Consolidated 11-Year Summary

ANA HOLDINGS INC. and its consolidated subsidiaries (Note 1)

(Years ended March)	2018	2017	2016	2015
For the Year				
Operating revenues (Note 3)	1,971,799	1,765,259	1,791,187	1,713,457
Operating expenses	1,807,283	1,619,720	1,654,724	1,621,916
Operating income (loss)	164,516	145,539	136,463	91,541
Income (loss) before income taxes	196,641	139,462	131,064	77,983
Net income (loss) attributable to owners of the parent	143,887	98,827	78,169	39,239
Cash flows from operating activities	316,014	237,084	263,878	206,879
Cash flows from investing activities	(324,494)	(194,651)	(74,443)	(210,749)
Cash flows from financing activities	(29,989)	3,349	(133,257)	(30,424)
Free cash flow	(8,480)	42,433	189,435	(3,870)
Substantial free cash flow (Note 4)	61,410	39,655	88,035	(22,350)
Depreciation and amortization	150,408	140,354	138,830	131,329
EBITDA (Note 5)	314,924	285,893	275,293	222,870
Capital expenditures	304,707	254,425	281,416	274,702
At Year-End				
Total assets	2,562,462	2,314,410	2,228,808	2,302,437
Interest-bearing debt	798,393	729,877	703,886	819,831
Short-term debt	100,125	118,382	94,781	210,029
Long-term debt	698,268	611,495	609,105	609,802
Total shareholders' equity (Note 6)	988,661	919,157	789,896	798,280
Per Share Data (Yen, U.S. dollars) (Note 7)				
Earnings per share	417.82	28.23	22.36	11.24
Book value per share	2,954.47	262.44	225.87	228.45
Cash dividends	60.00	6.00	5.00	4.00
Average number of shares during the year (Thousand shares)	344,372	3,500,205	3,496,561	3,492,380
Management Indexes				
Operating income margin (%)	8.3	8.2	7.6	5.3
Net income margin (%)	7.3	5.6	4.4	2.3
ROA (%) (Note 8)	6.8	6.5	6.1	4.2
ROE (%) (Note 9)	15.1	11.6	9.8	5.1
Shareholders' equity ratio (%)	38.6	39.7	35.4	34.7
Debt/equity ratio (Times) (Note 10)	0.8	0.8	0.9	1.0
Interest-bearing debt/EBITDA (Times)	2.5	2.6	2.6	3.7
Asset turnover (Times)	0.8	0.8	0.8	0.7
Interest coverage ratio (Times) (Note 11)	36.1	23.9	22.3	14.7
Current ratio (Times)	1.2	1.2	1.1	1.0
Payout ratio (%)	14.4	21.3	22.4	35.6
Number of employees	41,930	39,243	36,273	34,919
Operating Data				
Domestic Passenger Operations				
Passenger revenues	689,760	678,326	685,638	683,369
Available seat-km (Millions)	58,426	59,080	59,421	60,213
Revenue passenger-km (Millions)	40,271	38,990	38,470	38,582
Number of passengers (Thousands)	44,150	42,967	42,664	43,203
Load factor (%)	68.9	66.0	64.7	64.1
Unit revenues (¥)	11.8	11.5	11.5	11.3
Yield (¥)	17.1	17.4	17.8	17.7
International Passenger Operations				
Passenger revenues	597,446	516,789	515,696	468,321
Available seat-km (Millions)	64,376	60,148	54,710	49,487
Revenue passenger-km (Millions)	49,132	45,602	40,635	35,639
Number of passengers (Thousands)	9,740	9,119	8,167	7,208
Load factor (%)	76.3	75.8	74.3	72.0
Unit revenues (¥)	9.3	8.6	9.4	9.5
Yield (¥)	12.2	11.3	12.7	13.1
Domestic Cargo Operations				
Cargo revenues	30,710	30,860	31,740	32,584
Cargo volume (Tons)	436,790	451,266	466,979	475,462
International Cargo Operations				
Cargo revenues	118,002	93,301	113,309	124,772
Cargo volume (Tons)	994,593	954,027	810,628	841,765

Notes: 1. As of March 31, 2018, there were 64 consolidated subsidiaries and 16 equity-method subsidiaries and affiliates.
2. U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥106.24=US$1, the approximate exchange rate as of March 31, 2018.
3. Effective from the fiscal year ended March 2015, revenue of jet fuel which is resold to airlines outside the Group is offset by its purchasing cost and the net amount is recorded in operating revenues.
4. Substantial free cash flow is excluding purchase and redemption of marketable securities (time deposits and negotiable deposits of more than three months).
5. EBITDA = Operating income + Depreciation and amortization
6. Total shareholders' equity = Shareholders' equity + Accumulated other comprehensive income
From the fiscal year ended March 2014, the Accounting Standard for Retirement Benefits (May 17, 2012) has been applied and the amount affected by liabilities for retirement benefits has been adjusted to be recorded in remeasurements of defined benefit plans.

Yen (Millions)							U.S. dollars (Thousands) (Note 2)
2014	2013	2012	2011	2010	2009	2008	**2018**
1,601,013	1,483,581	1,411,504	1,357,653	1,228,353	1,392,581	1,487,827	**18,559,855**
1,535,027	1,379,754	1,314,482	1,289,845	1,282,600	1,384,992	1,403,438	**17,011,323**
65,986	103,827	97,022	67,808	(54,247)	7,589	84,389	**1,548,531**
36,391	70,876	63,431	35,058	(95,593)	(4,445)	115,224	**1,850,913**
18,886	43,140	28,178	23,305	(57,387)	(4,260)	64,143	**1,354,358**
200,124	173,196	214,406	203,889	82,991	(39,783)	165,765	**2,974,529**
(64,915)	(333,744)	(166,323)	(139,619)	(251,893)	(111,139)	(69,827)	**(3,054,348)**
(85,569)	84,549	16,171	(10,596)	173,791	114,504	(87,336)	**(282,275)**
135,209	(160,548)	48,083	64,270	(168,902)	(150,922)	95,938	**(79,819)**
38,929	54,256	52,043	27,870	(123,902)	(150,922)	95,938	**578,030**
136,180	123,916	119,268	118,440	113,806	112,881	116,787	**1,415,737**
202,166	227,743	216,290	186,248	59,559	120,470	201,176	**2,964,269**
183,739	162,752	196,881	211,698	209,937	145,709	357,733	**2,868,100**
2,173,607	2,137,242	2,002,570	1,928,021	1,859,085	1,761,065	1,783,393	**24,119,559**
834,768	897,134	963,657	938,819	941,691	897,236	767,876	**7,514,994**
188,748	142,601	127,405	146,395	180,775	169,462	136,399	**942,441**
646,020	754,533	836,252	792,424	760,916	727,774	631,477	**6,572,552**
746,070	766,737	549,014	520,254	473,552	321,883	452,972	**9,305,920**
5.41	13.51	11.22	9.29	(24.67)	(2.19)	32.93	**3.93**
213.82	218.41	218.24	207.35	188.93	166.50	232.58	**27.80**
3.00	4.00	4.00	2.00	—	1.00	5.00	**0.56**
3,493,860	3,192,482	2,511,841	2,507,572	2,326,547	1,945,061	1,947,736	
4.1	7.0	6.9	5.0	(4.4)	0.5	5.7	
1.2	2.9	2.0	1.7	(4.7)	(0.3)	4.3	
3.2	5.1	5.1	3.7	(2.8)	0.6	5.3	
2.5	6.6	5.3	4.7	(14.4)	(1.1)	15.1	
34.3	35.9	27.4	27.0	25.5	18.3	25.4	
1.1	1.2	1.8	1.8	2.0	2.8	1.7	
4.1	3.9	4.5	5.0	15.8	7.4	3.8	
0.7	0.7	0.7	0.7	0.7	0.8	0.9	
12.4	9.5	10.8	10.7	4.6	—	10.7	
1.2	1.6	1.2	1.1	0.9	0.9	0.9	
55.5	29.6	35.7	21.5	—	—	15.2	
33,719	32,634	32,884	32,731	32,578	33,045	31,345	
675,153	665,968	651,556	652,611	630,976	699,389	739,514	**6,492,469**
61,046	58,508	56,756	56,796	57,104	59,222	62,651	
37,861	36,333	34,589	35,983	35,397	37,596	39,928	
42,668	41,089	39,020	40,574	39,894	42,753	45,557	
62.0	62.1	60.9	63.4	62.0	63.5	63.7	
11.1	11.4	11.5	11.5	11.0	11.8	11.8	
17.8	18.3	18.8	18.1	17.8	18.6	18.5	
395,340	348,319	320,066	280,637	214,124	291,077	311,577	**5,623,550**
41,451	37,947	34,406	29,768	26,723	27,905	28,285	
30,613	28,545	25,351	22,430	20,220	19,360	21,291	
6,336	6,276	5,883	5,168	4,666	4,432	4,827	
73.9	75.2	73.7	75.3	75.7	69.4	75.3	
9.5	9.2	9.3	9.4	8.0	10.4	11.0	
12.9	12.2	12.6	12.5	10.6	15.0	14.6	
32,116	32,231	33,248	32,413	31,829	33,097	30,566	**289,062**
477,081	463,473	467,348	453,606	458,732	475,014	462,569	
104,736	86,589	87,978	86,057	55,750	69,069	72,192	**1,110,711**
710,610	621,487	570,684	557,445	422,449	354,251	332,507	

7. The Group conducted a 1-for-10 reverse stock split effective October 1, 2017. Calculations have been made assuming a reverse stock split at the beginning of the fiscal year ended March 2018.
8. ROA = (Operating income + Interest and dividend income) / Simple average of total assets
9. ROE = Net income attributable to owners of the parent / Simple average of total shareholders' equity
10. Debt/equity ratio = Interest-bearing debt / Total shareholders' equity
11. Interest coverage ratio = Cash flows from operating activities / Interest expenses
* Yen amounts are rounded down to the nearest million yen and percentages are rounded to the nearest one decimal place. U.S. dollar amounts are truncated.

Management's Discussion and Analysis

Economic Conditions

General Economic Overview

The Japanese economy experienced a gradual recovery during fiscal 2017, supported by rising consumer spending in response to ongoing improvements in corporate earnings and employment. The airline industry enjoyed firm demand in general, mainly due to a rise in business travel among Japanese companies and increasing numbers of inbound travelers to Japan.

Concerns remain about the risk of a downturn in the economy, including currency and trade issues, as well as terrorism and conflict in Europe and the Middle East. Nevertheless, the economic outlook calls for a gradual recovery, driven by an improving job market, rising income levels, and the positive impact of government policies.

Fuel Price Trends

The average price for Dubai crude oil was $55.6 per barrel during fiscal 2017. At the end of the fiscal year, Dubai crude was $62.7 per barrel, exceeding last year's price. The Organization of the Petroleum Exporting Countries (OPEC) made a decision to reduce production in November 2016. In the wake of this decision, crude oil prices rose, reflecting a strong recovery in demand, as well as concerns about geopolitical risk.

The market price of Singapore kerosene tracked the price of crude oil. The average price for the fiscal year was $67.9 per barrel, ending at $80.3 per barrel on March 31, 2018.

Foreign Exchange Market

The Japanese yen averaged ¥110.8 to the U.S. dollar for fiscal 2017, ending the year at ¥106.2 per U.S. dollar. The yen weakened gradually compared to the U.S. dollar throughout the first half of the fiscal year, fueled by predictions of a spreading interest rate gap between the two countries caused faster interest-rate increases in the United States. The value of the yen rose slowly throughout the second half of the year in response to concerns about the situation in North Korea and other factors.

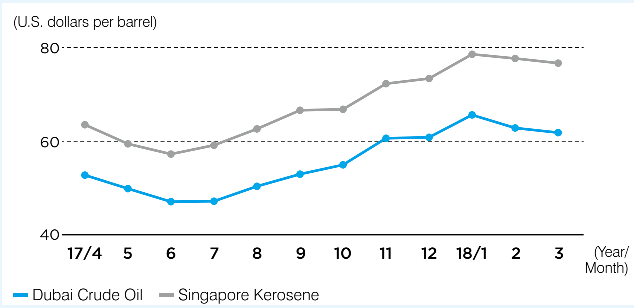
Air Transport Traffic Trends

International Air Transportation Association (IATA) member airlines reported 1,690 million passengers on scheduled international flights for fiscal 2017 (8.3% increase year on year). Passengers on scheduled domestic flights numbered 2,390 million (6.7% increase). At the same time, scheduled global air cargo volume increased 7.9%. (Source: IATA World Air Transport Statistics, 2018)

In Japan, passengers on trunk routes* increased 3.2% to 43.65 million for fiscal 2017. The number of passengers on local routes* increased 4.7% to 58.46 million. In total, Japanese air transport passengers numbered 102.12 million, an increase of 4.1%. Domestic cargo volume decreased 0.6% to 0.9 million tons. The number of passengers carried by Japanese airlines on international services increased 6.3% to 22.39 million, while the volume of international cargo handled by Japanese airlines increased 10.0% to 1.76 million tons. (Source: Ministry of Land, Infrastructure, Transport and Tourism preliminary report)

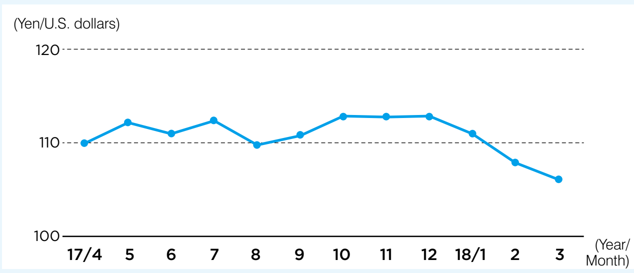
* Trunk routes refer to routes connecting Sapporo (New Chitose), Tokyo (Haneda), Tokyo (Narita), Osaka (Itami), Osaka (Kansai), Fukuoka, and Okinawa (Naha) airports with one another. Local routes refer to all other routes.

Monthly Prices for Dubai Crude Oil and Singapore Kerosene



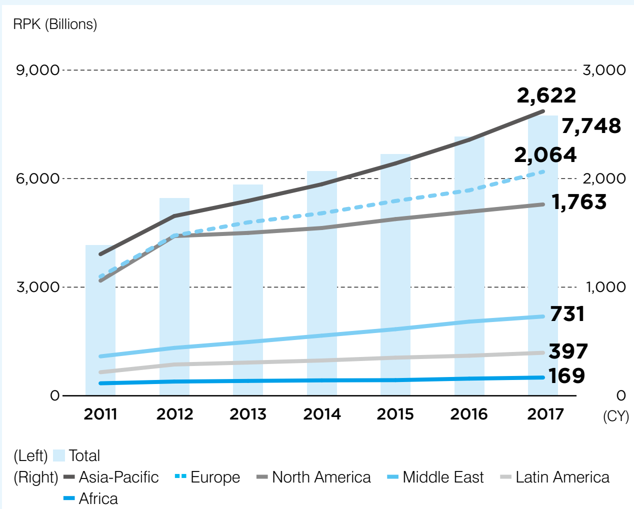
Source: Bloomberg

Monthly Yen-Dollar Exchange Rate



Source: Bloomberg

Global Air Transportation Passenger Volume by Region



Source: International Air Transport Association (IATA), 2018

Performance for Fiscal 2017

Overview of the ANA Group

As of March 2018, the ANA Group ("the Group"), led by holding company ANA HOLDINGS INC., consists of 126 subsidiaries (including ALL NIPPON AIRWAYS CO., LTD.) and 45 affiliates. A total of 64 companies are treated as consolidated subsidiaries, with another 16 treated as equity-method subsidiaries and affiliates. The Group had 41,930 employees as of March 31, 2018, up 2,687 employees year on year.

During fiscal 2017, we operated under the major initiatives of the updated FY2016–20 Corporate Strategy: Expand airline business domains and Create new business and accelerate growth of existing businesses. We practiced aggressive and speedy management to make quick and timely decisions about new investment, innovations, and responding to diversifying customer needs.

Consolidated Operating Revenues, Operating Expenses, and Operating Income

Fiscal 2017 operating revenues amounted to ¥1,971.7 billion, a ¥206.5 billion (11.7%) increase year on year. This increase was mainly due to positive trends in our mainstay Air Transportation Business, as well as increased revenues in Airline Related, Trade and Retail, and Others segments.

Operating income increased 13.0%, or ¥18.9 billion, to ¥164.5 billion. Operation-linked expenses increased in conjunction with growth. While we gave priority to our investments in safety and people, we also engaged in cost management initiatives. As a result, operating expenses increased ¥187.5 billion, or 11.6%, to ¥1,807.2 billion.

Review by Segments

The Group operates four reportable segments: Air Transportation, Airline Related, Travel Services, and Trade and Retail.

Segment Information

(¥ Millions)

	Operating Revenues			Operating Income (Loss)			EBITDA		
(Fiscal Year)	2017	2016	Change	2017	2016	Change	2017	2016	Change
Air Transportation	**¥1,731,173**	¥1,536,349	¥194,824	**¥156,873**	¥139,511	¥17,362	**¥301,097**	¥273,347	¥27,750
Airline Related	**284,331**	264,457	19,874	**10,635**	8,309	2,326	**15,000**	13,201	1,799
Travel Services	**159,289**	160,609	(1,320)	**3,745**	3,741	4	**4,026**	3,912	114
Trade and Retail	**143,039**	136,761	6,278	**4,506**	4,385	121	**5,821**	5,657	164
Subtotal	**2,317,832**	2,098,176	219,656	**175,759**	155,946	19,813	**325,944**	296,117	29,827
Others	**38,708**	34,776	3,932	**2,767**	1,368	1,399	**2,990**	1,551	1,439
Adjustments	**(384,741)**	(367,693)	(17,048)	**(14,010)**	(11,775)	(2,235)	**(14,010)**	(11,775)	(2,235)
Total (Consolidated)	**¥1,971,799**	¥1,765,259	¥206,540	**¥164,516**	¥145,539	¥18,977	**¥314,924**	¥285,893	¥29,031

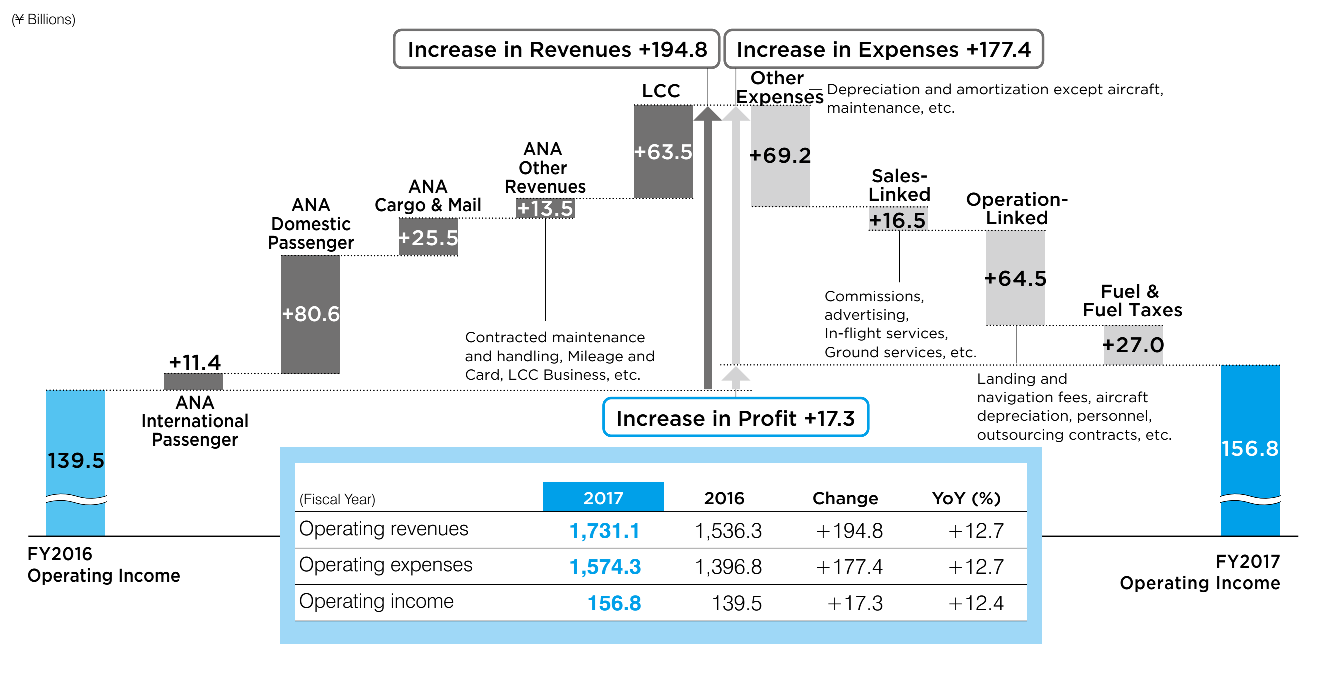
Notes: 1. "Others" represents all business segments that are not included in the reportable segments, such as facility management, business support, and other operations.
2. Adjustments of segment profit represent the elimination of intersegment transactions and group management expenses of ANA HOLDINGS INC. and certain other items.
3. Segment operating income is reconciled with operating income in the consolidated financial statements.
4. EBITDA = Operating income + Depreciation and amortization

Management's Discussion and Analysis

Air Transportation Business

Changes in Operating Income (FY2017 vs FY2016)

* FY2016 review does not include results from Peach Aviation Limited



(Fiscal Year)	2017	2016	Change	YoY (%)
Operating revenues	1,731.1	1,536.3	+194.8	+12.7
Operating expenses	1,574.3	1,396.8	+177.4	+12.7
Operating income	156.8	139.5	+17.3	+12.4

Air Transportation operating revenues amounted to ¥1,731.1 billion, a year-on-year increase of ¥194.8 billion (12.7%). This increase was mainly due to strong demand in International Passenger and Cargo Businesses, as well as the addition of revenues from Peach Aviation, which became a consolidated subsidiary during the year. Operating income rose ¥17.3 billion (12.4%) to ¥156.8 billion. Expenses rose in conjunction with business growth, while we also saw a significant increase in maintenance-related costs due to participation in a Maintenance Outsourcing Program. However, proactive cost management resulted in operating income gains for the year.

Results by business are as follows.

ANA International Passenger Business

The ANA International Passenger Business outperformed prior year in both passenger numbers and revenues. Demand for business travel from Japan was strong throughout the year, while we also captured increased inbound traveler demand.

A total of 9.74 million passengers used the ANA network in fiscal 2017 (6.8% increase), while unit price rose to ¥61,336 per passenger (8.2% increase). Operating revenues rose 15.6% year on year to ¥597.4 billion. We recorded a 7.0% increase in available seat-kilometers (ASK), while increasing revenue passenger-kilometers (RPK) by 7.7%. Load factor increased by 0.5 points to 76.3%.

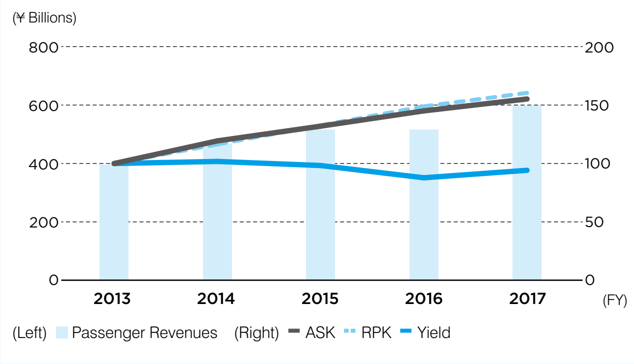
ANA continued to build our network into and out of the Tokyo metropolitan area airports. ANA added a Haneda–Jakarta route in August 2017 and increased the Narita–Los Angeles route in October 2017 to two flights daily. In addition to business demand into and out of the Tokyo metropolitan area, we have responded to demand for flights between Asia and North America, as well as connections to other airports within Japan. ANA upgraded product and service offerings during the year. We switched to Boeing 787-9s on the Honolulu route to offer *ANA BUSINESS STAGGERED* full-flat seats and *PREMIUM ECONOMY* services.

