



Soaring to New Heights

Annual Report 2016

Year ended March 2016



Mission Statement

Built on a foundation of security and trust, “the wings within ourselves” help to fulfill the hopes and dreams of an interconnected world.

ANA Group Safety Principles

Safety is our promise to the public and is the foundation of our business.

Safety is assured by an integrated management system and mutual respect.

Safety is enhanced through individual performance and dedication.

Management Vision

It is our goal to be the world’s leading airline group in customer satisfaction and value creation.

ANA’s Way

To live up to our motto of “Trustworthy, Heartwarming, Energetic!”, we work with:

1. Safety

We always hold safety as our utmost priority, because it is the foundation of our business.

2. Customer Orientation

We create the highest possible value for our customers by viewing our actions from their perspective.

3. Social Responsibility

We are committed to contributing to a better, more sustainable society with honesty and integrity.

4. Team Spirit

We respect the diversity of our colleagues and come together as one team by engaging in direct, sincere and honest dialogue.

5. Endeavor

We endeavor to take on any challenge in the global market through bold initiative and innovative spirit.



To Be the World's Leading Airline Group

To Our Stakeholders

On March 3, 2016, ANA celebrated its 30th anniversary since commencing scheduled services in international operations.

In the 64 years since our founding, we have developed a powerful brand for the ANA Group by tackling countless challenges throughout our long history. Supported by this brand, we have continued to grow thanks to the support of our customers, investors, local communities, and all of our other stakeholders.

We stand united with safety as our top priority in the pursuit of ongoing growth, looking toward the next milestone of 2020 and seeking to create an enduring legacy for the future that lies beyond as the world's leading airline group.

We ask for your ongoing support of the ANA Group as we continue our journey.



Shinya Katanozaka
President & Chief Executive Officer

4

About the ANA Group

- | | |
|---|--|
| 4 Segments in Profile | 12 Financial Highlights |
| 6 Progress of the ANA Group | 14 Shareholder Value |
| 8 ANA Group Value Creation Cycle | 15 Social Value |
| 10 Practice of ANA's Way | 16 Highlights of the Fiscal Year Ended March 2016 |

18

Message from Management

- 18** Message from Management

Creating a Legacy for Sustainable Growth

The ANA Group's new Medium-term Corporate Strategy will direct us in taking on challenges to evolve into the world's leading airline group.

24

FY2016–20 ANA Group Corporate Strategy

- | | |
|---|--|
| 26 Review of Previous Corporate Strategies | 36 Management Resources Allocation / Value Creation Targets |
| 27 Business Environment / Airline Industry | 38 Air Transportation |
| 28 What the Next Corporate Strategy Aims For | 40 International Passenger Business |
| 30 Fleet and Network | 41 Domestic Passenger Business |
| 32 Top-Line Growth and Cost Reductions | 42 Cargo and Mail Business |
| 34 Financial Strategy | 43 LCC Business |
| | 44 Airline Related |
| | 45 Travel Services / Trade and Retail |
| | 46 Feature:
ANA Group Network Strategy |

Editorial Policy

The ANA Group (ANA HOLDINGS INC. and its consolidated subsidiaries) emphasizes proactive communication with its stakeholders in all of its business activities.

In Annual Report 2016, we aim to deepen comprehensive understanding of the economic and social value created by the ANA Group through its management strategies and its business and corporate social responsibility activities.

We have published information on our activities that we have selected as being of particular importance to the ANA Group and society in general. For more details, please visit our website in conjunction with this report.

Scope of Report

- This report covers business activities undertaken from April 1, 2015 to March 31, 2016 (includes some activities in and after April 2016).
- In this report, "the ANA Group" and "the group" refer to ANA HOLDINGS INC. and its consolidated subsidiaries.
- "The company" in the text refers to ANA HOLDINGS INC.
- Any use of "ANA" alone in the text refers to ALL NIPPON AIRWAYS CO., LTD.

52

Material Issues for the Growth Strategy (Materiality)

- 54 Safety
- 56 Human Resources
- 58 Identifying Materiality Levels in Corporate Issues
 - 60 Toward Becoming a Leading Eco-Friendly Airline
 - 62 Promotion of Diversity & Inclusion
 - 64 Vitalization of Local Community

66

Foundation Supporting Value Creation

- 68 Management Members
- 70 Corporate Governance
- 79 Interview with an Outside Director
- 80 Compliance
- 81 Risk Management
- 84 CSR Management
- 86 Achievements

88

Financial / Data Section

- | | |
|---|---------------------------|
| 88 Consolidated 11-Year Summary | 139 Glossary |
| 90 Management's Discussion and Analysis | 140 Market Data |
| 102 Operating Risks | 144 Social Data |
| 106 Consolidated Financial Statements | 145 Environmental Data |
| | 146 The ANA Group Profile |
| | 147 Corporate Data |



Annual Report (Hard Copy and PDF) (PDF version)

<http://www.ana.co.jp/group/en/investors/irdata/annual/>

For Further Information (Website)

Corporate Profile: <http://www.ana.co.jp/group/en/about-us/>

Investor Relations: <http://www.ana.co.jp/group/en/investors/>

CSR: <http://www.ana.co.jp/group/en/csr/>

Fact Book 2016

Fact Book 2016 can be downloaded from the company's corporate website in PDF format. This document contains financial data as well as basic data on the airline industry, including information regarding the domestic, international, and LCC markets.

<http://www.ana.co.jp/group/en/investors/irdata/annual/>

Progress of the ANA Group

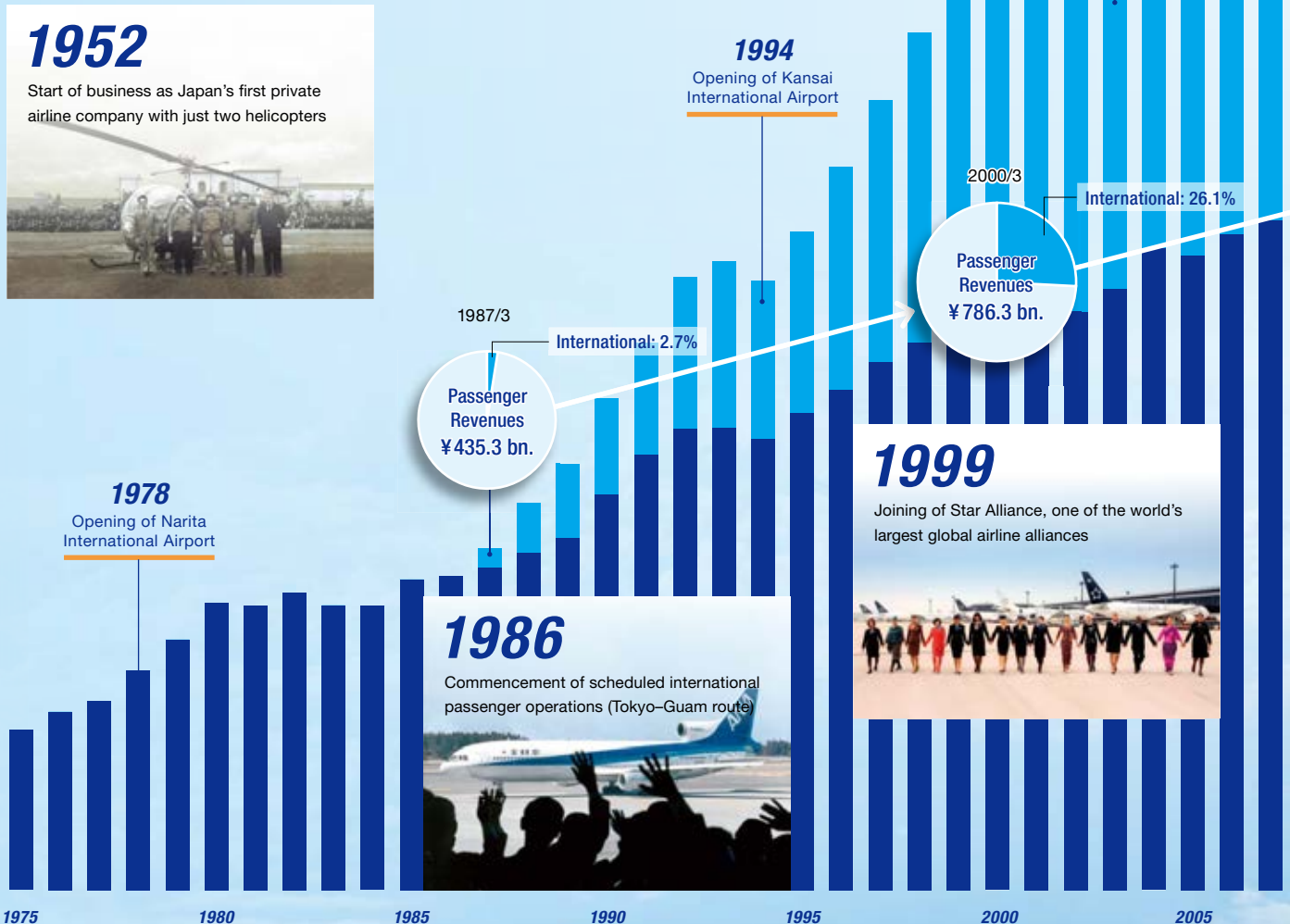
We have provided air transportation services since 1952, with safe operations as our top priority. Today, we rank 8th among global airlines in terms of the number of passengers within our domestic services and 14th in terms of total number of passengers, including those within our international services*. In addition, ANA has grown to become a world-leading airline with more than 50 million passengers in a year. Now, we are the No. 1 airline group in Japan with regard to operating revenues, ASKs, RPKs, and number of passengers.

With the International Passenger Business as its growth driver, the ANA Group will pursue its goal to be the world's leading airline group.

* Source: International Air Transport Association (IATA), 2016

Revenue Passenger-Kilometers (RPKs)

- Domestic flights
- International flights



ANA Group's Strengths

2016

ANA Group becomes airline group with Japan's largest network



2008
Global financial crisis

2013
Shift to a holding company structure

2011
Great East Japan Earthquake

2014
Expansion of international flight slots at Haneda Airport

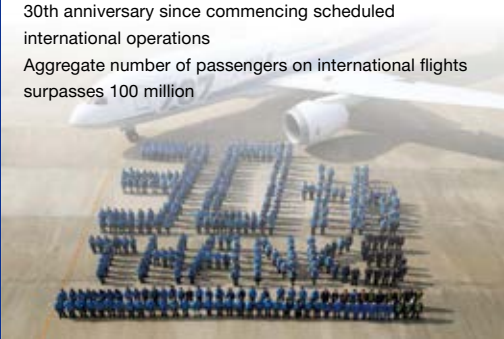
Present (2016/3)
Passenger Revenues
¥1,201.2 bn.

International: 42.9%

2016

30th anniversary since commencing scheduled international operations

Aggregate number of passengers on international flights surpasses 100 million



2010

2015 Present (Years ended March)

Innovativeness

Introduced world's first Boeing 787 Dreamliner after participating in development, and accelerated deployment within our international services



Quality

Achieved "5 STAR AIRLINE," the world's highest rating from SKYTRAX for the fourth consecutive year

2013-2016



Core Management Resource
Brand Power

Comprehensive Capabilities

Promoting multi-brand strategy to continue being airline group chosen by customers



Scale

ANA is the No. 1 airline in Japan for both domestic and international services (Operating revenues, ASKs, RPKs, and number of passengers)



ANA Group Value Creation Cycle

Fully leveraging the strengths it has forged over its history of taking on new challenges and endeavors—namely, quality, innovativeness, comprehensive capabilities, and scale—the ANA Group will advance its corporate strategies while optimally allocating management resources.

The group will heighten its brand power—its core management resource—while growing toward becoming a group that can continue providing economic and social value to all its stakeholders in order to realize its Management Vision, to be “the world’s leading airline group.”

Road Map for Sustainable Value Creation

Growth Strategies and Material Issues

Growth Strategies

FY2016–20 ANA Group Corporate Strategy ➡ P.24

- Expand Airline Business Domains
- Create New Businesses and Accelerate Growth of Existing Businesses

Material Issues

➡ P.58

- Environment
- Diversity & Inclusion
- Vitalization of Local Community

ANA HOLDINGS INC. Optimal Allocation of Management Resources

Core Management Resource **Brand Power**

Finances

Infrastructure, fleet, and network

Human resources, expertise,
and development capabilities

Local industries

Environment

Driving Force behind Value Creation

ANA's Way ➡ P.10 Practice of ANA's Way

➡ P.56 Human Resources

Corporate Governance ➡ P.70

Safety ➡ P.54

Mission Statement



Management Vision

To Be the World's Leading Airline Group

Present

Japan's No. 1 Airline Group



To become a truly worthy group company in the world by creating economic and social value



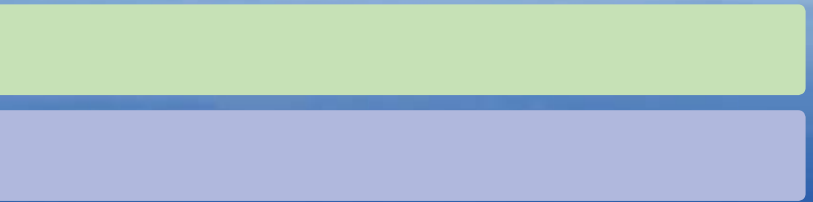
Value Provided to Stakeholders

- Customers**
Enhanced safety, convenience, and comfort
- Shareholders, Investors, and Creditors**
Returns of profits from achieving financial targets
- Business Partners**
Shared expertise / growth and collaboration opportunities
- Local Communities and Society**
Installation of infrastructure
Invigoration of economy
- Employees**
Development of globally competent human resources
- Environment**
Improved sustainability through reduced environment footprint

Strengths for heightening brand power



Strengths enhanced by brand power



Practice of ANA's Way – Driving Force behind Value Creation

Our Core Values (ANA's Way) provides the basis for the type of awareness and behavior we expect all employees to hold in order to achieve our Mission Statement and Management Vision.

Employees' daily practice of ANA's Way is a source of improvement for our brand power—our core management resource—and is the driving force behind the ANA Group's value creation cycle.

Practice of **ANA's Way**

1. Safety

We always hold safety as our utmost priority, because it is the foundation of our business.

Case 1: Assertion and Training for Safety

To prevent human error, a risk that cannot be averted through technology and systems alone, we strive to foster cross-border responsibilities and encourage employees to assert themselves in the workplace by confirming other's activities and offering advice.

The group is also focused on cultivating people and organizations to ensure that all group employees realize their own responsibility for safety and approach it as such, and we are enhancing various training programs.



2. Customer Orientation

We create the highest possible value for our customers by viewing our actions from their perspective.

Case 2: Service Quality Improvement through Information Sharing

Cabin attendants hold meetings with local staff around the world, thereby deepening their understanding with regard to the cultures of each country and region and the needs of various customers. This information is shared among approximately 8,000 cabin attendants. We are utilizing this information to provide even higher quality services by creating frameworks for reflecting diverse customer wants and needs into the process of developing and improving services.



3. Social Responsibility

We are committed to contributing to a better, more sustainable society with honesty and integrity.

Case 3: CO₂ Emissions Reduction by Improving Fuel Efficiency

Reducing CO₂ emissions during aircraft operations is a major issue for management. Our pilots, mechanics, and other relevant staff are joining together in their daily pursuit of further fuel-efficient flight and fuel-loading methods, all while maintaining safety as our highest priority.

4. Team Spirit

We respect the diversity of our colleagues and come together as one team by engaging in direct, sincere and honest dialogue.

Case 4: Pursuit of Earnings through Cross-Organizational Collaboration

The group is engaged in proactive cost management to prepare for event risks arising from global economic trends, terrorism, and other factors. Obstacles to maximized group earnings and appropriate cost levels are overcome through cross-organizational collaboration founded upon exhaustive discussions that exceed the boundaries between group companies and between divisions.



5. Endeavor

We endeavor to take on any challenge in the global market through bold initiative and innovative spirit.

Case 5: Global DNA Transmission

Employees from various countries with differing cultures and backgrounds are expected to understand and practice ANA's Way since we have expanded our international network. It is for this reason that we have appointed ANA's Way Ambassadors around the world to provide opportunities for employees to learn about the ANA Group's DNA and its principles of taking on new challenges and endeavors through seminars and discussions. We are thereby cultivating the people that will write the next chapter in the group's history.

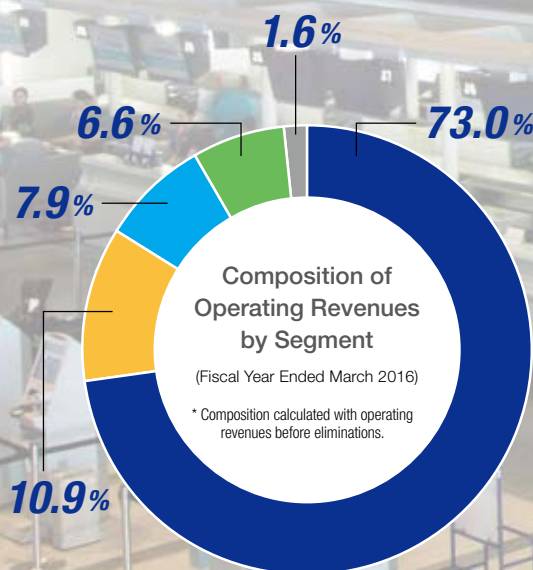
Segments in Profile

As an airline group possessing domestic and international networks, the ANA Group develops its operations in various fields centering around its Air Transportation business. Holding company ANA HOLDINGS INC. appropriately allocates management resources to each of these fields while each group company carries out swift and autonomous management to maximize the group's earnings.

Fiscal Year Ended March 2016 Results

(¥ Billions)

	Operating Revenues	Operating Income (Loss)
 Air Transportation	1,553.2	139.7
 Airline Related	231.9	(4.2)
 Travel Services	167.3	4.2
 Trade and Retail	140.2	5.3
 Others	33.7	1.6
Adjustment	(335.3)	(10.3)
Total (Consolidated)	1,791.1	136.4



Air Transportation

The Air Transportation business is our core business through which we strive "to be the world's leading airline group," a goal set forth in our Management Vision. In regard to its scale, the ANA Group's Air Transportation business currently ranks 8th in terms of the number of passengers within our domestic services and 14th in terms of total number of passengers, including those within our international services*.

* Source: International Air Transport Association (IATA), 2016

Full Service Carriers

ALL NIPPON AIRWAYS CO., LTD.
ANA WINGS CO., LTD.
Air Japan Co., Ltd.



Low Cost Carriers (LCCs)

Vanilla Air Inc.



Equity-Method Affiliates

Peach Aviation Limited and more





Airline Related

In the Airline Related business, ANA Group companies are involved in a variety of businesses that support the Air Transportation and other businesses. These companies also accept outsourcing work from airlines outside of the ANA Group to expand and further enhance the group's business.

- Airport Ground Support
- Aircraft Maintenance
- Vehicle Maintenance
- Cargo and Logistics
- Catering
- Contact Center
- IT Systems
- Pilot Training
- Others

- ANA AIRPORT SERVICES Co., Ltd.
- ANA Base Maintenance Technics Co., Ltd.
- ANA MOTOR SERVICE CO., LTD.
- ANA Cargo Inc.
- Overseas Courier Service Co., Ltd.
- ANA Catering Service Co., Ltd.
- ANA TELEMART CO., LTD.
- ANA Systems Co., Ltd.
- Pan Am Holdings, Inc., and more



Travel Services

In Travel Services, ANA Sales Co., Ltd., is involved in airline ticketing in which it sells tickets for both individual and corporate customers, and travels services in which it plans and markets travel packages that combine the air transportation services offered by the ANA Group with accommodations and other travel options. A wide variety of travel services are offered, including travel packages such as *ANA Sky Holiday* for domestic travel and *ANA Hallo Tour* and *ANA Wonder Earth* for overseas travel as well as travel savings plans.

ANA Sales Co., Ltd., and more



Trade and Retail

ALL NIPPON AIRWAYS TRADING Co., Ltd., and other group companies are involved in aircraft parts procurement; aircraft import, export, leasing, and sales; planning and procurement for in-flight services and merchandise sales; airport retail operations; and other businesses related to air transportation. It also imports and sells paper, pulp, and food products; imports and exports semiconductors and electronic components; provides advertising agency services; and operates an online shopping site.

ALL NIPPON AIRWAYS TRADING Co., Ltd., and more

Financial Highlights

ANA HOLDINGS INC. and its consolidated subsidiaries (Note 1)
Years ended / ending March

Fiscal Year Ended March 2016 (Results)

- Realized higher revenues due to large contributions from core Air Transportation business
- Posted record highs for operating revenues and operating income
- Issued dividends of ¥5.00 per share (up ¥1.00 year on year)

Fiscal Year Ending March 2017 (Plan)

- Accelerate growth strategies mainly on International Passenger Business
- Achieve record-breaking earnings through speedy management
- Increase dividends for 3rd consecutive year with per share dividends of ¥6.00

	(¥ Millions)					
	2012 (Results)	2013 (Results)	2014 (Results)	2015 (Results)	2016 (Results)	2017 (Plan) ^(Note 2)
For the Year						
Operating revenues (Note 3)	1,411,504	1,483,581	1,601,013	1,713,457	1,791,187	1,810,000
Operating income	97,022	103,827	65,986	91,541	136,463	145,000
Net income attributable to owners of ANA HOLDINGS INC.	28,178	43,140	18,886	39,239	78,169	80,000
Cash flows from operating activities	214,406	173,196	200,124	206,879	263,878	–
Cash flows from investing activities	(166,323)	(333,744)	(64,915)	(210,749)	(74,443)	–
Cash flows from financing activities	16,171	84,549	(85,569)	(30,424)	(133,257)	–
Substantial free cash flow (Note 4)	52,043	54,256	38,929	(22,350)	88,035	4,000
EBITDA (Note 5)	216,290	227,743	202,166	222,870	275,293	287,000
At Year-End						
Total assets	2,002,570	2,137,242	2,173,607	2,302,437	2,228,808	2,267,000
Interest-bearing debt (Note 6)	963,657	897,134	834,768	819,831	703,886	711,000
Total shareholders' equity (Note 7)	549,014	766,737	746,070	798,280	789,896	866,000
Per Share Data (Yen)						
Earnings per share	11.22	13.51	5.41	11.24	22.36	22.88
Cash dividends	4.00	4.00	3.00	4.00	5.00	6.00
Management Indexes						
Operating income margin (%)	6.9	7.0	4.1	5.3	7.6	8.0
ROA (%) (Note 8)	5.1	5.1	3.2	4.2	6.1	6.6
ROE (%) (Note 9)	5.3	6.6	2.5	5.1	9.8	9.7
Shareholders' equity ratio (%)	27.4	35.9	34.3	34.7	35.4	38.2
Debt/equity ratio (Times) (Note 10)	1.8	1.2	1.1	1.0	0.9	0.8
Payout ratio (%)	35.7	29.6	55.5	35.6	22.4	26.2

Notes: 1. As of March 31, 2016, there were 62 consolidated subsidiaries and 18 equity-method subsidiaries and affiliates.

2. Forecasts announced on April 28, 2016.

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 (periodic and negotiable deposits of more than three months).

5. EBITDA = Operating income + Depreciation and amortization

6. Lease obligations are included.

7. 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.

8. ROA = (Operating income + Interest and dividend income) / Simple average of total assets

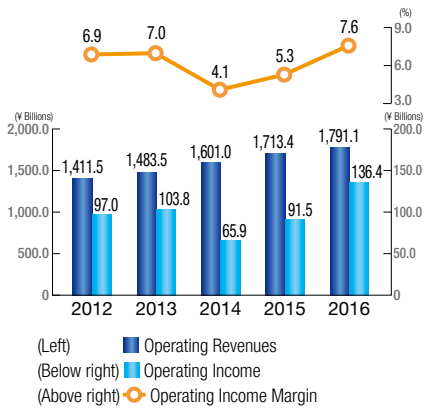
9. ROE = Net income attributable to owners of ANA HOLDINGS INC. / Simple average of total shareholders' equity

10. Debt/equity ratio = Interest-bearing debt / Total shareholders' equity

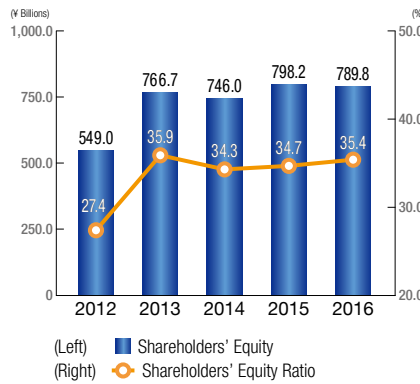
* Yen amounts are rounded down to the nearest million yen and percentages are rounded to the nearest one decimal place.

Financial Indicators

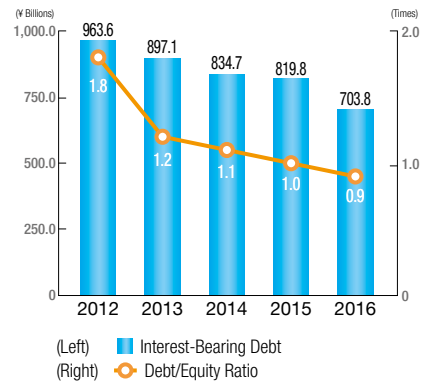
Operating Revenues / Operating Income / Operating Income Margin



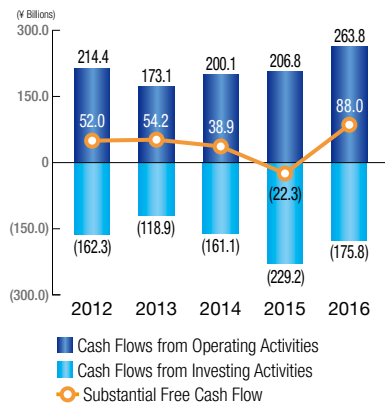
Shareholders' Equity / Shareholders' Equity Ratio



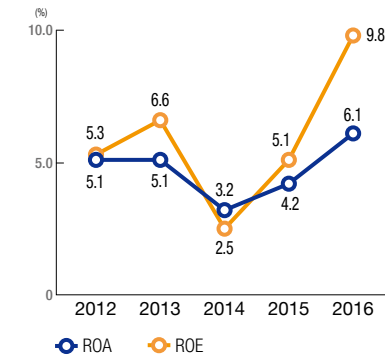
Interest-Bearing Debt*1 / Debt/Equity Ratio*1



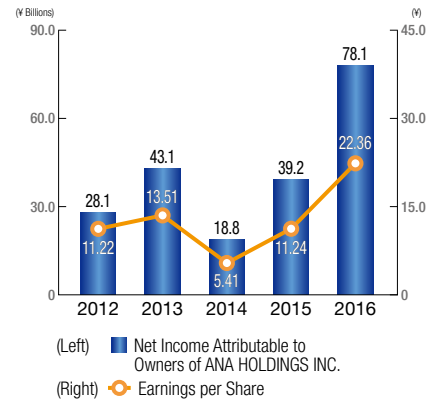
Cash Flows from Operating Activities / Cash Flows from Investing Activities*2 / Substantial Free Cash Flow*2



ROA / ROE

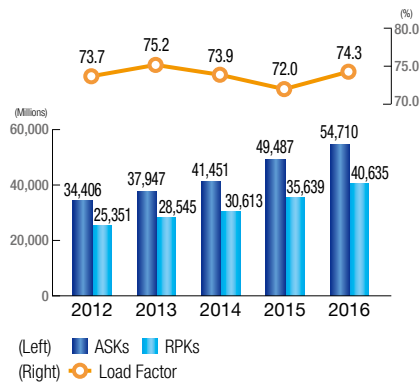


Net Income Attributable to Owners of ANA HOLDINGS INC. / Earnings per Share

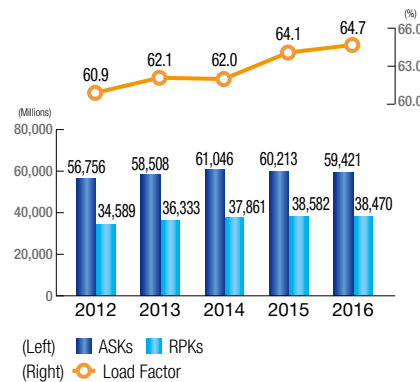


Operational Indicators

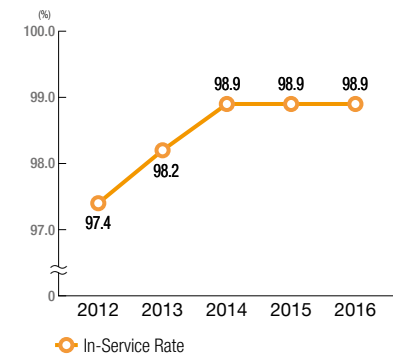
[International Passengers*3] Available Seat-km / Revenue Passenger-km / Load Factor



[Domestic Passengers*3] Available Seat-km / Revenue Passenger-km / Load Factor



[In-Service Rate*4] (Domestic and international passenger flights in total)



*1 Excluding off-balanced lease obligations

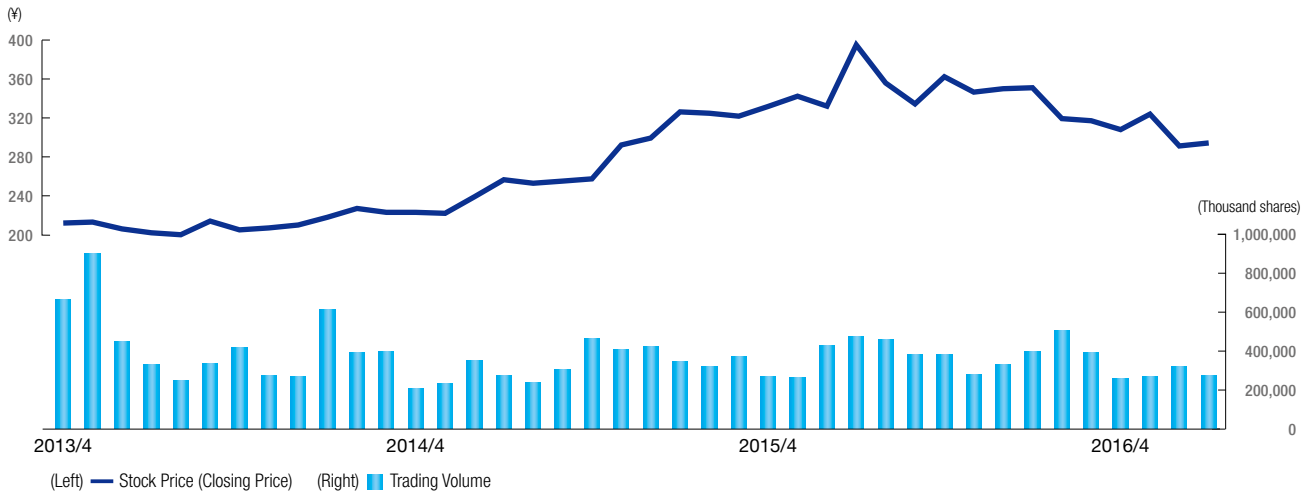
*2 Excluding payment for purchase and proceeds from redemption of marketable securities

*3 Excluding Vanilla Air Inc.

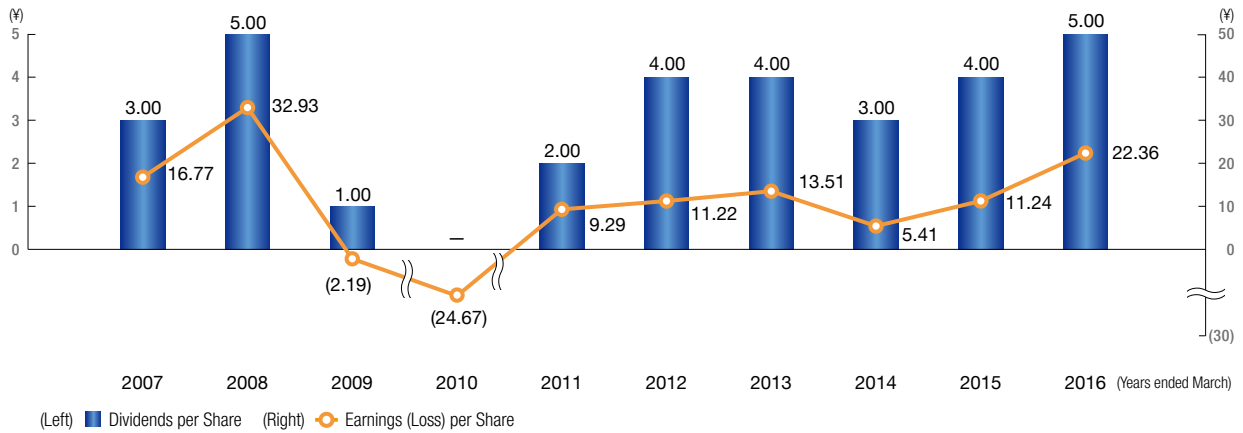
*4 ANA brand only

Shareholder Value

Stock Price Range and Trading Volume



Dividends per Share / Earnings (Loss) per Share



Major Shareholders

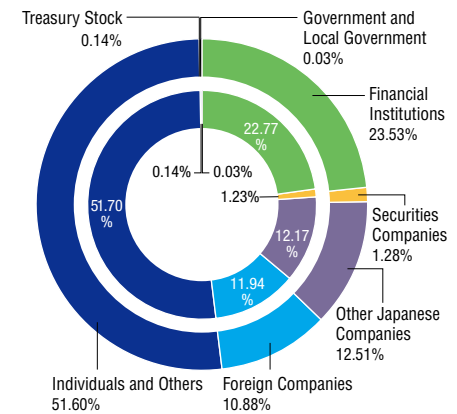
	Number of shares held (Thousand shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust account)	103,967	2.96
The Master Trust Bank of Japan, Ltd. (Trust account)	96,456	2.75
Nagoya Railroad Co., Ltd.	73,067	2.08
Tokio Marine & Nichido Fire Insurance Co., Ltd.	40,397	1.15
Japan Trustee Services Bank, Ltd. (Trust account 7)	39,146	1.11
Japan Trustee Services Bank, Ltd. (Trust account 1)	38,353	1.09
Japan Trustee Services Bank, Ltd. (Trust account 6)	38,048	1.08
Japan Trustee Services Bank, Ltd. (Trust account 5)	38,038	1.08
Japan Trustee Services Bank, Ltd. (Trust account 2)	37,456	1.07
Japan Trustee Services Bank, Ltd. (Trust account 3)	37,402	1.07

(As of March 31, 2016)

Notes: 1. The shareholding ratio is calculated excluding the number of treasury shares (5,066,841 shares).

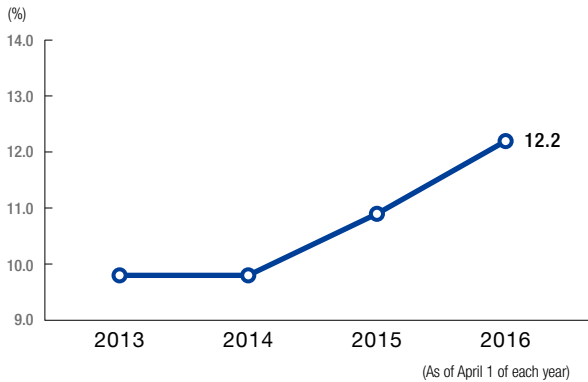
2. Fractions of less than a thousand shares are rounded down.

Distribution of Shareholders



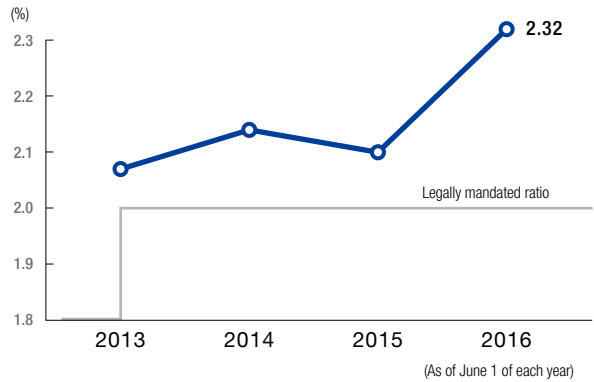
Social Data

Ratio of Female Managers*1



*1 ANA only

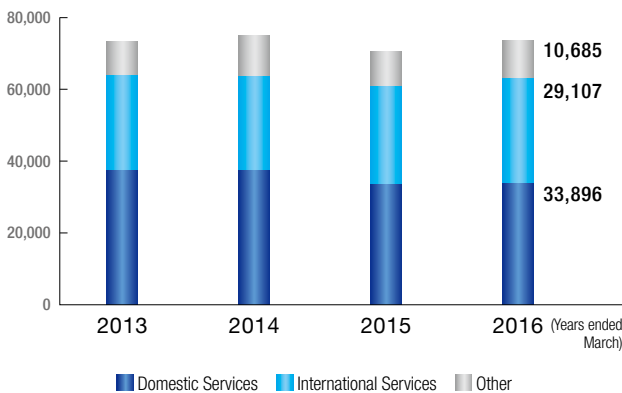
Ratio of Employees with Disabilities*2



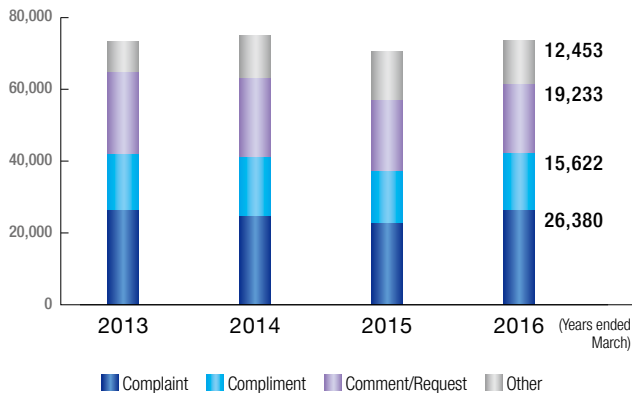
*2 Total of ANA and qualified ANA Group companies (2016 / 2015: total of 12 companies including 1 special subsidiary; 2014: total of 11 companies including 1 special subsidiary; 2013: total of 7 companies including 2 special subsidiaries)

Customer-Related Data

Number of Customer Feedback Reports (by Route Type)

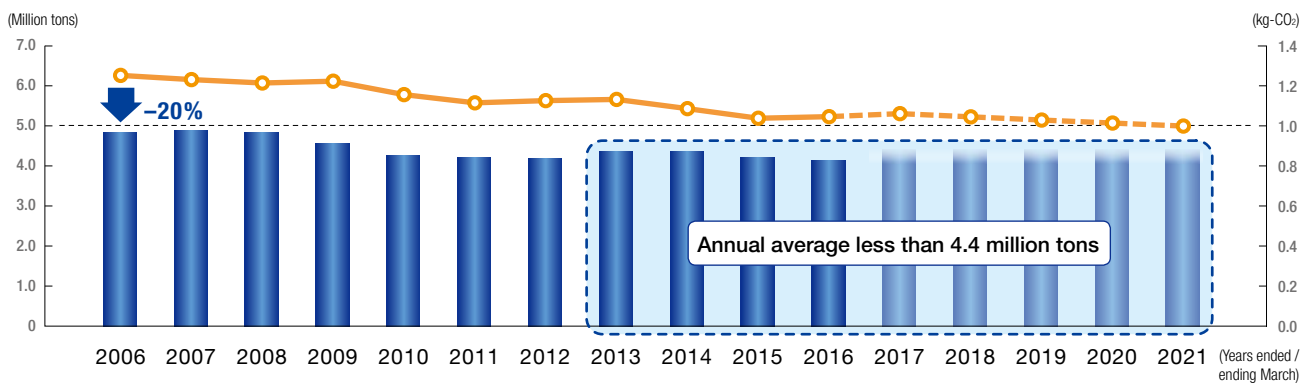


Number of Customer Feedback Reports (by Report Type)



Environmental Data

ANA Group CO₂ Emissions Results and Targets



Highlights of the Fiscal Year Ended March 2016

Innovativeness



Services

Started the ANA STAR WARS™ Project

Services

ANA chosen to become an official airline partner of Tokyo 2020 Olympic and Paralympic Games

Services

Developed new seat for domestic flights jointly with TOYOTA BOSHOKU CORPORATION



Cargo

ANA Cargo Inc. concluded partnership agreement with Miyazaki Prefecture, Miyazaki Bank, and Yamato Transport Co., Ltd., for expanding sales channels for local Miyazaki specialty products

Quality



Services

Introduced ANA Baggage Drop, Japan's first self-service baggage drop machines



Services

Enhanced the halal-certified menu for in-flight meals

2015

April

May

June

July

August

Comprehensive Capabilities



Human resources

Decided to change agreement for cabin attendants joining ANA WINGS CO., LTD., after April 2016, from contract employee to long-term employee

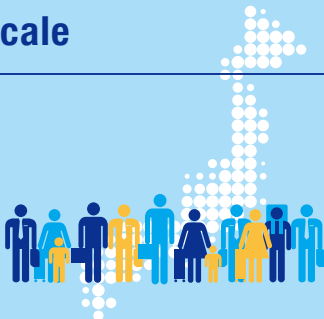
Management

Revised director remuneration systems and introduced performance-linked share remuneration plan

Management

Established MRO Japan Co., Ltd., a dedicated aircraft maintenance company in Okinawa

Scale



Cargo

Approved for antitrust immunity from Ministry of Land, Infrastructure, Transport and Tourism for joint cargo business with United Airlines using transpacific network

Aircraft / flight schedules


Commenced operation of the Narita-Houston route




September

CSR
Started *New BLUE WING Program 2015* to support social entrepreneurs

Services
Installed *New Self Service Check-in Machines* that support 5 languages from 4 countries for domestic services




Services
Launched *ANA EXPERIENCE JAPAN* website to encourage inbound travelers to explore Japan




Aircraft / flight schedules
Flew 100,000th flight using Boeing 787 Dreamliners

Services
Began providing *ANA Wi-Fi Service* in-flight Internet service on domestic flights



Services
Achieved "5 STAR AIRLINE," the world's highest rating from SKYTRAX for the fourth consecutive year




September October November December **2016** January February March

Management
Established Fundamental Policy on Corporate Governance compatible with principles of Japan's Corporate Governance Code

Management
ANA Group and Vietnam Airlines agreed to a business and capital partnership

Services
ANA celebrated 30th anniversary since commencing scheduled international services

Management
ANA HOLDINGS selected for *Nadeshiko Brand* and ANA selected for *New Diversity Management Selection 100* in FY2015



Aircraft / flight schedules
Commenced operation of the Haneda–Guangzhou route

Aircraft / flight schedules
Commenced operation of the Haneda–Sydney route

Aircraft / flight schedules
Commenced operation of the Narita–Brussels route

Aircraft / flight schedules
Commenced operation of the Narita–Kuala Lumpur route

Creating a Legacy for Su



Shinya Katanozaka
President & Chief Executive Officer

Stainable Growth

The ANA Group's new Medium-term Corporate Strategy will direct us in taking on challenges to evolve into the world's leading airline group.

Chapter 1

Review of Fiscal Year Ended March 2016 and Direction of Management Strategies Going Forward

Reinforcement of Foundations for Future Growth

I would like to take this opportunity to express my sincere appreciation for all of our stakeholders' continued interest in and support for the ANA Group. I would also like to extend my sincere condolences to those that were impacted by the 2016 Kumamoto Earthquake.

