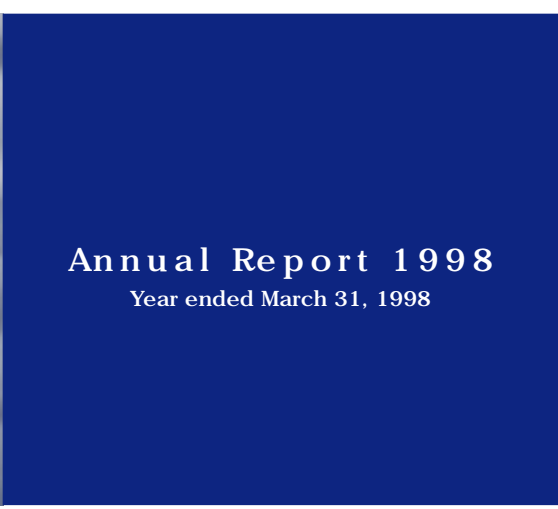




ALL NIPPON AIRWAYS CO., LTD.



Annual Report 1998
Year ended March 31, 1998



All Nippon Airways Co., Ltd. and its consolidated subsidiaries (ANA) are active in air transportation and a broad range of related businesses. Hotels, travel agency services, trading and other activities all benefit from ANA's extensive airline operations. Other businesses such as communications and maintenance provide more direct support for ANA's core business. ANA accounts for about half of Japan's domestic air transportation market and flies to 30 foreign destinations. In 1997, ANA ranked seventh among IATA member airlines in terms of passenger volume. In January 1998, ANA greatly enhanced its international presence by gaining incumbent carrier status on Japan-U.S. routes.

ANA

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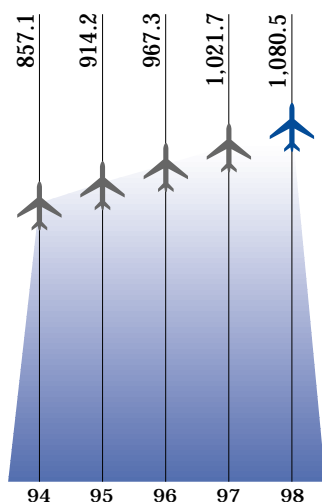
FINANCIAL HIGHLIGHTS

All Nippon Airways Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 1998 and 1997

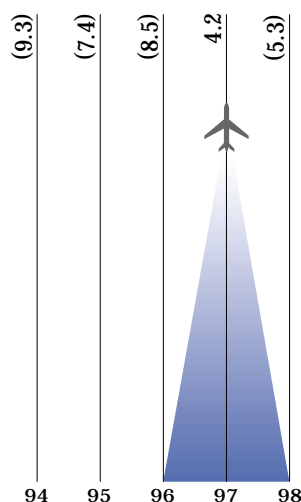
	Yen (Millions)		Change (%)	U.S. dollars
	1998	1997		(Thousands)
Operating revenues	¥1,080,506	¥1,021,742	5.8	\$8,179,455
Operating expenses	1,074,327	1,001,149	7.3	8,132,680
Operating income	6,179	20,593	(70.0)	46,775
Income (loss) before income taxes and equity in affiliates	(2,105)	12,856	-	(15,935)
Net income (loss)	(5,398)	4,298	-	(40,863)
Per Common Share (yen and U.S. dollars):				
Net income (loss)-Basic	¥(3.74)	¥2.98	-	\$(0.022)
-Diluted	-	2.93	-	-
Cash dividends	-	3.00	-	-
Number of shares outstanding	1,442,725,111	1,442,724,240	-	-

Notes: 1. U.S. dollar amounts in this report are translated, for convenience only, at the rate of US\$1.00=¥132.10.

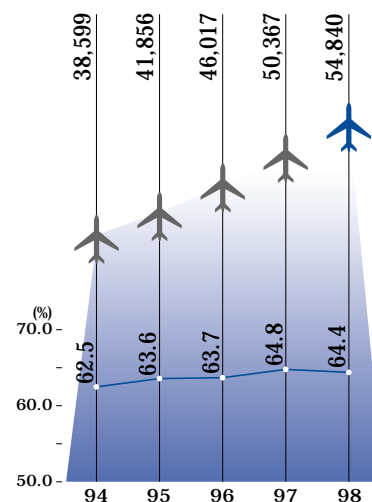
2. As of March 31, 1998, there were 60 consolidated subsidiaries and 33 equity-method affiliates.



OPERATING REVENUES
(¥ billions)



NET INCOME (LOSS)
(¥ billions)



REVENUE PASSENGER KILOMETERS, LOAD FACTOR
(millions, %)

TO OUR SHAREHOLDERS



The past fiscal term was an historic time for Japan's airline industry — the first full year of domestic deregulation. Unfortunately, the year was also notable for red ink. ANA reported a net loss, as did other domestic airlines. A slumping economy exacerbated the operating climate. Consumer spending was cooled by a consumption tax rate hike. Late in 1997, capital expenditures in Japan turned downward. A spate of bankruptcies made the situation even worse. On international routes, passenger growth slowed. And on domestic routes, fares were under pressure as deregulation sparked fierce competition.

In the face of these adverse trends, ANA was able to sustain growth in fiscal 1998, the year ended March 31, 1998. Available seat kilometers (ASK) rose 20.5 percent on international routes and 4.8 percent on domestic routes. More people chose to fly with us, too. The number of international passengers rose 16.5 percent to 3.17 million and domestic passengers increased 2.3 percent to 43.07 million. However, we did see a slowdown in growth in the wake of the Asian currency crisis. Within Japan, the decline in revenues per passenger-kilometer exceeded the growth in passenger numbers. The overall result was a net loss of ¥5.3 billion for the fiscal year.

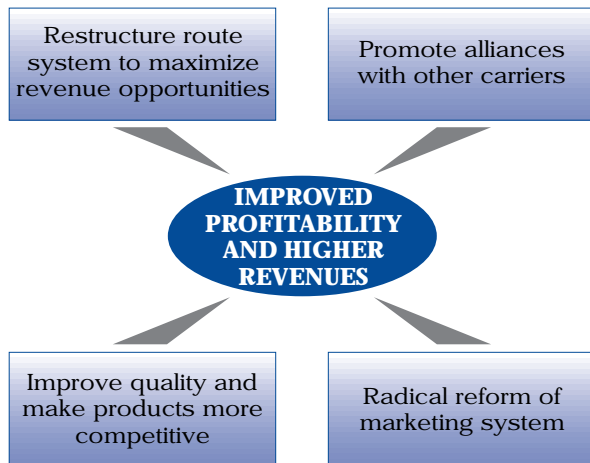


More Challenges Ahead

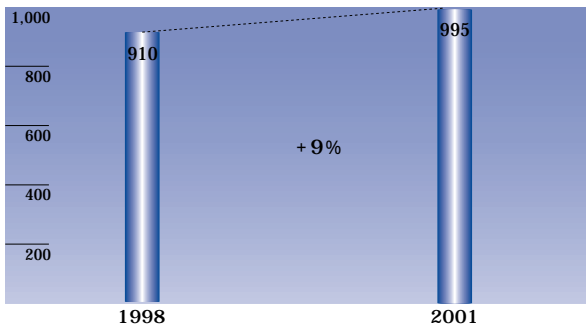
Japan's domestic air transportation market is taking on a whole new look. In fiscal 2000, which ends March 31, 2000, airlines will be completely free to choose where and how often to fly. The following year, a new runway at Haneda will be completed. Accompanying these events will be more fare deregulation. Competition will undoubtedly heat up. Revenues per passenger-kilometer have steadily declined since the first stage of fare deregulation in 1996 when airlines were allowed to set fares anywhere within a prescribed range. In the fall of 1998, two new airlines will begin domestic service. We are also seeing more discounted fares. How is ANA responding?

We are tackling these challenges by implementing strategies aimed at optimizing our domestic network and lowering expenses. In our drive to rein in expenses and raise productivity, we will scrutinize every aspect of operations. Regarding our domestic network, we are closely monitoring our two new competitors. One will start flying between Tokyo and Fukuoka in September 1998; the second plans to enter the Tokyo-Sapporo market the following December. Both are high-volume routes. We plan to offer special discounts on ANA flights departing shortly before or after the planes of these new airlines. We also

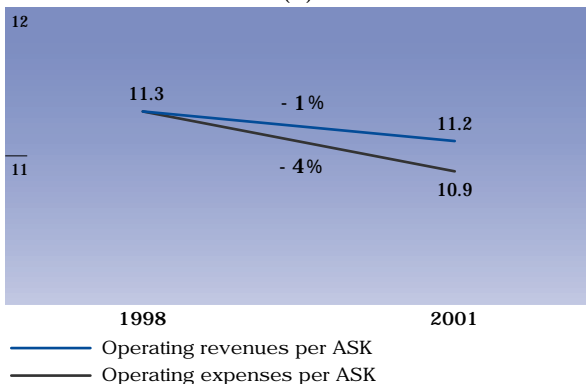
RESTRUCTURING PLAN



TARGET FOR NONCONSOLIDATED OPERATING REVENUES
(¥ billions)



TARGETS FOR NONCONSOLIDATED OPERATING REVENUES AND EXPENSES PER ASK
(¥)



have plans to stimulate demand throughout our route structure.

Our international operations entered a new era in January 1998. ANA achieved a long-awaited goal: incumbent carrier status on Japan-U.S. routes. We can now develop a U.S. service network in earnest. At the same time, U.S. airlines were given the opportunity to expand significantly the numbers of routes and flights between the two countries. Expanded capacity at Narita airport, slated for 2001, will help accommodate these new flights. Naturally, that spells more competition. Growth in alliances among airlines is leading to competition among groups of companies as opposed to individual airlines. ANA is part of this trend. Agreements with United and Lufthansa are pivotal to our plans to enlarge global services.

The ANA Restructuring Plan

Our extremely challenging operating environment forced us to make the difficult decision to suspend dividend payments. We had paid a cash dividend each year since 1969, or 29 consecutive years. With the aim of restoring dividends in 2001, however, we moved quickly to formulate a restructuring plan. We now have a blueprint for restructuring our earnings and balance sheet that is based on the harsh realities of our marketplace. Here are the plan's key elements:

A Solid Base for Earnings

- On international routes, we will use our alliances with United and Lufthansa to grow and compete. Code sharing is one way. We will also perform services for each other. This will reduce ANA's need to make investments as we grow.
- On domestic routes, the fiscal 2000 end to all route regulations will create a new paradigm. We are moving away from our traditional policy of putting growth first. Instead, we will mold a network that places emphasis on profitable routes.

- Direct marketing is another goal. We want to establish a distribution network that we control in order to upgrade our sales capabilities.

A Slim Balance Sheet

- We will move more quickly to downsize our overseas hotel operations and divest ourselves of assets that are not related to core businesses. The proceeds will be diverted to our airline activities. This process will reduce net interest expenses.
- Aggregate nonconsolidated expenditures for aircraft, computer systems and other capital equipment will be lowered to approximately ¥500 billion during the three-year restructuring plan, which ends in March 2001.

More Cost Reductions

- Growth in fixed expenses is to be limited to an annual rate of about 2 percent. During the three-year restructuring plan, we expect to cut our nonconsolidated operating expenses per ASK from ¥11.3 to ¥10.9.
- Parent company employment will be reduced as we increase ASK by 3.3 percent. This will be accomplished mostly by cutting back in administrative and other areas not directly related to operations. For example, we are targeting a 4.6 percent decline in ground personnel.
- A thorough review of ANA's personnel system, including remuneration, will be conducted.

The ANA of today is not ready to do battle with the world's airlines. This is why we are embarking on this ambitious restructuring program.

The Key to Competing Successfully

As we move forward, let us not overlook the great strides we have already made. Through our own efforts and initiative, we have taken exhaustive steps to cut costs. Best illustrating this is the 12 percent fall in operating expenses per ASK at ANA and ANK over the past five years. But operating revenues per



ASK have dropped even faster. So despite our progress, we have fallen further behind in terms of earnings. Obviously, we need to set higher cost reduction and productivity goals. Fulfilling such goals is essential if we are to withstand the turbulence of the global air transportation market.

There are many elements of our cost structure that are beyond our control. Most onerous are Japan's high airport landing and utilization fees and fuel taxes. Both exceed world averages. Such expenses on domestic routes are about three times higher than in the United States and Europe. The burden is immense: these fees and taxes account for around 20 percent of our air transportation operating expenses. ANA has strenuously urged the relevant agencies and authorities to reduce expenses that airlines cannot manage on their own. We have already seen one encouraging development. The government has announced its intention to lower utilization fees at Japan's airports in fiscal 2000.

In closing, I would like to stress again that ANA is fully committed to achieving the goals of our restructuring plan, particularly restoration of the dividend. Everyone at ANA is tightly focused on these goals as we strive to continue offering services of the highest quality to our customers.

Kichisaburo Nomura
President and Chief Executive Officer

August 3, 1998

Domestic
Air Transportation

Attract

Load factor is critical to ANA's earnings. In fiscal 1998, this figure was 63.4 percent in Japan. If fares remain constant, a 1-percentage point rise in the domestic load factor translates into an increase of about ¥9 billion in operating income. As Japan's largest domestic airline, what should ANA do to attract more passengers?

International
Air Transportation

Alliances

ANA's domestic market share of about 50 percent should be a big advantage in the international arena. Unfortunately, as things stand, ANA is unable to leverage its number-one position—even despite the recent acquisition of incumbent carrier status on Japan-U.S. routes. Limited capacity at Narita, a problem that will not be solved until after 2001, is impeding progress. What is ANA's strategy?

Cost
Reductions

Compete

ANA is often viewed as having a higher cost structure than other airlines. Some people are of the opinion that years of dependence on profits from a regulated domestic market has limited ANA's ability to adapt quickly to deregulation. The reality is quite different, however. How far has ANA come in reducing costs? And what lies ahead?

