

# ANA Announces First Half Results for FY 2001\*

Consolidated Operating Revenue ¥638.7 Billion,  
Consolidated Recurring Income ¥31.9 Billion

**November 22, 2001** – ANA (All Nippon Airways Co., Ltd., TSE 9202), announced its consolidated and non-consolidated financial results for the first half of fiscal year 2001 and forecast for the full fiscal year 2001, which ends March 31, 2002.

During the period, ANA Group airlines – All Nippon Airways Co., Air Nippon Co. (ANK), Air Japan Co. (AJX), and Air Hokkaido Co. (ADK) – carried approximately 26 million passengers: 24 million on domestic routes and 2 million on international routes.

Adverse conditions such as declines in private capital expenditure, which had been on the rise through the previous period, a sharp reduction in exports due to a slowdown in the global economy and a deterioration of corporate profitability have severely burdened the Japanese economy. And although personal consumption remained relatively steady, household income ran below the previous year's level and the unemployment rate reached record highs.

Under these circumstances, ANA's consolidated operating revenue for the interim period totaled ¥638.7 billion (down 1.9%\*\*), operating income ¥44.1 billion (down 27.5%\*\*), and recurring income ¥31.9 billion (down 40.6%\*\*). Net income came to ¥16.8 billion (down 47.3%\*\*) after adjustments in corporate tax and tax effect accounting.

On an unconsolidated parent company basis, operating revenue came to ¥490.1 billion (down 1.2%\*\*), operating income ¥35.7 billion (down 29.7%\*\*), recurring profit ¥24.8 billion (down 45.9%\*\*) and net income was ¥10.7 billion (up 6.3%\*\*) after appropriating losses resulting from the evaluation of affiliated companies.

## FY 2001\* Forecast

For the second half of the current fiscal year there is ample concern that the decline in exports that began at the outset of the first half will accelerate and slowly effect domestic demand, in addition to indications that personal consumption will deteriorate and high unemployment levels will contribute to a worsening of the economy. Complicating the situation, economic repercussions from the September 11 attacks have had a global impact, lending a higher degree of unpredictability to the future.

On domestic operations, a continued economic slump is feared to reduce demand for travel, especially amongst business passengers and no near-term solution is in sight for reversing the drastic decline in the number of international passenger traffic.

It is in this environment that ANA forecasts consolidated figures for the year ending March 2002 will show revenue of ¥1,190 billion, recurring loss of ¥15 billion and net loss of ¥11 billion.

\* Ending March 31, 2002

\*\*Comparisons are year-on-year

# Corporate Performance

## 1. Overview

During the six-month period under review, difficult circumstances surrounded the Japanese economy, such as a decline in plant investment, which had been on the rise through the previous period, as the global economic slowdown sharply reduced exports and deteriorated corporate profitability. Even though personal consumption remained relatively steady, household income ran below the previous year's level, while the unemployment rate reached a record high.

Under these circumstances, ANA's consolidated operating revenue during the six months totaled ¥638.7 billion (down 1.9% from the same period of the previous year), operating income ¥44.1 billion (down 27.5%), and recurring income ¥31.9 billion (down 40.6%). Net income came to ¥16.8 billion (down 47.3%), adjustments of corporate taxes and tax effect accounting.

On an unconsolidated parent company basis, operating revenue during the six months came to ¥490.1 billion (down 1.2% from the same period of the previous year), operating income ¥35.7 billion (down 29.7%), recurring income ¥24.8 billion (down 45.9%) and net income ¥10.7 billion (up 6.3%) after appropriating losses resulting from evaluation of affiliated companies.

Operating Results by Business Segment  
(Sales figures include inter-segment sales.)

### Air Transportation

The number of passengers on the domestic routes during the six months under review showed an increase over the corresponding period of the previous year, as the airline industry continued their endeavors to stir up demand by offering various discounts in a timely manner. On the international operations, however, the global economic slowdown, especially

in the U.S., began to take effect. The impact was felt particularly in international cargo service, due to a sharp decline in demand for goods related to information technology. The terrorist attacks in the U.S. on September 11 have resulted in a drastic decline in the number of international travelers, dealing a serious blow to all airlines.

On the domestic front, ANA has coped flexibly with changes in the passenger demand through by increasing the number of Tokyo – Osaka shuttle flights and the Tokyo-Fukuoka flights, reducing or suspending flights on unprofitable routes, and transferring the flights on certain routes to Air Nippon Co., Ltd. All these measures are aimed at improving profitability through the restructuring of domestic air transport operations according to market demand.

In international operations, network restructuring was implemented to increase revenue. As a result, the number of flights between Tokyo and Asian cities was increased from late March, international flights from Fukuoka were suspended, and some of flights from Osaka to Asian cities were shifted to Tokyo.

As a result, operating revenue from the air transportation business fell by 1.9% from the same period of the previous year to ¥524.7 billion, and operating income was down by 29.9% to ¥38.8 billion.

Air Nippon Co., Ltd., a member of the ANA group, meanwhile, purchased one Bombardier DHC8-300 aircraft, and acquired two Boeing 737-500s and one Boeing 737-400 under the operating lease arrangements.

