To Our Shareholders

Performance in the Fiscal Year Ended March 31, 2003

In the year under review, the deflationary trend in Japan continued and economic conditions remained difficult. ANA's operating revenues rose 0.9%, to ¥1,215.9 billion. Operating loss was ¥2.5 billion and net loss was ¥28.2 billion. Regrettably, the Company had no choice but to continue the suspension of dividend payments for the year under review.

To facilitate the operational restructuring of the ANA Group, the Company has formulated the Group Corporate Strategy Plan, which provides guidelines for corporate management in the two-year period ending March 2004, and the Group Corporate Reform Plan, which contains specific measures for the implementation of the Group Corporate Strategy Plan.

Important policies set down in the Group Corporate Reform Plan include a fundamental emphasis on Value Creation Management, centered on air transportation, and the goals of increasing shareholder value, customer value, and employee value. In the fiscal year ended March 2003, the first year of the plan, we endeavored to implement the plan's reforms.

Improved Profitability on International Routes Due to Network Expansion, Centered on China Routes

With the opening of the new runway at Narita Airport in April 2002, ANA secured a large increase in slots at Narita. We then established the Narita–Xiamen and Narita–Taipei routes and moved to twice-daily service on the Narita–Beijing and Narita–Shanghai routes. As a result, the number of flights operated by ANA from Narita to China rose 45%, to 35 a week.

This increased supply capacity enabled us to better meet the strong demand on China routes, and passenger numbers rose substantially. On North American routes, we worked to cut costs and improve profitability by using smaller aircraft and reducing the number of seats in economy class without reducing the number of seats in the high-yield first and business classes. To maximize revenues per aircraft, we are promoting enhanced yield management capabilities, and, to that end, we have begun the full-scale operation of a passenger revenue optimization system (PROS) that is contributing to increased revenues. In September 2002, we introduced a Boeing 767 freighter to meet cargo demand, centered on China routes.

On international routes, the number of passengers, cargo volume, and revenues showed strong growth, marking an important step toward the achievement of profitability on these routes.

Continued Intense Price Competition on Domestic Routes

On domestic routes, we worked to enhance our competitiveness by increasing flights on high-demand routes, principally on Haneda Airport trunk routes and routes competing with *Shinkansen* bullet train routes operated by Japan Railway (JR) companies. In February 2003, we began code-share service with Hokkaido International Airline Co., Ltd., on 12 flights, or 6 round trips, a day between Tokyo and Sapporo operated by Hokkaido International. As a result, ANA now offers 24 round-trip flights a day between Tokyo and Sapporo, a capacity comparable to that of Japan Airline System. On unprofitable routes, we worked to cut costs by suspending service or reducing flights and by transferring service to subsidiary Air Nippon Co., Ltd. (ANK).

Reductions in standard fares led to increased demand for individual travel in business class. We took steps to enhance the composition of our range of package tours and other travel products, and as a result the number of passengers rose 2.9%, to 47.1 million. Nonetheless, passenger revenues on domestic routes declined 2.4%, to ¥646.8 billion, and profitability worsened. This reduced profitability on domestic routes was a significant factor in the decline in the Company's performance in the fiscal year under review.

Three-Year Plan for Cost Structure Reform

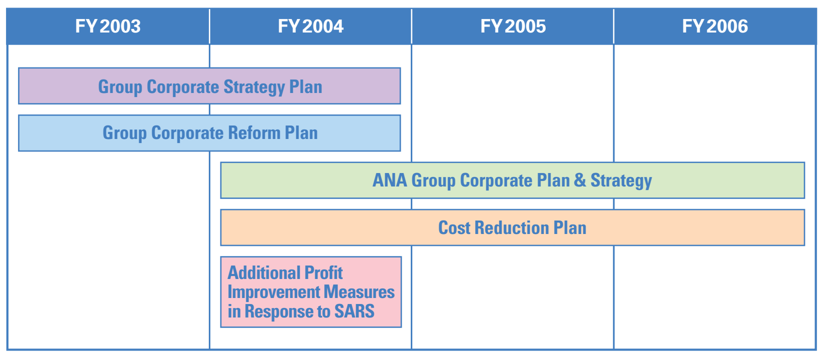
ANA is approaching the domestic deflationary trend and difficult operating environment as an excellent opportunity to accelerate corporate reforms. Accordingly, we will respond flexibly to rapidly changing business conditions and minimize operating risks while establishing a highly profitable foundation for our operations. To those ends, we have established the Group Management Plan, which is centered on the Cost Reduction Plan covering the three-year period ending March 2006. Under the Cost Reduction Plan, we are giving priority to reforming our personnel cost structure and our operational structure. The plan calls for cost reductions of ¥30.0 billion a year by March 2006.

In the year ending March 2004, SARS will have a major adverse influence on air transportation demand, and we expect demand on international routes to be sluggish for the near future. Also, as there is little chance of recovery in domestic demand, we cannot expect significant growth in demand on domestic routes. Accordingly, we will resolutely implement the Cost Reduction Plan, enhance the cost competitiveness of air transportation operations, and work to improve profitability on domestic routes and to implement the structural changes needed for profitability on international routes. To reduce the effect of SARS on profitability, the ANA Group has complemented the Cost Reduction Plan with additional profit improvement measures. We plan to improve profits by ¥11.0 billion a year by suspending service and reducing flights on routes for which passenger numbers are expected to decline, reducing operating costs through the use of smaller aircraft on domestic routes, and optimizing fuel consumption through operational efficiencies.

Cost structure reforms entail changes to our operational structure, and we must implement these reforms without delay no matter how much the external environment changes.

Building a Corporate Governance System

To realize ongoing improvement in enterprise value, the establishment of a corporate governance system based on the transparency of management and accountability to stakeholders is essential. To that end, we have established the Advisory Board as well as the Risk Management Committee and the Compliance Committee. We have also established the Internal Audit Division as part of our drive to build an internal audit system.



Promoting Shareholder-Centered Management

ANA gives high priority to securing a stable management foundation and providing a return to shareholders. I will oversee the implementation of thorough cost structure reforms and will work to strengthen the profitability of the ANA Group, centered on air transportation. As CEO of the ANA Group, I will also continue working to maintain and enhance shareholder value.

As the ANA Group celebrates its 50th anniversary, we are preparing to meet the challenges that we will face in the next 50 years.

August 2003

Yoji Ohashi
President and Chief Executive Officer