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Matters for Internet Disclosure under Laws and Regulations, and the Articles of Incorporation

Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements

(From April 1, 2016 to March 31, 2017)

ANA HOLDINGS INC.

"Notes to Consolidated Financial Statements" and "Notes to Non-consolidated Financial Statements" are provided to our shareholders through our Website (http://www.anahd.co.jp/investors/) pursuant to laws and regulations, and Article 17 of our Articles of Incorporation.

Notes to Consolidated Financial Statements

(From April 1, 2016 to March 31, 2017)

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Notes to Consolidated Financial Statements

1. Notes on material matters which constitute the basis for preparation of the consolidated financial statements

(1) Matters concerning the scope of consolidation

(i) Consolidated subsidiaries

- Number of consolidated subsidiaries: 63
- Names of major consolidated subsidiaries:
  ALL NIPPON AIRWAYS CO., LTD.
  Air Japan Co., Ltd.
  ANA WINGS CO., LTD.
  Vanilla Air Inc.
  ANA Cargo Inc.
  Overseas Courier Service Co., Ltd.
  ANA Systems Co., Ltd.
  ANA Sales Co., Ltd.
  ALL NIPPON AIRWAYS TRADING CO., LTD.
- Change in the scope of consolidation
  Newly added: 2 — ANA Okinawa Airport Co., Ltd.
  ANA X Inc.
  Excluded: 1 — HIT Co., Ltd., which was a consolidated subsidiary, has become defunct because of its merger with ALL NIPPON AIRWAYS TRADING CO., LTD., and has been excluded from the scope of consolidation.

(ii) Non-consolidated subsidiaries

- Number of non-consolidated subsidiaries: 57
- Name of major non-consolidated subsidiary: OCS Deutschland GmbH (Frankfurt)
- Reason for exclusion from the scope of consolidation: The non-consolidated subsidiary has been excluded from the scope of consolidation, because it is small in size, and none of its total assets, operating revenues, net income / loss (amount equivalent to equity) nor retained earnings (amount equivalent to equity) has a material impact on the consolidated financial statements.

(2) Matters concerning the application of the equity method

(i) Non-consolidated subsidiaries or affiliates accounted for by the equity method

- Number of non-consolidated subsidiaries or affiliates accounted for by the equity method: 17
- Names of major companies:
  Airport Facilities Co., Ltd.
  JAMCO CORPORATION
  Peach Aviation Limited
- Change in the application of the equity method
  Newly added: 1 — A&S Takashimaya Duty Free Company Limited
  Excluded: 2 — ATS TOKUSHIMA AIR SERVICE CO., LTD.
  KOKUNAISEN DOTCOM CO., LTD.
  These two companies, which were non-consolidated subsidiaries, have been excluded from the scope of the application of the equity method as a result of the liquidation of the companies.

(ii) Non-consolidated subsidiaries or affiliates which are not accounted for by the equity method

・ Number of non-consolidated subsidiaries or affiliates which are not accounted for by the equity method:	85
・ Name of major company:	OCS Deutschland GmbH (Frankfurt)
・ Reason for non-application of the equity method:	The non-consolidated subsidiaries and affiliates which are not accounted for by the equity method have been excluded from the scope of application of the equity method because they are small in size, and none of their total assets, operating revenues, net income / loss (amount equivalent to equity) nor retained earnings (amount equivalent to equity) have any material impact on the consolidated financial statements.

(3) Matters concerning the fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, the end of the fiscal years of Pan Am Holdings, Inc. and eleven (11) other subsidiaries is December 31 and the end of the fiscal year of Fujisey Co., Ltd. is February 28. As the difference between these fiscal year ends and the consolidated fiscal year end does not exceed three (3) months, ANA HOLDINGS INC. (the “Company”) consolidates the financial statements of each company (December 31 or February 28) and if significant transactions arise between such fiscal year end and the consolidated fiscal year end, the Company will make necessary adjustments for consolidation purposes.