The fiscal year ended March 2016 was a year in which the various initiatives conducted under corporate strategies began to produce results, enabling us to once again deliver our highest operating income ever, breaking last year's records.

On the business front, in our mainstay International Passenger Business, demand increased in line with business expansion. This favorable growth came thanks to our efforts to bolster our network through the active deployment of Boeing 787 Dreamliners while also improving product and service quality and implementing measures for increasing overseas sales. Thanks to the Narita–Houston route launched in June 2015 and the Narita–Kuala Lumpur route launched in September of the same year, we succeeded in capturing demand for flights from and to Japan as well as connecting demand between North America and Asia. As a result, consistent load factor has been secured on these routes since immediately after service commenced. We credit this accomplishment to the relative increase in the competitiveness of our network arising from the expanded range of regions covered by the group.

Our International Passenger Business is generally thought to be easily influenced by changes in economic conditions. However, as we are now able to fly long-haul routes using medium-body aircraft, we have a newfound ability to take steps to reduce the impacts of downturns in demand. After the November 2015 terrorist attacks in France, for example, the number of passengers on the Haneda–Paris route decreased. However, we were able to

respond by introducing Boeing 787-8s with a lower seat number of 169 on this route. This measure minimized the adverse effect on revenues. In other words, the ability to alter the aircraft used on a route-by-route basis has given us additional room to match supply to demand. In addition, we are working to limit increases in expenses as our business expands. We have implemented reforms in terms of both revenues and expenses, thereby endeavoring to establish a structure for our International Passenger Business that will allow us to generate reliable profits.

In our Domestic Passenger Business, we succeeded in increasing operating revenues despite the decline in passengers due to the start of operations of the Hokuriku Shinkansen bullet train line. In addition, Vanilla Air Inc. generated a profit in the third year since its operations commenced. Our Airline Related business saw an increase in contracts for airport ground handling services aimed at overseas airlines. Also, in the Trade and Retail business, revenues from airport duty-free stores increased. Therefore, our various business initiatives led to improved performance.

In terms of finances, in March 2016 Rating and Investment Information, Inc. (R&I) raised our issuer rating to A for the first time in 17 years, meaning that our ratings from two of Japan's most prominent ratings institutions have improved. These improvements would seem to be a result of the positive evaluation from such external organizations with regard to how we have enhanced our financial position to a level at which financial health can be maintained, which is due in part to the favorable performance trends seen over the past few years.

As I have explained, the fiscal year ended March 2016 was a year in which we succeeded in reinforcing our foundations for future growth through both our business and financial strategies.

Creating a Legacy for Sus

Goals of the New Medium-Term Corporate Strategy

In light of this favorable progress, we announced our FY2016–20 ANA Group Corporate Strategy in January 2016. This plan calls on us to implement “aggressive and speedy management” to accelerate our growth strategies based on our achievements.

One important strategic theme of this plan is to “expand airline business domains.” There is a need to closely monitor current macro environment trends as well as fuel and foreign currency markets. However, because of this difficult environment, we are committed to charting a course toward the accomplishment of the corporate plan’s goals, while carefully managing risks.

In the International Passenger Business, we project firm performance mainly due to demand for business travel from and to Japan. Although the growth rate for numbers of inbound travelers to Japan is slowing, the Japanese government raised its inbound traveler targets in March 2016, and it can therefore be expected that the government will deploy measures to stimulate inbound travel. These numbers are thus expected to show an upward trend over the medium term. Looking ahead, we will work to capitalize on the opportunity created by the increase in slots at Tokyo metropolitan area airports to grow our business. In addition, we will step up our initiatives to capture resort demand by deploying wide-body Airbus A380s in spring 2019. Through these efforts, we plan to broaden our range of new target market segments further.

Meanwhile, the existing air travel market is projected to mature in the Domestic Passenger Business. Nevertheless, there is still room to increase demand in domestic operations from inbound travelers. Accordingly, we will accelerate efforts to match supply to demand to establish an unshakable position as a company with stable revenue platforms.

Demand growth is sluggish for cargo services, but we expect trade deregulation in the Asia-Pacific region to drive up demand over the medium term, resulting in increased express cargo and cross-border e-commerce demand. For this reason, we will endeavor to continue improving the presence of ANA’s cargo distribution network, especially in the Asian region.

In our Low Cost Carrier (LCC) Business, Vanilla Air succeeded in recording operating income, thereby stepping on to the growth stage. Moving forward, this company will expand routes centered on Asia so that it may be positioned as a new source of earnings for the group. Meanwhile, Peach Aviation Limited is steadily expanding its track record out of Kansai as its main airport and is penetrating domestic and overseas markets with its services based out of Okinawa and Narita airports. In the future, we will seek to expand our range of targets through a multi-brand strategy advanced by both ANA, a full service carrier, and our two LCCs.

Another important strategic theme of the new Medium-term Corporate Strategy is to “create new businesses and accelerate growth of existing businesses.” With regard to this strategy, our policy will be to improve the group’s earnings while efficiently allocating management resources centered on non-airline businesses.

Selection and concentration measures will be accelerated in existing businesses as we strive to maximize earnings and efficiently allocate resources. When it comes to addressing low-performing businesses, we will consider possible options including complete withdrawal or outsourcing. The group possesses a wealth of tangible and intangible assets, including the brand power and customer foundation we have cultivated throughout our history. Effectively utilizing these assets, we will seek to create and cultivate businesses through means such as establishing new companies. Strategic investments will also be considered as necessary while we pursue earnings growth.

Through these efforts, we will target top-line growth on a consolidated basis. However, we also feel that ongoing cost management will be a matter of importance going forward. Taking advantage of the characteristics of the holding company structure, we will transition toward a bottom-up-style framework in which each operating company practices autonomy in pursuing cost reductions. With this framework in place, we will proceed to enhance our cost competitiveness while comparing our cost structures to those of other global airlines.

The aforementioned measures will be advanced as part of the new Medium-term Corporate Strategy. At the same time, we aim to realize appropriate management

Sustainable Growth

resource allocations while achieving a balance between growth investments and shareholder returns and maintaining our current financial soundness. As the expansion of the slots at Tokyo metropolitan area airports will create significant business opportunities for the group, it will be crucial to ensure that our systems are prepared for anything through a concerted group effort. For this reason, we will work to increase profitability in the future by conducting ongoing growth investments, particularly those for aircraft.

We also recognize shareholder returns as an important management priority. Our policy is to continue issuing stable dividends while considering our free cash flow level

from a forward-looking perspective. In addition to enhancing shareholder returns based on the payout ratio, we are examining the possibility of adopting the total return ratio as a new benchmark to be targeted in the future.

In January 2015, we announced the Long-term Strategic Vision in which we defined our value creation targets for the fiscal year ending March 2026. As we advance the Medium-term Corporate Strategy going forward, we will strive to accomplish these targets ahead of schedule and grow into a top-tier global airline group in terms of profitability.

Chapter 2

Achievement of Value Creation and Management Vision through Sustainable Growth

ANA Group Value Creation Cycle

In Chapter 1 of this message, I explained the policies of management that had been incorporated into the Medium-term Corporate Strategy. In Chapter 2, I will offer my thoughts on the direction we will emphasize in advancing these growth strategies as we progress toward the future of the group.

The group has faced countless trials over the years since ANA was founded in 1952. However, we have managed to overcome each of these by mustering the knowledge and strength of all group employees to tackle these challenges as a team. Always seeking to live up to customer expectations, we have expanded the scale of our network and business, improving the operation and service quality we have built on safety. Through this diligent effort, on March 3, 2016, we were able to celebrate our 30th anniversary since commencing scheduled services of international operations. This tenacious, pioneering spirit constitutes the DNA that has been passed down through the ANA Group's operations as a private airline company. Today, we are aspiring to further enhance the power of the brand accumulated by those who came before us so that we may leave a stronger brand for those

that come after us. To ensure that we can accomplish this goal, we aim to realize the group's Management Vision through sustainable growth.

Achieving sustainable growth will require that we accurately respond to changes in the operating environment while also addressing the material issues faced by the global society. From a long-term perspective, we must utilize our strengths to help resolve these issues and thereby practice management that creates economic and social value for our various stakeholders. Going forward, we will advance our growth strategies while effectively implementing this cycle centered around the core formed by the ANA brand that we have developed. (For details, please refer to "ANA Group Value Creation Cycle" section on pages 8 and 9.)

In our core Air Transport business, for example, we will match supply to demand in the Domestic Passenger Business to establish an unshakable position with stable revenue platforms while also expanding the International Passenger Business as a growth driver. This approach toward improving corporate value will provide an unchanged direction for our strategies. In addition to greeting all of our customers from around the world with the utmost quality, we will also contribute to the achievement of government

Creating a Legacy for Sus



goals pertaining to establishing Japan as a tourism-oriented country and promoting regional vitalization. I believe these efforts will enable us to grow as an enterprise while improving corporate value. Japan currently faces concerns such as the depopulation of regional cities and fears over the decline of traditional industries. However, by communicating the appeal of Japan to the world, we should be able to help maintain and maybe even improve regional economies, an undertaking that will in turn help us grow our Air Transportation business.

To implement this Value Creation Cycle, an important role will be played by our human resources. Advancing growth strategies in the future will force us to compete with overseas airlines to an even greater extent than before. Our operations will be more heavily influenced by global economic trends and our exposure to event risks will increase. Our human resources will be a major source of differentiation from other airlines in the quest to win out against fierce global competition, making our people the most valuable asset to the future development of our business. ANA's Way represents the behaviors necessary for

the group to achieve the goals set forth in its Mission Statement and Management Vision. This creed unites our various employees under a common set of core values. We are therefore developing education and evaluation systems with this creed as the basis to enable all employees to realize their full potential.

In addition, we aspire to always be an organization in which the diversity of all individuals is respected and their unique capabilities are utilized to create new value. To facilitate these efforts, we announced our ANA Group Diversity & Inclusion Declaration in April 2015 and began implementing various measures based thereon. Our diversity and inclusion (D&I) initiatives exhibit their true value when we respond to customers' various needs and contribute to the creation of a lively and harmonious society that is receptive toward diversity. Accordingly, we will redouble our efforts to be the global best at providing universal service while leading society in the promotion of D&I.

We are an airline group with air transportation as our core business. As such, the environment is an important consideration with regard to sustainability in our business. The standards for CO₂ emissions reductions continue to grow ever more rigorous. Against this backdrop, we are actively introducing fuel-efficient aircraft with superior environmental performance to further us toward our goal of being a world-leading eco-friendly airline. In addition, we will work to stand at the forefront of eco-activities through initiatives such as pursuing operation using next-generation aviation fuels.

Strengthening of Corporate Governance Systems

In implementing the various management policies I have discussed thus far, it will be absolutely essential for us to practice management that contributes to the creation of value for our various stakeholders while accurately responding to operating environment changes. Accordingly, we intend to advance the following initiatives to realize fundamental improvements in order to strengthen the corporate governance systems that form the basis for "aggressive and speedy management."

The first initiative is to improve the functionality of operating companies by taking advantage of the holding company structure. Three years have passed since we

Sustainable Growth

transitioned to the current structure in April 2013. Looking ahead, we plan to establish a business operation structure that allows for the speedy execution of strategies in order to expedite management decisions at group companies. In addition, we will set groupwide management policies and targets and take full advantage of frameworks for overseeing the business implementation of group companies. Furthermore, we intend to appoint human resources with extensive experience and highly specialized knowledge to serve as directors at all operating companies, to which we will delegate additional authority for decisions related to operations in order to accelerate management speed.

The second initiative will be to enhance interactions with stakeholders. Ongoing, constructive, and earnest interactions with shareholders and other stakeholders are important to realizing sustainable growth and improving corporate value over the medium to long term. For this reason, we emphasize consistency and continuity in disclosing information about the group's activities, a policy that we believe enables us to build stronger relationships with our stakeholders. The ANA Group views this type of interaction as forming the foundations for ongoing growth.

The third initiative is to reinforce the supervisory function for management. The company's Board of Directors has been assigned the two duties of serving as the highest decision-making body for management and providing the supervisory function for the business execution of other directors. We are currently strengthening the functions of the Board of Directors through such measures as having reports on important matters submitted to the Board, even if procedures related to these matters have not yet been completed, and enhancing the briefings held for outside directors prior to Board meetings. We also aim to ensure the soundness of our organization. We are going about this by guaranteeing transparency in proceedings of the Board of Directors through audits by Audit & Supervisory Board members and by actively employing the diverse insight and experience of outside directors to free us from the confines of standard industry practice.

To realize this type of effort, we put our Fundamental Policy on Corporate Governance, which was established based on Japan's Corporate Governance Code, into full force in December 2015. This code is designed to set

forth a framework in which the company plays a leadership role in the management of the group, supervising group companies while making swift and decisive decisions. With the code in place, we will continue to ensure the visibility of management and exercise accountability toward stakeholders as we construct ever-stronger corporate governance systems.

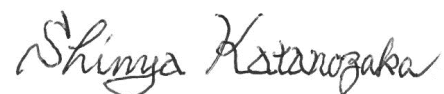
A Legacy for Sustainable Growth

ANA was delighted to become a Tokyo 2020 Official Partner to the Tokyo 2020 Olympic and Paralympic Games. Accordingly, 2020 will be a year in which the ANA Group is granted a chance to spread its wings on the global stage and will also provide a prime opportunity to enhance Japan's presence in the international society. At the same time, this year will offer a chance for the country, organizations, companies, and others to unite as one on the world's largest stage to work toward the resolution of the various social issues faced by the international society. We believe that 2020 will prove to be a turning point. We will therefore endeavor to create a legacy for sustainable growth after this year by doing our part to unite the hopes of all around the world in order to breed new possibilities.

The ANA Group is committed to evolving into the world's leading airline group and becoming an organization that grows together with Japan and the rest of the international society while changing them for the better. We will continue to tackle the challenges along this path as we progress into the future.

July 2016

President & Chief Executive Officer



FY2016–20 ANA Group Corporate Strategy

This section explains the FY2016–20 ANA Group Corporate Strategy, which was formulated to accelerate growth strategies on the foundation of the results achieved under previous corporate strategies.

Value Creation Targets for the Fiscal Year Ending March 2021 (Timely disclosure filed on January 29, 2016)

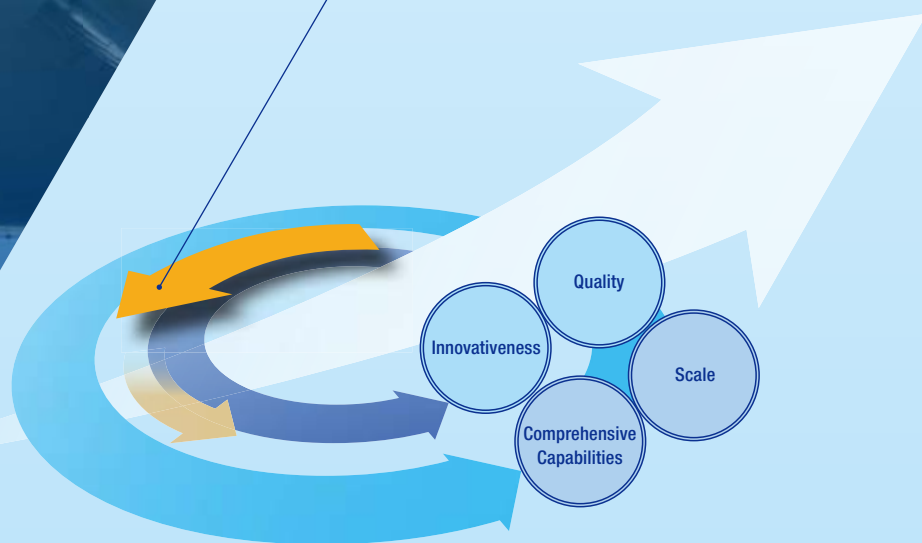
Operating Revenues	¥2,160.0	billion
Operating Income	¥200.0	billion
Net Income Attributable to Owners of ANA HOLDINGS INC.	¥115.0	billion
Return on Equity (ROE)	9.8	%
Return on Assets (ROA)	7.6	%

* The information on pages 24 to 45 is based on the FY2016–20 ANA Group Corporate Strategy, which was announced on January 29, 2016. However, the numbers, graphs, etc., have been revised in accordance with the results for the fiscal year ended March 2016 and the financial forecast for the fiscal year ending March 2017, which were announced on April 28, 2016.

Road Map for Sustainable Value Creation

Growth Strategies

FY2016-20
ANA Group Corporate Strategy



Review of Previous Corporate Strategies

We formulated the FY2014–16 ANA Group Corporate Strategy with a focus on the increase in international flight slots at Haneda Airport from the fiscal year ended March 2015, and implemented a growth strategy, mainly on our international network. In addition, in January 2015 we announced our Long-term Strategic Vision and determined the direction that we needed to take from a long-term viewpoint.

The major initiatives of the FY2014–16 ANA Group Corporate Strategy included “Enhancement of core businesses,” and to that end we aggressively expanded our international network. Also, we worked to optimize supply to demand while controlling capacity in the Domestic Passenger Business. Vanilla Air Inc. achieved profitability at the operating income level. In these ways, the Air Transportation Business made a significant contribution to higher revenues.

Another major initiative was the “Expansion and diversification of revenue domains.” In the Airline Related Business we expanded contracted services, centered on airport ground handling for overseas airlines, and in Trade and Retail we increased duty-free sales with a focus on the large numbers of inbound travelers to Japan. As a result, we achieved growth in revenues at group companies.

Aiming to transition to a business structure that is less sensitive in regard to changes in the external environment, we made progress according to plan in our Cost Restructuring Initiatives. As a result of these initiatives, which were implemented on a groupwide basis, over the five-year period from the fiscal year ended March 2012 to March 2016, we achieved cumulative total reductions of ¥113.0 billion.

Implemented Three Major Initiatives Steadily, and Moving on to the Next Stage to “Accelerate” Strategy

Achieve Management Vision

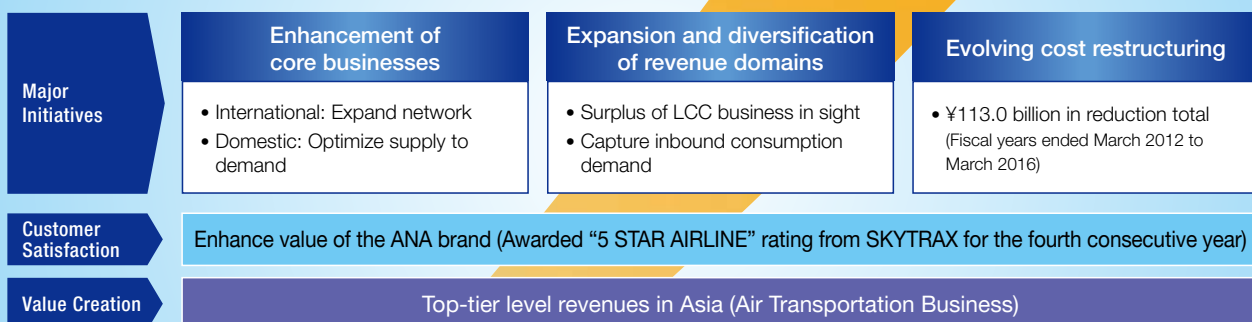
Long-term Strategic Vision
(– fiscal year ending March 2026)

FY2016–20
Corporate Strategy

Accelerate Growth Strategy

FY2014–16 Corporate Strategy

Implement Growth Strategy



FY2012–13
Corporate Strategy

FY2013–15
Corporate Strategy

Reinforce
Management Platform

Business Environment

In the global economy, there are concerns about current economic trends, such as lower economic growth in some emerging countries. On the other hand, the Asia-Pacific region continues to record moderate economic growth. With support from this growth, deregulation continues to make progress, including the Trans-Pacific Partnership (TPP), economic partnership agreements (EPAs), and free trade agreements (FTAs). This is likely to catalyze more-active movement of people and goods.

In Japan, the low growth rate is forecast to continue due to the low birthrate and an aging society. However, government-led

measures to revitalize regional economies and make Japan a tourism-oriented country are expected to increase domestic flights by inbound travelers to Japan.

Trends in the foreign exchange and crude oil markets are major factors influencing the global economy as a whole. In particular, fluctuations in the crude oil price are an external factor that has a significant influence on performance in the airline industry. Therefore, we need to build a management platform that is less sensitive to market fluctuations.

Airline Industry

In preparation for the Tokyo 2020 Olympic and Paralympic Games, initiatives regarding the state of urban and transportation infrastructure have entered a new phase. Currently, the enhancement of Tokyo metropolitan area airports is under consideration. Wide-ranging deliberations are under way, including not only increasing slots by reevaluating runway operations and flight paths but also improving transportation access linking urban areas and airports. The government has increased its target for the number of inbound travelers to Japan in 2020 to 40 million,

and air traffic demand to and from Japan is expected to increase further. Moreover, by network expansion through increased slots at Tokyo metropolitan area airports, it will be possible to capture further trilateral demand between North America and Asia.

As we advance our growth strategies, these changes in the business environment will lead to significant opportunities for the group. At the same time, we believe that they will also lead to intensified competition with other airlines in Japan and overseas as well as with companies in other industries.

FY2016–20 ANA Group Corporate Strategy

Expand Businesses by Capturing External Opportunities as a Tailwind





What the Next Corporate Strategy Aims For

As a result of our steady implementation of previous corporate strategies, we built a foundation for the further acceleration of our management speed that enabled us to formulate the FY2016–20 Corporate Strategy. By accelerating growth strategies, we will aim to achieve our Management Vision—to be the world’s leading airline group in customer satisfaction and value creation in the fiscal year ending March 2021.

Under the new corporate strategy, we outlined the following major initiatives—“Expand airline business domains” and “Create new businesses and accelerate growth of existing businesses.”

In advancing these initiatives, we will focus on “aggressive management,” under which we actively enter new markets, create innovation, and implement strategic investment, and “speedy management,” under which we encourage the entire group to flexibly take on challenges by implementing simple, timely decision-making and by aggregating and communicating information.

We have set a 5-year time frame for this corporate strategy. This decision was made in consideration of the expansion of slots at Tokyo metropolitan area airports by 2020 in preparation for the Tokyo 2020 Olympic and Paralympic Games.

Achieve Management Vision during Fiscal Year Ending March 2021 by Aggressive and Speedy Management

Management Vision

It is our goal to be the world’s leading airline group in customer satisfaction and value creation.

To Accomplish the Vision

Major Initiative 1 Expand Airline Business Domains

Major Initiative 2 Create New Businesses and Accelerate Growth of Existing Businesses

Implement aggressive and speedy management

“Aggressive management”

1. Entry to a new market
2. Origination of new businesses
3. Strategic investment
4. Creation in innovation

“Speedy management”

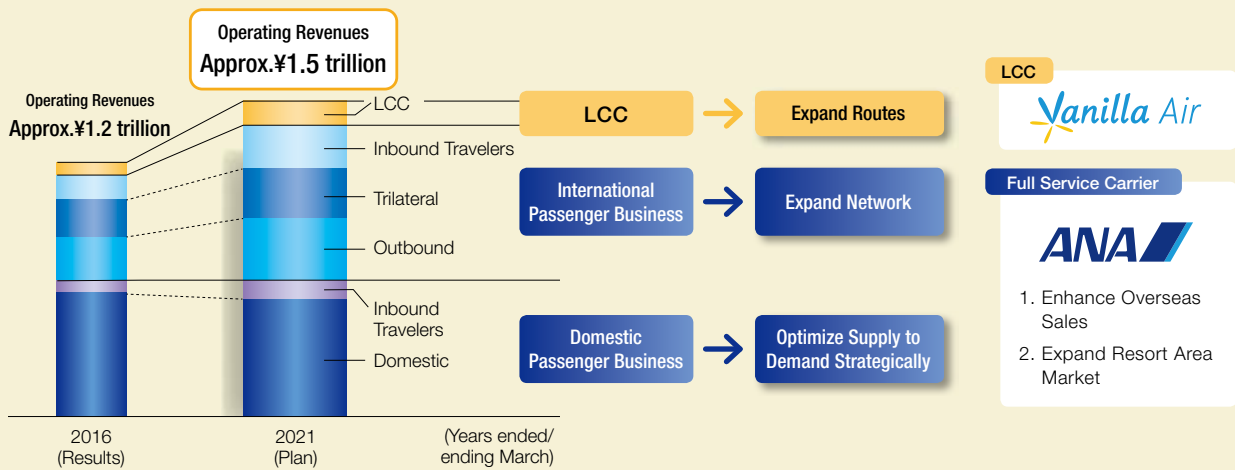
1. Timely delivery of aggregate information
2. Simplification of decision-making
3. Judgment by the top management
4. Lean startup

Major Initiative 1 Expand Airline Business Domains (Air Transportation Business)

By focusing on our international business, we will grow the top line through our multi-brand strategy for ANA and LCC. In our domestic network, we will work to maintain our revenue platform by advancing the strategic optimization of supply to demand while stepping up initiatives to capture inbound travelers to Japan.

In the International Passenger Business, we will reinforce our initiatives to capture demand from inbound travelers, in addition to outbound demand from Japan and trilateral demand, by strengthening overseas sales. Also, we will work to increase our share of the resort area market to target an even broader range of demand in the years ahead.

Progress Top-line Additionally by Capturing Various Demand

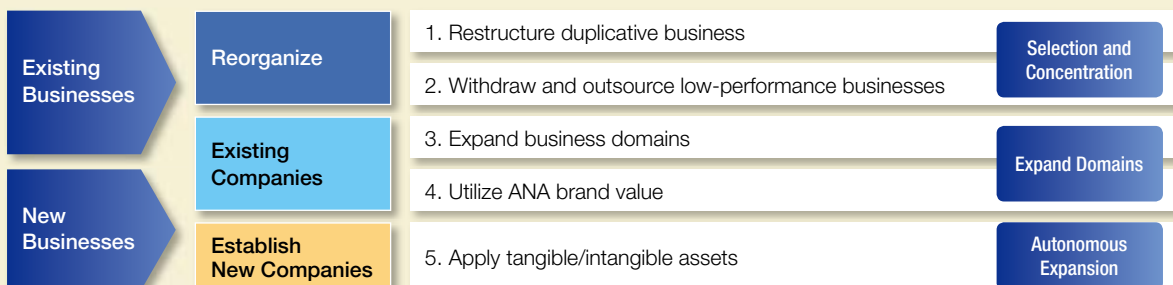


Major Initiative 2 Create New Businesses and Accelerate Growth of Existing Businesses (Non-airline businesses)

In non-airline businesses, we will change the method of evaluation for the profitability and growth potential of existing businesses by shifting the focus from a company basis to a business basis. Also, we will accelerate the expansion of our existing business platform if we can capture new demand.

The group has cultivated tangible and intangible management assets over many years, and we will take steps to effectively utilize these assets if necessary. Also, we will integrate them with know-how from others as well as new technologies to focus on creating and fostering businesses that will be our new growth drivers.

Continue Strategic Investment while Accelerating “Selection” and “Concentration”





Fleet and Network

Fleet Strategy

Pursue Fleet Strategy to Support Growth of Air Transportation Business

As of the end of March 2016, we were operating 257 aircraft*. Our policy is to continue to secure the aircraft required to expand the airline business domains with a certain degree of flexibility. We plan to have approximately 300 aircraft in service as of the end of March 2021.

The Boeing 787 will be the group's main aircraft. Due to dramatic increases in fuel efficiency, we can now operate this medium-body aircraft on long-distance routes. This increases our options when opening up new routes or increasing flights on existing routes, and accordingly the ability to use this aircraft will be a driving force for network expansion.

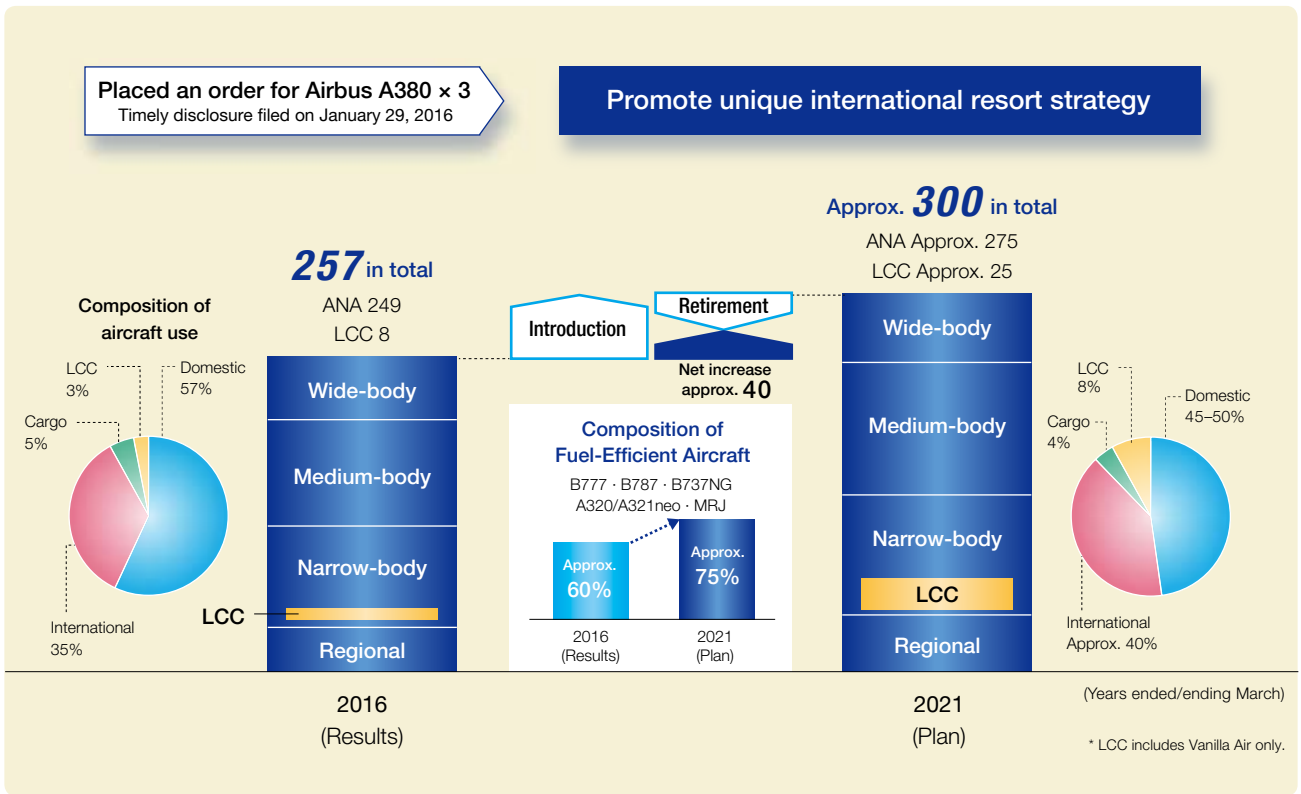
In January 2016, we decided to place an order for wide-body Airbus A380 aircraft. We plan to capture stable leisure travel demand on the Tokyo-Honolulu route while minimizing cost per seat in order to rapidly increase the market share.

On the other hand, on domestic routes we will gradually transition to narrow-body aircraft while maintaining the number of

aircraft in service. From the fiscal year ending March 2017, we will introduce Airbus A321 aircraft and start to implement the "Dynamic Fleet Assign Model." By introducing narrow-body aircraft in the domestic market, which have substantial fluctuations in demand based on the season and day of the week, we will implement flexible aircraft operation. In the near future we plan to introduce the Mitsubishi Regional Jet (MRJ), and will further accelerate the optimization of supply to demand.

In regard to the environmental performance of the group's fleet, fuel-efficient aircraft accounted for approximately 60% of our fleet as of the end of March 2016, and this figure will increase to approximately 75% by the end of March 2021. By advancing the introduction of aircraft with high fuel efficiency, we will contribute to reducing the environmental impact of aircraft operation while increasing economic efficiency, centered on fuel costs.

* Including aircraft operated by Vanilla Air. Excluding aircraft leased outside of the group.



Network Strategy

Developing a Global Network, Centered on International Services

Our policy is to aim for the completion of our Dual Hub Network Strategy by utilizing the opportunity presented by the increase in slots at Tokyo metropolitan area airports in preparation for the Tokyo 2020 Olympic and Paralympic Games. We will expand the cities that we serve, and will increase frequency of flights on existing routes by utilizing the Boeing 787. In addition, we will develop new partnerships with overseas airlines.

For example, we are taking steps to develop our network in the ASEAN region. We plan to launch a Narita–Phnom Penh route from September 2016. Also, we will start code-share flights with Vietnam Airlines, with which we concluded the final contract regarding a business and capital partnership in May 2016. Targeting regions that are expected to record solid growth in demand, we will reinforce our foundation for the strategic development of group

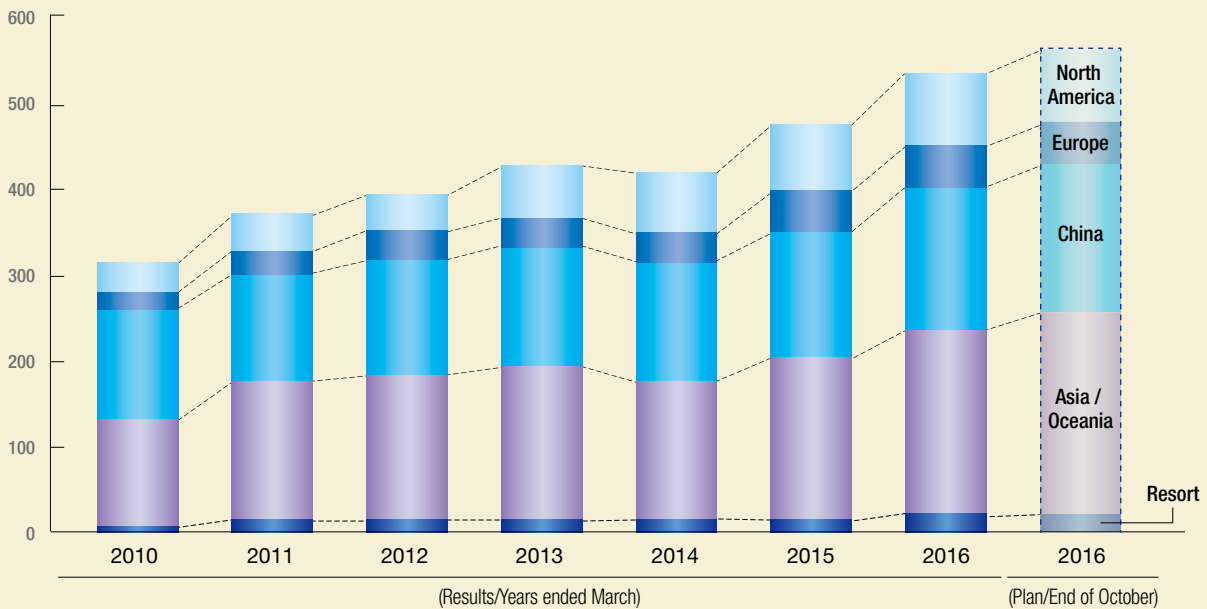
businesses while approaching Asia in a wide-ranging manner.

From the winter 2016 schedule, we will open routes between Haneda and New York, Chicago, and Kuala Lumpur. Also, we plan to launch direct service to Mexico in February 2017. We will enhance ANA's presence in domestic and overseas markets while maintaining quality in products and services.

On the other hand, Vanilla Air will expand its routes based at Narita and work to meet outbound leisure travel demand as well as inbound demand. Vanilla Air will also consider making Taipei a new hub to serve as the cornerstone of future network expansion in Asia.

We will expand network that is aligned with the characteristics of ANA as a full service carrier and Vanilla Air as an LCC, and expand our business domains under the multi-brand strategy.

ANA's International Passenger Business: No. of flights per week (one-way basis / by destination region)





Top-Line Growth and Cost Reductions

Business Portfolio

Expand Revenue in Each Segment, Mainly in the Air Transportation Business

In April 2013, we transitioned to the holding company structure, and have worked to optimally allocate our management resources by advancing a business portfolio strategy. To achieve growth that is balanced on a groupwide basis, the core axis of our strategy is to develop and enhance the Air Transportation business, mainly on international routes. We are also working to diversify our revenue domains by expanding non-airline businesses.

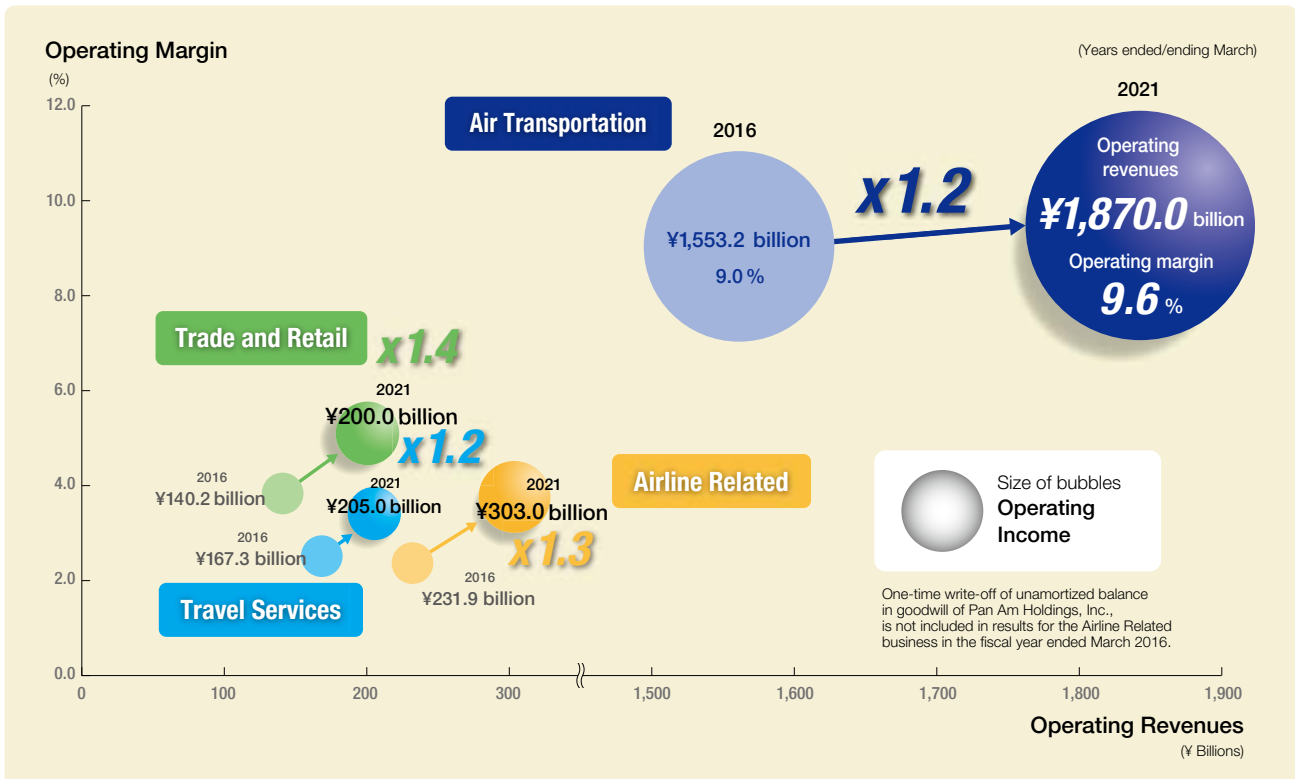
Under the current corporate strategy, the Air Transportation business will continue to act as the driver of growth in revenues and operating income. In the fiscal year ended March 2016, the Air Transportation business recorded operating revenues of ¥1,553.2 billion, and over the next five years we plan to increase revenues to about 1.2 times that level, to ¥1,870.0 billion in the fiscal year ending March 2021. We aim to increase profitability while improving the operating income margin by raising cost competitiveness.

In non-airline businesses, we will accelerate the implementation of selection and concentration and work to maximize profits

and efficiently allocate resources. We will also accelerate the expansion of our business domains with a focus on the Trade and Retail and Travel Services businesses, in which we can utilize our existing business platform to capture new demand.

The group has a wealth of tangible and intangible assets, including a brand power and customer foundation developed over many years and extensive know-how and technology. To effectively utilize these assets, we will focus on creating and fostering new businesses, including the establishment of new companies, and will incorporate strategic investments if necessary. In these ways, we will strengthen initiatives targeting growth in revenue.

By the fiscal year ending March 2021, we plan to expand revenues in the Airline Related, Travel Services, and Trade and Retail businesses by 1.2 to 1.4 times the level in the fiscal year ended March 2016. Through the appropriate allocation of management resources by focusing on the operating margin of each business, we will further increase group profitability.



Operating Revenues / Operating Margin

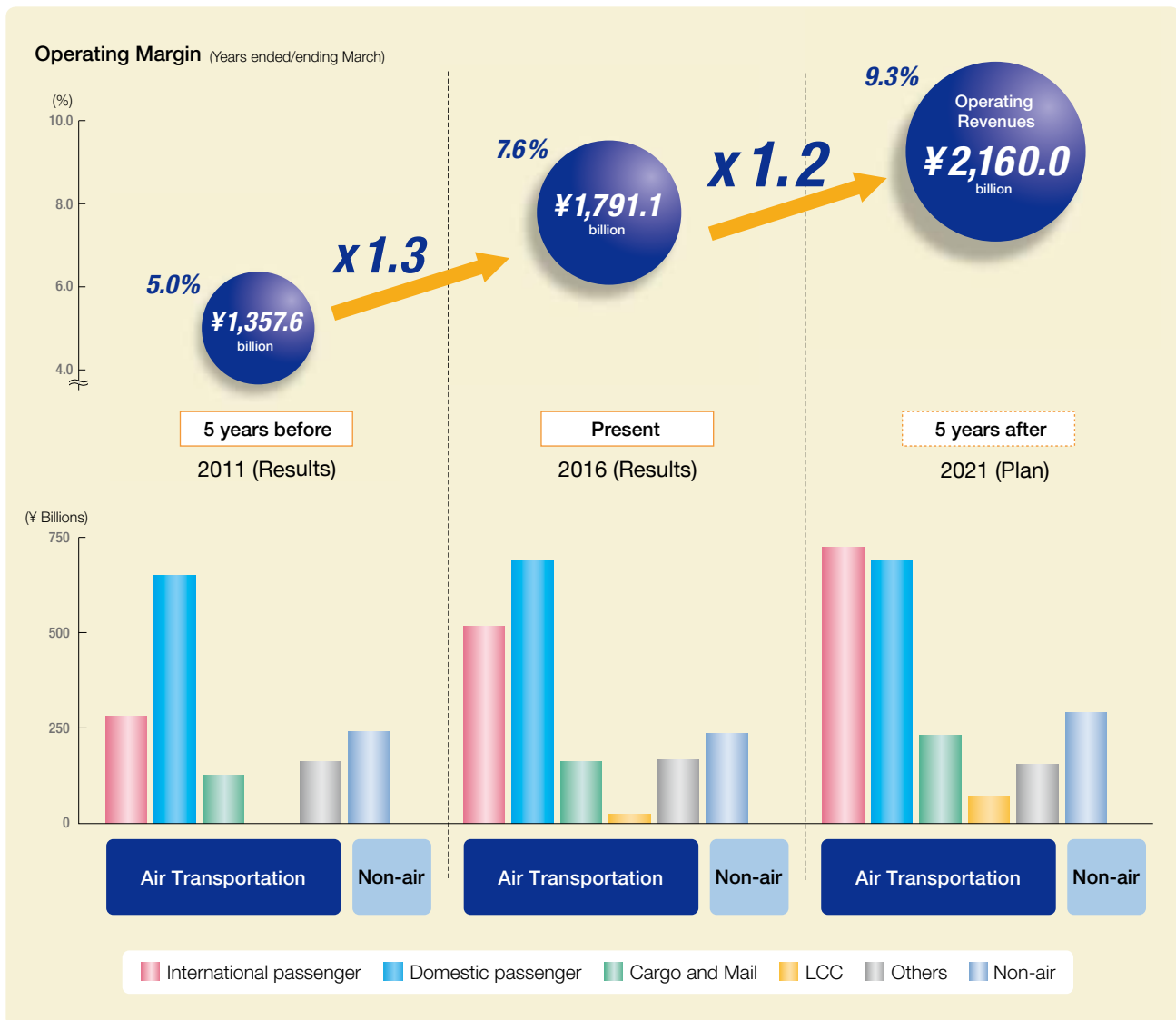
Pursue Both Growth of Top-Line and Improvement of Profitability

Our plan is to increase operating revenues to ¥2,160.0 billion in the fiscal year ending March 2021, approximately 1.2 times the level in the fiscal year ended March 2016. By controlling increases in expenses while expanding capacity, we are aiming to achieve an operating income margin between 9% and 10% in the fiscal year ending March 2021.

