Overview of the Year under Review

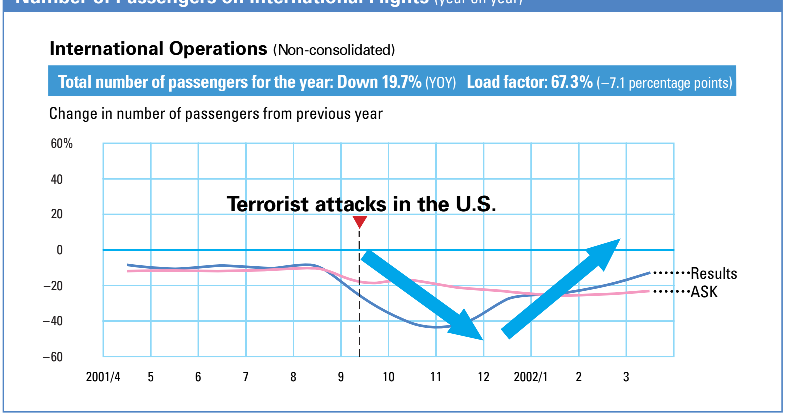
Q1 *Would you please give us an overview of the fiscal year ended March 2002?*

A1 The past fiscal year was dominated by the terrorist attacks in the United States. Following the attacks, both business travel and tourism demand on international flights declined significantly, and we responded by formulating emergency countermeasures and substantially revising our operational plans. On North American routes, we switched to smaller aircraft and suspended certain flights, while on other routes, principally in Southeast Asia, we reduced frequencies on some routes and suspended service on others. We then used the aircraft freed up from these measures to increase flights on routes serving China and South Korea, where demand forecasts were more favorable. Despite these efforts, passenger numbers declined 19.8%, to 3.5 million, and operating revenues were down 18.0%, to ¥205.3 billion. On international routes, however, business travel demand posted a strong recovery from December 2001, and we expect demand on these routes to recover relatively quickly.

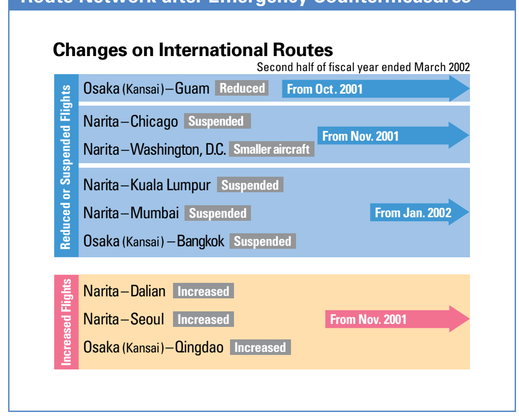
Demand on domestic routes was also affected by the terrorist attacks, especially business travel and on Okinawa routes, but it steadily began to recover following the implementation of initiatives to stimulate passenger demand. For example, under the *Rakunori* Cashback Campaign, which ran for 76 days from January 15 through March 31, 2002, 1 out of 50 passengers on all flights and all routes received a full refund of their fare. We implemented a range of such initiatives, and the number of passengers on domestic routes rose 0.6%, to 45.8 million. Operating revenues, however, declined 1.7%, to ¥699.3 billion.

High-priority cost control measures included cost cuts resulting from a reduction in the scale of

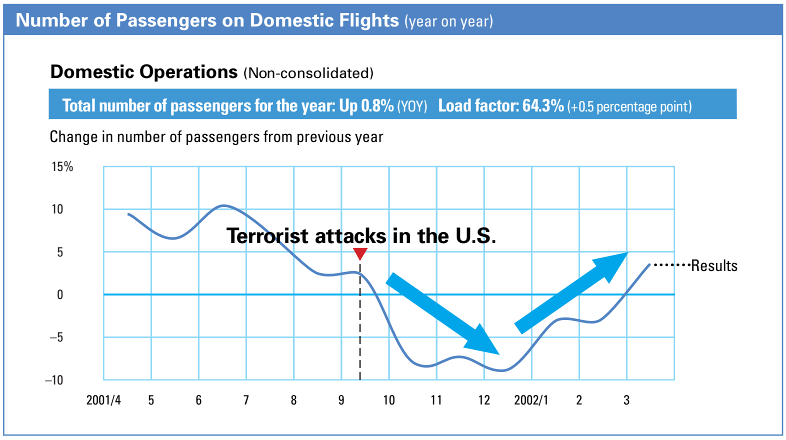
Number of Passengers on International Flights (year on year)