(4) Matters concerning accounting standards

(i) Valuation standards and methods for material assets

a. Held-to-maturity securities	Amortized cost method (straight-line method)
b. Other securities	
・ Securities with market value:	Recorded using the fair market value method based on the market prices, etc., as at the end of the fiscal year (valuation differences are recorded in the Net assets section (direct net asset adjustment method), and the cost of marketable securities sold is calculated using the moving average method).
・ Securities without market value:	Mainly stated at cost, method based on the moving average method
c. Derivatives	Recorded using the fair market value method
d. Inventories	Mainly stated at cost, determined by the moving average method (values presented on the Consolidated Balance Sheet are determined by the net selling value).

(ii) Depreciation methods for material depreciable assets

a. Property and equipment (excluding leased assets)	
Buildings:	Mainly the straight-line method The estimated useful lives range mainly from three (3) to fifty (50) years.
Flight equipment:	Mainly the straight-line method The estimated useful lives range mainly from nine (9) to twenty (20) years.
Other:	Mainly the straight-line method
b. Intangible assets (excluding leased assets)	Mainly the straight-line method Software for internal use is amortized by the straight-line method mainly over five (5) years, the estimated useful life of software.
c. Leased assets	Leased assets arising from transactions under finance lease contracts which do not transfer ownership to the lessee are depreciated to a residual value of zero (0) by the straight-line method over the lease term.

(iii) Accounting standards for significant allowances

a. Allowance for doubtful accounts:	The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
b. Accrued bonuses to employees:	Provisions are estimated for bonus payments for employees of the Company.
c. Accrued corporate executive officers' retirement benefits:	To prepare for the benefit expenditures for allowances for the corporate executive officers, the payment amount required at the end of the fiscal year is recorded in accordance with the regulations for retirement benefits for corporate executive officers.

(iv) Accounting for deferred assets

a. Bond issuance cost	Bond issuance cost is amortized by the straight-line method over the redemption period of the corporate bonds.
b. Business commencement expense	Business commencement expense is amortized by the straight-line method over five (5) years.

(v) Standards for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

All financial assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the consolidated fiscal year end. The foreign currency exchange gain or loss from translation is recognized in the consolidated statement of income.

All assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the consolidated fiscal year end. Revenues and expenses for the year are translated into Japanese yen at the average exchange rate during the year and translation adjustments are included in Accumulated other Comprehensive Income in the balance sheet.

(vi) Significant method of hedge accounting

a. Method of hedge accounting	Deferred hedge accounting. However, financial assets and liabilities denominated in foreign currencies with forward exchange contracts, etc., are translated at the corresponding contract rates. A special treatment is adopted for interest rate swaps which meet the hedge accounting requirements.
b. Hedging instruments and hedged items	Hedging instruments: Derivative transactions (mainly forward exchange contracts interest rate swaps, commodity swaps and commodity options) Hedged items: Loans, aviation fuel, foreign-currency-denominated forecasted transactions denominated in foreign currencies
c. Hedging policy	The Company and its consolidated subsidiaries enter into derivative transactions to hedge risks arising from the fluctuation in foreign currency exchange rates, interest rates and commodities in accordance with their internal management regulations which provide for transaction authority and limits on transaction amounts, and do not enter into derivative transactions for speculative or trading purposes.
d. Evaluation of effectiveness of hedging transactions	The assessment of hedge effectiveness is examined at inception and, on an ongoing basis, periodically by comparing the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging instruments. However, the evaluation of effectiveness is omitted for interest swaps which are accounted for by special treatment.

(vii) Matters concerning the amortization of goodwill

Goodwill is evenly amortized over ten (10) years from the year of accrual.

