

## **ANA reports consolidated financial results for 3rd quarter ended December 31, 2005**

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

(1) Summary of significant accounting policies :

Certain simplified methods compared with last financial period are applied.

There is no impairment of financial instruments.

Tax expenses are calculated from the yearly tax rate forecast, based on the effective statutory tax rate or effective tax rate for the most recent consolidated accounting year. Some simplified methods were used to calculate taxes consequent to the application of the consolidated tax return system.

Accounting standards for impaired fixed assets have been applied since the interim results of FY2005, announced October 31, 2005.

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

	Consolidation	Equity method
Newly added	7	3
Excluded	5	2

### **2. Consolidated financial highlights for the third quarter ended December 31, 2005**

(1) Summary of consolidated operating results

	Yen (Millions)					
	FY2005 Q1-Q3 Apr 1 - Dec 31	Year on year (%)	FY2004 Q1-Q3 Apr 1 - Dec 31	Year on year (%)	FY2004 Apr 1 - Mar 31	
Operating revenues	1,038,190	5.7	982,548	6.6	1,292,813	
Operating income	89,953	10.9	81,125	162.6	77,774	
Recurring profit	75,356	15.4	65,320	148.4	65,224	
Net income	29,906	(14.8)	35,084	27.6	26,970	

(2) Summary of consolidated financial positions

	Yen (Millions)		
	FY2005 Q3 As of Dec 31	FY2004 Q3 As of Dec31	FY2004 As of Mar 31
Total assets	1,647,267	1,636,402	1,606,613
Shareholders' equity	251,597	190,316	214,284
Shareholders' equity ratio	15.3%	11.6%	13.3%

(3) Summary of consolidated cash flows

	Yen (Millions)		
	FY2005 Q1-Q3 Apr 1 - Dec 31	FY2004 Q1-Q3 Apr 1 - Dec 31	FY2004 Apr 1 - Mar 31
Cash flows from operating activities	126,976	127,677	149,070
Cash flows from investing activities	(56,715)	(105,767)	(169,247)
Cash flows from financing activities	(39,601)	(25,044)	(51,600)
Cash and cash equivalents at the end of the period	194,227	231,373	163,155

### **3. Forecast of operating results for the period ending March 31, 2006**

	Consolidated	Non-consolidated
Operating revenues	1,350,000	1,160,000
Recurring profit	56,000	42,500
Net income	17,000	20,000

**Note:**

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.

## **Business Performance**

### **Outlook as of the 3<sup>rd</sup> quarter of the 2005 fiscal year**

#### **Nine-month period April 1 to December 31, 2005**

While the Japanese economy continues to recover, with increased consumer spending against a backdrop of improvements in corporate performance, the future remains uncertain, due to the unstable international political situation, continued skyrocketing oil prices, and other factors. Amidst this operating environment, ANA Group has continued to work to increase revenues, while at the same time continuing the transformation of its cost structure to achieve a stable revenue stream and strengthen its bottom line. As a result, consolidated financial performance up to the third quarter of the fiscal year under review (9 months) was as follows: operating revenues were ¥1.03 trillion (a ¥55.6 billion increase); operating income was ¥89.9 billion (a ¥8.8 billion increase); and recurring profit was ¥75.3 billion (a ¥10.0 billion increase); a net income of ¥29.9 billion (a ¥5.1 billion decrease) was reported, adversely affected by an impairment loss recorded at the mid-term, chiefly in the Hotel and Other businesses.

Performance by business segment was as follows (note that sales for each business include inter-segment sales).

#### **Air Transportation Business**

Domestic passenger numbers grew 2.7% compared with the same period of the previous year, thanks to the introduction of new seats and the expansion of our Super Seat Premium and other services which spurred strong business demand. Demand for leisure travel grew strongly, encouraged by the Aichi Expo 2005 and by our efforts to create products to meet that specific passenger demand. Furthermore, unit pricing also improved by 2.1%, and operating revenues showed ¥24.0 billion growth.

