

All Nippon Airways Trading Co., Ltd.
Financial Statements 2017

Non-consolidated Balance Sheet

All Nippon Airways Trading Co., Ltd.

As of March 31, 2017

	Millions of yen
ASSETS	2017
Current assets:	
Cash and deposits (Note 9)	¥708
Notes and accounts receivable - trade (Notes 3, 9 and 10)	9,580
Lease investment assets (Note 10)	7,133
Inventories	3,002
Short-term loans receivable (Notes 3, 9 and 10)	6,970
Deferred tax assets (Note 7)	166
Other current assets (Notes 3 and 10)	2,682
Allowance for doubtful accounts	(10)
	<hr/> 30,233
Property, plant and equipment (Note 4):	
Land	15
Buildings and leasehold improvements	57
Vehicles, tools, furniture and fixtures	80
Construction in progress	17
Rental assets	289
	<hr/> 459
Intangible assets	900
Investments and other assets:	
Investment securities (Note 9)	4,068
Investment securities of related parties	5,100
Long-term loans receivable (Notes 3 and 10)	1,175
Lease and guarantee deposits	9
Other assets	161
Allowance for doubtful accounts	(405)
	<hr/> 10,110
Total assets	<hr/> <hr/> ¥41,704

See notes to non-consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen
	2017
Current liabilities:	
Notes and accounts payable (Notes 3, 9 and 10)	¥10,399
Short-term loans payable (Notes 3, 9 and 10)	5,610
Current portion of long-term loans payable (Note 9)	380
Current portion of lease obligations	874
Advances received (Notes 10)	1,090
Unearned revenue	569
Accrued operating expenses	97
Accrued income taxes	40
Other current liabilities	400
	<u>19,463</u>
Long-term liabilities:	
Long-term debt, less current portion (Note 9)	1,680
Lease obligations, less current portion	5,507
Accrued employees' retirement benefits	400
Long-term deposits payable	382
Provision for directors' retirement benefits	97
Deferred tax liabilities	289
Other long-term liabilities (Note 3)	175
	<u>8,534</u>
Net assets (Notes 5 and 8)	
Shareholders' equity:	11,697
Common stock:	1,000
Authorized---2,880,000 shares at March 31, 2017	
Issued---654,724 shares at March 31, 2017	
Retained earnings:	10,697
Legal reserve	250
Retained earnings	10,447
Accumulated other comprehensive income:	2,009
Unrealized holding gain (loss) on securities	2,007
Deferred gain (loss) on hedging instruments	2
	<u>13,706</u>
Total liabilities and net assets	<u>¥41,704</u>

See notes to non-consolidated financial statements.

Non-consolidated Statement of Income

All Nippon Airways Trading Co., Ltd.

Year ended March 31, 2017

Millions of yen

	2017
Net sales (Notes 3 and 10)	¥60,468
Cost of sales (Notes 3 and 10)	52,185
Gross profit	8,282
Selling, general and administrative expenses	7,650
Operating income	632
Non-operating income (expenses) (Note 3):	
Foreign exchange gain (Note 6)	60
Interest and dividend income	933
Reversal of allowance for doubtful accounts	7
Interest expenses	(31)
Other - net	12
Ordinary income	1,615
Extraordinary gains and (losses):	
Gain on sale of fixed assets	5
Other - net	10
Loss on sale of fixed assets	(70)
Loss on valuation of securities	(48)
Income before income taxes	1,511
Income taxes (Note 7):	
Current	121
Deferred	122
	244
Net income (Note 8)	¥1,267

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, 2017

Millions of yen

	Shareholders' equity			Total shareholders' equity	Accumulated other comprehensive income			Total net assets
	Common stock	Earned surplus			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, 2016	¥1,000	¥250	¥10,583	¥11,833	¥1,315	(¥11)	¥1,304	¥13,137
Cash dividends paid			(804)	(804)				(804)
Net income			1,267	1,267				1,267
Decrease due to corporate division			(599)	(599)				(599)
Net changes of items other than shareholders' equity during the year					691	13	705	705
Total changes during the year			(135)	(135)	691	13	705	569
Balance at March 31, 2017	¥1,000	¥250	¥10,447	¥11,697	¥2,007	¥2	¥2,009	¥13,706

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

All Nippon Airways Trading Co., Ltd.

Year ended March 31, 2017

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 2017 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, 2017 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

Facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 ----
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
Tools, furniture and fixtures	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) Accrued employees' 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.

(h) Provision for directors' retirement benefits

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 a 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.

