NCA Phoenix Project 08

May 2008

Phoenix Project 08

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Phoenix Project

May 2006 Released Phoenix Project
Apr 2007 Released Phoenix Project 2.0
Mar 2008 Released Phoenix Project 08

Value: Safety, compliance
Vision: The world's top-ranking cargo airline
Challenges: Established independence
Improved bottom-line results

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Accomplishments in FY2007

① Established Independence of the Airline

Self-sustained operations in Flight Ops, Maintenance, and Traffic

2008: 30th anniversary of company founding

⇒ The beginning of a new era

② Improved Bottom-Line Results

On track toward profitability

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Established Independence of the Airline

Traffic	Inauguration of NCA Japan =	Self-sustained operation in Japan	Jan-07
Engineering	Maintenance of B747-400F =	Self-sustained operation	Jul-07
& Maintenance	Maintenance Hanger - Start of construction		Jan-08
Flight	NCA Crew Training Center - Start of construction		Sep-07
Operations	Flight Control =	Self-sustained operation	Apr-08
	Inauguration of Global Operations Center		Apr-08
IT	Introduction of 3 Core System		Apr-08
Organization	Global business structure through four regional headquarters (RHQs)		Apr-07
	Head-office organization separated into four functions		Jun-07
Network	Inauguration of Jett8, ICN(SEL) service, PEK service		Jun-Nov07
	and direct service between U.S. West Coast and Japan		
Fleet	Retirement of six B747-200Fs		by Mar-08
	Delivery of B747-400Fs: 4 Mar 07, 5 Oct, 6 Dec		

In FY2007, we completed 435 action plans. This enabled us to achieve our goal of establishing an independent airline.

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Business Environment in FY08

Soaring Fuel Prices

Fuel prices in financial plan

$75/BBL (FY07) ⇒ $115/BBL (FY08)