Direct
Marketing

Re-evaluation

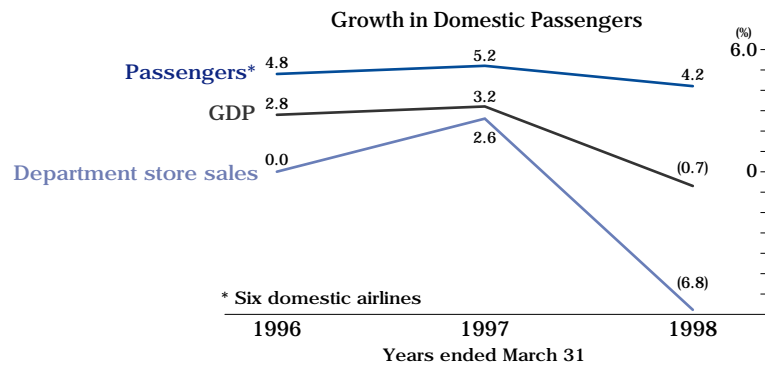
In Japan, passengers now have more reasons than ever to choose one airline over another. Meeting the expectations of these passengers requires a sales system that more closely connects ANA with the traveling public. How is ANA building such a system? Outside the air transportation field, ANA is restructuring businesses to focus on activities most closely linked to customer satisfaction.



Attract



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Left: Progress in easing restrictions on airfares and the supply of seats led to 4.2 percent growth in the total number of domestic passengers in fiscal 1998. This increase was particularly notable because it took place at the same time that Japan's GDP and department store sales were falling.

Right: In fiscal 2000, Japan will complete the deregulation of domestic airfares and route networks. As part of this process, start-up airlines are being given preference in the allocation of new slots at Haneda, the largest domestic hub in Japan. ANA is at a considerable disadvantage as a result.

How is Japan's prolonged economic slump affecting demand for air transportation?

Traditionally, domestic air travel has closely tracked gross domestic product (GDP) and disposable income, much like department store sales. This was not the case in fiscal 1998, however. **Passengers on domestic routes rose 4.2 percent, while GDP declined 0.7 percent.** Growth was mostly sparked by the forces of deregulation. In terms of ticket prices, airlines gained more freedom to introduce new fare structures. On the supply side, a new runway at Haneda and the lifting of some restrictions governing routes enabled airlines to add more flights.

What are ANA's plans for regaining lost domestic market share and achieving further gains?

In fiscal 1998, passengers on ANA's domestic flights increased 2.3 percent. But the overall market expanded by a greater percentage, so our market share fell. One reason was that our leading market share of about 50 percent put us at a disadvantage. Aiming to promote competition, the Japanese government gave preference to our competitors when distributing slots. This is especially true of newly formed airlines. We were thus **unable to add as many flights as we wanted at Haneda**, where most high-volume domestic routes originate. Our market share was also affected by **aggressive fare discounting and other sales campaigns of competing airlines.**

We foresee more growth in Japan's domestic air transportation market. Expansion will be fueled by price competition and the inauguration of service by new airline companies. ANA is taking a number of steps to be certain that we are part of this growth. More than just growth, our aim is higher market share. Restructuring the ANA Group's route network to achieve maximum efficiency is one objective. That means more flights targeting business travelers and on routes where we can capture market share from competitors. Where demand is weak, service will be suspended or transferred to subsidiary Air Nippon Co., Ltd. (ANK). A competitive fare structure based on departure times and other factors is also crucial to attracting more passengers.

We are already seeing results. In the first quarter of fiscal 1999, the ANA Group's domestic market share rose by 0.7 percentage point. We will continue to structure fares and schedules that closely match passenger needs to raise revenues. Through these measures, **we are confident we can recapture market share in the current fiscal year.**



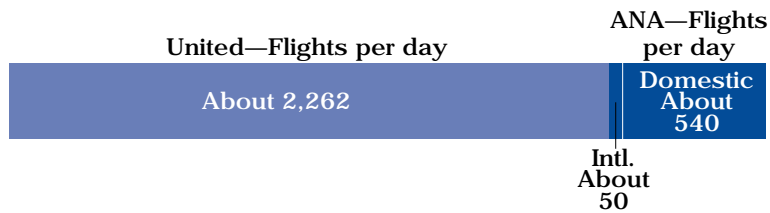
International
Air Transportation

Alliances



ANA's domestic market share of about 50 percent should be a big advantage in the international arena. Unfortunately, as things stand, ANA is unable to leverage its number-one position—even despite the recent acquisition of incumbent carrier status on Japan-U.S. routes. Limited capacity at Narita, a problem that will not be solved until after 2001, is impeding progress. What is ANA's strategy?

How Code Sharing Benefits ANA



Left: ANA recently formed an alliance with United, which has scheduled service to 101 U.S. locations and 36 in other countries. By comparison, ANA flies on 103 domestic routes and 45 international routes. This move expands ANA's services and passenger base while helping cut expenses.

Right: For many years, ANA was unable to fly between Tokyo and Hawaii, Japan's most popular overseas tourist destination. Having acquired incumbent carrier status in January 1998, ANA plans to inaugurate seven round trips weekly on this high-volume route in October 1998.



Would you elaborate on the effects that the recent Japan-U.S. air transportation provisional agreement will have on ANA's operations?

The bilateral negotiations, which reached a provisional agreement in January 1998, gave ANA two new rights. First is the ability to fly on any route between Japan and the U.S. at any frequency. Second is the right to operate an unlimited number of flights jointly with U.S. airlines. **Flexibility is the greatest benefit for ANA. We now have the freedom to match services with seasonal demand fluctuations** on Japan-U.S. routes, a key international market with about 12 million passengers annually. Japan-U.S. service is thus expected to become the nucleus of ANA's international operations.

The agreement also poses challenges. U.S. airlines gained more freedom to fly to Japan, too. So we will face more competition from low-cost U.S. carriers. Furthermore, limited capacity at Narita and Kansai prevents us from exercising our right to add flights to the U.S. Consequently, ANA will reap meaningful benefits from this agreement only after Narita's second runway is finished.

Our alliance with United will play a key role in our international expansion strategy. ANA plans to increase its own U.S. flights only on such high-volume routes as Tokyo to Honolulu and Tokyo to New York. Code sharing agreements will account for the bulk of transpacific growth for the time being.

There is now a tendency for the world's airlines to compete as alliance members rather than on their own. How does ANA view this development?

Alliances are central to our plans for the future. A survey of business travelers by an influential Japanese newspaper sheds much light on why alliances have become so important. Data show that these individuals place the most weight on two factors when selecting an airline: scheduling convenience and frequent flyer programs. The message is clear. An airline must have an extensive global network to attract these travelers. With this in mind, **in April 1998 we formed comprehensive alliances with United and Lufthansa** to offer more flights to the U.S. and Europe. We are now discussing the concrete form that cooperation will take, including code sharing and mileage programs. We are determined to take full advantage of the opportunities created by these agreements.

Cost
Reductions

Compete



ANA is often viewed as having a higher cost structure than other airlines. Some people are of the opinion that years of dependence on profits from a regulated domestic market has limited ANA's ability to adapt quickly to deregulation. The reality is quite different, however. How far has ANA come in reducing costs? And what lies ahead?

Operating Expenses as Share of Operating Revenues (Nonconsolidated)

Depreciation 6.5%			Operating income 0.1%		
Fees and taxes	Personnel	Fuel	Leases (aircraft, etc.)	Purchased supplies (parts, services, etc.)	Others (in-flight services, etc.)
16.2%	19.6%	8.9%	11.3%	14.6%	22.8%

Left: The urgency of cost cutting rises year by year as deregulation advances in Japan and competition with overseas carriers heats up. This is spotlighting the high level of airport utilization fees and taxes imposed on airlines operating in Japan. ANA is relentlessly working to have these expenses reduced to a level more in line with global standards.

Right: In fiscal 1998, ANA's operating expenses per available seat kilometer* were ¥11.5. This is not significantly higher than expenses at most European carriers. ANA remains firmly committed to raising the efficiency of airline operations. Cost cutting programs and taking advantage of incumbent carrier status on Japan-U.S. routes are two keys to achieving this goal.

How does ANA's cost structure compare with those of other international airlines?

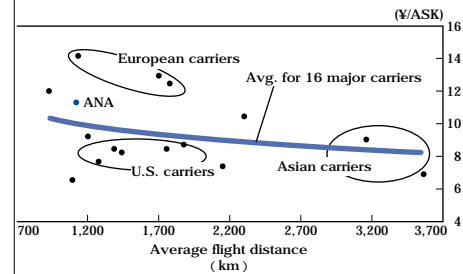
In fiscal 1998, ANA's consolidated operating expenses per ASK* decreased 4.2 percent to ¥11.5. This figure is still relatively high by global standards. Why? **Airport utilization fees, fuel taxes and other mandatory fees beyond our control are largely responsible.** Japan's airport fees are roughly three times higher than the world average. ANA paid about ¥160 billion in such fees and taxes during fiscal 1998, including international operations. That's around 20 percent of total air transportation operating expenses*. For some time, ANA has been urging the relevant agencies and authorities to lighten this burden. In a significant first step, the government is planning to start reducing fees at airports in fiscal 2000. We look forward to more progress in bringing these expenses closer to international averages. **The combination of these reductions and the benefits of our restructuring plan would yield a substantial improvement in our cost competitiveness.**

* Includes ANA and ANK.

Would you outline the actions being taken with regard to personnel expenses?

Personnel expenses represented 19.7 percent of operating expenses at ANA and ANK in fiscal 1998. **This is lower than that of most European carriers.** Nevertheless, we believe that further cost reductions are needed, along with gains in productivity. We must structure revenues and expenses so that air transportation operations are consistently profitable, even as competition heats up. In this drive, the parent company has already **cut remuneration for management personnel and started to draw down the headcount.** In other job categories, we plan to **suspend annual salary increases and reduce staffing,** mainly in administrative positions. We will continue to submit proposals for staff reductions to the labor unions representing ANA employees.

Operating Expenses per ASK and Flight Distance



Direct
Marketing

Re-evaluation



In Japan, passengers now have more reasons than ever to choose one airline over another. Meeting the expectations of these passengers requires a sales system that more closely connects ANA with the traveling public. How is ANA building such a system? Outside the air transportation field, ANA is restructuring businesses to focus on activities most closely linked to customer satisfaction.



Left: In fiscal 1998, ANA greatly enhanced the convenience of its Internet homepage. For domestic flights, visitors can now make reservations and purchase tickets. Schedules and other information have been added for international flights. The site also allows confirmation of ANA Mileage Club balances.

Right: Management under contract is the primary method by which ANA operates hotels in Japan. In May 1997, the grand opening of the 288-room ANA Hotel Chitose gave the company its 28th domestic hotel. With more than 8,000 rooms under management, ANA is one of the preeminent names in the Japanese hotel industry.



ANA sells about 80 percent of its tickets through travel agents and other third-party outlets. What is the company's thinking about this situation in light of the increasingly competitive environment?

With fare deregulation in Japan now essentially complete, passengers have more choice who they fly with. ANA is acutely aware of the need to heighten customer satisfaction in order to compete and win on this new playing field. In line with this thinking, **we need to implement a sales strategy that puts the customer first.** One element is upgrading our ability to **create new fares and other products.** Another is establishing a **more self-reliant ticket distribution system.**

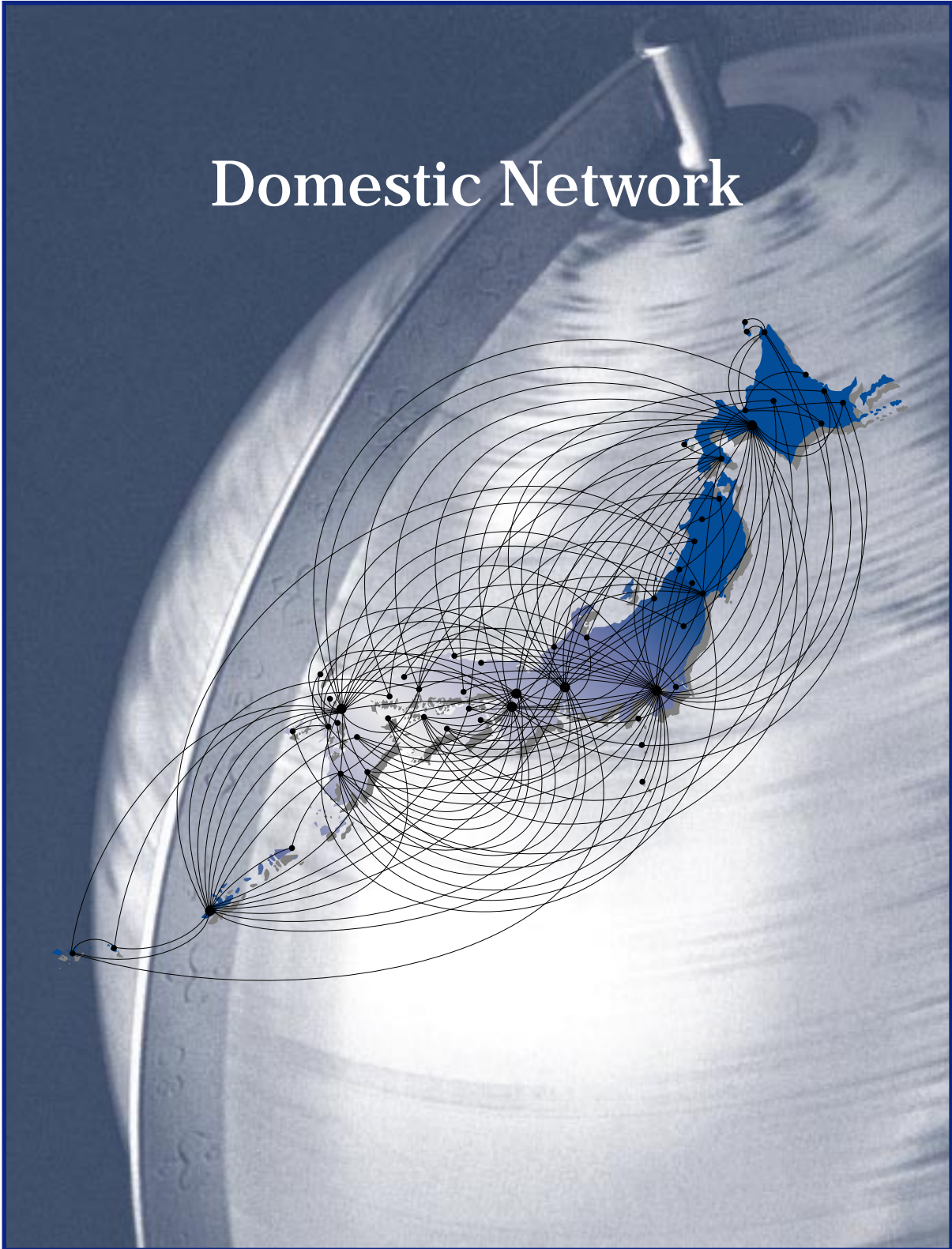
ANA is moving away from third-party sales, mainly through travel agencies, and building more direct marketing channels. The ANA Mileage Club is effective in this respect. With about 3 million members, this club allows us to accurately monitor the needs of frequent travelers. We are also working on a ticketless system, Internet reservations and ticket issuing, and other innovative ideas. Through these activities, we are making steady headway toward reducing our reliance on conventional sales channels. We believe that such actions will also help cut ticket sales expenses, thereby bringing our total marketing expenses down to a more appropriate level.

