



*Fifty Years of
Progress in Air Transportation*

Good Times Fly



Consolidated Financial Highlights

All Nippon Airways Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Yen (Millions) except per share amounts			U.S. dollars (Thousands) except per share amounts
	2003	2002	2001	2003
For the Year:				
Operating revenues	¥1,215,909	¥1,204,514	¥1,279,635	\$10,115,715
Operating expenses	1,218,506	1,181,546	1,197,392	10,137,321
Operating income (loss)	(2,597)	22,968	82,243	(21,606)
Income (loss) before income taxes and minority interests	(54,821)	(7,178)	63,289	(456,082)
Net income (loss)	(28,256)	(9,456)	40,286	(235,075)
At Year-End:				
Total assets	1,442,573	1,510,982	1,451,420	12,001,439
Total shareholders' equity	121,954	138,641	150,500	1,014,592
Per Share Data:				
Net income (loss)	¥(18.42)	¥(6.17)	¥27.75	\$(0.153)
Net income assuming full dilution	—	—	24.80	—
Number of shares issued (weighted average)				
	1,533,940,445	1,533,744,749	1,451,543,761	

Notes: 1. U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥120.20=US\$1, the approximate exchange rate as of March 31, 2003.
2. As of March 31, 2003, there were 109 consolidated subsidiaries and 24 equity-method subsidiaries and affiliates.
3. For further information, see notes to consolidated financial statements.

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Forward-Looking Statements

This annual report contains statements based on ANA's current plans, estimates, strategies, and beliefs; all statements that are not statements of historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information. Air transportation, the Company's core business, involves government-mandated costs that are beyond the Company's control, such as airport utilization fees and fuel taxes. In addition, conditions in the markets served by the Company are subject to significant fluctuations. It is possible that these conditions will change dramatically due to a

number of factors, such as trends in technologies, demand, prices, and economic environments; foreign exchange rate fluctuations; and others. Due to these risks and uncertainties, it is possible that the Company's future performance will differ significantly from the contents of this annual report. Accordingly, there is no assurance that the forward-looking statements in this annual report will prove to be accurate.

Focused on the *Next 50 Years*

In December 2002, All Nippon Airways Co., Ltd. (ANA), commemorated the 50th anniversary of its founding.

Much has changed over the past 50 years. In 1953, we operated the first scheduled flight with a Japanese pilot in Japan's postwar history. In 1954, we operated a passenger flight between Tokyo and Osaka in two and a half hours, about the same length of time it takes the Shinkansen bullet train to make the same trip. There were only eight seats and no cabin attendants.

The introduction of jet aircraft prepared the foundation for tremendous growth, and ANA moved into international operations. Today, we have grown into one of the world's leading airlines, with 127 international routes

(including code shares) and 133 domestic routes.

Although many things have changed over the past 50 years, some remain the same.

For example, we have always placed importance on maintaining the trust of our customers, and with an overriding focus on safety we have worked each day to steadily improve convenience and comfort for our customers. Focused on the next 50 years, we will continue striving to achieve further growth as the first-choice airline for customers in Japan and around the world.



To Our Shareholders

Performance in the Fiscal Year Ended March 31, 2003

In the year under review, the deflationary trend in Japan continued and economic conditions remained difficult. ANA's operating revenues rose 0.9%, to ¥1,215.9 billion. Operating loss was ¥2.5 billion and net loss was ¥28.2 billion. Regrettably, the Company had no choice but to continue the suspension of dividend payments for the year under review.

To facilitate the operational restructuring of the ANA Group, the Company has formulated the Group Corporate Strategy Plan, which provides guidelines for corporate management in the two-year period ending March 2004, and the Group Corporate Reform Plan, which contains specific measures for the implementation of the Group Corporate Strategy Plan.

Important policies set down in the Group Corporate Reform Plan include a fundamental emphasis on Value Creation Management, centered on air transportation, and the goals of increasing shareholder value, customer value, and employee value. In the fiscal year ended March 2003, the first year of the plan, we endeavored to implement the plan's reforms.

Improved Profitability on International Routes Due to Network Expansion, Centered on China Routes

With the opening of the new runway at Narita Airport in April 2002, ANA secured a large increase in slots at Narita. We then established the Narita–Xiamen and Narita–Taipei routes and moved to twice-daily service on the Narita–Beijing and Narita–Shanghai routes. As a result, the number of flights operated by ANA from Narita to China rose 45%, to 35 a week.

This increased supply capacity enabled us to better meet the strong demand on China routes, and passenger numbers rose substantially. On North American routes, we worked to cut costs and improve profitability by using smaller aircraft and reducing the number of seats in economy class without reducing the



number of seats in the high-yield first and business classes. To maximize revenues per aircraft, we are promoting enhanced yield management capabilities, and, to that end, we have begun the full-scale operation of a passenger revenue optimization system (PROS) that is contributing to increased revenues. In September 2002, we introduced a Boeing 767 freighter to meet cargo demand, centered on China routes.

On international routes, the number of passengers, cargo volume, and revenues showed strong growth, marking an important step toward the achievement of profitability on these routes.

Continued Intense Price Competition on Domestic Routes

On domestic routes, we worked to enhance our competitiveness by increasing flights on high-demand routes, principally on Haneda Airport trunk routes and routes competing with *Shinkansen* bullet train routes operated by Japan Railway (JR) companies. In February 2003, we began code-share service with Hokkaido International Airline Co., Ltd., on 12 flights, or 6 round trips, a day between Tokyo and Sapporo operated by Hokkaido International. As a result, ANA now offers 24 round-trip flights a day between Tokyo and Sapporo, a capacity comparable to that of Japan Airline System. On unprofitable routes, we worked to cut costs by suspending service or reducing flights and by transferring service to subsidiary Air Nippon Co., Ltd. (ANK).

Reductions in standard fares led to increased

demand for individual travel in business class. We took steps to enhance the composition of our range of package tours and other travel products, and as a result the number of passengers rose 2.9%, to 47.1 million. Nonetheless, passenger revenues on domestic routes declined 2.4%, to ¥646.8 billion, and profitability worsened. This reduced profitability on domestic routes was a significant factor in the decline in the Company's performance in the fiscal year under review.

Three-Year Plan for Cost Structure Reform

ANA is approaching the domestic deflationary trend and difficult operating environment as an excellent opportunity to accelerate corporate reforms. Accordingly, we will respond flexibly to rapidly changing business conditions and minimize operating risks while establishing a highly profitable foundation for our operations. To those ends, we have established the Group Management Plan, which is centered on the Cost Reduction Plan covering the three-year period ending March 2006. Under the Cost Reduction Plan, we are giving priority to reforming our personnel cost structure and our operational structure. The plan calls for cost reductions of ¥30.0 billion a year by March 2006.

In the year ending March 2004, SARS will have a major adverse influence on air transportation demand, and we expect demand on international routes to be sluggish for the near future. Also, as there is little chance of recovery in domestic demand, we cannot expect significant growth in demand on domestic routes. Accordingly, we will resolutely implement the Cost Reduction Plan, enhance the cost competitiveness of air transportation operations, and work to improve profitability on domestic routes and to implement the structural changes needed for profitability on international routes. To reduce the effect of SARS on profitability, the ANA Group has complemented the Cost Reduction Plan with additional profit improvement measures. We plan to improve profits by ¥11.0 billion a year by suspending service and reducing flights on routes for which passenger numbers are expected to decline, reducing operating costs through the use of smaller aircraft on domestic routes, and optimizing fuel consumption through operational efficiencies.

Cost structure reforms entail changes to our operational structure, and we must implement these reforms without delay no matter how much the external environment changes.

Building a Corporate Governance System

To realize ongoing improvement in enterprise value, the establishment of a corporate governance system based on the transparency of management and accountability to stakeholders is essential. To that end, we have established the Advisory Board as well as the Risk Management Committee and the Compliance Committee. We have also established the Internal Audit Division as part of our drive to build an internal audit system.

FY2003	FY2004	FY2005	FY2006
Group Corporate Strategy Plan			
Group Corporate Reform Plan			
		ANA Group Corporate Plan & Strategy	
		Cost Reduction Plan	
		Additional Profit Improvement Measures in Response to SARS	

Promoting Shareholder-Centered Management

ANA gives high priority to securing a stable management foundation and providing a return to shareholders. I will oversee the implementation of thorough cost structure reforms and will work to strengthen the profitability of the ANA Group, centered on air transportation. As CEO of the ANA Group, I will also continue working to maintain and enhance shareholder value.

As the ANA Group celebrates its 50th anniversary, we are preparing to meet the challenges that we will face in the next 50 years.

August 2003



Yoji Ohashi
President and Chief Executive Officer

An Interview with President Ohashi

Performance in the Year under Review

Progress in Implementing the Group Corporate Reform Plan

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

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

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

In our core air transportation operations, we reorganized networks and reallocated management resources. The April 2002 opening of the new runway at Narita Airport enabled us to

expand our network of routes to China and other Asian destinations, with Narita as a hub. We increased flights on international routes, centered on high-demand trunk routes from Narita, and suspended service or reduced flights on low-profit routes. In the second half of the fiscal year, certain domestic routes were transferred to subsidiary ANK under the wet lease method (Note 3).

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

Note 1:

A management index introduced in the fiscal year ended March 2002 to increase shareholder value. AVC is calculated by subtracting the cost of capital from post-tax business profit.



Note 2:

We have positioned TQS results as leading AVC indicators that objectively reflect the comprehensive evaluations of customers regarding the performance of ANA's air transportation services in terms of safety, on-time performance, comfort, and convenience.

Note 3:

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

Key Points of the Group Corporate Reform Plan

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



Focused on the Next 50 Years

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

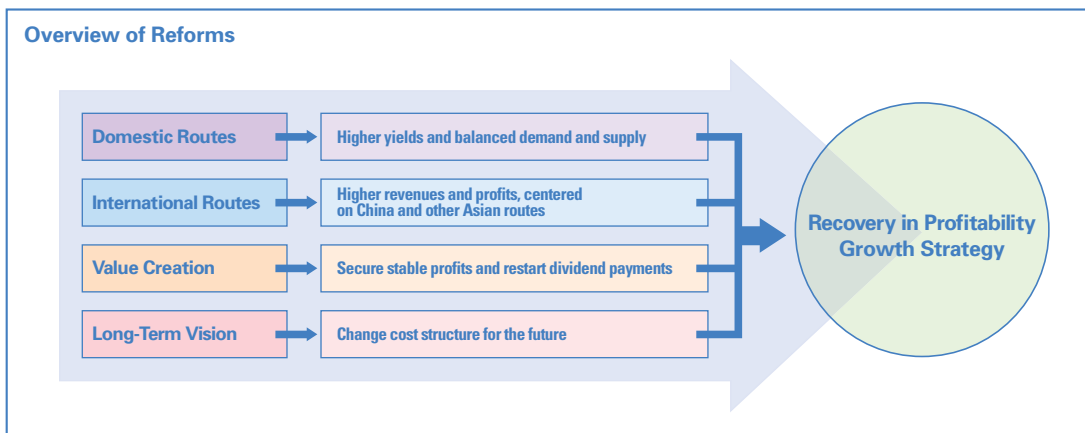
Q2 Would you explain the main elements of the ANA Group Corporate Plan & Strategy, which covers the three-year period ending March 2006?

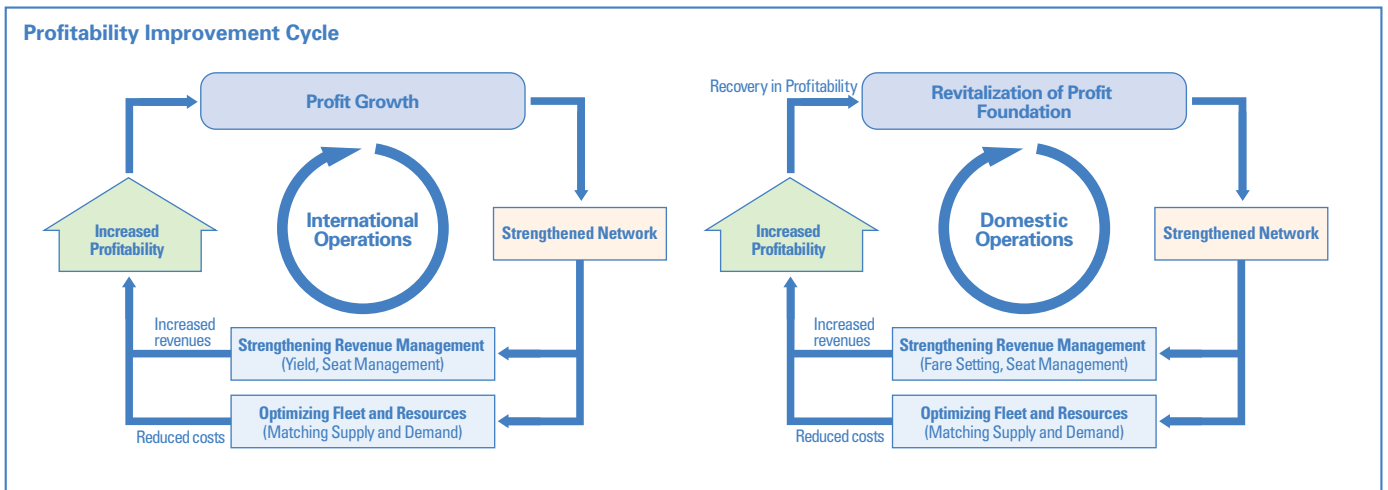
A2 The key point of the plan is to improve and rapidly stabilize the profitability of our air transportation operations. With continuing sluggish economic conditions, we will aim to create an operational structure that can generate profits without relying on increased revenues and will bolster our air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

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

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

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





Cost Reduction Plan

Q3 How will cost structure reform be implemented?

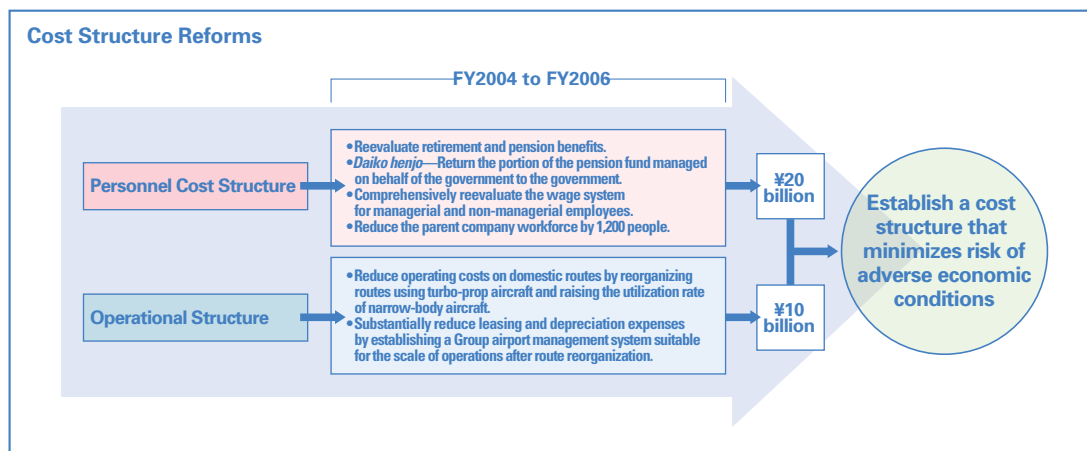
A3 In the airline industry, weak economic conditions result in significant operating risks. Accordingly, to minimize those operating risks, it is essential to establish a corporate constitution that can handle cost fluctuations. To that end, in addition to the Group Corporate Reform Plan that is currently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

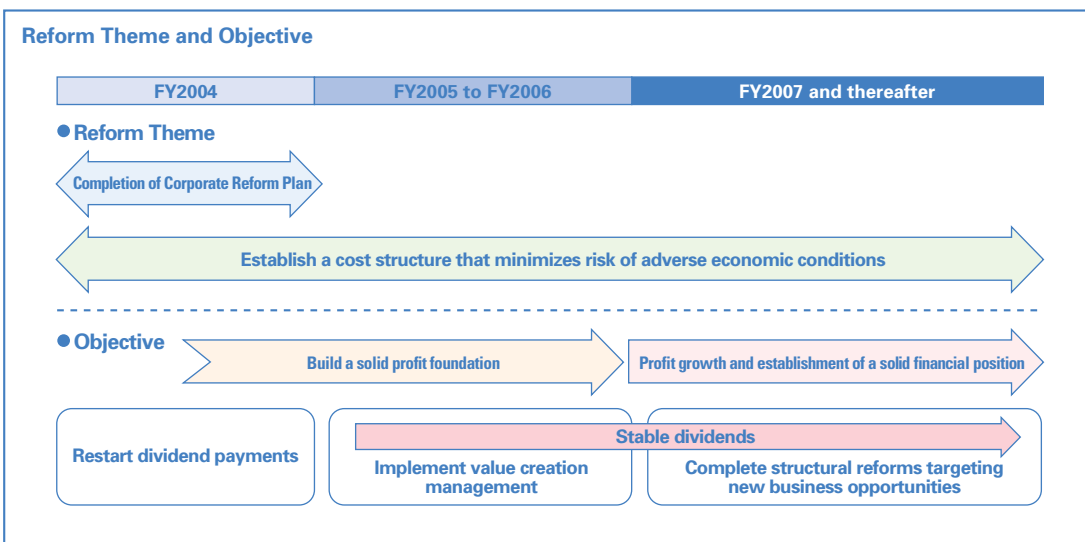
This cost structure reform has two parts: personnel cost structure and operational structure. In reforming the personnel cost structure, we will implement organizational reforms and reduce the workforce at parent company ANA by 9%, or 1,200 people, from the October 2002 level of 13,400. In addition,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

personnel costs by ¥20.0 billion over three years.

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

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

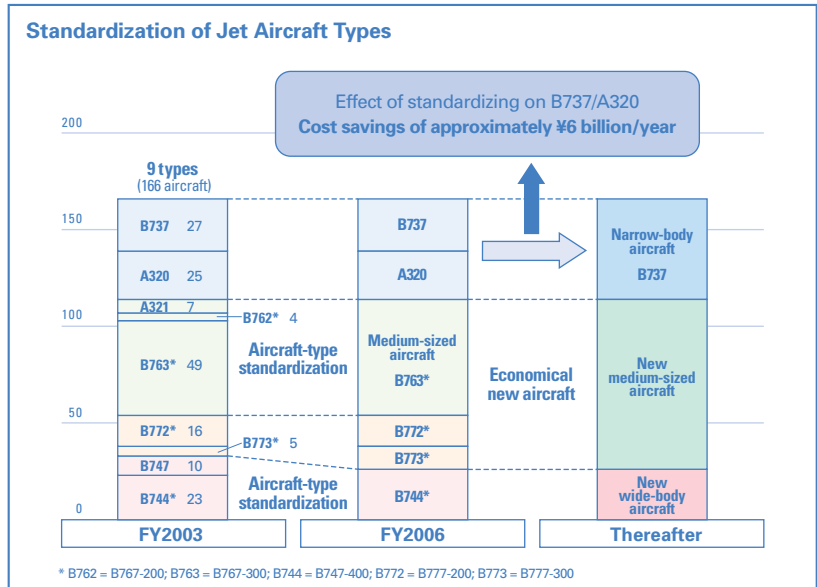




our strengths as an airline with low-cost operations and work to cut costs further. At the same time, we will achieve a cost level appropriate for the aircraft used by each Group airline and thereby enhance our global competitiveness.

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

Next Generation Series, principally the Boeing 737-700. By standardizing narrow-body aircraft on new models, we anticipate operating cost savings of about ¥6.0 billion a year.



Domestic Route Strategy

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

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

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

significantly. By implementing these strategies, we forecast a 4% increase in passenger yields on a 2% decline in the number of passengers.

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

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

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



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

International Route Strategy

Q5 Can ANA achieve consistent profitability on international routes?