Increased fuel costs: ¥13 billion increase in FY08

⇒ Accelerating retirement of previous-generation aircraft

Market

United States: Subprime loan crisis ⇒ Slowdown in FY08

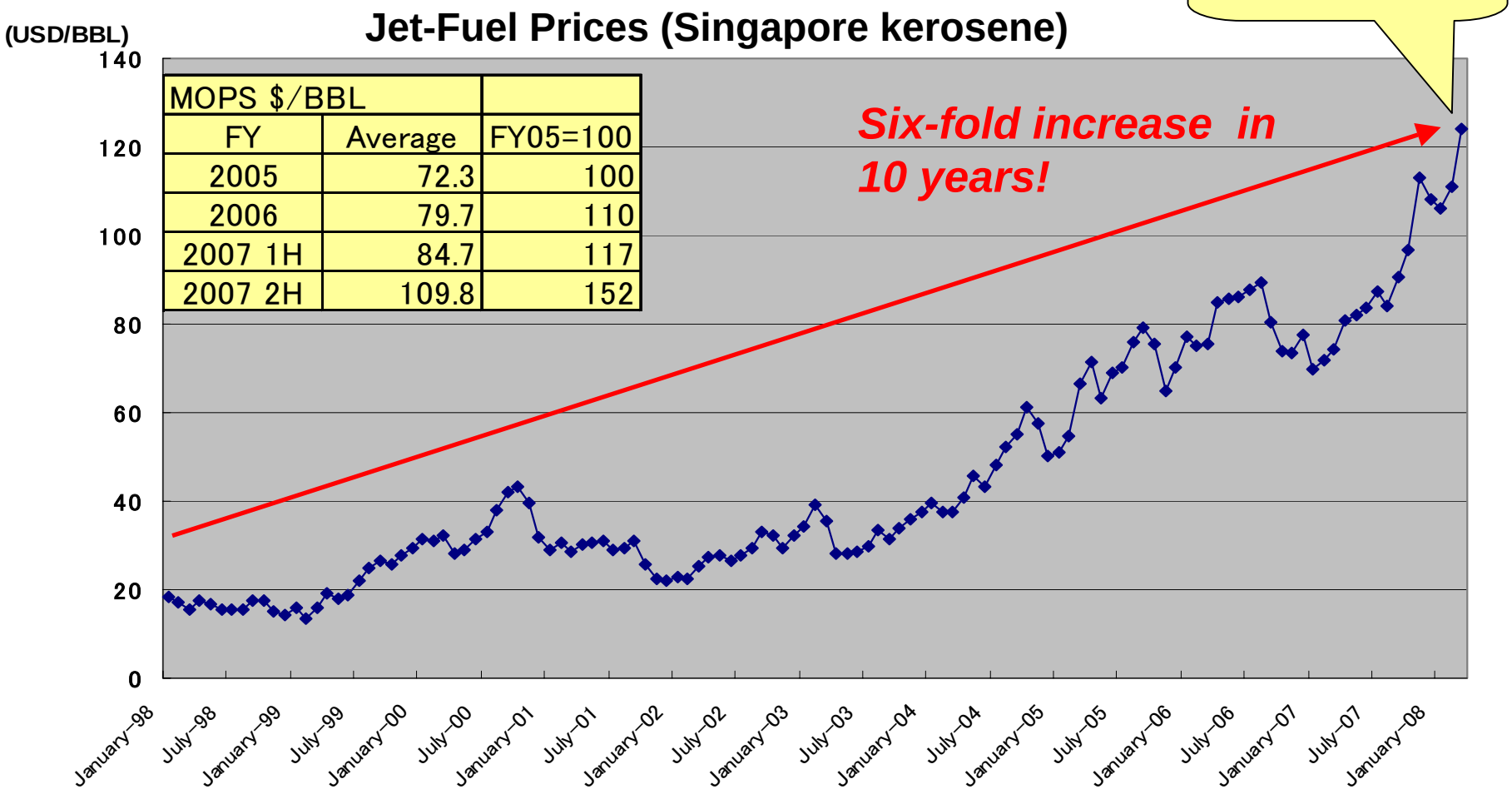
Europe: Steady

Asia: Intensifying competition

For FY2008, we adjusted our business plan to assume higher fuel prices, slower demand in the U.S., and increasing competition in the intra-Asia markets.

Movement of Fuel Prices

Average in Mar 08
$125.4/BBL



MOPS $/BBL		
FY	Average	FY05=100
2005	72.3	100
2006	79.7	110
2007 1H	84.7	117
2007 2H	109.8	152

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NCA's Action in FY2008

- ***Efficient operations***

  Using fleet of cutting-edge new aircraft

  = Improved aircraft utilization, cost reduction

  = Improved on-time performance and quality of service

  B747-200F retirement by March 08 (five months ahead of schedule)

  B747-400F: 6 Apr → 7 Jun → 8 Aug → 9 Oct → 10 Mar 09

- ***Flexibility in operations and marketing in response to the market***
- ***Enhancement in global business based on the growing Asia market***

Business Environment over the Medium Term ①

Generation shift of jumbo jet freighters

Soaring fuel prices ⇒ Large drop in profitability of previous-generation aircraft

Environmental issues ⇒ Greater CO_2/NOx emissions, noise by previous-generation aircraft

Necessity of jumbo jet freighters for long-haul flights, such as flights linking Asia with N. America and Europe

Fleet of Scheduled flight

2007 Summer		2008 Summer	
B747 Classic	B747-400F	B747 Classic	B747-400F
90	156	51 (-39)	169 (+13)

- *More retirements of previous-generation aircraft*
- *Need for more economically efficient aircraft*
- *Increase of demand for jumbo jet freighters*

Business Environment over the Medium Term ②

Cargo Forecast

- *Asia: Engine of growth*
- *Higher growth in the market ex Asia than ex Japan*
- *Market to/from Japan: balanced market*