Many European and U.S. carriers have been withdrawing from related businesses, especially low-return operations, and concentrating resources on airline operations. Does ANA have similar plans for its hotel business?

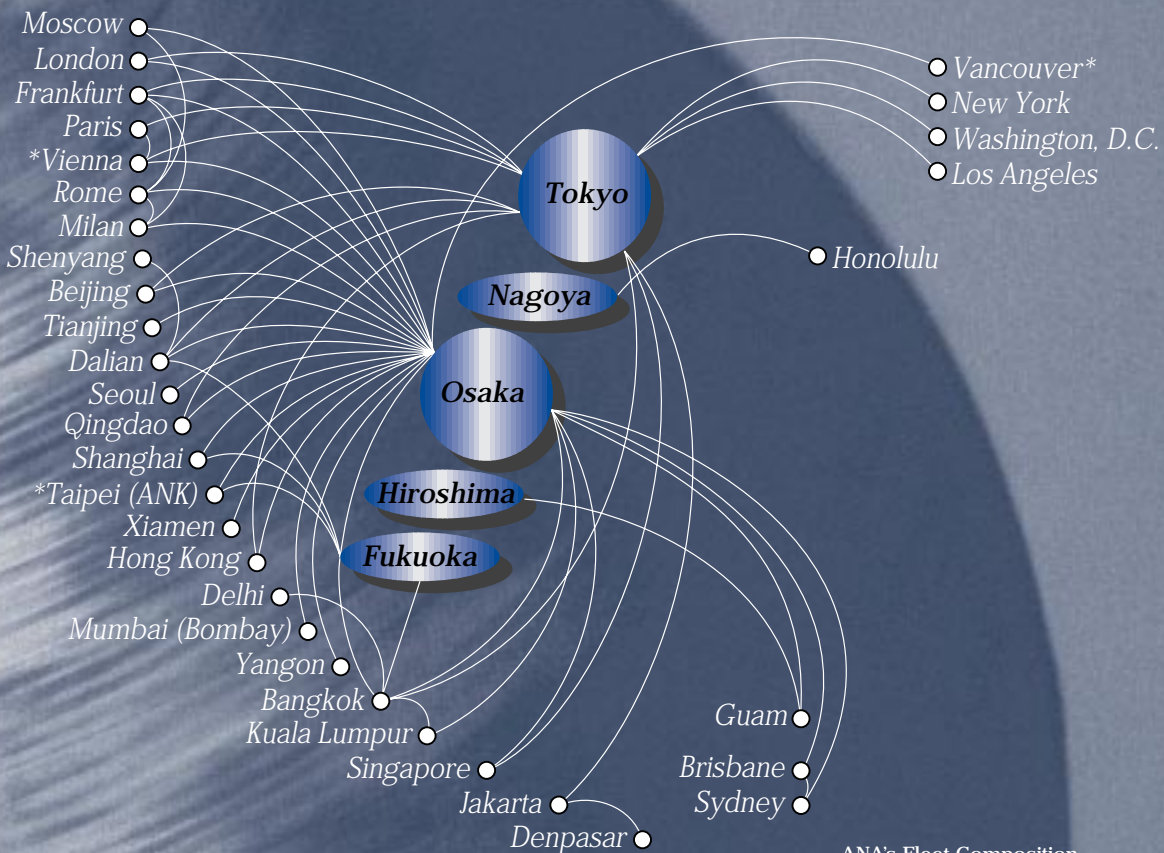
Raising the earnings of the entire ANA Group is a matter of the highest priority. In airline-related businesses, hotels account for well over half of all investments. Our efforts to improve performance have enabled some hotel subsidiaries to return to profitability during the past few years. But the overall return on our hotel investments of about ¥78 billion is still low.

We have suspended all investments in new hotel projects so that we can concentrate resources on air transportation. **Overseas hotel operations will be downsized. In Japan, we have embarked on a restructuring drive that includes dramatically altering our current system for operating hotels.**

Domestic Network



International Network



ANA's Fleet Composition

FY1998	
Boeing 747-400	20
Boeing 747-100SR	14
Boeing 747-200B	5
Boeing 777-200	10
Boeing 767-300	42
Boeing 767-200	22
Boeing 737-500	11
Boeing 737-200	7
Airbus A321-100	1
Airbus A320-200	25
YS11	11
Total (includes leased aircraft)	168

*Joint flight
Route system as of July 1998

BOARD OF DIRECTORS AND CORPORATE AUDITORS



Kichisaburo Nomura
President &
Chief Executive Officer



Ryogo Inoue
Senior Executive Vice President



Hiroshi Sakabe
Senior Executive Vice President



Shinji Nakajima
Senior Managing Director



Masahiro Kinoshita
Senior Managing Director



Mitsuo Ota
Senior Managing Director



Osamu Nagahata
Senior Managing Director



Koji Yamashita
Senior Managing Director



Kenichi Sugihara
Senior Managing Director



Tetsuya Kubo
Senior Managing Director

DIRECTORS

President & Chief Executive Officer

Kichisaburo Nomura

Senior Executive Vice Presidents

Ryogo Inoue
Sales & Marketing

Hiroshi Sakabe
Flight Operations,
Engineering & Maintenance,
Safety Promotion,
Environment Affairs

Senior Managing Directors

Shinji Nakajima
Government Affairs,
Airport Affairs

Masahiro Kinoshita
Computer & Communications
Services

Mitsuo Ota
Associated Businesses
Development

Osamu Nagahata
Sales & Marketing

Koji Yamashita
Marketing

Kenichi Sugihara
General Manager, Western Japan
(Osaka Sales Office)

Tetsuya Kubo
Engineering & Maintenance

Managing Directors

Yoshiyuki Nakamachi
Corporate Planning

Yoji Ohashi
Personnel & Employee Relations,
Purchasing & Facilities

Kiyoshi Nakagawa
Airport Operations & Services,
In-flight Services

Isao Yagi
General Affairs,
Executive Office

Takeshi Kawahara
Flight Operations

Senior Directors

Chukichi Ota
Engineering & Maintenance

Wataru Kubo
General Manager, Europe
(London Office)

Isamu Komatsu
General Manager,
Osaka Airport Office

Yasuyuki Nishikawa
General Manager,
Fukuoka Sales Office

Motohiro Higashisono
General Manager,
Sapporo Sales Office

Yasushi Morohashi
Finance & Accounting

Kazuhisa Shin
Marketing

Hirojiro Kataoka
General Manager,
Narita Airport Office

Kinya Murayama
General Manager,
Tokyo Airport Office

Keisuke Fukunaga
General Manager,
Nagoya Sales Office

Yoichi Kubota
In-flight Services

Manabu Ouchi
Flight Operations

Yuzuru Maki
Sales & Marketing

Jiro Miyake
General Manager, The Americas
(New York Office)

Koichiro Ono
Personnel & Employee Relations

Kazuo Kaneko
General Manager,
Asia & Oceania (Beijing Office)

Seitaro Taniguchi

Yoshinori Ueyama

CORPORATE AUDITORS

Kazuhiko Komiya (standing)

Masayuki Sawada (standing)

Yoshiro Ito

Shigeru Ono

(As of June 26, 1998)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONSOLIDATED)

OVERVIEW

The consolidated results of All Nippon Airways Co., Ltd. (ANA) include the parent company and 60 subsidiaries. In addition, 33 affiliates are accounted for using the equity method. Overall, ANA has 106 subsidiaries and 72 affiliated companies. For financial reporting purposes, results are divided into two business segments: air transportation and airline-related businesses. The major components of airline-related businesses are hotels and resorts, travel services, trading and flight support.

Air transportation: This segment represents the airline operations of ANA, 4 subsidiaries and 2 affiliates. Among the subsidiaries, Air Nippon Co., Ltd., Air Hokkaido Co., Ltd. and one other company are involved in air transportation. The fourth subsidiary is International Flight Training Academy, Inc., which uses aircraft in the course of its activities.

Hotels: Hotel operations include 28 subsidiaries and 10 affiliates in Japan and overseas. The largest subsidiaries are ANA Enterprises, Ltd., Narita ANA Enterprises Co., Ltd., ANA Hotel Sapporo Co., Ltd., ANA Hotels Hawaii, Inc., ANA Hotels & Resorts (USA), Inc., ANA Holding Pty Ltd. and ANA International Europe B.V. In addition, Okinawa ANA Resort Co., Ltd. and 4 other affiliates are directly involved in hotel operations.

Trading and Travel: There are 11 subsidiaries and 7 affiliated companies in this sector. Major activities are structuring and selling travel packages that include air transportation and purchasing materials used in airline operations. Subsidiaries include ANA World Tours Co., Ltd., All Nippon Airways Travel Co., Ltd. and All Nippon Airways Travel Kyushu Co., Ltd. ANA Trading Co., Ltd. is the largest affiliate in this sector.

Flight Support: There are 24 subsidiaries and 31 affiliates engaged in data and communication services, ground facility maintenance, aircraft fueling, land transportation and other services related to aircraft operations. Major subsidiaries are INFINI Travel Information, Inc., ANA Information Systems Planning Co., Ltd. and ANA Motor Service Co., Ltd. Significant affiliates are Kansai Air Cargo Terminal & Service Co., Ltd. and ANA Delivery Co., Ltd.

A total of 17 subsidiaries and 13 affiliated companies are involved in the maintenance of aircraft and aircraft parts, ground services, in-flight catering, the processing of reservations, and other peripheral services in the field of flight support. Of these companies, major contributors are subsidiaries ANA Aircraft Maintenance Co., Ltd., ANA SKYPAL Co., Ltd., ANA Catering Service Co., Ltd. and ANA TELEMART Co., Ltd. and affiliates Nasuko Co., Ltd., The International Airport Utility Co., Ltd. and The Osaka Airport Service Co., Ltd.

Others: There are 22 subsidiaries and 9 affiliates engaged in real estate, building management, financial services, temporary employment and other services. Significant subsidiaries are ANA Real Estate Co., Ltd. and Seiwa Service Co., Ltd.

RESULTS OF OPERATIONS

Financial Results Summary

Years ended March 31,	¥ millions, except per share	
	1998	1997
Operating revenues	¥ 1,080,506	¥ 1,021,742
Operating expenses	1,074,327	1,001,149
Operating income	6,179	20,593
Non-operating income (expenses)	(8,284)	(7,737)
Income (loss) before income taxes and equity in affiliates	(2,105)	12,856
Income taxes	4,830	8,616
Income (loss) before equity in affiliates	(6,935)	4,240
Equity in affiliates	1,537	58
Net income (loss)	¥ (5,398)	¥ 4,298
Per share:		
Net income (loss) — Basic	¥(3.74)	¥2.98
— Diluted	-	2.93
Cash dividends	-	3.00

In ANA's 1998 fiscal year, which ended March 31, 1998, operating revenues increased 5.8 percent to ¥1,080,506 million, while operating expenses rose 7.3 percent to ¥1,074,327 million. This caused operating income to fall 70.0 percent to ¥6,179 million. By business segment, air transportation operating income was ¥583 million compared with ¥16,736 million a year earlier. Airline-related businesses generated operating income of ¥5,632 million compared with ¥4,007 million in the previous year. Net non-operating expenses rose to ¥8,284 million, resulting in a loss before income taxes and equity in affiliates of ¥2,105 million. Growth in the number of equity-method affiliates along with higher aggregate earnings at these companies caused equity in affiliates to rise to ¥1,537 million. Nevertheless, the steep decline in air transportation operating income resulted in a net loss of ¥5,398 million for the year, or ¥3.74 per share (basic). Due to this loss, the company suspended cash dividends. ANA began implementing a restructuring plan in April 1998. The primary goal is to bring about a dramatic improvement in the profitability of the entire ANA Group. Specific measures include aligning flight routes and frequencies to maximize earnings, reducing investments to strengthen the balance sheet, cutting personnel expenses, and adopting an organization that can quickly adapt to changes in the marketplace.

Breakdown of Operating Revenues

Years ended March 31,	1998	1997
Domestic:		
Passenger revenues (¥ millions)	659,939	661,860
Passengers (thousands)	43,073	42,100
Available seat-km (millions)	56,778	54,159
Revenue passenger-km (millions)	36,005	34,435
Passenger load factor (%)	63.4	63.6
Passenger yield (¥/RPK)	18.3	19.2
Cargo revenues (¥ millions)	27,194	29,467
Cargo ton-km (ton-km)	387,514	375,833
Cargo ton-km yield (¥/ATK)	73.5	78.4
International:		
Passenger revenues (¥ millions)	181,202	160,117
Passengers (thousands)	3,173	2,724
Available seat-km (millions)	28,359	23,532
Revenue passenger-km (millions)	18,835	15,932
Passenger load factor (%)	66.4	67.7
Passenger yield (¥/RPK)	9.6	10.1
Cargo revenues (¥ millions)	32,863	26,972
Cargo ton-km (ton-km)	887,892	728,823
Cargo ton-km yield (¥/ATK)	37.0	37.0
Unit costs (¥/ASK)	11.5	12.0
Incidental and other (¥ millions)	207,242	172,126
Operating revenues (¥ millions)	1,080,506	1,021,742

Notes: 1. Domestic and international figures and unit costs include the operations of the parent company and subsidiary ANK.
2. Domestic and international figures include intersegment transactions.

Fiscal 1998 operating revenues rose 5.8 percent to ¥1,080,506 million. Passenger revenues, the largest component, increased 2.5 percent to ¥813,208 million as revenue passenger kilometers (RPK) increased 8.9 percent.

Passenger (Domestic): Domestic passenger revenues decreased 0.3 percent to ¥659,939 million, although the number of passengers climbed 2.3 percent. The decline in revenues was mainly due to the introduction of new fares made possible by deregulation. Growth in passengers reflects demand created by lower fares; ANA's addition of more early morning and late evening flights following the commencement of 24-hour operations at Haneda; and the start of the ANA Mileage Club, which covers domestic as well as international flights. Nevertheless, Japan's prolonged economic slump held growth in passengers below ANA's initial projections. The introduction of more discounted fares led to a 4.7 percent decline in the domestic passenger yield. The domestic load factor declined from 63.6 percent to 63.4 percent as domestic available seat kilometers (ASK) increased 4.8 percent while domestic RPK rose 4.6 percent.

