



ACTION —

On Course for the New ANA Group

4

ANA will have to surmount unprecedented challenges if it is to attain its goals. Economic downturns are plaguing Japan and Asia at a time when dramatic changes are rocking the air transportation market. Coping with these pressures is essential to ANA's survival as a truly global airline. To chart the best course, ANA has formulated a management vision and action plan, both of which are included in the medium-term management plan that was launched in May 1999. Selection and concentration are the key words. With completion of the plan in March 2003, ANA will have a much sounder financial position and a clearer focus on highly profitable airline and airline-related businesses. The hurdles are high. But there is no alternative path to success in the next century. While retaining an uncompromising adherence to the highest safety standards, the ANA Group has begun reinventing itself, so that it can better meet the expectations of shareholders and customers.

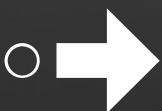




DOMESTIC REVENUES —

A network aligned for profitability → Selectivity >> see page 6.

Q : *Restrictions on serving domestic routes will soon be gone and a new runway at Haneda will create more slots in the near future. What are ANA's plans for its route network?*



INTERNATIONAL REVENUES —

A Powerful Network Built on Alliances >> see page 8.

Q : *What benefits does ANA foresee from code sharing agreements with United and Lufthansa and the upcoming membership in Star Alliance?*

SALES CHANNELS —

New Pricing and More Distinctive Services >> see page 10.

Q : *Competition is pushing passenger revenues per revenue-kilometer down. How is ANA altering its sales activities and fare structures to overcome this challenge?*

EXPENSES —

A Plan for Slashing Costs Throughout the ANA Group >> see page 12.

Q : *How does ANA intend to bring down expenses to raise earnings with operating revenues remaining essentially unchanged?*

INVESTMENTS & FINANCES —

A Sound Balance Sheet With Less Debt >> see page 14.

Q : *In the past, ANA's capital budget has been well above cash provided by operating activities. What specific actions are planned to strengthen the balance sheet?*

HOTELS & AFFILIATES —

Identifying Core and Non-Core Businesses >> see page 16.

Q : *In what ways will the operations of the ANA Group be restructured?*

DOMESTIC REVENUES —

A network aligned for profitability → Selectivity

Answer → SELECT ROUTES OFFERING THE POTENTIAL OF HIGHER MARGINS AND CONCENTRATE RESOURCES ON THEM.

Japan is about to lift most restrictions that previously barred Japanese airlines from freely choosing destinations and deciding how many flights to offer on given routes. This is expected to spur rapid growth in the networks of all market participants. Total capacity will soon rise to about 118.1 billion seat kilometers, an almost twofold increase over the past decade. Growth in supply has lagged far behind. A persistently weak economy and other factors have held the passenger load factor at about 60%. This is why ANA's management plan places priority on filling planes and shifting flights to more profitable destinations. Basically, this entails allocating more aircraft to flights to and from Haneda while reducing or eliminating service on unprofitable routes. Closer cooperation with subsidiary Air Nippon will also be essential to raising profit margins on domestic service.

ACTIONS:

⌘ *Matching plane size more closely to route demand and raising productivity. During the current fiscal year, ANA will gradually shift selected flights and aircraft to Air Nippon. All will be flights between small cities and regional hubs like Kansai and Fukuoka.*

This action will cover about 20 routes and 11 aircraft. ANA will assume Air Nippon's rights to serve four routes from Haneda.

⌘ *ANA will take full advantage of additional slots it will be allotted following the expansion of capacity at Haneda scheduled for 2000 or shortly thereafter. Additional aircraft will be procured if necessary.*

⌘ *To maximize the benefits of global alliances, ANA will make connections between domestic and international flights more convenient.*

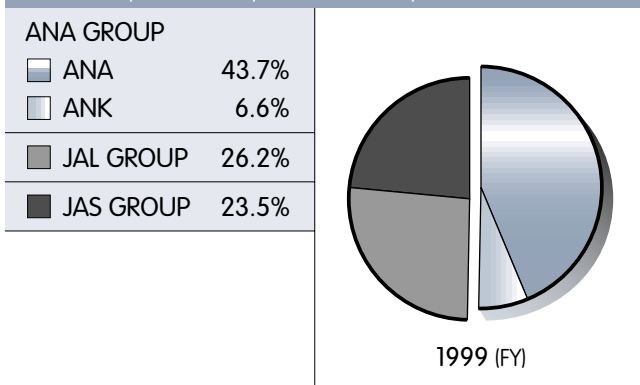
Collectively, these steps will allow ANA to better match supply with demand on local routes while raising the aggregate load factor and increasing profitability.

