1. The ANA Group

The ANA Group comprises 150 subsidiaries and 47 affiliates. Of those companies, 118 are consolidated subsidiaries and 27 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, 2002 Operational segment	No. of subsidiaries	of which, consolidated	of which, equity method	No. of affiliates	of which, equity method
Air Transportation	31	29	–	7	3
Travel Services	17	13	–	3	3
Hotel Operations	27	27	–	5	4
Other Businesses	75	49	6	32	11
Group Total	150	118	6	47	21

Air Transportation

The ANA Group's air transportation operations and other aircraft operations are centered on All Nippon Airways Co., Ltd. (ANA); 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, cargo handling, and aircraft 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 ANA Sales Holdings Co., Ltd., and its wholly owned subsidiaries, 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 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 Hotels, 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. ANA Logistic Service Co., Ltd., operates a warehouse for imported air cargo. All Nippon Airways Trading Co., Ltd., and others conduct operations centered primarily on the export and 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. ANA and Group subsidiaries and affiliates are customers for these products and services.

2. Operational Review

Operating Environment and Performance

In the year under review, domestic business conditions continued to worsen. Persistent bad debt problems led to sluggish conditions in the financial services industry, and, against the backdrop of a global economic slowdown, a large-scale decline in exports adversely affected corporate profitability, leading to decreases in private-sector capital investment. The September 11 terrorist attacks in the United States also contributed to these problems, and with consumer spending sluggish, in the second half of the fiscal year, business conditions worsened, with a series of corporate bankruptcies and a record high unemployment rate.

In this setting, the Company's operating revenues declined 5.9%, to ¥1,204.5 billion, and operating expenses decreased 1.3%, to ¥1,181.5 billion. As a result, operating income was down 72.1%, to ¥22.9 billion.

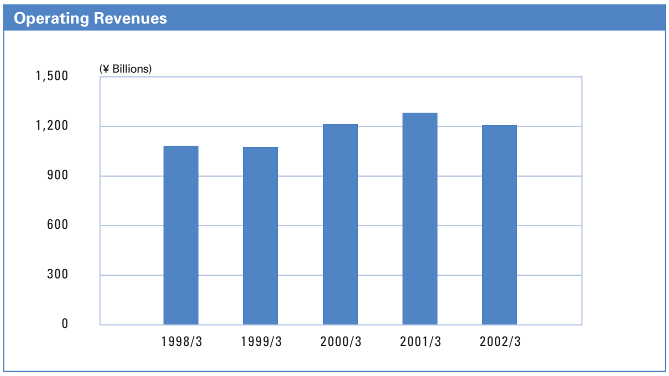
In non-operating items, the Company recorded income, such as gain on the sale of investments in securities, and expenses, such as provision for bad debts and appraisal loss on investments in securities. As a result, net non-operating expenses amounted to ¥30.1 billion, compared with net non-operating expenses of ¥18.9 billion in the previous year.

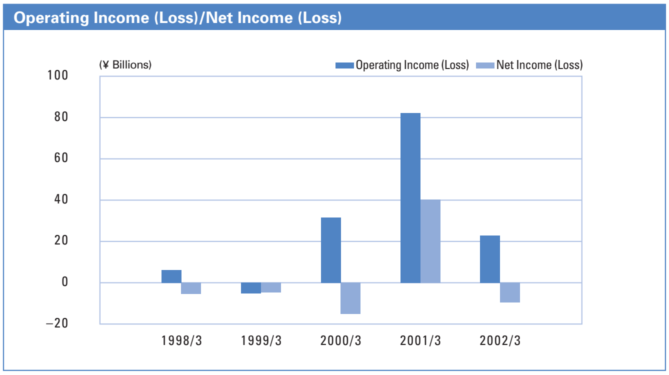
Loss before income taxes and minority interests was ¥7.1 billion, compared with income before income taxes and minority interests of ¥63.2 billion in the previous year. After income taxes, including the effect of accounting for deferred income taxes stemming from the application of the interperiod allocation method, and minority interests in income of consolidated subsidiaries, net loss was ¥9.4 billion, compared with net income in the previous year of ¥40.2 billion.

Summary of Financial Results

ANA and consolidated subsidiaries

Years ended March 31,	Yen (Millions) except per share amounts 2002	2001
Operating revenues	¥1,204,514	¥1,279,635
Operating expenses	1,181,546	1,197,392
Operating income	22,968	82,243
Non-operating income (expenses)	(30,146)	(18,954)
Income (loss) before income taxes and minority interests	(7,178)	63,289
Income taxes	2,244	19,151
Minority interests in income of consolidated subsidiaries	34	3,852
Net income (loss)	¥ (9,456)	¥ 40,286
Per share data:		
Net income (loss)	¥(6.17)	¥27.75
Net income assuming full dilution	–	24.80
Cash dividends	–	–





Years ended March 31,	Yen (Millions) 2002	2001
Passenger revenues	¥ 762,923	¥ 813,156
Domestic	612,380	635,576
International	150,543	177,580
Cargo revenues	57,648	68,649
Domestic	24,711	28,246
International	32,937	40,403
Incidental and other revenues	383,943	397,830
Total	¥1,204,514	¥1,279,635

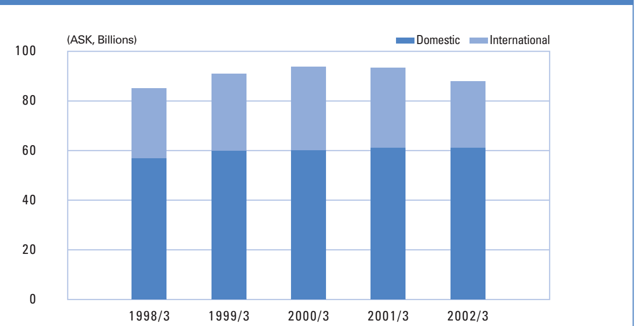
Note: Operating revenue figures are stated after the elimination of intra-segment and inter-segment transactions.

