

All Nippon Airways Trading Co., Ltd.
Financial Statements 2016

Non-consolidated Balance Sheet

All Nippon Airways Trading Co., Ltd.

As of March 31, 2016

	Millions of yen
ASSETS	2016
Current assets:	
Cash on hand and in banks (Note 9)	¥1,711
Notes and accounts receivable - trade (Notes 3, 9 and 10)	13,305
Lease investment assets (Note 10)	7,799
Inventories	2,864
Short-term loans receivable (Notes 3, 9 and 10)	5,264
Deferred tax assets (Note 7)	303
Other current assets (Notes 3 and 10)	2,505
Allowance for doubtful accounts	(12)
	<hr/> 33,742
Property, plant and equipment (Note 4):	
Land	277
Buildings and leasehold improvements	439
Machinery, equipment and vehicles	287
Construction in progress	47
Leased assets	0
Rental assets	324
	<hr/> 1,377
Investments and other assets:	
Investment securities (Note 9)	3,214
Investment securities of related parties	4,860
Long-term loans receivable (Notes 3 and 10)	1,357
Lease and guarantee deposits	538
Intangible assets	773
Other assets	173
Allowance for doubtful accounts	(411)
	<hr/> 10,505
Total assets	<hr/> <hr/> ¥45,625

See notes to non-consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen
	2016
Current liabilities:	
Notes and accounts payable (Notes 3, 9 and 10)	¥15,162
Short-term loans payable (Notes 3, 9 and 10)	4,073
Current portion of long-term debt (Note 9)	400
Current portion of lease obligations	902
Advances received (Notes 3 and 10)	1,136
Unearned revenue	502
Accrued operating expenses	112
Accrued income taxes	163
Other current liabilities	698
	<u>23,153</u>
Long-term liabilities:	
Long-term debt, less current portion (Note 9)	2,060
Lease obligations, less current portion	6,016
Accrued employees' retirement benefits	299
Long-term deposits payable	383
Officers retirement reserve	74
Deferred tax liabilities	295
Other long-term liabilities (Note 3)	204
	<u>9,334</u>
Net assets (Notes 5 and 8)	
Shareholders' equity:	11,833
Common stock:	1,000
Authorized---2,880,000 shares at March 31, 2016	
Issued---654,724 shares at March 31, 2016	
Retained earnings:	10,833
Legal reserve	250
Retained earnings	10,583
Accumulated other comprehensive income:	1,304
Net unrealized holding gain (loss) on securities	1,315
Deferred gain (loss) on hedging instruments	(11)
	<u>13,137</u>
Total liabilities and net assets	<u>¥45,625</u>

See notes to non-consolidated financial statements.

Non-consolidated Statement of Income

All Nippon Airways Trading Co., Ltd.

Year ended March 31, 2016

Millions of yen

	<u>2016</u>
Net sales (Notes 3 and 10)	¥79,061
Cost of sales (Notes 3 and 10)	<u>70,182</u>
Gross profit	8,879
Selling, general and administrative expenses	<u>7,356</u>
Operating income	1,523
Non-operating income (expenses) (Note 3):	
Foreign exchange gains (Note 6)	11
Interest and dividend income	764
Reversal of allowance for doubtful accounts	4
Interest expenses	(40)
Other - net	<u>16</u>
Ordinary income	<u>2,279</u>
Extraordinary income and (losses):	
Gain on transfer of benefit obligation relating to employees' pension fund	131
Other	<u>(3)</u>
Income before income taxes	2,407
Income taxes (Note 7):	
Current	617
Deferred	<u>107</u>
	<u>724</u>
Net income (Note 8)	<u>¥1,682</u>

See notes to non-consolidated financial statements.

Non-consolidated Statement of Changes in Net Assets

All Nippon Airways Trading Co., Ltd.

