An Interview with President Ohashi

Performance in the Year under Review

Progress in Implementing the Group Corporate Reform Plan

Q1 Please tell us about ANA's performance in the past year.

A1 The ANA Group steadily implemented the reforms outlined in the Group Corporate Reform Plan. However, I regret to say that we recorded a net loss for the year.

Progress in implementing reforms in administrative areas included the enhancement of Group management through the consolidation of strategic management functions in the parent company ANA, which acts as a managing holding company. We introduced the AVC (ANA's Value Creation, Note 1) management index and the TQS (Note 2) customer satisfaction index, established quantitative objectives, and built a system for operational administration where all Group companies, in air transportation, travel services, hotel operations, and other businesses, have common value standards under their respective AVC. In addition, we shortened the terms of members of the board of directors and corporate executive officers to one year, thereby ensuring fresh viewpoints, clarifying responsibility, and establishing a system that can achieve rapid, streamlined organizational administration.

In our core air transportation operations, we reorganized networks and reallocated management resources. The April 2002 opening of the new runway at Narita Airport enabled us to expand our network of routes to China and other Asian destinations, with Narita as a hub. We increased flights on international routes, centered on high-demand trunk routes from Narita, and suspended service or reduced flights on low-profit routes. In the second half of the fiscal year, certain domestic routes were transferred to subsidiary ANK under the wet lease method (Note 3).

Most components of our action plan have been implemented as scheduled. In particular, we have made steady progress with improving profitability on international routes due to favorable conditions on high-yield China routes and the use of smaller aircraft on Transpacific routes. However, on domestic routes, business demand has been sluggish, and in response we have implemented various marketing initiatives, such as the expansion of discount fares. As a result, the number of passengers on domestic routes increased 2.9% in the past year, but intense price competition resulted in a greater-than-expected decline in passenger yields. The resulting lower profitability was a major factor in the Company's net loss for the year.

Note 1:
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.

Note 2:
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.

Note 3:
To share aircraft and crew among Group companies, the ANA Group is using the wet lease method, where service on the route of one company is provided by the aircraft and crew of another company.

Key Points of the Group Corporate Reform Plan

- Maintain safety and improve on-time performance to strengthen the Group's management foundation.
- Build a Group management system with a managing holding company.
- Expand the use of the AVC management index throughout the Group, introduce the TQS customer satisfaction index, and implement management by objectives.
- Build a system that offers rapid, streamlined organizational administration and execution through such measures as reducing the terms of members of the board of directors and corporate executive officers to one year.
- In air transportation operations, strive to reorganize networks and reallocate management resources. In accordance with that principle, implement a domestic route strategy of suspending service or reducing flights on low-profit routes while increasing flights and using large aircraft on high-profit routes and establish competitive superiority through flexible, strategic fare setting.
- Implement an international route strategy of building a network centered on routes to China and other Asian destinations, with Narita as a hub.
- In other operations, focus on return on investment in accordance with the AVC management index and secure a large improvement in the respective AVC for each business segment by March 2004.

ANA Group Corporate Plan & Strategy for the Three-Year Period Ending March 2006

Q2 Would you explain the main elements of the ANA Group Corporate Plan & Strategy, which covers the three-year period ending March 2006?

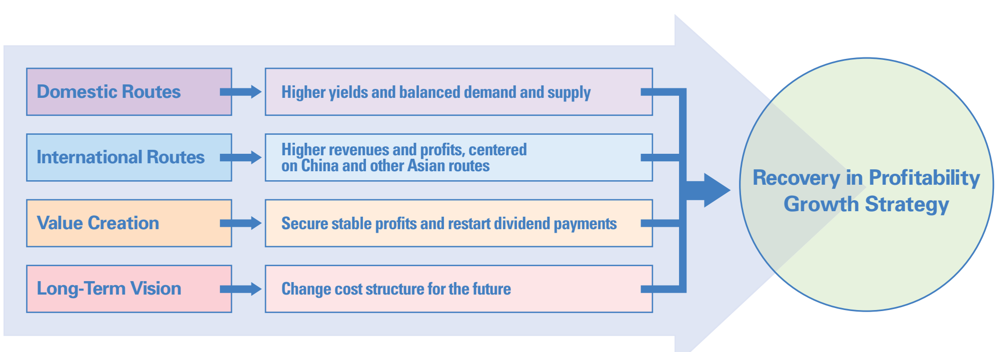
A2 The key point of the plan is to improve and rapidly stabilize the profitability of our air transportation operations. With continuing sluggish economic conditions, we will aim to create an operational structure that can generate profits without relying on increased revenues and will bolster our air transportation operations.