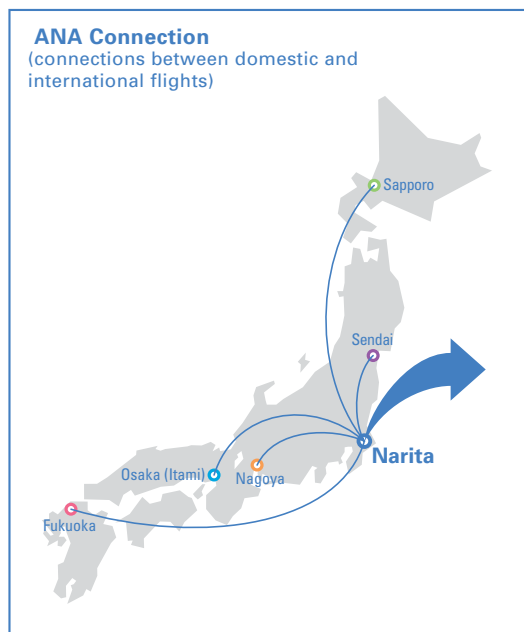
A5 With the opening of the new runway at Narita Airport in April 2002, we were able to expand the scale of our operations and achieve a 10% year-on-year increase in passenger numbers. We reached our goal of building a network with a hub at Narita, and we now offer daily service on North American and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

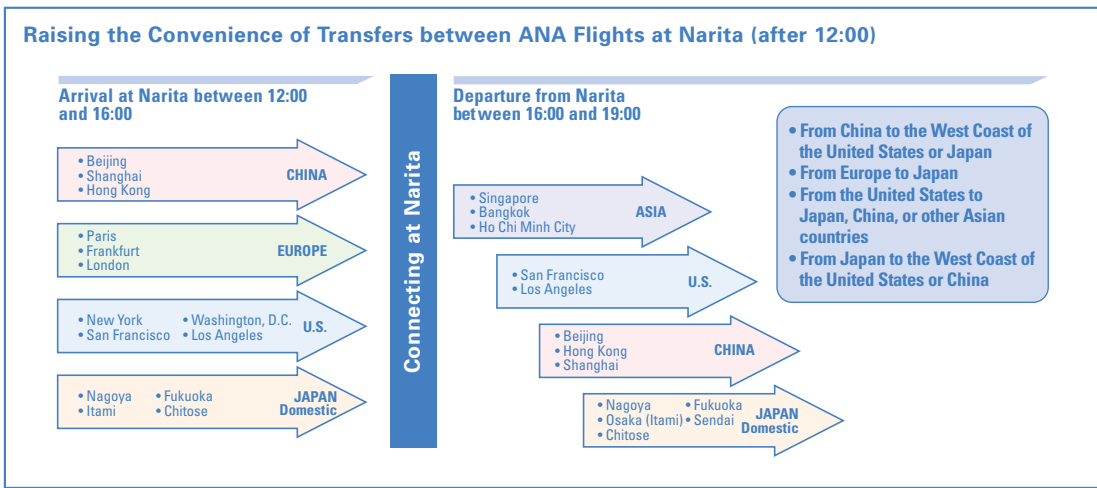
By carefully adjusting our schedule, we were able to raise the convenience of transferring from one international flight to another at Narita, with the percentage of all transfers accounted for by ANA-to-ANA transfers doubling to 10%. Also, to raise the convenience of transferring between domestic and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

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

a week on five routes. Taking advantage of its low-cost operations, AJX is making a significant contribution to the improvement of the Company's profitability on international routes.

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





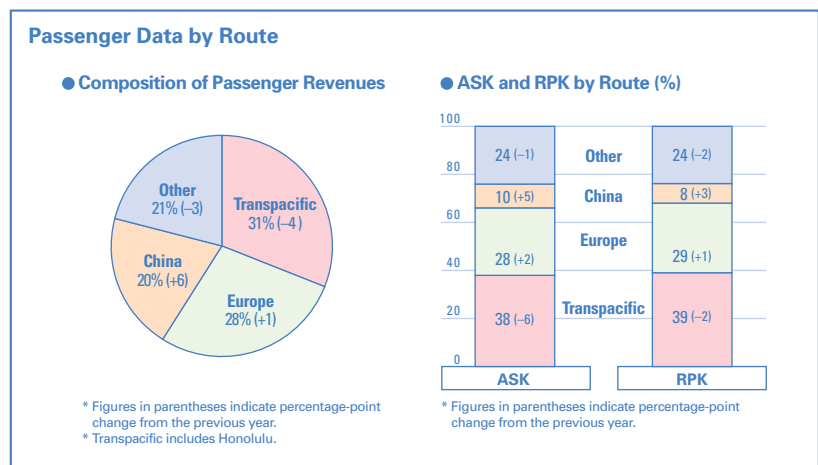
Overview of China Routes

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

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

In the year under review, the number of passengers on China routes increased 61%, and the volume of cargo and mail rose 56%. China routes now account for 20% of our passenger

revenues and 40% of our profits from international routes. A distinctive feature of the China routes is their extremely high profitability. In the future, we will continue to expand service to China and will pursue an alliance strategy, including tie-ups with Chinese airlines on international routes and on domestic routes in China. We also employ Chinese cabin attendants to ensure that we offer superior service and fares to customers from China. By expanding our network centered on China routes, we will work to improve the profitability of our international operations.



Response to SARS

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

A7 We are concerned that the spread of SARS, principally in Asia, will have a significant effect on the airline industry. Accordingly, we have formulated and are implementing additional profit improvement measures to minimize the reductions in revenues and profits attributable to SARS. We will adjust the scale of our operations by suspending service or reducing flights on international routes where the decline in passenger numbers has been significant and by reducing operating costs through the use of smaller aircraft on

domestic routes where demand has been affected. In line with demand trends, we will expand revenues through the use of charter flights on international and domestic routes, and we will work to reduce fuel consumption through carefully considered operating methods. By implementing these measures, we plan to improve profitability by ¥11.0 billion a year. In addition, in August 2003 we will introduce a system of voluntary one-month unpaid leaves for all employees.





Developments in Related Operations

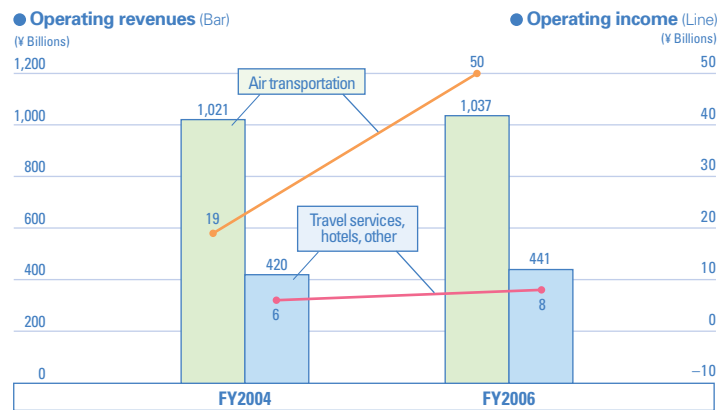
Q8 What steps will ANA take in hotels and other related operations?

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

In hotels, we have completed our withdrawal from the overseas hotel business with the sale of our hotels in Vienna and Sydney. Domestically, we are following a policy of separating ownership and operation, and in March 2001 we securitized ANA Hotel Tokyo. We will raise funds through the sale or securitization of other domestic hotels and reduce interest-bearing debt. In addition, we will continue to reorganize hotel operations by function, and we plan to complete the process of moving hotel assets off the balance sheet by March 2006. To improve management capabilities, ANA Hotels Co., Ltd., which provides chain hotel headquarters functions,

will promote operating efficiency by establishing a hotel management system and introducing it into all hotels. We will strengthen each hotel's facilities and products and increase gross operating profit (GOP), or profit before interest expenses, depreciation, and amortization. We will also target value creation, reduce investment risk, and work to improve the profitability of our hotel operations.

Planned Operating Revenues and Operating Income by Segment



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





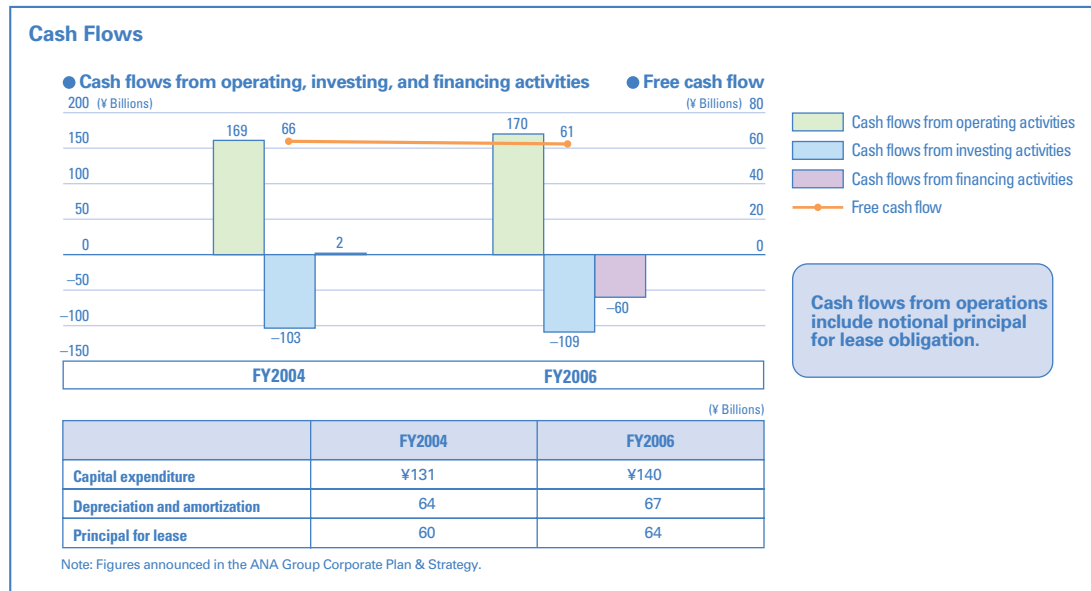
Focused on the Next 50 Years

Capital Expenditure Plans, Financial Strategy

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

A9 Under the ANA Group Corporate Plan & Strategy for the three-year period ending March 2006, we project capital expenditure of ¥420.0 billion. We will focus our management resources on investment that is essential to air transportation; capital expenditure, principally

for the replacement of aircraft; and investment in information systems. Over the three-year period covered by the plan, funds needed for capital investment are forecast to be covered by operating cash flows. At the end of March 2003, the balance of interest-bearing debt, including off-balance-sheet liabilities, in real terms was ¥1,285.0 billion, but by March 2006, we plan to reduce it to ¥1,134.0 billion through the sale of assets and other measures.



Shareholder-Centered Management, Capital Policy

Q10 How will ANA implement shareholder-centered management?

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

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

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





Focused on the Next 50 Years

Review of Operations

AIR TRANSPORTATION

In the fiscal year under review, operating revenues in the air transportation segment were up 1.4%, to ¥992.4 billion, and a ¥6.9 billion operating loss was recorded, compared with operating income of ¥18.7 billion in the previous year. The segment accounted for 70.8% of total operating revenues before eliminations.

Domestic Passenger Services

Demand weakened due to the sluggish Japanese economy, and the October 2002 establishment of Japan Airline System, an integrated holding company for Japan Airlines Co., Ltd., and Japan Air System Co., Ltd., resulted in intense competition, with airlines implementing airfare reductions and promotional campaigns designed to boost demand.

In this setting, ANA increased the number of flights on high-demand routes, mainly trunk routes through Haneda and routes competing with rail services of Japan Railway (JR) companies, such as the

Tokyo–Sapporo, Tokyo–Osaka, and Tokyo–Fukuoka routes. In addition, Air Nippon Co., Ltd. (ANK), inaugurated the Tokyo–Ishigaki and Kansai–Ishigaki routes, and ANA suspended four

routes where demand was low. ANA also reduced the number of flights on certain routes and transferred others to ANK.

In February 2003, ANA began code-share service with Hokkaido International Airline Co., Ltd., on 12 flights, or 6 round trips, a day between Tokyo and Sapporo operated by Hokkaido International. As a result, ANA now offers 24 round-trip flights a day between Tokyo and Sapporo, a capacity comparable to that of Japan Airline System, which had an unmatched transportation capacity on that route since its formation.

ANA established a Narita–Fukuoka route and, through code-share services with Fair Incorporated and Nakanihon Airline Co., Ltd., established a Narita–Sendai route and added more flights on the Narita–Sapporo, Narita–Osaka, and Narita–Nagoya routes. We also worked to improve the connection services between international and domestic routes at Narita Airport, named ANA Connection.

In marketing, ANA took steps to stimulate demand by accurately meeting diversifying customer needs. In July 2002, we launched the *Web Wari* discount fare, which offers a discount of up to 29% for reservations made over the Internet or by a cellular phone. In the second half of the fiscal year, we complemented the *Chowari* super-discount fare by launching the *All Day Pass*, which offers a day of unlimited domestic flights for ¥10,000, and the *Visit Home* fare, which features fares of ¥10,000 on specified routes. We also worked to enhance other services, such as Air Rail, which we offer in cooperation with JR companies. Air Rail combines ANA's *Chowari* discount fare with a day of unlimited, non-reserved travel on JR express trains. We expanded the number of JR companies offering Air Rail from one to four in the year under review.

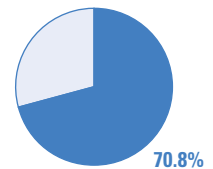
International Passenger Services

On international routes, demand has recovered slowly since the September 11 terrorist attacks in the United States in 2001. In particular, economic expansion in Asia has led to increased demand for international transportation, and airlines have responded by increasing flight frequency, centered on China routes. However, the war in Iraq had a serious effect on demand for passenger travel in the second half of the fiscal year.

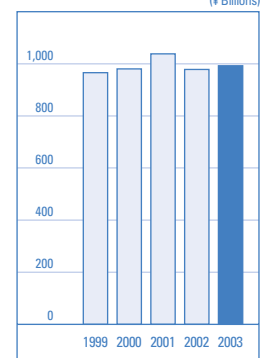
In April 2002, the new parallel runway at Narita Airport was placed into operation, leading to a significant increase in ANA Group slots. As a result, we have been able to establish Narita Airport as the hub of our international air transportation network, which is a goal we have worked to achieve since 1986, when we first offered international service. This has allowed us to clear a large bottleneck that has impeded our international business development, and we are now free to compete to serve the business travel market in the Tokyo metropolitan area, where demand is high.

By using our new slots at Narita, we took steps to enhance our short-haul Asian route network, primarily China routes, on which demand is expected to increase. ANA inaugurated new Narita–Xiamen and Narita–Taipei routes and moved to twice-daily service on the Narita–Beijing, Narita–Shanghai, Narita–Hong Kong, Narita–Seoul, and Kansai–Shanghai routes. Consequently, the number of passengers on China routes increased significantly, with notable growth in the number of passengers in business class. In addition, we began

Air Transportation Segment Revenues as a Percent of Operating Revenues



Air Transportation Segment Sales* (¥ Billions)



* Figures include intercompany transactions.



daily flights on the routes between Narita and San Francisco, Honolulu, Frankfurt, and Singapore. We also worked to improve convenience for business passengers traveling from Europe and the United States to China and other destinations in Asia via Narita.

In services, we strove to differentiate ANA from its competitors by accurately meeting customer needs. On the Boeing 747-400 aircraft that have been used on the Narita–London route since April 2002, we introduced New Style CLUB ANA, which features full-flat seats in business class, and Premium Economy, which offers seats in economy class with amenities equivalent to those in business class. In the second half of the fiscal year, we began to use Boeing 747-400 aircraft on the Tokyo–Frankfurt route. And in December, on the Narita–London

route we introduced Boeing 747-400 aircraft with the world's largest full-flat, wide-bed seats in first class, including a partition that enables each seat to be turned into a private cubicle.

In marketing, we revised fare restrictions and implemented promotional campaigns to stimulate business demand. We relaxed the criteria for *Biji Wari*, a regular discount fare for business class that requires advance purchase, and expanded the routes on which it is available. In October 2002, we initiated the *Okaeri* Hire Service, which enables passengers using business class on round-trip travel to take a hired car from the airport to their destination, and the *Okaeri* Taxi Campaign, which provides a taxi coupon to passengers who used first or business class for round-trip travel on China and other Asian routes.

Operating Revenues Composition—Air Transportation

ANA and consolidated subsidiaries	Yen (Millions)		%
	2003	2002	Year-on-year change
Years ended March 31,			
Domestic Operations:			
Passenger revenues	¥646,854	¥662,772	-2.4
Cargo revenues	24,330	24,746	-1.7
Mail revenues	10,561	11,491	-8.1
Baggage handling revenues	314	294	+6.8
	682,059	699,303	-2.5
International Operations:			
Passenger revenues	185,481	169,660	+9.3
Cargo revenues	40,393	32,937	+22.6
Mail revenues	3,061	2,240	+36.7
Baggage handling revenues	559	551	+1.5
	229,494	205,388	+11.7
Subtotal	911,553	904,691	+0.8
Other revenues	80,934	73,720	+9.8
Total	¥992,487	¥978,411	+1.4

Note: Figures include intercompany transactions.

TRAVEL SERVICES

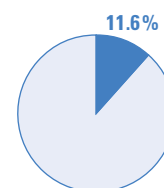
Operating revenues in the travel services segment rose 2.7%, to ¥162.8 billion, in the fiscal year under review. Operating income was ¥584 million, compared with an operating loss of ¥82 million in the previous year. The segment accounted for 11.6% of total operating revenues before eliminations.

Operating conditions in the travel service industry were extremely challenging due to the sluggish domestic economy and the situation in Iraq.

In this setting, demand for tours to the Kansai area declined significantly from the previous year, when demand was high due to the opening of Universal Studios Japan. In addition, intensified competition led to price reductions for travel services. Nonetheless, we implemented aggressive promotions for tours to Hokkaido, centered on ski tours, and for tours to Okinawa, and we succeeded in recording increases in passenger numbers and sales.

For overseas tours, with demand sluggish due

Travel Services
Segment Revenues as a
Percent of Operating Revenues



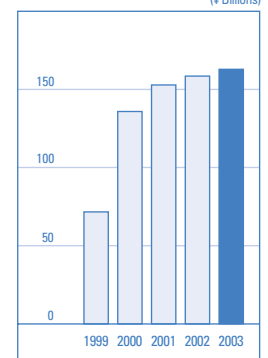


to concern about terrorism, we implemented aggressive sales promotions, such as the introduction of an attractively priced business class tour. Although passenger numbers and sales both increased, demand did not undergo a full-fledged recovery due to the war in Iraq and the outbreak of SARS toward the end of the fiscal year.

ANA Sales Holdings Co., Ltd., was established in January 2002 as a holding company for three ANA

travel services subsidiaries—All Nippon Airways World Tours Co., Ltd., All Nippon Airways Travel Co., Ltd., and ANA Sky Holiday Tours Co., Ltd. The company has made progress in reorganizing ANA's sales system and preparing to offer more attractive products and services. In January 2003, the company's name was changed to ANA Sales and Tours Co., Ltd. (ASX), and it acquired the three travel services subsidiaries.

Travel Services Segment Sales*



* Figures include intercompany transactions.

Operating Revenues Composition—Travel Services

ANA and consolidated subsidiaries	Yen (Millions)		%
	2003	2002	
Years ended March 31,			Year-on-year change
Domestic travel package revenues	¥105,430	¥ 99,507	+6.0
International travel package revenues	38,489	35,772	+7.6
Other revenues	18,951	23,254	-18.5
Total	¥162,870	¥158,533	+2.7

Note: Figures include intercompany transactions.

HOTEL OPERATIONS

In the fiscal year under review, operating revenues in the hotel business segment declined 3.9%, to ¥72.7 billion, and an operating loss of ¥1.2 billion was recorded, compared with an operating loss of ¥0.6 billion in the previous year. The segment accounted for 5.2% of total operating revenues before eliminations.

In our hotel operations, we faced unprecedented business conditions during the year. Due to the sluggish economies in the United States and Japan and to the war in Iraq, demand declined, especially for

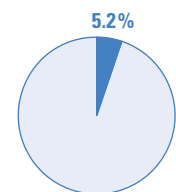
hotel accommodation and banquet services.