Year ended March 31, 2016

Millions of yen

	Shareholders' equity			Total shareholders' equity	Accumulated other comprehensive income			Total net assets
	Common stock	Retained earnings			Net unrealized holding gain (loss) on securities	Deferred gain (loss) on hedging instruments	Total accumulated other comprehensive income	
		Legal reserve	Retained earnings					
Balance at April 1, 2015	¥1,000	¥250	¥10,072	¥11,322	¥2,656	¥4	¥2,661	¥13,984
Cash dividends paid			(1,172)	(1,172)				(1,172)
Net income			1,682	1,682				1,682
Net changes of items other than shareholders' equity during the year					(1,341)	(16)	(1,357)	(1,357)
Total changes during the year	-	-	(510)	(510)	(1,341)	(16)	(1,357)	(847)
Balance at March 31, 2016	¥1,000	¥250	¥10,583	¥11,833	¥1,315	¥(11)	¥1,304	¥13,137

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

All Nippon Airways Trading Co., Ltd.

Year ended March 31, 2016

1. BASIS OF PRESENTATION

The accompanying non-consolidated financial statements of All Nippon Airways Trading Co., Ltd. (the "Company") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In addition, the notes to non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information. In preparing the accompanying financial statements, certain reclassifications have been made in the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

As permitted by the regulations under the Corporation Law of Japan (the "Law"), amounts less than one million yen have been omitted. As a result, the totals shown in the accompanying non-consolidated financial statements for fiscal 2016 do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

In accordance with the accounting standard for foreign currency translation, foreign currency payables and receivables at March 31, 2016 are principally translated at the rate of exchange in effect at the balance sheet date, except payables and receivables hedged by qualified forward foreign exchange contracts.

(b) Marketable securities and investment securities

The accounting standard for financial instruments requires that securities be classified into three categories; trading, held-to-maturity or other securities. Under the standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gains or losses, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(c) Inventories

Inventories are principally stated at cost determined by the moving average method. In cases where profitability has declined, the book value is reduced accordingly.

(d) Property, plant and equipment (and depreciation)

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment, except for rental assets, is calculated based on estimated useful lives by the following methods:

Buildings acquired on or after April 1, 1998 ---- Straight-line method

Others ---- Declining-balance method

The Company principally applies the following useful lives:

Buildings and leasehold improvements	3 – 60 years
Structures	10 – 20 years
Vehicles	6 years
Machinery and equipment	2 – 20 years

Depreciation of rental assets is calculated by straight-line method over the lease period.

(e) Intangible assets and amortization

Intangible assets are amortized by the straight-line method. Cost of software purchased for internal use is amortized by the straight-line method over five years, the estimated useful life of purchased software.

(f) Allowance for doubtful accounts

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

(g) Retirement benefits

The retirement benefit plan of the Company covers substantially all employees other than directors. Under the terms of this plan, eligible employees are entitled, upon mandatory retirement or earlier voluntary severance, to lump-sum payments or annuity payments based on their compensation at the time of leaving and years of service with the Company. The Company has trustee employees' pension funds to provide coverage for the part of the lump-sum benefits or annuity payments. In accordance with the accounting standard for retirement benefits, accrued employees' retirement benefits at the balance sheet date are provided mainly at an amount calculated based on the retirement benefit obligation and the fair market value of the pension plan assets at the balance sheet date, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gains or losses and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated service years of eligible employees.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over periods which are approximately equal to the average remaining service years of employees. Prior service cost is being amortized as incurred by the straight-line method over periods which are approximately equal to the average remaining service years of employees.

Additional information

Return of substituted portion of employee pension fund

On October 1, 2014, the Japanese Minister of Health, Labour and Welfare exempted the Company for future

payments of the substituted portion of the pension fund, in accordance with the enactment of the Defined Benefit Corporation Pension Law, and the Company refunded ¥1,438 million (Retirement benefit minimum reserve) on December 21, 2015. As a result, the Company recognized an extraordinary gain of ¥942 million in fiscal 2015 and ¥131 million in fiscal 2016 on the return of the substituted portion of the employee pension fund based on Section 46 of “Guidance on Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Guidance No.25 of March 26, 2015).”

(h) Officers retirement reserve

The Company records a reserve for retirement benefits for directors and corporate auditors based on the amount payable at the balance sheet date based on the internal regulations.

(i) Leased assets and depreciation

Finance lease transactions under which ownership is not transferred are recognized as normal sales transactions.

