

ANA reports consolidated financial results for the interim of FY2006

1. Consolidated financial highlights for the period ended September 30, 2006

(1) Summary of consolidated operating results					Yen (Millions)
	Interim FY2006 Apr.1 - Sep.30	Year on year (%)	Interim FY2005 Apr.1 - Sep.30	Year on year (%)	FY2005 Apr.1 - Mar.31
Operating revenues	752,873	9.0	690,922	4.8	1,368,792
Operating income (loss)	68,781	(1.2)	69,587	16.4	88,802
Recurring profit (loss)	57,993	(2.4)	59,422	11.9	66,755
Net income (loss)	33,290	68.8	19,723	(34.0)	26,722
Net income (loss) per share	17.10yen		11.67yen		15.64yen
Diluted net income per share	-		11.67yen		15.64yen
Gain (loss) on equity method	65		(1,233)		(1,335)
Average number of shares of outstanding during the period (consolidated)	1,947,347,666		1,689,393,566		1,708,031,488

Note: Changes in the accounting policy during the period: None

(2) Summary of consolidated financial positions				Yen (Millions)
	Interim FY2006 As of Sep.30	Interim FY2005 As of Sep.30	FY2005 As of Mar.31	
Total assets	1,639,483	1,633,975	1,666,843	
Shareholders' equity	401,689	237,041	346,309	
Shareholders' equity ratio	24.0%	14.5%	20.8	
Shareholders' equity per share	202.15yen	140.34yen	177.89yen	
Number of shares of outstanding at balance sheet date (consolidated)	1,948,096,306	1,689,055,313	1,946,747,897	

(3) Summary of consolidated cash flows				Yen (Millions)
	Interim FY2006 Apr.1 - Sep.30	Interim FY2005 Apr.1 - Sep.30	FY2005 Apr.1 - Mar.31	
Cash flows from operating activities	113,871	86,457	128,525	
Cash flows from investing activities	(35,551)	(40,151)	(46,449)	
Cash flows from financing activities	(83,805)	(37,090)	(3,137)	
Cash and cash equivalents at the end of the period	237,175	173,081	242,785	

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 98

Number of non-consolidated subsidiaries accounted for by the equity method: 5

Number of affiliates accounted for by the equity method: 18

(5) Change of scope of consolidation and application of the equity method

	Consolidation	Equity method
Newly added	3	-
Excluded	3	-

2. Forecast of consolidated operating results for the period ending March 31, 2007

	Yen (Millions)
Operating revenues	1,450,000
Recurring profit (loss)	47,500
Net income (loss)	27,000

Note: Forecast of net income per share: 13.86yen

This forecast is made based on (1) the information available to ANA as of the date of publication of this material and (2) assumptions as of the same date with respect to the various factors which might have impact on the future financial result of ANA. The reader should be aware that actual results could differ materially due to various factors with reference to the supporting data.

1. The ANA Group

The ANA Group comprises 129 subsidiaries and 44 affiliates. Of those companies, 98 are consolidated subsidiaries and 18 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 September 30, 2006 Operational segment	No. of subsidiaries	of which,		No. of affiliates	of which,
		consolidated	equity method		equity method
Air Transportation	38	36	–	6	4
Travel Services	9	9	–	2	1
Hotel Operations	20	19	–	1	1
Other Businesses	62	34	5	35	12
Group Total	129	98	5	44	18

Air Transportation

The ANA Group's air transportation operations and other aircraft operations are centered on All Nippon Airways Co., Ltd.; subsidiaries Air Nippon Co., Ltd. (ANK), and Air Japan Co., Ltd. (AJX). Air transportation principally comprises the provision of passenger, cargo, and mail air transportation. Incidental operations include airport customer services, telephone reservation and information services, and the maintenance of ANA's aircraft and are provided by International Airport Utility Co., Ltd., ANA TELEMART Co., Ltd., ANA Aircraft Maintenance Co., Ltd., and other companies. Airport passenger handling, and 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 Co., Ltd. These operations mainly comprise the development and sale of products that use the air transportation services of ANA or ANK and accommodation at ANA hotels. Overseas, ANA Sales 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 & Resorts Co, Ltd., develop and operate hotels by providing 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 Logistics Services Co., Ltd., operates warehouse for imported air cargo. All Nippon Airways Trading Co., Ltd., and others conduct operations centered primarily on the import of airline-related materials and on sales through stores and catalogs. Affiliate Jamco Corporation and others provide the maintenance of aircraft equipment. All Nippon Airways Co., Ltd., and ANA Group subsidiaries and affiliates are customers for these products and services.

2. Management Policy

(1) Keynote

While placing top priority on safety, we will aim to win the confidence of customers and shareholders by raising the quality of our air transportation services and by drastically boosting ANA Group profits.

(2) Medium- and Long-Term Corporate Strategies

To prepare for the heightened competition expected following the expansion of Haneda Airport in 2009, and to achieve our goal of "becoming one of the leading corporate groups in Asia with air transportation business as its core," as stated in the ANA Group Corporate Vision, we formulated the "ANA Group Mid-Term Corporate Strategy (FY2006–FY2009)" in January. Under this strategy, we have positioned international passenger operations and cargo as the engines of our growth; various measures are

underway to increase revenues and profits. We will continue to strengthen our business and endeavor to realize the ANA Group Corporate Vision by implementing the following action plans.

1) Cost Competitiveness Surpassing That of Rivals

To adapt to the post-Haneda business environment and further control costs, both direct and indirect, we will continue to promote strategies pertaining to our fleet, human resources, alliances and other areas. The goal is a cost-competitiveness superior to that of our competitors, thereby ensuring a stable earnings base even in the face of soaring fuel costs.

2) Enhanced Competitiveness in Marketing and Sales

In addition to maintaining and enhancing the quality of our services, we are striving to enhance our brand value as well as our competitiveness in marketing and sales, aiming to establish “sustainable competitiveness” in a way that other companies cannot easily imitate. The key phrases here are “simple and convenient” and “focus on the individual.” Our main themes during the first half period are as follows:

- Domestic Air Transport Operations

In addition to promoting the new “Tabiwari” airfare introduced on all routes starting April, in September we launched “Skip Service,” a new check-in-free boarding style, to further enhance convenience.

- International Air Transport Operations

The supply-demand balance for the Kansai-Qingdao and Kansai-Xiamen routes was optimized by deploying smaller aircraft and increasing the number of flights. In addition, upon moving to the new terminal at Narita Airport, where our main Star Alliance partners are also located, we were able to greatly shorten connection times to Alliance flights.

Further, in line with our “partner hub strategy” and “measures to improve profitability on our Asian routes,” starting with the winter 2006 schedule, we resumed Narita-Chicago service, made Narita-Singapore flights twice daily, and increased Narita-Taipei flights. On our China routes as well, we will increase the frequency of Narita-Xiamen and Narita-Qingdao flights to daily and use smaller aircraft; Nagoya Centrair-Tianjin service will launch during the winter 2006 schedule pending the outcome of Japan-China aviation talks.

- Cargo & Mail Services

Cargo services by ANA & JP Express Co., Ltd., formed through our joint venture with Japan Post and others, started in August. In October, following the introduction of our fourth dedicated freighter, we expanded our cargo operations, including into North America, and increased cargo flights on China routes.

3) Strategy for Other Businesses

As part of our hotel chain restructuring, we sold the Okinawa Royal View Hotel (Motobucho, Okinawa) and Kumejima Eef Beach Hotel (Kumejimacho, Okinawa). The total number of ANA hotels is now 33 (31 in Japan and 2 overseas). Furthermore, on October 23, 2006, we entered into a joint venture with InterContinental Hotels Group, a leading worldwide chain, to further strengthen operations.

(3) Parent company

Not applicable.

3. Corporate Performance & Financial Condition

(1) Overview of the Interim Period

During the interim period, ongoing improvement in corporate performances led to continued growth in capital investment. Although challenges remained, the employment situation showed improvement, and consumer spending continued to increase gradually. Overall, business conditions remained on a recovery track, and the outlook is for continued improvement in business conditions, with support from private-sector demand. Nonetheless, there are still some uncertain factors in international markets, and while there are signs of stabilization in some domestic market sectors, crude oil prices remain at record high levels, and those prices are beginning to affect a wide range of industries. The future course of business conditions remains uncertain.

In this environment, the ANA Group's consolidated business performance in the interim period was as follows: operating revenues of ¥752.8 billion (up 9.0% year-on-year), operating income of ¥68.7 billion (down 1.2%), recurring profit of ¥57.9 billion (down 2.4%), and net income of ¥33.2 billion (up 68.8%). The increase in net income was attributable to an improvement in extraordinary loss from the previous interim period, when impairment loss was recorded.

