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

### **System for Ensuring the Appropriateness of Business Operations Outline of the Status of Operation of System for Ensuring the Appropriateness of Business Operations Notes to Consolidated Financial Statements Notes to Non-consolidated Financial Statements (From April 1, 2017 to March 31, 2018)**

**ANA HOLDINGS INC.**

"System for Ensuring the Appropriateness of Business Operations," "Outline of the Status of Operation of System for Ensuring the Appropriateness of Business Operations," "Notes to Consolidated Financial Statements" and "Notes to Non-consolidated Financial Statements" are provided to our shareholders through our Website (<https://www.ana.co.jp/group/en/investors/>) pursuant to laws and regulations, and Article 17 of our Articles of Incorporation.

**System for Ensuring the Appropriateness of Business Operations**  
(From April 1, 2017 to March 31, 2018)

## **System for ensuring the appropriateness of business operations**

The outline of the matters determined regarding the system for ensuring that the performance of duties by the Directors is in compliance with laws and the articles of incorporation and the system for ensuring that the business of the Company is otherwise operated in an appropriate manner is as described below (last modified on April 28, 2017).

### **(i) System for ensuring Directors and employees compliance with laws and the articles of incorporation**

- \* We established the "ANA Group Compliance Rules" and the "CSR/Risk Management/Compliance Committee" consisting of Full-time Directors and Full-time Audit & Supervisory Board Members. In these committees, important policies and matters concerning compliance are discussed, drafted and promoted under the supervision of the President of the Company. In addition, these committees have established the "CSR Guidelines" as a code of conduct to which the ANA Group Directors and employees must adhere when performing their duties, and created an environment in which the said "CSR Guidelines" are accessible by all of the members.
- \* We have set up a "Compliance Hot-line" as a consultation and report desk addressing compliance issues within the ANA Group, and created the "Group Internal Audit Division" which conducts group internal audits to develop a system to ensure compliance.
- \* We aim to raise awareness of compliance by assigning "CSR Promotion Officers" as the people in charge of CSR activities and by assigning "CSR Promotion Leaders" as promoters of CSR activities to the Company and its subsidiaries in order to educate executives and employees on their compliance obligations and by establishing a special website on the Intranet of the Group.

### **(ii) System for maintaining and managing information relating to the performance of duties by Directors**

- \* Information relating to the performance of duties by Directors, such as important decision-making by the Board of Directors or reports to Directors, is maintained and managed in accordance with the laws and "Document Management Rules" concerning the preparation, organization, storage and disposal of documents, irrespective of the recorded media. Such information is stored in a system which enables Directors and employees to access the information at any time.
- \* Important documents relating to the performance of duties are circulated to, and are accessible by Audit & Supervisory Board Members at any time.
- \* The "Group Internal Audit Division" conducts internal audits with respect to the maintenance and management of documents in order to ensure effective maintenance and management.

### **(iii) Rules and other systems regarding the management of risk of loss**

- \* The "ANA Group Total Risk Management Rules" stipulate the basic rules for total risk

management in the ANA Group, and the "CSR/Risk Management/Compliance Committee," consisting of Full-time Directors and Full-time Audit & Supervisory Board Members, has been established. In these committees, important policies and matters concerning total risk management are discussed, planned and facilitated under the supervision of the President of the Company.

- \* The "CSR Promotion Officers" as the people in charge of CSR activities and the "CSR Promotion Leaders" as a promoter of CSR activities are assigned to the Company and its subsidiaries in order to facilitate risk management activities.

(iv) System for ensuring efficient execution of Director's duties

- \* In order to clarify the significance of our existence and the role of the ANA Group, we have established the corporate philosophy for our Group. Under the corporate vision of our Group, we share a common future goal of the Group.
- \* In order to achieve the corporate vision for our Group, we have established a Group Corporate Plan and we are introducing a system in which all employees set their own business goals using these Plans. We believe the system will help employees clarify their own goals that might very well overlap with each other. In addition, we make sure that all goals and plans are reviewed regularly in order to conduct our business more adequately and efficiently.
- \* In order to clarify the range of authorization and discretion of executives, we have established regulations such as the "Regulation of Segregation of Duties" and the "Regulation of Authority of Management" to stipulate the division of roles, the authority and responsibility of the conduct of duties and the system of command and order, etc.
- \* Through adopting the Corporate Executive Officer System, we promote prompt decision making. In addition, important matters in the course of execution of business are carefully deliberated by the "Management Committee" using a collegial system.

