Progress in Implementing the Medium-Term Corporate Plan

Q1 *Please give us an overview of the airline industry in the year ended March 31, 2001, and tell us about the progress that ANA has made in implementing its medium-term corporate plan.*

Ohashi After the Japanese law regulating aviation was revised in February 2000, airfares were fully liberalized, even on domestic routes. The airline industry, which of course plays a key role in public transportation, is now governed by the market principle of competition based on independent action.

In the year ended March 31, 2001, the ANA Group recorded revenues on domestic routes of ¥672.5 billion, an increase of 2.9%, or ¥18.7 billion, from the previous year. One reason for the increase was the introduction of new discount fares, such as the *Chowari* fare, which is ¥10,000 on all flights on all routes. These fares boosted personal travel demand. Another reason for the increase was improved yield management. Operating conditions on international routes were also favorable, and on North American, European, and Asian routes the numbers of first- and business-class passengers increased. In the year ended March 31, 2001, revenues on international routes totaled ¥207.4 billion, an increase of 14.8%, or ¥26.6 billion. We also made continued progress in operational tie-ups with other airlines. Star Alliance, the world's largest airline network, consists of 15 members (Note 4). We are entering an era in which we must give tie-ups a central role in management and must recognize that the world's strongest companies cannot continue to struggle against each other.

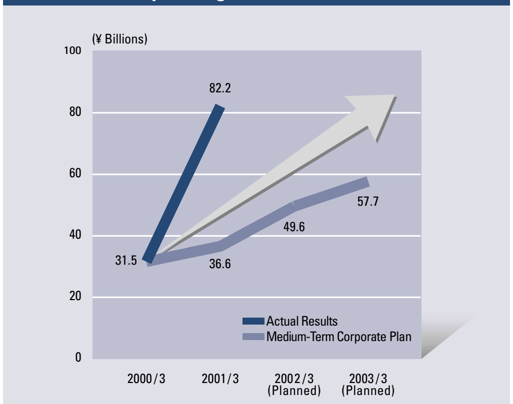
To meet the goals spelled out in our medium-term corporate plan, we have accelerated the pace of reforms, and we are now seeing the results of operational restructuring based on the management principle of "selection and concentration." As planned, we have moved ahead with domestic route development centered on Haneda and international routes concentrated on Narita, and our performance in air transportation was better than expected. In hotel operations, we securitized the ANA Hotel Tokyo and used the resulting funds to retire debt. As a result, we were able to reduce interest-bearing debt by about ¥50.0 billion.

We registered record high results in the year under review, clearing the plan's targets by a significant margin. Accordingly, we were able to reduce our consolidated deficit from ¥64.3 billion at the previous year-end to ¥24.0 billion at the end of the year under review. In addition, following the conversion of convertible bonds, we were able to increase shareholders' equity, which had been a cause for concern, by ¥53.0 billion. As a result, the shareholders' equity ratio improved from 6.4% at the end of the previous year to 10.4%.

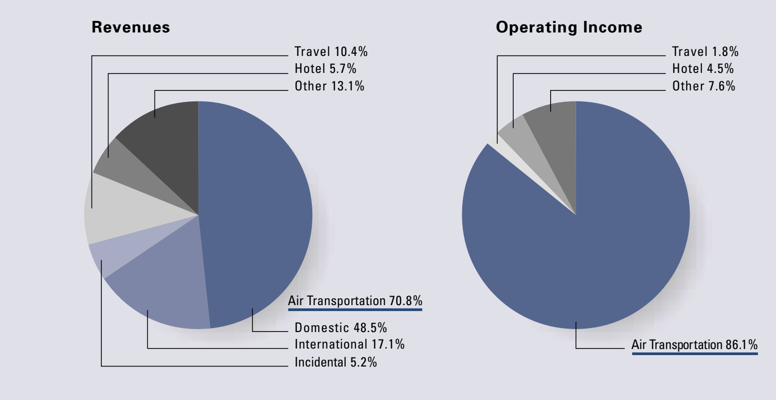
A solid level of cash flow provided by operations and the securitization of the ANA Hotel Tokyo enabled us to reduce debt, and bonds were steadily converted to equity during the year.

Note 4:
Star Alliance Member Airlines:
ANA, United Airlines, Lufthansa, SAS, Air Canada, Varig Brazilian, Air New Zealand, Ansett Australia, Thai Airways, Singapore Airlines, Austrian Airways, British Midland, Lauda Air, Mexicana Airlines, and Tyrolean Airways.