Passenger (International): International passenger revenues increased 13.2 percent to ¥181,202 million as the number of passengers rose 16.5 percent. The international load factor fell to 66.4 percent from the previous year's 67.7 percent. RPK increased 18.2 percent, slightly less than the 20.5 percent growth in ASK. Several factors were behind this growth: the inauguration of service on many new routes; the introduction of a 50 percent discount on domestic fares for passengers connecting to international flights; and ANA Asian Action, a program to enhance services and promotional activities for flights to and from Asia.

Cargo: Cargo revenues were up by 6.4 percent to ¥60,056 million. All revenues are derived from cargo carried on ANA passenger aircraft. Japan's soft economy brought about a sharp drop in air cargo volumes and held down cargo fares. This weakness was offset by growth in air parcel volume within Japan and by higher exports from Japan of products such as computers, computer peripherals and automotive products. In terms of volume, domestic cargo increased 3.1 percent and international cargo rose 21.8 percent.

Incidental and Other: Revenues increased 20.4 percent to ¥207,242 million. In the incidental sector, aircraft maintenance and subcontracted ground support services, including check-in and baggage handling, for foreign airlines contributed to growth. In the other sector, revenues from hotels, travel services and trading were the primary contributors.

Breakdown of Operating Expenses

Years ended March 31,	¥ millions	
	1998	1997
Aircraft	¥ 395,558	¥ 373,738
Aircraft and flight operations	280,090	265,752
Aircraft maintenance	115,468	107,986
Services	330,116	307,211
In-flight services	80,808	77,698
Flight control and ground handling	249,308	229,513
Reservations, sales and advertising	193,289	167,882
General and administrative	58,564	50,165
Depreciation and amortization	74,474	75,917
Other costs	22,326	26,236
Total	¥1,074,327	¥1,001,149

Fiscal 1998 operating expenses increased 7.3 percent, or ¥73,178 million, to ¥1,074,327 million. The reservations, sales and advertising category, which rose 15.1 percent, was responsible for more than one-third of this increase. This reflects the need to conduct aggressive marketing activities to preserve market share as deregulation creates a more competitive environment in Japan. Aircraft and flight operations increased 5.4 percent, mostly because of higher aircraft leasing expenses at the parent company. Aircraft maintenance was up 6.9 percent, chiefly due to a higher level of parts held for maintenance at the parent company. In-flight services rose 4.0 percent, primarily due to higher catering expenses as ANA added international flights. Growth in subcontracted services at the parent company were chiefly responsible for the 8.6 percent increase in flight control and ground handling expenses.

Non-Operating Income and Expenses

Years ended March 31,	¥ millions	
	1998	1997
Interest and dividend income	¥ 8,701	¥ 9,398
Gain on sale of property and equipment	17,152	11,745
Interest expenses	(43,838)	(46,327)
Loss on sales of marketable securities	(3,619)	-
Other—net	13,320	17,447
Total	¥ (8,284)	¥ (7,737)

Net non-operating expenses in fiscal 1998 increased 7.1 percent to ¥8,284 million. This was mostly attributable to a loss on sales of marketable securities resulting from the sale of securities related to the liquidation of ANA Finance Co., Ltd. Interest and dividend income decreased 7.4 percent as earning assets at the parent company declined while interest rates in Japan moved lower. Gain on sale of property and equipment was up 46.0 percent because of gains on sales of buildings owned by the newly consolidated ANA Real Estate. Interest expenses declined 5.4 percent as interest rates on debt decreased, mainly at the parent company. The other—net item decreased 23.7 percent due to the inclusion of a reversal of bad debt reserves at a newly consolidated subsidiary.

Segment Information

Years ended March 31,	¥ millions	
	1998	1997
Operating revenues:		
Air transportation	¥ 968,798	¥ 936,802
Airline-related businesses	173,762	145,680
Intercompany eliminations	(62,054)	(60,740)
Consolidated	¥1,080,506	¥1,021,742
Operating expenses:		
Air transportation	¥ 968,215	¥ 920,066
Airline-related businesses	168,130	141,673
Intercompany eliminations	(62,018)	(60,590)
Consolidated	¥1,074,327	¥1,001,149
Operating income:		
Air transportation	¥ 583	¥ 16,736
Airline-related businesses	5,632	4,007
Intercompany eliminations	(36)	(150)
Consolidated	¥ 6,179	¥ 20,593

In fiscal 1998, much lower air transportation earnings caused consolidated operating income to fall to ¥6,179 million, ¥14,414 million less than a year earlier. The operating margin in air transportation deteriorated from 1.8 percent to 0.1 percent. The yield declined mainly due to lower fares caused by intensifying competition on domestic routes. In airline-related businesses, operating income increased as the operating margin improved from 2.8 percent to 3.2 percent. This primarily reflected higher occupancy rates at overseas hotels and the contributions of newly consolidated subsidiaries, particularly ANA Real Estate.

Revenue Passenger Kilometers (RPK) and Load Factor by Route (ANA and ANK)

Years ended March 31,	Passenger Revenues (¥ millions)		RPK (millions)		Load Factor (%)	
	1998	1997	1998	1997	1998	1997
Domestic	¥659,939	¥661,860	36,005	34,435	63.4	63.6
International:						
Asia/Oceania	71,614	70,059	6,542	5,966	60.4	66.1
Transpacific	48,009	39,666	6,007	4,700	71.6	72.4
Europe	60,081	50,943	6,286	5,266	68.8	65.8

Note: Passenger revenues by destination reflect only the operations of ANA and ANK. Totals therefore do not match total passenger revenues.

Fiscal 1998 passenger revenues of ANA and ANK increased 2.3 percent to ¥841,141 million. The yield, measured in revenues per RPK, decreased by 6.0 percent from ¥16.3 to ¥15.3. This is mostly a reflection of price competition on domestic routes and the impact of higher supply and lower demand on international routes. Results by region are as follows:

Domestic

The load factor rose 0.4 percentage point to 65.9 percent on trunk lines served by all three major domestic airlines, mainly flights to and from Tokyo. However, intense competitive pressures on fares caused the yield and number of passengers to decline.

International

Asia/Oceania: The Asian currency crisis caused the load factor to fall by 5.7 percentage points to 60.4 percent. The drop was most pronounced in the second half of the fiscal year and on Hong Kong and Singapore flights. China and Seoul flights, on the other hand, continued to post good results.

Transpacific: Revenues increased, backed in part by higher load factors in first and business class on flights from Narita. For example, the first class load factor rose by 3.9 percentage points on New York flights and by 5.0 percentage points on Washington, D.C. flights.

Europe: First and business class load factors improved on flights serving London, Paris and other destinations. Results were also buoyed by higher demand from tourists. As a result, the load factor rose by 3.0 percentage points and revenues increased about 18 percent.

Employment and Productivity

March 31,	No. of employees	
	1998	1997
Air transportation (ANA and ANK)	16,316	15,996
Others (consolidated subsidiaries)	6,640	5,244
Total	22,956	21,240

Note: Air transportation employment as of March 31, 1998 includes 2,193 contract cabin crew staff, 672 more than one year earlier.

On a consolidated basis, average employment in fiscal 1998 rose 8.1 percent to 22,956. This increase is primarily attributable to the inclusion of newly consolidated subsidiaries. In fiscal 1998, approximately 71 percent of employees were involved in air transportation, down from 75 percent in fiscal 1997. ASK per air transportation employee, an important indicator of productivity, improved by 7.4 percent.

CAPITALIZATION, FINANCING AND CASH FLOWS

As of March 31, 1998, cash and marketable securities amounted to ¥156.4 billion compared with ¥115.8 billion a year earlier. This is the result of an increase in the issuance of bonds and a decline in repayments of long-term borrowings. In fiscal 1998, the purchase of property and equipment was about the same as in the previous fiscal year. The fiscal 1998 figure includes ¥60.6 billion for flight equipment and ¥17.6 billion for ground property and equipment. However, there was an increase of ¥23.3 billion in investments in and advances to unconsolidated subsidiaries and affiliates. There was also a

¥67.8 billion increase in other assets, largely the result of the inclusion of the accounts of ANA Real Estate and other newly consolidated subsidiaries. These two items accounted for most of the increase in net cash used in investing activities. The large capital expenditures coupled with slower growth in passenger revenues caused ANA's free cash flow to decline from ¥55.1 billion in fiscal 1997 to a negative ¥92.7 billion in fiscal 1998.

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

March 31,	¥ millions	
	1998	1997
Short-term debt:		
Loans, principally from banks	¥101,075	¥ 63,499
Others	-	-
Long-term debt, including current portion:		
Loans, principally from banks	¥559,939	¥583,635
Notes and bonds	327,204	216,705
Others	-	-
Total	¥988,218	¥863,839

Short-term debt increased mainly because of the consolidation of ANA Real Estate, which has a large volume of short-term borrowings, and other newly consolidated subsidiaries. As of March 31, 1998, long-term debt, including the current portion, totaled ¥887.1 billion. Of this amount, ¥327.2 billion was notes and bonds issued by the parent company. During fiscal 1998, the parent company issued ¥65.0 billion of unsecured notes and convertible bonds in June 1997, ¥40.0 billion of unsecured notes in two tranches in September 1997, and ¥20.0 billion of unsecured notes in March 1998. All proceeds were used to fund the purchase of aircraft and other property and equipment.

COMMITMENTS

During the fiscal year ended March 31, 1998, ANA took delivery of 10 aircraft. The parent company purchased seven aircraft: two Boeing 747-400s, two Boeing 767-300s, one Airbus A321 and two Airbus A320s. In addition, ANK took delivery of three Boeing 737-500 aircraft. Based on its ongoing restructuring plan, the parent company has reduced planned fleet additions for the three-year period ending in March 2001 from 30 to 21 aircraft. The parent company plans to use approximately ¥500 billion for aircraft, computer systems and other capital equipment during the three-year period ending in March 2001. Planned fleet additions by year and aircraft type are as follows.

	B747-400	B777-300	B777-200	A321-100
Fiscal 1999	2	4	2	2
Fiscal 2000	0	1	1	3
Fiscal 2001	1	1	3	1
Total	3	6	6	6

CREDIT RATINGS

In April 1998, Standard & Poor's and Moody's Investor Service downgraded ANA's long-term credit ratings to BB_{pi} and Baa₃, respectively. Both ratings were established by these two companies on their own volition. ANA did not request that ratings be given or cooperate with the rating process. The reasons given by both companies for the downgrades were the lack of progress in reducing Japan's high level of airport utilization fees and taxes as well as poor prospects for a recovery in earnings against a backdrop of a prolonged slump in the Japanese economy. ANA has begun implementing a broad-based restructuring plan aimed at restoring the dividend in 2001. Furthermore, ANA believes that possibilities for reductions in fees and taxes are improving. The company therefore feels that prospects for improving profitability based on this plan are good. For these reasons, ANA's position is that these credit ratings do not properly reflect the company's medium- and long-term outlooks. Furthermore, the company believes that these downgrades will not have a significant impact on net interest expenses because of the ongoing replacement of maturing high-interest-rate debt with instruments bearing lower rates in line with the current low-interest-rate environment in Japan.

MARKET RISK

Petroleum and Fuel Prices

Beginning with the fiscal year ending March 31, 1999, ANA is conducting hedging activities to shield operations from abrupt movements in the price of jet fuel. Hedging activities are also conducted to stabilize expenses and ensure that business plans can be met. In no cases are hedging transactions conducted for speculative purposes. The company limits hedging activities to 30 percent of aggregate purchases of petroleum products in Japan and overseas. Furthermore, each transaction is normally in the range of 4,000 to 8,000 kiloliters of jet fuel so as not to adversely affect the spot market. The volume of hedging transactions is determined on a monthly and quarterly basis, and results are monitored accordingly.

Competitive Environment in Japan

Domestic routes are the source of most of the company's air transportation earnings. Currently, the deregulation of Japan's airline industry, and notably the lifting of many restrictions on fares, is leading to more intense competition. In fiscal 1998, the total number of airline passengers on domestic routes in Japan increased 4.2 percent to 85,555 thousand. This made the airline industry one of the few sectors to post growth amid Japan's persistent economic difficulties.

ANA and its subsidiary ANK had a 50.4 percent share of the domestic air transportation market in fiscal 1998, 0.8 percentage point lower than in fiscal 1997. This is the result of a 1.0 percentage point decline at ANA. The primary reason for ANA's lower market share is the company's initial receipt of only 5 unrestricted slots from among the 20 new take-off/landing slots created at Haneda following completion of a new runway. Competing airline companies that received the other slots initiated fare cuts, lowering yields on many routes. In September 1998, a newly formed airline company will inaugurate service on the Tokyo-Fukuoka route, flying three round trips daily. It is likely that the new airline will set fares below ANA's current level. Another newly formed airline company plans to start service on the Tokyo-Sapporo route in December 1998. These developments indicate that fare competition will become even more intense and yield on domestic routes will continue to decline. ANA plans to take a number of actions to overcome these challenges and increase revenues. In particular, plans include increasing service on high-volume routes, suspending and eliminating flights on lightly traveled routes, and restructuring the entire route network. These actions will be accompanied by the establishment of a more competitive fare structure.

Airport Utilization Fees and Other Public-Sector Fees

During the five-year period through March 1998, ANA has reduced expenses per unit of passenger travel by approximately 12 percent, excluding airport utilization and other public-sector fees. However, during the past five fiscal years, airport utilization and other public-sector fees on domestic and international air transportation have increased by about 16 percent on a consolidated basis. In fiscal 1998, these fees amounted to ¥160 billion. During the same five-year period, ANA's revenues per RPK have fallen about 19 percent on domestic routes and 14 percent on international routes. Competitive forces are likely to prevent any recovery in yields in the near future. These trends are spotlighting the problems posed by Japan's high fee structure. Currently, fees and taxes account for approximately 24 percent of domestic airline fares, a level that is far above the world average. The resulting expenses have had a severe impact on the operations of Japan's airline companies. ANA and other domestic airlines are strongly urging the relevant agencies to reduce these fees, a move that would be welcomed by airlines and passengers alike and lead to higher demand for air travel.

