1. The ANA Group

The ANA Group comprises 147 subsidiaries and 54 affiliates. Of those companies, 113 are consolidated subsidiaries and 32 are accounted for by the equity method. The Group's operations are classified into four business segments: air transportation, travel services, hotel operations, 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 March 31, 2001 Operational segment	No. of subsidiaries	of which, consolidated	of which, equity method	No. of affiliates	of which, equity method
Air Transportation	28	27	–	7	4
Travel Services	16	13	–	4	3
Hotel Operations	26	25	–	5	4
Other Businesses	77	48	6	38	15
Group Total	147	113	6	54	26

Air Transportation

The ANA Group's air transportation operations and other operations using aircraft are centered on All Nippon Airways Co., Ltd.; subsidiaries Air Nippon Co., Ltd. (ANK), and Air Japan Co., Ltd. (AJX); and affiliate Nippon Cargo Airlines Co., Ltd. These operations principally comprise 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 All Nippon Airways World Tours Co., Ltd., ANA Sky Holiday Tours Co., Ltd., and All Nippon Airways Travel Co., Ltd. These operations comprise the development and sale of products that mainly use the air transportation services of ANA or ANK and accommodation at ANA hotels. Overseas, ANA World Tours (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.

Hotel Operations

Subsidiaries and affiliates, centered on ANA Enterprises, Ltd., develop and operate hotels in Japan and overseas. A wide range of services is provided in Japan and overseas, including lodging, meals, banquets, and wedding receptions.

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. 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. ANA Real Estate Co., Ltd., and other companies carry out the sale, rental, and management of real estate, and 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.

2. Operational Review

Operating Environment and Performance

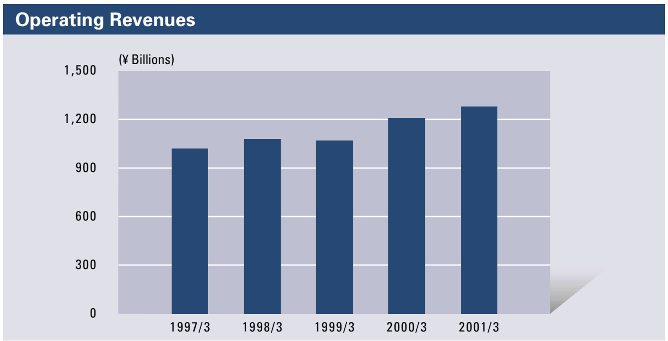
In the year under review, the Japanese economy showed continued indications of an internally led recovery, centered on the corporate sector. At the end of the fiscal year, however, there were signs that cast doubt on the undertone of the recovery, such as a reduction in exports caused by the slowdown in the U.S. economy. In addition, the unemployment rate reached record high levels and consumer spending remained sluggish. Business conditions did not undergo a full-fledged recovery.

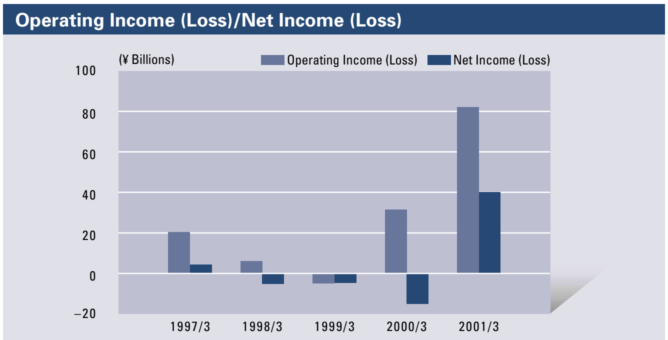
In this setting, the Company implemented reforms in accordance with the medium-term corporate plan covering the four-year period ending March 2003 that ANA initiated in May 1999. In air transportation, ANA instituted a flexible fare policy suitable for liberalization, worked to implement “selection and concentration” in its operations, including the reorganization and suspension of routes, and upgraded its sales system. In hotel operations, ANA securitized certain hotel assets and reorganized domestic hotel operations. Companywide measures included the promotion of further cost reductions. As a result of these measures, consolidated and non-consolidated results significantly exceeded the forecasts made at the beginning of the fiscal year. Accordingly, the Company was able to considerably reduce its consolidated deficit. In the year ending March 2002, the Company will strive to meet the goals spelled out in its medium-term corporate plan and to improve the enterprise value of the entire group by further raising profitability and bolstering its financial position. In the year ending March 2003 and thereafter, the Company will work to further strengthen its corporate constitution so that it can sustain continued dividend payments by formulating a new medium-term corporate plan and following a growth strategy for Group management that positions air transportation as the core field of operations.

Summary of Financial Results

ANA and consolidated subsidiaries

Years ended March 31,	Yen (Millions) except per share amounts 2001	2000
Operating revenues	**¥1,279,635**	¥1,209,647
Operating expenses	**1,197,392**	1,178,088
Operating income	**82,243**	31,559
Non-operating income (expenses)	**(18,954)**	(54,248)
Income (loss) before income taxes and minority interests	**63,289**	(22,689)
Income taxes	**19,151**	(5,476)
Minority interests in income (loss) of consolidated subsidiaries	**3,852**	(2,012)
Net income (loss)	**¥ 40,286**	¥ (15,201)
Per share data:		
Net income (loss)	**¥27.75**	¥(10.54)
Net income assuming full dilution	**24.80**	–
Cash dividends	**–**	–





Years ended March 31,	Yen (Millions) 2001	2000
Passenger revenues	**¥ 813,156**	¥ 778,765
Domestic	**635,576**	621,188
International	**177,580**	157,577
Cargo revenues	**68,649**	67,763
Domestic	**28,246**	27,682
International	**40,403**	40,081
Incidental and other revenues	**397,830**	363,119
Total	**¥1,279,635**	¥1,209,647

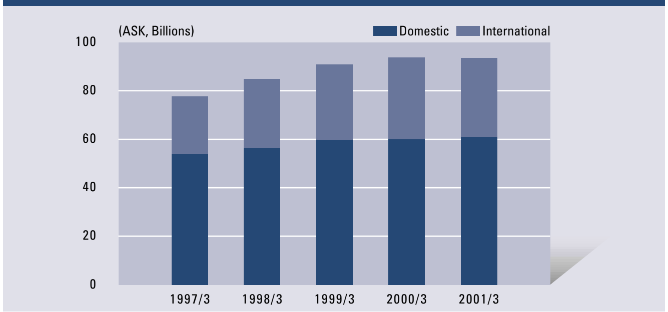
Note: Operating revenue figures are the amounts after the elimination of intra-segment and inter-segment transactions.