Operating Data

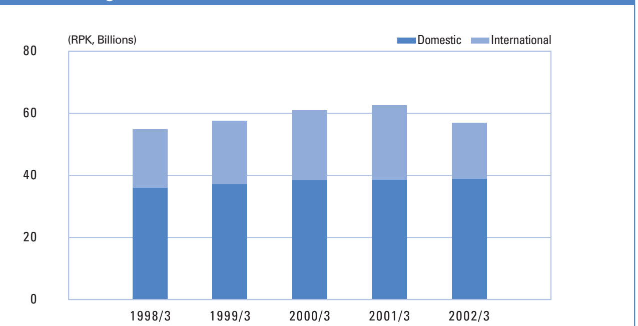
	2002	2001
Domestic Passengers:		
• Passengers (thousands)	45,796	45,509
• Available seat-km (ASK, millions)	60,980	61,074
• Revenue passenger-km (RPK, millions)	38,780	38,469
• Passenger load factor (%)	63.6	63.0
• Passenger yield (¥/RPK)	17.1	17.5
International Passengers:		
• Passengers (thousands)	3,510	4,378
• Available seat-km (ASK, millions)	26,928	32,446
• Revenue passenger-km (RPK, millions)	18,124	24,124
• Passenger load factor (%)	67.3	74.4
• Passenger yield (¥/RPK)	9.4	8.6
Domestic Cargo:		
• Cargo ton (ton)	386,727	434,333
• Cargo ton-kilometer (ton-km)	370,214	414,627
• Cargo ton-kilometer yield (¥/ton-km)	66.7	68.1
International Cargo:		
• Cargo ton (ton)	152,942	192,997
• Cargo ton-kilometer (ton-km)	861,976	1,136,225
• Cargo ton-kilometer yield (¥/ton-km)	38.2	35.6
Unit costs (¥/ASK)	11.1	10.5

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 average for ANA, ANK, AJX, and ADK.

Available Seat-km



Revenue Passenger-km



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 declined 6.2%, to ¥762.9 billion. Domestic routes accounted for 80.3% of the total, and international routes for 19.7%.

Domestic Passenger Revenues

On domestic routes, the terrorist attacks in the United States had a substantial effect on demand. Immediately after the attacks, travel demand declined significantly, particularly on Okinawa routes. Subsequently, airlines implemented measures to stimulate demand, and by the end of the fiscal year demand had begun to recover.

As a result, passenger revenues declined 3.6%, to ¥612.3 billion, in the year under review. The number of passengers, however, edged up 0.6%, to 45.7 million. Available seat-kilometers declined 0.2%, but passenger-kilometers rose 0.8%. As a result, the load factor increased 0.6 percentage points, to 63.6%. Passenger yield was 17.1 ¥/RPK, compared with 17.5 ¥/RPK in the previous year.

International Passenger Revenues

In the first half of the fiscal year under review, tourism demand was about the same as in the previous year, but business demand was affected by the poor economic conditions. Following the terrorist attacks in the United States, both business and tourism demand declined substantially.

As a result, passenger revenues declined 15.2%, to ¥150.5 billion, and the number of passengers decreased 19.8%, to 3.5 million. Available seat-kilometers declined 17.0%, while passenger-kilometers were down 24.9%. Therefore, the load factor decreased 7.1 percentage points, to 67.3%. Passenger yield, however, increased to 9.4 ¥/RPK, from 8.6 ¥/RPK in the previous year.

Cargo Revenues

Cargo revenues were down 16.0%, to ¥57.6 billion. Domestic cargo revenues accounted for 42.9% of the total, and international cargo revenues for 57.1%.

Domestic Cargo Revenues

Domestic cargo volume declined 11.0%, to 387 thousand tons, and revenues were down 12.5%, to ¥24.7 billion.

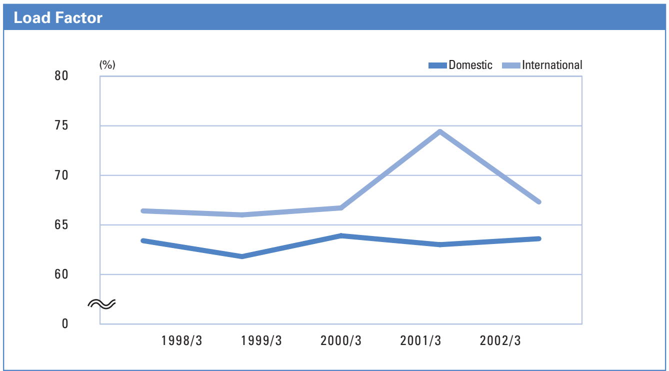
The Company implemented measures to increase revenues, such as the operation in December 2001 of 20 chartered flights carrying only cargo and mail, the first such flights in Japan. However, with business conditions weak from the beginning of the fiscal year, general cargo demand was sluggish, especially for IT-related cargo. In addition, demand for the domestic shipment of exports and imports declined. Following the terrorist attacks in the United States, we moved to secure operating safety by implementing the highest-level explosive detection system for cargo. As a result, some cargo was transported by land, and the volume handled by the Company decreased.

International Cargo Revenues

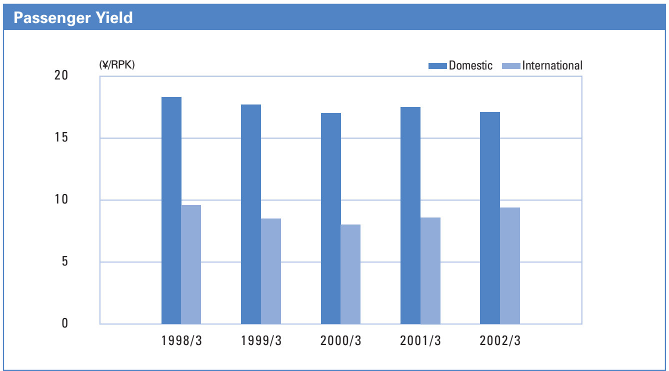
International cargo volume was down 20.8%, to 153 thousand tons, and revenues declined 18.5%, to ¥32.9 billion.

