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## ANA Group Reports Profit in Third Quarter

**Tokyo February 4, 2004** -- ANA Group today reported a consolidated net profit of 6.9 billion yen on revenue of 313 billion yen for the third quarter of the 2003 fiscal year (October 1 – December 31).

This compares with net loss of 6 billion yen\* for the same period in the previous year, and is the second consecutive quarter in which the ANA Group has reported profitable results.

The ANA Group consists of five airlines\*\*, aviation-related businesses, travel services and a chain of hotels, amongst other businesses. Consolidated revenues for the three months were 313 billion yen, operating profit 16.4 billion yen and recurring profit 11.9 billion yen. On a segment basis, ANA Group airlines posted an operating profit of 13.8 billion yen, on revenue of 256.5\*\*\* billion yen for the three months under review.

For the nine months from April 1 to December 31, on a consolidated basis, the Group posted a net profit of 27.5 billion yen, operating profit of 30.8 billion yen and revenue of 921.4 billion yen. The ANA Group airlines posted an operating profit of 25.7 billion yen on revenue of 754.6\*\*\* billion yen for the same period.

“Our continued profitable operations can be attributed to ANA’s aggressive cost-cutting strategy as well as the swift return of demand in air transportation,” said Senior Vice President Financial Tomohiro Hidema. “In the second and third quarters of the fiscal year we saw demand for business travel return to the same levels as, and actually begin to outstrip those of the previous year, and we saw demand for leisure travel return in the third quarter. Revenues began to climb, and a higher unit price in the domestic market made up for a slight short fall in passenger numbers. It is a credit to our workforce that we were able to adapt quickly to the changing situation and at the same time not waver from our restructuring efforts.”

ANA introduced its Three-Year Cost Reduction Plan at the start of the current fiscal year, and significant savings have been achieved, particularly in personnel costs. The plan also encompasses rationalisation of the fleet and restructuring of the network, with the emphasis on smaller aircraft flying increased frequencies. The aim of the plan is to reduce yearly costs by 30 billion yen by March 31, 2006, the end of the 2005 fiscal year.

For the nine-months ending December 31, 2003, ANA Group airlines carried 34 million domestic and 2.4 million international passengers over a total of 42 billion Revenue Passenger Kilometres (29.4 billion domestic, 12.5 billion international). Passenger numbers were down 4.8% in total compared with last year, or 4% domestically, 15.6% internationally, and RPKs down 5.8%, both of which can be attributed to SARS and the Iraq war, and to sluggish domestic demand. However, cargo carried was up by 111.7% to 482,352 tonnes, thanks to strong international and domestic demand.

While the industry faces yet further uncertainty, ANA has made no revision to its net profit forecast for the present fiscal year of 17.5 billion yen on revenues of 1.21 trillion yen, and intends to resume dividend payments for the first time in since 1998.

\* This is the first year in which the ANA Group has published its results on a quarterly basis, therefore FY2002 Q3 figures are stated solely for the convenience of the reader and are not for disclosure purposes

\*\*ANA (All Nippon Airways), ANK (Air Nippon), AJX (Air Japan), A-Net (Air Nippon Network), ADK (Air Hokkaido)

\*\*\* Including intra-Group sales and transfers

**Note: At current exchange rates Y106 = U.S.\$1**

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**For the third quarter ended December 31, 2003**  
**Consolidated financial results**  
**All Nippon Airways Co., Ltd. (9202)**

**1. Basis of quarterly financial results**

(1) Changes in significant accounting policies:

Certain simplified methods compared with latest financial period are applied.

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

	Consolidation	Equity method
Newly added	-	1
Excluded	7	1

**2. Consolidated financial highlights for the third quarter ended December 31, 2003**

(1) Summary of consolidated operating results

	FY2003 Q1-Q3		FY2002 Q1-Q3		Yen (Millions)	
	Apr 1 - Dec 31	Year on year (%)	Apr 1 - Dec 31	Year on year (%)	FY2002	
Operating revenues	921,461	-	-	-	1,215,909	
Operating income (loss)	30,894	-	-	-	(2,597)	
Recurring profit (loss)	26,297	-	-	-	(17,236)	
Net income (loss)	27,500	-	-	-	(28,256)	

**Note:** The results of FY2002 Q1-Q3 are not disclosed.

(2) Summary of consolidated financial positions

	FY2003 Q3		FY2002 Q3		Yen (Millions)	
	As of Dec 31		As of Dec31		FY2002	
Total assets	1,523,953		-		1,442,573	
Shareholders' equity	150,516		-		121,954	
Shareholders' equity ratio	9.9%		-		8.5%	