Route Network after Emergency Countermeasures



Number of Passengers on Domestic Flights (year on year)



operations, principally on North American routes, where demand declined considerably. Other cost-cutting efforts included taking steps to reduce the workforce by 1,000 employees, such as implementing a hiring freeze for cabin attendants, and introducing a system of voluntary one-month leaves of absence, mainly for cabin attendants on international routes. Nonetheless, due to increases in aviation insurance premiums and to expenditure for bolstering security measures, the level of expenses continued to adversely affect profitability.

The terrorist attacks had the effect of reducing our operating revenues by about ¥55 billion. After accounting for approximately ¥20 billion in cost savings that we achieved by revising our operational plans, the attacks had the effect of reducing our operating income by about ¥35 billion.

The Starting Point of Reforms and the Group Corporate Reform Plan

Q2 *The Company has positioned ANA Style as the starting point of its reforms. How will this step contribute to higher profitability?*

A2 The Groupwide pursuit of ANA Style—in other words, our efforts to raise quality with a thorough focus on the customer—will be the starting point of our reforms, and we will implement a product development strategy for business customers, our primary target. On domestic routes, ANA Style will lead passengers to choose the "simple, convenient airline" for short, routine trips. And on international routes, ANA Style will encourage customers to pick the "comfortable, friendly airline with Japanese style," because it is a long trip with time to relax.

In all the settings where the ANA Group interacts with its customers, we will anticipate and respond to their needs and emphasize the qualities that they experience as being "distinctively ANA." For example, in the airline industry, on-time performance is a significant factor in customer satisfaction. We are determined to be the number one airline in on-time performance, and we have expressed that determination with the slogan "ANA—The On-time Airline[3]." To realize that goal, it is essential that we improve our flight schedules, our fleet management, and our airport facilities, and accordingly we will implement the necessary reforms in every division. To quantitatively measure customer satisfaction, we have introduced the Total Quality Score (TQS)[4] system. We will continue to emphasize the fundamental factors of quality that lead to increased revenues and strive to be the leading airline in Asia. We will undertake a series of reforms to solidly establish the ANA Brand. I believe that this improvement in quality will be the foundation for the measures we intend to implement in air transportation, our principal field of business, and will lead to higher profitability.

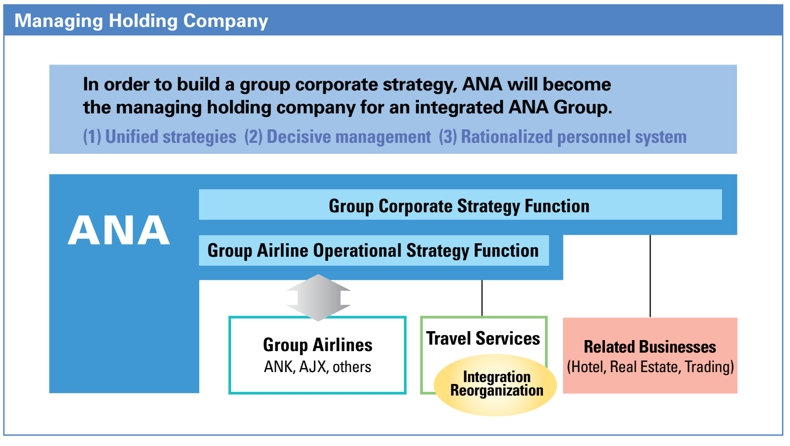
Note 3:
ANA—The On-Time Airline
The standard in the airline industry for calculating the rate of on-time departures and arrivals is within 15 minutes of scheduled times. To meet the high expectations of its customers, especially business travelers, for on-time performance, the ANA Group has set a higher standard for itself on domestic routes—with "on-time" meaning take-offs and landings that occur within one minute of the scheduled time.

Note 4:
Total Quality Score (TQS)
We have positioned TQS results as leading AVC indicators that objectively reflect the comprehensive evaluations of customers regarding the performance of ANA's air transportation services in terms of safety, on-time performance, comfort, and convenience.