In domestic hotel operations, ANA Hotels Co., Ltd., which provides hotel chain management support, introduced a new marketing system to increase

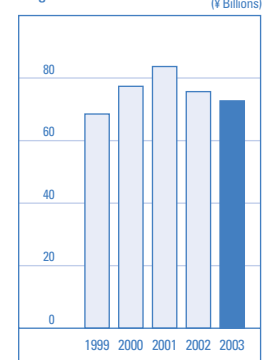
revenues for chain hotels, enhanced IT systems, and implemented effective income management techniques by introducing uniform accounting standards. To enhance the quality of facilities and increase the operational efficiency of the flagship ANA Hotel Tokyo, a renovation of the lower and middle floors was undertaken to create Premium Floors and Premium Upper Floors. To raise energy efficiency, energy-saving renovations were implemented at ANA hotels in Tokyo, Narita, and Hiroshima. As a result, reduced energy consumption is contributing to lower costs and a lighter environmental burden.

Overseas, we sold our shares in the companies that operate the Beijing Shinseiki Hanten in June 2002, the ANA Hotel Vienna in July 2002, and the ANA Harbor Grand Hotel Sydney in August 2002. The proceeds from the sales were used to reduce interest-bearing debt and bolster the Company's financial position. With these steps, we completed the withdrawal from our overseas hotel operations.

Hotel Operations Segment Revenues as a Percent of Operating Revenues



Hotel Operations Segment Sales*



* Figures include intercompany transactions.

Operating Revenues Composition—Hotel Operations

ANA and consolidated subsidiaries	Yen (Millions)		%
	2003	2002	
Years ended March 31,			Year-on-year change
Accommodation revenues	¥24,676	¥26,093	-5.4
Banquet revenues	18,788	20,509	-8.4
Food service revenues	16,702	17,906	-6.7
Other revenues	12,547	11,163	+12.4
Total	¥72,713	¥75,671	-3.9

Note: Figures include intercompany transactions.

OTHER BUSINESSES

Revenues in this segment were down 8.0%, to ¥173.1 billion, and operating income was up 6.7%, to ¥5.3 billion. The segment contributed 12.4% of total operating revenues before eliminations.

In the fiscal year under review, Infini Travel Information, Inc., which provides a reservation and ticketing system for international flights, recorded a substantial increase in revenues. This rise was primarily the result of the large decline in revenues that was recorded in the previous year in the aftermath of the terrorist attacks.

All Nippon Airways Trading Co., Ltd., which conducts trading and sales of goods, recorded higher revenues in all lines of business, except aircraft parts. Especially strong performances were registered in in-flight sales of ANA 50th anniversary commemorative products and in sales of semiconductor parts in new markets. However,

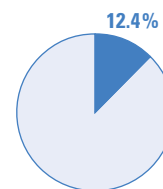


All Nippon Airways Trading's revenues declined overall due to the substantial decrease in revenues from aircraft parts.

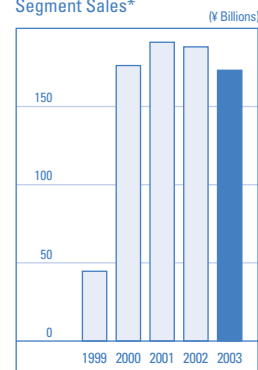
ANA Real Estate Co., Ltd., which sells and leases real estate and manages buildings, renovated a number of buildings to provide the high-quality office environment desired by tenants. As a result, despite the difficult real estate market, the company maintained high occupancy rates in every building and recorded increased revenues. However, ANA Real Estate recorded a net loss for the year due to a loss on the liquidation of a golf course subsidiary.

ANA Information Systems Planning Co., Ltd., which develops, maintains, and operates the information systems of the ANA Group, provides strong IT support for the establishment of a Group operational administration system. In addition, the company made available to customers outside of the ANA Group IT system development, maintenance, and operation services for passenger, cargo, transportation, crew, and aircraft maintenance information systems and steadily developed IT infrastructure provision operations. As a result, the company recorded higher revenues.

Other Businesses
Segment Revenues as a
Percent of Operating Revenues



Other Businesses
Segment Sales*



* Figures include intercompany transactions.

Operating Revenues Composition—Other Businesses

ANA and consolidated subsidiaries	Yen (Millions)		%
	2003	2002	
Years ended March 31,			Year-on-year change
Trading and retailing revenues	¥118,653	¥135,181	-12.2
Information and communications revenues	19,641	19,815	-0.9
Real estate and property management revenues	16,820	16,254	+3.5
Other revenues	18,075	16,919	+6.8
Total	¥173,189	¥188,169	-8.0

Note: Figures include intercompany transactions.

Management Members

(As of June 26, 2003)



Kichisaburo Nomura
Chairman of the Board



Yoji Ohashi
President & CEO



Mineo Yamamoto
Senior Executive Vice
President

Board of Directors

Chairman of the Board

Kichisaburo Nomura

President & Chief Executive Officer

Yoji Ohashi

Senior Executive Vice President

Mineo Yamamoto*

Executive Vice Presidents

Yasushi Morohashi*
Hiromichi Toya*
Koichiro Ono*
Suguru Omae*
Katsuhiko Kitabayashi*
Masahiko Takada*
Masao Nakano*

Senior Vice Presidents

Hitoshi Nakajima*
Koshichiro Kubo*
Shinichiro Ito*

Seitaro Taniguchi
Yoshinori Ueyama

Corporate Auditors

Wataru Kubo
Kunitaka Kajita
Yoshiro Ito
Shigeru Ono

Corporate Executive Officers

Executive Vice Presidents

Koichi Nomura
Osamu Kawabata
Kenichiro Hamada
Shin Nagase
Isamu Komatsu

Senior Vice Presidents

Akinori Nomoto
Tomoyuki Fujita
Kenkichi Honbo
Ichiro Okada
Hideo Koyanagi
Junji Onishi
Tomohiro Hidema
Minoru Aimonio
Katsuyori Kikuchi
Shinsuke Maki
Hiroyuki Ito
Keisuke Okada

* Also holds a position as corporate executive officer.

Financial Section

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Corporate Governance

1. Fundamental Approach

To steadily increase enterprise value, ANA believes that it must implement corporate governance in a way that ensures transparency and accountability.

2. Corporate Governance System

ANA's management system comprises 15 directors, 4 auditors, and 28 corporate executive officers (including those who are both directors and corporate executive officers). For important administrative issues, discussions are held and decisions are made by the Management Committee, with the president and representative director serving as chairman and 12 board members, who are

senior vice presidents of the Company, serving as committee members. As a matter of law, certain issues must be considered by the board of directors, which makes the final decision on such matters. The board of directors is headed by the chairman and includes two outside directors and four auditors, two of whom are outside auditors.

3. Activities in the Year under Review

• Change in Term of Members of the Board of Directors

To clarify management responsibility for each fiscal year, the term of office for members of the board of directors has been changed from two years to one year.

• Advisory Board

ANA's corporate governance systems extend beyond those institutions required by law. In order to hear frank and open comments about the Company's management, in November 2001 ANA established the Advisory Board, which consists of six members with a range of backgrounds. The board met six times during the year under review.

• Internal Control System

ANA has taken the following steps to establish, strengthen, and promote its internal control system, which is a key part of its corporate governance infrastructure:

1. Risk management functions

To increase the stability of operational administration by tracking, managing, and responding appropriately to risks that could have a

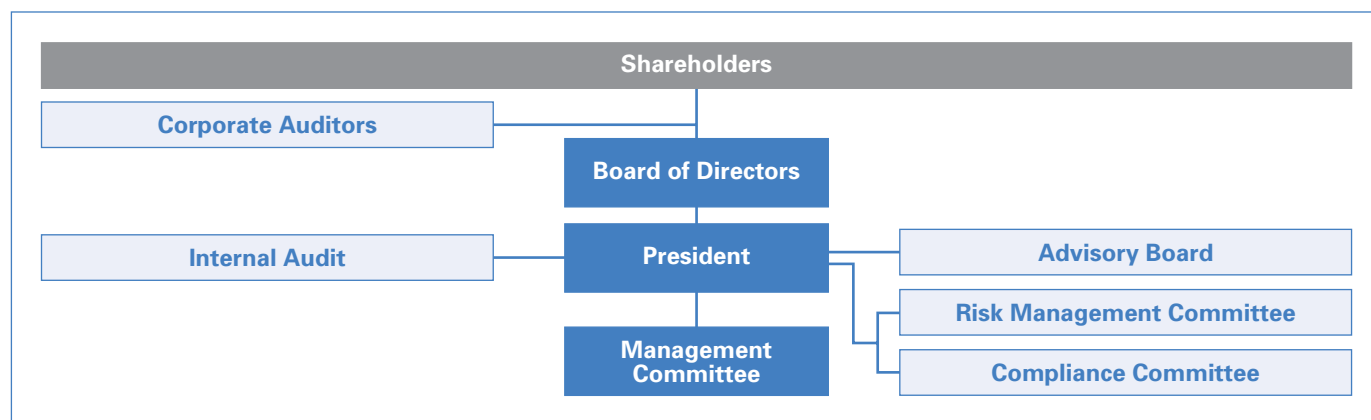
significant effect on Group management, in July 2002 we formed the Risk Management Committee, thereby preparing for the establishment of a Companywide risk management system extending from operational risks to disaster risks.

2. Compliance functions

To ensure compliance with ethics, laws, and internal regulations and to promote sound, stable management Groupwide, in April 2003 we formed the Compliance Committee. In addition, we further promoted compliance with the issuance of the president's ANA Group Compliance Declaration.

3. Internal audit functions

In April 2003, we strengthened our internal auditing system with the establishment of the Internal Audit Division. The division will examine and evaluate all management activities to verify the legality, rationality, and ethicality of management and operational systems and administrative execution. The division will make suggestions and proposals targeting improvement and rationalization.



Management's Discussion and Analysis

1. The ANA Group

The ANA Group comprises 143 subsidiaries and 41 affiliates. Of those companies, 109 are consolidated subsidiaries and 24 are accounted for by the equity method. The Group's operations are classified into four business segments: air transportation, travel

services, hotel operations, and other businesses. For each segment, the fields of business and the operational positions of the parent company, subsidiaries, and affiliates are described below.

As of March 31, 2003					
Operational segment	No. of subsidiaries	of which, consolidated	of which, equity method	No. of affiliates	of which, equity method
Air Transportation	31	30	–	6	3
Travel Services	16	13	–	3	3
Hotel Operations	23	22	–	1	1
Other Businesses	73	44	6	31	11
Group Total	143	109	6	41	18

• Air Transportation

The ANA Group's air transportation operations and other aircraft operations are centered on All Nippon Airways Co., Ltd. (ANA); subsidiaries Air Nippon Co., Ltd. (ANK), and Air Japan Co., Ltd. (AJX); and affiliate Nippon Cargo Airlines Co., Ltd. (NCA). These operations principally comprise the provision of passenger, cargo, and mail air transportation. Incidental operations include airport customer services, telephone reservation and information services, and the maintenance of aircraft and are provided by International Airport Utility Co., Ltd., ANA TELEMART Co., Ltd., ANA Aircraft Maintenance Co., Ltd., and other companies. Airport passenger, cargo handling, and aircraft maintenance services are also provided to domestic and overseas airlines that are not members of the ANA Group.

• Travel Services

Travel packages are structured and sold under the brand names ANA Hallo Tour and ANA Sky Holiday, mainly by ANA Sales and Tours Co., Ltd., and its wholly owned subsidiaries, All Nippon Airways World Tours Co., Ltd., ANA Sky Holiday Tours Co., Ltd., and All Nippon Airways Travel Co., Ltd. In Japan, these operations comprise the development and sale of products that use the air transportation services of ANA or ANK and accommodation at ANA hotels.

Overseas, ANA World Tours (Europe) Ltd. and other companies provide a range of services to customers traveling on ANA Hallo Tour brand packages and sell airline tickets and travel products.

• Hotel Operations

Subsidiaries and affiliates, centered on ANA Hotels Co., Ltd., provide a wide range of services, including lodging, meals, banquets, and wedding receptions.

• Other Businesses

Group companies provide communications, trading and sales, real estate, building management, ground transportation and distribution, aircraft equipment maintenance, and other services. ANA Information Systems Planning Co., Ltd., Infini Travel Information, Inc., and others principally develop terminals and software for airline-related information. ANA Logistic Service Co., Ltd., operates a warehouse for imported air cargo. All Nippon Airways Trading Co., Ltd., and others conduct operations centered primarily on the export and import of airline-related materials and on sales through stores and catalogs. ANA Real Estate Co., Ltd., and other companies carry out the sale, rental, and management of real estate, and affiliate Jamco Corporation and others provide the maintenance of on-board aircraft equipment. ANA and Group subsidiaries and affiliates are customers for these products and services.

2. Operational Review

Operating Environment and Performance

In the first half of the year under review, there were signs of recovery in certain sectors of the Japanese economy. For example, production increased slightly as exports to China and other Asian countries rose. However, in the second half of the year domestic business conditions worsened due to concern about the future course of the U.S. economy and to declining stock prices stemming from uncertainty about the international situation. Moreover, as the deflationary trend in the domestic economy continued, poor conditions in employment and incomes were reflected in continued sluggishness in consumer spending. Progress toward an economic recovery was slow, and a full-fledged recovery was not reached during the year.

In this setting, the Company's operating revenues rose 0.9%, to ¥1,215.9 billion, and operating expenses increased 3.1%, to ¥1,218.5 billion. As a result, an operating loss of ¥2.5 billion was recorded, compared with operating income of ¥22.9 billion in the previous year.

In non-operating items, the Company recorded income, such as rebate on aircraft purchases, and expenses, such as loss on sale or disposal of property and equipment and loss on sale and liquidation of affiliates. Net non-operating expenses amounted to ¥52.2 billion, compared with ¥30.1 billion in the previous year.

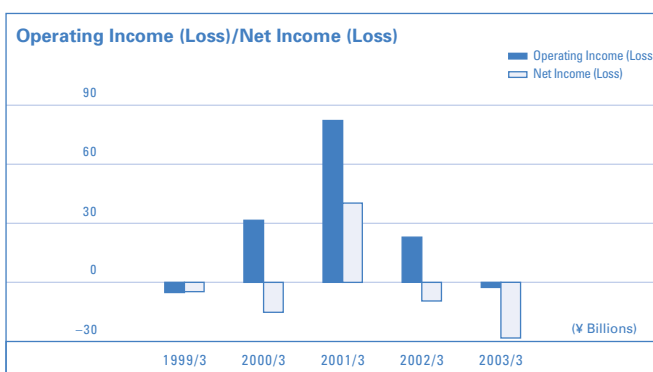
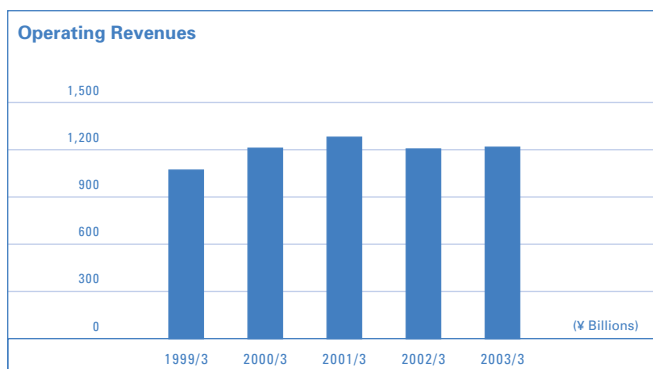
Loss before income taxes and minority interests was ¥54.8 billion, compared with ¥7.1 billion in the previous year. After income taxes, including the effect of accounting for deferred income taxes stemming from the application of the interperiod allocation method, and minority interests in income of consolidated subsidiaries, net loss was ¥28.2 billion, compared with ¥9.4 billion in the previous year.

Summary of Financial Results

ANA and consolidated subsidiaries

Years ended March 31,

	Yen (Millions) except per share amounts	
	2003	2002
Operating revenues	¥1,215,909	¥1,204,514
Operating expenses	1,218,506	1,181,546
Operating income (loss)	(2,597)	22,968
Non-operating income (expenses)	(52,224)	(30,146)
Loss before income taxes and minority interests	(54,821)	(7,178)
Income taxes	(27,829)	2,244
Minority interests in income of consolidated subsidiaries	1,264	34
Net loss	¥ (28,256)	¥ (9,456)
Per share data:		
Net loss	¥(18.42)	¥(6.17)
Net income assuming full dilution	—	—
Cash dividends	—	—



• Operating Revenues

The ANA Group's operating revenues consist of air transportation revenues, comprising passenger, cargo, and incidental and other revenues; travel services revenues; hotel operations revenues; and other businesses revenues. Detailed information regarding passenger revenues and cargo revenues is provided on the following pages.

Years ended March 31,	Yen (Millions)	
	2003	2002
Passenger revenues	¥ 760,263	¥ 762,923
Domestic	600,063	612,380
International	160,200	150,543
Cargo revenues	64,688	57,648
Domestic	24,295	24,711
International	40,393	32,937
Incidental and other revenues	390,958	383,943
Total	¥1,215,909	¥1,204,514

Note: Operating revenue figures are stated after the elimination of intra-segment and inter-segment transactions.

Operating Data

Domestic Passengers:

• Passengers (thousands)	47,133	45,796
• Available seat-km (ASK, millions)	62,565	60,980
• Revenue passenger-km (RPK, millions)	40,388	38,780
• Passenger load factor (%)	64.6	63.6
• Unit revenues (¥/ASK)	10.3	10.8

International Passengers:

• Passengers (thousands)	3,783	3,438
• Available seat-km (ASK, millions)	25,974	26,928
• Revenue passenger-km (RPK, millions)	18,719	17,799
• Passenger load factor (%)	72.1	66.1
• Unit revenues (¥/ASK)	7.1	6.3

Domestic Cargo:

• Cargo ton (ton)	383,583	386,727
• Cargo ton-kilometer (ton-km)	371,224	370,214
• Cargo ton-kilometer yield (¥/ton-km)	65.5	66.8

International Cargo:

• Cargo ton (ton)	195,669	152,942
• Cargo ton-kilometer (ton-km)	957,721	861,976
• Cargo ton-kilometer yield (¥/ton-km)	42.2	38.2

Unit costs (¥/ASK)	11.8	11.1
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Notes: 1. Domestic and international figures include the operations of the parent company ANA and subsidiaries Air Nippon Co., Ltd. (ANK), Air Japan Co., Ltd. (AJX), Air Hokkaido Co., Ltd. (ADK), and Air Nippon Network Co., Ltd. (ANN).

2. Figures for unit revenues, cargo ton-kilometer yield, and unit costs are the weighted average for ANA, ANK, AJX, ADK, and ANN.

3. Unit revenues amounts were calculated using passenger revenues figures before the elimination of intra-segment transactions.

• Passenger Revenues

Passenger revenues in the year under review declined 0.3%, to ¥760.2 billion. Domestic routes accounted for 78.9% of the total, and international routes for 21.1%.

• Domestic Passenger Revenues

The ANA Group took steps to expand domestic passenger revenues. We increased the number of flights on certain routes, centered on trunk routes through Haneda Airport, where demand is expected to be strong. We also worked to expand revenues

through tie-ups with other companies. We significantly expanded capacity on highly profitable routes through code-share arrangements with other airlines, including Hokkaido International Airlines Co., Ltd. In addition, we enhanced our domestic-international connection services at Narita Airport. Nonetheless, intensified price competition led to a decline in yields, adversely affecting revenues.