In both domestic and international air transportation, we will implement a fleet strategy of reducing the number of aircraft models and a resource strategy of ensuring that cost levels are appropriate for the aircraft used. We will stabilize the profit cycle and return our air transportation operations back to profitability (Note 4). We will steadily implement cost structure reform, the central theme of the ANA Group Corporate Plan & Strategy, and secure profits in accordance with Value Creation Management.

Specifically, on domestic routes, we will take steps to increase passenger yields, such as reevaluating discount fares, and will select aircraft based on a detailed understanding of demand trends. On international routes, we will position China as our most important market and enhance our high-profit China routes. There is no question that SARS is having an adverse influence, but this does not change the fact that strengthening our China routes will play a key role in the achievement of profitability on international routes. The key goal is to establish a stable profit structure and then achieve growth in profitability.

Note 4:
Strengthening three fundamental factors essential to increasing profitability—network, revenue management, and aircraft—and returning profitability to a favorable cycle.

Overview of Reforms



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Air Nippon Airways
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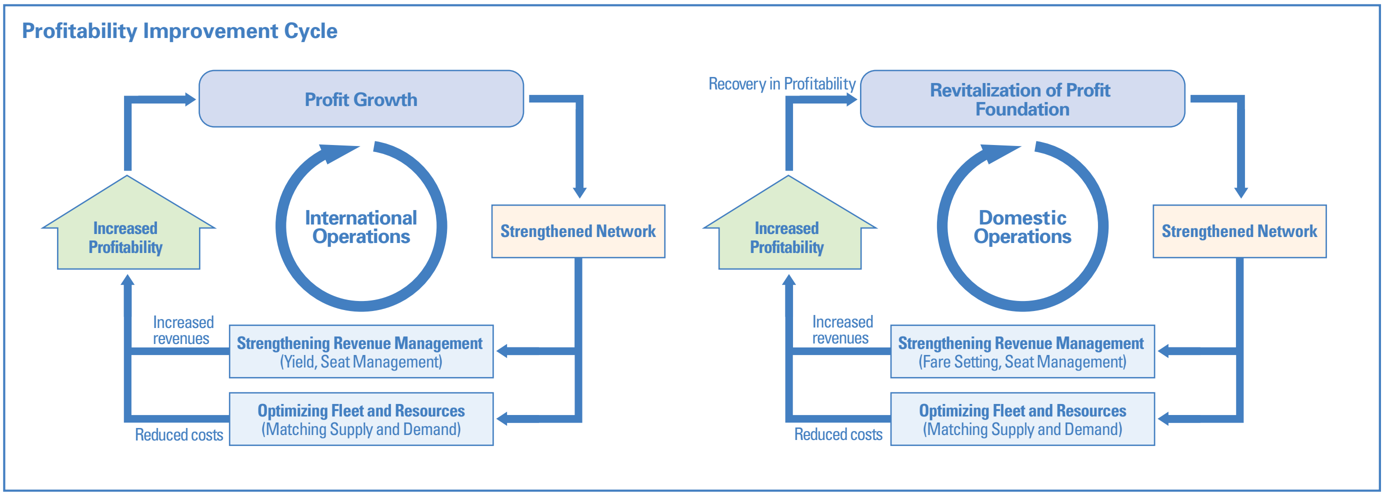


Profitability Improvement Cycle
Profit Growth
International Operations
Strengthened Network
Increased Profitability
Increased revenues
Strengthening Revenue Management
(Yield, Seat Management)
Optimizing Fleet and Resources
(Matching Supply and Demand)
Reduced costs
Recovery in Profitability
Revitalization of Profit Foundation
Domestic Operations
Strengthened Network
Increased Profitability
Increased revenues
Strengthening Revenue Management
(Fare Setting, Seat Management)
Optimizing Fleet and Resources
(Matching Supply and Demand)
Reduced costs

Q3 How will cost structure reform be implemented?