In the year under review, due to the slump in IT-related industries and the effect of the terrorist attacks, cargo volume declined significantly from the previous year. In particular, following the terrorist attacks, a rigorous security system was instituted for cargo leaving and entering Japan, leading to a temporary decrease in cargo volumes and to substantial revisions of operational plans that resulted in a reduction in cargo routes. In outbound cargo, with IT-related cargo sluggish, exports of machine tools, office equipment, and semiconductors and electronic components declined sharply. At the end of the term, however, the U.S. economy appeared to have bottomed out, and demand began to gradually increase. Also, in inbound cargo, the volume of general consumables from Europe was favorable, as were the volumes of fresh foods and apparel from China. Nonetheless, overall conditions remained sluggish.

Load Factor



Passenger Yield



Incidental and Other Revenues

The ANA Group worked to expand revenues from the provision of maintenance services for other airlines' aircraft; from the provision of ground support services, including check-in and baggage handling services; and from in-flight sales. Revenues in the year under review totaled ¥79.9 billion, a decline of 3.4%.

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

General and administrative expenses and depreciation and amortization increased, but aircraft expenses, services expenses, reservations, sales and advertising expenses, and other costs decreased. As a result, operating expenses declined 1.3% overall, to ¥1,181.5 billion. Details are as follows:

	Yen (Millions)	
Years ended March 31,	2002	2001
Aircraft	¥ 373,708	¥ 378,293
Aircraft and flight operations	292,677	303,208
Aircraft maintenance	81,031	75,085
Services	299,529	299,925
In-flight services	56,468	59,543
Flight control and ground handling	243,061	240,382
Reservations, sales and advertising	210,845	221,038
General and administrative	33,837	29,241
Depreciation and amortization	61,337	59,333
Other costs	202,290	209,562
Total	¥1,181,546	¥1,197,392

Aircraft expenses decreased 1.2%, to ¥373.7 billion. Aircraft and flight operations expenses were down 3.5% due to lower fuel expenses, while aircraft maintenance expenses rose 7.9% as a result of increased parts purchases.

Services expenses decreased 0.1%, to ¥299.5 billion. In-flight services expenses declined 5.2% due primarily to reduced in-flight services accompanying lower numbers of passengers on international flights. Although lower landing fees resulted in a decrease in landing and navigation fees, flight control and ground handling expenses increased 1.1% due to a large rise in third-party liability insurance premiums following the terrorist attacks in the United States.

Reservations, sales and advertising expenses were down 4.6% due to lower sales commissions as a result of reduced revenues on international flights.

General and administrative expenses were up 15.7% due to higher communications, leasing, and outsourcing expenses.

Depreciation and amortization increased 3.4% due to purchases of aircraft by ANK and of fixed assets by Group companies.

Other costs declined 3.5%, to ¥202.2 billion in the year under review. This decrease was primarily attributable to reduced expenses at subsidiaries, including trading company operations.

Non-Operating Income (Expenses)

The Company recorded net non-operating expenses of ¥30.1 billion, compared with ¥18.9 billion in the previous year. Details are as follows:

	Yen (Millions)	
Years ended March 31,	2002	2001
Interest and dividend income	¥ 7,143	¥ 9,537
Gain on sale of property and equipment	2,559	14,538
Interest expenses	(28,758)	(35,079)
Loss on sale of marketable securities	(176)	(488)
Loss on sale or disposal of property and equipment	(10,033)	(11,057)
Equity in income (loss) of affiliates	(804)	251
Other, net	(77)	3,344
Total	¥(30,146)	¥(18,954)

Interest and dividend income declined 25.1%, to ¥7.1 billion.

Gain on sale of property and equipment decreased substantially, from ¥14.5 billion in the previous year to ¥2.5 billion in the year under review. This decline is attributable to the previous year's profit on the sale of hotel assets accompanying the securitization of ANA Hotel Tokyo.

Interest expenses decreased 18.0%, to ¥28.7 billion. Although interest-bearing debt at year-end was up 8.8% from the previous year-end, to ¥1,017.8 billion, the average rate on interest-bearing debt during the year was lower and interest-bearing debt declined for part of the year under review.

Loss on sale of marketable securities decreased 63.9%, to ¥0.1 billion.

Loss on sale or disposal of property and equipment, primarily the disposal of aircraft parts and hotel assets, decreased 9.3%, to ¥10.0 billion.

Due principally to the worsened profitability of air transportation affiliates accounted for by the equity method, equity in loss of affiliates was ¥0.8 billion in the year under review, compared with equity in income of affiliates of ¥0.2 billion in the previous year.

Other expenses, net, was ¥77 million, compared with other income, net, of ¥3.3 billion in the previous year. This was attributable to the previous year's ¥8.5 billion in rebates on aircraft purchases; to provision for bad debts of ¥3.7 billion in the year under review, compared with ¥1.4 billion in the previous year; and to loss on sale and appraisal loss of investments in securities of ¥2.2 billion in the year under review, compared with ¥8.7 billion in the previous year.

3. Financial Condition and Cash Flows

	Yen (Millions)	
Years ended March 31,	2002	2001
Net cash provided by operating activities	¥ 33,993	¥ 148,796
Net cash used in investing activities	(123,927)	(17,964)
Net cash provided by (used in) financing activities	69,104	(158,359)
Net increase (decrease) resulting from changes in exchange rates and scope of consolidation	1,761	(2,196)
Net decrease in cash and cash equivalents	(19,069)	(29,723)
Cash and cash equivalents at end of year	¥ 188,648	¥ 207,717

Although the Company recorded a loss before income taxes and minority interests, non-cash expenses were also recorded, such as depreciation and amortization and increase in accrued employees' retirement benefits, and as a result net cash provided by operating activities totaled ¥33.9 billion.

