

ANA reports consolidated financial results for first quarter ended June 30, 2006

1. Basis of quarterly financial results

(1) Changes in significant accounting policies:

Certain simplified methods compared with the previous financial period are applied.

Impairment of investment securities is not applied.

Tax expenses are calculated from the yearly tax rate forecast, based on the effective statutory tax rate or effective tax rate for the most recent consolidated accounting year. Some simplified methods were used to calculate taxes consequent to the application of the consolidated tax return system.

(2) Changes of scope of consolidation and application of the equity method:

	Consolidation	Equity method
Newly added	1	-
Excluded	1	-

2. Consolidated financial highlights for the first quarter ended June 30, 2006

(1) Summary of consolidated operating results

	FY2006		FY2005		Yen (Millions)
	first quarter	Year on Year (%)	first quarter	Year on Year (%)	FY2005
Operating revenues	345,222	10.5	312,350	5.1	1,368,792
Operating income	19,534	66.1	11,759	32.6	88,802
Recurring profit	14,485	132.8	6,223	6.0	66,755
Net income	7,684	255.7	2,160	(10.9)	26,722

(2) Summary of consolidated financial positions

	FY2006	FY2005	Yen (Millions)
	first quarter	first quarter	FY2005
Total assets	1,631,775	1,575,708	1,666,843
Shareholders' equity	384,206	217,404	346,309
Net worth ratio	23.1%	13.8%	20.8%

(3) Summary of consolidated cash flows

	FY2006	FY2005	Yen (Millions)
	first quarter	first quarter	FY2005
Cash flows from operating activities	17,358	2,252	128,525
Cash flows from investing activities	(49,892)	951	(46,449)
Cash flows from financing activities	(34,930)	(35,687)	(3,137)
Cash and cash equivalents at the end of the period	175,222	131,075	242,785

3. Forecast of consolidated operating results for the period ending March 31, 2007

No revision of the forecasted operating results for the period ending March 31, 2007 has been made.

Overview of consolidated financial results for first quarter ended June 30, 2006

Business Performance

Overview of first quarter of fiscal year under review (from April 1, 2006 to June 30, 2006)

The gradual recovery of the Japanese economy continued, driven by strong corporate performance and a recovery in individual consumption. However, there are still some uncertain factors which could impact corporate performance, including the continued skyrocketing petroleum prices due to the geopolitical situations in the Middle East and Asia. Set in such an environment, ANA Group continued with its initiatives to expand and enhance services, as part of our long-running strategy to differentiate ourselves by improving passenger convenience, while at the same time accelerating the transformation of our cost structure. Thanks to those efforts, our consolidated business performance was as follows; operating revenues of ¥345.2 billion (¥32.8 billion year-on-year increase); operating income of ¥19.5 billion (¥7.7 billion year-on-year increase); recurring profit of ¥14.4 billion (¥8.2 billion year-on-year increase), and net income of ¥7.6 billion (¥5.5 billion year-on-year increase).

Performance by business segment was as follows (note that sales for each business include inter-segment sales).

【 Air Transportation 】

Passenger demand was consistently strong in our domestic passenger business, especially flights into and out of Haneda. We also worked to create demand through such means as new passenger-fare discounts named 'tabi-wari', introduced to counter competition starting up on particular routes, and the expected drop in passengers due to this being the year following Expo 2005 Aichi Japan. As a result, the number of passengers rose 2.3% year-on-year, and domestic passenger revenues increased by ¥10.3 billion.

Our international passenger business performed strongly. Last year, passenger demand to China fell due to anti-Japan demonstrations, but this year our China routes completely recovered, and we succeeded at converting high business and tourism demand on our China routes and other international routes into ticket sales. We also worked to improve passenger convenience through the opening of the Narita New Terminal 1 South Wing, grouping the members of the Star Alliance together. As a result, the number of passengers increased 16.2% year-on-year, and international passenger revenues increased by ¥12.3 billion.

