.3% |
| Revenue ton (tons) | 462,569 | 475,014 | 2.7 |
| Cargo traffic or revenue ton-km (thousands of ton-km) | 443,998 | 463,712 | 4.4 |
| Revenue ton-km yield(1) | ¥ 68.8 | ¥ 71.4 | 3.7 |

Note:

(1) Yield is calculated using operating revenues before intersegment eliminations.

Revenue ton increased by 2.7% during the year ended March 31, 2009 compared to the prior year primarily due to the change in categorization of "*yu-pack*" packages from mail to cargo. This change was offset in part by the effect of the economic downturn. We recorded an increase in domestic revenue ton-km yield mainly because of a revision to domestic freight rates implemented in April 2008. We were also able to increase demand for flights during off-peak periods by enhancing our lineup of discounted fares.

*Domestic Mail.* Domestic mail revenues decreased by ¥4,059 million, or 50.9%, to ¥3,914 million in the year ended March 31, 2009 compared to ¥7,973 million in the prior year. Revenue ton declined from 88,649 tons in the year ended March 31, 2008 to 37,997 tons in the year ended March 31, 2009. The declines were due mainly to the change in categorization of "*yu-pack*" packages from mail to cargo.

*International Passenger*

International passenger revenues decreased by ¥20,500 million, or 6.6%, to ¥291,077 million in the year ended March 31, 2009 compared to ¥311,577 million in the prior year.

The following table sets forth passenger revenues, revenue passengers, passenger capacity, passenger traffic, load factor, unit revenues and passenger yield for our international passenger operations for the years ended March 31, 2008 and 2009:

***Operating Data for International Passenger Operations***

| | For the year ended March 31, 2008 | For the year ended March 31, 2009 | Year-on-year change (percent) |
|---|---|---|---|
| Passenger revenues (millions) | ¥311,577 | ¥291,077 | (6.6)% |
| Revenue passengers (thousands) | 4,826 | 4,432 | (8.2) |
| Passenger capacity or available seat-km (millions) | 28,285 | 27,905 | (1.3) |
| Passenger traffic or revenue passenger-km (millions) | 21,290 | 19,360 | (9.1) |
| Passenger load factor | 75.3% | 69.4% | (5.9)(1) |
| Unit revenues(2) | ¥ 11.0 | ¥ 10.4 | (5.3) |
| Passenger yield(2) | ¥ 14.6 | ¥ 15.0 | 2.7 |

Notes:

(1) Difference between load factors for the two periods.

(2) Unit revenues and passenger yield are calculated using operating revenues before intersegment eliminations.

Demand for international travel declined as a result of the global economic downturn, particularly for business travel, and this trend strengthened after September 2008 as the global economic environment worsened. Demand for leisure travel was adversely affected by a decline in demand for air travel between Japan and China due to concerns regarding food safety and the effects of the Sichuan earthquake, as well as the economic downturn, particularly during the peak summer period. In addition, the closure of Bangkok Suvarnabhumi International Airport in November and the terrorist incident in Mumbai also impacted already severe operating conditions. Our various efforts to counter the decline in demand were insufficient to counter the broad declining trends.

The number of revenue passengers and passenger traffic decreased by 8.2% and 9.1%, respectively, during the year ended March 31, 2009 compared to the prior year as a result of the decline in demand. The rate of decrease in revenue passengers was exceeded by the rate of decrease in passenger traffic because of the increase in the number of passengers on short-haul flights. These effects were offset in part by the 2.7% increase in passenger yield which reflects our efforts to enhance yields through flexible pricing policies. As a result of the above, our international passenger revenues declined 6.6% to ¥291,077 million in the year ended March 31, 2009.

Passenger capacity declined by 1.3% due to temporary reduction and suspension of flight routes and the use of smaller aircraft which we implemented in response to reduced demand, especially in the fourth quarter.

*International Cargo and Mail*

*International Cargo.* International cargo revenues decreased by ¥3,123 million, or 4.3%, to ¥69,069 million in the year ended March 31, 2009 compared to ¥72,192 million in the prior year.

The following table sets forth international cargo revenues, revenue ton, cargo traffic and revenue ton-km yield for the years ended March 31, 2008 and 2009:

***Operating Data for International Cargo Operations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2008 | 2009 | |
| | | | (percent) |
| *International Cargo:* | | | |
| Cargo revenues (millions) | ¥ 72,192 | ¥ 69,069 | (4.3)% |
| Revenue ton (tons) | 332,507 | 354,251 | 6.5 |
| Cargo traffic or revenue ton-km (thousands of ton-km) | 1,644,900 | 1,652,872 | 0.5 |
| Revenue ton-km yield(1) | ¥ 43.9 | ¥ 41.8 | (4.8) |

Note:

(1) Yield is calculated using operating revenues before intersegment eliminations.

Revenue ton increased by 6.5% during the year ended March 31, 2009 compared to the prior year, despite declining global cargo demand by aggressively implementing measures to capture demand from China and the rest of Asia to North America and Europe, for shipments of freight within Asia and for shipments from North America and Europe to Japan. We also revised fuel surcharges in response to the increased price of jet fuel. Despite these efforts, we recorded a decrease in revenue ton-km yield principally due to increased price competition in light of declining global demand.

*International Mail.* International mail revenues increased by ¥97 million, or 2.7%, to ¥3,672 million in the year ended March 31, 2009 compared to ¥3,575 million in the prior year. The volume of mail carried rose from 15,330 tons in the year ended March 31, 2008 to 18,772 tons in the year ended March 31, 2009. The increases were due mainly to an increase in mail originating from Japan to regions other than Europe and in mail originating in Europe and Asia bound for Japan.

*Other Transportations Services*

Other transportations services revenues decreased by ¥6,925 million, or 5.1%, to ¥129,307 million in the year ended March 31, 2009 compared to ¥136,232 million in the prior year. Although we worked to increase revenues from aircraft maintenance and ground handling services provided to other airlines and in-flight sales, these efforts were more than offset by the challenging environment facing our air transportation business.

*Travel Services Segment*

Revenues from our travel services segment (after intersegment eliminations), which constituted 12.3% of our total operating revenues, decreased by ¥24,259 million, or 12.4%, to ¥171,117 million in the year ended March 31, 2009 compared to ¥195,376 million in the prior year. Revenues from our travel services segment (before intersegment eliminations) decreased by ¥26,617 million, or 12.4%, to ¥188,780 million in the year ended March 31, 2009 compared to ¥215,397 million in the prior year. The following table sets forth a breakdown of our operating revenues from our travel services for the years ended March 31, 2008 and 2009:

***Travel Services Revenues before Intersegment Eliminations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2008 | 2009 | |
| | (millions of yen) | | (percent) |
| Domestic package tours revenues | ¥150,303 | ¥143,981 | (4.2)% |
| International package tours revenues | 43,978 | 29,655 | (32.6) |
| Other revenues | 21,116 | 15,144 | (28.3) |
| Total | ¥215,397 | ¥188,780 | (12.4) |

Revenues from domestic package tours decreased by ¥6,322 million, or 4.2%, to ¥143,981 million in the year ended March 31, 2009 compared to ¥150,303 million in the prior year as consumer preferences shifted towards closer and more inexpensive destinations and shorter travel periods.

Revenues from international package tours decreased by ¥14,323 million, or 32.6%, to ¥29,655 million in the year ended March 31, 2009 compared to ¥43,978 million in the prior year. Overall demand declined throughout the year due to the high fuel surcharges, concerns over food safety in China and the effects of the Sichuan earthquake and the closure of Bangkok Suvarnabhumi International Airport due to the demonstrations in Bangkok.

Other travel services revenues decreased by ¥5,972 million, or 28.3%, to ¥15,144 million in the year ended March 31, 2009 compared to ¥21,116 million in the prior year due primarily to reduced revenue from commissions.

*Other Businesses Segment*

Revenues from our other businesses segment (after intersegment eliminations), which constituted 7.2% of our total operating revenues, decreased by ¥13,048 million, or 11.5%, to ¥100,519 million in the year ended March 31, 2009 compared to ¥113,567 million in the prior year. Revenues from our other businesses segment (before intersegment eliminations) decreased by ¥50,768 million, or 25.5%, to ¥148,206 million in the year ended March 31, 2009 compared to ¥198,974 million in the prior year.

The decrease in operating revenues from our other businesses resulted primarily from a ¥40,922 million decrease due to declines in the volume of work handled in its aircraft and machinery operations in our trading and retailing business to ¥100,980 million in the year ended March 31, 2009 compared to ¥141,902 million in the prior year. Revenues from our information and telecommunications business increased by ¥622 million, or 2.5%, as sagging overseas demand resulted in a decline in the use of our international flight reservation and ticketing system offset in part by increased revenues related to systems development.

***Operating Expenses***

Our operating expenses in the year ended March 31, 2009 decreased by ¥18,446 million, or 1.3%, to ¥1,384,992 million compared to ¥1,403,438 million in the prior year.

*Aircraft and Flight Operations*

Aircraft and flight operations expenses increased by ¥38,894 million, or 9.9%, to ¥433,316 million in the year ended March 31, 2009 compared to ¥394,422 million in the prior year. This increase was due primarily to an increase in fuel costs of ¥37.3 billion.

*Aircraft Maintenance*

Aircraft maintenance expenses increased by ¥2,268 million, or 2.0%, to ¥114,796 million in the year ended March 31, 2009 compared to ¥112,528 million in the prior year. This increase was largely due to an increase in the cost of engine parts.

*In-Flight Services*

In-flight services expenses decreased by ¥905 million, or 1.3%, to ¥69,696 million in the year ended March 31, 2009 compared to ¥70,601 million in the prior year. This decrease was largely due to the reductions in personnel expenses.

*Flight Control and Ground Handling*

Flight control and ground handling expenses decreased by ¥14,105 million, or 5.0%, to ¥268,020 million in the year ended March 31, 2009 compared to ¥282,125 million in the prior year. This decrease was principally the result of a decrease in landing and navigation fees that occurred as a result of decreases in the number of flights and reductions in personnel expenses.

*Reservations, Sales and Advertising*

Reservations, sales and advertising expenses decreased by ¥27,934 million, or 12.0%, to ¥204,762 million in the year ended March 31, 2009 compared to ¥232,696 million in the prior year. This decrease was principally the result of lower ticket commissions and decreased advertising.

*General and Administrative*

General and administrative expenses decreased by ¥168 million, or 0.4%, to ¥42,575 million in the year ended March 31, 2009 compared to ¥42,743 million in the prior year. This decrease was principally the result of reduced personnel expenses.

*Depreciation and Amortization*

Depreciation and amortization expenses decreased by ¥3,906 million, or 3.3%, to ¥112,881 million in the year ended March 31, 2009 compared to ¥116,787 million in the prior year. This decrease was due primarily to the expiration of aircraft leases and the disposal of aircraft.

*Other Costs*

Other costs decreased by ¥12,590 million, or 8.3%, to ¥138,946 million in the year ended March 31, 2009 compared to ¥151,536 million in the prior year. This decrease was largely due to a reduction in purchases of goods by our trading companies.

***Operating Income***

Our operating income decreased by ¥76,800 million, or 91.0%, to ¥7,589 million in the year ended March 31, 2009 compared to ¥84,389 million in the prior year.

The following is a discussion of operating income for each of our operating segments. Amounts discussed below are presented before intersegment eliminations.

*Air Transportation Segment*

Operating income from our air transportation segment decreased by ¥73,146 million, or 93.9%, to ¥4,791 million in the year ended March 31, 2009 compared to ¥77,937 million in the prior year. Operating margin decreased from 6.0% in the year ended March 31, 2008 to 0.4% in the year ended March 31, 2009 due mainly to declines in demand for our passenger services as a result mainly of the global economic downturn. Although domestic passenger load factor and passenger yield were largely unchanged from the prior year due to decreases in capacity generally matching the decreases in demand, the significant decline in overall demand had a significant negative impact on profitability. Furthermore, international passenger load factor declined significantly despite our efforts to adjust capacity. The profitability of our cargo operations overall was also negatively impacted by the economic environment. In addition, fuel costs increased by ¥37.3 billion in the year ended March 31, 2009 compared to the prior year. These negative effects were offset in part by the implementation of various cost-reduction measures, especially in the latter half of the year ended March 31, 2009, which included an overhaul of our flight network. These measures resulted in a ¥36.2 billion reduction in costs.

*Travel Services Segment*

Operating income from our travel services segment decreased by ¥1,702 million to an operating loss of ¥628 million in the year ended March 31, 2009 compared to operating income of ¥1,074 million in the prior year as a result of the significant declines in operating revenues.

*Other Businesses Segment*

Operating income from our other businesses segment decreased by ¥1,850 million, or 35.6%, to ¥3,348 million in the year ended March 31, 2009 compared to ¥5,198 million in the prior year as a result of the decline in operating revenues.

***Non-Operating Income (Expenses)***

We recorded non-operating expenses of ¥12,034 million in the year ended March 31, 2009 compared to non-operating income of ¥30,835 million in the prior year. This change was due mainly to the gain on sale of hotel businesses of ¥132,992 million recorded in the prior year offset in part by the extraordinary depreciation of ¥22,331 million, the provision for loss on antitrust proceedings of ¥16,198 million and impairment loss of ¥14,111 million all incurred in the prior year, but not in the year ended March 31, 2009. The extraordinary depreciation was due to the re-evaluation of our method of depreciation for existing aircraft and determining the useful lives and residual values of ancillary assets attached to these aircraft, and the provision for loss on antitrust proceedings related to the ongoing proceedings with the European Commission antitrust authorities with respect to an alleged breach of European antitrust laws in our cargo operations.

***Income Taxes***

Income taxes decreased to ¥57 million in the year ended March 31, 2009 compared to ¥50,194 million in the year ended March 31, 2008 in large part due to the higher pre-tax income recorded in the year ended March 31, 2008.

*Net Income*

As a result of the above, we incurred a net loss of ¥4,260 million compared to net income of ¥64,143 million in the prior year.

**Results of Operations — Year Ended March 31, 2008 Compared with Year Ended March 31, 2007**

***Operating Revenues***

Our operating revenues decreased by ¥1,831 million, or 0.1%, to ¥1,487,827 million in the year ended March 31, 2008 compared to ¥1,489,658 million in the prior year. The following tables set forth operating revenues by operating segment for the years ended March 31, 2007 and 2008. We have presented operating revenues both before and after intersegment eliminations in the tables below.

***Operating Revenues by Operating Segment before Intersegment Eliminations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2007 | 2008 | |
| | (millions of yen) | | (percent) |
| Air transportation | ¥1,248,782 | ¥1,301,629 | 4.2% |
| Travel services | 208,026 | 215,397 | 3.5 |
| Hotel operations | 66,637 | — | — |
| Other businesses | 196,895 | 198,974 | 1.1 |
| Total revenues before intersegment eliminations | 1,720,340 | 1,716,000 | (0.3) |
| Intersegment eliminations | (230,682) | (228,173) | (1.1) |
| Total operating revenues | ¥1,489,658 | ¥1,487,827 | (0.1) |

***Operating Revenues by Operating Segment after Intersegment Eliminations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2007 | 2008 | |
| | (millions of yen) | | (percent) |
| Air transportation | ¥1,134,250 | ¥1,178,884 | 3.9% |
| Travel services | 186,872 | 195,376 | 4.6 |
| Hotel operations | 58,022 | — | — |
| Other businesses | 110,514 | 113,567 | 2.8 |
| Total operating revenues | ¥1,489,658 | ¥1,487,827 | (0.1) |

The following is a discussion of our operating revenues for each of our operating segments. Unless indicated otherwise, operating revenue amounts discussed below are presented before intersegment eliminations.

*Air Transportation Segment*

Revenues from our air transportation segment (after intersegment eliminations), which constituted 79.2% of our total operating revenues, increased by ¥44,634 million, or 3.9%, to ¥1,178,884 million in the year ended March 31, 2008 compared to ¥1,134,250 million in the prior year. Revenues from our air transportation segment (before intersegment eliminations) increased by ¥52,847 million, or 4.2%, to ¥1,301,629 million in the year ended March 31, 2008 compared to ¥1,248,782 million in the prior year.

The following table sets forth a breakdown of our operating revenues from our air transportation segment into domestic passenger revenues, international passenger revenues, cargo and mail revenues and other revenues for the years ended March 31, 2007 and 2008:

***Air Transportation Revenues before Intersegment Eliminations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2007 | 2008 | |
| | (millions of yen) | | (percent) |
| Domestic passenger | ¥ 726,063 | ¥ 739,514 | 1.9% |
| International passenger | 278,478 | 311,577 | 11.9 |
| Cargo and mail | 105,143 | 114,306 | 8.7 |
| Others | 139,098 | 136,232 | (2.1) |
| Total | ¥1,248,782 | ¥1,301,629 | 4.2 |

*Domestic Passenger*

Domestic passenger revenues increased by ¥13,451 million, or 1.9%, to ¥739,514 million in the year ended March 31, 2008 compared to ¥726,063 million in the prior year.

The following table sets forth passenger revenues, revenue passengers, passenger capacity, passenger traffic, load factor, unit revenues and passenger yield for our domestic passenger operations for the years ended March 31, 2007 and 2008:

***Operating Data for Domestic Passenger Operations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | 2007 | 2008 | |
| | | | (percent) |
| Passenger revenues (millions) | ¥726,063 | ¥739,514 | 1.9% |
| Revenue passengers (thousands) | 46,471 | 45,556 | (2.0) |
| Passenger capacity or available seat-km (millions) | 62,414 | 62,650 | 0.4 |
| Passenger traffic or revenue passenger-km (millions) | 40,563 | 39,927 | (1.6) |
| Passenger load factor | 65.0% | 63.7% | (1.3)[1] |
| Unit revenues[2] | ¥ 11.6 | ¥ 11.8 | 1.5 |
| Passenger yield[2] | ¥ 17.9 | ¥ 18.5 | 3.5 |

Notes:

(1) Difference between load factors for the two periods.

(2) Unit revenues and passenger yield are calculated using operating revenues before intersegment eliminations.

Demand for domestic air travel during the year ended March 31, 2008 weakened compared to the prior year due to worsening economic conditions and intensified competition on major routes and from competing methods of transportation.

As a result of this decrease in demand, the number of revenue passengers fell by 2.0% during the year ended March 31, 2008 compared to the prior year. Passenger traffic decreased at a slightly lower rate than the number of revenue passengers as demand increased for longer-haul flights to Hokkaido, Kyushu and Okinawa. Passenger yield increased by 3.5% due mainly to the fare revision in April 2007 and the implementation of sales strategies corresponding to demand trends. As a result, passenger revenues increased by 1.9% despite the decrease in demand.

Passenger capacity increased by 0.4% during the year ended March 31, 2008 compared to the prior year due primarily to the suspension of relatively unprofitable flight routes and the increase of long-haul flights to and from Haneda which we implemented to enhance profitability.

*Domestic Cargo and Mail*

*Domestic Cargo.* Domestic cargo revenues slightly decreased by ¥8 million to ¥30,566 million in the year ended March 31, 2008 compared to ¥30,574 million in the prior year.

The following table sets forth for our domestic cargo operations cargo revenues, revenue ton, cargo traffic and revenue ton-km yield for the years ended March 31, 2007 and 2008:

***Operating Data for Domestic Cargo Operations***

| | For the year ended March 31, 2007 | For the year ended March 31, 2008 | Year-on-year change |
|---|---|---|---|
| | | | (percent) |
| Cargo revenues (millions) | ¥ 30,574 | ¥ 30,566 | (0.0)% |
| Revenue ton (tons) | 457,914 | 462,569 | 1.0 |
| Cargo traffic or revenue ton-km (thousands of ton-km) | 442,139 | 443,998 | 0.4 |
| Revenue ton-km yield[1] | ¥ 69.2 | ¥ 68.8 | (0.4) |

Note:

(1) Yield is calculated using operating revenues before intersegment eliminations.

Revenue ton increased by 1.0% during the year ended March 31, 2008 compared to the prior year primarily due to a high volume of cargo for Okinawa in the first half of the year and high volumes of home delivery demand from December.

We recorded decreases in revenue ton-km yield due to intensified competition.

*Domestic Mail.* Domestic mail revenues decreased by ¥963 million, or 10.8%, to ¥7,973 million in the year ended March 31, 2008 compared to ¥8,936 million in the prior year due to a decline in revenue ton, from 90,977 tons in the year ended March 31, 2007 to 88,649 tons in the year ended March 31, 2008, and a decline in unit price which was both the result of intensified competition.

*International Passenger*

International passenger revenues increased by ¥33,099 million, or 11.9%, to ¥311,577 million in the year ended March 31, 2008 compared to ¥278,478 million in the prior year.

The following table sets forth passenger revenues, revenue passengers, passenger capacity, passenger traffic, load factor, unit revenues and passenger yield for our international passenger operations for the years ended March 31, 2007 and 2008:

***Operating Data for International Passenger Operations***

| | For the year ended March 31, 2007 | For the year ended March 31, 2008 | Year-on-year change |
|---|---|---|---|
| | | | (percent) |
| Passenger revenues (millions) | ¥278,478 | ¥311,577 | 11.9% |
| Revenue passengers (thousands) | 4,552 | 4,826 | 6.0 |
| Passenger capacity or available seat-km (millions) | 26,607 | 28,285 | 6.3 |
| Passenger traffic or revenue passenger-km (millions) | 20,144 | 21,290 | 5.7 |
| Passenger load factor | 75.7% | 75.3% | (0.4)[1] |
| Unit revenues[2] | ¥ 10.5 | ¥ 11.0 | 5.2 |
| Passenger yield[2] | ¥ 13.8 | ¥ 14.6 | 5.9 |

Notes:

(1) Difference between load factors for the two periods.

(2) Unit revenues and passenger yield are calculated using operating revenues before intersegment eliminations.

Demand for international air travel during the year ended March 31, 2008 was strong, particularly with respect to our North American and Asian flights, reflecting solid business travel demand as well as increased inbound leisure demand due to the depreciation of the yen.

The number of revenue passengers increased by 6.0% and passenger traffic rose by 5.7% during the year ended March 31, 2008 compared to the prior year.

Passenger yield increased by 5.9% to ¥14.6 in the year ended March 31, 2008 due to revision of fares and fuel surcharges which we implemented in response to increased fuel prices.

Passenger capacity rose 6.3% during the year ended March 31, 2008 due primarily to our expanded operations in China and the rest of Asia, including increased flight frequency between Haneda and Guangzhou and between Narita and Mumbai, and the opening of a new route between Haneda and Shanghai (Hongqiao).

*International Cargo and Mail*

*International Cargo.* International cargo revenues increased by ¥9,997 million, or 16.1%, to ¥72,192 million in the year ended March 31, 2008 compared to ¥62,195 million in the prior year.

The following table sets forth for our international cargo operations cargo revenues, revenue ton, cargo traffic and revenue ton-km yield for the years ended March 31, 2007 and 2008:

***Operating Data for International Cargo Operations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | **2007** | **2008** | **(percent)** |
| Cargo revenues (millions) | ¥ 62,195 | ¥ 72,192 | 16.1% |
| Revenue ton (tons) | 277,571 | 332,507 | 19.8 |
| Cargo traffic or revenue ton-km (thousands of ton-km) | 1,271,267 | 1,644,900 | 29.4 |
| Revenue ton-km yield(1) | ¥ 48.9 | ¥ 43.9 | (10.3) |

Note:

(1) Yield is calculated using operating revenues before intersegment eliminations.

Revenue ton increased by 19.8% during the year ended March 31, 2008 compared to the prior year. Although demand for outbound shipments was sluggish, due to new market entrants and increased flights by competitors, we were successful in our positive efforts to secure shipments from Asia through Japan to Europe and North America and to acquire shipments within Asia. Inbound shipments of fresh products from North America and Europe increased, leading to a significant growth in overall volume. To meet the increased volume, we consigned a portion of the international cargo operations of ABX Air, Inc. and effectively expanded our fleet to six cargo freighters, of which four were owned by us.

We experienced a decrease in revenue ton-km yield of 10.3% due primarily to an increase in our North American cargo operations which resulted in an increase in total kilometers that outpaced the increase in revenue.

*International Mail.* International mail revenues increased by ¥137 million, or 4.0%, to ¥3,575 million in the year ended March 31, 2008 compared to ¥3,438 million in the prior year, despite a decrease revenue ton of 0.4% due to a decrease in shipments from Japan to China, as a result of aircraft downsizing. The increase was due to the strong performance of long-haul mail, which has a higher unit price.

*Other Transportations Services*

Other transportations services revenues decreased by ¥2,866 million, or 2.1%, to ¥136,232 million in the year ended March 31, 2008 compared to ¥139,098 million in the prior year. The decrease was due mainly to a decrease in contract maintenance revenues from other companies.

*Travel Services Segment*

Revenues from our travel services segment (after intersegment eliminations), which constituted 13.1% of our total operating revenues, increased by ¥8,504 million, or 4.6%, to ¥195,376 million in the year ended March 31, 2008 compared to ¥186,872 million in the prior year. Revenues from our travel services segment (before intersegment eliminations) increased by ¥7,371 million, or 3.5%, to ¥215,397 million in the year ended March 31, 2008 compared to ¥208,026 million in the prior year. The following table sets forth a breakdown of our operating revenues from our travel services for the years ended March 31, 2007 and 2008:

***Travel Services Revenues before Intersegment Eliminations***

| | For the year ended March 31, | | Year-on-year change |
|---|---|---|---|
| | **2007** | **2008** | |
| | **(millions of yen)** | | **(percent)** |
| Domestic package tours revenues | ¥140,570 | ¥150,303 | 6.9% |
| International package tours revenues | 45,666 | 43,978 | (3.7) |
| Other revenues | 21,790 | 21,116 | (3.1) |
| Total | ¥208,026 | ¥215,397 | 3.5 |

Revenues from domestic package tours increased by ¥9,733 million, or 6.9%, to ¥150,303 million in the year ended March 31, 2008 compared to ¥140,570 million in the prior year. This increase was due mainly to increased demand for domestic leisure travel to Kyushu and Okinawa.

Revenues from international package tours decreased by ¥1,688 million, or 3.7%, to ¥43,978 million due mainly to weakened demand for flights to China and the impact of the increase in fuel surcharges on demand.

Other travel services revenues decreased by ¥674 million, or 3.1%, to ¥21,116 million in the year ended March 31, 2008 compared to ¥21,790 million in the prior year due primarily to reduced sales commissions.

*Hotel Operations Segment*

Our hotel operations segment, which recorded operating revenues of ¥58,022 million in the year ended March 31, 2007, was eliminated beginning the year ended March 31, 2008 as a result of the sale of our hotel operations in June 2007.

*Other Businesses Segment*

Revenues from our other businesses segment (after intersegment eliminations), which constituted 7.6% of our total operating revenues, increased by ¥3,053 million, or 2.8%, to ¥113,567 million in the year ended March 31, 2008 compared to ¥110,514 million in the prior year. Revenues from our other businesses segment (before intersegment eliminations) increased by ¥2,079 million, or 1.1%, to ¥198,974 million in the year ended March 31, 2008 compared to ¥196,895 million in the prior year.

This increase resulted primarily from an ¥5,107 million, or 3.7%, increase in our trading and retailing business to ¥141,902 million in the year ended March 31, 2008 compared to ¥136,795 million in the prior year. This increase in trading and retailing revenue was primarily a result of increases in revenues from trading of products such as food, pulp and paper, and machinery. Revenues from our information and telecommunications business decreased by ¥1,076 million, or 4.1% as weak demand for international travel led to lower usage of our international flight reservation and ticketing system.

***Operating Expenses***

Our operating expenses in the year ended March 31, 2008 increased by ¥5,970 million, or 0.4%, to ¥1,403,438 million compared to ¥1,397,468 million in the prior year.

*Aircraft and Flight Operations*

Aircraft and flight operations expenses increased by ¥8,868 million, or 2.3%, to ¥394,422 million in the year ended March 31, 2008 compared to ¥385,554 million in the prior year largely as a result of increased fuel costs.

*Aircraft Maintenance*

Aircraft maintenance expenses increased by ¥2,636 million, or 2.4%, to ¥112,528 million in the year ended March 31, 2008 compared to ¥109,892 million in the prior year due to engine maintenance costs.

*In-Flight Services*

In-flight services expenses increased by ¥4,426 million, or 6.7%, to ¥70,601 million in the year ended March 31, 2008 compared to ¥66,175 million in the prior year, due to an increase in personnel costs.

*Flight Control and Ground Handling*

Flight control and ground handling expenses increased by ¥12,531 million, or 4.6%, to ¥282,125 million in the year ended March 31, 2008 compared to ¥269,594 million in the prior year. This increase was largely a result of landing and navigation fees and increased personnel costs.

*Reservations, Sales and Advertising*

Reservations, sales and advertising expenses increased by ¥2,369 million, or 1.0%, to ¥232,696 million in the year ended March 31, 2008 compared to ¥230,327 million in the prior year, primarily because of an increase in commissions.

*General and Administrative*

General and administrative expenses increased by ¥2,912 million, or 7.3%, to ¥42,743 million in the year ended March 31, 2008 compared to ¥39,831 million in the prior year. This increase was a result of increased personnel costs and enterprise taxes.

*Depreciation and Amortization*

Depreciation and amortization expenses increased by ¥28,177 million, or 31.8%, to ¥116,787 million in the year ended March 31, 2008 compared to ¥88,610 million in the prior year. This was primarily a result of bringing certain Japanese leveraged leases onto the balance sheet.

*Other Costs*

Other costs decreased by ¥55,949 million, or 27.0%, to ¥151,536 million in the year ended March 31, 2008 compared to ¥207,485 million in the prior year. The decrease was due to the disposal of our hotel segment.

***Operating Income***

Our operating income decreased by ¥7,801 million, or 8.5%, to ¥84,389 million in the year ended March 31, 2008 compared to ¥92,190 million in the prior year.

The following is a discussion of operating income for each of our operating segments. Amounts discussed below are presented before intersegment eliminations.

*Air Transportation Segment*

Operating income from our air transportation segment decreased by ¥1,784 million, or 2.2%, to ¥77,937 million in the year ended March 31, 2008 compared to ¥79,721 million in the prior year. Although passenger yields increased for both domestic and international flights through price increases implemented to counter increases in fuel costs, and despite our efforts to reduce costs through the introduction of fuel-efficient new aircraft, such increases were not sufficient to fully offset the increased costs.

*Travel Services Segment*

Operating income from our travel services segment decrease by ¥846 million, or 44.1%, to ¥1,074 million in the year ended March 31, 2008 compared to ¥1,920 million in the prior year. The decrease in operating income was due mainly to intensified price competition and an increase in purchasing costs resulting from the increase in fuel costs.

*Other Businesses Segment*

Operating income from our other businesses segment decreased by ¥416 million, or 7.4%, to ¥5,198 million in the year ended March 31, 2008 compared to ¥5,614 million in the prior year, due primarily to an increase in costs related to purchases of goods by our trading company.

***Non-Operating Income (Expenses)***

We recorded non-operating income of ¥30,835 million in the year ended March 31, 2008 compared to non-operating expenses of ¥41,126 million in the prior year. This change was due mainly to the gain on sale of hotel businesses of ¥132,992 million offset in part by the extraordinary depreciation of ¥22,331 million, the provision for loss on antitrust proceedings of ¥16,198 million and impairment loss of ¥14,111 million.

The extraordinary depreciation was due primarily to the re-evaluation of our method of depreciation for existing aircraft and determining the useful lives and residual values of ancillary assets attached to these aircraft.

The provision for loss on antitrust was based on an estimated amount of contingent losses that could arise from proceedings before the European Commission. The impairment loss was due to assets expected to be sold, the book value of which dropped notably in the year ended March 31, 2008 and fell to the recoverable value. See Notes 2 and 15 to our audited consolidated financial statements included elsewhere in this Prospectus.

### *Income Taxes*

Income taxes increased to ¥50,194 million in the year ended March 31, 2008 compared to ¥17,370 million in the prior year due mainly to the increase in pre-tax income.

### *Net Income*

As a result of the above, net income increased by ¥31,485 million, or 96.4%, to ¥64,143 million in the year ended March 31, 2008 compared to net income of ¥32,658 million in the prior year.

## Liquidity and Capital Resources

We generally aim to keep capital investments within the limits of operating cash flows (including repayment of lease obligations), while controlling increases in interest-bearing debt. However, in the year ended March 31, 2009, we significantly increased interest-bearing debt as a result of the effects of the global economic downturn on our operating cash flows and our need to prepare our fleet for the expansion of flight slots at Haneda and Narita in 2010.

### *Liquidity*

As of March 31, 2009, we had cash and cash equivalents of ¥143,436 million, compared to ¥179,964 million as of March 31, 2008. Our principal source of liquidity is operating cash flows. Cash flows from operations increase in the summer season when there is greater demand for air transportation services in general. However, in the year ended March 31, 2009, we generated negative cash flow from operations due mainly to weak results of operations, and we covered such negative cash flows and our investments through external sources of funding.

Our external sources of funding include access to the debt capital markets and short-term and long-term bank loans. As of March 31, 2009, we had outstanding bonds and notes in the aggregate principal amount of ¥165,000 million. For a further discussion of our outstanding bonds and notes as of March 31, 2009, see Note 6 to our audited consolidated financial statements included elsewhere in this Prospectus. We also had outstanding short-term and long-term borrowings, principally from banks, of ¥674,657 million as of March 31, 2009, of which ¥405,537 million was secured, primarily by aircraft. There has been no material change to our external sources of funding during the period April 1, 2009 to the date of this Prospectus.

While we have historically utilized finance leases, including Japanese leveraged leases, for a significant portion of our financing for aircraft, we ceased their usage in the year ended March 31, 2008 due to changes in tax and accounting rules that reduced or eliminated the utility of such leases to us. We continue to utilize operating leases for the procurement of aircraft that we require on a shorter term basis.

In addition, we utilize JBIC credit support in connection with financing our purchases of aircraft. This credit support by JBIC serves to lower our cost of financing as a result of JBIC's high credit quality. As of March 31, 2009, we utilized ¥240.5 billion in JBIC credit support, including direct loans. In general, JBIC credit support is available up to 80% of the purchase price of aircraft, and we plan to continue utilizing such credit support for our aircraft purchases for the foreseeable future to the extent it is available to us.

We believe that our liquidity position as of the date of this Prospectus, taking into account cash and cash equivalents, our existing external sources of funding and the proceeds of the global offering, as well as our payment obligations under leases and our aircraft purchase obligations, each as of the date of this Prospectus, is not materially different from our liquidity position as of March 31 2009.

### *Cash Flows*

#### *Cash Flows from Operating Activities*

In the year ended March 31, 2009, net cash used in operating activities was ¥39,783 million compared to net cash provided by operating activities of ¥165,765 million in the prior year. This change was due mainly to the incurrence of a loss before income taxes and minority interests in the year ended March 31, 2009 and a significant increase in income taxes paid offset in part by the lack of the effect of the gain on sale of hotel business assets of the prior year. The gain realized when we sold our hotel businesses in the year ended March 31, 2008 resulted in a significant income tax liability due in the following year. The cash used to pay our income tax liabilities in the year ended March 31, 2009 was provided primarily by our operating activities and contributed significantly to the decrease in operating cash flows.

In the year ended March 31, 2008, net cash provided by operating activities increased by ¥7,051 million, or 4.4%, to ¥165,765 million compared to ¥158,714 million in the prior year. This increase resulted primarily from the increase in our income before income taxes and minority interests, depreciation and amortization which was largely a function of bringing certain of our Japanese leveraged leases onto the balance sheet, the extraordinary depreciation incurred in the year ended March 31, 2008 and the decrease in trade accounts payable, due mainly to the year-end date falling on a weekend, offset in part by the gain on sale of hotel business assets.

*Cash Flows from Investing Activities*

In the year ended March 31, 2009, net cash used in investing activities increased by ¥41,312 million, or 59.2%, to ¥111,139 million compared to ¥69,827 million in the prior year. This increase was due mainly to the proceeds from the sale of hotel business assets in the prior year offset in part by a decrease in payment for purchase of tangible fixed assets due to reduced advance payments for aircraft purchases.

In the year ended March 31, 2008, net cash used in investing activities decreased by ¥58,471 million, or 45.6%, to ¥69,827 million compared to ¥128,298 million in the prior year. This decrease resulted primarily from the proceeds from sale of hotel business assets offset in part by an increase in payment for acquisition of tangible fixed assets due to increased advance payments for aircraft purchases and a decrease in proceeds from sale of tangible fixed assets.

*Cash Flows from Financing Activities*

In the year ended March 31, 2009, net cash provided by financing activities was ¥114,504 million compared to net cash used in financing activities of ¥87,336 million in the prior year. This change was due mainly to an increase in proceeds from long-term debt, a decrease in repayment of long-term debt and an increase in short-term loans, net.

In the year ended March 31, 2008, net cash used in financing activities decreased by ¥13,561 million, or 13.4%, to ¥87,336 million compared to ¥100,897 million in the prior year. This decrease was due mainly to a decrease in redemption of bonds and an increase in proceeds from issuance of bonds offset in part by an increase in repayment of long-term debt.

Except for the global offering and as otherwise disclosed in this Prospectus, we believe that no significant events have occurred during the period between April 1, 2009 and the date of this Prospectus that have materially affected trends in our cash flows during such period compared to cash flows for the year ended March 31, 2009.

***Capital Expenditures***

Our capital expenditures consist primarily of acquisition of aircraft, spare aircraft engines and other spare aircraft parts. We also incur capital expenditures related to building or improving our facilities at airports and information technology. Our capital expenditures are recorded in our consolidated statements of cash flows under "payment for purchase of property and equipment" and "payment for purchase of intangible assets".

Our capital expenditures increased every fiscal year from ¥147.6 billion in the year ended March 31, 2004 to ¥357.7 billion in the year ended March 31, 2008 due primarily to increased investments in aircraft. Our capital expenditures in the year ended March 31, 2008 consisted of ¥305.5 billion in aircraft-related investments, ¥16.3 billion in information technology-related investments, and ¥35.7 billion in other capital expenditures.

In the year ended March 31, 2009, total capital expenditures were ¥145.7 billion, a decrease of 59.3% compared to the prior year due to our limitation or postponement of all but strategically necessary investment in response to the global economic downturn. Our capital expenditures in the year ended March 31, 2009 consisted of ¥85.6 billion in aircraft-related investments, ¥26.7 billion in information technology-related investments, and ¥33.3 in other capital expenditures.

For the year ending March 31, 2010, we plan to increase our total capital expenditures to approximately ¥230 billion, which would be an increase of 57.8% compared to the prior year. We expect our capital expenditures in the year ending March 31, 2010 will consist of approximately ¥172 billion in aircraft-related investments, including the acquisition of Boeing 787, Boeing 737 and Boeing 777 aircraft, approximately ¥26 billion in information technology-related investments, including operations systems at airports and automated passenger services, and approximately ¥32 billion in other capital expenditures, including ground support equipment, training facilities, flight simulators and lounge improvements.

