The airline industry has entered an era of full and open competition, and All Nippon Airways Co., Ltd. (ANA), approaching that competition as a source of new business opportunities, is responding with aggressive management initiatives. For example, ANA led the industry with the introduction of a variety of fares that better meet customer needs. These fares have been highly evaluated by our customers, and as a result our competitiveness has been enhanced and our market presence has been dramatically heightened. Over the past 50 years, ANA has worked continuously to record steady growth, expanding its network from the skies of Japan to the skies of countries around the world. Today, ANA is Japan's most trusted airline, and in the years ahead ANA will strive to further enhance the factors of fundamental quality, the starting

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point for all airline operations. As we maintain and strengthen the trust of our customers, we will continue to take up the challenge of achieving new growth as one of the world's premier airlines. ANA is on track for renewed growth.

Raising Quality Standards

Fundamental quality is the starting point for all of ANA's operations, and, accordingly, we work continually to improve it further.

Fundamental quality comprises four factors that are directly related to the satisfaction of customers in the provision of air transportation services—safety, on-time operation, comfort, and convenience.

Safety is the basis of fundamental quality and is more important than anything else. That is why we make safety the responsibility not just of flight crews, mechanics, and cabin crews but of every ANA employee. Rigorous safety training and focused attention are needed to ensure safety. On ANA's 220,000 flights a year, some 1,800 flight crew members, 3,100 mechanics, and 4,500 cabin crew members place safety first so that customers can enjoy ANA flights with peace of mind (Note 1).

On-time operation is an important factor for all transportation companies, and ANA's on-time departure rating places the Company in a high rank worldwide. In addition, we now have interdepartmental project teams that are working to further improve our on-time performance.

In providing comfortable travel services, ANA utilizes its originality to ensure that passengers are satisfied with their experience on ANA flights. We have established a significant lead over competing airlines in the provision of in-flight service and entertainment that meet customer needs. Examples include our popular bar counters and our highly regarded meal service.

Through superior performance in the fundamental factors outlined above, ANA provides its customers with high-quality air transportation services. This alone, however, is not sufficient to achieve customer satisfaction.

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To make it even more convenient and easier for customers to choose ANA, we are paying close attention to customer opinions about all areas of our operations, including flight schedules, reservations, ticket issuance, and ground handling, and we are responding to those opinions with a range of improvements and new ideas.

Our ongoing efforts to enhance our performance in each of these four fundamental factors of quality are solidifying the trust that customers have placed in ANA and strengthening the ANA brand.

Note 1:
Numbers of Employees
Numbers of employees are for the parent company.

Further Reinforcing Our Core Domestic Routes

ANA's operational foundation is its domestic route network, which covers all of Japan. The Company has continued to expand its route network since its establishment, and, as of June 2001, the ANA Group, including subsidiaries Air Nippon Co., Ltd. (ANK), and Air Hokkaido Co., Ltd. (ADK), operated 794 flights a day on 150 routes. We now serve 45.5 million passengers a year. With a market share on domestic routes of about 50%, we have pulled far ahead of our competitors.

We believe that our success in earning the trust of our customers is the reason why we have become the leading domestic airline. We are continually working from the customer's point of view, and we have become a leader in air transportation service by taking the initiative in meeting the expectations of our customers. In February 2000, we entered the era of liberalized airfares when the Japanese law regulating aviation was revised. ANA moved aggressively to set new discount fares, such as *Chowari,* which offers one-way transportation on any of ANA's domestic routes for ¥10,000, and worked to stimulate passenger demand. *Chowari* alone was utilized by 1.2 million passengers in the year under review. ANA's competitive superiority is clearly demonstrated in its dominant position in the domestic market.

At the same time, we have instituted thorough yield management and highly effective fare-setting, and, as a result, we were able to raise revenues in the year under review even in the midst of ongoing fare liberalization. The objective of yield management is to maximize revenue

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per aircraft. To efficiently sell a limited number of seats, we do not simply try to increase the number of passengers; we work to achieve our goals by using discount fares in accordance with seasons and periods of time. In the era of liberalized fares, successfully increasing profitability is a major challenge for airlines—one that may well determine corporate survival. ANA has turned fare liberalization to its advantage and succeeded in raising profitability.