In air transportation operations, which accounted for the majority of investment, the Company made advance payments for the acquisition and renovation of aircraft and the acquisition of parts, made IT-related investments, and renovated airport facilities. In hotel operations, the renovation of banquet facilities at ANA Hotel Tokyo included the acquisition of interior furnishings and other tangible and intangible assets. As a result, expenditure totaled ¥132.4 billion, and net cash used in investing activities was ¥123.9 billion.

The Company undertook fund-raising during the year, centered on long-term debt, including emergency financing following the terrorist attacks in the United States. Also, the Company repaid long-term debt and bonds. Net cash provided by financing activities was ¥69.1 billion.

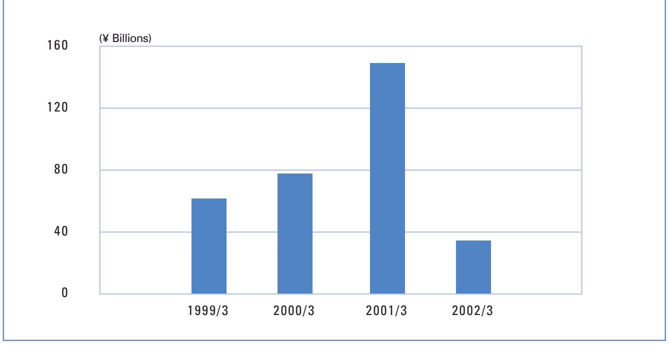
As a result, the year-end balance of cash and cash equivalents was ¥188.6 billion, a decline of ¥19.0 billion from the previous year-end.

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

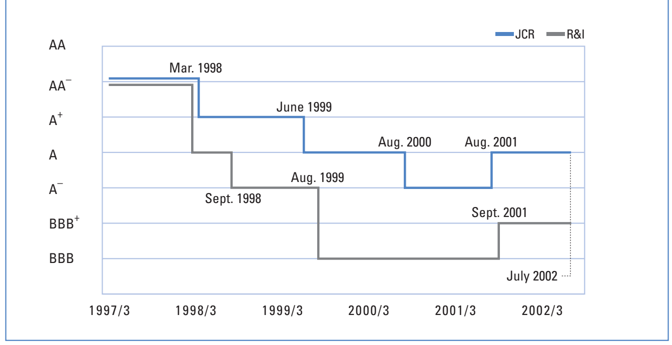
	Yen (Millions)	
March 31,	**2002**	2001
Short-term debt:		
Loans, principally from banks	**¥ 77,586**	¥ 82,165
Long-term debt, including current portion:		
Loans, principally from banks	**568,238**	469,736
Notes and bonds	**371,999**	383,829
Total	**¥1,017,823**	¥935,730

In response to a request by ANA, Japan Credit Rating Agency, Ltd. (JCR), provides a rating on long-term bonds issued by ANA. As of July 2002, this rating was A. Rating and Investment Information, Inc. (R&I), gave ANA a BBB$^+$ credit rating as of July 2002. Management believes that these credit ratings present no difficulties with regard to the procurement of funds.

Net Cash Provided by Operating Activities



Bond Rating



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 ¥132.4 billion, which was funded with capital, borrowings, and the issuance of bonds. Capital expenditure for each operational segment is provided below:

Years ended March 31,	Yen (Millions) 2002	2001
Air transportation	**¥121,451**	¥ 90,787
Travel services	**1,601**	1,474
Hotel operations	**6,749**	2,709
Other businesses	**2,748**	8,407
Subtotal	**132,549**	103,377
Intercompany eliminations	**(141)**	(8,986)
Total	**¥132,408**	¥ 94,391

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 ¥92.3 billion. Five passenger aircraft deliveries were accepted during the year—one Boeing 737-400, three Boeing 737-500s, and one DHC-8-300.

Purchases of air transportation related computer terminals and peripherals and of aircraft maintenance equipment totaled ¥4.7 billion. Improvements to offices in Japan and overseas, including airport offices, amounted to ¥18.3 billion, including advance payments. ANA and consolidated subsidiaries in the air transportation segment made capital expenditure totaling ¥5.6 billion for the development and purchase of software for administrative laborsaving.

Travel Services

Capital expenditure of ¥0.5 billion was made for the development and purchase of software related to the sale of travel products.

Hotel Operations

Capital expenditure of ¥3.0 billion, including advance payments, was made for the renovation and remodeling of existing hotel facilities.

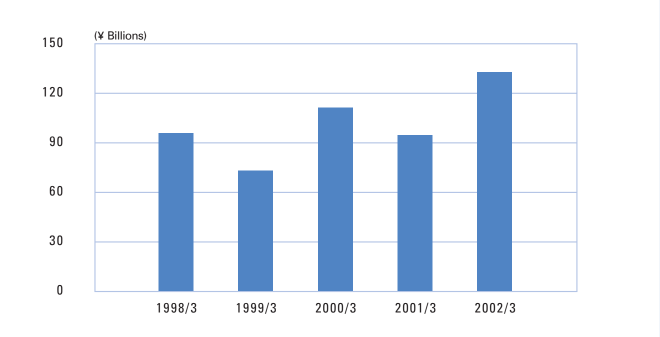
Other Businesses

Investment in the development and purchase of software for administrative laborsaving at consolidated subsidiaries totaled ¥1.2 billion, and investment in the purchase of administrative equipment was ¥0.3 billion.