### **Domestic Passenger Service**

In expectation of new business opportunities coming during the next fiscal year with a further expansion of take-off and landing capacity at Haneda Airport, ANA has implemented a number of programs to make the entire group more profitable by optimizing flight frequencies under the management strategy themes “selection and concentration” and “maximum

utilization of managerial resources.” They included adding one flight each to the Tokyo-Osaka shuttle service and the Tokyo-Fukuoka route, and suspension, reduction and transfer of flights on certain routes. Offering promotional fares on a continuous basis was another measure taken to allure more passengers. For example, the number of days on which the *Chowari* discount was made available during the six months under review was increased to 27 compared with 18 during the comparable period of the previous year. As a result, the passengers flying with the group companies using this discount increased to 1,070,000 from 440,000, respectively. In April, the “V-NAVI” automatic response system was adopted as the result of a customer suggestion, enabling customers to make reservations and receive information around the clock. In June, the entire procedures from making reservations to purchasing tickets to boarding were made simpler and more expeditious, which has contributed to strengthening ANA’s competitiveness. Specifically, the time limit on advance ticket purchase was abolished, and the new service called “Raku-nori” was introduced which enable passengers to check in without obtaining tickets. Package tours like “ANA’s Paradise Okinawa” and “ANA’s Adventure Hokkaido” were newly introduced, and proved very popular.

These and other measures resulted in a 5.2% increase in the number of passengers on domestic routes to 23,920,000, and a 1.4% gain in revenue to ¥351.1 billion.

### **Domestic Cargo and Mail Service**

The volume of domestic cargo handled by ANA during the six months fell short of the level of the same period of the previous year, as growth in home delivery cargo service and fresh seafood was offset by sluggish demand for information technology-related cargo and a drop in domestic shipment of export-import goods. The decrease in domestic cargo was further exacerbated by a shift to land transport modes, following the terrorist attacks in the U.S. on September 11.

As for mail, a partial introduction of the tender system in July caused a

small drop in per-unit prices, but ANA took advantage of a rise in the overall demand brought about by the House of Councillors election in July and concentration of direct mail related to selection of telephone companies.

As a result, volume of cargo handled by ANA in the six-month period under review decreased by 7.5% from the corresponding period of the previous year to 195,000 tons and revenue was down by 8.4% to ¥12.6 billion. The respective figures for mail were 40,000 tons (up 10.3%) and ¥5.4 billion (up 10.3%).

### **International Passenger Service**

In the international passenger service sector, a new route between Tokyo and Ho Chi Minh City was opened and some of Osaka-Guam operations were transferred to Air Japan Co., Ltd. both as from the end of March. Further steps were taken to increase the revenue, such as reopening of the Tokyo-Seoul route and suspension of overseas flights originating from Fukuoka. In August, more routes were added to the code-share operation with Air Canada, and in September, a new code-sharing scheme was launched with British Midland. These steps have served to further expand international passenger service network. ANA has also been actively operating international chartered flights from Haneda Airport since the airport was opened to such services in February.

In an attempt to attract family and group travelers during the summer months through further diversification of fares and programs, ANA introduced in June a bargain discount fare to the U.S. continent, Hawaii and Guam under the name of "Ima-Dake G.E.T." available on flights originating from Japan on designated days. Other programs included "ANA's Pika-Natsu Campaign" which was launched last year combining international and domestic flights, and the newly launched "Universal Studio Orlando Tie-up Campaign" and "Grand Circle Campaign."

Despite these efforts, the number of passengers on international routes declined sharply from the comparable period of the previous year, as the

profitability factor led to suspension of flights between Osaka and European cities and the terrorist attacks in the U.S. played havoc with the airline industry.

The number of international passengers during the half-year period under review fell by 12.2% to 1,960,000 and revenue by 9.2% to ¥99.8 billion.

### **International Cargo and Mail Service**

The economic slowdown in the U.S., the global recession in the information technology industry and the aftermath of the terrorist attacks in the U.S. have caused a sharp decline in shipments of IT-related goods, semiconductors and machinery to all destinations except China, as compared with the corresponding period of the previous year. Imports to Japan were also down, especially from North America, due mainly to the weakening value of the yen currency and sluggish domestic consumption, although import of fresh foods remained steady. Shipments from Asia, especially of IT-related items, suffered a major setback, particularly noteworthy being a decline in Asian products destined to North America. Imports from Europe, which sustained a high level at the outset of the period under review, tended to fall off toward the end of the term. In contrast, there has been a steady increase in imports from China, which has strengthened its position as the world's manufacturing center. In a bid to respond to the needs of the customers and corporations for expeditiousness and reliability, ANA in April expanded the "PRIO" international priority service by dividing it into "PRIO EXPRESS" for small volume shipments and "PRIO FREIGHT" for large volume shipments.

The reduction of flights between Osaka and China in the autumn of last year resulted in a sharp drop in mail carried by ANA between the two countries, but there was a steady growth in long-distance mail coming from the U.S. and other countries.

Volume of cargo handled in the six months totaled 75,000 tons, down 23.3% from the same period of the previous year, and revenue ¥16.3 billion,

down 19.2%. The respective figures for mail were 3,000 tons, down 8.5%, and ¥1.0 billion, up 3.8%.

### **Incidental and Other Revenues**

The ANA Group worked to expand revenues from other sources such as providing other airlines with passenger check-in, baggage loading and other ground support services as well as increasing in-flight sales. Despite these efforts, partial termination of entrusted handling agreement with other airlines resulted in a decline of 1.3% to ¥38.2 billion.

### **Travel Services**

In the travel service sector, the “a-tour,” which was launched during the previous fiscal year, continued to be popular as it enables customers to use Internet web sites to make inquiries and reservations for both domestic and overseas tours.

