

To Our Shareholders

Record High Revenues and Operating Income

In the fiscal year ended March 2006, with support from steady improvement in domestic business conditions, ANA took steps to improve its profitability, such as optimally allocating aircraft in line with demand and further reducing costs.

On international routes, to meet strong passenger and cargo demand, we introduced Boeing 777 aircraft, which feature highly economical operation, on all North America routes. On domestic routes, we implemented measures to secure business demand, principally high-yield passengers, such as increasing the number of *Super Seat Premium* seats. Fuel prices rose, but we formulated countermeasures for both revenues and costs and succeeded in minimizing the adverse effects of the higher prices.

As a result, operating revenues were ¥1,368.7 billion and operating income was ¥88.8 billion, both record highs for the Company, and every business segment was profitable.

We also worked to improve our balance sheet, which is a key issue. At the same time, in preparation for converting to new aircraft that will support our growth strategy, we increased our capital by issuing new shares, and at the end of March 2006 our debt/equity ratio and other financial indicators had improved significantly.

Despite a challenging operating environment marked by continued increases in fuel prices, ANA recorded the highest level of profit in the Company's history. We believe that this success is the result of the initiatives that we have implemented and the "security" and "trust" that ANA inspires in its many customers. ANA will continue to focus on safety first and will extend its record of safe operations by a robust safety framework and individual responsibility.

Implementing Our Growth Strategy—Formulation of the ANA Group Mid-Term Corporate Strategy (April 2006 to March 2010) in Preparation for the Expansion of Haneda Airport

The expansion of Haneda Airport is scheduled for completion in 2009. The significant expansion in the airport, which serves the Tokyo metropolitan area and



Mineo Yamamoto, *President and Chief Executive Officer*

where demand is increasingly concentrated, marks a major turning point for Japan's airline industry. On both domestic and international routes, competition is expected to intensify, but for ANA such conditions present an opportunity for substantial growth.

In cargo operations, where growth in demand can be expected, we started new operational development, selling our stake in Nippon Cargo Airlines and deciding to enter international express operations through a tie-up with Japan Post.

Taking into account these changes in the operating environment, we formulated the ANA Group Mid-Term Corporate Strategy (April 2006 to March 2010). In accordance with this strategy, our objective is to be the number one airline in Asia in all areas, including quality, customer satisfaction, and value creation, by the fiscal year ending March 2010. We will strive to achieve operating income of ¥100.0 billion and, in terms of management indicators, to reach the top rank of Asian airlines as measured by the operating income margin and ROA.

Ten Star Alliance Members Located in Terminal 1 at Narita Airport

In the fiscal year ending March 2007, the first year of the ANA Group Mid-Term Corporate Strategy (April 2006 to March 2010), our objectives include operating revenues of ¥1,420.0 billion and operating income of ¥76.0 billion. This is a minimum commitment plan that does not depend heavily on growth in demand. Accordingly, we will strive to respond appropriately to changes in the management environment and to lift our results above planned levels.

In international passenger operations, on June 2, 2006, 10 Star Alliance members, including ANA, moved to the South Wing of Terminal 1 at Narita Airport. This move is expected to enhance convenience, including substantially reduced connection times among Star Alliance members, and to increase Narita's competitiveness as an Asian hub airport. For highly profitable China routes, we are taking steps to ensure that we can rapidly expand our operations if the capacity between Japan and China is increased. On North America routes, we will implement measures to secure business demand, including adding Boeing 777-300ER aircraft, standardizing on the latest cabin product in first class and business class on all routes, and, from the second half of the fiscal year ending March 2007, restarting flights on Chicago routes.

In cargo operations, we will add freighters and aggressively bolster our operational foundation. In February 2006, in a joint venture with Japan Post, we established ANA & JP Express, which will commence operations in August 2006.

In domestic passenger operations, we will pay careful attention to the progress of newcomers as well as that of existing competitors focusing on Haneda routes.

Enhancing Internal Control Systems and Strengthening Corporate Governance

To achieve steady increases in enterprise value, we must strengthen corporate governance, ensuring ongoing management transparency and steady fulfillment of our responsibility to provide information to stakeholders.

Our internal control system—centered on the Risk Management Committee, the Compliance Committee, and the Internal Audit Division—was completed in April 2003, but we will continue to further enhance its capabilities.

Progress in Increasing Shareholder Value

Providing a return to shareholders is a top management priority. Accordingly, we will steadily implement the ANA Group Mid-Term Corporate Strategy (April 2006 to March 2010), which targets 2009, the year in which the expansion of Haneda Airport will be completed. We will strengthen the earnings-generating capability that we have cultivated, achieve growth in revenues and profits by expanding the scale of our operations, and strive to increase shareholder value.

In preparation for future operational expansion, we will work to reinforce our financial position and strengthen our management foundation. In providing a return to shareholders, our fundamental policy is to provide stable, continuous dividends in line with overall consideration of the management environment and performance trends.

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Mineo Yamamoto
President and Chief Executive Officer