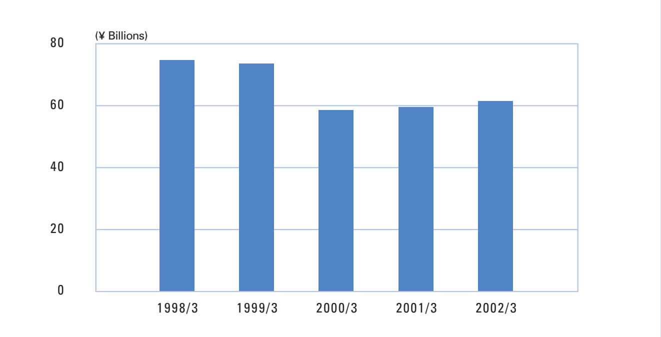
Plans for Disposal of Facilities

In air transportation operations, the Company plans to retire the following aircraft by March 2005: 9 Boeing 767-200s (2 owned, 7 leased), 1 Boeing 747-100SR (leased), 1 Boeing 747-200LR (owned), and 6 YS-11As (6 owned).

Capital Expenditure



Depreciation and Amortization



5. Segment Information

ANA and consolidated subsidiaries	Yen (Millions)		%
Years ended March 31,	2002	2001	Year-on-year change
Air Transportation:			
Operating revenues	¥ 900,847	¥ 964,888	– 6.6%
Intra-group sales and transfers	77,564	73,396	+ 5.7
Total	978,411	1,038,284	– 5.8
Operating expenses	959,662	965,948	– 0.7
Operating income	18,749	72,336	– 74.1
Travel Services:			
Operating revenues	143,367	139,155	+ 3.0
Intra-group sales and transfers	15,166	13,702	+ 10.7
Total	158,533	152,857	+ 3.7
Operating expenses	158,615	151,379	+ 4.8
Operating income (loss)	(82)	1,478	–
Hotel Operations:			
Operating revenues	63,366	71,586	– 11.5
Intra-group sales and transfers	12,305	12,113	+ 1.6
Total	75,671	83,699	– 9.6
Operating expenses	76,335	79,868	– 4.4
Operating income (loss)	(664)	3,831	–
Other Businesses:			
Operating revenues	96,934	104,006	– 6.8
Intra-group sales and transfers	91,235	87,109	+ 4.7
Total	188,169	191,115	– 1.5
Operating expenses	183,181	184,717	– 0.8
Operating income	4,988	6,398	– 22.0
Intercompany Eliminations:			
Intra-group sales and transfers	(196,270)	(186,320)	+ 5.3
Operating expenses	(196,247)	(184,520)	+ 6.4
Operating income (loss)	(23)	(1,800)	– 98.7
Consolidated:			
Consolidated operating revenues	1,204,514	1,279,635	– 5.9
Consolidated operating expenses	1,181,546	1,197,392	– 1.3
Consolidated operating income	¥ 22,968	¥ 82,243	– 72.1

Air Transportation

Operating revenues in the core air transportation segment declined 5.8%, to ¥978.4 billion, and operating expenses edged down 0.7%, to ¥959.6 billion. As a result, operating income in air transportation declined significantly, to ¥18.7 billion.

Domestic Routes

On domestic routes, the Company increased flights on the Tokyo–Osaka shuttle and the Tokyo–Fukuoka route. The Group's route system was reorganized, and certain routes, including the Osaka (Itami)–Saga, Osaka (Itami)–Odate-Noshiro, and Osaka (Kansai)–Kagoshima routes, were transferred to ANK. In the first half of the fiscal year, passenger numbers increased, especially on trunk routes. After the terrorist attacks, however, demand declined significantly, centered on Okinawa routes, due to caution about flying. In response, the Company implemented a range of measures, such as the *Rakunori* Cashback Campaign, an aggressive sales promotion campaign started in January 2002, under which 1 out of 50 passengers had their fare refunded. Demand gradually began to recover from the year-end and New Year holiday period.

In sales, we aggressively implemented discount fares. The *Chowari* discount fare was available for 66 days in the year under review, compared with 45 days in the previous fiscal year. For the Group, 2.2 million people took advantage of discount fares, compared with 1.3 million in the previous year.

In service, in response to suggestions from customers, in June 2001 we introduced a new service, *Rakunori,* under which there are no time limits on ticket purchases and passengers can check in without obtaining tickets. Through this service, we simplified and expedited the entire process from reservation and purchase to boarding.

International Routes

On international routes, the Company opened the Tokyo–Ho Chi Minh City route in summer 2001 and suspended the Nagoya–Honolulu route in September 2001. In response to the large decline in demand following the terrorist attacks, ANA suspended service on the Tokyo–Chicago, Tokyo–Mumbai, Tokyo–Kuala Lumpur, and Osaka (Kansai)–Bangkok routes and used smaller aircraft on the Tokyo–Washington D.C. route. The aircraft freed up by these measures were used to offer daily service on the Tokyo–Seoul route and to increase flights on the Tokyo–Dalian and Osaka (Kansai)–Qingdao routes, where demand forecasts were more favorable. This represented a substantial revision of our operational plans.

We worked to expand our network from Japan to the United Kingdom by commencing a code-share agreement with Star Alliance member British Midland Airways on four domestic U.K. flights through London. In August 2001, London-based, non-Japanese cabin attendants began service on ANA flights for the first time, further improving the quality of in-flight service.

In sales, we worked aggressively to stimulate demand. In response to customer requests, we introduced *Biji-wari,* a business class discount fare for passengers traveling to the U.S. and Europe who purchase round-trip tickets in advance. Bargain discount economy class fares to North America and Honolulu were introduced in September 2001 under the name *Chowari G•E•T* as an international equivalent to the *Chowari* fares that have become very popular on domestic routes.