(v) System for ensuring appropriateness of the business operations of the ANA Group comprised of the Company and its subsidiaries

- a. System of reporting to the Company matters regarding the performance of duties by directors and other officers of subsidiaries
  - i. The status of business operations at subsidiaries needs to be reported to the "Management Committee." Also, the status of audits conducted by audit & supervisory board members of subsidiaries needs to be reported to the "Group Audit & Supervisory Board Members Liaison Meeting."
- b. Rules and other systems regarding the management of risk of loss at subsidiaries
  - i. Based on the "ANA Group Total Risk Management Rules," the Company has increased its management stability and efficiency through the establishment of the risk and crisis management system across the Group.

- ii. The status of the risk and crisis management system needs to be reported to the "CSR/Risk Management/Compliance Committee" to manage progress.
  - iii. The "CSR Promotion Leaders" being promoters of CSR activities at subsidiaries hold meetings of the "CSR Promotion Leaders Meeting" on a regular basis to share information and get education on the risk and crisis management.
- c. System for ensuring efficient execution of duties of directors and other officers of subsidiaries
  - i. Based on the ANA Group's corporate philosophy, the Company has established the "Group Corporate Governance Rules" as fundamental principles governing the management of subsidiaries.
  - ii. Pursuant to the "Group Corporate Governance Rules," the Company has executed the "Group Management Rules" with each of its subsidiaries in order to exercise necessary control over their management in the aim of attaining their respective operational goals.
- d. System for ensuring compliance with laws and the articles of incorporation by directors, other officers and employees of subsidiaries
  - i. The Company promotes education on and raises awareness of compliance based on the "ANA Group Compliance Rules."
  - ii. The Company has established the "Group Internal Audit Division" in charge of group internal audits, which conducts audits of operations and accounting at the Company and each group company.
- (vi) Matters regarding employees who assist the duties of Audit & Supervisory Board Members where the Audit & Supervisory Board Members request that such employees be appointed
  - \* Directors have established the "Audit & Supervisory Board Members Office," which is an organization that assists with the Audit & Supervisory Board Members' duties, upon the request of the Audit & Supervisory Board Members, and assigned a requisite number of employees to it.
- (vii) Matters regarding the independence of the employees described in the preceding Item (vi) from Directors and matters regarding ensuring effectiveness of instructions given by Audit & Supervisory Board Members to these employees
  - \* Employees who belong to the Audit & Supervisory Board Members Office shall comply with the instructions and orders of Audit & Supervisory Board Members, and Directors shall make decisions on personnel matters regarding these employees through consultation with Audit & Supervisory Board Members.
- (viii) System of reporting to Audit & Supervisory Board Members
  - a. System of reporting from Directors and employees to Audit & Supervisory Board Members

- i. Directors and employees report to Audit & Supervisory Board Members on important matters regarding the management and business operations of the Company including matters relating to compliance, risk management and internal control, as well as their performance of duties, etc., through important internal meetings such as a meeting of the Board of Directors and the "Management Committee."
  - ii. Employees make reports on the operation of the business to Audit & Supervisory Board Members by means of an internal document sent around for managerial approval in accordance with the "Rules for Request for Decision."
- b. System of reporting from directors, audit & supervisory board members, executive officers and employees of subsidiaries or those who received a report from any of the foregoing to the Audit & Supervisory Board Members
  - i. Any material event occurred at a subsidiary is required to be reported to the Company pursuant to the "ANA Group Total Risk Management Rules," and information so reported is communicated to Audit & Supervisory Board Members.
  - ii. Full-time Audit & Supervisory Board Members and audit & supervisory board members of respective subsidiaries hold meetings of the "Group Audit & Supervisory Board Members Liaison Meeting" on a regular basis to report and exchange information on the auditing results.
  - iii. "Group Internal Audit Division" and Independent Auditor make reports to, and exchange information with, Audit & Supervisory Board Members on the auditing results of subsidiaries as necessary.
  - iv. Consultations and reports brought to the "Compliance Hot-line" from employees and others of subsidiaries are summarized, and material issues are escalated to the "CSR/Risk Management/Compliance Committee" and Audit & Supervisory Board Members.
- (ix) System for ensuring that persons who made a report under the preceding Item (viii) will not be treated disadvantageously as a result of making the report
  - \* "ANA Group Rules on Handling of Whistleblowing" provides that it is prohibited to treat persons who made a report under the preceding Item (viii) disadvantageously for the reason of making the report.
- (x) Matters regarding treatment of costs or debts incurred by Audit & Supervisory Board Members in performing their duties
  - \* Directors assist Audit & Supervisory Board Members in audits, and allocate a budget for audit costs in order to secure the effectiveness of audits.
- (xi) Other systems for securing the effectiveness of auditing by Audit & Supervisory Board Members
  - \* Directors and Audit & Supervisory Board Members have regular meetings in order to

increase communication, and Audit & Supervisory Board Members attend important meetings including the meeting of the Board of Directors and "Group Management Committee" where they directly comment on the performance of duties by Directors.