Q3 *Specifically what types of reforms will be implemented under the two-year Group Corporate Reform Plan?*

A3 We will implement fundamental reforms in our corporate organization, domestic and international flight operations, and related businesses, and at the same time we will work to reduce costs.

We have formulated three organizational reforms designed to unify the Group's strategies, foster decisive management, and rationalize our personnel system.



First, we will institute a Group management system with ANA as a managing holding company. To unify strategies and foster decisive management, the strategic management functions of Group companies will be centralized in the managing holding company, bolstering our competitive strengths. Under this system, each business unit—air transportation, hotel, real estate, and trading—will have clear responsibility for their operations and for flexibly implementing their operational strategies. The AVC[5] management index will be introduced on a full scale in each of these four business units so that all Group companies have common value standards under their respective AVC.

Second, we will clarify management responsibility for the achievement of annual performance targets. To that end, the terms of members of the board of directors and senior vice presidents have been set at one year. In addition, we will take steps to ensure that we select the best person available for each job, including the active promotion of younger employees. In these ways, we will strengthen our management executive system.

Third, we will augment Group sales capabilities and reduce sales costs. In January 2002, we established ANA Sales Holdings and integrated into the new company the Group's three travel agencies—All Nippon Airways World Tours, All Nippon Airways Travel, and ANA Sky Holiday Tours. In the future, some of the sales functions now handled by ANA will be also transferred to the new company.

I will discuss in detail the reforms that we are implementing in domestic and international flight operations in a moment.

Note 5:
AVC (ANA's Value Creation)
A management index introduced in the fiscal year ended March 2002 to increase shareholder value. AVC is calculated by subtracting the cost of capital from post-tax business profit.

Specific Strategies for Core Operations

Q4 *Would you please explain ANA's operational strategy for air transportation?*

A4 To implement profit-focused management, we will continue to apply "selection and concentration" and build a route network that efficiently allocates Group resources. For example, we have centered domestic routes on Haneda Airport and international routes on Narita Airport. In this way, we aim to strengthen the competitiveness of the Group as a whole.

In accordance with this approach, we will reorganize the operational fields of Group airlines. To raise its competitiveness on major routes, ANA will use wide-body aircraft, such as Boeing 747s, 777s, and 767s, and its route network will be centered on Haneda, Osaka (Itami), and Narita. Air Nippon (ANK) will achieve more-efficient use of aircraft and low-cost operation by utilizing narrow-body aircraft, such as Boeing 737s and Airbus 320s, mainly on domestic routes. Air Hokkaido (ADK) will be in charge of regional routes in Hokkaido, and Air Japan (AJX) will focus on low-cost operations and expand the scale of its operations on flights to resorts and destinations in Asia.

From the fiscal year ending March 2003, the flights of ANK, AJX, and other Group airlines will be listed as ANA flights and their products and services will be integrated under the ANA Brand. The implementation of brand unification will enable us to provide customers with distinctive, high-quality seamless service.

New business initiatives include the commencement in the fiscal year ending March 2004 of air transportation operations based at Osaka's Itami Airport. Preparations are under way for introducing these services, which will use turboprop aircraft. In June 2002, we agreed to enter a comprehensive tie-up with Air Do, which provides service on the Tokyo–Sapporo route. We will take steps to leverage the advantages of this tie-up, such as offering code-share service on the Tokyo–Sapporo route. The details of the tie-up, such as marketing-related issues, including sales and the integration of reservation and sales systems; maintenance; and airport handling, will be finalized as negotiations proceed.

At the same time, we must further bolster the cost-competitiveness of the Group as a whole. By making the transition to the managing holding company and the Group sales company that I mentioned a moment ago, we will gradually reduce personnel in indirect departments, beginning in

the current fiscal year. We are looking to reduce the workforce by about 600 people, or about 10% of Group employees in indirect departments. Cost control measures in areas other than labor expenses include cutting costs by implementing administrative reforms at the Group level and focusing our fleet on a smaller number of aircraft types. We will fundamentally reassess costs that have been handled as fixed costs in the past with the goal of making them variable costs linked to production and revenues. We are also moving ahead with joint-purchasing initiatives between Group companies and with the integration of reservations and information functions.

