

All Nippon Airways Trading Co., Ltd.
Financial Statements 2018

Non-consolidated Balance Sheet

All Nippon Airways Trading Co., Ltd.

As of March 31, 2018

	Millions of yen
ASSETS	2018
Current assets:	
Cash and deposits	¥760
Notes and accounts receivable - trade	10,387
Lease investment assets	6,277
Inventories	3,000
Short-term loans receivable	7,872
Deferred tax assets	203
Other current assets	2,274
Allowance for doubtful accounts	(53)
	<hr/> 30,721
Property, plant and equipment:	
Land	15
Buildings and leasehold improvements	74
Vehicles, tools, furniture and fixtures	89
Construction in progress	12
Rental assets	261
	<hr/> 453
Intangible assets	921
Investments and other assets:	
Investment securities	4,490
Investment securities of related parties	4,982
Long-term loans receivable	1,340
Lease and guarantee deposits	23
Other assets	161
Allowance for doubtful accounts	(478)
	<hr/> 10,520
Total assets	<hr/> <hr/> ¥42,617

See notes to non-consolidated financial statements.

	Millions of yen
LIABILITIES AND NET ASSETS	2018
Current liabilities:	
Notes and accounts payable	¥11,482
Short-term loans payable	5,949
Current portion of long-term loans payable	380
Current portion of lease obligations	822
Advances received	597
Unearned revenue	624
Accrued operating expenses	84
Accrued income taxes	116
Other current liabilities	479
	<u>20,536</u>
Long-term liabilities:	
Long-term debt, less current portion	1,300
Lease obligations, less current portion	4,839
Accrued employees' retirement benefits	510
Long-term deposits payable	350
Provision for directors' retirement benefits	107
Deferred tax liabilities	419
Long-term unearned received	1
Other long-term liabilities	92
	<u>7,621</u>
Net assets	
Shareholders' equity:	12,105
Common stock:	1,000
Authorized---2,880,000 shares at March 31, 2018	
Issued---654,724 shares at March 31, 2018	
Retained earnings:	11,105
Legal reserve	250
Retained earnings	10,855
Accumulated other comprehensive income:	2,354
Unrealized holding gain (loss) on securities	2,352
Unrealized gain (loss) from hedging instruments	2
	<u>14,459</u>
Total liabilities and net assets	<u>¥42,617</u>

See notes to non-consolidated financial statements.

Non-consolidated Statement of Income

All Nippon Airways Trading Co., Ltd.

Year ended March 31, 2018

Millions of yen

	2018
Net sales	¥61,256
Cost of sales	53,204
Gross profit	8,052
Selling, general and administrative expenses	7,676
Operating income	375
Non-operating income (expenses):	
Foreign exchange gain	92
Interest and dividend income	821
Interest expenses	(26)
Other - net	(18)
Ordinary income	1,244
Extraordinary gains and (losses):	
Gain on sale of securities	89
Loss on valuation of securities	(223)
Income before income taxes	1,110
Income taxes:	
Current	262
Deferred	(43)
	218
Net income	¥891

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, 2018

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	Unrealized gain (loss) from hedging instruments	Total accumulated other comprehensive income	
		Legal reserve	Retained earnings					
Balance at April 1, 2017	¥1,000	¥250	¥10,447	¥11,697	¥2,007	¥2	¥2,009	¥13,706
Cash dividends paid			(483)	(483)				(483)
Net income			891	891				891
Net changes of items other than shareholders' equity during the year					345	0	345	345
Total changes during the year			407	407	345	0	345	753
Balance at March 31, 2018	¥1,000	¥250	¥10,855	¥12,105	¥2,352	¥2	¥2,354	¥14,459

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

All Nippon Airways Trading Co., Ltd.

Year ended March 31, 2018

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. 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 2018 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, 2018 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 the lower of cost or net realizable value, cost being determined by the moving average method.

(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 to a lessee are recognized as a normal sales transactions.

(j) Derivatives

The Company uses derivatives, such as forward foreign exchange contracts and interest rate swaps, to manage its risk exposure arising from 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 tax assets and liabilities are recognized in the non-consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, 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. (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 corporate-tax system

The Company has applied the consolidated corporate-tax system with ANA HOLDINGS INC. as the parent company.

