

## *Approaching Challenges from the Customer's Viewpoint*

**T**his year marks the 50th anniversary of ANA's founding in 1952. Today, we offer international service, including code-share flights, on 100 routes and domestic service on 140 routes. In the fiscal year ended March 2002, we carried 49.3 million passengers.



We believe that this growth is the result of our consistent dedication to providing air transportation services that reflect the importance we place on safety, on approaching challenges from the customer's viewpoint, on creativity, and on friendliness. In the future, we will remain focused on the fundamentals, maintain a constant emphasis on safety and customer convenience, and continue to expand our operations as one of the world's leading airlines.

# Establishing the ANA Brand

**T**rust in the ANA Group is the result of its emphasis on safety, product development from the customer's point of view, and detailed service.

For the ANA Group, safety is an exceedingly important factor, and it is the Group's highest priority. ANA has built a record of 31 years and 8 million hours of flight operations without any accidents resulting in passenger fatalities. Even among the world's major airlines, this is an exemplary record, and it reflects our commitment to safety above all else. In the



year under review, we continued taking steps to enhance safety. We established the Safety and Crisis Management Headquarters, and we were the first airline in the world to introduce aircraft equipped with cabin monitoring systems that enable pilots to monitor the passenger cabin from their seats. The entire Company is dedicated to ensuring that its flight operations reflect its commitment to continually improving safety.

The ANA Group has always taken the customer's point of view as it emphasized creativity, and as a result the Group has always been a leader in the airline industry. Customers are sensitive to price and service, and it is important to respond to their needs quickly. On international routes, we established our Premium Economy service, which offers seats with amenities similar to those offered in business class, so that economy class passengers can enjoy more



comfortable travel. We also established *Biji-wari* business class discount fares, which meet customer needs for less expensive business travel with discounts for advance purchases and round-trip tickets. For customers who want greater convenience in reserving seats and purchasing tickets, we initiated E-Ticket Service, which enables travelers to make reservations over the telephone or the Internet. On domestic routes, in addition to expanding *Chowari* and other discount fares, we introduced *Rakunori*, a new business model that essentially eliminates time restrictions on ticket purchases and enables customers to check in without obtaining tickets. To redefine and enhance “ANA Style,” we are continually making use of leading-edge IT.

The ANA Group’s 29,000 employees, who mainly work in air transportation, ensure that we maintain a high level of safety, continually draw on creativity, and work from the customer’s point of view. These employees work each day to

support the ANA Group’s flights in all departments, from operations and maintenance to in-flight services, airport handling, reservations and sales, and administration. The results of such efforts are recognized by customers, and as a consequence a reputation for friendliness has become a part of ANA’s brand image. ANA will strive to be an airline that has an exemplary safety record, is trusted by its customers, and has a reputation for friendly service.



# Capturing New Opportunities

On April 18, 2002, a new era began for the ANA Group with the opening of the second runway at Narita Airport, and in response the Company has increased its flights about 60%, from 90 flights a week to 144. We are giving priority to the construction of a network centered on Asia, and we are focusing on increasing our China routes, on which significant growth in

demand is expected. We have established ANA Connection, a connection service for customers taking flights from other airports in Japan to Narita, where they will board international flights. This service has raised convenience by linking Narita with five cities—

Sapporo, Sendai, Nagoya, Osaka (Itami), and



AIRLINE	FLIGHT	SCHED
ANA	NH156	12:50
ANA	MU007	12:50
ANA	NH920	13:10
ANA	LH729	13:10
ANA	CA9029	13:10



Fukuoka. We are also strengthening our relationships with other airlines. In January 2002, we formed an alliance with Thai Airways International, becoming the first Japanese airline to implement a code-share agreement on domestic flights in Asia. We also entered code-share agreements with British Midland Airways and Mexicana Airlines and expanded our code-share agreement with Asiana Airlines. For flights to resort destinations, we are using Air Japan Co., Ltd. (AJX), a low-cost ANA Group company. To augment our ability to meet demand for cargo traffic between Japan and China, which is expected to increase, in September 2002 we will introduce our first medium-size freighter, the Boeing 767-300F. By restructuring our international flights and using Narita Airport as a hub, we will make steady progress with our plans for achieving profitability in the fiscal year ending March 2004.