As a result of these measures, in the fiscal year ending March 2004, we expect increases of ¥20 billion to ¥25 billion in domestic route revenues and ¥35 billion to ¥40 billion in international route revenues in comparison with the fiscal year ended March 2002. In addition, cost reductions achieved through rationalization are expected to total ¥5 billion to ¥10 billion in comparison with the fiscal year ended March 2002.

Q5 *Regarding the merger of Japan Airlines and Japan Air System, what is ANA's strategy for dealing with its new competitor on domestic routes?*

A5 On April 26, 2002, Japan's Fair Trade Commission approved the merger of Japan Airlines and Japan Air System. ANA opposed this merger because we believed that it would not serve the interests of fair competition and convenience for the traveling public. However, the merger was approved, with some conditions, such as the return of certain slots. I believe that this is an unfortunate development, but we must move forward. We will steadily implement the following three domestic route strategies, as outlined in the Group Corporate Reform Plan, and compete aggressively with the post-merger company.

Domestic Operational Strategy

❶ **Fundamental Reassessment of Route Structure**
→ Increase flights and use larger aircraft on high-profit routes
Reduce flights and suspend service on low-profit routes

❷ **Fare Policy**
→ Flexible, strategic fare setting

❸ **Product Development Based on a Thorough Customer Focus**
→ Seamless service based on use of CRM

Build a structure that will succeed against the post-merger competitor

First, we will fundamentally reassess our domestic route structure. Following the merger, the new company's share of seats on such routes as Tokyo–Sapporo and Tokyo–Fukuoka, which are among the top domestic routes in the world by passenger numbers, will be greater than ANA's current share. We will compete aggressively with the new company, using wide-body aircraft on major routes and aiming to secure market shares of more than 50%. On low-profit routes, based on the principle of "selection and concentration," we will reduce flights or suspend service.

Second, we will compete against the new company with flexible, strategic fare setting. After the merger, the new company will reduce standard fares on domestic routes a uniform 10%, and then maintain those fares for the next three years. We will implement aggressive countermeasures. In order to stimulate demand and raise profitability, it is essential that we set fares in such a way that they accurately meet diversifying needs. The ANA Group will utilize its freedom in fare-setting strategies, analyze available data, and set detailed, carefully adjusted fares that reflect the day of the week and the season.

Third, we will thoroughly implement customer-focused product development. We will emphasize CRM[6] and offer as our product seamless, distinctively ANA quality in all of the settings where customers come into contact with the ANA Group, such as reservations, ticket issuance and sales, airport services, and in-flight services.

Note 6:
CRM (Customer Relationship Management)
A customer strategy where customers are analyzed and classified. Through marketing, sales, and service activities, contact with the customer is enhanced and medium to long term profit opportunities are expanded.

Q6 *Would you please discuss your strategy for achieving profitability on international routes?*

A6 On April 18, 2002, the long-awaited second runway at Narita Airport was opened, and as a result ANA was able to substantially increase its slots at Narita, from 90 a week to 144. This expansion has enabled us to lay the foundation for a network with a hub at Narita, a goal that we have pursued since we began to offer scheduled international service in 1986. A major bottleneck that had been hindering the development of our international operations has been significantly improved, and as a result we can now establish a full-fledged international presence, centered on the Tokyo market, where business demand is strong.

Specifically, the increase in slots at Narita Airport will have a number of benefits for ANA. We will be able to offer 88 flights a week to destinations in Asia, about a threefold increase, and provide twice daily service on the Beijing, Shanghai, and Hong Kong routes. We will also be able to offer daily service on North American and European routes. And, we can dramatically enhance our domestic-international connection network.

This large-scale expansion of our routes through Narita Airport will be accompanied by measures targeting low-profit international routes from Osaka (Kansai) and other airports. Such measures will include the suspension of service, the reduction of flights, and the use of smaller aircraft. As a result, the scale of international operations in the current fiscal year will be about 2% less than in the fiscal year ended March 2002 and about 20% less than the fiscal year ended March 2001. By concentrating international flights on high-profit Narita Airport, we will prepare the foundation for achieving profitability on international routes.