Supported by positive movements in the domestic and international economies, we bolstered yield management to benefit from the strong year-round demand for business travel. We captured demand for leisure travel both into and out of Japan through a variety of discount fares. We also engaged in promotional activities to encourage greater demand among inbound travelers.

ANA International Passenger Business Results

(Fiscal Year)	2017	2016	YoY (%)
ASK (Millions)	64,376	60,148	+7.0
RPK (Millions)	49,132	45,602	+7.7
Number of passengers (Thousands)	9,740	9,119	+6.8
Load factor (%)	76.3	75.8	+0.5*
Passenger revenues (¥ Billions)	597.4	516.7	+15.6
Unit revenues (¥)	9.3	8.6	+8.0
Yield (¥)	12.2	11.3	+7.3
Unit price (¥)	61,336	56,669	+8.2

* Difference



* Figures for ASK, RPK, and Yield are indexed using the figures for fiscal 2013 as 100.

ANA Domestic Passenger Business

The ANA Domestic Passenger Business saw growth in both passenger numbers and revenues, optimizing supply to demand through the use of narrow-body aircraft, while offering a variety of discount fares to stimulate demand.

Despite the impact of typhoons, snow, and other inclement weather during the second half of the fiscal year, passenger numbers grew 2.8% to 44.15 million. Operating revenues rose 1.7% to ¥689.7 billion, despite a 1.0% unit price decrease to ¥15,623. ASK declined 1.1%, while we increased RPK by 3.3% year on year. Load factor was 68.9%, an increase of 2.9 points.

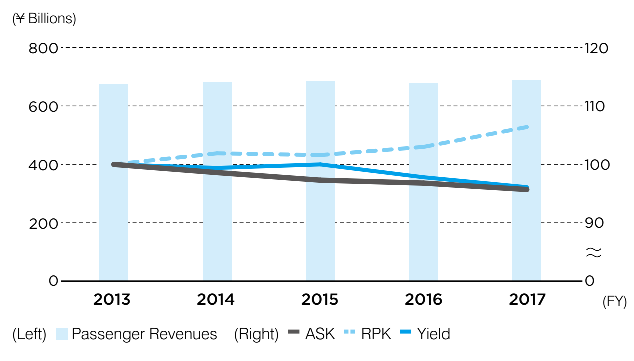
We captured demand across our network by being flexible in adapting to the characteristics of each route. In addition to introducing Chubu–Miyoko route in June 2017, we launched the late-night *Galaxy Flight* between Haneda and Okinawa during the summer season. With the extension of Hiroshima Airport operation hours starting in the winter season, we added more flights to the Haneda–Hiroshima route.

In addition to *Tabiwari* promotional fares, we have encouraged the use of our domestic routes by passengers visiting Japan. We initiated a new service with the September 2017 introduction of the Airbus A321neo, which is equipped with touchscreen personal monitors in each seat. We also opened upscale lounges for premium members and adopted new automated *ANA Baggage Drop* (self-service baggage check-in) machines at the Sapporo (New Chitose) Airport. In these and many other ways, we are striving to improve comfort and convenience for our passengers.

ANA Domestic Passenger Business Results

(Fiscal Year)	2017	2016	YoY (%)
ASK (Millions)	58,426	59,080	–1.1
RPK (Millions)	40,271	38,990	+3.3
Number of passengers (Thousands)	44,150	42,967	+2.8
Load factor (%)	68.9	66.0	+2.9*
Passenger revenues (¥ Billions)	689.7	678.3	+1.7
Unit revenues (¥)	11.8	11.5	+2.8
Yield (¥)	17.1	17.4	–1.5
Unit price (¥)	15,623	15,787	–1.0

* Difference



* Figures for ASK, RPK, and Yield are indexed using the figures for fiscal 2013 as 100.

ANA Cargo and Mail Business

ANA Cargo and Mail Business operating revenues for fiscal 2017 increased 19.3% year on year to ¥158.0 billion.

The International Cargo Business recorded operating revenues of ¥118.0 billion, a year-on-year increase of 26.5%, reflecting a 21.3% increase in unit price achieved through raising prices in response to strong cargo demand. Cargo volume increased 4.3% to 990,000 tons.

Demand for international cargo from Japan to overseas destinations grew primarily for automobile parts and electronic devices to North America and Europe. Demand was also strong for cargo flights bound for Japan from overseas locations, including Asia and China. We also succeeded in incorporating trilateral cargo from China to North America via Japan. Available ton-kilometers (ATK) increased 3.4% year on year, while revenue ton-kilometers (RTK) rose 7.8%.

Domestic Cargo Business operating revenues decreased 0.5% to ¥30.7 billion, reflecting a 3.2% decrease in cargo volume to 430,000 tons, offset in part by a unit price increase of 2.8%. One focus during the year was to increase revenues through cargo connections with international routes, capturing the strong demand in this sector. We also set non-scheduled extra cargo flights for the Okinawa–Haneda route during peak demand for flowers. Despite our efforts, demand

Management's Discussion and Analysis

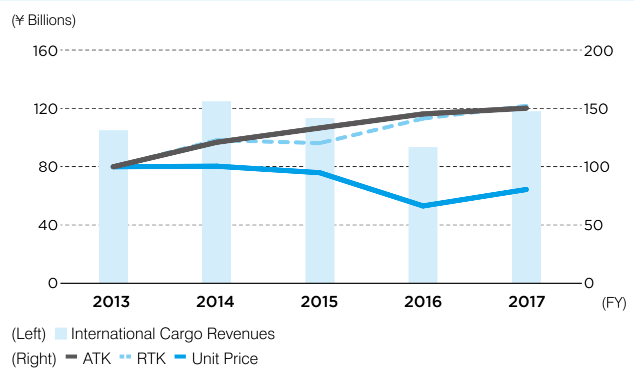
for domestic cargo transportation was sluggish throughout the year. Demand for cargo home delivery was also weak. These factors combined to decrease both ATK and RTK by 2.5% year on year.

International Mail Business operating revenues increased 22.0% year on year to ¥5.9 billion, while Domestic Mail operating revenues decreased 0.8% to ¥3.3 billion.

ANA Cargo and Mail Business Results

(Fiscal Year)		2017	2016	YoY (%)
Cargo and mail services revenues (¥ Billions)		158.0	132.4	+19.3
International cargo	ATK (Millions)	6,809	6,583	+3.4
	RTK (Millions)	4,474	4,150	+7.8
	Cargo volume (Thousand tons)	994	954	+4.3
	Cargo revenues (¥ Billions)	118.0	93.3	+26.5
	Unit price (¥/kg)	119	98	+21.3
	Mail revenues (¥ Billions)	5.9	4.8	+22.0
Domestic cargo	ATK (Millions)	1,739	1,783	–2.5
	RTK (Millions)	448	459	–2.5
	Cargo volume (Thousand tons)	436	451	–3.2
	Cargo revenues (¥ Billions)	30.7	30.8	–0.5
	Unit price (¥/kg)	70	68	+2.8
	Mail revenues (¥ Billions)	3.3	3.4	–0.8

International Cargo Business Results



Figures for ATK, RTK and Unit price are indexed using the figures for fiscal year 2013 as 100.

Others (Including LCC Business)

The Others within our Air Transportation Business recorded ¥285.9 billion in operating revenues, a 36.9% increase year on year. The LCC Business contributed ¥87.5 billion in operating revenues, while ¥198.3 billion came from other businesses. This significant growth was mainly due to the consolidation of Peach Aviation and higher revenues at Vanilla Air. We also saw higher revenues from airport ground handling contracts and other ancillary businesses, including credit card and mileage programs.

Vanilla Air operating revenues increased approximately ¥9 billion compared to the prior fiscal year. ASK increased 18.0% year on year, RPK rose 17.6%, and load factor decreased 0.3 points to 85.5%. These results reflected our efforts to increase revenues by capturing strong inbound traveler demand, primarily from Taiwan, and introducing campaign fares in response to changes in demand.

Peach Aviation added new Sendai–Sapporo and Sapporo–Fukuoka domestic routes in September 2017. Peach opened new service between Kansai–Niigata in March 2018. Peach Aviation extended its international network by adding new Sendai–Taipei and Sapporo–Taipei routes in September 2017. Load factor for Peach in fiscal 2017 was 86.9%.

LCC Business Results (Vanilla Air Inc.) (Domestic and International in Total)

(Fiscal Year)	2017	2016*2	YoY (%)
ASK (Millions)	11,832	4,221	+180
RPK (Millions)	10,212	3,622	+182
Number of passengers (Thousands)	7,797	2,129	+266
Load factor (%)	86.3	85.8	+0.5*3
Passenger revenues (¥ Billions)*1	87.5	23.9	+265
Unit revenues (¥)	7.4	5.7	+30.2
Yield (¥)	8.6	6.6	+29.5
Unit price (¥)	11,228	11,264	–0.3

*1 Revenues include ancillary income.
*2 Figures for FY2016 do not include results from Peach Aviation Limited
*3 Difference

Operating Expenses

Air Transportation Business operating expenses increased ¥117.4 billion (12.7%) year on year to ¥1,574.3 billion. Specific expense amounts and reasons for year-on-year changes are described below.

Breakdown of Operating Revenues and Expenses

(¥ Millions)

(Fiscal Year)		2017	2016	YoY (%)
Segment operating revenues		¥1,731,173	¥1,536,349	¥194,824
Domestic	Passenger	689,760	678,326	11,434
	Cargo	30,710	30,860	(150)
	Mail	3,388	3,417	(29)
International	Passenger	597,446	516,789	80,657
	Cargo	118,002	93,301	24,701
	Mail	5,934	4,863	1,071
Other revenues		198,378	208,793	77,140
LCC revenues		87,555		
Segment operating expenses		1,574,300	1,396,838	177,462
Fuel and fuel tax		300,642	273,602	27,040
Landing and navigation fees		122,434	114,537	7,897
Aircraft leasing fees		110,443	100,095	10,348
Depreciation and amortization		144,224	133,836	10,388
Aircraft maintenance		166,991	112,491	54,500
Personnel		201,927	185,417	16,510
Sales commissions and promotion		102,636	92,711	9,925
Contracts		223,634	201,375	22,259
Others		201,369	182,774	18,595
Segment operating income		¥ 156,873	¥ 139,511	¥ 17,362

<Fuel and Fuel Tax>

Fuel and fuel tax expenses amounted to ¥300.6 billion, a ¥27.0 billion (9.9%) increase year on year. This expense accounted for 19.1% of segment operating expenses, compared with 19.6% in the previous fiscal year. This ¥27.0 billion increase was mainly due to increases in ANA price factors (including hedging effectiveness) of approximately ¥7 billion, an increase in ANA consumption volume factors of approximately ¥6 billion for ANA and an increase in LCC Business of approximately ¥14 billion.

Fuel consumption volume increased due to the expansion of international services. The ANA Group is working to control fuel consumption volume increases by introducing fuel-efficient aircraft and other measures, including the adoption of efficient flight operations. During fiscal 2017, we engaged in the same measures as we followed in the previous fiscal year.

<Landing and Navigation Fees>

Landing and navigation fees amounted to ¥122.4 billion, up ¥7.8 billion (6.9%) year on year. Although the number of flights were almost unchnaged versus the previous year for passenger aircraft on ANA domestic operations, we increased 4.8% on ANA international operations. The number of ANA freighter flights decreased 0.9% year on year. ANA introduced more narrow-body aircraft on domestic services; however, the expansion of operations on international services and the effects of the consolidation of Peach Aviation led to the above-mentioned rise in landing and navigation fees.

<Aircraft Leasing Fees>

Aircraft leasing fees increased ¥10.3 billion (10.3%) year on year to ¥110.4 billion. This increase was mainly due to the consolidation of Peach Aviation, resulting in leased aircraft in service increasing from 63 to 86 compared to the end of the previous fiscal year.

<Depreciation and Amortization>

Depreciation and amortization expenses increased ¥10.3 billion (7.8%) to ¥144.2 billion. This increase was mainly due to putting seven Boeing 787-9 aircraft into service during this fiscal year as we continue to update the ANA-owned fleet.

<Aircraft Maintenance>

Aircraft maintenance expenses increased ¥54.5 billion (48.4%) year on year to ¥166.9 billion. This significant increase included approximately ¥25 billion for participation in Maintenance Outsourcing Programs, as well as an increase in the frequency of parts replacement and engine maintenance as we further strengthen our maintenance services.

<Personnel>

Personnel expenses increased ¥16.5 billion (8.9%) year on year to ¥201.9 billion. This increase was mainly due to stepped-up hiring in response to business growth and the recording of a lump-sum reserve in connection with a performance-linked compensation due to an improvement in earnings.

<Sales Commissions and Promotion>

Sales commissions and promotion expenses increased ¥9.9 billion (10.7%) year on year to ¥102.6 billion. This increase mainly due to an increase in demand in our International Passenger and Cargo Businesses, as well as mileage program-related expenses.

<Contracts>

Contract expenses increased ¥22.2 billion (11.1%) year on year to ¥223.6 billion. This increase was mainly due to ASK/ATK capacity-related increases in operations outsourcing and an increase in internal transactions between reportable segments.

<Others>

Others increased ¥18.5 billion (10.2%) year on year to ¥201.3 billion. This result was mainly due to increased expenses related to airport lounges and in-flight services. We also saw an increase in goodwill amortization expenses associated with the consolidation of Peach Aviation.

Management's Discussion and Analysis

Airline Related Business

Fiscal 2017 segment operating revenues increased ¥19.8 billion (7.5%) year on year to ¥284.3 billion. Operating income increased ¥2.3 billion (28.0%) year on year to ¥10.6 billion. These increases were mainly due to increased contracts for airport ground support work (check-in procedures, baggage handling, etc.) at Haneda and Kansai airports. We also saw an increase in the cargo transaction volume of our logistics business, reflecting strong demand.

In September 2017, Overseas Courier Service Co., Ltd. (OCS), which handles international logistics, opened the new *Tokyo Sky Gate* logistics hub to consolidate parcel pickup and sorting functions. This new facility features extensive automation equipment.

Performance in the Airline Related Segment

(¥ Millions)

(Fiscal Year)	2017	2016	Change
Segment operating revenues	¥284,331	¥264,457	¥19,874
Segment operating expenses	273,696	256,148	17,548
Segment operating income	¥ 10,635	¥ 8,309	¥ 2,326

Travel Services

Travel Services fiscal 2017 operating revenues amounted to ¥159.2 billion, a ¥1.3 billion (0.8%) decrease year on year. Operating income was virtually unchanged at ¥3.7 billion.

Domestic travel services operating revenues declined ¥3.7 billion (2.9%) to ¥127.0 billion. While we captured demand for advanced purchases of *Tabisaku* dynamic packages through stronger promotions and product attractiveness, our mainstay *ANA Sky Holiday* struggled to attract customers in the Tokyo metropolitan and Okinawa areas.

Overseas travel services operating revenues increased ¥2.4 billion (13.0%) to ¥21.6 billion. Sales of *ANA Hallo Tour* travel packages benefited from strong demand to Hawaii and North America. Operating revenues included in other income declined slightly, amounting to ¥10.5 billion. While inbound travel demand from China was strong, traffic from Taiwan declined due to rising competition

Performance in the Travel Services Segment

(¥ Millions)

(Fiscal Year)	2017	2016	Change
Segment operating revenues	¥159,289	¥160,609	¥(1,320)
Domestic package products	127,065	130,818	(3,753)
International package products	21,658	19,170	2,488
Other revenues	10,566	10,621	(55)
Segment operating expenses	155,544	156,868	(1,324)
Segment operating income	¥ 3,745	¥ 3,741	¥ 4

Trade and Retail

Fiscal 2017 operating revenues in our Trade and Retail business increased ¥6.2 billion (4.6%) year on year to ¥143.0 billion. Operating income increased ¥0.1 billion (2.8%) to ¥4.5 billion.

In our food business, transaction volume for our mainstay product, bananas, declined due to intense market competition. In the retail business, however, an increase in passengers on international services and a stronger product lineup to stay in step with changing preferences of inbound travelers led to *ANA DUTY-FREE SHOP* and *ANA FESTA* airport shop operating revenues outperforming the previous fiscal year. The aerospace and electronics businesses also saw increases in semiconductor transaction volume.

Performance in the Trade and Retail Segment

(¥ Millions)

(Fiscal Year)	2017	2016	Change
Segment operating revenues	¥143,039	¥136,761	¥6,278
Segment operating expenses	138,533	132,376	6,157
Segment operating income	¥ 4,506	¥ 4,385	¥ 121

Others

Operating revenues in the Others segment increased ¥3.9 billion (11.3%) year on year to ¥38.7 billion. Operating income increased ¥1.3 billion (102.3%) to ¥2.7 billion. These increases were mainly due to firm performance in our real estate-related and airport security businesses.

Performance in the Others Segment

(¥ Millions)

(Fiscal Year)	2017	2016	Change
Segment operating revenues	¥38,708	¥34,776	¥3,932
Segment operating expenses	35,941	33,408	2,533
Segment operating income	¥ 2,767	¥ 1,368	¥1,399

Non-Operating Income / Expenses

Net non-operating income amounted to ¥32.1 billion for fiscal 2017 against net non-operating expenses of ¥6.0 billion in fiscal 2016. Special gains reflected a gain on step acquisition related to Peach Aviation, which was consolidated during this fiscal year.

Non-Operating Income / Expenses

(¥ Millions)

(Fiscal Year)	2017	2016	Change
Interest and dividend income	¥ 2,014	¥ 1,691	¥ 323
Interest expenses	(8,676)	(9,804)	1,128
Foreign exchange gain/loss, net	(1,234)	(2,106)	872
Gain on sales of assets	3,408	1,957	1,451
Loss on sales/disposal of assets	(4,313)	(5,877)	1,564
Impairment loss	(6,061)	(2,208)	(3,853)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,485	3,610	(2,125)
Gain on sales of investment securities	1,311	1,976	(665)
Gain on step acquisition	33,801	—	33,801
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	(577)	(571)	(6)
Gain on sales of property and equipment	9,623	121	9,502
Gain on donation of non-current assets	1,134	3,238	(2,104)
Loss on sales/disposal of property and equipment	(748)	(361)	(387)
Other, net	958	2,257	(1,299)
Total	¥32,125	¥(6,077)	¥38,202

Net Income Attributable to Owners of the Parent

The preceding factors combined to increase income before income taxes by ¥57.1 billion (41.0%) year on year to ¥196.6 billion. After income taxes, municipal taxes, business taxes, and other adjustments, net income attributable to owners of the parent increased ¥45.0 billion (45.6%) to ¥143.8 billion. Earnings per share were ¥417.82 compared with ¥282.35 for the previous fiscal year*.

Comprehensive income increased ¥16.8 billion (11.6%) to ¥162.4 billion, mainly due to the growth in net income attributable to owners of the parent.

* The Group conducted a 1-for-10 reverse stock split effective October 1, 2017. Calculations have been made assuming a reverse stock split at the beginning of the previous fiscal year.

Cash Flows

Fundamental Approach

The ANA Group's fundamental approach to cash management is to conduct continuous investments strategically to strengthen competitiveness over the medium and long term, while maintaining financial soundness.

Capital expenditures are ordinarily kept within the scope of cash flows from operating activities, including repayment of lease obligations, to generate free cash flow, which enables us to maintain a balance between total interest-bearing debt and shareholders' equity.

The Group's primary means of raising funds are borrowings from banks and bond issuances. The Group has also concluded commitment lines totaling ¥150.6 billion with leading domestic financial institutions to ensure reliable access to working capital in case of emergency. Commitment lines were unused as of the end of March 2018.

The Group has access to the Japan Bank for International Cooperation (JBIC)'s guarantee system for investments in aircraft, our primary assets.

Overview of Fiscal 2017

Free cash flow resulted in expenditures of ¥8.4 billion (sum of cash flows from operating activities and investing activities). Net cash used in financing activities totaled ¥29.9 billion. As a result, cash and cash equivalents decreased ¥38.5 billion from the beginning of the fiscal year, amounting to ¥270.5 billion at the end of the fiscal year.

Cash Flows from Operating Activities

After adjusting the ¥196.6 billion in income before income taxes for depreciation and amortization, notes and accounts payable, notes and accounts receivable, and other non-cash items, net cash provided by operating activities amounted to ¥316.0 billion, up ¥78.9 billion year on year. This increase was mainly due to an increase in operating income during fiscal 2017 and a decrease in income tax payments.

Interest Coverage Ratio*

(Times)

(Fiscal Year)	2017	2016
Interest coverage ratio	36.1	23.9

* Interest coverage ratio = Cash flows from operating activities / Interest expenses

Management's Discussion and Analysis

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥324.4 billion, up ¥129.8 billion year on year. The increase was mainly due to payments for purchases of property and equipment related to payments upon delivery of aircraft, purchases of spare parts, and advance payments for aircraft to be put into service in the future. Payments were also made for intangible assets, including investments in software. Net cash used in investing activities amounted to ¥254.6 billion when excluding cash movements that resulted in net outlays of ¥69.8 billion related to the acquisition and sale of time deposits and negotiable deposits of more than three months.

Free Cash Flow

As mentioned above, net cash provided by operating activities totaled ¥316.0 billion. Since net cash used in investing activities was ¥324.4 billion, free cash flow for fiscal 2017 amounted to net expenditures of ¥8.4 billion, compared to net expenditures of ¥42.4 billion for fiscal 2016. Substantial free cash flow increased ¥21.7 billion year on year to ¥61.4 billion, when excluding cash movements associated with the acquisition and sale of time deposits and negotiable deposits of more than three months.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥29.9 billion, compared to net cash provided by financing activities of ¥3.3 billion in the previous fiscal year. This result was mainly due to funds raised from the issuance of bonds, etc., offset by loan repayments and stock repurchases.

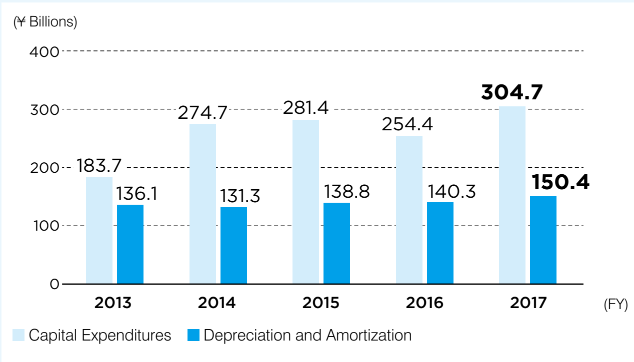
Capital Expenditures and Aircraft Procurement

Capital Expenditures

ANA Group capital expenditures are intended to improve future competitiveness and profitability in pursuit of the Group's growth strategy. These expenditures primarily include the acquisition of aircraft, spare engines, and aircraft parts, as well as information systems and facilities expenditures. Fiscal 2017 capital expenditures increased 19.8% year on year to ¥304.7 billion, mainly reflecting investment in aircraft within our Air Transportation Business.

By segment, Air Transportation Business capital expenditures increased 18.2% year on year to ¥292.1 billion. Airline Related expenditures increased 35.5% to ¥11.4 billion, while Travel Services expenditures decreased 18.7% to ¥0.8 billion. Trade and Retail capital expenditures decreased 26.0% to ¥1.0 billion, and Others decreased 9.9% to ¥0.4 billion.

Capital Expenditures* / Depreciation and Amortization



* Capital expenditures contains only fixed assets.