(viii) Accounting methods for retirement benefits

a.	Accounting method to allocate the projected retirement benefit obligations	In calculating retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits until the end of the current consolidated fiscal year.
b.	Accounting method for actuarial gains and losses and prior service costs	Prior service costs are amortized as incurred by the straight-line method over the average remaining service years of eligible employees. Actuarial gains and losses are amortized from the subsequent fiscal year in which the gain or loss is recognized by the straight-line method over the average remaining service years of employees at the time of recognition.

(ix) Other material matters which constitute the basis for preparation of the consolidated financial statements

a.	Accounting for consumption taxes, etc.	Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.
b.	Application of the consolidated tax return system	The Company and certain subsidiaries adopt the consolidated tax return system.

2. Changes in accounting policies

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In accordance with the revision to the Corporation Tax Act, some consolidated subsidiaries within Japan apply the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issues Task Force No. 32 of June 17, 2016) as of April 1, 2016, and changed the depreciation method for buildings and accompanying facilities and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The impact of these changes on the profit and loss for the year ended March 31, 2017 is immaterial.

3. Additional information

(Transactions of delivering the Company's own stock to employees, etc. through trusts)

The Company has been conducting transactions of delivering its own stock to the employee stock ownership group through trusts for the benefit of its employees.

(1) Transaction outline

The Company introduced a "Trust Type Employee Stock Ownership Plan" (the "Plan") on July 12, 2013 as an incentive for the group's employees to work in unison to overcome the current harsh business environment and achieve further growth, and as a measure to advance their welfare. The aim of the Plan is to promote the employees' property formation by encouraging their stock acquisition and holding through the expansion of the "ALL NIPPON AIRWAYS CO., LTD. Employee Stock Ownership Association," "ANA Group Employee Stock Ownership Association" and "ALL NIPPON AIRWAYS TRADING CO., LTD. Employee Stock Ownership Association" (the "Stock Ownership Association").

The Plan is an incentive plan for all employees who participate in the Stock Ownership Association. Under the Plan, "ANA Group Employee Stock Ownership Trust" (the "ESOT"), which was established to transfer the Company's shares to the Stock Ownership Association, will acquire the Company's shares all at once in advance and sell them to the Stock Ownership Association over a certain period of time. If a gain on sale of shares is then accumulated within the ESOT through the sale of the Company's shares to the Stock Ownership Association by the termination of the trust, it will be distributed to the group employees who meet the beneficiary requirements (all individuals who have participated in the Stock Ownership Association during the trust period, including retirees) as residual assets.

The Company guarantees the borrowings for the ESOT's acquisition of the Company's shares, and repays any borrowings outstanding at the termination of the trust pursuant to the guarantee agreement.

(2) Accounting method for transactions of delivering the Company's own stock through trusts

The Company adopts the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (Practical Issues Task Force (PITF) No. 30 of March 26, 2015).

(3) Matters concerning the Company's own stock held by the trust

The book value of the Company's own stock held by the trust was 2,433 million yen for the previous fiscal year and 1,346 million yen for the current fiscal year, and is recorded as treasury stock in shareholders' equity.

The number of shares at the end of the previous fiscal year was 11,531 thousand shares, the average number of shares during the previous fiscal year was 13,352 thousand shares, the number of shares at the end of the current fiscal year is 6,379 thousand shares, and the average number of shares during the current fiscal year is 8,493 thousand shares. For the purpose of calculating per share information, the number of shares at the end of the fiscal year and the average number of shares during the fiscal year includes in the treasury stock that is deducted.

(Share remuneration plan for directors)

The Company has been conducting transactions of delivering its own stock through a trust as a share remuneration plan (the "Trust for Delivery of Shares to Directors") in order to improve its operating performance, increase its corporate value and raise the directors' awareness of shareholder-oriented management.

(1) Transaction outline

Trust for Delivery of Shares to Directors is a system in which funds are contributed by the Company, and shares acquired are distributed to the Company's directors in accordance with to the Company's operating performance, etc.