Along with the economic recovery, the movement of cargo also picked up. Meanwhile, price competition with our cargo-business rivals grew fiercer on international lines. In such circumstances, we succeeded in increasing shipping volumes on both international and domestic routes. As a result, domestic cargo revenues increased by ¥200 million, and our international cargo revenues by ¥1,300 million.

Skyrocketing petroleum prices pushed up our fuel expenses ¥9.5 billion against the previous year, and our sales-related expenses also rose alongside increased sales for this quarter. Nevertheless, we continued to work to allocate appropriate aircraft to meet demand, as well as save on fuel expenses, and reduce our general expenses. As a result, operating revenue for the air-transportation business were ¥287.8 billion (¥29.3 billion year-on-year increase), and operating income was ¥17.4 billion (¥7.2 billion year-on-year increase).

【 Travel Business 】

In the travel business segment, we actively responded to the recovery of passenger demand on our China routes and strong overall passenger demand, introducing new product mixes, including 'Tabi-saku', in which flights and accommodation can be freely combined. With those efforts, operating revenue in this segment increased by ¥3.2 billion against the previous year, and operating income was ¥300 million (¥100 million year-on-year increase).

【 Hotel Business 】

Total sales grew year-on-year in every section (accommodation, restaurant and catering) thanks to such factors as the refurbishment of certain of hotels over the past fiscal years, raising overall quality. As a result, operating revenue grew by ¥700 million year-on-year. With a reduction in costs, operating income was ¥1 billion (¥1 billion year-on-year increase).

【 Other Businesses 】

Performance in our other businesses was generally strong, especially our retail income from airport shops, and mail-order sales. Operating revenue showed a ¥400 million increase against the previous year, with operating income of ¥600 million (¥400 million year-on-year decrease). Note that this loss was mainly due to our sale of ANA Real Estate Co., Ltd. in the previous year.

Financial Positions

Although our tangible fixed assets grew by ¥26.3 billion against the period ended March 31, 2006 due to the acquisition of aircrafts mainly, our liquid assets (cash and marketable securities) fell by ¥67.8 billion. As a result, our total assets fell by ¥35.0 billion.

Interest-bearing debt was reduced by ¥29.0 billion, mainly through the repayment of corporate bonds, and our total liabilities were reduced by ¥65.8 billion.

As a result of increased net profit for the period under review, and our payment of dividends, our earned surplus grew by ¥1.8 billion. The deferred gain included in net assets was ¥29.4 billion, and total net assets were ¥384.2 billion (¥30.7 billion year-on-year increase). As a result, our net worth ratio was 23.1%.

Our cash flow from operating activities in the first quarter of the fiscal year under review was ¥17.3 billion, due to an increase in net profit before tax adjustments, and lower corporate tax and other payments than in the same quarter in the previous year.

Our cash flow from investing activities was negative ¥49.8 billion, mainly due to payments for the acquisition of aircrafts.

Our cash flow from financing activities was negative ¥34.9 billion, due to procurement and repayment of loans, repayment of corporate bonds, and payment of dividends. As a result, our cash and cash equivalents as of the end of the first quarter of the fiscal year under review were ¥175.2 billion, a ¥67.5 billion year-on-year decrease.

(1) Consolidated Statements of Income (Loss)

Yen(Millions)

	FY2006 first quarter Apr.1 - Jun.30	FY2005 first quarter Apr.1 - Jun.30	Difference
Operating revenues and expenses			
Operating revenues	345,222	312,350	32,872
Operating expenses	260,854	241,548	19,306
Sales, general and administrative expenses	64,834	59,043	5,791
Operating income	19,534	11,759	7,775
Non-operating income and expenses			
Non-operating income	1,793	2,063	(270)
Interest income	254	165	89
Other	1,539	1,898	(359)
Non-operating expenses	6,842	7,599	(757)
Interest expenses	3,915	4,525	(610)
Other	2,927	3,074	(147)
Total Recurring Profit	14,485	6,223	8,262
Extraordinary gains	34	5	29
Gain on sale of investment securities	-	1	(1)
Other	34	4	30
Extraordinary losses	1,031	2,413	(1,382)
Loss on sale of fixed assets	-	2,304	(2,304)
Loss on retirement of fixed assets	35	2	33
Other	996	107	889
Net income before taxes	13,488	3,815	9,673
Corporate, inhabitant and enterprise tax	5,686	1,898	3,788
Minority interests in income of consolidated subsidiaries	118	(243)	361
Net income	7,684	2,160	5,524