ANA'S FIRST CUT IN CAPACITY

In accordance with its management plan, ANA will reduce capacity on domestic routes, on a non-consolidated basis, during the current fiscal year. This is a response to Japan's soft economy and an oversupply of seats. Plans call for a 1.9% cut to 53.4 billion seat kilometers. During the plan's four years, a total reduction of 3.1% is targeted. This will facilitate the structuring of a route network that puts profits first. Eventually, ANA plans raise the load factor to 70% while preserving its market share of 50%.

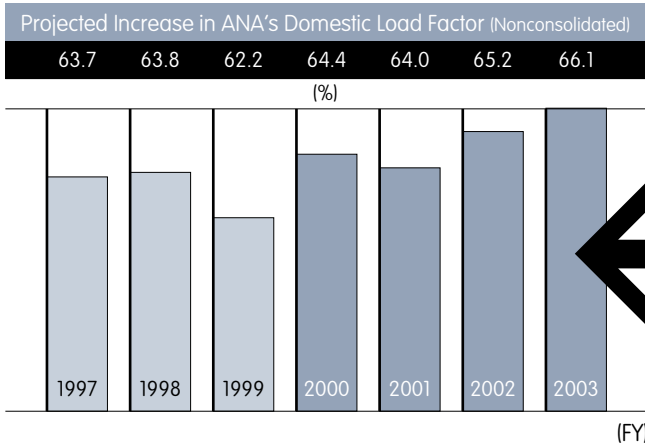
Question → *Restrictions on serving domestic routes will soon be gone and a new runway at Haneda will create more slots in the near future. What are ANA's plans for its route network?*

Composition of Japanese Air Transportation Market

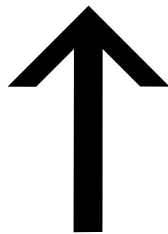




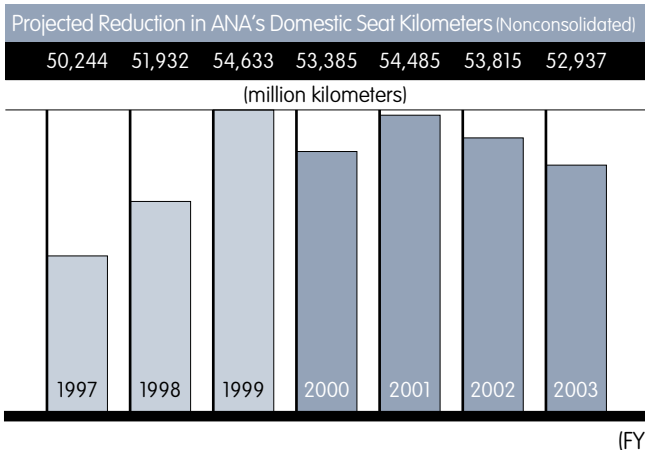
Bringing operations more in line with supply and demand dynamics will enhance the ANA Group's profitability in Japan. Two steps are an increasing role for Air Nippon and more flights to and from Haneda. The goal is matching aircraft with demand and raising productivity. Low-volume flights from regional hubs like Kansai and Fukuoka will be transferred to Air Nippon. ANA will take over this subsidiary's four routes at Haneda.



ANA's long-term objective is to raise the domestic load factor to the 70% level that is common among large U.S. and European carriers. The target for the final year of the current management plan is 66.1%.



During its four-year management plan, ANA intends to reduce domestic capacity by 3.1% while building a network that places priority on earnings.



During the current fiscal year, ANA will be transferring in stages responsibility for 20 local routes to subsidiary Air Nippon while taking over this company's Haneda routes. To support this growth, Air Nippon will be adding Boeing 737-500 aircraft to its fleet.

INTERNATIONAL REVENUES —

A Powerful Network Built on Alliances

Answer → ANA IN THE AGE OF AIRLINE ALLIANCES

For international operations, ANA's management plan calls for increasing the share of flights that use Narita and for taking advantage of alliances. As a latecomer to international service, ANA regards alliances as an essential means of putting together a competitive network. Tie-ups can boost revenues while cutting costs. There are many forms of cooperation: code sharing, frequent flier programs, coordinated scheduling and much more. All make ANA more appealing to passengers. Code sharing, for instance, permits ANA to serve new routes without making investments on its own, thus expanding the route network and its market share. Sharing counters and other airport facilities lowers costs as well. ANA and United Airlines have been sharing codes since October 1998; this currently covers 31 routes in the U.S. and Japan. Code sharing with Lufthansa started in March 1999 on service between Japan and Frankfurt.

STAR ALLIANCE WELCOMES ANA

In October 1999, ANA will become part of Star Alliance, one of the world's premier airline networks. ANA will thus gain the support of the eight current members: United, Lufthansa, SAS, Air Canada, Thai, Varig, Air New Zealand and Ansett Australia. This gives ANA's passengers privileges on a global scale and the ability to enjoy a seamless travel experience.