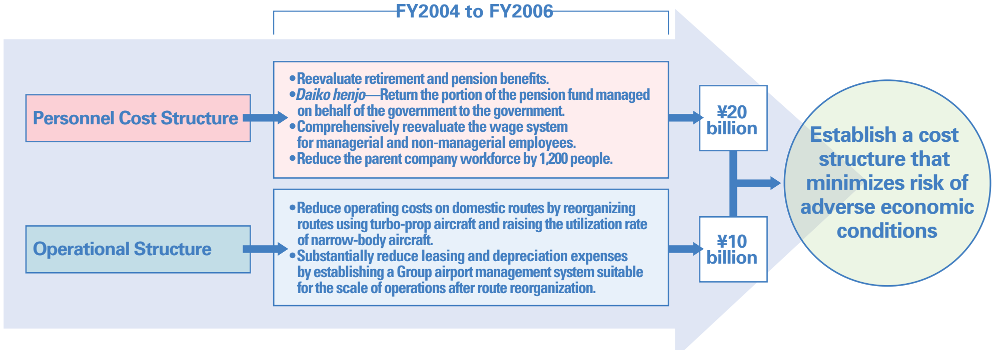
A3 In the airline industry, weak economic conditions result in significant operating risks. Accordingly, to minimize those operating risks, it is essential to establish a corporate constitution that can handle cost fluctuations. To that end, in addition to the Group Corporate Reform Plan that is currently being implemented, we will resolutely implement fundamental cost structure reform over the three-year period ending March 2006.

This cost structure reform has two parts: personnel cost structure and operational structure. In reforming the personnel cost structure, we will implement organizational reforms and reduce the workforce at parent company ANA by 9%, or 1,200 people, from the October 2002 level of 13,400. In addition, we will proceed with other reforms, such as changes to the retirement and pension benefits systems, including a 10% reduction in the level of retirement benefits, and a reevaluation of the wage systems for managerial and non-managerial positions. By returning the portion of the pension fund managed on behalf of the government, called *daiko henjo*, to the government, we will reduce our retirement benefit obligation by ¥100.0 billion. This will reduce the risk of inadequate reserves and stabilize management. Through these reforms, we aim to reduce personnel costs by ¥20.0 billion over three years.

In reforming our operational structure, we will reduce operating expenses on domestic routes by reorganizing routes using turbo-prop aircraft and increasing the utilization rate of narrow-body aircraft. Furthermore, we will reduce leasing and depreciation expenses by establishing a Group airport management system that is appropriate for the scale of our operations after the reorganization of our route network. In addition, we will reduce the number of medium-sized and wide-body aircraft types that we use, decreasing medium-sized aircraft from three types to one, the Boeing 767-300, and wide-body aircraft from four types to three, the Boeing 747-400, the Boeing 777-200, and the Boeing 777-300. Through the implementation of these operational reforms, we plan to add about ¥10.0 billion to profitability. In total, we expect the cost structure reforms to improve profitability by about ¥30.0 billion over three years.

We will also rebuild the operational capacity of Group airlines and increase our cost competitiveness. We will aggressively make use of

Cost Structure Reforms



Reform Theme and Objective

FY2004	FY2005 to FY2006	FY2007 and thereafter

● Reform Theme

Completion of Corporate Reform Plan

Establish a cost structure that minimizes risk of adverse economic conditions

● Objective

Build a solid profit foundation

Profit growth and establishment of a solid financial position

Restart dividend payments

Stable dividends

Implement value creation management

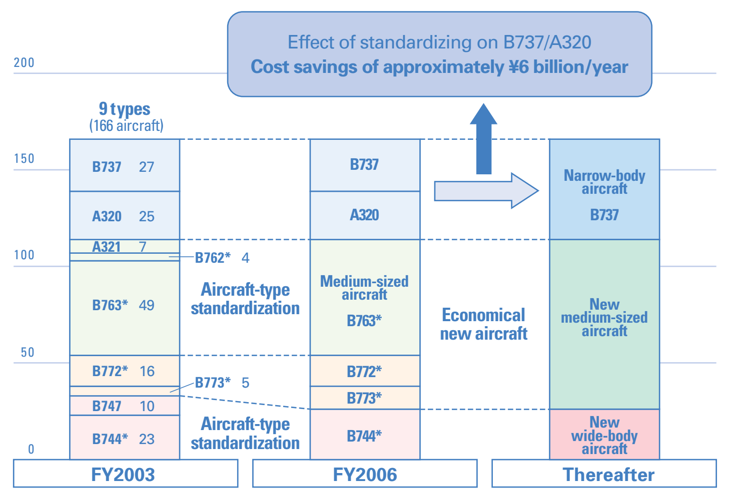
Complete structural reforms targeting new business opportunities

Focused on the Next 50 Years

our strengths as an airline with low-cost operations and work to cut costs further. At the same time, we will achieve a cost level appropriate for the aircraft used by each Group airline and thereby enhance our global competitiveness.

