

ANA Reports Profitable First Half to Fiscal Year 2006

TOKYO October 31, 2006 ANA Group today reported a profitable first half for the current fiscal year, the six months period from April 1 – September 30, 2006.

Consolidated financial results

A consolidated net profit of ¥33.2 billion (2005: ¥19.7 billion) was posted on revenue of ¥752.8 billion (2005: ¥690.9 billion). These figures represent a 9% improvement in revenue and a 68.8% improvement in net profit compared with the previous year – ANA's highest ever net profit at the half year point. However, the large difference can be attributed partly to an extraordinary loss posted in fiscal 2005, which arose from a change in accounting methods. No conspicuous extraordinary loss was reported in the present term under discussion.

Operating profit fell 1.2% to ¥68.7 billion (2005: ¥69.5 billion) squeezed by an almost 41% increase in fuel costs compared with the previous term. As a result, recurring profit also dropped 2.4% to ¥57.9 billion (2005: ¥59.4 billion).

Air Transportation Segment

ANA Group consists of air transport, travel, hotel operations and other businesses. Taking the air transportation segment alone, a consolidated revenue of ¥629.3 billion (2005: ¥573.3 billion) and an operating profit of ¥60.7 billion (2005: ¥62.6 billion) were posted. Airlines* within the Group carried 25.6 million passengers (2005: 25.2 million) over 30.4 billion Revenue Passenger Kilometres (RPKs), which breaks down to 23.3 million domestic passengers and 2.2 million international passengers over 20.4 billion and 9.9 billion RPKs, respectively.

Domestic Air Transport

In the Japanese domestic market, despite increased competition on trunk routes, the number of passengers carried held steady vis-à-vis the previous year, when domestic travel was buoyed up by the World Expo of summer 2005. Amongst other factors, the retention of passengers is attributed to the successful introduction of the new *Tabiwari* promotional fare, in April, which spurred demand for individual travel. ANA has also continued its efforts to make air travel ever more simple and convenient, and on September 1 started its innovative 'SKIP' service at 24 airports up and down the country, which removes the physical need to check-in for flights.

"The good results from the first six months of this year are evidence of the recovering Japanese economy and the increasing demand for air travel within that, particularly business travel. Domestically, we are pleased to have beaten last year's passenger and revenue figures, given that demand was particularly high in summer 2005 because of the Aichi World Expo, and that more airlines have been competing on our trunk routes since April this year," commented Tomohiro Hidema, ANA's Executive Vice President, Finance. "Internationally, we have been able to improve our load factors and capture a growing number of passengers, while maintaining capacity at more or less the same level," he continued.

International Air Transport

On the international front, strong demand for individual travel - in particular business travel - continued to fuel demand. The six months under review saw the completed roll-out of the popular New Style Club ANA product on North American routes. Aircraft downsizing and increased frequencies on Osaka (Kansai) – Qingdao and Osaka (Kansai) – Xiamen achieved a better match of aircraft type with demand and secured greater passenger convenience.

Demand for leisure travel to China showed no residual effect of the anti-Japan demonstrations which depressed passenger numbers in the same period of the previous term. The June 2 move to Terminal 1 at Tokyo's Narita airport with other Star Alliance member carriers resulted in vastly improved connecting times and amenities for all passengers. Facilities for first and business class passengers in particular were greatly enhanced.

As a result, passenger growth outstripped capacity growth, and revenue improved 20% compared with same period of the previous year.

Cargo

Healthy demand for cargo services was also evident throughout the six months under review, with gains in both domestic and international arenas. Domestically, figures were buoyed up by the improving economic outlook in Japan, and the addition of extra late-night cargo flights in February this year. Internationally, ANA was able to capture a greater share of the Japan-North America market thanks to the introduction of aircraft with greater cargo capacity on those routes.

Outlook for Fiscal Year 2006

The economic recovery in Japan is expected to continue and with it a healthy demand for air transportation services. Combined with ANA's drive to increase sales to counter growing competition, this is expected to produce revenue outstripping that of earlier forecasts. However, the price of fuel is also expected to continue at its current historically high level, and greater sales and marketing costs will be incurred as ANA moves to grow passenger numbers, driving up operating costs and squeezing profits. Accordingly, while revenue projections will be raised, projected costs will also increase. Although ANA will continue its on-going efforts to reduce them at all levels, costs are forecast to increase by ¥30 billion, and revenue by the same amount; profit forecasts remain unchanged. The revised forecast and detailed results for the period under review can be found in the following tables.

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Notes

All figures are rounded down (except percentages). All comparisons are year-on-year.

*ANA Group Airlines: ANA, Air Nippon (ANK), Air Japan (AJX), A-Net (Air Nippon Network), Air Next (NXA), Air Central (CRF).

Consolidated Financial Results

Unit: billion yen (rounded down)

	FY 2006 mid-term	FY 2005 mid-term	difference	%
Operating revenue	752.8	690.9	61.9	+9.0
Operating cost	684.0	621.3	62.7	+10.1
Operating profit	68.7	69.5	-0.8	-1.2
Non-operating revenue	-10.7	-10.1	-0.6	--
Recurring profit	57.9	59.4	-1.4	-2.4
Extraordinary profit/loss	-1.1	-14.7	13.6	--
Net profit	33.2	19.7	13.5	+68.8

Financial Results by Segment

Unit: billion yen (rounded down)

	FY 2006 mid-term		FY2005 mid-term		difference	
	Revenue	Op profit	Revenue	Op profit	Revenue	Op profit
Air Transport	629.3	60.7	573.3	62.6	55.9	-1.9
Travel	109.0	2.4	104.1	2.6	4.8	-0.1
Hotels	33.4	3.1	32.3	0.9	1.1	+2.2
Other	99.5	2.3	92.8	2.9	6.6	-0.5

Domestic Air Transport

Revenue given in billion yen (rounded down)

	FY 2006 mid-term	FY2005 mid-term	Difference	%
Revenue	372.9	354.3	18.6	+5.3
Passengers (1,000 pax)	23,393	23,272	121	+0.5
ASK (million km)	31,460	30,920	540	+1.7
RPK (million km)	20,471	20,303	168	+0.8
Load factor (%)	65.1	65.7	-0.6	--

International Air Transport

Revenue given in billion yen (rounded down)

	FY 2006 mid-term	FY2005 mid-term	Difference	%
Revenue	138.2	115.2	23.0	+20.0
Passengers (1,000 pax)	2,239	1,999	241	+12.0
ASK (million km)	12,839	12,598	241	+1.9
RPK (million km)	9,996	9,263	733	+7.9
Load factor (%)	77.9	73.5	4.4	--

Cargo

Revenue given in billion yen (rounded down)

		FY 2006 mid-term	FY2005 mid-term	Difference	%
Domestic	Revenue	15.1	14.5	0.6	+4.2
	Freight carried (1,000 tonne)	224	210	13	+6.4
	Freight Tonne Kilometres (mil)	216	204	12	+6.1
International	Revenue	28.5	25.6	2.9	+11.5
	Freight carried (1,000 tonne)	128	118	10	+8.5
	Freight Tonne Kilometres (mil)	577	543	34	+6.2

Revised Forecast for Fiscal Year 2006

Unit: billion yen (rounded down)

FY2006 Forecast	Revised forecast	Original forecast (Apr 28, 06)	Difference
Operating Revenue	1,450	1,420	30.0
Operating cost	1,374	1,344	30.0
Operating profit	76.0	76.0	0
Recurring profit	47.5	47.5	0
Net profit	27.0	27.0	0