(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

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

The Company adopted “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ PITF No.32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of this change on income or expenses for the fiscal year ended March 31, 2017 was immaterial.

3. TRANSACTIONS WITH PARENT COMPANY, SUBSIDIARIES AND AFFILIATES

Information on transactions with the parent company, subsidiaries and affiliates for the year ended March 31, 2017 was as follows:

	Millions of yen
	2017
Balances:	
Notes and accounts receivable	¥192
Short-term loans receivable	6,954
Other current assets	2,792
Long-term loans receivable	760
Notes and accounts payable	621
Short-term loans payable	5,870
Other short-term liabilities	5
Long-term debt	1,560
Other long-term liabilities	175
Transactions:	
Sales	1,260
Purchases	3,266
Transactions other than operating transactions	841

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, 2017:

	Millions of yen
	2017
Land	¥15
Buildings and leasehold improvements	136
Vehicles, tools, furniture and fixtures	420
Construction in progress	17
Rental assets	1,912
	2,501
Less accumulated depreciation	(2,041)
	¥459

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 30.86% for the year ended March 31, 2017. The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at March 31, 2017 are as follows:

	Millions of yen
	2017
Deferred tax assets:	
Provision for doubtful receivables	¥117
Accrued employees' retirement benefits and pension expense	226
Valuation loss on marketable and investment securities	330
Accrued expenses	13
Other	238
	<u>926</u>
Valuation allowance	<u>(451)</u>
	475
Deferred tax liabilities:	
Unrealized holding gain on securities	(480)
Other	(118)
	<u>(598)</u>
Net deferred tax liabilities	<u><u>(¥123)</u></u>

6. AMOUNTS PER SHARE

Amounts per share as of and for the year ended March 31, 2017 are as follows:

	Yen
	2017
Net income	¥1,935.93
Net assets	20,934.84

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, 2017 and the amounts of these transactions for the year then ended are summarized as follows:

Related parties	Balances	Millions of yen
		2017
ANA HOLDINGS INC.	Current portion of long-term loans payable	¥260
	Long-term loans payable, less current portion	1,560
	Short-term loans receivable	6,799
ANA Foods Co., Ltd.	Other current assets (Advances)	1,197
	Long-term loans receivable	641
	Short-term loans receivable	118
	Short-term loans payable	890
ANA FESTA Co., Ltd.	Short-term loans payable	2,305
International Cargo Service Co.,	Notes and accounts payable	216
	Short-term loans payable	544
ANA Trading Duty Free Co., Ltd.	Short-term loans payable	824
Fujisey Co., Ltd.	Short-term loans payable	734

Related parties	Transactions	Millions of yen
		2017
ANA HOLDINGS INC.	Borrowings	¥1,820
	Loan of funds	6,799
ANA Foods Co., Ltd.	Other current assets (Advances)	1,197
	Loan of funds	759
	Interest receivable	9
	Borrowings	890
	Dividend income	349
ANA FESTA Co., Ltd.	Borrowings	2,305
	Dividend income	60
International Cargo Service Co.,	Purchase of products and goods and services	1,363
	Borrowings	544
	Dividend income	55
ANA Trading Duty Free Co., Ltd.	Borrowings	824
	Dividend income	198
Fujisey Co., Ltd.	Borrowings	734
	Dividend income	23

The Company has related party transactions with other subsidiaries of ANA HOLDINGS INC. The corresponding balances at March 31, 2017 and the amounts of these transactions for the year then ended are summarized as follows:

Related parties	Balances	Millions of yen 2017
All Nippon Airways Co., Ltd.	Notes and accounts receivable	¥3,135
	Advances received	961
	Deferred income	505
	Lease investment assets	1,278
	Notes and accounts payable	500
panda Flight Academy Inc.	Lease investment assets	1,348

Related parties	Transactions	Millions of yen 2017
All Nippon Airways Co., Ltd.	Sales of products and goods and services	¥23,775
panda Flight Academy Inc.	Leasing of flight simulators	1,348
	Dividend income	42

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. Mileage business alliance agreement signed on March 1, 2008 with All Nippon Airways Co., Ltd. Was terminated on March 31, 2017 with the expiration of the agreement period.

The sales amount related to this agreement was 4,722 million yen for the fiscal year ended March 31, 2017.

All Nippon Airways Trading Group

(As of March 31, 2017)

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.
- ANA Digital Gate, Inc.

Affiliates:

- panda Flight Academy Co., Ltd.
- A2 Care Co., Ltd.
- Global Retail Partners Pte. Ltd.
- A&S Takashimaya Duty Free Co., Ltd.
- ANA X Inc.