

## **ANA reports consolidated financial results for the interim of FY2007**

### **1. Consolidated financial highlights for the period ended September 30, 2007**

<b>(1) Summary of consolidated operating results</b>						Yen (Millions)
	Interim FY2007 Apr.1 - Sep.30	Year on year (%)	Interim FY2006 Apr.1 - Sep.30	Year on year (%)	FY2006 Apr.1 - Mar.31	
Operating revenues	763,276	1.4	752,873	9.0	1,489,658	
Operating income	67,090	(2.5)	68,781	(1.2)	92,190	
Recurring profit	56,771	(2.1)	57,993	(2.4)	62,574	
Net income	105,501	216.9	33,290	68.8	32,658	
Net income per share	54.16yen		17.10yen		16.77yen	
Diluted net income per share	-		-		-	
Gain on equity method	408		65		284	
Average number of shares of outstanding during the period (consolidated)	1,947,836,529		1,947,347,666		1,947,618,000	

Note: Changes in the accounting policy during the period: Yes

<b>(2) Summary of consolidated financial positions</b>				Yen (Millions)
	Interim FY2007 As of Sep.30	Interim FY2006 As of Sep.30	FY2006 As of Mar.31	
Total assets	1,693,889	1,639,483	1,602,091	
Total net assets	511,305	401,689	405,912	
Net worth / total assets	29.8%	24.0%	24.9	
Net worth per share	258.87yen	202.15yen	204.42yen	
Number of shares of outstanding at balance sheet date (consolidated)	1,947,702,690	1,948,096,306	1,948,023,282	

<b>(3) Summary of consolidated cash flows</b>				Yen (Millions)
	Interim FY2007 Apr.1 - Sep.30	Interim FY2006 Apr.1 - Sep.30	FY2006 Apr.1 - Mar.31	
Cash flows from operating activities	111,563	113,871	158,714	
Cash flows from investing activities	130,276	(35,551)	(128,298)	
Cash flows from financing activities	(101,639)	(83,805)	(100,897)	
Cash and cash equivalents at the end of the period	312,695	237,175	172,274	

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

Number of consolidated subsidiaries: 82

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

Number of affiliates accounted for by the equity method: 18

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

	Consolidation	Equity method	
Newly added	2	-	
Excluded	15	2	

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

	Yen (Millions)
Operating revenues	1,490,000
Operating income	79,000
Recurring profit (loss)	46,000
Net income (loss)	64,000

Note: Forecast of net income per share: 32.86yen

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

## ANA REPORTS FOR THE INTERIM OF FY2007

### 1. Overview of the interim period

In the interim period, domestic capital investment continued to increase against a background of strong corporate profits, and consumer spending picked up as the improvement in the employment situation broadened. Business conditions in Japan generally followed a course of recovery. On the other hand, with the trends in crude oil prices affecting domestic and international economic conditions, the future remains difficult to forecast.

In this environment, the ANA Group recorded consolidated operating revenues in the interim period of ¥763.2 billion (up 1.4% year-on-year), operating income of ¥67.0 billion (down 2.5%), recurring income of ¥56.7 billion (down 2.1%) and net income of ¥105.5 billion (up 216.9%).

On a non-consolidated basis, operating revenues were ¥685.8 billion (up 5.7% year-on-year), operating income was ¥58.0 billion (up 1.0%), recurring income was ¥48.1 billion (up 2.8%), and net income was ¥90.5 billion (up 245.9%).

Operating results by business segment are as follows.

(Revenues for each business segment include intra-group sales.)

#### **Air Transportation**

In response to higher fuel prices, we took steps to reduce operating costs, such as matching supply to demand and introducing new aircraft with superior fuel efficiency. In addition, we revised domestic fares, international fares, and fuel surcharges. As a result, air transportation operating revenues grew 5.8% year-on-year, to ¥666.1 billion, and operating income increased 3.3%, to ¥62.7 billion.

#### **Domestic Passenger Services**

Demand was somewhat weak in the first half of the interim period due to influence of unified local government elections and the House of Councilors election, and passenger numbers were sluggish due to intensified competition on major routes. However, in the second half of the interim period we saw results from measures targeting increased competitiveness, and passenger numbers recovered, centered on leisure travel. Nonetheless, for the interim period the number of passengers declined slightly year on year.

While continuing to maintain our basic route network, we worked to reduce the scale of low-profit routes while increasing flights and introducing aircraft on routes with higher profitability. We took steps to expand our network and enhance its convenience, entering into code sharing agreements with Star Flyer Inc. on the Haneda–Kita Kyushu route in June and with Skynet Asia Airways on the Haneda–Kagoshima route in September.

In addition, in order to steadily meet demand, we added special flights during periods of high demand and offered special fares, such as Toku-Wari and Tabi-Wari.

We introduced the SKiP service, which was partially rolled out in the previous year, at Matsuyama Airport from September, and we plan to extend this new service to all airports on all routes served by the Group by December 2007.

Moreover, we increased the convenience of ANA@desk, a business support system for corporate customers. Through a tie-up with Rakuten Travel, Inc., we began a service offering one-stop booking and settlement service for airline tickets and hotels.

In addition, from April to June, the Nippon 2 Spring Campaign was implemented nationwide. We worked to stimulate leisure travel demand and aggressively sold Tabi-Wari and travel products.

Consequently, passenger numbers on domestic routes were down slightly year on year—1.5%—to 23.03 million, while operating revenues rose 2.2%, to ¥381.2 billion, as a result of enhanced passenger unit prices stemming from the April fare revision and our efforts to accurately allocate seats in line with demand trends.

### **Domestic Cargo and Mail Services**

Domestic cargo demand was strong overall. Competitors entered the market on certain routes, but our cargo volume was level with the previous year. However, the yield declined, so revenues were down slightly year on year.