On a non-consolidated basis, operating revenues were ¥648.8 billion (up 9.5%), operating income was ¥57.5 billion (down 3.3%), recurring profit was ¥46.8 billion (down 9.6%), and net income was 26.1 billion (down 6.2%).

• Air Transportation

The Group recorded continued growth in passenger revenues due to higher passenger demand, principally business demand, against a background of strong economic conditions.

In addition to these demand trends, as a result of the revision of domestic fares and the revision of fuel surcharges on international flights, the Group's air transportation operating revenue rose 9.8% from the same period of the previous year, to ¥629.3 billion. With fuel prices recording continued increases, the Group worked to optimize the demand-supply balance and reduce flight operating costs in order to minimize the influence of the higher fuel prices. Nonetheless, operating income declined 3.1%, to ¥60.7 billion.

Domestic Passenger Services

Domestic passenger operations were comparatively strong throughout the interim period as a result of successful efforts to secure business demand against a background of favorable corporate performance in Japan.

There were no special factors driving tourism demand, such as the Expo 2005 Aichi Japan that supported demand in the previous year. Nonetheless, the Group conducted aggressive promotions, introducing new discount passenger fares known as "Tabiwari" in April 2006 and taking steps to create individual demand. As a result, the Group was able to steadily support demand.

ANA continued to make full use of its FAM (Fleet Assignment Model), a system for optimal aircraft allocation that ANA introduced on a full-scale basis in fiscal 2004, ahead of the Company's competitors. In addition, by increasing operating system efficiency on a Groupwide basis, including Air Next, which began

operations in the previous year, the Group worked to raise profitability and make further reductions in flight operating costs.

The number of passengers on domestic routes was up 0.5% from the previous interim period, to 23.39 million. Due to a fare revision implemented in April, the unit price continued to increase, and domestic passenger revenues were up 5.3%, to ¥372.9 billion.

Domestic Cargo and Mail Services

In domestic cargo, demand increased accompanying the recovery in business conditions, and the volume of cargo carried by competitors on competitive routes declined. ANA recorded a strong performance in cargo operations. Late-night scheduled flights were commenced on the Haneda-Kansai and Nagoya Centrair-Saga routes in February, and on existing routes, the number of flights canceled due to typhoons was less than in the same period of the previous year. Overall, cargo volume and revenues increased.

In mail, volume and revenue both recorded substantial increases.

As a result, cargo volume in the interim period was up 6.4% from the same period of the previous year, to 223 thousand tons, and operating revenues rose 4.2%, to ¥15.1 billion. Mail volume rose 9.5%, to 44 thousand tons, and operating revenues rose 15.6%, to ¥4.5 billion.

International Passenger Services

As with domestic service, international passenger service enjoyed strong conditions throughout the year.

International demand remained firm, centered on business demand. In addition, the effects of the previous year's anti-Japan demonstrations in China were shaken off, and tour demand improved from the same period of the previous year.

In this setting, we worked to match supply to demand, downsizing aircraft and increasing flights. Also, to steadily secure strong business demand, we completed the introduction of *New Style Club ANA* on North American routes, and we worked to further increase on-board comfort. By operating charter flights to meet demand associated with the World Cup in Germany and aggressively implementing promotions--the individual discount fare *Eco Wari* and the *Live/China/ANA* China campaign--we steadily secured demand.

As a result, the number of passengers on international routes in the interim period rose substantially from the same period of the previous year, up 12.0%, to 2.23 million. In addition, due to the revision of the special fuel surcharge in March, unit price increased, leading to an increase of 20% in international passenger revenues, to ¥138.2 billion.

International Cargo and Mail Services

In international cargo, demand was strong on outbound flights on European and North American routes, and our results were favorable. On Asian routes where we operate cargo freighter flights, economic slowdown accompanying higher fuel prices and currency fluctuations had an adverse influence, but we were able to secure improved results from the previous year. On China-bound flights, volume was sluggish due to the use of smaller aircraft.

On inbound flights, unseasonable weather in North America led to a decline in fresh cargo, and

accompanying higher fuel prices and currency fluctuations, demand for exports from Asian countries was slack. Also, competition intensified in the China market due to an increase in supply. Overall, inbound volume did not increase.

In terms of aircraft, we introduced our second and third Boeing 767 cargo freighters, and shifted to B777 aircraft, which have substantial cargo space. As a result, we successfully increased capacity, and our results improved from the same period of the previous year.

In mail, we recorded increases in volume and revenues on both inbound and outbound flights.

As a result, in the interim period cargo volume was up 8.5% from the same period of the previous year, to 127 thousand tons, and revenues increased 11.5%, to ¥28.5 billion. Mail volume rose 9.1%, to 7 thousand tons, and revenues increased 16.6%, to ¥1.6 billion.

Other Businesses

As a result of efforts to increase revenues from in-flight sales as well as from aircraft maintenance and ground services provided to other airlines, such as passenger check-in and baggage handling, operating revenue rose 16.9%, to 68.2 billion.

Changes in Fleet Composition

The following changes took place in the ANA Group's fleet composition during the fiscal year ended March 2006

Boeing 777-300R

- 1 leased in April 2006
- 1 purchased in June 2006
- 1 purchased in September 2006

Boeing 777-200

- 1 returned in April 2006
- 1 purchased in April 2006 (1)
- 1 purchased in May 2006
- 1 returned in June 2006
- 1 purchased in June 2006 (1)
- 1 leased in July 2006
- 1 leased in August 2006

Boeing 767-300F

- 1 leased in September 2006

Airbus A321-100

- 1 returned in July 2006
- 1 returned in September 2006

Airbus A320-200

- 1 returned in April 2006

- 1 leased in April 2006 (2)

Boeing 737-700

- 1 purchased in June 2006
- 1 purchased in July 2006

Bombardier DHC-8-400

- 1 leased in September 2006

DeHavilland DHC6-300

- 1 sold in April

Notes:

(1) Purchased after lease termination

(2) ANA-owned, leased after sale

• **Travel Services**

In the travel services segment, there were no major domestic events, such as the previous year's Expo 2005 Aichi Japan, but we benefited from the spacing of holidays during the May "Golden Week" of successive national holidays. Against a background of favorable consumer spending, travel demand was solid, and domestic and international travel services revenues increased from the same period of the previous year.

New offerings included the start of "*Let's Go, Couples Travel.*" With a focus on couples, we worked to develop demand among senior citizens. We also bolstered our Internet-based, direct sales business for the public and strengthened our sales initiatives for the "*Dynamic Package*" that enables travelers to freely combine flights and hotel accommodations.

As a result, operating revenues in travel services increased by 4.7% from the same period of the previous year, to ¥109.0 billion. Due to increased procurement prices due to higher fuel prices and to intensified competition with other companies, operating income declined 7.2%, to ¥2.4 billion.

• **Hotel Operations**

In hotel operations, with support from strong consumer spending, operating revenues and operating income both increased from the same period of the previous year. Accommodation, food and beverage, and catering all recorded improved results, especially at the flagship ANA Hotel Tokyo. In accommodation, rigorous yield management resulted in improved occupancy rates and average room rates.

At Okinawa resort hotels, with support from continued strong travel demand, operating revenues and operating income both recorded year-on-year increases.

In the interim period, from the viewpoint of hotel chain reorganization, the Okinawa Royal Beach Hotel (Motobu-cho, Okinawa Prefecture) and the Kumejima Beach Hotel (Kumejima-Islands, Okinawa Prefecture) were transferred outside the ANA Group.

As a result, we continued to earn a profit in hotel operations during the interim period. Operating revenues

rose 3.5%, to ¥33.4 billion, and operating income was up 224.8%, to ¥3.1 billion.

• Other Businesses

Infini Travel Information, Inc., which provides an international flight reservation and ticketing system for airlines and travel agencies, made solid progress with the market development of INIFINI LINX, a new reservations tool. The trend in outbound passengers was favorable, and Infini Travel Information's revenues and profits increased.

All Nippon Airways Trading Co., Ltd., which conducts trading and retailing, reported substantially increased sales compared with the previous year, thanks to strong demand for air transportation, around which its activities are based. As a result, revenues and profits were both favorable.

ANA Information Systems Planning Co., Ltd., which principally provides information systems development, maintenance, and operations services to ANA and other Group companies, generated additional revenues as it began to provide services to companies outside the Group and conducted development activities accompanying the start of new services for the travel related systems of Group companies. Overall, revenues increased from the same period of the previous year.

In the previous term, the general real estate leasing operations of ANA Real Estate Co., Ltd., were sold. As a result, ANA Real Estate's operating revenue and operating income declined.

As a result of these efforts, operating revenues in other businesses rose 7.2%, to ¥99.5 billion, due in part to the strong performance of All Nippon Airways Trading, while operating income declined 19.8%, to ¥2.3 billion.