In the Air Transportation Business, we are forecasting

operating revenues from the International Passenger Business of ¥724.0 billion in the fiscal year ending March 2021, which is higher than the Domestic Passenger Business. For Vanilla Air, our plan is to expand operating revenues over the next five years to ¥71.0 billion, three times the previous level.

In non-airline businesses, we will aim for top-line growth on a groupwide basis, including initiatives to capture inbound demand.



FY2016–20 ANA Group
Corporate Strategy



Financial Strategy

Cost Management

Continue Appropriate Cost Management and Improve Further Profitability

The Cost Restructuring Initiatives implemented since the fiscal year ended March 2012 have succeeded in bringing the unit cost for ANA, considering differences in average flight distance per seat, to a level comparable with the average for global airlines.

In the fiscal year ending March 2017, we are planning to reduce costs by ¥25.0 billion, as a Cost Restructuring Initiative

based on the original plan. Under the corporate strategy, we will aim to further reduce unit cost (cost per ASK) in ANA brand passenger operations by ¥0.2 by the fiscal year ending March 2021.

We will focus on implementing appropriate operations and process automation to further increase profitability in the Air Transportation business.

Cash Flows and Capital Expenditures

Continue Aircraft Investments to Achieve Growth Strategy with Securing Stable Free Cash Flow

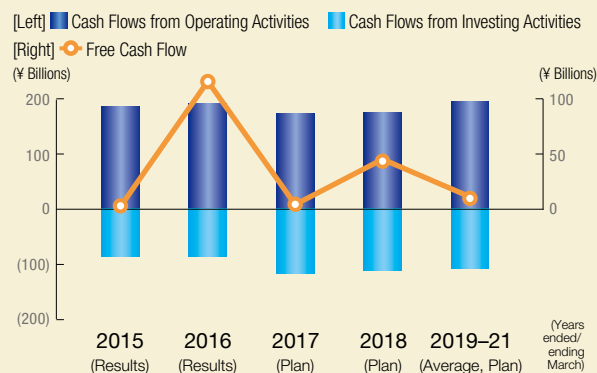
Under our current corporate strategy, our policy is to continue capital expenditures to accelerate group growth while maintaining financial soundness.

Over the five years to the fiscal year ending March 2021, our total capital expenditures will be between ¥280 billion and ¥290 billion per year, mainly for aircraft. By steadily increasing cash flows from operating activities while increasing profitability

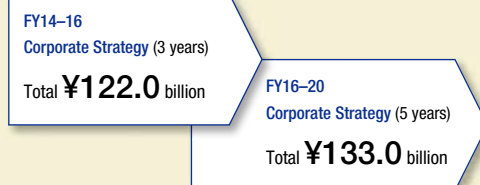
through the business platform that we have cultivated, we will steadily secure free cash flow.

We will aim to further increase our cash-generating capability while responding flexibly to circumstances. For example, when necessary we will adjust the timing of the receipt of aircraft and implement sale and lease-back arrangements.

Cash Flows



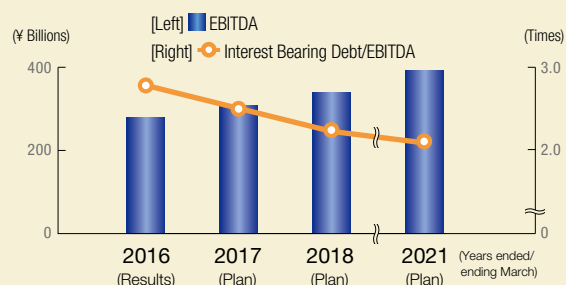
Free Cash Flow



Capital Expenditures



EBITDA, Interest Bearing Debt/EBITDA



* Off-balanced lease obligation is not included in interest-bearing debt.

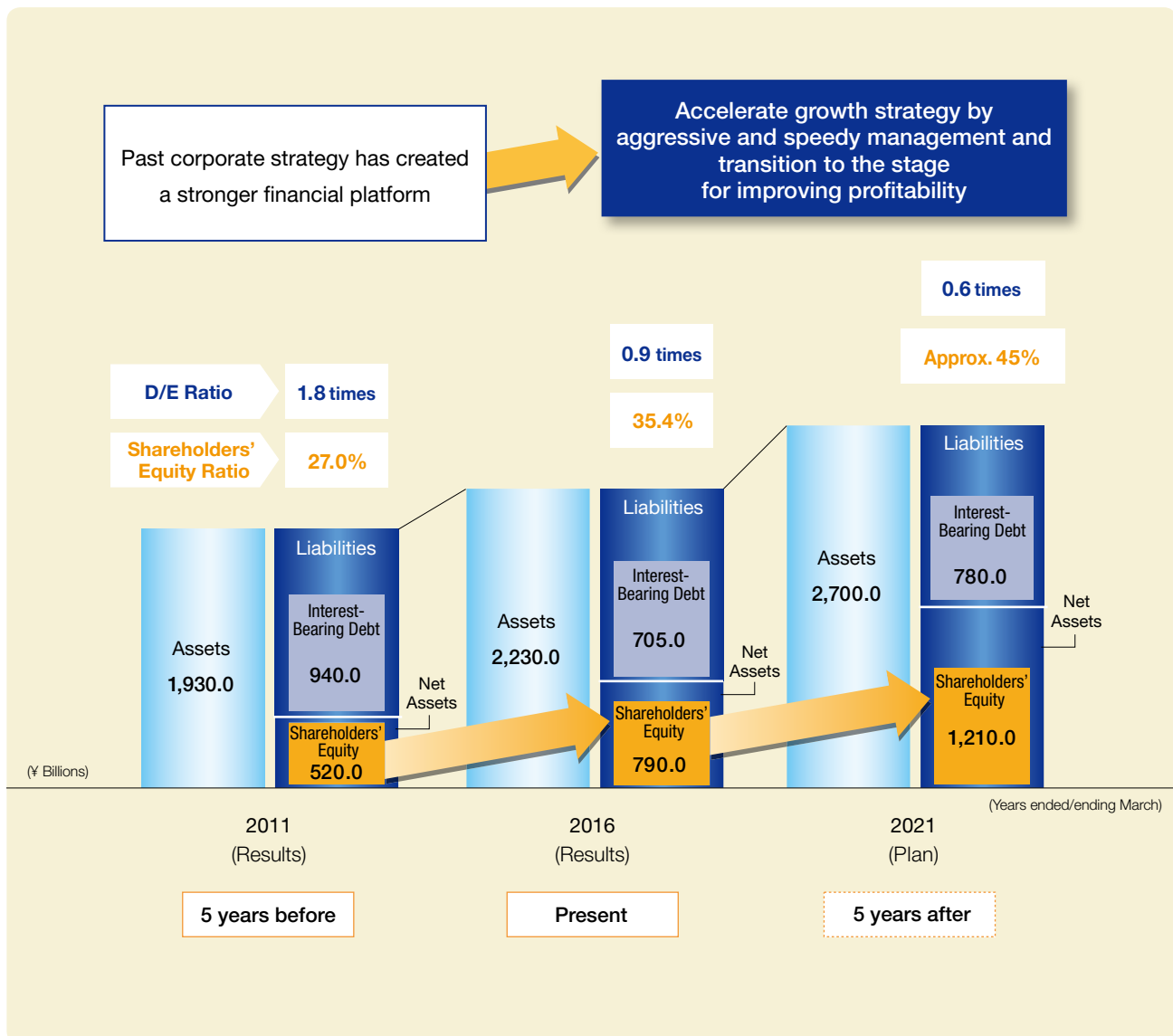
Financial Soundness

Maintain Unwavering Management Stability Based on Reinforced Financial Platform

The scale of our total assets is expanding in line with increases in the number of aircraft. We have worked to strengthen our financial platform while steadily accumulating results through the implementation of our previous corporate strategies. As a result, in March 2016 our ratings from two ratings agencies were reviewed. Rating and Investment Information, Inc. (R&I) gave us

an A- rating, our first “A” rating from R&I in 17 years. We expect to achieve a shareholders’ equity ratio of 40%, our target level for the short term, by accumulating cash flow over a period of several years.

We will accelerate our growth strategy while maintaining financial soundness and utilizing our increased fund-raising flexibility.



FY2016–20 ANA Group Corporate Strategy



Management Resources Allocation / Value Creation Targets

Management Resources Allocation

Continue Stable Shareholder Returns while Pursuing Further Profitability through Aggressive Investments for Growth

Shareholder Returns

We will continue to pay stable dividends with a focus on the payout ratio, with consideration for investing in growth and the free cash flow level. Also, we will consider establishing the total return ratio as a new benchmark.

Investment for Growth

We will continue to implement capital expenditures, mainly on aircraft, to increase future profitability by addressing such business opportunities as the expansion of slots at Tokyo metropolitan area airports and the increase in inbound travelers.

Maintain Financial Platform

We will maintain financial soundness, with our current financial platform as a standard.

Shareholder Returns	Continue stable dividends, consider dividend payout ratio <ul style="list-style-type: none"> Continue dividends of ¥5 per share Consider establishing total return ratio as a benchmark
Investment for Growth	Continue growth strategy <ul style="list-style-type: none"> Aggressive capital expenditures Increase future profitability
Maintain Financial Platform	Maintain financial soundness <ul style="list-style-type: none"> Financial platform approaching within target range

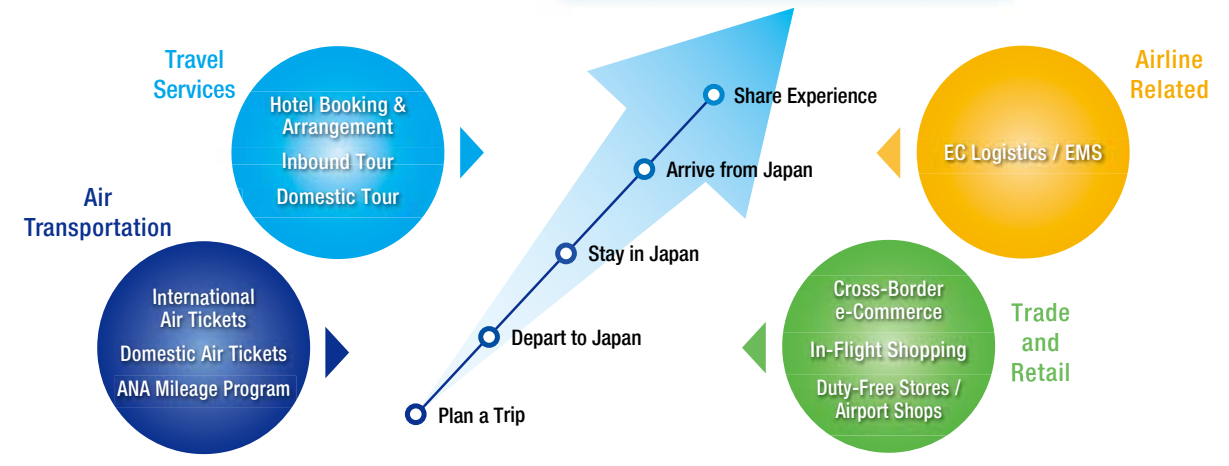
Approach for Capturing Inbound Demand

Under the current corporate strategy, it will be important for the group to capture inbound demand, which is expected to continue to record steady growth, as the driving force behind growth in revenues, not just for the Air Transportation business but also for the various other businesses of the group.

We will establish a business structure that enables us to fully leverage our strengths in our fields of business, extending from the departures of visitors to Japan, to their stays in Japan, and through their returns home. These initiatives will include the development and sales of tours and travel packages in Travel Services and the promotion of duty-free sales and cross-border e-commerce in Trade and Retail. We will create businesses that contribute to the establishment of a sustainable value chain that generates synergies with the Air Transportation business, and will build those businesses into new growth drivers. To that end, we will accelerate infrastructure development for each business and expand our business domains.

Incorporate Strong Inbound Traffic as a Group Business and Grow into a Revenue Source

Establish a Sustainable Value Chain



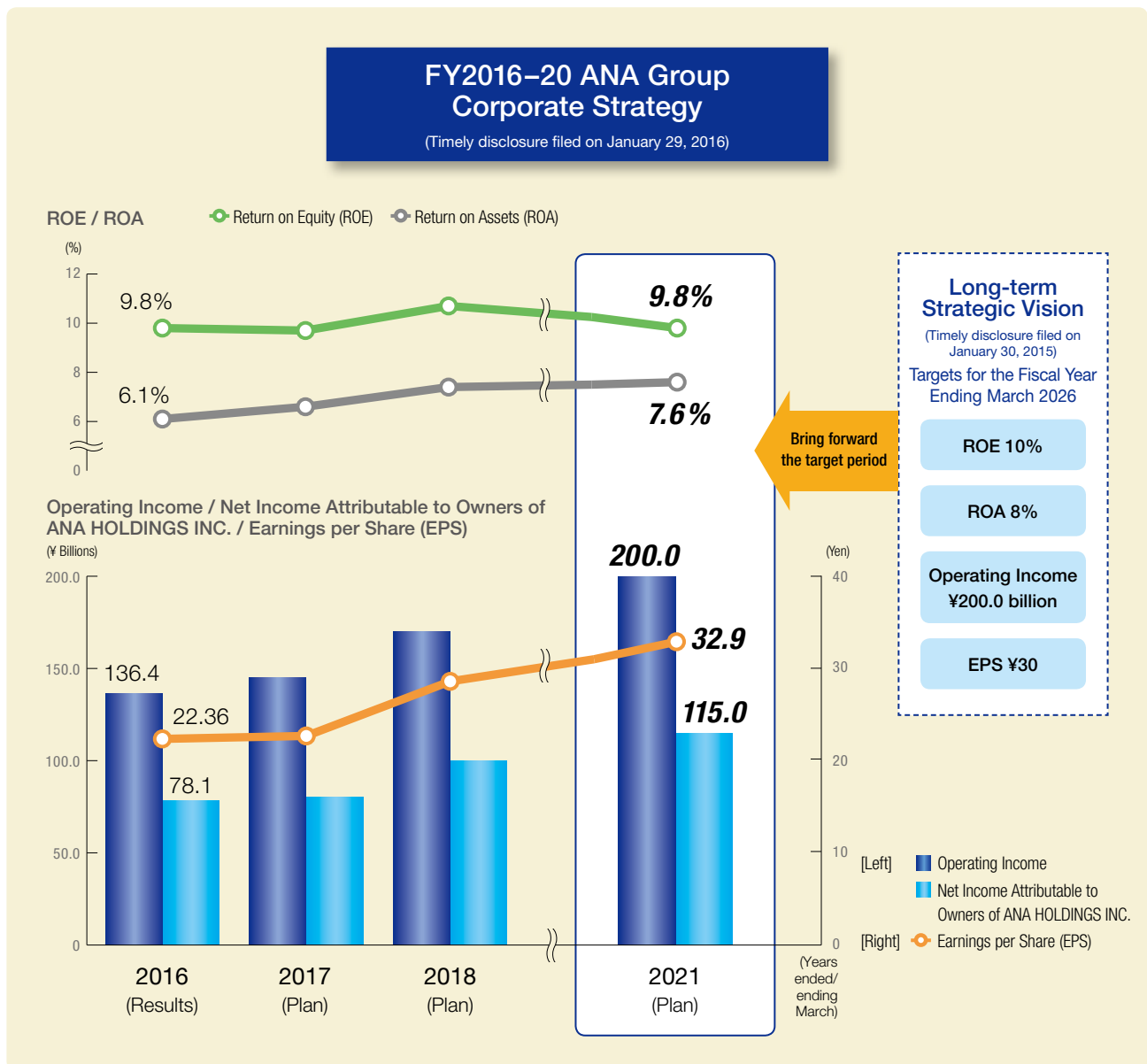
Value Creation Targets

Bring Forward the Target Period Outlined in the Long-term Strategic Vision and Aim for the Top-Tier Level of Profitability among Global Airlines

In the Long-term Strategic Vision we released in January 2015, we outlined value creation targets to be pursued for the fiscal year ending March 2026. However, under the current corporate strategy we will aim to bring forward the target period and to accomplish a top-tier level of profitability among global airlines.

In the fiscal year ending March 2021, we will aim for operating

revenues of ¥200.0 billion, net income attributable to owners of ANA HOLDINGS INC. of ¥115.0 billion, and earnings per share of ¥32.9. In addition, we work toward the goal of ROE of 10% to 11% during the period of the current corporate strategy and steadily increase profitability and capital efficiency.



FY2016–20 ANA Group Corporate Strategy

Air Transportation

As the group's core business, we will pursue our operational scale and profitability and enhance differentiation through service quality in order to be the world's leading airline group.



Osamu Shinobe

Member of the Board of Directors,
ANA HOLDINGS INC.
President & Chief Executive Officer,
ALL NIPPON AIRWAYS CO., LTD.

Our Management Vision is to be the world's leading airline group in customer satisfaction and value creation. As such, we are advancing growth strategies, mainly in the Air Transportation business.

In the International Passenger Business, we will approach the expansion of slots at Tokyo metropolitan area airports as a business opportunity and expand resort demand. Over five years, we plan to expand capacity to about 1.5 times the level in the fiscal year ended March 2016. We will strengthen overseas sales to capture trilateral demand in the Asia-Pacific region and firm inbound demand. In addition, we will aggressively introduce the Boeing 787, which has exceptional comfort and fuel efficiency; provide a variety of seat classes; and set fares flexibly. In these ways, we will work to foster demand from the perspectives of both products and services.

In the Domestic Passenger Business, we will continue the policy of controlling capacity. Our plan is to achieve a small increase in Revenue Passenger-Kilometers (RPKs) by flexibly allocating aircraft, with attention to passenger demand on each route, while directing the substantial inbound demand into domestic services.

In the Cargo Business, accompanying the expansion of our international network, over five years we plan to increase capacity to about 1.4 times, mainly through the use of belly space on passenger aircraft. We will also move forward with joint ventures with Lufthansa Cargo AG. and United Airlines and with initiatives to capture trilateral demand.

Through these initiatives, we plan to increase operating revenues in the Air Transportation business to ¥1,870.0 billion in the fiscal year ending March 2021, approximately 1.2 times.

On the other hand, our policy will be to work to increase profitability through continued cost reduction initiatives. As an indicator to monitor our progress, we will utilize unit cost (operating cost per ASK) in the ANA brand passenger business, which we will aim to reduce by ¥0.2 by the fiscal year ending March 2021.

We are forecasting operating income of ¥180.0 billion in the fiscal year ending March 2021, about 1.3 times the level in the fiscal year ended March 2016. We will steadily link growth in our operational scale to profits, while implementing appropriate responses to changes in economic and market conditions.

Even as we increase the scale of our operations, I believe it will be important to maintain and improve service quality. Our group is dedicated to increasing the quality of service provided to customers by its staff members in a wide range of scenarios, and continues to implement improvement initiatives that reflect consideration for diversifying needs.

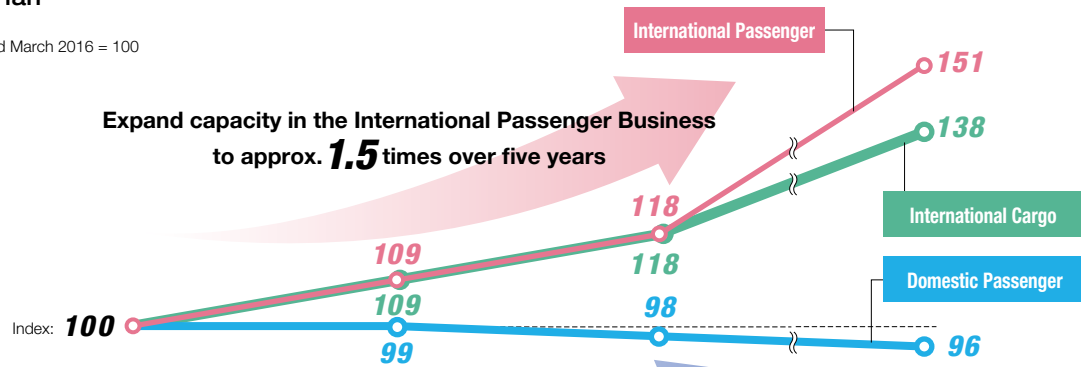
As an airline in Japan, we are rigorously focusing on customer needs, enhancing boarding procedures and lounge services, and increasing the multi-lingual skills of staff members in order to implement heartfelt hospitality. Through improvements in quality, we will further establish the ANA brand and differentiate the group from its competitors.

Moving forward, we will continue to provide safe, comfortable air transportation while maintaining the world's highest rating for service.



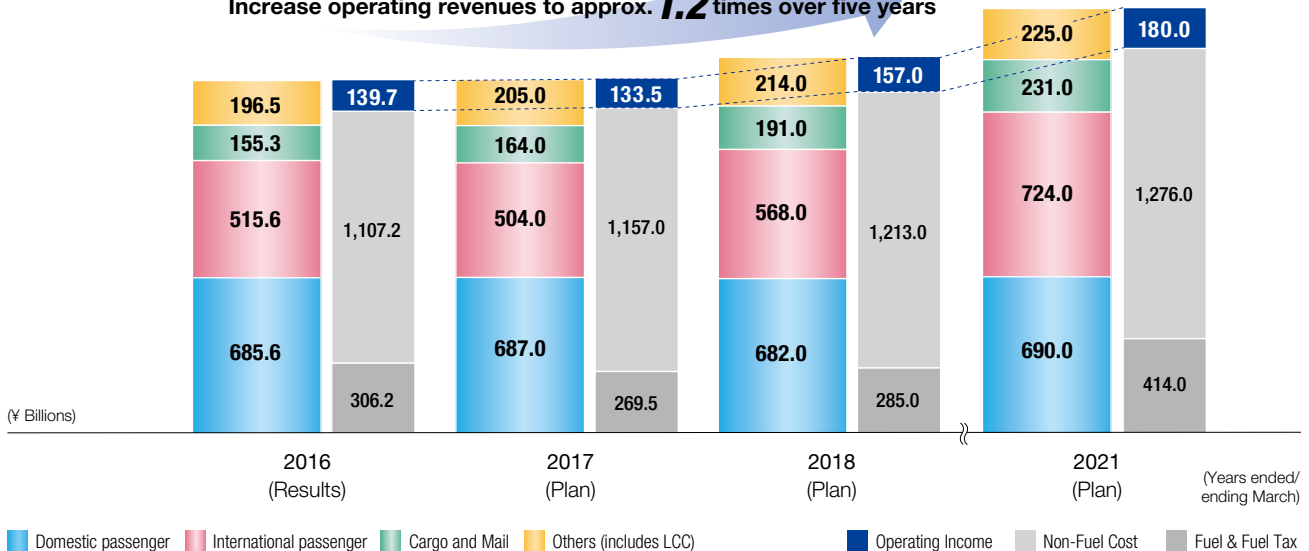
ASKs/ATKs Plan

Index: Fiscal year ended March 2016 = 100



Profit Plan

Increase operating revenues to approx. **1.2** times over five years



Market Condition Assumptions	2016 (Results)	2017 (Plan)	2018 (Plan)	2021 (Plan)	(Years ended/ending March)
Currency exchange rate (¥/US\$)	120*	115	125	125	
Dubai crude oil (US\$/bbl.)	32*	42	47	67	
Singapore kerosene (US\$/bbl.)	44*	55	60	85	

* Fourth quarter only

International Passenger Business

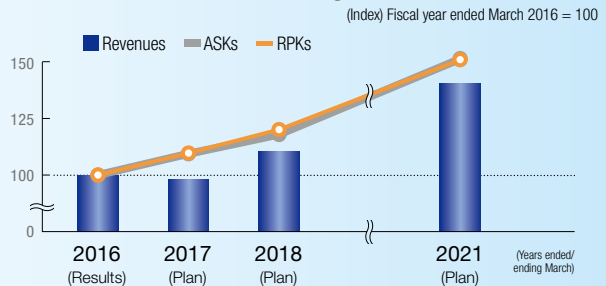


Aggressive network expansion drives group growth and cultivates into a revenue source, exceeding the Domestic Passenger Business

Medium-Term Initiatives

- 1. Completion of Dual Hub structure at Tokyo metropolitan area airports**
 Increase airport slots to expand network
- 2. Strengthen overseas marketing**
 Enhance ANA presence in the global market
- 3. Products and services with quality above and beyond those of the competitors**
 Design services and offer quality that will capture a diverse customer base, including in overseas markets

Plan for the International Passenger Business



In the fiscal year ended March 2016, ASKs in the International Passenger Business increased to more than 1.3 times the level in the fiscal year ended March 2014. By introducing the Boeing 787 and strengthening overseas sales, we have steadily increased recognition of the ANA brand in overseas markets. Consequently, over the same time period, RPKs also increased to more than 1.3 times the level in the fiscal year ended March 2014.

Under the current corporate strategy, we plan to continue to expand the International Passenger Business. In the fiscal year ending March 2021, we are planning operating revenues of approximately 1.4 times the level in the fiscal year ended March 2016. We will approach the increase in inbound travelers and the expansion of slots at Tokyo metropolitan area airports as opportunities, and will actively work to expand our network. In this way, we will aim for the completion of our Dual Hub Network Strategy.

Vision for Network Expansion



● Regions for future consideration

- Explore new destinations with the B787
- Expand market based on partnerships with other airlines, including new framework
- Strengthen our resort network

Initiatives in the Fiscal Year Ending March 2017

We launched the Narita–Wuhan route in April 2016. We plan to launch the Narita–Phnom Penh route in September and routes between Narita and New York, Chicago, and Kuala Lumpur¹ in October. Furthermore, from February 2017 we plan to launch direct service to Mexico City².

¹ Timely disclosure filed on June 29, 2016

² Timely disclosure filed on May 12, 2016

Initiatives for products and services include the introduction of full-flat business class seats and premium economy services on all European and North American routes (excluding Honolulu) and certain Asian routes. We will expand the Asian routes by utilizing Boeing 787-9s, on which we offer full-flat business class seats and premium economy services.

Domestic Passenger Business



Continue optimization of supply to demand to maintain market share and establish stable earnings platform

Medium-Term Initiatives

1. Full-fledged operation of the “Dynamic Fleet Assign Model”

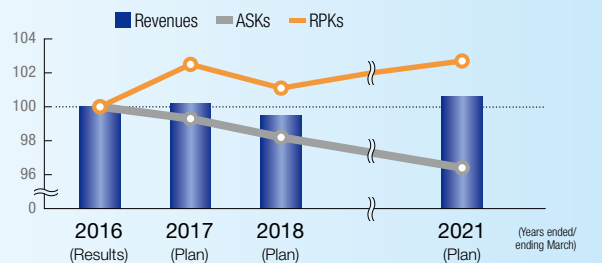
Aim to maximize revenues as well as control variable costs through a flexible fleet strategy that adapts to demand trends

2. Develop the passengers in domestic flights by inbound travelers

Increase overseas sales to make up for decrease in current demand

Plan for the Domestic Passenger Business

(Index) Fiscal year ended March 2016 = 100



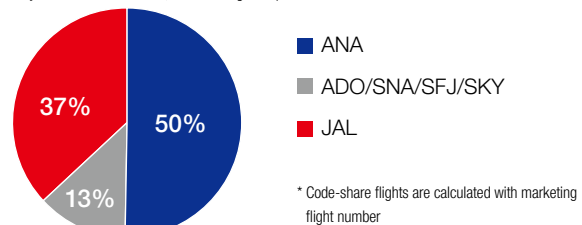
The population in Japan is declining, and competition with other modes of transportation is expected to increase. In consideration of these factors, in the Domestic Passenger Business we have worked to increase revenues while controlling capacity through the optimization of supply to demand. During the period of the current corporate strategy, we will continue to follow a basic strategy of simultaneously working to expand revenues and control variable operating expenses. We will strive to stabilize our earnings platform while maintaining our market share.

In optimizing supply to demand, we will set fares flexibly in line with demand trends, and will conduct full-fledged operation of the “Dynamic Fleet Assign Model.” This is a strategic aircraft operation model that accommodates the flexible allocation of narrow- and wide-body aircraft on domestic routes, which have substantial changes in demand by season and by day of the week.

On the other hand, we anticipate steady growth in the number of inbound travelers on domestic services. By expanding overseas sales, we will supplement passenger demand on domestic routes and maintain revenues.

Composition of Domestic Passenger Numbers

(Fiscal year ended March 2016, not including LCCs)



Initiatives in the Fiscal Year Ending March 2017

In the fiscal year ending March 2017, we expect competition with other modes of transportation, such as Shinkansen bullet trains, to continue to be a factor. With a careful focus on demand trends, we will advance the strategic optimization of supply to demand.

On our network, we started Haneda–Miyako and Iwakuni–Okinawa (Naha) routes from the 2016 summer schedule. In terms of sales and services, we will strive to foster demand by implementing a detailed review of the levels of the various *Tabiwari*

promotional fares, and diversifying domestic fares targeting inbound travelers. Furthermore, we will redesign the ANA SKY WEB website. We will also take steps to further enhance services, such as improving convenience by increasing the number of aircraft offering the ANA Wi-Fi Service for Internet access on domestic flights, and expanding the selection of in-flight meals for Premium Class customers.

Cargo and Mail Business



Develop distribution services, with a focus on markets in Asia that are expected to record growth

Medium-Term Initiatives

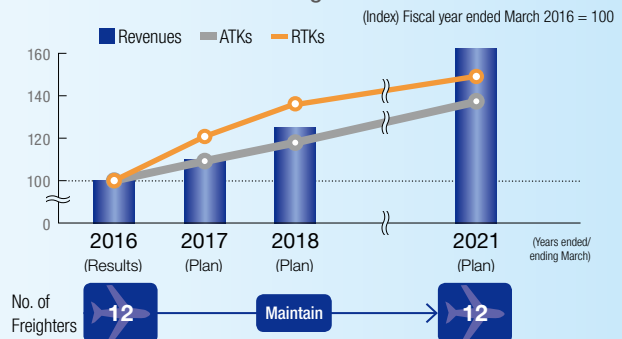
1. Grow into global player with a firm presence in international cargo distribution

Accelerate centralized management of Group companies and adapt to changes in business structure by becoming a comprehensive air logistics company

2. Aggressively expand express cargo and cross-border e-commerce businesses in Asia

Capture demand for high yield cargo in Japan, China, and the Asia region in order to accomplish Okinawa cargo hub model

Plan for the International Cargo Business

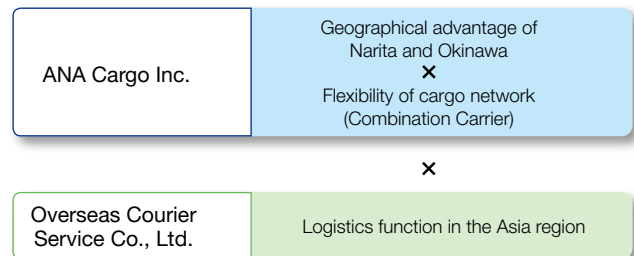


One of the strengths of ANA Cargo Inc., which handles the group's freighter operations, is the Okinawa Cargo Hub & Network, which is based at Okinawa (Naha) Airport and links major airports in Japan with cities in Asia. By accelerating integrated operations with Overseas Courier Service Co., Ltd., which has strengths in the logistics function in Asia, we will establish a system for the provision of integrated transportation services, from collection to delivery, and will develop wide-ranging distribution services. We have positioned express cargo and cross-border e-commerce as focus fields, and will work to capture demand for high-yield cargo. In this way, we will aim to achieve increases in top-line growth and profitability.

Although cargo demand is sluggish, trade deregulation in the Asia-Pacific region is advancing. Accordingly, we plan to increase operating revenues in the fiscal year ending March 2021 to about 1.6 times the level in the fiscal year ended March 2016.

As a combination carrier, we can implement flexible aircraft operations, including the use of freighters in line with demand trends and the utilization of cargo space on passenger flights. Leveraging the characteristics of a combination carrier, we will grow into a comprehensive air logistics company with a firm presence in international cargo distribution.

Competitive Advantage of Cargo Business



Initiatives in the Fiscal Year Ending March 2017

In regard to cargo demand on international routes, growth in outbound demand from Japan and China is lower. On the other hand, demand from Asia to North America and demand within Asia are comparatively stable. We will work to capture demand with a flexible unit price policy and provide high-value-added services targeting the Asian market. In this way, we will work to improve our revenue platform.

Furthermore, as an initiative to aggressively capture trilateral cargo demand, we plan to deepen our joint ventures with Lufthansa Cargo AG and United Airlines.

In the Domestic Cargo Business, using the loading reservation system introduced in the fiscal year ended March 2016, we will work to steadily capture demand, with ANA's extensive domestic network as a strength.



Build a No. 1 LCC brand for Tokyo metropolitan area, transition to growth stage as the group's fourth core business

Medium-Term Initiatives

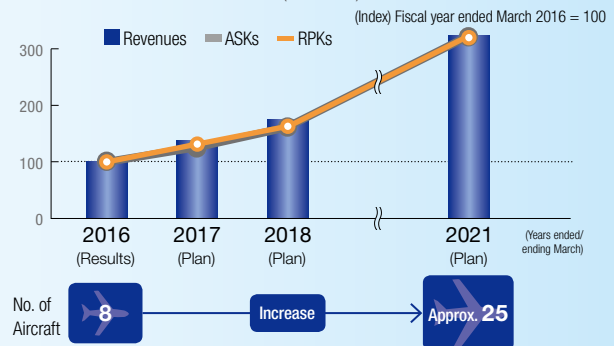
1. Expand into Japan-outbound leisure routes and capture further inbound demand

New services for resort regions in nearby Asian countries and cities with steady inbound traffic demand

2. Establish competitive cost structure

Further reduction in unit cost by increasing operating times in accordance with aircraft numbers

Plan for the LCC Business (Vanilla Air)



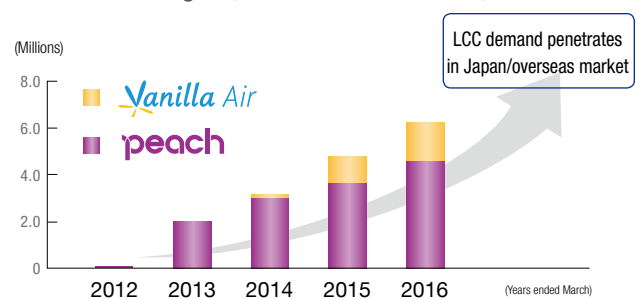
Vanilla Air Inc. was operating three domestic and three international routes with Narita Airport as a hub as of the end of the fiscal year ended March 2016. Due to sales initiatives to capture domestic and international demand and to efforts to control expenses, in the fiscal year ended March 2016—its third year of operations—Vanilla Air recorded a profit at the operating level.

Going forward, to move on to a growth track Vanilla Air will advance into new resort routes serving nearby Asian countries and aim to capture Japan-outbound leisure travel demand, while focusing on differentiation from the ANA brand. Also, Vanilla Air will consider offering service to cities with steady demand from inbound travelers.

In regard to its fleet, Vanilla Air plans to have approximately 25 Airbus A320-200s by the fiscal year ending March 2021. In conjunction with route expansion, Vanilla Air will work to increase aircraft efficiency and operating times.

Vanilla Air plans to expand operating revenues in the fiscal year ending March 2021 to approximately three times the level in the fiscal year ended March 2016, while reinforcing the Vanilla Air brand. We will transition to a stage of value creation while reducing costs by leveraging business expansion.

Trends in Passengers (Domestic and International in Total)



Initiatives in the Fiscal Year Ending March 2017

Vanilla Air launched the Osaka (Kansai)–Taipei (Taoyuan) route in April 2016. In September, Vanilla Air plans to launch Okinawa (Naha)–Taipei (Taoyuan)¹ and Narita–Ho Chi Minh City routes².

¹ May 25, 2016, press release

² July 13, 2016, press release

Vanilla Air will continue to launch routes and to expand and diversify its sales channels, including advertising and promotion using the Internet in the overseas markets that it serves. In these ways, Vanilla Air will work to create new air traffic demand.

Airline Related



Initiatives in the Fiscal Year Ending March 2017 and Over the Medium Term

The Airline Related business principally provides a variety of services to support airline operations. Contracted services from airlines outside the group have been increasing. We are moving forward with initiatives to expand and diversify revenue domains. For example, in the fiscal year ended March 2016 we established MRO Japan Co., Ltd., which handles the maintenance, repair, and overhaul (MRO) business. By the fiscal year ending March 2021, we

plan to increase operating revenues to about 1.3 times the level in the fiscal year ended March 2016.

In the fiscal year ending March 2017, we anticipate a continued increase in flights by overseas airlines accompanying demand from inbound travelers. We will aim to increase group revenues by expanding contracted airport ground handling services for passengers and cargo.

Awarded the World's Highest 5-Star Rating from SKYTRAX for the Fourth Consecutive Year

In 2016, the U.K.-based rating company SKYTRAX awarded ANA the world's highest 5-Star rating in the World Airline Rating. This marks the fourth consecutive year that ANA has received the 5-Star rating.

The World Airline Rating awards 5 Stars only to those airlines that enable customers to experience 5-Star level service in more than 800 categories, from airports to in-flight services. Currently, there are seven airlines in the world with 5-Star ratings, and ANA is the only airline in Japan to receive this rating.

We were also chosen as the world's best airline in two categories of the World Airline Awards held by SKYTRAX in 2016.

These awards are seen as an evaluation of ANA's achievements in working to enhance every aspect of quality, from check-in counters to airport lounges, in-flight meals, entertainment, and much more, while expanding its network mainly on international operations.



Award History



World Airline Rating

2013	5 STAR AIRLINE
2014	5 STAR AIRLINE
2015	5 STAR AIRLINE
2016	5 STAR AIRLINE

Awarded for the fourth consecutive year

World Airline Awards



2012	Best Transpacific Airline
2013	World's Best Airport Services / Best Cabin Cleanliness
2014	World's Best Airport Services / Best Transpacific Airline
2015	World's Best Airport Services / Best Airline Staff in Asia
2016	World's Best Airport Services / Best Airline Staff in Asia

Travel Services



Initiatives in the Fiscal Year Ending March 2017 and Over the Medium Term

This segment provides airline ticketing services, which involve the sale of airline tickets, and travel services, which involve the planning and marketing of domestic and overseas travel packages that incorporate air transportation services offered by the group. We worked to expand the product lineup to meet diversifying needs, such as the *Tabisaku* dynamic package product, which enables flexible combinations of airline tickets and accommodations. We are strengthening initiatives to capture demand for inbound travelers. As part of these efforts, H.I.S. ANA Navigation JAPAN Co., Ltd., was set up as a joint venture with H.I.S. Co., Ltd., in the fiscal year ended March 2015.

In Travel Services, by the fiscal year ending March 2021 we plan to increase operating revenues to approximately 1.2 times the level in the fiscal year ended March 2016.

In the fiscal year ending March 2017, we will take steps to foster demand, such as expanding travel packages and releasing products earlier. We will also expand high-value-added products and develop travel packages for inbound travelers.

Trade and Retail



Initiatives in the Fiscal Year Ending March 2017 and Over the Medium Term

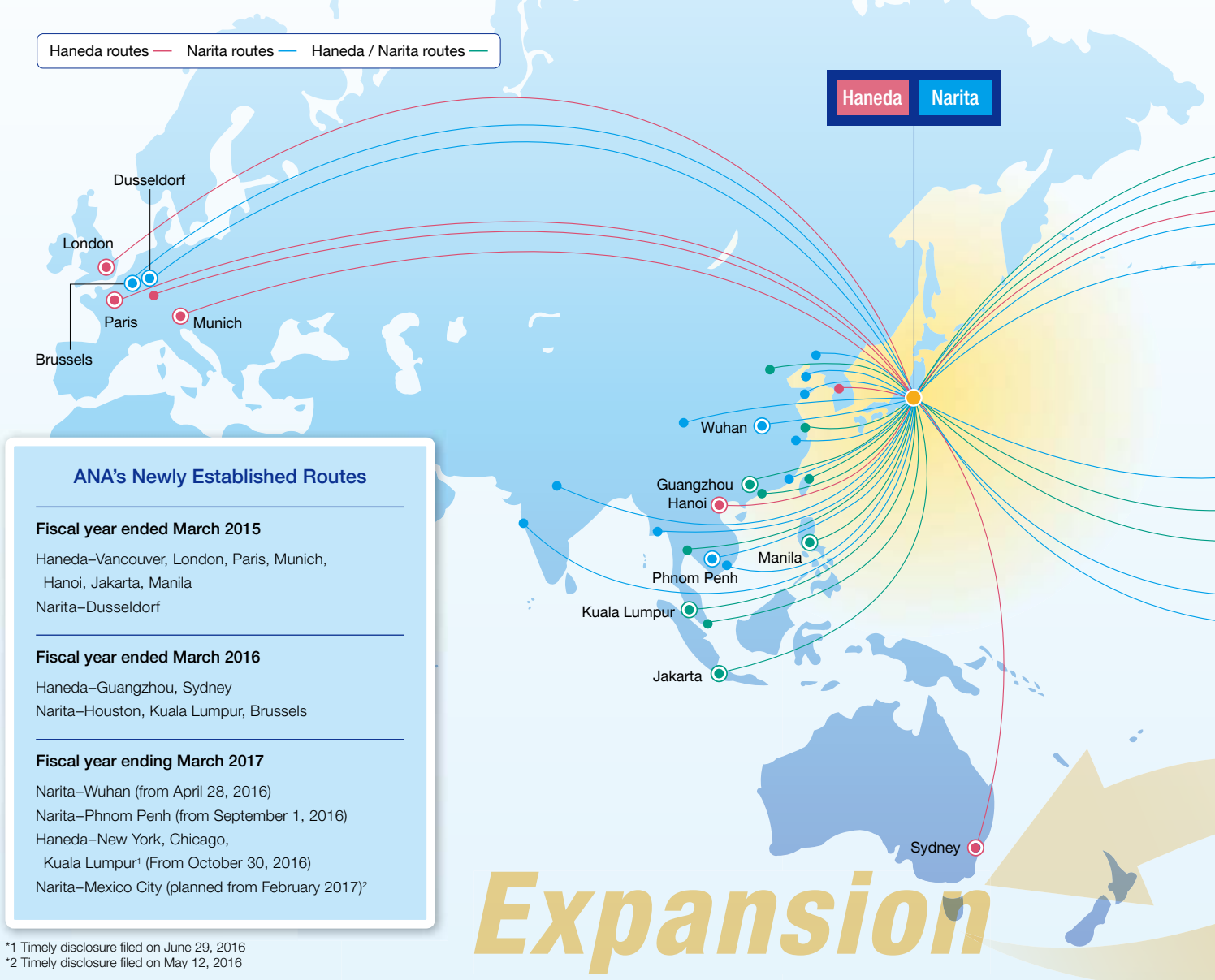
Trade and Retail operations handle business related to air transportation, including aircraft and aircraft parts transactions, in-flight services, and in-flight and airport merchandise sales. Also, we operate an Internet shopping site. We are advancing business initiatives with a focus on the generation of synergies with the Air Transportation business and other group businesses. By the fiscal year ending March 2021, the Trade and Retail business plans to increase operating revenues to about 1.4 times the level in the fiscal year ended March 2016.

