

Fiscal year ended March 31, 2007  
 Consolidated financial results  
 All Nippon Airways Co., Ltd. (9202)

## ANA reports consolidated financial results for FY2006

### 1. Consolidated financial highlights for the period ended March 31, 2007

(1) Summary of consolidated operating results  
 (Millions)

Yen

	FY2006 Apr.1 - Mar.31	Year on year (%)	FY2005 Apr.1 - Mar.31	Year on year (%)
Operating revenues	1,489,658	8.8%	1,368,792	5.9%
Operating income (loss)	92,190	3.8%	88,802	14.2%
Recurring profit (loss)	62,574	(6.3%)	66,755	2.3%
Net income (loss)	32,658	22.2%	26,722	(0.9%)
Net income (loss) per share	16.77yen		15.64yen	
Diluted net income (loss) per share	-		15.64yen	
Net income (loss) / Shareholders' equity	8.4%		9.5%	
Recurring profit (loss) / Total assets	3.8%		4.1%	
Operating income (loss)/ Operating revenues	6.2%		6.5%	
Gain (loss) on equity method	284		(1,335)	
Average number of shares of outstanding during the period (consolidated)	1,947,618,000	shares	1,708,031,488	shares

Note: Changes in the accounting policy during the period: None

(2) Summary of consolidated financial positions

Yen (Millions)

	FY2006 As of Mar.31	FY2005 As of Mar.31
Total assets	1,602,091	1,666,843
Shareholders' equity	405,912	346,309
Shareholders' equity ratio	24.9%	20.8%
Shareholders' equity per share	204.42yen	177.89yen
Number of shares of outstanding at balance sheet date (consolidated)	1,948,023,282	1,946,747,897

(3) Summary of consolidated cash flows

Yen (Millions)

	FY2006 Apr.1 - Mar.31	FY2005 Apr.1 - Mar.31
Cash flows from operating activities	158,714	128,525
Cash flows from investing activities	(128,298)	(46,449)
Cash flows from financing activities	(100,897)	(3,137)
Cash and cash equivalents at the end of the period	172,274	242,785

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 95

Number of non-consolidated subsidiaries accounted for by the equity method: 5

Number of affiliates accounted for by the equity method: 20

(5) Change of scope of consolidation and application of the equity method

	Consolidation	Equity method
Newly added	5	3
Excluded	8	1

### 2. Forecast of consolidated operating results for the period ending March 31, 2008

Yen (Millions)

Operating revenues	1,490,000
Recurring profit (loss)	46,000
Net income (loss)	64,000

Note: Forecast of net income per share: 32.85yen

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.

## **1. Corporate Performance**

### (1) Analysis

#### 1. Overview of the fiscal year

During the fiscal year the Japanese economy continued on a recovery trend. Corporate profitability improved and was accompanied by sustained increases in capital expenditure and a better employment situation. Despite this, the outlook remains unclear in some areas, especially concerning the effect of crude oil price movements on the domestic and international economy.

In this environment, the ANA Group's consolidated business performance for the fiscal year was as follows: operating revenues were ¥1,489.6 billion (up 8.8% year-on-year), operating income was ¥92.1 billion (up 3.8%), recurring income was ¥62.5 billion (down 6.3%) and net income was ¥32.6 billion (up 22.2%).

On a non-consolidated basis, operating revenues were ¥1,289.4 billion (up 10.1% year-on-year), operating income was ¥76.2 billion (up 9.6%) recurring income was ¥46.2 billion (down 9.0%) and net income was ¥31.8 billion (up 13.1%).

Operating results by business segment are as follows. (Revenues for each business segment include intra-group sales.)

#### **• Air Transportation**

During the fiscal year air transportation demand remained steady, supported by a robust economy that generated strong business demand. In this environment we sought to counter high jet fuel prices by matching supply to demand and strove to cut costs through streamlining our fleet. A fare revision on domestic routes was also implemented. Air transportation operating revenues consequently grew 10.3% year-on-year to ¥1,248.7 billion. Operating income increased 7.6% to ¥79.7 billion.

### Domestic Passenger Services

Demand was solid throughout the year bolstered by strong demand from individual business travelers accompanying the economic recovery. The introduction of the *Tabi-Wari* discount passenger fare system in April also ignited new demand. Consequently, we were able to secure an increase in passenger numbers over the previous year.

While maintaining our basic route network, we worked to reduce the scale of low-profit routes while shifting flights and aircraft to routes with higher profitability. We sought to enhance profitability through matching supply to demand and further cutting costs by the introduction of smaller aircraft like the Boeing 737-700. Furthermore, in April we introduced a code-sharing agreement with Skynet Asia Airways Co., Ltd. on all flights that they operate on the route from Haneda to Miyazaki, Kumamoto and Nagasaki. This resulted in a major increase in the number of our flights on this route and enhanced convenience for customers.

At the same time, we were able to steadily catch the extra demand generated at peak travel periods (Golden Week, summer vacation, spring holiday, New Year, shorter national holiday periods) through the operation of additional flights and proactive promotion of the *Tabi-Wari* discount fare. In the second half we also introduced a nationwide campaign to promote travel to Okinawa.

Throughout the fiscal year we introduced several measures to enhance and expand our services in order to strengthen competitiveness. We greatly increased the number of flights featuring the *Super Seat Premium* service which has proved popular with business travelers. In September, the *SKiP* service was introduced which eliminates the need for check-in at airports. And we enhanced the added value of the already popular *ANA Mileage Club* services.

Consequently, passenger numbers on domestic routes showed a healthy increase of 2.2% year-on-year to 46.47 million. Operating revenues rose 6.0% to ¥726.0 billion as a consequence of enhanced passenger unit prices stemming from the April fare revision and our efforts to achieve seat allocation that accurately reflects demand trends.

### Domestic Cargo and Mail Services

In the first half, domestic cargo volume increased over the same period of the previous year. This reflected an increase in shipments accompanying the economic recovery as well as a decline in the volume of cargo carried by competitors. In the second half only a slight increase in cargo volume was recorded reflecting a more severe competitive environment. Galaxy Airlines Co., Ltd (hereafter GXY) commenced cargo services in October and from November entered into a code-sharing agreement with Japan Airlines (JAL), impacting certain of our routes. In addition, fresh cargo shipments stagnated over the New Year period.

In mail services, for the first half the volume of cargo handled for Japan Post's parcel program grew robustly and there was steady demand for mail carried by late night scheduled cargo flights. These two factors contributed to an overall increase in volume over the same period of the previous year.

As a result of these measures, cargo volume rose 3.9% year-on-year to 457,000 tons while operating revenues showed a 3.1% increase to ¥30.5 billion. Mail volume carried increased by 4.0% to 90,000 tons and operating revenues rose 4.1% to ¥8.9 billion.

### International Passenger Services

The number of international passengers rose during the fiscal year exceeding the growth in passenger seat supply. The negative effect of the anti-Japan demonstrations in China in the previous term disappeared and business demand was solid, as with domestic routes.

Several initiatives were introduced to expand and enhance our services. We aggressively targeted growing markets with our *Eco-Wari* fares for individual passengers and promoted the *Live/China/ANA* campaign. Convenience was enhanced by the move to Terminal 1 of Narita Airport. We completed the introduction of *New Style, CLUB ANA* on all North American routes and started an *ANA Business Jet* service on the Centrair-Guangzhou route.

In network development, we strengthened our ability to respond to the buoyant business trends in China and Asia. We matched supply to demand on the Kansai-Qingdao, Xiamen and Narita-Qingdao, Xiamen routes through the introduction of smaller aircraft and increased flights. In addition we increased frequency of flights on the Narita-Singapore route from October as well as opening a Centrair-Tianjin route in February and a Centrair-Guangzhou route in March. We worked to provide a comprehensive network covering all of North America including transit demand in the US Midwest and Canada by reopening our Narita-Chicago route in October.

A new code-sharing agreement was reached with Swiss International Airlines while we expanded our existing code-sharing agreements with Shanghai Airlines and Asiana Airlines.

We also made significant progress in the service and infrastructure fields. With the move to the brand new South Wing of Narita Airport Terminal 1, 10 Star Alliance companies now share the same terminal. This has resulted in a significant reduction in transit times for passengers using our Asian network or traveling with our European and US partners. Lounges and other services and facilities have also been enhanced. We proactively developed our linkages with other companies in e-ticketing with the result that the e-ticketing usage ratio reached 70% at the end of March. The *ANA SKY WEB* site, which handles internet ticket sales for international flights was renewed and upgraded.

Due to these initiatives, international passenger numbers rose 10.1% year-on-year to 4.55 million while operating revenues saw a 21.5% increase to ¥278.4 billion.

#### International Cargo and Mail Services

In international cargo, Asian routes serviced by cargo freighters were expanded and flights increased. This meant an increase in shipments to and from Asia and an overall increase in shipment volumes for the first half. ANA & JP Express Co., Ltd. which was established in February 2006 with Japan Post and others, started cargo services on the Haneda-Kansai-Shanghai route in August. In the second half we took a number of significant measures to boost capacity. In October, we introduced the 4th Boeing 767 cargo freighter and established a Centrair-Chicago route. From the end of October we increased services on our China routes, and recovered the Narita-Chicago passenger service.

The result was a dramatic increase in shipment volumes over the previous year driven mainly by our North America and China routes.

Outbound shipments grew over the previous period reflecting a strengthened sales system and increased services on the North America, China and Asia routes. The exception was shipments to Europe which decreased. Inbound shipments from North America, South-east Asia and China all increased but shipments from Europe recorded a decrease.

In mail services, a large increase over the previous year was recorded. While shipments from Europe and China to Japan decreased, shipments from North America jumped dramatically. The “next day arrival” delivery service to Shanghai also recorded increases. Operating revenues grew substantially on the back of an increase in long-haul mail which has high unit price.

As a result, cargo volume recorded an 11.6% year-on-year increase to 277 thousand tons while operating revenue was up 10.5% to ¥61.1 billion. Mail volume was up 8.0% to 15 thousand tons while operating revenues increased 10.7% to ¥3.4 billion.

#### Other Businesses

We worked to increase revenues from in-flight sales as well as from aircraft maintenance and ground handling services provided to other airlines such as passenger check-in and baggage handling. As a result of these efforts, operating revenue rose 15.2% year-on-year to ¥140.1 billion.