Domestic tours suffered setbacks during the previous fiscal year because of such factors as the volcanic eruption of Mt. Usu and the tight security imposed on the occasion of the G-8 summit meeting held in Okinawa. During the six months under review, however, package tours scored big gains in terms of both the number of participants and the value of sales, due partly to the opening of Universal Studio Japan and Tokyo Disney Sea. A sharp increase was also recorded in the sale of “Tabi-Make” tour aimed at individuals.

Overseas tours also fared well. Especially popular product was a newly introduced tour to Europe in which the participants travel by business class and a deluxe “Super Vistana” tour bus. Holding of seminars on ancient China and the first chartered flight from Hanada to Urumqi were among major sales promotion campaigns which served to boost tours to China.

Unfortunately, however, these efforts could not fully cover the adverse

impact resulting from the suspension and reduction of flights on unprofitable routes, the aftermath of the terrorist attacks in the U.S., and suspension of the code-sharing program with Ansett Australia, which went bankrupt. As a result, revenues from overseas tours fell short of the level achieved in the same period of the previous year.

Thus, although operating revenues from travel services increased 10.7% to ¥84.1 billion, operating profit was down 56.5% to ¥0.6 billion due partly to the expansion of the ticketless services and other direct sales.

## **Hotel Business**

During the six months under review, the ANA Hotels welcomed four new members: Nagasaki ANA Hotel Glover Hill in April under the franchise system, Guam Hotel Okura in April under the referral system, ANA Hotel Clement Takamatsu in May under the franchise system, and Thallaso-Shima ANA Hotel & Resort in August under the management system.

ANA continued to pursue the restructuring plan of the domestic hotel business adopted in the preceding fiscal year, which called for separation of ownership and operation. In April, operation of ANA Hotel Tokyo was transferred to ANA Hotel Tokyo Co., Ltd., clarifying the accountability and individual roles and improving efficiency. In a bid to elevate the value of the facilities at the flag-ship ANA Hotel Tokyo, its banquet rooms and entrance lobby were thoroughly renovated starting in July and were reopened in September.

Continued efforts were made to respond to robust demand and marketing needs as well as to control expenditure properly at overseas hotels. As a result, both the Sydney and Vienna hotels performed remarkably.

Nevertheless, revenue from the hotel business during the six months fell by 4.2% to ¥39.6 billion, and operating income by 96.5% to ¥80 million, due to renovation at the ANA Hotel Tokyo and the ANA Hotel Hakata, the slowdown of the U.S. economy, and the effect of the terrorist attacks.

## **Other Businesses**

ANA Trading Co., Ltd., scored a gain in revenue during the six months under review compared with the same period of the previous year, due to increased sale of aircraft parts.

Revenue of Infini Travel Information Co., Ltd., which provides a reservation and ticketing system for international flights, fell short of the level of the same period of the previous year as ANA and its affiliated airlines reduced the number of flights.

ANA Information Systems Planning Co., Ltd., which develops, maintains and operates information systems, posted record revenue and operating income, due to the receipt of orders from the Group companies for large-scale system development, expansion of the scope of its maintenance and operation activities, and increased sale to customers outside the ANA Group. In June, the Internet-related department of ANA Business Create Co., Ltd., was transferred to another entity, as part of a program to consolidate a system for supporting and promoting electronic commerce within the Group.

ANA Real Estate Co., Ltd., which conducts the sale, rental and management of real estate, renovated a number of buildings to strengthen their market competitiveness, successfully maintaining high occupancy ratios at office buildings. The company also performed well in the subleasing of housing facilities, broadening its activities to cover dormitories and company houses not only for the Group companies but also for those outside of the Group. This has resulted in a sharp increase in its operating income.

The performance of these other businesses during the six months showed that the revenue was up 2.3% to ¥92.8 billion and the operating income up 18.5% to ¥3.6 billion.

## **2. Cash Flow**

Cash flow from operating activities during the six months showed a net inflow of ¥62.9 billion, which was down ¥51.4 billion from the same period of the previous year. This was due to factors such as a ¥12.3 billion decrease in net income for the period before income taxes and others, a decrease in evaluation losses of securities not involving cash outflow, and a fall in the amount added to the net income for the period before income taxes and others. Also contributing to the sharp decrease in the cash flow from operating activities as compared with the same period of the previous year were a big drop in the cash inflow resulting from an increase in the balance of accounts payable and increased payments of corporate taxes.

In cash flow from investment activities, the expenditure totaled ¥51.5 billion for advance payment for aircraft to be delivered in the ensuing fiscal year, purchase of spare engines and other spare parts, and acquisition of tangible fixed assets mainly for renovation of hotel facilities. As a result, the outflow increased by ¥11.3 billion from the same period of the previous year to ¥50.4 billion. The increase came mainly from investments related to aircraft.

As regards cash flow from financial activities, a straight bond worth ¥20 billion was issued. But the outflow increased by ¥8.8 billion from the same period of the previous year to ¥20.6 billion, as efforts were made to reduce long-term borrowings by moving up debt repayments by both the parent company and consolidated subsidiaries.

As a result, the balance of cash and cash equivalents at the end of the six-month period under review stood at ¥200 billion, a decrease of ¥7.7 billion.

## **3. Forecast for the fiscal 2001 ending March 2002**

It is feared that during the second half of the current fiscal year, the

decline in exports which started at the outset of the year be accelerated, making the domestic demand all the more sluggish and adversely affecting the economy further. The overall economy continues to deteriorate as personal consumption shows a sign of tapering off and the unemployment rate remains at a record high level. To further complicate the situation, the economic impact of the terrorist attacks in the U.S. is likely to be felt globally, making it all the more difficult to forecast for the future.