With so many partners, this network will encompass flights from hubs to smaller cities as well as service between the world's major airports. Offering services of this caliber is certain to enlarge ANA's passenger base, such as by attracting more non-Japanese passengers, and contribute to improved profitability. In fiscal 2000, ANA estimates that alliance membership will add between ¥3 and ¥5 billion to its revenues with rising benefits in the following years.

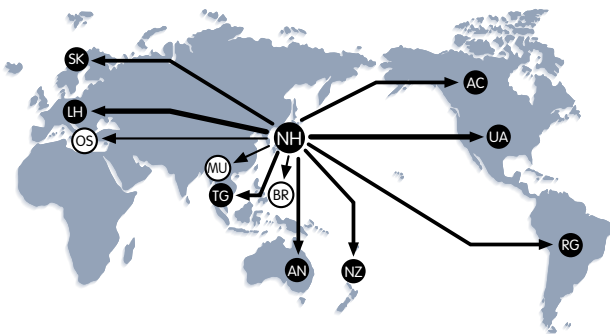
MORE FLIGHTS SERVING NARITA

In line with the management plan's selectivity theme, ANA will be shifting some international flights from Kansai to Narita. This will include the complete suspension of service on certain routes to concentrate resources solely on promising markets. To cut expenses, ANA plans to form a low-cost airline subsidiary that may start operations as soon as 2000 from Kansai International Airport. During the four-year management plan, ANA estimates that these moves will reduce international capacity by about 6.1% but raise the load factor by roughly 5 percentage points.

8

Question → *What benefits does ANA foresee from code sharing agreements with United and Lufthansa and the upcoming membership in Star Alliance?*

ANA's Alliance Partners

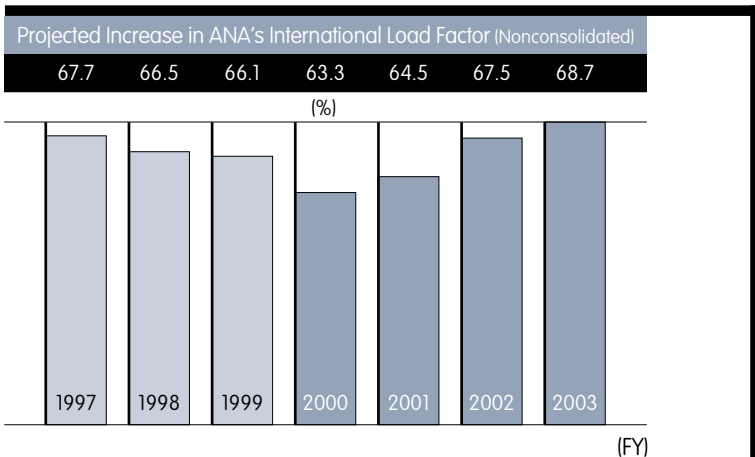


- Star Alliance
- Individual alliance

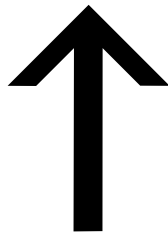




For international operations, ANA's management plan calls for increasing the share of flights that use Narita and for taking advantage of alliances. As a latecomer to international service, ANA regards alliances as an essential means of putting together a competitive network. Tie-ups can boost revenues while cutting costs.



Code sharing is an effective way to add new routes while limiting expenses. To maximize the benefits of lower costs, ANA is concentrating on filling more first and business class seats, thus creating a profitable structure for its international airline business.



Through code sharing and other forms of cooperation with other airlines, ANA plans to raise its international load factor to 68.7% in the final year of its medium-term management plan while cutting costs.



As of July 1999, ANA had 31 code sharing routes with United Airlines and others with Lufthansa. As both carriers are Star Alliance members, ANA's upcoming participation in this alliance paves the way to still more cooperation of this nature.



SALES CHANNELS —

New Pricing and More Distinctive Services

Answer → ENLARGE THE BASE OF LOYAL PASSENGERS

The appearance of new airlines offering low fares on domestic routes is forcing the established carriers to follow suit. Revenues per passenger are falling on international routes, too. The Asian economic crisis and the decline in business travelers from Japan are two major causes. With Japan's economic outlook still cloudy, ANA will need to develop new sales methods to attract more passengers. Targeting business and other individual travelers is one way. Sales resources must be used strategically to improve profit margins. To achieve these objectives, ANA is adopting a new pricing strategy for domestic tickets and stressing quality services and competitive fares on international routes. The goal is offering services from reservations and check-in through arrival that position ANA as a leading global airline company.