In existing businesses, we will expand business fields in markets where high rates of growth are anticipated in the future, such as exports of Japanese food products, which we started in the fiscal year ended March 2015. In addition, we will take steps to increase earnings through the creation of new business models, such as expanding cross-border e-commerce and leveraging our airport duty-free retail know-how to participate in the operation of city-type duty-free shops.

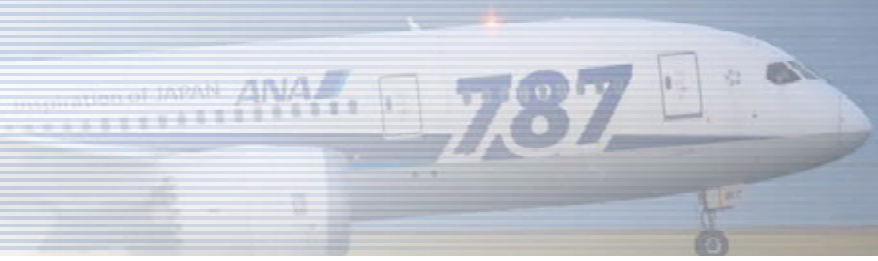
ANA Group Network

The expansion of slots at Tokyo metropolitan area airports is expected in advance of the Tokyo 2020 Olympic and Paralympic Games. The ANA Group will approach developments in its operating environment as opportunities, including the increase in inbound travelers to Japan, and the group will work to aggressively expand its international route network.

This special feature section explains our network strategy, including sales initiatives to capture demand and policies to secure and develop the human resources who will support the group's growth.



Strategy



Ongoing Growth in ANA's Network

Leveraging the opportunities presented by the expansion of slots for international routes at Haneda Airport in March 2014, the ANA Group has advanced the Dual Hub Network Strategy at Tokyo metropolitan area airports. At Haneda, we are working to capture demand for transfers from domestic cities using the domestic network, centered on demand in the Tokyo metropolitan area. On the other hand, at Narita we are capturing demand for connecting flights between Asia and North America through efficient flight scheduling, and we will expand new routes using Boeing 787s. In addition, we will take steps to broaden our demand market segments through network expansion while strengthening efforts to secure demand from inbound travelers at both airports.

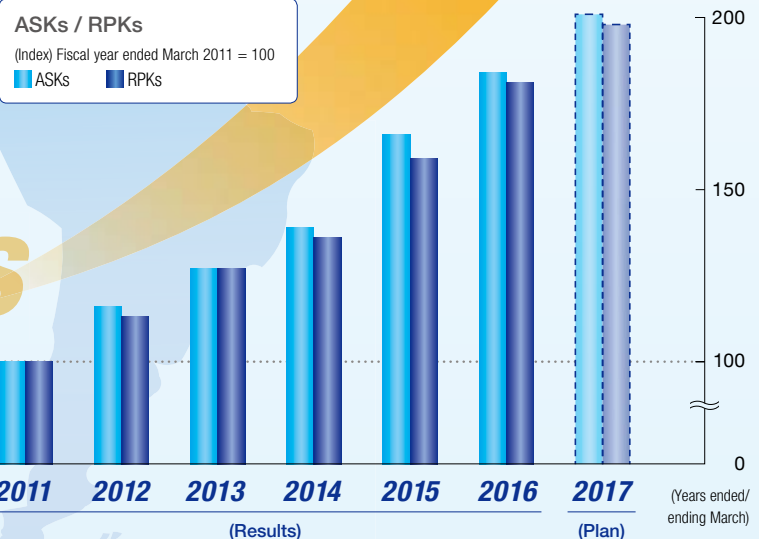
In the fiscal year ending March 2017, we launched the Narita–Wuhan route in April, and we will start the Narita–Phnom Penh route from September. From the winter schedule, we will not only offer daytime operation of Haneda–U.S. routes, which will be a first for an airline in Japan, but also establish a Haneda–Kuala Lumpur route using late-night slots. In addition, in February 2017 we plan to start direct flights to Mexico. In these ways, we will steadily expand the operating area of the ANA Group.

In the fiscal year ending March 2017, we plan to expand ASKs to about 2 times the level in the fiscal year ended March 2011, when scheduled international flights from Haneda were commenced. RPKs have increased in line with capacity, and the Dual Hub Network Strategy is steadily producing results.



Approx. **2** times

(Fiscal year ended March 2011
→ Fiscal year ending March 2017)



Strategies

Medium-Term Strategy for International Route Network Expansion

Deepening the Dual Hub Network Strategy

As we have expanded our international network, over the two-year period ended March 2016, ASKs have grown to about 1.3 times the level in the fiscal year ended March 2014, and RPKs have increased at the same rate. This means we have secured demand in line with growth in capacity. The Boeing 787, our main aircraft, has supported these results. We have opened up new markets by operating medium-body aircraft on long-haul flights, including European and North American routes. While maintaining a focus on the demand characteristics of each route, we have built a network that links Japan and the rest of the world. As a result, our demand targets have expanded.

Under the current corporate strategy, one of our major initiatives is to “Expand Airline Business Domains.” In addition to ongoing initiatives to address demand for flights from/to Japan and trilateral demand, we will strengthen our initiatives for resort routes in order to capture leisure travel demand as well. Through the introduction of the Airbus A380, the world’s largest aircraft, we will aim to expand our share of the Japan–Hawaii market.

Providing High-Quality Products and Services

Products and services are important factors that support growth in the International Passenger Business, and as a full service carrier, we also aim to improve quality.

As of the end of April 2016, we had introduced full-flat business class seats on all European and North American routes (excluding Honolulu) and certain Asian routes. We are providing services that meet the diverse needs of passengers on international flights including entertainment such as in-flight Wi-Fi service.

For four consecutive years from 2013, the U.K.-based rating company SKYTRAX has awarded ANA the world’s highest “5 STAR AIRLINE” rating in the World Airline Rating. This reflects a high evaluation of our efforts to improve staff service levels and our continued service improvement initiatives that take into account the needs of global customers. We will enhance the ANA brand by achieving further increases in service quality while expanding international business.

Strategies : Network





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Strengthen Overseas Sales

To expand the International Passenger Business, it will be essential to strengthen initiatives to capture demand originating overseas. Targeting demand for inbound travelers to Japan and trilateral demand, we are advancing stepped-up initiatives to expand overseas sales.

In marketing, we have utilized joint ventures with alliance partners United Airlines and Lufthansa in order to strengthen our approach to demand from the non-Japanese market. As a result of efforts to improve the functionality of our overseas website, overseas sales accounted for about half of the total number of passengers on international routes in the fiscal year ended March 2016. To capture further global demand, we will take steps to promote overseas marketing, such as strengthening corporate contracts.

In addition, to enhance recognition of the ANA brand overseas, ANA is sponsoring “ANA INSPIRATION,” a major championship on the U.S. Ladies Professional Golf Association (LPGA) tour. We also implemented promotions related to *STAR WARS*™.

Furthermore, to promote the use of domestic routes by inbound travelers to Japan, we made it possible for these travelers to purchase discount fares at overseas travel agencies. Previously, these fares had only been available on our websites. By maintaining existing domestic route demand and capturing inbound traveler demand, mainly on lower demand flights, a contribution will be made to increasing revenues in the Domestic Passenger Business.

Also, we will reinforce marketing to capture demand from the large number of people traveling in groups, such as from China and Southeast Asia. By advancing sales strategies in line with the characteristics of the market served by each base, we will work to foster new inbound demand.



Marketing



Hu

Message from the Person in Charge of Promoting Overseas Sales

For inbound travelers, we offer the *ANA Experience JAPAN Fare*, which is sold on our overseas website. In addition we have established the *ANA Discover JAPAN Fare*, which can be purchased at travel agents. Consequently, the number of tickets on domestic flights sold overseas increased about 30% year on year. Together with ALL NIPPON AIRWAYS TRADING Co., Ltd., we established the *ANA EXPERIENCE JAPAN* website. This introduces the appeal of lesser known parts of Japan and fosters travel demand. We are also strengthening initiatives in a wide range of fields to support regional revitalization. We concluded a comprehensive alliance agreement with a leading domestic operator of duty-free stores, with consideration for further expansion of inbound travelers. We will continue to address diversifying consumer needs and aim to be a bridge that links Japan and the rest of the world.



Hiroha Fujimura (Front, center)
Assistant Supervisor, Tourism Promotion Strategies,
Marketing & Sales Planning, Marketing & Sales
ALL NIPPON AIRWAYS CO., LTD.

Human Resources Strategy that Supports Network Expansion

Securing and Developing Human Resources

In international business, we are working to expand our network and accelerate global business development initiatives. In these endeavors, we consider human resources as an important asset for the group, and are working to steadily secure and develop personnel, centered on line divisions.

In regard to pilots, every year we recruit several dozen trainees. We are securing pilots in a stable and systematic manner with a variety of training and screening processes. In addition, we assign working pilots from the group to Independent Administrative Institution CIVIL AVIATION COLLEGE, where they work as instructors for the college's students. Also, through partnerships with universities that have pilot training courses, the group is providing assistance to broaden the pool of students who obtain pilot licenses. In these ways, the group is diversifying resources and obtaining access to a source of supply for the group.

Moreover, we are advancing increases in productivity while continuing to secure safety. To that end, we are taking such steps as reevaluating the work standards for pilots and shortening the training period for co-pilots by introducing a new training program.

Furthermore, from April 2014 ANA started to hire cabin crew as full-time employees in order to establish an environment that facilitates long-term employment. In addition, we are working to secure personnel by taking steps to diversify resources, such as expanding the employment of cabin crew based overseas and concluding education alliance agreements with universities and other educational institutions throughout Japan to support the job search activities of students who wish to work in the airline industry.

Responding to Globalization

We are systematically incorporating initiatives to strengthen our response to globalization as a human resources development policy. We are assigning younger employees who have been hired in Japan to overseas locations, and are developing the international sensibility of our human resources through business activities. Furthermore, we are shifting to an overseas branch management system centered on locally recruited staff, promoting interaction between overseas and Japanese staff, enhancing various education and training systems, and standardizing qualification and performance review systems. In these ways, we are implementing a variety of measures to address the globalization of operations.

Message from the Person in Charge of Promoting Diversity & Inclusion

We formulated the ANA Group Diversity & Inclusion Declaration in April 2015 to be a group that leverages the strengths of individuals while valuing diversity in organizations and groups. We have created opportunities to learn about diverse values by sponsoring the D&I Forum for management members from all group companies and divisions and by holding lectures by outside instructors and workshops

Women account for more than half of ANA's employees, and the group has positioned "Support for the Success of Women in the Workplace" as one of its management issues. Accordingly, we are implementing career design seminars and manager networking initiatives. In addition, the group is working to develop supervisors, "lku-bosses," who support work-life balance for colleagues. In these ways, the group is advancing diversity & inclusion at each worksite.



Kanae Usami (Right)
Senior Manager

Akiko Sumi (Left)
Coordinator
Diversity & Inclusion, Human Resources, HR Strategy
ALL NIPPON AIRWAYS CO., LTD.

▶ For information about human resources initiatives, please refer to pages 56 and 57.



As an LCC in the ANA Group, Vanilla Air plays a key role in the multi-brand strategy and contributes to expanding the airline business domains of the group.

Katsuya Goto
President
Vanilla Air Inc.



Vanilla Air Inc. began operations on December 20, 2013, on the Narita–Okinawa (Naha) and Narita–Taipei (Taoyuan) routes.

We have positioned the period up to the present as a stage for establishing our operations and have developed our business, mainly on leisure routes. We have worked to improve reservation methods and pursue innovation in yield management while taking steps to improve the in-service rate and on-time performance, while focusing on safety and operational quality. As a result, in the fiscal year ended March 2016 we were able to move into the black at the operating income level. As of the end of June 2016, we were operating 9 aircraft. We are pursuing increases in productivity by expanding the routes and increasing flight frequencies.

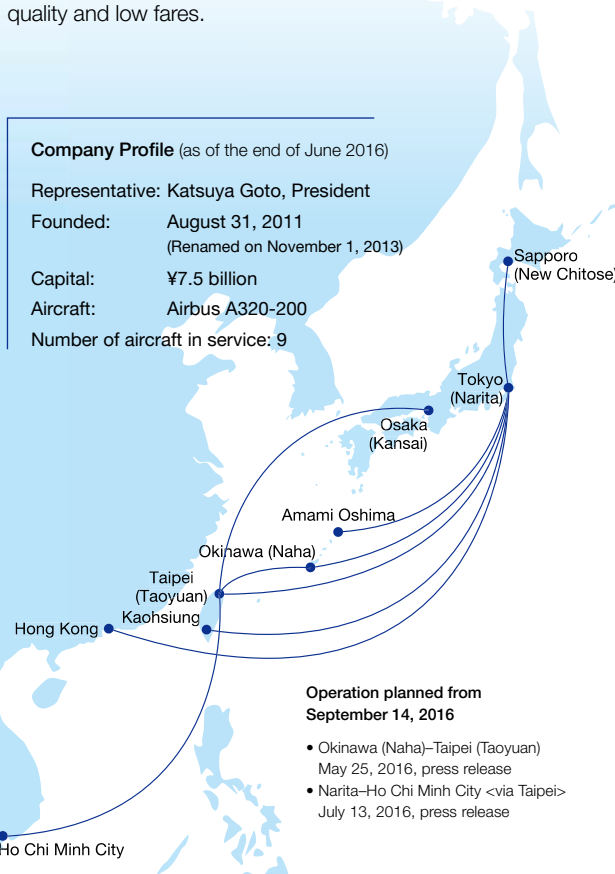
Now, our policy will be to make a transition to a growth stage. Under the FY2016–20 Corporate Strategy of Vanilla Air, we are forecasting operating revenues of about ¥70 billion in the fiscal year ending March 2021, by increasing the number of aircraft to approximately three times the current level. In addition to our own network, we plan to strengthen cooperation with overseas LCCs through the Value Alliance, which we established in cooperation with other LCCs in May 2016. Also, we will take steps to develop our routes in Asia, such as through the use of Taipei as a hub. Competition with Asian LCCs is intensifying, and in this setting, with support from growth in demand from inbound travelers to Japan, we will work to differentiate ourselves from other airlines by leveraging our strengths.

The use of the word “vanilla” in our company name reflects our commitment to friendly feelings and high quality. To increase recognition in domestic and overseas markets and to create a corporate culture that enables customers to have fun, we will determine our own identity and continually

discuss future services. As an ANA Group LCC, we will try to create new demand, mainly within Asia, and to expand revenues as the group’s fourth core business. To that end, we will aggressively implement business development initiatives while earning the trust of customers with both operational quality and low fares.

Company Profile (as of the end of June 2016)

Representative: Katsuya Goto, President
Founded: August 31, 2011
 (Renamed on November 1, 2013)
Capital: ¥7.5 billion
Aircraft: Airbus A320-200
Number of aircraft in service: 9



Operation planned from September 14, 2016

- Okinawa (Naha)–Taipei (Taoyuan)
May 25, 2016, press release
- Narita–Ho Chi Minh City <via Taipei>
July 13, 2016, press release

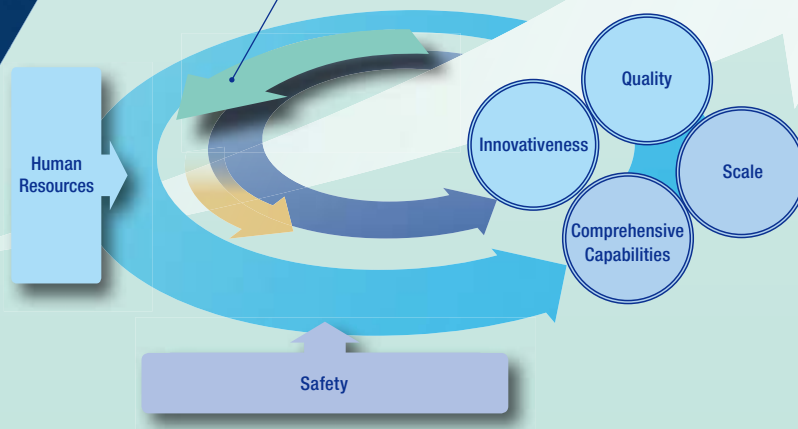


Material Issues for the Growth Strategy (Materiality)

Aiming to achieve its Management Vision of being the world's leading airline group, the ANA Group has identified material issues for the group's growth strategy and is taking on the challenge of resolving those issues.

Road Map for Sustainable Value Creation

Material Issues



Safety

Safety is the foundation of ANA Group management, and maintaining safety is the unequivocal mission of every business of the ANA Group.



Approach to Safety

Safety is the unequivocal value at the foundation of the ANA Group's business activities. Any breach of safety could have a significant impact on public trust and on the group's business. We strive to ensure safe aircraft operations as a matter of course. We are also pursuing a variety of other forms of safety in the group's business, including the safety and security aspects of food

services, cargo, and information.

The group provides safety, which we must ensure as a company, and security, which is created as a result of providing customer safety. By doing so, we ultimately enhance trust, which is earned through the accumulation of our steadfast daily efforts on the safety and security fronts.

ANA Group Safety Principles and the Course of ANA Group Safety Action

The ANA Group's safe operations are supported by mutual cooperation in an environment of mutual understanding and trust among a variety of occupational categories. Accordingly, we display the ANA Group Safety Principles and Course of ANA Group Safety Action, which are pledges shared by all ANA Group employees at every ANA Group workplace. They are always

remembered in the midst of daily duties, and they are the foundation for the activities of each individual employee. In addition, by working to enhance and advance the system for safety risk management activities, we will fulfill our social responsibilities as the world's leading airline group in safety as well.

ANA Group Safety Principles

Safety is our promise to the public and is the foundation of our business.

Safety is assured by an integrated management system and mutual respect.

Safety is enhanced through individual performance and dedication.

Course of ANA Group Safety Action

- ① Strictly observe rules & regulations, and all actions will be grounded on safety.
- ② As a professional, place safety as the #1 priority while keeping your health in mind.
- ③ Address any questions and sincerely accept the opinions of others.
- ④ Information will be accurately reported and shared in a timely manner.
- ⑤ Continuous self-improvement for prevention and avoiding re-occurrence.
- ⑥ Lessons learned from experiences and increased skills for risk awareness.

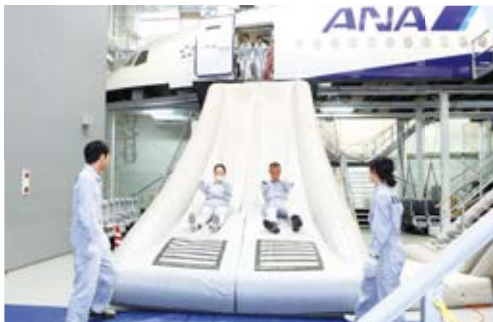
Personnel Development and Organization Building under the Medium-term Target for Safety

In the ANA Group's medium-term target for safety, we are working to change the orientation of safety-related activities from implementation of measures after an incident to occurrence prevention (preventing incidents from arising) and prediction (predicting future incidents and taking steps to prevent them). To this end, we continue to implement personnel development and organization building initiatives.

Personnel Development

Passing Down Safety Culture

At the ANA Group Safety Education Center (ASEC), which was established for the study of past accidents and human error, we are implementing safety training for all group employees. ANA's Day was initiated in 2013 to foster learning about the history of accidents and unsafe events. By the fiscal year ended March 2016, a cumulative total of 20,743 people had participated in ANA's Day. In addition, so that they can provide assistance with necessary rescue activities when there is an in-flight emergency, from 2012 we started training for emergency evacuations from aircraft for all employees, and 17,123 people had participated in this training by the fiscal year ended March 2016.



Emergency aircraft evacuation training

Increasing Safety Consciousness

We are providing various opportunities to support the objective of continuing to pursue safety by approaching safety matters sincerely and with humility. One way we will do this is by preserving the memory of past air accidents and hijacking incidents. At 43 offices in Japan and overseas, we implement safety tour events for which the president and other officers visit the offices and engage in dialogue directly with employees. In the fiscal year ended March 2016, 1,711 employees participated in these events. In July, which is positioned as a month for promoting aviation safety and strengthening aviation security, we invited outside lecturers and held seminars on two occasions to learn about the importance of safety from an outside perspective. More than 300 people attended each of these seminars.



Safety tour event

Organization Building

Occurrence-Prevention Safety Risk Management

Occurrence-prevention safety risk management involves predicting unsafe events that have the potential to arise in the future based on events that have already occurred and on near-miss cases*, and taking action in advance. To that end, we are strengthening our initiatives, centered on the following four points.

* Unexpected events and misses that caused concern or surprise, but did not materialize into an incident.



Implementing Safety Risk Management

To thoroughly analyze the causes of all unsafe events and prevent a recurrence, we are advancing occurrence-prevention activities that are steadily shared on a groupwide basis. To measure the degree of implementation and adoption of these activities, we have established a plan-do-check-action (PDCA) cycle based on the indicators of customer feedback, employee feedback, number of unsafe incidents, and countermeasure implementation rate.

In addition, since September 2014 the ANA Group has also participated in the Safety Trend Evaluation, Analysis & Data Exchange System (STEADES), a safety program established by the International Air Transport Association (IATA). By sharing information with overseas airlines through this program and introducing advanced initiatives, we intend to pursue the world's highest safety standard.

Human Resources

By respecting employee diversity and working to draw out employee potential and individuality, we are leveraging the comprehensive capabilities of our human resources as we aim to be the world's leading airline group.



Approach to Human Resources

Human resources are the ANA Group's greatest asset and the source of differentiation for the group. Accordingly, we will work to further accelerate initiatives to enhance the competitive strengths of our human resources. The ANA Group aims to succeed through the capabilities of its human resources. To that end, we encourage

all of our employees to understand the significance of and engage in diversity & inclusion (D&I), and we seek to generate new value by harnessing the differences among organizations, groups, and individuals as a source of strength.

Overall View of the ANA Group's Human Resources Strategy



Targeting the achievement of the ANA Group Mission Statement and Management Vision, we are implementing initiatives to reinforce the competitive strengths of our human resources, on a foundation of the Core Values (ANA's Way) and health management. These initiatives include deepening D&I to draw out the capabilities of each individual, enhancing global responsiveness, strengthening our ability to develop human resources, building working environments, and generating innovation.

In addition, to develop human resources who can understand, identify with, and implement ANA's Way, we are implementing overall initiatives on a groupwide basis and advancing independent initiatives in line with the business strategies of each company. Moving forward, we will continue working to leverage the Group's comprehensive strengths, establish a position as the world's leading airline group, and provide value for society through our businesses.

Practice of ANA's Way

We are taking steps to promote understanding of our Mission Statement, Management Vision, and Core Values (ANA's Way). In addition, to pass on its DNA, which has been developed over more than 60 years, the Group is implementing initiatives to reform its corporate culture and working to activate communications.

Passing Down Corporate Culture

Since 2013, the group has conducted the ANA's Way Roadshow as an opportunity for dialogue among participants. This is held at the ANA Discovery Center, a facility for employees to study and consider the principles of Challenge and Endeavor in the group's DNA. From the fiscal year ended March 2016, ANA's Way Ambassadors have implemented the same program at all overseas branches. In these ways, we are passing down values that are important for all employees in Japan and overseas.



ANA Discovery Center

Sharing Examples of Implementation

We established the ANA's Way Awards as a system to strengthen the framework for the provision of praise. This award system widely recruits, screens, and commends examples from throughout the group. The system supports the realization of the ANA Group Mission Statement and Management Vision through the sharing of episodes that exemplify ANA's Way and examples of implementation at worksites.



ANA's Way Awards ceremony

Advancing the PDCA Cycle

In the fiscal year ended March 2016, we held the Group employee awareness survey (ANA's Way Survey) for the 13th time. The survey was implemented for employees of 44 Group companies, including employees hired overseas, and approximately 32,800 people responded (response rate: approximately 96%). For all Group employees, we regularly observe and analyze such items as thoughts and attitudes toward work and workplace satisfaction. In this way, we are bolstering the practice of ANA's Way.

Deepening Diversity & Inclusion

In April 2015, the ANA Group CEO announced the ANA Group Diversity & Inclusion Declaration. The Company is implementing a range of initiatives to support the success in the workplace of diverse human resources, including women, people with disabilities, seniors, and non-Japanese employees. These initiatives include establishing a dedicated organizational unit, fostering working style

innovation, enhancing our corporate culture, and improving the working environment. In addition, in December 2015 approximately 160 people participated in the ANA Group D&I Forum as facilitators for all Group companies. Participants learned about issues and initiatives related to D&I, which are being put into practice at each company and division.

The ANA Group's Major D&I Promotion Initiatives

Globalization

- Global standardization of personnel system
- Expanding overseas employment of cabin attendants
- Promoting the flow of domestic/overseas human resources, such as through early overseas dispatches of young employees in Japan

Support for the success of women in the workplace

- Support for both work and private life, such as child-rearing and nursing care
- Expanding network of female managers in the Group
- Assigning people responsible for supporting the success of women in the workplace at each group company

Support for active seniors

- Utilizing the true capabilities of people with abundant experience and expertise
- Systematizing and enhancing career-related training
- Establishing choices for diverse career aspirations

Employment of people with disabilities

- Further understanding of action guidelines related to employment of people with disabilities
- Conducting educational activities in rank-based training, meetings of people in charge of human resources, etc.
- Implementing employment briefings on a Group basis

Formulating the ANA Group Health Management Declaration

In accordance with the idea that "securing the safety and health of employees and establishing a comfortable workplace environment are the foundation of business activities," in April 2016 we announced the ANA Group Health Management Declaration.

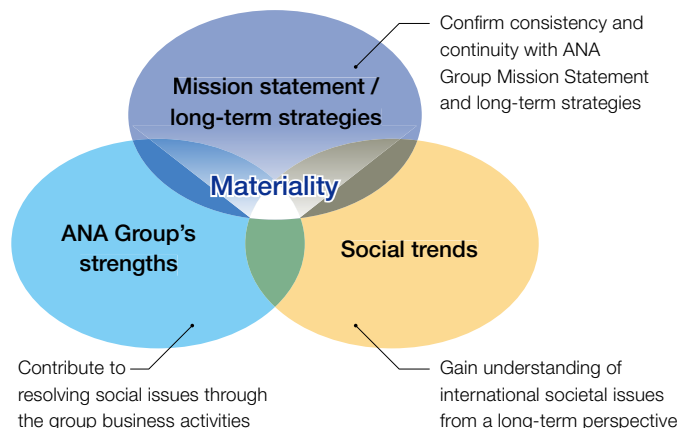
Under this declaration, we will conduct focused initiatives to (1) strengthen employee health management, (2) strengthen disease prevention measures, (3) strengthen mental health measures, and (4) strengthen safety and health activities. A Chief Wellness

Officer, who has responsibility for promoting group health management, has been appointed from among the company's directors. In addition, a Wellness Leader has been appointed at each Group company. Employees, companies, and health insurance associations will work together and carry out a range of initiatives. In this way, we are working to enhance corporate value through the promotion of employee health.

Identifying Materiality Levels in Corporate Issues

In formulating the FY2016–20 Medium-term Corporate Strategy, we aimed to transform the ANA Group into an airline group that has the overwhelming support of customers around the world and that enjoys sustainable growth through its consistent, continuous corporate activities and by enhancing both its economic and social value in the long term. To that end, we identified material issues (materiality) by implementing an assessment that took into account factors such as our business strategies, global trends, and opinions of stakeholders from inside and outside the Company.

Materiality Identification Diagram



Identification Steps

STEP 1

Understand and identify issues

STEP 2

Prioritize issues
(viewpoint of external stakeholders and internal viewpoint)

STEP 3

Confirm validity
(hold dialogues and management-level discussions)

STEP 1

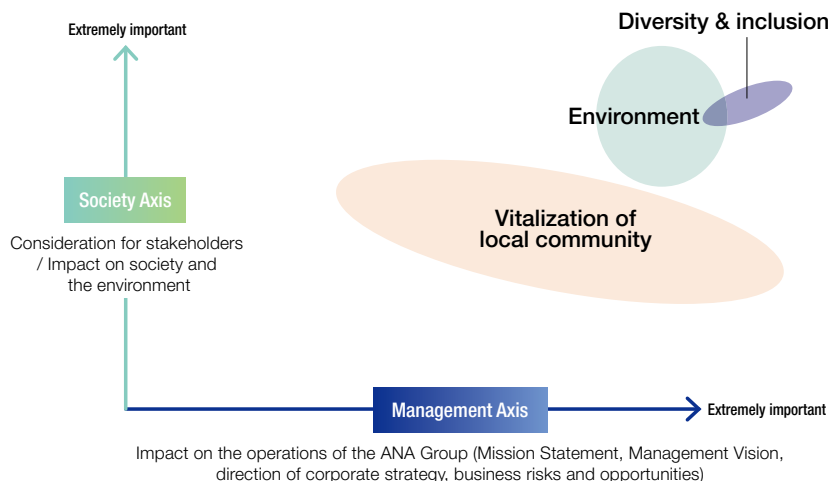
Understand and identify issues

We implemented in-house workshops that referenced international codes and guidelines, such as the 10 principles of the United Nations Global Compact, ISO 26000, and the Global Reporting Initiatives (GRI). This gave us an understanding of global movements in social issues, and enabled us to understand risks, pinpoint the strengths of the ANA Group, and identify social and environmental issues.

STEP 2

Prioritize issues (viewpoint of external stakeholders and internal viewpoint)

We further narrowed down and prioritized the issues examined and uncovered in step 1, based on the level of importance (materiality) to the ANA Group, evaluations by stakeholders, and the decision-making process.



Subsequently, we created a hypothesis for formulating our Medium-term Corporate Strategy by clarifying, in regard to changes in the global business environment and to social trends, the strengths and weaknesses of the ANA Group, the level of potential impact on our management (operating) resources, and possible bottlenecks. We also interviewed various stakeholders, namely experts and international NGOs and NPOs involved in environmental issues and regional revitalization.

STEP 3

Confirm validity (hold dialogues and management-level discussions)

We held dialogues with external experts and corporate management regarding the hypotheses we made in step 2, and we gained a deeper understanding of the social and environmental issues surrounding the ANA Group's business operations and the expectations stakeholders have toward the group regarding these issues.

Based on this understanding, the Group Corporate Strategy Committee, which is chaired by the group CEO, discussed how to incorporate these issues into our Medium-term Corporate Strategy. The important issues that were established were the environment, diversity & inclusion, and vitalization of local community.

In the future, to foster progress with each issue, we will thoroughly investigate points to be covered in review in the fiscal year ending March 2017.

Positioning of Material Issues



Reason this is a material issue and points covered in review

	Reason this is a material issue		Points covered in review
	Materiality for the ANA Group	Materiality for society at large	
Environment → P.60	<ul style="list-style-type: none"> Responding to future environmental risks Creating an environmentally conscious brand 	<ul style="list-style-type: none"> Reduction of burden on environment Paradigm shift in airline industry 	<ul style="list-style-type: none"> Progress in reducing CO₂ emissions Examining use of aviation biofuel
Diversity & inclusion → P.62	<ul style="list-style-type: none"> Promote diversity through our businesses Secure new demand 	<ul style="list-style-type: none"> Create a symbiotic society that is comfortable for all to live in 	<ul style="list-style-type: none"> Development and deployment of universal services
Vitalization of local community → P.64	<ul style="list-style-type: none"> Maintain and improve profit in the Domestic Passenger Business Create inbound demand 	<ul style="list-style-type: none"> Spark activity in regional economies by encouraging travelers to come to Japan 	<ul style="list-style-type: none"> Sales in the Domestic Passenger Business

Toward Becoming a Leading Eco-Friendly Airline

Connecting Our Skies, Connecting Our Future

Initiatives to Address Material Issues

Goals for March 31, 2021:

- Reduce CO₂ emissions per revenue ton-kilometer by 20% from the fiscal year ended March 2006
- Increase fuel-efficient aircraft to represent more than 75% of fleet
- Commence commercial flights using bio jet fuel

Background for Material Issues

The ANA Group is pursuing reductions in its environmental impact based on “ANA FLY ECO 2020,” a medium- to long-term environmental plan. This plan was formulated in consideration of the global CO₂ emissions reduction targets set by the International Civil Aviation Organization (ICAO) General Assembly in 2010*1.

In addition, the goals of keeping global rise in the average temperature below 2°C and achieving carbon neutrality in the second

half of the century were set at the 21st session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change in 2015 in Paris. The ANA Group is thus expected to step up its CO₂ emissions reduction activities to help achieve these goals.

*1 Achieve carbon neutral growth in international air transportation operation by preventing increases in CO₂ emissions after 2020 and realize average annual improvement in fuel efficiency of 2% each year leading up to 2050

Basic Approach

The ANA Group established the ANA Environmental Policy in 1998, and then formulated its Environmental Action Plan to give form to this policy in the following year. Under this plan, we have continued to push forward with various environmental measures.

As an airline group with air transportation being our core business, we realize the extreme importance of reducing CO₂ emissions volumes. For this reason, we are advancing various initiatives for preventing global warming as part of our quest to become a leading eco-friendly airline.

ANA Group Environmental Principles

- Mindset to cherish environment comes from the recognition of burdensome impact of our activities to the Earth.
- With the effort to minimize the use of natural resources and energy, we engage to support the realization of an affluent & sustainable society.
- With the initiative to commit ourselves to conserve environment, we spread the chain of “planet mindfulness” among the people around the world.

Certified Eco-First Company

In 2008, we became the first company in the airline industry and the transport industry to be certified by Japan’s Ministry of the Environment as an Eco-First company. This accomplishment was a reflection of the Ministry’s high evaluation of the company’s stance toward emphasizing environmental initiatives and social responsibility.

In addition, we endorse the principles of the “COOL CHOICE” national movement spearheaded by the Ministry of the Environment to encourage smart choices (“cool choices”) for contributing to global warming countermeasures. Our smart choices include awareness-raising activities utilizing in-flight magazines and videos.



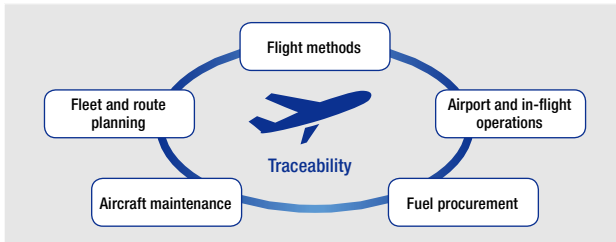
未来のために、いま選ぼう。

Efforts to Reduce CO₂ Emissions

Reduction of CO₂ Emissions from Flight Operations

The company has defined various targets to guide activities for addressing the rise in overall CO₂ emissions connected with the expansion of the International Passenger Business.

For example, we launched the Fuel Efficiency Project in 2014. This project targets a decrease in fuel consumption of 42,000 kl to be accomplished by the fiscal year ending March 2017, and the group is uniting as one to advance various initiatives for accomplishing this goal. Specific measures include revising flight methods and cleaning engines to improve fuel efficiency and achieving traceability of the project's initiatives to make them clearly visible to all employees and thereby further mobilize employees toward our goals. As a result of these efforts, 97% of the aforementioned goal had been achieved as of March 31, 2016.



Reduction of CO₂ Emissions from Ground Operations

The ANA Group has introduced energy management standards, based on which it is taking steps to reduce energy use at all work-sites. We have thereby been successful in cutting energy usage by more than 1% each year, which is the goal described in the Law Concerning the Rational Use of Energy. In 2016, the company was listed on the homepage of the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry as an S-rank company for exhibiting energy conservation excellence due to its ability to reduce energy consumption by more than 1% a year on average over the past five years.

Progress toward Targets

- **Introduction of fuel-efficient aircraft (increased portion of total fleet)**
Target: **75%** of fleet by March 31, 2021 → As of March 31, 2016: **60%** of total fleet
- **Reduction of CO₂ emissions per revenue ton-kilometer (total for domestic and international routes)**
Target: Reduce CO₂ emissions per revenue ton-kilometer by **20%** from the fiscal year ended March 2006 by March 31, 2021
→ As of March 31, 2016: Reduced CO₂ emissions by **16.1%**

Bio Jet Fuel Initiatives

In order to achieve the global CO₂ emissions reduction targets set by the ICAO, we realize that it will be essential to introduce bio jet fuel while also continuing to advance conventional fuel conservation initiatives. Accordingly, we are forging ahead with the development and introduction of such fuel on a global basis.

In Japan, the Initiatives for Next Generation Aviation Fuels was established in May 2014 to promote the development of bio jet fuels. A wide range of organizations from the aviation, energy, manufacturing plant, trading, and other industries participate in this initiative and a road map for its activities was formulated in July 2015. Furthermore, the Committee for the Study of a Process Leading to Introduction of Bio Jet Fuel for the Tokyo 2020 Olympic and Paralympic Games was created with the goal of realizing commercial flights using bio jet fuel by 2020. This committee is comprised of the Ministry of Economy, Trade and Industry; the Ministry of Land, Infrastructure, Transport and Tourism; the Ministry of the Environment; the Scheduled Airlines Association of Japan; the Petroleum Association of Japan; the New Energy and Industrial Technology Development Organization; Boeing

Japan Co., Ltd.; and related manufacturers. The ANA Group is actively participating in this committee by sharing information and helping resolve issues to its goals.

In addition, the group is supporting the research and development of so-called third-generation bio jet fuels refined from *Euglena* and other microalgae.

Comment from Boeing

Sustainable aviation biofuel will play a critical role in reducing aviation's carbon emissions. Boeing is proud to support the ANA Group and Japan's aviation industry as they strive to achieve ambitious goals for developing and regularly using sustainable aviation biofuel by 2020.



Julie Felgar
Commercial Airplanes
managing director of
Environment Strategy

Biodiversity Preservation Initiatives—Team Tyura Sango

In 2004, the ANA Group created the Team Tyura Sango project, which has continued to advance initiatives for reviving the once-beautiful coral reefs in Okinawa's oceans in cooperation with government agencies, community members, and companies from both inside and outside of Okinawa. Activities through this project are conducted four times a year, and a total of 2,000 volunteers have planted more than 5,000 corals to date. Recent advancements in techniques have driven a startling increase in the rate of survival of planted coral, which is now as high as 95%. Team Tyura Sango also conducts awareness-raising activities in Okinawa and throughout the rest of Japan, hoping to spread commitment to protecting beautiful oceans across the country and pass this sentiment onto future generations.

In 2015, in the 3rd Good Life Awards sponsored by Japan's Ministry of the Environment, the project was given first prize, the Environment Minister's Award, in recognition of its performance.



Promotion of Diversity & Inclusion

Bridging the Gap to a Harmonious Society



Initiatives to Address Material Issues

- Inspect services from perspective of customer diversity and improve customer satisfaction
- Develop and deploy universal services
- Raise recognition in the global market

■ Background for Material Issues

The ANA Group positions its International Passenger Business as a major pillar for growth going forward. As such, it is crucial for the group to be chosen and trusted by customers in the global market. At the same time, the services provided by the group are becoming more complicated in conjunction with the diversification of its customers and the rapid decline in the birthrate and aging of the population in Japan. Furthermore, it can be expected that Japan and Japanese companies will be the target of both high levels of anticipation and discerning eyes leading up to the Tokyo 2020 Olympic and

Paralympic Games as the world watches to see what stances are adopted toward global issues, such as those pertaining to the environment, human rights, poverty, and international conflict.

Given these circumstances, it will be absolutely essential for us to be able to provide services that can satisfy a diverse range of customers and earn their trust, regardless of their culture, language, age, gender, or disability. Moreover, the group will be expected to make other contributions to transforming Japan into a sustainable society that respects diversity.

■ Basic Approach

Helping to build a harmonious society through its business activities is an important duty of the ANA Group as a public transportation institution, and this duty must be fulfilled in terms of customer services and in terms of employee workplace environments. Based on this realization, we strive to contribute to increases in receptiveness toward various senses of value in order to realize a Japanese society in which

people actively contribute to removing barriers to diversity. Moreover, we aim to link this undertaking to the growth of our people and our organization in order to become an airline group that is the constant choice of customers and society.

HELLO BLUE, HELLO FUTURE—Let's Make 2020 Our Runway

As an official airline partner of the Tokyo 2020 Olympic and Paralympic Games, ANA will contribute to the success of the event and help fully exert the unique power of sports to unite the world.

To this end, the group will provide world-leading universal services in order to form a bridge between people across Japan and those around the world and thereby create an enduring legacy that will continue into the future beyond 2020.

Moreover, in January 2016 the company established the Tokyo Olympic and Paralympic Games Promotion Headquarters. Everyone at the ANA Group, including senior management, various divisions' staff, and front-line employees, is committed to making 2020 a runway for people in Japan and around the world to use as they take off toward the future.



Development of World-Leading Universal Services

The ANA Group strives to become a leading airline group in the field of universal services. With the goal of improving satisfaction among a diverse range of customers, we have been undertaking various research and analysis activities, including Internet and face-to-face customer satisfaction surveys as well as benchmarking investigations to help us learn from companies in Japan and overseas. The

information gained through these activities is used to improve existing services as well as to formulate and develop new services. Such improvement efforts are not contained within the group as we also collaborate with other companies in specialized fields to actively introduce new technologies in the pursuit of higher levels of customer convenience.



Non-metal wheelchairs that allow users to pass through security checkpoints without changing chairs



Remote sign language interpretation service available at airport counters



Multi-language communication support tools

Support for Para-Sports

Sports have a unique power to unite the world and can therefore be a strong driving force for realizing a society in which people actively contribute to removing barriers to diversity. Believing in this power, the ANA Group is actively supporting the spread and development of para-sports. In 2015, ANA WING FELLOWS VIE OJI Co., Ltd., hired Takuya Tsugawa, a para-sports athlete participating in swimming and backstroke events. In addition, we concluded partnership agreements with the Japanese Para-Sports Association in April 2016 and the Japan Blind Football Association in June of the same year.



Ceremony commemorating conclusion of partnership agreement with the Japan Blind Football Association

Transformation into an Airline Group that is Supportive of the LGBT Community

In April 2015, the group formulated the ANA Group Diversity & Inclusion Declaration, inspiring us to address issues faced by members of the LGBT community. Through these efforts, we hope to respond to our customers' needs as an airline while also creating a workplace environment in which our employees can feel empowered and motivated.