The Japanese airline industry is faced with two unfavorable prospects: on the domestic scene, the continued economic slump is feared to reduce demand especially among business travelers; and on international routes, no near-term solution is in sight for reversing the drastic decline in the number of travelers, particularly on the Transpacific routes, which started with the terrorist attacks in the U.S..

Since September, the ANA Group have been faced with added burdens resulting from higher insurance premiums and tighter security. This has forced the Group to pass a part of such burdens to both domestic and international customers in the form of a special fee for air travel insurance starting in November.

In a determined bid to make both ends meet on international route, ANA will drastically revise flight schedules from November to keep pace with changing demand. Specifically, the service on the sluggish North American routes will be reduced with suspension of the Tokyo-Chicago route and use of smaller aircraft on the Tokyo-Washington D.C. route. At the same time, the service to China and Korea will be strengthened with an increased number of flights on the Tokyo-Dalian, Tokyo-Seoul and Osaka-Qingdao routes, and introduction of larger aircraft to fly between Osaka and Shanghai. Meanwhile, cost-cutting measures that have already shown tangible results will be pursued further, and new programs to further reduce costs will be introduced. During the next fiscal year, ANA will have major business opportunities when the take-off and landing capacities will be increased at both Narita and Haneda Airports. It is incumbent on the ANA Group to take full advantage of these opportunities and work steadily toward improving its profitability.

The travel service, hotel and other businesses have been impacted by the terrorist attacks in no small measure, and that impact is likely to linger on for some time to come. It is essential for these businesses, therefore, to make further endeavors to promote sales, reduce costs and raise profits.

As of this moment, it appears that the consolidated figures for the year ending in March 2002 will show revenue of ¥1,190 billion, recurring loss of ¥15.0 billion and net loss of ¥11 billion.

**(1) Consolidated Balance Sheets***Unit: ¥ million*

<b>Assets</b>	Interim 2001 As of 9.30.01	Fiscal 2000 As of 3.31.01	Interim 2000 As of 9.30.00
<b>Current assets</b>	404,315	419,296	519,093
Cash and deposits	140,533	152,755	223,019
Trade accounts receivable	91,883	103,652	99,779
Marketable securities	49,026	56,564	77,940
Inventories	57,307	51,752	50,816
Deferred tax assets	10,063	8,791	8,939
Other current assets	55,975	46,412	59,214
Allowance for doubtful accounts	(472)	(630)	(614)
<b>Fixed assets</b>	1,059,289	1,030,045	1,084,154
[Tangible fixed assets]	[871,606]	[849,351]	[881,353]
Buildings and structures	212,183	211,632	232,293
Aircraft	448,971	441,796	430,577
Land	120,446	120,382	146,028
Construction in progress	43,760	28,071	20,892
Other tangible fixed assets	46,246	47,470	51,563
[Intangible fixed assets]	[31,844]	[31,939]	[25,507]
[Investments and others]	[155,839]	[148,755]	[177,294]
Investment securities	64,106	63,660	77,050
Deferred tax assets	21,037	16,387	25,152
Other investments	74,842	72,786	77,176
Allowance for doubtful accounts	(4,146)	(4,078)	(2,084)
<b>Deferred assets</b>	1,902	2,079	2,417
<b>Total assets</b>	1,465,506	1,451,420	1,605,664

<i>Unit: ¥ million</i>			
<b>Liabilities</b>	Interim 2001 As of 9.30.01	Fiscal 2000 As of 3.31.01	Interim 2000 As of 9.30.00
<b>Current liabilities</b>	452,864	425,786	505,347
Trade accounts payable	137,855	137,026	131,219
Short-term loans	82,307	82,165	99,537
Current portion of long-term debt	62,686	63,354	91,300
Current portion of bonds payable	50,000	30,000	33,000
Bonus payment reserve	15,132	14,169	13,962
Other current liabilities	104,884	99,072	136,329
<b>Long-term liabilities</b>	836,866	868,784	978,205
Bonds payable	353,509	353,829	409,431
Long-term loans payable	373,942	406,382	466,178
Accrued employees' retirement benefits	83,727	77,668	74,802
Other long-term liabilities	25,688	30,905	27,794
<b>Total liabilities</b>	1,289,730	1,294,570	1,483,552
<b>Minority interest</b>	13,314	6,350	2,283
<b>Shareholders' equity</b>			
Common stock	86,239	86,079	73,279
Capital surplus	104,232	104,072	91,272
Deficit on consolidation	12,379	24,004	32,036
Unrealized holding gains (losses) on securities	(21)	1,497	2,035
Foreign currency translation adjustment	(14,927)	(16,460)	(14,397)
Treasury stock	(682)	(684)	(324)
<b>Total shareholders' equity</b>	162,462	150,500	119,829
<b>Total liabilities, minority interest and shareholders' equity</b>	1,465,506	1,451,420	1,605,664

*Note: Accumulated depreciation: Interim 2001: 880,709 million, Fiscal 2000: 861,808million,  
and Interim 2000: 874,571 million*