In mail services, the number of pieces handled was down due to such factors as a shift to other means of transport, and volume and revenues both declined year on year.

As a result, cargo volume on domestic routes rose 0.8% year-on-year to 225 thousand tons, while operating revenues decreased 0.5%, to ¥15.0 billion. Mail volume carried decreased by 4.2%, to 42 thousand tons, and operating revenues declined 15.1%, to ¥3.8 billion.

### **International Passenger Services**

In international passenger services, conditions were strong throughout the interim period. In addition to solid individual demand, centered on business travel, the depreciation of the yen also supported inbound demand.

In this environment, we reinforced our network of China routes, a growth market, moving to twice-daily service on the Narita–Guangzhou route from May. We worked to further enhance our profitability. To match supply to demand, we downsized to the Airbus A320-200 on the Centrair–Shanghai route from May and on the Narita–Xiamen route from June. Further, following its introduction on North American routes, service was commenced with the highly fuel-efficient Boeing 777-300ER on the Narita–London route in May. Moreover, against a background of notable economic growth in India, we worked to capture business demand between Japan and India. In September, we launched the ANA Business Jet service on the Narita–Bombay route, using a Boeing 737-700ER in an all business class configuration.

This year marks the 35th anniversary of the normalization of diplomatic ties between Japan and China and the 20th year of ANA service to China. Under the banner “ANA’s China Year,” we implemented the Live/20 Years of China Service/ANA campaign with a panda liveried aircraft, known as Fly! Panda, and with special charter flights. Also, in September we began service on the Haneda–Shanghai (Hongqiao) route, which links two airports that offer convenient access. In the future, we will work to be a “bridge of friendship between Japan and China” and to

contribute to the promotion of exchange between the two countries.

Due to these initiatives, international passenger numbers rose 8.3% year-on-year, to 2.42 million. Yields increased due to the revision of fares and fuel surcharges, and operating revenues rose 17.3%, to ¥162.1 billion.

### **International Cargo and Mail Services**

In international cargo, in May we consigned cargo operations to ABX Air, Inc., of the U.S., and as a result we effectively expanded to a fleet of six cargo freighters, including four owned by ANA. We expanded our cargo flight network, centered on Asia and China routes. Including cargo flights and passenger flights, we have built a system that can provide a stable supply of cargo space and increased customer convenience.

In outbound shipments, demand was sluggish for shipments from Japan to North America and Europe, but we secured shipments from Asia and China through Japan to North America and Europe, and succeeded in achieving improved results year on year on both routes. On Asia and China routes, due to the effect of an enhanced network, shipments of such products as semiconductor manufacturing equipment and electronic components were favorable, and results improved substantially year on year.

In inbound shipments, due to the depreciation of the yen against major currencies, demand for shipments to Japan was sluggish overall. In this setting, our cargo demand from Asia and China to Japan was slack. However, shipments of fresh products from North America and Europe were robust, and volume increased, resulting in growth overall.

Due to intensified competition, yields were flat on both inbound and outbound cargo, and that trend has been especially strong on China routes due to the entry of cargo airlines from China.

In mail services, mail to and from China declined. Mail business increased, however, centered on long-haul mail with high unit prices, such as shipments from Japan to Europe and North America and U.S. Department of Defense mail from the west coast of the United States. As a result, mail volume declined slightly while mail operating revenue increased.

Consequently, in the interim period, cargo volume on international routes rose 24.3% year on year, to 159 thousand tons, while operating revenues increased 20.0%, to ¥34.2 billion. Mail volume was down 2.8%, to 7 thousand tons, but operating revenues increased 27.2% to ¥2.0 billion.

### **Other Businesses**

In other businesses, we worked to increase revenues from aircraft maintenance and ground handling services provided to other airlines, such as passenger check-in and baggage handling, as well as from in-flight sales. Nonetheless, operating revenue declined 1.0% year-on-year to ¥67.5 billion.

### Changes in Fleet Composition

Aircraft	Purchased	Leased to	Returned	Leased from	Sold/ Removed	Change	Remarks
Boeing 747-400	-	-	-	-	2	2	2 sold in April 2007
Boeing 777-300	3	-	-	-	-	+3	1 purchased in April 2007 1 purchased in June 2007 1 purchased in September 2007
Boeing 777-200	1	-	1	-	-	0	1 returned in June 2007 (1) 1 purchased in June 2007 (1)
Boeing 767-300	1	-	1	-	-	0	1 returned in June 2007 (1) 1 purchased in June 2007 (1)
Airbus A321-10	-	-	1	-	-	1	1 returned in May 2007
Airbus A320-200	-	5	-	-	1	+4	1 sold in April 2007 (2) 1 leased in April 2007 (2) 1 leased in April 2007 3 leased in May 2007 1 leased in June 2007 1 leased in July 2007
Boeing 737-700	4	-	-	-	-	+4	1 purchased in May 2007 1 purchased in July 2007 1 purchased in August 2007 1 purchased in September 2007
Boeing 737-500	1	-	1	-	-	0	1 returned in April 2007 (1) 1 purchased in April 2007 (1)
Total	10	5	4	-	3	+8	

Notes: (1) purchased after lease termination

(2) ANA-owned, leased after sale

## **Travel Services**

In travel services, against a background of solid consumer spending, domestic travel sales increased year on year, but overseas travel sales declined slightly, due in part to lower sales of products using charter flights.

In domestic travel, we developed a new style of travel products based on the theme of contact with other people. We began sales of the Kando Annainin Plan, an individual travel product that is available for as few as two people and includes a local tour guide. Created with the cooperation of municipalities and various groups throughout the country, the Kando Annainin Plan is a wide ranging product that features guides who have been strictly selected for their knowledge in such areas as the natural environment, history, and culture. With a highly innovative concept, this product won the Grand Prix in the domestic travel division at the Tour of the Year 2007 awards.