(2) Cash Flows

Net cash provided by operating activities was ¥113.8 billion, which was associated with income before income taxes and minority interests of ¥56.8 billion, non-cash items such as depreciation and amortization and impairment loss, and receivable and payable trade accounts.

Cash used in investing activities mainly comprised advance payments for the acquisition of aircraft and parts and for new aircraft, while cash provided by investing activities included proceeds from sale of aircraft and investments in securities and proceeds from collection of loans. As a result, net cash used in investing activities amounted to ¥35.5 billion. Free cash flow was a net inflow of ¥78.3 billion.

In financing activities, the Company repaid debt, redeemed bonds, and paid dividends while raising funds through proceeds from long-term debt. As a result, net cash used in financing activities totaled ¥83.8 billion.

As a result, cash and cash equivalents at the end of the fiscal year decreased ¥5.6 billion from the previous fiscal year-end, to ¥237.1 billion.

(3) Operating Risks

The following risks could have a significant effect on the judgment of investors in the ANA Group. Further,

the forward-looking statements in the following section are the ANA Group's judgments as of the end of the consolidated fiscal year under review.

1) Risks related to crude oil price fluctuations

The price of jet fuel comprises such expenses as the cost of importing, refining, and transporting crude oil and customs tariffs. Among those costs, the cost of importing crude oil accounts for approximately **75%** of the price of jet fuel. Consequently, if the price of crude oil increases, the price of jet fuel will increase, leading to a significant burden for the Company. Accordingly, to control the risk of fluctuations in the price of jet fuel and to stabilize jet fuel expenses, ANA hedges risks using crude oil and jet fuel commodity derivatives in planned, continuous hedging transactions for specific periods of time. 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. Currently, the price of crude oil remains at a high level. The Group's fuel expense and fuel tax in the first-half period under review reached ¥109.2 billion (increase of ¥25.2 billion from the same period last year), which represents 16.0% of operating expenses. Given the limitations of the Company's current efforts to offset high crude oil prices through cost reductions and higher fares and charges, prolonged high crude oil prices could significantly affect the Company's performance.

2) Risks related to foreign exchange rate fluctuations

Because purchases of jet fuel, which accounts for a significant share of the Company's expenses, are conducted in foreign currencies, the depreciation of the yen will have a significant effect on the Company's profits. Accordingly, to the greatest extent possible, foreign currency taken in as revenue is used to pay expenses denominated in the same foreign currency, thereby minimizing foreign exchange rate fluctuation risks. In addition, for obligations to purchase jet fuel, the Company uses forward exchange agreements and currency options to limit the risk of fluctuations in foreign exchange rates and to stabilize and control payment amounts.

3) Risks related to the international situation

Due to the outbreak of the Iraq war and SARS in 2003, there was a significant adverse influence on air transportation and travel operations, especially on international routes, and in the previous fiscal year these events had the effect of reducing revenues by more than ¥30.0 billion. The occurrence of wars, missile launches by North Korea, large-scale terrorist attacks, or outbreaks of contagious diseases could significantly affect the Company's performance. In its international operations, the Group is currently expanding its routes, principally to China, which now accounts for about 20% of revenues. Issues relating to textbooks, territorial boundaries, and Japan's bid to become a permanent member of the Security Council that occurred in the previous fiscal year triggered anti-Japan demonstrations in China. Since then, the situation has calmed and tourism has recovered. In the future, anti-Japan demonstrations or outbreaks of such contagious diseases as a new strain of influenza, regarding which there is currently concern, could significantly affect the Group's performance.

4) Risks related to statutory regulations

As an airline operator, the Group undertakes operations based on the stipulations of statutory regulations relating to airline operations. Further, the Group is required to conduct passenger operations and cargo operations on international routes in accordance with the stipulations of international agreements

including treaties, bilateral agreements, and the decisions of IATA (International Air Transport Association). Further, the Group's operations are constrained by Japanese Antitrust Law and similar laws and regulations in other countries with regard to the pricing of fares and charges.

5) Risks related to fleet strategy

In air transportation operations, the Group is pursuing a fleet strategy centered on using medium- and small-sized aircraft, standardizing aircraft models, and introducing highly economical aircraft. However, measures related to fleet strategy could prove ineffective due to the factors given below. Further, the expected benefits of the fleet strategy may diminish significantly.

1. Dependence on The Boeing Company

In accordance with its fleet strategy, the Company has ordered 120 aircraft, of which almost all, 117 aircraft, have been ordered from Boeing. Therefore, if Boeing was unable to perform agreements between Boeing and the Company due to financial or other issues, the Group would be unable to acquire aircraft in accordance with its fleet strategy. Such eventualities could significantly affect the Group's performance.

2. Increase in the cost of raising funds

The Company acquires aircraft through bank loans and bond issuance as well as through leasing. However, the cost of raising funds could increase due to changes in the tax system or to reorganization of governmental financial agencies that made it difficult or impossible to raise funds on terms advantageous to the Company. Such eventualities could significantly affect the Group's performance.

6) Risks relating to public-sector fees

Public-sector fees include landing and navigation fees and other airport usage fees. In the year under review, airport usage fees for the ANA Group totaled ¥100.4 billion, or 7.9% of operating expenses. The government has implemented a policy to reduce landing fees, which had the effect of reducing these fees by about ¥12 billion in the year under review. However, in **FY2004** landing fees at Osaka (Itami) Airport were increased, and a portion of the reduction measures for Haneda Airport were cut back, and it is possible that similar measures could be implemented in the future.

7) Risks relating to environmental regulations

In recent years, regulatory authorities in Japan and other countries have introduced numerous statutory regulations addressing such issues as aircraft noise and emissions, the usage of hazardous materials, and environmental pollution. The Group shoulders a considerable cost burden in order to adhere to such statutory regulations. However, the Group may have to shoulder a large additional cost burden if current regulations are strengthened or if new regulations such as environmental taxes are introduced.

8) Risks relating to competition

The possibility of an increase in costs related the Group's air transportation operations due to such factors as jet fuel expenses, the cost of raising funds, and responses to environmental regulations cannot be denied. If such costs increase, in order to secure income, it is necessary for the Group to reduce indirect fixed costs, reduce costs by enhancing efficiency through the standardization of aircraft types, and pass on costs to fares and charges. However, because the Group is in competition with other airlines in Japan and overseas as well as with alternative forms of transportation, such as the Shinkansen (bullet train), on certain routes, passing on costs could diminish competitiveness and lead to the loss of customers to competitors. Further, because price competition with competitors greatly restricts the passing on of costs, an increase in costs could affect the Group's performance.

9) Risks relating to ineffective joint ventures and strategic alliances

1. Alliance with Japan Post in the field of international logistics

In October 2005, the Company concluded an agreement with Japan Post on a strategic alliance in the field of international logistics that will include international cargo operations and international mail operations. Based on that agreement, the Company established the cargo airline ANA&JP Express Co., Ltd. in February 2006 and started operations in August. There is no guarantee that the strategic alliance will generate the profits that the Company expects. Further, if the strategic alliance is dissolved, the Group will be forced to review its strategies for international cargo operations and international mail operations, which could affect the Group's performance.

2. Star Alliance

Through its membership of Star Alliance, the Company enjoys a variety of benefits, including the sale of tickets to the customers of alliance partners and heightened name recognition outside Japan. However, the benefits of Star Alliance membership would diminish if a major alliance partner quit the alliance or if Star Alliance was ordered to dissolve or to reduce the extent of its activities based various countries antitrust laws. Such eventualities could significantly affect the Group's performance.

10) Risks relating to flight operations

1. Aircraft accidents etc.

An aircraft accident would give rise to significant expenses associated with the repair or replacement of aircraft, compensation for damages, and other items. Although such direct expenses would be largely met by aviation insurance, a medium-to-long term downturn in aviation demand immediately following an accident could significantly affect the Group's performance. Further, a major accident involving a code-share flight or a competitor could similarly lead to a reduction in aviation demand that could affect the Group's performance.

2. Technical circular directives etc.

If an issue arises that significantly compromises the safety of an aircraft, in accordance with the law, the Minister of Land, Infrastructure and Transport issues a technical circular directive. In some cases, operations of the same type of aircraft are not permitted until the aircraft's safety has been confirmed. Further, even when the law does not require issuance of a technical circular directive, in some cases, where safety cannot be confirmed, operation of the same type of aircraft is voluntarily suspended in accordance with in-house regulations. The occurrence of such a situation could significantly affect the Group's performance.

11) Risks relating to leakages of customer information

The Group holds a huge amount of information relating to customers, such as the information relating to approximately 15.1 million members (as of September 30, 2006) of the ANA Mileage Club. The full enactment of the Personal Information Protection Law on April 1, 2005, increases the stringency required for the proper management of such personal information. The Group undertakes adequate measures to ensure information security. However, a large leakage of personal information caused by unauthorized access or some other factor could lead to significant expenses arising from damages compensation and to loss of public confidence, which could significantly affect the Group's performance.