In the fiscal year ending March 2007 and thereafter, we will further develop the Cost Reduction Plan through the continued standardization of aircraft models and the introduction of new aircraft. We will select a single narrow-body aircraft and will shift to more-economical medium-sized and wide-body aircraft, thereby further reducing our operating costs. The ANA Group currently owns 52 Airbus A320 and Boeing 737 narrow-body jets. Following a comprehensive evaluation of such factors as operating costs and suitability for our route network, we have elected to use the B737 Next Generation Series, principally the Boeing 737-700. By standardizing narrow-body aircraft on new models, we anticipate operating cost savings of about ¥6.0 billion a year.

Standardization of Jet Aircraft Types



* B762 = B767-200; B763 = B767-300; B744 = B747-400; B772 = B777-200; B773 = B777-300

Domestic Route Strategy

Q4 How will ANA rebuild the profit cycle on domestic routes?

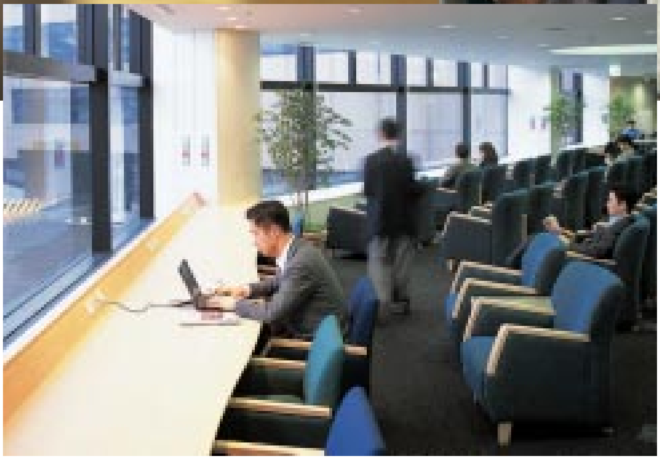
A4 In the year ended March 2003, intense price competition weakened our profitability on domestic routes. In the current fiscal year, the most important issues for ANA will be improving yields and allocating aircraft appropriately.

Accordingly, we will focus on fare setting and seat management and will thoroughly strengthen our revenue management to ensure that we maximize revenues for each flight. Specifically, in July 2003 we increased normal fares on domestic routes by 11%. We will also take steps to improve the quality of our fare structure, such as eliminating commuter tickets with no passenger name that can be used by anyone. We anticipate a slight increase in passenger yields for business and other individual travel as a result of the reevaluation of discount fares and the introduction of PROS (Note 5). For package tours and related travel, we will significantly increase the lowest fares. Passenger numbers will likely decline year on year, but we expect passenger yields to rise significantly. By implementing these strategies, we forecast a 4% increase in passenger yields on a 2% decline in the number of passengers.

To improve profitability on domestic routes, we will respond to demand trends and take steps to raise operating efficiency, such as the full-scale introduction of the wet lease method of sharing aircraft among Group companies so that the Group airline that has the most appropriate aircraft for a route can operate on that route in place of another Group airline. We expect this practice to account for 13.5% of all flights operated by the ANA Group in the year ending March 2004. Also, in November 2003, we will introduce turbo-prop aircraft for use on the short-haul Osaka (Itami)–Kochi route. The aircraft freed up by this measure will be reallocated to other routes, and as a result some of the aircraft currently used on domestic routes will be available for use on the high-profit China routes.

Through the implementation of these revenue and expense management measures, we will work to achieve a recovery in profitability on domestic routes.

Note 5:
PROS (Passenger Revenue Optimization System) is a revenue management system from PROS Revenue Management, of the United States. By using past reservations and boarding data, demand for each flight is forecast and, to maximize revenues per flight, the most appropriate seating allocation is calculated. ANA introduced this system on international routes in the year under review and plans to introduce it on domestic routes in the year ending March 2004.



New DHC8-400 turbo-prop aircraft
from Bombardier Inc., of Canada

Q5 Can ANA achieve consistent profitability on international routes?