In overseas travel, we bolstered our lineup of products targeting the baby boomer generation and expanded our offerings of travel products with clear themes, such as cruises, around-the-world tours, and nature travel. In particular, the ANA Hangzhou-Xi Hu Fureai Walk, which was designed as an experience travel product and has been highly evaluated for its contribution to a year of sports and cultural exchange between Japan and China, won a special prize in the Tour of the Year Award 2007 in the overseas travel division.

In response to next-generation travel needs, ANA moved ahead of other companies with the launch of the Tabi-Saku dynamic package product, which enables customers to use the Internet to freely combine airline tickets and hotel arrangements. We began to offer this product in December 2005 for international travel and in June 2007 for domestic travel, and in the interim period it was utilized by more than 40 thousand customers.

As a result, operating revenues for our travel services increased 4.5% year-on-year, to ¥113.9 billion. However intensified price competition and higher procurement costs accompanying rising fuel prices resulted in a decline of 23.9% in operating income, to ¥1.8 billion.

## **Other Businesses**

All Nippon Airways Trading Co., Ltd., conducts trading and retailing. In aircraft related operations, revenues continued to increase. In trading operations, business was favorable in such products as food and pulp and paper, with an especially strong performance in electronic components in the machinery division. As a result, revenues increased. In customer service operations, the number of users was flat, and sales were the same level as in the previous year. Overall, sales increased year on year.

Infini Travel Information, Inc., which provides an international flight reservation and ticketing system to airlines and travel agencies, made good progress with market development of its INFINI LINX internet reservations tool and other strategic products. However, the number of uses of the international flight reservation and ticketing system was flat, and revenues declined.

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 year on year in both the system development division, which made progress in enhancing the SKiP service, and in the maintenance and operations division, which secured new business in the previous period.

As a result, operating revenues in other businesses were down 2.2%, to ¥97.3 billion, while operating income recorded a gain of 5.6%, to ¥2.5 billion.

### **(Elimination of the hotel operations business segment)**

In June 2007, in line with the ANA Group Mid-Term Corporate Strategy (April 2006 to March 2010), ANA transferred the shares and assets of 14 hotel related subsidiaries outside the Group. Accordingly, the 14 hotel related subsidiaries have been removed from the scope of consolidation and the hotel operations segment has been eliminated from the period under review. Through IHG ANA Hotels Group Japan, a joint venture between the Company and Intercontinental Hotels Group, the Company will continue to operate the hotels in its portfolio, but as an equity method affiliate, IHG ANA Hotels Group Japan is included in the other business section.

## **2. FY 2007 Ending March 31, 2008 Forecast**

At the moment of October 31, 2007, no change is expected from the forecast announced on April 27 this year as follow:

Revenue ( ¥ 100million )	1,490.0
Operating profit ( ¥ 100million )	79.0
Recurring profit ( ¥ 100million )	46.0
Net profit ( ¥ 100million )	64.0

The unchanged forecasts assumed an exchange rate of ¥115 to the U.S. 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.

## **3. Dividend Policy and Dividend for Current 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.

We have implemented the sale of all our hotel properties to fortify our financial position in line with the ANA Group Mid-Term Corporate Strategy.

With regard to the dividend for the current period, considering our improved financial status but our future competitive environment, we have project a dividend of 5 yen per share at the end of this fiscal year.

#### **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 interim period 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. Currently, the price of crude oil is rising. The Group's fuel expense and fuel tax in the consolidated interim period under review was ¥129.8 billion (up ¥20.5 billion from the same period of the previous year), representing 18.6% 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 in China, which now account for over 20% of revenue from international operations. The upsurge of anti-Japan sentiment in China that occurred in the past, triggered by issues relating to history textbooks and territorial boundaries, has died down and tourism demand is recovering; but any future tensions in Sino-Japanese relations, or outbreaks of contagious diseases such as influenza, 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 Boeing**

In accordance with its fleet strategy, the Company has ordered 89 aircraft, all 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, increased capital, 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 related 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, such reduction was minimized in the past, and further similar changes could occur in the future.

#### **7) Risks related to environmental regulations**

In recent years, for global environmental protection, many new statutory regulations have been introduced on issues such as the amount of greenhouse gas emission by aircraft, usage and disposal of environmental pollutants, and energy usage of major offices, and current regulations are becoming more strict. 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 further strengthened or if new regulations such as environmental taxes are introduced.

## **8) Risks related 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 related to ineffective 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 related 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 related to leaked customer personal information**

The Group holds a huge amount of customer personal information, such as that pertaining to the approximately 16.3 million members (as of August 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 maintains a privacy protection policy, makes efforts to widely publicize its position and policies on protecting personal information, and undertakes adequate measures to ensure information

security, including system-related measures. 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 related 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 related 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 related to asset impairment**

In the previous fiscal year, the Group recorded an extraordinary loss of ¥10.8 billion. However, if the profitability of various operations deteriorates, or any decision to sell assets is made, the Group may be required to recognize further asset impairment losses in the future.

## **7. Profile of the company**

The ANA Group comprises 114 subsidiaries and 42 affiliates. Of those companies, 82 are consolidated subsidiaries and 23 are accounted for by the equity method. The Group's operations are classified into three business segments: air transportation, travel services, 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 September 30, 2007 Operational segment					
	No. of subsidiaries	of which, consolidated	of which, equity method	No. of affiliates	of which, equity method
Air Transportation	40	40	—	4	4
Travel Services	9	9	—	1	1
Other Businesses	65	33	5	37	13
Group Total	114	82	5	42	18

### **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 the provision of passenger, cargo, and mail air 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. 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.

### **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. Affiliate 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.

