

All Nippon Airways Trading Co., Ltd.
Financial Statements 2019

Non-consolidated Balance Sheet

All Nippon Airways Trading Co., Ltd.

As of March 31, 2019

ASSETS	Millions of yen 2019
Current assets:	
Cash and deposits (Note 10)	¥953
Notes and accounts receivable - trade (Notes 4, 10 and 11)	9,229
Lease investment assets (Note 11)	6,533
Inventories	3,540
Short-term loans receivable (Notes 4, 10 and 11)	7,750
Other current assets (Notes 4 and 11)	4,077
Allowance for doubtful accounts	(63)
	32,020
Property, plant and equipment (Note 5):	
Land	15
Buildings and leasehold improvements	84
Vehicles, tools, furniture and fixtures	54
Rental assets	138
	292
Intangible assets	999
Investments and other assets:	
Investment securities (Note 10)	4,672
Investment securities of related parties	7,103
Long-term loans receivable (Notes 4 and 11)	1,157
Lease and guarantee deposits	20
Other assets	165
Allowance for doubtful accounts	(545)
	12,574
Total assets	¥45,886

See notes to non-consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen
	2019
Current liabilities:	
Notes and accounts payable (Notes 4, 10 and 11)	¥12,761
Short-term loans payable (Notes 4, 10 and 11)	8,283
Current portion of long-term loans payable (Note 10)	260
Current portion of lease obligations	912
Advances received (Note 11)	541
Unearned revenue	517
Accrued operating expenses	77
Accrued income taxes	92
Other current liabilities	555
	<u>24,001</u>
Long-term liabilities:	
Long-term debt, less current portion (Notes 4,10 and 11)	1,040
Lease obligations, less current portion	4,287
Accrued employees' retirement benefits	595
Long-term deposits payable	350
Provision for directors' retirement benefits	125
Deferred tax liabilities	226
Long-term unearned received	1
	<u>6,627</u>
Net assets (Notes 6 and 9)	
Shareholders' equity:	12,821
Common stock:	1,000
Authorized---2,880,000 shares at March 31, 2019	
Issued---654,724 shares at March 31, 2019	
Retained earnings:	11,821
Legal reserve	250
Retained earnings	11,571
Accumulated other comprehensive income:	2,434
Unrealized holding gain (loss) on securities	2,438
Deferred gain (loss) on hedging instruments	(3)
	<u>15,256</u>
Total liabilities and net assets	<u><u>¥45,886</u></u>

See notes to non-consolidated financial statements.

Non-consolidated Statement of Income

All Nippon Airways Trading Co., Ltd.

Year ended March 31, 2019

Millions of yen

	2019
Net sales (Notes 4 and 11)	¥62,066
Cost of sales (Notes 4 and 11)	53,131
Gross profit	8,935
Selling, general and administrative expenses	8,176
Operating income	759
Non-operating income (expenses) (Note 4):	
Foreign exchange gain (Note 7)	129
Interest and dividend income	250
Interest expenses	(22)
Gain on investments in silent partnership	497
Other - net	(83)
Ordinary income	1,531
Extraordinary gains (losses):	
Loss on valuation of investment securities	(41)
Income before income taxes	1,490
Income taxes (Note 8):	
Current	333
Deferred	(26)
	307
Net income (Note 9)	¥1,183

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, 2019

	Shareholders' equity			Accumulated other comprehensive income			Total net assets	
	Common stock	Earned surplus		Total shareholders' equity	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, 2018	¥1,000	¥250	¥10,855	¥12,105	¥2,352	¥2	¥2,354	¥14,459
Cash dividends paid			(466)	(466)				(466)
Net income			1,183	1,183				1,183
Net changes of items other than shareholders' equity during the year					85	(5)	79	79
Total changes during the year			716	716	85	(5)	79	796
Balance at March 31, 2019	¥1,000	¥250	¥11,571	¥12,821	¥2,438	¥(3)	¥2,434	¥15,256

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

All Nippon Airways Trading Co., Ltd.