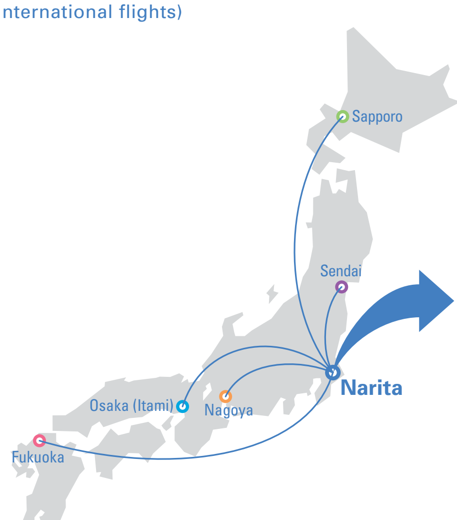
A5 With the opening of the new runway at Narita Airport in April 2002, we were able to expand the scale of our operations and achieve a 10% year-on-year increase in passenger numbers. We reached our goal of building a network with a hub at Narita, and we now offer daily service on North American and European routes and twice-daily service on the Narita–Hong Kong, Narita–Beijing, and Narita–Shanghai routes. Increases in flights on high-profit China routes and in numbers of business class passengers resulted in a significant improvement in our profitability on international routes.

By carefully adjusting our schedule, we were able to raise the convenience of transferring from one international flight to another at Narita, with the percentage of all transfers accounted for by ANA-to-ANA transfers doubling to 10%. Also, to raise the convenience of transferring between domestic and international flights, under the name ANA Connection we established routes linking major domestic airports with Narita and thereby achieved a significant increase in the percentage of customers transferring at Narita, to 7%.

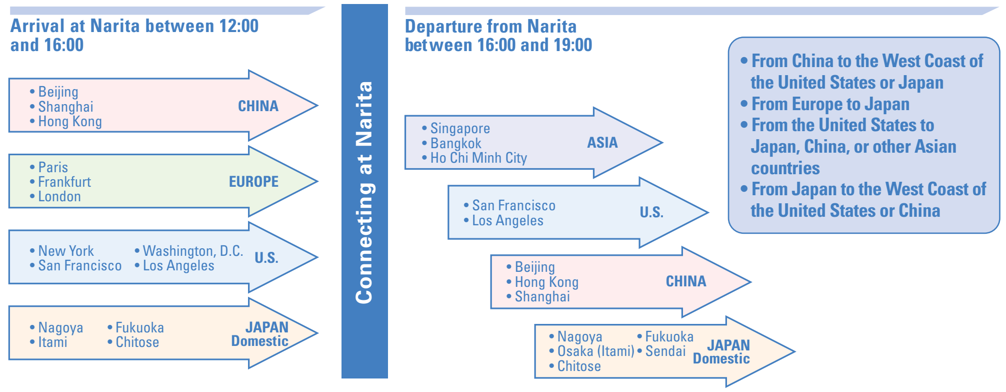
In addition, we are taking such steps as using smaller aircraft in accordance with demand and route characteristics in order to ensure that we are using the most appropriate aircraft. On the Washington, D.C., Los Angeles, and San Francisco routes, we switched from Boeing 747-400s to Boeing 777-200ERs, thereby reducing operating costs and increasing profitability. On short-haul routes, principally Asian routes, we are primarily operating Boeing 767-300ERs. We have eliminated first class service, established the new CLUB ANA ASIA business class, and transitioned to two-class flights. We are also improving our cost competitiveness with the use of AJX, a low-cost airline. To raise profitability on flights to resort destinations in Asia, AJX, which began operations in January 2001, now operates 35 flights a week on five routes. Taking advantage of its low-cost operations, AJX is making a significant contribution to the improvement of the Company's profitability on international routes.

In the future, we will further strengthen revenue management and work to maximize revenues per flight. With the full-scale use of PROS, which was introduced to help us sell more high-yield seats, we have taken an important step toward securing profitability on international routes.