## **8. 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 Revenues in Other Businesses

## 9. Financial Statements

### (1) Consolidated Balance Sheets

	Yen (Millions)			
<b>Assets</b>	Interim FY2007 As of Sep.30	FY2006 As of Mar.31	Difference	Interim FY2006 As of Sep.30
<b>Current assets</b>	592,293	422,048	170,245	499,286
Cash and deposits	303,439	172,958	130,481	234,096
Trade accounts receivable	116,114	123,288	(7,174)	123,273
Marketable securities	20,012	34	19,978	3,829
Inventories	64,678	60,736	3,942	62,154
Deferred income tax current	14,655	9,408	5,247	12,381
Other current assets	73,583	56,164	17,419	63,811
Allowance for doubtful accounts	(188)	(540)	352	(258)
<b>Fixed assets</b>	1,101,385	1,179,535	(78,150)	1,139,424
[Tangible fixed assets]	[893,029]	[969,810]	(76,781)	[933,564]
Buildings and structures	103,009	159,607	(56,598)	162,530
Aircraft	608,674	583,724	24,950	536,319
Land	46,536	94,303	(47,767)	97,301
Construction in progress	103,328	96,894	6,434	104,619
Other	31,482	35,282	(3,800)	32,795
[Intangible fixed assets]	[43,112]	[43,022]	90	[42,376]
[Investments and others]	[165,244]	[166,703]	(1,459)	[163,484]
Investment in securities	75,280	68,358	6,922	63,727
Deferred income tax non-current	35,326	35,556	(230)	38,899
Other	56,020	63,871	(7,851)	62,027
Allowance for doubtful accounts	(1,382)	(1,082)	(300)	(1,169)
<b>Deferred assets</b>	211	508	(297)	773
<b>Total assets</b>	<b>1,693,889</b>	<b>1,602,091</b>	<b>91,798</b>	<b>1,639,483</b>
<b>Liabilities</b>				
<b>Current liabilities</b>	490,584	473,034	17,550	464,213
Trade accounts payable	203,992	198,988	5,004	187,131
Short-term loans	3,410	3,500	(90)	5,950
Current portion of long-term debt	71,084	110,224	(39,140)	74,675
Current portion of bonds payable	20,000	45,000	(25,000)	45,000
Accrued bonuses to employees	18,084	15,332	2,752	19,177
Other current liabilities	174,014	99,990	74,024	132,280
<b>Long-term liabilities</b>	692,000	723,145	(31,145)	773,581
Bonds payable	145,000	165,000	(20,000)	195,000
Long-term debt payable	416,699	425,722	(9,023)	446,414
Accrued employees' retirement benefits	112,384	112,606	(222)	110,910
Other long-term liabilities	17,917	19,817	(1,900)	21,257
<b>Total liabilities</b>	<b>1,182,584</b>	<b>1,196,179</b>	<b>(13,595)</b>	<b>1,237,794</b>
<b>Net assets</b>				
<b>Shareholders' equity</b>	<b>464,053</b>	<b>364,545</b>	<b>99,508</b>	<b>365,194</b>
Common stock	160,001	160,001	-	160,001
Capital surplus	125,745	125,739	6	125,711
Retained earnings	179,187	79,530	99,657	80,140
Treasury stock	(880)	(725)	(155)	(658)
<b>Valuation, translation adjustment and others</b>	<b>40,144</b>	<b>33,678</b>	<b>6,466</b>	<b>28,612</b>
Unrealized gains on securities	13,354	10,885	2,469	8,785
Deferred gain on hedging instruments	26,941	23,155	3,786	20,508
Foreign currency translation adjustments	(151)	(362)	211	(681)
<b>Minority interests</b>	<b>7,108</b>	<b>7,689</b>	<b>(581)</b>	<b>7,883</b>
<b>Total net assets</b>	<b>511,305</b>	<b>405,912</b>	<b>105,393</b>	<b>401,689</b>
<b>Total liabilities and net assets</b>	<b>1,693,889</b>	<b>1,602,091</b>	<b>91,798</b>	<b>1,639,483</b>

Note:

	Yen (Millions)		
	Interim FY2007 As of Sep.30	FY2006 As of Mar.31	Interim FY2006 As of Sep.30
Accumulated depreciation	865,061	872,709	861,269
Contingent liabilities	30,168	31,454	907

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

	Interim FY2007	Interim FY2006	Difference	Yen(Millions) FY2006
	Apr.1 - Sep.30	Apr.1 - Sep.30		Apr.1 - Mar.31
<b>Operating revenues and expenses</b>				
Operating revenues	763,276	752,873	10,403	1,489,658
Operating expenses	552,100	544,150	7,950	1,114,736
Sales, general and administrative expenses	144,086	139,942	4,144	282,732
Operating income	67,090	68,781	(1,691)	92,190
<b>Non-operating income and expenses</b>				
Non-operating income	5,640	6,981	(1,341)	11,412
Interest income	1,482	2,788	(1,306)	3,722
Dividend income	1,183	1,383	(200)	1,631
Equity in gain of affiliates	408	65	343	284
Foreign exchange gain	109	855	(746)	746
Other	2,458	1,890	586	5,029
Non-operating expense	15,959	17,769	(1,810)	41,028
Interest expense	6,846	9,953	(3,107)	17,708
Other	9,113	7,816	1,297	23,320
<b>Total recurring profit</b>	<b>56,771</b>	<b>57,993</b>	<b>(1,222)</b>	<b>62,574</b>
<b>Extraordinary gains and losses</b>				
Extraordinary gains	137,763	2,245	135,518	4,272
Gain on sales of fixed assets	2,758	108	2,650	468
Gain on sales of investment securities	831	427	404	1,239
Gain on sale of hotel business	132,992	-	132,992	-
Other	1,182	1,710	(528)	2,565
Extraordinary losses	25,760	3,378	22,382	15,782
Loss on sales of fixed assets	559	182	377	259
Loss on disposal of fixed assets	1	952	(951)	1,295
Impairment loss	-	-	-	10,809
Special retirement benefit	150	96	54	600
Loss on sale of investment securities	11	315	(304)	315
Valuation loss on investment securities	39	78	(39)	215
Extraordinary depreciation	22,331	-	22,331	-
Other	2,669	1,755	914	2,289
<b>Net income before taxes</b>	<b>168,774</b>	<b>56,860</b>	<b>111,914</b>	<b>51,064</b>
Corporate, inhabitant and enterprise tax	74,289	21,080	53,209	12,818
Deferred taxes	(11,493)	1,920	(13,413)	4,552
Minority interests	477	570	(93)	1,036
<b>Net income</b>	<b>105,501</b>	<b>33,290</b>	<b>72,211</b>	<b>32,658</b>