Travel Services

Operating revenues in travel services rose 3.7%, to ¥158.5 billion. Operating expenses were up 4.8%, to ¥158.6 billion, resulting in an operating loss of ¥82 million, compared with operating income of ¥1.4 billion in the previous year.

The Company began the restructuring of its sales system with the January 2002 establishment of ANA Sales Holdings Co., Ltd. The Group's three existing travel agencies—All Nippon Airways World Tours Co., Ltd., All Nippon Airways Travel Co., Ltd., and ANA Sky Holiday Tours Co., Ltd.—were made wholly owned subsidiaries of the new company to strengthen mutual collaboration and to raise the efficiency of marketing activities.

With the opening of new theme parks, such as Universal Studios Japan and Tokyo Disney Sea, domestic travel operations recorded gains in the first half of the fiscal year in both the number of customers and revenues. Following the September 11 terrorist attacks, domestic travel tours were affected by a large number of cancellations, especially for Okinawa trips, resulting in a temporary slump. The prompt introduction of new programs, however, led to significant increases in both the number of customers and revenues.

For overseas tours, the Company took steps to increase revenues. Aggressive promotional campaigns were conducted for high-value-added products, such as those featuring business class flights, ANA's exclusive "Super Vista" deluxe bus, and a chartered "Orient Express" trip from Venice to Vienna. The Company also marketed chartered international flights from Haneda Airport.

Despite these efforts, however, the terrorist attacks led to a sharp drop in demand, especially on North American routes. In addition, we suspended the code-share operations program with Ansett Australia, which entered bankruptcy. Revenue from overseas travel services declined significantly from the previous year.

Hotel Operations

For the fiscal year under review, operating revenues in the hotel segment were down 9.6%, to ¥75.6 billion. Operating expenses declined 4.4%, to ¥76.3 billion, and the operating loss was ¥0.6 billion, compared with operating income of ¥3.8 billion in the previous year.

During the fiscal year under review, four properties joined ANA Hotels, Ltd.: Nagasaki ANA Hotel Glover Hill in April 2001 under the franchise system; Guam Hotel Okura in April 2001 under the

ANA and consolidated subsidiaries	Yen (Millions)		%
Years ended March 31,	**2002**	2001	Year-on-year change
Air Transportation:			
Identifiable assets	**¥1,195,497**	¥1,112,105	+ 7.5%
Depreciation and amortization	**52,527**	50,199	+ 4.6
Capital expenditure	**121,451**	90,787	+ 33.8
Travel Services:			
Identifiable assets	**¥37,437**	¥38,808	– 3.5
Depreciation and amortization	**527**	371	+ 42.0
Capital expenditure	**1,601**	1,474	+ 8.6
Hotel Operations:			
Identifiable assets	**¥146,311**	¥140,129	+ 4.4
Depreciation and amortization	**4,571**	4,874	– 6.2
Capital expenditure	**6,749**	2,709	+ 149.1
Other Businesses:			
Identifiable assets	**¥215,917**	¥216,431	– 0.2
Depreciation and amortization	**3,712**	3,889	– 4.6
Capital expenditure	**2,748**	8,407	– 67.3
Intercompany eliminations:			
Identifiable assets	**¥(84,180)**	¥(56,053)	+ 50.2
Depreciation and amortization	**–**	–	–
Capital expenditure	**(141)**	(8,986)	+ 98.4
Consolidated:			
Identifiable assets	**¥1,510,982**	¥1,451,420	+ 4.1
Depreciation and amortization	**61,337**	59,333	+ 3.4
Capital expenditure	**132,408**	94,391	+ 40.3

referral system; ANA Hotel Clement Takamatsu in May 2001 under the franchise system; and Thallaso-Shima ANA Hotel & Resort in August 2001 under the management system.

ANA continued to implement its domestic hotel business restructuring plan, which calls for the separation of ownership and operation. In line with this policy, ANA Hotels, Ltd., started full-scale operations in October 2001 with a focus on enhancing chain hotel functionality.

ANA hotels in Tokyo, Toyama, and Narita that had been managed directly by ANA Enterprises, Ltd., were placed under the control of newly established companies—ANA Hotel Tokyo Co., Ltd., ANA Hotel Toyama Co., Ltd., and ANA Hotel Narita Co., Ltd. This step was aimed at enabling each hotel to concentrate on its own operations and to further increase gross operating profit.

To enhance the value of facilities at ANA Hotel Tokyo, the banquet rooms and entrance lobby underwent comprehensive renovation starting in July and were reopened in September. ANA Hotel Hakata was also partially closed for a period of time for renovation.

The partial closure of these hotels during the renovation work adversely affected their results. In addition, due to the U.S. economic downturn and the terrorist attacks, our flagship ANA Hotel Tokyo experienced many cancellations of stays by overseas guests and of parties by Japanese subsidiaries of foreign corporations. As a result, declines in revenues and operating profits were recorded.

Overseas hotels were also affected by the terrorist incidents, but the decline in revenues was minimized through continued efforts to meet market needs and to control costs. Our hotel in Vienna was able to register about the same level of profit as in the previous year.

Other Businesses

Operating revenues in the other businesses segment declined 1.5%, to ¥188.1 billion, and operating expenses edged down 0.8%, to ¥183.1 billion. Operating income decreased 22.0%, to ¥4.9 billion.

In trading and sales, the revenues of All Nippon Airways Trading Co., Ltd., declined, as higher sales of aircraft parts were not enough to offset lower sales of machinery and of paper and pulp.

In information and communications, Infini Travel Information, Inc., which provides a reservation and ticketing system for international flights, recorded lower revenues due to a substantial decrease in the number of international passengers following the terrorist attacks. ANA Information Systems Planning Co., Ltd., which develops, maintains, and operates information systems, secured orders from Group companies for large-scale system development and expanded the scope of its maintenance and operation services. As a result, information and communications revenues increased.