**Note:** The results of FY2002 third quarter are not disclosed.

(3) Summary of consolidated cash flows

	FY2003 Q1-Q3		FY2002 Q1-Q3		Yen (Millions)	
	Apr 1 - Dec 31		Apr 1 - Dec 31		FY2002	
Cash flows from operating activities	57,347		-		85,952	
Cash flows from investing activities	(63,216)		-		(52,478)	
Cash flows from financing activities	37,277		-		(63,364)	
Cash and cash equivalents at the end of the period	189,281		-		158,121	

**Note:** The results of FY2002 Q1-Q3 are not disclosed.

**3. Forecast of consolidated operating results for the period ending March 31, 2004**

No revision of the forecasted operating results has been made.

## **Business Performance**

Outlook as of the end of the 3rd Quarter of fiscal 2003  
(nine-month period from April 1 to December 31, 2003)

The consolidated revenues at the end of the first nine months of the fiscal year under review were affected by the war in Iraq, which occurred at the start of the period, and by the outbreak of Severe Acute Respiratory Syndrome (SARS). However, they improved with the full-scale recovery of demand for international air transportation in the latter half of the fiscal year. As a result, operating revenues reached 921.4 billion yen, 0.5% below the same period in the previous year. In terms of profit, the ANA Group has aggressively reformed its cost structure and consequently secured a consolidated operating income of 30.8 billion yen (a 17.7 billion-yen increase compared with the same period in the previous year), and a net income for this period of 27.5 billion yen (a 41.7 billion-yen increase compared with the same period in the previous year).

The performance of each business segment is as follows. (Note that the sales for each segment include internal sales figures among segments.)

### **Air Transportation**

With continued sluggish demand, the domestic air transportation sector faced fierce competition for customers between the airlines and with JR in the shape of its *Shinkansen* bullet trains. The July increase in normal fares and various airfare promotions helped the unit revenue to increase in a steady manner, nevertheless, falling numbers of air travelers meant revenues dropped by 3.9 billion yen compared with the same period in the previous year.

As for the international side of the Group's air transportation operations, the 3rd Quarter saw the return of demand for leisure travel and subsequent increased profits. This followed the return of business travel demand in the 2nd Quarter. Although revenues in the period under discussion were down by 9.3 billion yen compared with the previous year, demand for international travel can be said to have fully recovered.

Set against this background, the Group airlines responded flexibly to changes in demand, attempting to improve competitiveness by increasing flights on major domestic routes in the first half of the fiscal year, while also endeavouring to cut costs by temporarily suspending or decreasing the number of flights on routes to China and other parts of Asia. The impact of SARS had apparently ended by the 3rd Quarter, and the Group airlines were then able to increase capacity on Chinese routes when demand returned. Also, new services have been added since November, such as a scheduled midnight cargo route between Tokyo and Sapporo, and a daily charter passenger flight between Tokyo's Haneda airport and Seoul's Gimpo airport, as one way to improve profits.

As a result of the cost cutting and restructuring measures, revenues in the Air Transportation segment were down by only 2.2 billion yen from the same period in the previous year, and an operating profit of 25.7 billion yen was posted

### **Travel Services**

International travel experienced a serious drop in demand in the first half of the year due to the influence of SARS. By contrast, high demand and our aggressive promotions throughout the year helped domestic travel sales improve by 2.1 billion yen from the same nine-month period in the previous year, with an operating income of 1.6 billion yen.

## **Hotel Operations**

This segment recorded a drop in revenue of 3.9 billion yen for the nine months under review, mainly because two overseas hotels were sold and consequently excluded from the scope of consolidation. In the Domestic Hotel Division, the emergence of urban style hotels was mainly responsible for the fall in revenues, particularly in the first half of the fiscal year, due to the sluggish economy and the decreased number of foreign visitors after the SARS outbreak. In the last half of the fiscal year, however, the Accommodation and Banquet Division appears to have bottomed-out, and an operating loss of 0.1 billion yen was posted for the nine months to the end of December.

## **Other Businesses**

With the decreased number of international passengers due to the influence of SARS, subsidiaries involved in international air travel reservations and the sales of duty-free goods showed decreased profits. The Real Estate and Building Maintenance business performed well, realizing a sales increase of 3.7 billion yen against the same period in the previous year, and an operating income of 2.9 billion yen.

