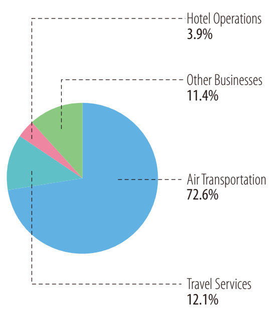
# Air Transportation

*The ANA Group's operations comprise four segments: air transportation, travel services, hotel operations, and other businesses, such as information and telecommunications and trading and retailing.*

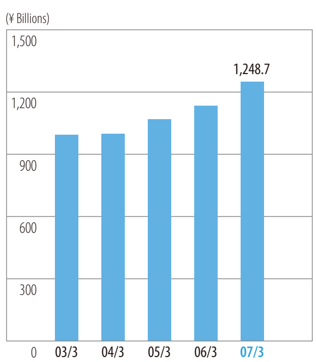
*We continue to strive to ensure safe operations and to enhance the fundamental quality of our air transportation services as well as to improve the profitability of each segment, thereby enhancing the trust placed in us by customers and shareholders. In this section, we give an overview of the performance of each business segment in the fiscal year ended March 31, 2007.*

* ANA transferred its hotel business outside the Group in June 2007.

Operating Revenues by Segment

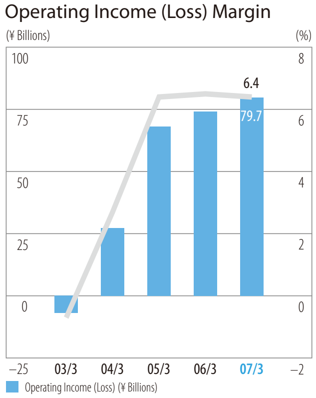



Operating Revenues

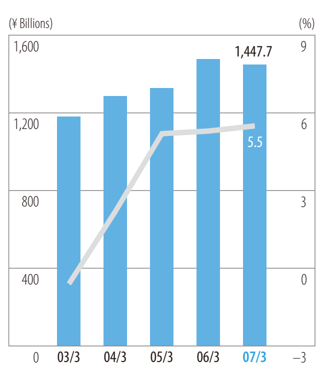



Boeing 737-700 Gold Jet

Operating Income (Loss) /
Operating Income (Loss) Margin




Assets / ROA




Air Transportation

**Highlights**

Figures in parentheses show change from previous fiscal year.

Air transportation revenues . . . **¥1,248.7 billion** (+10.3%)
Operating expenses . . . . . . . . . . . **¥1,169.0 billion** (+10.4%)
Operating income . . . . . . . . . . . . **¥79.7 billion** (+7.6%)
ROA . . . . . . . . . . . . . . . . . . . . . . . . . . **5.5%** (+0.2 percentage points)

ROA: operating income / simple average of assets

The air transportation segment accounted for 72.6% of total operating revenues before eliminations.

## Overview of fiscal year ended March 2007

### Record-High Operating Revenues and Income

Air transportation demand remained solid throughout the fiscal year under review, supported mainly by business demand deriving from Japan's continuing economic recovery. We secured a higher number of domestic passengers compared with the previous fiscal year, helped by firm business demand as well as several initiatives to improve competitiveness and convenience. Our *Tabi-Wari* discount fare system was also an important factor in generating new demand.

The number of international passengers also increased from the previous fiscal year, supported by strong business demand. Demand on China routes, which fell in the previous year in response to the negative effect of anti-Japan demonstrations, recovered completely. Expansion of our international network also proceeded such as reopening our Narita–Chicago route.

In domestic cargo and mail operations, although in the second half of the year the operating environment turned severe as new players entered the market, domestic cargo and mail volume increased year on year, supported by higher movement of goods due to the economic recovery. In international cargo and mail operations, volume rose sharply as we expanded Asia routes and flights in the first half of the year and North America routes and flights in the second half.

Under these circumstances, we responded to rising jet fuel prices. In addition to fare and fuel surcharge revision, we matched aircraft supply to demand and rigorously reduced operating costs. As a result, we achieved record-high operating revenues and income in air transportation operations in the fiscal year under review.

# Domestic Passenger Operations

## Domestic Passenger Operations

**Highlights**

Figures in parentheses show change from previous fiscal year.

| | |
|---|---|
| Passenger revenues | **¥726.0 billion** (+6.0%) |
| Passenger numbers | **46.5 million** (+2.2%) |
| Available seat-kilometers | **62.4 billion** (+2.4%) |
| Unit revenues | **¥11.6** (+¥0.4) |
| Yield | **¥17.9** (+¥0.6) |
| Unit price | **¥15,624** (+3.7%) |

## Overview of fiscal year ended March 2007

### Increases in Both Passenger Numbers and Unit Price

The number of passengers increased, supported by individual business traveler demand generated by the economic recovery. The *Tabi-Wari* discount fare system, introduced in April 2006, also contributed to the rise in passenger numbers. We achieved a significant increase in the unit price through the revision of fares in April 2006 (approximately a 4% fare increase) and the allocation of seats in line with demand trends.