**(2) Consolidated Statements of Income (Loss)***Unit: ¥ million*

	Interim 2001 As of 9.30.01	Interim 2000 As of 9.30.00	Fiscal 2000 As of 3.31.01
<b>Recurring Profit</b>			
<b>Operating revenues and expenses</b>			
Operating revenues	638,722	650,961	1,279,635
Operating expenses	462,761	458,926	934,376
Sales, General and administrative expenses	131,772	131,095	263,016
<b>Operating income</b>	<b>44,189</b>	<b>60,940</b>	<b>82,243</b>
<b>Non-operating income and expenses</b>			
<b>Non-operating income</b>	<b>14,385</b>	<b>22,915</b>	<b>41,500</b>
Interest income	3,283	3,784	8,199
Other	11,102	19,131	33,301
<b>Non-operating expenses</b>	<b>26,661</b>	<b>30,104</b>	<b>60,206</b>
Interest expenses	14,554	18,200	35,079
Other	12,107	11,904	25,127
<b>Total Recurring Profit</b>	<b>31,913</b>	<b>53,751</b>	<b>63,537</b>
<b>Extraordinary Gains and Losses</b>			
<b>Extraordinary gains</b>	<b>1,177</b>	<b>67</b>	<b>19,202</b>
Gains on sales of fixed assets	50	4	13,270
Gain on sale of investment securities	1,127	—	1,457
Other	—	63	4,475
<b>Extraordinary losses</b>	<b>1,180</b>	<b>9,571</b>	<b>19,450</b>
Valuation loss on investment securities	239	3,950	4,011
Loss on sale of investment securities	6	1,765	4,749
Special retirement benefit	507	426	1,216
Loss on sale of fixed assets	33	323	2,541
Loss on removal of fixed assets	230	—	295
Other	165	3,107	6,638
Net income before taxes	31,910	44,247	63,289
<b>Corporate, inhabitant and enterprise tax</b>	<b>19,824</b>	<b>18,983</b>	<b>17,888</b>
<b>Deferred taxes</b>	<b>(5,548)</b>	<b>(6,519)</b>	<b>1,263</b>
<b>Minority interest (loss)</b>	<b>809</b>	<b>(152)</b>	<b>3,852</b>
<b>Net income</b>	<b>16,825</b>	<b>31,935</b>	<b>40,286</b>

### (3) Consolidated Statements of Surplus

Unit: ¥ million

	Interim 2001 As of 9.30.01	Interim 2000 As of 9.30.00	Fiscal 2000 As of 3.31.01
<b><u>Deficit on consolidation at the beginning of period</u></b>	24,004	64,379	64,379
<b><u>Decrease in deficit on consolidation</u></b>	—	1,065	1,254
Decrease resulting from excluded subsidiaries and affiliates	—	1,065	880
Decrease resulting from consolidated subsidiary's merger with unconsolidated Subsidiaries	—	—	216
Decrease resulting from changes in equity interest in subsidiaries and affiliates	—	—	95
Decrease resulting from newly consolidated subsidiaries and affiliates	—	—	63
<b><u>Increase in deficit on consolidation</u></b>	5,200	657	1,165
Increase resulting from changes in equity interest in subsidiaries and affiliates	5,156	647	1,155
Increase resulting from excluded affiliates treated under the equity method	35	—	—
Directors bonus	9	10	10
<b>Net income</b>	16,825	31,935	40,286
<b>Deficit on consolidation carried forward</b>	12,379	32,036	24,004

#### (4) Consolidated statement of Cash flows

	Interim 2001 As of 9.30.01	Interim 2000 As of 9.30.00	Unit: ¥ million Fiscal 2000 As of 3.31.01
<b>I. Cash flows from operating activities</b>			
Net income before taxes	31,910	44,247	63,289
Depreciation	29,643	28,473	59,333
Gain and loss on sale of fixed assets, loss on removal fixed assets (Net)	900	2,370	(3,481)
Gain and loss on sale, and revaluation of marketable securities (Net)	(890)	6,436	9,138
Increase (Decrease) in employee's retirement benefits	6,100	—	—
Interest expenses	14,554	18,200	35,079
Interest and dividends income	(3,718)	(4,406)	(9,537)
Currency loss (gain)	1,235	1,198	(2,043)
Decrease (Increase) in trade accounts receivable	11,551	(7,746)	(10,838)
Decrease (Increase) in other receivable	(1,287)	(13,100)	3,114
Increase (Decrease) in trade accounts payable	1,030	21,159	26,015
Others	(4,447)	28,279	4,583
Sub-total	86,581	125,110	174,652
Interest and dividend received	3,714	4,406	9,537
Interest paid	(14,510)	(18,100)	(35,615)
Corporation and other taxes paid	(14,000)	(4,159)	(7,159)
Others	1,102	7,035	7,381
Net cash provided by (used in) operating activities	62,887	114,292	148,796
<b>II. Cash flows from investing activities</b>			
Payment for acquisition of tangible fixed assets	(51,507)	(35,854)	(89,254)
Proceeds from sale of tangible fixed assets	2,227	2,989	59,745
Payment for acquisition of intangible fixed assets	(3,074)	(2,670)	(3,058)
Proceeds from sale of investment securities	1,592	4,748	22,012
Payment for lending	(2,592)	(4,657)	(6,887)
Proceeds from collection of loans	5,831	1,909	3,797
Others	(2,862)	(5,569)	(4,319)
Net cash provided by (used in) investing activities	(50,385)	(39,104)	(17,964)
<b>III. Cash flows from financing activities</b>			
Increase (Decrease) in short-term loans	94	(2,735)	(19,780)
Repayment of financing lease liabilities	—	(579)	(4,252)
Proceeds from long-term loans	7,961	32,006	35,608
Repayment of long-term loans	(44,378)	(49,844)	(146,014)
Proceeds from issuance of bonds	19,904	39,321	39,321
Redemption of bonds	—	(30,000)	(63,000)
Others	(4,136)	118	(242)
Net cash provided by (used in) financing activities	(20,555)	(11,713)	(158,359)
<b>IV. Effect of exchange rate changes on cash and Cash equivalents</b>	340	(1,186)	(3,093)
<b>V. Net increase(decrease) in cash and cash equivalent:</b>	(7,713)	62,289	(30,620)
<b>VI. Cash and cash equivalents at the beginning of the Period</b>	207,717	237,440	237,440
<b>VII. Effect of changes in scope of consolidation on cash and cash equivalents</b>	—	(531)	897
<b>VIII. Cash and cash equivalents at the end of period</b>	200,004	299,198	207,717