Consolidated Operating Income



Business Composition by Segment



* Figures include intercompany transactions.

Interest-bearing debt was reduced by ¥176.6 billion, to ¥935.7 billion at year-end (excluding lease obligations). As a result, the debt/equity ratio was 6.2, down by about half from 11.4 at the previous year-end. Our financial position is steadily improving.

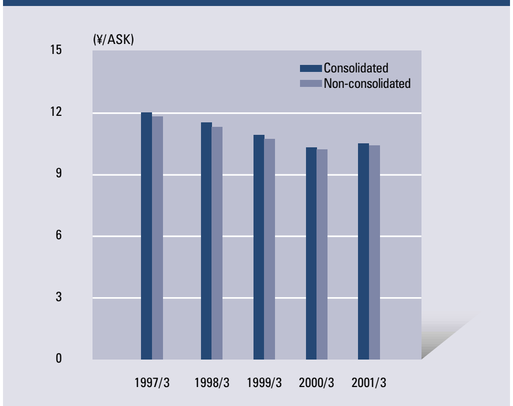
Although we are left with no choice but to continue to suspend dividend payments, we made significant progress in the past year, including the steady progress in management structural reforms and the improved financial position.

Q2 *ANA has completed the second year of its medium-term corporate plan. How has the Company's cost structure changed?*

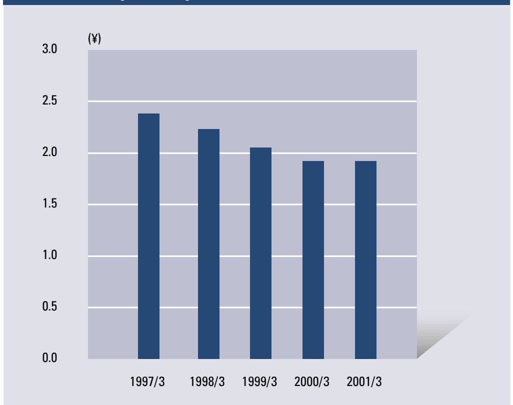
Ohashi Looking at the cost structure of the parent company, although rising aviation fuel prices had the effect of increasing operating expenses by about ¥20.0 billion in the year under review, we were able to hold the net increase in operating expenses to ¥8.9 billion. This was due to cost savings achieved through the reorganization of flights through Osaka (Kansai), to reduced usage fees for flight operation support equipment (Note 5), and to cuts in personnel expenses and indirect fixed costs. As a result, unit costs (operating expenses per available seat-kilometer) increased from ¥10.2 in the previous year to ¥10.4 in the year under review. Nonetheless, the results of our cost-containment efforts are demonstrated by the fact that, after adjusting for increased fuel expenses, unit costs have declined.

Personnel expenses account for a significant proportion of our costs, and accordingly we have worked to lower these expenses, reducing the number of employees in the ANA Group as a whole by 945, to 29,358. On a non-consolidated basis, personnel expenses were down ¥1.4 billion in the year under review. In addition, after discussions with the unions, in April 2001 we implemented wage reductions for ANA employees. In the two years since we initiated our medium-term corporate plan, we have reduced costs by about ¥40.0 billion on a non-consolidated basis. We are working to establish a position as a highly competitive airline as soon as possible.

Unit Costs



Personnel Expenses per ASK (Non-consolidated)



Note 5:
Usage Fees for Flight Operation Support Equipment

Fees for the use of such facilities as radar, radio equipment, and control communications equipment are collected by the government and transferred to a special fund for airport maintenance.

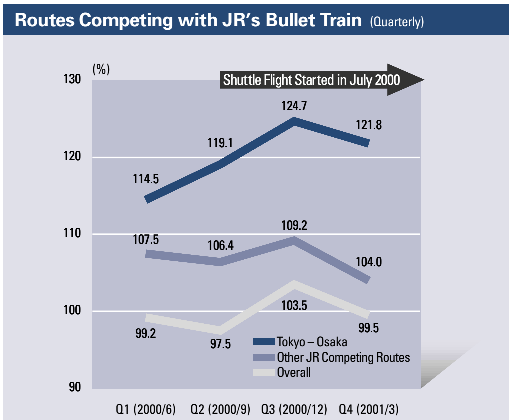
Q3 *Please tell us about ANA's strategy for growth on domestic routes.*

Ohashi The liberalization of fares started with the revision of the Japanese law regulating aviation in February 2000. This has been a favorable development for ANA. Our *Chowari* fare, ¥10,000 on all flights on all routes, has become a hit product used by 1.2 million passengers in the year under review. The introduction of *Chowari* and other aggressive new discount fares has stimulated personal travel and contributed significantly to the development of new demand for air transportation. Also, ANA's yield management techniques have improved dramatically. We have attained high levels in our ability to set fares so that revenues for each flight are maximized and in the degree of precision we can exercise in reservation management. We have basically completed the foundation needed for success in the era of liberalized fares.