Passenger revenues declined 2.0%, to ¥600.0 billion, in the year under review. The number of passengers, however, increased 2.9%, to 47.1 million. Available seat-kilometers rose 2.6%, and

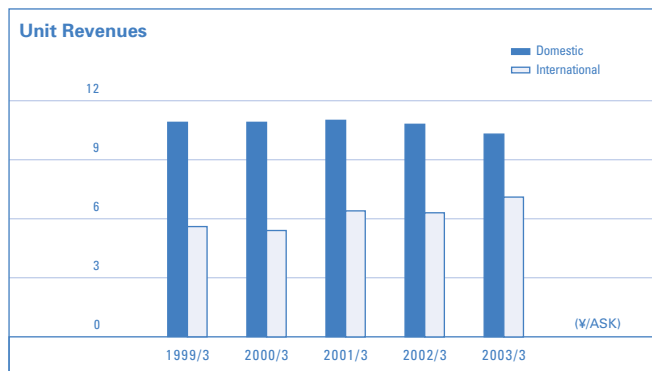
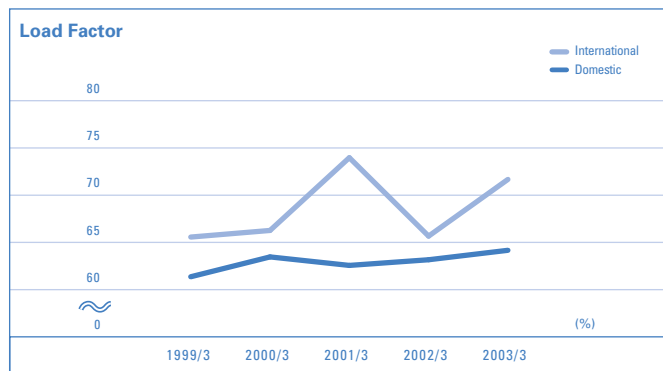
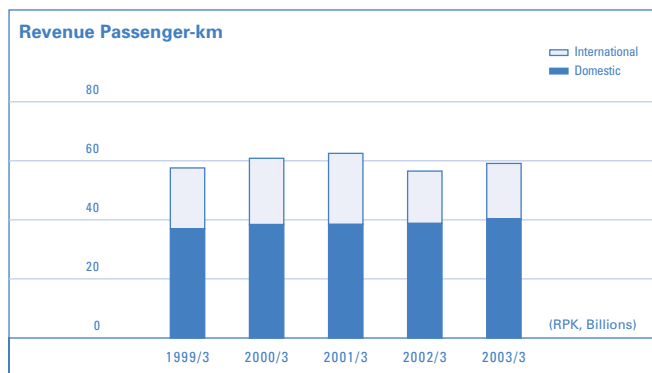
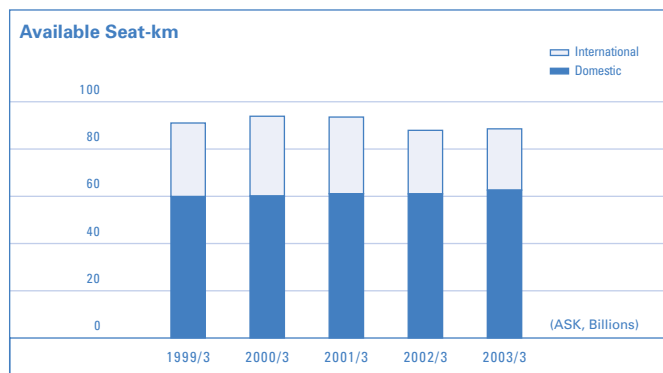
revenue passenger-kilometers were up 4.1%. As a result, the load factor increased 1.0 percentage point, to 64.6%. Unit revenues were 10.3 ¥/ASK, compared with 10.8 ¥/ASK in the previous year.

• **International Passenger Revenues**

In the year under review, we worked to expand our route network, principally our short-haul Asian routes, and to raise revenues from international passenger services. For example, when the new runway was opened at Narita Airport in April 2002, we

took steps to enhance our service to China, where our profitability is strong and demand is expected to increase, by establishing new routes and increasing flights on existing routes.

Passenger revenues increased 6.4%, to ¥160.2 billion, and the number of passengers rose 10.0%, to 3.7 million. Available seat-kilometers declined 3.5%, while revenue passenger-kilometers rose 5.2%. The load factor increased 6.0 percentage points, to 72.1%, and unit revenues increased to 7.1 ¥/ASK, from 6.3 ¥/ASK in the previous year.



• **Cargo Revenues**

Cargo revenues rose 12.2%, to ¥64.6 billion. Domestic cargo revenues accounted for 37.6% of the total, and international cargo revenues for 62.4%.

• **Domestic Cargo Revenues**

Domestic cargo volume declined 0.8%, to 383 thousand tons, and revenues were down 1.7%, to ¥24.2 billion.

With the economy sluggish, the domestic distribution of goods declined, and some air cargo was switched to land transportation due to the tightened inspections for explosives that have been implemented since the previous year's terrorist attacks. As a result,

the volume of cargo handled was down throughout the first half of the year under review. Demand, which had fallen since the terrorist attacks, stopped declining in September 2002 and began to recover thereafter. Nonetheless, the progress toward recovery was slow, and demand in the second half was down from the same period of the previous year. Since its introduction in September 2002 as the Company's first cargo freighter, ANA's Boeing 767-300F has been used mainly on scheduled international cargo flights. However, we also began to use this aircraft on unscheduled domestic routes and charter flights. In addition, we implemented various measures to increase revenues, including taking a flexible approach to aircraft usage in line with cargo demand.

• **International Cargo Revenues**

International cargo volume was up 27.9%, to 195 thousand tons, and revenues rose 22.6%, to ¥40.3 billion.

In the first half of the fiscal year, our international cargo and mail operations grew steadily due to the trend toward recovery in the U.S. economy. In the second half, growth remained strong due to a number of special factors. These factors included a temporary shift of cargo from sea to air transportation due to a harbor strike on the west coast of the United States and increased goods shipments as the situation in Iraq worsened. Strong automobile parts cargo demand through the year also made a significant contribution to higher cargo volume. With the September 2002 introduction of a Boeing 767-300ER, our first cargo freighter, we worked to expand cargo volume, principally on China routes. We launched *PRIO*, an international priority service, in April 2001, and at the

• **Operating Expenses**

Operating expenses rose 3.1% overall, to ¥1,218.5 billion. Details are as follows:

Years ended March 31,	Yen (Millions)	
	2003	2002
Aircraft	¥ 385,568	¥ 373,708
Aircraft and flight operations	298,574	292,677
Aircraft maintenance	86,994	81,031
Services	321,791	299,529
In-flight services	62,417	56,468
Flight control and ground handling	259,374	243,061
Reservations, sales and advertising	212,553	210,845
General and administrative	34,290	33,837
Depreciation and amortization	61,852	61,337
Other costs	202,452	202,290
Total	¥1,218,506	¥1,181,546

Aircraft expenses rose 3.2%, to ¥385.5 billion. Aircraft and flight operations expenses grew 2.0% due to increased fuel tax and leasing expenses accompanying a higher level of operation, while aircraft maintenance expenses were up 7.4% as a result of increased parts purchases.

Services expenses rose 7.4%, to ¥321.7 billion. In-flight services expenses grew 10.5% due primarily to increased in-flight services accompanying a recovery in passenger numbers on international flights, which had declined following the previous year's terrorist attacks. Flight control and ground handling expenses rose 6.7% due to higher landing and navigation fees and third-party liability insurance premiums.

end of the year under review, in response to more advanced and diverse cargo transport needs, we added *PRIO DOOR*, *PRIO COOL*, *PRIO SPACE*, and *PRIO SENSITIVE* to the *PRIO* lineup.

Incidental and Other Revenues

Incidental and other revenues include revenues from domestic and international mail; revenues from providing other airlines with aircraft maintenance, passenger check-in, baggage loading, and other ground services; and revenues from conducting in-flight sales. In the year under review, we worked to increase revenues from each of these sources, and as a result incidental and other revenues rose 1.8%, to ¥390.9 billion.

For information on the travel services, hotel operations, and other businesses segments, refer to Section 4, Segment Information (page 34).

Due to increased spending on advertisements and campaigns targeted at raising revenues, reservations, sales and advertising expenses rose 0.8%. General and administrative expenses increased 1.3%.

Depreciation and amortization rose 0.8%, to ¥61.8 billion, due to purchases of aircraft, and other costs increased 0.1%, to ¥202.4 billion.

Non-Operating Income (Expenses)

The Company recorded net non-operating expenses of ¥52.2 billion, compared with ¥30.1 billion in the previous year. Details are as follows:

Years ended March 31,	Yen (Millions)	
	2003	2002
Interest and dividend income	¥ 6,843	¥ 7,143
Gain on sale of property and equipment	2,002	2,559
Interest expenses	(25,283)	(28,758)
Loss on sale or disposal of property and equipment	(16,304)	(10,033)
Equity in income (loss) of affiliates	364	(804)
Rebate on aircraft purchases	5,976	–
Amortization of net transitional retirement benefit obligation	(7,321)	(7,835)
Loss on sale and liquidation of affiliates	(26,914)	–
Valuation loss on investment securities	(3,373)	(2,127)
Special retirement benefit expenses	(3,191)	(1,312)
Other, net	14,977	11,021
Total	¥(52,224)	¥(30,146)

Interest and dividend income declined 4.2%, to ¥6.8 billion.

Gain on sale of property and equipment decreased 21.8%, to ¥2.0 billion.

Interest expenses declined 12.1%, to ¥25.2 billion. Interest-bearing debt was reduced, and the average rate on interest-bearing debt during the year was lower.

Loss on sale or disposal of property and equipment, primarily loss on the sale of aircraft and loss on the disposal of aircraft parts, increased ¥6.2 billion, to ¥16.3 billion.

Due primarily to improvement in the performance of companies accounted for by the equity method, including air transportation companies, equity in income of affiliates was ¥0.3 billion, compared with equity in loss of affiliates of ¥0.8 billion in the previous year.

Rebate on aircraft purchases (engine-related equipment) was ¥5.9 billion.

Loss on sale and liquidation of affiliates was ¥26.9 billion. This loss includes a ¥22.8 billion loss on the sale of two companies that operate overseas hotels and a ¥4.0 billion loss on the liquidation of a golf course subsidiary and domestic hotel affiliates.

Amortization of net transitional retirement benefit obligation declined from the previous year. This decline was attributable to the full amortization in the previous year of a subsidiary that was restructured. Valuation loss on investment securities was higher due to the decline in stock prices, and special retirement benefit expenses rose due to an increase in the number of employees taking early retirement.

3. Financial Position and Cash Flows

Years ended March 31,	Yen (Millions)	
	2003	2002
Net cash provided by operating activities	¥ 85,952	¥ 33,993
Net cash used in investing activities	(52,478)	(123,927)
Net cash provided by (used in) financing activities	(63,364)	69,104
Effect of exchange rate changes on cash and cash equivalents	(795)	1,786
Net decrease in cash and cash equivalents	(30,685)	(19,044)
Cash and cash equivalents at beginning of year	188,648	207,717
Net increase (decrease) resulting from changes in scope of consolidation	158	(25)
Cash and cash equivalents at end of year	¥158,121	¥ 188,648

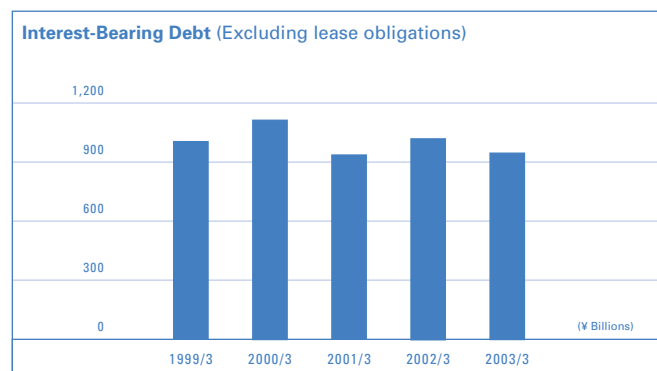
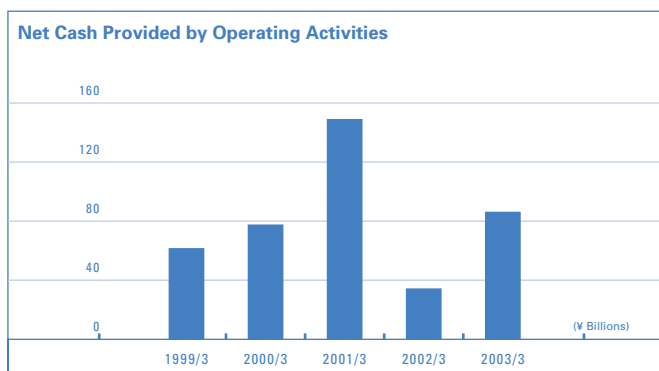
Although the Company recorded a loss before income taxes and minority interests, non-cash expenses were also recorded, such as depreciation and amortization and loss on disposal and sale of property and equipment, and as a result net cash provided by operating activities totaled ¥85.9 billion, an increase of ¥51.9 billion.

The Company acquired and made advance payments for aircraft and acquired aircraft parts. In addition, the Company recovered investment through the sale of aircraft and the withdrawal from overseas hotel operations. As a result, net cash used in

investing activities was ¥52.4 billion, a decline of ¥71.4 billion. Free cash flow rose ¥123.4 billion, to ¥33.4 billion.

The Company repaid debt and redeemed bonds, and net cash used in financing activities was ¥63.3 billion, compared with net cash provided by financing activities of ¥69.1 billion in the previous year.

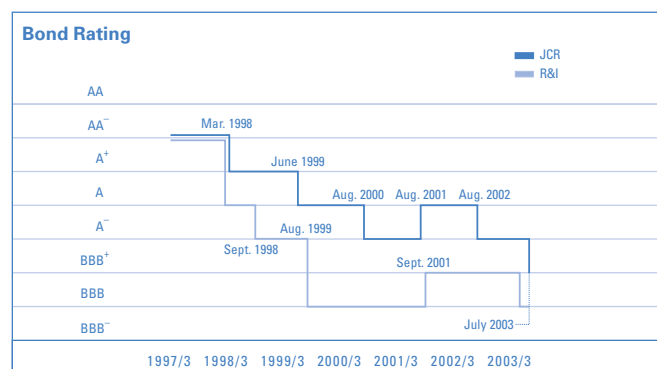
As a result, the year-end balance of cash and cash equivalents was ¥158.1 billion, a decline of ¥30.5 billion from the previous year-end.



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

As of March 31,	Yen (Millions)	
	2003	2002
Short-term debt:		
Loans, principally from banks	¥ 22,132	¥ 77,586
Long-term debt, including current portion:		
Loans, principally from banks	571,531	568,238
Notes and bonds	351,732	371,999
Total	¥945,395	¥1,017,823

In response to a request by ANA, Japan Credit Rating Agency, Ltd. (JCR), provides a rating on long-term bonds issued by ANA. As of July 2003, this rating was BBB⁺. Rating and Investment Information, Inc. (R&I), gave ANA a BBB credit rating as of July 2003. Management believes that these credit ratings present no difficulties with regard to the procurement of funds.



4. Segment Information

ANA and consolidated subsidiaries

Years ended March 31,	Yen (Millions)		%
	2003	2002	Year-on-year change
Air Transportation:			
Operating revenues	¥ 911,484	¥ 900,847	+ 1.2%
Intra-group sales and transfers	81,003	77,564	+ 4.4
Total	992,487	978,411	+ 1.4
Operating expenses	999,400	959,662	+ 4.1
Operating income (loss)	(6,913)	18,749	-
Travel Services:			
Operating revenues	144,940	143,367	+ 1.1
Intra-group sales and transfers	17,930	15,166	+ 18.2
Total	162,870	158,533	+ 2.7
Operating expenses	162,286	158,615	+ 2.3
Operating income (loss)	584	(82)	-
Hotel Operations:			
Operating revenues	59,547	63,366	- 6.0
Intra-group sales and transfers	13,166	12,305	+ 7.0
Total	72,713	75,671	- 3.9
Operating expenses	73,987	76,335	- 3.1
Operating income (loss)	(1,274)	(664)	-
Other Businesses:			
Operating revenues	99,938	96,934	+ 3.1
Intra-group sales and transfers	73,251	91,235	- 19.7
Total	173,189	188,169	- 8.0
Operating expenses	167,865	183,181	- 8.4
Operating income	5,324	4,988	+ 6.7
Intercompany Eliminations:			
Intra-group sales and transfers	(185,350)	(196,270)	- 5.6
Operating expenses	(185,032)	(196,247)	- 5.7
Operating income (loss)	(318)	(23)	-
Consolidated:			
Consolidated operating revenues	1,215,909	1,204,514	+ 0.9
Consolidated operating expenses	1,218,506	1,181,546	+ 3.1
Consolidated operating income (loss)	¥ (2,597)	¥ 22,968	-

- **Air Transportation**

In the year under review, on domestic routes intensified competition put pressure on prices and business demand was weak. On international routes, however, conditions were comparatively favorable due to strong demand on China routes. Operating revenues in the air transportation segment rose 1.4%, to ¥992.4 billion. Operating expenses increased 4.1%, a higher rate than operating revenues, and as a result operating loss was ¥6.9 billion, compared with operating income of ¥18.7 billion in the previous year.

- **Travel Services**

In the travel services industry, operating conditions remained challenging due to the weak domestic economy and growing international tension in Iraq. Operating revenues increased 2.7%, to ¥162.8 billion, and operating expenses rose 2.3%, to ¥162.2 billion, resulting in operating income of ¥584 million, compared with an operating loss of ¥82 million in the previous year.

- **Hotel Operations**

During the year under review, business conditions were extremely difficult in the hotel industry. The slowdowns in the U.S. and Japanese economies and the war in Iraq resulted in lower sales, especially in accommodations and banquet services. Moreover, the sale of overseas hotels also had an adverse influence on revenues. Operating revenues in the hotel segment were down 3.9%, to ¥72.7 billion, and operating expenses declined 3.1%, to ¥73.9 billion. An operating loss of ¥1.2 billion was recorded, compared with ¥0.6 billion in the previous year.

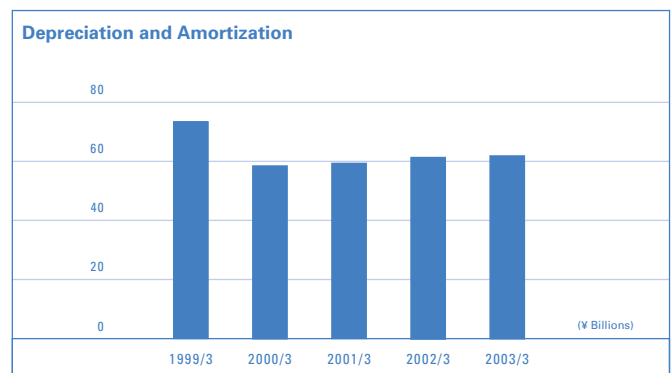
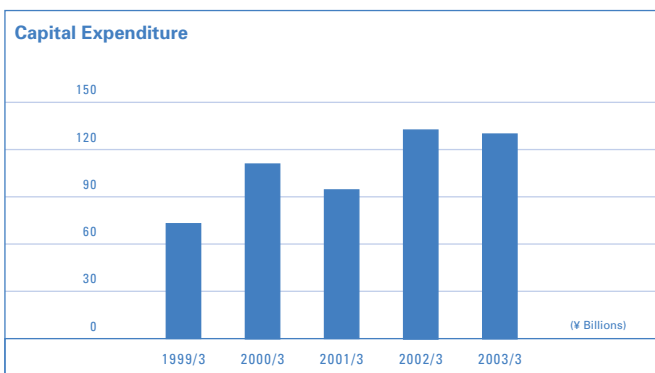
- **Other Businesses**

Net sales in the other businesses segment totaled ¥173.1 billion, down 8.0%, and operating expenses decreased 8.4%, to ¥167.8 billion. As a result, operating income increased 6.7%, to ¥5.3 billion.

5. Capital Investment

Based on the principle of “selection and concentration,” the ANA Group conducts capital expenditure with the goals of improving safety, competitiveness, and profitability. Capital expenditure in

the year under review, which was principally for aircraft in air transportation operations, amounted to ¥129.8 billion, which was funded by internal funds, borrowings, and the issuance of bonds.



• **Air Transportation**

Purchases of aircraft and aircraft parts and advance payments on aircraft purchases made by ANA and ANK totaled ¥95.7 billion. During the year, the Company accepted delivery of three Boeing 767-300s that it had purchased and switched two Airbus A320-200s to its own after the expiration of operating lease terms.

Purchases of air transportation related computer terminals and peripherals and of aircraft maintenance equipment totaled ¥2.8 billion. Improvements to offices in Japan and overseas, including airport offices, amounted to ¥8.1 billion, including advance payments. ANA and consolidated subsidiaries in the air transportation segment made capital expenditure totaling ¥14.4 billion for the development and purchase of software for administrative labor saving.