### (3) Consolidated Statements of Changes in Net Asset

Yen(Millions)

For the period from Apr.1 - Sep.30, 2006	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Less treasury stock, at cost	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			33,290		33,290
Purchase of treasury stock				(159)	(159)
Disposal of treasury stock		106		529	635
Changes in scope of consolidation and application of the equity method			(8)		(8)
Net changes of items other than shareholders' equity during the period					
<b>Total changes during the period</b>	<b>-</b>	<b>106</b>	<b>27,443</b>	<b>370</b>	<b>27,919</b>
<b>Balance at the end of the period</b>	<b>160,001</b>	<b>125,711</b>	<b>80,140</b>	<b>(658)</b>	<b>365,194</b>

For the period from Apr.1 - Sep.30, 2006	Valuation, translation adjustments and others				Minority Interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gain on securities	Deferred gain on hedging instruments	Foreign currency translation adjustments	Total valuation, translation adjustments and others		
<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						33,290
Purchase of treasury stock						(159)
Disposal of treasury stock						635
Changes in scope of consolidation and application of the equity method						(8)
Net changes of items other than shareholders' equity during the period	(625)	20,508	(305)	19,578	751	20,329
<b>Total changes during the period</b>	<b>(625)</b>	<b>20,508</b>	<b>(305)</b>	<b>19,578</b>	<b>751</b>	<b>48,248</b>
<b>Balance at the end of the period</b>	<b>8,785</b>	<b>20,508</b>	<b>(681)</b>	<b>28,612</b>	<b>7,883</b>	<b>401,689</b>

(Millions)

For the period from Apr.1 - Sep.30, 2007	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
<b>Balance at the end of previous period</b>	<b>160,001</b>	<b>125,739</b>	<b>79,530</b>	<b>(725)</b>	<b>364,545</b>
<b>Changes of items during the period</b>					
Dividends from retained earnings			(5,844)		(5,844)
Net income			105,501		105,501
Purchase of treasury stock				(198)	(198)
Disposal of treasury stock		6		43	49
Net changes of items other than shareholders' equity during the period					
<b>Total changes during the period</b>	<b>-</b>	<b>6</b>	<b>99,657</b>	<b>(155)</b>	<b>99,508</b>
<b>Balance at the end of the period</b>	<b>160,001</b>	<b>125,745</b>	<b>179,187</b>	<b>(880)</b>	<b>464,053</b>

For the period from Apr.1 - Sep.30, 2007	Valuation, translation adjustments and others				Minority Interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gain on securities	Deferred gain on hedging instruments	Foreign currency translation adjustments	Total valuation, translation adjustments and others		
<b>Balance at the end of previous 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>
<b>Changes of items during the period</b>						
Dividends from retained earnings						(5,844)
Net income						105,501
Purchase of treasury stock						(198)
Disposal of treasury stock						49
Net changes of items other than shareholders' equity during the period	2,469	3,786	211	6,466	(581)	5,855
<b>Total changes during the period</b>	<b>2,469</b>	<b>3,786</b>	<b>211</b>	<b>6,466</b>	<b>(581)</b>	<b>105,393</b>
<b>Balance at the end of the period</b>	<b>13,354</b>	<b>26,941</b>	<b>(151)</b>	<b>40,144</b>	<b>7,108</b>	<b>511,305</b>

Yen(Millions)

For the fiscal year ended Mar.31, 2007	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Less treasury stock, at cost	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)
Disposal 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 fiscal year ended Mar.31, 2007	Valuation, translation adjustments and others				Minority Interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gain on securities	Deferred gain on hedging instruments	Foreign currency translation adjustments	Total valuation, translation adjustments and others		
<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)
Disposal 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>

Note: The number of Treasury stock

	FY2006 As of Mar.31	Increase Interim FY 2007	Decrease Interim FY 2007	Interim FY 2007 As of Sep.30
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	1,935	428	108	2,256
Total	1,935	428	108	2,256