- \* Directors have cooperated in the establishment of a system that can enhance the effectiveness of audits through coordination between Audit & Supervisory Board Members and the "Group Internal Audit Division."

**Outline of the Status of Operation of System for Ensuring  
the Appropriateness of Business Operations**

(From April 1, 2017 to March 31, 2018)

## **Outline of the status of operation of system for ensuring the appropriateness of business operations**

The outline of the status of operation of the system for ensuring the appropriateness of business operations is as described below.

### **(i) Overall internal control system**

The Company is a company with audit & supervisory board members (*kansayaku setchi-gaisha*). The Board of Directors and the Audit & Supervisory Board are responsible for supervising and auditing the performance of duties by Directors. To strengthen their supervising and monitoring functions, the Company includes Outside Directors and Full-time Outside Audit & Supervisory Board Members in the Boards' composition.

The Company adopts a holding company structure because, in the current challenging business environment, it is essential to have a management system that enables the Company to fully exercise its competitive advantages. Also, the Company has appointed personnel with substantial experience and high degree of expertise as directors and other officers of its subsidiary group companies, and delegated operational powers to them. This enables the Company and its subsidiaries to operate functionally and effectively.

The Board of Directors of the Company, the holding company in the Group, establishes management policies and goals for the Group overall and is responsible for supervising business operations at respective group companies. The Chairman of the Board presides over meetings of the Board of Directors. All Directors including Outside Directors and all Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members attend meetings of the Board of Directors. During the Fiscal Year, the Board of Directors held 12 meetings.

In addition to statutorily required bodies, the Company also has the "Group Management Committee" chaired by the President and CEO, Representative Director, which has a role to supplement the Board of Directors and is tasked with discussing agendas more speedily and thoroughly. The Group Management Committee consists of 7 Full-time Directors and 3 Full-time Audit & Supervisory Board Members as well as presidents of respective group companies and others designated by the chairman. During the Fiscal Year, there were 55 Group Management Committee meetings.

The Company also has the "Management Advisory Council" where the Company asks for straight and unreserved opinions and advice on the ANA Group's overall management from 7 experts in various fields, which will be reflected in the Group's management. There were 4 meetings of the Management Advisory Council during the Fiscal Year.

Full-time Directors and Full-time Audit & Supervisory Board Members also hold meetings of the "CSR/Risk Management/Compliance Committee" where they discuss, plan and promote important policies and matters concerning total risk management and compliance (held three times during the Fiscal Year), and meetings with the "CSR Promotion Leaders" as promoters of CSR activities at the Company and respective group companies (held twice during the Fiscal Year), under the supervision of the President of the Company.

In addition to the above, the Company has established the "CSR Guidelines" as a code of conduct to which the ANA Group directors and employees must adhere, and created an environment in which the said "CSR Guidelines" are accessible by all Group directors and employees through a dedicated website.

## (ii) Risk management

The Company has established the "ANA Group Total Risk Management Rules" and has promoted a risk management system focusing on increasing the ANA Group's management stability and efficiency. For material issues that may affect the entire Group, the Company has put in place enhanced risk countermeasures to address them individually. To counter various business risks to which the ANA Group has been exposed, the Company has set up and operated a system consisting of the following 2 functions: "Risk Management" function that is designed to prepare in advance for and manage risks; and "Crisis Control" function that is designed to deal with materialized risks.

As part of the preventive "Risk Management" function, the Company has established risk management cycles (i.e. risk identification → analysis → assessment → study and implementation of controls and counter measures → monitoring) aiming at minimizing risks, and applies these cycles across the Group. As for the "Crisis Control" function to deal with materialized risks, the Company has prepared the "Crisis Management Manual (CMM)" describing responsive systems for the Group overall. The Company has also drawn up the "Emergency Response Manual (ERM)" as a manual subordinated to the CMM, in order to respond in particular to any crisis that may affect aircraft operations directly. Based on the ERM, the Company has conducted practical emergency drills in preparation for accident and hijacking every year since 2002. The Company held an accident drill and a hijacking drill during the Fiscal Year.