ANA Connection
(connections between domestic and international flights)



Raising the Convenience of Transfers between ANA Flights at Narita (after 12:00)



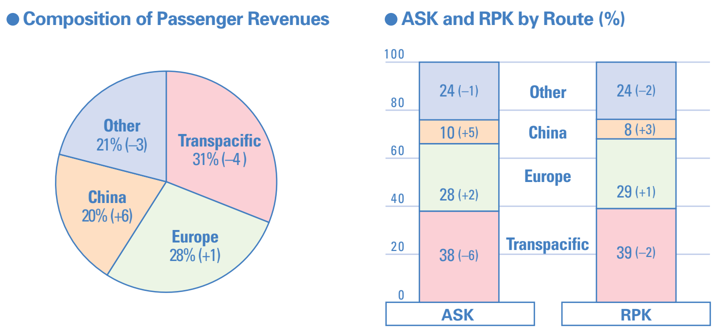
Overview of China Routes

Q6 Would you give us an overview of ANA's China routes, to which the Company is devoting considerable attention?

A6 The China routes are an extremely important part of our international operations. The movement of people and goods between Japan and China has shown notable growth in recent years. In 2002, 3.5 million people traveled between Japan and China, making it Japan's third largest overseas travel market after the United States and South Korea. In trade, with imports from China reaching more than ¥7.7 trillion a year, China has surpassed the United States as Japan's largest source of imports. China has become an important business partner for Japan, and we have positioned China as a key market for ANA. We have established seven routes, principally to coastal cities, which have recorded dramatic growth, and in the summer 2003 schedule we are operating 91 flights a week. In September 2002, we introduced a Boeing 767 freighter that we are using to meet strong cargo demand.

In the year under review, the number of passengers on China routes increased 61%, and the volume of cargo and mail rose 56%. China routes now account for 20% of our passenger revenues and 40% of our profits from international routes. A distinctive feature of the China routes is their extremely high profitability. In the future, we will continue to expand service to China and will pursue an alliance strategy, including tie-ups with Chinese airlines on international routes and on domestic routes in China. We also employ Chinese cabin attendants to ensure that we offer superior service and fares to customers from China. By expanding our network centered on China routes, we will work to improve the profitability of our international operations.

Passenger Data by Route



* Figures in parentheses indicate percentage-point change from the previous year.
* Transpacific includes Honolulu.

* Figures in parentheses indicate percentage-point change from the previous year.

Response to SARS

Q7 The influence of SARS is expected to be considerable in the year ending March 2004. How will ANA respond?

A7 We are concerned that the spread of SARS, principally in Asia, will have a significant effect on the airline industry. Accordingly, we have formulated and are implementing additional profit improvement measures to minimize the reductions in revenues and profits attributable to SARS. We will adjust the scale of our operations by suspending service or reducing flights on international routes where the decline in passenger numbers has been significant and by reducing operating costs through the use of smaller aircraft on domestic routes where demand has been affected. In line with demand trends, we will expand revenues through the use of charter flights on international and domestic routes, and we will work to reduce fuel consumption through carefully considered operating methods. By implementing these measures, we plan to improve profitability by ¥11.0 billion a year. In addition, in August 2003 we will introduce a system of voluntary one-month unpaid leaves for all employees.


CARGO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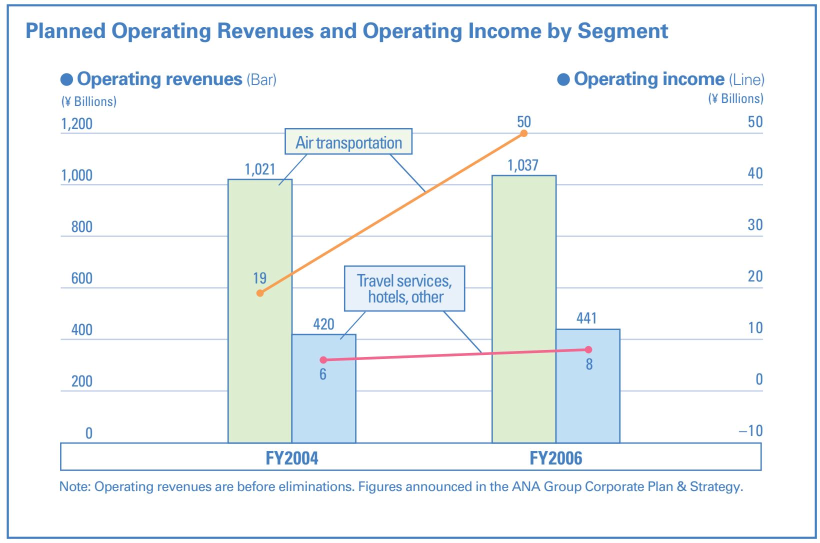
Developments in Related Operations

Q8 What steps will ANA take in hotels and other related operations?