• **Travel Services**

Capital expenditure of ¥1.2 billion was made for the development and purchase of software related to the sale of travel products.

• **Hotel Operations**

Capital expenditure of ¥3.5 billion, including advance payments, was made for the renovation and remodeling of existing hotel facilities.

• **Other Businesses**

Investment in the development and purchase of software for administrative labor saving at consolidated subsidiaries totaled ¥1.1 billion, and investment in the purchase of administrative equipment was ¥0.3 billion.

ANA and consolidated subsidiaries

As of and for the years ended March 31,	Yen (Millions)		%
	2003	2002	Year-on-year change
Air Transportation:			
Identifiable assets	¥1,179,728	¥1,195,497	- 1.3%
Depreciation and amortization	53,602	52,527	+ 2.0
Capital expenditure	121,734	121,451	+ 0.2
Travel Services:			
Identifiable assets	¥37,153	¥37,437	- 0.8
Depreciation and amortization	733	527	+ 39.1
Capital expenditure	1,345	1,601	- 16.0
Hotel Operations:			
Identifiable assets	¥111,191	¥146,311	- 24.0
Depreciation and amortization	4,026	4,571	- 11.9
Capital expenditure	4,435	6,749	- 34.3
Other Businesses:			
Identifiable assets	¥180,789	¥215,917	- 16.3
Depreciation and amortization	3,491	3,712	- 6.0
Capital expenditure	3,042	2,748	+ 10.7
Intercompany eliminations:			
Identifiable assets	¥(66,288)	¥(84,180)	-
Depreciation and amortization	-	-	-
Capital expenditure	(693)	(141)	-
Consolidated:			
Identifiable assets	¥1,442,573	¥1,510,982	- 4.5
Depreciation and amortization	61,852	61,337	+ 0.8
Capital expenditure	129,863	132,408	- 1.9

6. Passenger Data by Route (International)

Years ended March 31,	Passenger revenues Yen (Millions)		RPK (Millions)		ASK (Millions)		Load factor (%)	
	2003	2002	2003	2002	2003	2002	2003	2002
Asia	¥ 79,573	¥ 65,371	6,147	5,581	9,167	8,184	67.1	68.2
Transpacific	56,268	58,739	7,267	7,327	9,749	11,763	74.5	62.3
Europe	50,025	46,903	5,305	4,891	7,058	6,981	75.2	70.1
Total	¥185,866	¥171,013	18,719	17,799	25,974	26,928	72.1	66.1

Note: Passenger revenues by destination are the total of passenger revenues for ANA, ANK, and AJX and do not include intercompany eliminations.

• Asia

On China routes, ANA made substantial increases in capacity, moving to twice-daily service on the Narita–Beijing and Narita–Shanghai routes, and demand was favorable throughout the year in both economy and business classes. Because these are high-yield routes, these increases in capacity made a strong contribution to improving profitability on international routes.

• Transpacific

As a result of the use of smaller aircraft on the Washington, D.C., route and other routes, profitability on Transpacific routes

improved considerably. Passenger demand, which had been firm, was adversely influenced by the war in Iraq in the fourth quarter of the year under review and was down for the full year.

• Europe

As with Transpacific routes, although the war in Iraq had an adverse influence from February 2003, the effect of the terrorist attacks in the United States was no longer evident. The Company moved to daily service on major routes, and utilization rates increased due to strong passenger demand. As a result, revenues increased from the previous year.

7. Retirement Benefit Plan

The Company and its consolidated subsidiaries offer the following defined benefit plans: welfare pension fund plans, tax qualified pension plans, and lump-sum payment plans.

Retirement benefit obligations as of March 31, 2003 and 2002, and periodic pension and severance cost on a consolidated basis for the fiscal years ended March 31, 2003 and 2002, were as follows:

Years ended March 31,	Yen (Millions)	
	2003	2002
Retirement benefit obligation	¥(398,377)	¥(395,755)
Plan assets at fair value	112,482	123,006
Unfunded retirement benefit obligation	(285,895)	(272,749)
Net amount unrecognized	179,751	184,322
	¥(106,144)	¥ (88,427)
Prepaid pension cost	636	553
Accrued employees' retirement benefits	(106,780)	(88,980)
	¥(106,144)	¥(88,427)
Periodic pension and severance cost	¥36,374	¥29,410
Discount rate	2.5%	2.5%

Effective April 1, 2003, the Company changed a part of the lump-sum payment plans to defined contribution plans and the lump-sum payment plans and welfare pension fund plans were revised.

These changes resulted in prior service cost (reduction in retirement benefit obligation) of approximately ¥39.5 billion, and

pension cost will be reduced in the fiscal year ending March 2004 and thereafter. In the fiscal year ending March 2004, these changes will have the effect of reducing pension cost by ¥2.8 billion.

8. Jet Aircraft Procurement

Year Ended March 2003

ANA took delivery of six Boeing 767-300s (three purchased and three under operating leases), two Boeing 737-500s (both under operating leases), and one Boeing 767-300 Freighter (under an operating lease). As part of its plan to standardize its aircraft types, the Company used the sale and lease-back method to switch six A321-100s that it had owned to leasing arrangements.

Two Airbus A320-200s were switched to its own after the expiration of operating lease terms.

One Boeing 747-200LR, one Boeing 747-100SR, and five Boeing 767-200s were retired.

Years Ending March 2004, 2005, and 2006 (Planned)

In accordance with cost reduction plans over the three-year period ending March 2006, ANA will standardize its medium-sized and wide-body aircraft. As a result, medium-sized aircraft will be streamlined from three types to one, the Boeing 767-300, and wide-body aircraft will be reduced from four types to three, the Boeing 747-400, Boeing 777-200, and Boeing 777-300.

Years Ending March 2007 and Thereafter (Planned)

In the years ending March 2007 and thereafter, the Company will further standardize its narrow-body aircraft types to one type. In the future, the Company will change its medium-sized and wide-body aircraft to more economical types, thereby further reducing operating costs.

The ANA Group owns 52 small jet aircraft—Airbus A320s and Boeing 737s. The introduction of new models accompanying aircraft changes has been examined by the New Aircraft Model Selection Committee. Comprehensive examinations were conducted from the viewpoint of economical operation and suitability for our route network, leading to the selection of the B737 Next Generation series, principally the Boeing B737-700. By introducing 45 new aircraft and standardizing on new models, we expect to save about ¥6.0 billion a year in operating costs.

Principal fleet composition is shown below.

Fleet Composition

As of March 31,	2003		
	Total	Owned	Leased
B747-400	23	15	8
B747-200LR	2 (-1)	2 (-1)	0
B747-100SR	8 (-1)	8	0 (-1)
B777-300	5	1	4
B777-200	16	5	11
B767-300	48 (+6)	30 (+3)	18 (+3)
B767-300F	1 (+1)	0	1 (+1)
B767-200	4 (-5)	1 (-1)	3 (-4)
B737-500	25 (+2)	9	16 (+2)
B737-400	2	0	2
A321-100	7	0 (-6)	7 (+6)
A320-200	25	15 (+2)	10 (-2)
Total	166 (+2)	86 (-3)	80 (+5)

Note: Figures in parentheses show changes from the previous year-end.

9. Employment

Years ended March 31,	Employee numbers	
	2003	2002
Air transportation (ANA, ANK, AJX, ADK, and ANN)	14,506	14,463
Others (consolidated subsidiaries)	14,495	14,763
Total	<u>29,001</u>	<u>29,226</u>

Note: Figures are averages for each fiscal year.

As of March 31,	Employee numbers	
	2003	2002
Air transportation	20,882	20,489
Travel services	1,728	1,638
Hotel operations	2,961	3,604
Other businesses	3,336	3,364
Total	<u>28,907</u>	<u>29,095</u>

Note: Figures represent year-end data.

The workforce is being reduced in accordance with such plans as the early retirement system. Average employment for all segments was down 0.8%, to 29,001 employees, and the number of employees at the end of March 2003 was 28,907, a reduction of 188 from the previous year-end.

With an uncertain political and international situation and significant developments in the competitive situation in the

airline industry, the ANA Group's operating environment is undergoing dramatic change. In response, we will follow the ANA Group Corporate Plan & Strategy, which covers the three-year period ending March 2006 and is centered on workforce reductions. Over this period, we plan to reduce the workforce of parent company ANA by approximately 9%.

10. Dividend Policy

The Company gives a high priority to providing a return to shareholders while working to secure a stable management foundation. In the year under review, however, domestic business demand was lower due to economic conditions, and price competition among airlines intensified. In addition, as the situation in Iraq moved toward war, business demand declined on international routes.

Also, in ANA's non-consolidated settlement of accounts, an extraordinary loss was recorded as a result of the restructuring of hotel operations, including the Company's withdrawal from the overseas hotel business. For these reasons, the Company regretfully decided to continue the suspension of dividend payments.

11. Market Risks

Derivative Transactions, Currencies, Fuel, and Interest Rates

• Management of Risk Associated with Derivative Transactions

The Company uses derivative transactions, such as futures, swaps, and options, to control the risk of foreign exchange rate, jet fuel price, and interest rate fluctuations. The Company does not conduct transactions for speculative purposes. These derivative transactions are carried out in accordance with internal risk control standards. Furthermore, the Company holds regularly scheduled meetings, attended by managing directors, where decisions are made regarding risk hedging methods, percentages, and amounts and where transaction details are reported and confirmed. Consolidated subsidiaries make decisions in a similar manner. Also, daily checks of derivative transactions are conducted on a reciprocal basis by departments entering into these contracts and by the accounting department.

• Currencies

To the greatest extent possible, foreign currency taken in as revenues is used to pay expenses denominated in the same foreign currency, thereby minimizing risk and foreign exchange commissions. In order to more efficiently manage foreign currency amounts, a cash management system linking certain overseas bases and the Head Office finance department has been introduced. For obligations denominated in foreign currencies that cannot be offset in this manner, principally obligations to purchase aircraft or jet fuel, the Company uses forward exchange agreements and currency options to control the risk of fluctuations in foreign exchange rates and to stabilize payment amounts.

• Jet Fuel

To control the risk of fluctuations in the price of jet fuel and to stabilize expenses, ANA hedges risks using crude oil and jet fuel commodity derivatives.

Through the use of planned, continuous hedging transactions for specific periods of time, the Company aims to reduce the influence of fluctuations in the oil markets on its fuel expenses and to stabilize its fuel expenses.

The Company's hedging transactions are limited to a certain percentage of aggregate purchases of fuel in Japan and overseas, with plans for hedging amounts set quarterly. Individual transactions are maintained within limits that are set in such a way that the Company's transactions will not affect the spot market, and margins are adjusted monthly or quarterly to avoid any physical delivery obligations.

• Interest Rates

To control the risk of increases in interest rates, the Company's fund-raising is carried out principally at fixed interest rates. The Company uses interest rate swaps to control the risk of fluctuating interest rates on obligations in an integrated manner and to improve the balance of financial income and expenses.

Public-Sector Fees

Public-sector fees include landing and navigation fees, aviation fuel taxes, and fixed asset taxes on aircraft. It is not possible for ANA to reduce landing and navigation fees and aviation fuel taxes through its own efforts. In the year ended March 2003, these two items accounted for about 15% of operating expenses in the air transportation segment.

On domestic routes, public-sector fees in Japan represent about 20% of the cost of an average airline ticket, a level far above most other countries. This presents Japanese airlines with an onerous burden. The early implementation of a significant reduction in public-sector fees would benefit not only ANA but also the traveling public in Japan. Furthermore, any such reduction would lead to a significant rise in the demand for air transportation.

12. Safety and Environmental Conservation

Safety

Safe operations are the foundation of ANA's management, and the maintenance of safety is an airline's duty to society. The safety of ANA's flight operations is supported by aircraft equipped with leading-edge technology, by highly trained employees, and by complete systems that provide feedback of the latest information.

Aiming to secure an even higher level of safety, we have installed Ground Proximity Warning Systems (GPWS), wind shear alarms, and TCAS crash prevention devices on all aircraft. Furthermore, we plan to install the next-generation models of these systems as well as Future Air Navigation System (FANS) equipment.

ANA conducts training to maintain and improve the knowledge and skills of cockpit crew members, maintenance workers, flight managers, and cabin attendants, all of whom contribute directly to flight operations. To achieve even higher quality in administrative execution, we are also conducting resource management training and human factors training.

In addition, based on the recognition that safety supports the entire Company, ANA is working to enhance its safety training programs and its safety education system in order to maintain and improve the safety awareness of all employees, including staff in administrative departments that support operations.

In consideration of the fact that maintenance of the same level of safety as ANA is also essential for the ANA Group companies and code-share partners that support the ANA brand, we are actively sharing information and providing support as needed while evaluating quality assurance functions through safety checks. The Company's mission is to make a "promise of safety" so that customers can rely on the ANA brand and feel safe boarding ANA flights. In the future, we will continue striving to maintain world-class safety without becoming overconfident about our past record of safe operations.

Environmental Conservation

• Noise Countermeasures

Since 1994, ANA has followed the standards for International Civil Aviation Organization (ICAO) Chapter III compliant aircraft (subsonic aircraft), which meet the most stringent noise standards. ANA was one of the first airlines in the world to meet these standards.

In 2001, the ICAO set more stringent Chapter IV standards for aircraft manufactured in 2006 or thereafter. The majority of ANA's fleet, such as Boeing 767s, Boeing 747-400s, Boeing 777s, and Airbus A320s, are low-noise, energy-efficient aircraft that already meet these new standards.

In the future, ANA will acquire environmentally friendly aircraft and will continue its efforts to reduce noise in its daily flight operations by reanalyzing and improving its operational methods.

• Measures to Control Global Warming

Aircraft exhaust gases include CO₂ and NO_x. With regard to CO₂, in 1997 the United Nations concluded the Kyoto Protocol, which deals with the prevention of global warming, and Japan ratified the protocol in June 2002. The Scheduled Airlines Association of Japan is participating in the voluntary action plan promoted by the government and the association has formulated its own voluntary plan targeting a 10% reduction in CO₂ emissions per available seat-kilometer by 2010 in comparison with the level in 1990. In 2003, ANA set its own more-rigorous goal calling for a 12% reduction by March 2008, and the Company is taking a number of steps to ensure that this important goal is reached.

• Environmental Organization

To promote environmental conservation activities, ANA has formed a global environmental committee composed of corporate officers and a global environmental protection division. ANA considers environmental issues to be one of its most important management challenges, and the Company is implementing environmental activities through an environmental liaison committee composed of airline, maintenance, and ground handling companies in the ANA Group as well as through environmental conservation organizations coordinated through Star Alliance and the Scheduled Airlines Association of Japan.

• Environmental Management System

In February 2002, the Narita Maintenance Center received ISO 14001 international environmental certification from UKAS, a U.K. accreditation organization, for the maintenance of aircraft used on international routes. ANA draws on this experience in the promotion of Companywide environmental compliance and environmental accounting, and the Company's environmental efforts have been highly rated in Japan and the United States. ANA will continue working to contribute to society through environmental activities. In the current year, the Company will hold an international environmental picture book competition.

Consolidated Balance Sheets

All Nippon Airways Co., Ltd. and its consolidated subsidiaries
As of March 31, 2003 and 2002

ASSETS	Yen (Millions)		U.S. dollars (Thousands) (Note 3)
	2003	2002	2003
Current assets:			
Cash	¥ 154,876	¥ 159,340	\$ 1,288,486
Marketable securities (Note 4)	2,458	27,370	20,449
Accounts receivable, less allowance for doubtful accounts (¥374 million in 2003 and ¥2,941 million in 2002)	88,361	86,139	735,117
Accounts receivable from and advances to non-consolidated subsidiaries and affiliates	8,853	14,912	73,652
Inventories	55,803	55,001	464,251
Deferred income taxes — current (Note 8)	12,405	6,213	103,203
Prepaid expenses and other current assets	33,240	58,858	276,539
Total current assets	355,996	407,833	2,961,697
Investments and long-term receivables:			
Investments in securities (Note 4)	55,604	49,730	462,595
Investments in and advances to non-consolidated subsidiaries and affiliates (Note 5)	17,558	14,624	146,073
Lease and guaranty deposits	25,495	21,159	212,105
Housing loans to employees	1,123	530	9,343
Other long-term receivables	42,689	51,339	355,150
Total investments and long-term receivables	142,469	137,382	1,185,266
Property and equipment (Notes 6 and 9):			
Flight equipment	1,016,711	1,034,578	8,458,494
Ground property and equipment	631,000	667,625	5,249,584
	1,647,711	1,702,203	13,708,078
Less accumulated depreciation	(880,443)	(888,347)	(7,324,817)
	767,268	813,856	6,383,261
Advance payments on aircraft purchase contracts	75,944	84,630	631,814
Construction in progress	7,832	11,644	65,158
Net property and equipment	851,044	910,130	7,080,233
Deferred income taxes — non-current (Note 8)	49,713	23,489	413,586
Other assets	43,351	32,148	360,657
Total assets	¥1,442,573	¥1,510,982	\$12,001,439

See accompanying notes to consolidated financial statements.

	Yen (Millions)		U.S. dollars (Thousands) (Note 3)
LIABILITIES AND SHAREHOLDERS' EQUITY	2003	2002	2003
Current liabilities:			
Short-term loans, including current portion of long-term debt (Note 6)	¥ 83,916	¥ 221,481	\$ 698,136
Accounts and notes payable — trade	130,545	124,515	1,086,065
Accounts payable to non-consolidated subsidiaries and affiliates	3,489	4,124	29,027
Advance ticket sales	34,708	31,557	288,752
Accrued expenses	39,265	45,175	326,664
Accrued income taxes	2,695	2,051	22,421
Other current liabilities	23,320	15,960	194,010
Total current liabilities	317,938	444,863	2,645,075
Long-term liabilities:			
Long-term debt, less current portion (Note 6)	861,479	796,342	7,167,047
Accrued employees' retirement benefits (Note 7)	106,780	88,980	888,353
Deferred income taxes — current (Note 8)	158	11	1,314
Other long-term liabilities	23,958	29,856	199,318
Total long-term liabilities	992,375	915,189	8,256,032
Minority interests	10,306	12,289	85,740
Shareholders' equity (Notes 8, 10 and 15):			
Common stock:			
Authorized — 2,203,200,000 shares			
Issued — 1,536,082,686 shares	86,239	86,239	717,463
Capital surplus	104,228	104,232	867,121
Earned surplus (deficit)	(67,388)	(39,198)	(560,632)
Unrealized holding gain on securities	223	560	1,855
Foreign currency translation adjustments	(404)	(12,462)	(3,361)
Less common treasury stock, at cost	(944)	(730)	(7,854)
Total shareholders' equity	121,954	138,641	1,014,592
Commitments and contingent liabilities (Note 11)			
Total liabilities and shareholders' equity	¥1,442,573	¥1,510,982	\$12,001,439

