

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

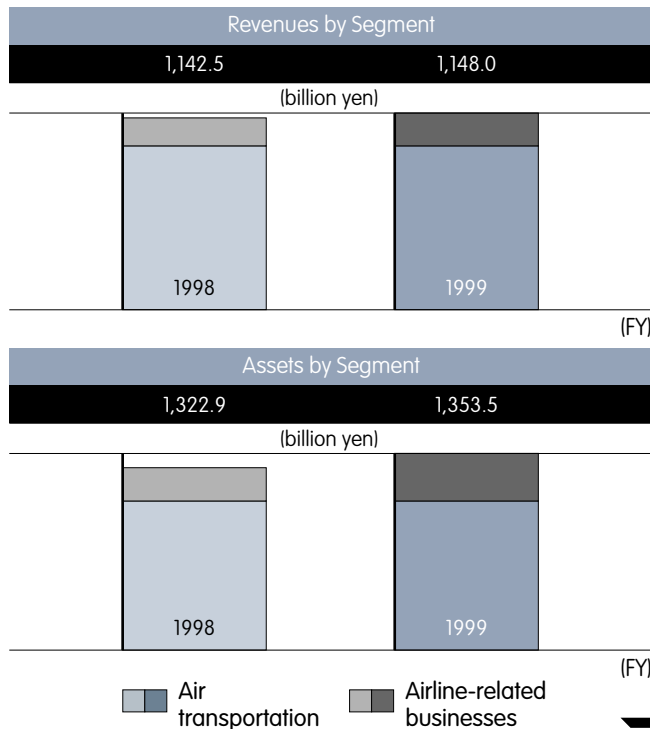
ANA's hotel operations in Japan will undergo fundamental changes. One objective is clearly dividing responsibilities for operations and ownership. The current system of operating hotels through subsidiaries will be shifted to one in which a general manager with greater autonomy takes charge. This will 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?*



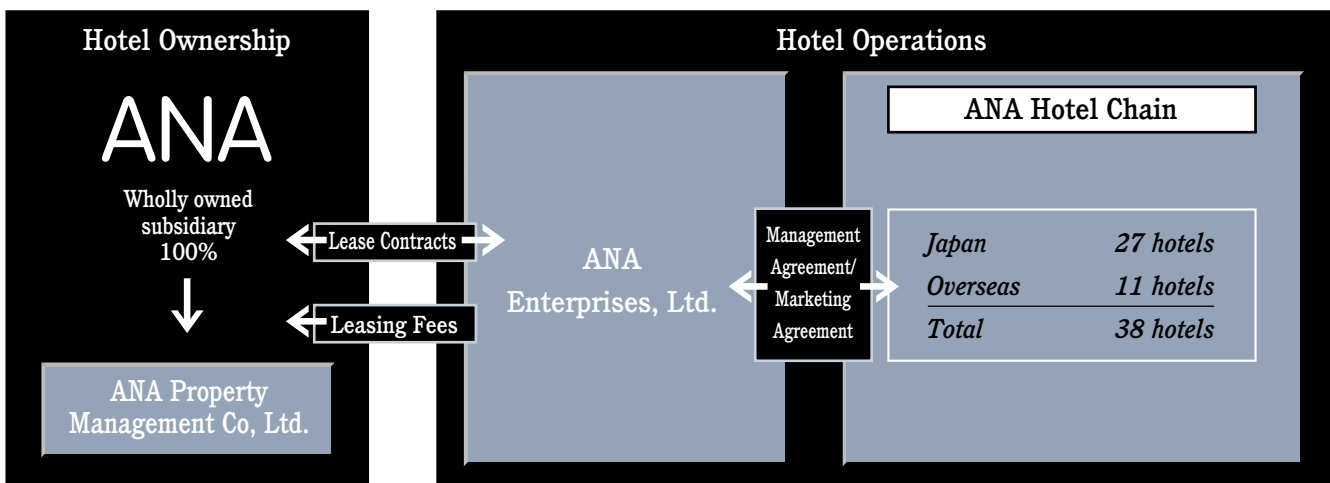


ANA is examining all group activities to determine which ones are consistent with its objectives. Those with no prospects for profitability will be sold or terminated. A reserve of ¥30 billion has been provided to cover actions to bolster the group's financial strength. For hotels, the nucleus of affiliated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