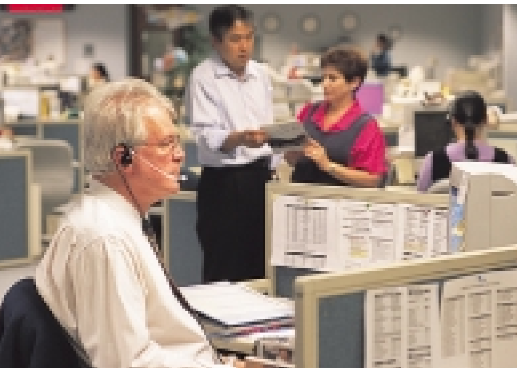
In July 2000, in response to the increase in take-off and landing capacity at Haneda airport, we increased flights on eight routes, including the Tokyo–Matsuyama route. Highly profitable domestic routes are centered on Haneda, which is the largest domestic hub. This expanded flight schedule has enabled the ANA Group to reinforce its operational base for domestic routes.

ANA is the official airline for Universal Studios Japan, and in commemoration of its opening we operated the ANA Woody Jet in the year under review, which drew considerable attention. ANA's popularity in Japan continues to grow.

Fortifying Our International Presence with Star Alliance

Due to the suspension of service on several low-demand routes between Osaka (Kansai) and Europe, the scale of our international operations declined in the year ended March 31, 2001. Nonetheless, we managed to take advantage of favorable demand to secure an increase in passenger numbers. The number of passengers in the highly profitable first and business classes rose 15% and 27% from the previous year, and the profitability of our operations on international routes increased significantly.

Our membership of Star Alliance was one of the primary reasons for this increased profitability. Including ANA, Star Alliance consists of 15 members. It is the world's largest airline alliance, with about 10,000 flights a day and service to 894 cities in 129 countries as of March 2001. ANA has marketing tie-ups with all of the member airlines and access to their sales channels. With our reputation for quality, sales of ANA flights have been favorable, and we have made progress in bolstering our own overseas sales organization. In a short period, we have been able to significantly strengthen our sales capabilities overseas, which had been a rather difficult task to accomplish.



We are working aggressively to increase profitability on international routes, even to the extent of reorganizing our route network. In accordance with the management principle of "selection and concentration" that is spelled out in our medium-term corporate plan, we are reorganizing and reducing our flights through Osaka (Kansai) and focusing our management resources on routes through Narita. Business demand is an important factor that controls profitability on international routes. We are moving ahead with the suspension of service on low-demand routes, such as those between Osaka (Kansai) and Europe, for which there is no expectation of growth in business demand. From Osaka (Kansai), the Honolulu route enjoys high demand and popularity, and accordingly

we inaugurated service on this route in March 2000, thereby securing a new source of stable revenues. In January 2001, flight operations commenced at Air Japan Co., Ltd. (AJX), a new low-cost subsidiary. Certain Osaka (Kansai) routes are being transferred to AJX. In May 2002, a new runway will open at Narita. We are approaching this development as a new business opportunity and plan to use it to increase profitability further. One example will be the start of daily service on key Narita routes.

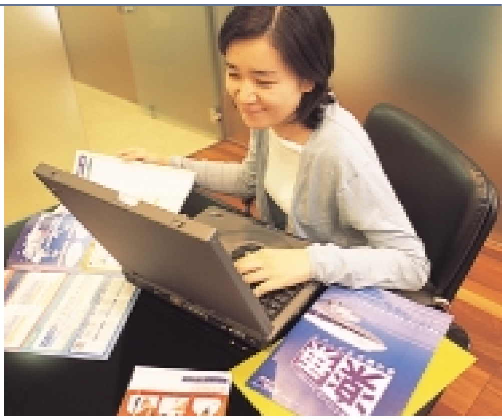
The idea of using the highly convenient Haneda airport for international routes has become a reality. In February 2001, late night/early morning international charter flights from Haneda were approved, and ANA subsequently operated flights to Honolulu and Guam. Haneda is ANA's hub, and, because transferring from domestic flights to international flights is extremely easy, the operation of international flights from Haneda has considerable advantages for ANA. We plan to move aggressively to take advantage of this new opportunity.

The number of loyal ANA customers is steadily increasing, with membership of the ANA Mileage Club rising by 1.4 million in the past year, to more than 6.8 million as of June 2001. ANA's presence on international routes continues to grow.