To achieve profitability by the fiscal year ending March 2004, we have augmented our route network linking Japan, China, and the west coast of the United States and improved our ability to serve connecting passengers. Through tie-ups with Star Alliance members, British Midland Airways and Thai Airways International, we will expand code shares on domestic flights in the U.K. and Thailand and work to enhance our network. In addition, we are operating Boeing 747-400 aircraft with improved passenger cabin amenities, such as full-flat reclining seats in business class. We first introduced these aircraft on the Tokyo–London route, and in the future we will introduce them on additional routes and enhance our ability to attract customers. Moreover, from August 2001, we have used London-based, non-Japanese cabin attendants to further improve the quality of in-flight service.

ANA is also working to improve its connections service to increase the convenience of connections between domestic flights and international flights through Narita Airport. In addition to establishing Narita–Sendai and Narita–Fukuoka routes, we have increased flights on the Narita–Sapporo, Narita–Nagoya, and Narita–Osaka (Itami) routes, naming these enhanced services "ANA Connection." The Narita–Sendai and Narita–

International Operational Strategy

❶ Build a network centered on China and other Asian countries, with Narita as a hub

❷ Respond to trends in demand and fares

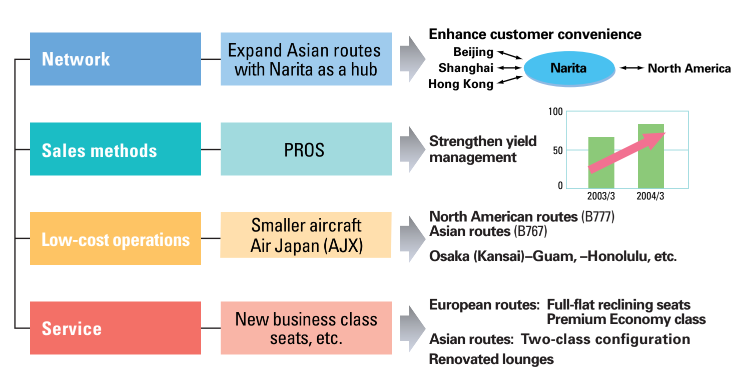
❸ Cargo operations

➜ implement strategy with China and other Asian countries as core market

↓

Achieve profitability in fiscal year ending March 2004

Strategic Concept for International Operations



Nagoya routes are code-share services operated in conjunction with partners The Fair Inc. and Nakanihon Airlines, respectively.

In marketing, we will meet customer needs with innovative fares, such as *Biji-wari*, a business class discount fare that is available with the advance purchase of round-trip tickets on U.S. and European flights, and *Chowari G•E•T*, an international equivalent of the popular *Chowari* economy class discount fare. We are using the Passenger Revenue Optimization System (PROS)[7] to enhance our revenue management. In addition, by using the late night and early morning slots at Haneda Airport, we will work aggressively to increase revenues in the fiscal year ending March 2003, operating 300 international charter flights to such destinations as Seoul and Guam, 10 times the level in the fiscal year ended March 2002.

In cargo operations, in September 2002, we will introduce our first Boeing 767 freighter, which will be operated jointly with Nippon Cargo Airlines. This new freighter will further boost our competitiveness in Asia.

By revising our operational plans and implementing aggressive marketing strategies, we believe that we can achieve profitability on international operations by the fiscal year ending March 2004.

Note 7:
Passenger Revenue Optimization System (PROS)
A support system for analyzing fare setting to maximize revenues per flight.

Q7 *Would you please tell us about the progress of the restructuring initiatives and the future strategy for ANA's hotel operations?*

A7 By steadily implementing our medium-term corporate plan, we have made considerable progress in restructuring our hotel operations. We have applied "selection and concentration" and are now in the final stage of restructuring.

In hotel management, we are giving top priority to return on investment, based on the AVC Group performance evaluation standards, and are aiming for a solid improvement in profitability by the fiscal year ending March 2004. We will separate ownership and operations so that management can strictly focus on operations. We are using cash recovered through the securitization of assets to pay down debt and thereby streamline our balance sheet. In these ways, we are emphasizing the rapid implementation of our policy of focusing our management resources on our core air transportation operations.