#### **(4) Consolidated statement of Cash flows**

	Yen(Millions)		
	Interim FY2007	Interim FY2006	FY2006
	Apr.1 - Sep.30	Apr.1 - Sep.30	Apr.1 - Mar.31
<b>I. Cash flows from operating activities</b>			
Net income before taxes	168,774	56,860	51,064
Depreciation and amortization	46,402	41,694	88,610
Extraordinary depreciation	22,331	-	-
Impairment loss	-	-	10,809
Gain and loss on sales of fixed assets, loss on retirement of fixed assets (Net)	456	2,506	7,533
Gain and loss on sales, and valuation of securities (Net)	(782)	(34)	(709)
Increase (Decrease) in allowance for doubtful accounts	64	(34)	273
Increase in employees' retirement benefits	1,979	3,545	5,241
Interest expenses	6,846	9,953	17,708
Interest and dividends income	(2,665)	(4,171)	(5,353)
Foreign exchange loss (gain)	139	(303)	(348)
Gain on sale of hotel business(Net)	(132,992)	-	-
Special retirement benefit	150	96	600
Decrease (Increase) in trade accounts receivable	3,109	(9,940)	(10,620)
(Increase) in other receivable	(14,990)	(6,052)	(1,165)
Increase in trade accounts payable	8,788	16,383	28,389
Other, net	9,138	18,201	(124)
Sub-total	116,747	128,704	191,908
Interest and dividends received	2,696	4,208	5,390
Interest paid	(7,137)	(10,089)	(17,787)
Corporate, inhabitant and enterprise taxes paid	(593)	(8,856)	(20,197)
Special retirement benefit paid	(150)	(96)	(600)
Net cash provided by (used in) operating activities	111,563	113,871	158,714
<b>II. Cash flows from investing activities</b>			
Payment for acquisition of tangible fixed assets	(128,378)	(115,760)	(236,750)
Proceeds from sales of tangible fixed assets	32,520	70,735	104,900
Payment for acquisition of intangible fixed assets	(7,555)	(6,300)	(15,176)
Payment for purchase of marketable securities	(12,968)	-	(5,995)
Proceeds from redemption of marketable securities	2,996	15,046	21,410
Payment for acquisition of investments in securities	(2,920)	(4,530)	(5,891)
Proceeds from sales of investments in securities	1,396	734	1,015
Payment for lending	(115)	(1,507)	(2,416)
Proceeds from collection of loans	862	4,852	5,606
Proceeds from acquisition of subsidiaries' stock with changes in scope of consolidation	(30)	-	-
Proceeds from sales of subsidiaries' stock with changes in scope of consolidation	-	432	1,375
Proceeds from sale of hotel business	245,909	-	-
Other, net	(1,441)	747	3,624
Net cash provided by (used in) investing activities	130,276	(35,551)	(128,298)
<b>III. Cash flows from financing activities</b>			
Increase (Decrease) in short-term loans (Net)	(90)	(2,734)	(5,190)
Proceeds from long-term debt	30,000	28,618	97,158
Repayment of long-term debt	(78,395)	(59,768)	(113,809)
Redemption of bonds	(45,000)	(45,000)	(75,000)
Payment for dividends	(5,844)	(5,839)	(5,839)
Payment for acquisition of treasury stock	(149)	857	997
Other, net	(2,161)	61	786
Net cash provided by (used in) financing activities	(101,639)	(83,805)	(100,897)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	221	(154)	(59)
<b>V. Net increase (decrease) in cash and cash equivalents</b>	140,421	(5,639)	(70,540)
<b>VI. Cash and cash equivalents at the beginning of the period</b>	172,274	242,785	242,785
<b>VII. Net increase (decrease) resulting from changes in scope of consolidation</b>	-	29	29
<b>VIII. Cash and cash equivalents at the end of period</b>	312,695	237,175	172,274

### Supplementary cash flow information

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

	Interim FY 2007	Interim FY 2006	Yen(Millions) FY2006
	Apr.1 - Sep.30	Apr.1 - Sep.30	Apr.1 - Mar.31
Cash	303,439	234,096	172,958
Time deposits with maturities of more than three months	(761)	(747)	(711)
Marketable securities	20,012	3,829	34
Marketable securities with maturities of more than three months	(9,995)	(3)	(7)
Cash and cash equivalents at the end of period	312,695	237,175	172,274

### **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 Commercial Code 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.

#### **(b) 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.

The balance sheet accounts of foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for components of shareholders' equity that are translated at historical exchange rates. Revenues and expenses are translated at the rates of exchange prevailing when such transactions are made. Foreign currency translation adjustments are presented as a component of shareholders' equity.

#### **(c) Marketable securities and investment securities**

Trading securities are carried at fair value. Held-to-maturity securities are carried at a mortized 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.

#### **(d) Derivatives**

The Company and its subsidiaries use derivatives, such as forward foreign exchange contracts, interest rate swaps and commodity options and swaps, to limit their exposure to fluctuations in foreign exchange rates, interest rates and commodity prices. The Company and its subsidiaries

do not use derivatives 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.

(e) 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.

(f) Inventories

Inventories are stated at cost determined by the moving average method.

(g) 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 mainly

The Company and some of the subsidiaries employ 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

(Additional information)

Regarding capital expenditure on aircraft, the useful life and residual value of assets added to aircraft (eg, seats, etc) have been brought in line with the useful life of the aircraft to which they are attached, due to their small worth on the used aircraft market.

As a result of this change, the depreciation expenses increased by ¥23,078 million (including Extraordinary

depreciation ¥22,331 million), Operating income and Recurring profit each decreased by ¥746 million, and Net income decreased by ¥23,078 million.

(h) 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.

(i) Accrued bonuses to employees

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

(j) Retirement benefits

The retirement benefit plan of the Company and some of the subsidiaries covers substantially all employees. Under the terms of this plan, eligible employees are entitled, upon mandatory - retirement or earlier voluntary severance, to lump-sum payments based on their compensation at the time of leaving and years of service with the Company and subsidiaries.

The Company and certain significant domestic subsidiaries have trustee employee pension funds to provide coverage for part of the lump-sum benefits or monthly pension. Several subsidiaries have tax-qualified pension plans which cover all or part of the lump-sum 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 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.

(K) Retirement benefit for directors and Corporate Auditors

Retirement benefits for directors are accrued based on benefit obligations at the balance sheet date.

(l) Appropriation of retained earnings

The appropriation of undistributed retained earnings of the Company with respect to a financial period is made by resolution of the Company's shareholders at a general meeting to be held subsequent to the close of the financial period and the accounts for that period do not therefore reflect such appropriation.

(m) 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.

(n) 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.

(o) Cash equivalents

For the purpose of the statements of cash flows, cash and short-term, highly liquid investments with maturity of three months or less are treated as cash equivalents.