Fundamental Approach to Aircraft Procurement

Aircraft are major investments used over the long term (10-plus years). Decisions regarding the selection of aircraft types suited to routes and networks and the pursuit of the best fleet composition are among the most important issues for airline management.

The ANA Group fleet strategy is based on three basic policies: (1) Strengthening cost competitiveness by introducing fuel-efficient aircraft, (2) Optimizing supply to demand by increasing the ratios of narrow- and medium-body aircraft; and (3) Enhancing productivity by integrating aircraft types.

Fundamentally, the Group purchases and owns strategic aircraft we intend to use over the medium to long term. We employ operating leases to procure aircraft for use over the short term or for capacity adjustment. The Group may also utilize sale-leaseback transactions as a means to diversify corporate financing methods. In these and other ways, the Group selects the most economical aircraft procurement method.

Aircraft Procured in Fiscal 2017

Based on our fleet strategy, aircraft in service totaled 292 as of the end of fiscal 2017, an increase of 24 compared to the end of the previous fiscal year.

During the fiscal year, the ANA Group purchased 18 new aircraft. These consisted of seven Boeing 787-9s, two Airbus A321-200neos, one Airbus A320-200neo, five Airbus A320-200s, and three Bombardier DHC-8-400s. Meanwhile, the Group sold a total of 12 aircraft, including three Boeing 777-200s, three Boeing 767-300s, three Boeing 737-500s, and three Airbus A320-200s.

The number of Vanilla Air aircraft in service increased by three, while the number of Peach Aviation aircraft in service increased by two.

The table below shows changes in the number of aircraft in service.

Changes in the Number of Aircraft in Service in Fiscal 2017

( ) changes

Aircraft	Number of Aircraft as of March 31, 2018	Owned	Leased
Boeing 777-300 / -300ER	29	25 (+2)	4 (–2)
Boeing 777-200 / -200ER	21 (–3)	15 (–2)	6 (–1)
Boeing 787-9	28 (+7)	25 (+5)	3 (+2)
Boeing 787-8	36	31	5
Boeing 767-300 / -300ER	34 (–3)	23 (–2)	11 (–1)
Boeing 767-300F / -300BCF (Freighter)	12	8	4
Airbus A321-200neo	2 (+2)	0	2 (+2)
Airbus A321-200	4	0	4
Airbus A320-200neo	3 (+1)	3 (+1)	0
Airbus A320-200	42 (+20)	7 (–3)	35 (+23)
Boeing 737-800	36	24	12
Boeing 737-700	7	7	0
Boeing 737-500	14 (–3)	14 (–3)	0
Bombardier DHC-8-400	24 (+3)	24 (+3)	0
Total	292 (+24)	206 (+1)	86 (+23)

Figures for Airbus A320-200s included 35 aircraft (all leased) operated by Vanilla Air Inc. and Peach Aviation Limited. (12 as of March 31, 2017, excluding those operated by Peach Aviation Limited.).
Separate from the figures above, as of March 31, 2018, 18 aircraft were leased outside the Group (18 as of March 31, 2017).

Aircraft Procurement Plan for Fiscal 2018

The ANA Group plans to add a total of 25 aircraft to expand our international business. These aircraft will help us better respond to leisure travel demand, as well as optimize supply to demand in our domestic business as we shift to narrow-body aircraft. Our plans call for purchasing one Airbus A380, two Boeing 777-300ERs, one Boeing 787-10, two Boeing 787-9s, nine Airbus A321-200neos, six Airbus A320-200neos, and four Airbus A320-200s. Meanwhile, the Group plans to retire 20 aircraft, consisting of three Boeing 777-200s, six Boeing 767-300s, seven Boeing 737-500s, and four Airbus A320-200s..

Management's Discussion and Analysis

Financial Position

Assets

Total assets as of March 31, 2018 amounted to ¥2,562.4 billion, an increase of ¥248.0 billion compared to March 31, 2017.

Total current assets amounted to ¥751.1 billion as of March 31, 2018, up ¥84.4 billion from one year earlier. Cash and deposits amounted to ¥78.0 billion, an increase of ¥17.2 billion compared to the end of the previous fiscal year. Marketable securities increased ¥21.5 billion to ¥279.5 billion. As a result, liquidity on hand amounted to ¥357.5 billion, up ¥38.7 billion year on year.

Total non-current assets at the end of the fiscal year stood at ¥1,810.8 billion, up ¥163.6 billion from one year earlier. This increase was mainly due to an increase in property and equipment through the acquisition of aircraft, in addition to an increase in goodwill associated with the consolidation of Peach Aviation.

Liabilities

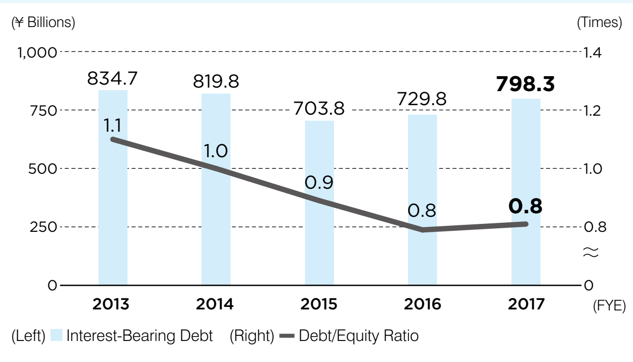
Total liabilities as of March 31, 2018 amounted to ¥1,561.9 billion, up ¥171.6 billion compared to the end of the previous fiscal year.

Current liabilities totaled ¥648.0 billion at the end of the fiscal year, an increase of ¥75.4 billion. This result was primarily due to increases in trade accounts payable and other factors.

Long-term liabilities amounted to ¥913.8 billion as of March 31, 2018, a decrease of ¥96.2 billion compared to the end of the previous fiscal year. This decrease was mainly due to an increase of ¥140.0 billion in corporate bonds resulting from the issuance of convertible bonds with equity purchase warrants.

Interest-bearing debt, including finance lease obligations, increased ¥68.5 billion year on year to ¥798.3 billion. Debt/equity ratio remained unchanged from March 31, 2017 at 0.8 times. Debt/equity ratio including off-balanced lease obligations remained the same as the end of previous fiscal year, standing at 0.8 times.

Interest-Bearing Debt / Debt/Equity Ratio



Excluding off-balanced lease obligations

Interest-Bearing Debt

(¥ Millions)

(End of Fiscal Year)	2017	2016	Change
Short-term debt:	¥100,125	¥118,382	¥ (18,257)
Short-term loans	176	70	106
Current portion of long-term loans	84,738	93,292	(8,554)
Current portion of bonds	10,000	20,000	(10,000)
Finance lease obligations	5,211	5,020	191
Long-term debt*:	¥698,268	¥611,495	¥ 86,773
Bonds	125,000	125,000	—
Convertible bonds with stock acquisition rights	140,000	—	140,000
Long-term loans	418,185	469,655	(51,470)
Finance lease obligations	15,083	16,840	(1,757)
Total interest-bearing debt	¥798,393	¥729,877	¥ 68,516

* Excluding current portion of long-term loans and current portion of bonds

Net Assets

Total net assets amounted to ¥1,000.5 billion as of March 31, 2018, an increase of ¥76.3 billion compared to the end of the previous fiscal year.

Shareholders' equity increased ¥52.5 billion to ¥985.7 billion at the end of the fiscal year as a result of share buybacks and retirement of treasury stock, as well as an increase in retained earnings stemming from net income.

Total accumulated other comprehensive income amounted to ¥2.9 billion, an increase of ¥16.9 billion compared to the end of the previous fiscal year. This increase was mainly due to an increase in deferred gain on derivatives under hedge accounting.

As a result, total shareholders' equity increased ¥69.5 billion from the previous fiscal year-end, standing at ¥988.6 billion. Shareholders' equity ratio decreased 1.1 points to 38.6%.

Book value per share (BPS) at the end of the fiscal year was ¥2,954.47, up from ¥2,624.44 at the end of the previous fiscal year*.

* The Group conducted a 1-for-10 reverse stock split effective October 1, 2017. Calculations have been made assuming a reverse stock split at the beginning of the previous fiscal year.

Bond Ratings

The Company has obtained credit ratings on its various long-term bonds from the Japan Credit Rating Agency, Ltd. (JCR) and Rating and Investment Information, Inc. (R&I). Bond ratings as of March 31, 2018 were as follows:

Bond Ratings

	JCR (Revised March 2017)	R&I (Revised March 2016)
Issuer rating	A– → A	BBB+ → A–
Outlook	Stable	Stable

Retirement Benefit Obligations

The ANA Group defined benefit plans consist of welfare pension fund plans, defined benefit corporate pension plans, and lump-sum retirement benefit plans. In addition, the Group has adopted a defined contribution pension plan. Certain employees are entitled to additional benefits upon retirement.

Certain consolidated subsidiaries adopting defined-benefit corporate pension plans and lump-sum retirement benefit plans use a simplified method for calculating retirement benefit expenses and liabilities.

Retirement Benefit Obligation and Related Expenses

(¥ Millions)

(Fiscal Year / End of Fiscal Year)	2017	2016
Retirement benefit obligation	¥(227,114)	¥(227,979)
Plan assets at fair value	70,661	72,563
Unfunded retirement benefit obligation	(156,453)	(155,416)
Liability for retirement benefits	(156,765)	(156,751)
Asset for retirement benefits	312	1,335
Net liability and asset for retirement benefits in the consolidated balance sheet	(156,453)	(155,416)
Retirement benefit expenses of defined benefit corporate pension plans	15,519	14,983
Main basis for actuarial calculations		
Discount rates	0.1–1.2%	0.1–1.2%
Expected rates of return on plan assets	1.5–2.5%	1.5–3.0%
Contribution to defined contribution pension plans	¥ 4,062	¥ 3,995

Fuel and Exchange Rate Hedging

The ANA Group pursues and conducts optimal hedge transactions that reduce the impact of volatility in fuel prices and foreign exchange rates to control the risk of fluctuations in earnings. The objective of this hedging is to both stabilize profitability and equalize expenses in response to rising fuel surcharges and foreign currency revenues associated with growth in our international business.

The Group conducts fuel hedging three years in advance of the applicable period after considering fuel surcharge revenues. As of March 31, 2018, the Group had a hedge ratio of approximately 30% for fiscal 2018, approximately 15% for fiscal 2019, and approximately 5% for fiscal 2020.

The Group hedges U.S. dollar payments for fuel expenses three years in advance and U.S. dollar payments associated with capital expenditures for aircraft and other items five years in advance of the payment periods. Based on a balance of foreign currency revenues, revenues linked to foreign exchange market fluctuations, and foreign currency expenses with respect to U.S. dollar payments, the Group uses forward exchange agreements to hedge any portion of foreign currency expenses in excess of foreign currency revenues. As of March 31, 2018, the Group had a hedge ratio for U.S. dollar fuel payments of approximately 45% for fiscal 2018, approximately 20% for fiscal 2019, and approximately 10% for fiscal 2020.

Fuel Expense Sensitivity

The Group calculated fuel expense sensitivity to fluctuations in crude oil prices for fiscal 2018 (calculated at the beginning of the fiscal year, excluding hedging):

- Fuel expenses: Approximately ¥3.2 billion per year (change of $1/bbl of crude oil, ANA brand only)

Foreign Currency Cost Sensitivity

The Group calculated foreign currency cost sensitivity to foreign exchange market fluctuations for fiscal 2018 (calculated at the beginning of the fiscal year, excluding hedging*):

- Foreign currency costs: Approximately ¥4.7 billion per year (fluctuation of ¥1/U.S. dollar*, ANA brand only)

* Assumption: Calculation for foreign currencies other than the U.S. dollar assume fluctuations similar to ¥1/U.S. dollar.

Allocation of Profits

Basic Policy on Allocation of Profits

Shareholder returns are an important management priority for the Group.

The Group strives to bolster shareholder returns while maintaining financial soundness. This goal will be accomplished as we secure the funds needed to conduct growth investments (aircraft, etc.) to support future business development. We examine the possibility of further shareholder returns through dividend increases and share buybacks on an ongoing basis, while considering the appropriate level for free cash flow.

Dividends for Fiscal 2017 and Plans for Fiscal 2018

In line with our initial plan, the Group paid fiscal 2017 cash dividends of ¥60.0 per share, an amount equal to the previous fiscal year. This dividend reflects due consideration of factors that include fiscal year earnings, financial condition, and future outlook of the business environment*.

For fiscal 2018, the Group expects to pay cash dividends of ¥70.0 per share, an increase of ¥10.0 over fiscal 2017. This amount is based on our earnings forecast announced April 27, 2018.

* The Group conducted a 1-for-10 reverse stock split effective October 1, 2017. Calculations have been made assuming a reverse stock split at the beginning of the previous fiscal year.

Operating Risks

The following risks could have a significant effect on the judgment of investors in the ANA Group, or "the Group." Further, the forward-looking statements in the following section are the Group's judgments as of March 31, 2018.

(1) Risk of Economic Recession

The airline industry is susceptible to the effects of economic trends, and if the domestic or global economy is sluggish, this may cause decline of demand for air travel due to deterioration in personal consumption and corporate earnings.

International operations (passenger and cargo) depend on overseas markets, especially China, other parts of Asia, and North America, and economic conditions in these regions could lead to a decline in the passenger and cargo volume or a fall in the unit price.

(2) Risks Related to the Group's Management Strategy

1. Risks Related to the Group's Fleet Strategy

In the Air Transportation business, the Group is pursuing a fleet strategy centered on introducing highly economical aircraft, integrating aircraft types, and better optimizing supply to demand. This strategy involves ordering aircraft from The Boeing Company, Airbus S.A.S., Bombardier Inc., and Mitsubishi Aircraft Corporation. Delays in delivery from any of those four companies for financial or other reasons could create obstacles to the Group's operations.

In addition, elements of the fleet strategy could prove ineffective or their expected benefits could diminish significantly due to the factors given below.

1) Dependence on The Boeing Company

In accordance with the above fleet strategy, the Group has ordered a large number of aircraft from The Boeing Company (Boeing). Therefore, should financial or other issues render Boeing unable to fulfill its agreements with the Group or companies such as those that maintain Boeing products, the Group would be unable to acquire or maintain aircraft in accordance with its fleet strategy. Such eventualities could affect the Group's operations.

2) Delay of Aircraft Development Plans by Mitsubishi Aircraft Corporation

The Group has decided to introduce the Mitsubishi Regional Jet (MRJ) that Mitsubishi Aircraft Corporation is developing, with delivery scheduled for midway through fiscal 2020. Delivery delays could create obstacles to the Group's operations.

2. Risks Related to Airport Slots

The Group has made various investments and operational changes to take advantage of significant business opportunities created by the expansion of slots at Haneda and Narita airports. Around fiscal 2020, slots are expected to increase from 447 thousand to 486 thousand per year at Haneda Airport, and from 300 thousand to 340 thousand at Narita Airport. However, if the number or the timing of the allocation of slots at the two Tokyo metropolitan area airports (Haneda and Narita) differs from the Group's projections, it could affect achievement of the targets of the Group's corporate strategy.

3. Risks Related to the LCC Business

In the LCC Business, the Group might not obtain the desired results from entering the LCC Business if it fails to achieve the objective of creating new passenger demand, or if competition intensifies with domestic or overseas LCCs. Additionally, flight crew shortages and outflows of flight crew personnel to other airlines could preclude the execution of the Group's corporate strategy. Furthermore, customers could turn away from LCCs as a result of accidents and other safety incidents caused by LCCs, including those overseas.

4. Risks Related to Investments

The Group may enter new businesses and invest in or acquire other companies to further expand its business in growth areas. These investments and other initiatives may not produce the intended effects. Moreover, if the interests of equity investors do not align, the joint venture may not operate in the manner the Group considers appropriate. If joint venture operations deteriorate, the Group may be exposed to an economic burden. In addition, equity investors other than the Group may experience poor financial results or withdraw from the business.

The Group may also expand into foreign countries, and enter into businesses with remote relation to the airline business. These initiatives may incur unforeseen detriments.

(3) Risks Related to Crude Oil Price Fluctuations

Jet fuel is a crude oil derivative and its price tracks the price of crude oil. Variance that exceeds the Group estimates for factors that affect the price of crude oil, including political instability in oil-producing nations, increased demand for crude oil due to rapid economic growth in emerging countries, reductions in oil stockpiles or reserves, speculative investment in crude oil, and natural disasters can affect the Group's performance as follows.

1. Risk of Increase in Crude Oil Prices

Generally, an increase in the price of crude oil causes an increase in the price of jet fuel, which imposes substantial additional costs on the Group. Accordingly, to control the risk of fluctuations in the price of jet fuel and to stabilize operating income, the Group hedges risks using crude oil and jet fuel commodity derivatives in planned, continuous hedging transactions for specific periods of time. In the event that crude oil prices rise over a short period, there are limitations to the Group's ability to offset increases in crude oil prices through ongoing cost reductions as well as raising fares and charges. For these reasons, the Group may be unable to avoid the influence of a sharp increase in crude oil prices completely, depending on factors such as hedging positions.

2. Risk of Sudden Decrease in Crude Oil Prices

The Group hedges against changes in the price of crude oil. Therefore, a sudden decrease in oil prices may not directly contribute to earnings because, in addition to decreases in or expiration of fuel surcharges, hedge positions and other market conditions may preclude the immediate reflection of a sudden drop in crude oil prices in results.

(4) Risks Related to Pandemic Illnesses Including New Strains of Influenza

All of the Group's businesses including but not limited to its international routes are exposed to the risk of a decline in demand due to the outbreak and spread of major illnesses including new strains of influenza. The spread of disease and the harm it may cause, including reduced desire to travel by air among customers due to rumors, could affect the Group's performance by causing the number of passengers on the Group's domestic and international routes to drop sharply.

Furthermore, more employees and contractors than expected could fall ill due to the spread of highly contagious new strains of influenza and other diseases, or due to increased virulence caused by changes in its profile, which could affect the continuity of the Group's business.

(5) Risks Related to Foreign Exchange Rate Fluctuations

The Group's expenditures in foreign currencies are greater than its revenues in foreign currencies. Therefore, depreciation of the yen affects the Group's profits. Accordingly, to the greatest extent possible, foreign currency taken in as revenue is used to pay expenses denominated in the same foreign currency to minimize the impact on operating income from the risk of fluctuations in foreign exchange rates. In addition, the Group uses forward exchange agreements and currency options for a portion of the foreign currency needed for its purchases of aircraft and jet fuel to stabilize and control payment amounts on a yen conversion basis. However, there are limits to the extent to which the Group can reduce and offset costs by adjusting fares and charges should costs increase due to the rapid depreciation of the yen in the foreign exchange market over a short period of time. Accordingly, such an occurrence could, depending on hedge positions and other factors, affect Group income and expenditures. Conversely, if the yen should appreciate rapidly in the foreign exchange market over a short period of time, depending upon hedge positions and other factors, this may preclude immediate reflection in lower jet fuel costs and impact the Group's ability to enjoy the benefits from appreciation of the yen.

(6) Risks Related to the International Situation

The Group currently operates international routes, primarily to North America, Europe, China, and other parts of Asia. Going forward, incidents including political instability, international conflicts, large-scale terrorist attacks, or deterioration in diplomatic relations with countries where the Group operates and has offices and other bases could affect the Group's performance due to the accompanying decrease in demand for travel on these international routes.

(7) Risks Related to Statutory Regulations

As an airline operator, the Group undertakes operations based on the stipulations of statutory regulations relating to airline operations. The Group is required to conduct passenger and cargo operations on international routes in accordance with the stipulations of international agreements, including treaties, bilateral agreements, and the decisions of the International Air Transport Association (IATA) and the International Civil Aviation Organization (ICAO). The Group's fares, airspace, operating schedule, and safety management are subject to a variety of constraints due to these regulations. Further, the Group's operations are constrained by the Japanese Antitrust Law and similar laws and regulations in other countries with regard to the pricing of fares and charges.

(8) Risks Related to Litigation

The Group could be subject to various lawsuits in connection with its business activities, which could affect the Group's performance. Moreover, the following may result in lawsuits or other legal action in the future, which could result in similar investigations in other countries and regions.

Price Adjustment Case in the United States

Upon overall consideration of various circumstances, the Company reached a plea bargain agreement with regard to the investigation being conducted by the United States Department of Justice into price adjustments relating to international air cargo and passenger transport services. Providing a detailed analysis of this matter at the present time is difficult.

(9) Risks Related to Public-Sector Fees

Public-sector fees include jet fuel taxes, landing fees, and fees for the use of navigational facilities. The Japanese government is currently implementing temporary measures to reduce jet fuel taxes and landing fees but could scale back or terminate these measures in the future, which could affect the Group's performance.

Operating Risks

(10) Risks Related to Environmental Regulations

In recent years, numerous Japanese and overseas statutory environmental protection regulations have been introduced or strengthened with regard to such issues as noise, aircraft emissions of CO_2 and other greenhouse gases, use of environmentally polluting substances and their disposal, and energy use at major offices. Compliance with such statutory regulations imposes a considerable economic burden on the Group and business activities may be constrained or additional significant expenses incurred if new regulations are introduced, such as a globally shared environmental tax related to an international greenhouse gas emissions credit trading scheme planned for implementation toward 2021.

(11) Risks Related to the Business Environment of the Airline Industry

There could be material changes in the current competitive and business environment within Japan, such as changes in aviation policy or regional policy, as well as changes in the standing of competitors due to mergers or capital tie-ups stemming from bankruptcies and other factors. These changes could affect the Group's performance.

(12) Risks Related to Competition

The possibility of future increases in costs related to the Group's operations due to such factors as jet fuel expenses, financing cost, and responses to environmental regulations cannot be ruled out. If such costs increase, in order to secure income, it will be necessary for the Group to cut costs through such means as reducing indirect fixed costs, and to pass on costs through higher fares and charges. However, because the Group is in competition with other airlines and LCCs in Japan and overseas as well as with alternative modes of transportation, such as the Shinkansen, on certain routes, passing on costs could diminish competitiveness. Further, price competition with competitors greatly restricts the passing on of costs that could affect the Group's performance.

(13) Risks Related to Ineffective Strategic Alliances

The Group belongs to the Star Alliance. Based on antitrust immunity (ATI) approval, joint venture operations are introduced in collaboration with United Airlines in the network between Asia and the United States, and with Lufthansa and Lufthansa group companies, Swiss International Air Lines, Austrian Airlines, and Lufthansa Cargo AG. in the network between Japan and Europe. The Group has also entered into individual agreements, mainly in Asia, that go beyond the frameworks of these alliances.

However, the benefits of Star Alliance membership might diminish if the alliance is broken up by antitrust laws in various countries; an alliance partner withdraws from the Star Alliance or changes its business policies; another alliance group becomes more competitive; bilateral alliances between member companies end; an alliance partner performs poorly, restructures, or becomes less creditworthy; or restrictions on alliance activities are tightened due to external factors. Such eventualities could affect the Group's performance.

(14) Risks Related to Flight Operations

1. Aircraft Accidents

An aircraft accident involving a flight operated by the Group or a code-share partner could cause a drop in customer confidence and impair the Group's public reputation, creating a medium- to long-term downturn in demand that could significantly affect the Group's performance.

Major accidents suffered by other airlines could similarly lead to a reduction in aviation demand that could affect the Group's performance. An aircraft accident would give rise to significant expenses including compensation for damages and the repair or replacement of aircraft, but aviation insurance would not cover all such direct expenses.

2. Technical Circular Directives

If an issue arises that significantly compromises the safety of an aircraft, MLIT by law issues a technical circular directive. In some cases, all aircraft of the same model might be grounded until the measures to improve the airworthiness of the aircraft and equipment have been implemented as directed. Even when the law does not require a directive to be issued, in some cases when safety cannot be confirmed from a technical perspective, operation of the same model might be voluntarily suspended and inspections and other maintenance activities may be performed. The occurrence of such a situation could affect the Group's safety credibility or performance.