With respect to "information security," the Company has established "ANA Group Information Security Management Regulations" that provide for our policies on the promotion of information security and bylaws containing specific operational rules. These are applicable to the entire Group. While raising awareness of information security within the Group by distributing handbooks and providing e-learning, the Company has also set up a system to monitor compliance. In this way, the Company has enhanced its measures to ensure information security. During the Fiscal Year, the Company delivered one e-learning session to all employees of the Group, tasked all business units of each group company to run a self-check and caused a division in charge of information security to assess compliance at 16 locations. Results of these activities are reported to the "CSR/Risk Management/Compliance Committee" each time.

## (iii) Compliance

To promote compliance with laws and other regulations governing its business activities, the Company has established a compliance system based on the "ANA Group Compliance Rules." Under the oversight of the "CSR/Risk Management/Compliance Committee," an advisory body for the Board of Directors, the Company has been committed to raising awareness of compliance across the ANA Group, being led by the "CSR Promotion Leaders" assigned to the Company and respective group companies.

From the previous fiscal year to the current Fiscal Year, the Company prepared educational handbooks and delivered e-learning sessions based on the "ANA Group Anti-Bribery Rules" to address anti-bribery laws of various countries. Through these efforts, the Company has developed a system to minimize legal risks globally and prevent incidents which may jeopardize the Company's corporate value. In addition to the said handbook and e-learning, the Company sends personnel from "Legal & Insurance" to our overseas branches to provide education on anti-bribery laws in both Japanese and English, together with education on competition laws. The Company intends to continue these

efforts in the regions where we operate.

In addition, for the purpose of strengthening the Group-wide compliance system, the Company has clarified contact points between the Legal & Insurance division and respective group companies to develop and operate a structure to facilitate two-way communications. Also, the Company has educated members of all group companies on an ongoing basis about various laws and regulations including aviation, anti-trust and labor laws and regulations.

As for the whistleblowing system, the Company has set up report desks both in the Company and outside (at a law firm) pursuant to the "ANA Group Rules on Handling of Whistleblowing" in an effort to collect information concerning, and solve, compliance issues. Further, besides educating and providing information to members of all group companies, the Company has improved methods of investigation and a system to share information with Audit & Supervisory Board Members in the aim of strengthening its functions to collect information concerning, and solve, compliance issues. Results of these activities are reported to the "CSR/Risk Management/Compliance Committee" each time.

(iv) Internal audit

The "Group Internal Audit Division" (consisting of 11 members as of March 31, 2018) directly reporting to the President conducts operational audits, accounting audits and evaluations of the "Internal Controls over Financial Reporting" required under the Financial Instruments and Exchange Act for the Company and respective group companies from an independent and objective standpoint. There are two types of audit: "regular audit" that is conducted in accordance with an annual plan prepared in response to risk analysis results; and "special audit" that is conducted as necessary at the instruction or request of the management. Audit results are reported to the President monthly, and any material issues are communicated to Audit & Supervisory Board Members as appropriate. The audit results are also reported to the Board of Directors semiannually. Any material accounting and/or financial findings from audits are notified to the Independent Auditor through the Finance Division to ask for the Independent Auditor's guidance and advice as necessary. In this way, the Company has enhanced mutual cooperation with the Independent Auditor.

During the Fiscal Year, the Group Internal Audit Division audited 67 locations within the Group according to the Division's decision to focus on: the consistency between the Group Management Plan and respective divisions' action plans; and management of operations at respective divisions. As for the "Internal Controls over Financial Reporting" required under the Financial Instruments and Exchange Act, the Group Internal Audit Division conducted the evaluation of the validity of the Company Level Control, Operational Process Control, Accounting and Financial Reporting Process Control and IT General Control, both at the Company and at each group company.

(v) Audit by Audit & Supervisory Board Members

5 Audit & Supervisory Board Members (among which 3 are Outside Audit & Supervisory Board Members) including 3 Full-time Members conduct audits by audit & supervisory board members (*kansayaku kansa*). Each of the Audit & Supervisory Board Members attends meetings of the Board of Directors, and Full-time Members attend other important meetings, too. By attending these meetings, Audit & Supervisory Board Members examine the process of making important decisions and the status of business operations. At these meetings, they state their opinions about Directors' performance of

duties. At meetings of the Board of Directors, Management Committee and other important meetings where the Audit & Supervisory Board Members attend, they also receive reports on material issues relating to corporate management and business operations of the Company and respective group companies from Directors and employees.