Year 2000 Issue

ANA's operations are dependent to a great extent on computer hardware and software. Resolving the Year 2000 issue is thus a matter of the utmost importance. At present, work is proceeding on reservation systems and other computer systems handling internal data with the goal of achieving Year 2000 compatibility by the first half of fiscal 1999. ANA estimates that payments to external vendors for related services will amount to approximately ¥2.2 billion. Of that amount, about ¥24 million was posted as expenses during fiscal 1998. ANA believes that the Year 2000 issue and related expenses will not have a significant effect on its operations or business results.

CONSOLIDATED BALANCE SHEETS

*All Nippon Airways Co., Ltd. and its consolidated subsidiaries
March 31, 1998 and 1997*

ASSETS	Yen (Millions)		U.S. dollars (Thousands) (Note 4)
	1998	1997	1998
Current assets:			
Cash (Note 6)	¥ 94,058	¥ 66,707	\$ 712,021
Marketable securities	62,306	49,137	471,658
Accounts receivable, less allowance for doubtful accounts (¥1,331 million in 1998 and ¥605 million in 1997)	67,911	59,317	514,088
Accounts receivable from and advances to unconsolidated subsidiaries and affiliates	20,676	8,771	156,518
Inventories	51,712	36,457	391,461
Prepaid expenses and other current assets	47,156	61,413	356,972
Total current assets	343,819	281,802	2,602,718
Investments and long-term receivables:			
Investments in securities	56,351	52,400	426,578
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 5)	35,739	23,425	270,545
Lease and guaranty deposits	19,627	19,078	148,577
Housing loans to employees	4,720	718	35,731
Other long-term receivables	68,652	63,482	519,697
Total investments and long-term receivables	185,089	159,103	1,401,128
Property and equipment (Note 6):			
Flight equipment	876,062	866,608	6,631,809
Ground property and equipment	655,243	612,933	4,960,204
	1,531,305	1,479,541	11,592,013
Less accumulated depreciation	(792,564)	(766,091)	(5,999,727)
	738,741	713,450	5,592,286
Advance payments on aircraft purchase contracts	72,656	70,882	550,008
Construction in progress	10,396	11,421	78,698
Net property and equipment	821,793	795,753	6,220,992
Other assets	31,700	31,058	239,969
Total assets	¥1,382,401	¥1,267,716	\$10,464,807

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Yen (Millions)		U.S. dollars (Thousands) (Note 4)
	1998	1997	1998
Current liabilities:			
Short-term loans (Note 6)	¥ 169,514	¥ 146,260	\$ 1,283,225
Accounts and notes payable - trade	78,557	77,361	594,678
Accounts payable to unconsolidated subsidiaries and affiliates	16,788	14,973	127,085
Advance ticket sales	40,584	38,306	307,222
Accrued expenses	32,635	28,776	247,048
Accrued income taxes	845	5,084	6,397
Other current liabilities	19,830	10,497	150,113
Total current liabilities	358,753	321,257	2,715,768
Long-term liabilities:			
Long-term debt, less current portion (Note 6)	818,704	717,579	6,197,608
Accrued employees' retirement benefits	62,309	59,515	471,681
Other long-term liabilities	21,537	25,103	163,035
Total long-term liabilities	902,550	802,197	6,832,324
Minority interests	3,067	6,503	23,217
Shareholders' equity (Notes 9 and 14):			
Common stock, par value ¥50 per share:			
Authorized - 2,203,200,000 shares			
Issued, 1998 - 1,442,725,111 shares	72,142		546,121
1997 - 1,442,724,240 shares	-	72,142	-
Capital surplus	90,135	90,135	682,330
Legal reserve	10,301	9,868	77,977
Deficit	(54,539)	(34,383)	(412,864)
Less common stock in treasury, at cost	(8)	(3)	(66)
Total shareholders' equity	118,031	137,759	893,498
Commitments and contingent liabilities (Note 10)			
Total liabilities and shareholders' equity	¥1,382,401	¥1,267,716	\$10,464,807

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

*All Nippon Airways Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 1998 and 1997*

	Yen (Millions)		U.S. dollars (Thousands) (Note 4)
	1998	1997	1998
Common stock:			
Balance at beginning of year	¥ 72,142	¥ 72,139	\$ 546,118
Conversion of convertible bonds	0	3	3
Balance at end of year	72,142	72,142	546,121
Capital surplus:			
Balance at beginning of year	90,135	90,132	682,327
Conversion of convertible bonds	0	3	3
Balance at end of year	90,135	90,135	682,330
Legal reserve:			
Balance at beginning of year	9,868	9,435	74,700
Transfer from retained earnings	433	433	3,277
Balance at end of year	10,301	9,868	77,977
Deficit:			
Balance at beginning of year	(34,383)	(34,982)	(260,280)
Net income (loss) for year	(5,398)	4,298	(40,863)
Cash dividends paid	(4,328)	(4,328)	(32,763)
Bonuses to directors and statutory auditors	(9)	(6)	(68)
Transfer to legal reserve	(433)	(433)	(3,278)
Increase resulting from consolidation of additional subsidiaries	171	-	1,294
Increase resulting from a change of accounting term of a subsidiary	12	-	90
Decrease resulting from consolidation of additional subsidiaries	-	(19)	-
Increase resulting from adoption of the equity method of accounting for additional affiliates	8	1,087	60
Decrease resulting from affiliates removed from adoption of the equity method	(3,206)	-	(24,270)
Decrease resulting from changes in equity interest in subsidiaries and affiliates	(6,973)	-	(52,786)
Balance at end of year	(54,539)	(34,383)	(412,864)
Less common stock in treasury, at cost	(8)	(3)	(66)
Total shareholders' equity	¥118,031	¥137,759	\$(893,498)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

*All Nippon Airways Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 1998 and 1997*

	Yen (Millions)		U.S. dollars (Thousands) (Note 4)
	1998	1997	1998
Cash flows from operating activities:			
Net income (loss)	¥ (5,398)	¥ 4,298	\$ (40,862)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	74,474	75,917	563,769
Provision for accrued employees' retirement benefits	10,488	9,447	79,394
Loss on disposal and sale of property and equipment	5,341	3,125	40,431
Gain on sale of property and equipment	(17,152)	(11,745)	(129,841)
Other	(896)	1,380	(6,782)
Changes in assets and liabilities, net of effects from acquisitions:			
(Increase) decrease in accounts receivable	(7,958)	(1,439)	(60,242)
(Increase) decrease in inventories	(15,255)	(95)	(115,480)
(Increase) decrease in other current assets	14,595	10,016	110,484
Increase (decrease) in accounts and notes payable - trade	3,011	(2,530)	22,793
Increase (decrease) in advance ticket sales	2,278	4,840	17,244
Increase (decrease) in other current liabilities	1,244	(11,169)	9,416
Net cash provided by operating activities	64,772	82,045	490,324
Cash flows from investing activities, net of effects from acquisitions:			
Purchase of property and equipment	(95,617)	(95,431)	(723,822)
Proceeds from sales of property and equipment	46,421	23,358	351,408
(Increase) decrease in securities	(17,120)	23,742	(129,598)
(Increase) decrease in investments in and advances to unconsolidated subsidiaries and affiliates	(23,318)	(608)	(176,518)
(Increase) decrease in other assets	(67,839)	22,029	(513,543)
Net cash used in investing activities	(157,473)	(26,910)	(1,192,073)
Cash flows from financing activities, net of effects from acquisitions:			
Proceeds from long-term debt	169,565	141,249	1,283,610
Repayment of long-term debt	(82,761)	(212,155)	(626,502)
Increase (decrease) in short-term loans	37,576	15,458	284,451
Dividends paid	(4,328)	(4,328)	(32,763)
Net cash used in financing activities	120,052	(59,776)	908,796
Net changes in cash	27,351	(4,641)	207,047
Cash at beginning of year	66,707	71,348	504,974
Cash at end of year	¥ 94,058	¥ 66,707	\$ 712,021

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All Nippon Airways Co., Ltd. and its consolidated subsidiaries
March 31, 1998 and 1997

1. Basis of financial statements

All Nippon Airways Co., Ltd. (the Company) and its consolidated domestic subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, and its consolidated foreign subsidiaries in conformity with those of the country of their domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan.

In preparing the accompanying financial statements, certain reclassifications have been made in the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The statements of cash flows have been prepared for the purpose of inclusion in this document, although such statements are not customarily prepared in Japan and are not required to be filed with the Minister of Finance.

Furthermore, the notes to the financial statements include additional information not required under generally accepted accounting principles and practices in Japan.

2. Summary of significant accounting policies

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Investments in significant affiliates (20%-50% owned companies) are accounted for by the equity method of accounting. The difference between the cost and the underlying net equity in the net assets at dates of acquisition of consolidated subsidiaries and companies accounted for by the equity method of accounting is being amortized on a straight-line method over a period of five years.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method of accounting are stated at cost.

(b) Income taxes

Deferred tax-effect accounting is not applied in respect of timing differences in the recognition of certain expenses or income between tax and financial reporting except insofar as they relate to the elimination of intercompany items on consolidation.

(c) Foreign currency translation

(i) Foreign currency of short-term and long-term receivables and payables are translated at the historical rates, except for those receivables and payables covered by forward exchange contracts, which are translated at the contract rates.

(ii) Foreign currency of revenues and expenses are translated at the rates of exchange prevailing when such transactions are made.

(d) Marketable securities and investment securities

Marketable securities, including equity securities and investment securities, are stated at cost (principally using the average method) adjusted for any substantial (more than 50%) decline in value which the companies consider non-temporary.

(e) Allowance for doubtful receivables

A general provision is made for doubtful receivables at a rate equivalent to the higher of that which is allowed in Japan as an expense for tax purposes and that which is demonstrated to be required by a review of receivables. Provisions are made against specific receivables as and when required.

(f) Inventories

Inventories are aircraft spare parts, supplies and stock in trade of consolidated subsidiaries.

These are stated at cost. Cost is determined by the average method for aircraft spare parts and the first-in, first-out method for miscellaneous supplies.

(g) Property and equipment and normal depreciation

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed based on estimated useful lives by the following methods:

Flight equipment:

Boeing 747-400s and Boeing 777s

Straight-line method

Boeing 767s, other Boeing 747s, Boeing 737s, Airbus A320s,

Airbus A321s and NAMC YS-11s

Sum-of-years-digit method

Other flight equipment

Declining balance method

Other ground property and equipment

Declining balance method

The Company employs the following life period principally based upon the Company's estimated durability of such aircraft.

International type equipment	15 years
Domestic type equipment	13 years

Major additions and improvements are capitalized at cost. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

(h) Retirement benefits

The retirement benefits plan of the Company and some of the subsidiaries cover substantially all employees other than directors. Under the terms of this plan, eligible employees are entitled, upon mandatory retirement or earlier voluntary severance, to lump-sum payments based on their compensation at the time of leaving and years of service with the Company and some of the subsidiaries. The Company and some of the subsidiaries have followed the accounting policy of providing for the liability for employees' retirement benefits to the extent to which they are deductible for income tax purposes. The permitted rate of deduction for tax purposes is 40% of such liability.

The Company and certain significant domestic subsidiaries are adopting non-contributory funded pension plans to provide coverage for part of the lump-sum benefits under existing retirement regulations. The current cost and amortization of prior service costs of the pension plan are determined actuarially and charged to income. The prior service costs amounted to ¥10,128 million (\$76,669 thousand) at March 31, 1997 and are amortized over a period of approximately 20 years.

Accrued retirement benefits are stated at 40% of the net obligation which would be required to be paid under existing retirement regulations if all eligible employees voluntarily severed their employment at the end of each fiscal year, having made allowance for benefits expected to be covered from the above-mentioned pension plan.

Directors and statutory auditors are not covered by the programs described above. Benefits paid to such persons are charged to income as paid since amounts vary with circumstances, and it is therefore not practicable to compute the liability for future payments.

(i) Revenue recognition

Passenger revenues, cargo and other operating revenues are recorded when services are rendered.

(j) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of unappropriated retained earnings of the Company with respect to a financial period is made by resolution of the Company's shareholders at a general meeting to be held subsequent to the close of the financial period and the accounts for that period do not therefore reflect such appropriation. See Note 14.

(k) Net income per share

The computation of net income per share of common stock is based on the weighted average number of shares outstanding during each year, after giving retroactive effect, for the purpose of inclusion in this document, to the free distribution of common stock.

The 0.4% yen convertible bonds had a dilutive effect on the calculation of net income per share in fiscal 1997.

(l) Leases

Finance lease transactions other than ones that are expected to transfer ownership of the assets are accounted for as operating leases.

(m) Bond issuance expenses

Bond issuance expenses are principally capitalized and amortized on a straight-line basis over a 3 year period.

3. Differences between Japanese accounting principles and International Accounting Standards

The accompanying consolidated financial statements of the Company are principally prepared in conformity with accounting principles and practices generally accepted in Japan, which differ from International Accounting Standards ("IAS") mainly in the following respects:

(a) Consolidation and the equity method of accounting

Under generally accepted accounting principles in Japan, (i) subsidiaries whose total assets, net sales, net income and retained earnings are not significant in the aggregate in relation to the respective amounts in the consolidated financial statements may be excluded from consolidation; and (ii) the equity method of accounting is not required for unconsolidated subsidiaries and affiliated companies whose net income and retained earnings in the aggregate is not significant in relation to the comparable amounts in the consolidated financial statements. These Japanese accounting principles regarding consolidation and adoption of the equity method of

accounting are not in accordance with IAS 27 and IAS 28 which require, except on certain specified grounds, the consolidation of all subsidiaries and the application of the equity method to unconsolidated subsidiaries as well as to all affiliated companies.

(b) Tax-effect accounting

Income taxes are provided, in principle, based on taxable income on the basis of amounts currently payable for each period. The Company does not recognize the tax effect of timing differences, except in the case that such deferred income taxes relate to the elimination of intercompany items on consolidation. Therefore, the Company's policy is generally not in accordance with IAS 12 which requires that the tax expense for a period be determined on the basis of tax-effect accounting.

The effect on net income of this difference in accounting policy is summarized in Note 7 of the consolidated and nonconsolidated financial statements.

(c) Foreign currency translation

Foreign currencies of short-term and long-term receivables and payables, except for foreign currencies of long-term debt covered by forward exchange contracts, are translated at the exchange rate existing at the time of the transaction. This is not in accordance with IAS 21 which requires foreign currency monetary items to be translated at the rate of exchange in effect at each balance sheet date, except when covered by forward exchange contracts.

The effect on net income of this difference in accounting policy for the years ended March 31, 1998 and 1997 was not significant.