Of particular note, the Group has been consolidating its fleet around the Boeing 787 and other new models. The discovery of an unanticipated design flaw or technical issue with new aircraft used heavily by the Group could profoundly affect the Group's performance.

(15) Risks Related to Unauthorized Disclosure of Customer Information and Other Data

The Group holds a large amount of information relating to customers, such as that pertaining to the approximately 32.68 million members (as of the end of March 2018) of the ANA Mileage Club. The Personal Information Protection Law of Japan and similar laws in countries overseas require proper management of such personal information. The Group has established a privacy policy, apprised customers of the Group's stance regarding the handling of personal information, and established measures to counter any foreseeable contingency to ensure information security, including in its IT systems. In addition, work procedures and information systems are continuously monitored and revised to eliminate any potential security gaps. Despite these precautions, the occurrence of a major leak of personal information caused by unauthorized access, an error in conducting business, or some other factor could carry significant costs, in terms of both compensation and loss of public confidence, which could affect the Group's performance.

(16) Risks Related to Disasters

The extended closure or operational restriction of airports or flight path restrictions due to disasters including an earthquake, a tsunami, a flood, a typhoon, heavy snow, a volcanic eruption, an infectious disease, a strike, or a riot could impact flight operations using affected airports and routes or result in significantly reduced demand for air transportation, which could affect the Group's performance.

In particular, the Group's data center is located in the Tokyo metropolitan area, while the operational control for all of the Group's domestic and international flights is conducted at Haneda Airport and most of the Group's passengers use Tokyo metropolitan area airports. As a result, a major disaster, such as an earthquake or a typhoon; a disaster at the abovementioned facilities, such as a fire; or a strike that closes the airports or limits their access could lead to a long-term shutdown of the Group's information systems, operational control functions, or its operations themselves that could significantly affect the Group's performance.

(17) Risks Related to Revenue and Expense Structure

Expenses that are largely unaffected by passenger load factors, including fixed costs such as aircraft expenses, along with fuel expenses and landing and navigation fees which are largely determined by the type of aircraft, account for a significant proportion of the Group's costs, which limits the Group's ability to immediately change the scale of its operations in response to changes in economic conditions. Therefore, decreases in the number of passengers or volume of cargo could have a large impact on the Group's revenue and expenses.

Moreover, a significant decrease in demand during the summer could affect the Group's performance for that fiscal year because passenger service sales typically increase during summer.

(18) Risks Related to IT Systems

The Group is highly dependent on information systems for such critical functions as customer service and operational management. A major disruption of one of those systems or of telecommunications networks caused by natural disasters, accidents, computer viruses or unauthorized access, power supply constraints, large-scale power outages, or system failures or malfunctions would make it difficult to maintain customer service and operations and would result in a loss of public confidence, which could affect the Group's performance. Further, the Group's information systems are also used by its partner airlines so there is a possibility that the impact of systems failure would not be limited to the Group.

(19) Risks Related to Personnel and Labor

Many group employees belong to labor unions. Events including a collective strike by group employees could have an effect on the Group's aircraft operation.

(20) Risk of Inability to Secure Required Personnel

The growth of our LCC Business and other factors have increased demand for flight crews and other personnel. A certain period of time is required to cultivate and train flight crews and other personnel. Inability to secure the required number of competent flight crews and other personnel in a timely manner could affect the Group's performance. In addition, a change of the supply-demand balance in labor markets could lead to personnel shortages in airport handling and other operations, as well as a sharp increase in wage levels.

(21) Financial Risks

1. Increase in the Cost of Financing

The Group raises funds to acquire aircraft primarily through bank loans and bond issuances. However, the cost of financing could increase due to deteriorating conditions in the airline industry, the turmoil in capital and financial markets, changes in the tax system, changes in the government's interest rate policy, changes to the guarantee systems at governmental financial institutions, or a downgrade of the Company's credit rating that makes it difficult or impossible to finance on terms advantageous to the Group. Such eventualities could affect the Group's performance.

2. Risks Related to Asset Impairment or Other Issues

The Group owns extensive property and equipment as a function of its businesses. If the profitability of various operations deteriorates, or a decision is made to sell an asset, the Group may be required to recognize asset impairment losses or loss on sales of property and equipment in the future.

Consolidated Financial Statements

Consolidated Balance Sheet

ANA HOLDINGS INC. and its consolidated subsidiaries
As of March 31, 2018

	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
ASSETS	**2018**	2017	**2018**
Current assets:			
Cash and deposits (Notes 16 and 21)	¥ 78,036	¥ 60,835	$ 734,525
Marketable securities (Notes 5 and 16)	279,540	257,950	2,631,212
Notes and accounts receivable (Note 16)	174,211	154,668	1,639,787
Accounts receivable from and advances to unconsolidated subsidiaries and affiliates	3,324	4,262	31,287
Lease receivables (Note 8)	27,310	28,948	257,059
Inventories (Notes 6, 8 and 23)	62,470	64,912	588,008
Deferred income taxes (Note 11)	27,678	36,173	260,523
Prepaid expenses and other	99,081	59,332	932,614
Allowance for doubtful accounts	(479)	(355)	(4,508)
Total current assets	751,171	666,725	7,070,510
Property and equipment:			
Land (Note 8)	55,786	49,887	525,094
Buildings and structures (Note 8)	265,891	263,340	2,502,739
Aircraft (Note 8)	1,856,178	1,773,182	17,471,554
Machinery and equipment	107,900	107,201	1,015,625
Vehicles	29,381	28,971	276,553
Furniture and fixtures	52,952	52,144	498,418
Lease assets (Notes 8 and 13)	13,594	15,095	127,955
Construction in progress	202,328	151,889	1,904,442
Total	2,584,010	2,441,709	24,322,383
Accumulated depreciation	(1,150,909)	(1,081,446)	(10,833,104)
Net property and equipment	1,433,101	1,360,263	13,489,278
Investments and other assets:			
Investment securities (Notes 5 and 16)	83,871	76,387	789,448
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 7)	40,274	46,821	379,085
Lease and guaranty deposits	21,845	10,791	205,619
Deferred income taxes (Note 11)	65,698	52,759	618,392
Goodwill	55,336	1,041	520,858
Intangible assets	99,902	87,963	940,342
Other assets	11,264	11,660	106,024
Total investments and other assets	378,190	287,422	3,559,770
TOTAL (Note 18)	¥ 2,562,462	¥ 2,314,410	$ 24,119,559

LIABILITIES AND NET ASSETS	Yen (Millions) 2018	2017	U.S. dollars (Thousands) (Note 2) 2018
Current liabilities:			
Short-term loans (Notes 8 and 16)	¥ 176	¥ 70	$ 1,656
Current portion of long-term debt (Notes 8 and 16)	99,949	118,312	940,785
Accounts payable (Note 16)	225,889	181,768	2,126,214
Accounts payable to unconsolidated subsidiaries and affiliates	4,545	4,866	42,780
Advance ticket sales	181,353	150,614	1,707,012
Accrued expenses	65,805	62,025	619,399
Income taxes payable	37,709	11,288	354,941
Other current liabilities (Note 10)	32,654	43,704	307,360
Total current liabilities	648,080	572,647	6,100,150
Long-term liabilities:			
Long-term debt (Notes 8 and 16)	698,268	611,495	6,572,552
Liability for retirement benefits (Note 9)	156,765	156,751	1,475,574
Deferred income taxes (Note 11)	94	1,444	884
Asset retirement obligations (Note 10)	1,196	1,074	11,257
Other long-term liabilities	57,507	46,824	541,293
Total long-term liabilities	913,830	817,588	8,601,562
Contingent liabilities (Note 15)			
Net assets (Note 14)**:**			
Common stock:			
Authorized – 510,000,000 shares;			
Issued – 348,498,361 shares in 2018 and 2017*	318,789	318,789	3,000,649
Capital surplus	268,208	283,249	2,524,548
Retained earnings	457,746	334,880	4,308,603
Treasury stock – 13,866,101 shares in 2018 and 1,412,231 shares in 2017*	(59,015)	(3,756)	(555,487)
Accumulated other comprehensive income:			
Unrealized gain on securities	24,467	20,636	230,299
Deferred loss on derivatives under hedge accounting	(3,471)	(11,799)	(32,671)
Foreign currency translation adjustments	3,201	3,364	30,129
Defined retirement benefit plans	(21,264)	(26,206)	(200,150)
Total	988,661	919,157	9,305,920
Non-controlling interests	11,891	5,018	111,925
Total net assets	1,000,552	924,175	9,417,846
TOTAL	¥2,562,462	¥2,314,410	$24,119,559

*Shares have been restated, as appropriate, to reflect a 1-for-10 ordinary share reverse stock split effected October 1, 2017.
See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2018

	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
	2018	2017	2018
Operating revenues (Note 18)	¥1,971,799	¥1,765,259	$18,559,855
Cost of sales (Note 9)	1,481,881	1,324,846	13,948,428
Gross profit	489,918	440,413	4,611,426
Selling, general and administrative expenses (Notes 9 and 19)	325,402	294,874	3,062,895
Operating income (Note 18)	164,516	145,539	1,548,531
Other income (expenses):			
Interest income	623	502	5,864
Dividend income	1,391	1,189	13,092
Equity in earnings of unconsolidated subsidiaries and affiliates	1,485	3,610	13,977
Gain on sales of assets	3,408	1,957	32,078
Gain on donation of non-current assets	1,134	3,238	10,673
Gain on step acquisition (Note 4)	33,801	–	318,157
Interest expenses	(8,676)	(9,804)	(81,664)
Foreign exchange loss, net	(1,234)	(2,106)	(11,615)
Loss on sales of assets	(161)	(493)	(1,515)
Loss on disposal of assets	(4,152)	(5,384)	(39,081)
Impairment loss (Note 22)	(6,061)	(2,208)	(57,050)
Other, net (Note 23)	10,567	3,422	99,463
Other income (expenses), net	32,125	(6,077)	302,381
Income before income taxes	196,641	139,462	1,850,913
Income taxes (Note 11)**:**			
Current	61,650	41,557	580,289
Deferred	(10,647)	(1,402)	(100,216)
Total income taxes	51,003	40,155	480,073
Net income	145,638	99,307	1,370,839
Net income attributable to non-controlling interests	1,751	480	16,481
Net income attributable to owners of the parent	¥ 143,887	¥ 98,827	$ 1,354,358

	Yen		U.S. dollars (Note 2)
	2018	2017*	2018
Per share of common stock (Notes 3, 14 and 20)**:**			
Basic net income	¥417.82	¥282.35	$3.93
Cash dividends applicable to the year	60.00	60.00	0.56

Net income per share assuming full dilution is not disclosed as the Company had no potentially dilutive shares outstanding during the years ended March 31, 2018 and 2017.
* Per share figures have been restated, as appropriate, to reflect a 1-for-10 ordinary share reverse stock split effected October 1, 2017.
See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2018

	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
	2018	2017	2018
Net income	¥145,638	¥ 99,307	$1,370,839
Other comprehensive income (Note 12):			
Unrealized gain on securities	3,788	1,100	35,655
Deferred gain on derivatives under hedge accounting	8,334	39,245	78,445
Foreign currency translation adjustments	(149)	(576)	(1,402)
Defined retirement benefit plans	4,944	5,943	46,536
Share of other comprehensive (loss) income in affiliates	(60)	589	(564)
Total other comprehensive income (Note 12)	16,857	46,301	158,669
Comprehensive income	¥162,495	¥145,608	$1,529,508
Total comprehensive income attributable to:			
Owners of the parent	¥160,825	¥145,204	$1,513,789
Non-controlling interests	1,670	404	15,719

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2018

	Thousands	Yen (Millions)											
							Accumulated other comprehensive income						
	Number of shares of common stock outstanding*	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total net assets
Balance at April 1, 2016	349,719	¥318,789	¥282,774	¥253,545	¥ (4,830)	¥850,278	¥19,527	¥(51,620)	¥3,873	¥(32,162)	¥(60,382)	¥ 5,004	¥ 794,900
Net income attributable to owners of the parent				98,827		98,827							98,827
Cash dividends ¥50.00 per share (Note 14)*				(17,492)		(17,492)							(17,492)
Purchase of treasury stock (Note 14)	(10)				(31)	(31)							(31)
Disposal of treasury stock (Note 14)	520		475		1,138	1,613							1,613
Changes in scope of consolidation					(33)	(33)							(33)
Net changes in the year	–					–	1,109	39,821	(509)	5,956	46,377	14	46,391
Total changes during the fiscal year		–	475	81,335	1,074	82,884	1,109	39,821	(509)	5,956	46,377	14	129,275
Balance at March 31, 2017	350,230	318,789	283,249	334,880	(3,756)	933,162	20,636	(11,799)	3,364	(26,206)	(14,005)	5,018	924,175
Net income attributable to owners of the parent				143,887		143,887							143,887
Cash dividends ¥60.00 per share (Note 14)*				(21,021)		(21,021)							(21,021)
Purchase of treasury stock (Note 14)	(16,257)				(70,165)	(70,165)							(70,165)
Disposal of treasury stock (Note 14)	3,803		1,096		1,410	2,506							2,506
Termination of employee stock ownership trust			(2,641)			(2,641)							(2,641)
Retirement of treasury stock	(3,144)		(13,496)		13,496	–							–
Net changes in the year						–	3,831	8,328	(163)	4,942	16,938	6,873	23,811
Total changes during the fiscal year		–	(15,041)	122,866	(55,259)	52,566	3,831	8,328	(163)	4,942	16,938	6,873	76,377
Balance at March 31, 2018	334,632	¥318,789	¥268,208	¥457,746	¥(59,015)	¥985,728	¥24,467	¥ (3,471)	¥3,201	¥(21,264)	¥ 2,933	¥11,891	¥1,000,552

* Per share figures have been restated, as appropriate, to reflect a 1-for-10 ordinary share reverse stock split effected October 1, 2017.

	Thousands	U.S. dollars (Thousands) (Note 2)											
							Accumulated other comprehensive income						
	Number of shares of common stock outstanding*	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Non-controlling interests	Total net assets
Balance at March 31, 2017	350,230	$3,000,649	$2,666,123	$3,152,108	$ (35,353)	$8,783,527	$194,239	$(111,059)	$31,664	$(246,667)	$(131,824)	$ 47,232	$8,698,936
Net income attributable to owners of the parent				1,354,358		1,354,358							1,354,358
Cash dividends $0.56 per share (Note 14)*				(197,863)		(197,863)							(197,863)
Purchase of treasury stock (Note 14)	(16,257)				(660,438)	(660,438)							(660,438)
Disposal of treasury stock (Note 14)	3,803		10,316		13,271	23,588							23,588
Termination of employee stock ownership trust			(24,858)			(24,858)							(24,858)
Retirement of treasury stock	(3,144)		(127,033)		127,033	–							–
Net changes in the year						–	36,059	78,388	(1,534)	46,517	159,431	64,693	224,124
Total changes during the fiscal year		–	(141,575)	1,156,494	(520,133)	494,785	36,059	78,388	(1,534)	46,517	159,431	64,693	718,910
Balance at March 31, 2018	334,632	$3,000,649	$2,524,548	$4,308,603	$(555,487)	$9,278,313	$230,299	$ (32,671)	$30,129	$(200,150)	$ 27,607	$111,925	$9,417,846

* Per share figures have been restated, as appropriate, to reflect a 1-for-10 ordinary share reverse stock split effected October 1, 2017.
See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2018

	Yen (Millions)		U.S. dollars (Thousands) (Note 2)
	2018	2017	**2018**
Cash flows from operating activities:			
Income before income taxes	**¥ 196,641**	¥ 139,462	**$ 1,850,913**
Adjustments for:			
Depreciation and amortization (Note 18)	**150,408**	140,354	**1,415,737**
Impairment loss (Note 22)	**6,061**	2,208	**57,050**
Amortization of goodwill (Note 18)	**4,031**	176	**37,942**
(Gain) loss on disposal and sales of property and equipment	**(7,970)**	4,160	**(75,018)**
Gain on sales and valuation of investment securities	**(1,170)**	(1,976)	**(11,012)**
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	**446**	571	**4,198**
Increase in allowance for doubtful accounts	**339**	143	**3,190**
Increase in liability for retirement benefits	**6,430**	1,615	**60,523**
Interest and dividend income	**(2,014)**	(1,691)	**(18,957)**
Interest expenses	**8,676**	9,804	**81,664**
Foreign exchange loss	**261**	1,668	**2,456**
Gain on step acquisition	**(33,801)**	–	**(318,157)**
Increase in notes and accounts receivable	**(14,201)**	(16,092)	**(133,669)**
(Increase) decrease in other current assets	**(19,784)**	5,808	**(186,219)**
Increase in notes and accounts payable	**37,149**	13,026	**349,670**
Increase in advance ticket sales	**22,949**	21,996	**216,010**
Other, net	**2,742**	(2,041)	**25,809**
Subtotal	**357,193**	319,191	**3,362,132**
Interest and dividends received	**2,906**	3,519	**27,353**
Interest paid	**(8,763)**	(9,910)	**(82,483)**
Income taxes paid	**(35,322)**	(75,716)	**(332,473)**
Net cash provided by operating activities	**316,014**	237,084	**2,974,529**
Cash flows from investing activities:			
Increase in time deposits	**(28,265)**	–	**(266,048)**
Proceeds from withdrawal of time deposits	**25,705**	118	**241,952**
Purchases of marketable securities	**(159,970)**	(29,460)	**(1,505,741)**
Proceeds from redemption of marketable securities	**92,640**	32,120	**871,987**
Purchases of property and equipment	**(265,531)**	(224,888)	**(2,499,350)**
Proceeds from sales of property and equipment	**75,807**	68,145	**713,544**
Purchases of intangible assets	**(39,176)**	(29,537)	**(368,750)**
Purchases of investment securities	**(3,539)**	(13,898)	**(33,311)**
Proceeds from sales of investment securities	**2,379**	4,701	**22,392**
Proceeds from withdrawal of investment securities	**–**	162	**–**
Payment for purchases of investments in subsidiaries with changes in scope of consolidation	**(19,476)**	–	**(183,320)**
Proceeds from purchases of investments in subsidiaries with changes in scope of consolidation	**–**	64	**–**
Other, net	**(5,068)**	(2,178)	**(47,703)**
Net cash used in investing activities	**(324,494)**	(194,651)	**(3,054,348)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	**111**	(95)	**1,044**
Proceeds from long-term loans	**35,078**	79,729	**330,176**
Repayment of long-term loans	**(95,170)**	(91,761)	**(895,801)**
Proceeds from issuance of bonds	**149,863**	39,769	**1,410,608**
Repayment of bonds	**(20,000)**	–	**(188,253)**
Repayment of finance lease obligations	**(6,187)**	(8,162)	**(58,236)**
Net (increase) decrease of treasury stock	**(67,652)**	1,580	**(636,784)**
Payment for dividends	**(21,021)**	(17,492)	**(197,863)**
Other, net	**(5,011)**	(219)	**(47,166)**
Net cash (used in) provided by financing activities	**(29,989)**	3,349	**(282,275)**
Effect of exchange rate changes on cash and cash equivalents	**(80)**	(1,847)	**(753)**
Net (decrease) increase in cash and cash equivalents	**(38,549)**	43,935	**(362,848)**
Cash and cash equivalents at beginning of year	**309,058**	265,123	**2,909,054**
Cash and cash equivalents at end of year (Note 21)	**¥ 270,509**	¥ 309,058	**$ 2,546,206**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ANA HOLDINGS INC. and its consolidated subsidiaries
Year Ended March 31, 2018

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of ANA HOLDINGS INC. (hereinafter referred to as the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the consolidated financial statements of the previous fiscal year to conform to the classifications used in the current fiscal year.

2. Translation of financial statements

The consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of readers outside of Japan, have been translated into U.S. dollars at the rate of ¥106.24 = US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2018. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at that or any other rate. Translations of U.S. dollars are rounded down to the nearest thousand and, therefore, the totals shown in tables do not necessarily agree with the sums of the individual amounts.

3. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements as of March 31, 2018, include the accounts of the Company and its 64 (63 in 2017) significant subsidiaries (collectively, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 16 (17 in 2017) unconsolidated subsidiaries and significant affiliates are accounted for by the equity method.

The difference between the cost and the underlying net assets at dates of acquisition of consolidated subsidiaries and companies accounted for by the equity method is amortized using the straight-line method over a period of 10 to 15 years.

Investments in 91 (85 in 2017) subsidiaries and affiliates which are not consolidated or accounted for by the equity method are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

Certain subsidiaries have fiscal years ending on December 31 and February 28, and necessary adjustments for significant transactions, if any, are made in consolidation.

(b) Foreign currency translation

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except for payables and receivables hedged by qualified forward exchange contracts, and differences arising from the translation are included in the consolidated statement of income.

The balance sheet accounts of consolidated foreign subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments in net assets.

(c) Marketable securities and investment securities

Marketable securities and investment securities are classified into three categories: trading, held-to-maturity or available-for-sale. Under the accounting standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as available-for-sale securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as available-for-sale securities are carried at cost, determined by the moving-average method. See Note 5 "Marketable securities and investment securities" for additional information.

(d) Allowance for doubtful accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(e) Inventories

Inventories include aircraft spare parts, supplies and stock in trade of consolidated subsidiaries, and are stated at cost, principally determined by the moving-average method. The net book value of inventories in the consolidated balance sheet is written down when their net realizable value is less than book value. See Note 6 "Inventories" and Note 23 "Supplementary information for the consolidated statement of income" for additional information.

(f) Property and equipment (excluding leased assets)

Property and equipment, excluding leased assets, are stated at cost less accumulated depreciation. Depreciation of property and equipment is computed based on the estimated useful lives. Major assets are depreciated by the following method:

Buildings	Straight-line method
Aircraft....................................	Straight-line method

The Company and certain subsidiaries employ principally the following useful lives for major property and equipment, based upon the Company's estimate of durability:

Buildings	3–50 years
Aircraft....................................	9–20 years

Major additions and improvements are capitalized at cost. Maintenance and repairs, including minor remodels and improvements, are charged to income as incurred.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. The assets of the Group are grouped by individual property in the case of rental real estate, assets determined to be sold and idle assets, and by management accounting categories in the case of business assets. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. See Note 22 "Impairment loss" for additional information.

(g) Intangible assets and amortization (excluding leased assets)

Intangible assets are amortized principally 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.

(h) Retirement benefits

The retirement benefit plans of the Group cover substantially all employees other than directors and corporate auditors. 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 and subsidiaries.

The Company and certain significant domestic subsidiaries have trustee employee pension funds to provide coverage for part of the lump-sum benefits or annuity payments.

The Company and certain consolidated subsidiaries sponsor defined contribution pension plans as well as defined benefit pension plans.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and are recognized in profit or loss over the average remaining service years of employees.

(i) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences. See Note 11 "Income taxes" for additional information.

(j) Leases

Leased assets arising from transactions under finance lease contracts are depreciated to a residual value of zero by the straight-line method using the term of the contract as the useful life.

Notes to Consolidated Financial Statements

(k) Derivatives

The Group uses derivatives, such as forward foreign currency exchange contracts, interest rate swaps, and commodity options and swaps are to limit its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Group does not use derivatives for trading purposes.

Derivative financial instruments are carried at fair value with changes in unrealized gains or losses charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which an unrealized gain or loss is deferred. Receivables and payables hedged by qualified forward exchange contracts are translated at the corresponding foreign exchange contract rates. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expenses.

(l) Revenue recognition

Passenger revenues, cargo and other operating revenues are recorded when services are provided.

(m) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits and negotiable certificates of deposit, all of which mature or become due within three months of the date of acquisition. See Note 21 “Supplementary cash flow information” for additional information.