Note

Cash and cash equivalents at the end of the period and correlation with the amounts stated in consolidated balance sheets

	Interim 2001 As of 9.30.01	Interim 2000 As of 9.30.00	Fiscal 2000 As of 3.31.01
	Balance at the end of period	Balance at the end of period	Balance at the end of period
	Cash and cash equivalents in the amount on the left	Cash and cash equivalents in the amount on the left	Cash and cash equivalents in the amount on the left
Cash and deposits	140,533	223,019	152,755
Marketable securities	49,026	77,940	56,564
Other current assets	55,975	—	—
Cash and cash equivalents	<u>200,004</u>	<u>299,198</u>	<u>207,717</u>

## **(5) Summary of significant accounting policies**

### **1. Scope of consolidation**

(1) Consolidated subsidiaries: 113

(2) Non-Consolidated subsidiaries: 38

### **2. Affiliates treated under the equity method**

(1) Subsidiaries and affiliates treated under the equity method: 28 (Non-consolidated subsidiaries: 6, Affiliates: 22)

(2) Affiliates not treated under the equity method: 60 (Non-consolidated subsidiaries: 32, Affiliates: 28)

(3) Changes in subsidiaries and affiliates treated under the equity method

Excluded affiliates treated under the equity method: M.C. MATES OSAKA CO., LTD., MATES HOKKAIDO CO., LTD., MC MATES KYUSYU CO., LTD., TOHOKU M.C. MATES CO., LTD. (Exclusion by sale of stocks)

### **3. Settlement terms of consolidated subsidiaries**

Consolidated subsidiaries below differ the settlement terms from the date of September 30. Their financial statements are employed without adjustment.

WINGLET CO., LTD. and other 14 subsidiaries ..... June 30.

GDP CO., LTD. and other 2 subsidiaries ..... July 31.

ANA SUB ONE CO., LTD ..... August 10.

The accounts of ANA SUB TWO CO., LTD. and AWT OCEANIA PTY LTD. are adjusted to reflect financial position and operating results as of the end of September 30.

### **4. Significant accounting practices**

(1) Valuation of principal assets and valuation method

Inventories are stated at cost, cost being determined by the moving average method.

Marketable securities are primarily stated at market value on balance sheet date and unrealized gains and losses are recognized in statement of earnings.

Investment securities are primarily stated at market value on balance sheet date and unrealized gains and losses are recognized in shareholders' equity, excluding not having market price stated at cost.

(2) Depreciation of principal fixed assets

#### **Tangible fixed assets:**

Aircraft: Depreciation is computed primarily by the straight line method.

Building: Depreciation is computed primarily by the straight line method.

Other tangible fixed assets: Depreciation is computed primarily by the declining balance method.

**Intangible fixed assets:** Depreciation is computed primarily by the straight line method.

(3) Appropriation to principal reserves

Allowance for doubtful accounts: Generally, allowance for doubtful accounts is calculated based on the actual ratio of doubtful accounts losses incurred. For specific accounts with higher possibility of doubtful accounts loss, the allowance is determined by independent judgement.

Bonus payment reserve: Bonus payment reserves are provided for the expected payment of bonuses for the current fiscal year.

Accrued employee's retirement benefits: The liability for the employees retirement benefits is provided for the present value of post-employment benefit obligations. The unfunded liabilities as for April 1, 2000, are ¥110,498 million and are amortized over 15 years.

(4)Accounting for deferred assets

Bond issue expenses are amortized over a three year period in accordance with the provisions of the Commercial Code.

Development costs are amortized over a five year period in compliance with the Provisions of the Commercial Code.

(5)Translation of foreign currency denominated assets and liabilities into Japanese yen  
foreign currency denominated assets and liabilities are translated at the exchange rate as of the date of balance sheet.

(6)Accounting for leases

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees, are accounted by the method similar to operating lease method.

#### **5. Scope of funds(Cash and cash equivalents) for the cash flow statement**

For the purpose of statement of consolidated cash flows, the companies consider cash, short-term deposits readily convertible into cash, and highly liquid short-term investments with original maturity of three months or less and without significant risk of change in value as funds (cash and cash equivalents).

## Segment Information (Consolidated)

Year ended September 30 ,2001

Unit:¥million

	Air transportation	Travel Services	Hotel Operations	Other businesses	Total	Intercompany eliminations	Consolidated
Operating revenues	482,448	75,090	32,810	48,374	638,722	—	638,722
Intra-group sales and transfers	42,298	9,103	6,795	44,464	102,660	(102,660)	—
Total	524,746	84,193	39,605	92,838	741,382	(102,660)	638,722
Operating expenses	485,856	83,543	39,521	89,161	698,081	(103,548)	594,533
Operating income	38,890	650	84	3,677	43,301	888	44,189

Year ended September 30 ,2000

Unit:¥million

	Air transportation	Travel Services	Hotel Operations	Other businesses	Total	Intercompany eliminations	Consolidated
Operating revenues	497,521	67,942	34,957	50,541	650,961	—	650,961
Intra-group sales and transfers	37,299	8,111	6,383	40,234	92,027	(92,027)	—
Total	534,820	76,053	41,340	90,775	742,988	(92,027)	650,961
Operating expenses	479,369	74,559	38,937	87,672	680,537	(90,516)	590,021
Operating income	55,451	1,494	2,403	3,103	62,451	(1,511)	60,940