#### Changes in Fleet Composition

The following changes took place in the ANA Group's fleet composition during the fiscal year ended March 2007:

Aircraft	Purchased	Leased to	Returned	Leased from	Sold/ Removed	Change	Remarks
Boeing 747-400	2	-	2	-	-	0	1 purchased in October 2006 (1 ) 1 purchased in December 2006 (1 ) 1 returned in October 2006 1 returned in December 2006
Boeing 777-300	4	1	-	-	-	+5	1 leased in April 2006 1 purchased in June 2006 1 purchased in September 2006 1 purchased in October 2006 1 purchased in January 2007
Boeing 777-200	5	2	4	-	-	+3	1 purchased in April 2006 (1) 1 purchased in May 2006 1 purchased in June 2006 (1) 1 purchased in November 2006 (1) 1 purchased in February 2007 (1) 1 leased in July 2006 1 leased in August 2006 1 returned in April 2006 1 returned in June 2006 1 returned in November 2006

Aircraft	Purchased	Leased to	Returned	Leased from	Sold/ Removed	Change	Remarks
							1 returned in February 2007
Boeing 767-300	2	3	2	-	-	+3	1 purchased in November 2006 (1) 1 purchased in March 2007 (1) 1 leased in September 2006 1 leased in February 2007 1 leased in March 2007 1 returned in November 2006 1 returned in March 2007
Airbus A321-10	1	-	5	-	-	4	1 purchased in October 2006 (1) 1 returned in July 2006 1 returned in September 2006 1 returned in October 2006 1 returned in November 2006 1 returned in March 2007
Airbus A320-200	-	6	-	-	5	+1	1 leased in April 2006 (2) 1 leased in December 2006 (2) 1 leased in January 2007 3 leased in March 2007 (2) 1 sold in April 2006 1 sold in December 2006 3 sold in March 2007
Boeing 737-700	6	-	-	-	-	+6	1 purchased in July 2006 1 purchased in July 2006 1 purchased in October 2006 1 purchased in January 2007 1 purchased in February 2007
Boeing 737-500	2	-	2	-	-	0	1 purchased in October 2006 (1) 1 purchased in December 2006 (1) 1 returned in October 2006 1 returned in December 2006
Bombardier DHC8-400	-	3	-	-	-	+3	1 leased in September 2006 1 leased in November 2006 1 leased in March 2007

Aircraft	Purchased	Leased to	Returned	Leased from	Sold/ Removed	Change	Remarks
Fokker 50	-	-	1	-	-	1	returned in January 2007
DeHavilland DHC6-3000	-	-	-	-	1	1	sold in April 2006
Total	22	15	16	-	6	+15	-

Notes: (1) purchased after lease termination

(2) ANA-owned, leased after sale

### • Travel Services

Buoyed by the economic recovery trend, travel demand remained firm throughout the fiscal year. As a consequence, travel service business volume and passenger numbers increased over the previous year for both domestic and international travel. In an attempt to catch baby boomer couples' demand, we developed a special bonus for couples whose combined age is over 100 years. These deals were applicable to both domestic and international travel and are part of our strategy to develop the senior market. From June, we also deployed our internet-based direct sales *Dynamic Package* (called: *Tabi-Saku*) for domestic travel. This allows travelers to freely combine flights and hotel accommodation. Deployed ahead of other companies *Dynamic Package* has enjoyed great success, with well over 20,000 users at the end of March. Finally all passenger sales functions will be progressively consigned to ANA Sales centers in Tokyo, Nagoya and Osaka from this fiscal year. The aim is to further increase the marketing strength and business efficiency of travel business and airline sales.

As a result, travel services' operating revenues increased 4.3% year-on-year to ¥208.0 billion.

However intensifying price competition and systems development expenditure impacted operating income which declined 40.3% to ¥1.9 billion.

### • Hotel Operations

Bolstered by steady demand, operating revenues and operating income for hotel operations both increased over the previous year. In December, we formed a joint venture with InterContinental Hotels Group, the world's largest hotel group by number of rooms. The Joint Venture, named IHG ANA Hotels Group Japan, will play a central role in our efforts to strengthen hotel operation business. In April our flagship ANA Hotel Tokyo was renamed the *ANA InterContinental Tokyo*. This is the start of an ongoing co-branding process for our group hotels.

As a result, hotel operations recorded operating revenues of ¥66.6 billion (up 0.4%) while operating income increased 12.7% to ¥5.2 billion.

• **Other Businesses**

All Nippon Airways Trading Co., Ltd. which conducts trading and retailing, again saw an increase in revenues over the previous period in retail and catalogue sales, and aircraft related operations. In its trading business segment, all operations performed positively and recorded increases in income. The result was a large increase in overall operating revenues compared with the previous year.

Infini Travel Information, Inc. which provides an international flight reservation and ticketing system to airlines and travel agencies, made good progress with its *INFINI LINX* internet reservations tool and other strategic products. With the rebound in travel demand for Asia (Korea, China etc.), usage of the international flight reservation and ticketing system increased dramatically and resulted in increased revenues.

ANA Information Systems Planning Co., Ltd. which principally provides information systems development, maintenance and operations services to ANA and other Group companies, saw an increase in operating revenues over the previous year. This was mainly due to development of new systems for ANA as well as the start of provision of services to companies outside the group.

In the previous period, the general real estate leasing operations of ANA Real Estate Co., Ltd. were sold. This caused declines in operating revenue and operating income for this period.

As a result, operating revenues in other businesses rose 3.1% to ¥196.8 billion while operating income recorded a decline of 17.3% to ¥5.6 billion.

2. Fiscal Year 2007 Ending March 31, 2008 - Forecast

In fiscal year 2007 we expect to see broad stability for the US and international economy despite the possibility of some temporary economic slowdowns. For Japan, we also expect economic expansion to continue supported by the following factors: improvements in corporate profitability accompanied by sustained increases in capital expenditure, an enhanced employment situation and steady personal consumption expenditure (although personal consumption is still currently not so dynamic).

Despite this, crude oil prices are expected to remain high and the impact of this on the domestic and international economies needs to be carefully monitored.

Within this operating environment the Group will continue to strengthen cost competitiveness in order to construct a stable profit base. We have now entered the second year of the ANA Group Mid-Term Corporate Plan (FY2006-FY2009). Under its auspices we will continue to enhance our service offerings and expand our profit mainly in the air transportation business, targeting new business opportunities that will emerge from 2010 such as the redevelopment of Haneda Airport. Through these activities we aim to reach the target set out in our Group Management Vision of becoming a “Corporate Group Centered on Airline Operations that Represents Asia.”

In domestic passenger operations, we will continue to bolster our network and maximize our landing and departure slots at Haneda Airport. We will strengthen alliances with new airlines to boost our competitiveness, for example a code-sharing agreement with Star Flyer Inc. for the Haneda-Kita Kyushu route will be introduced from June 1. We will strive to deliver high-quality services such as the popular *Super Seat Premium* to an even greater number of customers.

In international passenger operations, we will implement a number of marketing campaigns including ANA’s *CHINA YEAR* which celebrates our 20th year of operations in China. In addition we will continue to deploy new aircraft in order to optimize supply and demand on our route network and deliver high and stable profitability. In March we deployed the ANA *Business Jet* (Boeing 737-700ER) on the Centrair-Guangzhou route and this will be followed in September by its deployment on the Narita-Mumbai route.

In this manner, we are staying ahead of the competition in route development. From May, we will also introduce the Boeing 777-300ER for the first time on a European route (Narita-London). This is will bolster our efforts to strengthen profitability.

In cargo and mail operations, we have begun consignment of operations to the US company ABX Air, Inc. and will have 6 cargo freighters at our disposal. We plan to expand our network of major routes to Asia, targeting the rapidly growing Asia (centered on China) and Asia-Europe/USA logistics markets. Late-night cargo flights on domestic routes are now in their 4<sup>th</sup> year we will leverage our cargo freighters to entrench these operations and expand them.

To facilitate these operational developments, plans call for the introduction of 15 aircraft this fiscal year. For international routes we plan to introduce Boeing 777-300ERs while Boeing 737-700s will be introduced as the mainstay small aircraft for domestic and international routes. We also plan to progressively retire Boeing 747-400s, Airbus A321-100s and Airbus A320-200s. Through the streamlining of our fleet we are reforming cost structures. In addition we are making preparations for

the world-first introduction of the Boeing 787 in 2008, which will deliver new levels of comfort and economic operation.

In travel operations, we will enhance our travel product planning capabilities centered on ANA Sales, and strive to differentiate ourselves from the competition. Also, we aim to strengthen marketing capabilities and enhance business efficiency through further integration of ANA's marketing department and sales promotional activities

In other businesses we will continue to promote speedy and timely management focused on securing profit on a consolidated basis. This will support the objective of heightening the integrated capacity of the entire ANA Group.

Through such measures, we intend to continue building a corporate platform capable of generating stable profits even in an uncertain and unstable operating environment.

Our consolidated financial forecast for the fiscal year ending March 2008 is set out below. While we see continuing firm demand for air transportation, we will strive for further cost competitiveness, recognizing the likelihood of continuing high jet fuel prices. Our forecast calls for operating revenues of ¥1,490.0 billion (an increase of ¥0.4 billion over the previous period); operating income of ¥79 billion (a decrease of ¥13.1 billion over the previous period); recurring income of ¥46 billion (a decrease of ¥16.5 over the previous period) and net income of ¥64 billion (an increase of ¥31.4 over the previous period).

Forecasts assume an exchange rate of ¥115 to the dollar; a market price for Dubai crude oil – an indicator of jet fuel prices – of US\$63 per barrel, and a price for Singapore kerosene of US\$83 per barrel. Future profit and capital investment plans are as follows.

Consolidated Profits (planned)

Category	Fiscal Year ending March 2007 (actual)	Fiscal Year ending March 2008 (forecast)
Operating revenues (¥100 million)	14,896	14,900
Operating expenses (¥100 million)	13,974	14,110
Operating income (¥100 million)	921	790
Recurring income (¥100 million)	625	460

Category	Fiscal Year	
	ending March 2007 (actual)	ending March 2008 (forecast)
Net income (¥100 million)	326	640

#### Non-consolidated profits (planned)

Category	Fiscal Year	
	ending March 2007 (actual)	ending March 2008 (forecast)
Operating revenue (¥100 million)	12,894	13,500
Operating expenses (¥100 million)	12,131	12,810
Operating income (¥100 million)	762	690
Recurring income (¥100 million)	462	360
Net income (¥100 million)	318	540

#### Group Capital Investment Plan

Category	Category
Air Transportation	
Aircraft related (¥100 million)	2,865
Passenger cabin renovation (¥100 million)	90
Systems related (¥100 million)	210
Other (¥100 million)	365
Subtotal (¥100 million)	3530
Other businesses (¥100 million)	20
Group total (¥100 million)	3550

#### Balance of Interest-Bearing Debt

Category	Fiscal Year		Fiscal Year	
	ending March 2007 (actual)		ending March 2008 (forecast)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Balance of interest-bearing debt (¥100 million)	7,494	7,628	6,361	6,258
Lease obligations (¥100 million)	3,037	2,888	2,445	2,299

## (2) Financial Condition Analysis

Cash flow indicators are shown in the following table

Category	FY02	FY03	FY04	FY05	FY06
Shareholders' equity ratio (%)	8.5	9.6	13.3	20.8	24.9
Shareholders' equity ratio (market price) (%)	23.4	35.2	38.0	50.1	56.3
Debt repayment period (years)	11.0	11.5	6.3	6.6	4.7
Interest coverage ratio	3.8	4.1	7.0	6.3	8.9

(Notes)

Shareholders' equity ratio: shareholders' equity/total assets

Shareholders' equity ratio (market price): aggregate market value of stock/total assets

Debt repayment period (years): interest bearing debt/operating cash flow

Interest coverage ratio: operating cash flow/interest paid

1. Each indicator is calculated on a consolidated basis.
2. Aggregate market value of stock is calculated by multiplying the closing stock price on the last day of the period by the number of shares outstanding at the end of the period (after deducting treasury stock).
3. Net cash provided by operating activities from the consolidated statements of cash flow is used as operating cash flow. Interest bearing debt is that portion of debt on the consolidated balance sheets for which interest is paid.

