

New Mid-Term Business Plan

1. Introduction

During the Phoenix Project – Declaration of Evolution (“PPDE”) period from FY2009 to FY2011, NCA successfully achieved its initiatives to establish the correct cost structure for the size of the fleet and expand the business into different areas of the air logistics. As a result of this success in all three initiatives, NCA could achieve a profit in 2010, one year earlier than its plan. And in 2011, NCA could continue the success with the second consecutive profitable year. Throughout this three year period, NCA enhanced its competitiveness through the cost reductions as well as the preparations for the next step of the growth, i.e., following “toeholds” to the further development of its business.

- a) Establishment of Basic Functions of Chartering Business
- b) Consolidation of Operational Function for Streamlined Decision Making and Effectiveness
- c) Creation of the “Storage Shed” Operation at the South Cargo Area in Narita Airport

This year, NCA will start the commercial flights of new “B747-8F,” allowing NCA to embark onto a new era of the expansion. This is coming at a time when the economy seems to be stagnated throughout Asia (including Japan) and Europe continues to be slow. Exports from Asia to all areas will remain soft, resulting in lower demand for air cargo. Some air-cargo carriers have reduced their capacity in response to this softness.

Over the coming years, NCA will be exposed to even more competition as a result of Open Skies Agreements and capacity expansion in Japan airports. NCA also must compete with the expansion of passenger airline services selling belly cargo on aircraft such as the B777 and B787.

Despite these challenges, NCA is very well positioned to compete in the future because of its well-organized infrastructure cultivated by PPDE. Building on the successes of PPDE, NCA has established new goals for the next mid-term plan called “Phoenix Rising Plan - PRP”, which will be concentrated on profitable expansion and growth of the airline.

Basic Policy

By maintaining safety as the top priority, NCA will become a leading company in the air cargo industry by (1) offering customer-oriented value for air-cargo services, and (2) sustaining profitable results in the global business against the competition.

* Rising Phoenix: To assimilate NCA and mythical bird Phoenix reviving from ashes.

2. Main-terms of Phoenix Rising Plan

■ Scope

Project period: FY2012 – FY2014
 Fleet: 10 x 747s in 2014
 Sales and Profit: Cargo revenue of 100 Billion JPY / Operating Profit of 10 Billion JPY

■ Creation of Global Air-Cargo Carrier

Diversify the business model from “Heavily Relying on Scheduled Service business” to the business consisting of three pillars: (1) current scheduled service, (2) expanded charter business, and (3) new overseas business, all of which can meet customers’ demand for flexibility, create new revenue sources, and expand the business into new markets.

■ Introduction and Maximization of B747-8F

Successful introduction of B747-8F, achieving improved economics on the key routes and reducing the environmental footprint through emission and noise reductions, while maintaining NCA’s safe, reliable service.

■ Strengthen Cost Competitiveness

Strengthen the competitiveness with strong budget management coming from both restructuring of the business processes and reviewing the operational processes.

■ Transformation of Company’s Culture and Development of Human Resources

Transform NCA’s culture to enable faster decision making and increased flexibility.
 Develop NCA people to think more globally. - NCA will provide more opportunities for global assignments to experience alternative cultures and business practices.