(n) Per share information

The Company conducted a 1-for-10 ordinary share reverse stock split effected October 1, 2017. All prior year share and per share figures have been restated to reflect the impact of the reverse stock split, to provide data on a basis comparable to the year ended March 31, 2018.

Such restatements include calculation regarding the Company’s weighted-average number of common shares, basic net income per share, and cash dividends per share.

(o) Transactions to deliver shares of the Company’s stock to employees, etc., through trusts

The Company has transactions which consist of delivery of shares of the Company’s stock to the Employee Stock Ownership Group through trusts for the benefit of the Company’s employees.

(1) Transaction outline

The Company introduced a “Trust Type Employee Stock Ownership Plan” (the “Plan”) on July 12, 2013 as an incentive for the Group’s employees to work in unison to overcome the current harsh business environment and achieve further growth, and as a measure to advance employee welfare. The aim of the Plan is to promote employee asset-building 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, the “ANA Group Employee Stock Ownership Trust” (the “ESOT”), which was established to transfer the Company’s shares to the Stock Ownership Association, will acquire a portion of the Company’s shares in a single purchase and sell the shares 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 ESOT, residual assets will be distributed to the Group employees who meet the beneficiary requirements (all individuals who have participated in the Stock Ownership Association during the trust period, including retirees).

The ESOT was terminated in July 2017. The gain resulting from sale of shares (Capital surplus) of ¥2,641 million, 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.

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.

(2) Accounting method for transactions to deliver the Company’s treasury stock through trusts

The Company has adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts” (Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 30 issued on March 26, 2015). In accordance with PITF No. 30, upon transfer of treasury stock to the employee stock ownership trust (the “Trust”) by the entity, any difference between the book value and fair value of the treasury stock is recorded in capital surplus. At year end, the Company records (1) the Company stock held by the Trust as treasury stock in net assets, (2) all other assets and liabilities of the Trust on a line-by-line basis, and (3) a liability/asset for the net of (i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the Trust, and (iii) any expenses relating to the Trust.

(3) Matters concerning the Company's treasury stock held by trusts

The book value of the Company's treasury stock held by trusts was ¥1,346 million as of March 31, 2017, and is recorded as treasury stock in net assets.

None of the Company's stock remains in the trust for the current fiscal year. The number of shares held by the ESOT as of March 31, 2018 and 2017 was 1,378 thousand and 6,379 thousand, respectively. The average number of shares during the year ended March 31, 2017 was 8,493 thousand. 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 are included in treasury stock that is deducted from the calculation.

(p) Share remuneration plan for directors

The Company has transactions for delivery of the Company's treasury 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

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 the Company's operating performance, etc.

(2) The Company's treasury stock remaining in the trust

The Company's treasury stock remaining in the trust is recorded at book value (excluding associated expenses) of the trust and is reflected as treasury stock in net assets. The book value was ¥417 million for the previous fiscal year and ¥360 million for the current fiscal year. The number of shares was 1,318 thousand shares for the previous fiscal year and 114 thousand shares for the current fiscal year.

(q) Unapplied new accounting standard

"Accounting Standard for Revenue Recognition" ("ASBJ" Statement No. 29 – March 30, 2018)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 – March 30, 2018)

(1) Overview

The International Accounting Standards Board ("IASB") and Financial Accounting Standards Board ("FASB") issued a new revenue standard, "Revenue from Contracts with Customers", (International Financial Standard 15 ("IFRS 15") and Accounting Standard Codification 606 ("Topic 606") issued by IASB and FASB, respectively) on May 2014.

Against the background of the fact that IFRS 15 will be effective from periods beginning on or after January 1, 2018 and Topic 606 will be effective from periods beginning on or after December 15, 2017, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The ASBJ's primary policy for developing its accounting standard for revenue recognition was to include the basic principles of IFRS 15 for the purpose of comparability, between financial statements in accordance with Japanese GAAP and those in accordance with IFRS or accounting principles generally accepted in the United States. Also, for particular items for which industrial practice should be taken into consideration, alternative means are to be provided to the extent that comparability is maintained.

(2) Application date

The Company will apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance on its consolidated financial statements in future applicable periods.

4. Business combination

(Business Combination through Acquisition)

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

(a) Outline of the business combination

(1) Name and business of the acquired company

Name: Peach Aviation Limited
Business: Air transportation

Notes to Consolidated Financial Statements

(2) Major reason for the business combination

By acquiring a portion of the shares of Peach, the Company will expand the Group's airline business and pursue optimization of its business portfolio, which includes full-service and low cost carriers.

Maintaining Peach's uniqueness and accelerating its growth, the Company will lead the Japanese low cost carrier industry.

(3) Date of business combination

April 13, 2017

(4) Legal form of business combination

Acquisition of shares by cash

(5) Company name after the business combination

No change

(6) 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%

(7) Basis for determining the acquirer

It is based on the fact that the Company came to hold the majority, 67%, of voting rights of Peach by additionally acquiring 28.37% of voting rights in consideration for cash.

(b) The period for which the operations of the acquired company is included in the consolidated statements

Since the deemed effective acquisition date is April 1, 2017, results of operations from April 1, 2017 through March 31, 2018 are included in the consolidated statement of income for the year ended March 31, 2018.

(c) Acquisition cost of the acquired company and related detail of each class of consideration

Market value of the shares held at the date of business combination immediately before the business combination: ¥41,567 million ($391,255 thousand)

Acquisition cost of the acquired corporation: ¥30,458 million ($286,690 thousand)
Total acquisition cost: ¥72,025 million ($677,946 thousand)

(d) The amount of the difference between the cost of acquisition and the total cost of acquisition per transaction

Amount of gain on step acquisition: ¥33,801 million ($318,157 thousand)

(e) Amount of goodwill incurred, reason for the goodwill incurred, and the method and period of amortization

Amount of goodwill incurred: ¥58,334 million ($549,077 thousand)

Reason for the goodwill incurred
Additional future income-generating power (including synergies) is expected to be derived from future business development.

Method and period of amortization
Goodwill is amortized on a straight-line method

(f) The assets acquired and liabilities assumed at the acquisition date

Current assets	¥24,408 million	($229,743 thousand)
Fixed assets	16,950 million	(159,544 thousand)
Total assets acquired	41,359 million	(389,297 thousand)
Current liabilities	13,690 million	(128,859 thousand)
Long-term liabilities	7,234 million	(68,091 thousand)
Total liabilities assumed	20,924 million	(196,950 thousand)
Net assets acquired	¥20,435 million	($192,340 thousand)

5. Marketable securities and investment securities

Marketable and investment securities as of March 31, 2018 and 2017 are summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Current:			
Negotiable certificates of deposits	¥279,540	¥257,950	$2,631,212
Other	–	–	–
Total	¥279,540	¥257,950	$2,631,212
Non-current:			
Marketable equity securities	¥ 58,395	¥ 51,492	$ 549,651
Other	25,476	24,895	239,796
Total	¥ 83,871	¥ 76,387	$ 789,448

The costs and aggregate fair values of marketable and investment securities at March 31, 2018 and 2017, were as follows:

	Yen (Millions)			
As of March 31, 2018	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Negotiable certificates of deposit	¥279,540	¥ –	¥ –	¥279,540
Marketable equity securities	22,907	35,491	(3)	58,395
Held-to-maturity	–	–	–	–

	Yen (Millions)			
As of March 31, 2017	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Negotiable certificates of deposit	¥257,950	¥ –	¥ –	¥257,950
Marketable equity securities	22,907	28,783	198	51,492
Held-to-maturity	–	–	–	–

	U.S. dollars (Thousands)			
As of March 31, 2018	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Negotiable certificates of deposit	$2,631,212	$ –	$ –	$2,631,212
Marketable equity securities	215,615	334,064	(28)	549,651
Held-to-maturity	–	–	–	–

The proceeds, realized gains and realized losses on the available-for-sale securities sold during the years ended March 31, 2018 and 2017 were as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Proceeds	¥2,379	¥4,696	$22,392
Gain on sales	1,311	1,976	12,339
Loss on sales	–	–	–

The breakdown of securities for which fair value cannot be reliably determined at March 31, 2018 and 2017 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Available-for-sale	¥25,476	¥24,895	$239,796

Notes to Consolidated Financial Statements

The redemption schedule of available-for-sale securities with maturities and held-to-maturity securities as of March 31, 2018 and 2017 is summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Bonds:			
Within 1 year	¥ –	¥ –	$ –
Over 1 year to 5 years	–	–	–
Over 5 years to 10 years	–	–	–
Over 10 years	–	–	–
Other securities with maturities:			
Within 1 year	279,540	257,950	2,631,212
Over 1 year to 5 years	139	–	1,308
Over 5 years to 10 years	3,062	3,535	28,821
Over 10 years	164	–	1,543
Total:			
Within 1 year	¥279,540	¥257,950	$2,631,212
Over 1 year to 5 years	139	–	1,308
Over 5 years to 10 years	3,062	3,535	28,821
Over 10 years	164	–	1,543

6. Inventories

Inventories at March 31, 2018 and 2017 consisted the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Inventories (Merchandise)	¥12,364	¥ 9,951	$116,378
Inventories (Supplies)	50,106	54,961	471,630
Total	¥62,470	¥64,912	$588,008

7. Investments in and advances to unconsolidated subsidiaries and affiliates

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2018 and 2017 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Investments in capital stock	¥36,091	¥42,981	$339,711
Advances	4,183	3,840	39,373
Total	¥40,274	¥46,821	$379,085

8. Short-term loans and long-term debt

Short-term loans and current portion of long-term debt at March 31, 2018 and 2017 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Short-term loans	¥ 176	¥ 70	$ 1,656
Current portion of long-term loans	84,738	93,292	797,609
Current portion of bonds	10,000	20,000	94,126
Current portion of finance lease obligations	5,211	5,020	49,049
Total	¥100,125	¥118,382	$942,441

The average interest rates on the above short-term loans were 1.37% and 0.001% per annum in 2018 and 2017, respectively.

Long-term debt at March 31, 2018 and 2017 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Bonds:			
3.20% notes due 2017	¥ –	¥ 20,000	$ –
2.45% notes due 2018	10,000	10,000	94,126
1.22% notes due 2024	30,000	30,000	282,379
1.20% notes due 2026	15,000	15,000	141,189
0.38% notes due 2019	30,000	30,000	282,379
0.99% notes due 2036	20,000	20,000	188,253
0.26% notes due 2020	20,000	20,000	188,253
0.88% notes due 2037	10,000	–	94,126
Convertible bonds with stock acquisition rights due 2022	70,000	–	658,885
Convertible bonds with stock acquisition rights due 2024	70,000	–	658,885
	275,000	145,000	2,588,478
Loans, principally from banks:			
Secured, bearing interest from 0.15% to 2.11% in 2018 and 0.15% to 2.11% in 2017, maturing in installments through 2038	295,227	335,944	2,778,868
Unsecured, bearing interest from 0.46% to 3.54% in 2018 and 0.46% to 3.54% in 2017, maturing in installments through 2029	207,696	227,003	1,954,969
	502,923	562,947	4,733,838
Finance lease obligations:			
Finance lease agreements expiring through 2027	20,294	21,860	191,020
	798,217	729,807	7,513,337
Less current portion	99,949	118,312	940,785
Total	¥698,268	¥611,495	$6,572,552

The details of the convertible bonds with stock acquisition rights are as follows:

	Zero coupon convertible bonds due 2022
Class of shares to be issued	Common stock
Total issue price of stock acquisition rights	Zero
Initial conversion price	¥5,180 ($48.75) per share
Total issue price	¥70,000 million ($658,885 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	–
Percentage of stock acquisition rights granted	100.0%
Exercise period	October 3, 2017 through September 2, 2022

	Zero coupon convertible bonds due 2024
Class of shares to be issued	Common stock
Total issue price of stock acquisition rights	Zero
Initial conversion price	¥5,100 ($48.00) per share
Total issue price	¥70,000 million ($658,885 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	–
Percentage of stock acquisition rights granted	100.0%
Exercise period	October 3, 2017 through September 5, 2024

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligation becomes due or in the event of default and certain other specified events, to offset cash deposits against such obligations due to the bank.

Notes to Consolidated Financial Statements

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2018 and 2017:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Assets at net book value:			
Aircraft (including aircraft spare parts included in inventories)	¥529,637	¥588,699	$4,985,288
Land and buildings	3,013	3,154	28,360
Lease receivables	16,543	17,733	155,713
Others	10,146	10,146	95,500
Total	¥559,339	¥619,732	$5,264,862

The aggregate annual maturities of long-term debt after March 31, 2018 are as follows:

Years ending March 31	Yen (Millions)	U.S. dollars (Thousands)
2019	¥ 99,949	$ 940,785
2020	107,127	1,008,349
2021	95,284	896,875
2022	60,315	567,724
2023	119,715	1,126,835
Thereafter	315,827	2,972,769
Total	¥798,217	$7,513,337

9. Retirement benefit plans

The Company and certain consolidated subsidiaries provide defined contribution pension plans as well as defined benefit pension plans, i.e., welfare pension fund plans, defined benefit corporate pension plans and lump-sum payment plans for the benefit of employees. Premium severance pay may be paid at the time of retirement of eligible employees in certain cases.

Certain consolidated subsidiaries adopting defined benefit corporate pension plans and lump-sum payment plans use a simplified method for calculating retirement benefit expenses and liabilities.

(a) The changes in the defined benefit obligation for the years ended March 31, 2018 and 2017 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Balance at the beginning of the fiscal year	¥227,979	¥238,030	$2,145,886
Service cost	9,843	9,520	92,648
Interest cost	1,763	1,818	16,594
Actuarial (gains)	(1,950)	(4,064)	(18,354)
Benefits paid	(11,734)	(16,083)	(110,448)
Accrued prior service cost	238	49	2,240
Other	975	(1,291)	9,177
Balance at the end of the fiscal year	¥227,114	¥227,979	$2,137,744

(b) The changes in plan assets for the years ended March 31, 2018 and 2017 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Balance at the beginning of the fiscal year	¥72,563	¥74,748	$683,010
Expected return on plan assets	1,288	1,309	12,123
Actuarial gains (losses)	182	(662)	1,713
Employer contributions	1,721	2,353	16,199
Benefits paid	(5,093)	(5,377)	(47,938)
Other	–	192	–
Balance at the end of the fiscal year	¥70,661	¥72,563	$665,107

(c) A reconciliation between the liability recorded in the consolidated balance sheet and the balances of the defined benefit obligation and plan assets as of March 31, 2018 and 2017 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Funded defined benefit obligation	¥ 85,042	¥ 85,092	$ 800,470
Plan assets at fair value	(70,661)	(72,563)	(665,107)
	14,381	12,529	135,363
Unfunded defined benefit obligation	142,072	142,887	1,337,274
Net liability arising from defined benefit obligation in the consolidated balance sheet	¥156,453	¥155,416	$1,472,637
Liability for defined benefits	¥156,765	¥156,751	$1,475,574
Asset for defined benefits	(312)	(1,335)	(2,936)
Net liability arising from defined benefit obligation in the consolidated balance sheet	¥156,453	¥155,416	$1,472,637

(d) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Service cost	¥ 9,843	¥ 9,520	$ 92,648
Interest cost	1,763	1,818	16,594
Expected return on plan assets	(1,288)	(1,309)	(12,123)
Recognized actuarial losses	4,379	4,575	41,217
Amortization of prior service cost	822	379	7,737
Net periodic benefit costs	¥15,519	¥14,983	$146,074

(e) Amounts recognized in other comprehensive income (before income tax effect) related to the defined retirement benefit plans for the years ended March 31, 2018 and 2017 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Prior service cost	¥ (584)	¥ (330)	$ (5,496)
Actuarial losses	(6,511)	(7,977)	(61,285)
Total	¥(7,095)	¥(8,307)	$(66,782)

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) related to the defined retirement benefit plans as of March 31, 2018 and 2017 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Unrecognized actuarial losses	¥20,718	¥27,229	$195,011
Unrecognized prior service cost	9,944	10,528	93,599
Total	¥30,662	¥37,757	$288,610

(g) Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2018 and 2017 consisted of the following:

	2018	2017
Bonds	42%	46%
General accounts	11	12
Stocks	10	9
Cash and deposits	6	3
Other	31	30
Total	100%	100%

Notes to Consolidated Financial Statements

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets has been estimated based on the anticipated allocation to each plan asset class and the expected long-term returns on plan assets held in each category.

(h) Assumptions used for the years ended March 31, 2018 and 2017 are set forth as follows:

	2018	2017
Discount rates	**0.1 – 1.2%**	0.1 – 1.2%
Expected rate of return on plan assets	**1.5 – 2.5%**	1.5 – 3.0%

(i) Defined contribution pension plans

The contributions to the defined contribution pension plans of the Company and certain subsidiaries were ¥4,062 million ($38,234 thousand) and ¥3,995 million for the years ended March 31, 2018 and 2017, respectively.

10. Asset retirement obligations

(a) Asset retirement obligations recorded on the consolidated balance sheet

(1) Overview of asset retirement obligations

The Company and its domestic subsidiaries enter into agreements with national government entities that allow for the use of Japanese government property and have entered into real estate lease contracts with such entities for the Head Office, sales branches, airport branches and certain other offices. As the Company and its domestic subsidiaries have restoration obligations for such properties at the end of each lease period, related legal obligations required by law and the contracts are recorded on the consolidated balance sheet as asset retirement obligations.

(2) Calculation of asset retirement obligations

The Group estimates the expected period of use as 1 to 30 years and calculates the amount of asset retirement obligations with a discount rate of 0% to 2.27%.

The following table indicates the changes in asset retirement obligations for the years ended March 31, 2018 and 2017:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Balance at the beginning of the fiscal year	**¥1,074**	¥ 949	**$10,109**
Liabilities incurred due to the acquisition of property and equipment	**1**	5	**9**
Accretion expense	**14**	15	**131**
Liabilities settled	**(31)**	(14)	**(291)**
Other	**261**	119	**2,456**
Balance at the end of the fiscal year	**¥1,319**	¥1,074	**$12,415**

(b) Asset retirement obligations not recorded on the consolidated balance sheet

The Company and its domestic subsidiaries enter into agreements with national government entities that allow for the use of Japanese government property, and have entered into real estate lease contracts with such entities for land and office at airport facilities, including Tokyo International Airport, Narita International Airport, New Chitose Airport, Chubu Centrair International Airport, Osaka International Airport, Kansai International Airport, Fukuoka Airport and Naha Airport. The Company and its domestic subsidiaries have restoration obligations when they vacate and clear such facilities. However, as the above airports are considered to be critical infrastructure, it is beyond the control of the Company alone to determine when to vacate and clear such facilities, and it is also impossible to make reasonable estimates as there are currently no relocation plans for the above properties. Therefore, the Company and its domestic subsidiaries do not record asset retirement obligations for the related liabilities.

11. Income taxes

The Company and certain of its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.86% for each of the years ended March 31, 2018 and 2017.

The Group files a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and certain of its domestic subsidiaries.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2018 and 2017 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Deferred tax assets:			
Liability for retirement benefits	¥ 48,276	¥ 48,447	$ 454,405
Accrued bonuses to employees	14,488	13,458	136,370
Prepaid expenses	7,452	-	70,143
Long-term unearned revenue	6,460	7,270	60,805
Unrealized gain on inventories and property and equipment	4,728	4,976	44,503
Other provisions	3,546	679	33,377
Deferred loss on hedging instruments	3,138	5,953	29,536
Impairment loss	2,775	1,457	26,120
Accrued enterprise tax	2,528	2,034	23,795
Other	22,197	24,292	208,932
Total gross deferred tax assets	115,588	108,566	1,087,989
Less valuation allowance	(7,050)	(6,486)	(66,359)
Total net deferred tax assets	108,538	102,080	1,021,630
Deferred tax liabilities:			
Unrealized gain on securities	(10,315)	(8,721)	(97,091)
Retained earnings of subsidiaries and affiliates	(2,316)	(2,173)	(21,799)
Deferred gain on hedging instruments	(1,728)	(808)	(16,265)
Other	(897)	(2,890)	(8,443)
Total gross deferred tax liabilities	(15,256)	(14,592)	(143,599)
Net deferred tax assets	¥ 93,282	¥ 87,488	$ 878,030

A reconciliation of the difference between the normal effective statutory tax rate and the actual effective income tax rate for the years ended March 31, 2018 and 2017 is as follows:

	2018	2017
Normal effective statutory tax rate	30.86%	30.86%
Reconciliation:		
Amortization of goodwill	0.63	0.04
Expenses not deductible for income tax purposes	0.38	0.49
Changes in valuation allowance	0.20	(1.98)
Inhabitant tax per capita levy	0.11	0.14
Gain on step acquisitions	(5.30)	–
Income taxes for prior periods	(0.93)	(0.14)
Other, net	(0.01)	(0.62)
Actual effective income tax rate	25.94%	28.79%

Notes to Consolidated Financial Statements

12. Other comprehensive income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2018 and 2017:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Unrealized gain on securities:			
Amount arising during the fiscal year	¥ 6,563	¥ 3,155	$ 61,775
Reclassification adjustments to profit or loss	(1,180)	(1,973)	(11,106)
Amount of unrealized gain on securities before tax effect	5,383	1,182	50,668
Tax effect	(1,595)	(82)	(15,013)
Total	3,788	1,100	35,655
Deferred gain on derivatives under hedge accounting:			
Amount arising during the fiscal year	28,205	93,876	265,483
Reclassification adjustments to profit or loss	(16,308)	(37,580)	(153,501)
Amount of deferred gain on derivatives under hedge accounting before tax effect	11,897	56,296	111,982
Tax effect	(3,563)	(17,051)	(33,537)
Total	8,334	39,245	78,445
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(149)	(576)	(1,402)
Total	(149)	(576)	(1,402)
Defined retirement benefit plans:			
Amount arising during the fiscal year	1,894	3,353	17,827
Reclassification adjustments to profit or loss	5,201	4,954	48,955
Amount of defined retirement benefit plans before tax effect	7,095	8,307	66,782
Tax effect	(2,151)	(2,364)	(20,246)
Total	4,944	5,943	46,536
Share of other comprehensive (loss) income in affiliates:			
Amount arising during the fiscal year	(30)	345	(282)
Reclassification adjustments to profit or loss	(30)	244	(282)
Total	(60)	589	(564)
Total other comprehensive income	¥ 16,857	¥ 46,301	$ 158,669

13. Leases

As lessee

(a) Finance leases

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the consolidated balance sheet.

Tangible fixed lease assets include mainly aircraft, flight equipment, host computers and peripheral equipment. Intangible lease assets include software. The depreciation method for leased assets is described in Note 3 (j) “Leases.”

(b) Operating leases

The amount of outstanding future lease payments under non-cancelable operating leases are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Current portion of operating lease obligations	¥ 51,117	¥ 44,979	$ 481,146
Long-term operating lease obligations	237,363	216,899	2,234,214
Total	¥288,480	¥261,878	$2,715,361

As lessor

(a) Operating leases

The amount of outstanding future lease receivables under non-cancelable operating leases are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	**2018**
Current portion of operating lease receivables	**¥ 500**	¥ 626	**$ 4,706**
Long-term operating lease receivables	**4,101**	4,853	**38,601**
Total	**¥4,601**	¥5,479	**$43,307**

14. Supplementary information for the consolidated statement of changes in net assets

Supplementary information for the consolidated statement of changes in net assets for the year ended March 31, 2018 consisted of the following:

(a) Dividends

Under the Companies Act of Japan (the "Companies Act"), the appropriation of unappropriated retained earnings of the Company with respect to a financial period is made by resolution of the Company's shareholders at a general meeting to be held subsequent to the close of the financial period and the accounts for that period do not therefore reflect such appropriation.