Initiatives for Catering to the LGBT Community

Customer Services

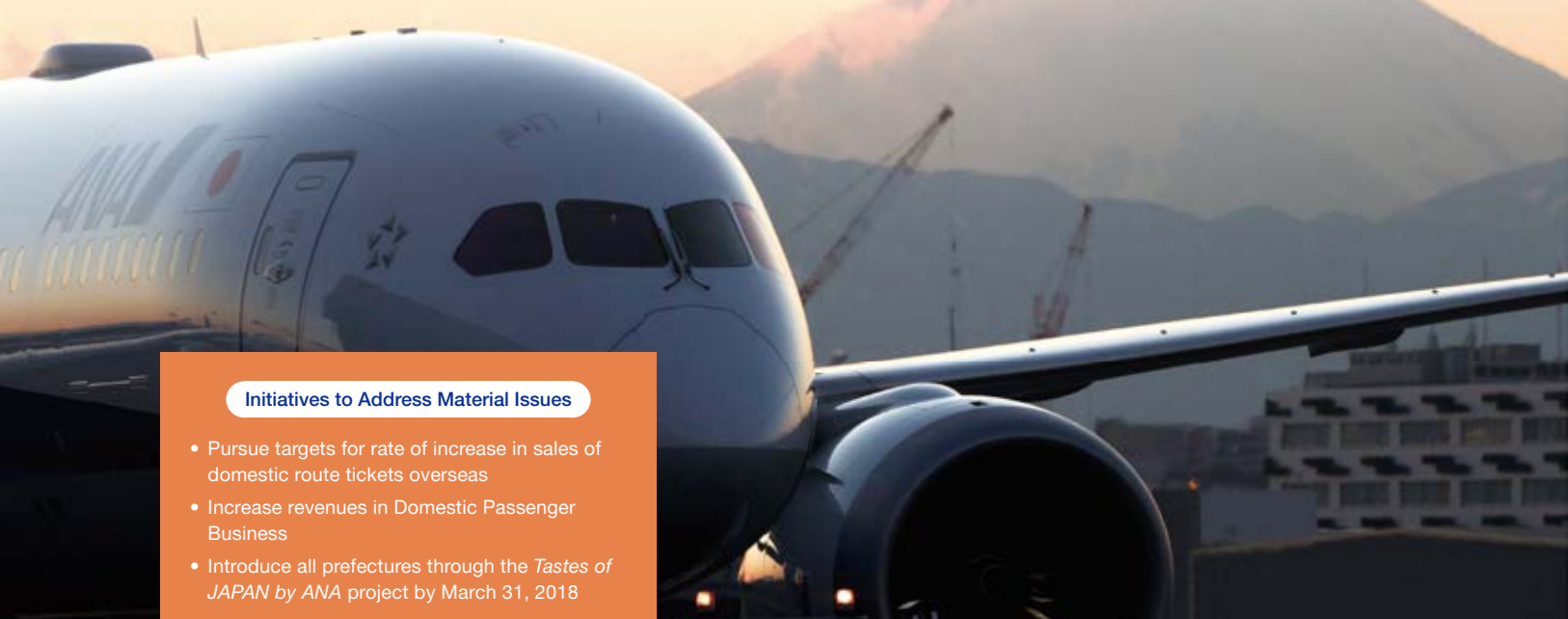
Enable same-sex partners to be listed as family members and benefit receivers for the *ANA Card Family Mile* service

Workplace Environment

Establish consultation office for LGBT employees
Enhance in-house sensitivity training programs
Increase inclusivity of welfare systems

Vitalization of Local Community

Connecting Japan to the World, Connecting People to Others



Initiatives to Address Material Issues

- Pursue targets for rate of increase in sales of domestic route tickets overseas
- Increase revenues in Domestic Passenger Business
- Introduce all prefectures through the *Tastes of JAPAN by ANA* project by March 31, 2018

Background for Material Issues

Pledging to rebuild Japan's air transportation industry as a private airline company after World War II, ANA has continued to expand its network with a focus on domestic routes, growing together with Japan in this process. Traditional Japanese charms and tourism resources are now attracting global attention. Conversely, Japan faces concerns with regard to the depopulation of regional cities and the decline of traditional industries. In the midst of these trends, the

Japanese government has set the target of attracting more than 40 million annual overseas visitors to Japan by 2020. As we advance growth strategies focused on the International Passenger Business, significant expectations are being levied toward the group to help achieve this target as Japan's leading airline group while contributing to the social and economic invigoration of the country.

Basic Approach

The ANA Group's Mission Statement is "Built on a foundation of security and trust, 'the wings within ourselves' help to fulfill the hopes and dreams of an interconnected world." This statement inspires us to leverage our unique strengths as an airline group to advance various initiatives for becoming a bridge that transmits the values of

Japan to the world. By working together with other companies, NGOs and NPOs, municipal government agencies, and other organizations, we will endeavor to further vitalize regional economies across Japan and stimulate tourism demand.

Tastes of JAPAN by ANA—Vitalization of Local Economies Utilizing ANA's Services

Since September 2013, we have been deploying the *Tastes of JAPAN by ANA* project, which is designed to proudly introduce Japanese values to customers worldwide. Over the period leading up to March 31, 2018, the project will successively highlight, under the themes of food, sake, sweets, and culture, each of Japan's prefectures through in-flight meals and entertainment and other services. The project will feature three prefectures every three months until all 47 prefectures are covered. (As of July 31, 2016, 32 prefectures had been covered.)



**Tastes of
JAPAN
by ANA**

<http://www.ana.co.jp/tastesofjapan/en/>

ANA EXPERIENCE JAPAN

—Centralized Source of Tourism Information for Stimulating Travel

The “IS JAPAN COOL?” website is designed to stimulate demand for inbound travel to Japan. Through this website, we take an in-depth look at the attractive qualities of Japanese culture and Japan’s distinctive cities from our unique vantage point. Since its launch in February 2012, the website has generated significant interest, attracting more than 900,000 visitors. At the same time, we offer the *ANA Experience JAPAN Fare*, which enables visitors from abroad to travel throughout Japan with greater ease. This fare has stimulated an increase in the number of inbound travelers visiting areas outside of Tokyo, as indicated by a year-on-year increase of approximately 30% in the number of tickets for flights on domestic routes within Japan sold outside of the country in the fiscal year ended March 2016.

In addition, November 2015 saw the launch of the *ANA EXPERIENCE JAPAN* website. Available in English and traditional

and simplified Chinese, the website provides a seamless regional exchange platform for supplying information on the appeal of particular regions and other information necessary for sightseeing centered on the inter-regional sightseeing excursion routes recognized by the Ministry of Land, Infrastructure and Transport. With the aim of enhancing the website’s functionality as a means of communicating with inbound travelers to Japan, we will work together with municipal governments and service providers to further centralize the provision of information through the website.



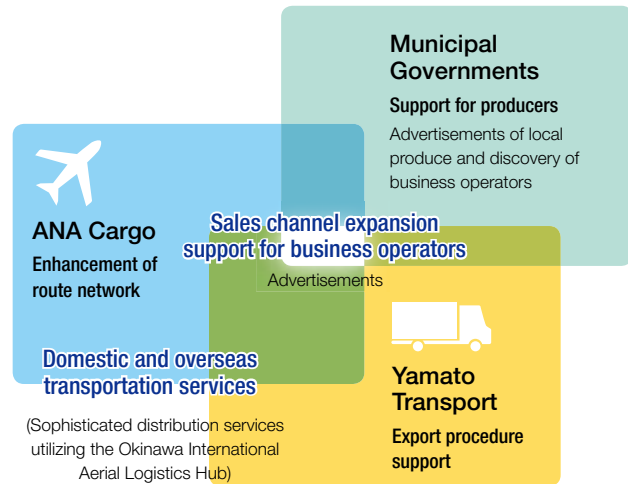
<http://www.ana-exjapan.com/en/>

Collaboration with Municipal Governments and Companies

—Support for Exporting Agricultural and Fishery Produce from Across Japan

The Japanese government has set the goal of achieving annual exports of agricultural and fishery produce and other food products of more than ¥1 trillion by 2020. Together with the Japanese cuisine boom currently seen overseas, this goal is serving to stimulate distribution demand for Japanese ingredient exports. As such, municipal governments are increasingly finding themselves in need of a wider range of sales channels for selling their local produce overseas.

In light of this situation, ANA Cargo Inc. and Yamato Transport Co., Ltd., under the stronger partnership formed in May 2014, have concluded partnership agreements with municipal governments through which both companies will provide their resources and expertise. In addition, we are constructing a business model that fully leverages the strengths of our route network and distribution services. For example, we will offer high-quality, high-speed services for transporting agricultural and fishery produce throughout Asia (Hong Kong, Taiwan, Singapore, and Malaysia) based out of the Okinawa International Aerial Logistics Hub, provide opportunities for introducing domestic producers to overseas buyers, and supply sales channels through cross-border e-commerce operations.



Material Issues for the Growth Strategy (Materiality)

Preservation of Japan’s Culture and Natural Environment for Future Generations

—Official UNESCO Supporter

Since 2013, the ANA Group has been assisting UNESCO’s international cooperation programs in education, science, and culture as the world’s first official sponsor of this organization.

Together with the National Federation of UNESCO Associations in Japan, ANA Group volunteers worked to replace the thatched roofs of the *Gassho*-style houses in Ainokura Village of Gokayama, a UNESCO World Cultural Heritage site located in Nanto City, Toyama Prefecture, in October 2015. *Gassho*-style houses are a traditional type of dwelling that was built 400–500 years ago. These houses are known for their steeply sloped thatched roofs, which prevent snow from accumulating on top of the houses and must be replaced every 15–20 years. Going forward, we will work together with members of local communities to preserve Japan’s culture and natural environment while advancing activities around the world to pass these precious tourism resources onto future generations.

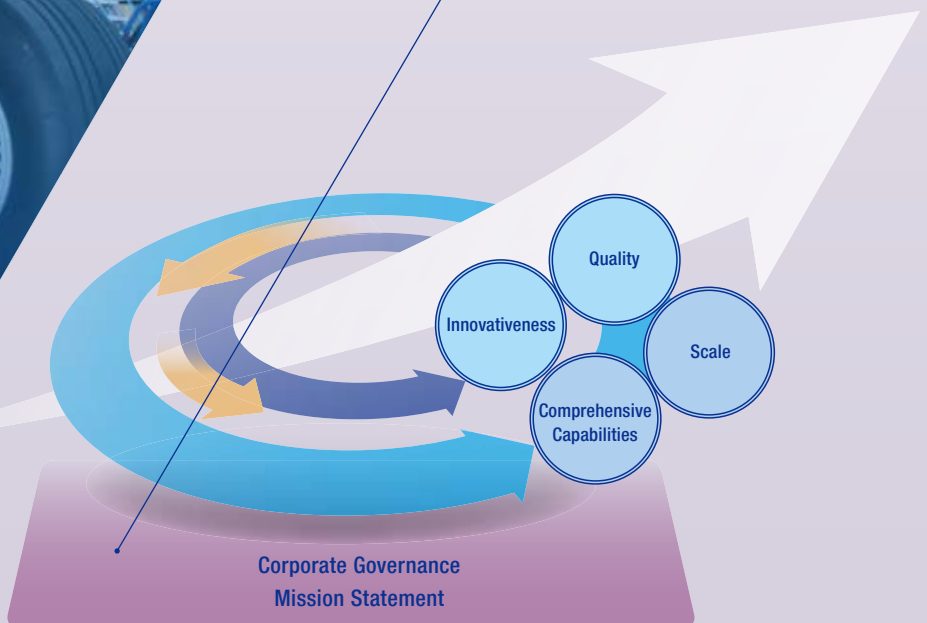


Foundation Supporting Value Creation

The ANA Group is spreading awareness regarding its Mission Statement and developing frameworks for optimizing business-related decision-making in the pursuit of sustainable growth through heightened economic and social value.



Foundation Supporting Value Creation



Management Members



(Front row, from left) Shinichiro Ito, Shinya Katanozaka, Osamu Shinobe
(Back row, from left) Yuji Hirako, Toyoyuki Nagamine, Kiyoshi Tonomoto, Shigeyuki Takemura, Shosuke Mori, Ado Yamamoto, Izumi Kobayashi

BOARD OF DIRECTORS

1. Shinichiro Ito

Chairman of the Board of Directors
Representative Director

2004: Executive Vice President
2006: Senior Executive Vice President
2007: Senior Executive Vice President,
Representative Director
2009: President & Chief Executive Officer,
Representative Director
2015: Chairman of the Board of Directors,
Representative Director (to present)

2. Shinya Katanozaka

President & Chief Executive Officer
Representative Director
Chairman of the ANA Group Management Committee
Head of the Group CSR Promotion Committee
In charge of the Internal Audit Division

2011: Executive Vice President
2012: Senior Executive Vice President
2013: Senior Executive Vice President,
Representative Director
2015: President & Chief Executive Officer,
Representative Director (to present)

3. Shigeyuki Takemura

Senior Executive Vice President
Corporate Executive Officer
In charge of Government & Industrial Affairs
and Strategic Planning-Asia Pacific

2010: Executive Vice President
2011: Senior Executive Vice President
2014: Senior Executive Vice President
and Director (to present)

4. Kiyoshi Tonomoto

Executive Vice President,
Corporate Executive Officer
Chairman of the Group CSR Promotion
Committee
In charge of Executive Secretariat,
Legal & Insurance
Director of Corporate Communications

2011: Executive Vice President
2013: Senior Executive Vice President (to present)

6. Yuji Hirako

Corporate Executive Officer
Director, In charge of Finance, Accounting &
Investor Relations and Facilities Planning

2015: Member of the Board of Directors
(to present)

7. Osamu Shinobe

Member of the Board of Directors
President & Chief Executive Officer of
ALL NIPPON AIRWAYS CO., LTD.

2009: Executive Vice President
2011: Senior Executive Vice President
2012: Senior Executive Vice President,
Representative Director
2013: Member of the Board of Directors
(to present)

8. Shosuke Mori

Outside Director
Senior Adviser,
The Kansai Electric Power Co., Inc.

2006: Outside Director (to present)

9. Ado Yamamoto

Outside Director
Chairman and Representative Director of
Nagoya Railroad Co., Ltd.

2013: Outside Director (to present)



(From left) Eiji Kanazawa, Yoshinori Maruyama, Sumihito Okawa, Shingo Matsuo, Eiji Ogawa

5. Toyoyuki Nagamine

Executive Vice President,
Corporate Executive Officer
Director, In charge of Human Resources Strategy,
Okinawa Region
Director of Corporate Planning

2015: Member of the Board of Directors
2016: Executive Vice President (to present)

10. Izumi Kobayashi

Outside Director
Former Executive Vice President,
Multilateral Investment Guarantee Agency,
The World Bank Group

2013: Outside Director (to present)

AUDIT & SUPERVISORY BOARD MEMBERS

Sumihito Okawa

Outside Audit & Supervisory Board Member

Yoshinori Maruyama

Audit & Supervisory Board Member

Eiji Kanazawa

Audit & Supervisory Board Member

Shingo Matsuo

Outside Audit & Supervisory Board Member
Adviser, Kyushu Electric Power Co., Inc.

Eiji Ogawa

Outside Audit & Supervisory Board Member
Professor, Graduate School of Commerce and
Management, Hitotsubashi University

As of July 31, 2016

Reinforcement of Corporate Governance System to Support Aggressive and Speedy Management

The group is actively reinforcing its corporate governance system, which forms the foundation of aggressive and speedy management necessary to create value for its various stakeholders while responding accurately to operating environment changes.

Establishment of Fundamental Policy on Corporate Governance

The company is in compliance with all principles of Japan's Corporate Governance Code (as of June 30, 2016), and established its Fundamental Policy on Corporate Governance in November 2015.

For more information on the company's corporate governance initiatives, please refer to its Fundamental Policy on Corporate

Governance, Corporate Governance Report, notices of general meetings of shareholders, annual securities reports (in Japanese only), and other documents available on its corporate website. (<https://www.ana.co.jp/group/en/about-us/governance/>)

Basic Approach to Corporate Governance

Mission Statement

Built on a foundation of security and trust,
“the wings within ourselves” help to fulfill the hopes
and dreams of an interconnected world.

“Security and Trust” is the group's unwavering promise to its customers. It defines the core of entire operations and is our solemn responsibility. “The wings within ourselves” are our desire to continually rise to new challenges, contribute to the strong rebirth of our organization, and always be there for our customers. The group pledges to transcend generations in support of developing our society and fulfilling our future with hopes and dreams.

The ANA Group practices management that contributes to value creation for its various stakeholders in accordance with its Mission Statement. In addition, the group has adopted a holding company structure whereby each group company carries out swift decision-making. The company supervises and monitors the execution of group company operations to realize sustainable growth of group companies and the enhancement of medium- to long-term corporate value.

The company plays a leadership role in the management of the group and establishes management policies and goals for the entire group. In addition to supervising the management of group companies, the company appoints highly experienced individuals with sophisticated specialties to serve as directors or in other positions at operating companies and delegates authority to these operating companies for their operation, thereby allowing for functional and effective business execution.

The company has adopted the Company with Company Auditors system described in the Companies Act of Japan,

whereby Audit & Supervisory Board members, along with the Board of Directors, supervise and audit the execution of duties by directors. Furthermore, the company is strengthening the supervisory function of the Board of Directors through the appointment of several outside directors. The company is also enhancing the auditing function of Audit & Supervisory Board members through the appointment of a full-time outside Audit & Supervisory Board member.

Apart from legally mandated organizations, the company has established the Management Advisory Council, which is comprised of seven experts (six men, one woman) in various industries that provide unbiased, frank opinions and advice regarding management of the group. The company has also established the Group Management Committee, comprising the full-time directors, full-time Audit & Supervisory Board members, and other members, to discuss issues more swiftly and in greater detail. The committee fulfills a supplementary role to the Board of Directors.

Strengthening of Board of Directors' Supervision Function and Aggressive and Speedy Management

In April 2016, the scope of authority for the Board of Directors and the Group Management Committee was revised to ensure that the group can compete sufficiently in this fierce, competitive environment by making swift and bold decisions.

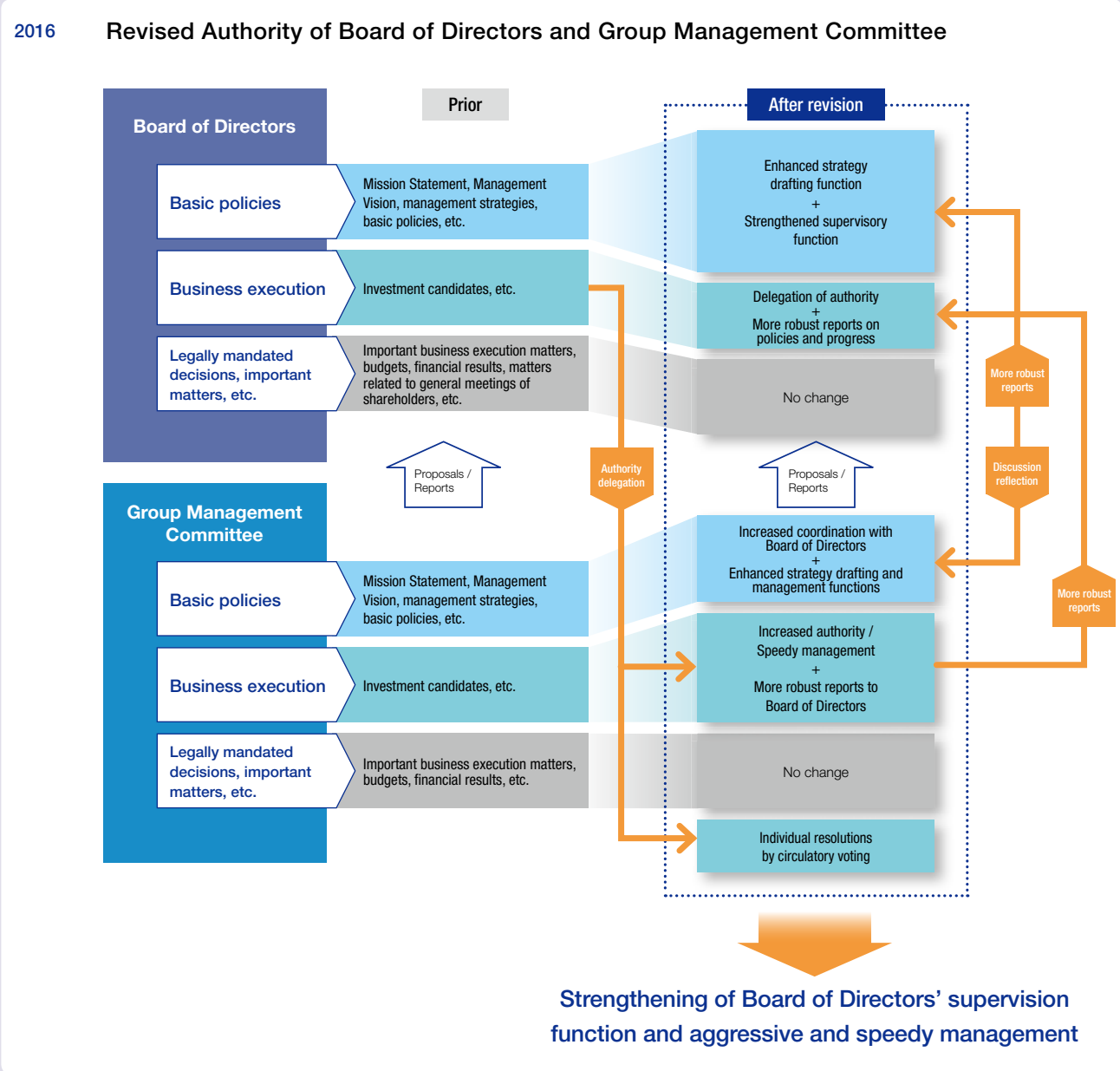
Specifically, we revised standards for introducing proposals to transfer a large portion of authority from the Board of Directors to the Group Management Committee. Transferred authority included that for decisions related to important business execution matters requiring swift decisions, such as those pertaining to selecting

investment candidates and executing investment. Meanwhile, it was decided to enhance the companywide strategy drafting functions of the Board of Directors while fleshing out the standards dictating when the Group Management Committee should report to the Board of Directors to strengthen the supervision function.

By implementing these changes in authority, we will strengthen the supervision function of the Board of Directors and realize aggressive and speedy management.

Initiatives for Reinforcing Corporate Governance Systems

2013	Shifted to the holding company structure in which group companies make swift decisions and the company supervises group company business execution
2015	Established Fundamental Policy on Corporate Governance



Corporate Governance

Corporate Governance System

The company has adopted the Company with Company Auditors system to maintain fair, equitable, and transparent corporate governance and to enhance corporate value by conducting efficient business operations within the group.

The term of office for directors is one year. The Board of Directors, which provides an appropriate supervisory function for the business execution, consists of 10 directors, three of which are

outside directors. Meanwhile, the Audit & Supervisory Board supervises management with its five Audit & Supervisory Board members, of which three are outside Audit & Supervisory Board members. The company's corporate governance system also contains accounting auditors. Governance functions are being strengthened through this system.

Accounting Auditors

The accounting auditors perform audits of ANA HOLDINGS INC. and group companies in accordance with the *Companies Act of Japan* and the *Financial Instruments and Exchange Act of Japan*. The accounting auditors prepare for the introduction or amendment of various laws and regulations, accounting standards, and other rules by allowing sufficient time for discussions to take place with the company's finance division.

Following the closure of the 71st Ordinary General Meeting of Shareholders, the company newly appointed Deloitte Touche Tohmatsu LLC as its accounting auditor. Accordingly, future audits will be carried out by certified public accountants from this firm.

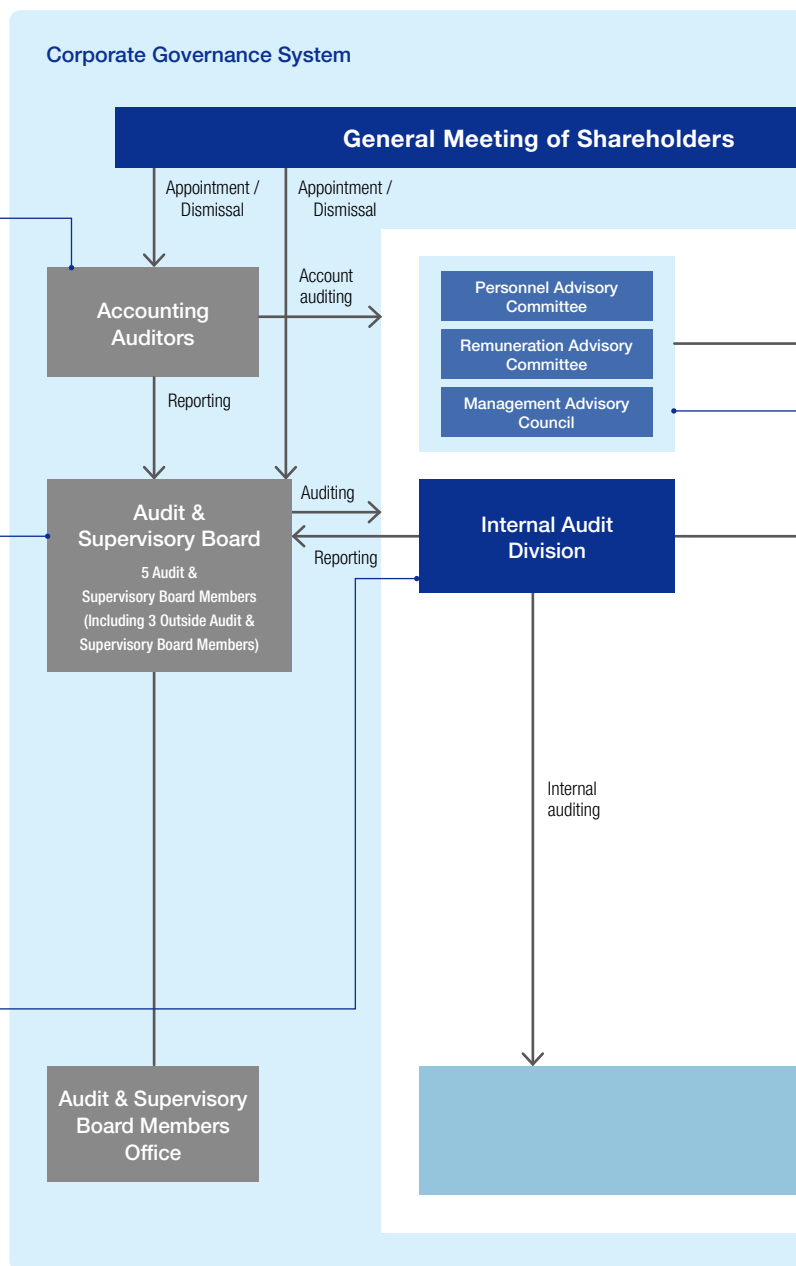
Audit & Supervisory Board and Audit & Supervisory Board Members

To ensure healthy development and to earn greater levels of trust from society through audits, the company has appointed five Audit & Supervisory Board members, three of which are outside Audit & Supervisory Board members, that possess plentiful experience and the high level of expertise required to conduct audits.

Audits by the Audit & Supervisory Board are conducted by full-time Audit & Supervisory Board members that are well-versed in the group's business and highly independent outside Audit & Supervisory Board members, and the full-time outside Audit & Supervisory Board member, who has experience working at financial institutions, serves as the main proponent of these audits. The Audit & Supervisory Board Members Office was established and placed under the direct control of the Audit & Supervisory Board members to provide support for audits. This office cooperates with the Internal Audit Division, which is directly under the supervision of the CEO, and the accounting auditors, to enhance the company's auditing system. The three outside Audit & Supervisory Board members are registered as independent auditors with the Tokyo Stock Exchange.

Internal Audit Division

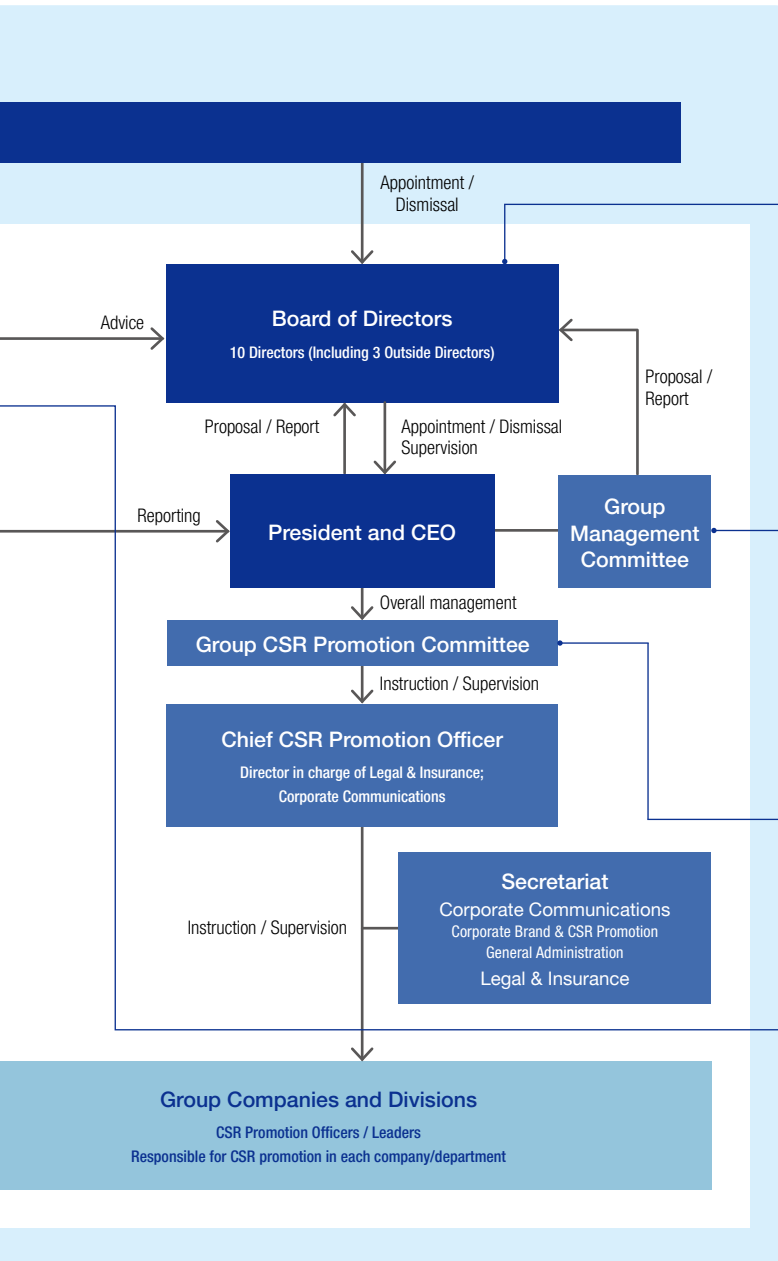
The Internal Audit Division, which reports directly to the president and CEO, audits the operations and accounts of ANA HOLDINGS INC. and group companies and conducts evaluations from an independent, objective perspective that correspond to the standards in the Financial Instruments and Exchange Act on the reporting system for the internal control over financial reporting. Audits are comprised of regular audits, which are conducted in accordance with annual audit plans, and intermittent audits conducted at the discretion of management. Regular audits are impartially and objectively conducted based on risk analyses of each division and group companies. The results of audits are reported to the president and CEO every month and to the president & Supervisory Board members when needed.



Meeting of Bodies Responsible for Corporate Governance (Fiscal Year Ended March 2016)

	Times
Board of Directors	14
Audit and Supervisory Board	13
Group Corporate Strategy Committee	46
Group CSR Promotion Committee	2

	Times
Remuneration Advisory Committee	2
Management Advisory Council	4



Board of Directors

The Board of Directors sets the groupwide management policies and goals while also taking on the role of overseeing the management and business execution of each group company.

The members of the Board of Directors possess diverse attributes, including experience, knowledge, expertise, and gender. There are nine male directors and one female director sitting on the Board of Directors. Furthermore, three of the 10 directors are outside directors. In addition, Audit & Supervisory Board members participate in meetings of the Board of Directors to facilitate swift and appropriate decisions and reinforce supervisory functions. The three outside directors are registered as independent directors with the Tokyo Stock Exchange.

Group Management Committee

The company has established the Group Management Committee, comprising the president and CEO, who acts as the chairman, as well as full-time directors, full-time Audit & Supervisory Board members, and other members, to discuss measures needed to address management issues more swiftly and in greater detail. The committee fulfills a supplementary role to the Board of Directors.

Group CSR Promotion Committee

Under the ANA Group CSR Regulations, the company has established the Group CSR Promotion Committee, which promotes the advancement of formulated measures and reports directly to the president and CEO. The committee comprises the full-time directors and full-time Audit & Supervisory Board members. Policies and issues of significance related to the group's CSR as a whole, including those pertaining to risk management and compliance, are discussed and proposals are made by this committee.

Voluntarily Established Committees

As advisory bodies to the Board of Directors, the company has established the Personnel Advisory Committee^{*1} and the Remuneration Advisory Committee, which are both membered by a majority of outside directors, as well as the Management Advisory Council^{*2}, which is comprised of seven experts in various industries. With these committees in place, we strive to improve the transparency and impartiality of our corporate governance system.

^{*1} The Personnel Advisory Committee was established in June 2016.

^{*2} The Management Advisory Council offers open and frank advice regarding all aspects of the group's management, which are incorporated into future management activities.

As of July 31, 2016

Analysis and Evaluation of Effectiveness of the Board of Directors

1. Method of Evaluation

The company recognizes that it is important for the Board of Directors to constantly undergo self-evaluation, through which it should look for new solutions while always thinking of how to be a more ideal body and achieve better corporate governance. Accordingly, at least once a year the company analyzes, evaluates, and discusses the overall effectiveness of the Board of Directors in order to pursue improvements.

In September and October 2015, the company held discussions on establishing an optimal corporate governance system and on the ideal structure of the Board of Directors. In November, all directors and Audit & Supervisory Board members analyzed and evaluated the effectiveness of the Board of Directors based on director self-evaluations.

2. Results of the Analysis and Evaluation of the Effectiveness of the Board of Directors

The company has confirmed that active discussion is being conducted by the Board of Directors. This judgment was based in part on the fact that briefings, mainly on important resolutions, are held for outside directors and outside Audit & Supervisory Board members, who possess diverse experience and specialized expertise, prior to meetings of the Board of Directors. Another reason for this judgment was the sufficient support provided to outside directors and outside Audit & Supervisory Board members, which included initiatives to promote understanding of the group by enabling them to observe sites and facilities, such as those related to airport handling, aircraft maintenance, flight operations, and passenger cabins. The company has assessed that the Board of Directors is functioning adequately and that it has secured an appropriate level of effectiveness in decision-making on important management matters and in properly overseeing business execution.

Meanwhile, the company identified improvements that will need to be pursued for the further expansion of the Board of Directors' oversight functions. These improvements included longer and more extensive discussions on the group's policies, including medium- to long-term management strategies, and better sharing of the content of discussions held by management committees of major subsidiaries with the Board of Directors.

Based on the aforementioned evaluations, the company aims to continue to improve this effectiveness moving forward.

Major Agenda Items for the Board of Directors

- 1. Items Related to General Meetings of Shareholders**
 - Proposals to be submitted to General Meetings of Shareholders for approval
- 2. Items Related to Directors, Corporate Executive Officers, the Board of Directors, etc.**
 - Selection of director candidates and corporate executive officers
 - Evaluation of the Board of Directors
- 3. Items Related to Financial Results**
 - Financial results and earnings forecasts
 - Reports from operating companies
- 4. Items Related to Stocks and Capital**
 - Bond issuance-related items
- 5. Items Related to Organizational Restructuring**
- 6. Items Related to Personnel and Organizations**
 - Important revisions to personnel systems and organizations for employees
- 7. Items Related to the Company and Important Subsidiaries**
- 8. Items Related to Establishment and Abolition of Important Regulations and Rules**
- 9. Items Related to Disposal and Receipt of Important Assets**
 - Investment-related items
 - Aircraft introduction, sales, and leases
- 10. Items Related to Major Debts**
 - Financing plans
- 11. Items Related to Corporate Governance**
 - Internal audit plans and results reports
 - Overview of proceedings of Group CSR Promotion Committee and action plans
- 12. Other Items**

Policies Regarding Cross-Shareholdings

The company believes that maintaining and strengthening cooperative relationships with business partners is necessary for the expansion and development of the group's business.

The group, which has the Air Transportation business as its core business, shall strategically hold shares in another company should it believe that this holding will contribute to expanded earnings through smooth continuation of operations as well as stronger business alliances and relationships and thereby improve corporate

value in the medium to long term.

Appropriate decisions on the exercise of voting rights associated with cross-shareholdings are made by comprehensively taking into account discussions with the relevant company after examination of each resolution, including how the resolution will lend to the enhancement of the relevant company's medium- to long-term corporate value and impact the group's business operations.

Related-Party Transactions

The Board of Directors, in accordance with laws and regulations and the Board of Directors Regulation, a set of internal rules, must approve competitive business transactions and transactions that constitute conflicts of interests between the company and directors. In the event that said transactions are implemented within the approved framework, material facts regarding these transactions shall be reported at meetings of the Board of Directors.

In the event these transactions are carried out between the company and a related party other than a director, the necessary approval of said transactions is to be received in accordance with the company's internal rules depending on the scale and importance of the transaction. The Internal Audit Division shall conduct periodic audits of the content of these transactions and a system shall be put in place that enables Audit and Supervisory Board members to view the details of approvals at any time.

Policies for Constructive Dialogue with Shareholders

The company believes that a constructive and consistent dialogue with shareholders and other investors is important to sustaining growth and improving corporate value in the medium to long term. A director is appointed to be in charge of handling this dialogue, and works with relevant divisions, mainly the investor relations (IR) division, to communicate information and gather shareholder input. A major prerequisite for constructive dialogue with shareholders and other investors naturally is disclosure in accordance with laws and regulations. In addition, information deemed crucial for investors, including non-financial information, is actively disclosed. Consideration is also taken to ensure the fair disclosure of information in accordance with the company's Rules on the Prevention of Insider Trading.

The IR division is responsible for the dialogue with institutional investors, including shareholders. In addition to conducting regular meetings with institutional investors in Japan and overseas, the division also offers briefing sessions and other various opportunities for dialogue that cover important matters, such as corporate strategies and earnings performance. Efforts are also made to improve the content of these sessions. Furthermore, when reasonable, direct dialogue is carried out with the president and CEO and other directors, including the director in charge of the IR division, and ample information is communicated to management committees on the dialogue carried out at briefings and other sessions. The opinions of shareholders and other investors are utilized in the company's management.

General administration divisions are responsible for dialogue with private shareholders. The division publishes *ANA VISION* (in Japanese only), a quarterly shareholder newsletter that explains management topics and financial results information. In addition, information is

provided on the ANA shareholders' website (in Japanese only). Furthermore, briefings are conducted for private investors—potential shareholders—on corporate strategies and financial results.

Major Initiatives in the Fiscal Year Ended March 2016

- Meetings with institutional investors and analysts: 314 (165 in Japan, 149 overseas)
- Briefings for investors: 15 (8 for institutional investors, 7 for private investors)
- Aircraft maintenance center tours for private shareholders: 9



ANA shareholders' website

ANA VISION shareholder newsletter

Corporate Governance

Process of Nominating Directors and Selection and Term Policies

The company has established the Personnel Advisory Committee, which is membered by a majority of outside directors, as an advisory body to the Board of Directors to ensure transparency and impartiality of decision-making with regard to selecting director candidates. This committee consists of three outside directors and one internal director, for a total of four members, and provides prudent suggestions to the Board of Directors with regard to the selection of director candidates based on discussions among committee members.

Directors are selected from candidates inside and outside of the company that have the potential to contribute to improvements with regard to appropriate policy-making, decision-making, and oversight befitting an airline group operating diverse, global businesses centered on the Air Transportation business. Potential candidates are honest in character and possess extensive experience, broad insight, and highly specialized expertise. The selection is made within the scope of relevant laws such as the Civil Aeronautics Act and regardless of factors such as gender or nationality. The articles of incorporation define the term of directors as lasting until the closure of the final Ordinary General Meeting of Shareholders related to the last fiscal year to end within a period of one year from their appointment. This provision is

meant to prevent issues impeding the reappointment of directors.

Internal Directors

In addition to the Chairman, who chairs the Board of Directors; the President and CEO, who is the highest authority for business execution; and the CFO, internal directors are selected from candidates that include the President and CEO of ALL NIPPON AIRWAYS CO., LTD. (ANA), the core company of the group; corporate executive officers responsible for managing overall group operations; and group companies' directors that are familiar with group businesses.

Outside Directors

Several outside directors are selected from among candidates that possess a practical viewpoint based on their vast experience in corporate management or from among candidates that have a global or community-oriented viewpoint owing to a high level of knowledge about social and economic trends. Candidates are also to be independent from the company (see Independence Guidelines below).

Training Directors and Audit & Supervisory Board Members

Internal directors and Audit & Supervisory Board members attend external seminars and undergo training based on their knowledge and experience on an ongoing basis beginning with their appointment, and the company provides the necessary support for such self-study opportunities. Furthermore, group training for directors and Audit & Supervisory Board members along with lectures and exchanges of opinions with external instructors are periodically carried out for internal directors to provide the information and knowledge they require to fulfill their roles.

At the time of appointment, outside directors and outside Audit & Supervisory Board members are provided with explanations of the group's operations to deepen their understanding of the group and the airline industry. After their appointment, they are given opportunities to tour sites and facilities, including those related to airport handling, aircraft maintenance, flight operations, and passenger cabins. In addition, ongoing training is implemented, including lectures providing basic knowledge on the airline industry and explanations of business operations at major group companies.

Independence Guidelines of Outside Directors and Outside Audit and Supervisory Board Members

To judge the independence of outside directors and outside Audit & Supervisory Board members, the company requires that they do not apply under any of the items 1 through 11 below.

Note that even in the event that an individual does apply under any of the items 1 through 11 below, the company may judge that

the individual is effectively independent. In these cases, the company will explain and disclose the reason for this judgment when appointing this individual as an outside director or outside Audit & Supervisory Board member.

1. A person for whom the group is a key business partner*1, or an executive officer thereof
2. A person that is a key business partner of the group*1, or an executive officer thereof
3. A person that is a key lender of the group*2, or an executive officer thereof
4. A major shareholder of the company*3, or an executive officer thereof
5. An attorney, certified public accountant, consultant, or other expert that receives, apart from remuneration as a director or an Audit & Supervisory Board member, significant monetary compensation or other economic benefit*4 from the group
6. A certified public accountant that is a member of the auditing firm serving as the company's accounting auditor
7. A person that has received a large donation*5 from the group
8. A person that is a close relative*6 of a director, Audit & Supervisory Board member, corporate executive officer, or key employee of the company or a consolidated subsidiary
9. A person whose close relative falls under any of 1 through 7 above

10. A person that has fallen under any of 1 through 8 above in the past three years
11. In addition to the preceding items, a person that has a special reason making them unable able to fulfill his/her duties as an independent outside director or Audit & Supervisory Board member, including a conflict of interest with the company

*1. A person for whom the group is a key business partner is defined as a business partner for which the group accounts for more than 2% of their consolidated net sales. A person that is a key business partner of the group is defined as a business partner that accounts for more than 2% of consolidated operating revenues of the group.