We will focus our aircraft, personnel, and other management resources on the highly profitable routes through Haneda, which is the world's sixth largest airport with more than 50 million passengers a year. We can expect continued growth in passenger numbers on domestic routes in the years ahead, and that is why we have positioned these routes as our most important business area.

To raise the Group's operating efficiency, we are restructuring our routes in line with passenger demand. Routes that can be more efficiently operated by subsidiary Air Nippon Co., Ltd. (ANK), are being transferred from ANA in stages.

Routes Competing with JR's Bullet Train (Quarterly)



* % change in number of passengers from the corresponding period of the previous year

In the year under review, 5 routes, including the Kansai–Miyazaki route, were transferred to ANK. Over the past two years, we have transferred 14 routes (Note 6), and we expect to transfer 2 more, including the Sapporo–Fukushima route, in the year ending March 31, 2002.

The shuttle service has been another success, with the number of passengers on the Tokyo–Osaka shuttle increasing 24.7% in the year under review, to 2.8 million. The important Tokyo–Osaka route is the third largest domestic route in terms of passenger revenues, and the rate of growth in passenger numbers on the route is much higher than that on other routes. We expect considerable demand on the Tokyo–Osaka route in the years ahead.

Domestic route operations are the ANA Group's core business area, contributing 48.5% of operating revenues. In the future, we will continue working to further improve convenience, to maintain a 50% market share for the Group as a whole, and to further raise profitability.

Q4 *How will the Company raise profitability on international routes?*

Ohashi We will improve profitability on international routes by concentrating management resources on Narita routes, which are expected to enjoy strong business demand.

In the fiscal year under review, the scale of our operations on international routes as measured in available seat-kilometers declined by 3.9% compared with the previous year. This decline was attributable to our reorganization of Osaka (Kansai) routes, including the suspension of service on certain European routes, and to our use of smaller aircraft, such as a shift from Boeing 777s to Boeing 767s on our Shanghai and Singapore routes. Air Japan Co., Ltd. (AJX), which was established as a low-cost airline, took over from ANA on the Osaka (Kansai)–Seoul route from January 2001 and on the Osaka (Kansai)–Guam route from March 2001. In the future, we will use Osaka (Kansai) as a base for Asian and resort routes, for which demand is comparatively strong.

Note 6:
Routes Transferred to ANK over the Past Two Years

Year ended March 2000
Kansai–Matsuyama
Kansai–Sendai
Kansai–Kumamoto
Hiroshima–Hakodate
Hiroshima–Aomori
Fukuoka–Sendai
Fukuoka–Niigata
Fukuoka–Akita
Fukuoka–Kushiro

Year ended March 2001
Sapporo–Shonai
Kansai–Miyazaki
Kansai–Nagasaki
Kanasi–Shonai
Kansai–Memanbetsu

Although we streamlined our operations, passenger numbers were supported by a rapid increase in business demand, and profitability on international routes improved significantly. This reflects efforts to bolster our marketing capabilities, which included using the sales channels of other Star Alliance members and reinforcing our own sales organization overseas.

As a result of higher numbers of first- and business-class passengers, we expect profitability on international routes to improve in the year ending March 2002. Subsequently, the opening of the new runway at Narita in May 2002 will be a major turning point for ANA, and thereafter we expect to achieve significant improvements in profitability. Our response to the expansion of Narita will not require significant capital investment because we will be able to increase the number of flights by effectively utilizing assets that we already have, such as aircraft, hangars, ground equipment, and personnel.

After the runway is completed, ANA will have an excellent opportunity to grow by making full use of its networks and alliances. We will take advantage of this opportunity to significantly improve the profitability of our international routes and return our international operations to a solid, profitable footing.

