

## **ANA reports consolidated financial results for third quarter ended December 31, 2006**

### **1. Basis of quarterly financial results**

(1) Changes in significant accounting policies:

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	4	1
Excluded	6	-

### **2. Consolidated financial highlights for the third quarter ended December 31, 2006**

(1) Summary of consolidated operating results

Yen (Millions)

	FY2006 1Q-3Q	Year on Year (%)	FY2005 1Q-3Q	Year on Year (%)	FY2005
Operating revenues	1,134,554	9.3	1,038,190	5.7	1,368,792
Operating income	91,739	2.0	89,953	10.9	88,802
Recurring profit	72,778	(3.4)	75,356	15.4	66,755
Net income	42,610	42.5	29,906	(14.8)	26,722

(2) Summary of consolidated financial positions

Yen (Millions)

	FY2006 3Q As of Dec.31	FY2005 3Q As of Dec.31	FY2005 As of Mar.31
Total assets	1,642,324	1,647,267	1,666,843
Shareholders' equity	410,977	251,597	346,309
Net worth ratio	24.5%	15.3%	20.8%

(3) Summary of consolidated cash flows

Yen (Millions)

	FY2006 1Q-3Q	FY2005 1Q-3Q	FY2005
Cash flows from operating activities	135,967	126,976	128,525
Cash flows from investing activities	(97,616)	(56,715)	(46,449)
Cash flows from financing activities	(67,067)	(39,601)	(3,137)
Cash and cash equivalents at the end of the period	214,142	194,227	242,785

### **3. Forecast of consolidated and non-consolidated operating results for the period ending March 31, 2007**

Yen (Millions)

	Operating revenues	Recurring profit	Net income
Consolidated	1,480,000	59,000	28,000
Non-consolidated	1,290,000	44,000	19,000

This forecast is made based on (1) the information available to ANA as of the date of publication of this material and (2) assumptions as of the same date with respect to the various factors which might have impact on the future financial result of ANA. The reader should be aware that actual results could differ materially due to various factors with reference to the supporting data.

## **Overview of consolidated financial results for third quarter ended December 31, 2006**

### **Business Performance**

#### **Overview of third quarter of fiscal year under review (from April 1, 2006 to December 31, 2006)**

The gradual recovery of the Japanese economy continued, driven by strong corporate performance. However, there were still some uncertain factors with the potential to impact corporate performance, including high fuel prices. Under these circumstances, ANA Group continued its efforts to improve profitability and strengthen its financial base by accelerating sales promotion activities and transforming its cost structure. Thanks to those efforts, our consolidated business performance was as follows: operating revenues of ¥1,134.5 billion (¥96.3 billion year-on-year increase); operating income of ¥91.7 billion (¥1.7 billion year on-year increase); recurring profit of ¥72.7 billion (¥2.5 billion year-on-year decrease), and net income of ¥42.6 billion (¥12.7 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 driven by solid corporate performance. We worked to create demand through such means as new promotional fares named 'tabi-wari' and a new check-in process named "Skip" service. In addition to these, we set in place a number of campaigns to stimulate passenger demand, especially for flights into and out of Okinawa. As a result, the number of passengers rose 2.0% year-on-year, the unit price was up 4.0% year-on-year, and domestic passenger revenues increased by ¥31.9 billion.

Our international passenger business performed strongly, centered on business demand. Last year, passenger demand to China was down due to anti-Japan demonstrations, but this year our China routes completely recovered, and we enjoyed high demand for leisure travel. We also worked to improve passenger convenience by grouping Star Alliance member airlines in the newly opened South Wing of Narita Airport's Terminal 1, expanding of our network by starting flights between Narita and Chicago, and increasing flights between Osaka (Kansai) and Shanghai. As a result, the number of passengers grew 10.9% year-on-year, the unit price was up 9.3% year-on-year, and international passenger revenues increased by ¥36.7 billion.