## **Financial Status**

The free cash flow as of the 3rd Quarter of the fiscal year under review was minus 5.8 billion yen for the nine-month period. Although operating inflow was 57.3 billion yen, a cash outflow of 63.2 billion yen was registered from investing activities, mainly into aircraft. In addition, in terms of financial activities, while the Group repaid outstanding loans, it also raised funds through a new bond/debenture issue. As a result, the balance of cash and cash equivalents increased by 31.1 billion yen.

Overall, combined assets have increased by 81.3 billion yen due to an increase in liquid assets and the fixed assets (mainly aircraft); interest-bearing debt (loans payable and bonds payable) increased by 38.6 billion yen; and equity capital increased by 28.5 billion yen, as compared with the performance in March 31, 2003.

**(1) Consolidated statements of income (loss)**

	Yen(millions)				
	FY2003 Q1-Q3 Apr 1 - Dec 31	Interim FY2003	FY2003 Q3 Oct 1 - Dec 31	FY2002 Q1-Q3 Apr 1 - Dec 31	Difference
<b>Operating revenues and expenses</b>					
Operating revenues	921,461	608,341	313,120	926,418	(4,957)
Operating expenses	710,545	475,035	235,510	718,608	(8,063)
Sales, general and administrative expenses	180,022	118,846	61,176	194,709	(14,687)
Operating income (loss)	30,894	14,460	16,434	13,101	17,793
<b>Non-operating income</b>	29,874	24,552	5,322	32,238	(2,364)
Interest income	2,234	2,128	106	2,855	(621)
Other	27,640	22,424	5,216	29,383	(1,743)
<b>Non-operating expenses</b>	34,471	24,702	9,769	46,385	(11,914)
Interest expense	15,971	11,323	4,648	18,325	(2,354)
Other	18,500	13,379	5,121	28,060	(9,560)
<b>Total recurring profit (loss)</b>	<b>26,297</b>	<b>14,310</b>	<b>11,987</b>	<b>(1,046)</b>	<b>27,343</b>
<b>Extraordinary gains</b>	8,814	7,822	992	244	8,570
Gain on sales of fixed assets	1,042	746	296	197	845
Gain on sales of investment securities	545	544	1	-	545
Gain on return of the substituted portion of the employee pension fund	6,094	6,094	-	-	6,094
Other	1,133	438	695	47	1,086
<b>Extraordinary losses</b>	1,478	1,099	379	31,243	(29,765)
Loss on sales of fixed assets	355	276	79	548	(193)
Loss on retirement of fixed assets	169	109	60	421	(252)
Loss on sales of affiliates	-	-	-	22,890	(22,890)
Loss on liquidation of affiliates	-	-	-	3,800	(3,800)
Provision for allowance for doubtful accounts	137	137	-	599	(462)
Special retirement benefit	197	136	61	549	(352)
Other	620	441	179	2,436	(1,816)
<b>Net income (loss) before taxes</b>	<b>33,633</b>	<b>21,033</b>	<b>12,600</b>	<b>(32,045)</b>	<b>65,678</b>
Corporate, inhabitant and enterprise tax	5,827	259	5,568	(19,169)	24,996
Minority interests	306	204	102	1,341	(1,035)
<b>Net income (loss)</b>	<b>27,500</b>	<b>20,570</b>	<b>6,930</b>	<b>(14,217)</b>	<b>41,717</b>

**Note:** The results of FY2002 Q1-Q3 above are prepared for the Company's internal management purpose, and not for disclosure. These data are stated solely for the convenience of the reader.  
Profit and loss on equity method is not reflected in FY2002 Q1-Q3.

**(2) Consolidated balance sheets**

Yen(millions)