ATTRACTIVE FARES AND SERVICES FOR BUSINESS TRAVELERS

With a market share of about 50% in Japan, ANA has a powerful base from which to maximize revenues by offering fares that match fluctuations in demand. The primary means is special discounts applicable to a limited number of seats on specific routes and flights. Such fares are effective at competing with other modes of transportation as well as attracting new passengers. Alliances are the key on international routes. ANA is using tie-ups to improve convenience and make its services more competitive in the crucial business travel market. To better serve passengers, new sales channels are being constructed. This campaign has many facets:

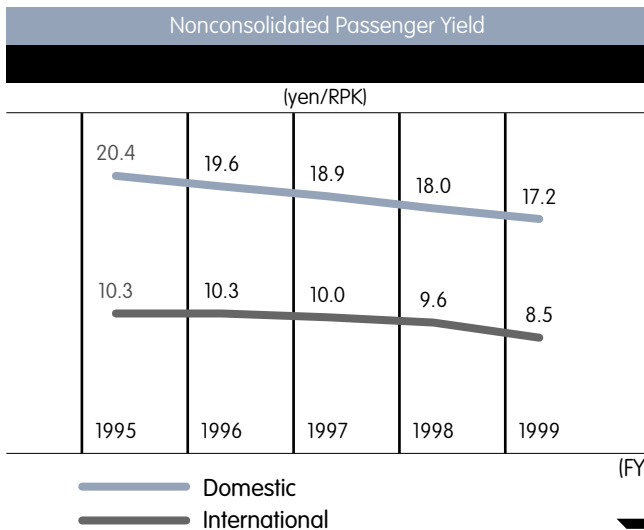
ANA is using tie-ups to improve convenience and make its services more competitive in the crucial business travel market. To better serve passengers, new sales channels are being constructed. This campaign has many facets:

- ⌘ Database marketing to target frequent and "fairly frequent" fliers.
- ⌘ Enhance direct sales channels including Internet sales and ticketless services; use more effective sales tools and offer more ways for passengers to pay.
- ⌘ Establish special check-in counters available to members of the ANA Mileage Club.
- ⌘ Strengthen corporate sales for bulk-buyers of tickets.
- ⌘ Reorganize domestic and overseas offices, make the reservation system more efficient and budget more efficiently for advertising and other marketing activities.

A NEW APPROACH TO AIR MAIL AND PARCELS

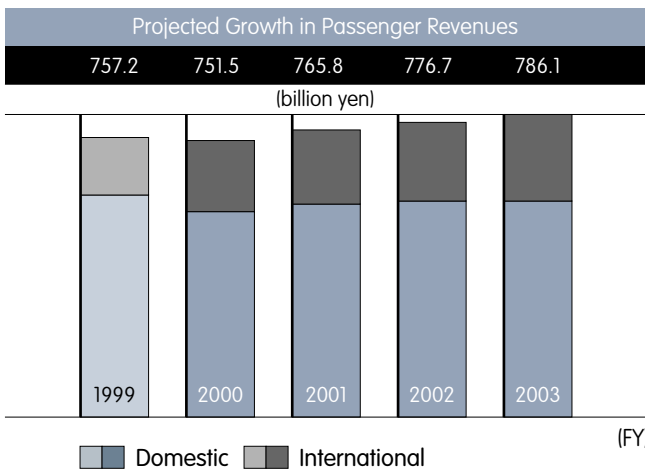
International air mail and parcel volumes have been rising rapidly. In response, ANA is upgrading its sales organization to develop new sources of demand. It is opening sales bases at locations not served by ANA and offering new services for shippers. A computer system tailored to the needs of this market is another step toward enhancing services and holding down expenses.

Question → *Competition is pushing passenger revenues per revenue-kilometer down. How is ANA altering its sales activities and fare structures to overcome this challenge?*

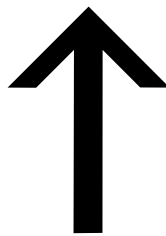




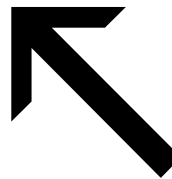
Developing new sales methods is imperative to ANA's ability to attract more passengers and improve profitability. To target business and other individual travelers, ANA is adopting a new pricing strategy for domestic tickets and stressing quality services and competitive fares on international routes. The goal is making ANA the first choice of a greater share of the traveling public.



Within Japan, ANA will halt the drop in passenger yield by increasing flights at Haneda and realigning sales channels. On international routes, becoming more competitive in the business travel market will raise yields. A more profit-oriented route network and alliances will both support this drive.



As one way to enhance services for AMC members, special counters are being set up. The Super Flier Club, Platinum Card, Bronze Card and other programs reward frequent ANA passengers. All these steps will enlarge ANA's base of loyal passengers.



ANA's sales strategy mirrors its commitment to customer service. Broadening ticket-purchasing options and effectively using customer data support tightly focused marketing campaigns.