(d) Leases

Finance lease transactions other than ones that are expected to transfer ownership of the assets are recognized to be accounted for as operating leases. IAS 17 requires finance leases to be reflected in the lessee's accounts by recording an asset and liability equal to the lower of the net fair value of the leased property or the present value of the minimum lease payments. The assets should be depreciated and rentals apportioned between finance charges and reduction of the outstanding liability.

It has not been practicable to quantify the effect on net income of this difference in accounting policy. See Note 8 of Notes to Nonconsolidated Financial Statements.

(e) Market value information of marketable securities

Market value information of marketable securities of the parent company is required to be disclosed in the Securities Report filed with the Minister of Finance under the Securities and Exchange Law of Japan. IAS 25 requires the disclosure of the market value of marketable securities, other than long-term investments, if different from the carrying amount in the financial statements.

At March 31, 1998 and 1997 the aggregate market values of marketable securities and investment securities held by the Company and their respective aggregate carrying amount were as follows:

	Marketable securities			Investment securities		
	Yen (Millions)		U.S. dollars (Thousands)	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998	1998	1997	1998
Market value	¥2,708	¥2,482	\$20,500	¥36,135	¥30,308	\$273,543
Carrying amount	3,302	2,687	24,996	27,656	20,762	209,357
	¥ (594)	¥ (205)	\$ (4,496)	¥ 8,479	¥ 9,546	\$ 64,186

(f) Funds in trust

Funds in trust included in other current assets in the amount of ¥14,327 million (\$108,456 thousand) at March 31, 1998 represent short-term funds deposited with and managed by trust banks. Each fund consists mainly of marketable equity securities and interest-bearing bonds and is stated at cost. IAS 25 requires the disclosure of the market value of marketable securities, other than long-term investments, if different from the carrying amount in the financial statements.

The Company is not required in Japan to disclose the market value of such funds in trust.

(g) *Employees' retirement benefits*

The Company has followed the accounting policy of providing for the liability for employees' retirement benefits to the extent to which they are deductible for income tax purposes. Generally accepted accounting principles in Japan allow the accrual of such liability in accordance with tax regulations, provided that the present value of the benefits which would be required to be paid if all eligible employees voluntarily severed their employment at the end of each fiscal year for the period of the employees' estimated remaining service years results in approximately 40% of such benefits. Contributions to a pension fund are charged to income when paid.

IAS 19 requires that current cost is the present value of benefits payable in the future in respect of service in the current period and that accrued actuarial liability is the present value of benefits payable in the future in respect of service to date. Therefore, the Company's policy is not in accordance with IAS 19.

It has not been practicable to quantify the effect on net income of this difference in accounting policy.

(h) *Segment information*

Both the Securities and Exchange Law of Japan and IAS 14 require the disclosure of income and asset information by industry and geographical segment, when they are significant.

(i) *Information reflecting the effects of changing prices*

The financial statements and related notes thereto are based on the historical cost concept. This is not in accordance with IAS 15 which requires information using an accounting method reflecting the effects of changing prices.

(j) *Related party disclosures*

Related party transactions are not required to be disclosed as part of the financial statements and related notes thereto in Japan. IAS 24 requires disclosure of the nature of the related party relationship as well as the types of transactions and the elements of the transactions necessary for an understanding of the financial statements.

4. Financial statement translation

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥132.10=US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 1998. This translation should not be construed as a representation that the amounts shown could be converted into United States dollars at such rate.

5. Investments in and advances to unconsolidated subsidiaries and affiliates

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 1998 and 1997 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998
Investments in capital stock, at cost	¥24,251	¥19,075	\$183,581
Advances	11,488	4,350	86,964
	¥35,739	¥23,425	\$270,545

6. Short-term loans and long-term debt

Short-term loans at March 31, 1998 and 1997 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998
Short-term bank loans	¥101,075	¥ 63,499	\$ 765,140
Current portion of long-term debt	68,439	82,761	518,085
	¥169,514	¥146,260	\$1,283,225

The interest rates on the above short-term loans were between 0.75% and 8.0% per annum in 1998 and between 0.70% and 7.485% per annum in 1997.

Long-term debt at March 31, 1998 and 1997 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998
Bonds and notes:			
9.375% US\$ guaranteed notes due 1997	¥ -	¥ 14,500	\$ -
9.75% US\$ notes due 2000	13,000	13,000	98,411
6.35% notes due 2000	20,000	20,000	151,400
4.4% notes due 2000	20,000	20,000	151,400
3.075% notes due 2007	35,000	-	264,951
2.75% notes due 2009	20,000	-	151,400
3.2% notes due 2017	20,000	-	151,400
2.9% notes due 2008	20,000	-	151,400
1.8% yen convertible bonds due 2003	49,210	49,210	372,521
0.4% yen convertible bonds due 2005	99,994	99,995	756,957
0% yen convertible bonds due 2000	30,000	-	227,101
	327,204	216,705	2,476,941
Loans, principally from banks:			
Secured, bearing interest from 2.13% to 10.25% in 1998 and 2.125% to 10.25% in 1997, maturing in installments through 2019	388,141	383,483	2,938,237
Unsecured, bearing interest from 0.96% to 10.5% in 1998 and 0.8% to 10.5% in 1997, maturing in installments through 2021	171,798	200,152	1,300,515
	559,939	583,635	4,238,752
	887,143	800,340	6,715,693
Less current portion	68,439	82,761	518,085
	¥818,704	¥717,579	\$6,197,608

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligation becomes due, or in the event of default and certain other specified events, to offset cash deposits against such obligations due to the bank.

The guaranteed notes and bonds issued by the Company and certain foreign currency loans are guaranteed by domestic banks and a foreign bank.

The convertible bonds at March 31, 1998 were convertible into the following numbers of shares of common stock at the following current conversion prices.

	Conversion price per share	Number of shares
1.8% yen convertible bonds due 2003	¥2,052.60 (\$15.54)	23,974,714
0.4% yen convertible bonds due 2005	¥1,148.00 (\$ 8.69)	87,102,787
0% yen convertible bonds due 2000	¥ 744.00 (\$ 5.63)	40,322,580

The following assets were pledged as collateral for short-term and long-term debt at March 31, 1998:

	Yen (Millions)	U.S. dollars (Thousands)
Cash in bank	¥ 750	\$ 5,678
Property and equipment, at net book value:		
Flight equipment	206,040	1,559,727
Ground property and equipment	157,797	1,194,527
	¥364,587	\$2,759,932

The aggregate annual maturities of long-term debt after March 31, 1998 are as follows:

	Yen (Millions)	U.S. dollars (Thousands)
1999	¥ 68,439	\$ 518,085
2000	92,151	697,585
2001	151,266	1,145,087
2002 and thereafter	575,287	4,354,936
	¥887,143	\$6,715,693

The amounts in the above table have been calculated on the assumption that all outstanding convertible bonds at March 31, 1998 would not be converted prior to maturity.

7. Income taxes

The Company is subject to a number of taxes on income (corporation tax, inhabitants tax and enterprise tax) which in aggregate resulted in a normal corporate tax rate of approximately 51.4% in both 1998 and 1997.

Corporation tax and inhabitants tax are included under the caption "income taxes," while enterprise tax, which is deductible for corporation tax and inhabitants tax purposes when paid, is included under the caption "operating expenses - general and administrative" in the accompanying consolidated statements of income. Enterprise tax for the years ended March 31, 1998 and 1997 were ¥899 million (\$6,805 thousand) and ¥2,079 million, respectively.

Most of "income taxes" in the accompanying consolidated statements is accounted for by the income taxes of the Company, which are large compared with income because of the deferred income taxes due to special depreciation reserve.

8. Leases

(a) Finance leases

The Company and consolidated subsidiaries lease principally computer systems and aircrafts under finance leases.

Finance leases outstanding obligations at March 31, 1998.

	Yen (Millions)	U.S. dollars (Thousands)
Current portion of finance leases outstanding obligations	¥ 15,801	\$ 119,614
Long-term finance leases outstanding obligations	127,272	963,452
	<u>¥143,073</u>	<u>\$1,083,066</u>

Annual lease expenses were ¥18,912 million (\$143,164 thousand) in 1998.

(b) Operating leases

The rental payments required under the operating leases that have initial or remaining noncancelable lease term in excess of one year at March 31, 1998 are as follows:

	Yen (Millions)	U.S. dollars (Thousands)
Current portion of finance leases outstanding obligations	¥ 42,102	\$ 318,713
Long-term finance leases outstanding obligations	223,277	1,690,212
	<u>¥265,379</u>	<u>\$2,008,925</u>

See Note 2.

9. Shareholders' equity

(a) Common stock and capital surplus

Under the Japanese Commercial Code, as amended effective October 1, 1982, at least 50% (but not less than the par value of the common stock being issued) of the aggregate amount of the offering price and/or conversion price of convertible bonds (upon conversion into common stock) issued after the effective date must be credited to the common stock account. Any remaining excess of proceeds over amounts credited to the common stock account must be credited to the capital surplus account.

During the year ended March 31, 1998, convertible bonds worth ¥1 million (\$8 thousand) were converted into 871 shares of common stock, and during the year ended March 31, 1997, convertible bonds worth ¥6 million (\$48 thousand) were converted into 4,841 shares of common stock.

(b) Legal reserve

Under the Japanese Commercial code, the Company is required to appropriate as legal reserve an amount equal to at least 10% of appropriations paid by cash until the reserve equals 25% of the stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be capitalized by resolution of the Board of Directors. The legal reserve in the accompanying consolidated financial statements includes only that of the Company. The Company's equity in the legal reserves of its consolidated subsidiaries is included in consolidated retained earnings.

(c) Deficit

Retained earnings at March 31, 1998 and 1997 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998
Appropriated:			
Special depreciation reserve	¥ 9,637	¥ 10,236	\$ 72,952
General reserve	1,600	1,600	12,111
Special account reserve for reduction in fixed assets	1,406	1,678	10,643
Unappropriated	(67,182)	(47,897)	(508,570)
	¥(54,539)	¥(34,383)	\$(412,864)

Special depreciation reserve has been provided for purposes of tax deferral. This reserve must be recorded on the books of account for retained earnings and is required to be reversed to taxable income in the future. Under the Special Taxation Measures Law, the Company is permitted to provide special depreciation on new aircraft, within two fiscal years, at the maximum limit of 9% of the acquisition costs in the aggregate. The reserve thus provided is reversed evenly to taxable income over the subsequent seven years. See Note 14.

10. Commitments and contingent liabilities

At March 31, 1998 commitments outstanding for the acquisition or construction of property and equipment amounted to approximately ¥438,392 million (\$3,318,637 thousand).

The Company and consolidated subsidiaries were contingently liable as guarantor of loans, principally to employees for their housing, unconsolidated subsidiaries and affiliates, amounting to ¥12,905 million (\$97,691 thousand) at March 31, 1998.

The Company was liable under debt assumption agreements for in-substance defeasance of the bonds which amounted to ¥80,000 million (\$605,602 thousand) at March 31, 1998.

11. Segment information

The Company and consolidated subsidiaries conduct operations in air transportation, hotel operations and other airline-related business. The respective businesses other than the air transportation business are insignificant to the consolidated results of operations of the Company and its consolidated subsidiaries and, accordingly, are included in "Airline-related businesses" in the following industry segment information.

Industry segment information of the company and its subsidiaries is only disclosed because of its significance. The segment information for the years ended March 31, 1998, and 1997 is as follows:

Year ended March 31, 1998	Yen (Millions)				
	Air transportation	Airline-related businesses	Total	Intercompany eliminations	Consolidated
Operating revenues	¥937,185	¥143,321	¥1,080,506	¥ -	¥1,080,506
Intra-group sales and transfers	31,613	30,441	62,054	(62,054)	-
Total	968,798	173,762	1,142,560	(62,054)	1,080,506
Operating expenses	968,215	168,130	1,136,345	(62,018)	1,074,327
Operating income	583	5,632	6,215	(36)	6,179
	Air transportation	Airline-related businesses	Total	Unspecified assets	Consolidated
	Identifiable assets	¥1,046,712	¥276,216	¥1,322,928	¥59,473
Depreciation and amortization	62,956	5,133	68,089	-	68,089
Capital expenditures	89,025	6,592	95,617	-	95,617

Year ended March 31, 1998	U.S. dollars (Thousands)				
	Air transportation	Airline-related businesses	Total	Intercompany eliminations	Consolidated
Operating revenues	\$7,094,512	\$1,084,943	\$8,179,455	\$ -	\$8,179,455
Intra-group sales and transfers	239,311	230,439	469,750	(469,750)	-
Total	7,333,823	1,315,382	8,649,205	(469,750)	8,179,455
Operating expenses	7,329,410	1,272,748	8,602,158	(469,478)	8,132,680
Operating income	4,413	42,634	47,047	(272)	46,775

Year ended March 31, 1997	Yen (Millions)				
	Air transportation	Airline-related businesses	Total	Intercompany eliminations	Consolidated
Identifiable assets	\$7,923,634	\$2,090,961	\$10,014,595	\$450,212	\$10,464,807
Depreciation and amortization	476,578	38,857	515,435	-	515,435
Capital expenditures	673,921	49,902	723,823	-	723,823

Year ended March 31, 1997	Yen (Millions)				
	Air transportation	Airline-related businesses	Total	Intercompany eliminations	Consolidated
Operating revenues	¥906,420	¥115,322	¥1,021,742	¥ -	¥1,021,742
Intra-group sales and transfers	30,382	30,358	60,740	(60,740)	-
Total	936,802	145,680	1,082,482	(60,740)	1,021,742
Operating expenses	920,066	141,673	1,061,739	(60,590)	1,001,149
Operating income	16,736	4,007	20,743	(150)	20,593

Year ended March 31, 1997	Yen (Millions)				
	Air transportation	Airline-related businesses	Total	Unspecified assets	Consolidated
Identifiable assets	¥965,040	¥232,621	¥1,197,661	¥70,055	¥1,267,716
Depreciation and amortization	62,556	5,709	68,265	-	68,265
Capital expenditures	206,545	17,670	224,215	-	224,215

12. Supplementary income information

	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998
Provision for retirement and severance benefits and pension expense	¥17,413	¥16,018	\$131,817
Foreign exchange gain	218	1,202	1,650

13. Supplementary cash flow information

	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998
Cash payment for:			
Interest	¥46,056	¥49,635	\$348,645
Income taxes (including enterprise tax)	10,830	13,092	81,983

14. Subsequent events

At the shareholders' meeting held on June 26, 1998, the following appropriations from unappropriated retained earnings of the Company were approved by the shareholders:

	Yen (Millions)	U.S. dollars (Thousands)
Transfer to special depreciation reserve-net	¥(2,096)	\$(15,867)
Transfer to special account reserve for reduction in fixed assets-net	(50)	(378)
	¥(2,146)	\$(16,245)

INDEPENDENT AUDITORS' REPORT

The Board of Directors
All Nippon Airways Co., Ltd.:

We have audited the accompanying consolidated balance sheets of All Nippon Airways Co., Ltd. and its consolidated subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and all relevant auditing procedures as are normally required were carried out.