Operating Data and Yields

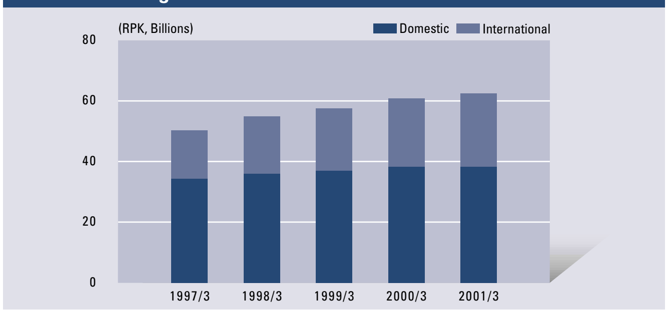
	2001	2000
Domestic Passengers:		
• Passengers (thousands)	**45,509**	45,431
• Available seat-km (ASK, millions)	**61,074**	60,093
• Revenue passenger-km (RPK, millions)	**38,469**	38,411
• Passenger load factor (%)	**63.0**	63.9
• Passenger yield (¥/RPK)	**17.5**	17.0
International Passengers:		
• Passengers (thousands)	**4,378**	3,999
• Available seat-km (ASK, millions)	**32,446**	33,772
• Revenue passenger-km (RPK, millions)	**24,124**	22,510
• Passenger load factor (%)	**74.4**	66.7
• Passenger yield (¥/RPK)	**8.6**	8.0
Domestic Cargo:		
• Cargo ton (ton)	**434,333**	420,846
• Cargo ton-kilometer (ton-km)	**414,627**	400,360
• Cargo ton-kilometer yield (¥/ton-km)	**68.2**	69.2
International Cargo:		
• Cargo ton (ton)	**192,997**	195,384
• Cargo ton-kilometer (ton-km)	**1,136,225**	1,178,446
• Cargo ton-kilometer yield (¥/ton-km)	**35.6**	34.0
Unit costs (¥/ASK)	**10.5**	10.3

Notes: 1. Domestic and international figures include the operations of the parent company ANA and subsidiaries Air Nippon Co., Ltd. (ANK), Air Japan Co., Ltd. (AJX), and Air Hokkaido Co., Ltd. (ADK).
2. Figures for passenger yield, cargo ton-kilometer yield, and unit costs are the weighted averages of the figures for ANA, ANK, AJX, and ADK.

Available Seat-km



Revenue Passenger-km



Operating revenues in the year under review increased 5.8%, to ¥1, 279.6 billion. Growth in operating expenses, which amounted to ¥1,197.3 billion, was limited to 1.6%, and operating income was ¥82.2 billion, an increase of 160.6%.

In non-operating items, the Company recorded extraordinary income on the sale of fixed assets and marketable securities as well as extraordinary losses—a loss on sale of marketable securities and an appraisal loss on investment securities. Accordingly, non-operating expenses declined from ¥54.2 billion in the previous year to ¥18.9 billion in the year under review. As a result, pre-tax profitability improved significantly, with income before income taxes and minority interests of ¥63.2 billion in the year under review, compared with loss before income taxes and minority interests of ¥22.6 billion in the previous year. After income taxes, including the impact of accounting for deferred income taxes, and minority interests, net income for the year under review was ¥40.2 billion, compared with a net loss in the previous year of ¥15.2 billion.

Operating Revenues

The Group's operating revenues consist of passenger revenues; cargo revenues; and incidental business and other revenues, such as travel services and hotel operations. Detailed information regarding passenger revenues and cargo revenues is provided below.

Passenger Revenues

Passenger revenues in the year under review increased 4.4%, to ¥813.1 billion. Domestic routes accounted for 78.2% of the total, and international routes for 21.8%.

Domestic Passenger Revenues

On domestic routes, demand declined in the first half of the year under review due to the eruption of Mt. Usu and to the Kyushu-Okinawa Summit 2000. With fares deregulated, however, competition among airlines resulted in the availability of a wide range of discount fares, which led to growth in demand for personal travel. Overall, the number of passengers increased from the previous year.

As a result, passenger revenues rose 2.3%, to ¥635.5 billion, in the year under review. The number of passengers edged up 0.2%, to 45.5 million. Available seat-kilometers increased 1.6%, and passenger-kilometers rose 0.1%. As a result, the load factor declined 0.9 percentage points, to 63.0%. Nonetheless, passenger yield improved to 17.5 ¥/RPK, from 17.0 ¥/RPK in the previous year.

International Passenger Revenues

In the year under review, tourism demand on international routes was favorable, with record highs in numbers of both inbound and outbound travelers. In addition, business demand recorded a significant recovery.

As a result, on international routes, passenger revenues increased 12.7%, to ¥177.5 billion, and the number of passengers grew 9.5%, to 4.4 million. Available seat-kilometers declined 3.9%, while passenger-kilometers increased 7.2%. Thus, the load factor rose 7.7 percentage points, to 74.4%. Passenger yield increased to 8.6 ¥/RPK, from 8.0 ¥/RPK in the previous year.

Cargo Revenues

Cargo revenues rose 1.3%, to ¥68.6 billion. Domestic cargo revenues accounted for 41.1% of the total, and international cargo revenues for 58.9%.