Internationally, demand for leisure travel to China was impacted by anti-Japan demonstrations in that country, but business demand was strong overall. As a result, although the number of passengers fell to 99.2% against the same period of the previous year, operating revenues showed a ¥10.4 billion growth, thanks to a 7.2% improvement in unit pricing.

In cargo services, both domestic and international shipment volumes were high, and cargo revenues increased by the start of flights to Asia and China by our second cargo aircraft in December. Additionally, ancillary revenues from maintenance of other airlines' aircraft, ground operations, and the like, also increased. As a result of these factors, operating revenues of air transportation business showed a ¥46.1 billion increase.

Meanwhile, fuel prices increased greatly due to skyrocketing oil prices, but we were able to minimize the increase in expenses through our efforts to reduce the costs of the Group as a whole, particularly through the minimization of operating costs through the utilization of mid-sized and smaller aircraft, and the further reduction of indirect and other administrative costs. As a result, an operating income of ¥78.8 billion was achieved.

#### **Travel Services**

Demand for leisure travel to China remained at a lower level compared with the previous year due to anti-Japan demonstrations there. However, thanks to strong domestic demand, especially for travel to the World Expo 2005 - which was held in Aichi, Japan - and to Okinawa, operating revenues showed ¥9.5 billion growth, and an operating income of ¥3.6 billion was achieved.

#### **Hotel Operations**

Revenues of the catering division of the Narita Hotel decreased by ¥2.5 billion due to reorganization into our air transportation business, but excluding this effect, the performance of our lodging, restaurant, and entertainment divisions was strong, topping the previous year's results. Meanwhile, operating income of ¥2.7 billion was achieved, driven by cost reductions.

#### **Other Businesses**

Other businesses, predominantly our trading business, generally performed strongly, and operating revenues showed a ¥3.8 billion increase, achieving an operating income of ¥4.7 billion.

## Financial Status

The free cash flow through the third quarter of the fiscal year (9-month period) was ¥70.2 billion. This is due to the fact that operating cash flow was on a par with the previous fiscal year's level of ¥126.9 billion, while investment cash flow was ¥56.7 billion, due to capital investment, especially in aircraft. ANA Group additionally obtained financing through the issuance of new corporate bonds and bank loans; meanwhile, debt was reduced through the repayment of corporate bonds and loans. As a result, cash and cash equivalents at the end of the period showed a ¥31.0 billion increase compared with FY2004.

Compared with the consolidated balance sheet of the fiscal year ending March 2005, increased current assets, and cash and cash equivalents in particular, resulted in an overall growth in assets by ¥40.6 billion. Additionally, although interest-bearing debt (loans and corporate bonds) decreased by ¥37.1 billion, debt grew by ¥6.5 billion due to an increase in trade accounts payable; meanwhile, shareholder's equity increased by ¥37.3 billion, and the ratio of shareholder's equity to net assets improved by 15.3% for the period under review.

## Revision of the Financial Forecast for fiscal year 2005, ended March 31, 2006

Our performance up to the third quarter of the fiscal year under review was strong: operating income exceeded expectations, thanks to the successful containment of cost increases, a background of strong demand, and increased revenues. However, a continuation of the severe business climate is predicted, including the unstable international political situation and high burden of fuel costs due to skyrocketing oil prices.

With regard to fuel, although the market price of Dubai crude oil was initially expected to be \$39 per barrel, it subsequently continued to skyrocket. As of the present time, the price is around \$60, contributing to a higher cost burden and greater pressure on revenue than originally expected. The impact of rising fuel costs will be greatest in the fourth quarter and a negative impact on earnings is unavoidable. ANA Group however, expects to minimize the increase in operating expenses by reducing indirect costs and taking other measures to reduce costs across the Group as a whole.

In addition non-operating revenues and expenses will be improved rather than initially expected.