	FY2003 Q3 As of Dec 31	FY2002 As of Mar 31	Difference	Interim FY2003 As of Sep 30	Difference
<b>Assets</b>					
<b>Current assets</b>	423,764	355,996	67,768	400,380	23,384
Cash, deposits and marketable securities	189,706	157,334	32,372	171,917	17,789
Trade accounts receivable	96,805	94,435	2,370	99,864	(3,059)
Inventories	59,661	55,803	3,858	57,521	2,140
Other	77,592	48,424	29,168	71,078	6,514
<b>Fixed assets</b>	1,099,372	1,085,905	13,467	1,089,873	9,499
Tangible fixed assets	866,362	851,044	15,318	858,070	8,292
Intangible fixed assets	39,071	42,679	(3,608)	40,719	(1,648)
Investments and others	193,939	192,182	1,757	191,084	2,855
Deferred assets	817	672	145	885	(68)
<b>Total assets</b>	<b>1,523,953</b>	<b>1,442,573</b>	<b>81,380</b>	<b>1,491,138</b>	<b>32,815</b>
<b>Liabilities</b>					
<b>Current liabilities</b>	348,584	317,938	30,646	346,822	1,762
Trade accounts payable	126,658	126,911	(253)	117,431	9,227
Short-term loans, current portion of bonds payable and long-term debt	113,021	83,916	29,105	112,015	1,006
Other	108,905	107,111	1,794	117,376	(8,471)
<b>Long-term liabilities</b>	1,015,334	992,375	22,959	990,330	25,004
Bonds payable and long-term loans payable	870,981	861,479	9,502	852,436	18,545
Accrued employees' retirement benefits	110,315	106,780	3,535	107,325	2,990
Other	34,038	24,116	9,922	30,569	3,469
<b>Total liabilities</b>	<b>1,363,918</b>	<b>1,310,313</b>	<b>53,605</b>	<b>1,337,152</b>	<b>26,766</b>
<b>Minority interests</b>	<b>9,519</b>	<b>10,306</b>	<b>(787)</b>	<b>9,476</b>	<b>43</b>
<b>Shareholders' equity</b>					
Common stock	86,242	86,239	3	86,239	3
Capital surplus	52,586	104,228	(51,642)	52,580	6
Earned surplus	11,490	(67,388)	78,878	4,691	6,799
Unrealized gains (loss) on securities	2,429	223	2,206	2,440	(11)
Foreign currency translation adjustment	(1,463)	(404)	(1,059)	(656)	(807)
Treasury stock	(768)	(944)	176	(784)	16
Total shareholders' equity	150,516	121,954	28,562	144,510	6,006
<b>Total liabilities, minority interest and shareholders' equity</b>	<b>1,523,953</b>	<b>1,442,573</b>	<b>81,380</b>	<b>1,491,138</b>	<b>32,815</b>

### (3) Consolidated statement of Cash flows

	Yen(Millions)			
	FY2003 Q1-Q3 Apr 1 - Dec 31	Interim FY2003	FY2003 Q3 Oct 1 - Dec 31	FY2002 Q1-Q3 Apr 1 - Dec 31
<b>I. Cash flows from operating activities</b>				
Net income (loss) before taxes	33,633	21,033	12,600	(32,045)
Depreciation and amortization	47,672	31,318	16,354	45,441
Other, net	(23,958)	(18,207)	(5,751)	59,565
Net cash provided by (used in) operating activities	57,347	34,144	23,203	72,961
<b>II. Cash flows from investing activities</b>				
Payment for acquisition of tangible fixed assets	(103,611)	(75,657)	(27,954)	(88,131)
Proceeds from sales of tangible fixed assets	44,918	40,861	4,057	72,148
Payment for acquisition of intangible fixed assets	(5,666)	(3,587)	(2,079)	(10,805)
Other, net	1,143	393	750	12,013
Net cash provided by (used in) investing activities	(63,216)	(37,990)	(25,226)	(14,775)
<b>III. Cash flows from financing activities</b>				
Increase (Decrease) in short-term loans (Net)	(964)	2,465	(3,429)	(21,378)
Proceeds from long-term loans	31,286	30,967	319	66,727
Repayment of long-term loans	(58,191)	(44,048)	(14,143)	(84,687)
Proceeds from issuance of bonds	69,814	29,823	39,991	29,843
Other, net	(4,668)	(1,833)	(2,835)	(21,058)
Net cash provided by (used in) financing activities	37,277	17,374	19,903	(30,553)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>				
	(248)	(181)	(67)	(1,326)
<b>V. Net increase(decrease) in cash and cash equivalents</b>				
	31,160	13,347	17,813	26,307
<b>VI. Cash and cash equivalents at the beginning of the period</b>				
	158,121	158,121	171,468	188,648
<b>VII. Net increase (decrease) resulting from changes in scope of consolidation</b>				
	-	-	-	158
<b>VIII. Cash and cash equivalents at the end of period</b>				
	189,281	171,468	189,281	215,113

**Note:** The results of FY2002 Q1-Q3 above are prepared for the Company's internal management purpose, and not for disclosure. These data are stated solely for the convenience of the reader.