In accordance with this policy, we will withdraw from the overseas hotel business. In July 2002, we sold ANA Grand Hotel Wien, and in August 2002 we concluded an agreement to sell ANA Harbour Grand Hotel Sydney. In Japan, through ANA Hotels, which provides chain hotel headquarters functions, we will establish a hotel management system and implement it at each hotel. At the same time, we will further expand GOP[8] by enhancing hotel facilities. As we strive to add value, we will follow up the securitization of ANA Hotel Tokyo, which has already been completed, with the securitization of other hotels. To that end, the first task that we must undertake is to raise the profitability of each hotel, and we are working to implement detailed policies targeting that goal.

Note 8:
GOP (Gross Operating Profit)
GOP, or profit before interest expenses and depreciation and amortization, is a standard measure of hotel management.

IT Strategy

Q8 *Please tell us about ANA's IT strategy.*

A8 ANA's sales of domestic tickets through its Internet web site are increasing rapidly, reaching ¥80 billion, or 15% of individual reservations, in the fiscal year ended March 2002. This performance makes our web site number one not just among domestic airline and travel web sites but among all those in Asia. This increase in sales through the Internet is enabling us to build a more-efficient marketing framework; sales commissions are lower, costs have been reduced at reservation centers, and the number of customers who purchase tickets directly at the airport is rising. At the same time, as we work to enhance convenience for customers, we are also reducing sales expenses. In the fiscal year ending March 2003, we expect sales through the Internet to exceed ¥100 billion.

In June 2001, we expanded the range of Internet access options available to our customers. In February 2002, we introduced E-Ticket Service, which applies to standard fares, regular discount fares, and award tickets on seven international routes, principally to North America. In July 2002, we introduced *Web-wari,* which offers discounts of up to 29% on reservations made through the Internet, cellular phones, or PDAs. In the future, we will continue to expand our e-business capabilities and will work to make ANA a leader in the use of information technology.

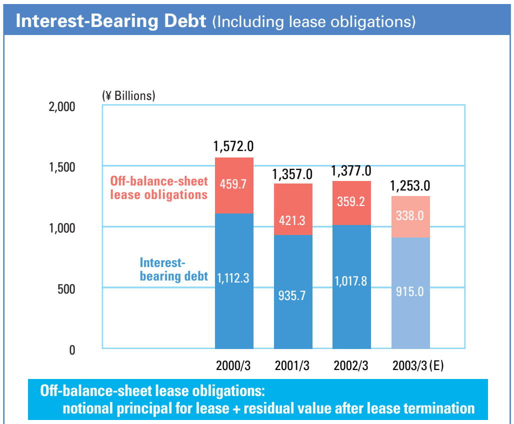
Strengthening Financial Position and Managing Risk

Q9 *What are ANA's plans for strengthening its balance sheet and managing the risks associated with changes in the operating environment?*

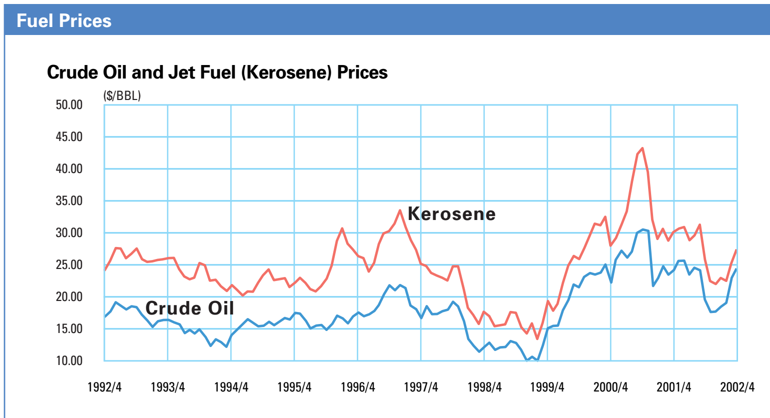
A9 We had planned to reduce interest-bearing debt at the end of March 2002 by ¥100.0 billion from the level a year earlier, but the actual balance at fiscal year-end was up 1.5%, or ¥20.0 billion, to ¥1,377.0 billion, including off-balance-sheet lease obligations. Operating cash flow worsened temporarily following the terrorist attacks in the United States, and one of the emergency measures we implemented in response was to reduce capital expenditure. However, to be able to implement our air transportation operational strategy in the current fiscal year and the years ahead, it was necessary for us to undertake some capital expenditure in the year under review, principally for aircraft, and as a result net cash used in investing activities was ¥123.9 billion. In the fiscal year under review, to meet the need for funds and to ensure sufficient liquidity, we accelerated our fund-raising plans, and as a result interest-bearing debt increased from the fiscal year ended March 2001.