### Moving Flights to High-Profit Routes

While maintaining our basic domestic route network, we worked to reduce the number of low-profit routes while shifting flights to routes with higher profitability. In the second half of the year, we developed new networks based on connecting flights, mainly bound for Okinawa islands. Seeking enhanced profitability, we further promoted the matching of aircraft supply to demand and introduced smaller aircraft, such as the Boeing 737-700, in order to cut operating costs. Further, in April 2006, we entered into a code-sharing agreement with Skynet Asia Airways Co., Ltd., for all flights on the route from Haneda to Miyazaki, Kumamoto, and Nagasaki. This initiative resulted in a major increase in the number of our flights on this route and enhanced convenience for customers.

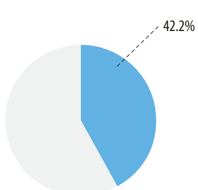
### Strengthened Competitiveness through Discount Fares and Enhanced Service

While matching aircraft supply to demand, we also took steps to tap into demand generated by holiday seasons, including Golden Week, school summer holidays, New Year, and short national holiday periods, by actively promoting charter flights and the *Tabi-Wari* discount fare system. In the second half of the year, we introduced the Okinawa travel promotion campaign *Mattarina-Hokkorina Okinawa, Ishigaki, and Miyako* nationwide for the fall and winter seasons.

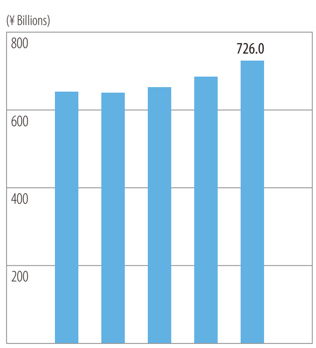
In passenger services, we increased the number of *Super Seat Premium* seats and promoted them on routes with strong business demand, where they have already proved popular. In September 2006, in line with the key words "simple" and "convenient," we introduced the *SKiP* service, which eliminates the need for check-in at airports. We also enhanced the added value of the *ANA Mileage Club* in our continuing efforts to strengthen competitiveness through the provision of improved and expanded service.

Boeing 777-200

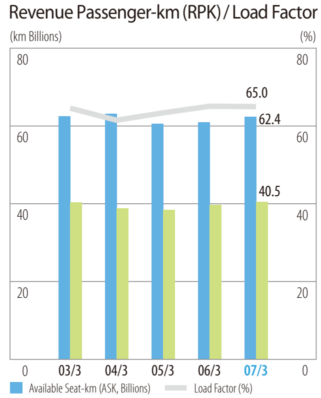
Revenues as a Percentage of Total Operating Revenues



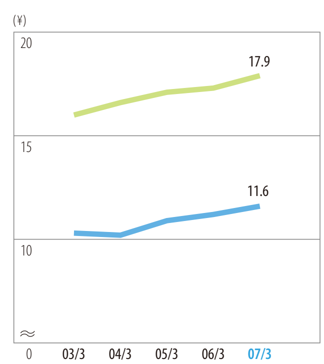

Operating Revenues




Available Seat-km (ASK) / Revenue Passenger-km (RPK) / Load Factor




Unit Revenues / Passenger Yield



*Super Seat Premium*

New *SKiP* Service from September 1, 2006

**Previous Domestic Check-In Procedure**

1 **Reservation and ticket purchasing**
On-line (PC or cell phone) or at travel agency

2 **Check-in (Seat selection)**
On-line (PC or cell phone) after 10 p.m. of prior evening

3 **Ticket (Boarding pass)**
Obtain at airport

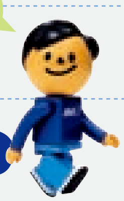
4 **Security inspection**
Present ticket

5 **Boarding (Gate)**
Present ticket

**New *SKiP* Service**

1 **Reservation and ticket purchasing (Seat selection)**
On-line (PC or cell phone) or at travel agency
Checked in

Skip check-in and go directly to security inspection



SKiP
No check-in needed

Touch IC or two dimensional (QR) code
2 **Security Inspection**

Touch IC or two dimensional (QR) code
3 **Boarding (Gate)**

# International Passenger Operations

International Passenger Operations

**Highlights**

Figures in parentheses show change from previous fiscal year.