Each Audit & Supervisory Board Member conducts audits of the Company and respective group companies in accordance with an audit plan, and then report to and share with Representative Directors the results of the audits at a regular meeting with them (held four times during the Fiscal Year). Audit & Supervisory Board Members also have a regular meeting with Outside Directors (three times during the Fiscal Year), Directors (three times during the Fiscal Year), the Independent Auditor (nine times during the Fiscal Year), the Group Internal Audit Division (thirteen times during the Fiscal Year) and audit & supervisory board members of respective group companies (called the Group Audit & Supervisory Board Members Liaison Meeting; held three times during the Fiscal Year). Through these meetings, Audit & Supervisory Board Members share information and exchange opinions more broadly, seeking to improve their audit practices and the effectiveness of audits.

During the Fiscal Year, Audit & Supervisory Board Members held 13 meetings, where they reported, discussed or resolved their audit policies and material audit issues.

The Company also has the "Audit & Supervisory Board Members Office" that directly reports to the Audit & Supervisory Board and is independent from business units. Employees exclusively assigned to support Audit & Supervisory Board Members follow their instructions and orders. Personnel matters relating to these employees are determined in consultation with Audit & Supervisory Board Members.

Any material issues reported through the whistleblowing system are escalated to the "CSR/Risk Management/Compliance Committee" and Audit & Supervisory Board Members on a regular basis. The Company expressly provides for the protection of whistleblowers in its internal rules, which are enforced in an appropriate manner.

Audit & Supervisory Board Members' claims for costs incurred in performing their duties have been properly dealt with in accordance with the relevant provisions of the Companies Act, and thus, the effectiveness of audits has been secured.

**Notes to Consolidated Financial Statements**  
(From April 1, 2017 to March 31, 2018)

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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: 64
- Names of major consolidated subsidiaries: ALL NIPPON AIRWAYS CO., LTD.  
Air Japan Co., Ltd.  
ANA WINGS CO., LTD.  
Peach Aviation Limited  
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: 1 Peach Aviation Limited  
Peach Aviation Limited (“Peach”) has been included in the scope of consolidation by becoming a consolidated subsidiary from an affiliate accounted for by the equity method by stock acquisition.

##### **(ii) Non-consolidated subsidiaries**

- Number of non-consolidated subsidiaries: 62
- Name of major non-consolidated subsidiary: Overseas Courier Service (Deutschland) GmbH
- 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: 16
- Names of major companies: Airport Facilities Co., Ltd.  
JAMCO CORPORATION
- Change in the application of the equity method  
Excluded: 1 Peach Aviation Limited  
Peach, which was an affiliate accounted for by the equity method, has been excluded from the scope of the application of the equity method by becoming a consolidated subsidiary by stock acquisition.

##### **(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: 91
- Name of major company: Overseas Courier Service (Deutschland) GmbH

- 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 fiscal year end of Pan Am Holdings, Inc. and eleven (11) other subsidiaries is December 31 and the fiscal year end 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 dates 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.
      - Aircraft: 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 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  
Bond issuance cost: Bond issuance cost is amortized by the straight-line method over the redemption period of the corporate bonds.
- (v) Standards for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen  
All monetary receivables and payables 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, monetary receivables and payables 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) to fifteen (15) 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. Change of the presentation method

(Consolidated Balance Sheet)

“Goodwill,” which was included in “Intangible assets,” and “Other provisions,” which was included in “Other long-term liabilities” of Long-term liabilities in the previous fiscal year, were presented separately in the current fiscal year due to their increased significance.

“Goodwill,” included in “Intangible assets” in the previous fiscal year, was 1,041 million yen and “Other provisions,” included in “Other long-term liabilities” of the Long-term liabilities in the previous fiscal year, was 2,091 million yen.

## 3. Additional information

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

The Company has been conducting transactions to deliver 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 ANA 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 employee property formation by encouraging 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” (collectively, 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 ANA 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.

The ESOT was terminated in July 2017. Gain on sale of shares (Capital surplus) of 2,641 million yen, which was accumulated within the ESOT through the sale of the Company’s shares to the Stock Ownership Association, was distributed as residual assets to ANA Group employees who met the beneficiary requirements.

### (2) Accounting method for transactions 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 1,346 million yen for the previous fiscal year, and is recorded as treasury stock in shareholders’ equity.

The number of shares at the end of the previous fiscal year was 6,379 thousand shares, and the average number of shares was 8,493 thousand shares during the previous fiscal year and 1,378 thousand shares for the current fiscal year. 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 from the calculation.

There is none of the Company's own stock remaining in the trust for the current fiscal year.

(Share remuneration plan for directors)

The Company has been conducting transactions to deliver 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

The 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 417 million yen for the previous fiscal year and 360 million yen for the current fiscal year. The number of shares is 1,318 thousand shares for the previous fiscal year and 114 thousand shares for the current fiscal year.