For the fiscal year ending March 2003, we plan capital expenditure of ¥135.0 billion, about the same as in the previous year. Aircraft-related investment will be ¥77.0 billion; cabin improvements, ¥10.0 billion; and information systems, ¥24.0 billion. We will focus on investment projects that are essential to bolstering profitability in our air transportation operations, in which we can expect a favorable return on investment. Where possible, we will sell and securitize assets and use the cash recovered to pay down interest-bearing debt. Our plans call for the balance of interest-bearing debt at the end of March 2003, including off-balance-sheet lease obligations, to be ¥1,250.0 billion. To ensure that we can take advantage of business opportunities, principally at Haneda and Narita airports, a certain level of capital

Interest-Bearing Debt (Including lease obligations)



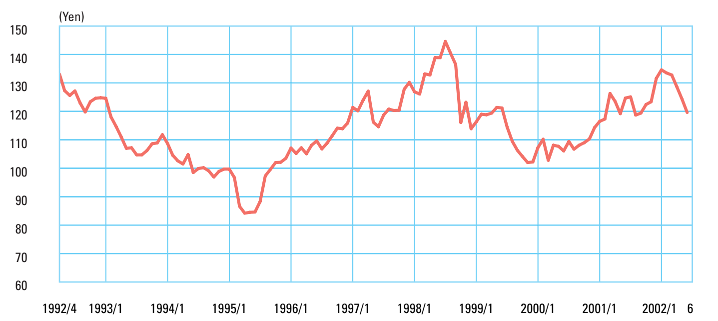
Fuel Prices



expenditure is essential, principally for aircraft replacement and other aircraft-related business. Accordingly, while it may be difficult to rapidly improve the debt/equity ratio, we will strive to raise profitability, improve our financial position, and reduce interest-bearing debt.

Air transportation operations are susceptible to external risks, and ANA takes steps to stabilize and standardize costs and to ensure appropriate risk management. We hedge a certain percentage of our planned consumption of aviation fuel to control the risk of price fluctuations and to stabilize costs. For dollar-denominated obligations related to the acquisition of aircraft, we utilize forward exchange agreements and currency options. We are taking aggressive measures to avoid exchange rate fluctuation risk by making effective use of foreign currency management and thereby to control costs.

U.S. Dollar/Yen Exchange Rate



Shareholder-Centered Management

Q10 *What are ANA's plans for shareholder-centered management and corporate governance?*

A10 With the approval of the JAL–JAS merger, the domestic operating environment has changed dramatically. Japan's airline industry is in a period of unprecedented change.

In this rapidly changing operating environment, our Group Corporate Reform Plan will help us to discard past ways of doing things, move ahead with reforms, and create a corporate constitution that can support the stable payment of dividends as soon as possible. Our goal is to pay dividends in the fiscal year ending March 2004. Although the ANA Group faces challenging business conditions, the degree of management freedom is steadily increasing, which means that we can focus our know-how and use creative methods to reach our goals. The current fiscal year is the first in which we can take advantage of the increased capacities at Haneda and Narita airports, which represent a major business opportunity for the ANA Group. It is my mission to ensure that we will make the most of this opportunity and set the Company on a course of steady future growth.

To formulate a flexible Group corporate strategy that advances a consistent strategy of flexibility, ANA will be a managing holding company, as mentioned earlier. The functions of corporate and operational strategies for the entire Group will be carried out by the managing holding company. We will take steps to implement shareholder-centered management and strengthen corporate governance. For example, to clarify management responsibility for annual performance goals, we have revised our management executive system, setting the terms of members of the board of directors and senior vice presidents at one year, and implemented decisive management. In these ways, we are striving to establish a corporate constitution that can earn annual profits and to steadily improve our performance.

My primary mission as president is to restore stable dividend payments by the year ending March 2004, and the Group will remain focused on achieving that goal.