EXPENSES —

A Plan for Slashing Costs Throughout the ANA Group

Answer → NO QUARTER GIVEN—RAISING EFFICIENCY ON ALL FRONTS

In fiscal 2003, the final year of the ongoing medium-term management plan, ANA aims to generate nonconsolidated revenues that are about 2% less than in fiscal 1999, a decrease of about ¥19 billion. Offsetting this decline will be a combined reduction of about ¥62 billion in operating and non-operating expenses. This will be achieved mainly through cuts in variable expenses as the volume of flights decreases, in administrative expenses and in all categories of non-operating expenses. Collectively, these reductions are expected to lower operating and non-operating expenses per seat kilometer from ¥11.25 in fiscal 1999 to ¥10.72 in fiscal 2003.

TOP-TO-BOTTOM REVIEWS OF ALL EXPENSE ITEMS

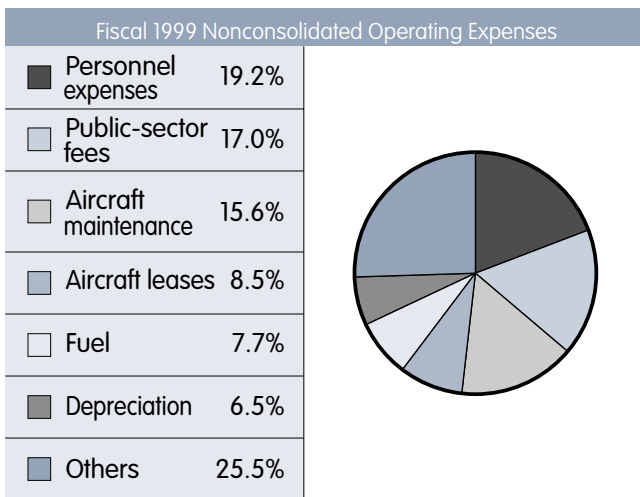
ANA's cost review will examine every possible option for achieving savings. Operating expenses will be brought down by about ¥45 billion. The first cut will target management systems. The campaign will extend to flight operations, sales, administration and all ANA Group members. Hiring will be limited and early-retirement programs expanded. In concert with more flexible job assignment, these moves should shave nonconsolidated employment by 1,300, or 9%. Salaries and bonuses for directors and managers

have already been cut. More savings will come from further revisions to salary scales, retirement payments and other employee benefits. In all, personnel expenses are to fall by about ¥23 billion over the next four years, dropping from 19% of operating revenues in fiscal 1999 to 16% in fiscal 2003.

Sales expenses will be reduced in two ways. First is reorganization and streamlining at domestic and overseas branch offices. Second is bringing advertising and sales planning expenses down by overhauling sales methods.

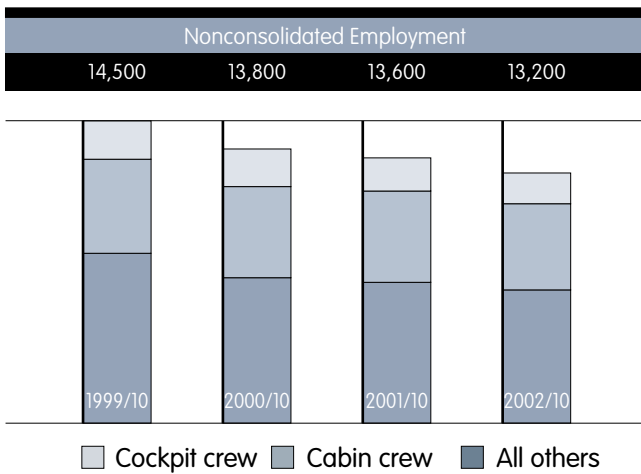
The likelihood of a rise in airport utilization fees and other government fees is hard to judge. Landing fees at many of Japan's smaller regional airports are to be cut by about 30% in 1999. However, no decision has been reached regarding major airports like Haneda, Narita and Kansai. Landing and other fees and related expenses, including fuel taxes, currently represent about 20% of operating expenses. ANA hopes that the Japanese government will act quickly to reduce this burden.