We plan to continue to make further capital expenditures on an ongoing basis primarily for acquisitions of new aircraft, particularly Boeing 787s. For our fleet expansion plan and financial commitment for capital expenditures, see "— Financing and Capital Commitments" and "Business — Fleet."

***Financing and Capital Commitments***

The following table sets forth the amount of our contractual commitments as of March 31, 2008 and 2009. We have not incurred any contractual commitments during the period between 1 April 2009 and the date of this Prospectus that would materially increase the amount of our contractual commitments as of the date of this Prospectus compared to the amount of our contractual commitments as of March 31, 2009:

***Contractual Commitments***

| | As of March 31, | |
|---|---|---|
| | **2008** | **2009** |
| | (millions of yen) | |
| Bonds and notes | ¥ 195,000 | ¥ 165,000 |
| Short-term bank loans | 2,580 | 46,571 |
| Loans (other than short-term bank loans) | 497,600 | 628,086 |
| Finance lease obligations | 72,696 | 57,579 |
| Operating lease obligations(1) | 207,135 | 194,895 |
| Capital expenditure obligations, including aircraft purchase obligations(2) | 864,471 | 834,002 |
| Total | ¥ 1,839,482 | ¥ 1,926,133 |

Notes:

(1) Consists of operating leases that have initial lease terms in excess of one year. See Note 9 to our audited consolidated financial statements included elsewhere in this Prospectus.

(2) As of May 31, 2009, capital expenditure obligations, including aircraft purchase obligations, were ¥841,277 million.

In addition to the above, in connection with the expansion of Haneda scheduled in 2010, we have a 17% interest in a consortium to construct a new international passenger terminal at Haneda. We are required to invest approximately ¥3.0 billion to ¥5.0 billion for financing the project over the course of the next fiscal year.

*Finance Leases*

We historically financed approximately half of our aircraft procurement through Japanese leveraged leases until such leases became unavailable in April 2007 due to changes in tax rules. Although Japanese leveraged leases were accounted for as off-balance sheet transactions until the year ended March 31, 2007, they are currently accounted for on the balance sheet as leased assets and finance lease obligations due to changes in Japanese GAAP. As of March 31, 2009, we had in place Japanese leveraged leases with respect to 41 aircraft, which together with related assets comprised ¥54,653 million in leased assets for which we had lease obligations of ¥57,579 million. Annual payment obligations on our finance leases as of March 31, 2009 were as follows:

***Annual Maturities of Leases***

| Year ending March 31, | Maturity |
|---|---|
| | (billions of yen) |
| 2010 | ¥ 11.7 |
| 2011 | 11.3 |
| 2012 | 9.6 |
| 2013 | 9.0 |
| 2014 | 7.9 |

We also utilize conventional operating leases as described below in "— Financing and Capital Commitments — Operating Leases".

*Bonds and Notes and Loans*

As of March 31, 2009, we had bonds, notes and loans with an aggregate principal amount of ¥839,657 million outstanding, of which ¥405,537 million was secured, primarily by aircraft, and of which ¥46,571 million consisted of short-term loans. Our bonds and notes consisted of straight debt obligations with fixed interest rates of between 1.24% to 3.2%, and our loans consisted of obligations bearing an average interest rate of 1.0% for our short-term bank loans and 1.8% for our long-term debt, including current portion. Annual maturities of our bonds and notes and loans as of March 31, 2009 were as follows:

***Annual Maturities of Bonds, Notes and Loans***

| Year ending March 31, | Maturity |
|---|---|
| | (billions of yen) |
| 2010 | ¥ 111.1 |
| 2011 | 121.9 |
| 2012 | 102.6 |
| 2013 | 66.4 |
| 2014 | 77.3 |

Loans (other than short-term bank loans) as of March 31, 2009 consisted of loans from major Japanese commercial banks and loans from Japanese government banks. Of these, the three largest as of March 31, 2009 were loans by and loans otherwise guaranteed by JBIC with a total amount of ¥240.5 billion outstanding, loans from the Development Bank of Japan Inc. with a total amount of ¥164.8 billion outstanding and loans from Sumitomo Mitsui Banking Corporation with a total amount of ¥55.5 billion outstanding. We also maintain an unsecured commitment line of ¥90.0 billion with 14 Japanese commercial banks, from which we are able to draw down loans with maximum repayment periods of three years through January 2010 which must be repaid in full by January 31, 2012, and an unsecured commitment line of ¥10.0 billion with the Development Bank of Japan Inc., from which we are able to draw down loans with maximum repayment periods of five years through January 2012 which must be repaid in full by February 7, 2015. Both commitment lines were undrawn as of March 31, 2009. In addition, our subsidiary All Nippon Airways Trading Co., Ltd. maintains a one-year unsecured commitment line totaling ¥4.2 billion from Japanese commercial banks.

The unsecured commitment lines from the 14 banks and the Development Bank of Japan Inc. contain a covenant requiring the maintenance of a credit rating of BB− or above from either Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. None of our other loans, bonds or notes include material financial covenants.

Our current and future borrowing costs and ability to raise funds are generally impacted by our credit ratings and changes thereto. Currently, we have a rating of "A−" assigned to our long-term bonds by Japan Credit Rating Agency, Ltd. and of "BBB+" by Rating and Investment Information, Inc.

*Operating Leases*

As of March 31, 2009, our leases included ¥194,895 million of operating leases that had initial terms in excess of one year. 22 of our 41 aircraft leases accounted for as operating leases are structured as Japanese leveraged leases but are treated as operating leases because they do not meet certain accounting requirements for qualifying as finance leases. Under the terms of these operating leases (other than those classified as Japanese leveraged leases), we generally do not have an option to purchase the aircraft once the lease term expires and, therefore, the aircraft is returned to the lessor.

The table below sets out the amounts due under these leases as of March 31, 2009:

***Amounts Outstanding under Operating Leases***

| | Amount |
|---|---|
| | (millions of yen) |
| Due within one year | ¥ 33,818 |
| Due thereafter | 161,077 |
| Total | ¥194,895 |

*Purchase Obligations of the Air Transportation Segment*

As of March 31, 2009, we had outstanding orders for 92 new aircraft. Generally, under the terms of our aircraft purchase agreements, we are required to pay a significant portion of the purchase price prior to delivery, including a portion at the time of placement of the order and additional payments over a period of one to two years prior to delivery, with the remainder payable upon delivery. As of March 31, 2009, our payment obligations under our aircraft purchase agreements (excluding spare engines and other spare aircraft parts) totaled ¥735.9 billion (subject to adjustments for economic inflation, changes in specifications and other modifications), of which ¥141.7 billion is payable in the year ending March 31, 2010. We expect to finance the purchases mainly through loans, most of which will utilize credit support provided by JBIC. Apart from the purchase obligations detailed below, we have made no material firm commitments regarding future principal investments.

Set forth below is the number and type of aircraft subject to these purchase obligations as of March 31, 2009, the total acquisition price, the amount paid through March 31, 2009 and the amount remaining to be paid as of March 31, 2009:

***Purchase Obligations of the Air Transportation Segment***

| Type of aircraft as of March 31, 2009 | Total acquisition price(1) | Amount paid through March 31, 2009 | Amount remaining to be paid as of March 31, 2009(1) |
|---|---|---|---|
| | | (millions of yen) | |
| Boeing 777-300 | ¥86,527 | ¥30,703 | ¥55,824 |
| Boeing 787 | 631,239 | 96,191 | 535,048 |
| Boeing 767-300 | 76,864 | 13,635 | 63,229 |
| Boeing 737-800 | 37,172 | 13,129 | 24,043 |
| Boeing 737-700 | 60,625 | 9,548 | 51,077 |
| Bombardier DHC-8-400 | 7,514 | 819 | 6,695 |
| Others(2) | 98,086 | — | 98,086 |
| Total | ¥998,027(3) | ¥164,025(4) | ¥834,002(5) |

Notes:

(1) Amounts for total acquisition price and amounts remaining to be paid have been estimated based on an exchange rate of U.S.$1 = ¥95.00.

(2) Includes spare engines and other spare aircraft parts.

(3) ¥1,062,474 million as of May 31, 2009.

(4) ¥221,197 million as of May 31, 2009.

(5) ¥841,277 million as of May 31, 2009.

Estimated annual amounts payable under aircraft purchase obligations in the current fiscal year and thereafter as of March 31, 2009 (not including spare engines or other spare aircraft parts categorized as "Others" in the above table) were as follows:

***Estimated Amounts Payable under Aircraft Purchase Obligations***

| Year ending March 31, | Maturity |
|---|---|
| | (millions of yen) |
| 2010 | ¥141,749 |
| 2011 | 130,951 |
| 2012 | 102,017 |
| 2013 | 42,100 |
| 2014 | 32,211 |
| 2015 | 86,292 |
| 2016 | 72,204 |
| 2017 and thereafter | 128,392 |
| Total | ¥735,916 |

**Market Risks**

We operate internationally and are exposed to the risk of changes in foreign exchange rates, interest rates and commodity prices of jet fuel. We have developed internal hedging guidelines to control various aspects of derivative transactions, including authorization levels and transaction volumes. We enter into derivative transactions in accordance with these internal guidelines. Derivative and hedging transactions initiated by our operational departments have been examined by the accounting department, and these transactions, including their measures and ratios, have been monitored by management generally on a monthly basis. Assessment of hedge effectiveness is examined at inception and on a regular basis. For additional information regarding our derivatives and hedging activities, see Note 12 to our audited consolidated financial statements included elsewhere in this Prospectus.

### *Currency Risk*

Although our reporting currency is the yen, part of our cash flow is denominated in other currencies, such as the U.S. dollar, the euro and the British pound sterling. We generate a net cash inflow for most of the currencies in which we do business. The U.S. dollar is an exception to this as capital expenditures, together with ongoing lease and jet fuel payments denominated in U.S. dollars, creates a net cash outflow.

We utilize foreign exchange forward contracts, options and swaps to hedge our exposure to foreign exchange risk related to the estimated amount of future dollar payments, which result primarily from aircraft and jet fuel purchases. We generally begin applying these hedges five years in advance of the estimated time of payment, based on projections of our future U.S. dollar payment needs, and gradually increase the hedged portion until 80% of estimated future payments for fuel and 100% of estimated payments for aircraft are hedged in accordance with our hedging policy. Even after taking these hedges into account, depreciation of the Japanese yen against the U.S. dollar has a negative effect on our net income. In the absence of hedging, the effect of a ¥1 change per U.S. dollar on operating income would have been approximately ¥1.9 billion in the year ended March 31, 2009. We apply hedge accounting to all of our U.S. dollar hedging activities.

### *Interest Rate Risks*

We utilize interest rate swaps to minimize the impact of interest rate fluctuations or, alternatively, to reduce interest payments, related to outstanding debt. As of March 31, 2009, ¥44.0 billion of our interest-bearing debt (on a non-consolidated basis and after giving effect to our interest rate swaps, but not including ¥58.0 billion in short-term loans from our wholly-owned consolidated subsidiary, Winglet Co., Ltd.) carried floating interest rates, which fluctuate based on market interest rates. We apply hedge accounting to all of our interest rate swaps.

### *Jet Fuel Price Risks*

Our results of operations are affected by changes in the price and availability of jet fuel. We regularly enter into commodity swaps and options to hedge the effect of fluctuations in jet fuel market prices on our cost of jet fuel. Under our current hedging policy, we begin applying these hedges, based on projections of our future fuel requirements, three years in advance of the projected time of jet fuel purchase and gradually increase the hedged portion as the time of such purchase approaches until 100% of such future purchase is hedged by the end of the fiscal quarter immediately preceding the purchase date. As a result, our effective purchase price of jet fuel is roughly equal to the average of the historical market price for jet fuel over the three-year period prior to the actual purchase. We apply hedge accounting to all of these derivatives transactions. In the absence of hedging, the effect of a $1 change per barrel of crude oil on operating income would have been approximately ¥2.3 billion in the year ended March 31, 2009.

We purchase options that offset our hedging activities to the extent the purchase price of the options fall within our operating budget for jet fuel costs. These options can result in lower costs for jet fuel if jet fuel prices in future periods fall.

### *Working Capital*

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the 12 months from the date of this Prospectus.

## BUSINESS

### Overview

We are one of the leading airline groups in the world, ranking third worldwide in terms of market capitalization, based on stock prices and exchange rates as of March 31, 2009, and 12th worldwide in terms of revenue passengers, based on data published by the world's leading airlines. We were the second largest airline in Asia in terms of scheduled passengers carried in the year ended December 31, 2008, according to the World Air Transport Statistics published by IATA. We are a member of the *Star Alliance*, a global airline alliance which, as of December 2008, includes 21 member airlines and serves over 916 destinations in 160 countries and regions.

We are one of the two largest domestic airline groups in Japan with a market share, in terms of number of passengers, of approximately 47% for domestic travel during the year ended March 31, 2008 . We conduct regularly scheduled flights to 50 airports in Japan and carried approximately 42.7 million revenue passengers on domestic flights during the year ended March 31, 2009.

Our international destinations for our passenger services include 24 cities in 11 different countries and regions (other than Japan). Asia constitutes our most important geographic region for our international passenger services, with 79% of our international flights departing from or arriving in Asia as of March 31, 2009. As of March 31, 2009, 14% of our international flights departed from or arrived in North America and 7% departed from or arrived in Europe. We carried 4.4 million revenue passengers on international flights during the year ended March 31, 2009.

We had operating revenues of ¥1,229.5 billion and operating income of ¥4.7 billion, before intersegment eliminations, from our air transportation segment during the year ended March 31, 2009. As of March 31, 2009, we operated a fleet of 210 aircraft.

Our other operating segments include travel services and other businesses. Our travel services segment consists primarily of the sale of domestic and international package tours. Our other businesses segment is principally related to air transportation and includes trading and retailing, information and telecommunications and building maintenance operations.

### History

We were incorporated under the name Japan Helicopter & Aeroplane Transports Co., Ltd. on December 27, 1952 as a joint stock corporation (*kabushiki kaisha*). Our initial business was the provision of helicopter transportation services.

We obtained licenses for the provision of scheduled and non-scheduled domestic air transportation services in 1953 and started flights between Tokyo and Osaka in the same year. In 1957, we changed our name to All Nippon Airways Co., Ltd.

In 1986, we commenced the operation of scheduled international flights with the launch of a route between Tokyo and Guam. By 1989, our international routes increased to include routes to four continents. While capacity restrictions at Narita continued to limit our growth in international flights to and from Tokyo, we expanded our international operations with flights to and from Osaka with the opening of Kansai in September 1994.

In 1998, we gained incumbent airline status under the Japan — United States bilateral treaty. This facilitated the expansion of our Japan — U.S. network. In October 1998, we commenced flights between Tokyo and Honolulu and added San Francisco and Chicago as destinations in December 1998 and April 1999, respectively.

On October 31, 1999, we became a member of the *Star Alliance*.

Our common stock was listed on the Tokyo Stock Exchange and the Osaka Securities Exchange in October 1961 and on the London Stock Exchange in October 1991.

In 2006, we began operating ANA&JP Express Co., Ltd., a cargo airline joint venture with Japan Post, Nippon Express Co., Ltd., and Mitsui O.S.K. Lines, Ltd.

In April 2008, we established All Express Corporation, a joint venture with Nippon Express Co., Ltd., Kintetsu World Express, Inc., MOL Logistics (Japan) Co., Ltd., Yusen Air & Sea Service Co., Ltd., and Nissin Corporation to provide business-to-business international express delivery services.

Our registered office is 1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo 105-7133, Japan, and the telephone number of our registered office is 813-6735-1001. We are registered at the Tokyo recording bureau with registered number 0104-01-050876.

## The Airline Industry

### *The Domestic Air Transportation Industry*

The domestic air travel market in Japan was the third largest domestic air travel market in the world in 2007 in terms of passenger-km, according to IATA. There were approximately 90 million domestic air travel passengers during the year ended March 31, 2009 according to the MLIT. There was an average of approximately 2,000 scheduled flights per day between over 90 airports throughout Japan during the year ended March 31, 2009. The following table sets forth the ten largest domestic air travel markets in the world in 2007 in terms of passenger volume:

**Top Ten Domestic Air Travel Markets**

| | For the Year Ended December 31, 2007 | |
|---|---|---|
| | **Passengers** (millions) | **Land area(1)** (thousands of square kilometers) |
| United States | 651 | 9,162 |
| China | 162 | 9,326 |
| Japan | 92 | 375 |
| Brazil | 45 | 8,457 |
| Spain | 44 | 500 |
| Australia | 42 | 7,618 |
| India | 41 | 2,990 |
| Canada | 41 | 9,094 |
| Mexico | 27 | 1,923 |
| Italy | 26 | 301 |

*Source:* IATA

Note:

(1) Company estimates.

The disproportionate size of the Japanese domestic air travel market in comparison to country size is due mainly to Japan's large population and it being a generally mountainous country consisting of four main islands and numerous smaller islands. Prior to 2002, the air travel industry in Japan consisted of three major airlines, JAL, Japan Air System Co., Ltd., or JAS, and us. In October 2002, JAL and JAS combined their businesses to form the JAL group, and we and the JAL group are currently the two major airlines in the Japanese domestic market. For the year ended March 31, 2008, we had a domestic market share of 47% and the JAL group had a domestic market share of 44%, based on the number of passengers.

*Deregulation*

The domestic air transportation industry is regulated by the MLIT. The MLIT is responsible for setting licensing standards, allotting flight slots at domestic airports, overseeing fares and other rates, overseeing conditions of carriage, safety regulations, aircraft standards and registration of aircraft, among other things. In February 2000, in order to encourage competition between airlines, the regulations for air transportation were significantly revised. In this revision, the rule requiring a license for each route on which an airline wished to offer services was replaced by a system that only requires approval to operate as an airline, easing entry into the business of air transportation services. In addition, the method of setting fares and changing fare structures, which previously required MLIT approval, was replaced by a system requiring only prior notification to the MLIT. This new system generally allows airlines to freely set and change fares (although the MLIT has the power to reject fare changes they deem unfair). Since deregulation, standard fares have declined on some routes due to increased competition, and the number of discount-type fares has increased. For more information, see "Regulation — Japanese Regulation".

*Route Network*

Almost all domestic flights in Japan pass through one of seven hub airports. These airports, which are set forth below, make up the backbone of the Japanese domestic air travel network.

- Tokyo International Airport, or Haneda, is located in Tokyo and is the major domestic hub for all of Japan. Approximately 62 million domestic revenue passengers passed through Haneda in the year ended March 31, 2009, making it the busiest airport in Asia and one of the busiest airports in the world.

Haneda is constructing a new runway which is expected to be operational by October 2010 and which will significantly increase the number of flights through Haneda.

- Osaka International Airport, or Itami, is one of three airports serving Osaka and the surrounding areas, which constitutes the second largest population center in Japan.
- Kansai International Airport, or Kansai, opened in 1994 as Osaka's main international airport, but also handles domestic routes. Kansai commenced operation of a second runway in 2007.
- Central Japan International Airport, or Centrair, opened in February 2005 as the international and domestic hub for Nagoya and central Japan.
- New Chitose Airport, or New Chitose, is located near Sapporo and is the main airport in Hokkaido, the northernmost of Japan's four main islands. The route between Haneda and New Chitose is the most heavily traveled airline route in Japan.
- Fukuoka Airport, or Fukuoka, is the largest airport serving Kyushu, the southernmost of Japan's four main islands.
- Naha Airport, or Naha, is the main airport for the islands of Okinawa prefecture, which are among the most popular resort locations in Japan.

In addition, Narita serves a small number of domestic flights, which are primarily for connecting international flight passengers to and from regional airports in Japan.

As of June 4, 2009, there were over 90 airports in Japan serviced by domestic airlines including the newly opened Shizuoka airport.

Due to the high concentration of the Japanese population in the greater Tokyo and, to a lesser extent, Osaka areas, domestic air passenger traffic in Japan is highly concentrated in a number of major airports. During the year ended March 31, 2008, approximately 64% of all domestic passengers and 43% of all domestic flights originated or terminated at Haneda, whereas approximately 10% of all domestic passengers and 14% of all domestic flights originated or terminated at Itami, which figures include flights between Haneda and Itami according to MLIT.

The busiest airports in Japan, particularly Haneda and Itami, are generally overcrowded, with no or very limited availability of flight slots for adding flights. Haneda generally does not have any flight slots available other than outside of its core operating hours of between 8:30 a.m. and 10:30 p.m. In addition, at Itami, the busiest airport in the Western part of Japan, all flight slots, except for flight slots allocated only to propeller aircraft, are generally fully allocated.

As a result of the opening of a fourth runway and the utilization of late night/early morning flight slots at Haneda in 2010, the number of takeoffs and landings is currently expected to increase from approximately 303,000 to 380,000 per year and the number of flight slots available during core operating hours is expected to increase by 47,000 per year. We expect that approximately 27,000 of the additional flight slots will be made available for domestic flights, of which we expect approximately half to be allocated to our smaller competitors, and that the overall level of competition in the domestic market will increase significantly from 2010. We expect a further increase of 57,000 flight slots (including international flight slots) by 2012. However, no official announcements have been made regarding the allocation of the new flight slots, and it was necessary for us to make certain assumptions regarding their allocation for purposes of determining our future business strategy. For a discussion of the risks associated with the allocation of these additional flight slots, see "Risk Factors — Risks Related to Our Business — We face substantial competition in the domestic transportation market from the JAL group, the *Shinkansen* high-speed rail service and new airlines" and "— If the number of flight slots at Haneda and/or Narita does not increase in the time period or in the manner we currently expect or have assumed for purposes of developing our growth plans, our ability to achieve our future growth targets could be materially and adversely affected" under "Risk Factors — Risks Related to Our Business".

*Domestic Passenger Data*

The following table sets forth the total number of passengers for the domestic air travel market in Japan for the years ended March 31, 2002 through 2009:

***Number of Passengers for Domestic Air Travel Market***

| | For the year ended March 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009[(1)] |
| | (thousands of passengers, except percentages) | | | | | | | |
| Passengers | 94,579 | 96,662 | 95,487 | 93,738 | 94,490 | 96,971 | 94,849 | 90,662 |
| Year-on-year change | 1.8% | 2.2% | (1.2)% | (1.8)% | 0.8% | 2.6% | (2.2)% | (4.4)% |

*Source:* MLIT

Note:

(1) March 31, 2009 figures are preliminary figures that may be revised.

The domestic air travel industry in Japan is relatively insular, and despite the occurrence of a succession of events such as the terrorist attacks in the United States on September 11, 2001, the outbreak of SARS in the Asia Pacific region in the first half of 2003 and the war in Iraq in 2003, which drastically affected passenger air traffic in most areas of the world, Japanese domestic air travel showed growth in passenger numbers from the year ended March 31, 1998 through the year ended March 31, 2003. Following relatively small decreases for each of the two years ended March 31, 2004 and 2005, domestic demand increased for each of the two years ended March 31, 2006 and 2007. However, during the past two years the Japanese air travel industry has proven susceptible to global forces such as high jet fuel prices and the financial crisis.

The number of domestic passengers in Japan has grown since 1993 due to the continuous addition of new routes and flights by Japanese airlines and expansion of domestic airport capacity, including through the opening of new airports. As a result of deregulation in February 2000, a number of new airlines commenced services along several routes in Japan, including some of the most heavily traveled. Because deregulation also freed airlines to set their own fares, the average fares were lowered on several routes due to increased competition and the offering of an increased number of discount-type fares. Due in part to lower fares, the number of domestic passengers increased by 0.8% and 2.6% in the years ended March 31, 2006 and 2007, respectively, despite Japan experiencing a period of economic weakness over portions of this period.

Passenger numbers decreased by 2.2% and 4.4% in the years ended March 31, 2008 and 2009, respectively, due primarily to the global downturn caused by turmoil in the financial markets. As the world economy slipped into a recession during the year ended March 31, 2008, the Japanese economy contracted as well. Demand for domestic air travel dropped precipitously during the year ended March 31, 2009, especially demand for high-yield business travel.

We will continue with our initiatives aimed at increasing domestic demand and reducing costs to operate more efficiently. However, we do not expect a significant increase in future demand for Japanese domestic air travel.

*Small Domestic Airlines*

In addition to the JAL group and us, a number of new, smaller airlines began to operate on select routes in Japan in anticipation of, and following, deregulation in February of 2000. Several of these new airlines generally compete with us by offering lower standard fares and focusing on a small number of high-demand or underserved routes. These airlines include:

- Skymark Airlines Inc. or SKY, which commenced operations in 1998. It focuses its operations on high-demand routes between Haneda and Asahikawa, Fukuoka, Kobe, New Chitose and Naha;
- Hokkaido International Airlines Co., Ltd., or Air Do, which commenced operations in 1998 and services routes between Haneda and New Chitose, Asahikawa, Hakodate and Memanbetsu. Air Do also operates routes between New Chitose, Sendai and Niigata airports;
- Skynet Asia Airways Co., Ltd., or SNA, which commenced operations in 2002 and services routes between Haneda and Miyazaki, Kumamoto, Nagasaki, Kagoshima and Okinawa;
- Star Flyer Inc., or Star Flyer, which commenced operations in 2006 and services routes between Haneda, Kansai and Kita-Kyushu airport; and
- IBEX Airlines Co., Ltd., or IBEX, which commenced operations in 2000 and services routes originating from Itami and Narita to small regional airports.

In the past several years, competition from these smaller domestic airlines has intensified on certain routes, partially as a result of MLIT's redistribution of flight slots in 2005, as discussed below. As part of our efforts to increase our competitiveness by cost-effectively expanding our domestic network while focusing on the efficient use of our flight slots and aircraft, we have entered into code-sharing arrangements with Air Do, SNA, Star Flyer and IBEX. In addition, we held a 13.61% interest in Air Do, a 14.99% interest in SNA and a 1.06% interest in Star Flyer as of March 31, 2009.

Approximately 64% of all domestic air passengers in Japan either originate from or arrive into Haneda. Therefore, it is of critical importance to secure flight slots at Haneda to compete on a significant scale in the Japanese domestic airline market. To date, our smaller competitors have been unable to secure sufficient flight slots at Haneda to meaningfully compete with us on the majority of the routes we operate. The MLIT currently has a policy of supporting smaller airlines so that they may secure additional market share in the Japanese airline industry and increase competition in the market. As part of this policy, the MLIT required that we transfer 18 daily flight slots and the JAL group transfer 22 daily flight slots to our smaller competitors in the spring of 2005 during the redistribution of flight slots at Haneda conducted by the MLIT at least once every five years. This transfer did not have a material affect on our operations or on our market share in the domestic airline market, as we took steps to minimize the impact of these transfers, such as adding flights outside of the core operating hours at Haneda and taking unused flight slots for propeller aircraft at Itami.

Following the completion of a fourth runway in 2010, Haneda's capacity is expected to increase by approximately 27,000 annual domestic flight slots in October 2010. We expect that approximately half of these new flight slots will be allocated to our smaller competitors and that the overall level of competition in the Japanese market will increase significantly from 2010. However, no official announcements have been made regarding the allocation of the new flight slots, and it was necessary for us to make certain assumptions regarding their allocation for purposes of determining our future business strategy. For more information, see "Risk Factors — Risks Related to Our Business — If the number of flight slots at Haneda and/or Narita does not increase in the time period or in the manner we currently expect or have assumed for purposes of developing our growth plans, our ability to achieve our future growth targets could be materially and adversely affected".

*Shinkansen and Other Modes of Transport*

We and the rest of the Japanese domestic airline industry compete with other modes of transport, including the *Shinkansen* and other passenger railways and bus lines. We compete primarily with the *Shinkansen* for our target passengers, which includes passengers that are willing to pay a premium for speed of service and convenience. The continuing expansion of *Shinkansen* coverage, including the route extensions in Kyushu scheduled to begin operation in 2011, may enhance the competitiveness of the *Shinkansen*. Bus lines offer transport to cities and towns throughout Japan at a much lower fare than the *Shinkansen* or airlines, but are at a competitive disadvantage with respect to transport time, in particular for medium and long-distance routes. The following table shows the market share for domestic travel in the year ended March 31, 2007 for air travel compared to other modes of transport, as well as the total number of passengers, among all modes of transport by range of distance traveled:

***Preferred Modes of Transport in Japan***

| | Under 100km | 100km - under 300km | 300km - under 500km | 500km - under 750km | 750km - under 1,000km | 1,000km and above |
|---|---|---|---|---|---|---|
| | (percent, except passenger numbers) | | | | | |
| Air travel | 0.01% | 0.04% | 4.39% | 20.91% | 64.00% | 94.07% |
| Japan Railways Group, or JR, passenger railways(1) | 9.47 | 20.47 | 49.28 | 66.19 | 30.82 | 5.29 |
| Other passenger railways | 15.50 | 3.60 | 0.00 | 0.00 | 0.00 | 0.00 |
| Motor vehicles(2) | 74.95 | 75.49 | 44.17 | 9.93 | 3.53 | 0.46 |
| Ships | 0.08 | 0.40 | 2.16 | 2.97 | 1.65 | 0.17 |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |
| Number of passengers (in millions) | 86,546 | 1,329 | 146 | 83 | 26 | 53 |

*Source:* MLIT

Notes:

(1) JR is comprised of six passenger railway operators and includes *Shinkansen* service.

(2) Includes privately operated cars as well as public and charter buses.

As indicated by the table above, the airline industry has a particularly large share of the transportation market in Japan for distances greater than 750km. Airports located north of Hakodate, including New Chitose, and west of Hiroshima, including Fukuoka, are located more than 750km from Haneda.

### *The International Air Transportation Industry*

The international air transportation industry comprises an expansive network of international flights operated by over 200 airlines. The international air transportation industry is governed by provisions set forth in a series of international conventions, which is overseen by the International Civil Aviation Organization, or ICAO, which is the aviation division of the United Nations. In addition, airline companies have formed the International Air Transport Association, or IATA, which is a self-regulating body through which international airlines meet and communicate to determine policies and regulations. See "Regulation — International Regulation — IATA".

The following table sets forth financial information for the international air transportation industry as a whole:

***Financial Information for the International Air Transportation Industry***

| | For the year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008(1) | 2009(1) |
| | (billions of dollars, except percentages) | | | | |
| Revenues: | | | | | |
| Passenger | $323 | $ 365 | $ 398 | $ 413 | $353 |
| Cargo | 48 | 53 | 59 | 59 | 44 |
| Total | 413 | 465 | 508 | 528 | 448 |
| Expenses | 409 | 450 | 488 | 526 | 450 |
| Operating income (loss) | 4.3 | 15.0 | 19.7 | 1.5 | (1.7) |
| Net income (loss) | (4.1) | (0.1) | 12.9 | (10.4) | (9.0) |
| Operating income (loss) margin | 1.0% | 3.2% | 3.9% | 0.3% | (0.4)% |
| Net income (loss) margin | (1.0)% | 0.0% | 2.5% | (2.0)% | (2.0)% |

*Source:* IATA

Note:

(1) 2008 and 2009 figures are forecasts as of June 2009.

#### *International Airports in Japan*

International air traffic in Japan is primarily routed through Narita. Narita, together with Haneda, handled approximately 60% of all international passengers in Japan in the year ended March 31, 2009. Kansai and Centrair are currently Japan's other major international airports.

The maximum number of flight slots that can be made available at Narita is dependent on the capacity of its runways and an agreement that exists between the MLIT, Narita International Airport Corporation, or NAA, the public corporation that operates Narita, and the local municipality regarding the airport's operating conditions. Under the current agreement among the three entities, Narita has a maximum capacity of 200,000 flight slots. During the 2008 calendar year, 193,321 of these flight slots were utilized. We believe the unutilized flight slots consist of domestic and international flight slots which have not been allocated by MLIT and flight slots allocated to non-Japanese airlines but which were not used during the year. Notwithstanding the existence of some unallocated or otherwise unused flight slots, we believe there is substantial demand for additional flight slots from both Japanese and non-Japanese airlines. We are currently working with other airlines, MLIT and NAA to cause the unallocated or otherwise unused flight slots to be allocated to airlines that can utilize such slots.

We also believe that approximately 20,000 additional flight slots, bringing the maximum capacity of Narita to a total of 220,000 flight slots, can be made available at Narita to airlines through increased capacity achieved by further rationalization of airport operations and ongoing discussions with the local municipality. We and other airlines are currently working with NAA, MLIT and the local municipality to cause these new additional flight slots to also become available at Narita.

NAA has announced its plan to lengthen the second runway at Narita in March 2010, which is expected to result in an increase in capacity of 20,000 flight slots. Nevertheless, the availability of this added capacity to airlines is subject to agreement among MLIT, NAA and the local municipality. If an agreement is reached, we expect that half of the new slots for international flights at Narita will be allocated to non-Japanese airlines, with the remainder being divided roughly equally between the JAL group and us. However, no official announcements have been made regarding the allocation of the new flight slots, and it was necessary for us to make certain assumptions regarding their allocation for purposes of determining our future business strategy. For more information, see "Risk Factors — Risks Related to Our Business — If the number of flight slots at Haneda and/or Narita does not increase in the time period or in the manner we currently expect or have assumed for purposes of developing our growth plans, our ability to achieve our future growth targets could be materially and adversely affected".

Narita is located approximately 65 kilometers from central Tokyo, which is considerably further than the distance that separates other major urban areas such as New York, London and Paris from their respective international airports. However, from 2010, Keisei Electric Railway Co., Ltd. plans to introduce a new model railcar on the Narita Skyliner, which connects Narita to Nippori station in Tokyo. The new cars are expected to run at a speed of 160 km/h, which will significantly reduce the travel time to Narita and increase its convenience.

We currently expect that the increased flight capacity at Haneda resulting from the 2010 completion of a fourth runway and the utilization of late night/early morning slots will result in an increase of approximately 50,000 international flight slots (consisting of 20,000 slots for flights subject to limitation on route distances and 30,000 slots for flights between 11 p.m. and 6 a.m. not subject to limitation on route distances)). We expect a further increase of 57,000 flight slots (including international flight slots) by 2012. We expect half of the new international flight slots at Haneda will be allocated to non-Japanese airlines, with the remainder being divided roughly equally between the JAL group and us. However, no official announcements have been made regarding the allocation of the new flight slots, and it was necessary for us to make certain assumptions regarding their allocation for purposes of determining our future business strategy. For more information, see "Risk Factors — Risks Related to Our Business — If the number of flight slots at Haneda and/or Narita does not increase in the time period or in the manner we currently expect or have assumed for purposes of developing our growth plans, our ability to achieve our future growth targets could be materially and adversely affected".

Currently, an average of 14 daily international flights are served by Haneda. International flights serviced by Haneda historically were restricted by a perimeter rule established by the MLIT which limited international routes to airports located within 1,947 kilometers of Haneda, such as Shanghai and Seoul. This restriction has been loosened in recent years to allow flights to and from Beijing and Hong Kong. However, the new daytime flight slots made available to international flights following the completion of the fourth runway at Haneda in October 2010 may also be subject to a similar perimeter rule.

*International Passenger Data*

In the year ended March 31, 2008, approximately 54.8 million passengers traveled on international routes originating or terminating in Japan. The following table sets forth the total number of passengers on international flights originating or terminating in Japan for the years ended March 31, 2002 through March 31, 2008:

***International Flights Originating or Terminating in Japan***

| | For the year ended March 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | (thousands of passengers, except percentages) | | | | | | |
| All airlines | 44,902 | 48,160 | 41,232 | 51,838 | 52,968 | 54,318 | 54,813 |
| Year-on-year change | | 7.3% | (14.4)% | 25.7% | 2.2% | 2.5% | 0.9% |

*Source:* MLIT

Factors affecting passenger numbers for international flights originating or terminating in Japan include those affecting the international air travel industry at large, as well as those specific to the Japanese market, such as developments in relationships between Japan and other countries. In addition, due to Narita's role as a hub airport connecting North America with the rest of Asia, international air travel in Japan is also affected by the demand for air travel between these two regions.

The terrorist attacks in the United States on September 11, 2001 had a significant negative impact on economic, political and market conditions around the world. Following the attacks, the results of operations of most airline companies were adversely affected due principally to decreased demand for air travel and significantly higher costs of insurance and passenger and aircraft security.

American airline companies, which are largely dependent on U.S. domestic demand, particularly suffered from the fallout of the September 11, 2001 attacks and from the war in Iraq. Despite substantial subsidies received by U.S. airlines from federal authorities following the events of September 11, 2001, certain major U.S. airlines sought protection under Chapter 11 of the U.S. Federal Bankruptcy Code during the years ended December 31, 2002 and 2003. In Japan, passenger numbers on international routes departing from or arriving in Japan decreased sharply for the year ended March 31, 2002, falling 10.6% to 44.9 million.

During 2002, there was an increase in the number of international passengers, although the number was significantly below passenger numbers in 2000, and the recovery was somewhat muted by geopolitical tensions surrounding the build-up to the war in Iraq. U.S. airlines continued to suffer due to continued lack of demand for both domestic and international routes.

In late 2002 and early 2003, the Asia Pacific region was affected by the outbreak of SARS, which sharply reduced international passenger traffic throughout the region, with traffic declining between 40 — 50% region-wide at the height of the crisis. Despite a recovery in passenger volume later in 2003, there was a substantial decrease in international passenger numbers to and from Japan for the year ended March 31, 2004. In response to the crisis facing the airline industry following the events of September 11, 2001, the war in Iraq and the outbreak of SARS, airlines worldwide were forced to implement new cost-saving measures, reorganize their network capacities to address shifting demand and an overall reduction in traffic, and implement new growth and fleet strategies to allow for increased adaptability to volatile economic and industry conditions.

During the years 2005, 2006 and 2007, worldwide traffic levels recovered and industry-wide revenue passenger-km figures grew annually by 8.0%, 5.9% and 6.7%, respectively. Nonetheless, jet fuel prices increased dramatically which adversely affected the performance of the industry as a whole. Demand related to international routes originating or terminating in Japan also recovered in 2005, due primarily to strong growth in demand on routes to and from China. However, the number of passengers on scheduled international routes in Japan decreased in the years ended March 31, 2006 and 2007.

Demand for international air travel dropped precipitously during the year ended March 31, 2009. The global recession and dislocation in the financial markets depressed economic activity worldwide. Various other factors further depressed international demand, including high fuel surcharges, the Sichuan earthquake and the closure of Bangkok Suvarnabhumi International Airport.

ICAO predicts that, based on projections released in June 2009, worldwide revenue passenger-km levels will begin to grow in 2010 and continue to grow thereafter at a moderate rate through mid-2011. ICAO estimates revenue passenger-km growth rates of approximately 1.3% to 3.6% in mid-2010 for North America, Europe and Asia/Pacific. The ICAO forecasts suggest that in 2011, the Asia/Pacific market could achieve growth rates of approximately 6.5%, whereas the growth rates in the North American and European markets are predicted to be approximately 2.6% and 5.5%, respectively.

### *The Air Cargo Industry*

As of December 2008, Narita handled the 8th largest amount of cargo, on an annual basis, among all airports worldwide according to IATA. The following table sets forth the volume of domestic and international cargo in Japan between the years ended March 31, 2001 through 2007.