In the domestic cargo business, we expanded late-night services and worked to match supply with strong demand in line with the recovery of the economy. As for international cargo, ANA & JP express began operations and ANA introduced new freighters to its fleet to capture increasing demand. Against this background, we succeeded in increasing shipping volumes on both international and domestic routes. As a result, domestic cargo revenues increased by ¥0.8 billion and our international cargo revenues by ¥5.3 billion.

The high price of fuel greatly added to our costs for the period under review, in addition to which increased sales promotion activities as well as depreciation on the sale of aircraft drove costs upward. Nevertheless, we continued to work to reduce costs by allocating appropriate aircraft to meet demand and introduced newer, more efficient aircraft into our fleet. As a result, operating income was ¥79.7 billion.

#### **【 Other Businesses 】**

In the travel business, we actively responded to the recovery of passenger demand on our China routes, and strong overall passenger demand, by introducing new travel products. Thanks to these efforts, operating revenue in this segment increased by ¥5.8 billion and operating income was ¥2.9 billion.

In the hotel business, our Tokyo and Okinawa properties enjoyed increased sales thanks to such factors as refurbishment, which thus enhanced quality, and continued efforts to reduce costs. As a result, operating revenue grew by ¥1.0 billion year-on-year and operating income was ¥4.9 billion.

Performance in our other businesses was generally strong, especially in the airport retail and mail-order area. Operating revenue showed a ¥7.7 billion increase compared with the previous year. Operating income was down to ¥4.1 billion, mainly due to the sale of ANA Real Estate Co., Ltd. in the previous year.

### **Financial Position**

Our cash flow from operating activities in this quarter was ¥135.9 billion and cash flow from investing activities was -¥97.6 billion, mainly due to payments for the acquisition of aircraft. As a result, our free cash flow was ¥38.3 billion.

Cash flow from financing activities was -¥67.0 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 this quarter were ¥214.1 billion, a ¥28.6 billion year-on-year decrease.

Although our tangible fixed assets grew compared with the period ended March 31, 2006 due mainly to the acquisition of aircraft, our liquid assets (cash and marketable securities) fell. As a result, our total assets fell by ¥24.5 billion. Interest-bearing debt was reduced by ¥62.6 billion and our total liabilities were reduced by ¥82.0 billion.

As a result of increased net profit for the period and other factors, total net assets were ¥410.9 billion, a ¥57.5 billion year-on-year increase, and our net worth ratio was 24.5%.

### **Revision of the Financial Forecast for fiscal year 2006, ended March 31, 2007**

Our performance up to the end of the third quarter of the fiscal year under review was strong: operating income exceeded our expectations thanks to increased revenues mainly from air transportation. However, a continuation of the severe business climate is predicted, including the unstable international political situation and the high burden of fuel costs due to high oil prices.

In domestic operations, ANA Group expects domestic passenger revenues to exceed initial forecasts thanks to year-round strong passenger demand, especially for business travel, and our efforts to increase our competitive edge within the recovering Japanese economy.

As for international operations, business demand on North America and Europe routes, and demand for leisure travel to China and other Asian routes, are expected to remain strong during this fiscal year. ANA Group thus expects international passenger revenues to exceed the initial forecast.

In such an environment, operating revenue will exceed our last forecast in October due mainly to increased sales in the air transportation segment.

With regard to fuel, although the market price has gradually begun to fall, it still remains at a very high level. The impact of high fuel costs will continue in the fourth quarter and a negative effect on earnings is unavoidable. ANA Group, however, expects to overcome this with increased revenues and achieve an operating income in excess of our initial forecast.