Consolidated Statements of Operations

All Nippon Airways Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Yen (Millions)			U.S. dollars (Thousands) (Note 3)
	2003	2002	2001	2003
Operating revenues:				
Passenger	¥ 760,263	¥ 762,923	¥ 813,156	\$ 6,324,983
Cargo	64,688	57,648	68,649	538,170
Incidental and other	390,958	383,943	397,830	3,252,562
	<u>1,215,909</u>	<u>1,204,514</u>	<u>1,279,635</u>	<u>10,115,715</u>
Operating expenses:				
Aircraft and flight operations	298,574	292,677	303,208	2,483,977
Aircraft maintenance	86,994	81,031	75,085	723,744
In-flight services	62,417	56,468	59,543	519,276
Flight control and ground handling	259,374	243,061	240,382	2,157,853
Reservations, sales and advertising	212,553	210,845	221,038	1,768,328
General and administrative	34,290	33,837	29,241	285,274
Depreciation and amortization	61,852	61,337	59,333	514,576
Other costs	202,452	202,290	209,562	1,684,293
	<u>1,218,506</u>	<u>1,181,546</u>	<u>1,197,392</u>	<u>10,137,321</u>
Operating income (loss)	(2,597)	22,968	82,243	(21,606)
Non-operating income (expenses):				
Interest and dividend income	6,843	7,143	9,537	56,930
Gain on sale of property and equipment	2,002	2,559	14,538	16,656
Interest expenses	(25,283)	(28,758)	(35,079)	(210,341)
Loss on sale or disposal of property and equipment	(16,304)	(10,033)	(11,057)	(135,641)
Equity in income (loss) of affiliates	364	(804)	251	3,028
Rebate on aircraft purchases	5,976	—	8,597	49,717
Amortization of net transitional retirement benefit obligation	(7,321)	(7,835)	(7,366)	(60,907)
Loss on sale and liquidation of affiliates	(26,914)	—	—	(223,910)
Valuation loss on investment securities	(3,373)	(2,127)	(4,011)	(28,062)
Special retirement benefit expenses	(3,191)	(1,312)	(1,216)	(26,547)
Other, net	14,977	11,021	6,852	124,601
	<u>(52,224)</u>	<u>(30,146)</u>	<u>(18,954)</u>	<u>(434,476)</u>
Income (loss) before income taxes and minority interests	(54,821)	(7,178)	63,289	(456,082)
Income taxes (Note 8):				
Current	3,888	6,115	17,888	32,346
Deferred	(31,717)	(3,871)	1,263	(263,869)
	<u>(27,829)</u>	<u>2,244</u>	<u>19,151</u>	<u>(231,523)</u>
Income (loss) before minority interests	(26,992)	(9,422)	44,138	(224,559)
Minority interests	1,264	34	3,852	10,516
Net income (loss)	¥ (28,256)	¥ (9,456)	¥ 40,286	\$ (235,075)
		Yen		U.S. dollars (Note 3)
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2003</u>
Net income (loss) per share (Note 2)	¥(18.42)	¥(6.17)	¥27.75	\$(0.153)
Net income per share assuming full dilution (Note 2)	—	—	24.80	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

All Nippon Airways Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Yen (Millions)			U.S. dollars (Thousands) (Note 3)
	2003	2002	2001	2003
Common stock:				
Balance at beginning of year	¥ 86,239	¥ 86,079	¥ 72,142	\$ 717,463
Conversion of convertible bonds	–	159	13,936	–
Balance at end of year	86,239	86,239	86,079	717,463
Capital surplus:				
Balance at beginning of year	104,232	104,072	90,135	867,154
Decrease resulting from disposal of treasury stock	(4)	–	–	(33)
Conversion of convertible bonds	–	159	13,936	–
Balance at end of year	104,228	104,232	104,072	867,121
Earned surplus (deficit):				
Balance at beginning of year	(39,198)	(24,004)	(64,379)	(326,106)
Net income (loss) for year	(28,256)	(9,456)	40,286	(235,075)
Changes in scope of consolidation	66	918	943	549
Changes in equity interest in subsidiaries and affiliates	–	(6,647)	(1,060)	–
Consolidated subsidiary's merger with non-consolidated subsidiaries	–	–	216	–
Other	–	(9)	(10)	–
Balance at end of year	(67,388)	(39,198)	(24,004)	(560,632)
Unrealized holding gain on securities:				
Balance at beginning of year	560	1,497	–	4,659
Net change during year	(337)	(937)	1,497	(2,804)
Balance at end of year	223	560	1,497	1,855
Foreign currency translation adjustments:				
Balance at beginning of year	(12,462)	(16,460)	–	(103,677)
Net change during year	12,058	3,998	(16,460)	100,316
Balance at end of year	(404)	(12,462)	(16,460)	(3,361)
Less common treasury stock, at cost	(944)	(730)	(684)	(7,854)
Total shareholders' equity	¥121,954	¥138,641	¥150,500	\$1,014,592

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, 2003, 2002 and 2001

	Yen (Millions)			U.S. dollars (Thousands) (Note 3)
	2003	2002	2001	2003
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ (54,821)	¥ (7,178)	¥ 63,289	\$ (456,082)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	61,852	61,337	59,333	514,576
Loss (gain) on disposal and sale of property and equipment	14,302	7,474	(3,481)	118,985
Increase (decrease) in allowance for doubtful accounts	(142)	2,871	1,424	(1,181)
Increase in accrued employees' retirement benefits	17,802	11,399	11,030	148,103
Interest expenses	25,283	28,758	35,079	210,341
Interest and dividend income	(6,843)	(7,143)	(9,537)	(56,930)
Exchange (gain) loss	48	1,101	(2,043)	399
Decrease (increase) in accounts receivable	(2,239)	8,846	(10,838)	(18,627)
Decrease (increase) in other current assets	27,741	(18,132)	3,114	230,790
Increase (decrease) in accounts and notes payable — trade	3,269	(12,957)	26,015	27,196
Other, net	15,258	(3,057)	1,267	126,939
Cash generated from operations	101,510	73,319	174,652	844,509
Interest and dividends received	6,875	7,143	9,537	57,196
Interest paid	(22,392)	(28,889)	(35,615)	(186,290)
Income taxes paid	(6,155)	(18,726)	(7,159)	(51,206)
Other, net	6,114	1,146	7,381	50,866
Net cash provided by operating activities	85,952	33,993	148,796	715,075
Cash flows from investing activities:				
Payment for purchase of property and equipment	(129,863)	(132,408)	(92,312)	(1,080,391)
Proceeds from sale of property and equipment	72,878	7,602	59,791	606,306
Proceeds from sale of investments in securities	2,153	2,949	22,012	17,912
Payment of advances	(2,240)	(6,833)	(6,887)	(18,636)
Proceeds from collection of advances	6,412	7,465	3,797	53,344
Other, net	(1,818)	(2,702)	(4,365)	(15,124)
Net cash used in investing activities	(52,478)	(123,927)	(17,964)	(436,589)
Cash flows from financing activities:				
Decrease in short-term loans, net	(49,366)	(3,777)	(19,780)	(410,699)
Proceeds from long-term debt	110,710	169,463	35,608	921,048
Repayment of long-term debt	(103,446)	(78,506)	(146,014)	(860,616)
Proceeds from issuance of bonds	49,748	19,904	39,321	413,877
Repayment of bonds	(70,267)	(31,510)	(63,000)	(584,584)
Other, net	(743)	(6,470)	(4,494)	(6,181)
Net cash (used in) provided by financing activities	(63,364)	69,104	(158,359)	(527,155)
Effect of exchange rate changes on cash and cash equivalents	(795)	1,786	(3,093)	(6,614)
Net decrease in cash and cash equivalents	(30,685)	(19,044)	(30,620)	(255,283)
Cash and cash equivalents at beginning of year	188,648	207,717	237,440	1,569,452
Net increase (decrease) resulting from changes in scope of consolidation	158	(25)	897	1,314
Cash and cash equivalents at end of year (Note 14)	¥ 158,121	¥ 188,648	¥ 207,717	\$ 1,315,483

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

All Nippon Airways Co., Ltd. and its consolidated subsidiaries

1. Basis of presenting consolidated financial statements

All Nippon Airways Co., Ltd. (the Company) and its domestic subsidiaries maintain their books of account in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The Company's foreign subsidiaries maintain their books of account in conformity with accounting principles and practices of the countries of their domicile.

In addition, the notes to the consolidated financial statements include information which is not required under

accounting principles and practices generally accepted in Japan but is presented herein as additional information.

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 to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

2. Summary of significant accounting policies

(a) Principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries (109 subsidiaries for 2003, 118 subsidiaries for 2002 and 113 subsidiaries for 2001). All significant intercompany accounts and transactions have been eliminated.

Investments in certain subsidiaries and significant affiliates (24 companies for 2003, 27 companies for 2002 and 32 companies for 2001) 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 amortized using the straight-line method over a period of five years.

Investments in non-consolidated subsidiaries and affiliates not accounted for by the equity method of accounting (51 companies for 2003, 52 companies for 2002 and 56 companies for 2001) are stated at cost. The equity in undistributed earnings of these companies is not significant.

During 2003, 2002 and 2001, subsidiaries which were not consolidated in prior years were included in consolidation. The effect of changes in scope of consolidation have been credited or charged to retained earnings (deficit) and the consolidated financial statements for prior years have not been restated.

Certain foreign subsidiaries have fiscal years ending on December 31 and necessary adjustments for significant transactions, if any, are made on consolidation.

(b) Deferred tax accounting

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating losses and tax credits carried forward. Deferred tax assets and

liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. See Note 8.

(c) Foreign currency translation

The balance sheet accounts of foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for components of shareholders' equity which are translated at historic exchange rates. Revenues and expenses are translated at the rates of exchange prevailing when such transactions are made. Due to a change in the regulations relating to the presentation of foreign currency translation adjustments which was effective for the year ended March 31, 2001, the Company presents foreign currency translation adjustments as a component of shareholders' equity.

Foreign currency payables and receivables are principally translated at the rate of exchange in effect at the balance sheet date, except payables and receivables hedged by qualified forward exchange contracts.

(d) Marketable securities and investment securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. See Note 4.

(e) Derivatives

The Company and its subsidiaries use derivatives, such as forward foreign exchange contracts, interest rate swaps and commodity options and swaps, to limit their exposure to fluctuations in foreign exchange rates, interests rates and commodity prices. The Company and its subsidiaries do not use derivatives for trading purposes.

Derivative financial instruments are carried at fair value with changes in unrealized gains or losses charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which an unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward exchange contracts are translated at the corresponding foreign exchange contract rates.

(f) Allowance for doubtful receivables

As of March 31, 2003 and 2002, a general provision is made for doubtful receivables based on past experience. Provisions are also made against specific receivables as and when required.

(g) Inventories

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

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

(h) Property and equipment and 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, other Boeing 747s,
- Boeing 777s, Boeing 767s,
- Boeing 737-500s
- and Airbus A320s, Straight-line method
- Other flight equipment Declining balance method
- Buildings Straight-line method
- Other ground property
- and equipment Declining balance method

The Company and certain subsidiaries employ principally the following useful lives, based upon the Company's estimated durability of such aircraft:

- International type equipment 20 years
- Domestic type equipment 17 years

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

(i) Intangible assets and amortization

Intangible assets included in other assets are amortized by the straight-line method. Cost of software purchased for internal use is amortized by the straight-line method over five years, the estimated useful life of purchased software.

(j) Retirement benefits

The retirement benefit plan of the Company and certain subsidiaries covers substantially all employees other than directors, officers and corporate auditors. Under the terms of this plan, eligible employees are entitled, upon mandatory retirement or earlier voluntary severance, to lump-sum payments or annuity payments based on their compensation at the time of leaving and years of service with the Company and subsidiaries.

The Company and certain significant domestic subsidiaries have trustee employee pension funds to provide coverage for part of the lump-sum benefits or annuity payments.

Several subsidiaries have tax-qualified pension plans which cover all or part of the lump-sum benefits.

Accrued retirement benefits for employees at the balance sheet date are provided mainly at an amount calculated based on the retirement benefit obligation and the fair market value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gains or losses and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated service years of eligible employees. The net retirement benefit obligation at transition is being amortized principally over a period of 15 years by the straight-line method. Actuarial gains and losses are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (principally 10 years through 19 years) which are shorter than the average remaining service years of employees. Prior service cost is being amortized as incurred by the straight-line method over periods (principally 10 years through 19 years) which are shorter than the average remaining service years of employees. See Note 7.

The assumptions used in accounting for the above plans as of March 31, 2003, 2002 and 2001 are as follows:

	2003	2002	2001
Discount rate	2.5%	2.5%	3.5%
Expected return on plan assets	0.85%~6.0%	0.85%~6.0%	1.0%~6.25%

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

(k) Revenue recognition

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

(l) 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 15.

(m) Net income (loss) per share

The computation of net income (loss) per share of common stock is based on the weighted average number of shares outstanding during each year.

As a result of the net loss in fiscal 2003 and 2002, net income per share assuming full dilution is not disclosed for those years.

(n) Leases

Finance lease transactions other than those that are expected to transfer ownership of the assets to the lessee are accounted for as operating leases. See Note 9.

(o) Bond issuance costs

Bond issuance costs are principally capitalized and amortized over a period of three years.

(p) Cash equivalents

For the purpose of the statements of cash flows, cash and short-term, highly liquid investments with a maturity of three months or less are treated as cash equivalents. See Note 14.

(q) Reclassification

Certain reclassifications have been made to the 2002 and 2001 financial information in the accompanying financial statements to conform with the 2003 presentation.

3. 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 ¥120.20=US\$1, the approximate exchange rate prevailing on

the Tokyo Foreign Exchange Market on March 31, 2003. This translation should not be construed as a representation that the amounts shown could be converted into United States dollars at such rate.

4. Marketable securities and investments in securities

Market value information at March 31, 2003 and 2002 is summarized as follows:

Held-to-maturity securities having market value are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Gross unrealized gain:			
Cost	¥5	¥ 77	\$42
Market value	5	84	42
	0	7	0
Gross unrealized loss:			
Cost	0	168	0
Market value	0	168	0
	0	0	0
Net unrealized gain	¥0	¥ 7	\$ 0

Other securities having market value are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Gross unrealized gain:			
Cost	¥2,952	¥4,628	\$24,559
Market value	6,677	9,699	55,549
	3,725	5,071	30,990
Gross unrealized loss:			
Cost	9,462	9,046	78,718
Market value	6,969	6,827	57,978
	2,493	2,219	20,740
Net unrealized gain	¥1,232	¥2,852	\$10,250

Other securities sold in the years ended March 31, 2003, 2002 and 2001 are as follows:

	Yen (Millions)			U.S. dollars (Thousands)
	2003	2002	2001	2003
Proceeds	¥88	¥796	¥19,301	\$732
Gain on sale	—	107	1,480	—
Loss on sale	0	89	2,017	0

Breakdown of securities not having market value at March 31, 2003 and 2002 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Bonds held to maturity	¥15,654	¥17,229	\$130,233
Other securities	28,757	43,100	239,243
	¥44,411	¥60,329	\$369,476

The redemption schedule of other securities and held-to-maturity debt securities as of March 31, 2003 and 2002 is summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Bonds:			
Within 1 year	¥ —	¥ 5,929	\$ —
Over 1 year to 5 years	15,654	200	130,233
Over 5 years to 10 years	5	17,251	42
Over 10 years	—	2	—
Others:			
Within 1 year	2,420	21,441	20,133
Over 1 year to 5 years	—	—	—
Over 5 years to 10 years	—	—	—
Over 10 years	—	—	—
Total:			
Within 1 year	¥ 2,420	¥27,370	\$ 20,133
Over 1 year to 5 years	15,654	200	130,233
Over 5 years to 10 years	5	17,251	42
Over 10 years	—	2	—

5. Investments in and advances to non-consolidated subsidiaries and affiliates

Investments in and advances to non-consolidated subsidiaries and affiliates at March 31, 2003 and 2002 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Investments in capital stock	¥11,968	¥13,909	\$ 99,567
Advances	5,590	715	46,506
	¥17,558	¥14,624	\$146,073

6. Short-term loans and long-term debt

Short-term loans at March 31, 2003 and 2002 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Short-term bank loans	¥22,132	¥ 77,586	\$184,126
Current portion of long-term loans	61,784	74,685	514,010
Current portion of bonds and notes	—	69,210	—
	¥83,916	¥221,481	\$698,136

The interest rates on the above short-term loans were between 0.15% and 3.62% per annum in 2003 and between 0.50% and 6.37% per annum in 2002.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Bonds and notes:			
3.075% notes due 2007	¥ 35,000	¥ 35,000	\$ 291,182
2.75% notes due 2009	20,000	20,000	166,389
3.2% notes due 2017	20,000	20,000	166,389
2.9% notes due 2008	20,000	20,000	166,389
2.2% notes due 2004	20,000	20,000	166,389
3% notes due 2007	10,000	10,000	83,195
2.05% notes due 2006	15,000	15,000	124,792
1% notes due 2002	–	20,000	–
3% notes due 2011	10,000	10,000	83,195
2.08% notes due 2006	20,000	20,000	166,389
3% notes due 2010	10,000	10,000	83,195
1.33% notes due 2008	20,000	20,000	166,389
0.95% notes due 2005	20,000	–	166,389
1.5% notes due 2008	10,000	–	83,195
1.27% notes due 2009	10,000	–	83,195
1.7% notes due 2011	10,000	–	83,195
1.8% yen convertible bonds due 2003	–	49,210	–
0.4% yen convertible bonds due 2005	90,983	90,983	756,930
0.75% yen convertible bonds due 2015	10,749	11,806	89,426
	351,732	371,999	2,926,223
Loans, principally from banks:			
Secured, bearing interest from 0.85% to 9.78% in 2003 and 1.10% to 7.30% in 2002, maturing in installments through 2034	362,686	374,962	3,017,355
Unsecured, bearing interest from 0.28% to 9.94% in 2003 and from 1.29% to 7.80% in 2002, maturing in installments through 2022	208,845	193,276	1,737,479
	571,531	568,238	4,754,834
	923,263	940,237	7,681,057
Less current portion	61,784	143,895	514,010
	¥861,479	¥796,342	\$7,167,047

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.

Certain bonds and notes and foreign currency loans are guaranteed by domestic and foreign banks.

The convertible bonds at March 31, 2003 were convertible into the following number of shares of common stock at the following current conversion prices:

	Conversion price per share	Number of shares
0.4% yen convertible bonds due 2005	¥1,148.00 (\$ 9.55)	79,253,484
0.75% yen convertible bonds due 2015	¥ 302.00 (\$ 2.51)	35,592,715

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2003:

	Yen (Millions)	U.S. dollars (Thousands)
Property and equipment, at net book value:		
Flight equipment	¥357,500	\$2,974,210
Ground property and equipment	154,209	1,282,937
	<u>¥511,709</u>	<u>\$4,257,147</u>

The aggregate annual maturities of long-term debt after March 31, 2003 are as follows:

	Yen (Millions)	U.S. dollars (Thousands)
2004	¥ 61,784	\$ 514,010
2005	180,634	1,502,779
2006	140,318	1,167,371
2007 and thereafter	540,527	4,496,897
	<u>¥923,263</u>	<u>\$7,681,057</u>

The amounts in the above table have been calculated on the assumption that all outstanding convertible bonds at March 31, 2003 would not be converted prior to maturity.

7. Retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum

or annuity payments, the amount of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The following table sets out the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2003 and 2002 for the Company and consolidated subsidiaries' defined benefit plans:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Retirement benefit obligation	¥(398,377)	¥(395,755)	\$(3,314,285)
Plan assets at fair value	112,482	123,006	935,790
Unfunded retirement benefit obligation	(285,895)	(272,749)	(2,378,495)
Unrecognized net transitional retirement benefit obligation	87,852	95,190	730,882
Unrecognized actuarial loss	94,115	91,599	782,987
Unrecognized prior service cost	(2,216)	(2,467)	(18,436)
	<u>¥(106,144)</u>	<u>¥ (88,427)</u>	<u>\$ (883,062)</u>
Prepaid pension cost	636	553	5,291
Accrued employees' retirement benefits	(106,780)	(88,980)	(888,353)
	<u>¥(106,144)</u>	<u>¥ (88,427)</u>	<u>\$ (883,062)</u>

The government sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

The components of retirement benefit expenses for the years ended March 31, 2003, 2002 and 2001 are as follows:

	Yen (Millions)			U.S. dollars (Thousands)
	2003	2002	2001	2003
Service cost	¥18,673	¥15,561	¥15,570	\$155,349
Interest cost	9,664	10,865	10,586	80,399
Expected return on plan assets	(6,065)	(6,276)	(6,835)	(50,458)
Amortization of net transitional retirement benefit obligation	7,321	7,835	7,366	60,907
Amortization of actuarial loss	7,032	1,493	–	58,502
Amortization of prior service cost	(251)	(68)	0	(2,088)
Net periodic pension and severance cost	¥36,374	¥29,410	¥26,687	\$302,611

8. 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 tax rate of 42.05% in 2003 (excluding surtax for adopting the consolidated taxation system), 2002 and 2001.

On March 31, 2003, a reduction of the enterprise tax rate was enacted in Japan, and is effective from April 1, 2004. As a result, the aggregate statutory income tax rate for domestic companies will be 40.69% for the year ending March 31, 2005.