Passenger revenues . . . . . . . . . . . ¥278.4 billion (+21.5%)
Passenger numbers . . . . . . . . . . . 4.6 million (+10.1%)
Available seat-kilometers . . . . . 26.6 billion (+5.0%)
Unit revenues . . . . . . . . . . . . . . . . . ¥10.5 (+¥1.4)
Yield . . . . . . . . . . . . . . . . . . . . . . . . . . ¥13.8 (+¥1.6)
Unit price . . . . . . . . . . . . . . . . . . . . . ¥61,171 (+10.3%)

## Overview of fiscal year ended March 2007

### Passenger Numbers Increase on Strong Demand

Buoyed by strong business demand, international passenger operations performed solidly during the fiscal year under review, recovering completely from the negative effect of the April 2005 anti-Japan demonstrations in China. In this favorable operating environment, we achieved synergies through the expansion of our network by reopening the Narita–Chicago route and increasing flight frequencies on China and other Asia routes. As a result, growth in the number of international passengers during the year exceeded that in passenger seat availability.

We moved on several fronts to improve service, targeting growing markets with our *Eco-Wari* individual discount fares and implementing the *Live/China/ANA* campaign. Convenience was enhanced by our relocation to the South Wing of Terminal 1 at Narita Airport in June 2006, and we completed the introduction of the *New Style, CLUB ANA* service on all North America routes. We also launched the *ANA BusinessJet* service on the Centrair–Guangzhou route.

### Expanding Our International Route Network

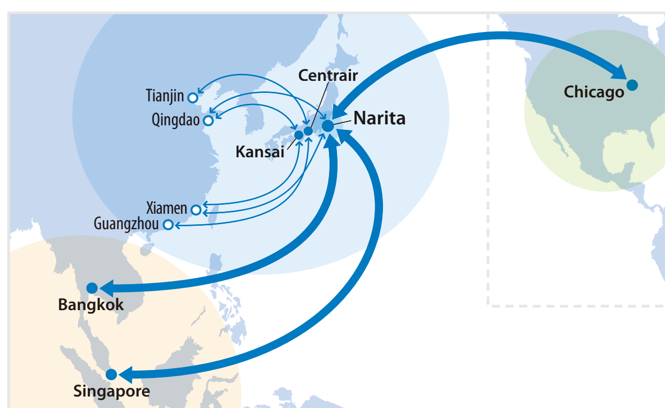
In our route network, we targeted the dynamic business growth areas of Asia and, in particular, China. We matched supply to demand on the Kansai–Qingdao, Xiamen and Narita–Qingdao, Xiamen routes through the introduction of smaller aircraft and increased flights. We increased flights on the Narita–Singapore route from October 2006 and opened two new routes, Centrair–Tianjin in February 2007 and Centrair–Guangzhou in March 2007.

The reopening of the Narita–Chicago route in October 2006 reinforced our network covering North America, including transit demand in the U.S. Midwest and Canada. A new code-sharing agreement was reached with Swiss International Airlines, and we expanded our existing code-sharing agreements with Shanghai Airlines and Asiana Airlines.

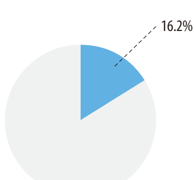
### Improved Infrastructure and Service

With ANA's move to the South Wing of Terminal 1 at Narita Airport, 10 Star Alliance members now share the same terminal. This has resulted in a significant reduction in transit times for passengers using our Asian network or traveling with our European and U.S. partners. Also, service has been enhanced with

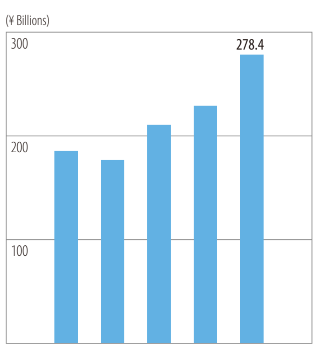
Route Expansion during Year under Review