***Volume of Domestic and International Cargo in Japan***

| | For the year ended March 31, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| | (thousands of tons, except percentages) | | | | | | |
| Domestic cargo | 836 | 832 | 861 | 879 | 890 | 934 | 951 |
| Year-on-year change | | 1% | 4% | 2% | 1% | 5% | 2% |
| International cargo | 2,586 | 2,985 | 3,099 | 3,363 | 3,371 | 3,316 | 3,154 |
| Year-on-year change | | 15% | 4% | 9% | 0% | (2)% | (5)% |

*Source:* MLIT

Demand for domestic air cargo services is relatively stable as goods transported consist, in large part, of parcels. Demand for international cargo services tends to fluctuate based on cyclical changes in demand for semiconductors and electronic goods as these products constitute a significant portion of cargo carried by airlines. International air freight volumes have been severely impacted by the global economic downturn, although there are signs of a moderate revival.

## Our Competitive Strengths

We believe our principal competitive strengths are as follows:

### *Operating as a major airline in the comparatively stable and profitable Japanese air transportation market*

Our largest source of operating revenues and operating income is our domestic passenger service. There were 91 million passengers traveling on domestic flights in Japan during the year ended March 31, 2009. We had a

47% share of the Japanese market in terms of number of passengers for the year ended March 31, 2008, and are one of the two major airlines in the market.

Fluctuations in annual demand in the Japanese domestic air passenger transportation market have generally been less severe than in the international air passenger transportation market due mainly to the market's relative insulation from geo-political and global economic factors that have had significant effects on demand for international air passenger transportation. Passenger kilometers in the Japanese domestic air passenger transportation market increased by a compound annual growth rate of 1.8% between the years ended March 31, 1997 and 2008, and the largest annual decline in passenger kilometers during this period was the 4.0% decline for the year ended March 31, 2009, primarily a result of the global economic downturn. Over the same period, passenger demand for international air passenger transportation to and from Japan fluctuated significantly, with declines of 10.6% in the year ended March 31, 2002 due to the effects of terrorism, 14.4% in the year ended March, 31 2004 due to the effects of the SARS epidemic, and although statistics are not yet available, we believe a similarly significant decline occurred in the year ended March 31, 2009 as a result of the global economic downturn.

The following characteristics of the Japanese domestic airline industry further contribute to the profitability of our domestic passenger operations:

- *Concentration of traffic.* During the year ended March 31, 2008, approximately 64% of all domestic air passengers in Japan either depart from or arrive into Haneda in Tokyo, and approximately 10% depart from or arrive into Itami in Osaka. This heavy concentration of demand allows us to concentrate our fleet, facilities and other resources at these airports, leading to greater economies of scale and more flexibility in aircraft allocation compared to markets that are more diffuse.

- *Enhanced profitability.* We have been targeting business-use passengers by offering more flights on routes with significant business traffic and services that are appealing to such passengers such as premium class seats and electronic ticketing and check-in. By utilizing code-sharing with the smaller domestic airlines, we have been able to cover lower demand, short-haul or local routes within our network without deploying our own aircraft, thereby saving considerable costs. Through these initiatives, together with our efforts to match aircraft and pricing with demand levels through the use of our QSI, FAM and PROS systems, we have been successful in enhancing the load factor and yield of our domestic flights for enhanced profitability.

- *Positive competitive environment.* Competition has been less severe in the Japanese domestic air transportation market compared to many other national markets, such as the U.S. market, due mainly to historical regulatory policies that effectively concentrated business in three airlines (including JAS, which later merged with JAL to form the JAL group) through 2000, when significant deregulatory measures were implemented. New, smaller domestic airlines have entered the market as a result of deregulation and in some cases have secured flight slots for routes between major airports as a result of MLIT's redistributions. However, their market presence has not yet been significant enough to impose serious competitive pressures.

***Strong position in the market for international travel to and from Japan***

We expect passenger traffic to grow worldwide through 2011. According to ICAO forecasts as of June 2009, revenue passenger-km in the European, North American and Asia/Pacific regions in which we operate is expected to decrease during 2009, but then grow through 2011. ICAO also forecasts that revenue passenger-km on scheduled international flights by airlines of the Asia/Pacific region will decline by 4.5% in 2009 then grow by 3.6% in 2010 and 6.5% in 2011.

Our network of international flights connects international airports in Japan to major destinations worldwide. We maintain a high-density short- to medium-haul network connecting Narita, Kansai, Centrair and Haneda to destinations in China and Asia (43 destinations, including alliance partner flight destinations) that utilizes small and medium-sized aircraft as well as a long-haul network between Japan and North America (85 destinations, including alliance partner flight destinations) and Europe (49 destinations, including alliance partner flight destinations), and potential routes, especially from Haneda, are increasing through airline treaty negotiations. The sources of our operating revenues from international passenger operations are well-balanced between short-haul China flights, short- to medium-haul Asian flights, long-haul North American flights and long-haul European flights, and we also operate medium-haul resort flights to Honolulu. In the year ended March 31, 2009, our North American flights generated 29.7% of our operating revenues from international passenger operations. Our China flights accounted for the second-largest share at 25.3%, Europe and Asia (excluding China) accounted for 23.2% and 18.6%, respectively, and our resort flights to Honolulu represented 3.2%. We have also been able to leverage Narita's position as a major connection airport for passengers flying between North American and Asian cities to gain access to non-Japanese passengers, resulting in a significant proportion of our passengers on Asian routes being non-Japanese customers, and our membership in the *Star Alliance* increases the competitiveness of our international passenger routes based on flight schedules that are optimized for connection with member flights.

Our network focuses on main routes that are in high demand, and we provide products and services that appeal to business travelers, such as streamlined boarding procedures featuring electronic ticketing and check-in, and in-flight business support such as personal power ports and seatback laptop computer holders. We have also been utilizing our FAM and PROS systems to enhance yields. We believe that we have been able to increase yields on our international passenger flights every year from the year ended March 31, 2003 to the year ended March 31, 2009, at least in part due to such focus.

***Improved business structure and financial foundation***

We have endeavored to simultaneously improve our business structure and strengthen our financial foundation by concentrating our resources on our air transportation businesses in order to reduce our exposure to risks unrelated to air transportation. These efforts included the sale of our hotel operations in June 2007, which, in addition to reducing our exposure to risks associated with the ownership of real estate, has allowed us to focus on our core business and improve our financial condition.

We also experienced steady growth in EBITDA, defined as operating income plus depreciation and amortization, through the year ended March 31, 2008 with a compound annual growth rate of approximately 27.7% from April 1, 2003 through March 31, 2008, although EBITDA decreased by 40.1% in the year ended March 31, 2009 due primarily to the effects of the global economic downturn. EBITDA as a percentage of total revenues, or EBITDA margin, was approximately 8.7% in the year ended March 31, 2009. In the year ended March 31, 2009, our EBITDA margin was one of the highest among international airlines. In addition, we steadily increased our net assets through March 31, 2008 through the accumulation of retained earnings, the sale of our hotel business assets and a global offering of common stock in 2006, although adjusted net assets, defined as shareholders' equity plus valuation, translation adjustments and others (excluding minority interests), decreased by 28.9% as of March 31, 2009 compared to March 31, 2008 due to the effects of the global economic downturn and deferred losses on hedging instruments. Since the year ended March 31, 2006, we incurred various expenses that have the effect of lowering future losses or expenses in connection with disposition, depreciation or impairment of assets or performance or discharge of liabilities such as:

- the one-time depreciation of aircraft of ¥22.3 billion in the year ended March 31, 2008 due to the change in depreciation policies relating to the determination of useful life and residual value of ancillary assets attached to aircraft;
- impairment losses of ¥14.1 billion in the year ended March 31, 2008 mainly related to the sale of Boeing 747-400s, which we conducted ahead of schedule;
- loss on disposal of the parts for retired aircrafts property and equipment of ¥11.1 billion related to the sale of parts for aircraft to be discontinued; and
- the provision for loss on antitrust proceedings of ¥16.1 billion.

## Our Strategy

Our ultimate goal is to become the number one airline group in Asia, measured in terms of quality of service, customer satisfaction and value creation. Based on our continuing success in restructuring our business, we believe we are able to pursue this goal by focusing on re-evaluating our groups' business structures while continuing to implement measures that enhance the efficiency of our operations. In January 2009, we announced a Mid-Term Policy which outlines the steps we intend to take, as well as operational targets we aim to achieve, through March 31, 2011. Under the Mid-Term Policy, we will minimize the risk of declining revenue due to the global recession by revising our flight network in response to reduced customer demand and implementing other cost reduction measures, while simultaneously preparing for the growth opportunities we expect in the Japanese air transportation industry as a result of the anticipated increases in flight capacity at Haneda and Narita in 2010. In addition, we plan to implement the following strategic initiatives:

***Capitalize on expected growth in international passenger service***

We currently estimate that passenger demand for international flights that depart from or arrive into Japan will continue to grow through 2011.

We expect that during 2010, Haneda's international flight capacity will increase by 50,000 flight slots consisting of 20,000 slots for regular international flights (with limitation on route distances) and 30,000 slots for regular international flights (without limitation on route distances) between 11 p.m. and 6 a.m., and we expect Narita's international flight capacity will increase by 20,000 flight slots. See "— The Airline Industry". We believe that increases in the number of our international flight slots at Haneda and Narita will be critical to our ability to grow our international passenger service as the scarcity of additional flight slots has imposed a limit on our ability to grow in the past. Accordingly, we will aim to increase our number of international flights per week at Haneda and Narita from 232 in the year ended March 31, 2009 to 337 in the year ending March 31, 2011.

Upon the expansion of available flight slots at Haneda and Narita, we will seek to establish the two airports as dual hubs for our international passenger service. Because the late-night flight slots expected to be made available at Haneda will not be restricted with respect to flight route distance, we will aim to establish Haneda as our night hub, where we will make many convenient connecting flights available that will appeal to passengers flying between North America and Asian destinations. With this increase in international flight routes, our international and domestic flight networks will be significantly better integrated based on transfers at Haneda. Conversely, because the international flight slots expected to be made available between 6 a.m. and 11 p.m. at Haneda will be subject to distance limitations, we will aim to establish Narita as our day hub and seek to develop its role as a link between our international and domestic flight networks while further strengthening its position as an important layover for travelers on connecting flights between North America and Asia.

We are focused on growing overall demand for our flights by actively seeking to establish flights at times and to destinations in the United States, Europe and Asia that allow us to maximize the advantages of being a member of the *Star Alliance*. For example, we believe that the success of our Narita-Frankfurt, Narita-San Francisco and Narita-Chicago routes is in large part due to scheduling our flights so that connections at Frankfurt with Lufthansa flights and at San Francisco and Chicago with United flights are convenient. In addition, membership in the *Star Alliance* creates opportunities for economies of scale and increased operating efficiency which we will continue to capitalize on. For instance, the *Star Alliance* maintains a joint marketing database with over eight years' worth of historic data which we will utilize as an inexpensive source of strategic information allowing us to more effectively appeal to high yield travelers. The *Star Alliance* also has plans to locate all its members in the same terminal at Haneda following the expansion in 2010, which we expect will increase operating efficiencies as members jointly coordinate certain services such as ground support and jet fuel procurement.

In addition, we seek to expand our number of code-sharing flights, which we believe are an important source of additional demand for our international flights, as they allow us to offer flights to a number of cities in Europe, North America, China and other parts of Asia to which we do not operate flights.

Furthermore, in recent years, we have also been focusing on increasing business travelers on our international flights. For example, in replacing our Boeing 747s with Boeing 777s, we have generally maintained the same overall number of business class seats, while significantly reducing the number of economy class seats. Combined with our sales and marketing efforts to attract business travelers, this has led to enhanced passenger yields in our international passenger operations.

***Improve the efficiency of our fleet***

Costs associated with our aircraft fleet constitute a substantial portion of our operating costs. The plans we are implementing to improve the efficiency of our fleet are based on three central strategies:

- *Strengthen our cost competitiveness by introducing fuel efficient aircraft*. We intend to significantly reduce our fuel costs by proactively introducing fuel efficient aircraft. A key element of this plan will be the introduction of the Boeing 787, which, according to Boeing, will use approximately 20% less jet fuel for comparable flights than the Boeing 767, a similarly sized medium body aircraft. In addition, we plan to utilize as our primary wide body aircraft the Boeing 777-300ER, which consumes approximately 24% less fuel than the Boeing 747-400 on long international flight routes, and the relatively fuel efficient Boeing 737-700 and Boeing 737-800 as our primary narrow body aircraft. We will also continue to retire less fuel efficient aircraft including the Boeing 747-400 and the Airbus A320-200. As of March 31, 2009, we had on order 50 new Boeing 787s, six Boeing 777-300ERs, 15 Boeing 737-700s and eight Boeing 737-800s, which are expected to be delivered in various stages. We expect these fuel efficient models will account for 39% of the jets in our fleet by March 2010 (in the event that the initial delivery date of the Boeing 787 is delayed beyond the 2011 fiscal year, fuel efficient models will account for 38% of our fleet by March 2010) and approximately half by March 2012.

- *Improve our ability to flexibly match customer demand by increasing the percentage of small- and mid-size aircraft in our fleet*. We think the ability to quickly and flexibly respond to changes in demand for air passenger services is essential in order to maintain operating efficiency. Because operating costs and passenger capacity associated with different aircraft vary significantly, it is important that we be able to match each flight route with an appropriate aircraft even as our routes and schedules are changing in response to fluctuations in demand. By phasing out our larger, less efficient aircraft, utilizing a higher proportion of small- and mid-size aircraft, and operating our smaller aircraft with increased frequency, we expect to enhance our ability to quickly and flexibly match demand with aircraft type and thereby increase our cost-efficiency.

- *Increase our productivity by streamlining the types of aircraft in our fleet*. We plan to reduce the variety of the types of aircraft in our fleet by concentrating on three cost efficient models, the Boeing 787, Boeing 777-300ER and Boeing 737 (both the Boeing 737-700 and the Boeing 737-800). We believe that standardizing our fleet will lead to increased cost savings as the scope of maintenance issues is narrowed, spare parts inventory requirements are reduced and training costs are lowered. Although we expect these three models will account for approximately half the aircraft in our fleet by March 2012, we also expect to maintain a certain number of other types of aircraft, such as regional jets and propeller aircraft.

For more information, see "— Fleet".

***Expand our international cargo operations***

We are working to expand our international cargo operations over the long-term. Demand for cargo services fluctuates significantly in response to general economic conditions, and we seek to implement our cargo expansion plan flexibly and progressively depending upon the then current business environment. We currently see the greatest potential revenue for our cargo operations in the trade relationship between Japan and China, now Japan's largest trading partner. As part of our efforts to expand our cargo operations, we are taking the following steps:

- *Establish our Okinawa hub.* We expect our new Okinawa hub to become operational in October 2009. Many of Asia's most vital commercial cities are within a four-hour flight's distance, and we aim to utilize our dense intra-Asia route network to provide freighter, express and business-to-business cargo services. While we mainly target cargo demand within Asia, primarily utilizing mid-size aircraft, we will also seek to leverage our European and North American routes by utilizing the cargo holds on our passenger aircraft.

- *Flexible utilization of aircraft.* As of March 31, 2009, we maintained a fleet of six Boeing 767-300 freighter aircraft (four Boeing 767-300F and two Boeing 767-300BCF), and we have plans to convert three Boeing 767-300ER passenger aircraft into Boeing 767-300BCF freighter aircraft by March 2010. In addition, we utilize arrangements called "wet charters" whereby our cargo is flown on aircraft operated by third parties, and we also use the cargo space on our passenger flights. We intend to manage our freighter fleet and other carriage arrangements so as to match demand and minimize costs by employing our freighter aircraft on high demand routes while retaining the flexibility necessary to quickly adapt to changes in customer demand with appropriate routes, schedules and capacity. For example, in the current fiscal year, in response to weak demand resulting from the global economic downturn, we plan to postpone our utilization of wet charters until demand shows a recovery.

- *Establish our business-to-business express services.* In March 2009, we became the largest shareholder in OCS, which provides customs clearance and surface transportation services in connection with our cargo business. We expect to utilize OCS's established network, particularly in surface transportation in Japan's largest urban areas including Nagoya, Osaka and Fukuoka as we continue to strengthen our business-to-business services. We also entered into a code-sharing arrangement with United Parcel Service, or UPS, in October 2008, thereby greatly expanding our presence in North America and Europe.

***Maintain and strengthen the competitiveness of our domestic passenger service***

We intend to maintain and strengthen our position in the domestic passenger market. We will continue to offer convenient flight routes and schedules while increasing the precision with which we flexibly match flights with appropriate aircraft. Although domestic demand is not expected to grow, we plan to enhance our competitiveness and profitability by continuously refining our operations while maintaining high standards of comfort and convenience.

We also believe that the level of service is an important factor in our efforts to maintain and further increase our share of the Japanese domestic air transportation market. We continue to introduce new services to stimulate demand for domestic air travel and simultaneously distinguish ourselves from our competitors. Recent and ongoing examples of these efforts include the following:

- *Premium Class* promotions;

- promotion of our *SKiP Service* check-in system;

- advancement of online ticketing channels (e-commerce), including personal computers and cell phones; and
- enhancement of our *ANA Mileage Program* through tie-ups with JR East *Suica*, *Edy*, and Rakuten, Inc.

## Our Operating Segments

Our operating segments are air transportation, travel services and other businesses.

### *Air Transportation*

Our air transportation operations consist of domestic and international passenger service, cargo operations and mail services. We also engage in other activities in our air transportation operations that are related to air transportation, including maintenance of aircraft, sales of frequent flyer miles to our partner airlines and retailers and in-flight sales of merchandise. We also provide aircraft line maintenance and ground services to other domestic and overseas airlines.

*Passenger Service*

Our domestic and international passenger services comprise the largest portion of our business, and we are one of the leading airline groups in the world in terms of passenger service.

*Domestic Passenger Service*

We are one of the two major airlines in the Japanese market, with a market share of 47% in the domestic market, measured in terms of number of passengers, for the year ended March 31, 2008. We have regularly scheduled flights to 50 airports throughout Japan. During the year ended March 31, 2009, we conducted an average of 900 daily flights on 122 routes on our domestic flight network. The main hub of our domestic network is Haneda in Tokyo, with 9 of our top ten domestic routes, measured in terms of passengers carried, and approximately 48% of all of our domestic flights in the year ended March 31, 2009, originating or terminating there. We also have smaller hubs in Nagoya at Centrair, in Osaka at Itami and Kansai, in Sapporo at New Chitose, in Fukuoka at Fukuoka and in Okinawa at Naha.

The following table shows our top ten domestic routes in terms of passengers carried, and our market share for those routes for the year ended March 31, 2009:

***Our Top Ten Domestic Routes***

| | For the year ended March 31, 2009 | | | |
|---|---|---|---|---|
| **Route** | **Distance** | **Our passengers(1)** | **Total passengers** | **Market share(1)** |
| | **(km)** | **(thousands, except percentages)** | | |
| Tokyo (Haneda) — Sapporo (New Chitose) | 894 | 3,891 | 9,458 | 41.1% |
| Tokyo (Haneda) — Fukuoka | 1,041 | 3,460 | 8,035 | 43.0 |
| Tokyo (Haneda) — Osaka (Itami) | 514 | 2,920 | 5,719 | 51.0 |
| Tokyo (Haneda) — Okinawa (Naha) | 1,687 | 2,270 | 5,443 | 41.7 |
| Tokyo (Haneda) — Hiroshima | 790 | 1,440 | 2,235 | 64.4 |
| Tokyo (Haneda) — Kagoshima | 1,111 | 1,070 | 2,273 | 47.1 |
| Tokyo (Haneda) — Matsuyama | 859 | 979 | 1,420 | 68.9 |
| Tokyo (Haneda) — Toyama | 570 | 869 | 869 | 100.0 |
| Tokyo (Haneda) — Kanazawa (Komatsu) | 528 | 868 | 1,756 | 49.5 |
| Fukuoka — Okinawa (Naha) | 1,008 | 810 | 1,337 | 60.1 |

*Source*: MLIT estimates

Note:

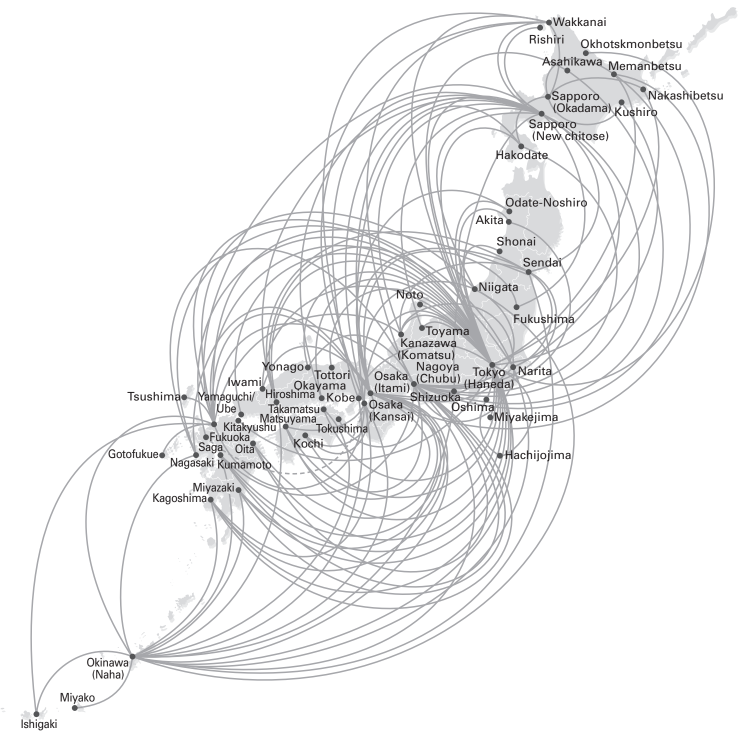
(1) Company calculations.

The first two routes in the above table also represent the top two routes in the world based on the number of available seats per day, according to data published by the Japan Aircraft Development Corporation. As discussed above under "— The Airline Industry — The Domestic Air Transportation Industry — *Shinkansen* and Other Modes of Transport", the airline industry has a particularly large share of the transportation market in Japan for distances greater than 750km. Flight routes of lengths greater than 750 kilometers comprised 68.4% of our domestic passenger service operating revenues for the year ended March 31, 2008.

We also provide additional flights to our customers through a code-sharing arrangement with Air Do, a small domestic airline specializing in routes involving destinations in Hokkaido. Under this arrangement, we may sell up to a certain percentage of seats under the NH code on flights operated by Air Do, which helps increase the number of flights we offer to customers. We have similar code-sharing arrangements with IBEX for domestic flights to and from Narita, SNA for domestic flights primarily to and from airports in Kyushu, and Star Flyer for domestic flights between Haneda, Kansai and Kitakyushu. To further strengthen our ties with our code-sharing partners, we have an equity investment in Air Do representing a 13.61% interest, an equity investment in SNA representing a 14.99% interest and an equity investment representing a 1.06% in Star Flyer, as of March 31, 2009. Code-sharing allows us to offer new flight routes without using our own flight slots and also enhances the efficiency of our aircraft deployment. Accordingly, we believe code-sharing with smaller domestic airlines allows us to maintain or expand the coverage of our network in a way that enables the optimal use of our resources.

The following map shows our network of domestic routes as of June 4, 2009, including routes offered through code-sharing arrangements with Air Do, IBEX, SNA and Star Flyer:

***Route Map for Domestic Routes***




Our domestic flights are operated by ANA and through five subsidiaries, namely Air Nippon Co., Ltd., Air Nippon Network Co., Ltd., Air Next Co., Ltd., Air Japan Co., Ltd. and Air Central Co., Ltd. We acquired Air Central, which operates flights between Centrair and a number of regional cities in Japan, in February 2004. Each of these subsidiaries is responsible for operating particular aircraft models. We consolidated in April 2004 the branding and flight codes of almost all of our domestic flights in order to strengthen the ANA brand and our competitiveness against the JAL group in terms of the frequency of flights and coverage of our network.

*Premium Class.* As of March 31, 2009, we have equipped 87 aircraft on domestic routes, representing approximately 58% of our domestic fleet, of which approximately 34 are Boeing 767s, with *Premium Class* seats as an upgraded class of service, of our total daily flights, approximately 400, or about 50%, have *Premium Class* availability. These seats feature 20% more leg room, a 40% increase in width and better ergonomics compared to conventional economy class seats. Passengers in *Premium Class* also are provided with dedicated check-in and luggage inspection areas, higher luggage allowances, gourmet food, priority baggage claim and additional mileage awards. We charge a premium of ¥1,000 to ¥5,000 for a *Premium Class* seat compared to our full fare economy class ticket. The target customers for our *Premium Class* service are business travelers and premium leisure travelers.

*Other Enhanced Services.* We have taken several additional steps to increase the convenience of our domestic passenger service and differentiate ourselves from our competitors. Examples of recent steps we have taken include:

- *implementing e-ticketing services in 2007.* We decided to abolish the traditional automated ticket and boarding pass system. Our e-ticketing services enables us to confirm the identity of passengers who have forgotten, misplaced or otherwise do not have their flight information.

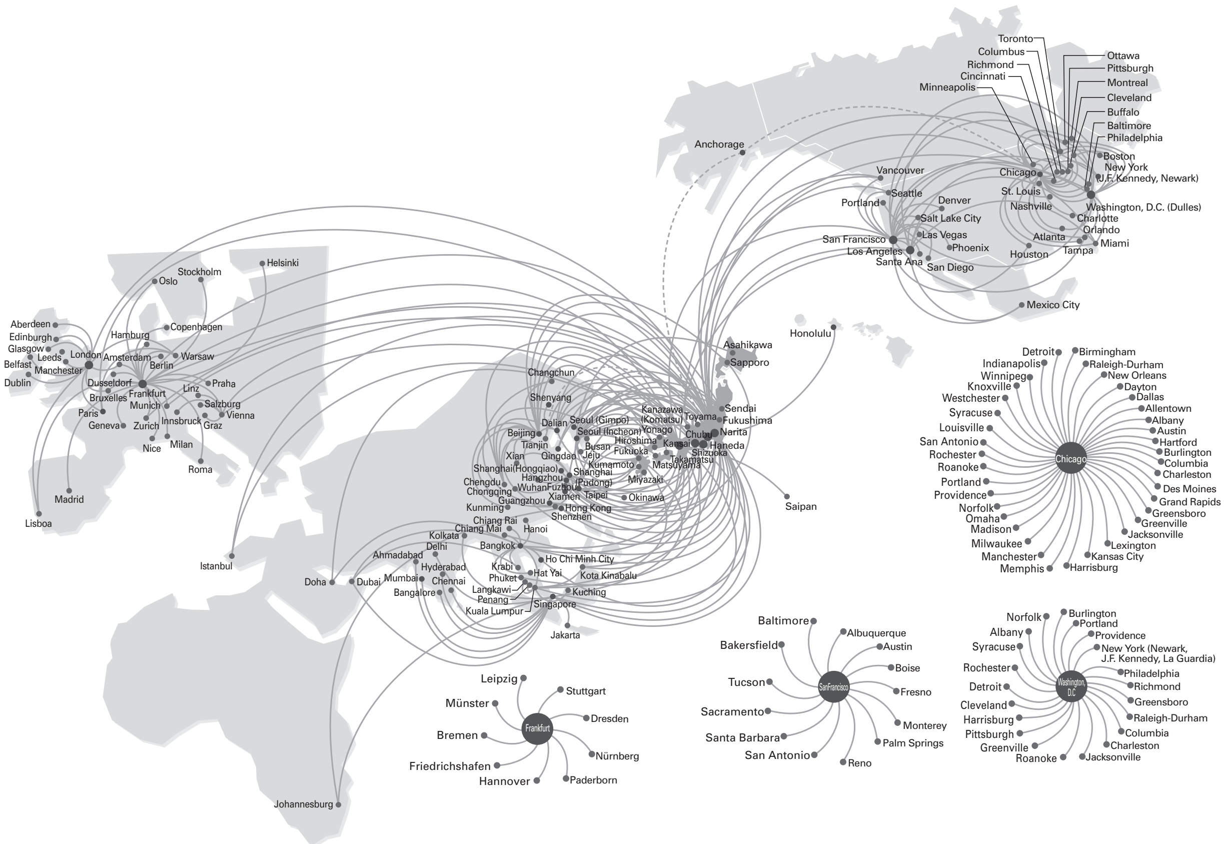
- *establishing* SKiP Service *in all 50 airports we service in 2007. SKiP Service* allows passengers to automatically check-in for their flights simply by making a reservation, purchasing a fare and selecting a seat online. They can then receive a boarding pass at the airport by bringing a participating credit card, integrated circuit card or mobile device, or a print-out of the barcode on their purchase confirmation. More than half our passengers use *SKiP Service*.
- *renewing our domestic lounges in 2008 and improving our services for certain members of the* ANA Mileage Club *and* Premium Class *passengers*. We now offer improved exclusive lounge spaces, as well as a priority security check line and an exclusive counter in Haneda, Itami, Fukuoka and Chitose.

*International Passenger Service*

As of June 4, 2009, we operated 618 flights per week (including scheduled chartered flights) on 38 routes on our international flight network. Our main international hub is Narita in Tokyo, with smaller hubs in Osaka at Kansai and in Nagoya at Centrair.

The following map shows our international routes as of June 4, 2009, including routes offered through code-sharing arrangements:

***Route Map for International Routes***

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Notes:

(1) U.S. domestic flights arriving into or departing from San Francisco, Chicago and Washington, D.C. consist of code-sharing flights.

(2) German domestic flights arriving into or departing from Frankfurt consist of code-sharing flights.

The following table shows our top ten international routes in terms of passengers carried for the year ended March 31, 2009:

***Our Top Ten International Routes***

| Route | Our Passengers (thousands) |
|---|---|
| Narita — Bangkok | 281 |
| Tokyo (Haneda) — Seoul (Gimpo) | 271 |
| Narita — Taipei | 237 |
| Narita — Shanghai (Pudong) | 235 |
| Narita — Hong Kong | 233 |
| Narita — Singapore | 194 |
| Narita — Paris | 190 |
| Narita — Beijing | 182 |
| Narita — Frankfurt | 169 |
| Kansai — Shanghai (Pudong) | 141 |

We categorize our international flights into five geographical regions based on destination, namely Europe, North America, China, Asia (excluding China) and Resorts. Although eight of our top ten routes, measured in terms of passengers carried, are to Asian destinations, we generated the greatest amount of operating revenues during the year ended March 31, 2009 from our North American routes, followed by our routes to China, Europe and Asia (excluding China). The following is a description of our operations in each of our geographical regions:

*Europe.* We serve Europe with 21 weekly flights to Paris, Frankfurt and London from Narita as of June 2009. Our flights, especially those to and from Frankfurt, are generally scheduled at convenient times for catching connecting flights to and from other parts of Europe operated by Lufthansa, a *Star Alliance* member.

*North America.* We serve North America with 35 weekly flights to New York, Los Angeles, San Francisco, Chicago and Washington D.C. from Narita as of June 2009. Our flights, especially those to and from San Francisco and Chicago, are generally scheduled at convenient times for catching connecting flights to and from other parts of North America and South America operated by United Airlines, a *Star Alliance* member.

*China.* We serve China with 147 weekly flights to the cities of Beijing, Shanghai, Dalian, Shenyang, Qingdao, Hangzhou, Xiamen Guangzhou and Hong Kong from Narita, Kansai or Centrair as of June 2009. China is our largest international market in terms of the number of passengers and number of flights. Although our passenger services to and from China grew rapidly in the first half of this decade, the global economic downturn negatively impacted demand and we have temporarily suspended several routes between China and Japan. We expect demand for air travel between China and Japan to reflect changes in the global economy, and we plan to position ourselves well to capture growth that occurs as the global economy stabilizes and begins to recover.

*Asia (excluding China).* We serve Asia (excluding China) with 92 weekly flights to Bangkok, Seoul (both Incheon and Gimpo), Singapore, Ho Chi Minh, Mumbai and Taipei as of June 2009, including chartered and non-scheduled flights. We increased the number of flights on our Haneda-Gimpo route during the year ended March 31, 2009, allowing same-day round-trip flights between Tokyo and Seoul in response to stronger demand. We also commenced twice daily flights between Narita and Bangkok.

*Resorts.* Flights to Honolulu, our resort destination, continue to experience steady demand from Japanese vacationers. However, we face significant competition on this route from the JAL group and other international airlines, which places pressure upon the profit margins of this route.

*Code-sharing Arrangements.* We have entered into partnerships with other international airlines, including *Star Alliance* members and Malaysian Airlines, Qatar Airways, EVA Airways and Virgin Atlantic Airlines. These partnerships take the form of code-sharing agreements and/or frequent flyer program partnerships. Code-sharing is an effective method of expanding the reach of our route network or maintaining our presence in a market while allowing for greater flexibility in aircraft allocation, as it allows two or more airlines to maintain a route presence using fewer aircraft.

*Introduction of Boeing 777 and 787.* In order to increase the efficiency of our international flights and reduce costs, we have replaced some of our Boeing 747-400s with Boeing 777s. Use of the Boeing 777 series results in lower jet fuel, landing, navigation and other operating costs due to its smaller size and higher efficiency compared to Boeing 747-400s. Currently, routes between Narita and New York, Los Angeles, San Francisco, Washington, D.C., Chicago and London are operated primarily and in some cases exclusively with the Boeing 777 and we have plans to do the same on our Frankfurt and Paris routes later this fiscal year. Although Boeing 777-300ER aircraft have approximately 40 fewer seats than Boeing 747-400s, we have been able to maintain a similar number of business class seats as are available on Boeing 747-400s by reducing the number of economy class seats. This seating class mix on the Boeing 777-300ER reflects our continued focus on international business travelers to enhance our passenger yield.

Although we had expected to take delivery of two Boeing 787s in February 2010 and one more in March 2010, we believe there is a significant risk that this will be delayed in light of Boeing's announcement of a postponement of first flight in June 2009. We had a further 47 on order as of March 31, 2009. The Boeing 787 will be a mid-sized aircraft featuring increased fuel efficiency, an improved cabin environment, relatively low engine noise, cruising speeds similar to large aircraft currently in operation, and 60% more cargo capacity than the Boeing 767-300. Because the Boeing 787 is expected to weigh less than aircraft of similar size, it is expected to be able to takeoff from and land on relatively shorter runways, such as the new 2,500 meter runway currently under construction at Haneda. The Boeing 787 should significantly enhance our flexibility and cost-efficiency in allocating aircraft to flight routes. See "Risk Factors — Risks Related to Our Business — We rely on The Boeing Company, or Boeing, for substantially all of our new aircraft currently on order and a significant majority of our current fleet, which exposes us to risks should Boeing refuse or be unable to fulfill its obligations, including its ability to deliver Boeing 787s as scheduled".

*Star Alliance*

As a result of increases in competition among airlines, especially those operating in the international market, airlines have formed business alliances among themselves to provide benefits for customers of alliance members. On October 31, 1999, we became a member of the *Star Alliance,* a leading global airline alliance which also includes Air Canada, Air China, Air New Zealand, Asiana Airlines, Austrian Airlines Group, British Midland Airways, LOT Polish Airlines, Lufthansa, Scandinavian Airlines System, Shanghai Air, Singapore Airlines, Spanair, TAP Portugal, Thai Airways International, United Airlines and US Airways. As of December 2008, the *Star Alliance* offered an average of approximately 17,000 flights per day to 916 destinations in 160 countries and regions.

The *Star Alliance* has an especially strong presence in Asia as compared to other global airline alliances. The *Star Alliance* had more flight capacity than any other alliance on routes between Asia and North America as well as on routes between Asia and Europe, respectively offering 33% and 34% of the total seats flown, according to IATA and *Star Alliance* figures as of February 2009.

As a *Star Alliance* member, we are able to offer our customers benefits and services including:

- reciprocal mileage programs, allowing customers to earn and redeem miles on any member airline;
- access to a global network of routes and destinations;
- access to lounges of any of the 21 member airlines;
- the *Star Alliance Gold* program, which extends benefits such as priority check-in, lounge service and excess baggage allowance to top-tier customers of each member airline;
- increased numbers of connections without additional check-ins; and
- access to special travel deals, such as regional air passes, throughout the world.

In November 2005, a substantial majority of *Star Alliance* member airlines that service Narita, including ANA, Air Canada, Asiana Airlines, Austrian Airlines Group, Lufthansa, Scandinavian Airlines System, Singapore Airlines, Thai Airways International and United Airlines, moved to the newly built South Wing of Narita Airport Terminal 1. This move has provided greater convenience for passengers traveling via Tokyo on more than one *Star Alliance* member airline by significantly reducing minimum connection times between flights and, for passengers departing from Narita, offering a common check-in zone with shared check-in facilities and systems. We also operate joint lounges for *Star Alliance* business and first class passengers and *Star Alliance Gold* members.

In addition to providing benefits for our customers, our membership in the *Star Alliance* allows us greater opportunity to enter into code-sharing agreements with other members.

As part of our strategy for our international passenger service, we are actively seeking to establish routes at times and to international destinations that allow us to maximize the advantages of being a member of the *Star Alliance*. For example, we believe that demand for our Narita-Frankfurt flights was enhanced significantly, particularly with respect to business travelers, as a result of the availability of connecting flights provided by our *Star Alliance* partner Lufthansa. We have been successful in further enhancing demand for these flights by scheduling our flights so that connections to Lufthansa flights at Frankfurt would be more convenient.

*Star Alliance* members are working to develop closer cooperation between member airlines in an effort to create opportunities for economies of scale and increased operating efficiency. For instance, the *Star Alliance* maintains a joint marketing database with over eight years' worth of historic data which we expect to utilize as an inexpensive source of strategic information allowing us to more effectively appeal to high-yield travelers. Following the example set by the South Wing of Terminal 1 at Narita, the *Star Alliance* also has plans to locate all its members in the same terminal at Haneda following the expansion in 2010, which we expect will increase operating efficiencies as members jointly coordinate certain services such as ground support and jet fuel procurement.

*ANA Mileage Club.* We launched the *ANA Mileage Club* in 1997 as a means of building customer loyalty among our regular passengers. The number of members has been growing steadily, and as of March 31, 2009, we had approximately 18.6 million members.

Besides acquiring frequent flyer miles by flying with us, *ANA Mileage Club* members can also collect frequent flyer miles by flying on partner airlines, including *Star Alliance* members and nine other airlines, and by using the services of non-airline partners, which include numerous hotel groups as well as a number of major credit card companies, telephone companies, rental car companies, retail stores and restaurants. Under our agreements with these partner airlines and other partner vendors, we receive a fee for every frequent flyer mile credited to a member's account through the purchase of goods or services from the partner. Frequent flyer miles can be used to obtain flight tickets or other services from us or other services from our non-airline partners, or can be converted to earn travel rewards with *Star Alliance* member airlines and other partner airlines. We pay a pre-agreed fee to the partner when frequent flyer miles are redeemed for goods or services provided by it.

In addition to the redemption of miles for flights and upgrades, *ANA Mileage Club* members can convert their flight miles into credits on *Edy*, an electronic money system accepted at more locations than any other such system in Japan. *Edy* credits are stored on a member's *AMC Edy Card*, and can be used to buy goods and services from participating vendors. Thousands of vendors in Japan have installed the *Edy* system.