## (3) Dividend Policy and Dividend for Current and Next Period

ANA places a high priority on providing a return to shareholders. Allocation of profits is based on a comprehensive consideration of the management environment and performance trends. For future operational development, the company is working to solidify its financial position through retained earnings and bolster its management foundation.

With regard to the dividend for the current period, we considered the need to fortify our financial position and maintain retained earnings in order to sustain profit growth in an increasingly competitive environment. We have therefore determined a dividend of 3 yen per share. Assuming we reach our performance targets, we project a dividend of ¥5 per share for the next period.

#### 4. Operating Risks

The following risks could have a significant effect on the judgment of investors in the ANA Group. Further, the forward-looking statements in the following section are the ANA Group's judgments as of the end of the consolidated fiscal year under review.

##### 1) Risks related to crude oil price fluctuations

The price of jet fuel comprises such expenses as the cost of importing, refining, and transporting crude oil and customs tariffs. Among those costs, the cost of importing crude oil accounts for approximately 75% of the price of jet fuel. Consequently, if the price of crude oil increases, the price of jet fuel will increase, leading to a significant burden for the Company.

Accordingly, to control the risk of fluctuations in the price of jet fuel and to stabilize jet fuel expenses, ANA hedges risks using crude oil and jet fuel commodity derivatives in planned, continuous hedging transactions for specific periods of time. The Company's hedging transactions are limited to a certain percentage of aggregate purchases of fuel in Japan and overseas, with plans for hedging amounts set quarterly. Individual transactions are maintained within limits that are set in such a way that the Company's transactions will not affect the spot market, and margins are adjusted monthly to avoid any physical delivery obligations. While temporarily exhibiting a downward trend, the price of crude oil has again started to rise and remains at a high level. The Group's fuel expense and fuel tax in the year under review was ¥236.1 billion (up ¥56.3 billion from the previous fiscal year), representing 16.9% of operating expenses. Given the limitations of the Company's current efforts to offset high crude oil prices through cost reductions and higher fares and charges, prolonged high crude oil prices could significantly affect the Company's performance.

##### 2) Risks related to foreign exchange rate fluctuations

Since jet fuel purchases, which account for a significant share of the Company's expenses, are conducted in foreign currencies, the depreciation of the yen will have a significant effect on the Company's profits. Accordingly, to the greatest extent possible, foreign currency taken in as revenue is used to pay expenses denominated in the same foreign currency, thereby minimizing the risk of foreign exchange rate fluctuations. In addition, the Company uses forward exchange agreements and currency options for its

jet fuel purchases to limit the risk of fluctuations in foreign exchange rates and to stabilize and control payment amounts.

### 3) Risks related to the international situation

The outbreak of the Iraq war and SARS in 2003 had a significant impact on air transportation and travel operations, especially on international routes, resulting in a drop of more than ¥30.0 billion in revenue for that fiscal year. The occurrence of wars, large-scale terrorist attacks, or outbreaks of contagious diseases could significantly affect the Company's performance. In its international operations, the Group is currently expanding its routes, principally to China, which now accounts for about 20% of revenue from international operations. The upsurge of anti-Japan sentiment in China that occurred in the previous fiscal year, triggered by issues relating to history textbooks, territorial boundaries, and Japan's bid to become a permanent member of the UN Security Council, has died down and tourism demand is recovering; but any future tensions in Sino-Japanese relations, or outbreaks of contagious diseases such as avian flu, which remains an ongoing concern, could significantly affect the Group's performance.

### 4) Risks related to statutory regulations

As an airline operator, the Group undertakes operations based on the stipulations of statutory regulations relating to airline operations. Further, the Group is required to conduct passenger operations and cargo operations on international routes in accordance with the stipulations of international agreements including treaties, bilateral agreements, and the decisions of IATA (International Air Transport Association). Further, the Group's operations are constrained by Japanese Antitrust Law and similar laws and regulations in other countries with regard to the pricing of fares and charges.

### 5) Risks related to fleet strategy

In air transportation operations, the Group is pursuing a fleet strategy centered on using medium and small-sized aircraft, standardizing aircraft models, and introducing highly economical aircraft. However, measures related to fleet strategy could prove ineffective due to the factors given below. Further, the expected benefits of the fleet strategy may diminish significantly.

#### (1) Dependence on The Boeing Company

In accordance with its fleet strategy, the Company has ordered 99 aircraft, of which almost all, 96 aircraft, have been ordered from Boeing. Therefore, if Boeing was unable to fulfill agreements between Boeing and the Company due to financial or other issues, the Group would be unable to acquire aircraft in accordance with its fleet strategy. Such eventualities could significantly affect the Group's performance.

(2) Increase in the cost of raising funds

The Company acquires aircraft through bank loans and bond issuance as well as through leasing. However, the cost of raising funds could increase due to changes in the tax system or to reorganization of governmental financial agencies that made it difficult or impossible to raise funds on terms advantageous to the Company. Such eventualities could significantly affect the Group's performance.

6) Risks relating to public-sector fees

Public-sector fees include landing and navigation fees and other airport usage fees. In the year under review, airport usage fees for the ANA Group totaled ¥104.2 billion, or 7.5% of operating expenses. The government has implemented a policy to reduce landing fees, which had the effect of reducing these fees by about ¥12 billion in the year under review. However, in the year ended March 2004 landing fees at Osaka (Itami) Airport were increased, and a portion of the reductions for Haneda Airport was cancelled; further similar changes could occur in the future.

7) Risks relating to environmental regulations

In recent years, regulatory authorities in Japan and other countries have introduced numerous statutory regulations addressing such issues as aircraft noise and emissions, the usage of hazardous materials, and environmental pollution. The Group shoulders a considerable cost burden in order to adhere to such statutory regulations. However, the Group may have to shoulder a large additional cost burden if current regulations are strengthened or if new regulations such as environmental taxes are introduced.

8) Risks relating to competition

The possibility of an increase in costs related the Group's air transportation operations due to such factors as jet fuel expenses, the cost of raising funds, and responses to environmental regulations cannot be denied. If such costs increase, in order to secure income, it is necessary for the Group to reduce indirect fixed costs, reduce costs by enhancing efficiency through the standardization of aircraft types, and pass on costs

through fares and charges. However, because the Group is in competition with other airlines in Japan and overseas as well as with alternative forms of transportation, such as the bullet train, on certain routes, passing on costs could diminish competitiveness and lead to the loss of customers to competitors. Further, because price competition with competitors greatly restricts the passing on of costs, an increase in costs could affect the Group's performance.

#### 9) Risks relating to ineffective joint ventures and strategic alliances

Through its membership in Star Alliance, the Company enjoys a variety of benefits, including the sale of tickets to customers of alliance partners and heightened name recognition outside Japan. However, the benefits of Star Alliance membership would diminish if a major partner were to leave the Alliance, or if the Alliance were ordered to dissolve or reduce the extent of its activities based on certain member countries' antitrust laws. Such eventualities could significantly affect the Group's performance.

#### 10) Risks relating to flight operations

##### (1) Aircraft accidents etc.

An aircraft accident would give rise to significant expenses associated with the repair or replacement of aircraft, compensation for damages, and other items. Although such direct expenses would be largely met by aviation insurance, a medium-to-long term downturn in aviation demand immediately following an accident could significantly affect the Group's performance. Further, a major accident involving a code-share flight or even that of a competitor could similarly lead to a reduction in aviation demand that could affect the Group's performance.

##### (2) Technical circular directives etc.

If an issue arises that significantly compromises the safety of an aircraft, in accordance with the law, the Minister of Land, Infrastructure and Transport issues a technical circular directive. In some cases, operations of the same type of aircraft are not permitted until the aircraft's safety has been confirmed. Further, even when the law does not require issuance of a technical circular directive, in some cases, where safety cannot be confirmed, operation of the same type of aircraft is voluntarily suspended in accordance with in-house regulations. The occurrence of such a situation could significantly affect the Group's performance.

#### 11) Risks relating to leaked customer information

The Group holds a huge amount of information relating to customers, such as that pertaining to the approximately 15.75 million members (as of March 31, 2007) of the ANA Mileage Club. The full enactment of the Personal Information Protection Law on April 1, 2005, increases the stringency required for the proper management of such personal information. The Group undertakes adequate measures to ensure information security. However, a major leak of personal information caused by unauthorized access or some other factor could carry significant cost, in terms of both compensation and loss of public confidence, which could significantly affect the Group's performance.

#### 12) Risks relating to disasters

The Group's data center is located in the Tokyo area, while the operational control for all of the Group's domestic and international flights is conducted at Haneda Airport. Further, more than 60% of the Group's passengers on domestic routes use Haneda Airport. As a result, a major disaster, such as an earthquake, in the Tokyo area or a disaster, such as a fire, at the abovementioned facilities could lead to a long-term shutdown of the Group's information systems or operational control functions that could significantly affect the Group's performance. Further, the long-term closure of an airport due to an earthquake, a typhoon, or snow would lead to the suspension of flight arrivals and departures at that airport during the period of closure, which could affect the Group's performance.

#### 13) Risks relating to information systems

Air transportation operations are highly dependent on information systems for such critical functions as reservations and sales, boarding procedures, operational control, and operational management. The failure of one of those systems or the failure of telecommunications networks would make it difficult to maintain operations and would result in a loss of public confidence, which could affect the Group's performance.

#### 14) Risks relating to asset impairment

From April 2005, the Group introduced asset impairment accounting. In the fiscal year under review, the Group recorded an extraordinary loss of ¥10.8 billion. However, if the profitability of various operations deteriorates, the Group may be required to recognize further asset impairment losses in the future.

### 3. Management Policy

## 1. Keynote

In the ANA Group Safety Principles, we state: “Safety is our promise to the public and the foundation of our business.” Safety is our responsibility as a provider of public transportation and we will keep this firmly in mind. While giving top priority to the safe operation of Group airlines, we aim to win the confidence of customers and shareholders by raising the quality of our air transportation services and by drastically increasing the profits of the ANA Group as a whole.