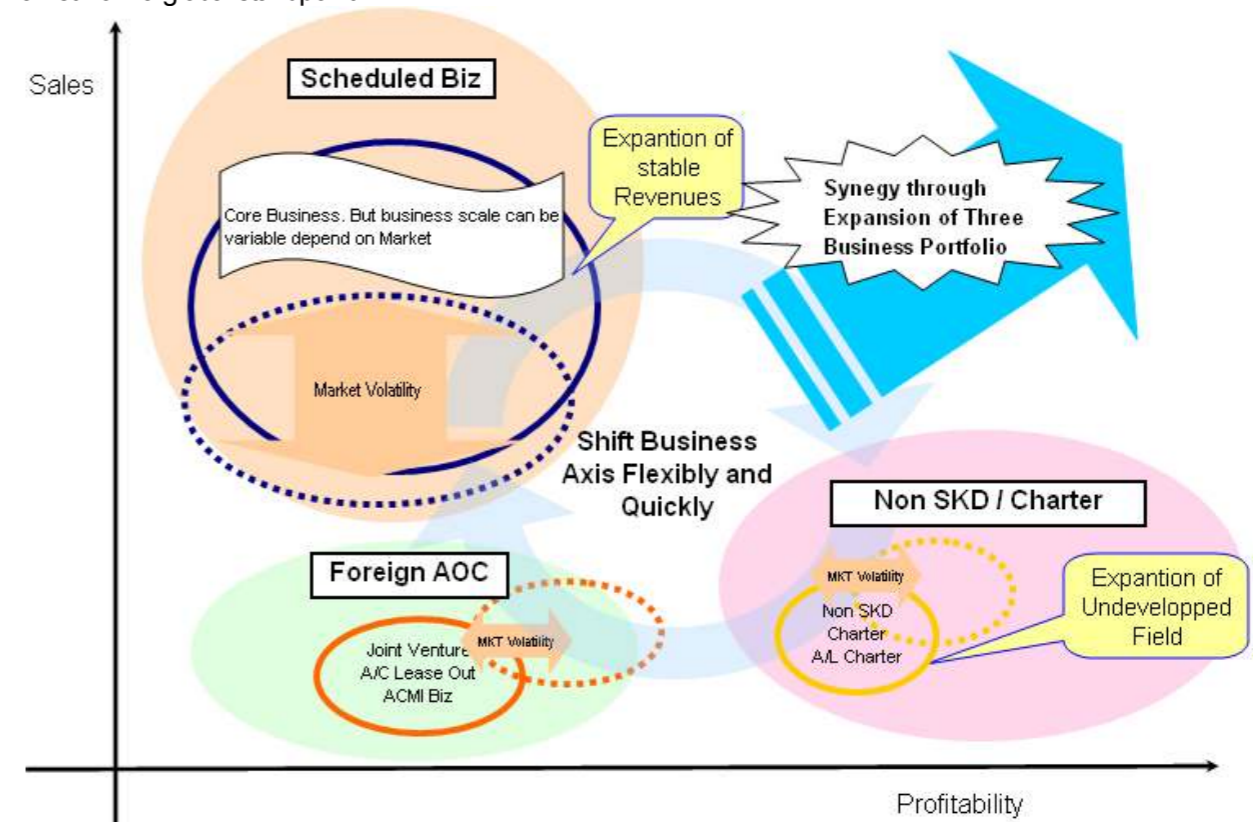
3. Basic Strategy

(1) Basic Strategy

Make the best of the successes of PPDE for the usage of 747-8F’s performance. In addition to the existing business models (scheduled & charter), NCA will seek out the possibility of the new overseas business opportunities. By doing so, NCA can reduce the risk of market volatility by balancing these three business portfolios.