(2) The Company's own stock remaining in the trust

The Company's own stock remaining in the trust is recorded at the book value (excluding associated expenses) of the trust and is reflected as treasury stock in Net assets. The book value is 429 million yen for the previous fiscal year and 417 million yen for the current fiscal year. The number of shares is 1,357 thousand shares for the previous fiscal year and 1,318 thousand shares for the current fiscal year.

(3) The book value of loans payable is recorded by the adopting the gross amount method

Not applicable

4. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral

Buildings	3,154 million yen
Flight equipment (including spare parts)	588,699 million yen
Investment securities	6,815 million yen
Other (current assets)	17,733 million yen
Other (fixed assets)	3,330 million yen
Total	619,732 million yen

The above assets are pledged as collateral for long term debt payable (including debt payable within one year) of 335,944 million yen and other liabilities of the related companies.

(2) Accumulated depreciation of property and equipment 1,081,446 million yen

(3) Debt guarantees

Debt guarantees of borrowings from financial institutions

Employees (housing loan, etc.)	2,170 million yen
Overseas Courier Service (Deutschland) GmbH	79 million yen
OCS Korea Co., Ltd.	6 million yen
SHANGHAI EASTERN INTERNATIONAL LOGISTICS CO., LTD.	35 million yen
AMPs B.V.	1,147 million yen
Global Retail Partners PTE LTD.	39 million yen

Debt guarantee of performance of stock purchase reservation agreement

Fukuoka Airport Holdings Co., Ltd.	6,732 million yen

5. Notes to the Consolidated Statement of Income

Impairment losses 2,208 million yen

Impairment losses were recognized mainly from the write down of the net realizable values of assets expected to be sold to their sales price.

6. Notes to the Consolidated Statements of Changes in Net Assets

(1) Matters concerning the total number of outstanding shares

Type of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the current fiscal year	Decrease in the number of shares during the current fiscal year	Number of shares at the end of the current fiscal year
Ordinary shares	3,516,425 thousand shares	-	-	3,516,425 thousand shares

(2) Matters concerning the number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the current fiscal year	Decrease in the number of shares during the current fiscal year	Number of shares at the end of the current fiscal year
Ordinary shares	19,227 thousand shares	100 thousand shares	5,205 thousand shares	14,122 thousand shares

(Notes)

1. The increase of 100 thousand shares of treasury stock corresponds to the purchase of fractional shares.
2. The decrease of 5,205 thousand shares of treasury stock is the total of 13 thousand shares, which the Company sold to the holders of fractional shares at their request, 5,152 thousand shares, which were sold by the ANA Group Employee Stock Ownership Trust during the current fiscal year, and 39 thousand shares, which were sold by the Trust for Delivery of Shares to Directors.
3. Treasury stock includes 6,379 thousand shares in the Company held by the ANA Group Employee Stock Ownership Trust, and 1,318 thousand shares held by the Trust for Delivery of Shares to Directors, each at the end of the current fiscal year.

(3) Matters concerning dividends

(i) Dividends paid

The following items were resolved at the 71st Ordinary General Meeting of Shareholders held on June 28, 2016.

- Total amount of dividends: 17,492 million yen
- Source of dividends: Retained earnings
- Dividend amount per share: 5 yen
- Record date: March 31, 2016
- Effective date: June 29, 2016

(Note) The total amount of dividends does not include 64 million yen in dividends paid to the ANA Group Employee Stock Ownership Trust, subsidiaries and affiliates. This is because the Company’s shares held by the ANA Group Employee Stock Ownership Trust, subsidiaries and affiliates are recognized as treasury stock.

(ii) Dividends whose record date falls in the current fiscal year, but whose effective date falls in the next fiscal year

The following items will be resolved at the 72nd Ordinary General Meeting of Shareholders to be held on June 23, 2017.