	RESULT	BOEING (2005-2025)			AIRBUS
	2005-2006	HIGH	BASE	LOW	2006-2025
Asia⇒N.America	2.5%	7.6%	7.1%	6.1%	6.0%
N.America⇒Asia	7.3%	8.5%	7.2%	6.1%	5.8%
Asia⇒Europe	8.9%	8.2%	6.8%	5.6%	7.5%
Europe⇒Asia	10.3%	8.2%	7.0%	5.5%	5.7%
Intra-Asia	5.8%	10.8%	8.6%	6.4%	5.6%

2006-2025	ex Japan	ex ASIA
to N.America	4.5%	6.3%
to Europe	5.0%	7.8%

Source : Airbus

Business Environment over the Medium Term ③

Airport・Aviation Policy

- "Big Bang" of the aviation industry in Japan (2010)
  - Expansion of Narita B-Runway
  - Haneda reinternationalization
- Japanese Government's Asia Gateway Policy
- Progress on open skies policies around the world

  USA–EU, SIN–UK, intra-ASEAN, China–Korea

⇒ The addition of slots in the Tokyo area will result in an increase of flights between Japan and Asia

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NCA's Action

- **Specialization on trunk route, using efficient fleet of planes**

  Japan–Asia ⇔ N. America–Europe/Japan ⇔ Asia

- **Utilization of B747-8F's edge in Japan's "Big Bang"**
- **Global business models to/from Asia through collaboration with strategic partners such as Jett8, etc.**

  Asia ⇔ N. America–Europe–Middle East–Africa

- **Cost/efficiency/quality ⇒ Global competence**
- **Environment-friendly service**

  B747-8Fs, ecological maintenance hangar, etc.

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NCA's Action

Improved Service using an Efficient Fleet

Improved fuel efficiency
More environment-friendly
Full Utilization

→

Operational excellence
Profit maximization


B747 200F


B747 400F


B747 8F

*Fleet before March 28 in FY07
B747-200FX3 +B747-400FX6
Aircraft Age: 7.7

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Comparison of Jumbo Freighters

＊ B747-200F＝100



	Boeing747-200F	Boeing747-400F	Boeing747-8F
Inauguration	1973	1993	2009(Scheduled)
Flight range (full laod)	6,200km	7,850km	8,185km
Max. Payload	105.9t	112.6t	140t
Configurations (Main/Lower)	29 / 9	30 / 9	34 / 12
Crew	Total 3	Total 2	Total 2
Fuel Cost ＊	100	81	63
Maintenance Cost ＊	100	19	20
Noise ＊	100	62	43
CO2 emission ＊	100	85	71
NOx emission ＊	100	70	44