3. TRANSACTIONS WITH PARENT COMPANY, SUBSIDIARIES AND AFFILIATES

Information on transactions with the parent company, subsidiaries and affiliates for the year ended March 31, 2018 was as follows:

	Millions of yen
	2018
Balances:	
Notes and accounts receivable	¥227
Short-term loans receivable	7,857
Other current assets	1,338
Long-term loans receivable	940
Notes and accounts payable	857
Short-term loans payable	6,209
Long-term debt	1,300
Transactions:	
Sales	1,984
Purchases	3,801
Transactions other than operating transactions	696

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, 2018:

	Millions of yen
	2018
Land	¥15
Buildings and leasehold improvements	156
Vehicles, tools, furniture and fixtures	427
Construction in progress	12
Rental assets	1,917
	2,531
Less accumulated depreciation	(2,077)
	¥453

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, 2018. The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at March 31, 2018 are as follows:

	Millions of yen
	2018
Deferred tax assets:	
Provision for doubtful receivables	¥152
Accrued employees' retirement benefits and pension expense	255
Valuation loss on marketable and investment securities	401
Accrued expenses	23
Other	214
	<u>1,046</u>
Valuation allowance	<u>(541)</u>
	504
Deferred tax liabilities:	
Unrealized holding gain on securities	(616)
Other	(104)
	<u>(721)</u>
Net deferred tax liabilities	<u><u>(¥217)</u></u>

6. AMOUNTS PER SHARE

Amounts per share as of and for the year ended March 31, 2018 are as follows:

	Yen
	2018
Net income	¥1,361.72
Net assets	22,085.59

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, 2018 and the amounts of these transactions for the year then ended are summarized as follows:

Related parties	Balances	Millions of yen
		2018
ANA HOLDINGS INC.	Current portion of long-term loans payable	¥260
	Long-term loans payable, less current portion	1,300
	Short-term loans receivable	7,671
ANA Foods Co., Ltd.	Other current assets (Advances)	1,231
	Long-term loans receivable	523
	Short-term loans receivable	118
ANA FESTA Co., Ltd.	Short-term loans payable	2,369
International Cargo Service Co.,Ltd.	Short-term loans payable	635
ANA Trading Duty Free Co., Ltd.	Short-term loans payable	1,649
Fujisey Co., Ltd.	Short-term loans payable	778

Related parties	Transactions	Millions of yen
		2018
ANA HOLDINGS INC.	Borrowings	¥1,560
	Loan of funds	7,671
ANA Foods Co., Ltd.	Other current assets (Advances)	1,231
	Loan of funds	641
	Interest income	8
ANA FESTA Co., Ltd.	Borrowings	2,369
International Cargo Service Co.,Ltd.	Borrowings	635
ANA Trading Duty Free Co., Ltd.	Borrowings	1,649
Fujisey Co., Ltd.	Borrowings	778

The Company has related party transactions with other subsidiaries of ANA HOLDINGS INC. The corresponding balances at March 31, 2018 and the amounts of these transactions for the year then ended are summarized as follows:

Related parties	Balances	Millions of yen 2018
All Nippon Airways Co., Ltd.	Notes and accounts receivable	¥3,559
	Unearned revenue	559
	Lease investment assets	2,269
ANA CATERING SERVICE CO.,LTD.	Lease investment assets	2,278
ANA NARITA AIRPORT SERVICES Co., Ltd.	Lease investment assets	647

Related parties	Transactions	Millions of yen 2018
All Nippon Airways Co., Ltd.	Sales of products and goods and services	¥26,108
ANA CATERING SERVICE CO.,LTD.	Lease transaction mainly for vehicles related to flight	186
ANA NARITA AIRPORT SERVICES Co., Ltd.	Lease transaction mainly for vehicles related to flight	41

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.

All Nippon Airways Trading Group

(As of March 31, 2018)

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.
- 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.
- SG RETAIL PARTNERS PTE.LTD.

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.