(1) Dividends paid to shareholders

			Yen (Millions)	U.S. dollars (Thousands)		Yen	U.S. dollars		
Date of approval	Resolution approved by	Type of shares	Amount	Amount	Paid from	Dividends per share	Dividends per share	Shareholders' cut-off date	Effective date
June 23, 2017	Ordinary General Meeting of Shareholders	Common stock (*1, *2)	**¥21,021**	**$197,863**	Retained earnings	**¥6.00**	**$0.05**	March 31, 2017	June 26, 2017

(*1) The total amount of dividends does not include ¥45 million ($423 thousand) in dividends paid to the ESOT, subsidiaries and affiliates. This is because the Company's shares held by the ESOT, subsidiaries and affiliates are recognized as treasury stock.
(*2) Since a 1-for-10 ordinary share reverse stock split was conducted effective October 1, 2017, dividend amount per share is based on the assumption that it was calculated prior to the reverse stock split.

(2) Dividends with a shareholders' cut-off date within the current fiscal year but an effective date within the subsequent fiscal year

			Yen (Millions)	U.S. dollars (Thousands)		Yen	U.S. dollars		
Date of approval	Resolution approved by	Type of shares	Amount	Amount	Paid from	Dividends per share	Dividends per share	Shareholders' cut-off date	Effective date
June 28, 2018	Ordinary General Meeting of Shareholders	Common stock (*1)	**¥20,084**	**$189,043**	Retained earnings	**¥60.00**	**$0.56**	March 31, 2018	June 29, 2018

(*1) The total amount of dividends does not include ¥7 million ($65 thousand) 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.

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

Notes to Consolidated Financial Statements

(b) Type and number of outstanding shares

As of March 31, 2018 Type of shares	Number of shares (Thousands) Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock (*4)	351,642	–	3,144	348,498
Total	351,642	–	3,144	348,498
Treasury stock:				
Common stock (*1, *2, *3, *4)	1,412	16,257	3,803	13,866
Total	1,412	16,257	3,803	13,866

(*1) The increase of 16,257 thousand shares of treasury stock is the total of 16,214 thousand shares, which are issued shares subsequently purchased by the Company; 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 which hold the Company's stock.
(*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 1-for-10 ordinary share reverse stock split was conducted effective October 1, 2017, the noted items were calculated based on the assumption that the reverse stock split was conducted at the beginning of the current fiscal year.

As of March 31, 2017 Type of shares	Number of shares (Thousands) Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock (*4)	3,516,425	–	–	3,516,425
Total	3,516,425	–	–	3,516,425
Treasury stock:				
Common stock (*1, *2, *3, *4)	19,227	100	5,205	14,122
Total	19,227	100	5,205	14,122

(*1) The increase of 100 thousand shares of treasury stock corresponds to the purchase of fractional shares.
(*2) The decrease of 5,205 thousand shares of treasury stock consists of 13 thousand shares, which the Company sold to the holders of fractional shares upon their request; 5,152 thousand shares, which were sold by the ESOT during the current fiscal year; and 39 thousand shares, which were sold by the Trust for Delivery of Shares to Directors.
(*3) Treasury stock includes 6,379 thousand shares in the Company held by the ESOT, and 1,318 thousand shares held by the Trust for Delivery of Shares to Directors, each at the end of the current fiscal year.
(*4) Although a 1-for-10 ordinary share reverse stock split was conducted effective October 1, 2017, the noted items were not calculated based on the assumption that the reverse stock split was conducted.

15. Contingent liabilities

The Group was contingently liable as a guarantor of loans, principally to affiliates, totaling ¥3,568 million ($33,584 thousand) at March 31, 2018.

The Group was contingently liable as a guarantor for a stock transfer agreement between third parties, totaling ¥6,111 million ($57,520 thousand) at March 31, 2018.

The Group was contingently liable as a guarantor of loans, principally to affiliates, totaling ¥3,476 million at March 31, 2017.

The Group was contingently liable as a guarantor for a stock transfer agreement between third parties, totaling ¥6,732 million at March 31, 2017.

16. Financial instruments and related disclosures

Overview

(a) Group policy for financial instruments

The Group limits its fund management to short-term time deposits and raises funds through borrowings from financial institutions, including banks. The Group uses derivatives for the purpose of reducing the risks described below and does not enter into derivatives for speculative or trading purposes.

(b) Types of financial instruments and related risk

Trade receivables (notes and accounts receivable) are exposed to credit risk in relation to customers.

Marketable securities and investment securities are exposed to the risk of market price fluctuations. Those securities are composed mainly of the shares of other companies with which the Group has business relationships.

Substantially all trade payables have payment due dates within one year.

Borrowings are taken out principally for the purpose of making capital investments, and certain long-term debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk for long-term interest-bearing debt at variable rates, the Group utilizes interest rate swap transactions as hedging instruments. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expenses.

For derivatives, in order to reduce the foreign currency exchange rate risk arising from receivables and payables denominated in foreign currencies, the Group enters into forward foreign exchange contracts for specific receivables and payables denominated in foreign currencies, mainly for aircraft purchase commitments. In addition, the Group enters into commodity derivative transactions such as swaps and options to mitigate fluctuation risk of the commodity prices of fuel and to stabilize operating profit.

1) Management of credit risks (risks such as breach of contract by customers)

The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage.

As for derivatives, the Group believes that the credit risks are extremely low, as it enters into derivative transactions only with reputable financial institutions with sound credit profiles.

2) Management of market risks (fluctuation risks of foreign currency exchange rates and interest rates)

In order to reduce foreign currency exchange rate risks, the Group principally utilizes forward foreign exchange contracts for receivables and payables denominated in foreign currencies. In order to mitigate the interest rate fluctuation risks related to debt, the Group utilizes interest rate swap transactions. In addition, the Group enters into commodity derivative transactions such as swaps and options to mitigate fluctuation risk related to commodity prices for fuel.

As for marketable securities and investment securities, the Group periodically reviews the fair values and the financial conditions of the issuers to identify and mitigate risks of impairment.

There are internal management regulations for derivative transactions which set forth transaction authority and limits on transaction amounts.

The Group enters into derivative transactions in accordance with such policies. Moreover, the Group reports plans and results of methods and ratios for offsetting risks at the quarterly meetings of the Board of Directors.

3) Management of liquidity risks related to financing (risks that the Group cannot meet the due dates of payables)

The Group manages liquidity risks by establishing a financial plan in order to procure and invest funds that are necessary for the operation of the Group over a certain period of time, in accordance with the Group's business operating plan and budget.

(c) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value estimates. In addition, the notional amounts of derivatives presented in Note 17 "Derivatives and hedging activities" are not necessarily indicative of the actual market risk involved in derivative transactions.

Notes to Consolidated Financial Statements

Estimated fair value of financial instruments

The carrying values of financial instruments on the consolidated balance sheet as of March 31, 2018 and 2017, and their estimated fair values, are shown in the following tables. The following tables do not include financial instruments for which fair value cannot be reliably determined (Please refer to Note 2 below).

	Yen (Millions)		
As of March 31, 2018	Carrying value	Fair value	Differences
Assets:			
Cash and deposits	¥ 78,036	¥ 78,036	¥ –
Notes and accounts receivable	174,211	174,211	–
Marketable securities and investment securities	337,935	337,935	–
Total assets	¥ 590,182	¥ 590,182	¥ –
Liabilities:			
Accounts payable	¥ 225,889	¥ 225,889	¥ –
Short-term loans	176	176	–
Bonds	135,000	138,009	(3,009)
Convertible bonds with stock acquisition rights	140,000	144,865	(4,865)
Long-term loans	502,923	514,093	(11,170)
Total liabilities	¥1,003,988	¥1,023,032	¥(19,044)
Derivatives*	¥ (4,665)	¥ (4,665)	¥ –

	Yen (Millions)		
As of March 31, 2017	Carrying value	Fair value	Differences
Assets:			
Cash and deposits	¥ 60,835	¥ 60,835	¥ –
Notes and accounts receivable	154,668	154,668	–
Marketable securities and investment securities	309,443	309,443	–
Total assets	¥524,946	¥524,946	¥ –
Liabilities:			
Accounts payable	¥181,768	¥181,768	¥ –
Short-term loans	70	70	–
Bonds	145,000	148,984	3,984
Long-term loans	562,947	576,370	13,423
Total liabilities	¥889,785	¥907,192	¥17,407
Derivatives*	¥(17,064)	¥(17,064)	¥ –

	U.S. dollars (Thousands)		
As of March 31, 2018	Carrying value	Fair value	Differences
Assets:			
Cash and deposits	$ 734,525	$ 734,525	$ –
Notes and accounts receivable	1,639,787	1,639,787	–
Marketable securities and investment securities	3,180,864	3,180,864	–
Total assets	$5,555,176	$5,555,176	$ –
Liabilities:			
Accounts payable	$2,126,214	$2,126,214	$ –
Short-term loans	1,656	1,656	–
Bonds	1,270,707	1,299,030	(28,322)
Convertible bonds with stock acquisition rights	1,317,771	1,363,563	(45,792)
Long-term loans	4,733,838	4,838,977	(105,139)
Total liabilities	$9,450,188	$9,629,442	$(179,254)
Derivatives*	$ (43,910)	$ (43,910)	$ –

* The value of assets and liabilities arising from derivatives is shown as a net value, and the amount in parentheses represents a net liability position.

Notes:

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

Assets

(a) Cash and deposits

The carrying values of cash and deposits approximate fair value because of their short maturities.

(b) Notes and accounts receivable

The carrying values of notes and accounts receivable approximate fair value because of their short maturities.

(c) Marketable securities and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information on the fair values of marketable and investment securities by classification is included in Note 5 “Marketable securities and investment securities” of the notes to the consolidated financial statements.

Liabilities

(a) Accounts payable

The carrying values of notes and accounts payable approximate fair value because of their short maturities.

(b) Short-term loans

The carrying values of short-term loans approximate fair value because of their short maturities.

(c) Bonds

The fair value of bonds issued by the Company is measured at the present value of the total of principal and interest discounted by an interest rate determined by taking into account the remaining period of each bond and current credit risk.

(d) Long-term loans

The fair values of long-term loans are determined by discounting the cash flows related to the debt at the Group’s assumed corporate borrowing rate.

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

	Yen (Millions)		U.S. dollars (Thousands)
As of March 31, 2018	**2018**	2017	**2018**
Unlisted stocks	**¥25,476**	¥24,895	**$239,796**

Because no quoted market price is available and the fair value cannot be reliably determined, the above financial instruments are not included in the fair value tables above.

3. The redemption schedule for receivables and available-for-sale and held-to-maturity securities with maturities as of March 31, 2018 and 2017 is summarized as follows:

	Yen (Millions)			
As of March 31, 2018	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	**¥ 77,206**	**¥ –**	**¥ –**	**¥ –**
Notes and accounts receivable	**174,211**	**–**	**–**	**–**
Held-to-maturity bonds	**–**	**–**	**–**	**–**
Other securities with maturities	**279,540**	**139**	**3,062**	**164**
Total	**¥530,957**	**¥139**	**¥3,062**	**¥164**

	Yen (Millions)			
As of March 31, 2017	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 60,059	¥ –	¥ –	¥ –
Notes and accounts receivable	154,668	–	–	–
Held-to-maturity bonds	–	–	–	–
Other securities with maturities	257,950	–	3,535	–
Total	¥472,677	¥ –	¥3,535	¥ –

	U.S. dollars (Thousands)			
As of March 31, 2018	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	**$ 726,713**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable	**1,639,787**	**–**	**–**	**–**
Held-to-maturity bonds	**–**	**–**	**–**	**–**
Other securities with maturities	**2,631,212**	**1,308**	**28,821**	**1,543**
Total	**$4,997,712**	**$1,308**	**$28,821**	**$1,543**

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4. The redemption schedule for bonds, loans and other interest-bearing liabilities as of March, 2018 and 2017 is summarized as follows:

	Yen (Millions)			
As of March 31, 2018	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Short-term loans	¥ 176	¥ –	¥ –	¥ –
Bonds	10,000	50,000	45,000	30,000
Convertible bonds with stock acquisition rights	–	70,000	70,000	–
Long-term loans	84,738	249,566	129,927	38,692
Total	¥94,914	¥369,566	¥244,927	¥68,692

	Yen (Millions)			
As of March 31, 2017	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Short-term loans	¥ 70	¥ –	¥ –	¥ –
Bonds	20,000	60,000	45,000	20,000
Long-term loans	93,292	277,065	149,058	43,532
Total	¥113,362	¥337,065	¥194,058	¥63,532

	U.S. dollars (Thousands)			
As of March 31, 2018	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Short-term loans	$ 1,656	$ –	$ –	$ –
Bonds	94,126	470,632	423,569	282,379
Convertible bonds with stock acquisition rights	–	658,885	658,885	–
Long-term loans	797,609	2,349,077	1,222,957	364,194
Total	$893,392	$3,478,595	$2,305,412	$646,573

17. Derivatives and hedging activities

The Group operates internationally and is exposed to the risk of fluctuations in foreign currency exchange rates, interest rates and jet fuel prices. In order to manage these risks, the Group utilizes forward exchange contracts to hedge certain foreign currency transactions related to purchase commitments, principally of flight equipment, and foreign currency receivables and payables. Also, the Group utilizes interest rate swaps to minimize the impact of interest rate fluctuations related to outstanding debt. In addition, the Group also enters into a variety of swaps and options in its management of risk exposure related to jet fuel prices. The Group does not use derivatives for speculative or trading purposes.

The Group has developed internal hedging guidelines to control various aspects of derivative transactions, including authorization levels and transaction volumes. The Group enters into derivative transactions in accordance with these internal guidelines. Derivative and hedging transactions initiated by respective operational departments have been examined by the accounting department and these transactions, including their measures and ratios, are generally monitored by management on a quarterly basis. Assessment of hedge effectiveness is examined at inception and, on an ongoing basis, periodically.

The Group is also exposed to credit-related losses in the event of non-performance by counterparties in regard to derivative financial instruments; however, it is not expected that any counterparties will fail to meet their obligations, as the majority of the counterparties are internationally recognized financial institutions.

Summarized below are the notional amounts and estimated fair values of the derivative financial instruments outstanding as of March 31, 2018 and 2017 for which hedged accounting has been applied.

(a) Derivative transactions to which hedge accounting is not applied

(1) Currency-related transactions

		Yen (Millions)		
		Notional amount		
As of March 31, 2018		Total	Maturing after one year	Fair value
Forward foreign exchange contracts:				
Sell:				
	USD	¥ –	¥–	¥ –
	EUR	–	–	–
	Other	206	–	0
Buy:				
	USD	23,857	–	42
	EUR	–	–	–
	Other	–	–	–
Total		¥24,063	¥–	¥42

As of March 31, 2018		U.S. dollars (Thousands)		
		Notional amount		
		Total	Maturing after one year	Fair value
Forward foreign exchange contracts:				
Sell:				
	USD	$ –	$–	$ –
	EUR	–	–	–
	Other	1,939	–	0
Buy:				
	USD	224,557	–	395
	EUR	–	–	–
	Other	–	–	–
Total		$226,496	$–	$395

(b) Derivative transactions to which hedge accounting is applied

(1) Currency-related transactions

As of March 31, 2018		Yen (Millions)		
		Notional amount		
		Total	Maturing after one year	Fair value
Forward foreign exchange contracts for accounts receivable, accounted for by the deferral method:				
Sell:				
	USD	¥ 7,722	¥ –	¥ (222)
	EUR	11	–	0
	Other	286	–	(5)
Forward foreign exchange contracts for accounts payable, accounted for by the deferral method:				
Buy:				
	USD	376,353	185,135	(13,404)
	EUR	98	–	(2)
	Other	108	–	(1)
Currency option contracts for accounts payable, accounted for by the deferral method:				
Sell:				
	USD (Put)	49,622	24,084	(2,440)
Buy:				
	USD (Call)	54,516	26,638	619
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:				
	USD	432	–	(*)
	EUR	23	–	(*)
	Other	–	–	(*)
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:				
	USD	14,730	–	(*)
	EUR	835	–	(*)
	Other	49	–	(*)
Currency swap contracts for accounts payable, accounted for as part of accounts payable:				
Receive/USD and pay/JPY		537	–	(*)
Total		¥505,322	¥235,857	¥(15,455)

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		Yen (Millions)		
		Notional amount		
As of March 31, 2017		Total	Maturing after one year	Fair value
Forward foreign exchange contracts for accounts receivable, accounted for by the deferral method:				
Sell:				
	USD	¥ 370	¥ 203	¥ 3
	EUR	9	–	0
	Other	–	–	–
Forward foreign exchange contracts for accounts payable, accounted for by the deferral method:				
Buy:				
	USD	456,195	254,100	2,943
	EUR	186	–	(1)
	Other	152	–	(1)
Currency option contracts for accounts payable, accounted for by the deferral method:				
Sell:				
	USD (Put)	72,425	36,964	(2,365)
Buy:				
	USD (Call)	78,850	40,517	2,497
Currency swap contracts for accounts payable, accounted for by the deferral method:				
Receive/USD and pay/JPY		2,025	–	41
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:				
	USD	388	–	(*)
	EUR	31	–	(*)
	Other	49	–	(*)
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:				
	USD	9,799	–	(*)
	EUR	99	–	(*)
	Other	7	–	(*)
Total		¥620,585	¥331,784	¥ 3,117

As of March 31, 2018		U.S. dollars (Thousands) Notional amount Total	Maturing after one year	Fair value
Forward foreign exchange contracts for accounts receivable, accounted for by the deferral method:				
Sell:				
	USD	$ 72,684	$ –	$ (2,089)
	EUR	103	–	0
	Other	2,692	–	(47)
Forward foreign exchange contracts for accounts payable, accounted for by the deferral method:				
Buy:				
	USD	3,542,479	1,742,611	(126,167)
	EUR	922	–	(18)
	Other	1,016	–	(9)
Currency option contracts for accounts payable, accounted for by the deferral method:				
Sell:				
	USD (Put)	467,074	226,694	(22,966)
Buy:				
	USD (Call)	513,140	250,734	5,826
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:				
	USD	4,066	–	(*)
	EUR	216	–	(*)
	Other	–	–	(*)
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:				
	USD	138,648	–	(*)
	EUR	7,859	–	(*)
	Other	461	–	(*)
Currency swap contracts for accounts payable, accounted for as part of accounts payable:				
Receive/USD and pay/JPY		5,054	–	(*)
Total		$4,756,419	$2,220,039	$(145,472)

Note: Calculation of fair value is based on the data obtained from financial institutions.
(*) The estimated fair value of forward foreign exchange contracts is included in the estimated fair value of accounts payable, as the amounts in such derivative contracts accounted for as part of accounts receivable and payable are aggregated with the receivables and payables denominated in foreign currencies that are subject to hedge accounting. See Note 16 “Financial instruments and related disclosures” for additional information.

(2) Interest-related transactions

As of March 31, 2018	Yen (Millions) Notional amount Total	Maturing after one year	Fair value
Interest rate swap hedging long-term loans:			
Receive/floating and pay/fixed	¥145,035	¥111,253	(*)

As of March 31, 2017	Yen (Millions) Notional amount Total	Maturing after one year	Fair value
Interest rate swap hedging long-term loans:			
Receive/floating and pay/fixed	¥187,685	¥145,035	(*)

As of March 31, 2018	U.S. dollars (Thousands) Notional amount Total	Maturing after one year	Fair value
Interest rate swap hedging long-term loans:			
Receive/floating and pay/fixed	$1,365,163	$1,047,185	(*)

(*) Interest rate swap contracts are used as hedges and meet specific matching criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the long-term loans. The estimated fair value of interest rate swap contracts is included in the estimated fair value of long-term loans.

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(3) Commodity-related transactions

		Yen (Millions)		
		Notional amount		
As of March 31, 2018		Total	Maturing after one year	Fair value
Commodity (crude oil) swap contracts for accounts payable, accounted for by the deferral method:				
Receive/floating and pay/fixed		**¥ 59,826**	**¥26,374**	**¥ 7,710**
Commodity (crude oil) option contracts, accounted for by the deferral method:				
Sell:	Crude oil (Put)	**34,052**	**13,366**	**489**
Buy:	Crude oil (Call)	**44,389**	**17,600**	**2,549**
Total		**¥138,267**	**¥57,340**	**¥10,748**

		Yen (Millions)		
		Notional amount		
As of March 31, 2017		Total	Maturing after one year	Fair value
Commodity (crude oil) swap contracts for accounts payable, accounted for by the deferral method:				
Receive/floating and pay/fixed		¥ 68,471	¥22,551	¥(15,816)
Commodity (crude oil) option contracts, accounted for by the deferral method:				
Sell:	Crude oil (Put)	46,470	19,408	(3,593)
Buy:	Crude oil (Call)	59,245	25,083	(772)
Total		¥174,186	¥67,042	¥(20,181)

		U.S. dollars (Thousands)		
		Notional amount		
As of March 31, 2018		Total	Maturing after one year	Fair value
Commodity (crude oil) swap contracts for accounts payable, accounted for by the deferral method:				
Receive/floating and pay/fixed		**$ 563,121**	**$248,249**	**$ 72,571**
Commodity (crude oil) option contracts, accounted for by the deferral method:				
Sell:	Crude oil (Put)	**320,519**	**125,809**	**4,602**
Buy:	Crude oil (Call)	**417,818**	**165,662**	**23,992**
Total		**$1,301,458**	**$539,721**	**$101,167**

Note: The calculation of fair value is based on the data obtained from financial institutions.

18. Segment information

(a) Description of reportable segments

The reportable segments of the Company and its consolidated subsidiaries are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Group's reportable segments are categorized under "Air Transportation," "Airline Related," "Travel Services" and "Trade and Retail."

The "Air Transportation" segment conducts domestic and international passenger operations, cargo and mail operations and other transportation services. The "Airline Related" segment conducts air transportation-related operations, such as airport passenger and ground handling services and maintenance services. The "Travel Services" segment conducts operations centering on the development and sales of travel plans. It also conducts planning and sales of branded travel packages using air transportation. The "Trade and Retail" segment conducts mainly import and export operations of goods related to air transportation and is involved in in-store and non-store retailing.

(b) Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of the segments are substantially the same as those described in Note 3 "Summary of significant accounting policies."

Segment performance is evaluated based on operating income or loss. Intersegment sales and transfers are based on current market prices.

(c) Information about sales, profit, assets and other items

As of and for the year ended March 31, 2018	Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
	Yen (Millions) — Reportable Segments				
Operating revenues:					
Operating revenues from external customers	¥1,642,994	¥ 51,355	¥149,009	¥115,044	¥1,958,402
Intersegment revenues or transfers	88,179	232,976	10,280	27,995	359,430
Total	¥1,731,173	¥284,331	¥159,289	¥143,039	¥2,317,832
Segment profit	¥ 156,873	¥ 10,635	¥ 3,745	¥ 4,506	¥ 175,759
Segment assets	2,323,476	151,181	62,095	59,985	2,596,737
Other items:					
Depreciation and amortization	144,224	4,365	281	1,315	150,185
Amortization of goodwill	3,888	29	–	114	4,031
Increase in property and equipment and intangible assets	292,155	11,496	839	1,004	305,494

As of and for the year ended March 31, 2018	Other	Total	Adjustments	Consolidated
	Yen (Millions)			
Operating revenues:				
Operating revenues from external customers	¥13,397	¥1,971,799	¥ –	¥1,971,799
Intersegment revenues or transfers	25,311	384,741	(384,741)	–
Total	¥38,708	¥2,356,540	¥(384,741)	¥1,971,799
Segment profit	¥ 2,767	¥ 178,526	¥ (14,010)	¥ 164,516
Segment assets	22,116	2,618,853	(56,391)	2,562,462
Other items:				
Depreciation and amortization	223	150,408	–	150,408
Amortization of goodwill	–	4,031	–	4,031
Increase in property and equipment and intangible assets	401	305,895	(1,188)	304,707

Notes:
1. "Other" refers to all business segments that are not included in reportable segments, such as facility management, business support and other operations.
2. Adjustments are as follows:
   (a) Adjustments to segment profit consist of the elimination of intersegment transactions of ¥(7,367) million and corporate expenses of ¥(6,643) million.
   (b) Adjustments to segment assets consist of long-term investments (investment securities and stocks of subsidiaries and affiliates) in consolidated subsidiaries of ¥132,960 million and eliminations of intersegment transactions of ¥(189,351) million.
   (c) Adjustments to increase in property and equipment and intangible assets mainly consist of the elimination of intersegment transactions.
3. Segment profit is reconciled to operating income on the consolidated statement of income.