Given the above, we have revised our financial forecast for the year ending March 2006 thus:

## Revised Financial Forecast for Fiscal 2005, ended March 31, 2006

Unit: billion yen

### Consolidated

	Revised Forecast	Initial Forecast	Difference
Revenue	1,350.0	1,326.0	24.0
Operating Income	78.5	74.0	4.5
Recurring Profit	56.0	44.5	11.5
Net Income	17.0	10.0	7.0

### Non-consolidated

	Revised Forecast	Initial Forecast	Difference
Revenue	1,160.0	1,139.0	21.0
Operating Income	62.0	62.0	0.0
Recurring Profit	42.5	35.5	7.0
Net Income	20.0	8.5	11.5

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

	Yen(millions)				
	FY2005 Q1-Q3 Apr 1 - Dec 31	Interim FY2005 Apr 1 - Sep 30	FY2005 Q3 Oct 1 - Dec 31	FY2004 Q1-Q3 Apr 1 - Dec 31	Difference
<b>Operating revenues and expenses</b>					
Operating revenues	1,038,190	690,922	347,268	982,548	55,642
Operating expenses	757,214	495,318	261,896	713,800	43,414
Sales, general and administrative expenses	191,023	126,017	65,006	187,623	3,400
Operating income	89,953	69,587	20,366	81,125	8,828
<b>Non-operating income</b>	11,011	8,221	2,790	13,298	(2,287)
Interest income	2,488	2,198	290	2,316	172
Other	8,523	6,023	2,500	10,982	(2,459)
<b>Non-operating expenses</b>	25,608	18,386	7,222	29,103	(3,495)
Interest expense	15,093	10,706	4,387	15,046	47
Other	10,515	7,680	2,835	14,057	(3,542)
<b>Total recurring profit</b>	<b>75,356</b>	<b>59,422</b>	<b>15,934</b>	<b>65,320</b>	<b>10,036</b>
<b>Extraordinary gains</b>	8,759	7,166	1,593	1,142	7,617
Gain on sales of fixed assets	1,683	809	874	-	1,683
Gain on sales of investment securities	4,713	4,711	2	867	3,846
Gain on reversal of allowance for doubtful accounts	1,509	1,500	9	-	1,509
Other	854	146	708	275	579
<b>Extraordinary losses</b>	22,173	21,928	245	6,124	16,049
Loss on sales of fixed assets	442	387	55	1,219	(777)
Loss on retirement of fixed assets	3,100	2,957	143	1,134	1,966
Impairment loss	17,618	17,618	-	-	17,618
Special retirement benefit	65	63	2	522	(457)
Loss on sales of investment securities	2	-	2	1,131	(1,129)
Other	946	903	43	2,118	(1,172)
<b>Net income before taxes</b>	<b>61,942</b>	<b>44,660</b>	<b>17,282</b>	<b>60,338</b>	<b>1,604</b>
Corporate, inhabitant and enterprise tax	33,368	26,924	6,444	24,347	9,021
Minority interests	(1,332)	(1,987)	655	907	(2,239)
<b>Net income</b>	<b>29,906</b>	<b>19,723</b>	<b>10,183</b>	<b>35,084</b>	<b>(5,178)</b>