In real estate, ANA Real Estate Co., Ltd., which sells and rents real estate and manages properties, undertook a number of renovations to strengthen the competitive position of its properties, and it succeeded in maintaining high occupancy ratios and in keeping rental revenues at the previous year's level. However, because no condominiums were sold during the year under review, total revenues in real estate operations declined.

6. Passenger Data by Route (International)

	Passenger revenues Yen (Millions)		RPK (Millions)		ASK (Millions)		Load factor (%)	
Years ended March 31,	2002	2001	2002	2001	2002	2001	2002	2001
Asia/Oceania	¥ 65,602	¥ 76,763	5,686	7,491	8,184	10,077	69.5	74.3
Transpacific	59,977	74,894	7,473	9,916	11,763	13,902	63.5	71.3
Europe	47,414	56,993	4,964	6,716	6,981	8,465	71.1	79.3
Total	¥172,994	¥208,651	18,124	24,124	26,928	32,446	67.3	74.4

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

Asia/Oceania

On China routes, demand was firm throughout the year, but demand on other routes was affected by the terrorist attacks and by the bankruptcy of Ansett Australia, a Star Alliance member that had been operating code-share flights with ANA. As a result, passenger numbers declined. On Asia/Oceania routes overall, available seat-kilometers declined 18.8%, revenue passenger kilometers were down 24.1%, and the load factor decreased 4.8 percentage points. As a result, passenger revenues declined 14.5%, but passenger yield increased from 10.2¥/RPK in the previous year to 11.5¥/RPK.

Transpacific

Following the terrorist attacks, demand declined rapidly. We moved quickly to implement measures to maintain efficiency, suspending service on the Narita–Chicago route and using smaller aircraft on some routes. Available seat-kilometers on transpacific routes decreased 15.4%, while revenue passenger-kilometers declined 24.6%, leading to a 7.8 percentage point decline in the load factor. Passenger revenues were down 19.9%, but passenger yield rose to 8.0¥/RPK, from 7.6¥/RPK in the previous year.

Europe

Due to the November 2000 suspension of service on the Osaka (Kansai)–London and Osaka (Kansai)–Frankfurt routes and to the terrorist attacks in the year under review, passenger numbers declined. On European routes overall, available seat-kilometers were down 17.5%, while revenue passenger-kilometers declined 26.1%. As a result, the load factor was down 8.2 percentage points. Although passenger revenues decreased 16.8%, passenger yield improved to 9.6¥/RPK, from 8.5¥/RPK in the previous year.

7. Jet Aircraft Procurement Plan

Year Ended March 2002

ANA did not take delivery of any aircraft during the year under review. ANK took delivery of one Boeing 737-400 and three Boeing 737-500s. Upon the conclusion of their leases, ANA retired two Boeing 747-100SRs and two Boeing 767-200s from its domestic fleet.

Year Ending March 2003 (Planned)

ANA will acquire six Boeing 767-300ERs and, under an operating lease, one Boeing 767-300 freighter. ANK will acquire two Boeing 737-500s under operating leases. One Boeing 747-200LR that was taken out of active service in March 2002, one Boeing 747-100SR, and four Boeing 767-200s will be retired.

Year Ending March 2004 (Planned)

ANA will acquire three Boeing 767-300ERs, two Boeing 777-300s in accordance with previous plans, and, under operating leases, three Airbus 320-200s. Three Boeing 747-100SRs and three Boeing 767-200s will be retired.

Year Ending March 2005 and Thereafter (Planned)

From the year ending March 2005 through the year ending March 2007, we will focus on pursuing comfort linked to higher customer satisfaction, shifting to more-economical aircraft, and raising efficiency through a focus on a smaller number of models. We will emphasize wide-body aircraft and plan to acquire Boeing 777-300s and Boeing 767-300ERs.

Over the same period, Boeing 747-100SRs, Boeing 747-200LRs, Boeing 767-200s, and Airbus 321-100s will be retired.

As a result of these acquisitions and retirements, the fleet will comprise four models of wide-body passenger aircraft (B747-400, B777-300, B777-200, B767-300), in comparison with the current fleet's eight models.

Planned aircraft acquisitions and principal fleet composition are shown below.

Projected Fleet Composition

	2002			2003		2004	
Years ended March 31,	Total	Owned	Leased	Plan	vs. 2002	Plan	vs. 2003
B747-400	23	15	8	23	0	23	0
B747-200LR	3	3	0	2	– 1	2	0
B747-100SR	9	8	1	8	– 1	5	– 3
B777-300	5	1	4	5	0	7	+ 2
B777-200	16	5	11	16	0	16	0
B767-300	42	27	15	48	+ 6	51	+ 3
B767-200	9	2	7	5	– 4	2	– 3
B737-500	23	9	14	25	+ 2	25	0
B737-400	2	0	2	2	0	2	0
A321-100	7	6	1	7	0	7	0
A320-200	25	13	12	25	0	28	+ 3
Total	164	89	75	166	+ 2	168	+ 2

Notes: 1. Plans for aircraft retirement are finalized each fiscal year. Accordingly, the numbers of aircraft for the year ending March 2004 are estimates.
2. Figures are for jet aircraft only and do not include freighters.

8. Employment

Years ended March 31,	Employee numbers 2002	2001
Air transportation (ANA, ANK, AJX, and ADK)	14,463	14,855
Others (consolidated subsidiaries)	14,763	14,975
Total	29,226	29,830

Note: Figures are averages for each fiscal year.

As of March 31,	Employee numbers 2002	2001
Air transportation	20,489	20,608
Travel services	1,638	1,683
Hotel operations	3,604	3,772
Other businesses	3,364	3,295
Total	29,095	29,358

Note: Figures represent year-end data.