The effect of the adoption of this revised statutory income tax rate is to decrease net deferred tax assets by ¥1,245 million

(\$10,358 thousand), to increase deferred income taxes by ¥1,295 million (\$10,774 thousand) and to increase unrealized holding gain on securities by ¥50 million (\$416 thousand) at March 31, 2003.

The Company adopted the consolidated taxation system effective from the year ended March 31, 2003. Under the consolidated taxation system, the Company has consolidated, for Japanese tax purpose, all qualified, wholly-owned domestic subsidiaries. A temporary 2% surtax for the period between April 1, 2002 through March 31, 2004 is assessed for adopting the consolidated taxation system.

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at March 31, 2003 and 2002 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Deferred tax assets:			
Tax loss carry-forward	¥ 35,509	¥ 21,493	\$ 295,416
Accrued employees' retirement benefits	30,876	18,904	256,872
Intercompany profits on inventories and property and equipment	7,595	9,302	63,187
Accrued expenses	4,994	3,865	41,547
Allowance for doubtful accounts	2,644	3,618	21,997
Other	11,932	10,295	99,268
Total gross deferred tax assets	93,550	67,477	778,287
Less valuation allowance	(29,648)	(31,023)	(246,656)
Total net deferred tax assets	63,902	36,454	531,631
Deferred tax liabilities:			
Special depreciation reserve and reserve for deferred gain on sale of land	–	(3,663)	–
Unrealized holding gain on securities	(1,516)	(2,159)	(12,612)
Other	(426)	(941)	(3,544)
Total gross deferred tax liabilities	(1,942)	(6,763)	(16,156)
Net deferred tax assets	¥ 61,960	¥ 29,691	\$ 515,475

Reconciliation of the difference between the statutory tax rate and the effective income tax rate for the years ended March 31, 2003 and 2002 is not disclosed because of the loss before income taxes and minority interests.

The reconciliation for the year ended March 31, 2001 was as follows:

Statutory tax rate	42.05%
Reconciliation:	
Change in valuation allowance and related adjustments	(12.87)
Entertainment expenses not qualifying for deduction	1.94
Inhabitants tax per capita levy	0.38
Amortization of goodwill	0.30
Equity in income of affiliates	(0.26)
Other	(1.28)
Effective income tax rate	<u>30.26%</u>

9. Leases

(a) Finance leases

Finance lease transactions other than those that are expected to transfer ownership of the assets to the lessee are accounted for as operating leases. Information on finance leases which are not recorded as assets and liabilities in the balance sheets is summarized below.

Estimated acquisition costs, accumulated depreciation and net book value of leased assets at March 31, 2003 and 2002 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Aircraft:			
Estimated acquisition cost	¥268,654	¥237,621	\$2,235,058
Estimated amount of accumulated depreciation	144,017	120,046	1,198,145
Estimated net book value	<u>124,637</u>	<u>117,575</u>	<u>1,036,913</u>
Others:			
Estimated acquisition cost	28,315	27,390	235,566
Estimated amount of accumulated depreciation	15,000	10,573	124,792
Estimated net book value	<u>13,315</u>	<u>16,817</u>	<u>110,774</u>
Total:			
Estimated acquisition cost	296,969	265,011	2,470,624
Estimated amount of accumulated depreciation	159,017	130,619	1,322,937
Estimated net book value	<u>¥137,952</u>	<u>¥134,392</u>	<u>\$1,147,687</u>

Outstanding finance lease obligations at March 31, 2003 and 2002 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Current portion of finance lease obligations	¥ 30,847	¥ 28,300	\$ 256,631
Long-term finance lease obligations	115,877	118,840	964,035
	<u>¥146,724</u>	<u>¥147,140</u>	<u>\$1,220,666</u>

Estimated amount of depreciation and finance charges for the years ended March 31, 2003, 2002 and 2001 are as follows:

	Yen (Millions)			U.S. dollars (Thousands)
	2003	2002	2001	2003
Estimated amount of depreciation				
by the straight-line method over the lease period	¥29,179	¥25,587	¥24,836	\$242,754
Estimated interest cost	4,295	4,695	5,384	35,732

Annual lease expenses charged to income were ¥34,111 million (\$283,785 thousand), ¥29,999 million and ¥29,339 million for the years ended March 31, 2003, 2002 and 2001, respectively.

(b) Operating leases

The rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2003 and 2002 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Current portion of operating lease obligations	¥ 43,187	¥ 43,377	\$ 359,293
Long-term operating lease obligations	104,767	134,475	871,606
	<u>¥147,954</u>	<u>¥177,852</u>	<u>\$1,230,899</u>

10. Shareholders' equity

In accordance with the revised Japanese Commercial Code, which became effective March 29, 2002, shareholders' equity in the balance sheet is classified into common stock, capital surplus, earned surplus (deficit) and others.

Effective October 1, 2001, the Japanese Commercial Code was amended to eliminate the provisions for common stock par value, resulting in all common stock being recorded with no par value.

(a) Common stock and capital surplus

Under the Japanese Commercial Code, previously at least 50% of the issue price of new shares, with a minimum of the par value thereof, was required to be credited to the common stock account.

Any excess of proceeds over amounts credited to the common stock account is required to be credited to the capital surplus account.

Capital surplus at March 31, 2003 and 2002 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Additional paid-in capital	¥ 21,632	¥104,232	\$179,967
Other capital surplus	82,596	–	687,154
	<u>¥104,228</u>	<u>¥104,232</u>	<u>\$867,121</u>

(b) Earned surplus (deficit)

Earned surplus (deficit) at March 31, 2003 and 2002 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2003	2002	2003
Legal reserve	¥ 10,301	¥ 10,301	\$ 85,699
Retained earnings (deficit):			
Appropriated:			
Special depreciation reserve	4,255	5,202	35,399
General reserve	1,600	1,600	13,311
Reserve for deferred gain on sale of land	785	785	6,531
Unappropriated	(84,329)	(57,086)	(701,572)
	<u>¥(67,388)</u>	<u>¥(39,198)</u>	<u>\$(560,632)</u>

The special depreciation reserve and the reserve for deferred gain on sale of land have been provided for purposes of tax deferral. These reserves must be recorded in the books of account in retained earnings (deficit) and are 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, for two fiscal years, at the maximum rate of 8% of aggregate acquisition cost. The special depreciation reserve provided is reversed evenly to taxable income over the subsequent seven years as appropriations of retained earnings (deficit). See Note 15.

The special depreciation reserve and the reserve for deferred gain on sale of land are stated net of related deferred taxes. See Notes 2 (b) and 8.

Under the Japanese Commercial Code, the Company was previously required to appropriate as a legal reserve an amount equal to at least 10% of appropriations paid by cash until the reserve equaled 25% of the stated capital. This reserve was not available for dividends but could be used to reduce a deficit or could be capitalized by resolution of the Board of Directors.

Under the Japanese Commercial Code, as amended effective October 1, 2001, the Company is required to appropriate as a legal reserve an amount equal to at least 10% of appropriations paid by cash until the aggregate amount of additional paid-in capital and legal 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 aggregate amount of additional paid-in capital and legal reserve in excess of 25% of stated capital may be transferred to other capital surplus by resolution of the annual shareholders' meeting and may be refunded to shareholders by resolution of the annual shareholders' meeting.

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.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company and in accordance with the Japanese Commercial Code.

11. Commitments and contingent liabilities

At March 31, 2003, commitments outstanding for the acquisition or construction of property and equipment amounted to approximately ¥497,678 million (\$4,140,416 thousand).

The Company and consolidated subsidiaries were contingently liable as guarantor of loans, principally to affiliates, amounting to ¥4,487 million (\$37,329 thousand) at March 31, 2003.

12. Derivatives and hedging activities

The Company and certain of its subsidiaries operate internationally and are exposed to the risk of changes in foreign exchange rates, interest rates and commodity prices of fuel. In order to manage these risks, the Company and its subsidiaries utilize forward exchange contracts to hedge certain foreign currency transactions related to purchase commitments, principally of flight equipment, and foreign currency receivables and payables. Also, the Company and its subsidiaries utilize interest rate swaps to minimize the impact of interest rate fluctuations related to their outstanding debt. In addition, the Company also enters into a variety of swaps and options in its management of risk exposure related to the commodity prices of fuel. The Company and its subsidiaries do not use derivatives for trading purposes.

The Company has developed internal hedging guidelines to control various aspects of derivative transactions, including

authorization levels and transaction volumes. The Company enters into derivative transactions in accordance with these internal guidelines. Derivative and hedging transactions initiated by respective operational departments have been examined by the accounting department and these transactions, including their measures and ratios, have been monitored by management generally on a monthly basis. Assessment of hedge effectiveness is examined at inception and, on an ongoing basis, periodically. The consolidated subsidiaries have adopted the same procedures for hedging activities as the Company.

The Company and its subsidiaries are also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions.

13. Segment information

The Company and consolidated subsidiaries conduct operations in air transportation, travel services, hotel operations and other businesses. Businesses other than air transportation, travel services and hotel operations are insignificant to the consolidated results of operations of the Company and its consolidated

subsidiaries and, accordingly, are included in “Other businesses” in the following industry segment information.

Other segment information of the Company and its subsidiaries, such as geographical breakdown of sales and assets, is not disclosed because of its insignificance.

Segment information for the years ended March 31, 2003, 2002 and 2001 is as follows:

As of and for the year ended March 31, 2003	Yen (Millions)						
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Intercompany eliminations	Consolidated
Operating revenues	¥911,484	¥144,940	¥ 59,547	¥ 99,938	¥1,215,909	¥ –	¥1,215,909
Intra-group sales and transfers . . .	81,003	17,930	13,166	73,251	185,350	(185,350)	–
Total	992,487	162,870	72,713	173,189	1,401,259	(185,350)	1,215,909
Operating expenses	999,400	162,286	73,987	167,865	1,403,538	(185,032)	1,218,506
Operating income (loss)	¥ (6,913)	¥ 584	¥ (1,274)	¥ 5,324	¥ (2,279)	¥ (318)	¥ (2,597)
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Intercompany eliminations	Consolidated
Identifiable assets	¥1,179,728	¥37,153	¥111,191	¥180,789	¥1,508,861	¥(66,288)	¥1,442,573
Depreciation and amortization . . .	53,602	733	4,026	3,491	61,852	–	61,852
Capital expenditure	121,734	1,345	4,435	3,042	130,556	(693)	129,863

As of and for the year ended March 31, 2003	U.S. dollars (Thousands)						
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Intercompany eliminations	Consolidated
Operating revenues	\$7,583,061	\$1,205,824	\$495,399	\$ 831,431	\$10,115,715	\$ –	\$10,115,715
Intra-group sales and transfers . . .	673,902	149,168	109,534	609,409	1,542,013	(1,542,013)	–
Total	8,256,963	1,354,992	604,933	1,440,840	11,657,728	(1,542,013)	10,115,715
Operating expenses	8,314,476	1,350,133	615,532	1,396,547	11,676,688	(1,539,367)	10,137,321
Operating income (loss)	\$ (57,513)	\$ 4,859	\$ (10,599)	\$ 44,293	\$ (18,960)	\$ (2,646)	\$ (21,606)
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Intercompany eliminations	Consolidated
Identifiable assets	\$9,814,709	\$309,093	\$925,050	\$1,504,068	\$12,552,920	\$(551,481)	\$12,001,439
Depreciation and amortization . . .	445,940	6,098	33,494	29,044	514,576	–	514,576
Capital expenditure	1,012,762	11,190	36,897	25,308	1,086,157	(5,766)	1,080,391

As of and for the year ended March 31, 2002	Yen (Millions)						Intercompany eliminations	Consolidated
	Air transportation	Travel services	Hotel operations	Other businesses	Total			
Operating revenues	¥900,847	¥143,367	¥63,366	¥ 96,934	¥1,204,514	¥ –	¥1,204,514	
Intra-group sales and transfers . . .	77,564	15,166	12,305	91,235	196,270	(196,270)	–	
Total	978,411	158,533	75,671	188,169	1,400,784	(196,270)	1,204,514	
Operating expenses	959,662	158,615	76,335	183,181	1,377,793	(196,247)	1,181,546	
Operating income (loss)	¥ 18,749	¥ (82)	¥ (664)	¥ 4,988	¥ 22,991	¥ (23)	¥ 22,968	

As of and for the year ended March 31, 2001	Yen (Millions)						Intercompany eliminations	Consolidated
	Air transportation	Travel services	Hotel operations	Other businesses	Total			
Identifiable assets	¥1,195,497	¥37,437	¥146,311	¥215,917	¥1,595,162	¥(84,180)	¥1,510,982	
Depreciation and amortization . . .	52,527	527	4,571	3,712	61,337	–	61,337	
Capital expenditure	121,451	1,601	6,749	2,748	132,549	(141)	132,408	

As of and for the year ended March 31, 2001	Yen (Millions)						Intercompany eliminations	Consolidated
	Air transportation	Travel services	Hotel operations	Other businesses	Total			
Operating expenses	¥ 964,888	¥139,155	¥71,586	¥104,006	¥1,279,635	¥ –	¥1,279,635	
Intra-group sales and transfers . . .	73,396	13,702	12,113	87,109	186,320	(186,320)	–	
Total	1,038,284	152,857	83,699	191,115	1,465,955	(186,320)	1,279,635	
Operating expenses	965,948	151,379	79,868	184,717	1,381,912	(184,520)	1,197,392	
Operating income	¥ 72,336	¥ 1,478	¥ 3,831	¥ 6,398	¥ 84,043	¥ (1,800)	¥ 82,243	

As of and for the year ended March 31, 2001	Yen (Millions)						Intercompany eliminations	Consolidated
	Air transportation	Travel services	Hotel operations	Other businesses	Total			
Identifiable assets	¥1,112,105	¥38,808	¥140,129	¥216,431	¥1,507,473	¥(56,053)	¥1,451,420	
Depreciation and amortization . . .	50,199	371	4,874	3,889	59,333	–	59,333	
Capital expenditure	90,787	1,474	2,709	8,407	103,377	(8,986)	94,391	

14. Supplementary cash flow information

Reconciliation of the difference between cash stated in the consolidated balance sheets as of March 31, 2003, 2002 and 2001 and cash and cash equivalents for the purpose of the statements of cash flows is as follows:

	Yen (Millions)			U.S. dollars (Thousands)
	2003	2002	2001	2003
Cash	¥154,876	¥159,340	¥152,755	\$1,288,486
Time deposits with maturities of more than three months	(504)	(728)	(1,107)	(4,193)
Marketable securities	2,458	27,370	48,508	20,449
Marketable securities with maturities of more than three months . . .	(62)	(68)	(495)	(516)
Short-term investments with maturities of three months or less, included in prepaid expenses and other current assets	1,353	2,734	8,056	11,257
Cash and cash equivalents at end of year	¥158,121	¥188,648	¥207,717	\$1,315,483

15. Subsequent events

(a) Appropriations

At the shareholders' meeting held on June 26, 2003, the following transfers from appropriated retained earnings and capital surplus to unappropriated retained earnings (deficit) of the Company were approved by the shareholders:

	Yen (Millions)	U.S. dollars (Thousands)
Transfer from special depreciation reserve, net of deferred taxes	¥4,255	\$35,399
Transfer from general reserve	¥1,600	\$13,311
Transfer from reserve for deferred gain on sale of land, net of deferred taxes	¥785	\$6,531
Transfer from other capital surplus	¥51,640	\$429,617

(b) Issuance of notes

On April 21, 2003, the Company issued notes due 2006 in the amount of ¥30,000 million with 0.80% interest. The redemption date is April 21, 2006.

(c) Defined contribution plan

Effective April 1, 2003, the Company changed part of its pension program and adopted a defined contribution plan. At the same time, the Company reduced the level of retirement benefits paid from trustee employee pension funds and revised the benefits calculation so that lump-sum benefits are based on employees' personal results.

These changes resulted in a reduction of approximately ¥39,509 million in the retirement benefit

obligation at April 1, 2003, and will result in an approximately ¥2,822 million reduction in the pension and severance cost in the fiscal year ending March 2004.

(d) Responses to Severe Acute Respiratory Syndrome (SARS)

Due to the drop in demand for international flight services due to the SARS outbreak in China and other Asian countries, the Company and its subsidiaries suspended and reduced international flights in April 2003, and expanded suspensions and reductions of international flights in May 2003.

16. Differences between Japanese accounting principles and International Financial Reporting Standards

As stated in Note 1, the consolidated financial statements of the Company are principally prepared in conformity with accounting principles and practices generally accepted in Japan, which differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Accounting principles and practices generally accepted in Japan differ from International Financial Reporting (IFRS) in the following material respects:

(a) Finance leases

IFRS require finance leases to be recognized as assets and liabilities in the balance sheet at an amount equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Accounting principles and practices generally accepted in Japan allow a company either to recognize finance leases as assets and liabilities in the balance sheet as

required by IFRS or to account for them as operating leases, unless ownership of the leased property is transferred to the lessee at the end of the lease term. In the latter case, certain information, as presented in Note 9, is required to be disclosed.

(b) Impairment of property and equipment

IFRS require a company to carry property and equipment at its cost less any accumulated depreciation, subject to the requirement to write an asset down to its recoverable amount. The carrying amount of property and equipment should be reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount.

Accounting principles and practices generally accepted in Japan do not require a company to assess the recoverability and recognize impairment of property and equipment, if any.

Independent Auditors' Report



Certified Public Accountants

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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 consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended 2003, 2002 and 2001, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of All Nippon Airways Co., Ltd. and consolidated subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years ended 2003, 2002 and 2001 in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Shin Nihon & Co.

Shin Nihon & Co.