(j) Derivatives

The Company uses derivatives, such as forward foreign exchange contracts and interest rate swaps to limit its exposure to fluctuations in foreign exchange rates and interest rates. The Company does not use derivatives for trading purposes. In principle, deferral hedge accounting is adopted for derivatives that qualify as hedges. Interest rate swaps that qualify for hedge accounting are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

(k) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(l) Deferred tax accounting

Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating losses and tax credits carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income or other comprehensive income in the period the revised tax regulation is promulgated (See Note 7).

(m) Net income per share

The computation of net income per share is based on the weighted average number of shares outstanding during each year.

(n) Consolidated tax payment system

The Company has applied the consolidated taxation system with ANA HOLDINGS INC. as the parent company.

(o) Changes in accounting policies

(Application of accounting standards for business combinations)

Effective from the fiscal year ended March 31, 2016, the Company has applied "Accounting Standard for Business Combinations" (ASBJ Statement No.21, revised September 13, 2013, hereinafter, "Business Combinations Accounting Standard"), the "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, revised September 13, 2013, hereinafter, "Business Divestitures Accounting Standard") and other related standards. The purpose of applying these standards was to adopt a method in which acquisition-related costs are treated as expenses in the fiscal year in which they are incurred. In addition, for business combinations carried out from the beginning of the fiscal year ended March 31, 2016, the Company adopted a method in which the reallocation of acquisition costs, as determined after finalization of provisional accounting treatment, is reflected in the financial statements for the period in which the business combination occurs.

The Company applied these standards in accordance with the transitional treatment specified in Section 58-2(4) of the Business Combinations Accounting Standard, and Section 57-4(4) of the Business Divestitures Accounting Standard. The Company began applying them effective from the beginning of the fiscal year ended March 31, 2016.

The application of these standards had no effect on the non-consolidated financial statements for the fiscal year ended March 31, 2016.

3. TRANSACTIONS WITH PARENT COMPANY, SUBSIDIARIES AND AFFILIATES

Information on transactions with the parent company, subsidiaries and affiliates for the year ended March 31, 2016 was as follows:

	Millions of yen
	2016
Balances:	
Notes and accounts receivable - trade	¥2,810
Short-term loans receivable	2,491
Other current assets	2,748
Long-term loans receivable	914
Notes and accounts payable	974
Short-term loans payable	4,333
Other current liabilities	8
Long-term debt	1,820
Other long-term liabilities	203
Transactions:	
Sales	17,092
Purchases	3,508
Transactions other than operating transactions	717

4. PROPERTY, PLANT AND EQUIPMENT

The following table sets forth the acquisition costs and related accumulated depreciation of certain property, plant and equipment at March 31, 2016:

	Millions of yen
	2016
Land	¥277
Buildings and leasehold improvements	1,213
Machinery, equipment and vehicles	1,077
Construction in progress	47
Leased assets	1
Rental assets	1,927
	4,544
Less accumulated depreciation	(3,166)
	¥1,377

5. INCOME TAXES

The Company is subject to a number of taxes on income (corporation tax, inhabitants taxes and enterprise tax), which, in aggregate, resulted in a normal statutory tax rate of approximately 33.06% for the year ended March 31, 2016. The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at March 31, 2016 are as follows:

	Millions of yen
	2016
Deferred tax assets:	
Provision for doubtful receivables	¥119
Accrued employees' retirement benefits and pension expense	91
Valuation loss on marketable and investment securities	330
Accrued expenses	34
Other	360
	<u>936</u>
Valuation allowance	<u>(450)</u>
	485
Deferred tax liabilities:	
Unrealized holding gain on securities	(477)
Other	(0)
	<u>(477)</u>
Net deferred tax assets	<u>¥7</u>

Note:

Amendments to Japanese tax regulations were enacted into law on March 29, 2016. Consequently, the statutory income tax rate used to measure deferred income tax was amended from 33.1% to 30.9% (for the fiscal year beginning April 1, 2016) and to 30.6% (from the fiscal year beginning April 1, 2017).