*Cargo*

We are working to establish our cargo operations as our third core area of business, together with our domestic and international passenger service.

Cargo may be carried either on a freighter aircraft or in the cargo bays of passenger aircraft. During the year ended March 31, 2009, approximately 4% of our domestic cargo was carried on our freighter aircraft, and approximately 20% of our international cargo was carried on our freighter aircraft, measured in terms of cargo-ton. As part of our strategy to strengthen our cargo business, we added two freighter aircraft during the year ended March 31, 2009. We also completed the conversion of a Boeing 767-300ER passenger aircraft into a freighter aircraft in July 2008 and converted another in December 2008. As of March 31, 2009, our freighter fleet consisted of six aircraft, and was operated primarily by ANA&JP Express. We expect to convert three more Boeing 767-300ER into freighter aircraft to bring our total number of freighter aircraft to nine by March 31, 2010.

Currently, our main ground processing bases for our cargo operations are located at Narita, Kansai and Centrair for international cargo and Haneda and Itami for domestic cargo. To further strengthen cargo as our third core area of business, we will establish a new cargo hub in Okinawa with the goal of becoming a leading provider of air cargo logistics in Asia. The Okinawa cargo hub will become operational in October 2009, and will employ eight Boeing 767-300 freighters to serve Seoul, Shanghai, Taipei, Hong Kong, Narita, Haneda and Kansai.

*Domestic Cargo Operations*

As part of our efforts to expand our cargo operations, we have actively sought to take on additional cargo volume through measures such as adding late night flights by our dedicated passenger aircraft for the purpose of cargo transportation on our Haneda — Chitose route. Despite the effects of the economic slowdown, cargo traffic volume increased by 3.9%, 1.0% and 2.7% during the three years ended March 31, 2007, 2008 and 2009, respectively. However, annual domestic cargo operating revenues did not increase in direct proportion to increases in volume during the same three year period due to unit price fluctuations. The adverse effects of increases in crude oil prices on our customers and increased competition from less expensive modes of transport have at times forced us to reduce our unit prices to maintain our volume, but revisions to domestic freight rates came into effect during the year ended March 31, 2009, resulting in an improvement in unit price.

In our domestic cargo operations, we compete not only with other cargo airlines, but also with rail and trucking services that generally offer services at lower rates. Therefore, our domestic air cargo operations target areas where value can be added by the speed of delivery, such as overnight express delivery services and the transportation of fresh produce. As of March 31, 2009, we operated daily dedicated cargo flights between Haneda and Kansai, Saga and New Chitose, between Kansai and Saga, and between Narita and Kansai.

*International Cargo Operations*

With the addition of the world's first 767-300 Boeing Converted Freighter aircraft in June 2008, we have increased the number of scheduled cargo flights using freighter aircraft to approximately 90 per week. We currently operate international cargo routes to Chicago, Seoul, Taipei, Bangkok, Hong Kong, Shanghai, Dalian, Tianjin, Xiamen and Qingdao.

Because a large portion of our international cargo shipments are IT devices and other electronic and digital goods, demand for cargo shipments fell dramatically in the Asia Pacific region due to the global downturn and the negative impact it had on manufacturing. However, due to our increased fleet and expanded freighter network, we were able to capture demand for cargo shipments originating in Asia and bound for Europe and North America via Japan, and as a result our international cargo volumes increased slightly during the year ended March 31, 2009. Nonetheless, the unit price fell due to competitive pressure, bringing down operation revenues during the same period.

As with our passenger operations, China remains our fastest growing market for our cargo operations despite the negative impact the global downturn has had on China's economy. During the year ended March 31, 2009, transport of cargo to and from China fueled growth in our international cargo volumes through outbound shipments of IT-related products, electronic components and automotive parts and inbound shipments of IT goods, textiles and fresh products. International air freight volumes have been severely impacted by the global economic downturn. However, there are signs of a moderate revival, particularly in China, and we will endeavor to capture increases in demand with our new hub in Okinawa.

Transportation of cargo to and from other Asian countries consists primarily of outbound shipments of IT-related products and inbound shipments of electronic components and fresh cargo. Our North American and European cargo shipments consist mainly of outbound digital consumer goods and inbound shipments of digital products and fresh products. We are subject to intense competition from other airlines in our North American and European routes, and these routes tend to be less profitable than our Asian operations as a result.

In April 2008, we established All Express Corporation, a joint venture with Nippon Express Co., Ltd., Kintetsu World Express, Inc., MOL Logistics (Japan) Co., Ltd., Yusen Air & Sea Service Co., Ltd. and Nissin Corporation to provide business-to-business international express delivery services. All Express Corporation's objective is to acquire new customers by meeting corporate demand for logistics services not currently provided by existing shippers. Operations began in July 2008 with service from Japan to Hong Kong and Shanghai.

In March 2009, we increased our capital participation in OCS to become its largest shareholder. OCS has an established network, particularly in surface transportation, connecting some of Japan's largest urban areas including Nagoya, Osaka and Fukuoka with other major Asian cities such as Taipei, Seoul, Hong Kong and Shanghai. We expect OCS to play an important role as we continue to strengthen our express services. As of March 31, 2009, we held a 34.5% equity interest in OCS, and this increased to approximately 48% due to additional purchases of OCS stock during the current fiscal year. OCS and Allex announced a board-approved plan on June 26, 2009 to merge, subject to approval from their respective shareholders. If approved, the merger would occur on August 1, 2009, and we expect the merged entity would strengthen the competitiveness of our new hub in Okinawa.

In October 2008, we entered into a code-share arrangement with UPS, in an effort to expand our network in North America and Europe. Under the arrangement, we will move cargo for UPS to destinations in Asia and UPS will move cargo for us to destinations in North America and Europe beginning in the summer of 2009.

*Mail*

Our mail business involves the transportation of mail for the postal services of Japan and most of the countries to which we fly.

*Domestic Mail Operations*

During the year ended March 31, 2005, we were recertified as a mail carrier by Japan Post. Since that time, we have worked aggressively to secure special shipments and meet additional demand brought about by enhancements in Japan Post's parcel delivery system.

*International Mail Operations*

Our major markets for international mail are routes to the United States, China and Europe. Mail originating from Japan consists of mail that we carry for Japan Post, while mail originating from overseas consists primarily of mail that we carry for the postal services of the countries to which we fly.

*Other*

Other revenues from our air transportation operations primarily include aircraft line maintenance and ground services provided to other airlines, sales of frequent flyer miles to our partner airlines and retailers, and in-flight sales of merchandise. We provide aircraft line maintenance and ground services to several international airlines at airports in Japan and a few domestic airlines.

We provide five airlines with aircraft heavy maintenance, engine overhaul and component maintenance services. We have facilities located at Narita, Haneda, Itami and Nagasaki at which we provide these services. We also provide full ground services, including passenger check-in and baggage handling services, to our airline customers. We aim to grow this line of business as we believe providing these services to other airlines makes efficient use of our existing maintenance and ground services capacity.

***Travel Services***

We develop and sell travel-related products that primarily use our air transportation services. Our travel services subsidiary also acts as a sales agent for tickets on our flights.

We offer both domestic and international package tours to our customers. Our principal domestic package tour product is the *ANA Sky Holidays* travel package. Our *ANA Sky Holidays* packages generally involve traveling to any of the airports throughout Japan that are serviced by our flights. Since 2005, we have focused on offering premium package tours using our *Premium Class* seats and package tours targeting affluent and senior travellers.

Our principal overseas travel package is the *ANA Hallo Tour* overseas travel package. Our *ANA Hallo Tour* package tours generally involve traveling to any of the 23 cities in 10 countries and regions (excluding Japan) that are serviced by our flights. We have taken steps to bolster our sales of package tours to China, establishing a dedicated line to our call center for package tours to China, and establishing a local subsidiary, ANA Tours (China) Co., Ltd., to enhance our local reception of tour customers. Other popular destinations in Asia include Korea and Taiwan. Our most popular non-Asian package tours include tours to London and Paris in Europe and New York, Las Vegas and Hawaii in the United States.

Our sales of package tours are conducted either at one of our 48 travel agency offices located throughout Japan or through our proprietary domestic and overseas Internet-based sales system called *ANA SKYWEB TOUR*. We have recently developed links between *ANA SKYWEB TOUR* and our air transportation sales website, *ANA SKY WEB*, in an effort to increase our Internet sales.

In May 2004, we restructured our travel services when ANA Sales & Tours Hokkaido Co., Ltd., ANA Sales & Tours Kyushu Co., Ltd., and ANA Sales & Tours Okinawa Co., Ltd. were made wholly owned subsidiaries of ANA Sales and Tours Co., Ltd. through a stock transfer to enhance the efficiency of our business. In January 2005, ANA Sales and Tours Co., Ltd.'s name was changed to ANA Sales Co., Ltd.

In April 2007, we launched the *Tabi-dachi* travel club for *ANA Mileage Club* members. Accessible from the ANA website, it provides a range of travel information in a convenient format. The club has been a success, with a number of participants that has grown to 1.4 million as of March 31, 2009. We also offer a "dynamic package", or *Tabi-saku*, which provides travelers with flexible dates and fares with respect to the various components of a vacation. Through such measures, we have strengthened our Internet presence and increased our online reservations, which accounted for approximately 13% of all our reservations in the year ended March 31, 2009.

***Other Businesses***

Our operations in other businesses are principally related to air transportation and include trading and retailing, information and telecommunications, building maintenance and other businesses. Goods sold to third parties in the trading and retailing business and, to a much lesser extent, income from the building maintenance business accounted for substantially all of our sales to external customers within our other businesses segment. The largest operations in our other businesses segment are described below.

*Trading and Retailing*

All Nippon Airways Trading Co., Ltd. conducts our trading and retailing business which consists primarily of the sale of goods at duty-free and other shops and restaurants at airports and the procurement of aircraft equipment and their sale to our air transportation business. As of March 31, 2009, we operated over 89 duty-free and other retail shops and restaurants located in 34 domestic airports.

*Information and Telecommunications*

Our information and telecommunications business consists primarily of the development, installation and maintenance of aviation-related information systems equipment and software for the ANA group, including the provision of international flight reservation and ticketing systems to airlines and travel agencies. Infini Travel Information markets its INFINI LINX Internet reservations tool, and ANA Information Systems Planning Co., Ltd. provides information systems development, maintenance and operations services to ANA and other Group companies. We have about 700 employees that are focused on developing and maintaining information systems equipment and software.

*Building Maintenance*

Our building maintenance business consists primarily of the maintenance of airport facilities and the provision of insurance agency services to employees of the ANA group.

**Fleet**

As of March 31, 2009, we operated a fleet of 210 aircraft with an average age of approximately 9.7 years and of which we owned 139 and leased 71. The following table sets forth the composition of our fleet as of March 31, 2009:

***Composition of Fleet***

| | As of March 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| **Type of aircraft** | **Number of seats** | **Number of aircraft** | **Number owned** | **Number leased** | **Of leased aircraft, number using Japanese leveraged leases** | **Average age** |
| | | | | | | **(years)** |
| Boeing 747-400I | 287-323 | 5 | 2 | 3 | — | 16.9 |
| Boeing 747-400D | 565-569 | 10 | 10 | — | — | 15.4 |
| Boeing 777-300 | 247-514 | 20 | 17 | 3 | 3 | 4.7 |
| Boeing 777-200 | 223-405 | 23 | 18 | 5 | 5 | 8.8 |
| Boeing 767-300F[(1)] | — | 6 | 2 | 4 | 1 | 9.0 |
| Boeing 767-300 | 214-270 | 54 | 43 | 11 | 11 | 13.6 |
| Boeing 737-800 | 167 | 4 | 4 | — | — | 0.5 |
| Boeing 737-700 | 38-120 | 18 | 14 | 4 | 4 | 2.1 |
| Airbus A320-200 | 110-166 | 30 | 15 | 15[(2)] | — | 12.5 |
| Boeing 737-500 | 126-133 | 21 | 12 | 9 | — | 9.8 |
| Bombardier DHC-8-400 | 74 | 14 | 1 | 13 | 13 | 3.9 |
| Bombardier DHC-8-300 | 56 | 5 | 1 | 4 | 4 | 6.8 |
| Total | — | 210 | 139 | 71 | 41 | 9.7 |

Notes:

(1) For cargo only. Includes Boeing 767-300BCF.

(2) Of which one aircraft was returned in May 2009.

We are currently in the process of rationalizing our fleet by replacing older aircraft with new, more efficient aircraft and reducing the number of aircraft types in our fleet. Our goal is to maintain a fleet consisting primarily of the Boeing 777-300ER as our wide body aircraft, the Boeing 787 as our medium body aircraft and the Boeing 737-700 and Boeing 737-800 as our narrow body aircraft. The improved fuel efficiency of these aircraft is expected to result in savings in jet fuel costs. In addition, standardization and a reduction of aircraft types will allow for higher flexibility in the allocation of fleet under our FAM system and lower maintenance costs as the scope of maintenance issues is narrowed, spare parts inventory requirements are reduced and training costs are lowered. We also believe that modernizing our fleet will improve customer satisfaction and differentiate us from our competitors. Additionally, we expect to maintain a relatively small number of propeller aircraft and regional jets, which operate more efficiently on short-range routes. We have identified the Bombardier DHC-8-400 as our most flexible and efficient propeller aircraft. We expect the Bombardier DHC-8-400 will remain our primary short-range aircraft until the anticipated delivery of the Mitsubishi Regional Jet which is currently expected to be in 2013.

To capitalize on the opportunities presented in the near future by the expansion of airport capacity in the Tokyo metropolitan area, we plan to introduce 16 aircraft into our fleet as part of our strategic investment within our fiscal 2009 plan. In addition to introducing two of our mainstay large aircraft, the Boeing 777-300ER, we will also add one Boeing 767-300ER, three Boeing 767-300BCFs (which are former Boeing 767-300ER from our fleet that are being converted into freighter aircraft by Boeing), six Boeing 737-800s and one Bombardier DHC-8-400. We also plan to take delivery of three of the world's first Boeing 787 during the current fiscal year, although there is a significant risk that delivery may be delayed. See "Risk Factors — Risks Related to Our Business — We rely on The Boeing Company, or Boeing, for substantially all of our new aircraft currently on order and a significant majority of our current fleet, which exposes us to risks should Boeing refuse or be unable to fulfill its obligations, including its ability to deliver Boeing 787s as scheduled". As part of our fleet rationalization process, we will retire six aircraft from our fleet, including two Boeing 747-400s and two Airbus A320-200s. By introducing fuel-efficient aircraft into our fleet we will steadily improve our cost structure.

As of March 31, 2009, we are expecting delivery of the following aircraft pursuant to aircraft purchase agreements:

***Expected Delivery Date of Aircraft***

| | As of March 31, 2009 | |
|---|---|---|
| **Type of aircraft** | **Number of aircraft** | **Expected delivery dates** |
| Boeing 777-300 | 6 | by June 2010 |
| Boeing 787 | 50[1] | by March 2018 |
| Boeing 767-300 | 10[1][2] | by September 2011 |
| Boeing 767-300BCF[3] | 5 | by December 2010 |
| Boeing 737-800 | 8[4] | by March 2010[5] |
| Boeing 737-700 | 15 | by November 2011 |
| Bombardier DHC-8-400 | 3 | by November 2011 |

Notes:

(1) Five Boeing 767-300s that were under contract as of March 31, 2009 were replaced by five Boeing 787s in May 2009.

(2) Of which one aircraft was delivered in April 2009.

(3) Delivery of former Boeing 767-300ERs from our fleet that are being converted into freighter aircraft by Boeing.

(4) Of which two aircraft were delivered in May and June 2009.

(5) Of which the delivery date of two aircraft was deferred to the 2010 fiscal year.

We are able to obtain freighter aircraft at substantially lower cost compared to purchasing new freighter aircraft by converting existing Boeing 767-300ER passenger aircraft into freighter aircraft, based on the longer life cycle of freighter aircraft compared to passenger aircraft. We expect a substantial portion of flights by our freighter aircraft fleet to be operated by ANA&JP Express. We expect to use all of our freighter aircraft for both our domestic and international cargo operations.

Generally, the market for used aircraft has been weak in recent years for large aircraft, and we may record significant losses in the future in connection with disposing of retired large aircraft. The market for small aircraft is stronger as regional airlines generally utilize older aircraft in their fleets.

## Sales and Marketing

Approximately 30% of our domestic ticket sales and 90% of our international ticket sales are made through an external retail sales network of travel agencies. We typically pay commissions to travel agencies and other members of the external network, although in certain countries commissions are paid to the intermediary by the customer rather than the airline. In addition, approximately 70% of our domestic ticket sales and 10% of our international ticket sales are made through our own call centers, sales counters located at city offices and airports and travel services operations. A small proportion of our airline ticket sales are made through the offices of other airlines.

We also sell airline tickets directly through our website, *ANA SKY WEB*. In the year ended March 31, 2009, approximately 49% of our domestic ticket sales for individuals were made via the Internet, of which 17% were through *ANA@desk*, our Internet-based system for corporate travelers. Additionally, 4% of our international ticket sales were made via the Internet. Customers visiting *ANA SKY WEB* may make reservations, check seat availability and obtain information on services such as our frequent flyer program. Our websites also permit customers to make payments by credit card, debit card and wire transfer, including from post office accounts. In addition, customers may make payments for tickets at certain convenience stores for reservations made on *ANA SKY WEB*.

Approximately 70% of our passenger service tickets, measured in terms of yen, are sold in Japan. Our overseas sales operations consist of sales at ticketing counters located in each airport we fly to and a network of 33 sales offices in the different regions we service.

We employ a variety of marketing methods for our domestic and international passenger service operations, including television and radio commercials, newspaper and magazine advertisements, advertisements at airports and at travel agents and sponsorship of golf and other sports events.

We are strengthening our cargo sales framework and introducing revenue management systems in our cargo sales and marketing business.

## Competition

### *Domestic Passenger Service*

We face competition in the domestic passenger service market principally from the JAL group. For the year ended March 31, 2008, we held a 47% domestic market share, measured in terms of number of passengers, while the JAL group held a 44% domestic market share. Competition with the JAL group is intense, in particular on high demand routes such as between Tokyo and Sapporo, Osaka and Fukuoka. We compete with the JAL group in pricing, services, convenience of flight schedule and brand strength.

In addition to the JAL group, we face competition from other forms of transportation. Our most direct competition is the *Shinkansen,* or bullet train, which is highly competitive in terms of travel time over shorter routes, as well as convenience in terms of the proximity of airports versus rail stations, security measures and check-in times. See "Risk Factors — Risks Related to Our Business — We face substantial competition in the domestic transportation market from the JAL group, the *Shinkansen* high-speed rail service and new airlines" and "— The Airline Industry — The Domestic Air Transportation Industry — *Shinkansen* and Other Modes of Transport".

In addition, since 2000, the domestic airline market has become increasingly deregulated, which has created opportunities for new airlines to enter the market. Currently, there are several small domestic airlines in the market which generally offer lower-priced standard fares and servicing a small number of high-demand or underserved routes. For instance, SKY competes with us on certain routes partially as a result of MLIT's redistribution of flight slots in 2005, as discussed above. SKY's market share of the revenue passengers on the routes between Haneda and New Chitose, Fukuoka and Naha is estimated to be 9.6%, 17.9% and 7.2%, respectively, as of the year ended March 31, 2008. We expect competition from these and other new airlines in the Japanese domestic market to increase in the future, particularly after the opening of Haneda's fourth runway in October 2010. See "— The Airline Industry — The Domestic Air Transportation Industry — Small Domestic Airlines".

### *International Passenger Service*

The international airline market is highly competitive. We face particularly strong competition on our routes between Tokyo and other Asian cities, Honolulu and major cities in Europe and the United States from the JAL group, as well as non-Japanese airlines. See "Risk Factors — Risks Related to Our Business — Competition in the international airline market is intense and susceptible to price discounting".

### *Cargo*

In our domestic cargo operations, we compete primarily with the JAL group. The JAL group has a substantially larger fleet of dedicated freighter aircraft for its cargo operations and, therefore, a significantly larger market share in the domestic air cargo market. We also compete in our domestic cargo operations with ground transportation, including the trucking industry and rail service. We believe that airlines have a competitive advantage in terms of speed of delivery compared to these other transportation services, in particular on long-distance hauls. However, in general, cargo delivery by air is more expensive than delivery by ground transportation.

In our international cargo operations, we compete not only with the JAL group, but also with Nippon Cargo Airlines Co., Ltd. and major international passenger airlines, cargo airlines and air delivery services, such as FedEx Corporation, United Parcel Service of America, Inc. and DHL International GmbH.

## Insurance

We carry insurance coverage for aircraft damage, third party liability, passenger liability, cargo liability, war, terrorism, hijacking, civil commotions and certain other perils. We believe our insurance coverage is generally of the type and amount consistent with industry practice.

As a result of the September 11, 2001 terrorist attacks in the United States, aviation insurers significantly reduced the amount of insurance coverage available to commercial airlines for liability for claims resulting from acts of terrorism, war or similar events. At the same time, insurance premiums were increased for such coverage, as well as for aviation insurance. In recent years premiums have decreased significantly from their levels immediately following September 11, 2001. However, there can be no assurance that our insurance premiums will not increase significantly in the future, or that insurance coverage will remain available at all or will not be limited, particularly if future terrorist attacks involving aircraft occur.

**Information Technology**

We currently use approximately 140 software programs for various aspects of our operations, including reservation and ticketing, flight control, resource assignment and general administration.

In addition to our operation control systems, we maintain systems purchased from third party developers and designed to allow us to improve our per flight revenues and operational efficiency. These systems include the QSI system, which was introduced in 2000 and predicts seasonal demand from different types of passengers based on historical patterns, FAM, which was introduced in the year ended March 31, 2003 and allows us to optimize aircraft allocation based on demand data and size and operating costs of our different aircraft, and PROS, which was introduced in the year ended March 31, 2003 and optimizes allocation of seats on aircraft to different fare classes based on historical demand patterns and real time reservation data.

Our proprietary software systems are developed and maintained by ANA Information Systems Planning Co., Ltd., a wholly-owned subsidiary, as well as outside vendors. We maintain a data center in Tokyo that is housed in an earthquake-resistant building and equipped with redundant host servers, mirrored database servers and an emergency power generator. Back-up copies of important data are also maintained at a remote site in Saitama.

**Compliance and Safety**

Our internal control system keeps management actively informed of and closely involved with internal auditing, accounting, legal, regulatory and safety issues. The internal control system consists of the Risk Management Committee, the Compliance Committee and the Internal Audit Division. For more information see “Management — Overview”.

In the past few years, we have taken steps to reaffirm our commitment to safety. Revisions to the Civil Aeronautics Law in October 2006 mandated that all airlines establish a Safety Management System, or SMS. Our SMS ensures that all employees including top management are involved in all aspects of air transportation safety. In addition, we established internal Safety Management Regulations, created a Chief Safety Officer post and established the Group Safety Promotion Committee, all of which help to ensure that our safety-related principles and policies are systematically disseminated and understood, and any potential safety problems are swiftly identified, analyzed and resolved. We were the first airline in Japan to obtain certification for the IATA Operational Safety Audit in 2004, and we continue to hold ourselves to the highest safety standards.

**Facilities**

Haneda is our principal base of operations for our domestic flights. Haneda’s capacity is expected to increase by as much as 134,000 annual flight slots by 2012 through the addition of a fourth runway and the utilization of late night/early morning slots. Our primary base of operations for our international flights is Narita. We moved our operations into the newly built South Wing of Terminal 1 at Narita along with substantially all *Star Alliance* partners that serve Narita in June 2006. We expect international flight slots at Narita to increase by approximately 20,000 in 2010.

The substantial majority of our airport facilities, including terminal buildings, check-in and ticketing counters, transfer desks, boarding bridges and other facilities at Haneda, Narita and other airports in Japan, are properties, or are operated on properties, under lease. These leases typically have a two-year term and are generally renewable automatically upon expiration except under certain limited circumstances. Details of our principal non-aircraft properties are set forth under “— Properties”.

***Operational Services***

At Japanese airports, we provide the majority of the operational services we require for the handling of passengers and cargo. At overseas airports, the majority of our ground handling requirements are subcontracted to other airlines.

Runway, ramp and terminal facilities are provided by airport operators that charge airlines for the use of these facilities, principally through landing, parking and passenger charges. Navigation services are provided to aircraft by air traffic controllers in countries through whose airspace they fly or by international bodies. Navigation charges are generally based on distance flown and weight of aircraft.

Our ability to obtain flight slots at airports for the purpose of producing schedules attractive to passengers is vital to our business. Allocation of domestic and international flight slots at Haneda and Narita and other high traffic airports in Japan is determined by the MLIT. International flight slots in the majority of overseas airports we service are allocated by the authorities in the jurisdiction in which such airports are located in accordance with IATA guidelines. For more information on the allocation of domestic and international flight slots, see “Regulation — International Regulation — Allocation of Flight Slots at Airports outside Japan” and “Regulation — Japanese Regulation — Allocation of Flight Slots at Airports in Japan”.

### *Jet Fuel*

We obtain a substantial proportion of our jet fuel from three large Japanese oil companies through jet fuel contracts that are renegotiated every one to three years. At overseas airports that we service, we generally contract with one to three suppliers at each airport for our jet fuel needs at that airport. Under our jet fuel contracts, our purchase price for jet fuel fluctuates in accordance with the market price for either crude oil or jet fuel. We pay for a large portion of our jet fuel for international flights in U.S. dollars and all of our jet fuel for domestic flights in yen and U.S. dollars.

### *Aircraft Maintenance*

Our maintenance facilities are centered at Narita, Haneda and Itami. In addition to serving our own maintenance needs, we provide other airlines with aircraft heavy maintenance, engine overhaul and component maintenance services.

## Properties

The following table sets forth our principal properties other than aircraft as of March 31, 2009:

***Description of Properties***

| Principal properties | Description | Land space (square meters) Owned | Land space (square meters) Leased | Carrying value on balance sheet (millions of yen) Land | Carrying value on balance sheet (millions of yen) Building and structures |
|---|---|---|---|---|---|
| **Properties operated by the Company** | | | | | |
| *Headquarters:* | | | | | |
| Headquarters and other offices | Head office and business center building in Tokyo | 17,359 | — | ¥1,794 | ¥ 5,906 |
| Employee welfare facilities | Training institutes and employee dormitories in Tokyo and other locations | 107,040 | — | 30,374 | 16,397 |
| *Sales branches and offices:* | | | | | |
| Cargo Division, Marketing and Sales Division and Tokyo branch | Sales offices | — | N/A | — | 137 |
| Other domestic branches | Sales offices | — | N/A | — | 216 |
| Overseas branches | Sales offices | — | N/A | — | 235 |
| *Airport branches and related facilities:* | | | | | |
| Cargo Division, Operations and Airport Services Division and In-flight Services Division | Operations and Airport Services Division and In-flight Services facilities at Haneda | 5,984 | — | 675 | 3,062 |
| Domestic airport branches | Branches at domestic airports | — | 110,565 | — | 20,628 |
| Overseas airport offices | Offices at overseas airports | — | N/A | — | 175 |
| *Flight operation and maintenance facilities:* | | | | | |
| Flight Operations Division | Flight operations facilities at Haneda | — | N/A | — | 18 |
| Other flight operations related facilities | Pilot training facility at Haneda | 8,976 | 18,319 | 1,027 | 6,010 |
| Engineering and Maintenance Division | Flight maintenance facilities at Haneda | — | N/A | — | 557 |
| Other engineering and maintenance related facilities | Flight maintenance facilities in Tokyo and other locations | 27,089 | 203,629 | 7,772 | 36,847 |

| Principal properties | Description | Land space (square meters) Owned | Leased | Carrying value on balance sheet (millions of yen) Land | Building and structures |
|---|---|---|---|---|---|
| **Properties operated by consolidated subsidiaries** | | | | | |
| *Air transportation:* | | | | | |
| Fukuoka Airport branch of Air Nippon Co., Ltd. | Airport office and hangars at Fukuoka | — | 6,769 | — | 427 |
| Hokkaido office of Air Nippon Network Co., Ltd. | Airport office and hangars at Sapporo | — | 7,050 | — | 826 |
| Hangar 1 and hangar 2 of ANA Aircraft Maintenance Co., Ltd. | Hangars at Itami | 46,503 | — | 1,364 | 2,204 |
| Facilities of ANA Aero Tech Co., Ltd. | Flight equipment maintenance facilities in Nagasaki | 26,664 | — | 787 | 876 |
| Facilities of ANA Nagasaki Engineering Co., Ltd. | Flight equipment maintenance facilities in Nagasaki | 21,500 | — | 432 | 223 |
| Facilities of ANA Catering Service Co., Ltd. | In-flight meals production facilities | 19,873 | 7,890 | 216 | 5,119 |
| *Other businesses:* | | | | | |
| Sapporo office of Japan Fresh Foods Co., Ltd. | Food processing facility in Hokkaido | 4,473 | — | 45 | 80 |
| Headquarters of Japan Fresh Foods Co., Ltd. | Food processing facility in Saitama | 6,443 | — | 147 | 308 |
| Nagoya office of Japan Fresh Foods Co., Ltd. | Food processing facility in Nagoya | 3,348 | — | 315 | 91 |
| Kansai branch of Japan Fresh Foods Co., Ltd. | Food processing facility in Hyogo | 3,464 | — | 239 | 193 |
| Fukuoka branch of Japan Fresh Foods Co., Ltd. | Food processing facility in Fukuoka | 2,713 | — | 32 | 80 |
| International Flight Training Academy, Inc. | Pilot training facility in California | — | 79,964 | — | 915 |

## Employees

The table below sets forth, on a consolidated basis, the number of full-time employees as of March 31, 2007, 2008 and 2009 broken down by operating segment:

***Number of Employees***

| | As of March 31, 2007 | 2008 | 2009 |
|---|---|---|---|
| Air transportation | 23,877 | 25,234 | 26,878 |
| Travel services | 1,861 | 1,856 | 1,761 |
| Hotel business | 2,604 | — | — |
| Other businesses | 4,118 | 4,255 | 4,406 |
| Total | 32,460 | 31,345 | 33,045 |

We believe that there have been no material changes to the number of our full-time employees during the period between the April 1, 2009 and the date of this Prospectus.

Substantially all of our non-management employees are unionized. As of March 2009, our pilots are organized into five unions with a total of approximately 1,850 members, of which approximately 1,350 belong to the All Nippon Airways Crew Association. All of our pilot unions are aligned with a national union for pilots. As of March 2009, our employees in other job categories, including flight attendants, are organized into 28 unions with a total of approximately 20,100 members, of which approximately 9,400 belong to the All Nippon Airways Workers Union.

We regularly receive notices of strikes from our unions, although we are frequently successful in averting strikes through negotiations with union leaders. On March 23, 2006, four of our pilot unions, excluding All Nippon Airways Crew Association, commenced a strike at four of our subsidiary airlines in connection with failed negotiations related to compensation and recruitment. The strike resulted in a 24-hour work stoppage, during which approximately 18% of our domestic flights were delayed or cancelled. On April 11, 2007, four of our pilot unions, excluding All Nippon Airways Crew Association, commenced a strike at four of our subsidiary airlines in connection with failed negotiations related to compensation and training. The strike resulted in a 24-hour work stoppage, during which approximately 15% of our domestic flights were delayed or cancelled. On March 18 and April 15, 2009, four of our pilot unions, excluding All Nippon Airways Crew Association, commenced strikes at four of our subsidiary airlines in connection with failed negotiations related to compensation. Both of the strikes resulted in 24-hour work stoppages, during which approximately 18% of our domestic flights were delayed or cancelled on each occasion. There can be no assurance that we will be able to avert or otherwise quickly resolve strikes in the future.

Our pilots are generally more active in labor negotiations with us than our other unionized employees. Historically, issues of contention raised by our pilots generally concerned job security, equality of compensation, the reflection of individual contribution in bonuses, career advancement paths and other working conditions. While we have not had any significant dispute with our other unionized employees during the past five years, there can be no assurance that these employees, which include flight attendants, maintenance personnel and ground crews, will not become increasingly active in labor negotiations in the future.

As part of our fleet rationalization plan, we have implemented a strategy to achieve further reductions in personnel costs by reducing the number of pilots at the Company through natural attrition and expanding the hiring of pilots, both from within Japan and overseas, at our subsidiaries, which generally operate our smaller aircraft. Pilots hired by our subsidiaries will be paid less than pilots at the Company to reflect the decreased capacity of, and revenues generated by, our small aircraft. Under our current agreement with the All Nippon Airways Crew Association, pilots at the Company are paid under the same compensation structure regardless of the size of the aircraft they operate, and the Company is subject to certain restrictions regarding the hiring of non-Japanese pilots.

Between January and March of 2009, we reduced the base salaries and bonuses for all executives and management. For several years, we have had in place a company performance-based bonus system which rewards our employees based on our operating performance. Under this system, we paid our employees no performance-based bonuses in the year ended March 31, 2009. We plan to continue efforts to reduce personnel costs in the current fiscal year. See "Operating and Financial Review — Recent Developments and Outlook — Year Ending March 31, 2010 — Cost Reduction Measures".

### *Stock Ownership Program*

Directors, Corporate Auditors, Advisors, corporate executive officers and employees of the Company and other ANA group companies are generally eligible to participate in one of the six stock ownership programs established for the ANA group. Under these programs, the participant may authorize monthly payroll deductions in units of ¥1,000 or ¥10,000, as the case may be, toward the purchase of an interest in shares of our common stock. In addition, for each participating employee of the Company and other ANA group companies, we make an additional contribution equal to 10% or 5%, as the case may be, of each eligible employee's payroll deductions for up to ¥1,000 or ¥500, as the case may be, per month toward the purchase of shares. As of March 2009, these six stock ownership programs together had approximately 6,300 members and held approximately 33,149,000 shares of our common stock.

In February 2009, we made a new stock incentive plan available to all employees of the Company. Under the plan, we established a trust which purchased 18,599,000 of our common stock on the open market at total cost of approximately ¥6.9 billion yen. Participating employees will contribute to the stock ownership association which will purchase these shares from the trust at the market price. After five years, any gain in value on our common stock in the trust will be distributed to the participating employees.

## Material Contracts

There are no contracts (not being contracts entered into in the ordinary course of business) which we either (i) entered into within the two years immediately preceding the date of this Prospectus and which are or may be material or (ii) entered into and contain any provision under which we have any obligation or entitlement which is material at the date of this Prospectus.

**Legal Proceedings**

No member of the Group is engaged in, or as far as the Company is aware, has pending or threatened, any governmental, legal or arbitration proceedings, during a period covering at least the previous 12 months prior to the date of this Prospectus, which may have, or have had in the recent past significant effects on the Company's and/or the Group's financial position or profitability, except those described below, the claim amount of each of which is currently unquantifiable.

*International Cargo*

In February 2006, authorities in the United States and Europe visited the offices of, and otherwise contacted or issued subpoenas to, over two dozen airlines based in multiple countries in connection with an investigation into possible illegal price fixing in the international air cargo industry. In connection with this matter, the United States Department of Justice, Antitrust Division, National Criminal Enforcement Section, served on us a "subpoena to testify before a grand jury" on March 1, 2006, the primary purpose of which was to require us to produce documents related to our air cargo operations. We have cooperated with the U.S. Department of Justice with respect to the subpoena, and we are the subject of an ongoing investigation into possible violations of federal antitrust law in relation to our international cargo operations. In Europe, on December 19, 2006, we received a request for information regarding our international cargo operations from the European Commission, with which we cooperated. On December 18, 2007, the European Commission issued a Statement of Objections alleging our involvement in an international air cargo cartel in violation of the European Community Treaty. We replied to the Statement of Objections on March 27, 2008. We expect the European Commission to issue an adverse decision in the near future. We have not reserved for any potential losses related to the U.S. investigation and have reserved ¥16.1 billion for potential losses related to the European investigation. In the event we are found to have violated U.S. or European antitrust laws or any other laws or regulations in connection with investigations regarding our cargo operations in these or other jurisdictions, we may, among other things, be subject to substantial monetary penalties or fines, and our ability to defend against related civil litigation may be negatively impacted. In the case of the European investigation, such fines could exceed any reserves we had made. We may also be required to reserve additional amounts in connection with these investigations prior to their resolution. Any of these circumstances could materially and adversely affect our financial condition and results of operations.

Beginning in February 2006 and continuing into early 2007, approximately 100 purported class action complaints against over 20 airlines and airline holding companies were filed in various U.S. federal district courts. We were named as a defendant in approximately 20 of these complaints, which allege, among other things, that the defendants engaged in illegal price fixing of cargo rates in international aviation markets in violation of federal antitrust law. In June 2006, these cases were transferred and consolidated in the U.S. District Court for the Eastern District of New York. In February 2007, the plaintiffs filed a first amended consolidated complaint naming as defendants a total of thirty-nine U.S. and foreign airlines, including us, alleging price-fixing of cargo rates and charges and other conduct in violation of federal antitrust law, certain U.S. state laws and certain European laws. We and other defendants filed a motion to dismiss the claims on multiple grounds on July 18, 2007. Under the direction of the federal district judge, a magistrate judge issued on September 26, 2008 a Report & Recommendation regarding the motion to dismiss, which recommended that the plaintiffs' claims be dismissed, and, with respect to certain of the claims, that they be permitted to file an amended complaint on the condition that it be pleaded with a higher level of specificity. The motion to dismiss is now pending decision by the court. In the event we are subject to an adverse judgment in these or any future civil litigation related to alleged or other illegal price fixing in the air cargo industry, we may be required to pay substantial civil damages, which may materially and adversely affect our financial condition and results of operations.

*International Passenger*

The European Commission carried out unannounced inspections at the premises of a number of international airlines in March 2008 related to possible anticompetitive price-fixing and collusive behavior in traffic between the European Union and Japan. This infringement may cover facts from the second half of the 1990s to the date of the inspections. As one of the two major Japanese international airlines, we are cooperating fully with the Commission in its investigation. Based on the size of commerce and duration involved, we could be subject to substantial penalties or fines in connection with violations of European antitrust or other laws, or damages in connection with any related civil litigation, and these could have a material adverse effect on our financial condition and results of operations.

In March 2007, the U.S. Department of Justice, with the assistance of the United States Federal Bureau of Investigation, enforced a search warrant on our offices in Torrance, California. Documents were seized and a "subpoena to testify before a grand jury" was served on us. The subpoena required us to produce documents relating to scheduled air carrier passenger service to and from the United States, including documents relating to pricing and to any actual or alleged violation of antitrust, competition or wire fraud laws of the United States. We have cooperated with the U.S. Department of Justice with respect to the subpoena, and we are the subject of an ongoing investigation into possible violations of federal antitrust laws in relation to our passenger operations. In the event we are found to have violated U.S. antitrust laws or any other laws or regulations in connection with the investigation or any other investigation in other jurisdictions, we may, among other things, be subject to substantial monetary penalties or fines, and our ability to defend against related civil litigation may be negatively impacted, any of which could materially and adversely affect our financial condition and results of operations.