Based on our audits, it is our opinion that the above-mentioned financial statements present fairly, in all material respects, the financial position of All Nippon Airways Co., Ltd. and its consolidated subsidiaries as of March 31, 1998 and 1997, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

The accompanying consolidated financial statements have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in Note 4 to the consolidated financial statements.

Tokyo, Japan
June 26, 1998

Century Audit Corporation

CENTURY AUDIT CORPORATION
Certified Public Accountants

NONCONSOLIDATED BALANCE SHEETS

*All Nippon Airways Co., Ltd.
March 31, 1998 and 1997*

ASSETS	Yen (Millions)		U.S. dollars (Thousands) (Note 4)
	1998	1997	1998
Current assets:			
Cash	¥ 63,997	¥ 44,106	\$ 484,460
Marketable securities	48,837	38,164	369,701
Accounts receivable, less allowance for doubtful accounts (¥602 million in 1998 and ¥468 million in 1997)	54,391	48,045	411,747
Accounts receivable from and advances to subsidiaries and affiliates	29,259	14,303	221,495
Aircraft spare parts and supplies	38,675	34,825	292,775
Prepaid expenses and other current assets	41,866	56,807	316,926
Total current assets	277,027	236,252	2,097,107
Investments and long-term receivables:			
Investments in securities	37,231	34,534	281,844
Investments in and advances to subsidiaries and affiliates (Note 5)	167,866	137,393	1,264,642
Lease and guaranty deposits	8,074	7,957	61,125
Housing loans to employees	4,645	643	35,162
Other long-term receivables	32,534	35,418	252,399
Total investments and long-term receivables	250,352	215,946	1,895,174
Property and equipment (Note 6):			
Flight equipment	855,243	852,629	6,474,209
Ground property and equipment	434,747	420,897	3,291,044
	1,289,990	1,273,526	9,765,254
Less accumulated depreciation	(734,778)	(726,843)	(5,562,289)
	555,211	546,683	4,202,965
Advance payments on aircraft purchase contracts	65,191	67,138	493,497
Construction in progress	2,774	3,963	21,005
Net property and equipment	623,177	617,785	4,717,468
Other assets	2,096	2,465	15,869
Total assets	¥1,152,654	¥1,072,450	\$ 8,725,619

See accompanying notes to nonconsolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Yen (Millions)		U.S. dollars (Thousands) (Note 4)
	1998	1997	1998
Current liabilities:			
Current portion of long-term debt	¥ 53,194	¥ 71,846	\$ 402,680
Accounts and notes payable - trade	66,784	66,215	505,558
Accounts payable to subsidiaries and affiliates	22,060	19,072	166,997
Advance ticket sales	38,118	35,972	288,561
Accrued expenses	24,344	22,610	184,291
Accrued income taxes	-	4,668	-
Other current liabilities	14,204	5,126	107,529
Total current liabilities	218,707	225,512	1,655,618
Long-term liabilities:			
Long-term debt, less current portion (Note 6)	679,063	585,954	5,140,529
Accrued employees' retirement benefits	58,758	57,137	444,799
Other long-term liabilities	12,354	13,073	93,520
Total long-term liabilities	750,176	656,164	5,678,849
Shareholders' equity (Notes 9 and 13):			
Common stock, par value ¥50 per share:			
Authorized - 2,203,200,000 shares			
Issued, 1998 - 1,442,725,111 shares	72,142	-	546,121
1997 - 1,442,724,240 shares	-	72,142	-
Capital surplus	90,135	90,135	682,330
Legal reserve	10,301	9,868	77,977
Retained earnings	11,191	18,627	84,719
Total shareholders' equity	183,771	190,773	1,391,152
Commitments and contingent liabilities (Note 10)			
Total liabilities and shareholders' equity	¥1,152,654	¥1,072,450	\$8,725,619

NONCONSOLIDATED STATEMENTS OF INCOME (LOSS)

All Nippon Airways Co., Ltd.
Years ended March 31, 1998 and 1997

	Yen (Millions)		U.S. dollars (Thousands) (Note 4)
	1998	1997	1998
Operating revenues:			
Passenger	¥776,750	¥762,789	\$5,880,019
Cargo	58,686	55,069	444,257
Incidental and other	74,840	69,547	566,540
	910,276	887,406	6,890,817
Operating expenses:			
Aircraft and flight operations	250,867	239,905	1,899,069
Aircraft maintenance	92,887	88,547	703,157
In-flight services	74,072	74,474	560,730
Flight control and ground handling	216,791	208,416	1,641,119
Reservations, sales and advertising	143,046	128,791	1,082,867
General and administrative (Note 7)	44,599	41,667	337,622
Depreciation and amortization	65,395	67,460	495,048
Other costs	21,968	20,127	166,305
	909,630	869,391	6,885,921
Operating income	646	18,015	4,875
Non-operating income (expenses):			
Interest and dividend income	2,876	4,121	21,772
Gain on sale of property and equipment	9,097	11,781	68,871
Interest expenses	(30,958)	(34,642)	(234,353)
Other - net	18,813	12,741	142,415
	(170)	(5,998)	(1,293)
Income before income taxes	475	12,017	3,602
Income taxes (Note 7)	3,151	8,102	23,853
Net income (loss)	¥ (2,675)	¥ 3,915	\$ (20,250)
	Yen		U.S. dollars (Note 4)
	1998	1997	1998
Net income (loss) per share (Note 2)	¥(1.85)	¥2.71	\$(0.01)
Net income per share assuming full dilution (Note 2)	¥ -	¥2.68	\$ -

See accompanying notes to nonconsolidated financial statements.

NONCONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

*All Nippon Airways Co., Ltd.
Years ended March 31, 1998 and 1997*

	Yen (Millions)		U.S. dollars (Thousands) (Note 4)
	1998	1997	1998
Common stock:			
Balance at beginning of year	¥ 72,142	¥ 72,139	\$ 546,118
Conversion of convertible bonds	0	3	3
Balance at end of year	72,142	72,142	546,121
Capital surplus:			
Balance at beginning of year	90,135	90,132	682,327
Conversion of convertible bonds	0	3	3
Balance at end of year	90,135	90,135	682,330
Legal reserve:			
Balance at beginning of year	9,868	9,435	74,700
Transfer from retained earnings	433	433	3,277
Balance at end of year	10,301	9,868	77,977
Retained earnings:			
Balance at beginning of year	18,627	19,473	141,011
Net income for year	(2,675)	3,915	(20,250)
Cash dividends paid	(4,328)	(4,328)	(32,764)
Transfer to legal reserve	(433)	(433)	(3,278)
Balance at end of year	11,191	18,627	84,719
Total shareholders' equity	¥183,771	¥190,773	\$1,391,152

See accompanying notes to nonconsolidated financial statements.

NONCONSOLIDATED STATEMENTS OF CASH FLOWS

All Nippon Airways Co., Ltd.
Years ended March 31, 1998 and 1997

	Yen (Millions)		U.S. dollars (Thousands) (Note 4)
	1998	1997	1998
Cash flows from operating activities:			
Net income	¥ (2,675)	¥ 3,915	\$ (20,250)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	65,395	61,292	495,048
Provision for accrued employees' retirement benefits	9,458	8,910	71,600
Loss on disposal and sale of property and equipment	4,775	2,897	36,154
Gain on sale of property and equipment	(9,097)	(11,781)	(68,871)
Other	5,257	9,001	39,802
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(6,461)	(1,486)	(48,910)
(Increase) decrease in aircraft spare parts and supplies	(3,849)	62	(29,142)
(Increase) decrease in other current assets	15,094	8,403	114,265
Increase (decrease) in accounts and notes payable - trade	3,556	(416)	26,922
Increase (decrease) in advance ticket sales	2,146	4,206	16,249
Increase (decrease) in other current liabilities	(1,693)	(10,856)	(12,816)
Net cash provided by operating activities	81,908	74,147	620,050
Cash flows from investing activities:			
Purchase of property and equipment	(78,257)	(61,773)	(592,408)
Proceeds from sales of property and equipment	17,758	23,210	134,429
(Increase) decrease in securities	(13,431)	28,072	(101,674)
(Increase) decrease in investments in and advances to subsidiaries and affiliates	(47,859)	873	(362,299)
(Increase) decrease in other assets	(10,357)	33,697	(78,408)
Net cash provided by (used in) investing activities	(132,147)	24,080	(1,000,361)
Cash flows from financing activities:			
Proceeds from long-term debt	151,750	108,980	1,148,750
Repayment of long-term debt	(77,291)	(204,339)	(585,101)
Increase (decrease) in short-term loans	-	(22)	-
Dividends paid	(4,328)	(4,328)	(32,764)
Net cash used in financing activities	70,129	(99,710)	530,885
Net changes in cash	19,890	(1,482)	150,574
Cash at beginning of year	44,106	45,588	333,385
Cash at end of year	¥ 63,997	¥ 44,106	\$ 484,460

See accompanying notes to nonconsolidated financial statements.

NOTES TO NONCONSOLIDATED FINANCIAL STATEMENTS

All Nippon Airways Co., Ltd.
March 31, 1998 and 1997

1. Basis of financial statements

All Nippon Airways, Co., Ltd. (the Company) maintains its records and prepares its financial statements in accordance with accounting principles and practices generally accepted in Japan.

The accompanying nonconsolidated financial statements have been compiled from the nonconsolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan.

In preparing the accompanying financial statements, certain reclassifications have been made in the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The statements of cash flows have been prepared for the purpose of inclusion in this document, although such statements are not customarily prepared in Japan and are not required to be filed with the Minister of Finance.

Furthermore, the notes to the financial statements include additional information not required under generally accepted accounting principles and practices in Japan.

As permitted by the regulations under the Japanese Commercial Code, amended effective October 1, 1982, amounts less than one million yen have been omitted. In this connection, U.S. dollar amounts less than one thousand dollars have also been omitted. As a result, the totals shown in the accompanying nonconsolidated financial statements for the fiscal years of 1998 and 1997 do not necessarily agree with the sum of the individual amounts.

2. Summary of significant accounting policies

The accompanying nonconsolidated financial statements are prepared on the same accounting policies as described in Note 2 of the notes to consolidated financial statements, except for the following:

(a) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates (20%-50% owned companies) are stated at cost (average method) adjusted for any substantial (more than 50%) decline in value which the Company considers to be non-temporary. Application of the equity method accounting for investments in common stock of the subsidiaries and affiliates is not required in the nonconsolidated financial statements. Dividends are recorded as income when received.

(b) Income taxes

Income taxes are provided based on amounts required by the tax returns for the period. The tax-effect accounting is not applied for timing differences in the recognition of certain expenses or income between financial and tax reporting purposes.

(c) Aircraft spare parts and supplies

These inventories are stated at cost. Cost is determined by the average method for aircraft spare parts and the first-in, first-out method for miscellaneous supplies.

3. Differences between Japanese accounting principles and International Accounting Standards

The accompanying nonconsolidated financial statements of the Company are principally prepared in conformity with accounting principles and practices generally accepted in Japan, which differ from International Accounting Standards ("IAS") mainly in several respects as summarized in Note 3 of the notes to consolidated financial statements, except that the adoption of equity method of accounting for investments in subsidiaries and affiliated companies is prohibited in preparing nonconsolidated financial statements under the Japanese accounting principles.

4. Financial statement translation

See Note 4 of the notes to consolidated financial statements.

5. Investments in and advances to subsidiaries and affiliates

Investments in and advances to subsidiaries and affiliates at March 31, 1998 and 1997 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998
Investments in capital stock, at cost	¥153,447	¥130,549	\$1,161,602
Advances	14,418	6,843	109,151
	<u>¥167,866</u>	<u>¥137,393</u>	<u>\$1,270,754</u>

6. Long-term debt

Long-term debt at March 31, 1998 and 1997 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998
Bonds and notes	¥327,204	¥216,705	\$2,476,941
Loans from banks	405,054	441,095	3,066,268
	<u>732,258</u>	657,800	<u>5,543,209</u>
Less current portion	53,194	71,846	402,680
	<u>¥679,063</u>	¥585,954	<u>\$5,140,529</u>

See Note 6 of the notes to consolidated financial statements.

The following assets were pledged as collateral for long-term debt at March 31, 1998:

	Yen (Millions)	U.S. dollars (Thousands)
	Property and equipment, at net book value:	
Flight equipment	¥187,685	\$1,420,787
Ground property and equipment	53,710	406,592
	<u>¥241,396</u>	<u>\$1,827,380</u>

The aggregate annual maturities of long-term debt after March 31, 1998 are as follows:

	Yen (Millions)	U.S. dollars (Thousands)
1999	¥ 53,194	\$ 402,680
2000	74,667	565,231
2001	133,047	1,007,169
2002 and thereafter	471,349	3,568,127
	<u>¥732,258</u>	<u>\$5,543,209</u>

7. Income taxes

The Company is subject to a number of taxes on income (corporation tax, inhabitants tax and enterprise tax) which in aggregate resulted in a normal corporate tax rate of approximately 51.4% in both 1998 and 1997.

Corporation tax and inhabitants tax are included under the caption "income taxes," while enterprise tax, which is deductible for corporation tax and inhabitants tax purposes when paid, is included under the caption "operating expenses - general and administrative" in the accompanying nonconsolidated statements of income. Enterprise tax for the years ended March 31, 1998 and 1997 were ¥702 million (\$5,314 thousand) and ¥1,897 million, respectively.

See Note 7 of the notes to consolidated financial statements.

8. Leases

(a) Finance leases

Finance lease transactions other than ones that are expected to transfer ownership of the assets are accounted for as operating leases. IAS requires finance leases to be reflected in lessee's accounts by recording an asset and liability equal to the lower of the net fair value of the lease property or the present value of the minimum lease payments. The effect of this difference in accounting policy is summarized as follows.