## 2. Medium- and Long-Term Management Strategies

We have been promoting a shift to a business structure that can handle fluctuating risks. We aim to establish a stable revenue base by continuously strengthening our cost competitiveness and thereby increasing revenues.

Moreover, to prepare for the heightened competition expected following the expansion of Haneda Airport in 2010, we formulated the “ANA Group Mid-Term Corporate Strategy (FY2006–FY2009)” in January 2006 so as to achieve our goal of “becoming one of the leading corporate groups in Asia centered on air transportation,” as stated in the ANA Group Corporate Vision. Under this corporate strategy, we have positioned international passenger operations and cargo as the engines of our growth; strategies have been devised to increase profits in line with increased revenues and, as a result, improve our financial constitution. We will continue to strengthen our business base and endeavor to realize the ANA Group Corporate Vision by implementing the following action plan.

- 1) Cost Competitiveness in Fleet and Human Resources Surpassing That of Rivals
- 2) Enhanced Competitiveness in Marketing and Sales
- 3) Strengthened Network Maximizing Alliance
- 4) Increased Profitability in Other Businesses

## The ANA Group

The ANA Group comprises All Nippon Airways Co., Ltd (ANA) and its 128 subsidiaries and 44 affiliates. Of those companies, 95 are consolidated subsidiaries and 25 are accounted for by the equity method. The Group's operations are classified into four business segments: air transportation, travel services, hotel operations, and other businesses. For each segment, the fields of business and the operational positions of the parent company, subsidiaries, and affiliates are described below:

As of March 31, 2007 Operational segment	No. of subsidiaries	of which,		No. of affiliates	of which, equity method
		consolidated	of which, equity method		
Air Transportation	38	38	-	5	5
Travel Services	9	9	-	1	1
Hotel Operations	16	16	-	3	2
Other Businesses	65	32	5	35	12
Group Total	128	95	5	44	20

### Air Transportation

The ANA Group's air transportation operations and other aircraft operations are centered on All Nippon Airways Co., Ltd.; subsidiaries Air Nippon Co., Ltd. (ANK), and Air Japan Co., Ltd. (AJX). Air transportation principally comprises passenger services, cargo and airmail transportation. Incidental operations include airport customer services, telephone reservation and information services and the maintenance of ANA's aircraft, and are provided by International Airport Utility Co., Ltd., ANA TELEMART Co., Ltd., ANA Aircraft Maintenance Co., Ltd., and other companies. Airport passenger handling, and maintenance services are also provided to domestic and overseas airlines that are not members of the ANA Group.

### Travel Services

Travel packages are structured and sold under the brand names ANA Hallo Tour and ANA Sky Holiday, mainly by ANA Sales Co., Ltd. These operations mainly comprise the development and sale of products that use the air transportation services of ANA or ANK and accommodation at ANA hotels. Overseas, ANA Sales Europe Ltd. and other companies provide a range of services to customers traveling on ANA Hallo Tour brand packages and sell airline tickets and travel products.

### Hotel Operations

Subsidiaries and affiliates develop and operate hotels by providing a wide range of services including lodging, meals, banquets, and wedding receptions.

### Other Businesses

Group companies provide communications, trading and sales, real estate, building management, ground transportation and distribution, aircraft equipment maintenance, and other services. ANA Information Systems Planning Co., Ltd., Infini Travel Information, Inc., and others principally develop terminals and software for airline-related information. ANA Logistics Services Co., Ltd., operates warehouse for imported air cargo. All Nippon Airways Trading Co., Ltd., and others conduct operations centered primarily on the import of airline-related materials and on sales through stores and catalogs. Jamco Corporation and others provide the maintenance of aircraft equipment. All Nippon Airways Co., Ltd., and ANA Group subsidiaries and affiliates are customers for these products and services.

**(1) Consolidated Balance Sheets**

Yen(Millions)

	FY2006 As of Mar.31	FY2005 As of Mar.31	Difference
<b>Assets</b>			
<u>Current assets</u>	422,048	530,374	(108,326)
Cash and deposits	172,958	234,461	(61,503)
Trade accounts receivable	123,288	113,316	9,972
Marketable securities	34	24,645	(24,611)
Inventories	60,736	57,915	2,821
Deferred income taxes - current	9,408	23,561	(14,153)
Other	56,164	76,720	(20,556)
Allowance for doubtful accounts	(540)	(244)	(296)
<u>Fixed assets</u>	1,179,535	1,135,463	44,072
[Tangible fixed assets]	[969,810]	[927,409]	42,401
Buildings and structures	159,607	165,693	(6,086)
Flight equipment	583,724	492,358	91,366
Machinery, Equipment and vehicles	19,211	16,875	2,336
Tools and fixtures	16,071	14,967	1,104
Land	94,303	97,899	(3,596)
Construction in progress	96,894	139,617	(42,723)
[Intangible fixed assets]	[43,022]	[41,850]	1,172
[Investments and others]	[166,703]	[166,204]	499
Investment securities	68,358	60,854	7,504
Long-term loans receivables	3,788	4,989	(1,201)
Deferred income taxes - non-current	35,556	42,780	(7,224)
Other	60,083	58,746	1,337
Allow ance for doubtful accounts	(1,082)	(1,165)	83
<u>Deferred assets</u>	508	1,006	(498)
<b>Total assets</b>	<b>1,602,091</b>	<b>1,666,843</b>	<b>(64,752)</b>

	Yen(Millions)		
	FY2006 As of Mar.31	FY2005 As of Mar.31	Difference
<b>Liabilities</b>			
<u>Current liabilities</u>	473,034	480,848	(7,814)
Trade accounts payable	198,988	170,729	28,259
Short-term loans	3,500	8,690	(5,190)
Current portion of long-term debt	110,224	95,748	14,476
Current portion of bonds payable	45,000	45,000	-
Accrued income taxes	3,369	9,258	(5,889)
Accrued bonuses to employees	15,332	14,117	1,215
Other	96,621	137,306	(40,685)
<u>Long-term liabilities</u>	723,145	832,554	(109,409)
Bonds payable	165,000	240,000	(75,000)
Long-term debt payable	425,722	456,879	(31,157)
Accrued employees' retirement benefits	112,606	107,377	5,229
Consolidation adjustment account	1,105	672	433
Other	18,712	27,626	(8,914)
<b>Total liabilities</b>	<b>1,196,179</b>	<b>1,313,402</b>	<b>(117,223)</b>
<b>Minority interests</b>	-	7,132	-
<b>Shareholders' equity</b>			
Common stock	-	160,001	-
Capital surplus	-	125,605	-
Earned surplus (deficit)	-	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>	364,545	-	-
Common stock	160,001	-	-
Capital surplus	125,739	-	-
Earned surplus	79,530	-	-
Treasury stock	(725)	-	-
<b>Evaluation and exchange adjustments</b>	33,678	-	-
Unrealized gains on securities	10,885	-	-
Deferred hedge gains	23,155	-	-
Foreign currency translation adjustment	(362)	-	-
<b>Minority interests</b>	7,689	-	-
<b>Total Net assets</b>	<b>405,912</b>	-	-
<b>Total liabilities, minority interest and Net assets</b>	<b>1,602,091</b>	-	-

Note:

	Yen (Millions)	
	FY2006 As of Mar.31	FY2005 As of Mar.31

Accumulated depreciation	872,709	841,944
Contingent liabilities	31,454	164

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

Yen(Millions)

	FY2006 Apr.1 - Mar.31	FY2005 Apr.1 - Mar.31	Difference
Operating revenues and expenses			
Operating revenues	1,489,658	1,368,792	120,866
Operating expenses	1,114,736	1,017,117	97,619
Sales, general and administrative expenses	282,732	262,873	19,859
Operating income (loss)	92,190	88,802	3,388
Non-operating income and expenses			
Non-operating income	11,412	14,476	(3,064)
Interest income	3,722	3,694	28
Dividends income	1,631	987	644
Equity in income of affiliates	284	-	284
Foreign exchange gain	746	1,774	(1,028)
Gains on sale of assets	605	936	(331)
Other	4,424	7,085	(2,661)
Non-operating expenses	41,028	36,523	4,505
Interest expenses	17,708	20,172	(2,464)
Equity in loss of affiliates	-	1,335	(1,335)
Loss on sale of assets	156	675	(519)
Loss on disposal of assets	6,692	5,571	1,121
Amortization of net transitional retirement benefit obligation	6,713	6,712	1
Other	9,759	2,058	7,701
<b>Total Recurring Profit (loss)</b>	<b>62,574</b>	<b>66,755</b>	<b>(4,181)</b>
Extraordinary gains	4,272	23,311	(19,039)
Gain on sale of fixed assets	468	1,702	(1,234)
Gain on sale of investment securities	1,239	18,632	(17,393)
Other	2,565	2,977	(412)
Extraordinary losses	15,782	37,633	(21,851)
Loss on sale of fixed assets	259	572	(313)
Loss on disposal of fixed assets	1,295	3,566	(2,271)
Impairment loss	10,809	20,451	(9,642)
Loss on sale of investment securities	315	1	314
Valuation loss on investment securities	215	751	(536)
Special retirement benefit	600	4,373	(3,773)
Other	2,289	7,919	(5,630)
<b>Net income (loss) before taxes</b>	<b>51,064</b>	<b>52,433</b>	<b>(1,369)</b>
Corporate, inhabitant and enterprise tax	12,818	20,935	(8,117)
Deferred taxes	4,552	5,955	(1,403)
Minority interests in income of consolidated subsidiaries	1,036	(1,179)	2,215
<b>Net income (loss)</b>	<b>32,658</b>	<b>26,722</b>	<b>5,936</b>

### **(3) Consolidated statements of surplus and changes in Net assets**

	Yen(Millions)
	FY2005
	Apr.1 - Mar.31
<b><u>Capital surplus</u></b>	
Capital surplus at the beginning of period	73,676
<b><u>Increase in surplus</u></b>	52,339
Increase resulting from issuance of new stock by increased capitalization	48,130
Increase resulting from sale of treasury stock	-
Increase resulting from conversion of convertible bonds	-
Increase resulting from issuance of new stock by execution of convertible bonds	4,208
<b><u>Decrease in surplus</u></b>	410
Decrease resulting from disposal of treasury stock	410
Capital surplus at the end of period	125,605
<b><u>Earned surplus</u></b>	
Earned surplus at the beginning of period	31,225
<b><u>Increase in surplus</u></b>	26,722
Net income	26,722
<b><u>Decrease in surplus</u></b>	5,250
Dividends	5,010
Decrease resulting from new ly consolidated subsidiaries	98
Decrease resulting from excluded consolidated subsidiaries	-
Decrease resulting from equity method new ly applied to affiliates	142
Earned surplus at the end of period	52,697