*2. A person that is a key lender is a financial institution from whom outstanding loans to the group exceed 2% of the consolidated total assets of the company at the end of the most recent fiscal year.

*3. A major shareholder is a shareholder who holds 10% or more of voting rights directly or in another name at the end of the most recent fiscal year, or an executive officer thereof if the shareholder is a corporation.

*4. Significant monetary compensation or other economic benefit is a benefit exceeding an average of ¥10 million per year over the past three fiscal years.

*5. A large donation is a donation that exceeds an average of the higher of ¥10 million or 2% of the consolidated sales of the recipient from the group over the past three fiscal years.

*6. A close relative is a spouse or a relative within two degrees of kinship.

Reasons for Appointment of Directors and Audit & Supervisory Board Members

The following directors and Audit & Supervisory Board members were appointed at the 71st Ordinary General Meeting of Shareholders.

Directors		(As of June 28, 2016)	
	Major concurrent positions	Reason for appointment	
Shinichiro Ito Chairman of the Board of Directors Representative Director	Outside Director, Member of Audit Committee, etc. of Mitsubishi Heavy Industries, Ltd.	Shinichiro Ito was in charge of sales, human resources, and other divisions for many years. As a director from June 2003 and as president and CEO from April 2009, he led the management of the group during the challenging management environment seen after the global financial crisis of 2008, and he achieved improvements in performance by promoting group management structure reforms and earnings base expansion. He has been engaged in reinforcement of the functions of the Board of Directors as the chairman since April 2015. Since he is contributing to the reinforcement of the supervisory function of the Board of Directors as the chairman and given his abundant experience and performance, the company has decided to reappoint him as a director so that he may contribute to a sustainable increase in the group's corporate value.	
Shinya Katanozaka President & Chief Executive Officer Representative Director Chairman of the ANA Group Management Committee		Shinya Katanozaka was in charge of sales, human resources, management and planning, and other divisions for many years. As a director from June 2009, as senior executive vice president and representative director from April 2013, and as president and CEO from April 2015, he has promoted group management with safety as a top priority with his strong leadership and his reliable ability to act with a consistent global perspective. Since he is contributing to the reinforcement of the decision-making function and supervisory function of the Board of Directors by making proactive comments and remarks in the meetings of the Board of Directors based on his abundant experience and achievements, the company has decided to reappoint him as a director so that he may contribute to a sustainable increase in the group's corporate value.	
Shigeyuki Takemura Senior Executive Vice President		Shigeyuki Takemura was in charge of management and planning, industrial policies, and expansion of global new businesses for many years. As a director from June 2008 and as senior executive vice president from April 2014, he has led the LCC business to grow into one of the leading businesses of the ANA Group. Since he is contributing to the reinforcement of the decision-making function and supervisory function of the Board of Directors by making proactive comments and remarks in meetings of the Board of Directors based on his abundant experience and achievements, the company has decided to reappoint him as a director so that he may contribute to a sustainable increase in the group's corporate value.	
Kiyoshi Tonomoto Executive Vice President		Kiyoshi Tonomoto was in charge of cargo services, finance and IR divisions, administration divisions, and other areas for many years. As a director from June 2009, he pushed forward with improvements to the company's financial position. In addition, as the chairman of the Group CSR Promotion Committee he was also involved in building a foundation for realizing sustainable growth together with society. Since he is contributing to the reinforcement of the decision-making function and supervisory function of the Board of Directors by making proactive comments and remarks in meetings of the Board of Directors based on his abundant experience and achievements, the company has decided to reappoint him as a director so that he may contribute to a sustainable increase in the group's corporate value.	
Toyoyuki Nagamine Executive Vice President		Toyoyuki Nagamine was in charge of operations, labor relations, management and planning, and other divisions for many years. As a director from June 2015, he promoted group management and was also involved in the expansion of revenue domains sources for the group. Since he is contributing to the reinforcement of the decision-making function and supervisory function of the Board of Directors by making proactive comments and remarks in meetings of the Board of Directors based on his abundant experience and achievements, the company has decided to reappoint him as a director so that he may contribute to a sustainable increase in the group's corporate value.	
Yuji Hirako Corporate Executive Officer		Yuji Hirako was in charge of sales, financial, and other divisions for many years. As representative of operations in North America from April 2012 and as a director from June 2015, he was engaged in creating financial strategies for the purpose of enhancing corporate value. Since he is contributing to the reinforcement of the decision-making function and supervisory function of the Board of Directors by making proactive comments and remarks in meetings of the Board of Directors based on his abundant experience and achievements, the company has decided to reappoint him as a director so that he may contribute to a sustainable increase in the group's corporate value.	
Osamu Shinobe Member of the Board of Directors	President & Chief Executive Officer of ALL NIPPON AIRWAYS CO., LTD. Chairman of All Japan Air Transport and Service Association Co., Ltd.	Osamu Shinobe was in charge of engineering, management and planning, and other divisions for many years. As a director from June 2007, and as president and CEO of ANA, which is the core company of the group, from April 2013 he led ANA to become one of the world's leading airlines by expanding its operations mainly in international routes. Since he is contributing to the reinforcement of the decision-making function and supervisory function of the Board of Directors by making proactive comments and remarks in meetings of the Board of Directors based on his abundant experience and achievements and from his standpoint as a leader at one of the main companies of the group, the company has decided to reappoint him as a director so that he may contribute to a sustainable increase in the group's corporate value.	
Outside Directors			
	Independent director	Major concurrent positions	Reason for appointment
Shosuke Mori	○	Senior Advisor of The Kansai Electric Power Co., Inc.	Shosuke Mori actively offers opinions and proposals concerning the distribution of managerial resources and other aspects of group management strategies at meetings of the Board of Directors by leveraging his abundant experience and deep insight developed as a corporate manager in a high-profile public industry. The company has decided to reappoint him as an outside director (also to be designated as an independent director) so that he may contribute to reinforcement of the supervisory function of the Board of Directors and help attain a sustainable increase in the group's corporate value. He has also been serving as a member of the Remuneration Advisory Committee since February 2011 and as chairman of the Remuneration Advisory Committee since June 2013.
Ado Yamamoto	○	Chairman and Representative Director of Nagoya Railroad Co., Ltd.	Ado Yamamoto actively offers opinions and proposals concerning group business operation, investment matters, and other aspects of group management strategies at meetings of the Board of Directors by leveraging his abundant experience and deep insight developed as a corporate manager in the transportation industry. The company has decided to reappoint him as an outside director (also to be designated as an independent director) so that he may contribute to reinforcement of the supervisory function of the Board of Directors and help attain a sustainable increase in the group's corporate value.
Izumi Kobayashi	○	Director (Outside Director) of Suntory Holdings Limited Director (Outside Director) of Mitsui & Co., Ltd.	Izumi Kobayashi actively offers opinions and proposals concerning group management strategies and promotion of diversity, including facilitation of women's participation in the workplace, with a global perspective at meetings of the Board of Directors by leveraging her abundant experience and deep insight as a representative of a private-sector financial institution and multilateral development bank. The company has decided to reappoint her as an outside director (also to be designated as an independent director) so that she may contribute to reinforcement of the supervisory function of the Board of Directors and help attain a sustainable increase in the group's corporate value. She has also been serving as a member of the Remuneration Advisory Committee since July 2013.
Audit and Supervisory Board Member			
			Reason for appointment
Eiji Kanazawa			Eiji Kanazawa was involved in finance divisions and accounting divisions for many years and has abundant knowledge concerning finance and accounting. As an Audit & Supervisory Board member from June 2012, he has contributed to the sound development of the company and its earning of social trust through auditing. The company has decided to reappoint him as an Audit & Supervisory Board member so that he may contribute to further reinforcement of the auditing function and help attain a sustainable increase in the group's corporate value.
Outside Audit and Supervisory Board Member			
	Independent director	Major concurrent positions	Reason for appointment
Shingo Matsuo	○	Advisor of Kyushu Electric Power Co., Inc.	The company appointed Shingo Matsuo as an outside Audit & Supervisory Board member because he has abundant experience and deep insight developed over his many years as a corporate manager of a high-profile public industry. He has offered advice based on his experience and insight regarding business operation, investment matters, and other aspects of group management strategies with safety as a top priority in addition to opinions that lead to productive discussions on management-related issues in meetings of the Audit & Supervisory Board and the Board of Directors. The company has decided to once again nominate him as an Audit & Supervisory Board member candidate (also to be designated as an independent auditor) so that he may contribute to further reinforcement of the auditing function and help attain a sustainable increase in the group's corporate value.

Corporate Governance

Director Remuneration

The basic policies used in the determination of remuneration of directors of the company are as follows.

- (i) Ensure the transparency, fairness, and objectivity of remuneration and establish a remuneration level worthy of his/her roles and responsibilities
- (ii) Reinforce incentives for achieving management objectives by introducing performance-linked remuneration based on management strategies
- (iii) Aim to establish a remuneration system that enables the company to share profits with its shareholders by working to raise medium- to long-term corporate value

The Board of Directors decides on director remuneration, taking into account reports by the Remuneration Advisory Committee. The total amount of director remuneration shall be

within the scope of the amount approved at the Ordinary General Meeting of Shareholders. The Remuneration Advisory Committee, an advisory body to the Board of Directors with outside directors and outside experts comprising a majority of the members, establishes the company's remuneration system and standards for director remuneration based on other companies' levels as researched by an external institution upon the company's request.

In addition to a fixed basic remuneration, the remuneration for directors (excluding outside directors) consists of a performance-linked bonus and long-term incentive share remuneration plan as a means of providing healthy incentives for pursuing sustainable growth for the company. The remuneration of outside directors consists of fixed remuneration (monthly remuneration) only given their role of supervising management from an independent stance. The retirement allowance system was abolished in 2004.

Audit & Supervisory Board Member Remuneration

The remuneration of Audit & Supervisory Board members consists of fixed remuneration (monthly remuneration) only given their role of auditing management from an independent stance. The standards

for remuneration were set based on other companies' levels as researched by an external institution upon the company's request. The retirement allowance system was abolished in 2004.

Remuneration Advisory Committee

The Remuneration Advisory Committee is an advisory body to the Board of Directors comprised of five members: three outside directors, one outside expert, and one internal director. Before

remuneration policies are proposed to the Board of Directors, they are discussed by the Remuneration Advisory Committee.

Remuneration of Directors and Audit & Supervisory Board Members (Fiscal Year Ended March 31, 2016)

Management members	Total amount of remuneration (¥ Millions)	Total amount by remuneration type (¥ Millions)			Number of persons entitled to payment
		Basic remuneration	Bonus	Share remuneration	
Directors	360	292	44	22	10
(Outside Directors)	(30)	(30)	(-)	(-)	(3)
Audit & Supervisory Board Members	104	104	-	-	6
(Outside Audit & Supervisory Board Members)	(46)	(46)	(-)	(-)	(3)
Total	464	397	44	22	16

- Notes: 1. It was resolved at the 66th Ordinary General Meeting of Shareholders of the company held on June 20, 2011 that the maximum amount of remuneration of directors per year would be ¥960 million.
2. It was resolved at the 60th Ordinary General Meeting of Shareholders of the company held on June 28, 2005 that the maximum amount of remuneration of Audit & Supervisory Board members per month would be ¥10 million.
3. The number of directors as of the end of the fiscal year was 10 (of which the number of outside directors was 3), and the number of Audit & Supervisory Board members as of the end of the fiscal year was 5 (of which the number of outside Audit & Supervisory Board members was 3). The above table includes the remuneration of a director (outside director) who resigned at the close of the 70th Ordinary General Meeting of Shareholders of the company held on June 29, 2015.
4. The amount displayed for share remuneration is the expenses recorded in association with the share remuneration plan introduced based on a resolution of the 70th Ordinary General Meeting of Shareholders of the company held on June 29, 2015. This amount is separate from the amount described in Note 1 above.

I expect that the ANA Group's management team will communicate the intent instilled in the group's Mission Statement and strategies and work to entrench this intent throughout the organization in order to realize its Management Vision.

Shosuke Mori, Outside Director

Senior Adviser,
The Kansai Electric Power Co., Inc.



How would you evaluate the effectiveness of the Board of Directors, considering factors such as the capabilities of ANA HOLDINGS' management team and the state of discussions?

I feel that the Board of Directors has become substantially more functional since I assumed the position of outside director a decade ago. Discussions at meetings are active, and the Board takes a sincere and proactive stance toward incorporating new perspectives, making and enacting related decisions with a sense of speed. I have seen the strong devotion of the management team toward forging a new path on which to advance growth strategies, and I feel that the management culture cultivated by the group encourages decision-making that accounts for profitability and efficiency. Moreover, it is clear that the Board of Directors is constantly pursuing improvements, and this positive development most likely followed from the shift to the holding company structure.

As I play a role in overseeing public infrastructure, I make sure to express the matters I concern myself with on a daily basis, and I hope to contribute to enhanced corporate value for the ANA Group by supporting further improvements in the functionality of the Board of Directors.

ANA HOLDINGS' Fundamental Policy on Corporate Governance was established in November 2015. What aspects of this code do you feel that the ANA Group should focus on?

I view the Fundamental Policy on Corporate Governance as a means to realizing the ANA Group's Management Vision. For this reason, I think the core issue to focus on will be determining what the group aims to accomplish through this policy and not to lose track of its true goals.

In Japan, we have a long-standing business philosophy emphasizing the good of three parties: sellers, buyers, and greater society. According to a study conducted by a certain bank, of the nearly 6,000 companies worldwide that have been around for more than two centuries, over 50% were from Japan. Companies are a part of society, and therefore cannot continue to develop if they are unable to respond to the expectations of all stakeholders, such as

shareholders, customers, communities, and employees. As indicated by the philosophy I just mentioned, this view of sustainability is a time-honored tradition in Japan, and I feel that this tradition should be cherished as it represents a core element of corporate value.

The ANA Group no doubt also has some philosophy that has been passed down since the time of its founding at the base of its Mission Statement and Management Vision. While advancing corporate strategies to give form to this philosophy, it will also be important to utilize the Fundamental Policy on Corporate Governance to evaluate the soundness of the direction of these strategies.

What will be required of the ANA Group in order to accomplish the goals of the FY2016–20 Corporate Strategy?

Amid a changing global environment, the ANA Group has set forth a clear strategy of developing the International Passenger Business as a new growth driver while continuing to position the Domestic Passenger Business as a core revenue platform. In order to achieve its goals, it will be important to communicate the intent instilled in this strategy by management, sharing it throughout the entire group.

The Air Transportation Business is supported by the efforts of a wide range of employees, including cockpit crew, cabin attendants, mechanics, ground staff, and sales personnel. Despite this diversity, however, all employees share a common goal: to transport customers safely to their destination. It is therefore important for every employee to be aware of overall operations, always considering what task they need to accomplish in their work. In order for employees to act in this manner, it is crucial for the management of all operating companies to thoroughly explain the objectives of strategies and the background on which they are based so that such understanding may become entrenched in employee minds.

Furthermore, management must continually reiterate the fact the safety is of utmost importance to the entire group. This is not just limited to the Air Transportation business. An overemphasis on efficiency is likely to lead to unexpected failures. For this reason, the company must be careful not to become preoccupied with accomplishing the goals of the Medium-term Corporate Strategy to the extent that it loses sight of the core element of safety. Accordingly, I will continue to prioritize safety as I express opinions in the future from my position as an outside director.

Enhancement of Systems and Entrenchment of Mission Statement to Safeguard Corporate Value

The ANA Group is taking steps to minimize exposure to legal risks and prevent occurrences that could diminish corporate value by enhancing its compliance promotion system and continually conducting education and utilizing practical compliance tools.

Compliance Promotion System

The ANA Group has constructed a compliance promotion system for the entire group based on the ANA Group Compliance Regulations in order to promote compliance with laws and regulations as well as other standards in its business activities. CSR Promotion Leaders are the driving force behind

this compliance promotion system.

In addition, the company has established clearly identified venues for communicating with Legal & Insurance and group companies in order to establish a system that facilitates mutual communication.

Compliance with Various Laws

The group recognizes the serious risks that may materialize in the event of a violation of the competition laws of the countries in which it operates, and is implementing measures to address these risks.

Currently, we have Internal Rules for Competition Law Compliance in place and distribute the ANA Group Cartel Prevention Handbook, which provides commentary on these rules through specific case studies, to relevant departments. We also provide periodic education and e-learning programs for managers.

In addition to competition laws, we must conduct fair competition and transactions in accordance with various laws and regulations related to sales and marketing and various other areas. Accordingly, we provide seminars on the Act Against Unjustifiable Premiums and Misleading Representations, the Act Against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, and contract affairs to help compliance staff master the appropriate knowledge.

At the same time, the company provides information to group companies on a range of laws and regulations that include legislation related to air transport and labor laws.

Coordination with Overseas Business Sites

The company has clearly identified venues for communicating between Legal & Insurance and overseas business sites and is stepping up measures to minimize exposure to legal risks on a global level and prevent occurrences that could diminish corporate value.

In addition, the group has established the ANA Group Anti-Bribery Rules to address the anti-bribery laws of various countries and supplies relevant departments with the ANA Group Anti-Bribery Handbook, which offers commentary on these rules through specific case studies, and training is provided on these rules.

Implementation of Internal Reporting System

ANA HOLDINGS INC. has set out group regulations concerning the handling of internal reporting as subordinate rules to the ANA Group Compliance Regulations. An internal reporting venue has been established within the group, and we have also implemented a system that includes outsourcing reporting system processes to

an external law firm. These reporting systems are available to all group executives and employees responsible for operations, including temporary personnel. The privacy of the caller and other relevant parties is protected, and we assure that no punitive measures will be taken against those that seek consultation or cooperate in confirming facts. Information is provided on these reporting systems via posters displayed within company premises as well as through a dedicated homepage on the company intranet.

In April 2016, the company redesigned its internal reporting systems to make reports easier in the event of compliance violations by an executive or employee and to allow for objective verification and utilization of report details. The redesigned system was named *ANA Alert*.

Protection of Intellectual Property

The ANA Group works to upgrade its system for creating, protecting, and using intellectual property as well as for respecting the intellectual property rights of other companies and preventing infringements. We have clearly identified a contact venue for consultation and support on matters related to intellectual property, and we disseminate information through distribution of an internal newsletter and other media for the edification of all group executives and employees.

Major Initiatives in the Fiscal Year Ended March 2016

- Held 19 group seminars on contract affairs, air transportation work, and labor laws
- Investigated circumstances surrounding compliance at group companies
- Visited two overseas branches to exchange opinions regarding support systems for legal affairs issues at overseas business sites

Safe and Reliable Business Operation for Safeguarding Corporate Value

The company takes steps to identify, analyze, and appropriately address risks with the potential to severely impact management. In addition, we work to minimize the impact of risks that do materialize, and groupwide frameworks are developed and implemented to prevent recurrence.

Risk Management System

The ANA Group Total Risk Management Regulations set out the basic terms of the group's risk management system. Under these regulations, the secretariat of the Group CSR Promotion Committee (Corporate Brand & CSR Promotion, General Administration, and Legal & Insurance), CSR Promotion Officers assigned to operating companies, and CSR Promotion Leaders

facilitate risk management activities. The role of CSR Promotion Leaders is to promote risk management in each company and department by executing risk countermeasures according to plans and to take swift action while contacting the secretariat in the event of a crisis.

The ANA Group's Risk Management

The ANA Group takes a two-pronged approach toward managing risk comprised of risk management measures conducted from a preventive perspective and crisis management in the event of the materialization of a risk. Given the group's role as a provider of social infrastructure, business continuity management and information security are areas of particular importance. We prioritize initiatives in these areas accordingly.

Risk Management from a Preventive Perspective

Each group company implements autonomous risk management activities that include identifying risks, analyzing and evaluating these risks, formulating and implementing countermeasures, and monitoring the results of these activities.

We confirm and evaluate the progress, effectiveness, and level of achievement of the measures taken with respect to significant risks identified in each organization. The company also takes the lead in implementing measures to address issues faced by the entire group and confirms progress through the Group CSR Promotion Committee.

Crisis Management in the Event of the Materialization of Risk

The ANA Group has constructed a crisis management system based on detailed manuals in order to minimize damage and ensure safe and reliable future operations by investigating the causes of crises.

The Emergency Response Manual (ERM) sets out responses to incidents with a direct impact on operation of the ANA Group's aircraft, and the Crisis Management Manual (CMM) provides responses to other crises including system failures, information leaks, scandals, and risks from external sources. Additionally, the ANA Group is strengthening its crisis management system on a groupwide basis by conducting practical training and drills periodically every year based on a wide range of crisis scenarios, such as accidents and hijackings.

Business Continuity Management

The ANA Group has prepared and periodically reviews manuals and conducts drills that will help the group fulfill its mission as a public transportation institution by constructing a rapid response system for restoring service even in the event of a major disaster, such as an earthquake directly under the Tokyo metropolitan area or in the Nankai Trough. (Please refer to page 83 for information on measures in response to the 2016 Kumamoto Earthquake.)

Information Security

To safeguard information assets, such as the personal information of customers, the ANA Group implements measures in compliance with technical standards, including ISO 27001 and other global standard guidelines, as well as various laws and regulations.

The group is working to strengthen information security measures. To this end, the group conducts annual Control Self Assessments (CSA) of the status of compliance with the ANA Group Information Security Management Regulations at all group companies and departments once a year. The group also consistently implements awareness-raising activities to firmly entrench information security rules throughout the organization.

Major Initiatives in the Fiscal Year Ended March 2016

- Conducted risk analyses utilizing risk map that incorporates identified risks to select key risk categories and furnish group-wide responses
- Revised the CMM
- Conducted drill simulating operation at backup facilities in response to natural disasters
- Advanced preparation for addressing the social security and tax number system ("My Number" system) for which government administrative procedures commenced in January 2016 (revised regulations, conducted training (e-learning) for group executives and employees, took steps to install physical security measures at individual business sites, etc.)

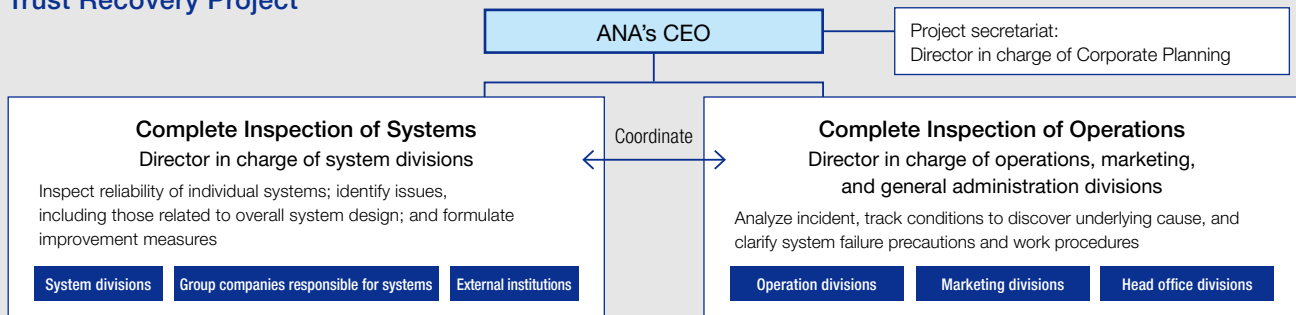
Case 01

Response to System Failures and Improvement of Reliability

Around 8:20 am on March 22, 2016, a malfunction in the systems used for ANA's domestic routes created a situation in which boarding procedures as well as reservations and sales could not be conducted at the domestic airports to which ANA flies.

We would like to extend our sincerest apologies for the inconvenience and concern that this incident caused our customers and other individuals. We realize the gravity of this situation, and it was based on this recognition that we launched the Trust Recovery Project in early April 2016. Headed by ANA's CEO, this project constitutes our measures for uncovering the cause of this incident and preventing recurrence.

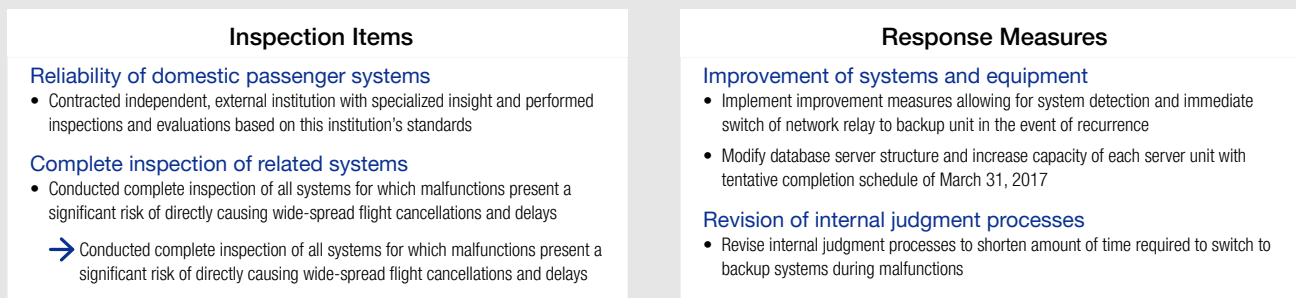
Trust Recovery Project



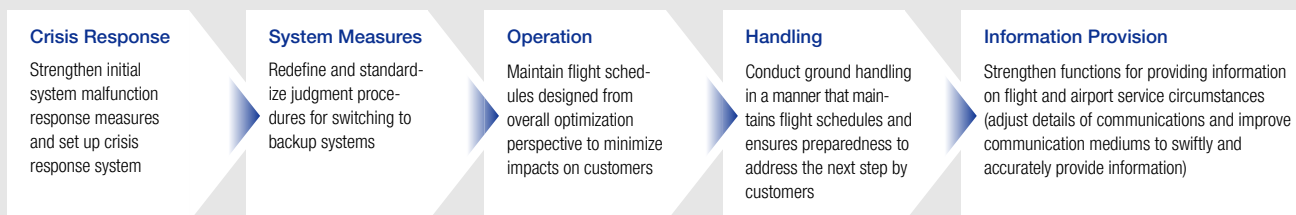
Measures Examined and Directives for Responses under the Project

Through this project, we pushed forward with inspections and measure examinations together with an external institution in relation to such areas as a means of preventing recurrence and continuing flight operation even during system malfunctions as well as customer responses.

System Inspection Items and Response Measures



Systems for Minimizing Impact of Malfunctions on Customers



In addition to the above measures, we enhanced the system failure drills we hold to ensure a smooth return to regular flight schedules and effective provision of information to customers when failures occur.

Going forward, we will continue to develop frameworks and advance various initiatives for preventing system failures and taking swift action should failures occur.

Response to the 2016 Kumamoto Earthquake

In April 2016, a massive earthquake struck with an epicenter in Kumamoto Prefecture. The earthquake and the ensuing aftershocks wrought havoc across all of Kyushu. The ANA Group would like to express its sincerest condolences for all those that suffered losses due to this earthquake. We hope that all are able to return to their normal lives as soon as possible.

The ANA Group CMM and ERM (see page 81) describe crisis management guidelines for actions. Immediately following the Kumamoto Earthquake, we established a crisis management system based on these guidelines and then proceeded to develop an understanding of the damages from the earthquake while supporting the disaster-hit region and working to realize the quick resumption of flights.

Resumption of Flights Three Days After the Earthquake

Immediately following the earthquake, we took steps to set up transportation systems for use by infrastructure developers, government officials, and others headed to Kumamoto to assist with the reconstruction effort. Specific measures to this end included establishing a provisional Fukuoka–Kagoshima route and switching to larger aircraft on the Itami–Kagoshima route. Given the large portion of the ANA Kumamoto service airport staff that was impacted by the earthquake, we chose to use the Kyushu Saga International Airport as our forward operating base. Necessary staff and articles were delivered to this location by air and then transported via ground routes to Aso Kumamoto Airport, where we

pushed forward with preparations for realizing the quick resumption of flights. Due to these efforts, we were able to resume flights a mere three days after the airport was closed following the earthquake on April 16, 2016. At the same time, we achieved business continuity for the branch in Kumamoto City by temporarily transferring its functions to a location in Fukuoka City.



Safety Inspections at All Airports and Business Sites

Part of the facilities at Aso Kumamoto Airport were damaged during the earthquake. Out of consideration of this damage, the ANA Group performed sweeping inspections of all airports and business sites throughout Japan to determine their safety and soundness in the face of an earthquake, seeking to guarantee the safety of our customers and employees should a disaster strike. These inspections were carried out through coordination between ANA Group

divisions related to facilities, IT, general affairs, planning, and airports. Counter information displays, boarding gates, lounge facilities, and other equipment and apparatuses were examined in order to determine if they were sufficiently affixed and to identify any risk of them becoming deformed or loose, toppling over, or falling down. Necessary renovations are being implemented.

Support for Reconstruction through Business Activities



The group used the approximately 270 million miles donated by ANA Mileage Club members to offer support through the Japanese Red Cross Society. In addition, free flights were provided to roughly 7,000 national and municipal government officials and other individuals heading to Kumamoto Prefecture to help with the rescue effort. The group also donated a total of ¥9 million in relief funds to Kumamoto Prefecture and neighboring Oita Prefecture.

Furthermore, we launched the *Let's Visit Kyushu Project* to support tourism and economic recovery across the entire Kyushu region. By promoting sightseeing tours in this area and encouraging sales of local Kyushu specialties, we are lending a hand in realizing the quick reconstruction of this region.

ANA Hearty Baths Provided by Employee Volunteers

As one form of support for the people of Kumamoto, employee volunteers operated the ANA Hearty Baths program at a public facility in Mashiki Town and an evacuation center in Ozu Town, both located in Kumamoto Prefecture. This program entailed dispatching aircraft de-icing vehicles to the sites so that the boiler functions of these vehicles could be used to heat water for baths, which were provided over a period of roughly two and a half months. In addition, ANA worked together with AGP Corporation to use aircraft cooling vehicles to cool the auditorium of Mashiki Town's central community center, where air-conditioning equipment had not yet been restored.



Safeguarding and Improvement of Corporate Value

We aim to be the world's leading airline group that can continue to grow together with society through the creation of economic and social value leveraging the strengths born from the ANA Group's business, with safety as the foundation of management.

Promotion of Global CSR

The ANA Group has participated in the United Nations (UN) Global Compact since 2008. The UN Global Compact is an undertaking that companies and other organizations can take part in voluntarily to help build a global framework for achieving sustainable growth. The signatory companies are required to observe 10 principles in the areas of human rights, labour, the environment, and anti-corruption in their business activities.

With the hosting of the Rugby World Cup 2019 and the Tokyo 2020 Olympic and Paralympic Games, ANA HOLDINGS and other Japanese companies will attract greater international attention going forward. As a result, these companies will be expected to practice even greater levels of CSR as responsible enterprises operating in the global market. Exercising its Medium-Term CSR Policy, the ANA Group will further build upon its CSR management to improve its corporate value (brand power). In accomplishing our goals, we will work to leverage the strengths born from the ANA Group's business to create value and resolve social issues in the ever more diverse and complex international society.

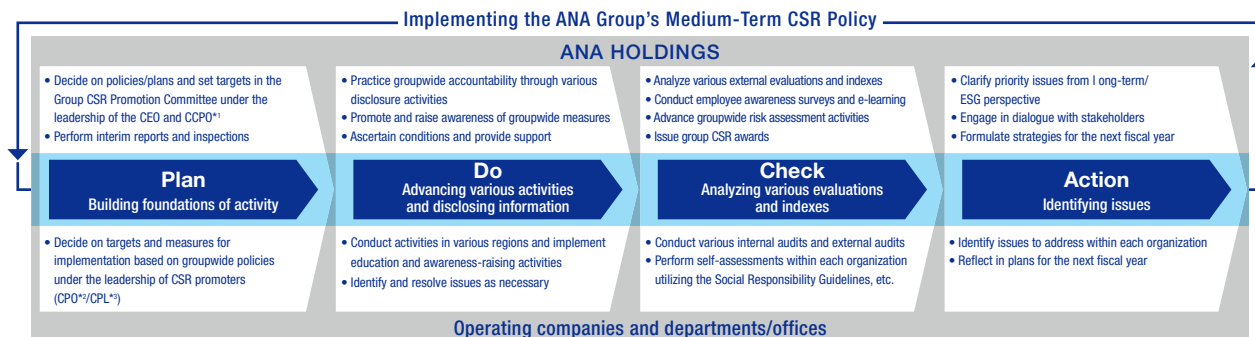


Priority Issues and Direction of Measures for FY2014–16 Medium-Term CSR Policy

Medium-Term CSR Policy	Direction of Measures
Pursue safety and security	Build a system to enhance safety and security in all business processes (flight operations, development, procurement, production, logistics, information disclosure, etc.)
Provide services and products that meet the needs of customers and society	Promote the development of services and products for generating value for both the company and society, in addition to increasing customer satisfaction
Create vibrant workplaces with diverse employees	Create a vibrant group by executing a human resource strategy
Promote CSR in cooperation with business partners	Make a groupwide effort to share and instill the CSR guidelines that the group demands of business partners
Reduce environmental impact	Achieve medium- to long-term environmental targets (Reduce CO ₂ emissions = promote fuel reductions and energy conservation) and implement improvements by making actual conditions visible
Promote social contribution that helps to vitalize local communities	Contribute to the development of local communities worldwide and build good relationships that are vital to society
Establish CSR management on a global level	Establish systems according to business sector, country, and regional characteristics, and strengthen PDCA cycles in groupwide risk management activities
Strengthen communication with stakeholders	Bolster systems for disseminating information worldwide to increase the economic and social value of the entire group

CSR Promotion System

The company is reinforcing its CSR promotion system and corporate communication functions and implementing a groupwide PDCA cycle. These efforts are aimed at augmenting our ability to respond to both the risks and the opportunities that appear on a global scale, resolve social issues while growing, and exercise accountability by providing timely and accurate explanations and disclosure. The Group CSR Promotion Committee is responsible for setting and formulating policies for promoting groupwide CSR, and these policies are advanced by organizations in Japan and around the world. Furthermore, we engage in communication with internal and external stakeholders on various occasions to better understand their expectations and desires for us and to reflect these in our diverse activities.



*1 CCPO: Chief CSR Promotion Officer *2 CPO: CSR Promotion Officer *3 CPL: CSR Promotion Leader

Social Responsibility Guidelines

The Social Responsibility Guidelines were established to serve as a code of conduct that all group executives and employees must observe and consequently contribute to the reinforcement of foundations for groupwide CSR management. In addition to preparing briefing materials and training tools related to these guidelines, the group also confirms the extent of awareness regarding the guidelines through employee awareness surveys. Furthermore, to promote the exercise of these guidelines, we have begun issuing group CSR awards to recognize activities at business sites that harness innovative ideas to help resolve social issues and enhance the group's corporate value.

Social Responsibility Guidelines

- ① We will provide security and satisfaction to customers and society.
- ② We will obey the statutes and rules of each country and area.
- ③ We will manage information appropriately and communicate with integrity.
- ④ We will respect human rights and diversity.
- ⑤ We will take actions that reflect consideration for the environment.
- ⑥ We will help to build a positive society.

Promotion of CSR in Cooperation with Business Partners

The group strives to promote CSR measures not just in its own business activities but also throughout the entire supply chain, which includes suppliers, manufacturers, and subcontractors. To facilitate these efforts, we have established the ANA Group Purchasing Policy by referencing international social responsibility guidelines, such as ISO 26000.

Based on this policy, we formulated the Supplier Management Policy and CSR Guidelines, which are shared with business partners and are employed in choosing business partners. Even after transactions have been commenced, we continue to institute periodic CSR monitoring surveys to confirm CSR-related circumstances at business partners and otherwise endeavor to gain the understanding and cooperation of our partners.

CSR Guidelines for Business Partners

Overall (internal promotion system)	Voluntary CSR measures (formulation of in-house CSR standards, etc.)
Human rights and working conditions	Respect and observe international norms on human rights and labor
Safety and health	Consideration for occupational safety and health at workplaces
Environment	Measures to reduce environmental impact
Fair trading and ethics	Fair business activities that comply with social norms
Quality and safety	Assure product quality and safety
Information security	Proper management and safeguards for personal and confidential information

Initiatives Related to Business and Human Rights

We are advancing initiatives for promoting respect for human rights in accordance with the ANA Group Policy on Human Rights, which is based on "UN Guiding Principles on Business and Human Rights," a global standard related to the protection and respect of human rights and the provision of remedies for violations.

To address human rights issues, we are actively engaging in communication with stakeholders. For example, in the fiscal year

ended March 2015 we held discussions with external experts on the themes of human rights and diversity, and in the fiscal year ended March 2016 we spoke with international NGOs related to human rights. Furthermore, two e-learning programs targeting all group employees were instituted in the fiscal year ended March 2016 to foster a deeper understanding of human rights.

Establishment of Next Medium-Term CSR Policy

At the UN General Assembly held in September 2015, the Sustainable Development Goals were approved through a unanimous decision. Based on these goals, the ANA Group will inspect its operations from the perspective of their impact on society during the fiscal year ending March 2017. The findings will be incorporated into the next Medium-Term CSR Policy to guide us in carrying out CSR activities on a global scale.



Achievements

External Recognition

SKYTRAX

- 5 STAR AIRLINE
- World's Best Airport Services
- Best Airline Staff in Asia



On-Time Performance

FlightStats

- No. 3 in Major International Airlines Category
- No. 2 in Asia-Pacific Major Airlines Category



Major Objectives and Accomplishments of the Medium-Term CSR Policy

		Major objectives for the fiscal year ended March 2016	Major accomplishments in the fiscal year ended March 2016
Pursue safety and security P.54 Safety P.81 Risk Management	Operation	<ul style="list-style-type: none"> • Transmit and promote corporate culture emphasizing safety • Realize more functional safety risk management 	<ul style="list-style-type: none"> • Enhanced safety education for all group employees (approximately 60% of all employees have received emergency evacuation training) • Established systems and reinforced promotion functions for preventive safety risk management
	Risk management	<ul style="list-style-type: none"> • Expand coverage of business continuity plan (BCP) • Enhance regular BCP drills • Reinforce measures to prevent large-scale system failures • Promote groupwide risk management activities 	<ul style="list-style-type: none"> • Began establishing BCPs for all ANA Group companies and divisions • Implemented large-scale operation drills for responding to simulated disasters at backup facilities —> P.82
	Information security	<ul style="list-style-type: none"> • Enhance and expand coverage of assessments • Implement and strengthen measures to prevent any information leaks and inappropriate postings by employees 	<ul style="list-style-type: none"> • Performed information security assessments with scope expanded to include overseas business sites • Installed system for monitoring social networking site postings 24 hours a day to prevent inappropriate postings and information leaks
Provide services and products that meet the needs of customers and society P.38-45 Operational Review P.62 Promotion of Diversity & Inclusion		<ul style="list-style-type: none"> • Maintain "5 STAR AIRLINE" rating by SKYTRAX for the fourth consecutive year • Develop products and services that contribute to a sustainable society • Strengthen development ventures and responsiveness based on customer perspective 	<ul style="list-style-type: none"> • Maintained "5 STAR AIRLINE" rating for the fourth consecutive year • Decided to continue <i>Tastes of JAPAN by ANA</i> program introducing each of Japan's prefectures by March 31, 2018 • Promoted development of universal products and services chosen by customers around the world
Create vibrant workplaces with diverse employees P.56 Human Resources		<ul style="list-style-type: none"> • Enhance education and training programs to further promote the practice of ANA's Way • Improve global responsiveness • Develop strong human resources and organizations that leverage a broad spectrum of individuality • Continue to promote the success of a diverse range of employees, including women and seniors • Formulate a health promotion policy for the next fiscal year 	<ul style="list-style-type: none"> • Aggregate total of 20,743 employees participated in ANA's Day training in the fiscal years ended March 2014-2016 • Established ANA's Day Overseas Program and began deployment overseas • Conducted personnel exchanges and promoted employees on a global scale • Revised human resources and compensation systems to promote innovation and pioneering • Held D&I Forum to which 160 group diversity promotion representatives and other employees attended
Promote CSR in cooperation with business partners P.84 CSR Management		<ul style="list-style-type: none"> • Expand the scope of CSR monitoring surveys targeting business partners (target 120 companies) • Promote purchasing innovations utilizing IT governance 	<ul style="list-style-type: none"> • Implemented CSR monitoring surveys (136 companies) • Introduced an electronic purchasing system (at 36 group companies) and identified obstacles toward further purchasing platform improvements
Reduce environmental impact		—> P.87	
Promote social contribution that helps to vitalize local communities P.64 Vitalization of Local Community		<ul style="list-style-type: none"> • Advance activities to promote tourism and industry reconstruction in disaster-hit areas by fostering cooperation within the ANA Group • Conduct global social contribution activities 	<ul style="list-style-type: none"> • Coordinated with WORK FOR TOHOKU to dispatch employee volunteers to Fukushima Prefecture and offer other support • Continued to dispatch employee volunteers to assist activities in disaster-hit areas in Fukushima Prefecture and Miyagi Prefecture • Commenced the Myanmar Book & Toy Library 100 Project (3-year project ending in 2018 for donating toys to 100 elementary schools in Myanmar)
Establish CSR management on a global level P.84 CSR Management P.80 Compliance	Human rights	<ul style="list-style-type: none"> • Promote human rights awareness among all employees in Japan and overseas 	<ul style="list-style-type: none"> • Instituted 2 e-learning programs to provide basic knowledge on human rights issues (91% of employees participated)
	Compliance	<ul style="list-style-type: none"> • Develop training for systems for each employee level • Implement support measures for legal issues at overseas business sites 	<ul style="list-style-type: none"> • Held seminars for different employee levels and different needs at all group companies (more than 1,300 employees participated) • Clarified support systems for legal issues at overseas business sites and held forums for the exchange of opinions with overseas business sites • Instituted ANA Group Anti-Bribery Rules, internal rules for addressing address anti-bribery laws, and distributed ANA Group Anti-Bribery Handbook
Strengthen communication with stakeholders P.70 Corporate Governance P.58 Identifying Materiality Levels in Corporate Issues		<ul style="list-style-type: none"> • Enrich appropriate and timely disclosure of information and enhance information quality • Conduct various activities for communicating with domestic and overseas stakeholders 	<ul style="list-style-type: none"> • Held 314 meetings (165 in Japan, 149 overseas) with institutional investors and analysts • Held 15 briefings for investors (8 for institutional investors, 7 for private investors) • Conducted aircraft maintenance center tours for private shareholders (9 times) • Convened meetings of the Management Advisory Council (4 times) • Conducted dialogues with external experts on important management issues (twice)

Inclusion in Socially Responsible Investment Indexes

- FTSE4Good Index
- Morningstar Socially Responsible Investment Index



Promotion of Women's Participation in the Workplace

- Ministry of Economy, Trade and Industry and Tokyo Stock Exchange
- FY 2015 Nadeshiko Brand



Diversity

- Ministry of Economy, Trade and Industry
- FY 2015 New Diversity Management Selection 100



Human Resources Development

- Randstad Japan
- No. 1 in Education and Training System Category



Initiatives to Reduce Our Environmental Impact

Item	Target	Results in the fiscal year ended March 2016	
Climate change measures	Reduce CO₂ emissions from aviation fuel		
	[Unit Target] For March 31, 2021, achieve a 20% reduction in CO ₂ emissions per revenue ton-kilometer (total of domestic and international routes) compared with the fiscal year ended March 2006.	<ul style="list-style-type: none"> • Progressed to 16.1% reduction Reference: Total emissions of 10.62 million tons (increase of 4.5% year on year) CO₂ emissions per revenue ton-kilometer reduced to 1.046 kg-CO₂ 	
	[Total Target] Starting from the fiscal year ended March 2013 through March 2021, keep average annual CO ₂ emissions on domestic routes below 4.4 million tons.	<ul style="list-style-type: none"> • Emissions of 4.13 million tons (below target annual average) 	
	Reduce ground energy	<ul style="list-style-type: none"> • Reduce energy use at all worksites by 1% each year (in accordance with the revised Law Concerning the Rational Use of Energy). 	<ul style="list-style-type: none"> • Ground energy consumption down 2.9% year on year on a crude oil equivalent basis
	Introduce alternative aviation fuel	<ul style="list-style-type: none"> • Conduct a study toward the start of full-scale use of alternative aviation fuel by March 31, 2021. 	<ul style="list-style-type: none"> • Participated as steering member of Initiatives for Next Generation Aviation Fuels • Contributed to the formulation of a road map as the secretariat for a subcommittee on biofuel production using microalgae • Announced continued support for R&D into fuels using <i>Euglena</i> and other non-plant materials (December 2015)
Air pollution measures	Conform with aircraft emissions standards		
	<ul style="list-style-type: none"> • All aircraft, including leased aircraft, to conform to Chapter 4 of the International Civil Aviation Organization (ICAO) emissions standards. 	All aircraft in conformance	
	Introduce low-pollution vehicles		
	<ul style="list-style-type: none"> • Actively introduce low-pollution vehicles, and study the use of biofuel. 	<ul style="list-style-type: none"> • Out of the 4,093 vehicles introduced this year by the ANA Group, 1,621 (approx. 39.6%) were low-pollution vehicles*. • Introduction of first low-pollution hydrogen fuel cell vehicle (specially designated by the Ministry of the Environment) * Fuel cell, electric, hybrid, or emission constraint vehicles 	
Noise measures	<ul style="list-style-type: none"> • All aircraft, including leased aircraft, to conform to Chapter 4 of the ICAO noise standards. 	All aircraft in conformance	
Resource savings	<ul style="list-style-type: none"> • Reduce waste and promote paperless operations, including sales. 	<ul style="list-style-type: none"> • Overall waste emissions: 28,900 tons (no change year on year) * Industrial waste emissions decreased 900 tons while cabin waste and ground operations waste increased 900 tons due mainly to the expansion of international passenger operations. 	
	<ul style="list-style-type: none"> • Promote 3R activities, including closed recycling of in-flight magazines and other items. 	<ul style="list-style-type: none"> • Total paper usage (various types): 4.7 tons (no change year on year) • Continual efforts will be made to reduce waste emissions through resource conservation and recycling initiatives. 	
Environmental contribution activities for local communities	<ul style="list-style-type: none"> • Conduct sustainable forestation that provides new value to communities and society. 	<ul style="list-style-type: none"> • Continued afforestation activities for ANA Hearty Forest in Minamisanriku, Miyagi Prefecture, Japan • Continued support for the Ten-year Coastal Forest Restoration Project in the Tohoku region, damaged by the tsunami arising from the Great East Japan Earthquake, through the dispatch of company volunteers to the affected area and by offering Environmental Support Miles for ANA Mileage Club members wishing to offer their support. 	
	<ul style="list-style-type: none"> • Enhance environmental education activities through the Team Tyura Sango coral regeneration project. 	<ul style="list-style-type: none"> • The 12th year of the Team Tyura Sango coral regeneration project saw the survival rate of the coral planted by the project in recent years increase to approximately 95%. Since the project's inception, a total of over 2,000 people have taken part in the quarterly events, and this fiscal year saw further awareness-raising events held both inside and outside of Okinawa Prefecture. • This year, the project won the Minister of the Environment Award in the 3rd Good Life Awards hosted by the Ministry of the Environment, Japan. 	