June 26, 2003

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of All Nippon Airways Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Consolidated Eleven-Year Summary

All Nippon Airways Co., Ltd. and its consolidated subsidiaries

Years ended March 31 (¥ millions, except share and per share amounts, financial ratios, operating statistics, and employee data)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
For the Year											
Operating revenues:											
Passenger	762,725	729,656	729,677	759,324	793,184	813,208	788,414	778,765	813,156	762,923	760,263
Cargo	41,287	41,478	45,058	50,770	56,432	60,056	63,599	67,763	68,649	57,648	64,688
Incidental and other	84,807	86,032	139,509	157,208	172,126	207,242	218,760	363,119	397,830	383,943	390,958
Total	888,819	857,166	914,244	967,302	1,021,742	1,080,506	1,070,773	1,209,647	1,279,635	1,204,514	1,215,909
Operating expenses	870,980	854,107	899,464	939,547	1,001,149	1,074,357	1,075,934	1,178,088	1,197,392	1,181,546	1,218,506
Operating income (loss)	17,839	3,059	14,780	27,755	20,593	6,149	(5,161)	31,559	82,243	22,968	(2,597)
Income (loss) before income taxes and minority interests	9,223	(6,264)	(1,534)	1,491	12,694	(4,391)	(2,430)	(22,689)	63,289	(7,178)	(54,821)
Net income (loss)	(1,167)	(9,364)	(7,471)	(8,572)	4,298	(5,398)	(4,732)	(15,201)	40,286	(9,456)	(28,256)
Interest expenses	48,040	52,736	53,831	51,257	46,237	43,838	40,305	38,950	35,079	28,758	25,283
Capital expenditure	194,383	84,741	65,976	62,720	193,035	95,617	72,928	111,269	94,391	132,408	129,863
Depreciation and amortization	104,255	83,181	80,385	73,548	68,265	74,474	73,420	58,441	59,333	61,337	61,852
At Year-End											
Current assets	334,651	318,057	329,709	320,320	281,802	343,819	396,660	443,052	419,296	407,833	355,996
Fixed Assets:											
Aircraft	440,815	407,233	371,025	333,438	327,390	343,554	349,317	389,955	441,796	445,371	437,231
Others	628,158	637,506	632,698	662,730	642,743	681,052	629,432	683,713	588,249	656,252	648,674
Total	1,068,973	1,044,739	1,003,723	996,168	970,133	1,024,606	978,749	1,073,668	1,030,045	1,101,623	1,085,905
Total assets	1,411,190	1,384,304	1,365,076	1,335,477	1,267,716	1,382,401	1,395,189	1,534,617	1,451,420	1,510,982	1,442,573
Current liabilities	326,266	282,856	298,311	358,032	321,257	358,753	384,874	498,502	425,786	444,863	317,938
Long-term liabilities	892,189	922,634	905,208	834,154	802,197	902,550	895,533	935,726	868,784	915,189	992,375
Shareholders' equity	184,685	170,196	154,209	136,710	137,759	118,031	112,315	97,456	150,500	138,641	121,954
Interest-bearing debt:											
Short-term debt	174,156	135,212	141,832	180,197	146,260	169,514	197,105	268,618	175,519	221,481	83,916
Long-term debt	821,490	857,390	834,356	739,096	717,579	818,704	807,021	843,722	760,211	796,342	861,479
Total	995,646	992,602	976,188	919,293	863,839	988,218	1,004,126	1,112,340	935,730	1,017,823	945,395
Cash Flows											
from operating activities	83,162	59,041	67,927	94,383	82,045	64,772	61,285	77,249	148,796	33,993	85,952
from financing activities	(257,977)	(47,181)	11,107	(96,771)	(26,910)	(157,473)	(19,626)	(85,207)	(17,964)	(123,927)	(52,478)
from investing activities	90,269	(8,815)	(20,742)	(61,223)	(59,776)	120,052	17,227	45,640	(158,359)	69,104	(63,364)
Per Share Data (¥)											
Net income (loss)	(0.81)	(6.49)	(5.18)	(5.94)	2.98	(3.74)	(3.28)	(10.54)	27.75	(6.17)	(18.42)
Common shares outstanding at year-end (thousands)											
	1,442,719	1,442,719	1,442,719	1,442,719	1,442,724	1,442,725	1,442,725	1,442,725	1,535,023	1,536,082	1,536,082
Financial Ratios											
Profitability (%)											
Operating income margin	2.0	0.4	1.6	2.9	2.0	0.6	–	2.6	6.4	1.9	–
Net income margin	–	–	–	–	0.4	–	–	–	3.1	–	–
Return on assets ¹	–	–	–	–	0.3	–	–	–	2.8	–	–
Operating return on assets ²	1.9	0.7	1.6	2.6	2.2	1.0	0.9	2.7	6.1	2.0	0.2
Return on equity	–	–	–	–	3.1	–	–	–	32.5	–	–
Efficiency (times)											
Asset turnover	0.7	0.6	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.8	0.8
Safety/Stability (times)											
Current ratio	1.0	1.1	1.1	0.9	0.9	1.0	1.0	0.9	1.0	0.9	1.1
Equity ratio (%)	13.1	12.3	11.3	10.2	10.9	8.5	8.1	6.4	10.4	9.2	8.5
Debt/equity ratio	5.4	5.8	6.3	6.7	6.3	8.4	8.9	11.4	6.2	7.3	7.8
Interest coverage	0.5	0.2	0.4	0.7	0.6	0.3	0.1	1.0	2.6	1.0	0.1

Notes: 1. Return on assets = net income / total assets

2. Operating return on assets = (operating income + interest and dividend income) / simple average of total assets

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Operating Expenses Composition											
Aircraft:											
Aircraft and flight operations	196,551	204,626	215,328	232,166	265,752	280,090	274,489	284,152	303,208	292,677	298,574
Aircraft maintenance	102,189	99,527	100,658	106,796	107,986	115,468	101,927	72,850	75,085	81,031	86,994
	298,740	304,153	315,986	338,962	373,738	395,558	376,416	357,002	378,293	373,708	385,568
Services:											
In-flight services	67,081	67,231	68,753	70,245	77,698	80,808	68,565	62,029	59,543	56,468	62,417
Flight control and ground handling	186,537	193,952	207,797	219,951	229,513	249,308	256,499	240,599	240,382	243,061	259,374
	253,618	261,183	276,550	290,196	307,211	330,116	325,064	302,628	299,925	299,529	321,791
Reservations, sales and advertising											
General and administrative	128,066	123,047	142,992	153,104	167,882	193,289	180,899	200,197	221,038	210,845	212,553
Depreciation and amortization	51,088	49,317	51,905	56,053	50,165	58,564	50,167	39,604	29,241	33,837	34,290
Other costs	104,255	83,181	80,385	73,548	75,917	74,474	73,420	58,441	59,333	61,337	61,852
	35,213	33,226	31,646	27,684	26,236	22,356	69,968	220,216	209,562	202,290	202,452
Total	870,980	854,107	899,464	939,547	1,001,149	1,074,357	1,075,934	1,178,088	1,197,392	1,181,546	1,218,506
Operating Statistics											
Available seat-km (millions):											
Domestic	44,458	47,017	50,031	52,630	54,167	56,787	59,875	60,093	61,074	60,980	62,565
International	15,191	14,776	15,755	19,646	23,532	28,359	31,138	33,772	32,446	26,928	25,974
Revenue passenger-km (millions):											
Domestic	29,527	29,045	30,900	32,449	34,439	36,009	37,009	38,411	38,469	38,780	40,388
International	10,071	9,554	10,958	13,572	15,932	18,835	20,562	22,510	24,124	17,799	18,719
Load factor (%):											
Domestic	66.4	61.8	61.8	61.7	63.6	63.4	61.8	63.9	63.0	63.6	64.6
International	66.3	64.7	69.6	69.1	67.7	66.4	66.0	66.7	74.4	66.1	72.1
Unit revenues ¹ (¥/ASK):											
Domestic	—	—	—	—	—	—	10.9	10.9	11.0	10.8	10.3
International	—	—	—	—	—	—	5.6	5.4	6.4	6.3	7.1
Passenger yield ² (¥/RPK):											
Domestic	—	—	—	—	—	—	17.7	17.0	17.5	17.1	16.0
International	—	—	—	—	—	—	8.5	8.0	8.6	9.5	9.9
Unit costs ³ (¥/ASK):											
	13.6	12.5	12.2	11.7	11.4	11.5	10.9	10.3	10.5	11.1	11.8
Employee Data											
Air Transportation											
Average number											
of employees	—	—	—	—	—	—	15,293	15,245	14,855	14,463	14,506
ASK per employee (millions)	—	—	—	—	—	—	6.0	6.2	6.3	6.1	6.1
RPK per employee (millions)	—	—	—	—	—	—	3.8	4.0	4.2	3.9	4.1
All Business Segments											
Average number											
of employees	—	—	—	—	—	—	24,123	27,422	29,830	29,226	29,001
Operating revenues per employee (¥ millions)											
	—	—	—	—	—	—	44.4	44.1	42.9	41.2	41.9
Operating income per employee (¥ millions)											
	—	—	—	—	—	—	—	1.2	2.8	0.8	—
Operating Income (Loss) by Segment											
Air transportation	—	—	—	—	—	—	(10,817)	25,692	72,336	18,749	(6,913)
Travel services ⁴	—	—	—	—	—	—	(229)	3,326	1,478	(82)	584
Hotel operations ⁴	—	—	—	—	—	—	2,975	3,838	3,831	(664)	(1,274)
Other businesses ⁴	—	—	—	—	—	—	3,137	(218)	6,398	4,988	5,324
Intercompany eliminations	—	—	—	—	—	—	(227)	(1,079)	(1,800)	(23)	(318)
Consolidated	—	—	—	—	—	—	(5,161)	31,559	82,243	22,968	(2,597)

Notes: 1. Unit revenues = passenger operating revenues (before eliminations) / available seat-km

2. Passenger yield = passenger operating revenues (before eliminations) / revenue passenger-km

3. Unit costs = operating expenses / available seat-km

4. Travel services, hotel operations, and other businesses were included in airline-related businesses and were not disclosed separately prior to the year ended March 31, 1999

ANA Directory

(As of June 30, 2003)

HEAD OFFICE

Shiodome City Center,
1-5-2 Higashi-Shimbashi,
Minato-ku, Tokyo 105-7133, Japan
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FAX: 81-3-6735-1125

OVERSEAS SALES OFFICES

United States

New York

1251 Avenue of the Americas,
Suite 820,
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, DC 20036, U.S.A.
TEL: 1-202-857-5240
FAX: 1-202-857-5250

San Francisco

1350 Old Bayshore Highway,
Suite 650,
Burlingame, CA 94010, U.S.A.
TEL: 1-650-762-3300
FAX: 1-650-762-3310

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 Boulevard, #47,
Honolulu International Airport,
Honolulu, HI 96819, U.S.A.
TEL: 1-808-838-0190
FAX: 1-808-838-0138

Guam

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

Europe

London

100 George Street,
London, W1U 8NS, U.K.
TEL: 44-20-7569-0900
FAX: 44-20-7569-0921

Paris

114, Avenue Des
Champs-Élysées,
75008 Paris, France
TEL: 33-1-53-83-52-20
FAX: 33-1-53-75-12-11

Frankfurt

Rossmarkt 21,
60311, Frankfurt am Main,
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TEL: 49-69-299760
FAX: 49-69-285045

Dusseldorf

Berliner 26,
40212, Dusseldorf, Germany
TEL: 49-211-8659510
FAX: 49-211-131138

Geneva

WTCII 2nd Floor,
29 Route de Pre Bois,
1215, Geneva 15, Switzerland
TEL: 41-22-909-1050
FAX: 41-22-909-1055

Vienna

Opernring 1/R/509,
1010 Vienna, Austria
TEL: 43-1-587-8921
FAX: 43-1-587-8930

Brussels

285 Avenue Louise,
1050 Brussels, Belgium
TEL: 32-2-639-0380
FAX: 32-2-647-5149

Moscow

Sredny Tishinsky Pereulok,
28/1, Business Center, Room 320,
Chaika Plaza-2, Moscow, Russia
TEL: 7-095-777-0351
FAX: 7-095-777-0353

Rome

Room 447, Office Tower,
Fiumicino Airport 00050,
Rome, Italy
TEL: 39-06-6501-1600
FAX: 39-06-6501-2002

Madrid

Gran Via 86, Grupo I, 7-A,
28013, Madrid, Spain
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Asia

Beijing

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Beijing Fortune Building,
No.5 Dong San Huan Bei Lu,
Chao, Yang District,
Beijing 100004, P.R. of China
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Tianjin

1st Floor, Hyatt Tianjin,
219 Jie Fang North Road,
Tianjin 300042, P.R. of China
TEL: 86-22-2330-4289
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Shenyang

Room No. 2-116, Tower 1,
City Plaza Shenyang No. 206,
Nanjing North Street,
Heping District, Shenyang 110001,
P.R. of China
TEL: 86-24-2334-1811
FAX: 86-24-2334-1100

Dalian

Senmao Building,
147 Zhongshan Road,
Xigang District, Dalian 116011,
P.R. of China
TEL: 86-411-360-8787
FAX: 86-411-360-1717

Qingdao

6th Floor, Holiday Inn,
76 Xiang Gang Zhong Lu,
Qingdao 266071, P.R. of China
TEL: 86-532-386-9723
FAX: 86-532-386-9724

Shanghai

Suite E808, Shanghai Centre,
1376 Nanjing Xi Lu,
Shanghai 200040, P.R. of China
TEL: 86-21-6279-7007
FAX: 86-21-6279-7002

Xiamen

Room 205,
Holiday Inn Harbourview Xiamen,
12-8 Zhen Hai Road,
Xiamen 361001, P.R. of China
TEL: 86-592-205-2206, 2179
FAX: 86-592-211-0537

Hong Kong

Suite 501,
One International Finance Centre,
No. 1 Harbour View Street,
Central, Hong Kong,
P.R. of China
TEL: 852-2848-4111
FAX: 852-2295-0066

Seoul

Room 1501, Seoul Center Building,
91-1 Sogong-Dong, Jung-Gu,
Seoul 100-070, South Korea
TEL: 82-2-752-1190
FAX: 82-2-753-3941

Taipei (ANK)

8th Floor, No.117, SEC.2,
Changan E. Road, Taipei,
Taiwan, R.O.C.
TEL: 886-2-8500-2480, 2477
FAX: 886-2-2516-3134

Bangkok

2nd & 4th Floors,
C.P. Tower Building,
313 Silom Road,
Bangkok 10500, Thailand
TEL: 66-238-5131
FAX: 66-238-5134

Ho Chi Minh City

16th Floor, Sun Wah Tower 115,
Nguyen Hue Blvd., Dist 1,
Ho Chi Minh City, Vietnam
TEL: 84-8-821-9617
FAX: 84-8-821-9619

Yangon

#0201, Sakura Tower,
339 Bogyoke Aung San Road,
The Kyauktadar Township,
Yangon, The Union of Myanmar
TEL: 95-1-255415
FAX: 95-1-255417

Kuala Lumpur

Suite 11.01, 11th Floor,
Wisma Goldhill No. 67,
Jalan Raja Chulan 50200,
Kuala Lumpur, Malaysia
TEL: 60-3-2032-5393
FAX: 60-3-2032-5400

Singapore

80 Robinson Road, #18-01,
Singapore 068898
TEL: 65-6228-3261
FAX: 65-6224-6627

DOMESTIC SALES OFFICES

Sapporo

Tokyo

Nagoya

Osaka

Fukuoka

Okinawa

and 40 other cities

The ANA Group

(As of March 31, 2003)

ANA and Principal Subsidiaries and Affiliates	Principal Businesses	Sales ¹	Paid-in Capital ¹	Percentage Owned by the Parent
		(¥ Millions)	(¥ Millions)	
Air Transportation—Transportation Related				
All Nippon Airways Co., Ltd. (ANA)	Air transportation, other aircraft operations, incidental operations	¥915,008	¥86,239	Parent
Air Nippon Co., Ltd. (ANK)	Air transportation	87,760	5,400	99.5%
Air Japan Co., Ltd. (AJX)	Air transportation (Asia, Pacific-Rim tourist resort routes)	13,686	50	100.0
Air Hokkaido Co., Ltd. (ADK)	Domestic scheduled air transportation, other aircraft operations	273	300	80.0
Air Nippon Network Co., Ltd. (ANN)	Domestic scheduled air transportation, other aircraft operations	1,517	250	100.0
Nippon Cargo Airlines Co., Ltd. (NCA)	Scheduled air transportation (international cargo), nonscheduled air transportation	90,960	21,600	22.9
Air Transportation—Flight Support				
ANA Catering Service Co., Ltd.	Preparation of in-flight meals, loading and removal of catering equipment from aircraft, operation of staff canteens	4,065	352	64.2
Osaka Airport Service Co., Ltd.	Aircraft ground support operations (Osaka International Airport, Fukuoka Airport)	6,599	150	49.3
International Airport Utility Co., Ltd.	Aircraft ground support operations (Tokyo (Haneda) International Airport, Chitose Airport)	15,003	100	50.0
New Kansai International Airport Service Co., Ltd.	Aircraft ground support operations (Kansai International Airport)	5,159	100	55.0
ANA Aircraft Maintenance Co., Ltd.	Repair and improvement of aircraft and equipment, maintenance, provision/Development of training equipment for cabin crews	9,044	7,000	98.4
ANA Aerotech Co., Ltd.	Maintenance, repair, and improvement of aircraft equipment	1,188	200	100.0
ANA Nagasaki Engineering Co., Ltd.	Maintenance, repair, and improvement of landing gear for aircraft	1,185	100	100.0
Travel Services				
ANA Sales and Tours Co., Ltd.	Holding company for travel services subsidiaries	4	1,000	73.1
All Nippon Airways Travel Co., Ltd.	Wholesaler of travel packages integrated with ANA's network of domestic routes	41,394	100	100.0
ANA Sky Holiday Tours Co., Ltd.	Development and sales of "ANA Sky Holiday" domestic travel packages	71,864	90	100.0
All Nippon Airways World Tours Co., Ltd.	Development, support, and sales of "ANA Hallo Tour" international travel packages	36,648	250	100.0
Hotel Operations				
ANA Property Management Co., Ltd.	Management and leasing of real estate	3,572	2,450	100.0
ANA Hotels Co., Ltd. ²	Operation, management, and development of accommodation facilities/Operation and management of restaurants, wedding reception facilities, etc.	3,034	30	100.0
ANA Hotel Management Co., Ltd.	Management and operation of hotels	750	30	100.0
ANA Hotel Tokyo Co., Ltd.	Management of hotels	15,652	40	100.0
Other Businesses				
All Nippon Airways Trading Co., Ltd.	General trading company	108,066	360	50.0
ANA Real Estate Co., Ltd.	Real estate rental, real estate brokerage, insurance agency	7,409	7,229	70.6
ANA Information Systems Planning Co., Ltd.	Planning, development, operation, and maintenance of information systems/Systems consultation services	19,508	52	100.0
Infini Travel Information, Inc.	Provision of information on computer reservation systems	4,350	6,000	60.0
ANA Logistic Service Co., Ltd.	Warehouse management, customs clearance, and distribution services for air cargo imports	3,962	376	100.0
Jamco Corporation	Maintenance, repair, and improvement of on-board aircraft interior	31,018	5,360	20.0

Notes: 1. Figures for sales and paid-in capital of each company are stated before intercompany eliminations.

2. Effective June 30, 2003, ANA Hotels Co., Ltd., changed its corporate name to ANA Hotel & Resorts Co., Ltd.

ANA Route System

(As of June 1, 2003)

International Network



Domestic Network



- Cities served by ANA
- Cities served by subsidiaries

Investor Information

(As of March 31, 2003)

Date of Foundation

December 27, 1952

Head Office

Shiodome City Center,
1-5-2 Higashi-Shimbashi,
Minato-ku, Tokyo 105-7133, Japan
TEL: 81-3-6735-1030
FAX: 81-3-6735-1125
URL: <http://www.ana.co.jp/>

Number of Employees

28,907 (Consolidated)
12,772 (Non-consolidated)

Paid-in Capital

¥86,239,793 thousand

Number of Shares of Common Stock

Authorized: 2,203,200,000 shares
Issued: 1,536,082,686 shares

Number of Shareholders

197,447

Stock Listings

Tokyo, Osaka, London, and Frankfurt

Major Shareholders

	Number of shares held (Thousands)	Percentage of total shares in issue
Nagoya Railroad Co., Ltd.*	79,998	5.21%
Japan Trustee Services Bank, Ltd. (Trust account)	46,355	3.02
Mitsui Sumitomo Insurance Co., Ltd.	34,567	2.25
Mizuho Corporate Bank, Ltd.	33,980	2.21
Sumitomo Mitsui Banking Corporation	33,547	2.18
Nippon Life Insurance Company	31,659	2.06
The Tokio Marine and Fire Insurance Co., Ltd.	27,997	1.82
All Nippon Airways Co., Ltd., Employee Stock Ownership Association	26,923	1.75
The Asahi Shimbun	24,376	1.59
Nissay Dowa General Insurance Company, Ltd.	23,011	1.50
Total	362,416	23.59%

* The 79,998 thousand shares held by Nagoya Railroad Co., Ltd., include 8,500 thousand shares associated with retirement benefit trust agreements for Nagoya Railroad employees.

Transfer Agent

The Sumitomo Trust and Banking Co., Ltd.
1-10, Nikko-cho, Fuchu, Tokyo 183-8701, Japan

Auditor

Shin Nihon & Co.

American Depositary Receipts

Ratio (ADR:ORD): 1:2

Exchange: OTC (Over-the-Counter)

Symbol: ALNPY

CUSIP: 016630303

Depository:

The Bank of New York

101 Barclay Street, 22 West, New York, NY 10286, U.S.A

TEL: 1-212-815-2042

U.S. Toll Free: 1-888-269-2377 (888-BNY-ADRS)

URL: <http://www.adrbny.com>

Stock Price and Ratios (Non-consolidated)

	1999	2000	2001	2002	2003
Stock Price* (¥):					
High	685	422	454	505	380
Low	335	219	250	289	202
PER (times):					
High	-	-	-	-	-
Low	-	-	-	-	-
Price/Cash Flow Ratio (times):					
High	16.9	16.6	38.2	21.4	17.8
Low	8.3	8.6	21.0	12.3	9.5
PBR (times):					
High	5.6	3.6	4.1	5.0	4.2
Low	2.7	1.9	2.3	2.8	2.2
Net Income (Loss) per Share (¥)	(4.57)	(6.75)	(19.96)	(8.38)	(11.10)
Equity per Share (¥)	122.81	117.53	110.62	101.77	90.44

* Tokyo Stock Exchange

Stock Price