Two of ANA's competitors, JAL and JAS, will merge in October 2002, marking the start of a new competitive structure on domestic routes, where service will be provided by the ANA Group, the post-merger company, and new market entrants. In this setting, the ANA Group will reduce flights on or withdraw entirely from low-profit routes while increasing flights and using larger aircraft on high-profit routes. In addition, our marketing strategy will be based on flexible, strategic fare setting.



Japan has a large domestic aviation market, with a total of 93 million passengers in the year ended March 2002. The Tokyo–Sapporo route has 9.4 million passengers a year and the Tokyo–Fukuoka route 8.3 million passengers a year, placing these routes among the largest domestic routes in the world. In general, Haneda routes offer higher profits, making an increase in the number of Haneda routes extremely important for raising our profitability on domestic routes overall. In July 2002, the take-off and landing capacity at Haneda was expanded, giving us the opportunity to add eight flights, including flights to Sapporo and Fukuoka. In the years ahead, we will take steps to ensure the new competitive environment does not adversely affect our profit foundation on domestic flights.

# Making the Most of the ANA Group

ANA is bolstering its competitive strengths by continually working to enhance its services and reduce its costs.

Recent steps taken to enhance service include the use of London-based cabin attendants on European flights from August 2001 to improve the travel experience for our non-Japanese passengers. To raise convenience, we introduced the Business Class Full Flat Seat and



Premium Economy services on the Narita–London route. We are also implementing new fares, such as *Biji-wari* business class discount fares.

On domestic routes, we are using information technology to increase convenience with a variety of new services. In June 2001, for example, ANA expanded the range of Internet access options available to its customers. In August 2001, we made it possible to make



reservations and check fares with a personal digital assistant (PDA). And in April 2002, we updated our web site to make it easier to view and use. The number of loyal ANA customers is steadily increasing, with membership in the ANA Mileage Club surpassing 7.8 million.

In order to succeed in the face of increasingly intense competition, we continue to cut costs. At the end of March 1998, parent company All Nippon Airways Co., Ltd., had 13,888 employees, but over the past four years this figure has been reduced by about 900, to 12,978 at the end of March 2002. Available seat-kilometers per employee, an indicator of productivity, rose from 5.6 million to 6.2 million, an increase of about 11%. Accompanying the transition to a managing holding company structure (refer to the chart on page 13), we will reduce the workforce in indirect departments by about 10%, or 600 employees, over the next two years.



Reservations made over the Internet are increasing rapidly, and convenient ticketing at airport counters is being used by growing numbers of the Company's passengers. As a result, customer convenience is increasing, and sales costs are declining. In addition, we are reducing procurement costs of parts and fuel through joint procurement with other Group companies.

The ANA Group continues to take an active approach to corporate citizenship. To protect the environment, we are engaged in conservation activities, centered on measures to prevent global warming. In February 2002, our Narita Maintenance Center became the first aircraft maintenance department in Japan to receive ISO 14001 certification. In the fiscal year ending March 2003, we will

introduce environmental accounting<sup>1</sup> and further improve our environmental reports. In addition, as one element of our social contribution activities, we are taking steps to increase convenience for customers with disabilities and senior citizens. Through the use of universal design principles in aircraft and airport facilities and of front-line services, such as the Sky Assist Desk<sup>2</sup>, we are providing dedicated aviation services for these customers.



Note 1:

**Environmental accounting**

Environmental accounting is a system for measuring, analyzing, and reporting the environmental costs and benefits of operational activities.

Note 2:

**Sky Assist Desk**

The Sky Assist Desk is dedicated to meeting the air travel needs of customers with disabilities and senior citizens.