Year ended March 31, 2019

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 2019 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, 2019 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. CHANGES IN PRESENTATIONS

- (i) Changes in presentation of an accounts related to deferred tax assets and liabilities due to the adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”
- Effective from the beginning of the fiscal year ended March 31, 2019, the Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No.28, issued February 16, 2018).
- Deferred tax assets and deferred tax liabilities are now presented in “Investments and other assets” and “Long-term liabilities,” respectively, in the non-consolidated balance sheet.
- (ii) Changes in classification of dividends from consolidated subsidiaries due to an amendment to the Company’s articles of incorporation related to its principal business activities
- In previous fiscal years, dividends from consolidated subsidiaries were recognized in “Interest and dividend income” (¥611 million for the fiscal year ended March 31, 2018). Because of an amendment to its articles of incorporation related to its principal business activities, the Company now includes such dividends in “Net sales” (¥695 million for the fiscal year ended March 31, 2019).

4. TRANSACTIONS WITH PARENT COMPANY, SUBSIDIARIES AND AFFILIATES

Information on balances and transactions with the parent company, subsidiaries and affiliates as of March 31, 2019 and for the year then ended was as follows:

	Millions of yen
	2019
Balances:	
Notes and accounts receivable	¥577
Short-term loans receivable	7,731
Other current assets	1,365
Long-term loans receivable	775
Notes and accounts payable	641
Short-term loans payable	8,543
Long-term debt	1,040
Transactions:	
Sales	2,922
Purchases	3,693
Transactions other than operating transactions	30

5. 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, 2019:

	Millions of yen
	2019
Land	¥15
Buildings and leasehold improvements	166

Vehicles, tools, furniture and fixtures	426
Rental assets	1,368
	<hr/> 1,977
Less accumulated depreciation	(1,686)
	<hr/> <u>¥291</u>

6. NET ASSETS

In accordance with the Law, the Company provides a legal reserve, which is included in retained earnings. The Law provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of the legal reserve and the additional paid-in capital accounts equals 25% of the common stock amounts. The Law provides that neither the additional paid-in capital nor the legal reserve is available for the payment of dividends, but both may be used to reduce or eliminate a deficit by resolution of shareholders or may be transferred to common stock by resolution of the Board of Directors. The Law also provides that, if the total amount of the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. Under the Law, however, such distributions can be made at anytime by resolution of the shareholders or by the Board of Directors if certain conditions are met.

(1) Type and number of outstanding shares

	Number of shares			
	Balance at April 1, 2018	Increase in shares during the year	Decrease in shares during the year	Balance at March 31, 2019
Issued stock:				
Common stock	654,724	-	-	654,724

(2) Cash dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
March 31, 2018	Extraordinary general meeting of shareholders	Common stock	¥466	¥713	March 31, 2018	June 29, 2018

(3) Dividends with a shareholders' cut-off date during the current fiscal year ended March 31, 2019, but an effective date subsequent to the current fiscal year

Date of approval	Resolution approved by	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Not yet determined		Common stock			March 31, 2019	June 28, 2019

7. FOREIGN EXCHANGE GAIN OR LOSS

Foreign exchange gain or loss is recorded on a net basis. Net foreign exchange gain of 129 million yen was included in determining net income for the year ended March 31, 2019.

8. 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, 2019. The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at March 31, 2019 are as follows:

	Millions of yen
	2019
<hr/>	
Deferred tax assets:	
Provision for doubtful receivables	¥180
Accrued employees' retirement benefits and pension expense	276
Valuation loss on marketable and investment securities	414
Accrued expenses	22
Other	221
	<hr/>
	1,116
Valuation allowance	<hr/> (587)
	528
Deferred tax liabilities:	
Unrealized holding gain on securities	(656)
Other	(98)
	<hr/> (754)
Net deferred tax liabilities	<hr/> <hr/> (¥226)

9. AMOUNTS PER SHARE

Amounts per share as of and for the year ended March 31, 2019 are as follows:

	Yen
	2019
Net income	¥1,807.61
Net assets	23,302.14

10. FINANCIAL INSTRUMENTS

(1) Policy for financial instruments

The Company limits its fund management to short-term deposits and raises funds through borrowings from its subsidiaries. The Company uses derivatives for the purpose of reducing risk and does not enter into derivative transactions for speculative or trading purposes.

(2) Types of financial instruments, related risk and risk management

Notes and accounts receivable are exposed to credit risk in relation to customers. In accordance with its internal policies for managing credit risk arising from receivables, the Company monitors the creditworthiness of its main customers periodically and monitors due dates and outstanding balances by individual customer, making efforts to identify and mitigate risks of bad debts from customers having financial difficulties.

Investment securities are exposed to the risk of market price fluctuations. Those securities are composed of mainly the shares of other companies with which the Company has business relationships. The Company periodically reviews the fair values of such financial instruments and the financial position of the issuers, whereby making efforts to identify and mitigate risks of impairment.