Noise based on 85-dB footprint area

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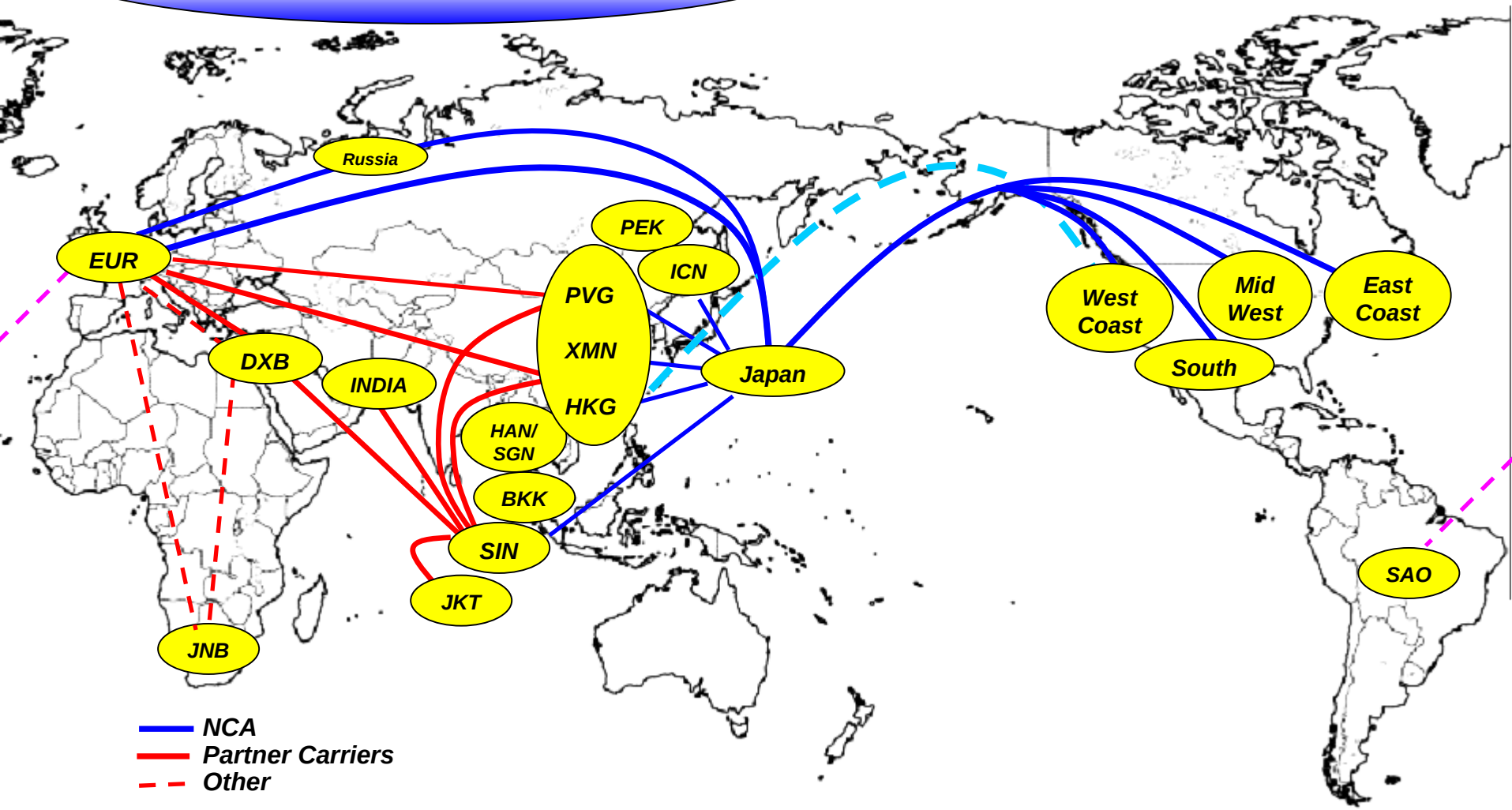
Future Network



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Financial Plan / Fleet Plan

(Unit : ¥billion)

		FY07 (Results)	FY08	FY09	FY10	FY13
Revenue		103	105	130	165	300
Ordinary Profit & Loss		▲ 23	▲ 12	▲ 7	3	22
Aircraft	B747-200F	3*				
	B747-400F	6	10	10	10	10
	B747-8F			2	5	14
	TTL (end of FY)	9	10	12	15	24
Aircraft	Average age	7.7	1.7	2.3	2.8	4.2
	Daily Utilization	11.2	13.5	13.6	13.8	14.0
MOPS		$97	$115	$115	$115	$115
Exchange rate (US dollar)		¥115	¥100	¥100	¥100	¥100

* retired at the end of FY07

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Goal — **FY2013 Rev $3 bil; Ordinary Profit $220 mil**

Powerful Hardware

Competitive Software

Safety・Compliance

Global Evolution

World's top-ranking cargo airline in quality and quantity

Hardware

Ecological fleet of 24 aircraft & the latest facilities

B747-400F X 10

B747-8F X 14

Crew Training Center & Simulator

Maintenance Hangar

Software (Flt Ops・E&M・IT, Human Resources・Organization)