**(2) Consolidated balance sheets**

	Yen(millions)				
	FY2005 Q3 As of Dec 31	FY2004 As of Mar 31	Difference	Interim FY2005 As of Sep 30	Difference
<b>Assets</b>					
<b>Current assets</b>	475,871	421,170	54,701	469,725	6,146
Cash, deposits and marketable securities	209,913	163,934	45,979	188,613	21,300
Trade accounts receivable	111,672	113,850	(2,178)	115,075	(3,403)
Inventories	62,019	52,636	9,383	56,965	5,054
Other	92,267	90,750	1,517	109,072	(16,805)
<b>Fixed assets</b>	1,170,797	1,184,838	(14,041)	1,163,660	7,137
Tangible fixed assets	962,894	958,415	4,479	964,254	(1,360)
Intangible fixed assets	34,902	37,685	(2,783)	34,983	(81)
Investments and others	173,001	188,738	(15,737)	164,423	8,578
<b>Deferred assets</b>	599	605	(6)	590	9
<b>Total assets</b>	<b>1,647,267</b>	<b>1,606,613</b>	<b>40,654</b>	<b>1,633,975</b>	<b>13,292</b>
<b>Liabilities</b>					
<b>Current liabilities</b>	520,619	506,474	14,145	554,059	(33,440)
Trade accounts payable	167,991	142,105	25,886	143,836	24,155
Short-term loans, current portion of bonds payable and long-term debt	189,116	204,454	(15,338)	214,531	(25,415)
Other	163,512	159,915	3,597	195,692	(32,180)
<b>Long-term liabilities</b>	868,045	875,638	(7,593)	834,668	33,377
Bonds payable and long-term loans payable	716,030	737,802	(21,772)	691,696	24,334
Accrued employees' retirement benefits	115,034	107,740	7,294	112,493	2,541
Other	36,981	30,096	6,885	30,479	6,502
<b>Total liabilities</b>	<b>1,388,664</b>	<b>1,382,112</b>	<b>6,552</b>	<b>1,388,727</b>	<b>(63)</b>
<b>Minority interests</b>	<b>7,006</b>	<b>10,217</b>	<b>(3,211)</b>	<b>8,207</b>	<b>(1,201)</b>
<b>Shareholders' equity</b>					
Common stock	111,501	107,292	4,208	111,501	-
Capital surplus	77,453	73,676	3,776	77,890	(437)
Earned surplus	55,881	31,225	24,656	45,698	10,183
Unrealized gains (loss) on securities	8,690	4,620	4,070	6,254	2,436
Foreign currency translation adjustment	(903)	(1,672)	769	(795)	(108)
Treasury stock	(1,025)	(857)	(168)	(3,507)	2,482
<b>Total shareholders' equity</b>	<b>251,597</b>	<b>214,284</b>	<b>37,313</b>	<b>237,041</b>	<b>14,556</b>
<b>Total liabilities, minority interest and shareholders' equity</b>	<b>1,647,267</b>	<b>1,606,613</b>	<b>40,654</b>	<b>1,633,975</b>	<b>13,292</b>

**(3) Consolidated statement of Cash flows**

	Yen(Millions)			
	FY2005 Q1-Q3	Interim FY2005	FY2005 Q3	FY2004 Q1-Q3
	Apr 1 - Dec 31	Apr 1 - Sep 30	Oct 1 - Dec 31	Apr 1 - Dec 31
<b>I. Cash flows from operating activities</b>				
Net income before taxes	61,942	44,660	17,282	60,338
Depreciation and amortization	55,876	36,776	19,100	49,125
Impairment loss	17,618	17,618	-	-
Other, net	(8,460)	(12,597)	4,137	18,214
Net cash provided by (used in) operating activities	126,976	86,457	40,519	127,677
<b>II. Cash flows from investing activities</b>				
Payment for acquisition of tangible fixed assets	(176,909)	(131,078)	(45,831)	(137,315)
Proceeds from sales of tangible fixed assets	107,321	74,971	32,350	37,296
Payment for acquisition of intangible fixed assets	(6,640)	(3,557)	(3,083)	(5,529)
Other, net	19,513	19,513	-	(219)
Net cash provided by (used in) investing activities	(56,715)	(40,151)	(16,564)	(105,767)
<b>III. Cash flows from financing activities</b>				
Increase (Decrease) in short-term loans (Net)	91	457	(366)	(4,738)
Proceeds from long-term loans	71,925	41,868	30,057	43,164
Repayment of long-term loans	(119,080)	(86,803)	(32,277)	(58,556)
Proceeds from issuance of bonds	34,813	14,920	19,893	19,895
Redemption of bonds	(20,000)	-	(20,000)	(20,225)
Other, net	(7,350)	(7,532)	182	(4,584)
Net cash provided by (used in) financing activities	(39,601)	(37,090)	(2,511)	(25,044)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	238	536	(298)	(5)
<b>V. Net increase (decrease) in cash and cash equivalents</b>	30,898	9,752	21,146	(3,139)
<b>VI. Cash and cash equivalents at the beginning of the period</b>	163,155	163,155	173,081	234,524
<b>VII. Net increase (decrease) resulting from changes in scope of consolidation</b>	174	174	-	(12)
<b>VIII. Cash and cash equivalents at the end of period</b>	194,227	173,081	194,227	231,373