12) Risks relating to disasters

The Group's data center is located in the Tokyo area, while the operational control for all of the Group's domestic and international flights is conducted at Haneda Airport. Further, more than 60% of the Group's

passengers on domestic routes use Haneda Airport. As a result, a major disaster, such as an earthquake, in the Tokyo area or a disaster, such as a fire, at the above mentioned facilities could lead to a long-term shutdown of the Group's information systems or operational control functions that could significantly affect the Group's performance. Further, the long-term closure of an airport due to an earthquake, a typhoon, or snow would lead to the suspension of flight arrivals and departures at that airport during the period of closure, which could affect the Group's performance.

13) Risks relating to information systems

Air transportation operations are highly dependent on information systems, using them for such operationally critical functions as reservations and sales, boarding procedures, operational control, and operational management. The failure of one of those systems or the failure of telecommunications networks would make it difficult to maintain operations and would result in a loss of public confidence, which could affect the Group's performance.

14) Risks relating to asset impairment

From April 2005, the Group introduced asset impairment accounting. In the previous fiscal year, the Group recorded an extraordinary loss of ¥20.4 billion. However, if the profitability of various operations deteriorates, the Group may be required to recognize further asset impairment losses in the future.

(4) Basic Policy for the Allocation of Profits

ANA places a high priority on working to secure a stable operating foundation while providing a return to shareholders. Allocation of profits is based on a comprehensive consideration of the management environment and performance trends.

Under the ANA Group Mid-Term Corporate Plan (FY2006-2009), the Company will strive not only to maintain a stable operational foundation but also to achieve new profit growth targeting the re-extension of Haneda Airport in FY2009. Currently, we are making progress in line with our plans, but to record continued growth, we must build internal reserves and reinforce our financial position, and as a result we plan to maintain dividends at ¥3 per share.

(5) Fiscal Year 2006, Ending March 31, 2007 – Forecast

In the second half of the fiscal year ending March 31, 2007, Japan's economic recovery is expected to support continued improvements in corporate earnings and employment, and incomes are also expected to increase. As a result, consumer spending is likely to increase. However, the unstable international situation or upward pressure on demand resulting from increased global fuel consumption could put pressure on the crude oil demand-supply balance. As a result, there is cause for concern that crude oil prices will remain at a high level in the second half of the fiscal year and thereafter due. We expect the operating environment to remain challenging in the second half of the fiscal year.

In domestic passenger services, we anticipate growth in consumer spending due to recovery in domestic business conditions, and the range of measures that we have implemented targeting enhanced competitiveness will also make a contribution. As a result, we expect demand to increase, centered on individual travelers, and higher unit prices stemming from fare revisions. Operating revenues are expected to exceed initial forecasts.

In international passenger services, we anticipate continued strength in individual demand, centered on business travelers, and solid tour demand. Increased flights in the second half of the year and the effects of the special fuel surcharge revision should lead to operating revenues that exceed initial forecasts.

In cargo operations, we anticipate improved volume year-on-year, with operating revenues exceeding initial forecasts,, centered on air cargo.

We continue to implement a range of measures targeting enhanced cost-competitiveness, but the substantial increase in fuel prices, the higher depreciation expenses stemming from the aggressive introduction of new aircraft, and higher sales related expenses resulting from the increase in passenger numbers will lead to operating expenses that exceed initial forecasts.

The forecasts assume an exchange rate of ¥115 to the U.S. dollar; a market price for Dubai crude oil—an indicator of jet fuel prices—of US\$68 per barrel, and a price for Singapore kerosene of US\$88 per barrel.

• **Profit Forecast**

Unit: ¥billion

	FY 2007/3 Forecast as of Oct. 31		FY 2007/3 Forecast as of Apr. 28	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Operating revenues	1,450.0	1,260.0	1,420.0	1,230.0
Operating income	76.0	62.0	76.0	62.0
Recurring profit	47.5	37.5	47.5	37.5
Net income	27.0	22.5	27.0	22.5

• **Balance of interest-bearing debt**

Unit: ¥billion

	Interim Period (actual)	
	Consolidated	Non-consolidated
Balance of interest-bearing debt	767.0	734.7
Lease obligations	299.8	289.4

(1) Consolidated Balance Sheets

	Yen(Millions)			
Assets	Interim FY2006 As of Sep.30	FY2005 As of Mar.31	Difference	Interim FY2005 As of Sep.30
Current assets	499,286	530,374	(31,088)	469,725
Cash and deposits	234,096	234,461	(365)	173,239
Trade accounts receivable	123,273	113,316	9,957	115,075
Marketable securities	3,829	24,645	(20,816)	15,374
Inventories	62,154	57,915	4,239	56,965
Deferred tax assets	12,381	23,561	(11,180)	31,455
Other	63,811	76,720	(12,909)	77,807
Allowance for doubtful accounts	(258)	(244)	(14)	(190)
Fixed assets	1,139,424	1,135,463	3,961	1,163,660
[Tangible fixed assets]	[933,564]	[927,409]	6,155	[964,254]
Buildings and structures	162,530	165,693	(3,163)	179,210
Aircraft	536,319	492,358	43,961	497,070
Land	97,301	97,899	(598)	128,549
Construction in progress	104,619	139,617	(34,998)	127,630
Other	32,795	31,842	953	31,795
[Intangible fixed assets]	[42,376]	[41,850]	526	[34,983]
[Investments and others]	[163,484]	[166,204]	(2,720)	[164,423]
Investment securities	63,727	60,854	2,873	54,820
Deferred tax assets	38,899	42,780	(3,881)	48,933
Other	62,027	63,735	(1,708)	64,947
Allowance for doubtful accounts	(1,169)	(1,165)	(4)	(4,277)
Deferred assets	773	1,006	(233)	590
Total assets	1,639,483	1,666,843	(27,360)	1,633,975
Liabilities				
Current liabilities	464,213	480,848	(16,635)	554,059
Trade accounts payable	187,131	170,729	16,402	143,836
Short-term loans	5,950	8,690	(2,740)	16,467
Current portion of long-term debt	74,675	95,748	(21,073)	113,064
Current portion of bonds payable	45,000	45,000	-	85,000
Accrued bonuses to employees	19,177	14,117	5,060	17,636
Other	132,280	146,564	(14,284)	178,056
Long-term liabilities	773,581	832,554	(58,973)	834,668
Bonds payable	195,000	240,000	(45,000)	220,000
Long-term debt payable	446,414	456,879	(10,465)	471,696
Accrued employees' retirement benefits	110,910	107,377	3,533	112,493
Other	21,257	28,298	(7,041)	30,479
Total liabilities	1,237,794	1,313,402	(75,608)	1,388,727
Minority interests	-	7,132	(7,132)	8,207
Shareholders' equity				
Common stock	-	160,001	-	111,501
Capital surplus	-	125,605	-	77,890
Earned surplus	-	52,697	-	45,698
Unrealized gains on securities	-	9,410	-	6,254
Foreign currency translation adjustment	-	(376)	-	(795)
Treasury stock	-	(1,028)	-	(3,507)
Total shareholders' equity	-	346,309	-	237,041
Total liabilities, minority interest and shareholders' equity	-	1,666,843	-	1,633,975
Net assets				
Shareholders' equity	365,194			
Common stock	160,001	-	-	-
Capital surplus	125,711	-	-	-
Earned surplus	80,140	-	-	-
Treasury stock	(658)	-	-	-
Evaluation and exchange adjustments	28,612			
Unrealized gains on securities	8,785	-	-	-
Deferred hedge gains	20,508	-	-	-
Foreign currency translation adjustment	(681)	-	-	-
Minority interests	7,883	-	-	-
Total Net assets	401,689	-	-	-
Total liabilities, minority interest and Net assets	1,639,483	-	-	-

Note:

	Yen (Millions)		
	Interim FY2006 As of Sep.30	FY2005 As of Mar.31	Interim FY2005 As of Sep.30
Accumulated depreciation	861,269	841,944	867,937
Contingent liabilities	907	164	183

(2) Consolidated Statements of Income (Loss)