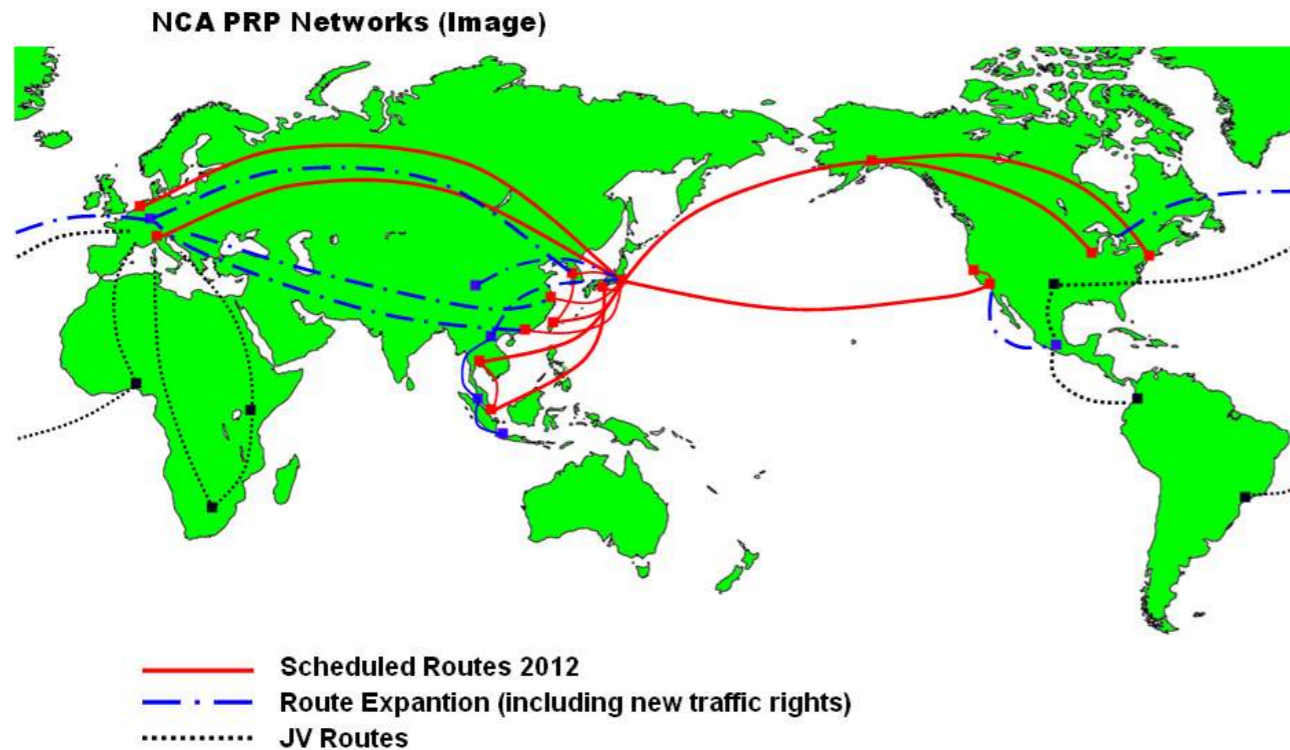
(2) Business Model to Go

- 1) Scheduled Business
 Expand the core business of the scheduled NCA network using a balanced mix of Japanese, Global, Regional, and Local customers. NCA shall achieve this primary revenue source by focusing on the customer’s requirements and maximizing NCA’s assets.
- 2) Non scheduled / Charter Business
 Increase the profitability through enhanced marketing of the charter services, and improve the ability to provide prompt, reliable information to the various customer needs.
- 3) Overseas Business (Non-Japan AOC)
 Capture the growing air cargo markets outside of Japan, and lead the development of the business by viewing the market from a global standpoint.



(3) Network Image in PRP

Develop new routes (in addition to the current network) such as Asia-Europe and Intra Asia by using 5th freedom based on the new Open Skies policy of JCAB. Further expand the business in non-Japan growth areas through development of the new overseas business [Europe-Asia, Europe-Latin America, Europe-North America etc]



4. Focus Area

(1) Evolution on Business Model as a Global Cargo Carrier

- ① Enhanced Global Marketing Functions
Strengthen the abilities in each of the four core regional marketing functions (Asia, Americas, Europe and Japan) to comply with customer needs in local or regional level
- ② Establishment of new Operational Structure (Operation Management Dept.).
Expand the functionality and authority of Operation Management Department. In addition to a Safe & On-time-operation, NCA shall improve the flexibility of the operation to quickly respond to changes in the global marketplace. This includes fully developing the new charter-oriented team and an enhanced focus on eliminating internal and external barriers to the success, such as unreasonable regulations and business conventions.
- ③ Development of HUB Functions in NRT
Establish a self-sufficient operation at the South Cargo Area in order to create strong knowledge and experience at NCA's HUB station. In addition to this, NCA will enhance the cooperation between the Cargo Business Department and Operations Management department to improve the delivery of the service to the customers.
- ④ Overseas Business (such as Joint Venture, e.t.c.)
Make a plan to evaluate overseas business opportunities in order to better utilize NCA's assets. - This will enable us to further expand NCA's global network to areas where NCA's Japan AOC cannot reach.

⑤ Continue of Structural Change and Business Process Improving

Continue improving the business even after the positive results of PPDE. NCA will continue challenging to lower the operating costs and increase its flexibility by using clear targets based on the objective benchmarks or KPIs.

(2) Scheduled Services and Non-Scheduled Services

Scheduled Business

- ① Best Utilization of 747-8F
- ② Expansion of Catchment area and Network by suitable usage of 400F/8F
- ③ Unit cost reduction through higher aircraft utilization