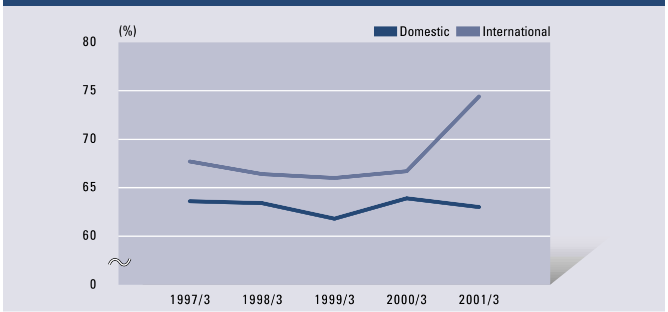
Domestic Cargo Revenues

Although domestic cargo volume rose 3.2%, to 434 thousand tons, revenues increased only 2.0%, to ¥28.2 billion, due to declining prices. In the year under review, the number of flights taking off or landing at Haneda rose, and cargo from parcel delivery companies and IT-related shipments remained favorable. As a result, demand was strong throughout the year.

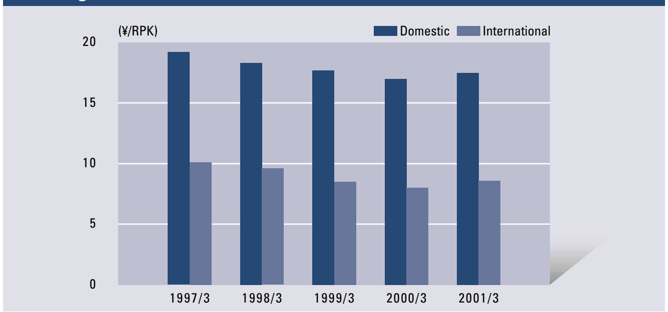
Also, the eruption of Mt. Usu disrupted the rail shipping network, and it required about two months before service was restored. Air cargo was used as a substitute shipping method between Honshu and Hokkaido, which led to a significant increase in cargo shipments.

The volume of domestic mail shipments expanded 4.6%, to 78 thousand tons, and domestic mail revenues rose 2.2%, to ¥10.6 billion.

Load Factor



Passenger Yield



International Cargo Revenues

International cargo volume decreased 1.2%, to 193 thousand tons, and revenues edged up 0.8%, to ¥40.4 billion. Favorable economic conditions in North America and Asia contributed to strong demand for cargo shipments, especially for IT-related semiconductors and electronic equipment. In the second half of the fiscal year, however, the U.S. economy decelerated, and demand for shipments to North America and to Asia, which is a major production base for goods destined for the United States, declined significantly from the previous term. In inbound cargo, imports of IT-related products, such as personal computers and cellular phones, remained solid. Demand was also strong for shipments of textiles and fresh foods from China and Southeast Asia and, due to the depreciation of the Euro, for shipments of general consumables from Europe. To provide improved services, in April, we introduced PRIO, a priority service for international cargo, and we worked to further expand our services in response to new corporate strategies for cargo shipments.

The volume of international mail shipments increased 5.1%, to 8 thousand tons, and international mail revenues rose 1.0%, to ¥2.1 billion.

Incidental and Other Revenues

The ANA Group worked to expand revenues from the provision of ground support services, including check-in and baggage handling services, and from in-flight sales. As a result, revenues in the year under review totaled ¥82.7 billion, an increase of 11.9%.

For information on business segments other than air transportation—travel services, hotel operations, and others—refer to Section 5. Segment Information (page 28).

Operating Expenses

Although aircraft expenses and reservations, sales and advertising expenses increased by large margins from the previous year, other costs declined. As a result, operating expenses rose 1.6% overall, to ¥1,197.3 billion. Details are as follows.

	Yen (Millions)	
Years ended March 31,	**2001**	2000
Aircraft	**¥ 378,293**	¥ 357,002
Aircraft and flight operations	**303,208**	284,152
Aircraft maintenance	**75,085**	72,850
Services	**299,925**	302,628
In-flight services	**59,543**	62,029
Flight control and ground handling	**240,382**	240,599
Reservations, sales and advertising	**221,038**	200,197
General and administrative	**29,241**	39,604
Depreciation and amortization	**59,333**	58,441
Other costs	**209,562**	220,216
Total	**¥1,197,392**	¥1,178,088

Aircraft expenses grew 6.0%, to ¥378.2 billion. Aircraft and flight operations expenses rose 6.7% due to higher fuel expenses. Aircraft maintenance expenses increased 3.1% as a result of increased parts purchases.

Services expenses decreased 0.9%, to ¥299.9 billion. In-flight services expenses declined 4.0%, due primarily to ANA's re-evaluation of in-flight services. Flight control and ground handling expenses edged down 0.1%, principally as a result of reduced landing and navigation fees for ANA.

Reservations, sales and advertising expenses were up 10.4% owing to increased sales-related purchasing and to other increases.

General and administrative expenses were down 26.2% due to significant increases in efficiency in staff departments.

Depreciation and amortization increased 1.5% due to purchases of aircraft by ANA and ANK.

Other costs declined 4.8%, to ¥209.5 billion in the year under review. This was primarily attributable to reduced expenses at subsidiaries, including trading company operations.

Non-Operating Income (Expenses)

Years ended March 31,	Yen (Millions) 2001	2000
Interest and dividend income	**¥ 9,537**	¥ 8,466
Gain on sale of property and equipment	**14,538**	4,504
Interest expenses	**(35,079)**	(38,950)
Loss on sale of marketable securities	**(488)**	(474)
Equity in income of affiliates	**251**	427
Other — net	**(7,713)**	(28,221)
Total	**¥(18,954)**	¥(54,248)

The Company recorded net non-operating expenses of ¥18.9 billion, a significant reduction from ¥54.2 billion in the previous year. Interest and dividend income rose 12.7%, to ¥9.5 billion. Gain on sale of property and equipment increased more than threefold, from ¥4.5 billion in the previous year to ¥14.5 billion in the year under review. This figure includes profit on the sale of hotel assets accompanying the securitization of the ANA Hotel Tokyo.

Interest expenses decreased 9.9%, to ¥35.0 billion, due primarily to a 15.9% decline in interest-bearing debt, to ¥935.7 billion. Another contributing factor was a lower average rate on interest-bearing debt during the year.