### (4) Segment information

<FY2003 Q1-Q3 (Apr 1 - Dec 31)>							Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated	
Operating revenues	687,934	112,398	42,601	78,528	921,461	-	921,461	
Intra-group sales and transfers	66,740	13,431	10,240	54,521	144,932	(144,932)	-	
Total	754,674	125,829	52,841	133,049	1,066,393	(144,932)	921,461	
Operating expenses	728,921	124,160	52,952	130,067	1,036,100	(145,533)	890,567	
Operating income	25,753	1,669	(111)	2,982	30,293	601	30,894	

<FY2003 Q3 (Oct 1 - Dec 31)>							Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated	
Operating revenues	234,590	37,535	15,704	25,291	313,120	-	313,120	
Intra-group sales and transfers	21,943	4,198	3,157	20,980	50,278	(50,278)	-	
Total	256,533	41,733	18,861	46,271	363,398	(50,278)	313,120	
Operating expenses	242,668	41,004	18,424	45,086	347,182	(50,496)	296,686	
Operating income	13,865	729	437	1,185	16,216	218	16,434	

<FY2002 Q1-Q3 (Apr 1 - Dec 31)>							Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated	
Operating revenues	694,408	110,146	46,770	75,094	926,418	-	926,418	
Intra-group sales and transfers	62,562	13,561	10,043	54,237	140,403	(140,403)	-	
Total	756,970	123,707	56,813	129,331	1,066,821	(140,403)	926,418	
Operating expenses	750,043	123,296	55,772	124,530	1,053,641	(140,324)	913,317	
Operating income	6,927	411	1,041	4,801	13,180	(79)	13,101	

**Note:** The results of FY2002 Q1-Q3 above are prepared for the Company's internal management purpose, and not for disclosure. These data are stated solely for the convenience of the reader.

**(5) Breakdown of operating revenues and overview of airline operating results (Consolidated)**

	FY2003 Q1-Q3 Apr 1 - Dec 31	FY2002 Q1-Q3 Apr 1 - Dec 31	Difference
<b>Domestic routes</b>			
Passenger	491,230	495,170	(3,940)
Cargo	19,958	18,620	1,338
Mail	7,549	8,296	(747)
Baggage handling	238	231	7
Subtotal	518,975	522,317	(3,342)
<b>International routes</b>			
Passenger	133,304	142,625	(9,321)
Cargo	32,566	30,431	2,135
Mail	2,411	2,319	92
Baggage handling	439	439	0
Subtotal	168,720	175,814	(7,094)
Revenues from scheduled flights	687,695	698,131	(10,436)
Other operating revenues	66,979	58,839	8,140
Subtotal	754,674	756,970	(2,296)

**Notes:**

1. Segment operating revenue includes inter-segment transactions.
2. The results of FY2002 Q1-Q3 above are prepared for the Company's internal management purpose, and not for disclosure. These data are stated solely for the convenience of the reader.

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

	FY2003 Q1-Q3 Apr 1 - Dec 31	FY2002 Q1-Q3 Apr 1 - Dec 31	Year on year %
<b>Domestic routes</b>			
Number of passengers	34,047,270	35,456,028	96.0
Available seat-km (thousand km)	48,114,485	46,976,029	102.4
Revenue passenger-km(thousand km)	29,453,061	30,281,903	97.3
Passenger loadfactor	61.2	64.5	(3.2)
Cargo(tons)	314,880	285,776	111.0
Cargo traffic volume (thousand kg)	304,143	276,265	111.0
Mail(tons)	58,342	62,001	94.1
Mail traffic volume (thousand kg)	62,130	64,811	95.9
<b>International routes</b>			
Number of passengers	2,408,716	2,852,478	84.4
Available seat-km (thousand km)	18,440,737	19,648,671	93.9
Revenue passenger-km(thousand km)	12,583,611	14,359,887	87.6
Passenger loadfactor	68.2	73.1	(4.8)
Cargo(tons)	167,472	145,964	114.7
Cargo traffic volume (thousand kg)	791,801	744,049	106.4
Mail(tons)	10,129	8,445	119.9
Mail traffic volume (thousand kg)	47,534	43,146	110.2

**Notes:**

1. Domestic routes: All Nippon Airways Co. + Air Nippon Co. + Air Hokkaido Co. + Air Nippon Network Co.
2. International routes: All Nippon Airways Co. + Air Nippon Co. + Air Japan Co.
3. Each result do not include results of charter flights.