State-of-the-Art IT System

Maintenance	Flight Ops	Cargo
i-Macs(Trax)	i-Sky(Sabre)	i-Cargo
2007 July	2008 April	2008 April

4 functions in HQ GHQ/RHQ

Human Assets = Global Business Leaders

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BOEING747-8F

Comparison with
B747-400F

Advantage for global business expansion
- meets environmental requirements
- lower cost per tonne-mile
- Able to use shorter runways

Capability
Max. Payload: 140 t
Flight Range: 8,185 km

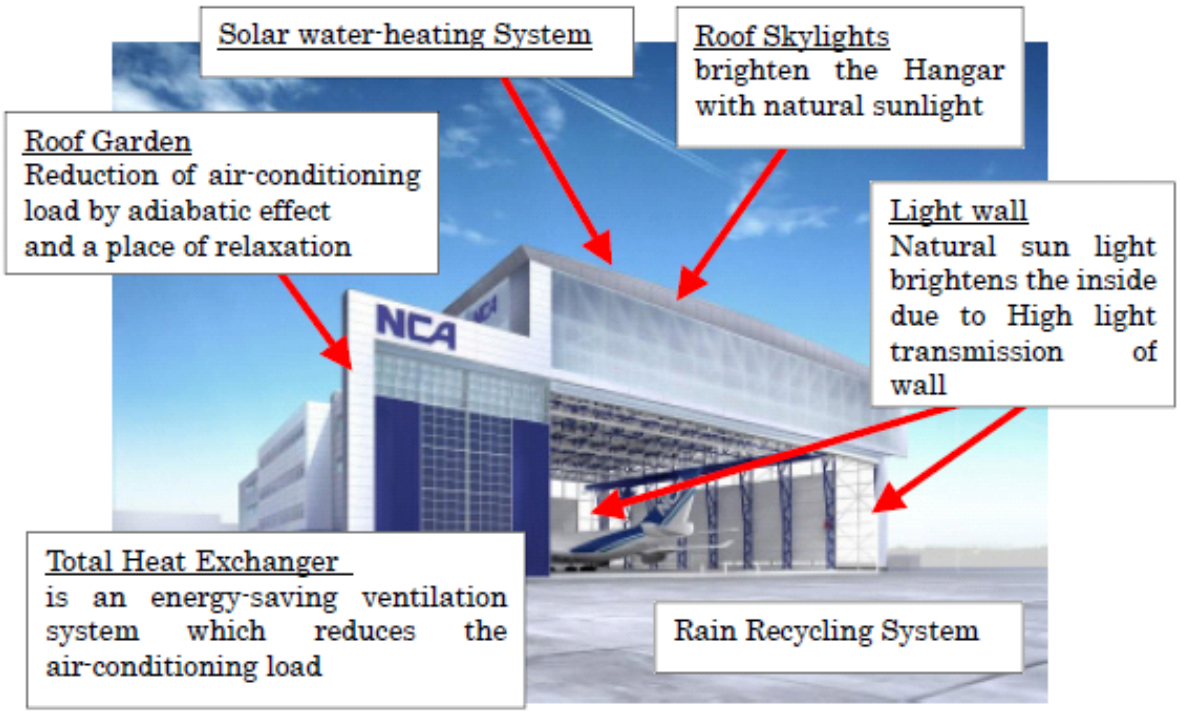
Profitability
+4 Positions on M/D
+3 Positions on L/D
Cost per tonne-mile: ◢16%

Environmental improvements
Engine: Genx

Fuel Efficiency: 17％ increase

Noise: 30% decrease

Environment-Friendly Facilities



Flight Simulator

Electric Motion System
(Conventional system is Hydraulic Motion System)

Eco Hangar

Annual CO_2 Emissions: about 620 t; 200 t (▲30％) less than conventional hangars


Thank You
NCA
JA05KZ
BOEING 747-400F