	Yen (Millions)			
	Interim FY2006 Apr.1 - Sep.30	Interim FY2005 Apr.1 - Sep.30	Difference	FY2005 Apr.1 - Mar.31
Operating revenues and expenses				
Operating revenues	752,873	690,922	61,951	1,368,792
Operating expenses	544,150	495,318	48,832	1,017,117
Sales, general and administrative expenses	139,942	126,017	13,925	262,873
Operating income	68,781	69,587	(806)	88,802
Non-operating income and expenses				
Non-operating income	6,981	8,221	(1,240)	14,476
Interest income	2,788	2,198	590	3,694
Dividend income	1,383	820	563	987
Equity in gain of affiliates	65	-	65	-
Foreign exchange gain	855	191	664	1,774
Other	1,890	5,012	(3,122)	8,021
Non-operating expense	17,769	18,386	(617)	36,523
Interest expense	9,953	10,706	(753)	20,172
Equity in loss of affiliates	-	1,233	(1,233)	1,335
Other	7,816	6,447	1,369	15,016
Total recurring profit	57,993	59,422	(1,429)	66,755
Extraordinary gains and losses				
Extraordinary gains	2,245	7,166	(4,921)	23,311
Gain on sales of fixed assets	108	809	(701)	1,702
Gain on sales of investment securities	427	4,711	(4,284)	18,632
Other	1,710	1,646	64	2,977
Extraordinary losses	3,378	21,928	(18,550)	37,633
Loss on sales of fixed assets	182	387	(205)	572
Loss on disposal of fixed assets	952	2,957	(2,005)	3,566
Impairment loss	-	17,618	(17,618)	20,451
Special retirement benefit	96	63	33	4,373
Loss on sale of investment securities	315	-	315	1
Valuation loss on investment securities	78	751	(673)	751
Other	1,755	152	1,603	7,919
Net income before taxes	56,860	44,660	12,200	52,433
Corporate, inhabitant and enterprise tax	21,080	32,566	(11,486)	20,935
Deferred taxes	1,920	(5,642)	7,562	5,955
Minority interests	570	(1,987)	2,557	(1,179)
Net income	33,290	19,723	13,567	26,722

(3) Consolidated statements of surplus and changes in Net assets

	Yen (Millions)	
	Interim FY2005 Apr.1 - Sep.30	FY2005 Apr.1 - Mar.31
Capital surplus		
Capital surplus at the beginning of period	73,676	73,676
Increase in surplus	4,213	52,339
Increase resulting from issuance of new stock	-	48,130
Increase resulting from disposal of treasury stock	4	-
Increase resulting from issuance of new stock by execution of convertible bonds	4,208	4,208
Decrease in surplus	-	410
Decrease resulting from purchase of treasury stock	-	410
Capital surplus at the end of period	77,890	125,605
Earned surplus		
Earned surplus at the beginning of period	31,225	31,225
Increase in surplus	19,723	26,722
Net income	19,723	26,722
Decrease in surplus	5,250	5,250
Dividend	5,010	5,010
Decrease resulting from newly consolidated subsidiaries	98	98
Decrease resulting from equity method newly applied to affiliates	142	142
Earned surplus at the end of period	45,698	52,697

For the period from Apr.1 - Sep.30, 2006	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	160,001	125,605	52,697	(1,028)	337,275
Changes of items during the period					
Dividends from retained earnings			(5,839)		(5,839)
Net income			33,290		33,290
Purchase of treasury stock		106		(159)	(159)
Disposal of treasury stock				529	635
Changes in scope of consolidation and application of the equity method			(8)		(8)
Net changes of items other than shareholders' equity during the period					
Total changes during the period	-	106	27,443	370	27,919
Balance at the end of the period	160,001	125,711	80,140	(658)	365,194

For the period from Apr.1 - Sep.30, 2006	Evaluation and exchange adjustments					
	Unrealized gains on securities	Deferred hedge gains	Foreign currency translation adjustment	Total Evaluation and exchange adjustments	Minority Interests	Total net assets
Balance at the end of previous period	9,410	-	(376)	9,034	7,132	353,441
Changes of items during the period						
Dividends from retained earnings						(5,839)
Net income						33,290
Purchase of treasury stock						(159)
Disposal of treasury stock						635
Changes in scope of consolidation and application of the equity method						(8)
Net changes of items other than shareholders' equity during the period	(625)	20,508	(305)	19,578	751	20,329
Total changes during the period	(625)	20,508	(305)	19,578	751	48,248
Balance at the end of the period	8,785	20,508	(681)	28,612	7,883	401,689

Note: The number of Treasury stock

	FY2005 As of Mar.31	Increase Interim FY2006	Decrease Interim FY2006	Interim FY2006 As of Sep.30
Number of shares of outstanding at balance sheet date				
Common Stock	1,949,959	-	-	1,949,959
Total	1,949,959	-	-	1,949,959
Treasury Stock				
Common Stock	3,211	359	1,708	1,862
Total	3,211	359	1,708	1,862

(4) Consolidated statement of Cash flows

	Yen(Millions)		
	Interim FY2006 Apr.1 - Sep.30	Interim FY2005 Apr.1 - Sep.30	FY2005 Apr.1 - Mar.31
I. Cash flows from operating activities			
Net income before taxes	56,860	44,660	52,433
Depreciation and amortization	41,694	36,776	76,201
Impairment loss	-	17,618	20,451
Gain and loss on sales of fixed assets, loss on retirement of fixed assets (Net)	2,506	4,514	7,939
Gain and loss on sales, and valuation of securities (Net)	(34)	(3,959)	(17,885)
Increase (Decrease) in allowance for doubtful accounts	(34)	(1,405)	(4,403)
Increase (Decrease) in employees' retirement benefits	3,545	4,708	(408)
Interest expenses	9,953	10,706	20,172
Interest and dividends income	(4,171)	(3,018)	(4,681)
Foreign exchange loss (gain)	(303)	271	(91)
Special retirement benefit	96	63	4,373
Decrease (Increase) in trade accounts receivable	(9,940)	(1,181)	520
Decrease (Increase) in other receivable	(6,052)	(33)	3,007
Increase (Decrease) in trade accounts payable	16,383	1,463	28,417
Other, net	18,201	13,265	9,839
Sub-total	128,704	124,448	195,884
Interest and dividends received	4,208	3,061	4,726
Interest paid	(10,089)	(10,751)	(20,511)
Corporate, inhabitant and enterprise taxes paid	(8,856)	(30,238)	(47,201)
Special retirement benefit paid	(96)	(63)	(4,373)
Net cash provided by (used in) operating activities	113,871	86,457	128,525
II. Cash flows from investing activities			
Payment for acquisition of tangible fixed assets	(115,760)	(131,078)	(218,278)
Proceeds from sales of tangible fixed assets	70,735	74,971	125,392
Payment for acquisition of intangible fixed assets	(6,300)	(3,557)	(17,302)
Proceeds from maturity of investments in securities	15,046	-	-
Payment for acquisition of investments in securities	(4,530)	(4,865)	(6,845)
Proceeds from sales of investments in securities	734	10,637	11,282
Payment for lending	(1,507)	(1,197)	(1,528)
Proceeds from collection of loans	4,852	15,892	49,574
Proceeds from acquisition of subsidiaries' stock with changes in scope of consolidation	-	205	205
Proceeds from sales of subsidiaries' stock with changes in scope of consolidation	432	-	12,219
Other, net	747	(1,159)	(1,168)
Net cash provided by (used in) investing activities	(35,551)	(40,151)	(46,449)
III. Cash flows from financing activities			
Increase (Decrease) in short-term loans (Net)	(2,734)	457	(7,355)
Proceeds from long-term debt	28,618	41,868	84,278
Repayment of long-term debt	(59,768)	(86,803)	(163,141)
Proceeds from issuance of bonds	-	14,920	34,813
Redemption of bonds	(45,000)	-	(40,000)
Proceeds from issuance of new stock	-	-	95,865
Payment for dividends	(5,839)	(5,010)	(5,010)
Payment for acquisition of treasury stock	857	(2,665)	(2,289)
Other, net	61	143	(298)
Net cash provided by (used in) financing activities	(83,805)	(37,090)	(3,137)
IV. Effect of exchange rate changes on cash and cash equivalents	(154)	536	517
V. Net increase (decrease) in cash and cash equivalents	(5,639)	9,752	79,456
VI. Cash and cash equivalents at the beginning of the period	242,785	163,155	163,155
VII. Net increase (decrease) resulting from changes in scope of consolidation	29	174	174
VIII. Cash and cash equivalents at the end of period	237,175	173,081	242,785

Supplementary cash flow information

Reconciliation of the difference between cash stated in the consolidated balance sheets is as follows:

	Yen(Millions)		
	Interim FY2006 Apr.1 - Sep.30	Interim FY2005 Apr.1 - Sep.30	FY2005 Apr.1 - Mar.31
Cash	234,096	173,239	234,461
Time deposits with maturities of more than three months	(747)	(1,086)	(903)
Marketable securities	3,829	15,374	24,645
Marketable securities with maturities of more than three months	(3)	(14,446)	(15,418)
Cash and cash equivalents at the end of period	237,175	173,081	242,785

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.

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. All significant inter-company accounts and transactions have been eliminated. Investments in certain subsidiaries and significant affiliates 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 are stated at cost. The companies' equity in undistributed earnings of these companies is not significant.