Question → *How does ANA intend to bring down expenses to raise earnings with operating revenues remaining essentially unchanged?*

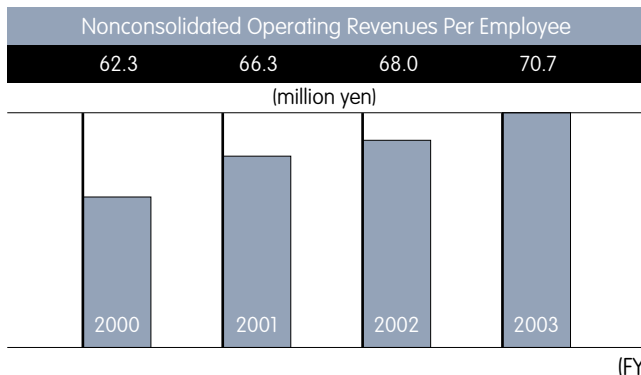
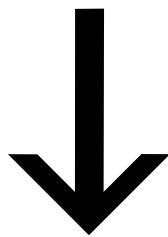




In fiscal 2003, the final year of the ongoing medium-term management plan, ANA aims to generate nonconsolidated revenues that are about 2% less than in fiscal 1999, a decrease of about ¥19 billion. Offsetting this decline will be a combined reduction of about ¥62 billion in operating and non-operating expenses. This will be achieved by reviewing all aspects of operations, including the use of personnel, to wring out expenses wherever possible.

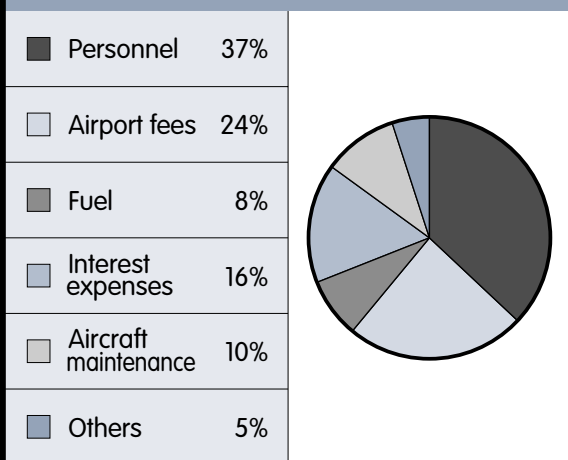


ANA is putting together an organization capable of using people more effectively. This includes adopting more efficient work practices, streamlining administrative activities, downsizing the branch network and reassigning personnel from administrative to airport positions and taking other steps.



Concentrating resources on profitable routes and reducing employment is expected to raise revenues per employee by more than 10%.

Sources of Reductions in Nonconsolidated Operating and Non-operating Expenses (Fiscal 1999 vs. 2003)



ANA is attacking all elements of its expense structure to remain competitive while maintaining its traditional dedication to the highest safety standards.

INVESTMENTS & FINANCES —

A Sound Balance Sheet With Less Debt

A*ns***wer** → REVISIONS TO FLEET ADDITIONS AND OTHER CAPITAL OUTLAYS

During the three-year period ending in March 2001, ANA had originally budgeted capital expenditures of approximately ¥540 billion. Much of this represented aircraft to be added in anticipation of the completion of Narita's second runway in 2001. However, the subsequent decision to withdraw from unprofitable domestic and international routes and reduce overall capacity has reduced the need for fleet additions. This creates an opportunity to accelerate the improvement of ANA's financial position, chiefly by bringing down capital expenditures and debt.

The medium-term management plan calls for capital expenditures of ¥335.5 billion during the four-year period ending in March 2003. Ten aircraft will be added instead of 19 and there will be a net decrease of seven aircraft in the fleet. Most route expansion needs will be met with aircraft currently used on routes where service is to be suspended, and by revamping the division of domestic routes operated by ANA and Air Nippon. These actions along with steps to use the fleet more efficiently will minimize the need for new aircraft. Other investments, such as those in airport facilities, will be restricted to projects essential to core operations and making ANA more competitive.

14

Q*uestion* → *In the past, ANA's capital budget has been well above cash provided by operating activities. What specific actions are planned to strengthen the balance sheet?*

Projected Decrease in ANA's Aircraft Fleet (Nonconsolidated)

(FY)

	1999	2000	2001	2002	2003
Total	133	132	131	128	126
New aircraft	10	5	5	0	0

BRINGING DOWN INTEREST-BEARING DEBT

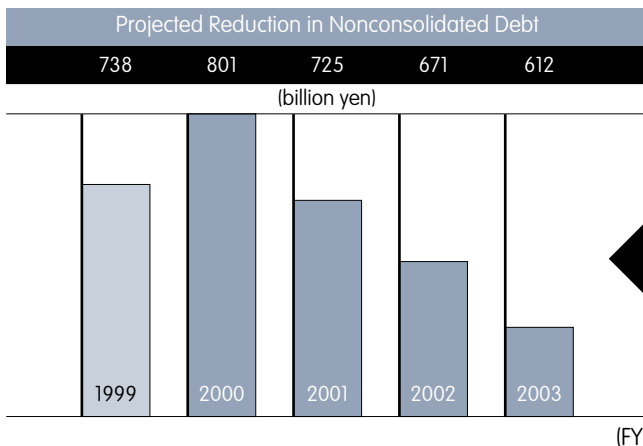
ANA's considerable level of debt is due to the fact that revenue from operations has been unable to cover the enormous investments required to run an airline. To resolve this problem, one goal of the management plan is raising profitability to a level where operating income and depreciation can support capital expenditures. Internally generated funds are also expected to make possible the repayment of debt. On a nonconsolidated basis, ANA estimates that annual operating cash flows will average ¥110 billion during the four-year period ending in March 2003. This will be used to fund capital expenditures of ¥80 billion and debt reductions of ¥30 billion.