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

Not applicable

#### 4. Notes to the Consolidated Balance Sheet

	Yen (Millions)
(1) Assets pledged as collateral	
Buildings	¥3,013
Aircraft (including aircraft spare parts included in inventories)	529,637
Investment securities	6,815
Other (current assets)	16,543
Other (fixed assets)	3,330
Total	¥559,339
The above assets are pledged as collateral for long-term debt (including the current portion of long-term debt) of 295,227 million yen and other liabilities of related companies.	
(2) Accumulated depreciation of property and equipment	¥1,150,909 million
(3) Debt guarantees	
Debt guarantees of borrowings from financial institutions	
Employees (housing loans, etc.)	¥1,572 million
Overseas Courier Service (Deutschland) GmbH	¥86 million
OCS Korea Co., Ltd.	¥5 million
PT. ANA Cargo Express Indonesia	¥8 million
SHANGHAI EASTERN INTERNATIONAL LOGISTICS CO., LTD.	¥73 million
AMPs B.V.	¥1,790 million
Global Retail Partners PTE LTD.	¥34 million
Debt guarantee of performance of stock purchase reservation agreement	
Fukuoka Airport Holdings Co., Ltd.	¥6,111 million

#### 5. 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	351,642 thousand shares	-	3,144 thousand shares	348,498 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	1,412 thousand shares	16,257 thousand shares	3,803 thousand shares	13,866 thousand shares

- (Notes)
1. The increase of 16,257 thousand shares of treasury stock is the total of 16,214 thousand shares, which are issued shares sold that the Company bought back; 38 thousand shares, which the Company purchased from holders of fractional shares; and 4 thousand shares, which is the increase associated with changes of ownership ratios of affiliates.
  2. The decrease of 3,803 thousand shares of treasury stock is the total of 3,144 thousand shares, which is retirement of treasury stock; 3 thousand shares, which the Company sold to the holders of fractional shares at their request; 637 thousand shares, which were sold by the ESOT during the current fiscal year; and 17 thousand shares, which were sold by the Trust for Delivery of Shares to Directors. Additionally, the ESOT was terminated in July 2017.
  3. Treasury stock includes 114 thousand shares held by the Trust for Delivery of Shares to Directors.
  4. Since a 10-to-1 share consolidation was conducted effective October 1, 2017, the noted items were calculated based on the assumption that the share consolidation was conducted at the beginning of the current consolidated fiscal year.

(3) Matters concerning dividends

(i) Dividends paid

The following items were resolved at the 72nd Ordinary General Meeting of Shareholders held on June 23, 2017:

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

- (Notes)
1. The total amount of dividends does not include 45 million yen in dividends paid to the Employee Stock Ownership Trust, subsidiaries, and affiliates. This is because the Company's shares held by the Employee Stock Ownership Trust, subsidiaries, and affiliates are recognized as treasury stock.
  2. Since a 10-to-1 share consolidation was conducted effective October 1, 2017, dividend amount per share is based on the assumption that it was calculated prior to the share consolidation was conducted.

(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 73rd Ordinary General Meeting of Shareholders to be held on June 28, 2018:

- Total amount of dividends: ¥20,084 million
- Source of dividends: Retained earnings
- Dividend amount per share: ¥60
- Record date: March 31, 2018
- Effective date: June 29, 2018

(Note) The total amount of dividends does not include 7 million yen in dividends to be paid to the subsidiaries and affiliates. This is because the shares held by subsidiaries and affiliates are recognized as treasury stock.

## 6. Notes to Financial Instruments

(1) Matters concerning the status of financial instruments

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

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

Funds raised by borrowings and bonds are mainly used for capital expenditures, funds raised by convertible bond-type bonds with stock acquisition rights are used for capital expenditures and the repurchase of shares by the company, 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 in the consolidated balance sheet, estimated fair values, and their differences as of March 31, 2018 are as follows:

	Yen (Millions)		
	Carrying value (*)	Fair value(*)	Differences
(1) Cash and deposits	78,036	78,036	-
(2) Notes and accounts receivable	173,472	173,472	-
(3) Marketable securities and investment securities	359,619	368,142	8,523
(4) Accounts payable	(220,330)	(220,330)	-
(5) Short-term loans	(176)	(176)	-
(6) Bonds (including the current portion of bonds)	(135,000)	(138,009)	(3,009)
(7) Convertible bond-type bonds with stock acquisition rights	(140,000)	(144,865)	(4,865)
(8) Long-term debt (including the current portion of long-term debt)	(502,923)	(514,093)	(11,170)
(9) Derivative transactions	(4,665)	(4,665)	-

(\*) Liabilities are presented in parentheses.

