

Accelerating Our Growth

On April 1, 2001, former President and CEO Kichisaburo Nomura assumed the office of Chairman and I, Yoji Ohashi, moved from Senior Executive Vice President to President and CEO.

In the fiscal year under review, ended March 31, 2001, ANA's consolidated operating revenues reached ¥1,279.6 billion, operating income ¥82.2 billion, and net income ¥40.2 billion. Each of these numbers represents a record high for the Company. The ANA Group is implementing the current medium-term corporate plan, which covers the four-year period ending March 2003, and we believe that our strong results are largely attributable to the profit-oriented route restructuring that we have implemented in accordance with the plan's fundamental management principle of "selection



and concentration." A contribution to improved profitability was also made by the introduction of new discount fares in response to fare liberalization and changing customer needs. The *Chowari* fare, for example, which is only ¥10,000 on any flight on any route, has proven to be extremely popular. Other factors supporting our performance included improved sales capabilities on international routes, which resulted from tie-ups with Star Alliance member airlines and from efforts to strengthen our own overseas sales capabilities, and reductions in indirect fixed costs. However, to improve the Company's financial position, an extraordinary loss was recorded by the parent company following a valuation loss on investments in subsidiaries and affiliates. As a result, ANA recorded a net loss on a non-consolidated basis, leaving the Company with no choice but to continue the suspension of dividend payments.

The ANA Group's operating environment in the year under review was marked by continued liberalization and globalization in the airline industry and by higher customer

standards for airline service. We have entered an era in which success requires extraordinary effort. Looking ahead, the Japanese economy is in a deflationary phase and the U.S. economy is slowing, so there is no doubt that our operating environment will become even more challenging.

In order to survive in these business conditions, ANA must steadfastly adhere to the management principle of "selection and concentration" outlined in its medium-term corporate plan. We will further accelerate the pace of management reforms and transform ANA into a stronger corporate group. We will then strive to become one of the world's leading airlines and return the Company to a course of stable dividend payments, which is my primary mission as president.

In achieving those goals, the Company's most important challenge will be continued dedication to the fundamental quality factors that are indispensable for an airline. Those factors are safety, on-time operation, comfort, and convenience, and we will strive to achieve further improvement in each one of them. Safety is the foundation of management and the source of a customer's trust in an airline, and we consider the improvement of safety to be a social mission—one that we will make an unstinting effort to fulfill.

Another important factor in achieving our goals will be the attitudes of the employees who actually implement the reforms in their workplaces. The progress that the Company has achieved with the medium-term corporate plan has begun to make employee attitudes even more positive and

enthusiastic. There is a stronger fighting spirit in the Company, with individual employees recognizing what needs to be done and then taking the initiative to see that it is carried out. I am convinced that the management principle centered on “selection and concentration” is steadily taking root throughout the Company.

With regard to the future direction of our operational activities, we are making progress with the transformation to a corporate organization that can respond rapidly to a changing operating environment. We have, for example, introduced new performance evaluation standards for the ANA Group, which we call ANA’s Value Creation. We have also implemented a senior vice president system and reorganized our marketing and sales divisions.

The ANA Group is supported by its air transportation business. Domestically, we are improving the overall operating efficiency of the Group by centering ANA’s route development on highly profitable Haneda routes and transferring low-demand routes to Air Nippon Co., Ltd. (ANK). The Company is also implementing a number of measures to raise profitability. Leveraging its domestic market share of about 50%, ANA is striving to act as the price leader and strengthening its yield management. In addition, we are offering discount fares that meet the expectations of customers, increasing the number of shuttle flights, and taking steps to improve customer convenience, such as establishing a 24-hour reservation service and eliminating the deadline for purchasing tickets after reservations are made. On international routes, the expansion of take-off and landing capacity at Narita in May 2002 will enable ANA to implement a long-standing plan by offering more highly profitable routes. By concentrating aircraft, personnel, and other management resources on Narita routes and enhancing our tie-ups with Star Alliance members, we will build a more profitable, competitive network. We will also expand the network of Air Japan Co., Ltd. (AJX), which operates low-cost flights. In hotel operations, we will implement a number of measures to raise the profitability of each hotel and build value as a hotel chain. In addition, we will reduce interest-bearing debt by liquidating assets.

Subsequently, we will take steps to achieve growth over the long term in our core business of air transportation. While striving to grasp emerging business opportunities, ANA will invest from a medium to long term perspective in aircraft and in areas that support the airline business, such as information technology, facilities, and airport terminals. At the same time, we will continue to reduce interest-bearing debt as outlined in the medium-term corporate plan. By improving profitability, we will be able to augment shareholders’ equity.

Finally, in order to turn our corporate slogan—The First Choice—into reality, we will thoroughly implement the fundamental factors of quality, enhance shareholder value and customer value, and work to realize our goal of being the airline that customers turn to first. We will strive toward achieving that goal to ensure that our reforms are successful and that we return to a course of steady growth as soon as possible.

We look forward with confidence and anticipation.

August 2001

A handwritten signature in black ink, reading "Yoji Ohashi". The signature is written in a cursive, flowing style with a large initial "Y" and "O".

Yoji Ohashi

President and Chief Executive Officer