(2) Consolidated Balance Sheets

Yen(Millions)

	FY2006 first quarter As of Jun.30	FY2005 As of Mar.31	Difference
Assets			
Current assets	471,983	530,374	(58,391)
Cash, deposits and Marketable securities	191,221	259,106	(67,885)
Trade accounts receivable	120,007	113,316	6,691
Inventories	59,164	57,915	1,249
Other	101,591	100,037	1,554
Fixed assets	1,158,910	1,135,463	23,447
Tangible fixed assets	953,779	927,409	26,370
Intangible fixed assets	43,619	41,850	1,769
Investments and others	161,512	166,204	(4,692)
Deferred assets	882	1,006	(124)
Total assets	1,631,775	1,666,843	(35,068)
Liabilities			
Current liabilities	462,556	480,848	(18,292)
Trade accounts payable	151,459	170,729	(19,270)
Short-term loans, Current portion of long-term debt and current portion of bonds payable	160,415	149,438	10,977
Other	150,682	160,681	(9,999)
Long-term liabilities	785,013	832,554	(47,541)
Bonds payable and Long-term debt payable	656,820	696,879	(40,059)
Accrued employees' retirement benefits	109,194	107,377	1,817
Other	18,999	28,298	(9,299)
Total liabilities	1,247,569	1,313,402	(65,833)
Minority interests	-	7,132	-
Shareholders' equity			
Common stock	-	160,001	-
Capital surplus	-	125,605	-
Earned surplus	-	52,697	-
Unrealized gains on securities	-	9,410	-
Foreign currency translation adjustment	-	(376)	-
Treasury stock	-	(1,028)	-
Total shareholders' equity	-	346,309	-
Total liabilities, minority interests and shareholders' equity	-	1,666,843	-

NET assets			
Shareholders' equity			
Common stock	160,001	-	-
Capital surplus	125,607	-	-
Earned surplus	54,539	-	-
Treasury stock	(1,051)	-	-
Evaluation and exchange Adjustments			
Unrealized gains on securities	9,064	-	-
Deferred hedge gains	29,408	-	-
Foreign currency translation adjustment	(539)	-	-
Minority interests	7,177	-	-
Total NET assets	384,206	-	-
Total liabilities, minority interests and NET assets	1,631,775	-	-

(3) Consolidated Statement of Cash Flows

	Yen (Millions)	
	FY2006 first quarter Apr.1 - Jun.30	FY2005 first quarter Apr.1 - Jun.30
I. Cash flows from operating activities		
Net income before taxes	13,488	3,815
Depreciation and amortization	18,821	18,308
Other, net	(14,951)	(19,871)
Net cash provided by (used in) operating activities	17,358	2,252
II. Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	(65,676)	(46,948)
Proceeds from sale of tangible fixed assets	23,295	53,447
Payment for acquisition of intangible fixed assets	(3,373)	(1,764)
Other, net	(4,138)	(3,784)
Net cash provided by (used in) investing activities	(49,892)	951
III. Cash flows from financing activities		
Increase (Decrease) in short-term loans (Net)	(2,771)	(887)
Proceeds from long-term debt	27,878	-
Repayment of long-term debt	(24,096)	(28,604)
Redemption of bonds	(30,000)	-
Payment for dividends	(5,842)	(5,010)
Other, net	(99)	(1,186)
Net cash provided by (used in) financing activities	(34,930)	(35,687)
IV. Effect of exchange rate changes on cash and cash equivalents		
	(99)	270
V. Net increase (decrease) in cash and cash equivalents	(67,563)	(32,214)
VI. Cash and cash equivalents at the beginning of the period	242,785	163,155
VII. Net increase (decrease) resulting from changes in scope of consolidation	-	134
VIII. Cash and cash equivalents at the end of the period	175,222	131,075