Beginning in November 2007 and continuing into March 2008, approximately 30 purported class action complaints against over 10 airlines and airline holding companies, including us, were filed in the federal courts for the Central and Northern District of California. The complaints allege price fixing in passenger fares and fuel surcharges for passenger fares on routes between the United States and Asia-Pacific destinations in violation of federal antitrust law. In early 2008, these complaints were transferred and consolidated in the U.S. District Court for the Northern District of California. The plaintiffs have not yet filed an amended consolidated complaint. In the event we are subject to an adverse judgment in these or any future civil litigations related to alleged or other illegal price fixing in the air passenger industry, we may be required to pay substantial civil damages, which may materially and adversely affect our financial condition and results of operations.

**No Significant Change**

There has been no significant change in our financial or trading position since the audited financial statements published for the year ended March 31, 2009 except that continued weak operating performance data and passenger demand continue to significantly and adversely affect our operating results as disclosed in this Prospectus under the heading "Operating and Financial Review — Recent Developments and Outlook — Three Months Ended June 30, 2009" on pages 41 and 42.

## MANAGEMENT

### Overview

The Board of Directors carries the ultimate responsibility for the management and administration of the Company's affairs. The Company's articles of incorporation provide for a Board of Directors of not more than 20 members. Currently, the Company has 17 Directors, all of whom were elected at general meetings of shareholders. The normal term of office of a Director expires at the close of the ordinary general meeting of shareholders held with respect to the last settlement of accounts within one year after such Director's assumption of office, although Directors may serve any number of consecutive terms.

The Board of Directors shall elect from among its members one or more Representative Directors, each of whom has the power to represent the Company in all matters. Currently, the Company has four Representative Directors. The Board of Directors may also elect from among its members a Chairman of the Board, Vice Chairman and President and one or more Senior Executive Vice Presidents, and several Executive Vice Presidents.

Important management issues are first discussed and decided by the Management Committee, which is chaired by the Company's President and Chief Executive Officer and whose members include Directors who are also corporate executive officers, presidents of principal subsidiaries and two full-time Corporate Auditors. Issues requiring resolution by the Board of Directors are then submitted to the Board of Directors for consideration.

The Company's articles of incorporation provide for not more than five Corporate Auditors. Currently, the Company has five Corporate Auditors. Under the Company Law, the Corporate Auditors are not required to be certified public accountants, and may not at the same time be Directors, Accounting Advisors (*kaikei sanyo*), executive officers, managers or other employees of the Company or any of its subsidiaries. In addition, at least half of the Corporate Auditors must be persons who have not been a Director, Accounting Advisor, executive officer, manager or employee of the Company or any of its subsidiaries and at least one of the Corporate Auditors must be a full-time Corporate Auditor. The Corporate Auditors are elected at general meetings of the shareholders and the normal term of office expires at the close of the ordinary general meeting of shareholders held with respect to the last settlement of accounts within four years after such Corporate Auditor's assumption of office, although Corporate Auditors may serve any number of consecutive terms.

The Corporate Auditors have the duty of supervising the administration of the Company's affairs by the Directors, examining the financial statements and business reports to be submitted by a Representative Director to general meetings of shareholders and reporting their opinions thereon to the Board of Corporate Auditors. The Board of Corporate Auditors then prepares, based on the report submitted by each Corporate Auditor, an audit report and submits it to a Representative Director. The Corporate Auditors are required to attend meetings of the Board of Directors and express opinions when or if necessary at such meetings, but they are not entitled to vote. The Company does not have an Audit Committee.

With a goal to increase stability and efficiency in operational administration, implement appropriate information disclosure and ensure strict compliance with laws and internal regulations, the Company has adopted an internal control system consisting of a Risk Management Committee, a Compliance Committee and an Internal Audit Division. In structuring the internal control system for corporate social responsibility (CSR), the Company has put in place important defensive elements and concentrated risk management and compliance functions that had been separate in the Risk Management Section of the CSR Promotion Division. The Risk Management Committee is responsible for risk control and is operated through its central desk and a number of CSR Promotion leaders placed at the Company's main corporate divisions, subsidiaries and affiliates. CSR Promotion leaders also function as compliance leaders and information security leaders and are responsible for promoting risk control at their respective divisions or companies by implementing risk management measures and ensuring the flow of information in a time of crisis. In addition, the Risk Management Committee has formed subcommittees specializing in aviation security, crisis management and information security, and has handled the Company's response to specific events such as the outbreak of new types of influenza by acting through ad hoc sub-committees that functioned across the ANA group.

Internal auditing is conducted by the Company's Internal Audit Division, which consisted of sixteen staff members as of the date of this Prospectus. The Internal Audit Division conducts operational auditing and accounting auditing for the Company and its subsidiaries and affiliates, both periodically under annual audit plans and as needed based on management decisions and the results of risk analyses. Internal audit results are reported to the Company's President and Chief Executive Officer on a monthly basis, and any important findings are also reported to the Corporate Auditors every quarter.

We are required to appoint and have appointed the Independent Auditors, who have the statutory duties of examining the financial statements to be submitted to the shareholders by directors and reporting their opinion thereon to the relevant Corporate Auditors and the relevant directors. The Independent Auditors also audit the financial statements included in the securities reports, which we must file with the director of the Kanto Local Finance Bureau in Japan. Currently, our Independent Auditors are Ernst & Young ShinNihon LLC.

To the best of the Company's knowledge and belief, the Company complies with the laws and regulations of Japan regarding corporate governance.

**Directors**

The members of the Board of Directors of the Company as of the date of this Prospectus are as follows:

| Name | Title | Director since |
|---|---|---|
| Yoji Ohashi | Chairman of the Board | June 1993 |
| Mineo Yamamoto(1) | Vice-Chairman of the Board | June 1999 |
| Shinichiro Ito(1) | President and Chief Executive Officer | June 2003 |
| Shin Nagase(1)(2) | Senior Executive Vice President | June 2004 |
| Mitsuo Morimoto(1)(2) | Senior Executive Vice President | June 2005 |
| Tomohiro Hidema(2) | Executive Vice President | June 2004 |
| Keisuke Okada(2) | Executive Vice President | June 2004 |
| Hayao Hora(2) | Executive Vice President | June 2008 |
| Osamu Shinobe(2) | Executive Vice President | June 2007 |
| Katsumi Nakamura(2) | Executive Vice President | June 2007 |
| Shinichi Inoue(2) | Executive Vice President | June 2008 |
| Shigeyuki Takemura(2) | Executive Vice President | June 2008 |
| Yoshinori Maruyama(2) | Executive Vice President | June 2009 |
| Kiyoshi Tonomoto(2) | Executive Vice President | June 2009 |
| Shinya Katanozaka(2) | Executive Vice President | June 2009 |
| Misao Kimura(3) | External Director | June 2004 |
| Shosuke Mori(3) | External Director | June 2006 |

Notes:

(1) Representative Director.

(2) Also holds a position as corporate executive officer.

(3) External Director as defined under the Company Law.

Below is a brief biography of each Director.

*Yoji Ohashi*, age 69, became our Chairman of the Board of Directors in April 2005. Mr. Ohashi joined the Company in 1964 and became a member of the Board of Directors in 1993. He then served as Executive Vice President from 1993 to 1999, as Senior Executive Vice President from 1999 to 2001, and as President and Chief Executive Officer from 2001 until March 2005. Mr. Ohashi also serves as Vice President of Nippon Keidanren and as an External Director to Seven Bank, Ltd. and to TV Tokyo Corporation.

*Mineo Yamamoto*, age 63, became our Vice-Chairman of the Board of Directors in April 2009. Mr. Yamamoto joined the Company in 1970 and became a member of the Board of Directors in 1999. He served as Executive Vice President from 1999 to 2003, as Senior Executive Vice President from 2003 to 2005, and then as President and Chief Executive Officer from 2005 until March 2009. Mr. Yamamoto currently serves as Representative Director and Vice-Chairman of the Board of Directors.

*Shinichiro Ito*, age 58, became our Representative Director, President and Chief Executive Officer in April 2009. Mr. Ito joined the Company in 1974 and became a member of the Board of Directors in 2003. Mr. Ito served as Senior Executive Vice President and Chairman of the CSR Promotion Committee, and had been in charge of Marketing & Sales, CS Promotion, Products and Services Strategy until March 2009.

*Shin Nagase*, age 59, became our Representative Director and Senior Executive Vice President in April 2009. Mr. Nagase joined the Company in 1972 and became a member of the Board of Directors in 2004. Mr. Nagase previously served as General Manager of the Tokyo branch from 2003 to 2004 and served as Vice General Manager of Marketing and Sales, and served as Executive Vice President from 2004 until March 2009, and had been in charge of General Administration, Public Relations, CSR Promotion, as well as served as a member of Environmental Committee, Risk Management Committee and Compliance Committee.

*Mitsuo Morimoto*, age 62, became our Representative Director and Senior Executive Vice President in April 2009. Mr. Morimoto joined the Company in 1966 and became a member of the Board of Directors in 2005. Mr. Morimoto is currently Safety Controlling Administrator and Chief of Flight Operations, and served as

Executive Vice President and Chairman of Safety Promotion Committee and had been in charge of Corporate Safety and Audit.

*Tomohiro Hidema*, age 60, became our Executive Vice President in June 2004. Mr. Hidema joined the Company in 1973 and became a member of the Board of Directors in 2004. Mr. Hidema is currently in charge of Investor Relations, Group Business Development and Finance and Accounting and Purchasing.

*Keisuke Okada*, age 57, became a member of the Board of Directors in June 2004. Mr. Okada joined the Company in 1974 and had served as General Manager of the Corporate Planning Division until March 2007. Mr. Okada serves as Chairman of Information Technology Strategy, and is currently in charge of Alliance and International Affairs and Information Technology Service.

*Hayao Hora*, age 61, became a member of the Board of Directors in June 2008. Mr. Hora previously served various positions at the former Ministry of Transport, including as 1987 and as Senior Deputy Director-General of the Civil Aviation Bureau at the Ministry of Transport from 2002 to 2003, and Vice-Minister for Transport of Road Transport Bureau. Mr. Hora joined the Company in 2007 as Executive Advisor. Mr. Hora is currently in charge of International and Regulatory Affairs and Facilities.

*Osamu Shinobe*, age 56, became a member of the Board of Directors in June 2007. Mr. Shinobe joined the Company in 1976 and has been General Manager of the Engineering & Maintenance Department since April 2009.

*Katsumi Nakamura*, age 60, became a member of the Board of Directors in June 2007. Mr. Nakamura joined the Company in 1970. He has served as Chairman of Operation Committee since 2007 and is currently General Manager of our Operations & Airport Services.

*Shinichi Inoue*, age 60, became a member of the Board of Directors in June 2008. Mr. Inoue joined the Company in 1970 and has been General Manager of our Flight Operations since 2008.

*Shigeyuki Takemura*, age 59, became a member of the Board of Directors in June 2008. Mr. Takemura joined the Company in 1975 and has been in charge of Corporate Planning, Corporate Asia Strategy, Government and Industrial Affairs as well as head of our B787 Launch Project.

*Yoshinori Maruyama*, age 55, became a member of the Board of Directors in June 2009. Mr. Maruyama joined the Company in 1976 and has been in charge of Executive Office, Personnel, Employee Relations and Business Support since April 2009.

*Kiyoshi Tonomoto*, age 54, became a member of the Board of Directors in June 2009. Mr. Tonomoto joined the Company in 1978 and has been General Manager of Cargo Marketing & Services since April 2009.

*Shinya Katanozaka*, age 53, became a member of the Board of Directors in June 2009. Mr. Katanozaka joined the Company in 1979 and has been General Manager of Marketing & Sales as well as Chairman of the CS Promotion Committee and in charge of CS Promotion and Products & Service Strategy since April 2009.

*Misao Kimura*, age 71, became our External Director in June 2004. Mr. Kimura previously served various positions at the former Ministry of Transport, including as Director-General of the Chubu Transport Bureau at the Ministry of Transport from 1986 to 1987 and as Senior Deputy Director-General of the Civil Aviation Bureau at the Ministry of Transport from 1990 to 1991. Mr. Kimura is currently Executive Advisor of Nagoya Railroad Co., Ltd.

*Shosuke Mori*, age 68, became our External Director in June 2006. Mr. Mori currently serves as Representative Director and President of The Kansai Electric Power Co., Inc. as well as Vice-Chairman of Kansai Economic Federation.

**Corporate Auditors**

The Corporate Auditors of the Company as of the date of this Prospectus are as follows:

| Name | Title | Corporate Auditor since |
|---|---|---|
| Kunitaka Kajita(1) | Standing Corporate Auditor | June 2003 |
| Hiroyuki Ito | Standing Corporate Auditor | June 2008 |
| Minoru Aimono | Standing Corporate Auditor | June 2009 |
| Shingo Matsuo(1) | Corporate Auditor | June 2004 |
| Tatsuo Kondo(1) | Corporate Auditor | June 2009 |

Note:

(1) External Corporate Auditor as defined under the Company Law.

Below is a brief biography of each Corporate Auditor.

*Kunitaka Kajita*, age 68, became a Standing Corporate Auditor in June 2003. Mr. Kajita previously served as a Director of The Development Bank of Japan from 1994 to 1998 and as a Director of the Japan Economic Research Institute from 1998 to 1999. He then served as a Deputy Governor of the Development Bank of Japan Inc. from 1999 to 2002 and as a Corporate Adviser of the Development Bank of Japan Inc. from 2002 to 2003.

*Hiroyuki Ito*, age 58, became our Standing Corporate Auditor in June 2008. Mr. Ito joined the Company in 1974 and served as a member of the Board of Directors from 2006 to 2008. He previously served as Advisor for ANA Strategic Research Institute Co., Ltd. in 2008.

*Minoru Aimono,* age 58, became our Standing Corporate Auditor in June 2009. Mr. Aimono joined the Company in 1974 and served as Deputy General Manager of Marketing and Sales, and President of ANA Sales Co., Ltd. until March 2009.

*Shingo Matsuo*, age 71, became our Corporate Auditor in June 2004. Mr. Matsuo also serves as Chairman of the Board of Directors of Kyushu Electric Power Co., Inc, and served as President and Representative Director from 2004 to 2007.

*Tatsuo Kondo*, age 64, became our Corporate Auditor in June 2009. Mr. Kondo also serves as Chairman of the Board of Directors of Hokkaido Electric Power Co., Ltd., where he served as President and Representative Director from 2004 to 2008.

The Directors and Corporate Auditors listed above:

- have no family relationships between themselves;
- have no convictions in relation to fraudulent offences in the last five years;
- have not been associated with any bankruptcies, receiverships or liquidations whilst acting in their capacity as director of a company or other executive function for the last five years;
- have not received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), and have not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

Apart from the potential conflicts listed below, none of our Directors or Corporate Auditors have any conflict between their duties to us and other principal activities:

(i) Mr. Yoji Ohashi is an External Director to Seven Bank, Ltd. and to TV Tokyo Corporation;

(ii) Mr. Misao Kimura is an Executive Advisor of Nagoya Railroad Co., Ltd.;

(iii) Mr. Shosuke Mori is Representative Director and President of The Kansai Electric Power Co. Ltd.;

(iv) Mr. Shingo Matsui is Chairman of the Board of Directors of Kyushu Electric Power Co., Inc.;

(v) Mr. Tatsuo Kondo is Chairman of the Board of Directors of Hokkaido Electric Power Co., Ltd..

**Executive Compensation**

The Company does not have any service contracts with its Directors.

Cash compensation paid by the Company to its Directors for the year ended March 31, 2009 was ¥474 million in the aggregate. Compensation paid to Corporate Auditors for the year ended March 31, 2009 was ¥88 million in the aggregate. We do not currently have any stock option plans. We do not have a Remuneration Committee. We have no pension, retirement or similar benefits for senior management and supervisory bodies set aside or accrued.

Under the Company Law, the Directors, Corporate Auditors and Independent Auditors are liable for any damage suffered by the Company as a result of their violation of laws or regulations or any failure to perform their duties. Under the Company Law and the Company's articles of incorporation, they may, except in the case of willful misconduct or gross negligence or in certain other cases, be exempted by resolution of the Board of Directors from liability for damage to the limit to be calculated in accordance with the relevant provisions of the Company Law with reference to annual remuneration, retirement allowance and profits received upon exercise or transfer of stock options, if any. The Company has entered into liability limitation agreements with its external Directors and external Corporate Auditors whereby their liability is limited as described above.

## SUBSIDIARIES AND AFFILIATES

As of March 31, 2009, we had 107 subsidiaries, of which 76 were consolidated and 5 were accounted for under the equity method, and 41 affiliates, of which 19 were accounted for under the equity method. The following is a breakdown of our subsidiaries and affiliates by operating segment:

- in the air transportation segment, we had 41 subsidiaries, of which 41 were consolidated, and 5 affiliates, of which 5 were accounted for under the equity method;
- in the travel services segment, we had 9 subsidiaries, of which 9 were consolidated, and 1 affiliate that was accounted for under the equity method; and
- in the other businesses segment, we had 57 subsidiaries, of which 26 were consolidated and 5 were accounted for under the equity method, and 35 affiliates, of which 13 were accounted for under the equity method.

The following table sets forth our principal subsidiaries and affiliates as of March 31, 2009:

| Name | Location of headquarters | Main business | Issued capital[(1)] | Voting interests directly and indirectly owned by the Company |
|---|---|---|---|---|
| | | | (millions of yen) | (percent) |
| Air Transportation: | | | | |
| Air Nippon Co., Ltd. | Tokyo | Air transportation | ¥ 100 | 100.0% |
| Air Japan Co., Ltd. | Tokyo | Air transportation (Asia and Pacific-rim tourist resort routes) | 50 | 100.0 |
| Air Nippon Network Co., Ltd. | Tokyo | Domestic air transportation, other aircraft operations | 50 | 100.0 |
| Air Central Co., Ltd. | Aichi | Air transportation (mainly Nagoya arrival/departure routes using turbo-prop aircraft) | 50 | 100.0 |
| Air Next Co., Ltd. | Tokyo | Air transportation (mainly Fukuoka and Nagoya arrival/departure routes using narrow-body aircraft) | 50 | 100.0 |
| ANA&JP Express Co., Ltd. | Tokyo | Air cargo transportation | 80 | 51.7 |
| ANA Catering Service Co., Ltd. | Tokyo | Preparation of in-flight meals, loading and removal of catering equipment from aircraft, operation of staff canteens | 100 | 100.0 |
| International Airport Utility Co., Ltd. | Tokyo | Aircraft ground support operations (Haneda) | 100 | 99.5 |
| New Tokyo Airport Service Co., Ltd. | Chiba | Aircraft ground support operations (Narita) | 60 | 100.0 |
| ANA Aircraft Maintenance Co., Ltd. | Osaka | Maintenance, repair and improvement of aircraft and equipment | 100 | 100.0 |
| ANA Logistic Service Co., Ltd. | Tokyo | Warehouse management, customs clearance and distribution services for air cargo imports | 465 | 95.0 |

| Name | Location of headquarters | Main business | Issued capital[1] | Voting interests directly and indirectly owned by the Company |
|---|---|---|---|---|
| | | | (millions of yen) | (percent) |
| Travel Services: | | | | |
| ANA Sales Co., Ltd. | Tokyo | Travel services (development, support, and sales of domestic and international travel package tours) | 1,000 | 100.0 |
| ANA Sales Americas | California, USA | Travel services (support for travel packages in the United States) | *1,020 (thousands of U.S. dollars)* | 100.0 |
| Other Businesses: | | | | |
| All Nippon Airways Trading Co., Ltd. | Tokyo | General trading company | 1,000 | 100.0 |
| ANA Information Systems Planning | Tokyo | Planning, development, operation and maintenance of information systems; systems consultation services | 52 | 100.0 |
| Sky Building Service Co., Ltd. | Tokyo | Contracting of building/facility maintenance, management, and cleaning services | 80 | 93.6 |
| ANA Business Create Co., Ltd. | Tokyo | Air ticket inspection, HR dispatch and introduction services | 100 | 100.0 |

Note:

(1) Figures for issued capital are stated before intercompany eliminations.

## PRINCIPAL SHAREHOLDERS AND SHARE OWNERSHIP OF DIRECTORS AND CORPORATE AUDITORS

The following table sets forth the number of shares of our common stock currently held by our principal shareholders based on the Company's register of shareholders, and the amount of each such shareholding as a percentage of issued shares of our common stock, as of March 31, 2009 and after giving effect to the global offering (assuming no exercise of the over-allotment options and no purchase of shares by the principal shareholders in the global offering). On the Company's register of shareholders as of March 31, 2009, Japan Trustee Service Bank, Ltd. (Trust Account 4G) held 5% or more of the shares of our common stock. Our major shareholders, as detailed below, do not have different voting rights than any other shareholders of our common stock. We are not directly or indirectly owned or controlled. Except as noted above, we believe that there have been no material changes to the details included below during the period between 1 April 2009 and the date of this Prospectus.

| Name of shareholder | Number of shares owned of record | Percentage owned of record | |
|---|---|---|---|
| | | Before offering | After offering |
| | (thousands) | (percent) | |
| Japan Trustee Services Bank, Ltd. (Trust Account 4G) | 99,593 | 5.11% | 4.07% |
| Nagoya Railroad Co., Ltd. | 80,482[(1)] | 4.13 | 3.29 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 49,182 | 2.52 | 2.01 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 40,397 | 2.07 | 1.65 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 36,636 | 1.88 | 1.50 |
| Mitsui Sumitomo Insurance Company, Limited | 34,770 | 1.78 | 1.42 |
| All Nippon Airways Co., Ltd. Employee Stock Ownership Association | 30,705 | 1.57 | 1.25 |
| Nippon Life Insurance Company | 30,681 | 1.57 | 1.25 |
| Sumitomo Mitsui Banking Corporation | 26,820 | 1.38 | 1.09 |
| Mizuho Corporate Bank, Ltd. | 26,753 | 1.37 | 1.09 |
| Total | 456,021 | 23.39% | 18.61% |

Note:

(1) Includes 8,500 thousand shares held by Nagoya Railroad's employee retirement pension trust.

(2) The Financial Instruments and Exchange Law of Japan requires any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent., of the total issued voting rights to file a report concerning such shareholdings with the director of the competent Local Finance Bureau, and also requires such person to file a similar report concerning changes of 1 per cent. or more of the total issued voting rights in such substantial shareholdings or any material changes set out in reports previously filed. Since March 31, 2009, the Company has not received any such reports and believes that there are no persons holding a notifiable interest in its capital and voting rights as at the date of this Prospectus.

The following table sets forth the number of shares of our common stock held as of May 31, 2009 by the Company's Directors and Corporate Auditors as of June 30, 2009:

| Name of shareholder | Number of shares owned of record |
|---|---|
| | **(thousands)** |
| **Directors:** | |
| Yoji Ohashi | 189 |
| Mineo Yamamoto | 155 |
| Shinichiro Ito | 58 |
| Shin Nagase | 65 |
| Mitsuo Morimoto | 39 |
| Tomohiro Hidema | 47 |
| Keisuke Okada | 46 |
| Hayao Hora | 12 |
| Osamu Shinobe | 31 |
| Katsumi Nakamura | 25 |
| Shinichi Inoue | 26 |
| Shigeyuki Takemura | 14 |
| Yoshinori Maruyama | 8 |
| Kiyoshi Tonomoto | 15 |
| Shinya Katanozaka | 18 |
| Misao Kimura(1) | — |
| Shosuke Mori | — |
| **Corporate Auditors:** | |
| Kunitaka Kajita | 46 |
| Hiroyuki Ito | 27 |
| Minoru Aimono | 23 |
| Shingo Matsuo | — |
| Tatsuo Kondo | — |
| Total | 844 |

Note:

(1) Mr. Misao Kimura is the Executive Advisor and the former Chairman and Representative Director of Nagoya Railroad Co., Ltd., the second largest shareholder of the Company as of March 31, 2009.

Each of the Directors and Corporate Auditors listed above owns less than one percent of the issued shares of our common stock.

## Related Party Transactions

As of the date of this Prospectus, we have no outstanding loans to, and have not entered into any transactions with, our Directors or Corporate Auditors.

We regularly enter into transactions with non-consolidated subsidiaries and affiliates of the Company. These transactions are conducted on an arm's-length basis.

In addition, we have entered into a number of transactions with Nagoya Railroad Co., Ltd., our second largest shareholder as of March 31, 2009 and a company for which one of our Directors is the Representative Director, with respect to appointing Nagoya Railroad as our ticket sales agent in the Nagoya region. We pay service fees of approximately ¥10 million per year to Nagoya Railroad for these services. We believe these transactions are conducted on an arm's-length basis.

Except as stated above, during the period covered by the consolidated audited financial statements included herein and the period thereafter up to and as at the date of this Prospectus, there have been no related party transactions.

## REGULATION

*The airline industry is subject to a high degree of both international and domestic regulation relating to most aspects of an airline company's operations.*

### International Regulation

International air transport is regulated by international conventions that each participating country undertakes to ratify and directly apply within its national airspace. Three principal conventions, together with subsequent modifications, establish the legal and regulatory framework governing international commercial air transport:

- the Convention on international civil aviation of 1944, known as the Chicago Convention;
- the Convention for the Unification of Certain Rules Relating to International Carriage by Air of 1929, known as the Warsaw Convention; and
- the Convention on damage caused by foreign aircraft to third parties on the surface of 1952, known as the Rome Convention.

***The Chicago Convention***

The Chicago Convention sets forth principles governing international civil aviation and subjects participant countries to a common legal framework to be implemented in each country's respective national airspace and applied in their relations with one another. The general principle underlying the provisions set forth in the Chicago Convention is that each signatory state should have (i) sovereignty over its airspace, and (ii) the right to control the operation of scheduled international air services over and into its territory. The regulations governing international air transportation are a collection of transportation or traffic rights which are agreed through:

- multilateral air transport agreements between states, such as the International Air Services Transit Agreement of 1944, which gives airline companies based in the contracting states general rights for their scheduled flights to fly over the territories of other contracting states and to make non-traffic stops in such territories; and
- bilateral treaties based on standard agreements set forth in the Chicago Convention through which states grant each other one or more designated "air freedoms", which are specific rights granted to airline companies of one state by another state.

The Chicago Convention also permits non-scheduled flights, both charter and cargo, to fly over the territories of signatory states and gives rights for non-scheduled flights to make stops for non-traffic purposes in the territories of such states, subject to certain restrictions that may be imposed by the individual states. Traffic rights for non-scheduled flights are generally unilaterally granted by each participant state in relation to its own airspace directly to the airline. The home states of the relevant airline only become involved in the event of disputes.

Japan is currently a party to the Chicago Convention, the International Air Services Transit Agreement, the two protocols amending the Chicago Convention and to bilateral treaties relating to airline industry regulations.

Bilateral treaties between states generally contain principles governing the designation of airlines for the operation of specified routes, the capacities offered by such airline and procedures for the agreement of tariffs. Most bilateral treaties require the approval of the aviation authorities of both states involved.

The Chicago Convention requires a formal connection between airline companies and their aircraft on the one hand, and individual states on the other. Consequently, with many exceptions, aircraft are generally registered in the same state as the airline company that operates them.

Finally, the Chicago Convention established ICAO, which became the aviation division of the United Nations in 1947. Within the framework of the ICAO, participant states of the United Nations establish the international technical regulations applicable to civil aviation. We believe we are in compliance with the regulations that Japanese authorities have adopted pursuant to the ICAO regulations.

Japan is currently a party to bilateral aviation agreements with 56 countries as of May 31, 2009. In cases where a member state does not have an aviation agreement with another member state, airline companies within one member state may enter into private agreements with the other member state. Taking such private agreements into account, Japan has agreements to enter 56 countries and Chinese Taipei as of May 31, 2009. We currently have routes into ten countries and Chinese Taipei.

Where air services over or into the territory of another state are conducted in accordance with a bilateral agreement between the states in question, the volume of permitted international air services between the states is set by the terms of such agreement. As these agreements are negotiated between the states, there is very little, if anything, that we can do to increase the volume of international air services permitted under bilateral agreements. Our inability to increase the volume of permitted international air services may have a material adverse effect on our business. For example, the bilateral treaty between Japan and China contains a provision mandating that the volume of air services between China and Japan for each state's airlines must increase at the same rate. Because of high traffic volume at Narita, Chinese airlines are unable to significantly increase the volume of their services to Japan, which in turn limits the volume of services of Japanese airlines to China despite increasing demand for travel to China and capacity at Chinese airports. In addition, there can be no assurance that existing bilateral aviation agreements between Japan and other states will continue, and a suspension or revocation of one or more such agreements could have a material adverse effect on our operations and financial results.

Despite such bilateral aviation agreements, there is a possibility that executive authorities of other states may suspend access to international routes or airspace.

***The Warsaw Convention and Montreal Convention***

The Warsaw Convention, adopted in 1929 and later modified by the Hague protocol in 1955, established the principle of limited liability for airline companies based on a presumption of fault. Under the Warsaw Convention, financial limits on liability could be extended only if an injured party proved gross negligence on the part of the airline company or if certain conditions (principally related to ticketing) were not met. Japan adopted the Warsaw Convention in 1953.

While Japan remained a party to the Warsaw Convention, in 1992, Japanese airline companies, including us, voluntarily adopted the "Japanese Initiative" with respect to our international conditions of carriage in order to bring them into line with our domestic conditions of carriage. Under the Japanese Initiative, Japanese airline companies agreed to provide for (i) the removal of the financial limits on liability in cases where physical injury occurs and (ii) strict liability up to a maximum of 100,000 Special Drawing Rights, or SDRs, which are accounting units of the International Monetary Fund, in all cases unless an airline company is able to prove that the passenger was at fault. The provisions of the Japanese Initiative were drafted into the IATA Intercarrier Agreement of 1995, or the Intercarrier Agreement, which has been adopted by a number of airlines representing a substantial majority of the international air transport industry.

On May 28, 1999, the Montreal Convention was adopted by more than 50 countries, and its provisions entered into force in Japan on November 4, 2003. This treaty replaced the Warsaw Convention compensation system with one reflecting many of the principles originally set forth in the Japanese Initiative and adopted by the Intercarrier Agreement. The Montreal Convention allows injured parties or their heirs to make claims for damages without limits on liability when negligence by the airline is proven and provides for strict liability of the airline up to an amount of 100,000 SDRs in each instance where damages are proven regardless of whether or not the airline is negligent, except in cases where the airline can prove that negligence by the injured party contributed to their injury.

The Montreal Convention also includes the following elements:

- in cases of aircraft accidents resulting in injury or fatality, airlines are called upon to provide advance payments, without delay, to assist entitled persons in meeting immediate economic needs; the amount of this initial payment will be subject to national laws and will be deductible from the final settlement;
- airlines must submit proof of insurance upon request by any adopting country, thereby ensuring the availability of financial resources for purposes of compensation;
- facilitation of the recovery of damages by injured parties without the need for lengthy litigation;
- legal action for damages resulting in the death or injury of a passenger may be filed in the country where, at the time of the accident, the passenger had his or her principal and permanent residence, subject to certain conditions; and
- simplification and modernization of documentation relating to passengers, baggage and cargo.

***The Rome Convention of 1952***

The Rome Convention regulates third party damages. Japan has not ratified the Rome Convention and regulation of third party damages is governed in Japan in accordance with the principles of Article 709 of the Civil Code of Japan (Law No. 89 of 1896, as amended), which allows for third parties to recover damages when such parties are able to prove fault on the part of the airline company.

***IATA***

In addition to the inter-state regulatory framework created pursuant to the Chicago Convention, in 1945 airline companies formed the IATA. The role of the IATA is to establish regulations for the air transport profession including matters relating to on-board services, travel documentation, safety, security, navigation and flight operations, the development of communication standards, and administrative procedures, among others. The Company is currently a member of the IATA.

The price of charges and fares for international air passenger services of IATA members is determined by the IATA. The prices determined by the IATA are generally accepted by all states in which members are located, though certain states have objected to the IATA's setting of charges and fares as price-fixing. For example, in 2003 the Department of Justice of the United States recommended to the Department of Transportation of the United States that antitrust immunity for the IATA's pricing scheme should be withdrawn.

### *Allocation of Flight Slots at Airports Outside Japan*

Allocation of space at airports that we service outside of Japan is governed by the relevant authorities in the jurisdictions in which such airports are located. Airports outside of the United States, including those within the jurisdiction of the European Union and most airports in Asia, allocate this space in the form of flight slots. In the United States, with the exception of John F. Kennedy Airport (New York) and O'Hare Airport (Chicago) (which are allocated by flight slots), access to airports is controlled by other regulations based on the allotment of boarding gates. Flight slots or boarding gates at virtually all international airports are allocated under general guidelines set by IATA and interpreted by the relevant governing jurisdiction.

### *Alliance Agreement*

Our alliances with other airlines may be subject to antitrust and other similar laws and regulations. The most important of these alliances is our membership in the *Star Alliance*, a global airline alliance which, as of December 2008, includes 21 member airline companies and serves over 916 destinations in 160 countries and regions. For more information on the *Star Alliance*, see "Business — Air Transportation — Passenger Service — *Star Alliance*".

## Japanese Regulation

### *Licensing*

The Civil Aeronautics Law requires any company which is engaged in the air transport service business, which means any business using aircraft to transport passengers or cargo for remuneration, to obtain a license from the Minister of Land, Infrastructure, Transport and Tourism, or the Minister, or from the Director-General of the Regional Civil Aviation Bureau. Prior to February 1, 2000, a license to conduct an air transport service business was required with respect to each route on which an airline wished to conduct operations. In February 2000, the Civil Aeronautics Law was amended so that an airline currently is only required to hold a license allowing it to operate as an air transport service business. The following table shows the date and type of licenses acquired for each of the airline companies in the ANA group:

| Airline company | Date licensed | Type of license |
|---|---|---|
| All Nippon Airways Co., Ltd. | February 1, 2000 | International; domestic |
| Air Nippon Co., Ltd. | February 1, 2000 | International; domestic |
| ANA&JP Express Co., Ltd. | August 1, 2006 | International |
| Air Japan Co., Ltd. | February 1, 2000 | International |
| All Nippon Helicopter Co., Ltd. | February 1, 2000 | Domestic |
| Air Central Co., Ltd. | February 1, 2000 | Domestic |
| Air Nippon Network Co., Ltd. | March 6, 2002 | Domestic |
| Air Next Co., Ltd. | February 28, 2005 | Domestic |

There is no expiration date for an air transport service license. However, such license may be revoked by the Minister for the breach of certain provisions of the Civil Aeronautics Law. In addition, such license shall become invalid if the airline or its holding company falls within any of the following categories:

(i) any person who does not have Japanese nationality;

(ii) any foreign state or public entity or its equivalent in any foreign state;

(iii) any juridical person or body established in accordance with the laws and ordinances of any foreign state; or

(iv) any juridical person of which the representative is any one of those listed in the preceding three items or of which one-third or more of the officers are such persons or one-third or more of voting rights are held by such persons.

If registering all shares held by foreigners in our register of shareholders upon receipt of the all shareholders notice from JASDEC would result in the voting rights held by foreigners accounting for one-third or more of our outstanding voting rights, we may refuse to register shares held by foreigners in our register of shareholders in the manner prescribed under the Civil Aeronautics Law. As of March 31, 2009, foreigners held shares of our common stock representing 4.5% of our voting rights. For more information, see "Description of Common Stock — Right to Refuse Registration of Shares Held by Foreigners". None of our licenses has ever been cancelled nor have they become invalid.

### *Regulatory History*

In 1972, the Minister of Transport of Japan (currently the Minister of Land, Infrastructure, Transport and Tourism) published an order, known as the "Aeronautics Constitution," which created "business fields" for each Japanese airline in order to shelter the Japanese airline industry from competition and to stabilize the operations of Japanese airlines. Under the Aeronautics Constitution, the Company principally conducted domestic aviation services, JAL principally conducted international aviation services and domestic trunk route services and JAS principally conducted local aviation services in a system that was known as the "45-47 system".

In 1986, the Minister modified the 45-47 system due to requests from the United States for a more open and competitive air transport business across the Pacific. This revision allowed all Japanese airline companies to conduct international air transport businesses. However, the number of airline companies permitted to provide domestic aviation services was limited to two or three for each route. The domestic air transportation business in Japan was therefore restricted to the Company, JAL and JAS. This regulation was known as the "Double and Triple Track Rule".

The Double and Triple Track Rule was abandoned in response to strengthening demand for air transportation services and domestic and international pressure for a more open and competitive air transport industry. In 1997, the domestic air transportation business was opened to new entrants, resulting in the launch of several new airlines. However, at that time, airline companies were still required to obtain a license for each route flown and the grant of licenses was conditional upon the level of demand for the route. As a result of such barriers to entry, the number of new airline companies and their share of the domestic air transport market was limited.

On February 1, 2000, the licensing system was amended, as mentioned above, to allow airlines to operate on all of their routes under a single license, as opposed to requiring a license for each route, further deregulating Japan's domestic airline industry. This system remains in force.

### *Freight Charges and Fares*

The Civil Aeronautics Law requires us to file the prices for our freight charges and fares for our domestic air transport services with the Minister in advance and to obtain approval from the Minister for our freight charges and fares for our international air transport services. With respect to freight charges and fares on domestic air transportation, the Minister can order us to change our freight charges or fares when deemed by the Minister to be unfair to particular customers, unsuitable to current economic circumstances, or if they have the potential to cause unfair competition. To our knowledge, the Minister has not issued an order to change freight charges or fares to any Japanese airline company in the past.

The Fair Trade Commission of Japan, or FTC, has the authority to regulate our freight charges and fares under its general authority to promote fair pricing for consumers in Japan. In September 2002, the FTC unofficially warned the Company, JAL and JAS in relation to predatory pricing. For more information, see "Risk Factors — Risks Related to Our Business — We hold a large share of the domestic market, which makes us subject to antitrust regulation in certain aspects of our business".

### *Conditions of Carriage*

The Civil Aeronautics Law requires us to obtain approvals from the Minister for our conditions of carriage and subsequent approvals for any changes to our conditions of carriage. There is no expiration date for such approvals. Our conditions of carriage must conform to the following standards:

- there shall be no danger of adversely affecting the fair and proper interest of the public as defined by the Minister; and
- there shall be provisions defining, amongst others, (i) our liability regarding our air transport services, (ii) our receipt and return of freight charges and fares, (iii) our boarding tickets, (iv) the class and scope of our cargo and (v) receipt, delivery and storage of cargo.

### *Plan of Operation*

The Civil Aeronautics Law requires us to file a plan of operation with the Minister in advance in order to conduct scheduled domestic air transport services. We are required to notify the Minister of any differences between actual operation and a previously filed plan of operation. For example, a notification is required if we divert from a scheduled runway for safety reasons. The Civil Aeronautics Law further requires us to notify the Minister in advance of changes to our plan of operation and, generally, six months in advance of discontinuing service to any route listed in our plan of operation or any scheduled domestic air transport service.