Consolidated 11-Year Summary

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

	2016	2015	2014
For the Year			
Operating revenues (Note 3)	1,791,187	1,713,457	1,601,013
Operating expenses (Note 3)	1,654,724	1,621,916	1,535,027
Operating income (loss)	136,463	91,541	65,986
Income (loss) before income taxes and non-controlling interests	131,064	77,983	36,391
Net income (loss) attributable to owners of ANA HOLDINGS INC.	78,169	39,239	18,886
Cash flows from operating activities	263,878	206,879	200,124
Cash flows from investing activities	(74,443)	(210,749)	(64,915)
Cash flows from financing activities	(133,257)	(30,424)	(85,569)
Free cash flow	189,435	(3,870)	135,209
Substantial free cash flow (Note 4)	88,035	(22,350)	38,929
Depreciation and amortization	138,830	131,329	136,180
EBITDA (Note 5)	275,293	222,870	202,166
Capital expenditures	281,416	274,702	183,739
At Year-End			
Total assets	2,228,808	2,302,437	2,173,607
Interest-bearing debt (Note 6)	703,886	819,831	834,768
Short-term debt (Note 6)	94,781	210,029	188,748
Long-term debt (Note 6)	609,105	609,802	646,020
Total shareholders' equity (Note 7)	789,896	798,280	746,070
Per Share Data (Yen, U.S. dollars)			
Earnings per share	22.36	11.24	5.41
Book value per share	225.87	228.45	213.82
Cash dividends	5.00	4.00	3.00
Average number of shares during the year (Thousand shares)	3,496,561	3,492,380	3,493,860
Management Indexes			
Operating income margin (%)	7.6	5.3	4.1
Net income margin (%)	4.4	2.3	1.2
ROA (%) (Note 8)	6.1	4.2	3.2
ROE (%) (Note 9)	9.8	5.1	2.5
Equity ratio (%)	35.4	34.7	34.3
Debt/equity ratio (Times) (Note 10)	0.9	1.0	1.1
Interest-bearing debt/EBITDA (Times)	2.6	3.7	4.1
Asset turnover (Times)	0.8	0.7	0.7
Interest coverage ratio (Times) (Note 11)	22.3	14.7	12.4
Current ratio (Times)	1.1	1.0	1.2
Payout ratio (%)	22.4	35.6	55.5
Number of employees	36,273	34,919	33,719
Operating Data			
Domestic Passenger Operations			
Passenger revenues	685,638	683,369	675,153
Available seat-km (Millions)	59,421	60,213	61,046
Revenue passenger-km (Millions)	38,470	38,582	37,861
Number of passengers (Thousands)	42,664	43,203	42,668
Load factor (%)	64.7	64.1	62.0
Unit revenues (¥)	11.5	11.3	11.1
Yield (¥)	17.8	17.7	17.8
International Passenger Operations			
Passenger revenues	515,696	468,321	395,340
Available seat-km (Millions)	54,710	49,487	41,451
Revenue passenger-km (Millions)	40,635	35,639	30,613
Number of passengers (Thousands)	8,167	7,208	6,336
Load factor (%)	74.3	72.0	73.9
Unit revenues (¥)	9.4	9.5	9.5
Yield (¥)	12.7	13.1	12.9
Domestic Cargo Operations			
Cargo revenues	31,740	32,584	32,116
Cargo volume (Tons)	466,979	475,462	477,081
International Cargo Operations			
Cargo revenues	113,309	124,772	104,736
Cargo volume (Tons)	810,628	841,765	710,610

Notes: 1 As of March 31, 2016, there were 62 consolidated subsidiaries and 18 equity-method subsidiaries and affiliates.

2 U.S. dollar amounts in this report are translated, for convenience only, at the rate of ¥112.68=US\$1, the approximate exchange rate on March 31, 2016.

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 (periodic and negotiable deposits of more than three months).

5 EBITDA = Operating income + Depreciation and amortization

6 Lease obligations are included from the fiscal year ended March 2008 as a result of the early application of the Accounting Standard for Lease Transactions (revised March 30, 2007).

U.S. dollars
(Thousands)
(Note 2)

Yen (Millions)								U.S. dollars (Thousands) (Note 2)
2013	2012	2011	2010	2009	2008	2007	2006	2016
1,483,581	1,411,504	1,357,653	1,228,353	1,392,581	1,487,827	1,489,658	1,368,792	15,896,228
1,379,754	1,314,482	1,289,845	1,282,600	1,384,992	1,403,438	1,397,468	1,279,990	14,685,161
103,827	97,022	67,808	(54,247)	7,589	84,389	92,190	88,802	1,211,066
70,876	63,431	35,058	(95,593)	(4,445)	115,224	51,064	52,433	1,163,152
43,140	28,178	23,305	(57,387)	(4,260)	64,143	32,658	26,722	693,725
173,196	214,406	203,889	82,991	(39,783)	165,765	158,714	128,525	2,341,835
(333,744)	(166,323)	(139,619)	(251,893)	(111,139)	(69,827)	(128,298)	(46,449)	(660,658)
84,549	16,171	(10,596)	173,791	114,504	(87,336)	(100,897)	(3,137)	(1,182,614)
(160,548)	48,083	64,270	(168,902)	(150,922)	95,938	30,416	82,076	1,681,176
54,256	52,043	27,870	(123,902)	(150,922)	95,938	15,001	82,076	781,283
123,916	119,268	118,440	113,806	112,881	116,787	88,610	76,201	1,232,073
227,743	216,290	186,248	59,559	201,470	201,176	180,800	165,003	2,443,139
162,752	196,881	211,698	209,937	145,709	357,733	251,926	235,580	2,497,479
2,137,242	2,002,570	1,928,021	1,859,085	1,761,065	1,783,393	1,602,091	1,666,843	19,779,978
897,134	963,657	938,819	941,691	897,236	767,876	749,446	846,317	6,246,769
142,601	127,405	146,395	180,775	169,462	136,399	158,724	149,438	841,151
754,533	836,252	792,424	760,916	727,774	631,477	590,722	696,879	5,405,617
766,737	549,014	520,254	473,552	321,883	452,972	398,223	346,309	7,010,081
13.51	11.22	9.29	(24.67)	(2.19)	32.93	16.77	15.64	0.198
218.41	218.24	207.35	188.93	166.50	232.58	204.42	177.89	2.004
4.00	4.00	2.00	-	1.00	5.00	3.00	3.00	0.044
3,192,482	2,511,841	2,507,572	2,326,547	1,945,061	1,947,736	1,947,618	1,708,031	
7.0	6.9	5.0	(4.4)	0.5	5.7	6.2	6.5	
2.9	2.0	1.7	(4.7)	(0.3)	4.3	2.2	2.0	
5.1	5.1	3.7	(2.8)	0.6	5.3	6.0	5.7	
6.6	5.3	4.7	(14.4)	(1.1)	15.1	8.8	9.5	
35.9	27.4	27.0	25.5	18.3	25.4	24.9	20.8	
1.2	1.8	1.8	2.0	2.8	1.7	1.9	2.4	
3.9	4.5	5.0	15.8	7.4	3.8	4.1	5.1	
0.7	0.7	0.7	0.7	0.8	0.9	0.9	0.8	
9.5	10.8	10.7	4.6	-	10.7	8.9	6.3	
1.6	1.2	1.1	0.9	0.9	0.9	0.9	1.1	
29.6	35.7	21.5	-	-	15.2	17.9	19.2	
32,634	32,884	32,731	32,578	33,045	31,345	32,460	30,322	
665,968	651,556	652,611	630,976	699,389	739,514	726,063	685,074	6,084,824
58,508	56,756	56,796	57,104	59,222	62,651	62,414	60,973	
36,333	34,589	35,983	35,397	37,596	39,928	40,564	39,712	
41,089	39,020	40,574	39,894	42,753	45,557	46,471	45,474	
62.1	60.9	63.4	62.0	63.5	63.7	65.0	65.1	
11.4	11.5	11.5	11.0	11.8	11.8	11.6	11.2	
18.3	18.8	18.1	17.8	18.6	18.5	17.9	17.3	
348,319	320,066	280,637	214,124	291,077	311,577	278,478	229,232	4,576,641
37,947	34,406	29,768	26,723	27,905	28,285	26,607	25,338	
28,545	25,351	22,430	20,220	19,360	21,291	20,145	18,769	
6,276	5,883	5,168	4,666	4,432	4,827	4,552	4,135	
75.2	73.7	75.3	75.7	69.4	75.3	75.7	74.1	
9.2	9.3	9.4	8.0	10.4	11.0	10.5	9.0	
12.2	12.6	12.5	10.6	15.0	14.6	13.8	12.2	
32,231	33,248	32,413	31,829	33,097	30,566	30,574	29,659	281,682
463,473	467,348	453,606	458,732	475,014	462,569	457,914	440,750	
86,589	87,978	86,057	55,750	69,069	72,192	62,195	55,380	1,005,582
621,487	570,684	557,445	422,449	354,251	332,507	277,571	248,735	

7 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.

8 ROA = (Operating income + Interest and dividend income) / Simple average of total assets

9 ROE = Net income attributable to owners of ANA HOLDINGS INC. / Simple average of total shareholders' equity

10 Debt/equity ratio = Interest-bearing debt / Total shareholders' equity

Interest-bearing debt includes lease obligations from the fiscal year ended March 2008 as a result of the Accounting Standard for Lease Transactions.

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. US dollar amounts are truncated.

Management's Discussion and Analysis

Economic Conditions

General Economic Overview

In the fiscal year ended March 2016, overall, the domestic economy continued a modest recovery on the back of firm consumer spending. However, because of the appreciation of the yen and the fall in stock prices toward the end of the fiscal year, certain sectors were seen increasingly exercising caution in earnings forecasts.

The economic outlook is for a gradual recovery as a result of improved employment outlooks and income levels and the effect of various government policies. However, there are concerns about the risks of not only economic downturn in some overseas economies but also of terrorist attacks and conflicts in Europe and the Middle East.

Fuel Price Trends

Faced with the economic slowdown in China and other emerging countries, the oil-producing nations of the world reached a consensus to forego production reductions, leading the crude oil price to decrease year on year. The Dubai crude oil price fell below \$30 per barrel during January and February 2016. Later, the oil price began a gentle rise fueled by a decrease in the number of U.S. oil rigs operating, steady economic indicators in the United States, and the implementation of additional monetary easing measures in China. As a result, the Dubai crude oil price was \$35.1 per barrel as of March 31, 2016, with an average price for the fiscal year of \$46.3 per barrel.

The market price of Singapore kerosene tracked the price of crude oil and ended at \$47.9 per barrel as of March 31, 2016, with an average price for the fiscal year of \$58.9 per barrel.

Foreign Exchange Market

The yen weakened leading up to the end of 2015 in reflection of the return to a state of normalcy in the financial policies of the United States (the start of rising interest rates) that followed from an improved job market in this country. The exchange rate fluctuated around ¥120 per U.S. dollar during this period, meaning that the yen was weaker than in the previous equivalent period. However, the combined impacts of risk aversion that arose in light of uncertainty in the global economy as well as speculation that the pace of interest rate increases would slow in the United States stimulated a yen appreciation trend that began in January 2016. Consequently, the exchange rate ended the fiscal year at ¥112.4 per U.S. dollar and the average exchange rate for the fiscal year ended March 2016 was ¥120.1 per U.S. dollar.

Air Transport Traffic Trends

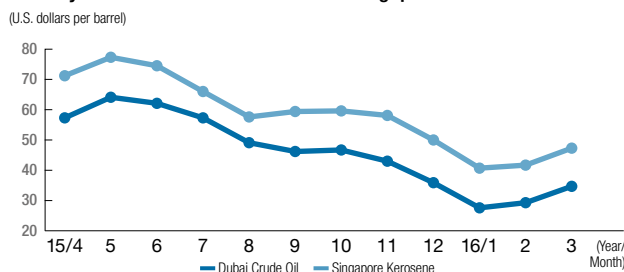
In 2015, the number of passengers on scheduled international flights of airline companies that are members of the International Air Transport Association (IATA) increased by 8.1% compared with the previous year, to approximately 1,440 million. Passengers on scheduled domestic flights increased by 6.6%, to approximately 2,120 million. Moreover, scheduled global air cargo volume increased by 0.8%. (Source: IATA World Air Transport Statistics, 2015)

In the fiscal year ended March 2016, in terms of air transport traffic in Japan, the number of passengers on trunk routes* increased by 3.3% from the previous fiscal year, to 41.51 million while the number of passengers on local routes decreased by 0.9%, to 54.55 million. In total, the number of passengers on scheduled domestic routes increased by 0.9%, to 96.06 million. The volume of domestic cargo decreased by 1.2%, to 0.91 million tons. The number of passengers carried by Japanese carriers on international routes increased by 12.4%, to 18.85 million. The volume of international cargo handled by Japanese carriers decreased by 2.5%, to 1.38 million tons.

(Source: Ministry of Land, Infrastructure, Transport and Tourism preliminary report)

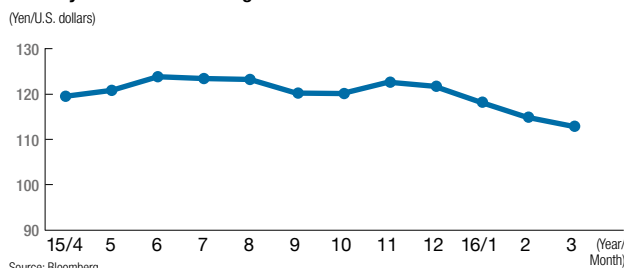
* Trunk routes refer to routes connecting Sapporo (New Chitose), Tokyo (Haneda), Tokyo (Narita), Osaka (Itami), Osaka (Kansai), Fukuoka, and Okinawa (Naha) airports with one another. Local routes refer to all other routes.

Monthly Prices for Dubai Crude Oil and Singapore Kerosene



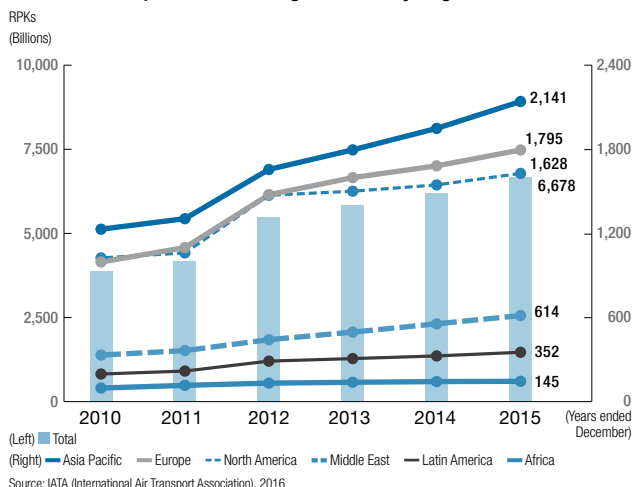
Source: Bloomberg

Monthly Yen-Dollar Exchange Rate



Source: Bloomberg

Global Air Transportation Passenger Volume by Region



Source: IATA (International Air Transport Association), 2016

Performance for the Fiscal Year Ended March 2016

Overview of the ANA Group

The ANA Group, or “the group,” comprises the holding company, ANA HOLDINGS INC.; 117 subsidiaries, including ALL NIPPON AIRWAYS CO., LTD., and 45 affiliates; and 62 consolidated subsidiaries and 18 equity-method subsidiaries and affiliates as of March 31, 2016. Also, the group had 36,273 employees as of March 31, 2016, up 1,354 year on year.

During the fiscal year ended March 2016, we advanced initiatives based on the FY2014–16 ANA Group Corporate Strategy. Specifically, we worked toward the enhancement and development of revenue platforms to improve the earnings capacity of the Air Transportation business and other existing businesses and the expansion and diversification of revenue domains to increase the scale of our operations by evolving existing businesses and conducting strategic investments. We also implemented Cost Restructuring Initiatives in pursuit of higher cost competitiveness. Based on the successes and remaining issues of these measures, we established the FY2016–20 ANA Group Corporate Strategy to carry us to a stage of accelerating our growth strategies. The major initiatives of this plan are to “expand airline business domains” and “create new businesses and accelerate growth of existing businesses.” Under this plan, we will simultaneously advance aggressive management aimed at creating new businesses and innovations and implementing strategic investment and speedy management for making simple and timely decisions. Through this approach, we will strive to achieve the value creation targets defined for the fiscal year ending March 2021 of operating income of ¥200.0 billion, return on assets (ROA) of 7.6%, return on equity (ROE) of 9.8%, and earnings per share of ¥32.9.

Operating Revenues, Operating Expenses, and Operating Income

Operating revenues in the fiscal year ended March 2016 were higher for the Air Transportation business, our core business, as well as the Airline Related and Trade and Retail businesses. As a result, consolidated operating revenues increased by 4.5%, or ¥77.7 billion year on year, to ¥1,791.1 billion.

Sales- and operation-linked expenses increased in conjunction with the expansion of the company’s business, and we conducted a one-time write-off of the unamortized balance of goodwill associated with U.S. pilot training company Pan Am Holdings, Inc. Conversely, there was a massive decline in fuel expenses following the drop in the crude oil price, and we were able to manage increasing costs resulted from expanded operations by steadily implementing Cost Restructuring Initiatives. Accordingly, the group’s operating expenses only increased by 2.0%, or ¥32.8 billion, to ¥1,654.7 billion.

Consequently, operating income increased by 49.1%, or ¥44.9 billion, to ¥136.4 billion. The figures for both operating revenues and operating income represented new record highs.

Review of Operating Segments

The group’s reportable segments have been defined as “Air Transportation,” “Airline Related,” “Travel Services,” and “Trade and Retail.”

Segment Information

(Years ended March)	Operating Revenues			Operating Income (Loss)			EBITDA		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Air Transportation	¥1,553,233	¥1,484,600	¥ 68,633	¥139,757	¥81,667	¥ 58,090	¥271,756	¥207,104	¥ 64,652
Airline Related	231,903	223,780	8,123	(4,248)	9,024	(13,272)	1,306	13,720	(12,414)
Travel Services	167,349	169,078	(1,729)	4,291	4,565	(274)	4,395	4,621	(226)
Trade and Retail	140,289	127,029	13,260	5,312	4,067	1,245	6,306	5,023	1,283
Subtotal	2,092,774	2,004,487	88,287	145,112	99,323	45,789	283,763	230,468	53,295
Others	33,754	32,574	1,180	1,659	1,624	35	1,838	1,808	30
Adjustment	(335,341)	(323,604)	(11,737)	(10,308)	(9,406)	(902)	(10,308)	(9,406)	(902)
Total (Consolidated)	¥1,791,187	¥1,713,457	¥ 77,730	¥136,463	¥91,541	¥ 44,922	¥275,293	¥222,870	¥ 52,423

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

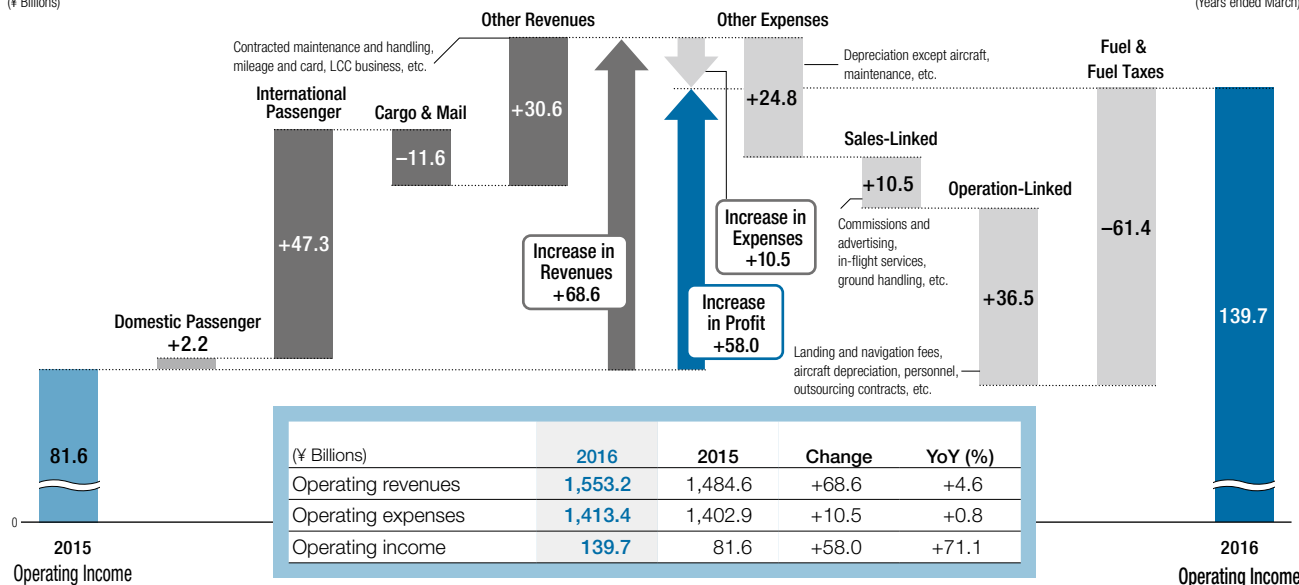
Management's Discussion and Analysis

Air Transportation

Changes in Operating Income (2016 vs 2015)

(¥ Billions)

(Years ended March)



Segment operating revenues increased by 4.6%, or ¥68.6 billion year on year, to ¥1,553.2 billion. Results by business are as follows.

In the International Passenger Business, the group continued to advance a Dual Hub Network Strategy. We enhanced our network of flights in and out of Narita Airport in this fiscal year after expanding ASKs on flights in and out of Haneda Airport during the fiscal year ended March 2015. We established routes between Narita and Houston in June 2015, Narita and Kuala Lumpur in September, Narita and Brussels and Haneda and Guangzhou in October, and Haneda and Sydney in December. In addition, we increased the frequency of flights on routes between Narita and Singapore in June, Narita and Honolulu in July, Narita and Bangkok in August, as well as routes between Haneda and Beijing, Shanghai, and Hong Kong in October.

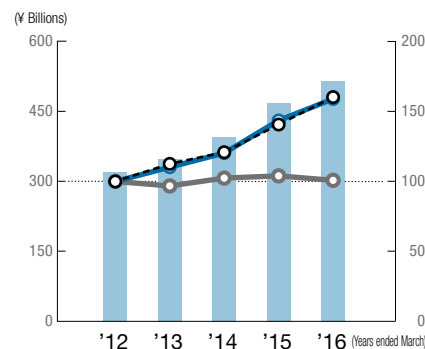
In marketing and sales, we utilized the geographic advantages of Haneda to capture demand for flights out of Japan. We also revised flight timetables to improve the convenience of connecting through Narita and worked to capture trilateral demand for travel between Asia and North America via Narita. Furthermore, we stimulated demand for inbound travel to Japan from various countries and deployed other measures to market to a wide range of target market segments with the aim of maximizing revenues.

On the services front, in April 2015 we introduced full-flat seats for business class on all Europe and North American routes (excluding Honolulu) and increased the quality of in-flight meals and airport lounge services by expanding our collaboration with highly acclaimed hotels and restaurants representing various regions. In December, we improved customer convenience by means of measures including providing round-the-clock

International Passenger Business Results

(Years ended March)	2016	2015	YoY (%)
ASKs (Millions)	54,710	49,487	+10.6
RPKs (Millions)	40,635	35,639	+14.0
Number of passengers (Thousands)	8,167	7,208	+13.3
Load factor (%)	74.3	72.0	+2.3*
Passenger revenues (¥ Billions)	515.6	468.3	+10.1
Unit revenues (¥)	9.4	9.5	-0.4
Yield (¥)	12.7	13.1	-3.4
Unit price (¥)	63,136	64,972	-2.8

* Difference



(Left) Passenger Revenues
(Right) ASKs — RPKs — Yield
Figures for available seat-kilometers, revenue passenger-kilometers, and yield are indexed using the figures for the fiscal year ended March 2012 as 100.

service through our reservation and information center for international flights.

Due to the above, ASKs increased by 10.6% year on year and RPKs rose 14.0% while load factor was up by 2.3 percentage points, to 74.3%. The number of passengers increased by 13.3%, to 8.16 million, and unit price decreased by 2.8%, to ¥63,136, following lower fuel surcharges. As a result, operating revenues in the International Passenger Business grew by 10.1%, to ¥515.6 billion.

In the Domestic Passenger Business, the group continued measures from the previous fiscal year for matching supply to demand by controlling its capacity. In the fiscal year ended March 2016, as one facet of our implementation of the “Dynamic Fleet Assign Model,” which entails flexibly selecting the optimal aircraft size based on demand trends, we increased the number of narrow-body aircraft to improve load factor. In terms of our network, we utilized narrow-body aircraft on the Haneda–Toyama and Haneda–Komatsu routes throughout the fiscal year in consideration of the impacts of the start operation of the Hokuriku Shinkansen bullet train line. In addition, the number of flights in and out of Okinawa Airport, including late-night flights on the Haneda–Okinawa route, were increased, primarily during the high-demand summer months. Flights on the Haneda–Kansai route were also boosted in October 2015. Meanwhile, flights on certain routes at Haneda were

decreased from October following the end of temporary use of international flight slots for domestic services.

In regard to sales and marketing, we endeavored to capture demand with flexible fare measures including setting fares through the promotional fare *Tabiwari*, an effective pricing plan, based on demand trends and introducing the new *ANA Discover JAPAN Fare* for inbound visitors, which can be purchased at overseas travel agencies.

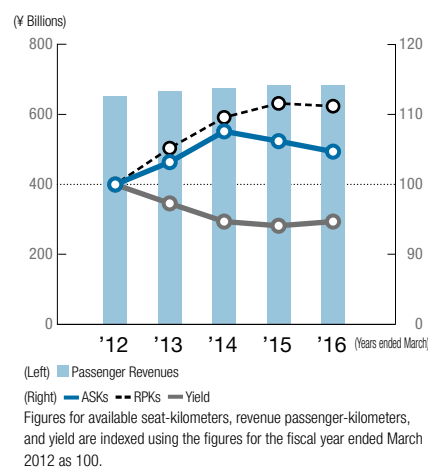
As for services, we deployed *ANA FAST TRAVEL*, a new boarding system that makes the procedures undertaken beginning from arrival at an airport and ending with boarding simpler, easier to understand, and smoother. Also, *ANA Baggage Drop*, a line of self-service baggage drop machines, was introduced at Haneda and *New Self Service Check-in Machines* that support five languages from four countries were installed at all 53 domestic route airports. We also began providing the *ANA Wi-Fi Service* in-flight Internet service on domestic flights. This service was previously only available on international flights.

Due to the above, ASKs decreased by 1.3% year on year and RPKs declined by 0.3%. Meanwhile, load factor increased by 0.7 percentage point, to 64.7%. The number of passengers decreased by 1.2%, to 42.66 million, while unit price was up by 1.6%, to ¥16,070. As a result, operating revenues from the Domestic Passenger Business rose by 0.3% to ¥685.6 billion.

Domestic Passenger Business Results

(Years ended March)	2016	2015	YoY (%)
ASKs (Millions)	59,421	60,213	-1.3
RPKs (Millions)	38,470	38,582	-0.3
Number of passengers (Thousands)	42,664	43,203	-1.2
Load factor (%)	64.7	64.1	+0.7*
Passenger revenues (¥ Billions)	685.6	683.3	+0.3
Unit revenues (¥)	11.5	11.3	+1.7
Yield (¥)	17.8	17.7	+0.6
Unit price (¥)	16,070	15,818	+1.6

* Difference



Management's Discussion and Analysis

In the International Cargo Business, we utilized our passenger aircraft network while also reorganizing our freighter network to better incorporate demand. As new freighter routes, we established the Narita–Bangkok–Jakarta–Narita route in September 2015 and the Narita–Xiamen–Okinawa route and the Narita–Qingdao–Okinawa route in October. In addition, our 12th freighter was introduced into our fleet in January 2016. Furthermore, we expanded joint venture routes with Lufthansa Cargo AG. in August 2015, utilizing these routes to address demand for transport from Europe to Japan along with previously targeted demand for transport from Japan to Europe. Sales and marketing initiatives included strengthening our efforts for capturing demand for transport of electronic components and automobile parts from Asia to Europe and North America and also for transport of items, mainly fresh foods, from Europe and North America to Asia. The volume of transactions for trilateral cargo transportation via Japan increased year on year, but transportation of cargo from Japan decreased due to overall sluggish demand. As a result of these

factors, ATKs increased by 10.1% year on year while RTKs decreased by 2.1%. Cargo volume was down by 3.7%, to 0.81 million tons, and unit price declined by 5.7%, to ¥140, largely due to lower fuel surcharges. As a result, operating revenues from the International Cargo Business decreased by 9.2%, to ¥113.3 billion.

In the Domestic Cargo Business, we introduced a new loading reservation system in April 2015 and scheduled additional services for high-demand periods. However, overall demand was low, causing declines of 1.8% in cargo volume, to 0.46 million tons; 0.8% in unit price, to ¥68; and 2.6% in operating revenues, to ¥31.7 billion.

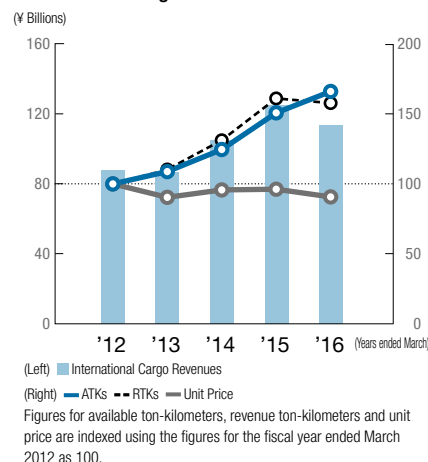
In the Mail Business, international operating revenues were up by 13.1%, to ¥6.6 billion, while domestic operating revenues were down by 2.1%, to ¥3.6 billion.

As a result, total operating revenues from Cargo and Mail decreased by 7.0% year on year, to ¥155.3 billion.

Cargo and Mail Business Results

(Years ended March)	2016	2015	YoY (%)
Cargo and mail services revenues (¥ Billions)	155.3	166.9	-7.0
International cargo ATKs (Millions)	6,040	5,484	+10.1
RTKs (Millions)	3,532	3,608	-2.1
Cargo volume (Thousand tons)	810	841	-3.7
Cargo revenues (¥ Billions)	113.3	124.7	-9.2
Unit price (¥/kg)	140	148	-5.7
Mail revenues (¥ Billions)	6.6	5.8	+13.1
Domestic cargo ATKs (Millions)	1,850	1,883	-1.7
RTKs (Millions)	472	476	-0.9
Cargo volume (Thousand tons)	466	475	-1.8
Cargo revenues (¥ Billions)	31.7	32.5	-2.6
Unit price (¥/kg)	68	69	-0.8
Mail revenues (¥ Billions)	3.6	3.7	-2.1

International Cargo Business Results



In Others of the segment, the group achieved year-on-year increases in revenues from contracted airport handling as well as from ancillary businesses such as credit card and mileage programs. The group also recorded higher revenues from the LCC business operated by Vanilla Air Inc. As a result, operating revenues from Others increased by 18.4% year on year, to ¥196.5 billion.

At Vanilla Air, ASKs increased by 54.1% year on year, RPKs rose by 63.6%, and load factor was up by 5.0 percentage points, to 85.3%. The number of passengers increased by 48.3%, to 1.69 million. As a result, operating revenues at Vanilla Air grew by approximately ¥10.0 billion.

LCC Business Results (Vanilla Air Inc.)

(Years ended March)	2016	2015	YoY (%)
ASKs (Millions)	3,393	2,202	+54.1
RPKs (Millions)	2,892	1,767	+63.6
Number of passengers (Thousands)	1,691	1,141	+48.3
Load factor (%)	85.3	80.3	+5.0*

* Difference

Operating Expenses

Operating expenses in the Air Transportation business increased by 0.8%, or ¥10.5 billion year on year, to ¥1,413.4 billion. The group worked to control rising costs by implementing Cost Restructuring Initiatives to enhance productivity and streamline operational processes, while sales- and operation-linked expenses increased due to business expansion. In addition, fuel expenses decreased significantly as a result of the drop in the price of crude oil.

Consequently, the segment's operating income increased by 71.1%, or ¥58.0 billion year on year, to ¥139.7 billion.

Breakdown of Operating Revenues and Expenses

(Years ended March)		¥ Millions		
		2016	2015	YoY (%)
Segment Operating Revenues		¥1,553,233	¥1,484,600	¥ 68,633
Domestic	Passenger	685,638	683,369	2,269
	Cargo	31,740	32,584	(844)
	Mail	3,665	3,743	(78)
International	Passenger	515,696	468,321	47,375
	Cargo	113,309	124,772	(11,463)
	Mail	6,665	5,894	771
Others		196,520	165,917	30,603
Segment Operating Expenses		1,413,476	1,402,933	10,543
Fuel and Fuel Tax		306,243	367,698	(61,455)
Landing and Navigation Fees		116,542	114,332	2,210
Aircraft Leasing Fees		95,737	91,515	4,222
Depreciation and Amortization		132,023	125,437	6,586
Aircraft Maintenance		110,753	92,680	18,073
Personnel		179,147	167,158	11,989
Sales Commissions and Promotion		105,974	102,663	3,311
Contracts		186,186	171,200	14,986
Others		180,871	170,250	10,621
Segment Operating Income		¥ 139,757	¥ 81,667	¥ 58,090

<Fuel and Fuel Tax>

Fuel and fuel tax expenses decreased by 16.7%, or ¥61.4 billion, year on year to ¥306.2 billion, and accounted for 21.7% of segment operating expenses, compared with 26.2% in the previous fiscal year. The main components of the decrease of ¥61.4 billion were price factors (including hedging) resulting in a decrease of around ¥75.5 billion and volume factors resulting in an increase of around ¥14.0 billion.

Fuel consumption volume increased due to the expansion of operations on international flights. The group is working to control the increase in fuel consumption volume through continuous fuel conservation efforts, including actively introducing fuel-efficient aircraft and fuel conservation measures such as adopting more efficient flight methods. In the fiscal year ended March 2016, measures to reduce jet fuel taxes were carried over from the previous fiscal year.

<Landing and Navigation Fees>

The number of flights was relatively unchanged year on year for passenger aircraft on domestic operations, increased by 6.2% for passenger aircraft on international operations, and rose by 7.1% for freighters on cargo operations, excluding Vanilla Air flights. Landing and navigation fees were up by 1.9%, or ¥2.2 billion, to ¥116.5 billion, due primarily to the expansion of operation on international routes.

<Aircraft Leasing Fees>

Aircraft leasing expenses increased by 4.6%, or ¥4.2 billion, year on year, to ¥95.7 billion. The number of leased aircraft in service increased by two from the end of previous fiscal year, to 59 at the end of March 2016.

<Depreciation and Amortization>

Depreciation and amortization expenses increased by 5.3%, or ¥6.5 billion, year on year, to ¥132.0 billion. This increase was largely attributable to the fact that the number of group-owned aircraft on March 31, 2016 increased by 13 compared with the end of the previous fiscal year, to 198, and to a rise in depreciation expenses associated with IT-related systems.

<Aircraft Maintenance>

Aircraft maintenance expenses increased by 19.5%, or ¥18.0 billion, year on year, to ¥110.7 billion. Primary factors included higher costs for replacement aircraft parts and engine maintenance and increased contracting expenses in foreign currencies due to yen depreciation.

<Personnel>

Personnel expenses increased by 7.2%, or ¥11.9 billion, year on year, to ¥179.1 billion, following a rise in the number of employees in conjunction with the expansion of business scale.

<Sales Commissions and Promotion>

Sales commissions and promotion expenses increased by 3.2%, or ¥3.3 billion, year on year, to ¥105.9 billion. This increase was primarily a result of a rise in expenses for sales commissions and promotion that was linked to operating revenue growth.

<Contracts>

Contracts expenses increased by 8.8%, or ¥14.9 billion, year on year, to ¥186.1 billion. This increase was mainly due to higher outsourced operations, including internal transactions between reportable segments, in conjunction with business scale expansion.

<Others>

Others increased by 6.2%, or ¥10.6 billion, year on year, to ¥180.8 billion. This increase can be attributed to a rise in expenses related to airport lounges and in-flight services seen as part of efforts to enhance service quality and to higher advertising expenses.

Management's Discussion and Analysis

Airline Related

Segment operating revenues in the fiscal year ended March 2016 rose by 3.6%, or ¥8.1 billion, year on year, to ¥231.9 billion. This rise was due in part to increased contracts for outsourcing work from foreign airlines (boarding procedures, baggage handling, and other ground support handling) at Haneda and Kansai airports. However, operating loss of ¥4.2 billion was recorded, in comparison to operating income of ¥9.0 billion in the previous fiscal year, following a decrease in cargo volume at ANA Cargo Inc. and a one-time write-off of the unamortized balance of goodwill recorded at the time of acquisition of Pan Am Holdings, Inc.

Performance in the Airline Related Segment

	(¥ Millions)		
(Years ended March)	2016	2015	YoY (%)
Segment Operating Revenues	¥231,903	¥223,780	¥ 8,123
Segment Operating Expenses	236,151	214,756	21,395
Segment Operating Income (Loss)	¥ (4,248)	¥ 9,024	¥(13,272)

Travel Services

In domestic travel services, operating revenues increased year on year. Sales of mainstay *ANA Sky Holiday* travel packages were up, mainly for flights to Okinawa and Hokkaido, and sales of *Tabisaku* dynamic packages rose largely for flights to Okinawa and Kansai. In addition, we enhanced our product lineup with the introduction of new products targeting women.

Meanwhile, operating revenues were down year on year in overseas travel services. Although we bolstered the product lineup of our mainstay *ANA Hallo Tour* travel packages in conjunction with the expansion of ANA's network, sales of these products were down due to the persistence of yen depreciation and the impacts of terrorist attacks in Europe. Meanwhile, revenues from inbound travel to Japan increased due to robust demand from Taiwan, China, and other countries.

As a result, segment operating revenues decreased by 1.0%, or ¥1.7 billion, year on year, to ¥167.3 billion, and operating income was down by 6.0%, or ¥0.2 billion, to ¥4.2 billion.

Performance in the Travel Services Segment

	(¥ Millions)		
(Years ended March)	2016	2015	YoY (%)
Segment Operating Revenues	¥167,349	¥169,078	¥(1,729)
Domestic Package Products	136,293	133,045	3,248
International Package Products	20,589	26,132	(5,543)
Other Revenues	10,467	9,901	566
Segment Operating Expenses	163,058	164,513	(1,455)
Segment Operating Income	¥ 4,291	¥ 4,565	¥ (274)

Trade and Retail

In the retail business, *ANA DUTY FREE SHOP* and *ANA FESTA* airport shops achieved solid sales due to the expansion of the network at Narita and Haneda and a rise in inbound tourists. Also, sales were firm for bananas, a mainstay product in the food business, and aircraft parts and semiconductor assembly orders were up in the aerospace & electronics business.

As a result, for the fiscal year ended March 2016 segment operating revenues increased by 10.4%, or ¥13.2 billion, year on year to ¥140.2 billion, and operating income rose by 30.6%, or ¥1.2 billion, to ¥5.3 billion.

Performance in the Trade and Retail Segment

	(¥ Millions)		
(Years ended March)	2016	2015	YoY (%)
Segment Operating Revenues	¥140,289	¥127,029	¥13,260
Segment Operating Expenses	134,977	122,962	12,015
Segment Operating Income	¥ 5,312	¥ 4,067	¥ 1,245

Others

In the Others segment, operating revenues were ¥33.7 billion, an increase of ¥1.1 billion, or 3.6%, year on year, and operating income was ¥1.6 billion, an increase of ¥0.03 billion, or 2.2%, due to factors such as strong performance in maintenance and property management services for buildings and facilities.