- Total amount of dividends: 21,021 million yen
- Source of dividends: Retained earnings
- Dividend amount per share: 6 yen
- Record date: March 31, 2017
- Effective date: June 26, 2017

(Note) The total amount of dividends does not include 45 million yen in dividends to be paid to the ANA Group Employee Stock Ownership Trust, subsidiaries and affiliates. This is because the Company’s shares held by the ANA Group Employee Stock Ownership Trust, subsidiaries and affiliates are recognized as treasury stock.

7. Notes to Financial Instruments

(1) Matters concerning the status of financial instruments

The Group limits fund management to short-term deposits, etc., and raises funds through borrowings from banks and other financial institutions and bond issuances.

The Group makes its best effort to reduce customer credit risk concerning accounts receivable in accordance with the internal rules, etc. of each group company. Investments in securities consist mainly of shares, and fair values of listed shares are calculated quarterly.

Funds raised by borrowings are used for capital expenditures, and derivatives are executed within the scope of actual demand pursuant to the internal management rules.

(2) Matters concerning fair values of financial instruments

The carrying values of financial instruments on the Consolidated Balance Sheet, estimated fair values and their differences as of March 31, 2017 are as follows:

(Millions of Yen)

	Carrying value (*)	Fair value(*)	Differences
(1) Cash and deposits	60,835	60,835	-
(2) Notes and accounts receivable	155,887	155,887	-
(3) Marketable securities and investments in securities	329,743	337,913	8,170
(4) Accounts payable	(179,220)	(179,220)	-
(5) Short-term loans payable	(70)	(70)	-
(6) Bonds payable	(145,000)	(148,984)	△3,984
(7) Long-term debt payable	(562,947)	(576,370)	△13,423
(8) Derivative transactions	(17,064)	(17,064)	-

(*) Liabilities are presented in parenthesis.

Net receivables and payables arising from derivative transactions are recorded net, and items which, in aggregate, become net payables are presented in parentheses.

(Note 1) Matters concerning the method of calculating the fair values of financial instruments, and marketable securities and derivative transactions

(1) Cash and deposits, (2) Notes and accounts receivable

As these are settled within a short period of time and the fair values are almost equal to the book values, the fair values are based on the book values.

(3) Marketable securities and investments in securities

Fair values of shares, etc., are based on quoted market prices, and those of bonds are based on their quoted market price or prices offered by financial institutions. Bonds without market prices are calculated based on their present value, obtained by discounting the sum of their principals and interest by the interest rate determined in light of the remaining period and the credit risk of the bonds.

(4) Accounts payable, (5) Short-term loans payable

As these are settled within a short period of time and the fair values are almost equal to the book values, the fair values are based on the book values.

(6) Bonds payable

Fair values of bonds issued by the Company are calculated based on the present value obtained by discounting the sum of their principals and interest by the interest rate determined in the remaining period and the credit risk of the bonds.

(7) Long-term debt payable

Fair values of long-term debt payable are based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. Long-term debt payable with floating interest rates are subject to special treatment for interest rate swaps (refer to (8) below), and the fair values are based on the present value of the total of principal and interest, which have been treated as a unit with such interest rate swaps, discounted by the interest rate to be applied if similar new borrowings were entered into.

(8) Derivative transactions

Fair values of derivative transactions are calculated based on the prices offered by counterparty financial institutions. As those subject to special treatment for interest rate swaps are treated as a unit with long-term debt payable for hedging, the fair values are included in those of such long-term debt payable (refer to (7) above).

(Note 2) Unlisted shares (the amount recorded on the Consolidated Balance Sheet: 47,575 million yen) are not included in "(3) Marketable securities and investments in securities" because they do not have market prices, their future cash flow cannot be estimated and their market value cannot be accurately determined.

8. Note concerning per share information

(1) Net assets per share	262.44 yen
(2) Net income per share	28.23 yen

9. Note concerning material subsequent events

(Business Combination through Acquisition)

On April 13, 2017, the Company acquired a portion of the shares of Peach Aviation Limited ("Peach") possessed by First Eastern Aviation Holdings Limited and Innovation Network Corporation of Japan, and Peach became a consolidated subsidiary of the Company.