#### (4) Segment information

<FY2005 Q1-Q3 (Apr 1 - Dec 31)>							Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated	
Operating revenues	773,569	137,887	43,904	82,830	1,038,190	-	1,038,190	
Intra-group sales and transfers	84,460	14,427	6,397	57,608	162,892	(162,892)	-	
Total	858,029	152,314	50,301	140,438	1,201,082	(162,892)	1,038,190	
Operating expenses	779,228	148,642	47,584	135,710	1,111,164	(162,927)	948,237	
Operating income	78,801	3,672	2,717	4,728	89,918	35	89,953	

<FY2004 Q1-Q3 (Apr 1 - Dec 31)>							Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated	
Operating revenues	732,366	128,293	42,284	79,605	982,548	-	982,548	
Intra-group sales and transfers	79,505	14,494	10,552	56,988	161,539	(161,539)	-	
Total	811,871	142,787	52,836	136,593	1,144,087	(161,539)	982,548	
Operating expenses	739,052	139,208	53,265	131,670	1,063,195	(161,772)	901,423	
Operating income (loss)	72,819	3,579	(429)	4,923	80,892	233	81,125	

<FY2005 Q3 (Oct 1 - Dec 31)>							Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated	
Operating revenues	258,653	43,617	16,193	28,805	347,268	-	347,268	
Intra-group sales and transfers	26,007	4,520	1,774	18,743	51,044	(51,044)	-	
Total	284,660	48,137	17,967	47,548	398,312	(51,044)	347,268	
Operating expenses	268,516	47,153	16,230	45,811	377,710	(50,808)	326,902	
Operating income	16,144	984	1,737	1,737	20,602	(236)	20,366	

<FY2004 Q3 (Oct 1 - Dec 31)>							Yen (Millions)	
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Elimination	Consolidated	
Operating revenues	241,196	39,050	15,145	27,677	323,068	-	323,068	
Intra-group sales and transfers	24,135	4,456	3,236	18,313	50,140	(50,140)	-	
Total	265,331	43,506	18,381	45,990	373,208	(50,140)	323,068	
Operating expenses	246,704	42,740	18,127	44,213	351,784	(50,075)	301,709	
Operating income	18,627	766	254	1,777	21,424	(65)	21,359	

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

	FY2005 Q1-Q3 Apr 1 - Dec 31	FY2004 Q1-Q3 Apr 1 - Dec 31	Difference
<b>Domestic routes</b>			
Passenger	524,636	500,562	24,074
Cargo	22,553	22,477	76
Mail	6,531	6,670	(139)
Baggage handling	247	215	32
Subtotal	553,967	529,924	24,043
<b>International routes</b>			
Passenger	173,008	162,597	10,411
Cargo	40,970	35,018	5,952
Mail	2,320	2,146	174
Baggage handling	385	397	(12)
Subtotal	216,683	200,158	16,525
Revenues from scheduled flights	770,650	730,082	40,568
Other operating revenues	87,379	81,789	5,590
Subtotal	858,029	811,871	46,158