Q5 *In hotel operations, what progress has been made with restructuring? Also, what are ANA's plans for the future?*

Ohashi We have sold overseas hotel properties that were unprofitable. In September 2000, we sold a golf course that had been held by ANA Hotels Hawaii, Inc., and in March 2001 we liquidated ANA Hotels Hawaii. With these measures, we have almost completed our reorganization of unprofitable overseas hotel operations. In contrast, our hotels in Vienna and Sydney both earned record high profits in the year under review. These performances were attributable to strong demand, to marketing efforts attuned to customer needs, and to cost-reduction initiatives. Each hotel achieved a high gross operating profit (GOP, Note 7) and registered a level of results that placed it in the top class in its region.

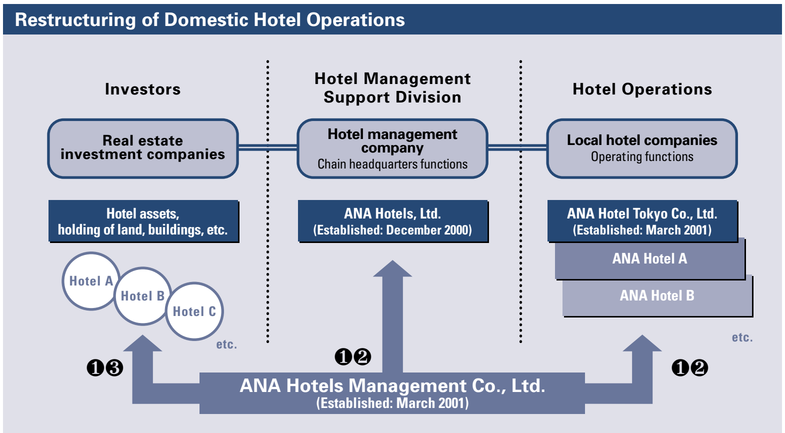
In domestic hotel operations, we have implemented a restructuring plan that clarifies responsibility and authority through the separation of ownership and operations. Specifically, in December 2000, we established ANA Hotels, Ltd., to provide chain hotel headquarters functions. In March 2001, we established two companies. One, ANA Hotels Management Co., Ltd., assists hotel companies by serving as a head office and furnishing support services, providing human resources, and meeting the responsibilities of ownership of ANA Group hotels. The other, ANA Hotel Tokyo Co., Ltd., operates the ANA Hotel Tokyo. With these steps, we completed the framework of our operational restructuring plan. We have built a system that facilitates a focus on hotel operations, centered on general managers. As a first class domestic hotel chain, we will utilize our brand and the strengths of our chain network as we work to raise GOP further.

In accordance with the medium-term corporate plan, we securitized the ANA Hotel Tokyo, which had been owned by subsidiary ANA Enterprises, Ltd., in March 2001. We subsequently applied about ¥50.0 billion obtained through the securitization to the retirement of interest-bearing debt and thereby were able to reduce both assets and debt in our hotel operations. We will reduce interest-bearing debt further in the future, and we are now considering the securitization of other domestic hotels.

In our hotel operations, the most important concept is to improve the profitability of each hotel. The reform measures that were instituted at the ANA Hotel Hakata will be applied to other domestic hotels in the future.

Note 7:
GOP (Gross Operating Profit)
GOP is profit before interest expenses and depreciation and amortization. GOP is a standard measure of hotel profitability.

Restructuring of Domestic Hotel Operations



❶ Support functions ❷ Human resource provider functions ❸ Ownership functions

Q6 *During the year under review, ANA decided to acquire new aircraft in the year ending March 2003. Will the Company still be able to reduce interest-bearing debt as planned?*

Ohashi Our medium-term corporate plan, which covers the four-year period ending March 2003, calls for us to reduce interest-bearing debt by ¥420.0 billion. In the year under review, we achieved reductions of about ¥220.0 billion, including lease obligations. The balance at year-end was ¥1,357.0 billion (including lease obligations), and in the year ending March 2002 we plan to reduce it by a further ¥100.0 billion.

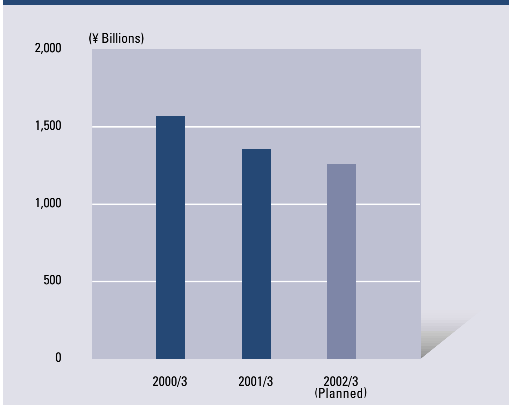
Capital expenditure in the year under review totaled ¥94.3 billion, within the limits of cash flow provided by operations of ¥148.7 billion. In the future, we will focus capital expenditure on areas that are essential to air transportation operations, such as aircraft and information systems, and maintain the scale of investment at a level that can be funded with cash flow provided by operations.