(1) Outline of the business combination

(i) Name and business of the acquired company

a. Name: Peach Aviation Limited

b. Business: Air transportation

(ii) Reason for the business combination

By acquiring a portion of Peach, we will accelerate its growth while keeping its uniqueness, and will develop Peach to lead the Japanese LCC market.

In addition, by promoting the LCC business, we will expand the scope of the airline business and pursue optimization of our business portfolio.

(iii) Date of business combination

April 13, 2017

(iv) Legal form of business combination

Acquisition of shares by cash

(v) Company name after business combination

No change

(vi) Basis for deciding to acquire the company

Because of acquiring shares by cash

(2) Acquisition cost of the acquired company and the ratio of voting rights acquired

The acquisition cost of the acquired corporation: 30,458 million yen

The ratio of voting rights before the acquisition: 38.7%

The ratio of additional voting rights acquired on the date of business combination: 28.3%

The ratio of voting rights after the acquisition: 67.0%

(3) Allocation of acquisition cost

(i) Amount of assets received and liabilities incurred on the date of the business combination

This will be determined once the transaction has been finalized.

(ii) Amount of goodwill, cause and method of amortization and amortization period

This will be determined once the transaction has been finalized.

Notes to Non-consolidated Financial Statements

(From April 1, 2016 to March 31, 2017)

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Notes to Non-consolidated Financial Statements

1. Notes on matters concerning significant accounting policies

(1) Valuation standards and methods for securities

(i)	Held-to-maturity securities	Amortized cost method (straight-line method)
(ii)	Investments in subsidiaries and affiliates	Stated at cost, determined by the moving-average method
(iii)	Other marketable securities	
	・Marketable securities with market value:	Recorded using the fair market value method based on the market prices, etc., at the end of the fiscal year (valuation differences are recorded in the net assets section (*direct net asset adjustment method*), and the cost of marketable securities sold is calculated using the moving-average method).
	・Marketable securities without market value:	Stated at cost, determined by on the moving-average method

(2) Valuation standards and methods for derivatives, etc.

Derivatives	Market value method

(3) Depreciation methods for fixed assets

(i)	Property and equipment (excluding leased assets)	
	Buildings:	Straight-line method The estimated useful lives range mainly from three (3) to fifty (50) years.
	Flight equipment:	Straight-line method The estimated useful lives range mainly from nine (9) to twenty (20) years.
	Other:	Mainly straight-line method
(ii)	Intangible assets (excluding leased assets)	Straight-line method Software for internal use is amortized by the straight-line method over five (5) years, which is the estimated useful life of software.
(iii)	Leased assets	Leased assets arising from transactions under finance lease contracts which do not transfer ownership of the assets to the lessee are depreciated to a residual value of zero (0) by the straight-line method over the lease term.

(4) Accounting standards for allowances

(i)	Allowance for doubtful accounts	The allowance for doubtful accounts is stated in amounts considered to be appropriate base on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
(ii)	Accrued corporate executive officers' retirement benefits	To prepare for the payment of retirement benefit expenditures for allowances for corporate executive officers, the payment amount required at the end of the fiscal year is recorded in accordance with the regulations for retirement benefits for corporate executive officers.

(5) Accounting methods for deferred assets

Corporate Bond issuance cost	Amortized by the straight-line method over the redemption period of the corporate bonds.

(6) Standards for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

All financial assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the consolidated fiscal year end. The foreign currency exchange gain or loss from translation is recognized in the non-consolidated statement of income.