**Notes:** Segment operating revenue includes inter-segment transactions.

**Overview of airlines operating results**

	FY2005 Q1-Q3 Apr 1 - Dec 31	FY2004 Q1-Q3 Apr 1 - Dec 31	Year on year %
<b>Domestic routes</b>			
Number of passengers	34,710,968	33,808,588	102.7
Available seat-km (thousand km)	46,128,323	45,986,569	100.3
Revenue passenger-km(thousand km)	30,241,394	29,146,878	103.8
Passenger loadfactor	65.6	63.4	2.2
Cargo(tons)	335,122	323,062	103.7
Cargo traffic volume (thousand kg)	324,487	313,145	103.6
Mail(tons)	67,729	68,297	99.2
Mail traffic volume (thousand kg)	71,839	72,296	99.4
<b>International routes</b>			
Number of passengers	3,054,072	3,077,363	99.2
Available seat-km (thousand km)	18,979,995	18,894,467	100.5
Revenue passenger-km(thousand km)	14,005,459	14,493,178	96.6
Passenger loadfactor	73.8	76.7	(2.9)
Cargo(tons)	185,195	178,901	103.5
Cargo traffic volume (thousand kg)	846,300	821,892	103.0
Mail(tons)	10,796	10,326	104.5
Mail traffic volume (thousand kg)	46,105	45,646	101.0

**Notes:**

1. Domestic routes: ANA Group + Code share flights (IBEX Airlines Co., Ltd. and Hokkaido International Airlines Co., Ltd. (AIR DO))
2. International routes: ANA Group + Code share flights (UA and EVA AIR)
3. Each result does not include results of charter flights.
4. Cargo results include results of late-night cargo flights.

## Operating revenues

	FY2005 Q3 Oct 1 - Dec 31	FY2004 Q3 Oct 1 - Dec 31	Difference
<b>Domestic routes</b>			
Passenger	170,297	163,039	7,258
Cargo	8,053	8,092	(39)
Mail	2,593	2,648	(55)
Baggage handling	74	72	2
Subtotal	181,017	173,851	7,166
<b>International routes</b>			
Passenger	57,786	52,138	5,648
Cargo	15,359	12,347	3,012
Mail	932	781	151
Baggage handling	146	142	4
Subtotal	74,223	65,408	8,815
Revenues from scheduled flights	255,240	239,259	15,981
Other operating revenues	29,420	26,072	3,348
Subtotal	284,660	265,331	19,329

**Notes:** Segment operating revenue includes inter-segment transactions.

## Overview of airlines operating results

	FY2005 Q3 Oct 1 - Dec 31	FY2004 Q3 Oct 1 - Dec 31	Year on year %
<b>Domestic routes</b>			
Number of passengers	11,438,712	11,250,029	101.7
Available seat-km (thousand km)	15,208,614	15,031,541	101.2
Revenue passenger-km(thousand km)	9,938,877	9,598,703	103.5
Passenger loadfactor	65.4	63.9	1.5
Cargo(tons)	125,042	116,727	107.1
Cargo traffic volume (thousand kg)	120,628	112,798	106.9
Mail(tons)	27,006	27,745	97.3
Mail traffic volume (thousand kg)	28,397	28,996	97.9
<b>International routes</b>			
Number of passengers	1,055,412	1,054,084	100.1
Available seat-km (thousand km)	6,381,724	6,283,313	101.6
Revenue passenger-km(thousand km)	4,742,469	4,830,056	98.2
Passenger loadfactor	74.3	76.9	(2.6)
Cargo(tons)	67,211	61,387	109.5
Cargo traffic volume (thousand kg)	302,861	285,951	105.9
Mail(tons)	4,051	3,904	103.8
Mail traffic volume (thousand kg)	18,034	16,671	108.2

**Notes:**

1. Domestic routes: ANA Group + Code share flights (IBEX Airlines Co., Ltd. and Hokkaido International Airlines Co., Ltd. (AIR DO))
2. International routes: ANA Group + Code share flights (UA and EVA AIR)
3. Each result does not include results of charter flights.
4. Cargo results include results of late-night cargo flights.