For the period from Apr.1,2006 - Mar.31, 2007	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at the end of previous period</b>	<b>160,001</b>	<b>125,605</b>	<b>52,697</b>	<b>(1,028)</b>	<b>337,275</b>
<b>Changes of items during the period</b>					
Dividends from retained earnings			(5,839)		(5,839)
Net income			32,658		32,658
Purchase of treasury stock				(311)	(311)
Sale of treasury stock		134		614	748
Changes in scope of consolidation and application of the equity method			14		14
Net changes of items other than shareholders' equity during the period					
<b>Total changes during the period</b>	<b>-</b>	<b>134</b>	<b>26,833</b>	<b>303</b>	<b>27,270</b>
<b>Balance at the end of the period</b>	<b>160,001</b>	<b>125,739</b>	<b>79,530</b>	<b>(725)</b>	<b>364,545</b>

For the period from Apr.1 - Mar.31, 2007	Evaluation and exchange adjustments					
	Unrealized gains on securities	Deferred hedge gains	Foreign currency translation adjustment	Total Evaluation and exchange adjustments	Minority Interests	Total net assets
<b>Balance at the end of previous period</b>	<b>9,410</b>	<b>-</b>	<b>(376)</b>	<b>9,034</b>	<b>7,132</b>	<b>353,441</b>
<b>Changes of items during the period</b>						
Dividends from retained earnings						(5,839)
Net income						32,658
Purchase of treasury stock						(311)
Sales of treasury stock						748
Changes in scope of consolidation and application of the equity method						14
Net changes of items other than shareholders' equity during the period	1,475	23,155	14	24,644	557	25,201
<b>Total changes during the period</b>	<b>1,475</b>	<b>23,155</b>	<b>14</b>	<b>24,644</b>	<b>557</b>	<b>52,471</b>
<b>Balance at the end of the period</b>	<b>10,885</b>	<b>23,155</b>	<b>(362)</b>	<b>33,678</b>	<b>7,689</b>	<b>405,912</b>

	FY2005 As of Mar.31	Increase FY2006	Decrease FY2006	FY2006 As of Mar.31
Number of shares of outstanding at balance sheet date				
Common Stock	1,949,959	-	-	1,949,959
Total	1,949,959	-	-	1,949,959
Treasury Stock				
Common Stock	3,211	695	1,971	1,935
Total	3,211	695	1,971	1,935

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

	Yen(Millions)	
	FY2006	FY2005
	Apr.1 – Mar.31	Apr.1 - Mar.31
<b>I. Cash flows from operating activities</b>		
Net income (loss) before taxes	51,064	52,433
Depreciation and amortization	88,610	76,201
Impairment loss	10,809	20,451
Gain and loss on sale of fixed assets, loss on retirement of fixed assets (Net)	7,533	7,939
Gain and loss on sales, valuation of securities (Net)	(709)	(17,885)
Increase (Decrease) in allowance for doubtful accounts	273	(4,403)
Increase (Decrease) in employees' retirement benefits	5,241	(408)
Interest expenses	17,708	20,172
Interest and dividends income	(5,353)	(4,681)
Foreign exchange loss (gain)	(348)	(91)
Special retirement benefit	600	4,373
Decrease (Increase) in trade accounts receivable	(10,620)	520
Decrease (Increase) in other receivable	(1,165)	3,007
Increase (Decrease) in trade accounts payable	28,389	28,417
Other, net	(124)	9,839
Sub-total	191,908	195,884
Interest and dividends received	5,390	4,726
Interest paid	(17,787)	(20,511)
Corporate, inhabitant and enterprise taxes paid	(20,197)	(47,201)
Special retirement benefit paid	(600)	(4,373)
Net cash provided by (used in) operating activities	158,714	128,525
<b>II. Cash flows from investing activities</b>		
Payment for acquisition of tangible fixed assets	(236,750)	(218,278)
Proceeds from sale of tangible fixed assets	104,900	125,392
Payment for acquisition of intangible fixed assets	(15,176)	(17,302)
Payment for acquisition of securities	(5,995)	-
Proceeds from redemption of securities	21,410	-
Payment for acquisition of investments in securities	(5,891)	(6,845)
Proceeds from sale of investments in securities	1,015	11,282
Payment for lending	(2,416)	(1,528)
Proceeds from collection of loans	5,606	49,574
Proceeds from acquisition of subsidiaries' stock with changes in scope of Consolidation	-	205
Proceeds from sale of subsidiaries' stock with changes in scope of Consolidation	1,375	12,219
Other, net	3,624	(1,168)
Net cash provided by (used in) investing activities	(128,298)	(46,449)

	Yen(Millions)	
	FY2006	FY2005
	Apr.1 - Mar.31	Apr.1 - Mar.31
<b>III. Cash flows from financing activities</b>		
Increase (Decrease) in short-term loans (Net)	(5,190)	(7,355)
Proceeds from long-term debt	97,158	84,278
Repayment of long-term debt	(113,809)	(163,141)
Proceeds from issuance of bonds	-	34,813
Redemption of bonds	(75,000)	(40,000)
Proceeds from issuance of new stock	-	95,865
Payment for dividends	(5,839)	(5,010)
Payment for acquisition of treasury stock	997	(2,289)
Other, net	786	(298)
Net cash provided by (used in) financing activities	(100,897)	(3,137)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	(59)	517
<b>V. Net increase (decrease) in cash and cash equivalents</b>	(70,540)	79,456
<b>VI. Cash and cash equivalents at the beginning of the period</b>	242,785	163,155
<b>VII. Net increase (decrease) resulting from changes in scope of consolidation</b>	29	174
<b>VIII. Cash and cash equivalents at the end of the period</b>	172,274	242,785

Supplementary cash flow information

Reconciliation of the difference between cash stated in the consolidated balance sheets is as follows:

	Yen(millions)	
	FY2006	FY2005
Cash	172,958	234,461
Time deposits with maturities of more than three months	(711)	(903)
Marketable securities	34	24,645
Marketable securities with maturities of more than three months	(7)	(15,418)
Cash and cash equivalents at the end of period	172,274	242,785

Significant non-cash transactions are as follows:

	Yen(millions)	
	FY2006	FY2005
Issuance of new stock by execution of convertible bonds:		
Credited to common stock	-	4,208
Credited to capital surplus	-	4,208
	-	8,418

**1. Basis of presenting consolidated financial statements**

All Nippon Airways Co., Ltd. (the Company) and its domestic subsidiaries maintain their books of account in accordance with the provisions set forth in the Japanese Company Law and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The Company's foreign subsidiaries maintain their books of account in conformity with accounting principles and practices of the countries of their domicile.

**2. Summary of significant accounting policies**

(a) Principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries. All significant inter-company accounts and transactions have been eliminated.

Investments in certain subsidiaries and significant affiliates are accounted for by the equity method of accounting. The difference between the cost and the underlying net equity in the net assets at dates of acquisition of consolidated subsidiaries and companies accounted for by the equity method of accounting is amortized using the straight-line method over a period of five years.

Investments in non-consolidated subsidiaries and affiliates not accounted for by the equity method of accounting are stated at cost. The companies' equity in undistributed earnings of these companies is not significant.

Certain subsidiaries have fiscal years not ending on March 31 and the necessary adjustments for significant transactions, if any, are made on consolidation.

(b) Marketable securities and investment securities

Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in Net assets.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

Investments in subsidiaries and affiliates are stated at cost determined by the moving average method.

(c) Derivatives

Derivatives, such as forward foreign exchange contracts, interest rate swaps and commodity options and swaps, are used, to limit their exposure to fluctuations in foreign exchange rates, interest rates, and commodity prices. These are not used for trading purposes.

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which an unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward exchange contracts are translated at the corresponding foreign exchange contract rates.

(d) Inventories

Inventories are stated at cost. Cost is determined by the moving average method for aircraft spare parts, and mainly first-in, first-out method for miscellaneous supplies.

(e) Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed based on estimated useful lives by the following methods:

Flight equipment .....	Straight-line method mainly
Buildings.....	Straight-line method mainly
Other ground property and equipment.....	Declining balance method

The Company employs principally the following useful lives, based upon the Company's estimated durability of such aircraft:

International type equipment.....	20 years
Domestic type equipment.....	17 years

(f) Intangible fixed assets and amortization

Intangible fixed assets included in other assets are amortized by the straight-line method. Cost of software purchased for internal use is amortized by the straight-line method over 5 years, the estimated useful life of purchased software.

(g) Bond issuance costs and new stock issuance costs

Bond issuance costs and new stock issuance costs are principally capitalized and amortized over a period of three years.

(h) Foreign currency translation

Foreign currency receivables and payables are translated into yen at the rates of exchange in effect at the balance sheet date, and translation adjustments are made included in profit and loss account.

(i) Allowance for doubtful receivables

A general provision is made for doubtful receivables based on past experience. Provisions are made against specific receivables as and when required.

(j) Accrued bonuses to employees

Provisions are made for bonus payment for employees of the company. The accrued amounts of estimated bonus payments at balance sheet date are stated as accrued bonuses to employees.

(k) Retirement benefits

Accrued retirement benefits for employees at the balance sheet date are provided mainly at an amount calculated based on the retirement benefit obligation and the fair market value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated service years of the eligible employees. The net retirement benefit obligation at transition is being amortized principally over a period of 15 years by the straight-line method. Actuarial gains and losses are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods which are shorter than the average remaining service years of employees. Prior service cost is being amortized as incurred by the straight-line method over periods which are shorter than the average remaining service years of the employees.

(l) Leases

Finance lease transactions other than those that are expected to transfer ownership of the assets to the lessee are accounted for as operating leases.

(m) Revenue recognition

Passenger revenues are recorded when services are rendered.

(n) Consumption taxes

Consumption taxes are excluded from the amounts of profit and loss statements.

(o) Consolidated tax return system

The Company applied a consolidated tax return system.

### Changes in accounting policies

(Accounting Standards for Presentation of Net Assets in the Balance Sheet)

The Company and its domestic subsidiaries and affiliates applied "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No.5, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No.8, December 9, 2005).

The amount corresponding to conventional "total shareholders' equity" in the balance sheet is ¥375,068 million. "Net Assets" in the balance sheet for the interim FY2006 is stated in accordance with the new accounting standard.