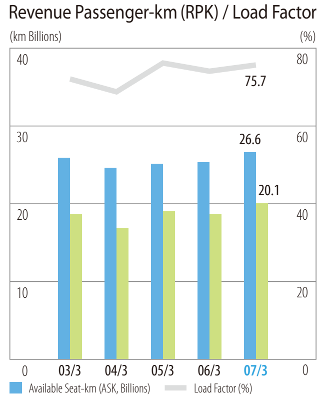

Revenues as a Percentage of Total Operating Revenues



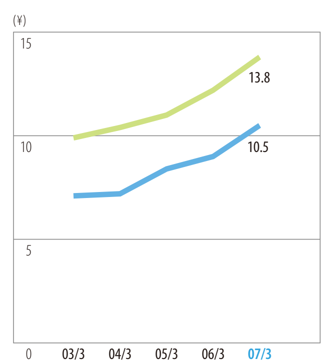

Operating Revenues




Available Seat-km (ASK) / Revenue Passenger-km (RPK) / Load Factor




Unit Revenues / Passenger Yield




South Wing of Terminal 1 at Narita Airport

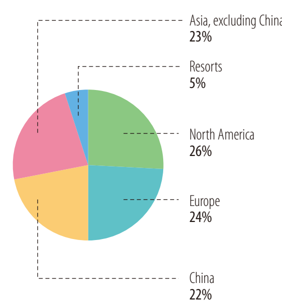
the introduction of *Smart-e* service, which targets simplicity and convenience, as well as more extensive lounge facilities.

Further, ANA developed ties with other companies to promote e-ticketing for flights. At the end of March 2007, with systems connection to 27 airlines completed, the passenger utilization ratio of e-ticketing service rose to 70%.

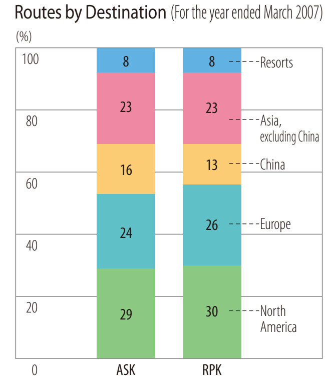
### Enhanced Internet Sales Service for International Routes

The *ANA SKY WEB* site, which handles Internet ticket sales for international flights, has been renewed and upgraded. Reservations can now be made for overseas onward-bound flights of other airlines as well as for award tickets, including those of affiliated companies. The site also handles changes to reservations and repayments. A range of services based on information technology have now been enhanced by their integration into *Smart-e* ticket.

**Revenue Composition on International Routes by Destination**
(For the year ended March 2007)




**ASK / RPK Composition on International Routes by Destination** (For the year ended March 2007)





ANA's lounge at Narita Airport won the Fiscal Year 2006 Good Design Award for creating a sense of high-quality space.

First class

# Cargo and Mail Operations

### Cargo and Mail Operations

**Highlights**

Figures in parentheses show change from previous fiscal year.

Cargo and mail revenues . . . ¥105.1 billion (+8.7%)
Cargo volume . . . . . . . . . . . . . 735.5 thousand tons (+6.7%)
Cargo revenues . . . . . . . . . . . ¥92.7 billion (+9.1%)
Mail volume . . . . . . . . . . . . . . . 106.4 thousand tons (+4.5%)
Mail revenues . . . . . . . . . . . . . ¥12.3 billion (+6.0%)

### Domestic Cargo and Mail

**Highlights**

Figures in parentheses show change from previous fiscal year.

Cargo volume . . . . . . . . . . . . . 457.9 thousand tons (+3.9%)
Cargo revenues . . . . . . . . . . . ¥30.5 billion (+3.1%)
Mail volume . . . . . . . . . . . . . . . 91.0 thousand tons (+4.0%)
Mail revenues . . . . . . . . . . . . . ¥8.9 billion (+4.1%)

## Overview of fiscal year ended March 2007

### Increased Deliveries Result in Higher Cargo Volume and Revenues

In the first half of the year under review, cargo volume increased compared with the previous year, driven by the strong economy and its positive effect on the movement of goods and a decline in the volume of cargo carried by competitors. In the second half, the operating environment grew severe. In November 2006, Galaxy Airlines Co., Ltd. (GXY), entered into a code-sharing agreement with Japan Airlines (JAL), and this had an adverse impact on certain of our routes. However, over the whole year, the trend was generally favorable, with increased cargo deliveries between companies and shipments of vegetables due to the warm winter. Cargo volume and revenues both increased year on year.

Late-night scheduled cargo flights were adversely affected by scheduling changes due to maintenance and repair work on a Haneda Airport runway and by the entry of GXY into the market. However, the introduction of the Boeing 767 freighter on the Haneda–Saga route meant that we were able to meet late-night cargo flight demand.

### Mail Volume Also Increases

Mail volume rose from the previous fiscal year as Japan Post deliveries increased during the summer *Ochugen* gift season, and late-night scheduled cargo flights also performed well.

### International Cargo and Mail

**Highlights**

Figures in parentheses show change from previous fiscal year.