In the year ending March 2002, in accordance with the medium-term corporate plan, ANA will not introduce any new aircraft. ANK, however, will introduce six aircraft, including four Boeing 737-500s. Five of these aircraft will be acquired under operating leases. Capital expenditure for the ANA Group, including aircraft and other investment, will total ¥90.0 billion.

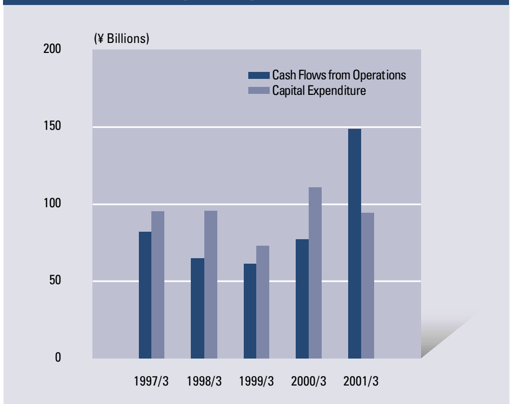
In the year ending March 2003, ANA plans to acquire nine Boeing 767-300ERs. Five of these will be used to accommodate the expansion of Haneda and the other four will replace Airbus A321-100s, a move intended to increase operational efficiency through model standardization. Limiting our fleet to a smaller number of types of aircraft will help us to cut costs. We will, for example, be able to reduce our parts inventories. This step will have the effect of reducing expenses by about ¥15.0 billion annually from the year ending March 2004. This capital expenditure will be held within the limits of cash flow.

We also plan to lower interest-bearing debt with funds recovered from domestic hotel operations, which we plan to securitize after enhancing their profitability and asset value. We have made steady progress in reducing interest-bearing debt and will continue to do so in the years ahead.

Interest-Bearing Debt (Including lease obligations)



Cash Flows and Capital Expenditure



Q7 How will ANA use information technology to enhance convenience?

Ohashi We are making full use of advanced information technology as we strive to be an airline that is highly convenient for customers.

The use of the Internet is spreading rapidly, and ANA, which has been using the Internet for reservations and payment since 1997, has devoted considerable resources to effectively utilizing information technology. In October 1999, we initiated a service enabling customers in Japan to pay at convenience stores or the post office. We subsequently diversified payment methods further, adding bank transfer, Internet debit payment, and cash and ticketless services. We have also worked to increase convenience for corporate customers. In October 2000, we began ANA@desk, a business support service for corporations. In the fiscal year ended March 2001, ANA received about five million seat reservations over the Internet, and in the year ending March 2002 we expect that number to reach 10 million. In addition, among travel industry sites, ANA's web site is the clear leader in Japan in terms of access numbers.

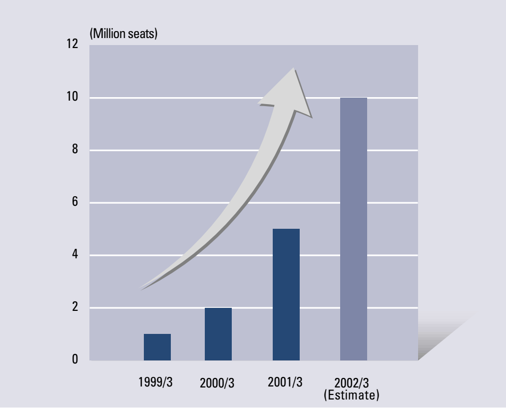
We are also offering convenient services to users of cellular phones, such as seat availability inquiries and reservation services, which customers have been able to use since February 1999. More than one-third of people in Japan have a cellular phone, and the number of reservations made over cellular phones continues to increase.

Through the effective use of information technology, we have completed a framework under which it is possible to make reservations 24 hours a day, anytime, anywhere. This has dramatically raised customer convenience.

In addition, the increase in the number of reservations made over the Internet or by using cellular phones will enable us to streamline the workforce assigned to reservation centers and to trim sales costs. Therefore, we expect these services to result in significant cost reductions.

We believe that the use of leading-edge information technology is an indispensable part of success in the airline industry. In terms of enhancing customer convenience, our strong information technology capabilities place us far ahead of other companies, and we are conducting R&D to ensure that we maintain that lead.