Given the above, we have revised our financial forecast for the year ending March 31, 2007. ANA Group is now accelerating our medium-term corporate strategy, including the replacement of old aircraft with new in order to increase our ability to compete. We have accounted for an additional extraordinary loss of around ¥10.0 billion arising from the replacement program in the revision, thus:

### **Revised Financial Forecast for Fiscal 2006, ended March 31, 2007**

Unit: billion yen

#### **Consolidated**

	Revised Forecast	Previous Forecast (31 Oct.06)	Difference	FY2005	Difference
Revenue	1,480.0	1,450.0	30.0	1,368.7	111.3
Operating Income	89.0	76.0	13.0	88.8	0.2
Recurring Profit	59.0	47.5	11.5	66.7	(7.7)
Net Income	28.0	27.0	1.0	26.7	1.3

#### **Non-consolidated**

	Revised Forecast	Previous Forecast (31 Oct.06)	Difference	FY2005	Difference
Revenue	1,290.0	1,260.0	30.0	1,171.0	119.0
Operating Income	74.0	62.0	12.0	69.5	4.5
Recurring Profit	44.0	37.5	6.5	50.8	(6.8)
Net Income	19.0	22.5	(3.5)	28.1	(9.1)

**(1) Consolidated Statements of Income (Loss)**

Yen(Millions)

	FY2006 1Q-3Q Apr.1 - Dec.31	Interim FY2006 Apr 1 – Sep.30	FY2006 3Q Oct.1 - Dec.31	FY2005 1Q-3Q Apr.1 – Dec.31	Difference
<b>Operating revenues and expenses</b>					
Operating revenues	1,134,554	752,873	381,681	1,038,190	96,364
Operating expenses	832,246	544,150	288,096	757,214	75,032
Sales, general and administrative expenses	210,569	139,942	70,627	191,023	19,546
Operating income	91,739	68,781	22,958	89,953	1,786
<b>Non-operating income and expenses</b>					
<b>Non-operating income</b>	8,891	6,981	1,910	11,011	(2,120)
Interest income	3,249	2,788	461	2,488	761
Other	5,642	4,193	1,449	8,523	(2,881)
<b>Non-operating expenses</b>	27,852	17,769	10,083	25,608	2,244
Interest expenses	13,886	9,953	3,933	15,093	(1,207)
Other	13,966	7,816	6,150	10,515	3,451
<b>Total Recurring Profit</b>	<b>72,778</b>	<b>57,993</b>	<b>14,785</b>	<b>75,356</b>	<b>(2,578)</b>
<b>Extraordinary gains</b>	4,049	2,245	1,804	8,759	(4,710)
Gain on sales of fixed assets	548	108	440	1,683	(1,135)
Gain on sales of investment securities	1,176	427	749	4,713	(3,537)
Other	2,325	1,710	615	2,363	(38)
<b>Extraordinary losses</b>	3,778	3,378	400	22,173	(18,395)
Loss on sales of fixed assets	187	182	5	442	(255)
Loss on disposal of fixed assets	1,038	952	86	3,100	(2,062)
Impairment loss	-	-	-	17,618	(17,618)
Special retirement benefit	230	96	134	65	165
Loss on sales of investment securities	315	315	-	2	313
Other	2,008	1,833	175	946	1,062
<b>Net income before taxes</b>	<b>73,049</b>	<b>56,860</b>	<b>16,189</b>	<b>61,942</b>	<b>11,107</b>
Corporate, inhabitant and enterprise tax	29,405	23,000	6,405	33,368	(3,963)
Minority interests in income of consolidated subsidiaries	1,034	570	464	(1,332)	2,366
<b>Net income</b>	<b>42,610</b>	<b>33,290</b>	<b>9,320</b>	<b>29,906</b>	<b>12,704</b>

**(2) Consolidated Balance Sheets**

Yen(Millions)