(Accounting Standards for Business Combinations)

The Company and its domestic subsidiaries and affiliates applied "Accounting Standards for Business Combinations" (Business Accounting Council, October 31, 2003), "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No.7, December 27, 2005), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No.10, December 27, 2005)

### 3. Marketable securities and investments in securities

Market value information is summarized as follows:

#### Held-to-maturity securities having market value

	Yen (Millions)	
	FY2006	FY2005
Gross unrealized gain:		
Cost	3	38
Market value	3	38
	0	0
Gross unrealized loss:		
Cost	5	-
Market value	5	-
	0	-
Net unrealized gain	0	0

#### Other securities having market value

	Yen (Millions)	
	FY2006	FY2005
Gross unrealized gain:		
Cost	14,857	14,369
Market value	33,826	30,898
	18,969	16,529
Gross unrealized loss:		
Cost	3,392	446
Market value	3,227	405
	(165)	(41)
Net unrealized gain	18,804	16,488

#### Sell-off of other securities

	Yen (Millions)	
	FY2006	FY2005
Proceeds	464	228
Gain on sale	323	8
Loss on sale	1	-

#### Breakdown of other securities not having market value

	Yen (Millions)	
	FY2006	FY2005
Bonds held to maturity	-	15,416
Other securities	22,415	31,449
	22,415	46,865

The redemption schedule of other securities and held-to-maturity debt securities is summarized as follows:

	Yen (Millions)	
	FY2006	FY2005
Bonds:		
Within 1 year	5	23,415
Over 1 year to 5 years	3	38
Over 5 years to 10 years	-	-
Over 10 years	-	-
Others:		
Within 1 year	29	1,230
Over 1 year to 5 years	-	-
Over 5 years to 10 years	-	-
Over 10 years	-	-
Total:		
Within 1 year	34	24,645
Over 1 year to 5 years	3	38
Over 5 years to 10 years	-	-
Over 10 years	-	-

#### 4 .Retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amount of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. In addition, the Company and certain domestic consolidated subsidiaries have also defined contributory pension plans.

	Yen (Millions)	
	FY2006	FY2005
Retirement benefit obligation	(278,278)	(269,868)
Plan assets at fair value	118,190	110,939
Unfunded retirement benefit obligation	(160,088)	(158,929)
Unrecognized net transitional retirement benefit obligation	53,698	60,430
Unrecognized actuarial loss	23,826	24,497
Unrecognized prior service cost	(29,014)	(32,361)
Gross amount recognized	(111,578)	(106,363)
Prepaid pension cost	1,028	1,014
Accrued employees' retirement benefits	(112,606)	(107,377)

The government sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

The components of retirement benefit expenses are as follows:

	Yen (Millions)	
	FY2006	FY2005
Service cost	10,953	12,225
Interest cost	6,426	6,250
Expected return on plan assets	(4,369)	(4,952)
Amortization of net retirement benefit obligation at transition	6,713	6,712
Amortization of actuarial loss	3,650	4,071
Amortization of prior service cost	(3,739)	(3,715)
Net periodic pension and severance cost	19,634	20,591
Other	608	568
Total	20,242	21,159

Note :

The Company and its consolidated subsidiaries paid premium retirement benefit as extraordinary losses.

	FY2006	FY2005
Special retirement benefit paid	600	4,373

## 5. Income taxes

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities is as follows:

	Yen (Millions)	
	FY2006	FY2005
Deferred tax assets:		
Accrued employees' retirement benefits	44,543	42,209
Gain on deferred hedge	-	11,780
Accrued bonuses to employees	7,203	5,751
Unrealized gain on inventories and property and equipment	5,428	5,311
Impairment loss	3,671	3,908
Tax loss carried forward	2,306	2,725
Accrued enterprise tax	-	1,162
Valuation loss on investments in securities	1,048	-
Others	13,773	11,157
Total gross deferred tax assets	77,972	84,003
Less valuation allowance	(8,611)	(9,024)
Total net deferred tax assets	69,361	74,979
Deferred tax liabilities:		
Deferred hedge gains	(13,241)	-
Unrealized gains (losses) on securities	(7,641)	(6,754)
Reserve for special depreciation	(2,729)	(984)
Others	(2,280)	(2,716)
Total gross deferred tax liabilities	(25,891)	(10,454)
Net deferred tax assets	43,470	64,525

Deferred tax assets are described on the consolidated balance sheets as follows:

	Yen (millions)	
	FY2006	FY2005
Current assets - Deferred tax assets	9,408	23,561
Investments - Deferred tax assets	35,556	42,780
Other short-term liabilities	(6)	-
Other long-term liabilities	(1,488)	(1,816)

Reconciliation of the difference between the statutory tax rate and the effective income tax rate for the year ended March 31, 2007 is as follows:

	FY2006
Statutory tax rate	40.16%
Reconciliation:	
Entertainment expenses not qualifying for deduction	2.01%
Inhabitants tax per capita levy	0.45%
Change in valuation allowance and related adjustments	(7.69%)
Other	(0.91%)
Effective income tax rate	34.02%

## 6. Leases

### (a) Finance leases

Finance lease transactions other than those that are expected to transfer ownership of the assets to the lessee are accounted for as operating leases. Information on finance leases which are not recorded as assets and liabilities is summarized as follows.

Estimated acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of leased assets are as follows:

	Yen (Millions)	
	FY2006	FY2005
<b>Aircraft:</b>		
Estimated acquisition cost	223,363	278,217
Estimated amount of accumulated depreciation	138,153	174,610
Estimated accumulated impairment loss	-	-
Estimated net book value	85,210	103,607
<b>Others:</b>		
Estimated acquisition cost	15,365	11,688
Estimated amount of accumulated depreciation	6,954	6,449
Estimated accumulated impairment loss	-	-
Estimated net book value	8,411	5,239
<b>Total:</b>		
Estimated acquisition cost	238,728	289,905
Estimated amount of accumulated depreciation	145,107	181,059
Estimated accumulated impairment loss	-	-
Estimated net book value	93,621	108,846

Outstanding finance lease obligations are as follows:

	Yen (Millions)	
	FY2006	FY2005
Current portion of finance lease obligations	23,169	26,879
Long-term finance lease obligations	74,341	87,143
	97,510	114,022
Impairment Loss on leased assets	-	-

Annual lease expenses, reversal of impairment loss on leased assets, estimated amount of depreciation, estimated interest cost and impairment loss are as follows:

	Yen (Millions)	
	FY2006	FY2005
Annual lease expenses charged to income	30,048	36,735
Reversal of impairment loss on leased assets	-	-
Estimated amount of depreciation by the straight-line method over the lease period	26,737	31,476
Estimated interest cost	2,099	3,216
Impairment loss	-	-

### (b) Operating leases

The rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

	Yen (Millions)	
	FY2006	FY2005
Current portion of operating lease obligations	32,824	31,791
Long-term operating lease obligations	173,450	121,934
	206,274	153,725

## 7. 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.

The Company and its domestic subsidiaries and affiliates applied "Accounting Standards for Impaired Fixed Assets" ("Statement of position for setting accounting standards for impaired fixed assets" (Business Accounting Council, 9 August 2002)) and the "Applicable guidelines for accounting standards concerning the impairment of fixed assets" (Issue No.6 of Accounting Standards for Business Enterprises, 31 October 2003).

Segment information is as follows:

<FY2005 Apr.1 - Mar.31> Yen

(Millions)

	Air transportation	Travel services	Hotel operations	Other businesses	Total	Inter-company eliminations	Consolidated
Operating revenues	1,022,090	180,189	57,695	108,818	1,368,792	-	1,368,792
Intra-group sales and transfers	110,574	19,303	8,681	82,095	220,653	(220,653)	-
<b>Total</b>	<b>1,132,664</b>	<b>199,492</b>	<b>66,376</b>	<b>190,913</b>	<b>1,589,445</b>	<b>(220,653)</b>	<b>1,368,792</b>
Operating expenses	1,058,551	196,274	61,741	184,123	1,500,689	(220,699)	1,279,990
Operating income (loss)	74,113	3,218	4,635	6,790	88,756	46	88,802
Identifiable assets	1,476,599	50,120	150,367	131,675	1,808,761	(141,918)	1,666,843
Depreciation and amortization	67,984	1,046	3,822	3,349	76,201	-	76,201
Impairment loss	1,663	-	9,083	9,705	20,451	-	20,451
Capital expenditure	189,501	1,176	42,881	2,224	235,782	(202)	235,580

<FY2006 Apr.1 - Mar.31> Yen

(Millions)

	Air transportation	Travel services	Hotel operations	Other businesses	Total	Inter-company eliminations	Consolidated
Operating revenues	1,134,250	186,872	58,022	110,514	1,489,658	-	1,489,658
Intra-group sales and transfers	114,532	21,154	8,615	86,381	230,682	(230,682)	-
<b>Total</b>	<b>1,248,782</b>	<b>208,026</b>	<b>66,637</b>	<b>196,895</b>	<b>1,720,340</b>	<b>(230,682)</b>	<b>1,489,658</b>
Operating expenses	1,169,061	206,106	61,415	191,281	1,627,863	(230,395)	1,397,468
Operating income (loss)	79,721	1,920	5,222	5,614	92,477	(287)	92,190
Identifiable assets	1,447,781	51,870	143,179	116,548	1,759,378	(157,287)	1,602,091
Depreciation and amortization	81,465	1,241	3,825	2,079	88,610	-	88,610
Impairment loss	10,704	-	-	105	10,809	-	10,809
Capital expenditure	242,572	2,432	2,899	4,357	252,260	(334)	251,926

## 8. Impairment loss

The assets of the Company and its domestic consolidated subsidiaries are grouped by individual property in the case of hotel business assets, rental real estate, assets expected to be sold, and idle assets, and by management accounting categories in the case of business assets. Due to slumping performance in business assets, and falling price of assets expected to be sold, the book value of assets whose profitability dropped notably in the accounting year under review and fell to the recoverable value, is accounted for as impairment loss (¥10,809 million) under extraordinary losses.

<FY2006 as of Mar. 31> Yen(million)

Application	Location	Category	Impairment loss
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Business assets	1 in Hokkaido	Buildings	44
		Land	61
		Total	105
The asset expected to be sold		Aircraft	10,704
		Total	10,704

Note that the recoverable value of the assets is calculated by the value of use, real estate appraisal, or fair value less costs to sell, minus future cash flow of 3.5 -11.7%.