For derivatives, in order to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies, the Company enters into forward foreign exchange contracts for specific receivables and payables denominated in foreign currencies. There are internal policies for derivative transactions which set forth authorization levels and maximum upper limits on transaction volumes, and the Company enters into the derivative transactions in accordance with such policies.

(3) Estimated fair value of financial instruments

The carrying value of financial instruments on the balance sheet and estimated fair value at March 31, 2019 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

At March 31, 2019	Millions of yen		
	Carrying value	Fair value	Difference
Assets:			
Cash on hand and in banks	¥953	¥953	¥-
Notes and accounts receivable	9,042	9,042	-

Short-term loans receivable	7,750	7,750	-
Investment securities:			
Marketable securities	4,159	4,159	-
Total assets	¥21,905	¥21,905	¥-
	Carrying value	Fair value	Difference
Liabilities:			
Notes and accounts payable	¥12,761	¥12,761	-
Short-term loans payable	8,283	8,283	-
Long-term debt	1,300	1,298	△1
Total liabilities	¥22,345	¥22,343	¥△1

Notes:

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

- 1) Cash on hand and in banks, Notes and accounts receivable, and Short-term loans receivable
Since these items are settled in a short period of time, their carrying value approximates fair value.
- 2) Marketable securities
The fair value of stocks is based on quoted market prices.
- 3) Notes and accounts payable, and Short-term loans payable
Since these items are settled in a short period of time, their carrying value approximates fair value.
- 4) Long-term debt
The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied to similar new borrowings. Long-term debt includes the current portion of long-term debt.

2. Financial instruments for which it is extremely difficult to determine the fair value

At March 31, 2019	Millions of yen
Investment securities	¥512
Investment securities of related parties	¥7,103
	¥7,615

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

11. 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, 2019 and the amounts of these transactions for the year then ended are summarized as follows:

Related parties	Balances	Millions of yen
		2019
ANA HOLDINGS INC.	Current portion of long-term loans payable	¥260
	Long-term loans payable	1,040
	Short-term loans receivable	7,551
ANA Foods Co., Ltd.	Other current assets (Advances)	1,077
	Short-term loans payable	1,610
	Long-term loans receivable	405
	Short-term loans receivable	118
ANA FESTA Co., Ltd.	Short-term loans payable	1,936
International Cargo Service Co.,Ltd.	Short-term loans payable	686
ANA Trading Duty Free Co., Ltd.	Short-term loans payable	2,652
Fujisey Co., Ltd.	Short-term loans payable	1,019

Related parties	Transactions	Millions of yen
		2019
ANA HOLDINGS INC.	Borrowings	¥1,300
	Loan of funds	7,551
ANA Foods Co., Ltd.	Borrowings	1,610
	Other current assets (Advances)	1,077
	Loan of funds	523
	Interest income	7
ANA FESTA Co., Ltd.	Borrowings	1,936
International Cargo Service Co.,Ltd.	Borrowings	686
ANA Trading Duty Free Co., Ltd.	Borrowings	2,652
Fujisey Co., Ltd.	Borrowings	1,019

The Company has related party transactions with other subsidiaries of ANA HOLDINGS INC. The corresponding balances at March 31, 2019 and the amounts of these transactions for the year then ended are summarized as follows:

Related parties	Balances	Millions of yen
		2019
All Nippon Airways Co., Ltd.	Notes and accounts receivable	¥3,555
	Other current assets (Advances)	1,087
	Lease investment assets	1,961
ANA CATERING SERVICE CO.,LTD.	Lease investment assets	2,293
ANA NARITA AIRPORT SERVICES Co., Ltd.	Lease investment assets	536

Related parties	Transactions	Millions of yen
		2019
All Nippon Airways Co., Ltd.	Sales of products and goods and services	¥27,284
ANA CATERING SERVICE CO.,LTD.	Lease transaction mainly for vehicles related to flight	183
ANA NARITA AIRPORT SERVICES Co., Ltd.	Lease transaction mainly for vehicles related to flight	58

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.

12. OTHER NOTES

The Company has entered into loan commitment agreements with banks in order to secure funds for its operations efficiently. The outstanding balance of loan commitments at March 31, 2019 is as follows:

	Millions of yen
	2019
Total commitment available	¥6,700
Less amount utilized	-
Balance available	¥6,700

All Nippon Airways Trading Group

(As of March 31, 2019)

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 Creative Operation Services 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.