As of March 31, 1999, consolidated interest-bearing debt stood at about ¥1 trillion. ANA is aiming for an approximately 10%, or roughly ¥100 billion, decrease in consolidated interest-bearing debt during the same four years. While the consolidated net loss will rise at first, because it will include losses at previously nonconsolidated companies, ANA plans to improve net income by approximately ¥30 billion by fiscal 2003.

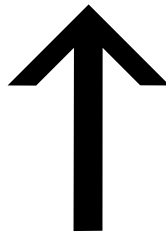




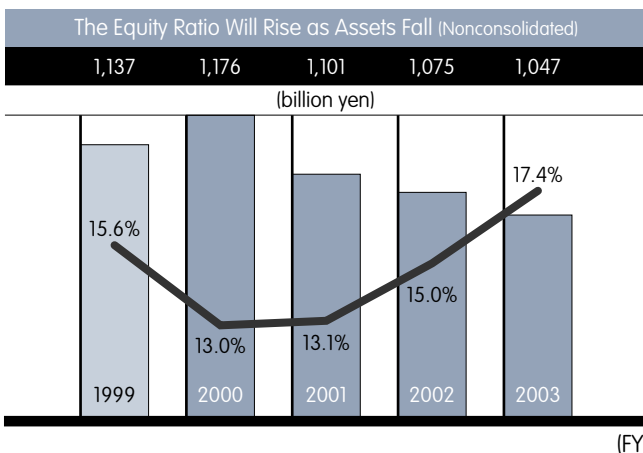
Capital expenditures of ¥335.5 billion are projected for the four-year period ending in March 2003. By raising the profitability of airline operations, ANA plans to fund these expenditures from earnings and depreciation. During the same period, interest-bearing debt is to be cut. On a nonconsolidated basis, internally generated cash is rise to an average of ¥110 billion each year, supporting ¥80 billion of capital expenditures and ¥30 billion of debt reductions.



Rising earnings from airline operations and a lower level of capital expenditures will allow ANA to achieve a steady decline in debt. The target is a cut in consolidated debt of more than ¥100 billion between March 1999 and March 2003.



Reductions in interest-bearing liabilities and sales of non-core assets will allow ANA to reduce total assets, thereby raising profitability.



Annual Cash Flows

Earnings and depreciation ¥110 billion

Capital Expenditures

Aircraft and others
¥80 billion

¥30 billion

Debt reductions

Total four-year debt reduction of ¥120 billion

On a nonconsolidated basis, ANA expects to generate an average annual operating cash flow of ¥110 billion. This is well above the projected annual capital budget of ¥80 billion, leaving approximately ¥30 billion each year to reduce debt.

HOTELS & AFFILIATES —

Identifying Core and Non-Core Businesses

Answer → RESTRUCTURING THE ANA GROUP

In related businesses, ANA will conduct an exhaustive review of all activities to cut costs and concentrate resources on the most promising activities. The first step is identifying businesses that fit in with ANA's long-term strategy. ANA will withdraw from non-core operations and those with no prospects of profitability. Loss reserves of about ¥30 billion will be set aside for this restructuring, which will significantly enhance the group's financial health. Hotels will remain a core affiliated business, but there will be only limited investments in new hotel projects during the current management plan. Furthermore, operations will be realigned and streamlined to achieve the necessary level of productivity.