## 9. Breakdown of Operating Revenues ( Consolidated )

	Yen(Millions)				
	FY2006 Apr.1 - Mar.31	% of total	FY2005 Apr.1 - Mar.31	% of total	Difference
<b>Domestic routes</b>					
Passenger	726,063	42.2	685,074	43.1	40,989
Cargo	30,574	1.8	29,659	1.9	915
Mail	8,936	0.5	8,586	0.5	350
Baggage handling	328	0.0	331	0.0	(3)
Subtotal	765,901	44.5	723,650	45.5	42,251
<b>International routes</b>					
Passenger	278,478	16.2	229,232	14.4	49,246
Cargo	62,195	3.6	55,380	3.5	6,815
Mail	3,438	0.2	3,091	0.2	347
Baggage handling	458	0.0	517	0.1	(59)
Subtotal	344,569	20.0	288,220	18.2	56,349
Revenues from scheduled flights	1,110,470	64.5	1,011,870	63.7	98,600
Other operating revenues	138,312	8.1	120,794	7.6	17,518
Subtotal	1,248,782	72.6	1,132,664	71.3	116,118
<b>Travel services</b>					
Package tours(Domestic)	140,570	8.2	136,794	8.6	3,776
Package tours(International)	45,666	2.6	41,248	2.6	4,418
Other revenues	21,790	1.3	21,450	1.3	340
Subtotal	208,026	12.1	199,492	12.5	8,534
<b>Hotel operations</b>					
Guestrooms	25,804	1.5	24,895	1.6	909
Banquets	19,088	1.1	18,576	1.2	512
Foods and drinks	16,611	1.0	16,568	1.0	43
Other revenues	5,134	0.3	6,337	0.4	(1,203)
Subtotal	66,637	3.9	66,376	4.2	261
<b>Other businesses</b>					
Trading and retailing	136,795	8.0	126,969	8.0	9,826
Information and telecommunication	26,386	1.5	26,067	1.6	319
Real estate & building maintenance	12,553	0.7	17,306	1.1	(4,753)
Other revenues	21,161	1.2	20,571	1.3	590
Subtotal	196,895	11.4	190,913	12.0	5,982
Total operating revenues	1,720,340	100.0	1,589,445	100.0	130,895
Intercompany eliminations	(230,682)	-	(220,653)	-	(10,029)
Operating revenue(Consolidated)	1,489,658	-	1,368,792	-	120,866

Notes:

1. Segment breakdown is based on classifications employed for internal management.
2. Segment operating revenue includes inter-segment transactions.

## 10. Overview of Airline Operating Results (Consolidated)

	FY2006 Apr.1 - Mar.31	FY2005 Apr.1 - Mar.31	Year on year (%)
<b>Domestic routes</b>			
Number of passengers	46,471,436	45,474,069	102.2
Available seat-km (thousand km)	62,414,073	60,972,655	102.4
Revenue passenger-km (thousand km)	40,563,514	39,712,101	102.1
Passenger load factor	65.0	65.1	(0.1)
Cargo(tons)	457,914	440,750	103.9
Cargo traffic volume (thousand kg)	442,139	426,741	103.6
Mail(tons)	90,977	87,513	104.0
Mail traffic volume (thousand kg)	97,013	93,135	104.2
<b>International routes</b>			
Number of passengers	4,552,478	4,134,552	110.1
Available seat-km (thousand km)	26,607,003	25,337,958	105.0
Revenue passenger-km (thousand km)	20,144,917	18,769,014	107.3
Passenger load factor	75.7	74.1	1.6
Cargo(tons)	277,571	248,735	111.6
Cargo traffic volume (thousand kg)	1,271,267	1,134,805	112.0
Mail(tons)	15,389	14,252	108.0
Mail traffic volume (thousand kg)	67,317	60,050	112.1
<b>Total</b>			
Number of passengers	51,023,914	49,608,621	102.9
Available seat-km (thousand km)	89,021,076	86,310,613	103.1
Revenue passenger-km (thousand km)	60,708,431	58,481,115	103.8
Passenger load factor	68.2	67.8	0.4
Cargo(tons)	735,485	689,485	106.7
Cargo traffic volume (thousand kg)	1,713,406	1,561,546	109.7
Mail(tons)	106,366	101,765	104.5
Mail traffic volume (thousand kg)	164,330	153,185	107.3

Notes:

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

International routes: ANA Group + Code share flights (UA and EVA AIR)

Each result does not include results of charter flights.

Domestic routes' data include results of night cargo flights.

Fiscal year ended March 31, 2007  
 Non-consolidated financial results  
 All Nippon Airways Co., Ltd. (9202)

## ANA reports non-consolidated financial results for FY2006

### 1. Non-consolidated financial highlights for the period ended March 31, 2007 (FY2006)

(1) Summary of non-consolidated operating results Yen (Millions rounded down)

	FY2006 Apr.1 - Mar.31	Year on year (%)	FY2005 Apr.1 - Mar.31	Year on year (%)
Operating revenues	1,289,429	10.1%	1,171,088	6.4%
Operating income (loss)	76,284	9.6%	69,587	8.2%
Recurring profit (loss)	46,240	(9.0%)	50,813	(3.1%)
Net income (loss)	31,833	13.1%	28,137	170.5%
Net income (loss) per share	16.34yen		16.45yen	
Diluted net income (loss) per share	-		16.45yen	
Average number of shares of outstanding during the period	1,948,455,619 shares		1,710,019,085 shares	

Note:

Changes in the accounting policy during the period: None

(2) Dividends Yen

	FY2006	FY2005
Annual dividend per share	3.00	3.00
Interim	-	-
Year – end	3.00	3.00

(3) Summary of Non-consolidated financial positions Yen (Millions rounded down)

	FY2006	FY2005
Total assets	1,501,805	1,505,643
Shareholders' equity	383,509	333,155
Shareholders' equity ratio	25.5%	22.1%
Shareholders' equity per share	196.85yen	170.96yen
Number of shares of outstanding at balance sheet date	1,948,195,911 shares	1,948,733,499 shares
Number of treasury stocks at balance sheet date	1,763,346 shares	1,225,758 shares

### 2. Forecast of non-consolidated operating results for the period ending March 31, 2008

Yen (Millions rounded down)	
Operating revenues	1,350,000
Recurring profit (loss)	36,000
Net income (loss)	54,000

Note: Forecast of net income per share: 27.72yen

This forecast involve risks, uncertainties and other factors since it reflects management's views in light of the information currently available as of the date hereof. The reader should be aware that actual results could differ materially due to various factors.

**(1) Non-consolidated Balance Sheets**

Yen(Millions rounded down)

	FY2006 As of Mar.31	FY2005 As of Mar.31	Difference
<b><u>Assets</u></b>			
<b><u>Current assets</u></b>	443,452	454,524	(11,072)
Cash and deposits	136,127	193,699	(57,571)
Trade accounts receivable	98,444	97,281	1,162
Marketable securities	-	7,998	(7,998)
Inventories	55,051	50,300	4,750
Prepaid expenses	7,763	7,903	(140)
Short-term loans receivable	98,842	17,764	81,077
Other accounts receivable	7,938	4,423	3,515
Suspense payments	15,198	-	15,198
Deferred income taxes - current	608	18,195	(17,587)
Other	23,617	57,010	(33,392)
Allowance for doubtful accounts	(139)	(53)	(86)
<b><u>Fixed assets</u></b>	1,058,024	1,050,448	7,576
[Tangible fixed assets]	[840,027]	[789,418]	50,608
Buildings	83,871	84,638	(766)
Structures	2,157	2,037	120
Flight equipment	582,561	491,085	91,475
Machinery and equipment	12,826	10,564	2,261
Transportation equipment other than aircraft	1,989	1,895	94
Tools and fixtures	11,252	10,073	1,179
Land	48,755	49,563	(807)
Construction in progress	96,612	139,561	(42,948)
[Intangible fixed assets]	[33,432]	[33,810]	(378)
Telephone deposits	219	241	(22)
Software	31,059	30,991	68
Other	2,152	2,577	(424)
[Investments and others]	[184,565]	[227,219]	(42,654)
Investment securities	56,191	49,507	6,683
Investments in subsidiaries and affiliates	42,836	42,996	(160)
Long-term loans receivables	20,487	73,934	(53,447)
Housing loans to employees	166	1,455	(1,289)
Long-term prepaid expenses	3,027	4,572	(1,545)
Deferred income taxes - non-current	23,980	27,831	(3,851)
Other	38,726	34,377	4,349
Allow ance for doubtful accounts	(849)	(7,457)	6,607
<b><u>Deferred assets</u></b>	328	670	(341)
New stock issuance expenses	266	510	(243)
Bond issuance expenses	62	159	(97)
<b>Total assets</b>	<b>1,501,805</b>	<b>1,505,643</b>	<b>(3,837)</b>

	Yen(Millions rounded down)		
	FY2006	FY2005	
	As of Mar.31	As of Mar.31	Difference
<b><u>Liabilities</u></b>			
<b><u>Current liabilities</u></b>	438,253	398,708	39,544
Trade accounts payable	170,190	146,285	23,904
Current portion of long-term debt	133,977	71,807	62,170
Current portion of bonds payable	45,000	45,000	-
Non-operating accounts payable	6,248	4,933	1,315
Accrued expenses	18,254	21,506	(3,252)
Accrued income taxes	496	6,163	(5,666)
Deposits	805	774	30
Advance ticket sales	51,062	46,135	4,926
Accrued bonuses to employees	6,961	6,253	708
Other	5,256	49,849	(44,593)
<b><u>Long-term liabilities</u></b>	680,042	773,779	(93,736)
Bonds payable	165,000	240,000	(75,000)
Long-term loans payable	418,916	433,839	(14,922)
Accrued employees' retirement benefits	84,955	80,376	4,578
Other	11,171	19,563	(8,392)
<b>Total liabilities</b>	1,118,296	1,172,487	(54,191)
<b>Shareholders' equity</b>			
Common stock	-	160,001	-
Capital surplus	-	125,342	-
Capital reserve	-	95,024	-
Other surplus	-	30,317	-
Gain on decrease of common stock and capital surplus	-	30,317	-
Earned surplus (deficit)	-	39,176	-
Unrealized gains (loss) on securities	-	9,063	-
Treasury stock	-	(427)	-
<b>Total shareholders' equity</b>	-	333,155	-
<b>Total liabilities and shareholders' equity</b>	-	1,505,643	-
<b>Net assets</b>			
<b>Shareholders' equity</b>	364,545	-	-
Common stock	160,001	-	-
Capital surplus	125,352	-	-
Earned surplus	65,163	-	-
Treasury stock	(680)	-	-
<b>Evaluation and exchange adjustments</b>	33,673	-	-
Unrealized gains on securities	10,621	-	-
Deferred hedge gains	23,051	-	-
<b>Total Net assets</b>	383,509	-	-
<b>Total liabilities and NET assets</b>	1,501,805	-	-

Note:

	Yen(Millions rounded down)	
	FY2006	FY2005
	As of Mar.31	As of Mar.31

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Accumulated depreciation	790,559	760,414
Contingent liabilities	32,321	10,849

**(2)Non-consolidated Statements of Income (Loss)**

Yen(Millions rounded down)