As of and for the year ended March 31, 2017	Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
	Yen (Millions) — Reportable Segments				
Operating revenues:					
Operating revenues from external customers	¥1,445,576	¥ 46,999	¥150,553	¥110,676	¥1,753,804
Intersegment revenues or transfers	90,773	217,458	10,056	26,085	344,372
Total	¥1,536,349	¥264,457	¥160,609	¥136,761	¥2,098,176
Segment profit	¥ 139,511	¥ 8,309	¥ 3,741	¥ 4,385	¥ 155,946
Segment assets	2,088,214	149,562	58,958	56,200	2,352,934
Other items:					
Depreciation and amortization	133,836	4,892	171	1,272	140,171
Amortization of goodwill	–	62	–	114	176
Increase in property and equipment and intangible assets	247,200	8,487	1,032	1,356	258,075

As of and for the year ended March 31, 2017	Other	Total	Adjustments	Consolidated
	Yen (Millions)			
Operating revenues:				
Operating revenues from external customers	¥11,455	¥1,765,259	¥ –	¥1,765,259
Intersegment revenues or transfers	23,321	367,693	(367,693)	–
Total	¥34,776	¥2,132,952	¥(367,693)	¥1,765,259
Segment profit	¥ 1,368	¥ 157,314	¥ (11,775)	¥ 145,539
Segment assets	19,552	2,372,486	(58,076)	2,314,410
Other items:				
Depreciation and amortization	183	140,354	–	140,354
Amortization of goodwill	–	176	–	176
Increase in property and equipment and intangible assets	445	258,520	(4,095)	254,425

Notes:
1. "Other" refers to all business segments that are not included in reportable segments, such as facility management, business support and other operations.
2. Adjustments are as follows:
   (a) Adjustments to segment profit consist of mainly the elimination of intersegment transactions of ¥(5,461) million and corporate expenses of ¥(6,376) million.
   (b) Adjustments to segment assets consist of long-term investments (investment securities and stocks of subsidiaries and affiliates) in consolidated subsidiaries of ¥133,933 million and eliminations of intersegment transactions of ¥(192,009) million.
   (c) Adjustments to increase in property and equipment and intangible assets mainly consist of the elimination of intersegment transactions.
3. Segment profit is reconciled to operating income on the consolidated statement of income.

Notes to Consolidated Financial Statements

As of and for the year ended March 31, 2018	U.S. dollars (Thousands) Reportable Segments Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Operating revenues:					
Operating revenues from external customers	$15,464,928	$ 483,386	$1,402,569	$1,082,868	$18,433,753
Intersegment revenues or transfers	829,998	2,192,921	96,762	263,507	3,383,189
Total	$16,294,926	$2,676,308	$1,499,331	$1,346,376	$21,816,942
Segment profit	$ 1,476,590	$ 100,103	$ 35,250	$ 42,413	$ 1,654,358
Segment assets	21,870,067	1,423,013	584,478	564,617	24,442,178
Other items:					
Depreciation and amortization	1,357,530	41,086	2,644	12,377	1,413,638
Amortization of goodwill	36,596	272	–	1,073	37,942
Increase in property and equipment and intangible assets	2,749,952	108,207	7,897	9,450	2,875,508

As of and for the year ended March 31, 2018	U.S. dollars (Thousands) Other	Total	Adjustments	Consolidated
Operating revenues:				
Operating revenues from external customers	$126,101	$18,559,855	$ –	$18,559,855
Intersegment revenues or transfers	238,243	3,621,432	(3,621,432)	–
Total	$364,344	$22,181,287	$(3,621,432)	$18,559,855
Segment profit	$ 26,044	$ 1,680,402	$ (131,871)	$ 1,548,531
Segment assets	208,170	24,650,348	(530,788)	24,119,559
Other items:				
Depreciation and amortization	2,099	1,415,737	–	1,415,737
Amortization of goodwill	–	37,942	–	37,942
Increase in property and equipment and intangible assets	3,774	2,879,282	(11,182)	2,868,100

(d) Information about geographical areas

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2018 and 2017 are summarized as follows:

	Yen (Millions) 2018	2017	U.S. dollars (Thousands) 2018
Japan	¥1,604,604	¥1,478,040	$15,103,576
Overseas	367,195	287,219	3,456,278
Total	¥1,971,799	¥1,765,259	$18,559,855

Notes:
1. "Overseas" consists substantially of the Americas, Europe, China and Asia.
2. Net sales of "Overseas" represents sales made in countries or regions other than Japan.

(e) Information about impairment loss on long-lived assets

For the year ended March 31, 2018	Yen (Millions) Reportable Segments Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Impairment loss	¥5,695	¥281	¥–	¥85	¥–	¥–	¥6,061

For the year ended March 31, 2017	Yen (Millions) Reportable Segments Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Impairment loss	¥1,954	¥202	¥–	¥52	¥–	¥–	¥2,208

For the year ended March 31, 2018	U.S. dollars (Thousands) Reportable Segments Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Impairment loss	$53,605	$2,644	$–	$800	$–	$–	$57,050

(f) Information about amortization and the remaining balance of goodwill

	Yen (Millions)						
	Reportable Segments						
As of and for the year ended March 31, 2018	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Amortization of goodwill	**¥ 3,888**	**¥ 29**	**¥–**	**¥114**	**¥–**	**¥–**	**¥ 4,031**
Balance at the end of the fiscal year	**¥54,446**	**¥204**	**¥–**	**¥686**	**¥–**	**¥–**	**¥55,336**

	Yen (Millions)						
	Reportable Segments						
As of and for the year ended March 31, 2017	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Amortization of goodwill	¥–	¥ 62	¥–	¥114	¥–	¥–	¥ 176
Balance at the end of the fiscal year	¥–	¥241	¥–	¥800	¥–	¥–	¥1,041

	U.S. dollars (Thousands)						
	Reportable Segments						
As of and for the year ended March 31, 2018	Air Transportation	Airline Related	Travel Services	Trade and Retail	Other	Adjustments	Total
Amortization of goodwill	**$ 36,596**	**$ 272**	**$–**	**$1,073**	**$–**	**$–**	**$ 37,942**
Balance at the end of the fiscal year	**$512,481**	**$1,920**	**$–**	**$6,457**	**$–**	**$–**	**$520,858**

19. Selling, general and administrative expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	**2018**
Commissions	**¥96,991**	¥84,763	**$912,942**
Advertising	**13,132**	11,363	**123,606**
Employees' salaries and bonuses	**38,976**	36,653	**366,867**
Provision for accrued bonuses to employees	**8,693**	7,992	**81,824**
Retirement benefit expenses	**3,462**	3,203	**32,586**
Depreciation	**22,014**	18,342	**207,210**

Notes to Consolidated Financial Statements

20. Amounts per share

Amounts per share as of and for the years ended March 31, 2018 and 2017 are as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net assets per share	¥2,954.47	¥2,624.44	$27.80
Net income per share	417.82	282.35	$ 3.93

Notes: 1. Net income per share assuming full dilution is not disclosed as the Company had no dilutive shares during the years ended March 31, 2018 and 2017.
2. Since a 1-for-10 ordinary share reverse stock split was conducted effective October 1, 2017, the noted items were calculated based on the assumption that the reverse stock split was conducted at the beginning of the previous fiscal year.
3. The basis for calculating net income per share is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
Years ended March 31	2018	2017	2018
Net income attributable to common shareholders	¥143,887	¥ 98,827	$1,354,358
Amount not attributable to common shareholders	–	–	–
Net income attributable to common stock	¥143,887	¥ 98,827	$1,354,358
Weighted-average number of shares outstanding during the fiscal year (in thousands)	344,372	350,020	344,372

Notes: 1. Since a 1-for-10 ordinary share reverse stock split was conducted effective October 1, 2017, the noted items were calculated based on the assumption that the reverse stock split was conducted at the beginning of the previous fiscal year.
2. The basis for calculating net assets per share is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
As of March 31	2018	2017	2018
Net assets	¥1,000,552	¥924,175	$9,417,846
Amounts deducted from total net assets:			
Non-controlling interests	(11,891)	(5,018)	(111,925)
Net assets attributable to common stock at the end of the fiscal year	¥ 988,661	¥919,157	$9,305,920
Number of shares of common stock at the end of the fiscal year used to determine net assets per share (in thousands)	334,632	350,230	334,632

The average number of shares of the Company held by the trust account of the ESOT for the years ended March 31, 2018 and 2017 were 137 thousand and 849 thousand, respectively. Also, the average number of shares held by the Trust for Delivery of Shares to Directors for the years ended March 31, 2018 and 2017 were 116 thousand and 132 thousand, respectively. The shares held by those trusts were deducted from the weighted-average number of shares outstanding during each of the years ended March 31, 2018 and 2017.

The number of shares of the Company held by the trust account of the ESOT as of March 31, 2017 was 637 thousand. The trust was terminated in July 2017. Also, the number of shares held by the Trust for Delivery of Shares to Directors as of March 31, 2018 and 2017 were 114 thousand and 131 thousand, respectively. The shares held by those trusts were deducted from the number of shares of common stock at the end of each of the years ended March 31, 2018 and 2017, which were used to determine net assets per share.

Note: Since a 1-for-10 ordinary share reverse stock split was conducted effective October 1, 2017, the noted items were calculated based on the assumption that the reverse stock split was conducted at the beginning of the previous fiscal year.

21. Supplementary cash flow information

A reconciliation of the difference between cash and deposits stated in the consolidated balance sheet as of March 31, 2018 and 2017, and cash and cash equivalents in the consolidated statement of cash flows is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	2018
Cash and deposits	¥ 78,036	¥ 60,835	$ 734,525
Time deposits with maturities of more than three months	(11,097)	(1,087)	(104,452)
Marketable securities	279,540	257,950	2,631,212
Marketable securities with maturities of more than three months	(75,970)	(8,640)	(715,079)
Cash and cash equivalents	¥270,509	¥309,058	$2,546,206

22. Impairment loss

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2018 and 2017. As a result, the Group recognized impairment losses of ¥6,061 million ($57,050 thousand) and ¥2,208 million, included in other expenses, for the years ended March 31, 2018 and 2017, respectively. The details are as follows:

For the year ended March 31, 2018			Yen (Millions)	U.S. dollars (Thousands)
Application	Location	Category	Impairment loss	
Company housing	Osaka	Land, buildings and structures	**¥2,232**	**$21,009**
Company housing	Chiba	Land, buildings, structures, tools, furniture and fixtures	**2,144**	**20,180**
Company housing	Kanagawa	Land, buildings, structures, tools, furniture and fixtures	**1,319**	**12,415**
Business assets, stores and other assets	Thailand, domestic airports, etc.	Machinery, buildings, structures, etc.	**366**	**3,445**
		Total	**¥6,061**	**$57,050**

Note: The Group grouped its operating assets for impairment testing based on management accounting categories, and also grouped lease assets, assets to be disposed of by sale and idle assets on an individual basis. Company housing in Osaka was written-down to recoverable amounts, since the assets were expected to be sold. As a result, an impairment loss of ¥2,232 million ($21,009 thousand) was recognized. Details are as follows: ¥1,192 million ($11,219 thousand) for land and ¥1,040 million ($9,789 thousand) for buildings and structures. Company housing in Chiba was written-down to recoverable amounts, since the assets were expected to be sold. As a result, an impairment loss of ¥2,144 million ($20,180 thousand) was recognized. Details are as follows: ¥1,883 million ($17,724 thousand) for land, ¥258 million ($2,428 thousand) for buildings and structures, and ¥3 million ($28 thousand) for tools, furniture and fixtures. Company housing in Kanagawa was written-down to recoverable amounts, since the assets were expected to be sold. As a result, an impairment loss of ¥1,319 million ($12,415 thousand) was recognized. Details are as follows: ¥907 million ($8,537 thousand) for land, ¥407 million ($3,830 thousand) for buildings and structures, and ¥5 million ($47 thousand) for tools, furniture and fixtures.
The recoverable amount of the assets is calculated by using the fair value less costs to sell based on the estimates.

For the year ended March 31, 2017			Yen (Millions)
Application	Location	Category	Impairment loss
Company housing and dormitories	Kanagawa	Land, buildings, structures, tools, furniture and fixtures	¥1,756
Idle assets and other assets	Chiba, etc.	Land, buildings, structures, etc.	452
		Total	¥2,208

Note: The Group grouped its operating assets for impairment testing based on management accounting categories, and also grouped lease assets, assets to be disposed of by sale and idle assets on an individual basis. Company housing and dormitories were written-down to recoverable amounts, since the assets were expected to be sold. As a result, an impairment loss of ¥1,756 million was recognized. Details are as follows: ¥1,446 million for land, ¥301 million for buildings and structures, and ¥7 million for tools, furniture and fixtures.
The recoverable amount of the assets is calculated by using the fair value less costs to sell based on the estimates.

23. Supplementary information for the consolidated statement of income

(a) Write-downs of inventories

Inventories were valued using prices after write-downs of book value due to a decrease in net selling value.

Write-downs of inventories included in cost of sales are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	**2018**
	¥1,189	¥(565)	**$11,191**

Note: Figures in parentheses represent gains from the reversal of write-downs.

(b) Other income (expenses), net

	Yen (Millions)		U.S. dollars (Thousands)
	2018	2017	**2018**
Gain on sales of property and equipment (other than aircraft-related)	**¥ 9,623**	¥ 121	**$90,577**
Gain on sales of investment securities	**1,311**	1,976	**12,339**
Loss on sales of property and equipment (other than aircraft-related)	**–**	(143)	**–**
Loss on disposal of property and equipment	**(748)**	(218)	**(7,040)**
Loss on valuation of investments in unconsolidated subsidiaries and affiliates	**(577)**	(571)	**(5,431)**
Other	**958**	2,257	**9,017**
Other income (expenses), net	**¥10,567**	¥3,422	**$99,463**

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3 Konan
Minato-ku, Tokyo 108-6221
Japan

Tel: +81 (3) 6720 8200
Fax: +81 (3) 6720 8205
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ANA HOLDINGS INC.:

We have audited the accompanying consolidated balance sheet of ANA HOLDINGS INC. and its consolidated subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ANA HOLDINGS INC. and its consolidated subsidiaries as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2018

Glossary

Passenger Business Terms

Available Seat-Kilometers (ASK)
A unit of passenger transport capacity, analogous to “production capacity.” Total number of seats x Transport distance (kilometers).

Revenue Passenger-Kilometers (RPK)
Total distance flown by revenue-paying passengers aboard aircraft. Revenue-paying passengers x Transport distance (kilometers).

Load Factor
Indicates the seat occupancy ratio (status of seat sales) as the ratio of revenue passenger-kilometers to available seat-kilometers. Revenue passenger-kilometers / Available seat-kilometers.

Yield
Unit revenues per revenue passenger-kilometer. Revenues / Revenue passenger-kilometers.

Unit Revenues
Quantitatively measures revenue management performance by showing unit revenues per available seat-kilometer (Revenues / Available seat-kilometers). Calculated as yield (Revenues / Revenue passenger-kilometers) x load factor (Revenue passenger-kilometers / Available seat-kilometers).

Unit Cost
Indicates cost per unit in the airline industry. Calculated as cost per available seat-kilometer.

Revenue Management
This management technique maximizes revenues by enabling the best mix of revenue-paying passengers through yield management that involves optimum seat sales in terms of optimum timing and price based on network and fare strategy.

Optimizing Supply to Demand
Involves flexibly controlling production capacity (available seat-kilometers) according to demand trends in ways such as increasing or decreasing the frequencies on routes and adjusting aircraft size.

Cargo Business Terms

Available Ton-Kilometers (ATK)
A unit of cargo transport capacity expressed as “production capacity.” Total cargo capacity (tons) x Transport distance (kilometers).

Revenue Ton-Kilometers (RTK)
Total distance carried by each revenue-paying cargo aboard aircraft. Revenue-paying cargo (tons) x Transport distance (kilometers).

Freighter
Dedicated cargo aircraft. Seats are removed from the cabin space where passengers would normally sit, and the space is filled with containers or palletized cargo.

Belly
The space below the cabin on passenger aircraft that is used to transport cargo.

Okinawa Cargo Hub & Network
The ANA Group’s unique cargo network. With Okinawa (Naha) Airport as an international cargo hub, the network uses late-night connecting flights in a hub and spoke system servicing major Asian cities.

Airline Industry and Company Terms

IATA
The International Air Transport Association. Founded in 1945 by airlines operating flights primarily on international routes, functions include managing arrival and departure slots at airports and settling receivables and payables among airline companies. Approximately 290 airlines are IATA members.

ICAO
The International Civil Aviation Organization. A specialized agency of the United Nations created in 1944 to promote the safe and orderly development of international civil aviation. More than 190 countries are ICAO members.

Star Alliance
Established in 1997, Star Alliance was the first and is the world’s largest airline alliance. ANA became a member in October 1999. As of July 2018, 28 airlines from around the world, including regional airlines, are members.

Code-Sharing
A system in which airline alliance partners allow each other to add their own flight numbers on other partners’ scheduled flights. The frequent result is that multiple companies sell seats on one flight. Also known as jointly operated flights.

Antitrust Immunity (ATI)
Granting of advance approval for immunity from competition laws when airlines operating international routes cooperate on planning routes, setting fares, conducting marketing activities, or other areas, so that the airlines are not in violation of the competition laws of such countries. In Japan, the United States, and South Korea, the relevant department of transportation grants ATI based on an application (in countries other than these three, it is common for a bureau such as a fair trade commission to be in charge), but in the European Union the business itself performs a self-assessment based on the law. ATI approval is generally based on the two conditions that the parties do not have the power to control the market and approval will increase user convenience.

Joint Venture
A joint business in the international airline industry between two or more airlines. Restrictions such as bilateral air agreements between countries and caps on foreign capital investments still exist in the international airline industry. Therefore, airlines form ATI-based joint ventures, instead of the commonly known methods used in other industries such as capital tie-ups and M&As, etc. By forming joint ventures, airlines in the same global alliance are able to offer travelers a broader, more flexible network along with less expensive fares, thus strengthening their competitiveness against other alliances (or joint ventures).

Full Service Carrier (FSC)
An airline company that serves a wide range of markets based on a route network that includes code-sharing connecting demand. FSCs offer multiple classes of seats and provide in-flight food and beverages that are included in advance in the fare paid. FSCs are also called network carriers or legacy carriers when compared with low cost carriers (LCCs).

Low Cost Carrier (LCC)
An airline that provides air transportation services at low fares based on a low-cost system that includes using a single type of aircraft, charging for in-flight services, and simplifying sales. Fundamentally, LCCs operate frequent short- and medium-haul point-to-point flights (flights between two locations).

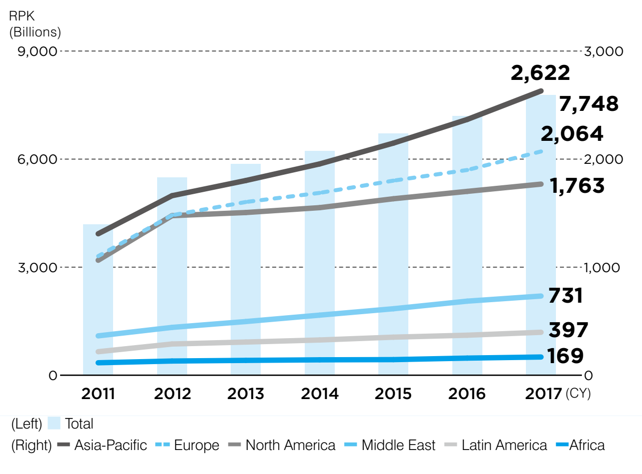
Maintenance, Repair, and Overhaul (MRO) Business
A business that is contracted to provide aircraft maintenance services using its own maintenance crew and other personnel, along with dedicated facilities. Services include the maintenance, repair, and overhaul of aircraft and other equipment owned by airlines.

Dual Hub Network Strategy
A strategy for using the two largest airports in the Tokyo metropolitan area (Haneda and Narita) for different yet complementary strategic aims and functions. At Haneda, which offers excellent access from central Tokyo, the strategy targets overall air travel demand in the Tokyo metropolitan area, including the outskirts of Tokyo, as well as demand for connecting flights from various Japanese cities to international routes that harness ANA’s existing domestic network. Meanwhile, at Narita the strategy aims to capture transit demand for travel between third countries via Narita, focusing on Trans-Pacific travel between North America and Asia/China. This will be accomplished by upgrading and expanding the international network and enhancing connecting flights by setting efficient flight schedules.