Year ended March 31 ,2001

Unit:¥million

	Air Transportation	Travel services	Hotel Operations	Other businesses	Total	Intercompany eliminations	Consolidated
Operating revenues	964,888	139,155	71,586	104,006	1,279,635	—	1,279,635
Intra-group sales and transfers	73,396	13,702	12,113	87,109	186,320	(186,320)	—
Total	1,038,284	152,857	83,699	191,115	1,465,955	(186,320)	1,279,635
Operating expenses	965,948	151,379	79,868	184,717	1,381,912	(184,520)	1,197,392
Operating income	72,336	1,478	3,831	6,398	84,043	(1,800)	82,243

Notes:

1. Segment breakdown is based on classifications employed for internal management.
2. The businesses, information and telecommunication, trading and retailing, real estate & building management and other revenues are included in "Other businesses".
3. Industry segment information of the company and its subsidiaries is only disclosed because of its significance.

## Breakdown of Operating Revenues ( Consolidated )

*Unit: ¥ million*

	Interim 2001 As of 9.30.01	% of total	Interim 2000 As of 9.30.00	% of total	Fiscal 2000 As of 3.31.01	% of total
<b>Scheduled domestic routes</b>						
Passenger	351,154	47.4	346,144	46.6	672,504	45.9
Cargo	12,648	1.7	13,803	1.8	28,283	1.9
Mail	5,454	0.8	4,943	0.7	10,637	0.7
Baggage handling	152	0.0	153	0.0	287	0.0
Subtotal	369,408	49.9	365,043	49.1	711,711	48.5
<b>Scheduled international routes</b>						
Passenger	99,879	13.5	109,968	14.8	207,449	14.2
Cargo	16,312	2.2	20,178	2.8	40,403	2.8
Mail	1,001	0.1	964	0.1	2,169	0.1
Baggage handling	244	0.0	273	0.0	576	0.0
Subtotal	117,436	15.8	131,383	17.7	250,597	17.1
Revenues from scheduled flights	486,844	65.7	496,426	66.8	962,308	65.6
Other operating revenues	37,902	5.1	38,394	5.2	75,976	5.2
Subtotal	524,746	70.8	534,820	72.0	1,038,284	70.8
<b>Travel services</b>						
Package tours (Domestic)	50,272	6.8	41,978	5.6	86,007	5.9
Package tours (International)	23,471	3.2	24,815	3.3	47,100	3.2
Other revenues	10,450	1.4	9,260	1.3	19,750	1.3
Subtotal	84,193	11.4	76,053	10.2	152,857	10.4
<b>Hotel Operations</b>						
Guest rooms	14,304	1.9	14,231	1.9	27,452	1.9
Banquets	9,625	1.3	10,619	1.4	23,564	1.6
Foods and drinks	9,477	1.3	10,117	1.4	19,460	1.3
Other revenues	6,199	0.8	6,373	0.9	13,223	0.9
Subtotal	39,605	5.3	41,340	5.6	83,699	5.7
<b>Other businesses</b>						
Trading and retailing	67,420	9.1	63,775	8.6	136,863	9.4
Information and telecommunication	9,639	1.3	8,830	1.2	19,301	1.3
Real estate & building maintenance	7,702	1.0	8,997	1.2	17,181	1.2
Other revenues	8,077	1.1	9,173	1.2	17,770	1.2
Subtotal	92,838	12.5	90,775	12.2	191,115	13.1
Total operating revenue	741,382	100.0	742,988	100.0	1,465,955	100.0
Intercompany eliminations	(102,660)	—	(92,027)	—	(186,320)	—
Operating revenue (Consolidated)	638,722	—	650,961	—	1,279,635	—

*Notes:*

1. Segment breakdown is based on classifications employed for internal management.
2. Segment operating revenue includes inter-segment transactions.

## Overview of Airline Operating Results (Consolidated)

	Preceding term 4.1.00- 9.30.00	Current term 4.1.01- 9.30.01
<b>Domestic routes</b>		
Number of passengers	22,730,958	23,921,333
Available seat-km (thousand km)	30,895,846	31,101,359
Revenue passenger-km (thousand km)	19,060,876	20,230,326
Passenger load factor	61.7	65.0
Cargo (tons)	211,382	195,494
Mail (tons)	36,180	39,915
<b>International routes</b>		
Number of passengers	2,226,862	1,955,122
Available seat-km (thousand km)	16,690,481	14,655,034
Revenue passenger-km (thousand km)	12,692,181	10,559,958
Passenger load factor	76.0	72.1
Cargo (tons)	98,419	75,444
Mail (tons)	3,660	3,347
<b>Total</b>		
Number of passengers	24,957,820	25,876,455
Available seat-km (thousand km)	47,586,327	45,756,393
Revenue passenger-km (thousand km)	31,753,057	30,790,284
Passenger load factor	66.7	67.3
Cargo (tons)	309,801	270,938
Mail (tons)	39,839	43,262