### *Allocation of Flight Slots at Airports in Japan*

The Civil Aeronautics Law requires us to obtain approval for flight slots from the Minister through ordinances issued every five years, which period may be shortened at the discretion of the MLIT by amending the respective ordinance, to conduct international and domestic scheduled air transport services at certain high-traffic airports as designated by the MLIT. These airports currently include Narita, Haneda, Kansai and Itami.

Approval standards are as follows:

- the plan of operation is suitable to safe air transport; and
- the airline company uses high-traffic airports appropriately and reasonably in light of passenger convenience by promoting fair competition among, or greater diversity of, airline companies.

The Minister may refuse to grant approval for flight slots where such allocation will not contribute to the promotion of fair competition or greater diversity of airline companies. The allocation of flight slots at high-traffic airports includes not only newly established flight slots but also the re-allocation of existing flight slots. As some flight slots may be allocated and/or re-allocated to newly established airlines, we expect to face increasing competition in the future for available flight slots.

In respect of other domestic airports, boarding gates are allocated based on the application made by airline companies through the MLIT. Further, the Minister or the MLIT cannot order us to conduct air transport services on any route which we do not wish to service even if such a route is necessary for the livelihood of local residents or desirable for the public good.

### *Exemption from Application of the Japanese Antitrust Law*

Under the Civil Aeronautics Law, an exemption from application of the Japanese Antitrust Law is provided to airline companies for the following conduct:

- conclusion of an agreement with other airline companies to continue carriage of passengers necessary for the livelihood of local residents in cases where it is determined by the MLIT that continuation of air transport services will become unprofitable or difficult to continue due to decreased demand; and
- conclusion of an agreement for joint air transport services, or a freight agreement or other agreement related to air transport services that improve convenience in routes between on-shore and off-shore destinations or off-shore and off-shore destinations.

We have entered into code-sharing alliances with numerous airline companies and have obtained the required prior approvals of the Minister pursuant to the Civil Aeronautics Law with respect to all such code-sharing alliances.

We have also entered into frequent flyer programs with a number of airline companies, including non-Japanese airline companies, where qualified customers can accumulate mileage on flights operated by various participant airlines. Whether such agreements fall under the above exceptions is unclear, but we nevertheless attempt to obtain prior approvals of the Minister pursuant to the Japanese Antitrust Law with respect to such programs.

### *Registration of Aircraft*

The Civil Aeronautics Law requires airline companies to carry an aircraft's certificate of registration on the aircraft during flight. The Civil Aeronautics Law also requires that all aircraft registered in Japan must not be owned by (i) any person who does not have Japanese nationality, (ii) any foreign state or public entity or its equivalent in any foreign state, (iii) any juridical person or body established in accordance with the laws and ordinances of any foreign state, or (iv) any juridical person of which the representative is any one of those listed in the preceding three items or of which one-third or more of the officers are such persons or one-third or more of voting rights are held by such persons.

### *Standards of Aircraft*

Aircraft are required to meet certain specifications as to airworthiness prescribed by the Civil Aeronautics Law. Such specifications include, among others, standards relating to structure, cabin strength, engine endurance and performance, security equipment, noise level and exhaust control ability. Airworthiness certificates are issued in respect of aircraft that satisfy these specifications and all aircraft must carry these certificates during flights. There is no expiration date for air transport service licenses, but such licenses may be cancelled by the MLIT if, upon inspection, an aircraft does not meet the required specifications. For more information, see "— Environmental Protection and Anti-Noise Standards".

### *Insurance*

When the Minister deems that the public welfare may be adversely affected with regard to our air transport service business, it may order us to obtain insurance to fund reparations for damages or injuries due to aircraft accidents. We believe that we currently maintain insurance coverage in amounts and of the type generally consistent with industry practice.

### *Liability to Inhabitants around Narita Airport*

With respect to third party damages due to objects falling from aircraft taking off or landing at Narita, it is often impossible to determine the specific aircraft inflicting damages. In 1983, the Japanese government, NAA, the airline companies using Narita and their respective insurance companies set up a committee to deal with such damages. As a result, airline companies taking off or landing at the airport at the relevant time pay an equal share of the damages caused. We maintain insurance to cover any payments covering such damages.

### *Product Liability Law*

Under the Product Liability Law of Japan (Law No. 85 of 1994, as amended), or Product Liability Law, as an importer of a foreign product, we may be forced to assume responsibility for any manufacturing defect on our aircraft in instances when we rent or sell such aircraft to another party. Absent special circumstances, importers are not liable under the Product Liability Law for goods they use themselves. Under the Japanese leveraged lease scheme, or Japanese operating lease scheme, which is described above, we resell aircraft to special purpose vehicles, but we do not believe such resale materially increases the risk of liability under the Product Liability Law, as the purpose of the law is to protect general consumers who buy goods from an importer of foreign products.

### *Approved Facilities*

The Civil Aeronautics Law requires us to obtain approval for facilities where we control flights and maintain aircraft used by us. We obtained such approval for our facilities on October 11, 2007 and such approval is valid until October 2009.

### *Authorized Maintenance*

Pursuant to approval from the MLIT, the Civil Aeronautics Law permits us to deem that aircraft maintenance performed in approved maintenance facilities is authorized by the MLIT. We obtained such approval on October 11, 2007 and such approval is valid until October 2009.

### *Flight Personnel*

The Civil Aeronautics Law sets out certain criteria to be satisfied for qualification as a pilot including (a) technical knowledge (*e.g.*, laws relating to air transport and meteorology), (b) flying skill and good judgment, (c) aviation experience and (d) medical fitness.

Under the Civil Aeronautics Law, for each of our flights, at least two pilots with sufficient experience and skill to operate the aircraft are required to be on board.

### *Aircraft Finance*

In Japan, we may not create a pledge (*shichi-ken*) over our aircraft, and any use of our aircraft as collateral should be created under the Aircraft Mortgage Law of Japan (Law No. 66 of 1953, as amended), or the Aircraft Mortgage Law. The Aircraft Mortgage Law permits us to continue to use our aircraft that have been pledged as collateral.

*Environmental Protection and Anti-Noise Standards*

The Civil Aeronautics Law provides for aircraft standards relating to certain environmental and anti-noise requirements which must be met by aircraft operating in Japan.

In relation to aircraft noise limits, the Ordinance for Enforcement of the Civil Aeronautics Law (Ministry of Transport Ordinance No. 56 of 1952, as amended) sets out the detailed requirements, specifying figures, depending on the particular type of aircraft, in terms of effective perceived noise decibels. In relation to aircraft exhaust, the Civil Aeronautics Law, depending on the type of aircraft, sets certain maximum exhaust limits that such aircraft may emit, specifying the figures in terms of chemical compounds. The MLIT will not issue airworthiness certificates for aircraft not meeting these requirements. In addition, we must honor agreements with airports which impose on us limited hours for operation of our flights. For example, at Narita, flight departure times are restricted to the hours between 6:00 a.m. and 11:00 p.m.

Additional laws and guidelines also apply to the noise and exhaust which aircraft emit, including the Law Regarding Prevention of Air Pollution of Japan (Law No. 97 of 1968, as amended), the Law Regarding Protection of Ozone Layer by Means of Regulations on Specified Matter of Japan (Law No. 53 of 1988, as amended) and the Environmental Standards Regarding Aircraft Noise published by the Ministry of Environment in 1973, as amended.

***Safety***

The Civil Aeronautics Law requires us to establish the safety management manual and the airport navigation management manual, and to submit them to the Minister. When an event which affects normal flight operations of any aircraft specified by ordinances of the MLIT, occurs, we are required to file with the Minister a report to that effect. The Minister organizes matters pertaining to such reports or any other information on transport safety, and makes such information available to the public every business year. In addition, we are required to prepare a safety report and make such report available to the public every business year.

## JAPANESE FOREIGN EXCHANGE REGULATION

The Foreign Exchange and Foreign Trade Law of Japan (Law No. 228 of 1949, as amended) and its related cabinet orders and ministerial ordinances, or, collectively, the Foreign Exchange Regulations, govern certain aspects of the transfer of shares by "exchange residents" and the acquisition and holding of shares by "exchange non-residents" and by "foreign investors" (as these terms are defined below). The Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents purchasing or selling shares outside Japan using currencies other than Japanese yen.

Exchange residents are:

- individuals who reside within Japan; and
- corporations whose principal offices are located within Japan.

Exchange non-residents are:

- individuals who do not reside in Japan; and
- corporations whose principal offices are located outside Japan.

Generally, branches and other offices located within Japan of non-resident corporations are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

- individuals who are exchange non-residents;
- corporations that are organized under the laws of foreign countries or whose principal offices are located outside Japan; and
- corporations (1) 50% or more of the voting rights of which are directly or indirectly held by individuals who are exchange non-residents and/or corporations (a) that are organized under the laws of foreign countries or (b) whose principal offices are located outside of Japan, or (2) a majority of whose directors or officers, or directors or officers having the power of representation, are individuals who are exchange non-residents.

### Acquisition of Shares

Acquisition by an exchange non-resident of shares of stock of a Japanese corporation from an exchange resident requires *ex post facto* reporting by the exchange resident to the Minister of Finance of Japan through The Bank of Japan. No such reporting requirement is imposed, however, if:

- the aggregate purchase price of the relevant shares is ¥100 million or less;
- the acquisition is effected through any securities firm, bank or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary; or
- the acquisition constitutes an "inward direct investment" described below.

### Inward Direct Investment in Shares of Listed Corporations

Acquisition of shares in a listed Japanese corporation by a foreign investor (whether from an exchange resident, an exchange non-resident or any other foreign investor) constitutes an inward direct investment if such foreign investor will directly or indirectly hold 10% or more of the total issued shares of such corporation upon consummation of the proposed acquisition. Any foreign investor intending to acquire shares as a result of which it will directly or indirectly hold 10% or more of the total issued shares of a listed Japanese corporation that engages in any of the specific businesses designated by the Foreign Exchange Regulations (including the air transportation business conducted by us), must in general file a prior notification with the Minister of Finance and other competent ministers (in the case of us, the Minister of Land, Infrastructure, Transport and Tourism). If such prior notification is filed, the proposed acquisition may not be consummated until 30 days have passed from the date of the filing, although this period will be shortened to two weeks unless such ministers deem it necessary to review the proposed acquisition. The ministers may recommend any modification or abandonment of the proposed acquisition and, if such recommendation is not accepted, they may order the modification or abandonment of such acquisition.

Acquisition of shares by foreign investors by way of stock split is not subject to any notification or reporting requirements.

**Dividends and Proceeds of Sales**

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from sales in Japan of shares of common stock held by exchange non-residents of Japan may generally be converted into any foreign currency and repatriated abroad.

## DESCRIPTION OF COMMON STOCK

*Set out below is certain information concerning our common stock, including a brief summary of certain provisions of our articles of incorporation and share handling regulations, the Company Law and the Book-Entry Law (as defined below) relating to joint stock corporations (kabushiki kaisha), and certain related laws and legislation, each as currently in effect.*

### General

The Company is a joint stock corporation under the Company Law. The rights of shareholders of a joint stock corporation are represented by shares of capital stock in the corporation and shareholders' liability is limited to the amount of subscription for the shares. Our authorized share capital is 3,900,000,000 shares, of which 2,487,459,257 shares were issued as of the date of this Prospectus. Up to an additional 37,500,000 shares may be issued on or before August 18, 2009 upon exercise in full of the over-allotment option. All issued shares are fully paid and non-assessable. The ISIN number of the shares is JP3429800000

The Company's purposes can be found in Article 2 of the Company's Articles of Incorporation. It provides that the Company's purpose shall be to engage in the:

(i) scheduled air transportation business;

(ii) non-scheduled air transportation business and the business of utilizing aircraft;

(iii) business of buying, selling, leasing and maintenance of aircraft and aircraft parts;

(iv) aircraft transportation ground support business including passenger boarding procedures and loading of hand baggage;

(v) education and training of personnel who engage in air transportation business;

(vi) automobile transportation business and the business of handling cargo transportation;

(vii) casualty insurance agency business and business related to soliciting of life insurance;

(viii) insurance agency business pursuant to the Automobile Liability Security Law;

(ix) sale of tobaccos and cigarettes, postage stamps and revenue stamps;

(x) purchase and sale, lease and management of real estate;

(xi) tourism and travel business;

(xii) management of hotels, inns, restaurants, and sports facilities;

(xiii) warehouse and customs clearance business;

(xiv) education business for personal development;

(xv) business of printing, publishing, advertising and planning of events;

(xvi) business of dispatching general and specific workers;

(xvii) business of communicating, processing, and supplying information and developing, leasing and selling of computer software;

(xviii) sale of petroleum products, foods and beverages, liquor, and sundry articles for daily use;

(xix) business of money-lending, guarantee of obligations and sale and purchase of securities; and

(xx) any and all businesses incidental or related to any of the foregoing.

On January 5, 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. (Law No. 75 of 2001, as amended) (including regulations promulgated thereunder; the "Book-Entry Law"), and the shares of all Japanese companies listed on any Japanese stock exchange, including our shares, became subject to this new system. On the same day, all existing share certificates for such shares became null and void. At present, JASDEC is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Law. Under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, they must have an account at an account managing institution unless such person has an account at JASDEC. "Account managing institutions" are financial instruments traders (i.e., securities firms), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Law, and only those financial institutions that meet further stringent requirements of the Book-Entry Law can open accounts directly at JASDEC.

For the purpose of the description under "Description of Common Stock", we assume that the relevant person has no account at JASDEC.

Under the Book-Entry Law, any transfer of shares is effected through book entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account at an account managing institution. The holder of an account at an account managing institution is presumed to be the legal owner of the shares held in such account.

Under the Company Law, in order to assert shareholders' rights against us, the transferee must have its name and address registered in our register of shareholders, except in limited circumstances. Under the new clearing system, such registration is generally made upon an all shareholders notice (as described in "— Register of Shareholders") from JASDEC. For this purpose, shareholders are required to file their names and addresses with our transfer agent through the account managing institution and JASDEC. See "— Register of Shareholders" for more information.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of their standing proxy or a mailing address to the relevant account managing institution. Such notice will be forwarded to our transfer agent through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to non-resident shareholders are delivered to the standing proxies or mailing addresses.

Under the Articles of Incorporation, an alteration to the Articles requires an extraordinary resolution, approved by not less than two thirds of all shareholders present at a general meeting at which there are in attendance shareholders holding not less than one third of all voting rights.

**Right to Refuse Registration of Shares Held by Foreigners**

Under the new clearing system, when opening an account at an account managing institution, a shareholder must enter into an agreement with the account managing institution under which, if he or she is a foreigner (meaning (i) a person who has no Japanese nationality; (ii) a foreign state, a foreign public entity or an entity similar thereto; and (iii) a corporation or other entity organized under the laws of a foreign state, as prescribed under the Civil Aeronautics Law), the shareholder must present materials to that effect, to the account managing institution, which notifies JASDEC that he or she is a "foreigner".

Under the Civil Aeronautics Law, if registering all shares held by foreigners in our register of shareholders upon receipt of the all shareholders notice from JASDEC would result in the voting rights held by foreigners accounting for one-third or more of our outstanding voting rights, we will register shares held by foreigners in our register of shareholders in the following manner:

(i) Firstly, we will register the smaller of (x) the number of the unit of shares registered as the shares held by the foreigners in our register of shareholders at the time when we receive the all shareholders notice, or (y) the number of the unit of his or her shares in such all shareholders notice, as the number of the unit of his or her shares in our register of shareholders;

(ii) in the event that registering in accordance with (i) above would result in the voting rights held by foreigners accounting for one-third or more of our outstanding voting rights:

  (a) the number of the unit of shares held by the foreigners registered as shareholders in our register of shareholders at the time when we receive the all shareholders notice to be registered will be calculated on a pro rata basis, using the smaller of (x) the number of his or her shares registered in our register of shareholders at such time and (y) the number of his or her shares in such all shareholders notice, within the limit according to which the voting rights held by such foreigners would account for less than one-third of our outstanding voting rights; and

  (b) after registering in accordance with (a) above, if there is still a remaining portion up to such limit, we will determine the number of the unit of the shares held by such foreigners to be registered by way of a lottery; or

(iii) in the event that registering in accordance with (i) above would not result in voting rights held by foreigners accounting for one-third or more of our outstanding voting rights:

  (a) the unit of shares to be registered will be calculated on a pro rata basis, using the number of shares which are not registered in accordance with (i) above, up to such limit; and

  (b) after registering in accordance with (a) above, if there is still a remaining portion up to such limit, we will determine the unit of shares to be registered by way of a lottery.

We are required to give prompt notice to the foreigners holding any shares which are not registered in our register of shareholders in accordance with the above. The Company's Articles follow this requirement at Article 12.

Under the Civil Aeronautics Law, we are required to give public notice as to the percentage of our voting rights held by foreigners at the time of an ordinary general meeting of shareholders if such percentage is not less than 25%. As of March 31, 2009, foreigners held shares of our common stock representing 4.5% of our voting rights. Under the new clearing system, JASDEC publicizes the total number and the percentage of our shares held by foreigners every business day.

**Distribution of Surplus**

***General***

Under the Company Law, the distribution of dividends takes the form of distribution of Surplus (as described in "— Restriction on Distribution of Surplus" below). We may make a distribution of Surplus in cash and/or in kind, with no restrictions on the timing and frequency of such distributions. The Company Law generally requires a joint stock corporation to make distributions of Surplus authorized by a resolution of a general meeting of shareholders. Distributions of Surplus may be made in cash or in kind in proportion to the number of shares of common stock held by each shareholder. A resolution of a general meeting of shareholders authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of the assets to shareholders and the effective date of the distribution. If a distribution of Surplus is to be made in kind, we may grant a right to shareholders to require us to make the distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders. See "— Voting Rights" below for more details regarding a special resolution.

The Company Law enables a company to make distribution of Surplus in cash once per fiscal year as interim dividends by a resolution of the board of directors if its articles of incorporation so provide. However, our articles of incorporation do not have a provision to that effect.

Our articles of incorporation provide that we are relieved of our obligation to make any distributions that go unclaimed for three years after the date they first become payable.

***Restriction on Distribution of Surplus***

When we make a distribution of Surplus, we must, until the aggregate amount of our capital surplus reserve and earned surplus reserve reaches one quarter of our capital stock, set aside in our capital surplus reserve and/or earned surplus reserve the smaller of (i) an amount equal to one-tenth of the amount of Surplus so distributed, or (ii) an amount equal to one quarter of our capital stock less the aggregate amount of our capital surplus reserve and earned surplus reserve as of the date of such distribution.

Under the Company Law, we may distribute Surplus up to the excess of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, as of the effective date of the distribution, if our net assets are not less than 3,000,000:

(a) the amount of Surplus, as described below;

(b) in the event that extraordinary financial statements as of, or for a period from the beginning of the fiscal year to, the specified date are approved, the aggregate amount of (i) the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net income for such period described in the statement of operations constituting the extraordinary financial statements, and (ii) the amount of consideration that we received for the treasury stock that we disposed of during such period;

(c) the book value of our treasury stock;

(d) in the event that we disposed of treasury stock after the end of the last fiscal year, the amount of consideration that we received for such treasury stock;

(e) in the event described in (b) in this paragraph, the amount of net loss for such period described in the statement of operations constituting the extraordinary financial statements; and

(f) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of our goodwill and deferred assets exceeds the total of our capital stock, capital surplus reserve and earned surplus reserve, each such amount as it appears on the balance sheet as of the end of the last fiscal year) all or certain part of such excess amount as calculated in accordance with the ordinances of the Ministry of Justice.

For the purposes of this section, the amount of Surplus is the excess of the aggregate of I. through IV. below, less the aggregate of V. through VII. below:

I. the aggregate of other capital surplus and other retained earnings at the end of the last fiscal year;

II. in the event that we disposed of treasury stock after the end of the last fiscal year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;

III. in the event that we reduced our capital stock after the end of the last fiscal year, the amount of such reduction less the portion thereof that has been transferred to capital surplus reserve and/or earned surplus reserve (if any);

IV. in the event that capital surplus reserve and/or earned surplus reserve were reduced after the end of the last fiscal year, the amount of such reduction less the portion thereof that has been transferred to capital stock (if any);

V. in the event that we canceled treasury stock after the end of the last fiscal year, the book value of such treasury stock;

VI. in the event that we distributed Surplus after the end of the last fiscal year, the aggregate of the following amounts:

  a. the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders but for their exercise of the right to receive dividends in cash instead of dividends in kind;

  b. the aggregate amount of cash distributed to shareholders who exercised the right to receive a distribution in cash instead of a distribution in kind; and

  c. the aggregate amount of cash paid to shareholders holding fewer shares than the shares that were required in order to receive a distribution in kind;

VII. the aggregate amounts of a. through d. below, less e and f. below:

  a. in the event that the amount of Surplus was reduced and transferred to capital surplus reserve, earned surplus reserve and/or capital stock after the end of the last fiscal year, the amount so transferred;

  b. in the event that we distributed Surplus after the end of the last fiscal year, the amount set aside in our reserve;

  c. in the event that we disposed of treasury stock in the process of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the last fiscal year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;

  d. in the event that the amount of Surplus was reduced in the process of a corporate split in which we transferred all or a part of our rights and obligations after the end of the last fiscal year, the amount so reduced;

  e. in the event of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the last fiscal year, the aggregate amount of (i) the amount of our other capital surplus after such merger, corporate split or share exchange, less the amount of our other capital surplus before such merger, corporate split or share exchange, and (ii) the amount of our other retained earnings after such merger, corporate split or share exchange, less the amount of our other retained earnings before such merger, corporate split or share exchange; and

  f. in the event that an obligation to cover a deficiency, such as the obligation of a person who subscribed newly issued shares with an unfair amount to be paid in, was fulfilled after the end of the last fiscal year, the amount of other capital surplus increased by such payment.

In Japan, the "ex-dividend" date and the record date for any distribution of Surplus come before the date a company determines the amount of distribution of Surplus to be paid.

For information as to Japanese taxes on dividends, see "Taxation — Japanese Taxation".

### Capital and Reserves

Under the Company Law, the paid-in amount of any newly issued shares of common stock is required to be accounted for as capital stock, although we may account for an amount not exceeding one-half of such paid-in amount as capital surplus reserve. We may generally reduce capital surplus reserve and/or earned surplus reserve by resolution of a general meeting of shareholders and, if so decided by the same resolution, we may account for the whole or any part of the amount of such reduction as capital stock. We may also transfer all or any part of surplus as described in "— Distribution of Surplus" above to capital stock, capital surplus reserve or earned surplus reserve by resolution of a general meeting of shareholders, subject to certain restrictions. We may generally reduce our capital stock by a special resolution of a general meeting of shareholders and, if so decided by the same resolution, we may account for the whole or any part of the amount of such reduction as capital surplus reserve or earned surplus reserve.

### Stock Splits

We may at any time split shares on issue into a greater number of the same class of shares by a resolution of the Board of Directors. A company which has issued only one class of shares may generally amend its articles of incorporation to increase the number of the authorized shares to be issued up to a number in proportion to the stock split by resolution of the board of directors rather than a special resolution of a general meeting of shareholders, which is otherwise required for amending the articles of incorporation. When a stock split is to be made, we must give public notice of the stock split, specifying the record date therefor, at least two weeks prior to the record date.

Under the new clearing system, on the effective date of the stock split, the numbers of shares recorded in all accounts held by our shareholders at account managing institutions will be increased in accordance with the applicable ratio.

### Gratuitous Allocation

Under the Company Law, a company may allot any class of shares to our existing shareholders without any additional contribution by resolution of the board of directors; provided that, although treasury stock may be allotted to shareholders, any such allotment of shares will not accrue to any shares held as treasury stock.

However, under the new clearing system, we may not allot the same class of shares to our existing shareholders in accordance with the rules of JASDEC. In this case, we are required to use a stock split as stated above according to the Book-Entry Law.

We may allot a different class of shares to our shareholders registered on our register of shareholders (made upon an all shareholders notice from JASDEC) as of the record date for such allotment. On the effective date of the gratuitous allocation, the number of shares registered in accounts held by our shareholders at account managing institutions will be increased in accordance with a notice from us to JASDEC.

### Reverse Stock Split

We may at any time consolidate our shares into a smaller number of shares by a special resolution of the general meeting of shareholders. We must disclose the reason for the reverse stock split at the general meeting of shareholders. When a reverse stock split is to be made, we must give public notice of the reverse stock split, at least two weeks prior to the effective date of the reverse stock split.

Under the new clearing system, on the effective date of the reverse stock split, the numbers of shares recorded in all accounts held by our shareholders at account managing institutions will be decreased in accordance with the applicable ratio.

### Unit Share System

#### *General*

Our articles of incorporation provide that 1,000 shares constitute one "unit". The Company Law permits us, by resolution of the Board of Directors, to reduce the number of shares which constitutes one unit or abolish the unit share system, and amend our articles of incorporation to this effect without the approval of a general meeting of shareholders, with public notice after the effective date.

***Transferability of Shares Constituting Less Than One Unit***

Under the new clearing system, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

***Voting Rights of a Holder of Shares Constituting Less Than One Unit***

A holder of shares constituting less than one unit cannot exercise any voting rights pertaining to those shares. In calculating the quorum for various voting purposes, the aggregate number of shares constituting less than one unit will be excluded from the number of outstanding shares. A holder of shares representing one or more whole units will have one vote for each whole unit represented.

A holder of shares constituting less than one unit does not have any rights related to voting, such as the right to participate in a demand for the resignation of a director, the right to participate in a request for the convocation of a general meeting of shareholders and the right to join with other shareholders to propose an agenda item to be included in the agenda of a general meeting of shareholders.

In accordance with the Company Law, our articles of incorporation provide that a holder of shares constituting less than one unit does not have any other rights of a shareholder in respect of those shares, other than those provided by our articles of incorporation including the following rights:

- To receive dividends;
- To receive cash or other assets in the case of the reverse stock split or stock split, exchange or transfer of shares, corporate split or merger;
- To be allotted shares and stock acquisition rights, without any additional contribution, when such rights are granted to shareholders; and
- To participate in any distribution of surplus assets upon liquidation.

***Right of a Holder of Shares Constituting Less Than One Unit to Require Us to Purchase Its Shares and to Require Us to Sell Shares***

Under the Company Law, a holder of shares constituting less than one unit may at any time request that we purchase its shares. In addition, our articles of incorporation provide that a holder of shares constituting less than one unit may at any time request that we sell to it such number of shares as may be necessary to raise its share ownership to a whole unit. Under the new clearing system, such request must be made to us through the relevant account managing institution.

The price at which shares constituting less than one unit will be purchased or sold by us pursuant to such a request will be equal to (a) the closing price of our shares reported by the Tokyo Stock Exchange on the day when the request is received by our transfer agent or (b) if no sale takes place on the Tokyo Stock Exchange on that day, the price at which the sale of shares is executed on such stock exchange immediately thereafter.

### General Meetings of Shareholders

Our annual general meeting of shareholders is usually held every June in Tokyo, Japan. The record date for an annual general meeting of shareholders is March 31 of each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders.

Notice of convocation of a general meeting of shareholders setting forth the time, place, purpose thereof and certain other matters set forth in the Company Law and relevant ordinances must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least two weeks prior to the date set for such meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders.

Any shareholder or group of shareholders holding at least 3% of our total voting rights for a period of six months or more may request, with an individual shareholder notice (as described in "— Register of Shareholders" below), the convocation of a general meeting of shareholders for a particular purpose. Unless such general meeting of shareholders is convened without delay or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such request is dispatched, the requesting shareholder may, upon obtaining a court approval, convene such general meeting of shareholders.

Any shareholder or group of shareholders holding at least 300 voting rights or 1% of our total voting rights for a period of six months or more may propose a matter to be included in the agenda of a general meeting of shareholders, and may propose to describe such matter together with a summary of the proposal to be submitted by such shareholder in a notice to our shareholders, by submitting a request to a director at least eight weeks prior to the date set for such meeting, with an individual shareholder notice.

The Company Law enables a company to amend its articles of incorporation in order to lower the requirements for the number of shares held and shareholding period, as well as the period required for dispatching a convocation notice or submission of requests, all of which are required for any shareholder or group of shareholders to request the convocation of a general meeting of shareholders or to propose a matter to be included in the agenda of a general meeting of shareholders. Our articles of incorporation have not been amended to include standards lower than those otherwise required by the Company Law.

**Voting Rights**

A shareholder of record is entitled to one vote per one unit of shares of our common stock, except that neither we nor any corporation, partnership or other similar entity no less than one-quarter of the voting rights of which are directly or indirectly owned by us shall have voting rights. Except as otherwise provided by law or by our articles of incorporation, a resolution can be adopted at a general meeting of our shareholders by a majority of the voting rights represented at the meeting. Shareholders may also exercise their voting rights through proxies, provided that the proxy is granted to one of our shareholders having voting rights. The Company Law and our articles of incorporation provide that the quorum for the election of Directors and Corporate Auditors is one-third of the total number of voting rights. Our articles of incorporation provide that common stock may not be voted cumulatively for the election of Directors. Our shareholders may exercise voting rights in writing, or electronically in accordance with a resolution of the Board of Directors.

The Company Law provides that a special resolution of the general meeting of shareholders is required for certain significant corporate transactions, including:

- any amendment to our articles of incorporation (except for amendments that may be authorized solely by the board of directors under the Company Law);
- a reduction of capital stock, subject to certain exceptions, such as a reduction of capital stock for the purpose of replenishing capital deficiencies;
- a dissolution, merger or consolidation, subject to certain exceptions under which a shareholders' resolution is not required;
- the transfer of the whole or a substantial part of our business, subject to certain exceptions under which a shareholders' resolution is not required;
- the taking over of the whole of the business of any other corporation, subject to certain exceptions under which a shareholders' resolution is not required;
- a corporate split, subject to certain exceptions under which a shareholders' resolution is not required;
- a share exchange or share transfer for the purpose of establishing 100% parent-subsidiary relationships, subject to a certain exceptions under which a shareholders' resolution is not required;
- any issuance of new shares or transfer of existing shares held by us as treasury stock at a "specially favorable" price and any issuance of stock acquisition rights or bonds with stock acquisition rights at a "specially favorable" price or on "specially favorable" conditions to any persons other than shareholders;
- any acquisition by us of our own shares from specific persons other than our subsidiaries;
- a reverse stock split; or
- the removal of a corporate auditor.

Except as otherwise provided by law or in our articles of incorporation, a special resolution requires the approval of the holders of at least two-thirds of the voting rights of all shareholders present or represented at the meeting where a quorum is present. Our articles of incorporation provide that a quorum exists when one-third of the total number of voting rights is present or represented.

**Liquidation Rights**

If we are liquidated, the assets remaining after payment of all taxes, liquidation expenses and debts will be distributed among our shareholders of common stock in proportion to the number of shares they hold, subject to distribution payments for shares with a liquidation preference, if any.

### Rights to Allotment of Shares

Holders of our common stock have no preemptive rights. Authorized but unissued shares of common stock may be issued at such times and on such terms as the Board of Directors may determine, so long as the limitations described in "— Voting Rights" above with respect to the issuance of new shares at "specially favorable" prices are observed. The Board of Directors may, however, determine that shareholders shall be given rights to allotment regarding a particular issue of new shares, in which case the rights must be given on uniform terms to all holders of shares of common stock as of a record date for which not less than two weeks' prior public notice must be given. Each of the shareholders to whom the rights are given must also be given notice of the expiration date thereof at least two weeks prior to the date on which the rights expire. The rights to allotment of new shares may not be transferred. However, the Company Law enables us to allot stock acquisition rights to shareholders without consideration therefor, and such stock acquisition rights are transferable. See "— Stock Acquisition Rights" below.

In cases where a particular issuance of new shares violates laws and regulations or our articles of incorporation or will be performed in a manner that is materially unfair, and shareholders may suffer disadvantages therefrom, shareholders may file an injunction with a court of law to enjoin the issuance.

### Stock Acquisition Rights

Subject to certain conditions and to the limitations on issuances at a "specially favorable" price or on "specially favorable" conditions described in "— Voting Rights" above, we may issue stock acquisition rights (*shinkabu yoyakuken*) and bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*) by a resolution of the Board of Directors. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as set forth in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, we will be obligated either to issue the relevant number of new shares or, alternatively, to transfer the necessary number of shares of treasury stock held by us.

### Register of Shareholders

The registration of names, addresses and other information of shareholders in our register of shareholders will be made by us upon the receipt of the all shareholders notice (*soukabunushi tsuchi*) (with the exception that in the event of the issuance of new shares, we will register the names, addresses and other information of shareholders in our register of shareholders without the all shareholders notice from JASDEC) given to us by JASDEC, which will give us such all shareholders notice based on information provided by the account managing institutions. Such all shareholders notice will be made only in cases prescribed under the Book-Entry Law such as the cases when the company fixes the record date and the case when the company makes requests to JASDEC with any justifiable reason. Therefore, the shareholder may not assert shareholders' rights against the company immediately after such shareholder acquires the shares, unless such shareholder name and address are registered in our register of shareholders upon receipt of the all shareholders notice; provided, however, that, in respect of the exercise of rights of minority shareholders defined under the Book-Entry Law, the shareholder may exercise such rights upon giving the company an individual shareholder notice (*kobetsukabunushi tsuchi*) through JASDEC only during a certain period prescribed under the Book-Entry Law.

### Record Date

The record date for annual dividends and the determination of shareholders entitled to vote at the annual general meeting of our shareholders is March 31 (Tokyo time). In addition, by a resolution of the Board of Directors we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice.

Under the Book-Entry Law, we are required to give notice of each record date to JASDEC at least two weeks prior to each record date. JASDEC is required to promptly give us notice of the names and addresses of our shareholders, the number of shares held by them and other relevant information as of each record date.

### Acquisition by Us of Our Own Common Stock

We may acquire our own shares:

- by purchase on any stock exchange on which our shares are listed or by way of tender offer, pursuant to a resolution of the Board of Directors;
- by purchase from a specific party other than any of our subsidiaries, pursuant to a special resolution of a general meeting of shareholders; or
- by purchase from any of our subsidiaries, pursuant to a resolution of the Board of Directors.

If we acquire shares from a specific party other than any of our subsidiaries as specified above at a price higher than the greater of (i)(a) the closing price of our shares at the market trading such shares on the day immediately preceding the day on which such resolution is made or (b) if no sale takes place at such market on that day, the price at which the sale of our shares is executed on such market immediately thereafter and (ii) in the event that such shares are subject to a tender offer, the price set in the contract regarding such tender offer on such date, any shareholder may request that we include him or her as the seller of his or her shares in the proposed purchase. Any such acquisition of shares must satisfy certain requirements, such as that we may only acquire our own shares in an aggregate amount up to the amount that we may distribute as Surplus. See "— Distribution of Surplus" above for more details regarding this amount.

Shares acquired by us may be held by us as treasury stock for any period or may be cancelled by resolution of the Board of Directors. We may also transfer the shares held by us to any person, subject to a resolution of the Board of Directors, and subject also to other requirements similar to those applicable to the issuance of new shares, as described in "— Rights to Allotment of Shares". We may also utilize our treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange, or corporate split through exchange of treasury stock for shares or assets of the acquired company.

**Transfer Agent**

Our transfer agent, as set forth in our share handling regulations, is The Sumitomo Trust and Banking Co., Ltd. They maintain our register of shareholders.

**Sales by Us of Shares Held by Shareholders Whose Addresses are Unknown**

We are not required to send a notice to a shareholder if notices to such shareholder fail to arrive for a continuous period of five or more years at the registered address of such shareholder in our register of shareholders or at the address otherwise notified to us.

In addition, we may sell or otherwise dispose of the shares held by a shareholder whose location is unknown. Generally, if:

- notices to a shareholder fail to arrive for a continuous period of five or more years at the shareholder's registered address in our register of shareholders or at the address otherwise notified to us; and
- the shareholder fails to receive dividends on the shares for a continuous period of five or more years at the address registered in our register of shareholders or at the address otherwise notified to us,

we may sell or otherwise dispose of the shareholder's shares at the market price, after giving at least three months' prior public and individual notice, and hold or deposit the proceeds of such sale or disposal for the shareholder.

**Reporting of Substantial Shareholdings**

The Financial Instruments and Exchange Law and its related regulations require any person who has become beneficially, solely or jointly, a holder of more than 5% of our total issued shares of capital stock, to file with the director of a relevant local finance bureau of the Ministry of Finance within five business days a report concerning such share holdings. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1% or more in any such holdings or any change in material matters set out in reports previously filed. For this purpose, shares issuable to such person upon exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of our shares held by the holder and our total issued share capital. Copies of each report must also be furnished to us and to all the Japanese stock exchanges on which our shares are listed.

## TAXATION

The following summaries are not intended to be a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of shares of common stock of the Company by investors. Potential investors should consult their own tax advisors on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning shares of common stock, including specifically the applicable tax consequences under Japanese or United States law, the law of the jurisdiction of their country of residence (if different) and any tax treaty between Japan and their country of residence.

### Japanese Taxation

The following is a summary of the principal Japanese tax consequences for owners of our shares who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which the relevant income is attributable (collectively referred to as "non-resident shareholders" in this section). As tax laws are frequently revised, the tax treatments described in this summary are subject to any future changes in applicable Japanese laws and/or double taxation conventions. This summary is not an exhaustive treatment of all possible tax considerations which may apply to specific investors under particular circumstances. Potential investors should satisfy themselves as to:

- the overall tax consequences of the acquisition, ownership and disposition of shares, including specifically, the tax consequences under Japanese law;
- the laws of the jurisdiction of which they are resident; and
- any tax treaty between Japan and their country of residence,

by consulting with their own tax advisers.

Generally, a non-resident shareholder is subject to Japanese withholding tax on dividends on the shares paid by us. A stock split is not subject to Japanese income or corporation tax, as it is characterized merely as an increase in the number of shares (as opposed to an increase in the value of shares) from a Japanese tax perspectives. A conversion of retained earnings or legal reserve into capital stock without any dividends or redemptions on a non-consolidated basis is not characterized as a deemed dividend for Japanese tax purposes, and therefore such a conversion does not trigger Japanese withholding taxation.

In principle, if we purchase our listed shares from our shareholders by way of a tender offer or otherwise, the selling shareholders (both individuals and corporations) are in general required to recognize (i) a deemed dividend corresponding to a distribution of retained earnings proportionally computed by a statutory formula on a pro rata basis allocating the purchase price into a share capital portion (including capital surplus reserve) and a retained earnings portion on a non-consolidated basis under the Corporation Tax Law of Japan and the Income Tax Law of Japan, and (ii) a capital gain or loss computed as the difference between the cost basis of the shares subject to the tender offer at the shareholder's level and the amount of the consideration for the tender offer or otherwise (deducting the amount corresponding to the deemed dividend computed in (i) above) under the same laws. On the other hand, no deemed dividend is recognized if we purchase our shares from our shareholders at/through a stock exchange or in other ways set forth in the relevant provisions of the Corporation Tax Law of Japan and the Income Tax Law of Japan. In addition, in the case of individual shareholders, if we purchase our shares from our shareholders by way of a tender offer on or before March 31, 2010, no deemed dividend is recognized due to the operation of a temporary measure and therefore they are only required to recognize a capital gain or loss on the shares subject to the tender offer. When shares are acquired by us (whether by way of a tender offer or otherwise)no deemed dividend taxation occurs for the remaining shareholders (both individuals and corporations) whose shares are not acquired by us.