The account of a certain foreign subsidiary has fiscal years ending on December 2. The necessary adjustments for significant transactions, if any, are made on consolidation.

(b) Foreign currency translation

Foreign currency receivables and payables are translated into yen at the rates of exchange in effect at the balance sheet date, and translation adjustments are made included in profit and loss account.

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 that are translated at historical exchange rates. Revenues and expenses are translated at the rates of exchange prevailing when such transactions are made. Foreign currency translation adjustments are presented as a component of shareholders' equity.

(c) Marketable securities and investment securities

Trading securities are carried at fair value. 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 gain or loss, net of the applicable income taxes, included directly in Net assets.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is - determined by the moving average method.

(d) 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, interest 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 gain or loss 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.

(e) Allowance for doubtful receivables

A general provision is made for doubtful receivables based on past experience. Provisions are made against specific receivables as and when required.

(f) Inventories

Inventories are stated at cost determined by the moving average method.

(g) 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	Straight-line method
Buildings	Straight-line method
Other ground property and equipment.....	Declining balance method

The Company and some of the 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
- (h) Intangible fixed assets and amortization
Intangible fixed 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 5 years, the estimated useful life of purchased software.
- (i) Accrued bonuses to employees
Provisions are made for bonus payment for employees of the company and subsidiaries. The accrued amounts of estimated bonus payments at balance sheet date are stated as Accrued bonuses to employees.
- (j) Retirement benefits
The retirement benefit plan of the Company and some of the subsidiaries covers substantially all employees. Under the terms of this plan, eligible employees are entitled, upon mandatory retirement or earlier voluntary severance, to lump-sum payments based on their compensation at the time of leaving and years of service with the Company and subsidiaries.
The Company and certain significant domestic subsidiaries have trustee employee pension funds to provide coverage for part of the lump-sum benefits or monthly pension. 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 gain or loss 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 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 which are shorter than the average remaining service years of the employees.
- (k) Appropriation of retained earnings
The appropriation of undistributed 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.
- (l) 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.
- (m) Bond issuance costs and new stock issuance costs
Bond issuance costs and new stock issuance costs are principally capitalized and amortized over a period of three years.
- (n) Cash equivalents
For the purpose of the statements of cash flows, cash and short-term, highly liquid investments with maturity of three months or less are treated as cash equivalents.
- (o) Consolidated tax return system
The Company and certain subsidiaries applied a consolidated tax return system.

3. Changes in accounting policies

(Accounting Standards for Presentation of Net Assets in the Balance Sheet)

The Company and its domestic subsidiaries and affiliates applied "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No.5, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No.8, December 9, 2005).

The amount corresponding to conventional "total shareholders' equity" in the balance sheet is ¥373,298 million. "Net Assets" in the inter-rim period balance sheet for FY2006 is stated in accordance with the new accounting standard.

(Accounting Standards for Business Combinations)

The Company and its domestic subsidiaries and affiliates applied "Accounting Standards for Business Combinations" (Business Accounting Council, October 31, 2003), "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No.7, December 27, 2005), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No.10, December 27, 2005).

The effect of the adoption of this new standard and guidance on net income is minor.

4. 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 is summarized as follows.

Estimated acquisition costs, accumulated depreciation, accumulated impairment loss and net book value of leased assets are as follows:

	Yen (Millions)		
	Interim FY2006	Interim FY2005	FY2005
Aircraft:			
Estimated acquisition cost	268,181	323,589	278,217
Estimated amount of accumulated depreciation	175,711	208,050	174,610
Estimated amount of accumulated impairment loss	-	-	-
Estimated net book value	92,469	115,539	103,607
Others:			
Estimated acquisition cost	14,568	14,267	11,688
Estimated amount of accumulated depreciation	6,932	8,733	6,449
Estimated amount of accumulated impairment loss	-	-	-
Estimated net book value	7,636	5,534	5,239
Total:			
Estimated acquisition cost	282,749	337,856	289,905
Estimated amount of accumulated depreciation	182,643	216,783	181,059
Estimated amount of accumulated impairment loss	-	-	-
Estimated net book value	100,105	121,073	108,846

Outstanding finance lease obligations are as follows:

	Yen (Millions)		
	Interim FY2006	Interim FY2005	FY2005
Current portion of finance lease obligations	23,913	30,203	26,879
Long-term finance lease obligations	80,460	96,644	87,143
	104,373	126,847	114,022
Impairment Loss of lease assets	-	-	-

Annual lease expenses, Reversal of impairment loss of lease assets, estimated amount of depreciation, estimated interest cost and Loss due to impairment are as follows:

	Yen (Millions)		
	Interim FY2006	Interim FY2005	FY2005
Annual lease expenses charged to income	16,128	19,237	36,735
Reversal of impairment loss of lease assets	-	-	-
Estimated amount of depreciation			
By the straight-line method over the lease period	14,297	16,415	31,476
Estimated interest cost	1,107	1,710	3,216
Impairment loss	-	-	-

(b) Operating leases

The rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

	Yen (Millions)		
	Interim FY2006	Interim FY2005	FY2005
Current portion of operating lease obligations	33,151	28,940	31,791
Long-term operating lease obligations	162,288	88,498	121,934
	195,439	117,438	153,725

5. Marketable securities and investments in securities

Held-to-maturity securities having market value

	Yen (Millions)		
	Interim FY2006	Interim FY2005	FY2005
Cost	38	38	38
Market value	38	38	38
Net unrealized gain	0	0	0

Other securities having market value

	Yen (Millions)		
	Interim FY2006	Interim FY2005	FY2005
Cost	16,825	15,511	14,815
Market value	32,114	26,001	31,303
Net unrealized gain	15,289	10,490	16,488

Breakdown of other securities not having market value

	Yen (Millions)		
	Interim FY2006	Interim FY2005	FY2005
Bonds held to maturity	1	14,444	15,416
Other securities	27,136	22,386	31,449
	27,137	36,830	46,865

6. 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.

Segment information is as follows:

	Yen (Millions)						
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Inter-company eliminations	Consolidated
<Interim FY2006 Apr.1 - Sep.30>							
Operating revenues	569,243	98,264	28,926	56,440	752,873	-	752,873
Intra-group sales and transfers	60,060	10,768	4,530	43,124	118,482	(118,482)	-
Total	629,303	109,032	33,456	99,564	871,355	(118,482)	752,873
Operating expenses	568,563	106,538	30,273	97,166	802,540	(118,448)	684,092
Operating income	60,740	2,494	3,183	2,398	68,815	(34)	68,781

	Yen (Millions)						
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Inter-company eliminations	Consolidated
<Interim FY2005 Apr.1 - Sep.30>							
Operating revenues	514,916	94,270	27,711	54,025	690,922	-	690,922
Intra-group sales and transfers	58,453	9,907	4,623	38,865	111,848	(111,848)	-
Total	573,369	104,177	32,334	92,890	802,770	(111,848)	690,922
Operating expenses	510,712	101,489	31,354	89,899	733,454	(112,119)	621,335
Operating income (loss)	62,657	2,688	980	2,991	69,316	271	69,587

	Yen (Millions)						
	Air transportation	Travel services	Hotel operations	Other businesses	Total	Inter-company eliminations	Consolidated
<FY2005 Apr.1 - Mar.31>							
Operating revenues	1,022,090	180,189	57,695	108,818	1,368,792	-	1,368,792
Intra-group sales and transfers	110,574	19,303	8,681	82,095	220,653	(220,653)	-
Total	1,132,664	199,492	66,376	190,913	1,589,445	(220,653)	1,368,792
Operating expenses	1,058,551	196,274	61,741	184,123	1,500,689	(220,699)	1,279,990
Operating income (loss)	74,113	3,218	4,635	6,790	88,756	46	88,802

7. Impairment loss

Yen(million)

	<Interim FY2006 as of Sep.30>			<Interim FY2005 as of Sep.30>			< FY2005 as of Mar.31>		
Application	Location	Category	Impairment loss	Location	Category	Impairment loss	Location	Category	Impairment loss
Hotel business assets			-	1 in Kanto / 2 others	Buildings	8,232	1 in Kanto / 2 others	Buildings	8,232
			-		fixed assets	806		fixed assets	806
			-			9,038			9,038
Rental real estate assets			-	1 in Kanto / 4 others	Land	7,462	1 in Kanto / 5 others	Land	7,462
			-		Buildings	321		Buildings	3,154
			-			7,783			10,616
Idle assets			-	2 in Kanto / 5 others	Land	778	2 in Kanto / 5 others	Land	778
			-		Intangible fixed assets	19		Intangible fixed assets	19
			-			797			797

Note that the recoverable value of the assets is calculated by the value of use, real estate appraisal, or fair value less costs to sell, minus future cash flow of 3.5 - 6.5 % (Interim FY2005), 3.5 - 10.0 % (FY2005).