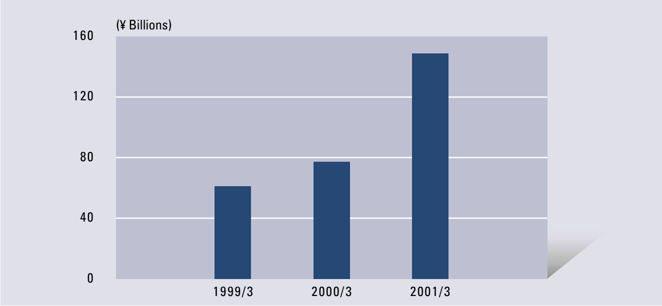
Loss on sale of marketable securities increased 3.0%, to ¥0.4 billion. Equity in income of affiliates was ¥0.2 billion, compared with ¥0.4 billion in the previous year.

Other expenses—net declined significantly from ¥28.2 billion in the previous year to ¥7.7 billion in the year under review. Three factors resulted in this decline. Foreign exchange profit was ¥2.0 billion in the year under review, compared with a foreign exchange loss of ¥9.2 billion in the previous year. A related company loss of ¥5.2 billion was recorded in the previous year but not in the year under review, and special retirement expenses were ¥5.7 billion in the previous year but ¥1.2 billion in the year under review.

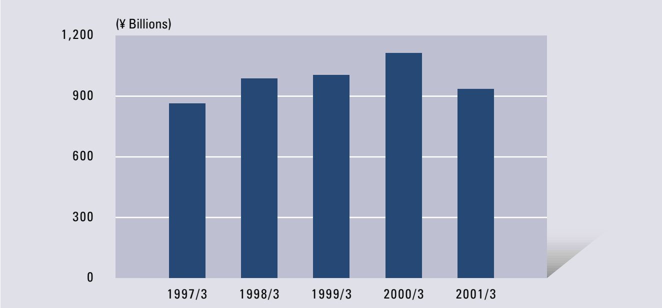
3. Financial Condition and Cash Flows

Years ended March 31,	Yen (Millions) 2001	2000
Net cash provided by operating activities	**¥ 148,796**	¥ 77,249
Net cash used in investing activities	**(17,964)**	(85,207)
Net cash (used in) provided by financing activities	**(158,359)**	45,640
Net (decrease) increase resulting from changes in exchange rates and scope of consolidation	**(2,196)**	15,146
Net (decrease) increase in cash and cash equivalents	**¥ (29,723)**	¥ 52,828
Cash and cash equivalents at end of year	**207,717**	237,440

Net Cash Provided by Operating Activities



Interest-Bearing Debt (Excluding lease obligations)



Due to a significant improvement in revenues, centered on air transportation, net cash provided by operating activities totaled ¥148.7 billion.

In accordance with the principle of "selection and concentration" outlined in its medium-term corporate plan, the Company invested in aircraft and realized assets, including the securitization of hotel assets. As a result, net cash used in investing activities was ¥17.9 billion. In addition to free cash flow of ¥130.8 billion, the conversion of convertible bonds progressed satisfactorily, and interest-bearing debt (loans and debentures) at year-end was down by ¥176.6 billion from the previous year-end.

Net cash used in financing activities was ¥158.3 billion, and the year-end balance of cash and cash equivalents was ¥207.7 billion, a decline of ¥29.7 billion from the previous year-end.

The balance of short- and long-term debt for the past two years is as follows.

	Yen (Millions)	
March 31,	**2001**	2000
Short-term debt:		
Loans, principally from banks	**¥ 82,165**	¥ 102,586
Long-term debt, including current portion:		
Loans, principally from banks	**469,736**	575,051
Notes and bonds	**383,829**	434,703
Total	**¥935,730**	¥1,112,340

In response to a request by ANA, Japan Credit Rating Agency, Ltd., provides a rating on long-term bonds issued by ANA. As of August 2001, this rating was A. Rating and Investment Information, Inc., gave ANA a BBB$^+$ credit rating as of August 2001. Management believes that these credit ratings present no difficulties with regard to the procurement of funds.

4. Facilities

Based on the principle of "selection and concentration," the ANA Group conducts capital expenditure with the goals of improving safety, competitiveness, and profitability. Capital expenditure in the year under review, which was principally for aircraft in air transportation operations, amounted to ¥94.3 billion. Information for each operational segment is provided below.

Years ended March 31,	Yen (Millions) 2001	2000
Air transportation	¥ 90,787	¥ 96,413
Travel services	1,474	423
Hotel operations	2,709	18,186
Other businesses	8,407	5,295
Subtotal	103,377	120,317
Intercompany eliminations	(8,986)	(9,501)
Total	¥ 94,391	¥110,816

Notes: 1. Figures represent the book values of tangible and intangible fixed assets.
2. Figures do not include consumption tax.

Air Transportation

Purchases of aircraft and aircraft parts and advance payments on aircraft purchases made by ANA and ANK totaled ¥61.0 billion. Six passenger aircraft deliveries were accepted during the year—one Boeing 747-400, two Boeing 777-200s, two Airbus A321-100s, and one DHC-8-300.

Purchases of air transportation related computer terminals and peripherals and of aircraft maintenance equipment totaled ¥4.3 billion. Improvements to offices in Japan and overseas, including airport offices, totaled ¥11.7 billion, including advance payments. ANA and consolidated subsidiaries in the air transportation segment made capital expenditure totaling ¥5.0 billion for the development and purchase of software for administrative laborsaving.

Travel Services

Capital expenditure of ¥0.8 billion was made for the development and purchase of software related to the sale of travel products.

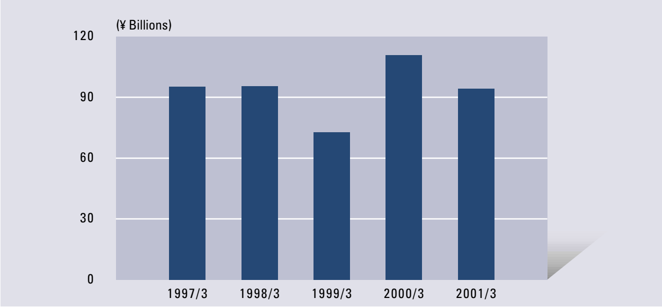
Hotel Operations

Capital expenditure of ¥1.6 billion, including advance payments, was made for the renovation and remodeling of existing hotel facilities.