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, 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 investment 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

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. Those subject to be translated at the corresponding contract rates for forward exchange contracts, etc., are included in accounts payable.

(6) Bonds

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) Convertible bond-type bonds with stock acquisition rights

Fair values of convertible bond-type bonds with stock acquisition rights issued by the Company are calculated based on the prices offered by counterparty financial institutions.

(8) Long-term debt

Fair values of long-term debt 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 with floating interest rates is subject to special treatment for interest rate swaps, 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.

(9) Derivative transactions

Fair values of derivative transactions are calculated based on the prices offered by counterparty

financial institutions.

(Note 2) Unlisted shares (the amount recorded on the consolidated balance sheet: 39,883 million yen) are not included in "(3) Marketable securities and investment securities" because they do not have market prices, their future cash flow cannot be estimated, and their market value cannot be accurately determined.

## **7. Notes to Business Combination**

(Business Combination through Acquisition)

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

### **(1) Outline of the business combination**

#### **(i) Name and business of the acquired company**

Name: Peach Aviation Limited

Business: Air transportation

#### **(ii) Reason for the business combination**

By acquiring a portion of Peach, the Company will accelerate its growth while maintaining its uniqueness, and will develop Peach to lead the Japanese Low Cost Carrier market.

In addition, by promoting the Low Cost Carrier business, the Company will expand the scope of its airline business and pursue optimization of its 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) The percentage of voting rights acquired**

The percentage of voting rights held before the acquisition: 38.7%

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

The percentage of voting rights held after the acquisition: 67.0%

#### **(vii) Basis for deciding to acquire the company**

A result of the acquisition of shares by cash

### **(2) Inclusion of the acquired company's results of operations in the current fiscal year**

Since the deemed effective acquisition date is April 1, 2017, results of operations from April 1, 2017 through March 31, 2018 are included.

### **(3) Acquisition cost of the acquired company**

Market value at the date of business combination of the shares held immediately before the business combination: ¥41,567 million

Acquisition cost of the acquired corporation: ¥30,458 million

Total acquisition cost: ¥72,025 million

### **(4) The amount of difference between the cost of acquisition and the total cost of acquisition per transaction**

Amount of gain on step acquisitions: ¥33,801 million

### **(5) Amount of goodwill, cause, and method of amortization and amortization period**

Amount of goodwill: ¥58,334 million

#### **Cause**

Additional future income-generating power (including synergies) is expected to be derived from future business development.

#### **Method of amortization and amortization period**

Evenly amortized over 15 years

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

Current assets	¥24,408 million
Fixed assets	¥16,950 million
Total assets	¥41,359 million
Current liabilities	¥13,690 million
Long-term liabilities	¥7,234 million
Total liabilities	¥20,924 million

**8. Notes concerning per share information**

(1) Net assets per share ¥2,954.47

(2) Net income per share ¥417.82

(Note) Since a 10-to-1 share consolidation was conducted effective October 1, 2017, the noted items were calculated based on the assumption that the share consolidation was conducted at the beginning of the current consolidated fiscal year.

**9. Notes concerning material subsequent events**

Not applicable

**Notes to Non-consolidated Financial Statements**  
(From April 1, 2017 to March 31, 2018)

*This document has been translated from the original Japanese version for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese version, the latter shall prevail in all respects.*

## **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 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<br>The estimated useful lives range mainly from three (3) to fifty (50) years.  |
| Aircraft:  | Straight-line method<br>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<br>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 based 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
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- (6) Standards for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen  
All monetary receivables and payables 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, monetary receivables and payables 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)

"Gain on sales of property and equipment," which was included in "Other" of Special income in the previous fiscal year, was presented separately in the current fiscal year due to its increased significance.

"Gain on sales of property and equipment," included in "Other" of the Special income in the previous fiscal year, was 51 million yen.