Pursuing Customer Convenience and Satisfaction

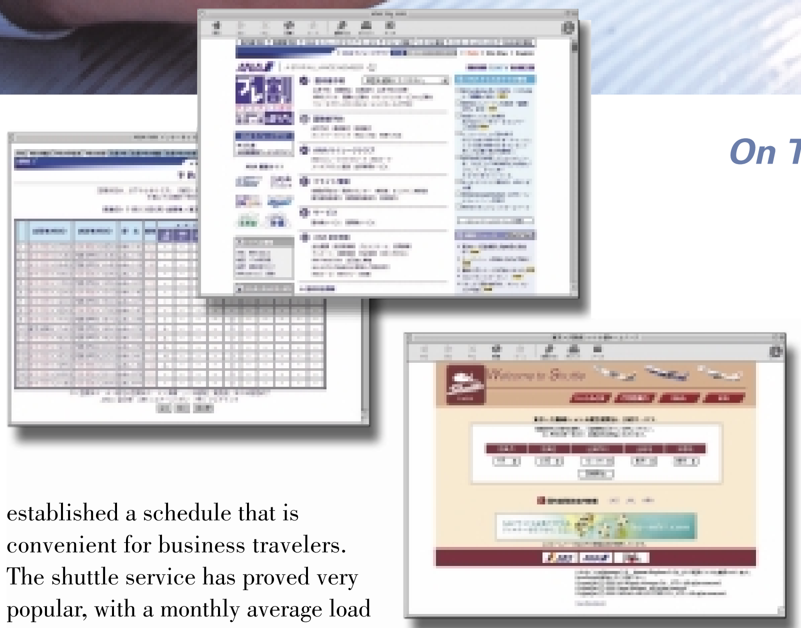
Our management policy of "pursuing customer convenience and satisfaction" means that we directly ask customers for their opinions and strive to provide air transportation services that meet their specific needs. To that end, we conducted a customer survey in December 2000, paid careful attention to the comments we received from about 12,000 respondents, and instituted specific measures designed to make ANA the most convenient airline for passengers.

Customers want to be able to make reservations at any time, from any location. As the latest step in our ongoing efforts to meet that need, in April 2001 we instituted a new system that enables reservations to be made 24 hours a day, even over the telephone (Note 2). During the late night/early morning hours when our reservation center is not staffed, reservations can now be made through the use of V-Navi voice activated terminals. By August 2000, we had become the first airline in Japan to enable customers to complete ticket reservation and payment using cellular phones, permitting reservations to be made 24 hours a day from any location. We have also eliminated the deadline for purchasing tickets that have been reserved for domestic routes (Note 3). Since June 2001, customers have been able to purchase reserved tickets at any point up to the time of departure, a significant step forward in enhancing convenience for our customers. We call this ANA original boarding service *Rakunori*.



ANA provides a highly convenient reservation system that makes full use of information technology. Internet reservations are already popular, and we expect their use to increase further. Accordingly, to make it easier for customers to use ANA Group airlines, we are expanding ticketless service in Japan. With this extremely convenient service, after a reservation is made, the ticket can be picked up the day of departure at the airport as long as payment is made in advance through any of a number of payment methods, such as over the Internet with a credit card, at a convenience store, or at the post office. Customers can also take advantage of *Prewari,* which reduces fares by 2%.

In July 2000, we began operation of a Tokyo–Osaka shuttle service in conjunction with JAL and JAS. The three airlines cooperate in operating the flights and have



established a schedule that is convenient for business travelers. The shuttle service has proved very popular, with a monthly average load factor typically above 70%. In April 2001, the convenience of the service was enhanced further when the number of shuttle flights was increased.

To realize the objective spelled out in our corporate slogan—The First Choice—we will strive to be the airline that is selected first by customers. In the years ahead, the ANA Group will continue to aggressively take on the challenges of enhancing customer satisfaction.

Note 2:
24-Hour Service

Reservations, cancellations, confirmations, and ticketless service handled through V-Navi are exclusively for the use of ANA Mileage Club members.

Note 3:
Ticketing Time Limit

A system with deadlines for ticket purchase was formerly used on domestic routes. Under this system, reservations were canceled if payment was not received within six days of the date the reservation was made. This system was used for many years to increase efficiency in selling seats, but customers requested an improved system.