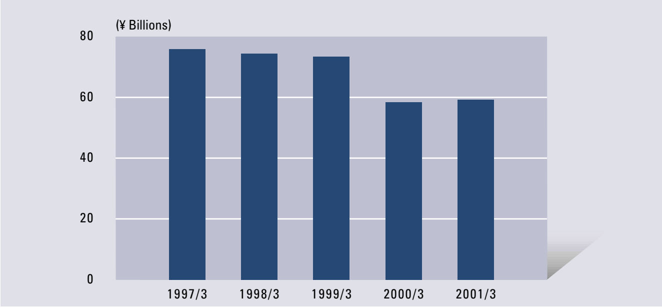
Other Businesses

Investment in the development and purchase of software for administrative laborsaving at consolidated subsidiaries totaled ¥1.9 billion, and investment in the purchase of administrative equipment was ¥0.7 billion.

Capital Expenditure



Depreciation and Amortization



5. Segment Information

ANA and consolidated subsidiaries	Yen (Millions)		%
Years ended March 31,	**2001**	2000	Year-on-year change
Air Transportation:			
Operating revenues	**¥ 964,888**	¥920,447	+ 4.8%
Intra-group sales and transfers	**73,396**	60,056	+ 22.2
Total	**1,038,284**	980,503	+ 5.9
Operating expenses	**965,948**	954,811	+ 1.2
Operating income	**72,336**	25,692	+ 181.6
Travel Services:			
Operating revenues	**139,155**	124,408	+ 11.9
Intra-group sales and transfers	**13,702**	11,469	+ 19.5
Total	**152,857**	135,877	+ 12.5
Operating expenses	**151,379**	132,551	+ 14.2
Operating income	**1,478**	3,326	– 55.6
Hotel Operations:			
Operating revenues	**71,586**	65,688	+ 9.0
Intra-group sales and transfers	**12,113**	11,685	+ 3.7
Total	**83,699**	77,373	+ 8.2
Operating expenses	**79,868**	73,535	+ 8.6
Operating income	**3,831**	3,838	– 0.2
Other Businesses:			
Operating revenues	**104,006**	99,104	+ 4.9
Intra-group sales and transfers	**87,109**	77,117	+ 13.0
Total	**191,115**	176,221	+ 8.5
Operating expenses	**184,717**	176,439	+ 4.7
Operating income (loss)	**6,398**	(218)	–
Consolidated:			
Total operating income	**84,043**	32,638	+ 157.5
Intercompany eliminations	**(1,800)**	(1,079)	+ 66.8
Consolidated operating income	**¥ 82,243**	¥ 31,559	+ 160.6

ANA and consolidated subsidiaries	Yen (Millions)		%
Years ended March 31,	**2001**	2000	Year-on-year change
Air Transportation:			
Identifiable assets	**¥1,112,105**	¥1,141,468	– 2.6%
Depreciation and amortization	**50,199**	50,077	+ 0.2
Capital expenditure	**90,787**	96,413	– 5.8
Travel Services:			
Identifiable assets	**¥38,808**	¥21,729	+ 78.6
Depreciation and amortization	**371**	183	+ 102.7
Capital expenditure	**1,474**	423	+ 248.5
Hotel Operations:			
Identifiable assets	**¥140,129**	¥214,557	– 34.7
Depreciation and amortization	**4,874**	4,622	+ 5.5
Capital expenditure	**2,709**	18,186	– 85.1
Other Businesses:			
Identifiable assets	**¥216,431**	¥210,685	+ 2.7
Depreciation and amortization	**3,889**	3,559	+ 9.3
Capital expenditure	**8,407**	5,295	+ 58.8
Intercompany eliminations:			
Identifiable assets	**¥(56,053)**	¥(53,822)	+ 4.1
Depreciation and amortization	**–**	–	–
Capital expenditure	**(8,986)**	(9,501)	– 5.4
Consolidated:			
Identifiable assets	**¥1,451,420**	¥1,534,617	– 5.4
Depreciation and amortization	**59,333**	58,441	+ 1.5
Capital expenditure	**94,391**	110,816	– 14.8

Air Transportation

Operating revenues in the core air transportation segment rose 5.9%, to ¥1,038.2 billion, and operating expenses rose 1.2%, to ¥965.9 billion. As a result, operating income in air transportation increased significantly, to ¥72.3 billion.

Domestic Routes

After take-off and landing capacity was expanded at Haneda Airport in July 2000, ANA moved flexibly and quickly to set routes and flight frequencies that were appropriate for demand trends. We increased flights on eight routes, including the Tokyo–Matsuyama route, and transferred certain routes to ANK. In addition, in July 2000 ANA and two other airlines inaugurated a jointly operated shuttle service between Tokyo and Osaka. While working to boost demand by aggressively increasing flights, we continued striving to enhance convenience for customers.

In sales, following the liberalization of fares that resulted from the revision of the Japanese law regulating aviation, ANA took steps to develop and expand demand with flexible new fares, such as the *Chowari* discount fare. We implemented a number of sales campaigns, including one that used ANA's Pokémon Jet, and our operation of the ANA Woody Jet received considerable attention. This aircraft has a special livery commemorating the opening at the end of the fiscal year under review of Universal Studios Japan, for which ANA is the official airline.

In service, we worked to increase convenience for customers. For example, we initiated a service for ANA Mileage Club members that enables them to use cellular phones to complete ticket reservation and payment, a first for the domestic airline industry.

International Routes
To increase profitability, we reorganized our Osaka (Kansai) routes. Specifically, beginning with the summer schedule, we inaugurated a Honolulu route and suspended several European routes, and in January our subsidiary AJX commenced operation of an Osaka (Kansai)–Seoul route. We also began a number of code-share flights, including the Tokyo–Bangkok route with Thai Airways International and Osaka (Kansai)–Seoul/domestic operations with Asiana Airlines. By further strengthening our tie-ups with Star Alliance members, we expanded our global network and enhanced our competitiveness. In February 2001, late night/early morning international charter flights from Haneda received approval, and ANA subsequently operated flights to Honolulu and Guam.