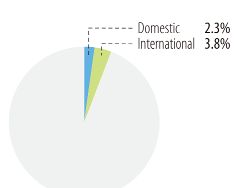
Cargo volume . . . . . . . . . . . 277.6 thousand tons (+11.6%)
Cargo revenues . . . . . . . . . ¥62.1 billion (+12.3%)
Mail volume . . . . . . . . . . . . . 15.4 thousand tons (+8.0%)
Mail revenues . . . . . . . . . . . ¥3.4 billion (+11.2%)

## Overview of fiscal year ended March 2007

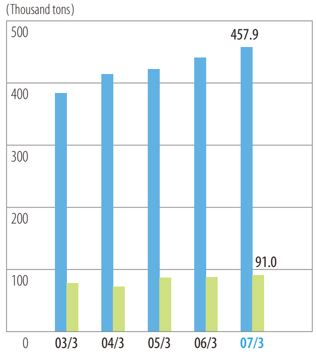
### Significant Increases in Volume Centering on North America and China Routes

In the first half of the year under review, shipment volume grew as Asia routes serviced by cargo freighters were expanded and flights increased. From August 2006, ANA & JP Express Co., Ltd., began cargo services on the Haneda–Kansai–Shanghai route. In the second half, shipment volume increased sharply,

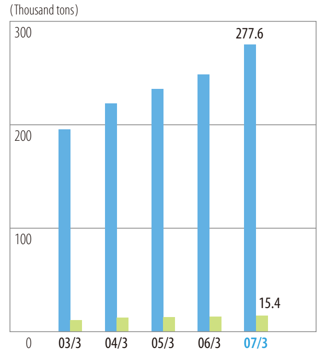
Revenues as a Percentage of Total Operating Revenues




Cargo and Mail Volume: Domestic




Cargo and Mail Volume: International




Revenues from Cargo and Mail

(¥ Millions)

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Cargo | 92,769 | 85,039 | 79,604 |
| Mail | 12,374 | 11,677 | 11,384 |

Revenues from Domestic Cargo and Mail

(¥ Millions)

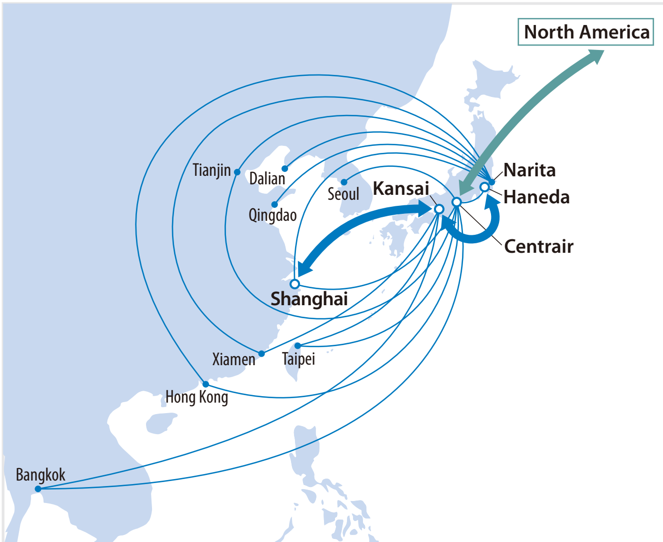
| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Cargo | 30,574 | 29,659 | 29,515 |
| Mail | 8,936 | 8,586 | 8,581 |

Revenues from International Cargo and Mail

(¥ Millions)

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Cargo | 62,195 | 55,380 | 50,089 |
| Mail | 3,438 | 3,091 | 2,803 |

Building a Business Foundation with an Expanding Network




centered on North America and China routes. In October 2006, we introduced our fourth Boeing 767 freighter and established the Centrair–Chicago route. We also increased flights on China routes and reopened the Narita–Chicago passenger route.

Outbound shipment volume was up year on year, reflecting a strengthened sales system and increased flights on North America, China, and other Asia routes. However, shipments to Europe decreased. Inbound shipment volume also increased,

Boeing 767-300 freighter

despite a decline in shipments from Europe. There was a significant rise in shipments from North America, and shipments from Southeast Asia and China also grew, supported by increases in supply volume and robust cargo movement during the Christmas season.

**Growth in Mail Volume from North America and "Next-Day Arrival" Deliveries to Shanghai**

Despite a decrease in shipments from Europe and China to Japan, shipments from North America increased, and we shipped higher volume on our "next-day arrival" delivery service from Japan to Shanghai. Revenues also grew due to an increase in the volume of long-haul mail, which has a high unit price.