6. AMOUNTS PER SHARE

Amounts per share as of and for the year ended March 31, 2016 are as follows:

	Yen
	2016
Net income	¥2,570.50
Net assets	20,065.02

7. RELATED PARTY TRANSACTIONS

The Company has related party transactions with ANA HOLDINGS INC., the parent company, and subsidiaries and affiliated companies. The corresponding balances at March 31, 2016 and the amounts of these transactions for the year then ended are summarized as follows:

Related parties	Balances	Millions of yen
		2016
ANA HOLDINGS INC.	Current portion of long-term loans payable	¥260
	Long-term loans payable, less current portion	1,820
	Accounts payable for consolidated tax payment	308
	Short-term loans receivable	4,954
ANA Foods Co., Ltd.	Other current assets (Advances)	820
	Notes and accounts receivable - trade	74
	Short-term loans receivable	258
	Long-term loans receivable	759
ANA Trading Corp., U.S.A.	Notes and accounts payable	210
ANA FESTA Co., Ltd.	Notes and accounts receivable - trade	2,629
	Short-term loans payable	2,267
International Cargo Service Co., Ltd.	Notes and accounts payable	177
	Short-term loans payable	600
ANA Trading Duty Free Co., Ltd.	Short-term loans payable	550
Fujisey Co., Ltd.	Short-term loans payable	500

Related parties	Transactions	Millions of yen
		2016
ANA HOLDINGS INC.	Borrowings	¥2,080
	Liability for consolidated tax payment	308
	Loan of funds	4,954
ANA Foods Co., Ltd.	Other current assets (Advances)	820
	Loan of funds	1,017
	Interest income	13
	Dividend income	281
ANA Trading Corp., U.S.A.	Sales of goods	697
	Purchase of products and goods	1,071
	Dividend income	64
ANA FESTA Co., Ltd.	Sales of goods	15,446
	Borrowings	2,267
	Interest expenses	2
	Dividend income	56
International Cargo Service Co., Ltd.	Sales of products and goods and services	1,360
	Borrowings	600
	Dividend income	11
ANA Trading Duty Free Co., Ltd.	Borrowings	550
	Dividend income	197
Fujisey Co., Ltd.	Borrowings	500
	Dividend income	44

The Company has related party transactions with other subsidiaries of ANA HOLDINGS INC. The corresponding balances at March 31, 2016 and the amounts of these transactions for the year then ended are summarized as follows:

<u>Related parties</u>	<u>Balances</u>	<u>Millions of yen</u> <u>2016</u>
All Nippon Airways Co., Ltd.	Notes and accounts receivable - trade	¥3,428
	Other current assets (Advances)	201
	Notes and accounts payable	500
	Advances received	1,098
	Lease investment assets	1,496
panda Flight Academy Inc.	Lease investment assets	1,480
Winglet Co., Ltd.	Short-term loans receivable	2,753
		<u>Millions of yen</u> <u>2016</u>
<u>Related parties</u>	<u>Transactions</u>	
All Nippon Airways Co., Ltd.	Sales of products and goods and services	¥23,246
	Purchase of products and advertising media, mileage points	5,736
panda Flight Academy Inc.	Leasing of flight simulators	1,480
Winglet Co., Ltd.	Deposit held in ANA group cash management fund	2,753

Note:

1. Business transactions with related parties are carried out on an arm's-length basis similar to third-party transactions.
2. Consumption taxes are not included in the amounts of these transactions.
3. Since Winglet Co., Ltd. was merged into ANA HOLDINGS INC. on December 1, 2015, information on the corresponding transaction amount relates to the period during which it was a related party. Also, for the year-end balance, the outstanding balance reflects the amount at the time it was no longer a related party.

All Nippon Airways Trading Group

(As of March 31, 2016)

Parent:

- ANA HOLDINGS INC.

Subsidiaries:

- ANA Foods Co., Ltd.
- ANA Trading Corp., U.S.A.
- ANA Trading Duty Free Co., Ltd.
- ANA FESTA Co., Ltd.
- HIT Co., Ltd.
- International Cargo Service Co., Ltd.
- a-sweets house inc.
- Musashinomori Country Club Co., Ltd.
- Fujisey Co., Ltd.
- ANA-Kuroko Strategic Solutions Co., Ltd

Affiliates:

- panda Flight Academy Inc.
- A2 Care Co., Ltd.
- GLOBAL RETAIL PARTNERS PTE. LTD.