A8 In travel services, hotels, and other related operations, operating revenues in the year ended March 2003 totaled ¥408.8 billion, or 29.2% of Group operating revenues. We will take steps to further strengthen and increase the profitability of our travel services, which are closely linked to our core air transportation operations. With an emphasis on return on investment, we will also strive to improve profitability in hotel, trading, real estate, and other businesses during the period covered by the Group Corporate Reform Plan.

In hotels, we have completed our withdrawal from the overseas hotel business with the sale of our hotels in Vienna and Sydney. Domestically, we are following a policy of separating ownership and operation, and in March 2001 we securitized ANA Hotel Tokyo. We will raise funds through the sale or securitization of other domestic hotels and reduce interest-bearing debt. In addition, we will continue to reorganize hotel operations by function, and we plan to complete the process of moving hotel assets off the balance sheet by March 2006. To improve management capabilities, ANA Hotels Co., Ltd., which provides chain hotel headquarters functions, will promote operating efficiency by establishing a hotel management system and introducing it into all hotels. We will strengthen each hotel's facilities and products and increase gross operating profit (GOP), or profit before interest expenses, depreciation, and amortization. We will also target value creation, reduce investment risk, and work to improve the profitability of our hotel operations.



Note: Operating revenues are before eliminations. Figures announced in the ANA Group Corporate Plan & Strategy.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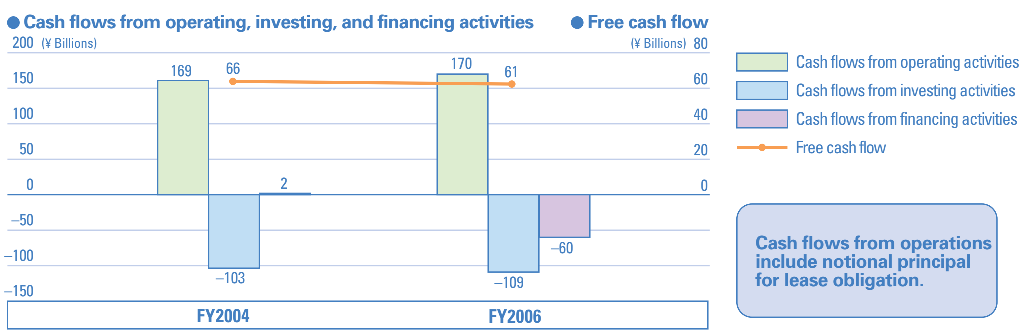
ANA SQUARE
travel Smap
ANA SQUARE

Capital Expenditure Plans, Financial Strategy

Q9 Please tell us about ANA's capital expenditure plans. What changes will we see in interest-bearing debt?

A9 Under the ANA Group Corporate Plan & Strategy for the three-year period ending March 2006, we project capital expenditure of ¥420.0 billion. We will focus our management resources on investment that is essential to air transportation; capital expenditure, principally for the replacement of aircraft; and investment in information systems. Over the three-year period covered by the plan, funds needed for capital investment are forecast to be covered by operating cash flows. At the end of March 2003, the balance of interest-bearing debt, including off-balance-sheet liabilities, in real terms was ¥1,285.0 billion, but by March 2006, we plan to reduce it to ¥1,134.0 billion through the sale of assets and other measures.

Cash Flows



(¥ Billions)

	FY2004	FY2006
Capital expenditure	¥131	¥140
Depreciation and amortization	64	67
Principal for lease	60	64

Note: Figures announced in the ANA Group Corporate Plan & Strategy.

Shareholder-Centered Management, Capital Policy

Q10 How will ANA implement shareholder-centered management?

A10 Due to the SARS outbreak and other factors, passenger demand on international routes is expected to remain sluggish for the near future, and due to Japan's weak economy significant growth in demand on domestic routes cannot be expected. Nonetheless, there is no question that demand on international routes, especially on routes to China and other Asian destinations, will increase in line with economic growth. We also expect demand on domestic routes to be stable.

In this setting, in accordance with the Cost Reduction Plan, the ANA Group will resolutely implement fundamental cost structure reforms over the three-year period ending March 2006.

I believe that in an operating environment marked by the terrorist attacks in the United States, the war in Iraq, and the SARS outbreak it is important that we increase capital. We will also develop a plan to strengthen shareholders' equity. I will do my utmost to see that we achieve a recovery in profitability, strengthen our financial position, and meet the expectations of our shareholders.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