Sales-related activities included our offering a Star Alliance round-the-world fare and, through tie-ups with Star Alliance members, the expansion of overseas sales channels that we had previously been unable to access on our own. As a result, the number of foreign passengers increased significantly. We also implemented sales promotion activities, including a wide range of campaigns, such as a summer campaign targeting family travel and a new type of proposal-based travel product for trips to Europe.

Travel Services
Operating revenues in travel services rose 12.5%, to ¥152.8 billion. Operating expenses were up 14.2%, to ¥151.3 billion, resulting in operating income of ¥1.4 billion, down 55.6% from the previous year.

ANA continued striving to increase convenience for its customers. For example, the August 2000 establishment of atour, an Internet web site for domestic and international travel, enabled customers not only to make reservations and inquiries over the Internet but also to search for tours and to request brochures for the approximately 7,000 travel products offered by the ANA Group, including ANA Sky Holiday and ANA Hallo Tour packages.

In domestic travel operations, ANA Sky Holiday Tours Co., Ltd., was spun off from All Nippon Airways Trading Co., Ltd., and began operations in April 2000. Although tourism demand declined temporarily due to the eruption of Mt. Usu and the Kyushu-Okinawa Summit 2000, the aggressive Destination Campaign, which targeted the creation of new demand, resulted in increased sales of package tours, principally to Hokkaido and Kyushu.

Hotel Operations
For the fiscal year under review, operating revenues in the hotel segment were up 8.2%, to ¥83.6 billion. Operating expenses rose 8.6%, to ¥79.8 billion, and operating income declined 0.2%, to ¥3.8 billion.

In its domestic hotel business, ANA implemented concrete measures in accordance with restructuring plans that call for the separation of ownership and operations. In December 2000, the Company established ANA Hotels, Ltd., which will focus on enhancing chain hotel functionality. In March 2001, the Company took three more key steps. First, we established ANA Hotels Management Co., Ltd., which will assist individual hotel companies by furnishing support services, providing human resources, and meeting the responsibilities of ownership. Second, we established ANA Hotel Tokyo Co., Ltd., which will focus solely on the operation of the ANA Hotel Tokyo. Third, we securitized the ANA Hotel Tokyo, removing the assets from our balance sheet and reducing our interest-bearing debt and consolidated deficit.

Overseas, a golf course property held by ANA Hotels Hawaii, Inc., was sold in September 2000, and subsequently ANA Hotels Hawaii was liquidated in March 2001. Overall, demand was solid in overseas markets, our management initiatives were aligned with market needs, and we continually implemented appropriate cost controls. As a result, record high profits were achieved at our hotels in Vienna and Sydney, where each hotel turned in a performance placing it in the top rank in its region.

Other Businesses
Operating revenues in the other businesses segment rose 8.5%, to ¥191.1 billion, and operating expenses increased 4.7%, to ¥184.7 billion. Operating income totaled ¥6.3 billion, compared with an operating loss of ¥0.2 billion in the previous year.

All Nippon Airways Trading Co., Ltd., recorded increased revenues for the year under review due to higher sales in both its aircraft parts division and its pulp and paper division. Infini Travel Information, Inc., provides a reservation and ticketing system for international flights. During the past year, Infini suffered a temporary decline in reservation-related system usage fees immediately after it changed its host computer, and as a result the company registered a decline in revenues. ANA Information Systems Planning Co., Ltd., which develops, maintains, and operates information systems, posted record high levels of sales and operating profit. This performance was attributable to the receipt of orders from within the Group for large-scale system development, the expansion of the scope of the company's maintenance and operating activities, and increased sales to customers outside the ANA Group.

ANA Real Estate Co., Ltd., which conducts the sale, rental, and management of real estate, performed renovation work on a number of leased office buildings and strove to improve tenant services. As a result, the occupancy rate of office buildings was maintained at a high level. At the same time, the company achieved a strong performance in the leasing of dormitories and company housing to ANA Group companies as well as in sublet housing for the general public. In February 2001, ANA Real Estate increased its operational efficiency by merging with ARE Co., Ltd., a consolidated subsidiary in the same industry.

6. Passenger Data by Route (International)

	Passenger revenues Yen (Millions)		RPK (Millions)		ASK (Millions)		Load factor (%)	
Years ended March 31,	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
Asia/Oceania	**¥ 76,774**	¥ 65,441	**7,491**	7,341	**10,077**	10,275	**74.3**	71.4
Transpacific	**74,820**	60,895	**9,916**	8,608	**13,902**	14,194	**71.3**	60.6
Europe	**57,000**	54,043	**6,716**	6,560	**8,465**	9,302	**79.3**	70.5
Total	**¥208,595**	¥180,380	**24,124**	22,510	**32,446**	33,772	**74.4**	66.7

Note: Passenger revenues by destination are the total of passenger revenues for ANA, ANK, and AJX and do not include intercompany eliminations.

Asia/Oceania

Business demand, which had been sluggish throughout the previous year, recovered, and solid growth was recorded in first and business classes. As a result, both passenger numbers and passenger revenues increased from the previous year. On Asia/Oceania routes overall, available seat-kilometers declined 1.9%, but revenue passenger-kilometers rose 2.0%, and the load factor was up 2.9 percentage points. Accordingly, passenger revenues were up 17.3%, and passenger yield increased from ¥8.9 in the previous year to ¥10.2.

Transpacific

Passenger numbers in first and business classes rose, with solid growth registered in the number of code-share passengers, principally on the Tokyo–Washington, D.C. and Tokyo–Chicago flights. As a result, passenger revenues increased. Available seat-kilometers on transpacific routes decreased 2.1%, while revenue passenger-kilometers rose 15.2%, leading to a 10.7 percentage point increase in the load factor. Passenger revenues rose 22.9%, and passenger yield rose to ¥7.5, from ¥7.1 in the previous year.