	FY2006 Apr.1 - Mar.31	FY2005 Apr.1 - Mar.31	Difference
Operating revenues and expenses			
Operating revenues	1,289,429	1,171,088	118,340
Operating expenses	1,012,723	919,958	92,764
Sales, general and administrative expenses	200,420	181,541	18,879
Operating income (Loss)	76,284	69,587	6,697
Non-operating income and expenses			
Non-operating income	10,190	13,452	(3,261)
Interest income	1,776	1,111	664
Other	8,414	12,340	(3,925)
Non-operating expenses	40,235	32,226	8,008
Interest expense	14,850	15,860	(1,009)
Other	25,384	16,366	9,018
<b>Total Recurring income (loss)</b>	<b>46,240</b>	<b>50,813</b>	<b>(4,572)</b>
Extraordinary gains	10,032	16,773	(6,740)
Gain on sales of stock of affiliates	966	13,660	(12,693)
Gain on sale of investment securities	46	2	43
Reversal of allowance for doubtful accounts	6,529	1,680	4,848
Other	2,490	1,429	1,061
Extraordinary losses	14,761	20,530	(5,768)
Loss on sale of fixed assets	191	1,473	(1,282)
Loss on retirement of fixed assets	938	2,682	(1,744)
Impairment loss	11,333	1,094	10,238
Valuation loss on shares of affiliates	-	3,839	(3,839)
Valuation loss on investment securities	200	-	200
Valuation loss on other investments	11	-	11
Provision for allowance for doubtful accounts	37	2,102	(2,064)
Special retirement benefits	393	4,316	(3,923)
Other	1,654	5,020	(3,365)
<b>Net income (loss) before taxes</b>	<b>41,511</b>	<b>47,056</b>	<b>(5,544)</b>
Corporate, inhabitant and enterprise tax	4,757	14,379	(9,621)
Deferred taxes	4,920	4,539	381
<b>Net income (loss)</b>	<b>31,833</b>	<b>28,137</b>	<b>3,695</b>
Gain(loss) carried over from last year	-	9,328	-
<b>Undistributed net gain (loss)</b>	<b>-</b>	<b>37,465</b>	<b>-</b>

### (3)Non-consolidated Statements of Changes in Net Asset

Yen(Millions rounded down)

For the period from Apr.1,2006 - Mar.31, 2007	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at the end of previous period</b>	<b>160,001</b>	<b>125,342</b>	<b>39,176</b>	<b>(427)</b>	<b>324,092</b>
<b>Changes of items during the period</b>					
Dividends from retained earnings			(5,846)		(5,846)
Net income			31,833		31,833
Purchase of treasury stock				(311)	(311)
Sale of treasury stock		10		58	68
Net changes of items other than shareholders' equity during the period					
<b>Total changes during the period</b>	<b>-</b>	<b>10</b>	<b>25,987</b>	<b>(253)</b>	<b>25,744</b>
<b>Balance at the end of the period</b>	<b>160,001</b>	<b>125,352</b>	<b>65,163</b>	<b>(680)</b>	<b>349,836</b>

For the period from Apr.1 - Mar.31, 2007	Evaluation and exchange adjustments			Total net assets
	Unrealized gains on securities	Deferred hedge gains	Total Evaluation and exchange adjustments	
<b>Balance at the end of previous period</b>	<b>9,063</b>	<b>-</b>	<b>9,063</b>	<b>333,155</b>
<b>Changes of items during the period</b>				
Dividends from retained earnings				(5,846)
Net income				31,833

Purchase of treasury stock				(311)
Disposal of treasury stock				68
Net changes of items other than shareholders' equity during the period	1,558	23,051	24,609	24,609
<b>Total changes during the period</b>	<b>1,558</b>	<b>23,051</b>	<b>24,609</b>	<b>50,354</b>
<b>Balance at the end of the period</b>	<b>10,621</b>	<b>23,051</b>	<b>33,673</b>	<b>383,509</b>

	FY2005 As of Mar.31	Increase FY2006	Decrease FY2006	FY2006 As of Mar.31
Treasury Stock				
Common Stock	1,225	695	157	1,763
Total	1,225	695	157	1,763

**Summary of significant accounting policies**

(a) Marketable securities and investment securities

Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

Investments in subsidiaries and affiliates are stated at cost determined by the moving average method.

(b) Derivatives

Derivatives, such as forward foreign exchange contracts, interest rate swaps and commodity options and swaps, are used, to limit their exposure to fluctuations in foreign exchange rates, interest rates, and commodity prices. These are not used for trading purposes.

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which an unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward exchange contracts are translated at the corresponding foreign exchange contract rates.

(c) Inventories

Inventories are stated at cost. Cost is determined by the moving average method for aircraft spare parts, and mainly first-in, first-out method for miscellaneous supplies.

(d) Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed based on estimated useful lives by the following methods:

Flight equipment .....	Straight-line method mainly
Buildings.....	Straight-line method mainly
Other ground property and equipment.....	Declining balance method

The Company employs principally the following useful lives, based upon the Company's estimated durability of such aircraft:

International type equipment.....	20 years
Domestic type equipment.....	17 years

(e) Intangible fixed assets and amortization

Intangible fixed assets included in other assets are amortized by the straight-line method. Cost of software purchased for internal use is amortized by the straight-line method over 5 years, the estimated

useful life of purchased software.

(f) Bond issuance costs and new stock issuance costs

Bond issuance costs and new stock issuance costs are principally capitalized and amortized over a period of three years.

(g) Allowance for doubtful receivables

A general provision is made for doubtful receivables based on past experience. Provisions are made against specific receivables as and when required.

(h) Accrued bonuses to employees

Provisions are made for bonus payment for employees of the company. The accrued amounts of estimated bonus payments at balance sheet date are stated as accrued bonuses to employees.

(i) Retirement benefits

Accrued retirement benefits for employees at the balance sheet date are provided mainly at an amount calculated based on the retirement benefit obligation and the fair market value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated service years of the eligible employees. The net retirement benefit obligation at transition is being amortized principally over a period of 15 years by the straight-line method. Actuarial gains and losses are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods which are shorter than the average remaining service years of employees. Prior service cost is being amortized as incurred by the straight-line method over periods which are shorter than the average remaining service years of the employees.

(j) Reserve for losses on related businesses

Provisions are made for estimated losses from investments in subsidiaries and affiliates.

(k) Leases

Finance lease transactions other than those that are expected to transfer ownership of the assets to the lessee are accounted for as operating leases.

(l) Revenue recognition

Passenger revenues are recorded when services are rendered.

(m) Consumption taxes

Consumption taxes are excluded from the amounts of profit and loss statements.

(n) Consolidated tax return system

The Company applied a consolidated tax return system.

**Changes in accounting policies**

(Accounting Standards for Presentation of Net Assets in the Balance Sheet)

The Company applied "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No.5, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No.8, December 9, 2005).

The amount corresponding to conventional "total shareholders' equity" in the balance sheet is ¥360,458 million. "Net Assets" in the balance sheet for the interim FY2006 is stated in accordance with the new accounting standard.

(Accounting Standards for Business Combinations)

The Company applied "Accounting Standards for Business Combinations" (Business Accounting Council, October 31, 2003), "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No.7, December 27, 2005), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No.10, December 27, 2005)

## Leases

### (a) Finance leases

Finance lease transactions other than those that are expected to transfer ownership of the assets to the lessee are accounted for as operating leases. Information on finance leases which are not recorded as assets and liabilities is summarized as follows.

Estimated acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of leased assets are as follows:

	Yen (Millions)	
	FY2006	FY2005
<b>Aircraft:</b>		
Estimated acquisition cost	222,388	278,025
Estimated amount of accumulated depreciation	137,835	174,508
Estimated accumulated impairment loss	-	-
Estimated net book value	84,552	103,516
<b>Others:</b>		
Estimated acquisition cost	7,686	4,470
Estimated amount of accumulated depreciation	2,611	2,000
Estimated accumulated impairment loss	-	-
Estimated net book value	5,074	2,470
<b>Total:</b>		
Estimated acquisition cost	230,075	282,496
Estimated amount of accumulated depreciation	140,447	176,508
Estimated accumulated impairment loss	-	-
Estimated net book value	89,627	105,987

Outstanding finance lease obligations are as follows:

	Yen (Millions)	
	FY2006	FY2005
Current portion of finance lease obligations	21,568	25,736
Long-term finance lease obligations	71,832	85,334
	93,401	111,070
Impairment Loss on leased assets	-	-

Annual lease expenses, reversal of impairment loss on leased assets, estimated amount of depreciation, estimated interest cost and impairment loss are as follows:

	Yen (Millions)	
	FY2006	FY2005
Annual lease expenses charged to income	28,001	35,233
Reversal of impairment loss on leased assets	-	-
Estimated amount of depreciation by the straight-line method over the lease period	24,885	30,089
Estimated interest cost	1,989	3,137
Impairment loss	-	-

### (b) Operating leases

The rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

	Yen (Millions)	
	FY2006	FY2005
Current portion of operating lease obligations	30,474	29,269
Long-term operating lease obligations	165,022	116,849
	195,496	146,118

## Marketable securities and investments in securities

Stocks investment in subsidiaries and affiliates having market value are as follows:

	Yen (Millions)	
	FY2006	FY2005

	Cost	Market value	Difference	Cost	Market value	Difference
Subsidiaries	-	-	-	-	-	-
Affiliates	675	6,523	5,847	675	8,992	8,317
	675	6,523	5,847	675	8,992	8,317

### Impairment loss

The assets of the Company are grouped by individual property in the case of rental real estate, the assets expected to be sold, and idle assets, and by management accounting categories in the case of business assets. Due to falling price of rental real estate and assets expected to be sold, the book value of assets whose profitability dropped notably in the accounting year under review and fell to the recoverable value, is accounted for as impairment loss (¥11,333 million) under extraordinary losses.

<FY2006 as of Mar. 31>			Yen(million)
Application	Location	Category	Impairment loss
Rental real estate	1 in Fukuoka	Land	629
		Total	629
The asset expected to be sold		Aircraft	10,704
		Total	10,704

### Income taxes

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities is as follows:

	Yen (Millions)	
	FY2006	FY2005
Deferred tax assets:		
Accrued employees' retirement benefits	34,118	32,279
Gain on deferred hedge	-	11,779
Valuation loss on stocks investment in subsidiaries	5,707	6,846
Approximation of accrued sales charge payable	4,480	3,541
Allowance for doubtful accounts	-	2,936
Accrued bonuses to employees	3,317	2,511
Impairment loss	692	-
Valuation loss on investment securities	678	-
Other	2,519	4,371
Total gross deferred tax assets	51,513	64,268
Less valuation allowance	(3,485)	(10,771)
Total net deferred tax assets	48,028	53,496
Deferred tax liabilities:		
Unrealized gains (losses) on securities	(13,164)	(6,248)
Reserve for special depreciation	(7,295)	(984)
Other	(2,978)	(236)
Total gross deferred tax liabilities	(23,438)	(7,469)
Net deferred tax assets	24,589	46,026

Reconciliation of the difference between the statutory tax rate and the effective income tax rate for the year ended March 31, 2007 is as follows:

	FY2006
Statutory tax rate	40.16%
Reconciliation:	
Adjustment for carried over stock of subsidiaries	1.52%
Change in valuation allowance and related adjustments	(17.55%)
Inhabitants tax per capita levy	0.24%
Exclusion of dividend income from gross revenue	(0.28%)
Other	(0.77%)
Effective income tax rate	23.32%