Seat Reservations via the Internet



Organizational Reform

Q8 *What organizational reforms is the Company implementing to make sure that the goals of the medium-term corporate plan are met?*

Ohashi Rapid management decision making is essential in responding to change. That is why in April 2001 we introduced a senior vice president system and reduced the number of directors by 6, to 16. We want directors to have an overall view of Group management issues and senior vice presidents to have clear-cut responsibility for their administrative areas. In addition, to ensure transparent management practices, we plan to establish management advisory boards with people from outside the Company serving as advisers. Our goal is to build a management system that is founded on sound corporate governance practices.

Organizationally, we have integrated marketing functions in the Alliance and International Affairs Section, which will enable us to rapidly bolster our sales capabilities and offer services based on customer needs.

In order to ensure that management practices based on the creation of enterprise value are thoroughly implemented throughout the ANA Group, we have introduced new performance evaluation standards, which we call ANA's Value Creation (AVC). AVC is calculated by subtracting the cost of capital from post-tax business profits. With the introduction of AVC, we have completed a system for evaluating the performance of managers, and now we are gradually introducing an appraisal system linked to corporate performance.

Shareholder-Centered Management

Q9 *What can you tell us about the resumption of dividend payments?*

Ohashi At this point, we need to strengthen the Company so that it can support the steady payment of dividends. In the past year, we reduced our consolidated deficit by ¥40.3 billion, to ¥24.0 billion at the end of March 2001.

However, we expect international route revenues to decline in the year ending March 2002 due to the slowdown in the U.S. economy and to the fact that it will be the first full fiscal year since we streamlined our international route network through Osaka (Kansai). Even taking into account increased revenues on domestic routes, we anticipate a decline in total operating revenues. Nonetheless, we will carefully target our sales capabilities and strive to achieve revenue growth.

A contribution to profits will be made by the decline in expenses that followed the elimination of service on unprofitable routes. We also anticipate about ¥10.0 billion in expense reductions as a result of lower airport landing fees, lower sales commissions, and lower personnel costs resulting from wage cuts for all employees. However, the depreciation of the yen has the effect of inflating certain expenses, and measures to increase customer convenience—such as the enhancement of our reservation system and the augmentation of our ticket-issuing capabilities at airports throughout the country accompanying the expansion of ticketless service—entail significant expense increases. As a result, our corporate plan forecasts a decline in profits in the year ending March 2002.

We are, however, making steady progress with structural reforms, and we are confident that the declines in revenues and profits that we anticipate in the year ending March 2002 are nothing more than a temporary stage on the course to steady growth. To establish a competitive advantage, we must make investments to enhance customer convenience, and we are targeting operating income that is level with the year under review, which will be sufficient to cover those investments. We will redouble our efforts to increase revenues and reduce costs.

The year ending March 2003 will bring significant opportunities for ANA, specifically the expansion of take-off and landing capacity at Haneda and Narita. The productivity of our aircraft will increase significantly and our profitability will recover rapidly. We will strive to ensure that we take advantage of the new runway at Narita to make a significant leap forward, achieve strong growth, re-establish dividend payments, and thereby meet the expectations of shareholders.

Future Management Direction

Q10 *Would you please describe ANA's management direction in the year ending March 2003, a turnaround year for the Company, and thereafter?*

Ohashi From the year ending March 2003, our operating environment will offer significant opportunities. On domestic routes, the take-off and landing capacity at Haneda will be higher, and on international routes the new runway at Narita will be open. The elements for a new stage of growth for ANA will be in place, and there will be an excellent chance for us to significantly raise our profitability. Accordingly, our management direction will be based on the principle of "selection and concentration," and we will move in the direction of "creativity and growth."

The word "creativity" refers to the creation of enterprise value, of customers and markets, and of the next era of human resources. The word "growth" includes expectations for solid growth of the Company, growth of business profits, and growth of individuals and organizations.

In Group management, our growth strategy places air transportation at the center of the Group's operations, and as we implement that strategy we will endeavor to strengthen the corporate constitution so that it can sustain dividend payments. We will establish a Group management system, bolster our financial position, improve efficiency in the use of capital, and enhance profitability in air transportation operations. We will also work to achieve profitability on international routes by actively using our competitive network centered on Narita and our alliances.

Finally, ANA will strive to maintain the trust and regard of its customers and shareholders, to create a corporate culture suitable for the 21st century, and to infuse its management with a common value system that is shared throughout the ANA Group.