*Notes:*

*Domestic routes: All Nippon Airways Co. + Air Nippon Co.+ Air Hokkaido Co.*

*International routes: All Nippon Airways Co. + Air Nippon Co.+ Air Japan Co.*

*Each results do not include results of charter flights .*

**(1) Nonconsolidated Balance Sheets***Unit: ¥ million*

<b>Assets</b>	Interim 2001 As of 9.30.01	Fiscal 2000 As of 3.31.01	Interim 2000 As of 9.30.00
<b>Current assets</b>	301,030	313,920	398,532
Cash and deposits	92,807	101,758	164,484
Trade accounts receivable	68,070	76,357	75,017
Marketable securities	45,317	46,207	61,316
Inventories	47,973	43,671	43,872
Deferred tax assets	6,138	4,871	4,576
Other current assets	40,879	41,318	49,515
Allowance for doubtful accounts	(155)	(264)	(250)
<b>Fixed assets</b>	837,628	813,041	867,762
[Tangible fixed assets]	[661,140]	[641,157]	[635,917]
Buildings	102,920	104,576	109,294
Aircraft	421,760	413,997	403,240
Land	60,367	60,361	65,256
Construction in progress	40,083	25,376	16,917
Other tangible fixed assets	36,007	36,845	41,208
[Intangible fixed assets ]	[24,349]	[23,382]	[18,349]
[Investments and others]	[152,138]	[148,500]	[213,495]
Investment securities	26,828	28,912	28,135
Investments in subsidiaries and affiliates	70,825	70,173	109,141
Bonds of subsidiaries and affiliates	5,500	5,500	5,500
Deferred tax assets	10,994	7,046	6,610
Other investments	50,911	49,848	65,384
Allowance for doubtful accounts	(12,921)	(12,979)	(1,275)
<b>Deferred assets</b>	723	927	1,219
Bond issuance expenses	723	927	1,219
<b>Total Assets</b>	1,139,382	1,127,888	1,267,514

Unit: ¥ million

<b>Liabilities</b>	Interim 2001 As of 9.30.01	Fiscal 2000 As of 3.31.01	Interim 2000 As of 9.30.00
<b>Current liabilities</b>	291,858	269,443	316,567
Trade accounts payable	105,675	107,854	105,159
Current portion of long-term debt	49,533	50,180	70,942
Current portion of bonds payable	50,000	30,000	33,000
Accrued income taxes	16,048	11,376	14,301
Bonus payment reserve	7,674	7,398	7,071
Other current liabilities	62,926	62,634	86,092
<b>Long-term liabilities</b>	668,090	688,644	767,034
Straight Bonds	200,000	200,000	230,000
Convertible Bonds	153,509	153,829	179,431
Long-term loans payable	235,494	260,770	284,630
Accrued employees' retirement benefits	65,992	61,371	59,756
Reserve for losses on related businesses	448	448	4,335
Other long-term liabilities	12,647	12,225	8,880
<b>Total liabilities</b>	959,949	958,088	1,083,602

### **Shareholders' equity**

Common stock	86,239	86,079	73,279
Capital surplus	104,232	104,072	91,272
Legal reserve	10,301	10,301	10,301
Deficit	(21,305)	(32,021)	7,068
Special depreciation reserve	5,202	2,206	2,206
Other reserve	1,600	1,600	1,600
Land devaluation reserve	785	785	785
Unappropriated net gain (loss)	(28,893)	(36,613)	2,476
Net gain (loss) for the period	10,715	(29,009)	10,080
Unrealized holding gains (losses) on securities	(34)	1,367	1,991
Treasury stock	(0)	—	—
<b>Total shareholders' equity</b>	179,433	169,800	183,912
<b>Total liabilities and shareholders' equity</b>	1,139,382	1,127,888	1,267,514

Note: Accumulated depreciation: Interim 2001: 792,255 million, Fiscal 2000: 774,906million,  
and Interim 2000: 783,594 million

**(2) Nonconsolidated Statements of Income (Loss)***Unit: ¥ million*

	Interim 2001 As of 9.30.01	Interim 2000 As of 9.30.00	Fiscal 2000 As of 3.31.00
<b>Recurring Profit</b>			
<b>Operating revenues and expenses</b>			
Operating revenues	490,187	496,243	966,588
Operating expenses	367,736	356,569	722,324
Sales, General and administrative expenses	86,685	88,784	177,840
<b>Operating income</b>	<b>35,766</b>	<b>50,889</b>	<b>66,424</b>
<b>Non-operating income and expenses</b>			
<b>Non-operating income</b>	<b>9,441</b>	<b>18,735</b>	<b>32,726</b>
Interest and dividend income	320	710	1,549
Other	9,121	18,025	31,177
<b>Non-operating expenses</b>	<b>20,311</b>	<b>23,566</b>	<b>45,828</b>
Interest expenses	9,733	12,414	23,226
Other	10,578	11,152	22,602
<b>Total Recurring Profit</b>	<b>24,896</b>	<b>46,058</b>	<b>53,322</b>
<b>Extraordinary Gains and Losses</b>			
Extraordinary gains	1,517	—	2,224
Extraordinary losses	4,809	26,101	79,262
<b>Net income (loss) before taxes</b>	<b>21,604</b>	<b>19,956</b>	<b>(23,715)</b>
<b>Corporate, inhabitant and enterprise tax</b>	<b>15,871</b>	<b>14,413</b>	<b>11,609</b>
<b>Deferred taxes</b>	<b>(4,982)</b>	<b>(4,536)</b>	<b>(6,315)</b>
<b>Net income (loss)</b>	<b>10,715</b>	<b>10,080</b>	<b>(29,009)</b>
<b>Loss carried over from last year</b>	<b>39,609</b>	<b>7,603</b>	<b>7,603</b>
<b>Unappropriated net income (loss)</b>	<b>(28,893)</b>	<b>2,476</b>	<b>(36,613)</b>