	FY2006 3Q As of Dec.31	FY2005 As of Mar.31	Difference	FY2006 Interim As of Sep.30	Difference
<b>Assets</b>					
<b>Current assets</b>	466,090	530,374	(64,284)	499,286	(33,196)
Cash, deposits and Marketable securities	220,897	259,106	(38,209)	237,925	(17,028)
Trade accounts receivable	118,115	113,316	4,799	123,273	(5,158)
Inventories	63,780	57,915	5,865	62,154	1,626
Other	63,298	100,037	(36,739)	75,934	(12,636)
<b>Fixed assets</b>	1,175,589	1,135,463	40,126	1,139,424	36,165
Tangible fixed assets	965,281	927,409	37,872	933,564	31,717
Intangible fixed assets	43,034	41,850	1,184	42,376	658
Investments and others	167,274	166,204	1,070	163,484	3,790
<b>Deferred assets</b>	645	1,006	(361)	773	(128)
<b>Total assets</b>	<b>1,642,324</b>	<b>1,666,843</b>	<b>(24,519)</b>	<b>1,639,483</b>	<b>2,841</b>
<b>Liabilities</b>					
<b>Current liabilities</b>	437,309	480,848	(43,539)	464,213	(26,904)
Trade accounts payable	188,866	170,729	18,137	187,131	1,735
Short-term loans, Current portion of long-term debt and current portion of bonds payable	125,072	149,438	(24,366)	125,625	(553)
Other	123,371	160,681	(37,310)	151,457	(28,086)
<b>Long-term liabilities</b>	794,038	832,554	(38,516)	773,581	20,457
Bonds payable and Long-term debt payable	658,612	696,879	(38,267)	641,414	17,198
Accrued employees' retirement benefits	112,625	107,377	5,248	110,910	1,715
Other	22,801	28,298	(5,497)	21,257	1,544
<b>Total liabilities</b>	<b>1,231,347</b>	<b>1,313,402</b>	<b>(82,055)</b>	<b>1,237,794</b>	<b>(6,447)</b>
<b>Minority interests</b>	-	7,132	-	-	-
<b>Shareholders' equity</b>					
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)	-	-	-
<b>Total shareholders' equity</b>	-	<b>346,309</b>	-	-	-
<b>Total liabilities, minority interests and shareholders' equity</b>	-	<b>1,666,843</b>	-	-	-
<b>NET assets</b>					
<b>Shareholders' equity</b>	374,451	-	-	365,194	9,257
Common stock	160,001	-	-	160,001	-
Capital surplus	125,713	-	-	125,711	2
Earned surplus	89,460	-	-	80,140	9,320
Treasury stock	(723)	-	-	(658)	(65)
<b>Evaluation and exchange Adjustments</b>	28,152	-	-	28,612	(460)
Unrealized gains on securities	9,458	-	-	8,785	673
Deferred hedge gains	19,007	-	-	20,508	(1,501)
Foreign currency translation adjustment	(313)	-	-	(681)	368
<b>Minority interests</b>	8,374	-	-	7,883	491
<b>Total NET assets</b>	410,977	-	-	401,689	9,288
<b>Total liabilities, minority interests and NET assets</b>	1,642,324	-	-	1,639,483	2,841

### **(3) Consolidated Statement of Cash Flows**

	Yen (Millions)			
	FY2006 1Q-3Q Apr.1 - Dec.31	Interim FY2006 Apr.1 - Sep.30	FY2006 3Q Oct.1 - Dec.31	FY2005 1Q-3Q Apr.1 - Dec.31
<b>I. Cash flows from operating activities</b>				
Net income before taxes	73,049	56,860	16,189	61,942
Depreciation and amortization	64,259	41,694	22,565	55,876
Impairment loss	-	-	-	17,618
Other, net	(1,341)	15,317	(16,658)	(8,460)
Net cash provided by (used in) operating activities	135,967	113,871	22,096	126,976
<b>II. Cash flows from investing activities</b>				
Payment for acquisition of tangible fixed assets	(176,341)	(115,760)	(60,581)	(176,909)
Proceeds from sale of tangible fixed assets	77,824	70,735	7,089	107,321
Payment for acquisition of intangible fixed assets	(10,060)	(6,300)	(3,760)	(6,640)
Other, net	10,961	15,774	(4,813)	19,513
Net cash provided by (used in) investing activities	(97,616)	(35,551)	(62,065)	(56,715)
<b>III. Cash flows from financing activities</b>				
Increase (Decrease) in short-term loans (Net)	(3,339)	(2,734)	(605)	91
Proceeds from long-term debt	71,818	28,618	43,200	71,925
Repayment of long-term debt	(86,135)	(59,768)	(26,367)	(119,080)
Proceeds from issuance of bonds	-	-	-	34,813
Redemption of bonds	(45,000)	(45,000)	-	(20,000)
Other, net	(4,411)	(4,921)	510	(7,350)
Net cash provided by (used in) financing activities	(67,067)	(83,805)	16,738	(39,601)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>				
	44	(154)	198	238
<b>V. Net increase (decrease) in cash and cash equivalents</b>				
	(28,672)	(5,639)	(23,033)	30,898
<b>VI. Cash and cash equivalents at the beginning of the period</b>				
	242,785	242,785	237,175	163,155
<b>VII. Net increase (decrease) resulting from changes in scope of consolidation</b>				
	29	29	-	174
<b>VIII. Cash and cash equivalents at the end of the period</b>				
	214,142	237,175	214,142	194,227