Air Transportation

# Other Transportation Services

Other Transportation Services

**Highlight**

Figure in parentheses shows change from previous fiscal year.

Other transportation services revenues . . . ¥139.0 billion (+14.4%)

We worked to increase revenues from in-flight sales as well as from aircraft maintenance and ground handling services provided to other airlines, such as passenger check-in and baggage handling. In the year under review, revenues from ANA Real Estate Co., Ltd., were transferred from the other businesses segment to the air transportation segment. As a result, revenues increased 14.4%, to ¥139.0 billion from the previous year.

Ground handling service

Catering service

# Travel Services

## Travel Services

### Highlights

Figures in parentheses show change from previous fiscal year.

Travel services revenues ...... **¥208.0 billion** (+4.3%)
Operating expenses........... **¥206.1 billion** (+5.0%)
Operating income............. **¥1.9 billion** (–40.3%)
Domestic package tours
 revenues ..................... **¥140.5 billion** (+2.8%)
International package tours
 revenues ..................... **¥45.6 billion** (+10.7%)
Other revenues................ **¥21.7 billion** (+1.6%)
ROA ........................... **3.8%** (–2.9 percentage points)

The travel services segment accounted for 12.1% of total operating revenues before eliminations.

## Overview of fiscal year ended March 2007

### Increases in Both Revenues and Customer Numbers

The travel services segment recorded increases in both operating revenues and customer numbers as tourism demand stayed firm. However, operating income declined due to fierce price competition and stepped-up investment in IT systems.

In domestic travel services, we continued to promote our *Sky Holiday* travel packages while embarking on a number of new initiatives. In a tie-up with Hato Bus Co., Ltd., we launched original excursion tours and environmental education tours to such facilities as the Toyota Shirakawa-Go Eco-Institute. In international travel services, we expanded the content of our *Hallo Tours* and generated demand through such innovations as "women-only departure days" for selected products. We continue to develop products that target demand among senior citizens, such as baby boomer couples.

Travel Services Revenues

(¥ Millions)

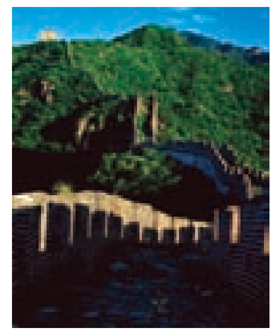
| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Domestic Package Tours Revenues | 140,570 | 136,794 | 124,650 |
| International Package Tours Revenues | 45,666 | 41,248 | 41,885 |
| Other Revenues | 21,790 | 21,450 | 23,759 |

### Strengthening Internet-Based Direct Sales Business

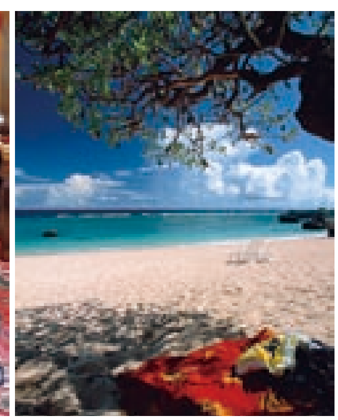
In June 2006, we launched Dynamic Package (*Tabi-Saku*), our Internet-based direct sales product for domestic travel. This service allows travelers to freely combine flights and hotel accommodation. Deployed ahead of other companies, Dynamic Package has enjoyed great success, with more than 20,000 users at the end of March 2007.

### Passenger Sales Consigned to ANA Sales Co., Ltd.

In the fiscal year under review, ANA transferred the consignment of all flight ticket sales to ANA Sales Co., Ltd. (excluding domestic corporate sales).

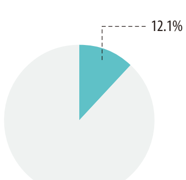


The Great Wall, China

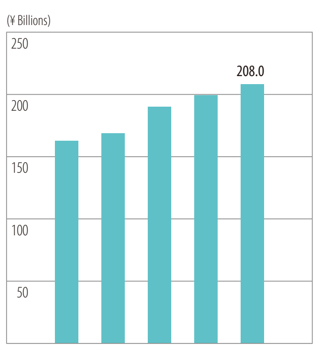


Okinawa

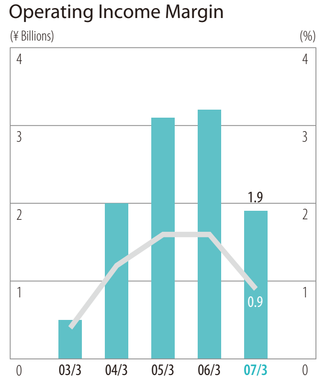
Revenues as a Percentage of Total Operating Revenues