Unless an applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax applies, the rate of Japanese withholding tax applicable to dividends on listed shares, such as those paid by us to non-resident shareholders, is currently 7%. This rate is applicable for dividends paid until December 31, 2011 and thereafter a 15% rate will apply. Notwithstanding the foregoing, the present applicable withholding tax rate for dividends paid to any individual shareholder who holds 5% or more of the total issued shares is 20% (this rate will continue to apply after December 31, 2011). Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 15% for portfolio investors. These agreements are with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. Under the tax treaty between the United States and Japan, the withholding tax rate on dividends is 10% for portfolio investors, if they do not have a permanent establishment in Japan, and the shares with respect to which such dividends are paid are not related in-fact to such permanent establishment, and if they are qualified U.S. residents eligible to enjoy treaty benefits. Withholding tax on dividends declared after July 1, 2004 is exempt from Japanese taxation by way of withholding or otherwise for pension funds which are qualified U.S. residents eligible to enjoy treaty benefits, unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. A similar withholding tax treatment applies under the tax treaty between the United Kingdom and Japan for dividends. The tax treaty between France and Japan has also been renewed, effective from January 1, 2008, under which the reduction of the standard treaty withholding rate for portfolio investors on dividends (15% to 10%) is promulgated. In addition, the tax treaty between Australia and Japan has been renewed and came into effect as of January 1, 2009, under which the standard treaty withholding rate for portfolio investors on dividends will also be reduced from 15% to 10%. Non-resident shareholders who are entitled to a reduced treaty rate of, or an exemption from, Japanese withholding tax on the payment of dividends on the shares by us under an applicable tax treaty are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before the payment of dividends. A standing proxy for non-resident shareholders may provide such application service. See "Description of Common Stock — General". Non-resident shareholders who do not submit an application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate of an applicable tax treaty from the relevant Japanese tax authority. For Japanese tax purposes, the treaty rate normally applies superseding the tax rate under the domestic law. However, due to the so-called "preservation doctrine" under Article 3-2 of the Special Measures Law for the Income Tax Law, Corporation Tax Law and Local Taxes Law with respect to the Implementation of Tax Treaties (Law No. 46 of 1969, as amended), if the tax rate under the domestic tax law is lower than that promulgated under the applicable income tax treaty, then the domestic tax rate still applies. If the domestic tax rate still applies, no treaty application is required to be filed, consequently.

Gains derived from the sale of shares outside Japan by a non-resident shareholder as a portfolio investor, are, in general, not subject to Japanese income or corporation taxes.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired from another individual shares of our common stock as a legatee, heir or donee, even if the acquiring individual is not a Japanese resident.

### United States Taxation

**To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that any discussion of tax matters set forth in this Prospectus was written in connection with the promotion or marketing of the transactions or matters addressed herein and was not intended or written to be used, and cannot be used by any prospective investor, for the purpose of avoiding tax-related penalties under federal, state or local tax law. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor.**

The following summary describes certain United States federal income tax consequences of the ownership and disposition of our shares as of the date hereof. The discussion set forth below is applicable to United States Holders (as defined below) (i) who are residents of the United States for purposes of the current income tax treaty between the United States and Japan (the "Treaty"), (ii) whose shares are not, for purposes of the Treaty, effectively connected with a permanent establishment in Japan and (iii) who otherwise qualify for the full benefits of the Treaty. Except where noted, this summary deals only with shares held as capital assets. As used herein, the term "United States Holder" means a holder of a share that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;

- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose "functional currency" is not the United States dollar.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below.

If a partnership holds our shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our shares, you should consult your tax advisors.

This summary does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-United States tax laws. **If you are considering the purchase, ownership or disposition of our shares, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.**

***Taxation of Dividends***

The gross amount of distributions on the shares (including amounts withheld to reflect Japanese withholding taxes) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code. With respect to non-corporate United States investors, certain dividends received in taxable years beginning before January 1, 2011 from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The United States Treasury Department has determined that the current income tax treaty between the United States and Japan meets these requirements, and we believe we are eligible for the benefits of that treaty. However, non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met.

Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us in taxable years beginning prior to January 1, 2011, if we are a passive foreign investment company (a "PFIC") in the taxable year in which such dividends are paid or in the preceding taxable year.

The amount of any dividend paid in yen will equal the United States dollar value of the yen received calculated by reference to the exchange rate in effect on the date the dividend is received by you, regardless of whether the yen are converted into United States dollars. If the yen received as a dividend are converted into United States dollars on the date they are received, you generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the yen received as a dividend are not converted into United States dollars on the date of receipt, you will have a basis in the yen equal to their United States dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the yen will be treated as United States source ordinary income or loss.

The maximum rate of withholding tax on dividends paid to you pursuant to the Treaty is 10% percent. As discussed under "— Japanese Taxation" above, if the Japanese statutory rate applicable to you is lower than the maximum applicable treaty rate, the Japanese statutory rate will be applicable. If the statutory rate applicable to you is higher than the maximum Treaty rate, you may be required to properly demonstrate to the company and the Japanese tax authorities your entitlement to the reduced rate of withholding under the Treaty. Subject to certain conditions and limitations, Japanese withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the shares will be treated as income from sources outside the United States and will generally constitute passive category income. Further, in certain circumstances, if you:

- have held shares for less than a specified minimum period during which you are not protected from risk of loss, or

- are obligated to make payments related to the dividends,

you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the shares. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the shares), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. Consequently, such distributions in excess of our current and accumulated earnings and profits would generally not give rise to foreign source income and you would generally not be able to use the foreign tax credit arising from any Japanese withholding tax imposed on such distributions unless such credit can be applied (subject to applicable limitations) against United States federal income tax due on other foreign source income in the appropriate category for foreign tax credit purposes. However, we do not expect to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Distributions of shares or rights to subscribe for shares that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax. Consequently, such distributions generally will not give rise to foreign source income, and you generally will not be able to use the foreign tax credit arising from any Japanese withholding tax imposed on such distributions, unless such credit can be applied (subject to applicable limitations) against United States federal income tax due on other income derived from foreign sources.

***Passive Foreign Investment Company***

We do not believe that we are, for United States federal income tax purposes, a PFIC, and we expect to operate in such a manner so as not to become a PFIC. If, however, we are or become a PFIC, you could be subject to additional United States federal income taxes on gain recognized with respect to the shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us in taxable years beginning prior to January 1, 2011, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

***Taxation of Capital Gains***

For United States federal income tax purposes, and subject to the discussion under "— Passive Foreign Investment Company" above, you will recognize taxable gain or loss on any sale or exchange of a share in an amount equal to the difference between the amount realized for the share and your tax basis in the share. Such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss.

### *Information Reporting and Backup Withholding*

In general, information reporting will apply to dividends in respect of our shares and the proceeds from the sale, exchange or redemption of our shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient such as a corporation. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

## INDEPENDENT AUDITORS

Our consolidated financial statements as of and for the fiscal years ended March 31, 2007, 2008 and 2009 included in this Prospectus have been audited by Ernst & Young ShinNihon LLC, independent auditors, as stated in their report appearing herein.

## DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of 12 months from the date hereof at our registered office:

(a) an English translation of our memorandum and articles of association; and

(b) an English translation of our audited annual consolidated financial statements for the years ending March 31, 2007, 2008 and 2009.

In addition, this document will also be available at the website of the Regulatory News Service operated by the London Stock Exchange at *www.londonstockexchange.com/en-gb/pricesnews/marketnews/*.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS


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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors
All Nippon Airways Co., Ltd.

We have audited the accompanying consolidated balance sheets of All Nippon Airways Co., Ltd. and consolidated subsidiaries as of March 31, 2009, 2008 and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of All Nippon Airways Co., Ltd. and consolidated subsidiaries at March 31, 2009, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009 in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC

June 17, 2009

**ALL NIPPON AIRWAYS CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**
**As of March 31, 2007, 2008 and 2009**

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | | yen (millions) | | *U.S. dollars (thousands) (Note 3)* |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | ¥ 41,108 | ¥ 51,410 | ¥ 59,668 | *$ 607,431* |
| Marketable securities *(Note 4)* | 131,884 | 129,279 | 84,483 | *860,052* |
| Accounts receivable, less allowance for doubtful accounts (¥540 million in 2007, ¥83 million in 2008 and ¥471 million in 2009) | 120,499 | 118,055 | 87,403 | *889,779* |
| Accounts receivable from and advances to non-consolidated subsidiaries and affiliates | 2,039 | 2,384 | 1,764 | *17,957* |
| Inventories | 60,736 | 52,893 | 57,119 | *581,482* |
| Deferred income taxes — current *(Note 8)* | 9,408 | 33,915 | 73,296 | *746,167* |
| Prepaid expenses and other current assets | 56,374 | 85,563 | 82,940 | *844,344* |
| Total current assets | 422,048 | 473,499 | 446,673 | *4,547,215* |
| Investments and long-term receivables: | | | | |
| Investments in securities *(Note 4)* | 59,442 | 55,122 | 40,619 | *413,509* |
| Investments in and advances to non-consolidated subsidiaries and affiliates *(Note 5)* | 9,246 | 9,503 | 14,972 | *152,417* |
| Lease and guaranty deposits | 21,482 | 13,096 | 12,617 | *128,443* |
| Housing loans to employees | 738 | 455 | 559 | *5,690* |
| Other long-term receivables | 40,239 | 40,599 | 20,650 | *210,220* |
| Total investments and long-term receivables | 131,147 | 118,775 | 89,417 | *910,281* |
| Property and equipment *(Notes 6 and 9)*: | | | | |
| Flight equipment | 1,170,375 | 1,220,347 | 1,189,326 | *12,107,563* |
| Ground property and equipment | 575,250 | 436,670 | 450,817 | *4,589,402* |
| | 1,745,625 | 1,657,017 | 1,640,143 | *16,696,966* |
| Less accumulated depreciation | (872,709) | (869,447) | (820,826) | *(8,356,164)* |
| | 872,916 | 787,570 | 819,317 | *8,340,802* |
| Leased assets | — | 69,727 | 54,653 | *556,377* |
| Advance payments on aircraft purchase contracts | 90,952 | 223,499 | 184,065 | *1,873,816* |
| Construction in progress | 5,942 | 18,254 | 22,233 | *226,336* |
| Net property and equipment | 969,810 | 1,099,050 | 1,080,268 | *10,997,332* |
| Deferred income taxes — non-current *(Note 8)* | 35,556 | 44,848 | 81,589 | *830,591* |
| Other assets | 43,530 | 47,221 | 63,118 | *642,553* |
| Total assets | ¥1,602,091 | ¥1,783,393 | ¥1,761,065 | *$17,927,975* |

## ALL NIPPON AIRWAYS CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS — (Continued)

| | 2007 | 2008 | 2009 | *2009* |
|---|---|---|---|---|
| | | yen (millions) | | ***U.S. dollars (thousands) (Note 3)*** |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities: | | | | |
| Short-term loans, including current portion of long-term debt, and finance lease obligations *(Note 6)* | ¥ 158,724 | ¥ 136,399 | ¥ 169,462 | *$ 1,725,155* |
| Accounts and notes payable — trade | 197,869 | 182,013 | 158,259 | *1,611,106* |
| Accounts payable to non-consolidated subsidiaries and affiliates | 1,475 | 798 | 772 | *7,859* |
| Advance ticket sales | 51,043 | 53,507 | 45,104 | *459,167* |
| Accrued expenses | 39,271 | 45,492 | 28,339 | *288,496* |
| Accrued income taxes | 3,369 | 81,324 | 1,349 | *13,733* |
| Other current liabilities | 21,283 | 47,417 | 99,835 | *1,016,339* |
| Total current liabilities | 473,034 | 546,950 | 503,120 | *5,121,856* |
| Long-term liabilities: | | | | |
| Long-term debt, less current portion, and finance lease obligations *(Note 6)* | 590,722 | 631,477 | 727,774 | *7,408,877* |
| Accrued employees' retirement benefits *(Note 7)* | 112,606 | 112,253 | 116,917 | *1,190,237* |
| Deferred income taxes — non-current *(Note 8)* | 1,488 | 75 | 70 | *712* |
| Other long-term liabilities | 18,329 | 36,692 | 87,387 | *889,616* |
| Total long-term liabilities | 723,145 | 780,497 | 932,148 | *9,489,443* |
| Commitments and contingent liabilities *(Note 11)* | | | | |
| Net assets *(Notes 8 and 10)* | | | | |
| Shareholders' equity | 364,545 | 422,657 | 403,157 | *4,104,214* |
| Common stock: | | | | |
| Authorized — 3,900,000,000 shares | | | | |
| Issued — 1,949,959,257 shares at March 31, 2007, 2008 and 2009 | 160,001 | 160,001 | 160,001 | *1,628,840* |
| Capital surplus | 125,739 | 125,750 | 125,720 | *1,279,853* |
| Retained earnings | 79,530 | 137,829 | 123,830 | *1,260,612* |
| Less treasury common stock, at cost (1,935,975 shares at March 31, 2007, 2,343,856 shares at March 31, 2008 and 16,778,017 shares at March 31, 2009) | (725) | (923) | (6,394) | *(65,092)* |
| Valuation, translation adjustments and others | 33,678 | 30,315 | (81,274) | *(827,384)* |
| Net unrealized holding gain on securities | 10,885 | 7,858 | 1,391 | *14,160* |
| Deferred gain (loss) on hedging Instruments | 23,155 | 22,269 | (82,597) | *(840,853)* |
| Foreign currency translation adjustments | (362) | 188 | (68) | *(692)* |
| Minority interests | 7,689 | 2,974 | 3,914 | *39,845* |
| Total net assets | 405,912 | 455,946 | 325,797 | *3,316,675* |
| Total liabilities and net assets | ¥1,602,091 | ¥1,783,393 | ¥1,761,065 | *$17,927,975* |

*See accompanying notes to consolidated financial statements.*

## ALL NIPPON AIRWAYS CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS
### Years ended March 31, 2007, 2008 and 2009

| | 2007 | 2008 | 2009 | *2009* |
|---|---|---|---|---|
| | | yen (millions) | | *U.S. dollars (thousands) (Note 3)* |
| Operating revenues: | | | | |
| Passenger | ¥1,004,541 | ¥1,051,091 | ¥ 990,466 | *$10,083,131* |
| Cargo | 92,769 | 102,758 | 102,166 | *1,040,069* |
| Incidental and other | 392,348 | 333,978 | 299,949 | *3,053,537* |
| | 1,489,658 | 1,487,827 | 1,392,581 | *14,176,738* |
| Operating expenses: | | | | |
| Aircraft and flight operations | 385,554 | 394,422 | 433,316 | *4,411,238* |
| Aircraft maintenance | 109,892 | 112,528 | 114,796 | *1,168,645* |
| In-flight services | 66,175 | 70,601 | 69,696 | *709,518* |
| Flight control and ground handling | 269,594 | 282,125 | 268,020 | *2,728,494* |
| Reservations, sales and advertising | 230,327 | 232,696 | 204,762 | *2,084,515* |
| General and administrative | 39,831 | 42,743 | 42,575 | *433,421* |
| Depreciation and amortization | 88,610 | 116,787 | 112,881 | *1,149,149* |
| Other costs | 207,485 | 151,536 | 138,946 | *1,414,496* |
| | 1,397,468 | 1,403,438 | 1,384,992 | *14,099,480* |
| Operating income | 92,190 | 84,389 | 7,589 | *77,257* |
| Non-operating income (expenses): | | | | |
| Interest and dividend income | 5,353 | 4,610 | 2,868 | *29,196* |
| Gain on sale of property and equipment | 1,073 | 5,184 | 15,020 | *152,906* |
| Interest expenses | (17,708) | (15,049) | (14,832) | *(150,992)* |
| Loss on sale or disposal of property and equipment | (8,402) | (8,974) | (8,213) | *(83,609)* |
| Impairment loss *(Note 15)* | (10,809) | (14,111) | — | — |
| Valuation loss on investments in securities | (215) | (3,825) | (3,893) | *(39,631)* |
| Valuation loss on other Investments | (11) | (9) | (25) | *(254)* |
| Equity in income of affiliates | 284 | 385 | 271 | *2,758* |
| Gain on sale of investments in securities | 1,239 | 876 | 324 | *3,298* |
| Amortization of net transitional retirement benefit obligation | (6,713) | (6,634) | (6,534) | *(66,517)* |
| Special retirement benefit expenses | (600) | (1,217) | (660) | *(6,718)* |
| Gain on insurance adjustment | — | — | 2,869 | *29,206* |
| Expenses related to antitrust proceedings | — | — | (2,105) | *(21,429)* |
| Refurbishment expense for return of lease aircraft. | (6,533) | (4,086) | (303) | *(3,084)* |
| Gain on sale of hotel business assets | — | 132,992 | — | — |
| Loss on disposal of the parts for retired aircrafts property and equipment | — | (11,198) | — | — |
| Provision for loss on antitrust proceedings *(Note 2(j))* | — | (16,198) | — | — |
| Other, net | 1,916 | (31,911) | 3,179 | *32,362* |
| | (41,126) | 30,835 | (12,034) | *(122,508)* |
| Income (loss) before income taxes and minority interests | 51,064 | 115,224 | (4,445) | *(45,250)* |
| Income taxes *(Note 8):* | | | | |
| Current | 12,818 | 84,886 | 1,334 | *13,580* |
| Deferred | 4,552 | (34,692) | (1,277) | *(13,000)* |
| | 17,370 | 50,194 | 57 | *580* |
| Income (loss) before minority interests | 33,694 | 65,030 | (4,502) | *(45,831)* |
| Minority interests | 1,036 | 887 | (242) | *(2,463)* |
| Net income (loss) | ¥ 32,658 | ¥ 64,143 | ¥ (4,260) | *$ (43,367)* |
| | | Yen | | *U.S. dollars (Note 3)* |
| Net income (loss) per share *(Note 2(p))* | ¥ 16.77 | ¥ 32.93 | ¥ (2.19) | *$ (0.02)* |

*See accompanying notes to consolidated financial statements.*

## ALL NIPPON AIRWAYS CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
### Years ended March 31, 2007, 2008 and 2009

| | Shareholders' equity | | | | | Valuation, translation adjustments and others | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Common stock (Note 10)** | **Capital surplus (Note 10)** | **Retained earnings (Note 10)** | **Less treasury common stock, at cost** | **Total shareholders' equity** | **Net unrealized holding gain on securities** | **Deferred gain on hedging instruments** | **Foreign currency translation adjustments** | **Total valuation, translation adjustments and others** | **Minority interests in consolidated subsidiaries** | **Total net assets** |
| | | | | | | yen (millions) | | | | | |
| Balance at Mar.31, 2006 | ¥160,001 | ¥125,605 | ¥ 52,697 | ¥ (1,028) | ¥337,275 | ¥ 9,410 | | ¥(376) | ¥ 9,034 | ¥ 7,132 | ¥ 353,441 |
| Cash dividends paid | | | (5,839) | | (5,839) | | | | | | (5,839) |
| Net income | | | 32,658 | | 32,658 | | | | | | 32,658 |
| Decrease resulting from purchase of treasury stock | | | | (311) | (311) | | | | | | (311) |
| Disposition of treasury stock | | 134 | | 614 | 748 | | | | | | 748 |
| Changes in scope of consolidation and application of the equity method | | | 14 | | 14 | | | | | | 14 |
| Net changes of items other than shareholders' equity during the period | | | | | | 1,475 | ¥ 23,155 | 14 | 24,644 | 557 | 25,201 |
| Total changes during the period | — | 134 | 26,833 | 303 | 27,270 | 1,475 | 23,155 | 14 | 24,644 | 557 | 52,471 |
| Balance at Mar.31, 2007 | 160,001 | 125,739 | 79,530 | (725) | 364,545 | 10,885 | 23,155 | (362) | 33,678 | 7,689 | 405,912 |
| Cash dividends paid | | | (5,844) | | (5,844) | | | | | | (5,844) |
| Net income | | | 64,143 | | 64,143 | | | | | | 64,143 |
| Decrease resulting from purchase of treasury stock | | | | (307) | (307) | | | | | | (307) |
| Disposition of treasury stock | | 11 | | 109 | 120 | | | | | | 120 |
| Net changes of items other than shareholders' equity during the period | | | | | | (3,027) | (886) | 550 | (3,363) | (4,715) | (8,078) |
| Total changes during the period | — | 11 | 58,299 | (198) | 58,112 | (3,027) | (886) | 550 | (3,363) | (4,715) | 50,034 |
| Balance at Mar.31, 2008 | 160,001 | 125,750 | 137,829 | (923) | 422,657 | 7,858 | 22,269 | 188 | 30,315 | 2,974 | 455,946 |
| Cash dividends paid | | | (9,739) | | (9,739) | | | | | | (9,739) |
| Net income (loss) | | | (4,260) | | (4,260) | | | | | | (4,260) |
| Decrease resulting from purchase of treasury stock | | | | (6,121) | (6,121) | | | | | | (6,121) |
| Disposition of treasury stock | | (30) | | 650 | 620 | | | | | | 620 |
| Net changes of items other than shareholders' equity during the period | | | | | | (6,467) | (104,866) | (256) | (111,589) | 940 | (110,649) |
| Total changes during the period | — | (30) | (13,999) | (5,471) | (19,500) | (6,467) | (104,866) | (256) | (111,589) | 940 | (130,149) |
| Balance at Mar.31, 2009 | ¥160,001 | ¥125,720 | ¥123,830 | ¥ (6,394) | ¥403,157 | ¥ 1,391 | ¥ (82,597) | ¥ (68) | ¥ (81,274) | ¥ 3,914 | ¥ 325,797 |

| | *Shareholders' equity* | | | | | *Valuation, translation adjustments and others* | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ***Common stock (Note 10)*** | ***Capital surplus (Note 10)*** | ***Retained earnings (Note 10)*** | ***Less treasury common stock, at cost*** | ***Total shareholders' equity*** | ***Net unrealized holding gain on securities*** | ***Deferred gain on hedging instruments*** | ***Foreign currency translation adjustments*** | ***Total valuation, translation adjustments and others*** | ***Minority interests in consolidated subsidiaries*** | ***Total net assets*** |
| | | | | | | *U.S. dollars (thousands) (Note 3)* | | | | | |
| *Balance at Mar.31, 2008* | *$1,628,840* | *$1,280,158* | *$1,403,125* | *$ (9,396)* | *$4,302,728* | *$ 79,995* | *$ 226,702* | *$ 1,913* | *$ 308,612* | *$30,275* | *$ 4,641,616* |
| *Cash dividends paid* | | | *(99,144)* | | *(99,144)* | | | | | | *(99,144)* |
| *Net income (loss)* | | | *(43,367)* | | *(43,367)* | | | | | | *(43,367)* |
| *Decrease resulting from purchase of treasury stock* | | | | *(62,312)* | *(62,312)* | | | | | | *(62,312)* |
| *Disposition of treasury stock* | | *(305)* | | *6,617* | *6,311* | | | | | | *6,311* |
| *Net changes of items other than shareholders' equity during the period* | | | | | | *(65,835)* | *(1,067,555)* | *(2,606)* | *(1,135,997)* | *9,569* | *(1,126,427)* |
| *Total changes during the period* | *—* | *(305)* | *(142,512)* | *(55,695)* | *(198,513)* | *(65,835)* | *(1,067,555)* | *(2,606)* | *(1,135,997)* | *9,569* | *(1,324,941)* |
| *Balance at Mar.31, 2009* | *$1,628,840* | *$1,279,853* | *$1,260,612* | *$(65,092)* | *$4,104,214* | *$ 14,160* | *$ (840,853)* | *$ (692)* | *$ (827,384)* | *$39,845* | *$ 3,316,675* |

*See accompanying notes to consolidated financial statements.*

## ALL NIPPON AIRWAYS CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**Years ended March 31, 2007, 2008 and 2009**

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | | yen (millions) | | *U.S. dollars (thousands) (Note 3)* |
| Cash flows from operating activities: | | | | |
| Income (loss) before income taxes and minority interests | ¥ 51,064 | ¥ 115,224 | ¥ (4,445) | *$ (45,250)* |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | | | |
| Depreciation and amortization (including extraordinary depreciation) | 88,610 | 139,118 | 112,881 | *1,149,149* |
| Impairment loss | 10,809 | 14,111 | — | — |
| Loss on adoption of new accounting standard of leases | — | 3,823 | — | — |
| Loss (income) on disposal and sale of property and equipment | 7,533 | 15,128 | (6,696) | *(68,166)* |
| Increase in allowance for doubtful accounts | 273 | 24 | 164 | *1,669* |
| Increase in accrued employees' retirement benefits | 5,241 | 1,848 | 4,671 | *47,551* |
| Interest expenses | 17,708 | 15,049 | 14,832 | *150,992* |
| Interest and dividend income | (5,353) | (4,610) | (2,868) | *(29,196)* |
| Exchange (gain) loss | (348) | 810 | 675 | *6,871* |
| Gain on sale of hotel business assets | — | (132,992) | — | — |
| (Increase) decrease in accounts receivable | (10,620) | 997 | 29,024 | *295,469* |
| (Increase) decrease in other current assets | (1,165) | (10,976) | 7,022 | *71,485* |
| Increase (decrease) in accounts and notes payable-trade | 28,389 | (11,909) | (34,342) | *(349,608)* |
| Other, net | (233) | 37,827 | (28,171) | *(286,786)* |
| Cash generated from operations | 191,908 | 183,472 | 92,747 | *944,182* |
| Interest and dividends received | 5,390 | 4,797 | 2,887 | *29,390* |
| Interest paid | (17,787) | (15,446) | (14,591) | *(148,539)* |
| Income taxes paid | (20,197) | (5,841) | (120,166) | *(1,223,312)* |
| Other, net | (600) | (1,217) | (660) | *(6,718)* |
| Net cash provided (used in) by operating activities | 158,714 | 165,765 | (39,783) | *(404,998)* |
| Cash flows from investing activities: | | | | |
| Payment for purchase of property and equipment | (236,750) | (337,212) | (116,386) | *(1,184,831)* |
| Proceeds from sale of property and equipment | 104,900 | 45,206 | 42,588 | *433,553* |
| Payment for purchase of intangible assets | (15,176) | (20,521) | (29,323) | *(298,513)* |
| Payment for purchase of marketable securities | (5,995) | (13,018) | — | — |
| Proceeds from redemption of marketable securities | 21,410 | 13,018 | — | — |
| Proceeds from sale of investments in securities | 1,015 | 1,551 | 72 | *732* |
| Payment of advances | (2,416) | (493) | (1,675) | *(17,051)* |
| Proceeds from collection of advances | 5,606 | 2,124 | 1,446 | *14,720* |
| Proceeds from sale of subsidiary's stock with changes in scope of consolidation | 1,375 | — | 741 | *7,543* |
| Proceeds from sale of hotel business assets | — | 245,909 | — | — |
| Other, net | (2,267) | (6,391) | (8,602) | *(87,569)* |
| Net cash used in investing activities | (128,298) | (69,827) | (111,139) | *(1,131,416)* |
| Cash flows from financing activities: | | | | |
| (Decrease) increase in short-term loans, net | (5,190) | (920) | 43,991 | *447,836* |
| Proceeds from long-term debt | 97,158 | 103,992 | 205,722 | *2,094,288* |
| Repayment of long-term debt | (113,809) | (142,484) | (75,327) | *(766,843)* |
| Proceeds from issuance of bonds | — | 29,847 | 19,900 | *202,585* |
| Repayment of bonds | (75,000) | (45,000) | (50,000) | *(509,009)* |
| Repayment of finance lease obligations | — | (22,867) | (16,148) | *(164,389)* |
| Payment for dividends | (5,839) | (5,844) | (9,739) | *(99,144)* |
| Other, net | 1,783 | (4,060) | (3,895) | *(39,651)* |
| Net cash (used in) provided by financing activities | (100,897) | (87,336) | 114,504 | *1,165,672* |
| Effect of exchange rate changes on cash and cash equivalents | (59) | (912) | (110) | *(1,119)* |
| Net (decrease) increase in cash and cash equivalents | (70,540) | 7,690 | (36,528) | *(371,861)* |
| Cash and cash equivalents at beginning of year | 242,785 | 172,274 | 179,964 | *1,832,067* |
| Net increase resulting from changes in scope of consolidation | 29 | — | — | — |
| Cash and cash equivalents at end of year *(Note 14)* | ¥ 172,274 | ¥ 179,964 | ¥ 143,436 | *$ 1,460,205* |

*See accompanying notes to consolidated financial statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of All Nippon Airways Co., Ltd. (the "Company") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles and practices generally accepted in Japan but is presented herein as additional information.

### 2. Summary of significant accounting policies

#### (a) Principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliate

The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries (95 subsidiaries for 2007, 81 subsidiaries for 2008 and 76 subsidiaries for 2009). All significant inter-company accounts and transactions have been eliminated in consolidation.

Investments in certain subsidiaries and significant affiliates (25 companies for 2007, 23 companies for 2008 and 24 companies for 2009) are accounted for by the equity method of accounting. The difference between the cost and the underlying net equity in the net assets at dates of acquisition of consolidated subsidiaries and companies accounted for by the equity method of accounting is amortized using the straight-line method over a period of five years.

Investments in non-consolidated subsidiaries and affiliates not accounted for by the equity method of accounting (52 companies for 2007, 48 companies for 2008 and 48 companies for 2009) are stated at cost. The equity in undistributed earnings of these companies was not significant.

During 2007 and 2009, subsidiaries which were not consolidated in prior years were included in consolidation. The effect of changes in the scope of consolidation has been credited or charged to retained earnings (deficit) and the consolidated financial statements for prior years have not been restated.

Certain foreign subsidiaries have fiscal years ending on December 31 and necessary adjustments for significant transactions, if any, are made on consolidation.

(Change in accounting policy)

Effective April 1, 2008, the Company has applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial statement" (Practical Issues Task Force No. 18 issued by the Accounting Standards Board of Japan on May 17 2006).

This adoption had no impact on operating income and loss before income taxes and minority interests for the fiscal year ended March 31, 2009.

#### (b) Foreign currency translation

The balance sheet accounts of foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for components of shareholders' equity which are translated at historical exchange rates. Revenues and expenses are translated at the rates of exchange prevailing when such transactions are made. Resulting translation differences are recorded in minority interests and in foreign currency translation adjustments under the net assets section of the consolidated balance sheets.

Foreign currency payables and receivables are principally translated at the rate of exchange in effect at the balance sheet date, except payables and receivables hedged by qualified forward exchange contracts.

#### (c) Marketable securities and investment securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. See Note 4.

***(d) Allowance for doubtful receivables***

A general provision is made for doubtful receivables based on past experience. Provisions are also made against specific receivables as and when required.

***(e) Inventories***

Inventories include aircraft spare parts, supplies and stock in trade of consolidated subsidiaries.

These are stated at cost principally based on the moving average method. Net book value of inventories in the consolidated balance sheet is written down when their net realizable values decline.

(Change in accounting policy)

Effective April 1, 2007, the Company and its domestic subsidiaries and affiliates have adopted "Accounting Standards for Measurement of Inventories" (Financial Accounting Standard No. 9 issued by the Accounting Standards Board of Japan on July 5, 2006) since it was allowed to apply this standard from fiscal year beginning on or after April 1, 2007.

***(f) Property and equipment and depreciation (excluding leased assets)***

Property and equipment excluding leased assets are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed based on estimated useful lives by the following methods:

| | |
|---|---|
| Aircraft | Straight-line method |
| Buildings | Straight-line method |
| Other ground property and equipment | Declining balance method |

The Company and certain subsidiaries employ principally the following useful lives, based upon the Company's estimated durability of such aircraft:

| | |
|---|---|
| International type equipment | 20 years |
| Domestic type equipment | 17 years |

(Supplementary information)

Effective April 1, 2008, the Company and certain subsidiaries have changed their useful life of machinery and equipment based on an amendment to the Corporation Tax Law of Japan. The effect of the change on operating income and loss before income taxes and minority interests for the fiscal year ended March 31, 2009 was immaterial.

(Change in accounting policy)

Effective April 1, 2007, the Company and its domestic subsidiaries and affiliates have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or after April 1, 2007.

(Supplementary information)

Effective April 1, 2007, the Company and its domestic subsidiaries and affiliates have changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for tangible fixed assets acquired on or prior to March 31, 2007. When such tangible fixed assets have been depreciated to the equivalent of 5% of their acquisition cost, the difference between the equivalent of 5% of acquisition cost and an appropriate nominal value is amortized over a period of five years.

(Supplementary information)

To expand useful lives of its aircraft, the Company traditionally made capital expenditure for maintenance of aircraft after they were in service. In response to changes in business environment including a sharp rise of fuel prices on a global basis, however, the Company intends to accelerate fleet renewal with more fuel-efficient aircraft. Now that the timing of runway extensions at airports in the Tokyo area has become clearer, the Company has formulated its new mid-term corporate strategy based on detailed aircraft renewal plan. Given this new strategy, the Company re-evaluated its method of depreciation for existing aircraft and reviewed useful lives and residual values of ancillary assets attached to these aircraft. In prior years, the Company depreciated ancillary assets using useful lives of aircraft to which such assets are attached. Effective April 1, 2007, the Company has depreciated ancillary assets based on remaining useful lives of aircraft to which such assets are attached, because it has become clearer that the value of ancillary assets are rarely reflected in sales price of aircraft in the second-hand market.

Consequently, depreciation and amortization expenses increased by ¥23,782 million, operating income decreased by ¥1,451 million and income before income taxes and minority interests decreased by ¥23,782 million, compared with the respective amounts that would have been reported under the previous accounting method.

Major additions and improvements are capitalized at cost. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

The Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired. The assets of the Company and its domestic consolidated subsidiaries are grouped by individual property in the case of rental real estate, assets expected to be sold, idle assets, and by management accounting categories in the case of business assets. An impairment loss is required to be recognized when the carrying amount of the assets significantly exceeds their recoverable amount. See Note 15.

### (g) *Intangible assets and amortization (excluding leased assets)*

Intangible assets included in other assets are amortized by the straight-line method. Cost of software purchased for internal use is amortized by the straight-line method over five years, the estimated useful life of purchased software.

### (h) *Stock issuance costs*

New stock issuance costs are principally capitalized and amortized over a period of three years.

### (i) *Bond issuance costs*

Bond issuance costs are principally capitalized and amortized over a period of redemption of bonds by the straight-line method. Bond issuance costs for the bonds issued up to the fiscal year ended March 31, 2006 are capitalized and amortized over a period of three years.

(Change in accounting policy)

Effective April 1, 2007, the Company has changed its method of amortization for bond issuance costs due to adoption of the "Tentative Guidelines for Accounting Treatment of Deferred Assets" (Practical Issues Task Force No. 19 issued by the Accounting Standards Board of Japan on August 11, 2006).

### (j) *Provision for loss on antitrust proceedings*

In December 2007, the European Commission antitrust authorities issued "Statement of Objections" to the Company with respect to its alleged breach of the European Union Competition Law in its air freight transport services. The Company has made provision of ¥16,198 million at an estimated amount of contingent losses that could arise from the proceedings. However, the estimated amount may change as the proceedings progress.

### (k) *Retirement benefits*

The retirement benefit plan of the Company and certain subsidiaries covers substantially all employees other than directors, officers and corporate auditors. Under the terms of this plan, eligible employees are entitled, upon mandatory retirement or earlier voluntary severance, to lump-sum payments or annuity payments based on their compensation at the time of leaving and years of service with the Company and subsidiaries.

The Company and certain significant domestic subsidiaries have trustee employee pension funds to provide coverage for part of the lump-sum benefits or annuity payments.

Several subsidiaries have tax-qualified pension plans which cover all or part of the lump-sum benefits.

The Company and certain consolidated subsidiaries adopt defined contribution pension plans as well as defined benefit pension plans.

Accrued retirement benefits for employees at the balance sheet date are provided mainly at an amount calculated based on the retirement benefit obligation and the fair market value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gains or losses and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated service years of eligible employees. The net retirement benefit obligation at transition is being amortized principally over a period of 15 years by the straight-line method. Actuarial gains and losses are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (principally 8 years through 18 years) which are shorter than the average remaining service years of employees. Prior service cost is being amortized as incurred by the straight-line method over periods (principally 8 years through 18 years) which are shorter than the average remaining service years of employees. See Note 7.

The assumptions used in accounting for the above plans as of March 31, 2007, 2008 and 2009 are as follows:

| | 2007 | 2008 | 2009 |
|---|---|---|---|
| Discount rate | 2.5% | 2.5% | 2.5% |
| Expected return on plan assets | 0.85%~5.5% | 0.85%~5.5% | 1.0%~5.5% |

### *(l) Deferred tax accounting*

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating losses and tax credits carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is charged to operations in the period that includes the enactment date. See Note 8.

### *(m) Leased assets and amortization*

Leased assets arising from transactions under finance lease contract which do not transfer ownership to lessee are amortized to residual value of zero by the straight-line method using the term of contract as useful life.

(Change in accounting policy)

The Company and its domestic subsidiaries and affiliates have adopted "Accounting Standards for Lease Transactions" (Financial Accounting Standard No. 13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the Accounting Standards Board of Japan on March 30, 2007) and "Implementation Guidelines for Accounting Standards for Lease Transactions" (Financial Accounting Standard Implementation Guidelines No. 16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the Accounting Standards Board of Japan on March 30, 2007) since it was allowed to apply these standards and guidelines from fiscal year beginning on or after April 1, 2007.

As a result, tangible fixed assets increased by ¥69,727 million, intangible assets increased by ¥315 million, current liabilities increased by ¥15,797 million and long-term liabilities increased by ¥56,899 million in the consolidated balance sheets as compared with the corresponding amounts that would have been reported under the previous methods. In the consolidated statements of operations, operating income increased by ¥2,440 million and income before income taxes and minority interests decreased by ¥3,022 million as compared with the corresponding amounts that would have been reported under the previous methods.

***(n) Derivatives***

The Company and its subsidiaries use derivatives, such as forward foreign exchange contracts, interest rate swaps and commodity options and swaps, to limit their exposure to fluctuations in foreign exchange rates, interest rates and commodity prices. The Company and its subsidiaries do not use derivatives for trading purposes.

Derivative financial instruments are carried at fair value with changes in unrealized gains or losses charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which an unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward exchange contracts are translated at the corresponding foreign exchange contract rates. Interest rate swaps that qualify for hedge accounting are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

***(o) Appropriation of retained earnings***

Under the Corporation Law of Japan (the "Law"), the appropriation of unappropriated retained earnings of the Company with respect to a financial period is made by resolution of the Company's shareholders at a general meeting to be held subsequent to the close of the financial period and the accounts for that period do not therefore reflect such appropriation. See Note 10.