#### **(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:

<FY2006 1Q-3Q Apr.1 - Dec.31>						Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated
Operating revenues	862,943	142,343	44,838	84,430	1,134,554	-	1,134,554
Intra-group sales and transfers	87,042	15,834	6,535	63,800	173,211	(173,211)	-
Total	949,985	158,177	51,373	148,230	1,307,765	(173,211)	1,134,554
Operating expenses	870,193	155,223	46,414	144,083	1,215,913	(173,098)	1,042,815
Operating income	79,792	2,954	4,959	4,147	91,852	(113)	91,739

<FY2005 1Q-3Q Apr.1 - Dec.31>						Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated
Operating revenues	773,569	137,887	43,904	82,830	1,038,190	-	1,038,190
Intra-group sales and transfers	84,460	14,427	6,397	57,608	162,892	(162,892)	-
Total	858,029	152,314	50,301	140,438	1,201,082	(162,892)	1,038,190
Operating expenses	779,228	148,642	47,584	135,710	1,111,164	(162,927)	948,237
Operating income	78,801	3,672	2,717	4,728	89,918	35	89,953

<FY2006 3Q Oct.1 - Dec.31>						Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated
Operating revenues	293,700	44,079	15,912	27,990	381,681	-	381,681
Intra-group sales and transfers	26,982	5,066	2,005	20,676	54,729	(54,729)	-
Total	320,682	49,145	17,917	48,666	436,410	(54,729)	381,681
Operating expenses	301,630	48,685	16,141	46,917	413,373	(54,650)	358,723
Operating income	19,052	460	1,776	1,749	23,037	(79)	22,958

<FY2005 3Q Oct.1 - Dec.31>						Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated
Operating revenues	258,653	43,617	16,193	28,805	347,268	-	347,268
Intra-group sales and transfers	26,007	4,520	1,774	18,743	51,044	(51,044)	-
Total	284,660	48,137	17,967	47,548	398,312	(51,044)	347,268
Operating expenses	268,516	47,153	16,230	45,811	377,710	(50,808)	326,902
Operating income	16,144	984	1,737	1,737	20,602	(236)	20,366

## **(5) Breakdown of Operating Revenues ( Air transportation )**

	Yen(Millions)		
	FY2006 1Q-3Q Apr.1 - Dec.31	FY2005 1Q-3Q Apr.1 – Dec.31	Difference
<b>Domestic routes</b>			
Passenger	556,554	524,636	31,918
Cargo	23,402	22,553	849
Mail	7,055	6,531	524
Baggage handling	244	247	(3)
<b>Subtotal</b>	<b>587,255</b>	<b>553,967</b>	<b>33,288</b>
<b>International routes</b>			
Passenger	209,744	173,008	36,736
Cargo	46,334	40,970	5,364
Mail	2,570	2,320	250
Baggage handling	344	385	(41)
<b>Subtotal</b>	<b>258,992</b>	<b>216,683</b>	<b>42,309</b>
Revenues from scheduled flights	846,247	770,650	75,597
Other operating revenues	103,738	87,379	16,359
<b>Operating revenues</b>	<b>949,985</b>	<b>858,029</b>	<b>91,956</b>