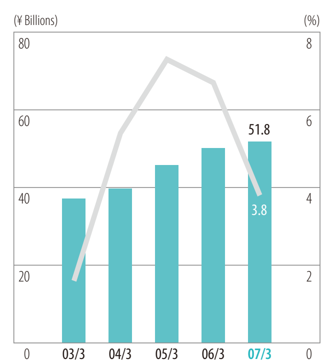

Operating Revenues




Operating Income / Operating Income Margin




Assets / ROA



# Hotel Operations

## Hotel Operations

### Highlights

Figures in parentheses show change from previous fiscal year.

| | |
|---|---|
| Hotel operations revenues | ¥66.6 billion (+0.4%) |
| Operating expenses | ¥61.4 billion (–0.5%) |
| Operating income | ¥5.2 billion (+12.7%) |
| Accommodation revenues | ¥25.8 billion (+3.7%) |
| Banquet revenues | ¥19.0 billion (+2.8%) |
| Food and beverage revenues | ¥16.6 billion (+0.3%) |
| Other revenues | ¥5.1 billion (–19.0%) |
| ROA | 3.6% (+0.1 percentage point) |

The hotel operations segment accounted for 3.9% of total operating revenues before eliminations.

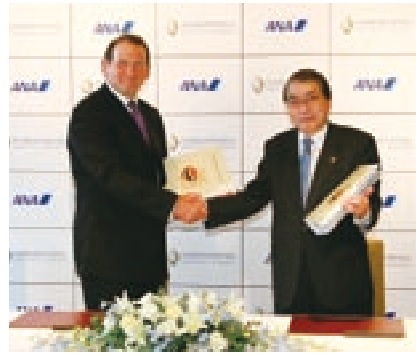
## Overview of fiscal year ended March 2007

### Establishment of IHG ANA Hotels Group Japan Joint Venture

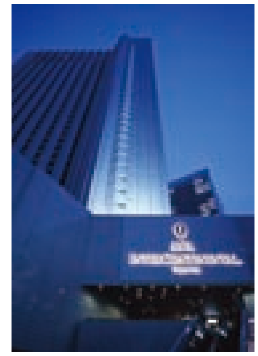
Segment operating revenues and operating income both increased, supported by steady demand throughout the year. At our flagship hotel, ANA Hotel Tokyo, rigorous yield management in accommodations boosted both capacity utilization and average room unit cost. As a result, the hotel recorded higher revenues in all segments: accommodations, banquets, and food and beverage. ANA hotels in the Okinawa resort area also posted higher operating revenues as tourism demand stayed robust.

In December 2006, we formed a joint venture with the InterContinental Hotels Group, the world's largest hotel group by number of rooms. The joint venture, IHG ANA Hotels Group Japan, will play a central role in our efforts to strengthen hotel operating functions.

On June 1, 2007, in line with the ANA Group Mid-Term Corporate Strategy (April 2006 to March 2010), ANA transferred the shares and assets of 14 subsidiary companies, including 13 directly managed hotels, outside the Group.



IHG CEO Andrew Cosslett and ANA President and CEO Mineo Yamamoto



ANA InterContinental Hotel Tokyo

IHG ANA Hotels Group Japan will continue to operate and franchise the 30 domestic hotels in its portfolio, including the 13 transferred hotels mentioned above.

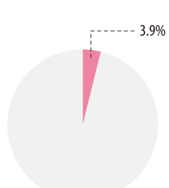
Guest service

**Hotel Operations Revenues**

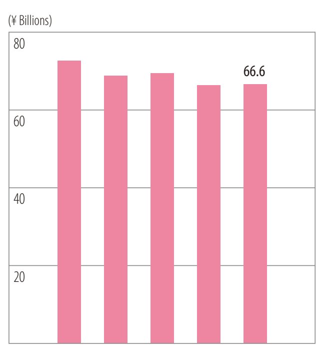
(¥ Millions)

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Accommodation Revenues | 25,804 | 24,895 | 23,483 |
| Banquet Revenues | 19,088 | 18,576 | 17,818 |
| Food and Beverage Revenues | 16,611 | 16,568 | 15,776 |
| Other Revenues | 5,134 | 6,337 | 12,421 |

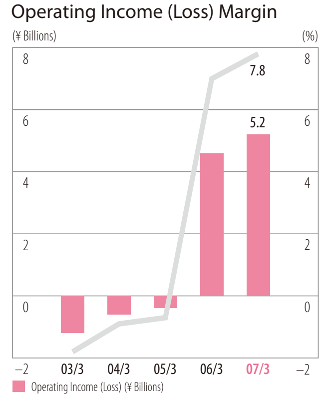
Revenues as a Percentage of Total Operating Revenues