8. Breakdown of Operating Revenues (Consolidated)

	Yen(millions)						
	Interim FY2006 Apr.1 - Sep.30	% of total	Interim FY2005 Apr.1 - Sep.30	% of total	Difference	FY2005 Apr.1 - Mar.31	% of total
Domestic routes							
Passenger	372,994	42.8	354,339	44.2	18,655	685,074	43.1
Cargo	15,112	1.7	14,500	1.8	612	29,659	1.9
Mail	4,554	0.5	3,938	0.5	616	8,586	0.5
Baggage handling	178	0.0	173	0.0	5	331	0.0
Subtotal	392,838	45.0	372,950	46.5	19,888	723,650	45.5
International routes							
Passenger	138,242	15.9	115,222	14.3	23,020	229,232	14.4
Cargo	28,569	3.3	25,611	3.2	2,958	55,380	3.5
Mail	1,618	0.2	1,388	0.2	230	3,091	0.2
Baggage handling	232	0.0	239	0.0	(7)	517	0.1
Subtotal	168,661	19.4	142,460	17.7	26,201	288,220	18.2
Revenues from scheduled flights	561,499	64.4	515,410	64.2	46,089	1,011,870	63.7
Other operating revenues	67,804	7.8	57,959	7.2	9,845	120,794	7.6
Subtotal	629,303	72.2	573,369	71.4	55,934	1,132,664	71.3
Travel services							
Package tours(Domestic)	73,002	8.4	71,151	8.9	1,851	136,794	8.6
Package tours(International)	24,445	2.8	21,461	2.7	2,984	41,248	2.6
Other revenues	11,585	1.3	11,565	1.4	20	21,450	1.3
Subtotal	109,032	12.5	104,177	13.0	4,855	199,492	12.5
Hotel operations							
Guestrooms	13,790	1.6	13,133	1.6	657	24,895	1.6
Banquets	8,508	1.0	8,235	1.0	273	18,576	1.2
Foods and drinks	8,247	1.0	8,025	1.0	222	16,568	1.0
Other revenues	2,911	0.3	2,941	0.4	(30)	6,337	0.4
Subtotal	33,456	3.9	32,334	4.0	1,122	66,376	4.2
Other businesses							
Trading and retailing Information	71,217	8.2	63,085	7.9	8,132	126,969	8.0
And telecommunication Real estate	12,367	1.4	12,272	1.5	95	26,067	1.6
&building maintenance	6,020	0.7	8,457	1.1	(2,437)	17,306	1.1
Other revenues	9,960	1.1	9,076	1.1	884	20,571	1.3
Subtotal	99,564	11.4	92,890	11.6	6,674	190,913	12.0
Total operating revenue	871,355	100.0	802,770	100.0	68,585	1,589,445	100.0
Intercompany eliminations	(118,482)	-	(111,848)	-	(6,634)	(220,653)	-
Operating revenue(Consolidated)	752,873	-	690,922	-	61,951	1,368,792	-

Notes:

1. Segment breakdown is based on classifications employed for internal management.
2. Segment operating revenue includes inter-segment transactions.

9. Overview of Airline Operating Results (Consolidated)

	Interim FY2006	Interim FY2005	Year on year %	FY2005
Domestic routes				
Number of passengers	23,393,364	23,272,256	100.5	45,474,069
Available seat-km (thousand km)	31,460,026	30,919,709	101.7	60,972,655
Revenue passenger-km(thousand km)	20,470,526	20,302,517	100.8	39,712,101
Passenger loadfactor	65.1	65.7	(0.6)	65.1
Cargo(tons)	223,525	210,080	106.4	440,750
Cargo traffic volume (thousand kg)	216,314	203,859	106.1	426,741
Mail(tons)	44,588	40,723	109.5	87,513
Mail traffic volume (thousand kg)	47,986	43,442	110.5	93,135
International routes				
Number of passengers	2,239,409	1,998,660	112.0	4,134,552
Available seat-km (thousand km)	12,839,014	12,598,271	101.9	25,337,958
Revenue passenger-km(thousand km)	9,996,334	9,262,990	107.9	18,769,014
Passenger loadfactor	77.9	73.5	4.4	74.1
Cargo(tons)	127,978	117,984	108.5	248,735
Cargo traffic volume (thousand kg)	577,296	543,439	106.2	1,134,805
Mail(tons)	7,357	6,745	109.1	14,252
Mail traffic volume (thousand kg)	31,828	28,071	113.4	60,050
Total				
Number of passengers	25,632,773	25,270,916	101.4	49,608,621
Available seat-km (thousand km)	44,299,040	43,517,980	101.8	86,310,613
Revenue passenger-km(thousand km)	30,466,860	29,565,507	103.0	58,481,115
Passenger loadfactor	68.8	67.9	0.9	67.8
Cargo(tons)	351,503	328,064	107.1	689,485
Cargo traffic volume (thousand kg)	793,610	747,298	106.2	1,561,546
Mail(tons)	51,945	47,468	109.4	101,765
Mail traffic volume (thousand kg)	79,814	71,513	111.6	153,185

Notes:

Domestic routes: ANA Group + Code share flights (IBEX airlines co., ltd., Hokkaido international airlines co., ltd., and Skynet Asia Airways)

International routes: ANA Group + Code share flights (UA and EVA airways)

Each result does not include results of charter flights.

Domestic routes' data include results of night cargo flights.

ANA reports non-consolidated financial results for the interim of FY2006

1. Non-consolidated financial highlights for the period ended September 30, 2006

	Yen (Millions)				
	Interim FY2006 Apr.1 – Sep.30	Year on Year (%)	Interim FY2005 Apr.1 - Sep.30	Year on Year (%)	FY2005 Apr.1 - Mar.31
Operating revenues	648,879	9.5	592,652	5.3	1,171,088
Operating income (loss)	57,514	(3.3)	59,487	18.1	69,587
Recurring profit (loss)	46,830	(9.6)	51,821	16.9	50,813
Net income (loss)	26,173	(6.2)	27,907	21.0	28,137
Net income (loss) per share	13.43yen		16.50yen		16.45yen
Average number of shares of outstanding during the period	1,948,613,233		1,691,133,980		1,710,019,085

Note:

Changes in the accounting policy during the period: None

(2) Summary of non-consolidated financial positions

	Yen (Millions)		
	Interim FY2006 As of Sep.30	Interim FY2005 As of Sep.30	FY2005 As of Mar.31
Total assets	1,490,198	1,434,701	1,505,643
Shareholders' equity	373,315	231,210	333,155
Shareholders' equity ratio	25.1%	16.1%	22.1%
Shareholders' equity per share	191.60yen	136.75yen	170.96yen
Number of shares of outstanding at balance sheet date	1,948,458,239	1,690,795,727	1,948,733,499
Number of treasury stocks at balance sheet date	1,501,018	9,163,530	1,225,758

2. Forecast of non-consolidated operating results for the period ending March 31, 2007

	Yen (Millions)
Operating revenues	1,260,000
Recurring profit (loss)	37,500
Net income (loss)	22,500

Notes: Forecast of net income per share: 11.55yen

3. Dividends

	Dividends per share	
	End of Fiscal year	Total
FY2005	3.00yen	3.00yen
FY2006	3.00yen	3.00yen

This forecast is made based on (1) the information available to ANA as of the date of publication of this material and (2) assumptions as of the same date with respect to the various factors which might have impact on the future financial result of ANA. The reader should be aware that actual results could differ materially due to various factors with reference to the supporting data.