Europe

In November 2000, service was suspended on the Osaka (Kansai)–London and Osaka (Kansai)–Frankfurt routes as the Company worked to raise profitability, centered on Narita routes. As a result, passenger yield began to rise in the fourth quarter of the fiscal year. Passenger numbers posted solid results in all service classes, with an especially strong performance in business class. Solid growth in passenger numbers was also recorded on code-share routes. Accordingly, passenger revenues rose from the previous year.

On European routes overall, available seat-kilometers were down 9.0%, while revenue passenger-kilometers increased 2.4%. As a result, the load factor improved 8.8 percentage points. Passenger revenues were up 5.5%, and passenger yield improved to ¥8.5, from ¥8.2 in the previous year.

7. Jet Aircraft Procurement Plan

Year Ended March 2001

ANA took delivery of six aircraft during the year under review: one Boeing 747-400, three Boeing 777-200s (including one acquired under a lease), and two Airbus A321-100s. ANK acquired five aircraft under operating leases: four Boeing 737-500s and one Boeing 737-400. One Boeing 747-200, two Boeing 767-200s, and three Boeing 737-300s were retired.

Year Ending March 2002 (Planned)

In accordance with the medium-term corporate plan, no aircraft will be acquired by ANA. ANK will acquire four Boeing 737-500s and one Boeing 737-400 under operating leases.

Year Ending March 2003 and Thereafter (Planned)

Certain aspects of aircraft acquisition plans were revised with the objectives of focusing on a smaller number of models and of strengthening the route network in accordance with the principle of "selection and concentration." To focus on a smaller number of models, seven Airbus A321s and eleven Boeing 767-200s will be retired.

The new runway at Narita will open in May 2002, and the take-off and landing capacity at Haneda will be further expanded, leading to new business opportunities. In accordance with these changes in the operating environment, the Company will acquire nine new Boeing 767-300s.

In the year ending March 2004, three Airbus A320s will be acquired under operating leases and further progress will be made in strengthening the route network, centered on high-demand routes.

In September 2002, the ANA Group will take delivery of its first medium-sized cargo aircraft, a Boeing 767-300F. This aircraft will be used on international cargo routes from Narita airport.

Planned aircraft acquisitions and principal fleet composition during the period covered by the corporate plan are shown below.

Projected Fleet Composition

	2001			2002		2003	
Years ended March 31,	Total	Owned	Leased	Plan	vs. 2001	Plan	vs. 2002
B747-400	23	15	8	23	0	23	0
B747-200LR	3	1	2	2	– 1	2	0
B747-100SR	11	8	3	9	– 2	8	– 1
B777-300	5	1	4	5	0	5	0
B777-200	16	5	11	16	0	16	0
B767-300	42	27	15	42	0	51	+ 9
B767-200	11	2	9	8	– 3	2	– 6
B737-500	20	9	11	24	+ 4	25	+ 1
B737-400	1	0	1	2	+ 1	2	0
A321-100	7	6	1	7	0	5	– 2
A320-200	25	13	12	25	0	25	0
Total	164	87	77	163	– 1	164	+ 1

Notes: 1. Plans for aircraft retirement are finalized each fiscal year. Accordingly, the numbers of aircraft for the year ending March 2003 are estimates.
2. Figures are for jet aircraft only and do not include cargo-specific aircraft.

8. Employment

Years ended March 31,	Employee numbers 2001	2000
Air transportation (ANA, ANK, AJX, and ADK)	**14,856**	15,886
Others (consolidated subsidiaries)	**14,975**	12,178
Total	**29,831**	28,064

Note: Figures are averages for each fiscal year.

As of March 31,	Employee numbers 2001	2000
Air transportation	**20,608**	21,165
Travel services	**1,683**	1,567
Hotel operations	**3,772**	4,082
Other businesses	**3,295**	3,489
Total	**29,358**	30,303

Note: Figures represent year-end data.

Average employment rose 6.3%, to 29,831 employees. The increase was principally due to higher numbers of employees in segments other than air transportation following an increase in the number of consolidated subsidiaries in the previous term. In air transportation, the number of employees declined 6.5%, to 14,856. As a result, productivity in the air transportation segment improved, with available seat-kilometers per employee increasing from 5.9 million in the previous year to 6.3 million in the year under review. The Company will continue working to improve productivity in air transportation and plans to reduce the workforce in segments other than air transportation. The number of employees at the end of March 2001 was 29,358, a decline of 945 from the previous year-end.

9. Corporate Governance and Other Major Challenges

Corporate Governance

The Company is implementing reforms targeting a management system that is based on sound corporate governance practices. These include a reduction in the number of directors to further speed up decision making, the introduction of a senior vice president system to speed up administrative execution and to clarify responsibilities, the establishment of management advisory boards to ensure sound, transparent management practices, and the establishment of a Group management system to ensure appropriate Group management strategies.

Creating Enterprise Value

In order to ensure that management practices based on the creation of enterprise value are thoroughly implemented throughout the ANA Group, including consolidated subsidiaries, the Company has introduced new performance evaluation standards, called ANA's Value Creation (AVC). AVC is calculated by subtracting the cost of capital from post-tax business profits. By using AVC to evaluate performance, we will strive for standards-based, highly transparent management.

Increasing Customer Satisfaction

To further improve profitability, centered on international routes, and to increase customer satisfaction, we have integrated marketing functions in the Alliance and International Affairs Section. In addition, by establishing a sales system that closely links all Group companies, we will work to extend the "concentration" and "efficiency" of passenger sales throughout the Group and will improve profitability in the sales departments.

IT Strategy

The Company will make strategic use of information technology to boost value creation and bolster the competitiveness of the Group as a whole. These initiatives will include the construction and utilization of a database that integrates and unifies customer information for the purpose of improving customer service as well as the establishment and operation of web sites for domestic and international routes in conjunction with other companies in the airline industry.

10. Dividend Policy

The Company places a high priority on providing a return to shareholders while working to secure a stable foundation for future growth. In the year under review, however, the Company booked a valuation loss on investments in subsidiaries and affiliates as an extraordinary loss, and as a result, the Company recorded a net loss on a non-consolidated basis. Accordingly, the Company regretfully decided to continue the suspension of dividend payments. The Company will do its utmost to resume dividend payments as soon as possible.