(p) Consolidated tax return system

The Company and certain subsidiaries applied a consolidated tax return system.

### **3. Changes in accounting policies**

(Accounting Standards for Depreciation Method of Tangible Fixed Assets)

Effective from the period ended September 30, 2007, the Company and its domestic subsidiaries changed the depreciation method of tangible assets acquired after March 31, 2007 due to the revision of Japanese Corporation Tax Law and its regulations.

(Additional information)

Effective from the period ended September 30, 2007, the Company depreciates the residual value of tangible fixed assets acquired on or before March 31, 2007, to the memorandum value in five years using the straight-line method. Prior to March 31, 2007, depreciation was calculated in accordance with the previous Japanese Corporation Tax Law.

(Accounting Standards for Retirement benefit for directors and Corporate Auditors)

Until the previous fiscal year, some domestic subsidiaries expensed retirement benefit for

directors and Corporate Auditors at the time of payment. Starting from this period, however, amended public announcement of the “Auditing Treatment Relating to Reserve Defined under the Special Tax Measurement Law, Reserve Defined under the Special Law, and Reserve Director and Corporate Auditor Retirement Benefits” (Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee, Report No.42, April 13, 2007), has been applied.

#### 4. 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)		
	Interim FY2007	Interim FY2006	FY2006
<b>Aircraft:</b>			
Estimated acquisition cost	207,948	268,181	223,363
Estimated amount of accumulated depreciation	132,225	175,711	138,153
Estimated amount of accumulated impairment loss	-	-	-
Estimated net book value	75,723	92,469	85,210
<b>Others:</b>			
Estimated acquisition cost	11,349	14,568	15,365
Estimated amount of accumulated depreciation	4,876	6,932	6,954
Estimated amount of accumulated impairment loss	-	-	-
Estimated net book value	6,473	7,636	8,411
<b>Total:</b>			
Estimated acquisition cost	219,297	282,749	238,728
Estimated amount of accumulated depreciation	137,101	182,643	145,107
Estimated amount of accumulated impairment loss	-	-	-
Estimated net book value	82,196	100,105	93,621

Outstanding finance lease obligations are as follows:

	Yen (Millions)		
	Interim FY2007	Interim FY2006	FY2006
Current portion of finance lease obligations	20,704	23,913	23,169
Long-term finance lease obligations	64,999	80,460	74,341
	85,703	104,373	97,510
Impairment Loss of lease assets	-	-	-

Annual lease expenses, Reversal of impairment loss of lease assets, estimated amount of depreciation, estimated interest cost and Loss due to impairment are as follows:

	Yen (Millions)		
	Interim FY2007	Interim FY2006	FY2006
Annual lease expenses charged to income	12,803	16,128	30,048
Estimated amount of depreciation			
By the straight-line method over the lease period	11,488	14,297	26,737
Estimated interest cost	811	1,107	2,099

##### (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)		
	Interim FY2007	Interim FY2006	FY2006
Current portion of operating lease obligations	32,623	33,151	32,824
Long-term operating lease obligations	166,474	162,288	173,450
	199,157	195,439	206,274

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

	Yen (Millions)		
	Interim FY2007	Interim FY2006	FY2006
Current portion of operating lease obligations	51	-	-
Long-term operating lease obligations	319	-	-
	370	-	-

## 5. Marketable securities and investments in securities

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

	Yen (Millions)		
	Interim FY2007	Interim FY2006	FY2006
Cost	19,986	38	8
Market value	19,978	38	8
Net unrealized gain	(8)	0	0

### Other securities having market value

	Yen (Millions)		
	Interim FY2007	Interim FY2006	FY2006
Cost	20,116	16,825	18,249
Market value	43,334	32,114	37,053
Net unrealized gain	23,218	15,289	18,804

### Breakdown of other securities not having market value

	Yen (Millions)		
	Interim FY2007	Interim FY2006	FY2006
Bonds held to maturity	-	1	-
Other securities	22,437	27,136	22,415
	22,437	27,137	22,415

## 6. Segment information

The Company and consolidated subsidiaries conduct operations in air transportation, travel services and other businesses. Businesses other than air transportation and travel services are insignificant to the consolidated results of operations of the Company and its consolidated subsidiaries and, accordingly, are included in "Other businesses" in the following industry - segment information.

Segment information is as follows:

<Interim FY2007 Apr.1 - Sep.30> Yen (Millions)

	Air transportation	Travel services	Other businesses	Total	Inter-company eliminations	Consolidated
Operating revenues	600,425	103,848	59,003	763,276	-	763,276
Intra-group sales and transfers	65,681	10,057	38,395	114,133	(114,133)	-
Total	666,106	113,905	97,398	877,409	(114,133)	763,276
Operating expenses	603,354	112,006	94,865	810,225	(114,039)	696,186
Operating income	62,752	1,899	2,533	67,184	( 94)	67,090

<Interim FY2006 Apr.1 - Sep.30> Yen (Millions)

	Air transportation	Travel services	Hotel operations	Other businesses	Total	Inter-company eliminations	Consolidated
Operating revenues	569,243	98,264	28,926	56,440	752,873	-	752,873
Intra-group sales and transfers	60,060	10,768	4,530	43,124	118,482	(118,482)	-
Total	629,303	109,032	33,456	99,564	871,355	(118,482)	752,873
Operating expenses	568,563	106,538	30,273	97,166	802,540	(118,448)	684,092
Operating income (loss)	60,740	2,494	3,183	2,398	68,815	( 34)	68,781

<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)	-	
Total	1,248,782	208,026	66,637	196,895	1,720,340	(230,682)	1,489,658	
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	

## 7. Impairment loss

										Yen(Millions)
	<Interim FY2007 as of Sep.30>			< Interim FY2006 as of Sep.30>			< FY2006 as of Mar.31>			
Application	Location	Category	Impairment loss	Location	Category	Impairment loss	Location	Category	Impairment loss	
Business assets			-			-	1 in Hokkai - do	Buildings	44	
			-			-		Land	61	
			-			-			105	
The asset expected to be sold			-			-		Aircraft	10,704	
			-			-				
			-			-			10,704	

<FY2006 as of Mar.31>

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 %.