Market Data

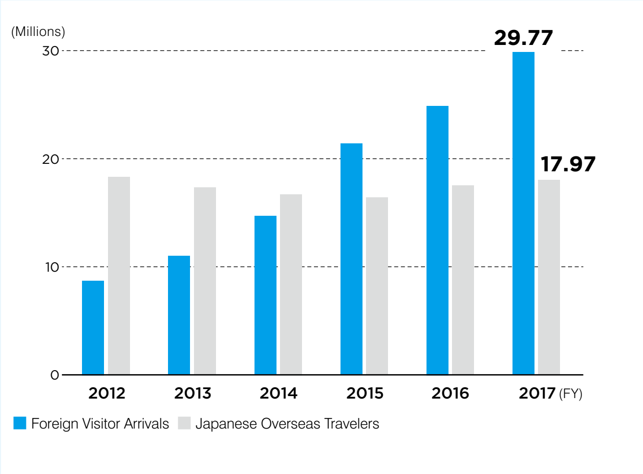
International Passenger Market

Global Air Transportation Passenger Volume by Region



Source: International Air Transport Association (IATA), 2018

Foreign Visitor Arrivals / Number of Japanese Overseas Travelers



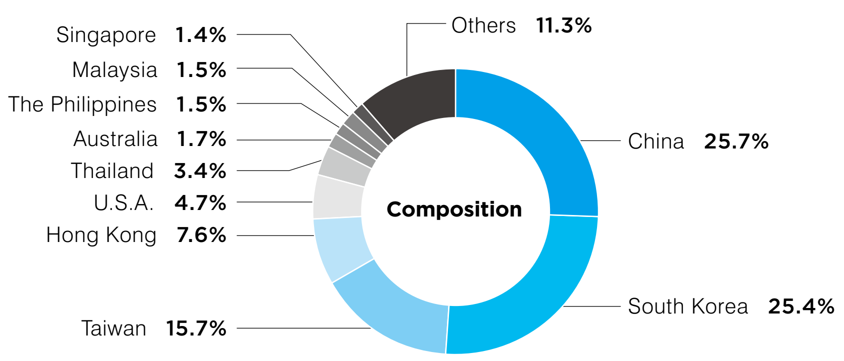
Source: Japan National Tourism Organization (JNTO), 2018

Foreign Visitor Arrivals by Country / Region

FY2017

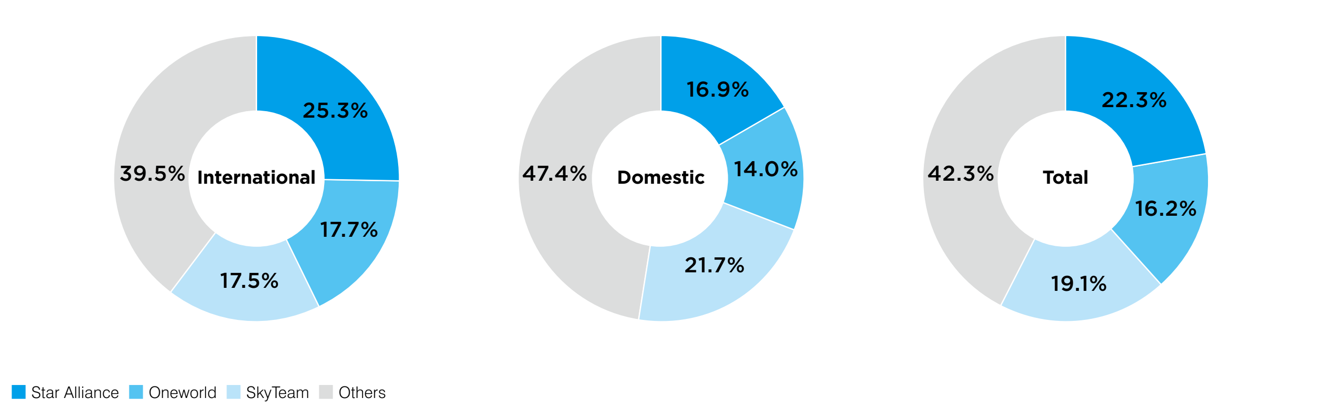
29.77 million

(+19.9% YoY)



Source: Japan National Tourism Organization (JNTO), 2018

Shares by Alliance (RPK)

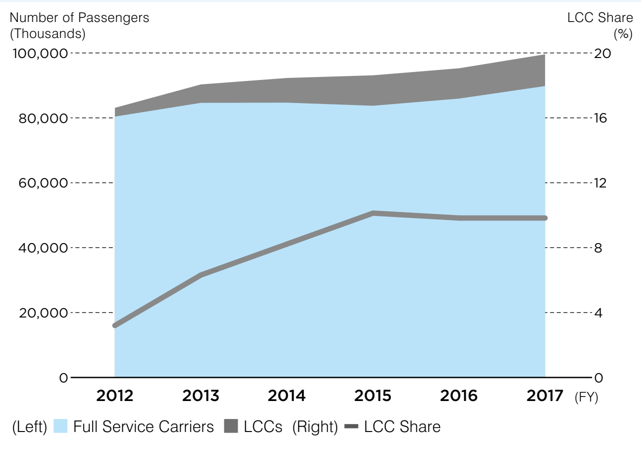


Source: International Air Transport Association (IATA), 2018

For further information, Fact Book 2018 can be downloaded from the ANA Group corporate website in PDF format.
https://www.ana.co.jp/group/en/investors/irdata/annual/

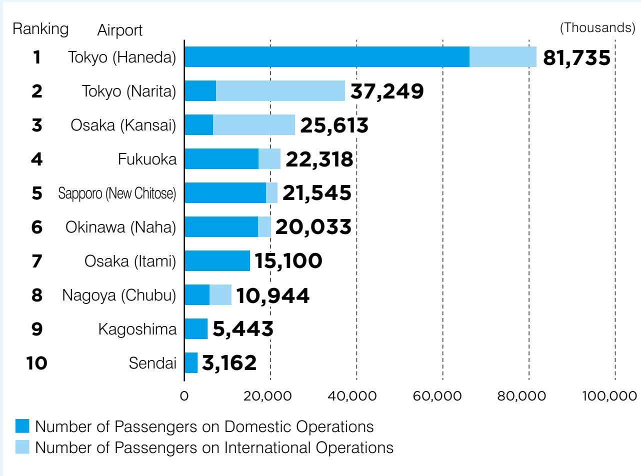
Domestic Passenger Market

Number of Domestic Passengers and LCC Share



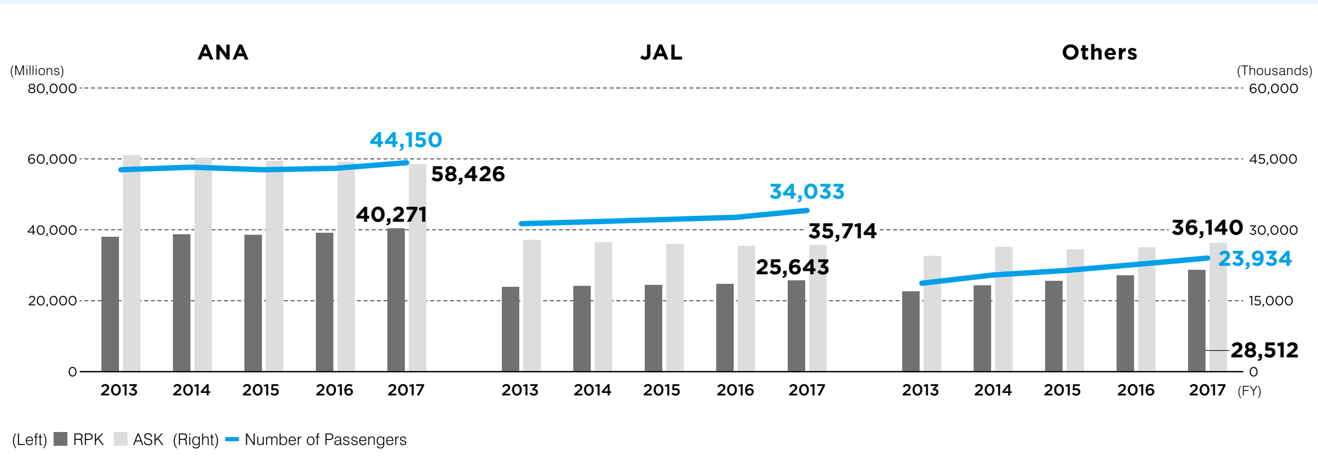
Source: Ministry of Land, Infrastructure, Transport and Tourism, fiscal 2017

Top 10 Airports in Japan by Number of Passengers



Note: Compilation from reports on Status of Airport Operations, fiscal 2016
Source: Ministry of Land, Infrastructure, Transport and Tourism, 2017

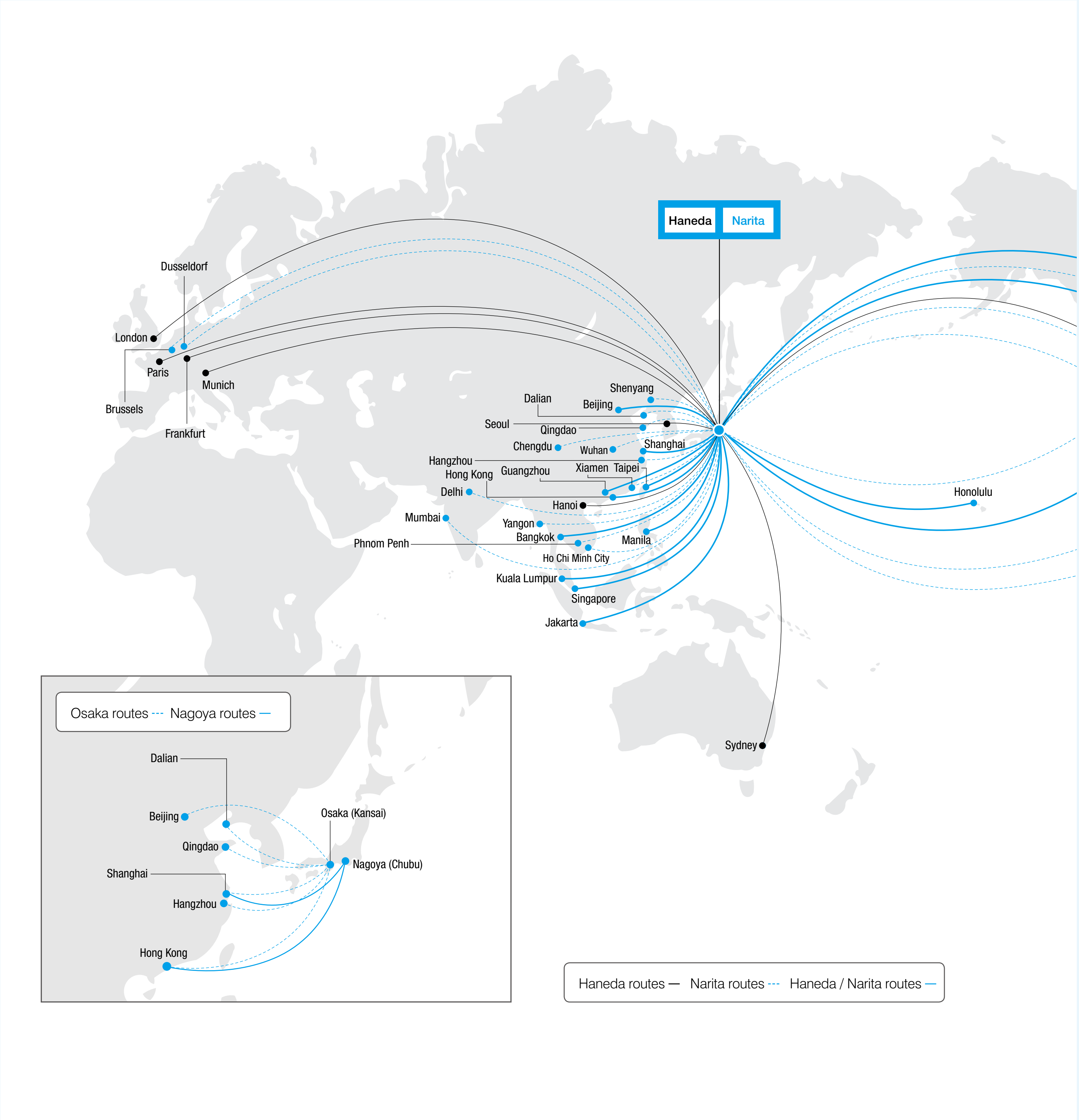
Number of Passengers on Domestic Operations by Airline



Share of Passengers on Domestic Operations by Airline

Note: Figures for ANA exclude Vanilla Air Inc. and Peach Aviation Limited
Sources: 1. Figures for ANA, JAL: The companies' annual securities reports (consolidated basis)
2. Figures for total: Ministry of Land, Infrastructure, Transport and Tourism, a preliminary report for fiscal 2017

ANA-Operated International Routes



Vanilla Air-Operated Routes

Peach Aviation-Operated Routes

Compilation by ANA HOLDINGS INC. (As of August 1, 2018)

Social Data

Human Resources Data (ANA)

	Unit	2014	2015	2016	2017	2018
Number of employees*1	People	12,416	12,360	12,859	13,518	13,928
Number of employees hired overseas*1	People	1,334	1,341	1,387	1,454	1,475
Average age of employees*1	Years	36.0	36.0	36.0	37.4	37.4
Average years worked*1	Years	10.1	10.0	10.0	13.3	13.8
Ratio of female managers*2*3	%	9.8	10.9	12.2	13.3	13.9
Ratio of female directors*2	%	5.5	10.5	10.5	10.5	10.0
Number of employees on pregnancy or childcare leave / Men*1	People	470/4	595/5	586/5	545/13	587/19
Number of employees on nursing care leave*1	People	11	8	12	14	15
Ratio of employees with disabilities*4	%	2.14	2.10	2.32	2.38	2.49
Work-related accidents*1		66	77	66	109	82
Ratio of employees with healthy BMI*1*5						
Male	%	—	—	63.1	69.1	70.2
Female	%	—	—	75.2	69.8	72.0
Ratio of employees that smoke*1						
Male	%	—	—	22.9	19.4	19.1
Female	%	—	—	4.9	4.0	3.9
Employee obesity rate*1*6						
Male	%	—	—	13.4	14.9	15.7
Female	%	—	—	0.9	1.2	1.3

*1 As of March 31 of each year
*2 As of April 1 of each year
*3 Excluding individuals 60 years old or older
*4 As of June 1 of each year
Total of ANA and qualified ANA Group companies
(2014: total of 11 companies including 1 special subsidiary; 2015–2018: total of 12 companies including 1 special subsidiary)
*5 Ratio of employees with BMI of 18.5%–24.9%
*6 Changing calculation standards from this year
Before 2017: Ratio of employees receiving guidance from designated healthcare professionals
2018 and Later: Ratio of employees meeting criteria for metabolic syndrome

Flight-Related Data (All Passenger Flights on ANA International and Domestic Services)

(FY)	Unit	2013	2014	2015	2016	2017
In-service rate	%	98.9	98.9	98.9	98.9	98.8
On-time departure rate*7	%	91.9	91.4	91.9	89.4	88.0
On-time arrival rate*7	%	88.1	87.6	88.7	86.1	84.8

*7 Delays of 16 minutes or less, excluding canceled flights
Passenger flight only

Customer-Related Data

(FY)	Unit	2013	2014	2015	2016	2017
Number of customer feedback reports		74,982	70,472	73,688	73,892	114,273
[Breakdown by route type]						
Domestic	%	49.9	47.8	46.1	48.3	56.0
International	%	34.9	38.5	39.5	37.4	40.1
Other	%	15.2	13.8	14.5	14.3	3.9
[Breakdown by report type]						
Complaint	%	32.9	32.2	35.8	43.4	41.1
Compliment	%	21.7	20.6	21.2	16.8	18.5
Comment/Request	%	29.4	27.9	26.1	21.5	20.8
Other	%	15.9	19.3	16.9	18.3	19.5

Environmental Data

Environmental data is from fiscal 2017 and was compiled from ANA and certain consolidated subsidiaries (those responsible for air transportation, aircraft maintenance, ground handling, vehicle maintenance, building management, etc.).
Increase in ground equipment and vehicle CO_2 emissions, ground energy consumption due to increase in number of consolidated companies beginning fiscal 2017

Climate Change Countermeasures

(FY)	Unit	2013	2014	2015	2016	2017
Carbon dioxide (CO_2) emissions						
Total	10,000 tons	955	1,031	1,074	1,126	1,161
[Breakdown]						
Aircraft		945	1,016	1,062	1,114	1,148
Passenger		(899)	(961)	(1,005)	(1,058)	(1,097)
Cargo		(46)	(55)	(57)	(56)	(50)
Ground equipment and vehicles		10.4	11.7	11.5	11.8	13.5
[Scope 1/2/3]						
Scope 1		948	1,021	1,065	1,118	1,152
Scope 2		10.4	9.8	8.3	8.3	9.2
Scope 3		—	—	0.1	0.2	0.2
Aircraft CO_2 emissions per RTK	kg-CO_2	1.09	1.04	1.05	1.00	0.96
Total energy consumption						
Total	Crude oil equipment: 10,000 kl	389	397	414	434	448
Aircraft energy consumption		383	390	408	428	441
Ground energy consumption		6.0	6.5	5.5	5.5	6.5
Fuel-efficient aircraft (Jet aircraft only)*						
Number of fuel-efficient aircraft	Aircraft	118	132	148	155	162
Ratio of fuel-efficient aircraft	%	52.2	62.0	64.9	66.0	69.5
Ozone depletion						
Fluorocarbon (Aircraft)	kg	0.0	0.0	16.4	8.8	5.3
Halon	kg	17.7	0.0	8.3	29.4	5.0

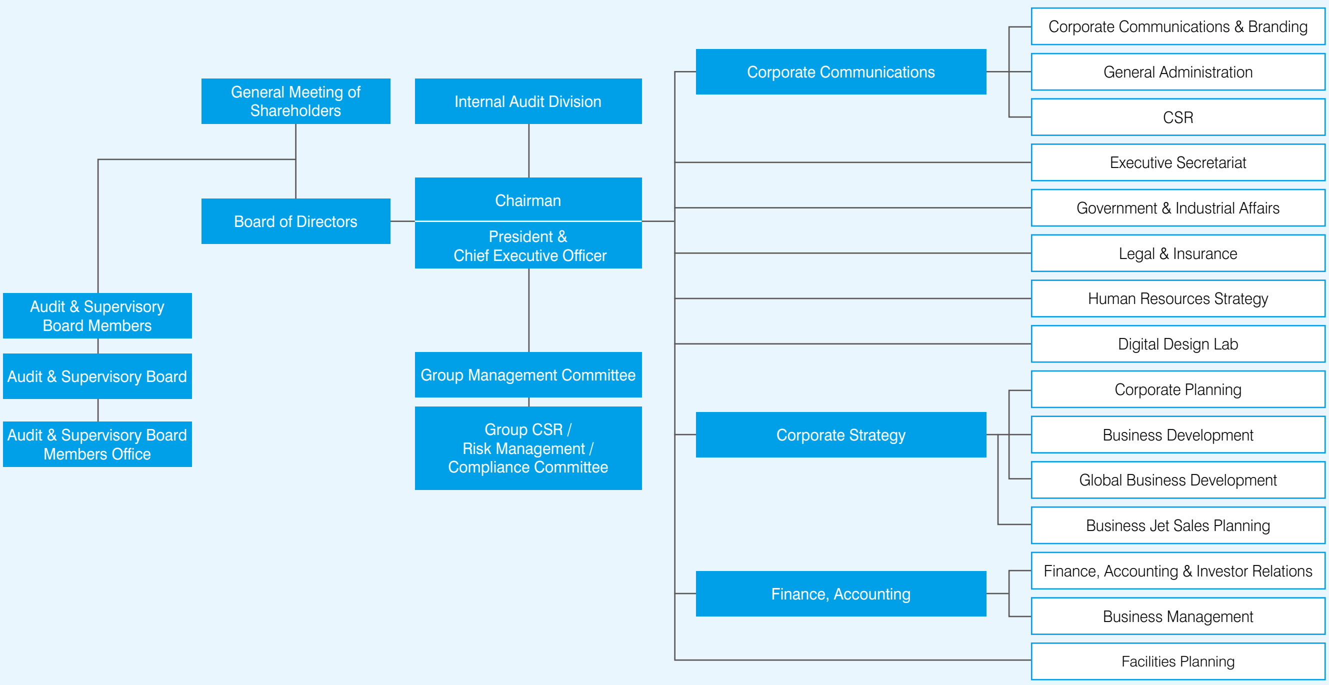
* Boeing 777-200, -300, 787-8, 787-9, 737-700, -800, Airbus A320-200neo, and A321-200neo. ANA brand only

Resource Savings

(FY)	Unit	2013	2014	2015	2016	2017
Waste produced						
Total	1,000 tons	22.5	28.9	28.9	36.8	32.1
[Breakdown]						
General waste (Cabin waste and sewage included)		16.4	21.8	22.4	28.7	25.7
General waste (Ground waste included)		2.8	2.6	2.9	3.0	2.7
Industrial waste		3.3	4.5	3.6	5.1	3.7
Total paper consumption	1,000 tons	5.0	4.7	4.7	4.6	4.0
Total water consumption						
Clean water	10,000 tons	50.6	53.5	51.5	54.0	61.4
Non-potable water	10,000 tons	4.3	6.9	6.3	6.6	9.4
Total waste treatment (Buildings included)	10,000 tons	15.5	14.6	16.3	16.0	12.7

The ANA Group Profile

ANA HOLDINGS INC. Organization (As of July 1, 2018)



Number of Subsidiaries and Affiliates (As of March 31, 2018)

Operating segment	Total of subsidiaries	of which, consolidated	of which, equity method	Total of affiliates	of which, equity method
Air Transportation	5	5	—	3	1
Airline Related	49	37	—	5	2
Travel Services	5	5	—	4	1
Trade and Retail	58	9	—	3	1
Others	9	8	1	30	10
Total	126	64	1	45	15

Major Subsidiaries (As of March 31, 2018)

Company name	Amount of capital (¥ Millions)	Ratio of voting rights holding (%)	Principal business
Air Transportation			
ALL NIPPON AIRWAYS CO., LTD.	25,000	100.0	Air transportation
Air Japan Co., Ltd.	50	100.0	Air transportation
ANA WINGS CO., LTD.	50	100.0	Air transportation
Vanilla Air Inc.	7,500	100.0	Air transportation
Peach Aviation Limited	7,515	67.0*	Air transportation
Airline Related			
ANA Cargo Inc.	100	100.0	Cargo operations
Overseas Courier Service Co., Ltd.	100	91.5	Express shipping business
ANA Systems Co., Ltd.	80	100.0	Innovation and operation of IT systems
Travel Services			
ANA Sales Co., Ltd.	1,000	100.0	Planning and sales of travel packages, etc.
Trade and Retail			
ALL NIPPON AIRWAYS TRADING Co., Ltd.	1,000	100.0	Trading and retailing

* Acquired an additional 10.9% of outstanding shares on April 20, 2018.

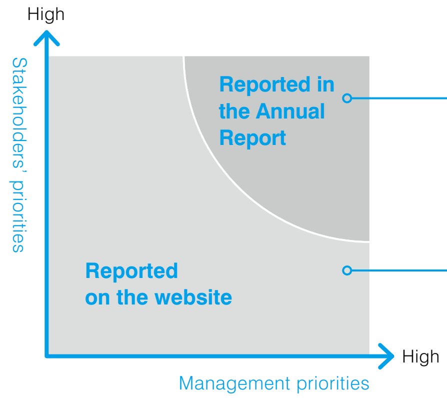
Corporate Data (As of March 31, 2018)

Corporate Profile

Trade Name	ANA HOLDINGS INC.
Date of Foundation	December 27, 1952
Head Office	Shiodome City Center, 1-5-2 Higashi-Shimbashi, Minato-ku Tokyo 105-7140, Japan
Number of Employees	41,930 (Consolidated)
Paid-In Capital	¥318,789 million
Fiscal Year-End	March 31
Number of Shares of Common Stock	Authorized: 510,000,000 shares Issued: 348,498,361 shares * Effective October 1, 2017, the trading unit of shares changed from 1,000 to 100 and a 1-for-10 reverse stock split conducted.
Number of Shareholders	475,978
Stock Listing	Tokyo
Ticker Code	9202

Administrator of Register of Shareholders	Sumitomo Mitsui Trust Bank, Limited (Stock Transfer Agency Department) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Independent Auditor	Deloitte Touche Tohmatsu LLC
American Depositary Receipts	Ratio (ADR:ORD): 5:1 Exchange: OTC (Over-the-Counter) Symbol: ALNPY CUSIP: 032350100 Depositary: The Bank of New York Mellon 240 Greenwich Street New York, NY 10286, U.S.A. Tel: 1-201-680-6825 U.S. Toll Free: 1-888-269-2377 (888-BNY-ADRS) URL: https://www.adrbnymellon.com

Scope of This Report



Annual Report (Hard Copy and PDF)

PDF version https://www.ana.co.jp/group/en/investors/irdata/annual/

For Further Information (Website)

Corporate Profile https://www.ana.co.jp/group/en/about-us/
Investor Relations https://www.ana.co.jp/group/en/investors/
CSR https://www.ana.co.jp/group/en/csr/

Fact Book 2018

Fact Book 2018 can be downloaded from the Company's corporate website in PDF format. This document contains financial data and information on the domestic and international markets and LCC status.
https://www.ana.co.jp/group/en/investors/irdata/annual/

Forward-Looking Statements

This Annual Report contains statements based on the ANA Group's current plans, estimates, strategies, and beliefs; all statements that are not statements of historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Group's management based on currently available information. Air Transportation Business, the Group's core business, involves government-mandated costs that are beyond the Company's control, such as airport utilization fees and fuel taxes.

In addition, conditions in the markets served by the ANA Group are subject to significant fluctuations. Factors that could affect actual results include, but are not limited to, economic trends, sharp changes in exchange rates, fluctuations in the price of crude oil, and disasters.

Due to these risks and uncertainties, the Group's future performance may differ significantly from the contents of this Annual Report. Accordingly, there is no assurance that the forward-looking statements in this Annual Report will prove to be accurate.

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