(1) Non-consolidated Balance Sheets

Yen (Millions)

	Interim FY2006 As of Sep.30	FY 2005 As of Mar.31	Difference	Interim FY2005 As of Sep.30
Assets				
Current assets	446,530	454,524	(7,994)	398,493
Cash and deposits	197,485	193,699	3,785	133,675
Trade accounts receivable	107,574	97,281	10,292	101,757
Marketable securities	2,997	7,998	(5,000)	-
Inventories	55,894	50,300	5,594	47,159
Deferred tax assets	6,346	18,195	(11,848)	26,342
Other	76,290	87,102	(10,812)	89,617
Allowance for doubtful accounts	(59)	(53)	(5)	(59)
Fixed assets	1,043,157	1,050,448	(7,291)	1,036,038
[Tangible fixed assets]	[797,524]	[789,418]	8,105	[784,568]
Buildings	83,399	84,638	(1,239)	86,504
Aircraft	535,174	491,085	44,088	495,632
Land	48,755	49,563	(807)	50,827
Construction in progress	104,568	139,561	(34,992)	127,476
Other	25,627	24,570	1,056	24,128
[Intangible fixed assets]	[31,678]	[33,810]	(2,131)	[27,628]
[Investments and others]	[213,953]	[227,219]	(13,265)	[223,841]
Investment securities	51,901	49,507	2,394	43,790
Investments in subsidiaries and affiliates	44,166	42,996	1,169	48,426
Deferred tax assets	23,427	27,831	(4,404)	34,478
Other	102,412	114,340	(11,927)	111,993
Allowance for doubtful accounts	(7,954)	(7,457)	(497)	(14,848)
Deferred assets	510	670	(159)	169
Share issuance expenses	399	510	(110)	-
Bond issuance expenses	111	159	(48)	169
Total assets	1,490,198	1,505,643	(15,445)	1,434,701
Liabilities				
Current liabilities	399,006	398,708	298	448,575
Trade accounts payable	165,821	146,285	19,535	122,147
Current portion of long-term debt	67,876	71,807	(3,930)	70,184
Current portion of bonds payable	45,000	45,000	-	85,000
Accrued income taxes	18,428	6,163	12,265	33,377
Accrued bonuses to employees	10,242	6,253	3,988	9,673
Other	91,638	123,199	(31,560)	128,193
Long-term liabilities	717,876	773,779	(55,902)	754,915
Straight bonds	195,000	240,000	(45,000)	220,000
Long-term loans payable	426,863	433,839	(6,975)	431,887
Accrued employees' retirement benefits	83,300	80,376	2,923	85,580
Reserve for losses on related business	-	-	-	1,388
Other	12,712	19,563	(6,850)	16,059
Total liabilities	1,116,883	1,172,487	(55,604)	1,203,491
Shareholders' equity				
Common stock	-	160,001	-	111,501
Capital surplus	-	125,342	-	77,877
Capital reserve	-	95,024	-	46,894
Other surplus	-	30,317	-	30,982
Earned surplus	-	39,176	-	38,946
Unrealized gain (loss) on securities	-	9,063	-	5,879
Treasury Stock	-	(427)	-	(2,993)
Total shareholders' equity	-	333,155	-	231,210
Total liabilities and shareholders' equity	-	1,505,643	-	1,434,701
NET assets				
Shareholders' equity	344,296	-	-	-
Common stock	160,001	-	-	-
Capital surplus	125,348	-	-	-
Capital reserve	95,024	-	-	-
Other surplus	30,323	-	-	-
Earned surplus	59,503	-	-	-
Treasury Stock	(556)	-	-	-
Evaluation and exchange adjustments	29,018	-	-	-
Unrealized gain (loss) on securities	8,611	-	-	-
Deferred hedge gains	20,407	-	-	-
Total NET assets	373,315	-	-	-
Total liabilities and NET assets	1,490,198	-	-	-

Note:

Yen (Millions)

	Interim FY2006 As of Sep.30	FY2005 As of Mar.31	Interim FY2005 As of Sep.30
Accumulated depreciation	778,583	760,414	773,514
Contingent liabilities	8,836	10,849	20,071

(2) Non-consolidated Statements of Income (Loss)

Yen (Millions)

	Interim FY2006 Apr.1 - Sep.30	Interim FY2005 Apr.1 - Sep.30	Difference	FY2005 Apr.1 - Mar.31
Operating revenues and expenses				
Operating revenues	648,879	592,652	56,227	1,171,088
Operating expenses	492,259	447,499	44,760	919,958
Sales, general and administrative expenses	99,104	85,665	13,439	181,541
Operating income (loss)	57,514	59,487	(1,972)	69,587
Non-operating income and expenses				
Non-operating income	6,764	7,291	(527)	13,452
Interest income	777	429	348	1,111
Other	5,986	6,862	(876)	12,340
Non-operating expenses	17,447	14,957	2,490	32,226
Interest expense	7,453	7,970	(516)	15,860
Other	9,993	6,987	3,006	16,366
Total recurring profit (loss)	46,830	51,821	(4,990)	50,813
Extraordinary gains and losses				
Extraordinary gains	1,661	4,628	(2,966)	16,773
Gain on sales of stock of affiliates	-	3,095	(3,095)	13,660
Gain on sales of investment securities	-	0	0	2
Other	1,661	1,532	(130)	3,109
Extraordinary losses	3,628	7,950	(4,321)	20,530
Loss on sales of fixed assets	191	1,316	(1,125)	1,473
Loss on retirement of fixed assets	909	2,573	(1,663)	2,682
Impairment loss	629	1,094	(465)	1,094
Provision for allowance for doubtful accounts	453	1,019	(566)	2,102
Special retirement benefit	96	58	38	4,316
Other	1,348	1,886	(537)	8,858
Net income (loss) before taxes	44,864	48,499	(3,635)	47,056
Corporate, inhabitant and enterprise tax	15,809	28,876	(13,066)	14,379
Deferred taxes	2,881	(8,283)	11,165	4,539
Net income (loss)	26,173	27,907	(1,733)	28,137
Gain(loss) carried over from last year	-	9,328	-	9,328
Undistributed net gain (loss)	-	37,235	-	37,465

(3)Non-consolidated Statements of Changes in Net Asset

For the period from Apr.1 - Sep.30, 2006	Shareholders' equity				Total shareholders' equity
	Common Stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the end of previous period	160,001	125,342	39,176	(427)	324,092
Changes of items during the period					
Dividends from retained earnings			(5,846)		(5,846)
Net income			26,137		26,137
Purchase of treasury stock				(159)	(159)
Disposal of treasury stock		6		30	36
Net changes of items other than shareholders' equity during the period					
Total changes during the period	-	6	20,327	(129)	20,204
Balance at the end of the period	160,001	125,348	59,503	(556)	344,296

For the period from Apr.1 - Sep.30, 2006	Evaluation and exchange adjustments			Total net assets
	Unrealized gains on securities	Deferred hedge gains	Total Evaluation and exchange adjustments	
Balance at the end of previous period	9,063	-	9,063	333,155
Changes of items during the period				
Dividends from retained earnings				(5,846)
Net income				26,173
Purchase of treasury stock				(159)
Disposal of treasury stock				36
Net changes of items other than shareholders' equity during the period	(451)	20,407	19,955	19,955
Total changes during the period	(451)	20,407	19,955	40,159
Balance at the end of the period	8,611	20,407	29,018	373,315

Note: The number of Treasury stock

	FY2005 As of Mar.31	Increase Interim FY2006	Decrease Interim FY2006	Interim FY2006 As of Sep.30
Treasury Stock				
Common Stock	1,225	359	83	1,501
Total	1,225	359	84	1,501

Summary of significant accounting policies

(a) Marketable securities and investment securities

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 gain or loss, net of the applicable income taxes, included directly in Net assets.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is - determined by the moving average method.

Investments in subsidiaries and affiliates are stated at cost determined by the moving average method.

(b) Derivatives

Derivatives, such as forward foreign exchange contracts, interest rate swaps and commodity options and swaps, are used, to limit their exposure to fluctuations in foreign exchange rates, interest rates, and commodity prices. These are not used for trading purposes.

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss 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.

(c) Inventories

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

(d) 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 Straight-line method

Buildings Straight-line method

Other ground property and equipment..... Declining balance method

The Company employs 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

(e) Intangible fixed assets and amortization

Intangible fixed 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 5 years, the estimated useful life of purchased software.

(f) Bond issuance costs and new stock issuance costs

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

(g) Foreign currency translation

Foreign currency receivables and payables are translated into yen at the rates of exchange in effect at the balance sheet date, and translation adjustments are made included in profit and loss account.

(h) Allowance for doubtful receivables

A general provision is made for doubtful receivables based on past experience. Provisions are made against specific receivables as and when required.

(i) Accrued bonuses to employees

Provisions are made for bonus payment for employees of the company. The accrued amounts of estimated bonus payments at balance sheet date are stated as accrued bonuses to employees.

(j) Retirement 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 gain or loss 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 the 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 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 which are shorter than the average remaining service years of the employees.

(k) Reserve for losses on related businesses

Provisions are made for estimated losses from investments in subsidiaries and affiliates.

(l) 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.

(m) Revenue recognition

Passenger revenues are recorded when services are rendered.

(n) Consumption taxes

Consumption taxes are excluded from the amounts of profit and loss statements.

(o) Consolidated tax return system

The Company applied a consolidated tax return system.

Changes in accounting policies

(Accounting Standards for Presentation of Net Assets in the Balance Sheet)

The Company and its domestic subsidiaries and affiliates applied "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No.5, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No.8, December 9, 2005).

The amount corresponding to conventional "total shareholders' equity" in the balance sheet is ¥352,908 million. "Net Assets" in the interim-period balance sheet for FY2006 is stated in accordance with the new accounting standard.

(Accounting Standards for Business Combinations)

The Company and its domestic subsidiaries and affiliates applied "Accounting Standards for Business Combinations" (Business Accounting Council, October 31, 2003), "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No.7, December 27, 2005), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No.10, December 27, 2005).