(7) Method of hedge accounting

(i) Method of hedge accounting	Deferred hedge accounting. However, financial assets and liabilities denominated in foreign currencies with forward exchange contracts, etc., are translated at the corresponding contract rates. A special treatment is adopted for interest rate swaps which meet the hedge accounting requirements.
(ii) Hedging instruments and hedged items	Hedging instruments: Derivative transactions (mainly forward exchange contracts and interest swaps) Hedged items: Loans and forecasted transactions denominated in foreign currencies
(iii) Hedge policy	The Company enters into derivative transactions to hedge risks arising from the fluctuation in currencies and interest rates in accordance with its internal regulations "Risk Management Regulations on Hedge Transactions" and "Risk Management Guidelines for Hedge Transactions", and does not enter into derivative transactions for speculative or trading purposes.
(iv) Evaluation of effectiveness of hedge transactions	The assessment of hedge effectiveness is examined at inception and, on an ongoing basis, periodically by comparing the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging instruments. However, the evaluation of effectiveness is omitted for interest rate swaps which are accounted for by special treatment.

(8) Other material matters which constitute the basis for preparation of financial statements

(i) Accounting for consumption taxes, etc.	Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.
(ii) Application of the consolidated tax return system	The Company adopts the consolidated tax return system.

2. Change of the presentation method

(Non-consolidated Statement of Income)

The “Gain on sales of assets”, which was included in “Other” of the Non-operating income in the previous fiscal year, was presented separately in the current fiscal year due to its increased significance.

The “Gain on sales of assets”, which was included in “Other” of the Non-operating income for the previous fiscal year, was 299 million yen.

3. Additional information

(Transactions of delivering the Company’s own stock to employees, etc. through trusts)

The notes concerning the delivery of the Company’s own stock to the Employee Stock Ownership Group through trusts are omitted, as “3. Additional Information” of the Notes to Consolidated Financial Statements contains the same description.

(Share remuneration plan for directors)

The notes concerning the share remuneration plan for directors are omitted, as “3. Additional Information” of the Notes to Consolidated Financial Statements contains the same description.

4. Notes to the Non-consolidated Balance Sheet

(1) Assets pledged as collateral

Buildings	3,154	million yen
Flight equipment	505,442	million yen
Investment securities	6,815	million yen
Lease investment assets	17,733	million yen
Other (fixed asset)	3,330	million yen
Total	536,475	million yen

The above assets are pledged as collateral for long-term debts payable (including debts payable within one year) of 335,944 million yen and other liabilities of the subsidiaries and affiliates.

(2) Accumulated depreciation of property and equipment 824,639 million yen

(3) Debt guarantees

Debt guarantees of borrowings from financial institutions

ALL NIPPON AIRWAYS CO., LTD.	19,189 million yen
Employees (housing loans, etc.)	2,091 million yen
Pan Am International Flight Training Center (Thailand) Limited	1,098 million yen
AMPs B.V.	1,147 million yen

Debt guarantee of performance of stock purchase reservation agreement

Fukuoka Airport Holdings Co., Ltd.	6,732 million yen

(4) Financial assets and liabilities to subsidiaries and affiliates:

(i)	Short-term financial assets	50,068 million yen
(ii)	Short-term financial liabilities	187,660 million yen
(iii)	Long-term financial assets	35,717 million yen
(iv)	Long-term financial liabilities	359 million yen

5. Notes to the Non-consolidated Statement of Income

(1) Transactions with subsidiaries and affiliates

(i)	Operating revenues	239,934 million yen
(ii)	Operating cost	2,020 million yen
(iii)	Non-operating expenses	720 million yen

(2) Impairment loss 1,954 million yen

Impairment losses were recognized mainly from the write down of the net realizable values of assets expected to be sold to their sales price.