## 3. Additional information

(Transactions 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	Yen (Millions)
Buildings	¥3,013
Aircraft	451,981
Investment securities	6,815
Lease receivables	16,543
Other (fixed assets)	3,330
Total	¥481,683
The above assets are pledged as collateral for long-term debts (including the current portion of long-term debt) of 295,227 million yen and other liabilities of the subsidiaries and affiliates.	
(2) Accumulated depreciation of property and equipment	¥881,334 million
(3) Debt guarantees	
Debt guarantees of borrowings from financial institutions	
ALL NIPPON AIRWAYS CO., LTD.	¥4,513 million
Employees (housing loans, etc.)	¥1,501 million
Pan Am International Flight Training Center (Thailand) Limited	¥1,003 million
AMPs B.V.	¥1,790 million
Debt guarantee of performance of stock purchase reservation agreement	
Fukuoka Airport Holdings Co., Ltd.	¥6,111 million
(4) Monetary receivables and payables to subsidiaries and affiliates	
(i) Short-term monetary receivables	¥57,719 million
(ii) Short-term monetary payables	¥218,803 million
(iii) Long-term monetary receivables	¥30,526 million
(iv) Long-term monetary payables	¥346 million

#### 5. Notes to the Non-consolidated Statement of Income

(1) Transactions with subsidiaries and affiliates	
(i) Operating revenues	¥264,295 million
(ii) Operating cost	¥2,505 million
(iii) Other expenses	¥675 million

#### 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	1,285 thousand shares	16,252 thousand shares	3,803 thousand shares	13,734 thousand shares

- (Notes)
- The increase of 16,252 thousand shares of treasury stock is the total of 16,214 thousand shares, which are issued shares sold that Company bought back and 38 thousand shares, which the Company purchased from the holders of fractional shares.
  - The decrease of 3,803 thousand shares of treasury stock is the total of 3,144 thousand shares, which is retirement of treasury stock; 3 thousand shares, which were sold to the holders of fractional shares at their request; 637 thousand shares in the Company, which were sold by the ESOT; and 17 thousand shares in the Company, which were sold by the Trust for Delivery of Shares to Directors during the current fiscal year.
  - Treasury stock includes 114 thousand shares in the Company held by the Trust for Delivery of Shares to Directors.
  - Since a 10-to-1 share consolidation was conducted effective October 1, 2017, the noted items were calculated based on the assumption that the share consolidation was conducted at the beginning of the current consolidated 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

	Yen (Millions)
Deferred tax assets	
Investments in subsidiaries and affiliates associated with corporate division	¥43,336
Long-term unearned revenue	6,460
Valuation loss on investments in subsidiaries and affiliates	8,565
Deferred loss on hedging instruments	3,099
Other	6,132
Subtotal: deferred tax assets	67,594
Valuation allowance	(10,125)
Total: deferred tax assets	¥57,468
Deferred tax liabilities	
Unrealized gain on securities	¥ (9,608)
Other	(568)
Total: deferred tax liabilities	¥ (10,177)
Net deferred tax assets	¥47,291

- (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	0.21%
Non-deductible entertainment expense, etc.	0.19%
Non-deductible dividends income, etc.	(16.67)%
Other	0.01%
Effective tax rate of corporate income tax, etc., after the application of tax effect accounting	14.60%

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

Type	Name of the company	Percentage of the voting rights owned or held by the Company	Relationship with the related parties	Transaction details	Transaction amount Yen (Millions)	Account	Balance at the end of the fiscal year Yen (Millions)
Subsidiary	ALL NIPPON AIRWAYS CO., LTD.	Percentage owned: 100%, direct	Lease of business assets	Lease fee of aircraft and spare engines, etc. (Note 1)	185,736	Accounts receivable	15,918
				Debt guarantee (Note 2)	4,513	-	-
			Debt guarantee	Repayment of funds	4,500	Long-term receivables (including the current portion of long term receivables)	24,750
				Receipt of interest (Note 3)	227		
			Acceptance of collateral	Payment of interest (Note 4)	1	Short-term loans	114,888
			Concurrent officers	Transaction volume (Note 4)	124,464		
				Acceptance of collateral (Note 5)	77,655	-	-
Subsidiary	ANA Sales Co., Ltd.	Percentage owned: 100%, direct	Borrowing and lending of funds	Payment of interest (Note 4)	0	Short-term loans	33,805
			Concurrent officers	Transaction volume (Note 4)	32,469		

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 aircraft, 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. Transactions are implemented within the CMS (Cash Management System) that centrally manages funds within the ANA Group. The interest rate has been reasonably determined by taking market rates into account. The transaction volume is the average balance during the period.
  5. Collateral is provided to borrowings from financial institutions.

## **9. Notes to per share information**

(1) Net assets per share	¥2,379.41
(2) Net income per share	¥259.00

(Notes) Since a 10-to-1 share consolidation was conducted effective October 1, 2017, the noted items were calculated based on the assumption that the share consolidation was conducted at the beginning of the current consolidated fiscal year.

## **10. Notes concerning material subsequent events**

Not applicable

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