The workforce is being reduced in accordance with plans. Average employment declined 2.0%, to 29,226 employees, and the number of employees at the end of March 2002 was 29,095, a reduction of 263 from the previous year-end. As one element of the emergency measures implemented in response to the decline in passenger numbers that followed the terrorist attacks, we implemented a hiring freeze for cabin attendants and voluntary one-month leaves of absence. The Company will continue striving to reduce the workforce and raise productivity.

9. Corporate Governance and Other Major Challenges

Corporate Governance

Effective from the year ending March 2003, the Company has shortened the terms of members of the board of directors and senior vice presidents from two years to one year and clarified management responsibility for the achievement of annual operating goals. The Group is implementing reforms to its management system to enhance corporate governance, such as strengthening its management executive system by emphasizing the selection of the best person for each job.

Creating Enterprise Value

In order to ensure that management practices based on the creation of enterprise value are thoroughly implemented throughout the ANA Group, the Company has introduced new performance evaluation standards, based on ANA's Value Creation (AVC). AVC is calculated by subtracting the cost of capital from post-tax business profit. We have reassessed the scope of AVC application and will employ common standards in applying AVC for each business. Through this type of management by objectives, we aim to achieve a highly transparent operational administration.

Increasing Customer Satisfaction

The ANA Group has taken steps to further improve customer satisfaction, establishing the Customer Satisfaction Promotion Department and introducing the TQS (Total Quality Score) customer satisfaction system into its air transportation operations.

The Customer Satisfaction Promotion Department strives to give concrete form to the customer-centered ANA Style, working closely with other departments to implement an integrated, continuous differentiation strategy based on customer feedback.

TQS, which is positioned as a leading indicator for AVC, provides objective analysis of comprehensive customer evaluations in the areas of safety, on-time performance, comfort, and convenience in air transportation. The Company will use TQS to reach its goal of becoming one of the leading corporate groups in Asia in the next few years.

IT Strategy

The Company will make aggressive use of information technology to ensure safe operations and advanced information security, striving to enhance safety and reliability through the use of IT. In addition, we will aggressively utilize Customer Relationship Management (CRM) techniques to unify and consolidate on a Groupwide basis customer feedback and data obtained through all points of contact with customers. At the same time, the number of customers who use e-business options, such as Internet reservations and sales, is increasing rapidly, and we will work to accelerate that trend. Aiming to be a corporate group that utilizes advanced IT, we will work to implement value-creation management through our IT strategy.

10. Dividend Policy

The Company gives a high priority to providing a return to shareholders while working to secure a stable foundation for future growth. In the year under review, however, we recorded a net loss due to the decline in passenger numbers following the terrorist attacks, the increase in expenses caused in part by higher aviation insurance premiums, and the recording of an extraordinary loss in the non-consolidated statements of All Nippon Airways Co., Ltd., as a result of a valuation loss on an investment in a consolidated subsidiary, a measure undertaken to bolster our consolidated financial position. Therefore, the Company regretfully decided to continue the suspension of dividend payments. The Company will do its utmost to resume dividend payments in the year ending March 2004.

Net loss per share for the year under review was ¥6.17 on a consolidated basis and ¥8.38 on a non-consolidated basis.

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 departments entering into these contracts and by the accounting department.

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 obligations to purchase aircraft or jet fuel, the Company uses forward exchange agreements and currency options to control the risk of fluctuations in foreign exchange rates and to stabilize payment amounts.

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 2002, these two items accounted for about 15% of operating expenses in the air transportation segment.

Reductions in landing fees at Japanese airports other than those in the Tokyo and Osaka areas were implemented from April 1999. In addition, from April 2001, landing fees at Tokyo area airports for flights from regional airports were reduced. As a result, during the year ended March 2002 public-sector fees declined about 4% from the previous year, to approximately ¥144 billion.

On domestic routes, public-sector fees in Japan represent about 16% 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 TCAS 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 attendants, 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 factors training.

In addition, based on the recognition that safety is what supports the entire Company, to maintain and improve the safety awareness of all employees, including staff in administrative departments that support operations, the Company is working to enhance safety training and its safety education system.

Also, to clarify the Company's policies and plans for safe operations, ANA has issued a new safety manual and, through a Companywide safety evaluation program, is working to objectively evaluate and further improve safety assurance throughout the Company.

In this way, the entire Company, centered on the flight operations, maintenance, cabin services, and airport and passenger services divisions, is working together on its corporate mission—making a "promise of safety" so that its customers can rely on ANA and feel safe on its 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

Since 1994, ANA has followed the standards for International Civil Aviation Organization (ICAO) Chapter III compliant aircraft (subsonic aircraft), which meet the most stringent noise standards. ANA was one of the first airlines in the world to meet these standards.

In 2001, the ICAO set more stringent Chapter IV standards for aircraft manufactured in 2006 or thereafter. The majority of ANA's fleet, such as Boeing 767s, Boeing 747-400s, Boeing 777s, and Airbus A320s, are low-noise, energy-efficient aircraft that already meet these new standards.

In the future, ANA will acquire low-noise, energy-efficient aircraft and will continue its efforts to reduce noise in its daily flight operations.

Measures to Control Exhaust Gas

Aircraft exhaust gases include CO_2 and NO_x. With regard to CO_2, in 1997 the United Nations concluded the Kyoto Protocol, which deals with the prevention of global warming, and Japan ratified the protocol in June 2002. ANA is participating in the government's voluntary action plan and has formulated plans 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. In July 2002, ANA was invited as the only panelist from Asia for a United Nations conference on air transportation, airports, and sustainable development by the United Nations Environment Program.

Environmental Organization

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.

Environmental Management System

The Company has implemented activities related to ISO 14001, an international environmental management certification. In February 2002, the Narita Maintenance Center received ISO 14001 certification from UKAS, a U.K. accreditation organization, for maintenance of aircraft used on international routes. ANA will draw on this experience as it continues to promote environmental conservation in the years ahead.