6. Notes to the Non-consolidated Statement of Changes in Net Assets

Matters concerning the number of treasury stock

Type of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the current fiscal year	Decrease in the number of shares during the current fiscal year	Number of shares at the end of the current fiscal year
Ordinary shares	17,954 thousand shares	100 thousand shares	5,204 thousand shares	12,850 thousand shares

(Notes)

1. The increase of 100 thousand shares of treasury stock corresponds to the purchase of shares.
2. The decrease of 5,204 thousand shares of treasury stock is the total of 13 thousand shares, which were sold to the holders of fractional shares at their request, and 5,152 thousand shares in the Company, which were sold by the ANA Group Employee Stock Ownership Trust, and 39 thousand shares in the Company, which were sold by the Trust for Delivery of Shares to Directors during the current fiscal year.
3. Treasury stock includes 6,379 thousand shares in the Company held by the ANA Group Employee Stock Ownership Trust, and 1,318 thousand shares in the Company held by the Trust for Delivery of Shares to Directors, each at the end of the current fiscal year.

7. Notes to tax effect accounting

(1) Breakdown of the major temporary differences of tax effect accounting that give rise to a significant portion of the deferred tax assets and liabilities

	(Millions of Yen)
Deferred tax assets	
Investments in subsidiaries and affiliates associated with corporate division	43,336
Long-term unearned revenue	7,269
Valuation loss on investments in subsidiaries and affiliates	8,565
Other	4,570
Subtotal: deferred tax assets	63,742
Valuation allowance	(9,910)
Total: deferred tax assets	53,832
Deferred tax liabilities	
Net unrealized holding gain on securities	(8,170)
Deferred gain on hedging instruments	(780)
Reserve for special depreciation	(243)
Other	(654)
Total: deferred tax liabilities	(9,849)
Net deferred tax assets	43,983

(2) Breakdown of the major items which cause material difference between the statutory effective tax rate and the corporate income tax rate, etc., after the application of tax effect accounting

Statutory effective tax rate	30.86%
(Adjustments)	
Changes in valuation allowance	2.77%
Non-deductible entertainment expense, etc.	0.23%
Non-deductible dividends income, etc.	(14.78)%
Other	(0.06)%
Effective tax rate of corporate income tax, etc., after the application of tax effect accounting	19.02%

8. Notes to transactions with related parties
Subsidiaries and affiliates, etc.

Type	Name of the company, etc.	Percentage of the voting rights owned or held by others	Relationship with the related parties	Transaction details	Transaction amount (millions of yen)	Account	Balance at the end of the fiscal year (millions of yen)
Subsidiary	ALL NIPPON AIRWAYS CO., LTD.	Percentage owned: 100%, direct	Lease of business assets Debt guarantee Borrowing and lending of funds Concurrent officers	Lease fee of flight equipment and spare engines, etc. (Note 1)	181,161	Accounts receivable	15,883
				Debt guarantee (Note 2)	19,189	-	-
				Repayment of funds	4,500	Long-term loans receivable (including current portion of long term receivable)	29,250
				Receipt of interest (Note 3)	263		
				Payment of interest (Note 4)	1	Short-term loans payable	89,649
Subsidiary	ANA Sales Co., Ltd.	Percentage owned: 100%, direct	Borrowing and lending of funds Interlocking officers	Payment of interest (Note 4)	0	Short-term loans payable	33,635

Terms and conditions and policies for deciding the terms and conditions, etc.

(Notes)
1. The Company and ALL NIPPON AIRWAYS CO., LTD. have entered into a Flight Equipment Lease Agreement, and have decided on the lease fee of flight equipment, etc., upon negotiation.
2. The Company guarantees debts arising from the jet fuel derivative transactions mainly of ALL NIPPON AIRWAYS CO., LTD.
3. The interest rate on the loans has been determined by taking market interest rates into account.
4. The transaction amount related to the borrowing of funds is omitted, because it is a transaction through the CMS (Cash Management System), which centrally manages the funds within the ANA Group. In addition, the interest rate has been reasonably determined by taking market rates into account.

9. Notes to per share information

(1) Net assets per share 229.48 yen
(2) Net income per share 18.59 yen

10. Notes to material subsequent events

The notes concerning material subsequent events are omitted, as “9. Note concerning material subsequent events” of the Notes to Consolidated Financial Statements contains the same description.

END