On a consolidated basis, net income per share for the year under review was ¥27.75, while on a non-consolidated basis the Company recorded a net loss per share of ¥19.96.

11. Market Risks

Derivative Transactions, Currencies, Fuel, and Interest Rates

Management of Risk Associated with Derivative Transactions

The Company uses derivative transactions, such as futures, swaps, and options, to control the risk of foreign exchange rate, jet fuel price, and interest rate fluctuations. The Company does not conduct transactions for speculative purposes. These derivative transactions are carried out in accordance with internal risk control standards. Furthermore, the Company holds regularly scheduled meetings, attended by managing directors, where decisions are made regarding risk hedging methods, percentages, and amounts and where transaction details are reported and confirmed. Consolidated subsidiaries make decisions in a similar manner. Also, daily checks of derivative transactions are conducted on a reciprocal basis by sections entering into these contracts and by the accounting section.

Currencies

To the greatest extent possible, foreign currency taken in as revenues is used to pay expenses denominated in the same foreign currency, thereby minimizing risk and foreign exchange commissions. In order to more efficiently manage foreign currency amounts, a cash management system linking certain overseas bases and the Head Office finance department has been introduced. For obligations denominated in foreign currencies that cannot be offset in this manner, principally dollar-denominated obligations to purchase aircraft, the Company uses forward exchange agreements and currency options to control the risk of increase in capital expenditure due to foreign exchange rate fluctuations.

Jet Fuel

To control the risk of fluctuations in the price of jet fuel and to stabilize expenses, ANA hedges risks using crude oil and jet fuel commodity derivatives.

Through the use of planned, continuous hedging transactions for specific periods of time, the Company strives to reduce the influence of fluctuations in the oil markets on its fuel expenses and to stabilize its fuel expenses.

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 or quarterly to avoid any physical delivery obligations.

Interest Rates

To control the risk of increases in interest rates, the Company's fund-raising is carried out principally at fixed interest rates. The Company uses interest-rate swaps to control the risk of fluctuating interest rates on obligations in an integrated manner and to improve the balance of financial income and expenses.

Public-Sector Fees

Public-sector fees include landing and navigation fees, aviation fuel taxes, and fixed asset taxes on aircraft. It is not possible for ANA to reduce landing and navigation fees and aviation fuel taxes through its own efforts. In the year ended March 2001, these two items accounted for about 16% of operating expenses in the air transportation segment. Beginning in April 1999, landing fees at Japanese airports other than those in the Tokyo and Osaka areas were reduced, and as a result during the year ended March 2000 public-sector fees declined about 10% from the previous year. In the year under review, public-sector fees were approximately ¥150.0 billion, about the same as in the previous year.

On international routes, public-sector fees in Japan represent about 20% of the cost of an average airline ticket, a level far above most other countries. This presents Japanese airlines with an onerous burden. The early implementation of a significant reduction in public-sector fees would benefit not only ANA but also the traveling public in Japan. Furthermore, any such reduction would lead to a significant rise in the demand for air transportation.

12. Safety and Environmental Conservation

Safety

Safe operations are the foundation of ANA's management, and the maintenance of safety is an airline's duty to society. The safety of ANA's flight operations is supported by aircraft equipped with leading-edge technology, by highly trained employees, and by complete systems that provide feedback of the latest information.

Aiming to secure an even higher level of safety, we have installed Ground Proximity Warning Systems (GPWS), wind sheer alarms, and crash prevention devices on all aircraft. Furthermore, we plan to install the next-generation models of these systems as well as Future Air Navigation System (FANS) equipment.

ANA conducts training to maintain and improve the knowledge and skills of cockpit crew members, maintenance workers, flight managers, and cabin crew members, all of whom contribute directly to flight operations. To achieve even higher quality in administrative execution, we are also conducting resource management training and human resources training.

In addition, to clarify the Company's policies and plans for safe operations, we have issued a new safety manual and, through a Companywide safety evaluation program, are working to objectively evaluate and further improve safety assurance throughout the Company.

In this way, ANA's flight operations, maintenance, cabin services, and passenger services divisions are working together on our corporate mission—making a "promise of safety" so that customers can rely on ANA and feel safe on our flights. In the future, we will continue striving to maintain world-class safety without becoming overconfident about our past record of safe operations.

Environmental Conservation

Noise Countermeasures

In accordance with decisions made by the International Civil Aviation Organization (ICAO) regarding noise levels and Chapter II aircraft, the operation of Chapter II aircraft, such as Boeing 727s and Boeing 737-200s, will not be allowed in Japan after April 2002. By 1995, ANA became the first domestic airline to shift to Chapter III compliant aircraft (Boeing 767s, Boeing 747-400s, Boeing 777s, Airbus A320s, etc.), which meet the most stringent noise standards. These leading-edge aircraft include not only noise countermeasures but are also more environmentally friendly in such areas as exhaust gases.

In response to requests from countries around the world, the ICAO is considering stricter standards, and plans call for a decision to be made in September 2001. ANA will take these developments into account in its fleet planning and will strengthen its efforts to reduce noise in its daily flight operations.

Measures to Control Exhaust Gas

Aircraft exhaust gases include CO_2 and NO_x. In regard to CO_2, in 1997 the United Nations concluded the Kyoto Protocol, which deals with the prevention of global warming, and countries have since worked toward its ratification. Japan has set independent standards for exhaust gas in accordance with this protocol. ANA has formulated a voluntary plan targeting a 10% reduction in CO_2 emissions per available seat-kilometer by 2010 in comparison with the level in 1990. We are taking a number of steps to ensure that this important goal is reached.

Environmental Management System

ANA is aggressively implementing a range of measures to promote environmental conservation activities. We have, for example, formed a global environmental protection division, a global environmental committee composed of corporate officers, and three special committees—flight operations, ground, and global—staffed by division chiefs.

ANA considers environmental issues to be one of its most important management challenges, and the Company is aggressively implementing environmental activities through an environmental liaison committee composed of airline, maintenance, and ground handling companies in the ANA Group as well as through a Star Alliance environmental conservation organization.