A PROFITABLE BASE FOR ANA GROUP HOTELS IN JAPAN

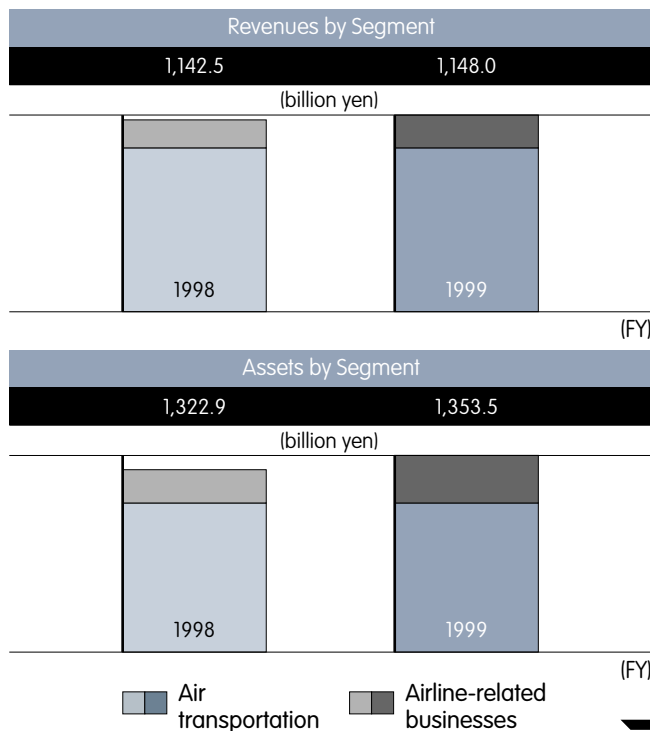
ANA's hotel operations in Japan will undergo fundamental changes. One objective is clearly dividing responsibilities for operations and ownership. The current system of operating hotels through subsidiaries will be shifted to one in which a general manager with greater autonomy takes charge. This will clarify accountability and contribute to higher GOP (Gross Operating Profit). Group member ANA Enterprises, Ltd. is taking on the new role of supervising the operations of all domestic ANA hotels. Owner-

ship of selected hotels and related assets will be brought under a single entity, ANA Property Management Co, Ltd., thus facilitating the recovery of investments through leasing income.

HIGHER EARNINGS AT OVERSEAS HOTEL OPERATIONS

ANA is well on the way to molding its overseas hotel network into a profitable organization. Hotels in San Francisco and Washington, D.C. were sold in September 1998. This was followed by the sale of a hotel development site in Los Angeles in December. Remaining hotels will be managed so as to increase cash flows and GOP, such as by raising revenues per guest, with the aim of contributing to consolidated results as soon as possible.

Question → *In what ways will the operations of the ANA Group be restructured?*



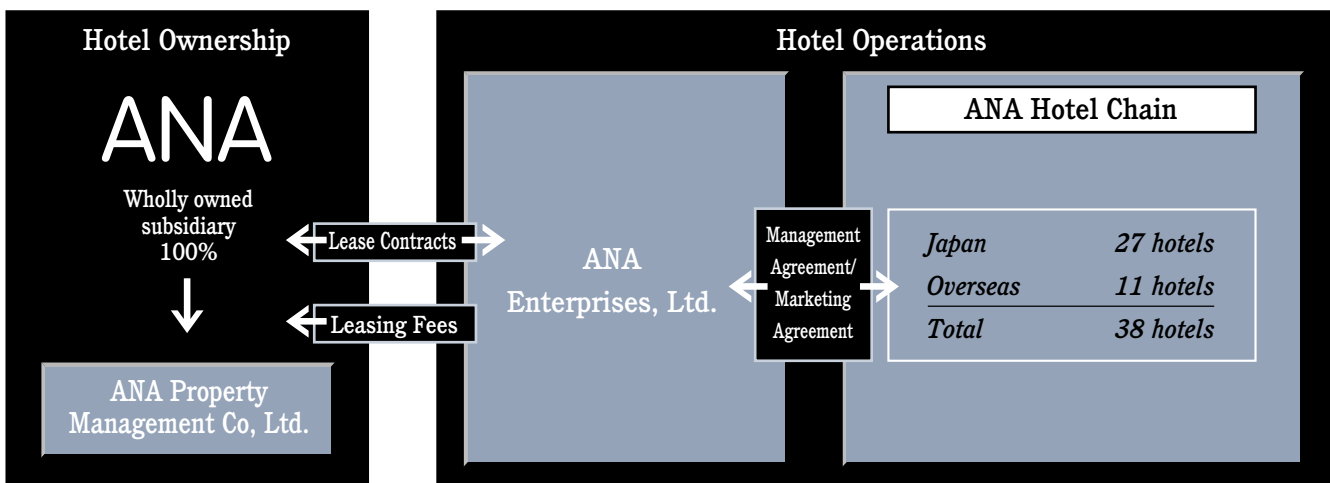


ANA is examining all group activities to determine which ones are consistent with its objectives. Those with no prospects for profitability will be sold or terminated. A reserve of ¥30 billion has been provided to cover actions to bolster the group's financial strength. For hotels, the nucleus of affiliated businesses, restructuring is proceeding while limiting investments in new projects with the goal of optimizing returns.



ANA has been operating hotels since 1974 when the first hotel was opened in Sapporo. In August 1999, the completion of a hotel in Toyama raised the ANA chain to 38 hotels, 27 of which are in Japan, with a total of 13,563 guest rooms.

Hotel Operations Flowchart



Operation and ownership of ANA's hotels in Japan is being separated. ANA Enterprises will assume overall responsibility for hotel operations.