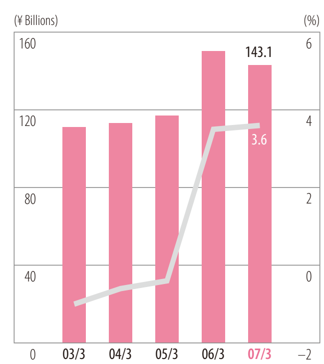

Operating Revenues




Operating Income (Loss) / Operating Income (Loss) Margin




Assets / ROA



# Other Businesses

## Other Businesses

### Highlights

Figures in parentheses show change from previous fiscal year.

Operating revenues. . . . . . . . . . . . . . . ¥196.8 billion (+3.1%)
Operating expenses. . . . . . . . . . . . . . . ¥191.2 billion (+3.9%)
Operating income. . . . . . . . . . . . . . . . . ¥5.6 billion (–17.3%)
Trading and retailing revenues . . . ¥136.7 billion (+7.7%)
Information and telecommunications
 revenues . . . . . . . . . . . . . . . . . . . . . . . . . ¥26.3 billion (+1.2%)
Real estate and building maintenance
 revenues . . . . . . . . . . . . . . . . . . . . . . . . . ¥12.5 billion (–27.5%)
Other revenues. . . . . . . . . . . . . . . . . . . . ¥21.1 billion (+2.9%)
ROA . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 4.5% (+0.2 percentage points)

The other businesses segment accounted for 11.4% of total operating revenues before eliminations.

## Overview of fiscal year ended March 2007

### Trading and Retailing Revenues

In March 2006, All Nippon Airways Trading Co., Ltd., which conducts the trading and retailing of goods, merged with ANK Trading Co., Ltd., and strengthened its sales system. In the trading division, all segments performed well, with higher transactions in electronic components leading to a considerable increase in revenues from machinery. Both the trading and retailing divisions recorded large gains in operating revenues compared with the previous fiscal year.

Other Businesses Revenues

(¥ Millions)

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Trading and Retailing Revenues | 136,795 | 126,969 | 121,920 |
| Information and Telecommunications Revenues | 26,386 | 26,067 | 25,043 |
| Real Estate and Building Maintenance Revenues | 12,553 | 17,306 | 17,391 |
| Other Revenues | 21,161 | 20,571 | 19,003 |

ANA House Tokyo (Duty free shop)

### Information and Telecommunications Revenues

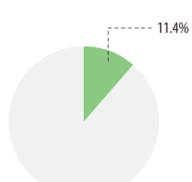
Infini Travel Information, Inc., which provides an international reservation and ticketing system to airlines and travel agencies, made good progress with its *INFINI LINX* Internet reservations tool and other strategic products. With the rebound in tourism demand for Asia, especially South Korea and China, the number of international reservation and ticketing system transactions rose sharply, resulting in higher revenues.

ANA Information Systems Planning Co., Ltd., which principally provides information systems development, maintenance, and operations services to ANA Group companies, received orders for the *SKiP* service, which will renew systems throughout the Group. It also received orders for development related to new travel system services. The maintenance and operations division received orders from ANA related to new systems, and it also provided services to companies outside the Group. As a result, information and telecommunications revenues increased.

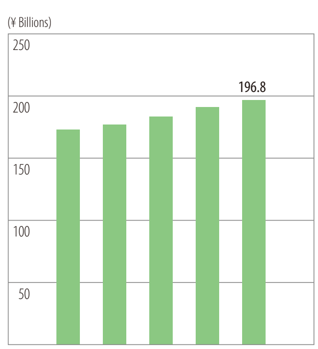
### Real Estate and Building Maintenance Revenues

The general real estate leasing operations of ANA Real Estate Co., Ltd., were sold to a company outside the ANA Group in March 2006, which resulted in a decline in real estate and building maintenance revenues.

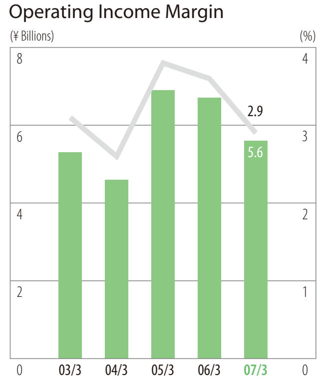
Revenues as a Percentage of Total Operating Revenues




Operating Revenues




Operating Income / Operating Income Margin




Assets / ROA