Estimated acquisition costs, estimated amount of accumulated depreciation and estimated net book value of the lease properties are as follows:

Year ended March 31, 1998	Yen (Millions)			U.S. dollars (Thousands)		
	Estimated acquisition costs	Estimated amount of accumulated depreciation	Estimated net book value	Estimated acquisition costs	Estimated amount of accumulated depreciation	Estimated net book value
Aircraft	¥159,542	¥46,229	¥113,313	\$1,207,738	\$349,954	\$857,783
Others	5,632	4,784	848	42,639	36,215	6,423
	<u>¥165,174</u>	<u>¥51,013</u>	<u>¥114,161</u>	<u>\$1,250,377</u>	<u>\$386,170</u>	<u>\$864,207</u>

Finance leases outstanding obligations at March 31, 1998.

	Yen (Millions)	U.S. dollars (Thousands)
Current portion of finance leases outstanding obligations	¥ 14,252	\$107,890
Long-term finance leases outstanding obligations	117,610	890,312
	<u>¥131,862</u>	<u>\$998,202</u>

Estimated amount of depreciation, estimated finance charge and lease expenses.

Year ended March 31, 1998	Yen (Millions)	U.S. dollars (Thousands)
Estimated amount of depreciation by the straight-line method over the lease period	¥16,775	\$126,987
Estimated interest costs	4,394	33,266

Annual lease expenses were ¥17,159 million (\$129,898 thousand) in 1998.

(b) Operating leases

The rental payments required under the operating leases that have initial or remaining noncancelable lease term in excess of one year at March 31, 1998 are as follows:

	Yen (Millions)	U.S. dollars (Thousands)
Current portion of finance leases outstanding obligations	¥ 42,080	\$ 318,550
Long-term finance leases outstanding obligations	223,196	1,689,600
	<u>¥265,276</u>	<u>\$2,008,150</u>

See Note 2 (l) of the notes to consolidated financial statements.

9. Shareholders' equity

See Note 9 of the notes to consolidated financial statements.

10. Commitments and contingent liabilities At March 31, 1998 commitments outstanding for the acquisition or construction of property and equipment amounted to approximately ¥423,890 million (\$3,208,856 thousand).
The Company was contingently liable as guarantor of loans, principally to employees for their housing, subsidiaries and affiliates, amounting to ¥5,552 million (\$42,033 thousand) at March 31, 1998.
See Note 10 to the consolidated financial statements with respect to commitments and contingent liabilities under debt assumption agreements.

11. Supplementary income information	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998
Provision for retirement and severance benefits and pension expense	¥15,114	¥14,505	\$114,417
Foreign exchange gain (loss)	150	1,218	1,141

12. Supplementary cash flow information	Yen (Millions)		U.S. dollars (Thousands)
	1998	1997	1998
Cash payment for:			
Interest	¥31,486	¥37,687	\$238,353
Income taxes (including enterprise tax)	9,855	11,878	74,603
Non-Cash financing activities:			
Conversion of bonds	1	6	7
Common stock issued	0	3	3
Increase of capital surplus	0	3	3

13. Subsequent events See Note 14 of the notes to consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
All Nippon Airways Co., Ltd.:

We have audited the accompanying nonconsolidated balance sheets of All Nippon Airways Co., Ltd. as of March 31, 1998 and 1997, and the related nonconsolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and all relevant auditing procedures as are normally required were carried out.

Based on our audits, it is our opinion that the above-mentioned financial statements present fairly, in all material respects, the financial position of All Nippon Airways Co., Ltd. as of March 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

The accompanying nonconsolidated financial statements have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the nonconsolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in Note 4 to the nonconsolidated financial statements.

Tokyo, Japan
June 26, 1998

Century Audit Corporation

CENTURY AUDIT CORPORATION
Certified Public Accountants

ANA DIRECTORY

HEAD OFFICE

Kasumigaseki Bldg.
3-2-5, Kasumigaseki, Chiyoda-ku
Tokyo 100-6027, Japan
Tel: 81-3-3592-3065
Fax: 81-3-3592-3069

OVERSEAS SALES OFFICES

United States

New York

1251 Avenue of the Americas
8th Floor, New York
NY 10020, U.S.A.
Tel: 1-212-840-3700
Fax: 1-212-840-3704

Washington, D.C.

1101, 16th Street, N.W.
Suite 400, Washington, D.C.
20036, U.S.A.
Tel: 1-202-857-0950
Fax: 1-202-223-6010

Los Angeles

2050 W. 190th Street, Suite 100
Torrance, CA 90504, U.S.A.
Tel: 1-310-782-3000
Fax: 1-310-782-3120

Honolulu

300 Rodgers Blvd. #47
Honolulu International Airport
Honolulu, Hawaii 96819, U.S.A.
Tel: 1-808-838-0190
Fax: 1-808-838-0191

Guam

Guam International Air Terminal
P.O. Box 8707, Tamuning
Guam 96931, U.S.A.
Tel: 1-671-642-5588
Fax: 1-671-646-9070

Europe

London

ANA House, 2nd Floor
6-8 Old Bond Street
London, W1X 3TA, U.K.
Tel: 44-171-915-3322
Fax: 44-171-915-3310

Paris

114, Avenue des
Champs Elysée
75008 Paris, France
Tel: 33-1-5383-5220
Fax: 33-1-5375-1211

Frankfurt

Rossmarkt 13
60311, Frankfurt am Main
Germany
Tel: 49-69-299760
Fax: 49-69-285045

Brussels

285 Avenue Louise
1050, Brussels, Belgium
Tel: 32-2-693-0380
Fax: 32-2-647-5149

Vienna

Opernring 1/R/509
1010 Vienna, Austria
Tel: 43-1-587-8921
Fax: 43-1-587-8930

Milan

Corso di Porta Vittoria, 16
1st Floor, 20122 Milan, Italy
Tel: 39-2-5501-7278
Fax: 39-2-5501-7185

Rome

Room 447 Office Tower
Fiumicino Airport, Italy
Tel: 39-6-6501-1600
Fax: 39-6-6595-5888

Moscow

Room 641 Sheremetyevo-2
Sheremetyevo International
Airport Moscow, Russia
Tel: 7-503-956-4637
Fax: 7-503-956-4639

Asia/Oceania

Beijing

Room N200
Beijing Fortune Bldg.
No. 5 Dong San Huan Bei Lu
Chao, Yang District
Beijing 100004, P.R. of China
Tel: 86-10-6590-9171
Fax: 86-10-6590-9175

Tianjing

1st Floor Hyatt Tianjin
219 Jie Fang North Road
Tianjing 300042, P.R. of China
Tel: 86-22-2330-4289
Fax: 86-22-2330-4260

Shenyang

3rd Floor Terminal Building
Taoxian International Airport
Shenyang 110169, P.R. of China
Tel: 86-24-8939-8114
Fax: 86-24-8939-8121

Dalian

Senmao Building 147
Zhongshan Road
Xigang District
Dalian, P.R. of China
Tel: 86-411-360-6611
Fax: 86-411-360-6622

Qingdao

Haitian Hotel 48
Hong Kong West Road
Qingdao 266071, P.R. of China
Tel: 86-532-386-9722
Fax: 86-532-386-9724

Shanghai

Suite 808 Shanghai Centre
1376 Nanjing Xi Lu
Shanghai, P.R. of China
Tel: 86-21-6279-7007
Fax: 86-21-6279-7002

Xiamen

2nd Floor, Passenger Terminal
Xiamen International Airport
Gaoqi, Xiamen, 361006
P.R. of China
Tel: 86-592-573-2881
Fax: 86-592-573-2890

Hong Kong

Room 2512, Two Pacific Place
88 Queensway
Central Hong Kong
P.R. of China
Tel: 852-2848-4111
Fax: 852-2845-9111

Seoul

Room 1501, Seoul Center Bldg.
91-1 Sokong-Dong, Chung-ku
Seoul 100, Korea
Tel: 82-2-752-1190
Fax: 82-2-753-3941

Taipei (ANK)

63 Sung-Chiang Road
3rd Floor, Taipei
Taiwan, R.O.C.
Tel: 886-2-500-4639
Fax: 886-2-516-3134

Bangkok

2nd Floor, C.P. Tower Bldg.
313 Silom Road
Bangkok 10500, Thailand
Tel: 66-2-238-5131
Fax: 66-2-238-5134

New Delhi

Room 101 The Oberoi
Dr. Zakir Hussain Marg
New Delhi-110 003, India
Tel: 91-11-436-5030
Fax: 91-11-436-5034

Yangon

8th Floor, FMI Centre
No. 380 Bogyoke Aung
San Street, Yangon, Myanmar
Tel: 95-1-248-906
Fax: 95-1-248-904

Mumbai (Bombay)

Room 2318
2320 The Oberoi Towers
Nariman Point
Mumbai-400 021, India
Tel: 91-22-282-8685
Fax: 91-22-282-8789

Kuala Lumpur

Suite 11.01, Level 11
Wisma Goldhill 67
Jalan Raja Chulan 50200
Kuala Lumpur, Malaysia
Tel: 60-3-202-5393
Fax: 60-3-202-5400

Singapore

80 Robinson Road #18-01
Singapore 068898
Tel: 65-323-4333
Fax: 65-224-6627

Jakarta

Summitmas 1, 15th Floor
Jalan, Jend. Sudirman Kav.
61-62 Jakarta 12069
Indonesia
Tel: 62-21-2521911
Fax: 62-21-2521872

Denpasar

Ngurah Rai International
Tuban-Bali Wisti Sabha Bldg.
Denpasar, Indonesia
Tel: 62-361-761101
Fax: 62-361-761107

Sydney

Level 32, The Chifley Tower
2 Chifley Square, Sydney
N.S.W. 2000, Australia
Tel: 61-2-9367-6700
Fax: 61-2-9232-5936

DOMESTIC SALES OFFICES

Sapporo

Tokyo
Nagoya
Osaka
Fukuoka
Okinawa
and 44 other cities

Air Transportation

- All Nippon Airways Co., Ltd.
 - Air Nippon Co., Ltd. (ANK)¹
 - Air Hokkaido Co., Ltd. (ADK)¹
- and 4 other companies

Trading and Travel

- ANA Trading Co., Ltd.²
 - ANA World Tours Co., Ltd.¹
 - All Nippon Airways Travel Co., Ltd.¹
 - All Nippon Airways Travel Kyushu Co., Ltd.¹
 - ANA Travel Okinawa Co., Ltd.¹
- and 13 other companies

Hotels

- ANA Enterprises, Ltd.¹
 - Narita ANA Enterprises Co., Ltd.¹
 - ANA Enterprises Osaka, Ltd.¹
 - ANA Hotel Sapporo Co., Ltd.¹
 - ANA Hotel Kanazawa Co., Ltd.¹
 - ANA Hotel Kyoto Co., Ltd.²
 - ANA Hotel Hiroshima Co., Ltd.¹
 - ANA Hotel Ube Co., Ltd.¹
 - ANA Hotel Hakata Co., Ltd.²
 - Okinawa ANA Resort Co., Ltd.²
 - ANA Holding Pty Ltd.¹
 - ANA International Europe B.V.¹
 - ANA Enterprises (USA), Inc.¹
 - ANA Hotels & Resorts (USA), Inc.¹
 - ANA Hotels Hawaii, Inc.¹
- and 23 other companies

Flight Support

- INFINI Travel Information, Inc.¹
 - ANA Aircraft Maintenance Co., Ltd.¹
 - ANA IHI Aeroengines Co., Ltd.¹
 - ANA Aerotech Co., Ltd.¹
 - ANA Avionics Co., Ltd.¹
 - Jamco Corporation²
 - ANA Motor Service Co., Ltd.¹
 - The International Airport Utility Co., Ltd.²
 - New Tokyo Airport Service Co., Ltd.²
 - ANA SKYPAL Co., Ltd.¹
 - The Osaka Airport Service Co., Ltd.²
 - Sapporo Air Service Co., Ltd.²
 - Fukuoka Air Service Co., Ltd.²
 - New Kansai International Airport Service Co., Ltd.¹
 - Unkai Co., Ltd.¹
 - ANA Catering Service Co., Ltd.¹
 - Kansai In-flight Catering Co., Ltd.²
 - ANA TELEMART Co., Ltd.¹
- and 67 other companies

Others

- ANA Real Estate Co., Ltd.¹
- and 30 other companies

Total of 179 companies

¹ Consolidated subsidiary

² Accounted for using the equity method

I N V E S T O R I N F O R M A T I O N

(As of March 31, 1998)

Date of Foundation:	December 27, 1952		
Head Office:	Kasumigaseki Bldg. 3-2-5, Kasumigaseki, Chiyoda-ku Tokyo 100-6027, Japan Tel: 81-3-3592-3065 Fax: 81-3-3592-3069 Homepage: http://www.ana.co.jp/		
Paid-in Capital:	¥72,142,799,354		
Number of Shares of Common Stock:	Authorized	2,203,200,000 shares	
	Issued	1,442,725,111 shares	
Number of Shareholders:	136,041		
Major Shareholders:	Number of shares held (Thousands)	Percentage of total shares in issue	
Nagoya Railroad Co., Ltd. ¹	96,445	5.1	
Nippon Life Insurance Company ²	41,001	2.8	
Kyoei Life Insurance Co., Ltd.	32,854	2.3	
The Tokio Marine and Fire Insurance Co., Ltd.	30,531	2.1	
The Sumitomo Trust and Banking Co., Ltd. ³	26,435	1.8	
The Asahi Shimbun	24,376	1.7	
The Dowa Fire and Marine Insurance Co., Ltd.	23,001	1.6	
The Sakura Bank, Limited	21,881	1.5	
The Bank of Tokyo-Mitsubishi, Ltd.	21,188	1.5	
Tokyu Corporation	20,171	1.4	
Number of Employees:	15,200 (Nonconsolidated)		
Transfer Agent:	The Sumitomo Trust and Banking Co., Ltd. 1-10, Nikko-cho, Fuchu Tokyo 183-8701, Japan		
Auditor:	Century Audit Corporation		
Stock Listings:	Tokyo, Osaka, London and Frankfurt		
Stock Price Range: (Tokyo Stock Exchange)	Fiscal Year	High	Low
	1994	¥1,260	¥971
	1995	1,210	941
	1996	1,150	895
	1997	1,200	739
	1998	787	471

¹ Nagoya Railroad Co., Ltd. holdings include 23,037 thousand shares registered in other names.

² Nippon Life Insurance Company holdings include 26,739 thousand shares registered in other names.

³ The Sumitomo Trust and Banking Co., Ltd. holdings include 19,609 thousand shares related to trust operations.

ANA