Non scheduled Business

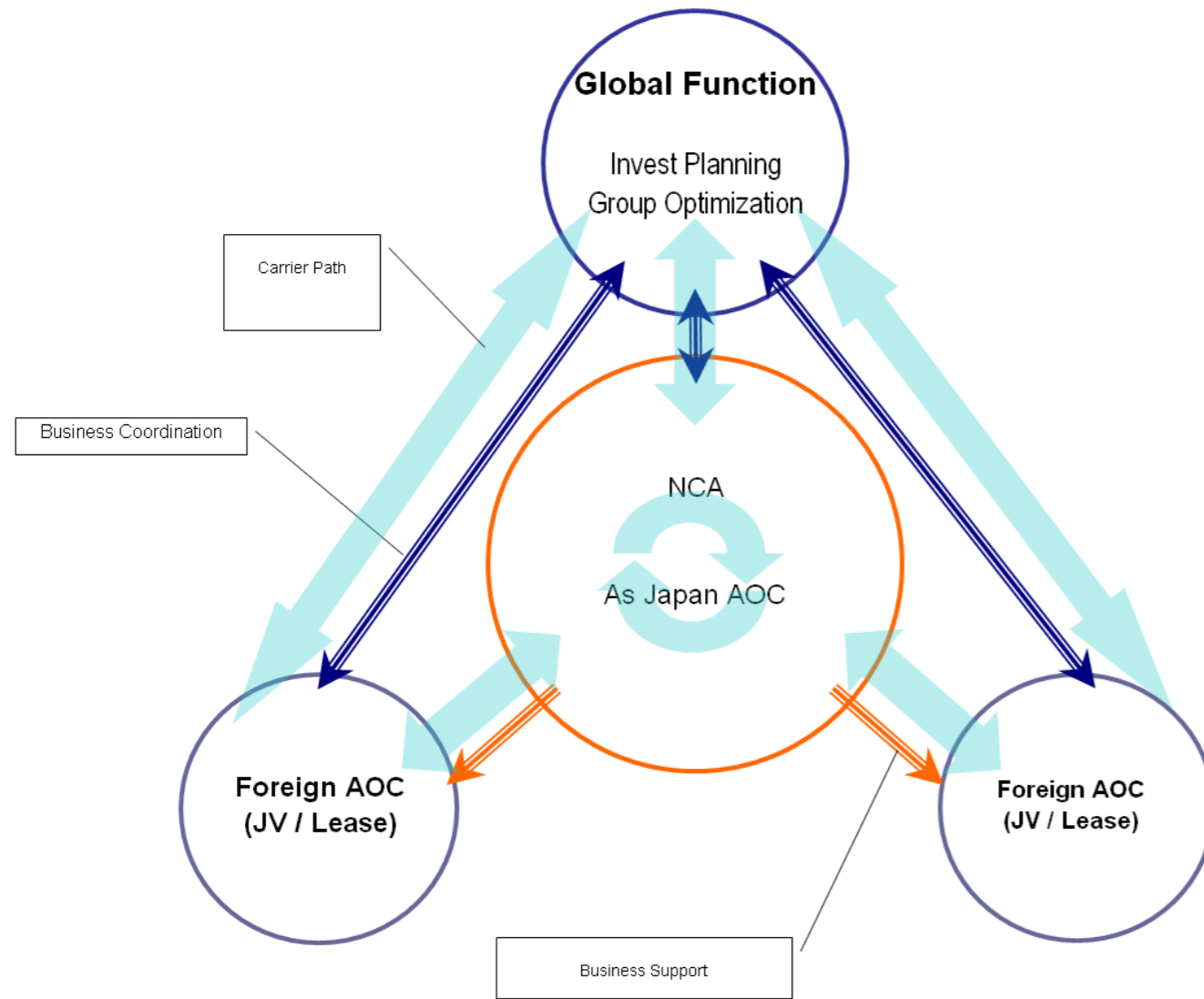
- ① Enhanced marketing of the charter services and capabilities
- ② Evaluate smaller size aircraft by using airline charter * / Use 747F for needs of other air carriers.
* Airline Charter – The airline can charter an aircraft of other carriers. New regulation of JCAB from 2010
- ③ Improve the business flexibility through improved linkage and communications between the Operation Department and the Cargo Business Department

(3) Change mind setting and corporate culture

- ① Improve the coordination for the decision making among each department (to increase the flexibility and responsiveness to business opportunities). NCA people shall also improve themselves to the people who can challenge the innovative changes
- ② Introduce a new personnel system to support employee's mind to change from "Defensive" to "Offensive". The new system will provide clear expectations for each employee, including specific skills and requirements to succeed in their position. Together with effective training programs, NCA will use its global presence in overseas stations to further the career development of employees and provide them with the international experiences to understand how to compete effectively in a global business environment.

5 .Corporate (Group) structure in the Future

Pursue an effective global management structure (in addition to the cargo business covered by NCA's core network) to allow further expansion of NCA's business beyond NCA's Japan AOC as a mid-term target. For the best use of NCA management resources, NCA will evaluate a global function to oversee the development and management of these strategic assets.



* NCA Japan play role of part of Japan AOC

6. Fleet & P&L Plan

Introduction of 747-8F is scheduled in August 2012. Fleet of own operation will become 9 in FY2013, and 10 in FY2014. 400Fs shall be placed as strategic use, out side of NCA operation. Overseas business, Lease to others, Assign to JV etc.

	FY2012	FY2013	FY2014
747-400F	10	10	10
747-8F	2	5	8
G.TTL	12	15	18
[Contents]			
Own Operation	8	9	10
JV/ Lease /Sell off	4	6	8
G.TTL	12	15	18
[P&L Plan (Target)]			(Million JPY)
Operating Profit	2,300	4,000	10,000
Ordinary Profit	1,000	2,500	8,500

END