## 8. Breakdown of Operating Revenues (Consolidated)

	Yen(Millions)						
	Interim FY2007 Apr.1 - Sep.30	% of total	Interim FY2006 Apr.1 - Sep.30	% of total	Difference	FY2006 Apr.1 - Mar.31	% of total
<b>Domestic routes</b>							
Passenger	381,249	43.5	372,994	42.8	8,255	726,063	42.2
Cargo	15,038	1.7	15,112	1.7	(74)	30,574	1.8
Mail	3,868	0.4	4,554	0.5	(686)	8,936	0.5
Baggage handling	168	0.0	178	0.0	(10)	328	0.0
Subtotal	400,323	45.6	392,838	45.0	7,485	765,901	44.5
<b>International routes</b>							
Passenger	162,100	18.5	138,242	15.9	23,858	278,478	16.2
Cargo	34,272	3.9	28,569	3.3	5,703	62,195	3.6
Mail	2,058	0.2	1,618	0.2	440	3,438	0.2
Baggage handling	292	0.0	232	0.0	60	458	0.0
Subtotal	198,722	22.6	168,661	19.4	30,061	344,569	20.0
Revenues from scheduled flights	599,045	68.2	561,499	64.4	37,546	1,110,470	64.5
Other operating revenues	67,061	7.7	67,804	7.8	(743)	138,312	8.1
Subtotal	666,106	75.9	629,303	72.2	36,803	1,248,782	72.6
<b>Travel services</b>							
Package tours(Domestic)	78,216	8.9	73,002	8.4	5,214	140,570	8.2
Package tours(International)	24,240	2.8	24,445	2.8	(205)	45,666	2.6
Other revenues	11,449	1.3	11,585	1.3	(136)	21,790	1.3
Subtotal	113,905	13.0	109,032	12.5	4,873	208,026	12.1
<b>Hotel operations</b>							
Guestrooms	-	-	13,790	1.6	(13,790)	25,804	1.5
Banquets	-	-	8,508	1.0	(8,508)	19,088	1.1
Foods and drinks	-	-	8,247	1.0	(8,247)	16,611	1.0
Other revenues	-	-	2,911	0.3	(2,911)	5,134	0.3
Subtotal	-	-	33,456	3.9	(33,456)	66,637	3.9
<b>Other businesses</b>							
Trading and retailing Information	70,596	8.0	71,217	8.2	(621)	136,795	8.0
And telecommunication Real estate	12,055	1.4	12,367	1.4	(312)	26,386	1.5
&building maintenance	5,180	0.6	6,020	0.7	(840)	12,553	0.7
Other revenues	9,567	1.1	9,960	1.1	(393)	21,161	1.2
Subtotal	97,398	11.1	99,564	11.4	(2,166)	196,895	11.4
Total operating revenue	877,409	100.0	871,355	100.0	6,054	1,720,340	100.0
Intercompany eliminations	(114,133)	-	(118,482)	-	4,349	(230,682)	-
Operating revenue(Consolidated)	763,276	-	752,873	-	10,403	1,489,658	-

### Notes:

1. Segment breakdown is based on classifications employed for internal management.
2. Segment operating revenue includes inter-segment transactions.
3. Hotel operations segment was not mentioned in Interim FY2007 because of sale of hotel business.

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

	Interim FY2007	Interim FY2006	Year on year %	FY2006
<b>Domestic routes</b>				
Number of passengers	23,036,104	23,393,364	98.5	46,471,436
Available seat-km (thousand km)	31,699,764	31,460,026	100.8	62,414,073
Revenue passenger-km(thousand km)	20,167,553	20,470,526	98.5	40,563,514
Passenger loadfactor	63.6	65.1	(1.5)	65.0
Cargo(tons)	225,410	223,525	100.8	457,914
Cargo traffic volume (thousand kg)	217,055	216,314	100.3	442,139
Mail(tons)	42,711	44,588	95.8	90,977
Mail traffic volume (thousand kg)	44,302	47,986	92.3	97,013
<b>International routes</b>				
Number of passengers	2,424,511	2,239,409	108.3	4,552,478
Available seat-km (thousand km)	14,112,622	12,839,014	109.9	26,607,003
Revenue passenger-km(thousand km)	10,764,068	9,996,334	107.7	20,144,917
Passenger loadfactor	76.3	77.9	(1.6)	75.7
Cargo(tons)	159,127	127,978	124.3	277,571
Cargo traffic volume (thousand kg)	777,585	577,296	134.7	1,271,267
Mail(tons)	7,151	7,357	97.2	15,389
Mail traffic volume (thousand kg)	34,925	31,828	109.7	67,317
<b>Total</b>				
Number of passengers	25,460,615	25,632,773	99.3	51,023,914
Available seat-km (thousand km)	45,812,386	44,299,040	103.4	89,021,076
Revenue passenger-km(thousand km)	30,931,621	30,466,860	101.5	60,708,431
Passenger loadfactor	67.5	68.8	(1.3)	68.2
Cargo(tons)	384,537	351,503	109.4	735,485
Cargo traffic volume (thousand kg)	994,640	793,610	125.3	1,713,406
Mail(tons)	49,862	51,945	96.0	106,366
Mail traffic volume (thousand kg)	79,227	79,814	99.3	164,330

### Notes:

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

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

Each result does not include results of charter flights.

Domestic routes' data include results of night cargo flights.