(4) Segment information

The Company and consolidated subsidiaries conduct operations in air transportation, travel services, hotel operations and other businesses. Businesses other than air transportation, travel services and hotel operations 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. Segment information is as follows:

	Yen (Millions)						
<FY2006 first quarter Apr.1 - Jun.30>	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated
Operating revenues	262,475	40,641	14,290	27,816	345,222	-	345,222
Intra-group sales and transfers	25,373	4,528	1,946	18,102	49,949	(49,949)	-
Total	287,848	45,169	16,236	45,918	395,171	(49,949)	345,222
Operating expenses	270,428	44,788	15,141	45,266	375,623	(49,935)	325,688
Operating income	17,420	381	1,095	652	19,548	(14)	19,534

<FY2005 first quarter Apr.1 - Jun.30>							Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated	
Operating revenues	234,262	37,743	13,509	26,836	312,350	-	312,350	
Intra-group sales and transfers	24,204	4,225	1,944	18,650	49,023	(49,023)	-	
Total	258,466	41,968	15,453	45,486	361,373	(49,023)	312,350	
Operating expenses	248,285	41,713	15,385	44,431	349,814	(49,223)	300,591	
Operating income	10,181	255	68	1,055	11,559	200	11,759	

(5) Breakdown of Operating Revenues (Air transportation)

	Yen(Millions)		
	FY2006 first quarter Apr.1 - Jun.30	FY2005 first quarter Apr.1 - Jun.30	Difference
Domestic routes			
Passenger	167,379	157,013	10,366
Cargo	7,315	7,075	240
Mail	2,162	1,855	307
Baggage handling	79	71	8
Subtotal	176,935	166,014	10,921
International routes			
Passenger	65,081	52,731	12,350
Cargo	13,885	12,490	1,395
Mail	782	696	86
Baggage handling	133	121	12
Subtotal	79,881	66,038	13,843
Revenues from scheduled flights	256,816	232,052	24,764
Other operating revenues	31,032	26,414	4,618
Operating revenues	287,848	258,466	29,382

Notes: Segment operating revenue includes inter-segment transactions.

(6) Overview of Airline Operating Results (Consolidated)

	FY2006 first quarter Apr.1 - Jun.30	FY2005 first quarter Apr.1 - Jun.30	Year on year (%)
Domestic routes			
Number of passengers	11,106,843	10,855,399	102.3
Available seat-km (thousand km)	15,269,575	15,045,613	101.5
Revenue passenger-km (thousand km)	9,630,321	9,360,636	102.9
Passenger load factor	63.1	62.2	0.9
Cargo(tons)	107,689	100,816	106.8
Cargo traffic volume (thousand kg)	104,273	97,774	106.6
Mail(tons)	20,554	18,782	109.4
Mail traffic volume (thousand kg)	22,213	20,091	110.6
International routes			
Number of passengers	1,091,636	939,754	116.2
Available seat-km (thousand km)	6,456,989	6,206,159	104.0
Revenue passenger-km (thousand km)	4,923,210	4,456,855	110.5
Passenger load factor	76.2	71.8	4.4
Cargo(tons)	61,516	57,588	106.8
Cargo traffic volume (thousand kg)	282,296	266,748	105.8
Mail(tons)	3,732	3,440	108.5
Mail traffic volume (thousand kg)	16,186	14,456	112.0

Notes:

Domestic routes: ANA Group + Code share flights (IBEX airlines co., ltd, and Hokkaido international airlines co., ltd.(AIR DO), and Skynet Asia Airways.)

International routes: ANA Group + Code share flights (United Airlines and EVA Airways)

Each result does not include results of charter flights.

Domestic routes' data include results of night cargo flights.