***(p) Net income (loss) per share***

The computation of net income per share of common stock is based on the weighted average number of shares outstanding during each year.

Net income (loss) per share assuming full dilution is not disclosed due to nonexistence of dilutive shares.

As a result of revision of "Implementation Guidelines for Accounting Standards for Net Income per Share" (Financial Accounting Standard Implementation Guidelines No. 4 issued by the Accounting Standards Board of Japan on January 31, 2006), the amount of deferred gain on hedging instruments, net of tax, was included in net assets as of March 31, 2007 attributable to common stock.

***(q) Revenue recognition***

Passenger revenues, cargo and other operating revenues are recorded when services are rendered.

***(r) Cash equivalents***

For the purpose of the statements of cash flows, cash and short-term, highly liquid investments with a maturity of three months or less are treated as cash equivalents. See Note 14.

(Change in classification of domestic NCDs)

Domestic negotiable certificate of deposits included in "Cash" as of March 31, 2007 were reclassified into "Marketable securities" due to a series of revision for accounting standards resulting from enforcement of the Financial Instruments and Exchange Law of Japan.

***(s) Reclassification***

Certain reclassifications have been made to the 2007 and 2008 financial information in the accompanying financial statements to conform with the 2009 presentation.

***(t) Frequent flyer program***

The Company accrues frequent flyer liability for the mileage credits that are earned and to be used based on assumptions including analyses of previous experience under the program, anticipated behavior of customers, expectations of future awards to be issued, and analysis of current accumulated mileage balances.

***(u) Regarding the accounting of Trust Type Employee Stock Ownership Incentive Plan***

The Company introduced a "Trust Type Employee Stock Ownership Incentive Plan". The purposes of this plan are to: increase incentives for the Company's employees to accumulate their own property as a part of the Company's benefit plan and to endeavor to enhance the Company's corporate value; as well as to ensure stable provision of the Company's shares to the Employee Stock Ownership Group (the "ESOP Group").

Under this plan, the "Employee Stock Ownership Trust (the "ESOP Trust")" which was established for the purpose of transferring the Company's shares to the ESOP Group, acquires the Company's shares in advance in a quantity sufficient for the ESOP Group to obtain for the next five years, and subsequently sells those shares to the ESOP Group.

Taking the conservative view and focusing on the economic substance, the accounting treatment for the acquisition and sale of the Company's shares is based on the assumption that the Company and the ESOP Trust form substantially a single entity given that the Company guarantees the ESOP Trust's liability. Therefore, the Company's shares owned by the ESOP Trust as well as the assets and liabilities and income and expenses of the ESOP Trust are included in the consolidated balance sheets, consolidated statements of operations, consolidated statements of changes in net assets and consolidated statements of cash flows of the Company. The number of the Company's shares owned by the ESOP Trust as of March 31, 2009 was 12,157,000.

## 3. Financial statements translation

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥98.23=US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2009. This translation should not be construed as a representation that the amounts shown could be converted into United States dollars at such rate.

United States dollars translation are rounded down to the nearest thousand and therefore the totals shown in tables do not necessarily agree with the sums of the individual amounts.

## 4. Marketable securities and investments in securities

Market value information at March 31, 2007, 2008 and 2009 is summarized as follows:

Held-to-maturity securities having market value are as follows:

| | **2007** | **2008** | **2009** | ***2009*** |
|---|---|---|---|---|
| | **yen (millions)** | | | ***U.S. dollars (thousands)*** |
| Gross unrealized gain: | | | | |
| Cost | ¥ 3 | ¥9,994 | ¥ 3 | *$30* |
| Market value | 3 | 9,994 | 3 | *30* |
| | 0 | 0 | 0 | *0* |
| Gross unrealized loss: | | | | |
| Cost | 5 | — | — | — |
| Market value | 5 | — | — | — |
| | (0) | — | — | — |
| Net unrealized gain | ¥ 0 | ¥ 0 | ¥ 0 | *$ 0* |

Other securities having market value are as follows:

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | yen (millions) | | | *U.S. dollars (thousands)* |
| Gross unrealized gain: | | | | |
| Cost | ¥14,857 | ¥14,246 | ¥ 6,670 | *$ 67,901* |
| Market value | 33,826 | 31,912 | 13,245 | *134,836* |
| | 18,969 | 17,666 | 6,575 | *66,934* |
| Gross unrealized loss: | | | | |
| Cost | 3,392 | 6,982 | 14,531 | *147,928* |
| Market value | 3,227 | 4,774 | 9,298 | *94,655* |
| | (165) | (2,208) | (5,233) | *(53,272)* |
| Net unrealized gain | ¥18,804 | ¥15,458 | ¥ 1,342 | *$ 13,661* |

Other securities sold in the years ended March 31, 2007, 2008 and 2009 are as follows:

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | yen (millions) | | | *U.S. dollars (thousands)* |
| Proceeds | ¥464 | ¥234 | ¥72 | *$732* |
| Gain on sale | 323 | 44 | 30 | *305* |
| Loss on sale | 1 | 3 | 1 | *10* |

Breakdown of securities not having market value at March 31, 2007, 2008 and 2009 is as follows:

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | yen (millions) | | | *U.S. dollars (thousands)* |
| Held-to-maturity bonds | ¥ — | ¥ — | ¥ — | *$ —* |
| Other securities | 22,415 | 137,721 | 102,556 | *1,044,039* |
| | ¥22,415 | ¥137,721 | ¥102,556 | *$1,044,039* |

The redemption schedule of other securities and held-to-maturity debt securities as of March 31, 2007, 2008 and 2009 is summarized as follows:

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | yen (millions) | | | *U.S. dollars (thousands)* |
| Bonds: | | | | |
| Within 1 year | ¥ 5 | ¥ 9,996 | ¥ 2 | *$ 20* |
| Over 1 year to 5 years | 3 | 13 | 13 | *132* |
| Others: | | | | |
| Within 1 year | 131,879 | 119,288 | 84,481 | *860,032* |
| Total: | | | | |
| Within 1 year | ¥131,884 | ¥129,284 | ¥84,483 | *$860,052* |
| Over 1 year to 5 years | 3 | 13 | 13 | *132* |

## 5. Investments in and advances to non-consolidated subsidiaries and affiliates

Investments in and advances to non-consolidated subsidiaries and affiliates at March 31, 2007, 2008 and 2009 consisted of the following:

| | 2007 | 2008 | 2009 | *2009* |
|---|---|---|---|---|
| | yen (millions) | | | *U.S. dollars (thousands)* |
| Investments in capital stock | ¥8,916 | ¥9,457 | ¥14,129 | *$143,835* |
| Advances | 330 | 46 | 843 | *8,581* |
| | ¥9,246 | ¥9,503 | ¥14,972 | *$152,417* |

## 6. Short-term loans and long-term debt

Short-term loans at March 31, 2007, 2008 and 2009 consisted of the following:

| | 2007 | 2008 | 2009 | *2009* |
|---|---|---|---|---|
| | yen (millions) | | | *U.S. dollars (thousands)* |
| Short-term bank loans | ¥ 3,500 | ¥ 2,580 | ¥ 46,571 | *$ 474,101* |
| Current portion of long-term loans | 110,224 | 68,022 | 81,111 | *825,725* |
| Current portion of bonds and notes | 45,000 | 50,000 | 30,000 | *305,405* |
| Current portion of finance lease obligations | — | 15,797 | 11,780 | *119,922* |
| | ¥158,724 | ¥136,399 | ¥169,462 | *$1,725,155* |

The interest rates on the above short-term loans were between 0.08% and 1.66% per annum in 2007, between 0.20% and 1.88% per annum in 2008 and between 0.47% and 1.48% per annum in 2009.

Long-term debt at March 31, 2007, 2008 and 2009 consisted of the following:

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | | yen (millions) | | *U.S. dollars (thousands)* |
| Bonds and notes: | | | | |
| 3.075% notes due 2007 | ¥ 35,000 | ¥ — | ¥ — | *$ —* |
| 2.75% notes due 2009 | 20,000 | 20,000 | 20,000 | *203,603* |
| 3.2% notes due 2017 | 20,000 | 20,000 | 20,000 | *203,603* |
| 3% notes due 2007 | 10,000 | — | — | *—* |
| 3% notes due 2011 | 10,000 | 10,000 | 10,000 | *101,801* |
| 3% notes due 2010 | 10,000 | 10,000 | 10,000 | *101,801* |
| 1.33% notes due 2008 | 20,000 | 20,000 | — | *—* |
| 1.27% notes due 2009 | 10,000 | 10,000 | — | *—* |
| 1.7% notes due 2011 | 10,000 | 10,000 | 10,000 | *101,801* |
| 2.27% notes due 2014 | 10,000 | 10,000 | 10,000 | *101,801* |
| 1.44% notes due 2011 | 10,000 | 10,000 | 10,000 | *101,801* |
| 2.09% notes due 2014 | 10,000 | 10,000 | 10,000 | *101,801* |
| 1.97% notes due 2015 | 15,000 | 15,000 | 15,000 | *152,702* |
| 0.86% notes due 2008 | 20,000 | 20,000 | — | *—* |
| 1.24% notes due 2011 | — | 30,000 | 30,000 | *305,405* |
| 1.84% notes due 2013 | — | — | 10,000 | *101,801* |
| 2.45% notes due 2018 | — | — | 10,000 | *101,801* |
| | 210,000 | 195,000 | 165,000 | *1,679,731* |
| Loans, principally from banks: | | | | |
| Secured, bearing interest from 0.85% to 6.80% in 2007, 0.85% to 2.75% in 2008 and 0.85% to 2.75% in 2009, maturing in installments through 2023 | 369,259 | 351,711 | 405,537 | *4,128,443* |
| Unsecured, bearing interest from 0.93% to 6.90% in 2007, 0.95% to 5.59% in 2008 and 1.09% to 5.59% in 2009, maturing in installments through 2018 | 166,687 | 145,889 | 222,549 | *2,265,590* |
| | 535,946 | 497,600 | 628,086 | *6,394,034* |
| Finance leases obligations | | | | |
| Finance lease agreements expiring through 2016 | — | 72,696 | 57,579 | *586,165* |
| | 745,946 | 765,296 | 850,665 | *8,659,930* |
| Less current portion | 155,224 | 133,819 | 122,891 | *1,251,053* |
| | ¥590,722 | ¥631,477 | ¥727,774 | *$7,408,877* |

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligation becomes due, or in the event of default and certain other specified events, to offset cash deposits against such obligations due to the bank.

Certain bonds and notes and foreign currency loans are guaranteed by domestic and foreign banks.

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2007, 2008 and 2009:

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | | yen (millions) | | *U.S. dollars (thousands)* |
| Property and equipment, at net book value: | | | | |
| Flight equipment | ¥545,601 | ¥559,739 | ¥576,474 | *$5,868,614* |
| Ground property and equipment | 49,449 | 41,932 | 43,857 | *446,472* |
| | ¥595,050 | ¥601,671 | ¥620,331 | *$6,315,087* |

The aggregate annual maturities of long-term debt after March 31, 2009 are as follows:

| Year ending March 31, | Yen (millions) | *U.S. dollars (thousands)* |
|---|---|---|
| 2010 | ¥122,891 | *$1,251,053* |
| 2011 | 133,319 | *1,357,212* |
| 2012 | 112,252 | *1,142,746* |
| 2013 and thereafter | 482,203 | *4,908,917* |
| | ¥850,665 | *$8,659,930* |

## 7. Retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which termination occurs.

Two domestic consolidated subsidiaries applied for an exemption from the payment of the benefits related to future employee services and received approval from the Minister of Health, Labour and Welfare on February 1, 2008 and on May 1, 2008.

The following table sets out the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2007, 2008 and 2009 for the Company and consolidated subsidiaries' defined benefit plans:

| | 2007 | 2008 | 2009 | *2009* |
|---|---|---|---|---|
| | yen (millions) | | | *U.S. dollars (thousands)* |
| Retirement benefit obligation | ¥(278,278) | ¥(265,910) | ¥(269,719) | *$(2,745,790)* |
| Plan assets at fair value | 118,190 | 97,538 | 82,956 | *844,507* |
| Unfunded retirement benefit obligation | (160,088) | (168,372) | (186,763) | *(1,901,282)* |
| Unrecognized net transitional retirement benefit obligation | 53,698 | 45,721 | 39,187 | *398,931* |
| Unrecognized actuarial loss | 23,826 | 36,273 | 52,258 | *531,996* |
| Unrecognized prior service cost | (29,014) | (25,168) | (21,396) | *(217,815)* |
| | ¥(111,578) | ¥(111,546) | ¥(116,714) | *$(1,188,170)* |
| Prepaid pension cost | 1,028 | 707 | 203 | *2,066* |
| Accrued employees' retirement benefits | ¥(112,606) | ¥(112,253) | ¥(116,917) | *$(1,190,237)* |

The government sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

The components of retirement benefit expenses for the years ended March 31, 2007, 2008 and 2009 are as follows:

| | 2007 | 2008 | 2009 | *2009* |
|---|---|---|---|---|
| | yen (millions) | | | *U.S. dollars (thousands)* |
| Service cost | ¥10,953 | ¥10,873 | ¥10,407 | *$105,945* |
| Interest cost | 6,426 | 6,513 | 6,508 | *66,252* |
| Expected return on plan assets | (4,369) | (4,563) | (4,022) | *(40,944)* |
| Amortization of net transitional retirement benefit obligation | 6,713 | 6,634 | 6,534 | *66,517* |
| Amortization of actuarial loss | 3,650 | 3,968 | 5,411 | *55,085* |
| Amortization of prior service cost | (3,739) | (3,845) | (3,854) | *(39,234)* |
| Net periodic pension and severance cost | ¥19,634 | ¥19,580 | ¥20,984 | *$213,621* |

Besides the above net periodic pension and severance cost, the costs for other retirement and pension plans such as a defined contribution plan and for supplemental retirement benefit were ¥608 million and ¥600 million for the year ended March 31, 2007, and ¥660 million and ¥1,217 million for the year ended March 31, 2008, and ¥789 million ($8,032 thousand) and ¥660 million ($6,718 thousand), respectively, for the year ended March 31, 2009.

## 8. Income taxes

The Company is subject to a number of taxes on income (corporation tax, inhabitants taxes and enterprise tax) which in aggregate resulted in a normal statutory tax rate of 40.16% in 2007, 2008 and 2009.

The Company adopted the consolidated taxation system effective from the year ended March 31, 2003. For consolidated taxation system purposes, the Company has consolidated all qualified, wholly owned domestic subsidiaries.

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at March 31, 2007, 2008 and 2009 is as follows:

| | 2007 | 2008 | 2009 | *2009* |
|---|---|---|---|---|
| | | yen (millions) | | *U.S. dollars (thousands)* |
| Deferred tax assets: | | | | |
| Loss on evaluation for hedging exchange | ¥ — | ¥ 10,925 | ¥ 55,453 | *$ 564,522* |
| Accrued employees' retirement benefits | 44,543 | 44,530 | 46,882 | *477,267* |
| Tax loss carry-forward | 2,306 | — | 37,145 | *378,143* |
| Inter-company profits on inventories and property and equipment | 5,428 | 11,131 | 13,159 | *133,961* |
| Provision for loss on antitrust proceedings | — | 6,505 | 6,505 | *66,222* |
| Accrued bonuses to employees | 7,203 | 9,880 | 5,065 | *51,562* |
| Valuation loss on investments in securities | 1,048 | 2,472 | 3,532 | *35,956* |
| Accrued enterprise taxes | 629 | 5,758 | — | — |
| Impairment loss | 3,671 | — | — | — |
| Allowance for doubtful accounts | 608 | — | — | — |
| Other | 12,536 | 11,605 | 10,401 | *105,884* |
| Total gross deferred tax assets | 77,972 | 102,806 | 178,142 | *1,813,519* |
| Less valuation allowance | (8,611) | (12,157) | (13,255) | *(134,938)* |
| Total net deferred tax assets | 69,361 | 90,649 | 164,887 | *1,678,580* |
| Deferred tax liabilities: | | | | |
| Special depreciation reserve | (2,729) | (3,873) | (4,038) | *(41,107)* |
| Unrealized holding gain on securities | (7,641) | (6,907) | (2,540) | *(25,857)* |
| Enterprise taxes receivable | — | — | (2,434) | *(24,778)* |
| Other | (15,521) | (1,183) | (1,060) | *(10,791)* |
| Total gross deferred tax liabilities | (25,891) | (11,963) | (10,072) | *(102,534)* |
| Net deferred tax assets | ¥ 43,470 | ¥ 78,686 | ¥154,815 | *$1,576,046* |

A reconciliation of the difference between the statutory tax rate and the effective income tax rate for the year ended March 31, 2009 is not disclosed because of the loss before income taxes and minority interests.

The reconciliation for the years ended March 31, 2007 and 2008 was as follows:

| | 2007 | 2008 |
|---|---|---|
| Statutory tax rate | 40.16% | 40.16% |
| Reconciliation: | | |
| Entertainment expenses not qualifying for deduction | 2.01 | 0.85 |
| Inhabitants tax per capita levy | 0.45 | 0.17 |
| Change in valuation allowance and related adjustments | (2.80) | 2.67 |
| Other | (5.80) | (0.29) |
| Effective income tax rate | 34.02% | 43.56% |

## 9. Leases

***As lessee***

***(a) Finance leases***

Finance lease transactions other than those that are expected to transfer ownership of the assets to the lessee are accounted for as assets. Until previous fiscal year, the information on finance leases which are not recorded as assets and liabilities in the balance sheets is summarized below.

Estimated acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of leased assets at March 31, 2007 are as follows:

| | 2007 |
|---|---|
| | yen (millions) |
| Aircraft: | |
| Estimated acquisition cost | ¥223,363 |
| Estimated amount of accumulated depreciation | 138,153 |
| Estimated net book value | 85,210 |
| Others: | |
| Estimated acquisition cost | 15,365 |
| Estimated amount of accumulated depreciation | 6,954 |
| Estimated net book value | 8,411 |
| Total: | |
| Estimated acquisition cost | 238,728 |
| Estimated amount of accumulated depreciation | 145,107 |
| Estimated net book value | ¥ 93,621 |

Outstanding finance lease obligations at March 31, 2007 are as follows:

| | 2007 |
|---|---|
| | yen (millions) |
| Current portion of finance lease obligations | ¥23,169 |
| Long-term finance lease obligations | 74,341 |
| | ¥97,510 |

Estimated amount of depreciation and finance charges for the years ended March 31, 2007 are as follows:

| | 2007 |
|---|---|
| | yen (millions) |
| Estimated amount of depreciation by the straight-line method over the lease period | ¥26,737 |
| Estimated interest cost | 2,099 |

Annual lease expenses charged to income were ¥30,048 million for the years ended March 31, 2007, respectively.

Effective April 1, 2007, the Company and its domestic subsidiaries and affiliates have recorded leased assets and finance lease obligation due to adoption of new standards for lease transactions.

Tangible fixed lease assets include mainly aircraft, flight equipment and host computers. Intangible fixed lease assets include software.

The depreciation method for leased assets is described in "2. Summary of significant accounting policies (m) Leased assets and amortization."

*As lessee*

*(b) Operating leases*

The rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2007, 2008 and 2009 are as follows:

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | | yen (millions) | | *U.S. dollars (thousands)* |
| Current portion of operating lease obligations | ¥ 32,824 | ¥ 33,275 | ¥ 33,818 | *$ 344,273* |
| Long-term operating lease obligations | 173,450 | 173,860 | 161,077 | *1,639,794* |
| | ¥206,274 | ¥207,135 | ¥194,895 | *$1,984,068* |

Note: No impairment loss was allocated to leased assets.

*As lessor*

*(C) Operating leases*

The rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2007, 2008 and 2009 are as follows:

| | 2007 | 2008 | 2009 | 2009 |
|---|---|---|---|---|
| | | yen (millions) | | *U.S. dollars (thousands)* |
| Current portion of operating lease obligations | ¥— | ¥1,175 | ¥1,118 | *$11,381* |
| Long-term operating lease obligations | — | 3,526 | 3,977 | *40,486* |
| | ¥— | ¥4,701 | ¥5,095 | *$51,868* |

Note: No impairment loss was allocated to leased assets.

**10. Supplementary information for consolidated statements of changes in net assets**

Supplementary information for consolidated statements of changes in net assets at March 31, 2009 consisted of the following:

*(a) Type and number of outstanding shares*

| Type of shares | Balance at beginning of year | Increase in shares during the year | Decrease in shares during the year | Balance at end of year |
|---|---|---|---|---|
| | | number of shares (thousands) | | |
| Issued stock : | | | | |
| Common stock | 1,949,959 | — | — | 1,949,959 |
| Total | 1,949,959 | — | — | 1,949,959 |
| Treasury stock : | | | | |
| Common stock(*1,*2) | 2,343 | 16,055 | 1,621 | 16,778 |
| Total | 2,343 | 16,055 | 1,621 | 16,778 |

(*1) Treasury stock increased by 3,898 thousand shares due to the repurchase of shares less than one unit and 12,157 thousand shares due to the possession by the ESOP Trust.

(*2) Treasury stock decreased by 1,621 thousand shares due to the sale of shares less than one unit.

*(b) Dividends*

(1) Dividends paid to shareholders

| Date of approval | Resolution approved by | Type of shares | Amount | Amount | Amount per share | Amount per share | Shareholders' cut-off date | Effective date |
|---|---|---|---|---|---|---|---|---|
| | | | (millions of yen) | (thousands of U.S. dollars) | (yen) | (U.S. dollars) | | |
| June 23, 2008 . . . . . . . . . . | Annual general meeting of shareholders | Common stock | ¥9,739 | $99,144 | ¥5.00 | $0.05 | March 31, 2008 | June 24, 2008 |

(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

| Date of approval | Resolution approved by | Type of shares | Amount | Amount | Paid from | Amount per share | Amount per share | Shareholders' cut-off date | Effective date |
|---|---|---|---|---|---|---|---|---|---|
| | | | (millions of yen) | (thousands of U.S. dollars) | | (yen) | (U.S. dollars) | | |
| June 22, 2009 . . . | Annual general meeting of shareholders | Common stock(*1) | ¥1,933 | $19,678 | Retained earnings | ¥1.00 | $0.01 | March 31, 2009 | June 23, 2009 |

(*1) ¥12 million ($122 thousand) paid to the ESOP Trust is not included in total dividends amount because the Company's shares owned by the ESOP Trust are recognized as treasury stock.

Supplementary information for consolidated statements of changes in net assets at March 31, 2008 consisted of the following:

*(a) Type and number of outstanding shares*

| Type of shares | Balance at beginning of year | Increase in shares during the year | Decrease in shares during the year | Balance at end of year |
|---|---|---|---|---|
| | number of shares (thousands) | | | |
| Issued stock : | | | | |
| Common stock . . . . . . . . | 1,949,959 | — | — | 1,949,959 |
| Total . . . . . . . . . . . . . . | 1,949,959 | — | — | 1,949,959 |
| Treasury stock : | | | | |
| Common stock(*1,*2) . . . . | 1,935 | 680 | 273 | 2,343 |
| Total . . . . . . . . . . . . . . | 1,935 | 680 | 273 | 2,343 |

(*1) Treasury stock increased by 680 thousand shares due to the repurchase of shares less than one unit.

(*2) Treasury stock decreased by 273 thousand shares due to the sale of shares less than one unit.

*(b) Dividends*

(1) Dividends paid to shareholders

| Date of approval | Resolution approved by | Type of shares | Amount | Amount per share | Shareholders' cut-off date | Effective date |
|---|---|---|---|---|---|---|
| | | | (millions of yen) | (yen) | | |
| June 25, 2007. . . . . . . . . . | Annual general meeting of shareholders | Common stock | ¥5,844 | ¥3 | March 31, 2007 | June 26, 2007 |

(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

| Date of approval | Resolution approved by | Type of shares | Amount | Paid from | Amount per share | Shareholders' cut-off date | Effective date |
|---|---|---|---|---|---|---|---|
| | | | (millions of yen) | | (yen) | | |
| June 23, 2008 . . . . . | Annual general meeting of shareholders | Common stock | ¥9,738 | Retained earnings | ¥5.00 | March 31, 2008 | June 24, 2008 |

Supplementary information for consolidated statements of changes in net assets at March 31, 2007 consisted of the following:

***(a) Type and number of outstanding shares***

| Type of shares | Balance at beginning of year | Increase in shares during the year | Decrease in shares during the year | Balance at end of year |
|---|---|---|---|---|
| | | number of shares (thousands) | | |
| Issued stock : | | | | |
| Common stock . . . . . . . . | 1,949,959 | — | — | 1,949,959 |
| Total . . . . . . . . . . . . . . | 1,949,959 | — | — | 1,949,959 |
| Treasury stock : | | | | |
| Common stock(*1,*2) . . . . | 3,211 | 695 | 1,971 | 1,935 |
| Total . . . . . . . . . . . . . . | 3,211 | 695 | 1,971 | 1,935 |

(*1) Treasury stock increased by 695 thousand shares due to the repurchase of shares less than one unit.

(*2) Treasury stock decreased by 157 thousand shares due to the sale of shares less than one unit and by 1,814 thousand shares due to the sale of shares by a consolidated company.

***(b) Dividends***

(1) Dividends paid to shareholders

| Date of approval | Resolution approved by | Type of shares | Amount | Amount per share | Shareholders' cut-off date | Effective date |
|---|---|---|---|---|---|---|
| | | | (millions of yen) | (yen) | | |
| June 28, 2006 . . . . . . . | Annual general meeting of shareholders | Common stock | ¥5,839 | ¥3.00 | March 31, 2006 | June 29, 2006 |

(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

| Date of approval | Resolution approved by | Type of shares | Amount | Paid from | Amount per share | Shareholders' cut-off date | Effective date |
|---|---|---|---|---|---|---|---|
| | | | (millions of yen) | | (yen) | | |
| June 25, 2007 . . . . . . | Annual general meeting of shareholders | Common stock | ¥5,844 | Retained earnings | ¥3.00 | March 31, 2007 | June 26, 2007 |

In accordance with the Law, the Company provides a legal reserve which is included in retained earnings. The Law provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of the legal reserve and the additional paid-in capital account equals 25% of the common stock account. The Law provides that neither additional paid-in capital nor the legal reserve is available for the payment of dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Law also provides that, if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. Under the Law, however, such distributions can be made at anytime by resolution of the shareholders or by the Board of Directors if certain conditions are met.

## 11. Commitments and contingent liabilities

At March 31, 2009, commitments outstanding for the acquisition or construction of property and equipment amounted to ¥834,002 million ($8,490,298 thousand).

The Company and consolidated subsidiaries were contingently liable as guarantor of loans, principally to affiliates, amounting to ¥146 million ($1,486 thousand) at March 31, 2009.

At March 31, 2008, commitments outstanding for the acquisition or construction of property and equipment amounted to ¥864,471 million.

The Company and consolidated subsidiaries were contingently liable as guarantor of bonds with debt assumption contracts and loans, principally to affiliates, amounting to ¥10,154 million at March 31, 2008.

At March 31, 2007, commitments outstanding for the acquisition or construction of property and equipment amounted to ¥1,135,761 million.

The Company and consolidated subsidiaries were contingently liable as guarantor of bonds with debt assumption contracts and loans, principally to affiliates, amounting to ¥30,172 million at March 31, 2007.

The Company is liable for defects in the amount of ¥1,282 million at March 31, 2007.

## 12. Derivatives and hedging activities

The Company and certain of its subsidiaries operate internationally and are exposed to the risk of changes in foreign exchange rates, interest rates and commodity prices of fuel. In order to manage these risks, the Company and its subsidiaries utilize forward exchange contracts to hedge certain foreign currency transactions related to purchase commitments, principally of flight equipment, and foreign currency receivables and payables. Also, the Company and its subsidiaries utilize interest rate swaps to minimize the impact of interest rate fluctuations related to their outstanding debt. In addition, the Company also enters into a variety of swaps and options in its management of risk exposure related to the commodity prices of fuel. The Company and its subsidiaries do not use derivatives for trading purposes.

The Company has developed internal hedging guidelines to control various aspects of derivative transactions, including authorization levels and transaction volumes. The Company enters into derivative transactions in accordance with these internal guidelines. Derivative and hedging transactions initiated by respective operational departments have been examined by the accounting department and these transactions, including their measures and ratios, have been monitored by management generally on a monthly basis. Assessment of hedge effectiveness is examined at inception and, on an ongoing basis, periodically. The consolidated subsidiaries have adopted the same procedures for hedging activities as the Company.

The Company and its subsidiaries are also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions.

## 13. Segment information

The Company and its consolidated subsidiaries conduct operations in air transportation, travel services and other businesses. Businesses other than air transportation and travel services are insignificant to the consolidated results of operations of the Company and its consolidated subsidiaries and, accordingly, are included in "Other businesses" in the following industry segment information.

Other segment information of the Company and its subsidiaries, such as geographical breakdown of sales and assets, is not disclosed because of its insignificance.

Segment information for the years ended March 31, 2009, 2008 and 2007 is as follows:

| **As of and for the year ended March 31, 2009** | **Air transportation** | **Travel services** | **Other businesses** | **Total** | **Intersegment eliminations** | **Consolidated** |
|---|---|---|---|---|---|---|
| | | | **Yen (millions)** | | | |
| Operating revenues | ¥1,120,945 | ¥171,117 | ¥100,519 | ¥1,392,581 | ¥ — | ¥1,392,581 |
| Intra-group sales and transfers | 108,580 | 17,663 | 47,687 | 173,930 | (173,930) | — |
| Total | 1,229,525 | 188,780 | 148,206 | 1,566,511 | (173,930) | 1,392,581 |
| Operating expenses | 1,224,734 | 189,408 | 144,858 | 1,559,000 | (174,008) | 1,384,992 |
| Operating income (loss) | ¥ 4,791 | ¥ (628) | ¥ 3,348 | ¥ 7,511 | ¥ 78 | ¥ 7,589 |

| | **Air transportation** | **Travel services** | **Other businesses** | **Total** | **Intersegment eliminations** | **Consolidated** |
|---|---|---|---|---|---|---|
| Identifiable assets | ¥1,673,813 | ¥41,727 | ¥132,196 | ¥1,847,736 | ¥(86,671) | ¥1,761,065 |
| Depreciation and amortization | 110,064 | 437 | 2,380 | 112,881 | — | 112,881 |
| Impairment loss | — | — | — | — | — | — |
| Capital expenditure | 143,362 | 203 | 3,721 | 147,286 | (1,577) | 145,709 |

| ***As of and for the year ended March 31, 2009*** | ***Air transportation*** | ***Travel services*** | ***Other businesses*** | ***Total*** | ***Intersegment eliminations*** | ***Consolidated*** |
|---|---|---|---|---|---|---|
| | | | ***U.S. dollars (thousands)*** | | | |
| *Operating revenues* | *$11,411,432* | *$1,742,003* | *$1,023,302* | *$14,176,738* | *$ —* | *$14,176,738* |
| *Intra-group sales and transfers* | *1,105,364* | *179,812* | *485,462* | *1,770,640* | *(1,770,640)* | *—* |
| *Total* | *12,516,797* | *1,921,816* | *1,508,765* | *15,947,378* | *(1,770,640)* | *14,176,738* |
| *Operating expenses* | *12,468,024* | *1,928,209* | *1,474,681* | *15,870,915* | *(1,771,434)* | *14,099,480* |
| *Operating income (loss)* | *$ 48,773* | *$ (6,393)* | *$ 34,083* | *$ 76,463* | *$ 794* | *$ 77,257* |

| | ***Air transportation*** | ***Travel services*** | ***Other businesses*** | ***Total*** | ***Intersegment eliminations*** | ***Consolidated*** |
|---|---|---|---|---|---|---|
| *Identifiable assets* | *$17,039,733* | *$424,788* | *$1,345,780* | *$18,810,302* | *$(882,327)* | *$17,927,975* |
| *Depreciation and amortization* | *1,120,472* | *4,448* | *24,228* | *1,149,149* | *—* | *1,149,149* |
| *Impairment loss* | *—* | *—* | *—* | *—* | *—* | *—* |
| *Capital expenditure* | *1,459,452* | *2,066* | *37,880* | *1,499,399* | *(16,054)* | *1,483,345* |

| **As of and for the year ended March 31, 2008** | **Air transportation** | **Travel services** | **Other businesses** | **Total** | **Intersegment eliminations** | **Consolidated** |
|---|---|---|---|---|---|---|
| | | | **yen (millions)** | | | |
| Operating revenues | ¥1,178,884 | ¥195,376 | ¥113,567 | ¥1,487,827 | ¥ — | ¥1,487,827 |
| Intra-group sales and transfers | 122,745 | 20,021 | 85,407 | 228,173 | (228,173) | — |
| Total | 1,301,629 | 215,397 | 198,974 | 1,716,000 | (228,173) | 1,487,827 |
| Operating expenses | 1,223,692 | 214,323 | 193,776 | 1,631,791 | (228,353) | 1,403,438 |
| Operating income | ¥ 77,937 | ¥ 1,074 | ¥ 5,198 | ¥ 84,209 | ¥ 180 | ¥ 84,389 |

| | Air transportation | Travel services | Other businesses | Total | Intersegment eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Identifiable assets | ¥1,669,618 | ¥52,023 | ¥122,078 | ¥1,843,719 | ¥(60,326) | ¥1,783,393 |
| Depreciation and amortization | 135,202 | 1,400 | 2,516 | 139,118 | — | 139,118 |
| Impairment loss | 14,111 | — | — | 14,111 | — | 14,111 |
| Capital expenditure | 356,408 | 2,206 | 3,377 | 361,991 | (4,258) | 357,733 |

| As of and for the year ended March 31, 2007 | Air transportation | Travel services | Hotel operations | Other businesses | Total | Intersegment eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| | | | | yen (millions) | | | |
| Operating revenues | ¥1,134,250 | ¥186,872 | ¥58,022 | ¥110,514 | ¥1,489,658 | ¥ — | ¥1,489,658 |
| Intra-group sales and transfers | 114,532 | 21,154 | 8,615 | 86,381 | 230,682 | (230,682) | — |
| Total | 1,248,782 | 208,026 | 66,637 | 196,895 | 1,720,340 | (230,682) | 1,489,658 |
| Operating expenses | 1,169,061 | 206,106 | 61,415 | 191,281 | 1,627,863 | (230,395) | 1,397,468 |
| Operating income | ¥ 79,721 | ¥ 1,920 | ¥ 5,222 | ¥ 5,614 | ¥ 92,477 | ¥ (287) | ¥ 92,190 |

| | Air transportation | Travel services | Hotel operations | Other businesses | Total | Intersegment eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Identifiable assets | ¥1,447,781 | ¥51,870 | ¥143,179 | ¥116,548 | ¥1,759,378 | ¥(157,287) | ¥1,602,091 |
| Depreciation and amortization | 81,465 | 1,241 | 3,825 | 2,079 | 88,610 | — | 88,610 |
| Impairment loss | 10,704 | — | — | 105 | 10,809 | — | 10,809 |
| Capital expenditure | 242,572 | 2,432 | 2,899 | 4,357 | 252,260 | (334) | 251,926 |

## 14. Supplementary cash flow information

Reconciliation of the difference between cash stated in the consolidated balance sheets as of March 31, 2007, 2008 and 2009 and cash and cash equivalents for the purpose of the statements of cash flows is as follows:

| | 2007 | 2008 | 2009 | *2009* |
|---|---|---|---|---|
| | | yen (millions) | | *U.S. dollars (thousands)* |
| Cash | ¥ 41,108 | ¥ 51,410 | ¥ 59,668 | *$ 607,431* |
| Time deposits with maturities of more than three months | (711) | (723) | (713) | *(7,258)* |
| Marketable securities | 131,884 | 129,279 | 84,483 | *860,052* |
| Marketable securities with maturities of more than three months | (7) | (2) | (2) | *(20)* |
| Cash and cash equivalents | ¥172,274 | ¥179,964 | ¥143,436 | *$1,460,205* |

Significant non-cash transactions for the year ended March 31, 2008 are as follows:

| | 2008 |
|---|---|
| | yen (millions) |
| Assets and liabilities related to finance lease transactions : | |
| Assets | ¥95,113 |
| Liabilities | ¥98,936 |

The following are major components of assets and liabilities of the hotel business, which was sold by the Company, as well as a reconciliation of the difference between the sales price of these assets and liabilities and the proceeds from the sale of the hotel business.

| | 2008 |
|---|---|
| | yen (millions) |
| Current assets | ¥ 142,087 |
| Fixed assets | 125,305 |
| Other assets | 117 |
| Current liabilities | (136,266) |
| Fixed liabilities | (6,027) |
| Unrealized profits | (2,934) |
| Gain on sale of hotel business assets | 132,992 |
| Sales price of hotel business | 255,274 |
| Cash and cash equivalents | (9,365) |
| Proceeds from sale of hotel business assets | ¥ 245,909 |

## 15. Impairment loss

Due to assets expected to be sold, the book value of assets whose profitability dropped notably in the year ended March 31, 2008 and fell to the recoverable value, is accounted for as impairment loss of ¥14,111 million under extraordinary losses.

Due to slumping performance in business assets, falling prices of estate assets and assets expected to be sold, the net book values of assets whose profitability and market prices dropped notably were written down to the recoverable amount and impairment losses of ¥10,809 million in the year ended March 31,2007.

As of and for the year ended March 31, 2008

| Application | Category | Impairment loss |
|---|---|---|
| | | yen (millions) |
| The assets expected to be sold | Aircraft | ¥14,111 |
| | Total | ¥14,111 |

As of and for the year ended March 31, 2007

| Application | Location | Category | Impairment loss |
|---|---|---|---|
| | | | yen (millions) |
| Business assets | 1 in Hokkaido | Buildings | ¥ 44 |
| | | Land | 61 |
| | | Total | ¥ 105 |
| The assets expected to be sold | | Aircraft | ¥10,704 |
| | | Total | ¥10,704 |

Note: The recoverable value of the assets is calculated by the value of use, real estate appraisal, or fair value less costs to sell, minus future cash flow of 3.5% to 11.7%.

## 16. Subsequent event

On May 29, 2009, the Company entered into a ¥148,008 millions long-term loan agreement with syndicate banks with terms of five years in order to finance purchase of property and equipment.

## REGISTERED HEAD OFFICE

**All Nippon Airways Co., Ltd.**
Shiodome City Center
1-5-2 Higashi-Shimbashi
Minato-ku, Tokyo 105-7133
Japan

## TRANSFER AGENT

**The Sumitomo Trust and Banking Co., Ltd.**
4-4, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-8233
Japan

## LEGAL ADVISOR TO THE COMPANY

**Morrison & Foerster (UK) LLP**
Citypoint, One Ropemaker Street
London EC2Y 9AW
UK

**Morrison & Foerster LLP**
Shin-Marunouchi Building, 29th Floor
5-1 Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-6529
Japan

## INDEPENDENT AUDITORS

**Ernst & Young ShinNihon LLC**
Hibiya Kokusai Building
2-3 Uchisaiwai-cho 2-chome
Chiyoda-ku, Tokyo 100-0011
Japan

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