	Yen(Millions)		
	FY2006 3Q Oct.1 - Dec.31	FY2005 3Q Oct.1 – Dec.31	Difference
<b>Domestic routes</b>			
Passenger	183,560	170,297	13,263
Cargo	8,290	8,053	237
Mail	2,501	2,593	(92)
Baggage handling	66	74	(8)
<b>Subtotal</b>	<b>194,417</b>	<b>181,017</b>	<b>13,400</b>
<b>International routes</b>			
Passenger	71,502	57,786	13,716
Cargo	17,765	15,359	2,406
Mail	952	932	20
Baggage handling	112	146	(34)
<b>Subtotal</b>	<b>90,331</b>	<b>74,223</b>	<b>16,108</b>
Revenues from scheduled flights	284,748	255,240	29,508
Other operating revenues	35,934	29,420	6,514
<b>Operating revenues</b>	<b>320,682</b>	<b>284,660</b>	<b>36,022</b>

Notes: Segment operating revenue includes inter-segment transactions.

## **(6) Overview of Airline Operating Results (Consolidated)**

	FY2006 1Q-3Q Apr.1 - Dec.31	FY2005 1Q-3Q Apr.1 – Dec.31	Year on Year (%)
<b>Domestic routes</b>			
Number of passengers	35,412,863	34,710,968	102.0
Available seat-km (thousand km)	47,105,351	46,128,323	102.1
Revenue passenger-km (thousand km)	30,906,522	30,241,394	102.2
Passenger loadfactor	65.6	65.6	0.0
Cargo(tons)	349,883	335,122	104.4
Cargo traffic volume (thousand kg)	337,731	324,487	104.1
Mail(tons)	71,710	67,729	105.9
Mail traffic volume (thousand kg)	76,482	71,839	106.5
<b>International routes</b>			
Number of passengers	3,387,816	3,054,072	110.9
Available seat-km (thousand km)	19,678,869	18,979,995	103.7
Revenue passenger-km (thousand km)	15,088,751	14,005,459	107.7
Passenger load factor	76.7	73.8	2.9
Cargo(tons)	205,549	185,195	111.0
Cargo traffic volume (thousand kg)	930,801	846,300	110.0
Mail(tons)	11,697	10,796	108.3
Mail traffic volume (thousand kg)	50,560	46,105	109.7
	FY2006 3Q Oct.1 - Dec.31	FY2005 3Q Oct.1 – Dec.31	Year on Year (%)
<b>Domestic routes</b>			
Number of passengers	12,019,499	11,438,712	105.1
Available seat-km (thousand km)	15,645,325	15,208,614	102.9
Revenue passenger-km (thousand km)	10,435,996	9,938,877	105.0
Passenger loadfactor	66.7	65.4	1.3
Cargo(tons)	126,358	125,042	101.1
Cargo traffic volume (thousand kg)	121,417	120,628	100.7
Mail(tons)	27,122	27,006	100.4
Mail traffic volume (thousand kg)	28,496	28,397	100.3
<b>International routes</b>			
Number of passengers	1,148,407	1,055,412	108.8
Available seat-km (thousand km)	6,839,855	6,381,724	107.2
Revenue passenger-km (thousand km)	5,092,417	4,742,469	107.4
Passenger load factor	74.5	74.3	0.2
Cargo(tons)	77,571	67,211	115.4
Cargo traffic volume (thousand kg)	353,505	302,861	116.7
Mail(tons)	4,340	4,051	107.1
Mail traffic volume (thousand kg)	18,732	18,034	103.9

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: NRT-JFK, KIX-HNL and EVA Airways)

Each result does not include results of charter flights.

Domestic routes' data include results of night cargo flights.