Performance in the Others Segment

	(¥ Millions)		
(Years ended March)	2016	2015	YoY (%)
Segment Operating Revenues	¥33,754	¥32,574	¥1,180
Segment Operating Expenses	32,095	30,950	1,145
Segment Operating Income	¥ 1,659	¥ 1,624	¥ 35

Non-Operating Income / Expenses

Net non-operating expenses totaled ¥5.3 billion, compared with net non-operating expenses of ¥13.5 billion for the previous fiscal year.

Primary factors behind this change included an increase in equity in earnings of non-consolidated subsidiaries and affiliates, a decrease in interest expenses, and the fact that the recording of provision for accrued employees' retirement benefit was completed in the previous fiscal year.

Non-Operating Income / Expenses

(Years ended March)	2016	2015	YoY (%)
Interest and dividend income	¥ 2,600	¥ 1,727	¥ 873
Interest expenses	(11,455)	(13,732)	2,277
Foreign exchange gain/loss, net	(2,661)	(4,379)	1,718
Gain on sales of property and equipment	1,115	3,006	(1,891)
Loss on sale/disposal of property and equipment	(5,487)	(9,550)	4,063
Impairment loss	(4,925)	(111)	(4,814)
Equity in earnings of non-consolidated subsidiaries and affiliates	3,007	2,150	857
Gain on sales of investments in securities	155	296	(141)
Loss on sales of investments in securities	—	(222)	222
Valuation loss on investments in securities	(77)	(409)	332
Provision for accrued employees' retirement benefit	—	(6,137)	6,137
Special retirement benefit expenses	(136)	(89)	(47)
Gain on return of substituted portion of welfare pension fund	131	943	(812)
Gain on revision of retirement benefit plan	—	9,945	(9,945)
Expenses related to revision of pension plans	(399)	(55)	(344)
Gain on donation of non-current assets	3,632	936	2,696
Special dividend	5,467	—	5,467
Other, net	3,634	2,123	1,511
Total	¥ (5,399)	¥(13,558)	¥ 8,159

Net Income Attributable to Owners of ANA HOLDINGS INC.

As a result of the above, income before income taxes and non-controlling interests increased by 68.1%, or ¥53.0 billion, year on year, to ¥131.0 billion. After income taxes, municipal taxes, business taxes, and other adjustments, net income attributable to owners of ANA HOLDINGS INC. increased by 99.2%, or ¥38.9 billion, to ¥78.1 billion. Earnings per share were ¥22.36, compared with ¥11.24 for the previous fiscal year.

Comprehensive income decreased by 91.6%, or ¥52.3 billion, year on year, to ¥4.8 billion, following a decline in net unrealized holding gain on securities and an increase in deferred gain on hedging instruments.

Cash Flows

Fundamental Approach

The ANA Group's fundamental approach to cash management is to conduct continuous investments strategically to strengthen its competitiveness over the medium to 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 increase shareholders' equity and control total interest-bearing debt.

The group's primary means of raising funds are borrowings from banks and issuing bonds. The group has also concluded commitment lines totaling ¥150.0 billion with 13 leading domestic financial institutions to ensure reliable access to working capital in case of emergencies. All of the commitment lines were unused as of the end of March 2016.

In terms of investment in aircraft—our primary assets—the group is able to take advantage of programs such as the Japan Bank for International Cooperation (JBIC)'s guarantee system.

Overview of the Fiscal Year Ended March 2016

The group recorded positive free cash flow of ¥189.4 billion, which was the sum of cash flows from operating activities and investing activities. Net cash used in financing activities totaled ¥133.2 billion. As a result, cash and cash equivalents at end of year increased by ¥56.1 billion from March 31, 2015 to ¥265.1 billion as of March 31, 2016.

Cash Flows from Operating Activities

As a result of adjustments to income before income taxes and non-controlling interests for non-cash items including depreciation and amortization, accounts and notes payable and accounts and notes receivable, and income taxes paid, net cash provided by operating activities was ¥263.8 billion, up ¥56.9 billion year on year.

Interest Coverage Ratio*

(Years ended March)	2016	2015
Interest coverage ratio	22.3	14.7

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

Cash Flows from Investing Activities

Net cash used in investing activities totaled expenditures of ¥74.4 billion, down ¥136.3 billion year on year. Uses of cash included payment for purchase of property and equipment totaling ¥252.5 billion resulting from payments upon delivery of aircraft and other assets such as spare parts and advance payments for aircraft to be purchased. In addition, payment for purchase of intangible assets, including investment in software, used cash of ¥28.8 billion. Conversely, proceeds from sales of property and equipment, which included aircraft, totaled ¥104.5 billion. Net cash used in investing activities amounted to ¥175.8 billion when excluding cash movements resulting in net proceeds of ¥101.4 billion from the acquisition and sale of periodic and negotiable deposits of more than three months.

Management's Discussion and Analysis

Free Cash Flow

As mentioned above, net cash provided by operating activities totaled ¥263.8 billion, and net cash used in investing activities amounted to ¥74.4 billion. Consequently, positive free cash flow of ¥189.4 billion was recorded, in comparison to a negative free cash flow of ¥3.8 billion in the previous fiscal year. Substantial free cash flow came to a positive ¥88.0 billion, compared with a negative ¥22.3 billion in the previous fiscal year, when excluding cash movements associated with the acquisition and sale of periodic and negotiable deposits of more than three months.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥133.2 billion, up ¥102.8 billion year on year. Outlays were made in the forms of payment for dividends and repayment of bonds, long-term debt, and finance lease obligations, while proceeds from issuance of bonds and from long-term debt were recorded.

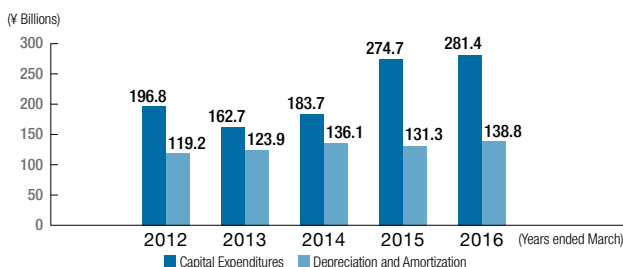
Capital Expenditures and Aircraft Procurement

Capital Expenditures

Capital expenditures of the group mainly comprise the acquisition of aircraft, spare engines, and aircraft parts and other aircraft-related investments as well as investments related to information systems. Capital expenditures in the fiscal year ended March 2016 increased by 2.4% year on year, to ¥281.4 billion, mainly reflecting investment in aircraft, such as the Boeing 787.

By segment, capital expenditures increased by 0.6% year on year, to ¥269.1 billion in Air Transportation; increased by 48.8%, to ¥10.8 billion in Airline Related; decreased by 4.4%, to ¥0.3 billion in Travel Services; increased by 26.5%, to ¥2.3 billion in Trade and Retail; and decreased by 94.4%, to ¥0.01 billion in Others.

Capital Expenditures* / Depreciation and Amortization



* Capital investment contains only fixed assets.

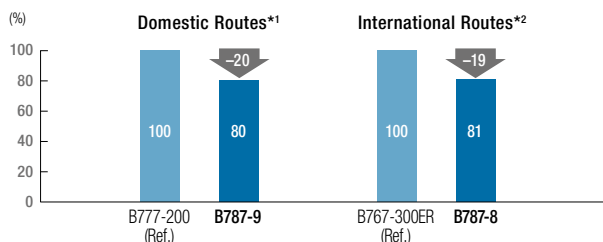
Fundamental Approach to Aircraft Procurement

Aircraft are major investments that are used over the long term for more than 10 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's fleet strategy is based on three basic policies: strengthening cost competitiveness by introducing fuel-efficient aircraft, matching supply to demand by increasing the ratios of narrow- and medium-body aircraft, and enhancing productivity by integrating aircraft types.

Fundamentally, the group purchases and owns strategic aircraft it intends to use over the medium to long term. Also, we employ operating leases to procure aircraft to use over the short term or for capacity adjustment. The group may also utilize sale and lease-back as a means of diversifying corporate financing methods. In these and other ways, the group constantly selects the most economical aircraft procurement method.

Fuel Consumption by Aircraft Type



*1 Figures are per ASK and based on the Haneda-Fukuoka route, with full passengers.

*2 Figures are per ASK and based on the Narita-Singapore route, with full passengers.

Aircraft Procured in the Fiscal Year Ended March 2016

Based on the aforementioned fleet strategy, the number of aircraft in service increased by 15 compared with March 31, 2015, to 257 as of March 31, 2016. During this fiscal year, the group purchased 19 newly built aircraft, consisting of two Boeing 777-300s, nine Boeing 787-9s, three Boeing 787-8s, and five Boeing 737-800s.

Conversely, the group sold 15 aircraft during this fiscal year, including three Boeing 777-300s, two Boeing 787-8s, and five Boeing 737-800s, of these aircraft, 10 of which were leased back. The table below shows changes in the number of aircraft in service, including the return of leased aircraft and aircraft leased outside the group.

Changes in the Number of Aircraft in Service in the Fiscal Year Ended March 2016

Aircraft	Number of aircraft as of March 31, 2016	() changes		Remarks		
		Owned	Leased			
Boeing 777-300	29 (+2)	23 (-1)	6 (+3)	Purchased	+2	Sale and lease-back
				Sold	-3	
				Leased-in	+3	
Boeing 777-200	28	20	8			
Boeing 787-9	11 (+9)	11 (+9)	0	Purchased	+9	
Boeing 787-8	35 (+3)	31 (+1)	4 (+2)	Purchased	+3	Sale and lease-back
				Sold	-2	
				Leased-in	+2	
Boeing 767-300	38 (-4)	24 (-1)	14 (-3)	Returned	-3	Purchase of leased aircraft after return on completion of lease
				Purchased	+3	
				Sold	-3	
				Renovation	-1	
Boeing 767-300F (Freighter)	12 (+2)	8 (+1)	4 (+1)	Leased-in	+1	Renovation of owned aircraft (passenger use → cargo use)
				Renovation	+1	
Boeing 737-800	36 (+5)	24	12 (+5)	Purchased	+5	Sale and lease-back
				Sold	-5	
				Leased-in	+5	
Boeing 737-700	9 (-3)	9	0 (-3)	Leased-out	-3	Lease of aircraft outside of the group
				Returned	-3	Purchase of leased aircraft after return on completion of lease
				Purchased	+3	
Boeing 737-500	20 (+3)	20 (+3)	0	Purchased	+3	Purchase of aircraft outside of the group
Airbus A320-200	18 (-2)	10 (-2)	8	Sold	-2	
Bombardier DHC-8-400	21	18 (+3)	3 (-3)	Returned	-3	Purchase of leased aircraft after return on completion of lease
				Purchased	+3	
Total	257 (+15)	198 (+13)	59 (+2)	Purchased	+31	Includes nine aircraft purchased after return on completion of lease
				Leased-in	+11	Includes sale and lease-back of ten aircraft
				Sold	-15	
				Returned	-9	
				Leased-out	-3	

Figures for Airbus A320-200s included 8 aircraft (all leased) operated by Vanilla Air Inc. (8 as of March 31, 2015). Separate from the figures above, as of March 31, 2016, 16 aircraft were leased outside the group (12 as of March 31, 2015).

Aircraft Procurement Plan for the Fiscal Year Ending March 2017

The group's aircraft procurement plan for the fiscal year ending March 2017 involves the introduction of 22 aircraft to promote expansion on international operations and the transition to use of narrow-body aircraft on domestic operations for the purpose of matching supply to demand. This will include 10 Boeing 787-9s,

one Boeing 787-8, four Airbus A321neos, three Airbus A320neos, and four Airbus A320ceos. Meanwhile, the group plans to retire 11 aircraft comprising four Boeing 777-200s, two Boeing 767-300s, two Boeing 737-700s, and three Boeing 737-500s during the fiscal year ending March 2017.

The group plans to continue to steadily control costs by actively introducing fuel-efficient aircraft.

Management's Discussion and Analysis

Financial Position

Assets

Total assets decreased by ¥73.6 billion compared with March 31, 2015, to ¥2,228.8 billion, as of March 31, 2016.

Total current assets amounted to ¥631.1 billion on March 31, 2016, down ¥61.5 billion from a year earlier. Although cash on hand and in banks increased by ¥11.3 billion, to ¥55.2 billion, marketable securities decreased by ¥56.3 billion, to ¥222.3 billion. As a result, liquidity on hand from cash on hand and in banks and marketable securities decreased by ¥44.9 billion, to ¥277.6 billion. The group will endeavor to improve capital efficiency to maintain an appropriate level of cash on hand as it continues to conduct investments, primarily for aircraft.

Total non-current assets at the end of the fiscal year stood at ¥1,597.0 billion, down ¥11.8 billion from a year earlier. This decrease was primarily due to a decline in investments and long-term receivables resulted from changes in mark-to-market valuation on investment securities and derivative transactions. Deferred income taxes increased from the end of the previous fiscal year due to the aforementioned mark-to-market valuation changes.

Liabilities

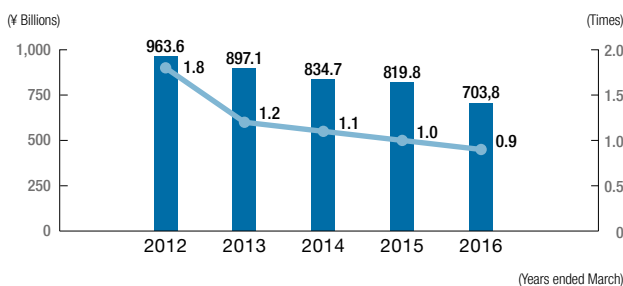
Total liabilities decreased by ¥64.9 billion compared with the end of the previous fiscal year, to ¥1,433.9 billion, as of March 31, 2016.

Total current liabilities totaled ¥585.4 billion at the end of the fiscal year, a decrease of ¥81.1 billion from a year earlier. This decrease was largely attributable to a ¥51.4 billion decline in current portion of long-term loans and the absence of the ¥65.0 billion in current portion of bonds and notes recorded in the previous fiscal year.

Total long-term liabilities amounted to ¥848.4 billion on March 31, 2016, an increase of ¥16.2 billion from a year earlier. This result was primarily due to a ¥30.0 billion increase in bonds.

Interest-bearing debt, including finance lease obligations, decreased by ¥115.9 billion, to ¥703.8 billion. The debt/equity ratio declined from 1.0 time to 0.9 times. The debt/equity ratio including off-balanced lease obligations decreased from 1.1 times to 1.0 time.

Interest-Bearing Debt / Debt/Equity Ratio*



(Left) ■ Interest-Bearing Debt (Right) —●— Debt/Equity Ratio*
* Excluding off-balanced lease obligations

Interest-Bearing Debt

(As of the end of March)	2016	2015	Change
Short-term loans:	¥ 94,781	¥210,029	¥(115,248)
Short-term loans	177	200	(23)
Current portion of long-term loans	86,803	138,263	(51,460)
Current portion of bonds and notes	—	65,000	(65,000)
Finance lease obligations	7,801	6,566	1,235
Long-term debt (excluding current portion)*:	¥609,105	¥609,802	¥ (697)
Long-term loans	488,172	514,403	(26,231)
Bonds	105,000	75,000	30,000
Finance lease obligations	15,933	20,399	(4,466)
Total interest-bearing debt	¥703,886	¥819,831	¥(115,945)

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

Net Assets

Total net assets decreased by ¥8.6 billion from the end of the previous fiscal year, to ¥794.9 billion, as of March 31, 2016.

Shareholders' equity increased by ¥65.1 billion from March 31, 2015, to ¥850.2 billion as of March 31, 2016, due in part to retained earnings rising to ¥253.5 billion, an increase of ¥64.1 billion, after the recording of net income attributable to owners of ANA HOLDINGS INC. and the payment of dividends.

Accumulated other comprehensive loss of ¥60.3 billion was recorded, compared with accumulated other comprehensive income of ¥13.1 billion in the previous fiscal year. Factors behind this outcome included decreases in net unrealized holding gain on securities and in deferred gain on hedging instruments.

As a result, total shareholders' equity decreased by ¥8.3 billion, coming to ¥789.8 billion at the end of the fiscal year. The shareholders' equity ratio increased 0.8 percentage point, to 35.4%.

Book value per share (BPS) decreased from ¥228.45 to ¥225.87.

Bond Ratings

The company has obtained ratings on its long-term bonds from Japan Credit Rating Agency, Ltd. (JCR), and Rating and Investment Information, Inc. (R&I).

JCR's outlook was revised from "Stable" to "Positive" and the rating from R&I was changed from BBB+ to A- during the fiscal year ended March 2016. Bond ratings as of March 31, 2016 were as follows:

Bond Ratings

	JCR (Revised October 2007)	R&I (Revised March 2016)
Issuer rating	A-	A-
Outlook	(Revised March 2016) Stable → Positive	Stable

Retirement Benefit Obligation

The ANA Group's 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 defined contribution pension plans. 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	
(As of the end of / years ended March)	2016	2015
Retirement benefit obligation	¥(238,030)	¥(240,684)
Plan assets at fair value	74,748	80,199
Unfunded retirement benefit obligation	(163,282)	(160,485)
Liability for retirement benefits	(163,351)	(160,562)
Asset for retirement benefits	69	77
Net liability and asset for retirement benefits in the balance sheet	(163,282)	(160,485)
Retirement benefit expenses of defined benefit corporate pension plans	13,627	17,049
Main basis for actuarial calculations		
Discount rates	0.1–1.2%	0.8–1.6%
Expected rates of return on plan assets	1.5–5.5%	1.5–5.5%
Contribution to defined contribution pension plans	¥ 3,787	¥ 11,937

Fuel Price and Exchange Rate Hedging

The ANA Group has been pursuing and conducting optimal hedge transactions that reduce the impact of volatility in fuel prices and foreign exchange rates in order to control the risk of fluctuation in earnings. The objective of this hedging is to stabilize profitability, not just to equalize expenses, because recent business expansion—mainly in international operations—had led to increases in fuel surcharge and foreign currency revenues.

For fuel, the group conducts fuel hedging three years in advance of the applicable period after considering fuel surcharge revenues. As of March 31, 2016, the group had a hedge ratio of approximately 40% for the fiscal year ending March 2017, approximately 25% for the fiscal year ending March 2018, and approximately 10% for the fiscal year ending March 2019.

For foreign exchange, the group hedges U.S. dollar payments for fuel expenses three years in advance, and payments associated with capital expenditures for aircraft and other items five years in advance of the applicable periods. The group considers the balance of foreign currency revenues, revenues linked to foreign exchange market fluctuations, and foreign currency expenses with respect to U.S. dollar payments and uses forward exchange agreements to hedge any portion of foreign currency expenses in excess of foreign currency reserves. As of March 31, 2016, the

group had a hedge ratio for U.S. dollar fuel payments of approximately 75% for the fiscal year ending March 2017, approximately 50% for the fiscal year ending March 2018, and approximately 15% for the fiscal year ending March 2019.

<Fuel price sensitivity>

Fuel price sensitivity to fluctuations in crude oil prices for the fiscal year ending March 2017 is as follows (calculated at the beginning of the fiscal year, excluding hedging):

- Fuel expenses:
Approximately ¥3.3 billion per year
(change of US\$1/bbl of crude oil)

<Foreign exchange rate sensitivity>

Operating income sensitivity to foreign exchange rate movements for the fiscal year ending March 2017 is as follows (calculated at the beginning of the fiscal year, including hedging*):

- Operating income:
A decrease of approximately ¥0.0 billion per year
(¥1 depreciation versus US\$1*)

* Assumptions: The foreign currency hedge ratio for fuel expenses was approximately 75% at the beginning of the fiscal year. For foreign currencies other than the U.S. dollar, a depreciation similar to a ¥1 depreciation versus US\$1 is assumed.

Allocation of Profits

Basic Policy on Allocation of Profits

Shareholder returns are an important management priority for the company.

The company intends to increase shareholder returns. This goal will be accomplished while securing the funds needed to conduct growth investments, such as in aircraft, to support future business development. We consider the need to accumulate shareholders' equity to maintain an appropriate level of free cash flow and financial soundness over the future. In addition, we are examining the possibility of adopting the total return ratio as a benchmark to be targeted in the future.

Dividends for the Fiscal Year Ended March 2016 and Plans for the Fiscal Year Ending March 2017

For the fiscal year ended March 2016, the company paid cash dividends of ¥5.00 per share, ¥1.00 more than in the previous fiscal year, as initially planned, after due consideration of factors including results for the fiscal year, financial conditions, and the future outlook for the operating environment.

For the fiscal year ending March 2017, the company expects to pay cash dividends of ¥6.00 per share, ¥1.00 more than in the fiscal year ended March 2016, based on its earnings forecast announced on April 28, 2016.

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, 2016.

(1) Risk of Economic Recession

The airline industry is susceptible to the effects of economic trends, and if the domestic and 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 the 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 the fiscal year ending March 2019. Delivery delays could create obstacles to the group’s operations.

2. Risks Related to Flight 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. By the fiscal year ending March 2021, 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 allocation of slots 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 management 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 management 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 Strategic 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 cost 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 the 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 operations.

(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.

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. However, no claim amount has been specified with regard to the class action related to air passenger transport, and it is therefore difficult to provide details or give a detailed analysis at this time.

(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 CO₂ 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 cost 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 environment tax related to an international greenhouse gas emissions credit trading scheme planned for implementation by 2020.

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

There could be material changes in the current competitive and operating 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. On June 20, 2012, ANA Flight 956 experienced a hard landing, resulting in partial damage to the aircraft. MLIT's Transport Safety Board is now determining the cause of this incident, with announcements of the final results of the investigation planned in the future.

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 repairs or replacements made. 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 a design flaw or technical issue with new aircraft upon which the group depends 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 29.45 million members (as of the end of March 2016) of the ANA Mileage Club. The Personal Information Protection Law requires 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 Income 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 income 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 strategic partners, 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 start of the 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, 2016 and 2015

	Yen (Millions)		U.S. dollars (Thousands) (Note 3)
	2016	2015	2016
ASSETS			
Current assets:			
Cash and deposits	¥ 55,293	¥ 43,901	\$ 490,708
Marketable securities (Note 4)	222,380	278,692	1,973,553
Accounts receivable, less allowance for doubtful accounts (¥149 million (\$1,322 thousand) in 2016 and ¥185 million in 2015)	141,078	147,691	1,252,023
Accounts receivable from and advances to non-consolidated subsidiaries and affiliates	3,867	4,037	34,318
Inventories	61,853	63,370	548,926
Deferred income taxes – current (Note 9)	50,832	33,216	451,118
Prepaid expenses and other current assets	95,885	121,876	850,949
Total current assets	631,188	692,783	5,601,597
Investments and long-term receivables:			
Investments in securities (Note 4)	67,840	83,914	602,058
Investments in and advances to non-consolidated subsidiaries and affiliates (Note 5)	41,461	36,761	367,953
Lease and guaranty deposits	10,044	10,153	89,137
Other long-term receivables	13,053	62,785	115,841
Total investments and long-term receivables	132,398	193,613	1,174,991
Property and equipment (Notes 6 and 11):			
Flight equipment	1,636,814	1,526,849	14,526,215
Ground property and equipment	509,494	502,938	4,521,600
	2,146,308	2,029,787	19,047,816
Less accumulated depreciation	(1,013,960)	(953,645)	(8,998,580)
	1,132,348	1,076,142	10,049,236
Leased assets, net	9,963	12,918	88,418
Advance payments on aircraft purchase contracts	179,917	200,859	1,596,707
Construction in progress	5,726	5,289	50,816
Total net property and equipment	1,327,954	1,295,208	11,785,179
Deferred income taxes – non-current (Note 9)	55,974	34,835	496,751
Other assets	81,294	85,998	721,458
Total assets	¥ 2,228,808	¥2,302,437	\$19,779,978

LIABILITIES AND NET ASSETS	Yen (Millions)		U.S. dollars (Thousands) (Note 3)
	2016	2015	2016
Current liabilities:			
Short-term loans payable, including current portion of long-term debt payable, bonds payable and finance lease obligations (Note 6)	¥ 94,781	¥ 210,029	\$ 841,151
Accounts payable	165,578	183,232	1,469,453
Accounts payable to non-consolidated subsidiaries and affiliates	4,741	3,813	42,074
Advance ticket sales	128,618	120,449	1,141,444
Accrued expenses	60,876	49,911	540,255
Accrued income taxes	43,573	26,179	386,696
Asset retirement obligations (Note 8)	8	81	70
Other current liabilities	87,315	72,983	774,893
Total current liabilities	585,490	666,677	5,196,041
Long-term liabilities:			
Long-term debt payable, less current portion, and finance lease obligations (Note 6)	609,105	609,802	5,405,617
Net defined benefit liabilities (Note 7)	163,351	160,562	1,449,689
Deferred income taxes – non-current (Note 9)	1,409	2,779	12,504
Asset retirement obligations (Note 8)	941	744	8,351
Other long-term liabilities	73,612	58,321	653,283
Total long-term liabilities	848,418	832,208	7,529,446
Commitments and contingent liabilities (Note 13)			
Net assets (Note 12):			
Shareholders' equity	850,278	785,082	7,545,953
Capital stock:			
Authorized – 5,100,000,000 shares			
Issued – 3,516,425,257 shares at March 31, 2016 and 2015	318,789	318,789	2,829,153
Capital surplus	282,774	282,209	2,509,531
Retained earnings	253,545	189,353	2,250,133
Treasury stock (19,227,093 shares at March 31, 2016 and 22,069,782 shares at March 31, 2015)	(4,830)	(5,269)	(42,864)
Accumulated other comprehensive income	(60,382)	13,198	(535,871)
Net unrealized holding gain on securities	19,527	30,684	173,296
Deferred (loss) gain on hedging instruments	(51,620)	5,279	(458,111)
Remeasurements of defined benefit plans	(32,162)	(26,620)	(285,427)
Foreign currency translation adjustments	3,873	3,855	34,371
Non-controlling interests	5,004	5,272	44,408
Total net assets	794,900	803,552	7,054,490
Total liabilities and net assets	¥2,228,808	¥2,302,437	\$19,779,978

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

ANA HOLDINGS INC. and its consolidated subsidiaries
Years ended March 31, 2016 and 2015

	Yen (Millions)		U.S. dollars (Thousands) (Note 3)
	2016	2015	2016
Operating revenues	¥1,791,187	¥1,713,457	\$15,896,228
Cost of sales	1,337,540	1,335,084	11,870,252
Gross profit	453,647	378,373	4,025,976
Selling, general and administrative expenses	317,184	286,832	2,814,909
Operating income	136,463	91,541	1,211,066
Non-operating income:			
Interest income	792	775	7,028
Dividend income	1,808	952	16,045
Equity in earnings of non-consolidated subsidiaries and affiliates	3,007	2,150	26,686
Gain on sales of assets	1,115	2,325	9,895
Gain on donation of non-current assets	3,632	936	32,232
Other	5,596	5,361	49,662
Total non-operating income	15,950	12,499	141,551
Non-operating expenses:			
Interest expenses	11,455	13,732	101,659
Foreign exchange loss, net	2,661	4,379	23,615
Loss on sales of assets	117	3,147	1,038
Loss on disposal of assets	5,370	6,332	47,657
Amortization of net retirement benefit obligation at transition	–	6,137	–
Other	2,085	3,184	18,503
Total non-operating expenses	21,688	36,911	192,474
Ordinary income	130,725	67,129	1,160,143
Extraordinary income:			
Gain on sales of property and equipment	–	681	–
Gain on sales of investment securities	155	296	1,375
Gain on return of substituted portion of welfare pension fund	131	943	1,162
Subsidy	28	23	248
Special dividend	5,467	–	48,517
Gain on revision of retirement benefit plan	–	9,945	–
Other	95	97	843
Total extraordinary income	5,876	11,985	52,147
Extraordinary loss:			
Loss on sales of property and equipment	–	71	–
Impairment loss (Note 19)	4,925	111	43,707
Loss on sales of investments in securities	–	222	–
Valuation loss on investments in securities	77	409	683
Special retirement benefit expenses	136	89	1,206
Settlement package	–	165	–
Expenses related to revision of pension plans	399	55	3,541
Other	–	9	–
Total extraordinary loss	5,537	1,131	49,139
Income before income taxes and non-controlling interests	131,064	77,983	1,163,152
Income taxes (Note 9):			
Income taxes – current	60,401	30,971	536,040
Income taxes – deferred	(7,923)	6,985	(70,314)
Total income taxes	52,478	37,956	465,725
Net income before non-controlling interests	78,586	40,027	697,426
Net income attributable to non-controlling interests	417	788	3,700
Net income attributable to owners of ANA HOLDINGS INC.	¥ 78,169	¥ 39,239	\$ 693,725

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

ANA HOLDINGS INC. and its consolidated subsidiaries
 Years ended March 31, 2016 and 2015

	Yen (Millions)		U.S. dollars (Thousands) (Note 3)
	2016	2015	2016
Net income before non-controlling interests	¥ 78,586	¥ 40,027	\$ 697,426
Other comprehensive income:			
Net unrealized holding (loss) or gain on securities	(11,071)	20,232	(98,251)
Deferred (loss) on hedging instruments	(56,411)	(10,021)	(500,630)
Foreign currency translation adjustments	(160)	3,181	(1,419)
Remeasurements of defined benefit plans	(5,512)	3,458	(48,917)
Share of other comprehensive income of affiliates accounted for by the equity-method	(606)	265	(5,378)
Accumulated other comprehensive income (Note 10)	(73,760)	17,115	(654,597)
Comprehensive income	¥ 4,826	¥ 57,142	\$ 42,829
Total comprehensive income attributable to:			
Owners of ANA HOLDINGS INC.	¥ 4,589	¥ 56,298	\$ 40,725
Non-controlling interests	¥ 237	¥ 844	\$ 2,103

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

ANA HOLDINGS INC. and its consolidated subsidiaries
Years ended March 31, 2016 and 2015

	Yen (Millions)											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock (Note 12)	Capital surplus (Note 12)	Retained earnings (Note 12)	Treasury stock (Note 12)	Total shareholders' equity	Net unrealized holding gain (or loss) on securities	Deferred gain (or loss) on hedging instruments	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥318,789	¥281,955	¥155,820	¥(6,330)	¥750,234	¥ 10,201	¥ 15,350	¥ 453	¥(30,168)	¥ (4,164)	¥5,221	¥751,291
Cumulative effects of changes in accounting policy			3,715		3,715							3,715
Restated balance at April 1, 2014	318,789	281,955	159,535	(6,330)	753,949	10,201	15,350	453	(30,168)	(4,164)	5,221	755,006
Changes of items during the fiscal year												
Cash dividends paid			(10,467)		(10,467)							(10,467)
Net income attributable to owners of ANA HOLDINGS INC.			39,239		39,239							39,239
(Decrease) resulting from purchase of treasury stock				(49)	(49)							(49)
Disposal of treasury stock		254		1,110	1,364							1,364
Changes in scope of consolidation			1,046		1,046							1,046
Net changes of items other than shareholders' equity during the fiscal year					–	20,483	(10,071)	3,402	3,548	17,362	51	17,413
Total changes during the fiscal year	–	254	29,818	1,061	31,133	20,483	(10,071)	3,402	3,548	17,362	51	48,546
Balance at April 1, 2015	318,789	282,209	189,353	(5,269)	785,082	30,684	5,279	3,855	(26,620)	13,198	5,272	803,552
Changes of items during the fiscal year												
Cash dividends paid			(13,977)		(13,977)							(13,977)
Net income attributable to owners of ANA HOLDINGS INC.			78,169		78,169							78,169
(Decrease) resulting from purchase of treasury stock				(482)	(482)							(482)
Disposal of treasury stock		565		921	1,486							1,486
Net changes of items other than shareholders' equity during the fiscal year					–	(11,157)	(56,899)	18	(5,542)	(73,580)	(268)	(73,848)
Total changes during the fiscal year	–	565	64,192	439	65,196	(11,157)	(56,899)	18	(5,542)	(73,580)	(268)	(8,652)
Balance at March 31, 2016	¥318,789	¥282,774	¥253,545	¥(4,830)	¥850,278	¥ 19,527	¥(51,620)	¥3,873	¥(32,162)	¥(60,382)	¥5,004	¥794,900

	U.S. dollars (Thousands) (Note 3)											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock (Note 12)	Capital surplus (Note 12)	Retained earnings (Note 12)	Treasury stock (Note 12)	Total shareholders' equity	Net unrealized holding gain (or loss) on securities	Deferred gain (or loss) on hedging instruments	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2015	\$2,829,153	\$2,504,517	\$1,680,449	\$(46,760)	\$6,967,358	\$272,310	\$ 46,849	\$34,211	\$(236,244)	\$ 117,128	\$46,787	\$7,131,274
Changes of items during the fiscal year												
Cash dividends paid			(124,041)		(124,041)							(124,041)
Net income attributable to owners of ANA HOLDINGS INC.			693,725		693,725							693,725
(Decrease) resulting from purchase of treasury stock				(4,277)	(4,277)							(4,277)
Disposal of treasury stock		5,014		8,173	13,187							13,187
Net changes of items other than shareholders' equity during the consolidated fiscal year					–	(99,014)	(504,960)	159	(49,183)	(652,999)	(2,378)	(655,378)
Total changes during the fiscal year	–	5,014	569,684	3,895	578,594	(99,014)	(504,960)	159	(49,183)	(652,999)	(2,378)	(76,783)
Balance at March 31, 2016	\$2,829,153	\$2,509,531	\$2,250,133	\$(42,864)	\$7,545,953	\$173,296	\$(458,111)	\$34,371	\$(285,427)	\$(535,871)	\$44,408	\$7,054,490

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

ANA HOLDINGS INC. and its consolidated subsidiaries
Years ended March 31, 2016 and 2015

	Yen (Millions)		U.S. dollars (Thousands) (Note 3)
	2016	2015	2016
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 131,064	¥ 77,983	\$ 1,163,152
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation and amortization	138,830	131,329	1,232,073
Impairment loss	4,925	111	43,707
Amortization of goodwill	10,170	908	90,255
Loss on disposal and sale of property and equipment	4,372	6,544	38,800
Settlement package	–	165	–
Increase (decrease) in allowance for doubtful accounts	374	(79)	3,319
(Decrease) in net defined benefit liabilities	(7,816)	(2,906)	(69,364)
Interest and dividend income	(2,600)	(1,727)	(23,074)
Interest expenses	11,455	13,732	101,659
Foreign exchange (gain)	(189)	(662)	(1,677)
Special retirement benefit expenses	136	89	1,206
(Gain) on revision of retirement benefit plan	–	(9,945)	–
(Gain) on transfer of benefit obligation relating to employees' pension fund	(131)	(943)	(1,162)
Expenses related to revision of pension plans	399	55	3,541
Special dividend	(5,467)	–	(48,517)
Decrease (increase) in accounts receivable	4,917	(438)	43,636
Decrease (increase) in other current assets	5,794	(2,777)	51,419
(Decrease) increase in accounts and notes payable – trade	(16,073)	1,536	(142,642)
Other, net	36,688	21,857	325,594
Cash generated from operations	316,848	234,832	2,811,927
Interest and dividends received	3,204	2,177	28,434
Interest paid	(11,841)	(14,118)	(105,085)
Settlement package paid	–	(165)	–
Payments for special retirement	(136)	(1,567)	(1,206)
Income taxes paid	(44,197)	(14,280)	(392,234)
Net cash provided by operating activities	263,878	206,879	2,341,835
Cash flows from investing activities:			
Payment for purchase of marketable securities	(279,370)	(395,280)	(2,479,321)
Proceeds from redemption of marketable securities	380,770	413,760	3,379,215
Payment for purchase of property and equipment	(252,583)	(241,733)	(2,241,595)
Proceeds from sales of property and equipment	104,571	50,839	928,035
Payment for purchase of intangible assets	(28,833)	(32,969)	(255,883)
Payment for purchase of investments in securities	(6,986)	(3,655)	(61,998)
Proceeds from sales of investments in securities	486	411	4,313
Proceeds from redemption of investments in securities	2,079	–	18,450
Proceeds from special dividend	5,467	–	48,517
Payment for advances	(174)	(96)	(1,544)
Proceeds from collection of advances	187	202	1,659
Other, net	(57)	(2,228)	(505)
Net cash (used in) investing activities	(74,443)	(210,749)	(660,658)
Cash flows from financing activities:			
(Decrease) in short-term loans, net	(26)	(511)	(230)
Proceeds from long-term debt	69,476	165,062	616,577
Repayment of long-term debt	(147,077)	(180,450)	(1,305,262)
Proceeds from issuance of bonds	29,845	14,921	264,865
Repayment of bonds	(65,000)	(10,000)	(576,854)
Repayment of finance lease obligations	(7,018)	(10,266)	(62,282)
Proceeds from issuance of common stock to non-controlling shareholders	–	221	–
Payment for dividends	(13,977)	(10,467)	(124,041)
Other, net	520	1,066	4,614
Net cash (used in) financing activities	(133,257)	(30,424)	(1,182,614)
Effect of exchange rate changes on cash and cash equivalents	8	703	70
Net increase (decrease) in cash and cash equivalents	56,186	(33,591)	498,633
Cash and cash equivalents at April 1, 2015	208,937	240,935	1,854,250
Net increase resulting from changes in scope of consolidation	–	1,593	–
Cash and cash equivalents at March 31, 2016 (Note 18)	¥ 265,123	¥ 208,937	\$ 2,352,884

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ANA HOLDINGS INC. and its consolidated subsidiaries

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 are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and are compiled from the consolidated financial statements prepared by the company as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying financial statements, certain reclassifications have been made to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to consolidated financial statements include information which is not required under accounting principles and practices generally accepted in Japan but are presented herein as additional information.

2. Summary of significant accounting policies

(a) Principles of consolidation and accounting for investments in non-consolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the company and all of its significant subsidiaries (62 subsidiaries for 2016 and 64 subsidiaries for 2015). All significant inter-company accounts and transactions have been eliminated in consolidation.

Investments in certain subsidiaries and significant affiliates (18 companies for 2016 and for 2015) are accounted for by the equity method. The difference between the cost and the underlying net equity in the 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 5 to 15 years.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method (82 companies for 2016 and 79 companies for 2015) are stated at cost. The equity in undistributed earnings of these companies was not significant.

Certain subsidiaries have fiscal years ending on December 31 and February 29, and necessary adjustments for significant transactions, if any, are made on consolidation.

(b) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except 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 foreign consolidated 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 translation adjustments and non-controlling interests in the consolidated financial statements.

(c) Marketable securities and investment securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. See Note 4.

(d) Allowance for doubtful receivables

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

(e) Inventories

Inventories include aircraft spare parts, supplies and stock in trade of consolidated subsidiaries.

These are stated at cost principally based on the moving average method. Net book value of inventories in the consolidated balance sheet is written down when its net realizable value declines.

(f) Property and equipment and depreciation (excluding leased assets)

Property and equipment excluding leased assets are stated at cost less accumulated depreciation. Ground property and equipment includes ¥49,612 million (\$440,291 thousand) and ¥51,813 million of land at March 31, 2016 and 2015, respectively. Depreciation of property and equipment is computed based on estimated useful lives by the following methods:

Aircraft	Straight-line method
Buildings	Straight-line method
Other ground property and equipment	Straight-line method

The company and certain subsidiaries employ principally the following useful lives, based upon the company's estimated durability:

Aircraft	9 – 20 years
Buildings	3 – 50 years

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

The company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired. The assets of the company and its domestic consolidated subsidiaries are grouped by individual property in the case of rental real estate, assets expected to be sold and idle assets, and by management accounting categories in the case of business assets. An impairment loss is required to be recognized when the carrying amount of the assets significantly exceeds their recoverable amount. See Note 19.

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

Intangible assets included in other 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) Stock issuance costs

New stock issuance costs are capitalized and amortized by the straight-line method over a period of three years.

(i) Bond issuance costs

Bond issuance costs are capitalized and amortized by the straight-line method over the period of redemption of bonds.

(j) Business commencement expenses

Business commencement expenses are capitalized and amortized by the straight-line method over a period of five years.

(k) Retirement benefits

The retirement benefit plans of the company and certain subsidiaries covers substantially all employees other than directors, officers 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 adopt defined contribution pension plans as well as defined benefit pension plans.

For defined benefit pension plans, accrued retirement benefits for employees at the balance sheet date are provided mainly at an amount calculated based on the retirement benefit obligation and the fair market value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized net retirement benefit obligation at transition, unrecognized actuarial gains or losses and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the benefit formula method over the estimated service years of eligible employees. The net retirement benefit obligation at transition is being amortized by the straight-line method. Actuarial gains and losses are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods which are shorter than the average remaining service years of employees. Prior service cost is amortized as incurred by the straight-line method over periods which are shorter than the average remaining service years of employees. See Note 7.

Notes to Consolidated Financial Statements

(l) Income taxes

Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. See Note 9.

(m) Leased assets and amortization

Leased assets arising from transactions under finance lease contracts which do not transfer ownership to lessees are amortized to a residual value of zero by the straight-line method using the term of contract as the useful life.

(n) Derivatives

The company and its subsidiaries use derivatives, such as forward foreign exchange contracts, interest rate swaps, commodity options and swaps, to limit their exposure to fluctuations in foreign exchange rates, interest rates and commodity prices. The company and its subsidiaries do not use derivatives for trading purposes.

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which an unrealized gain or loss is deferred as an asset or a liability. 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 are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

(o) Appropriation of retained earnings

Under the Corporation Law of Japan (the "Law"), 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. See Note 12.

(p) Revenue recognition

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

(q) Cash equivalents

For the purpose of the consolidated statement of cash flows, cash and short-term, highly liquid investments with a maturity of three months or less are treated as cash equivalents. See Note 18.

(r) Reclassification

Certain reclassifications have been made to the 2015 financial information in the accompanying financial statements to conform with the 2016 presentation.

(s) Frequent flyer program

The company accrues a frequent flyer liability for the mileage credits that are earned and to be used based on assumptions including analyses of previous experience under the program, anticipated behavior of customers, expectations of future awards to be issued, and analysis of current accumulated mileage balances.

(t) Transactions of delivering the company's own stock to employees, etc., through trusts

The company has been conducting transactions of delivering its own stock to the Employee Stock Ownership Group through trusts for the welfare of its 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 employees to work in unison to overcome the current harsh business environment and achieve further growth, and as a measure to advance their welfare. The aim of the Plan is to promote the employees' asset building by encouraging their 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" (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 the company’s shares all at once in advance to the extent that the Stock Ownership Association will acquire them 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 trust, it 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) as residual assets.

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 of Delivering the Company’s Own Stock through Trusts

Although the company applies the “Practical Solution on Transactions of Delivering the company’s Own Stock to Employees, etc., through Trusts” (Practical Issues Task Force (PITF) No. 30 of March 26, 2015), the company continues to apply the accounting method that was applied previously.

(3) Matters Concerning the Company’s Own Stock Held by Trusts

The book value of the company’s own stock held by trusts was ¥2,433 million (\$21,592 thousand) as of March 31, 2016 and ¥3,346 million as of March 31, 2015, and is recorded as treasury stock in the shareholders’ equity.

The number of shares held by the trust as of March 31, 2016 was 11,531 thousand shares, the average number of shares during the fiscal year ended March 31, 2016 was 13,352 thousand shares, the number of shares as of March 31, 2015 was 15,859 thousand shares, and the average number of shares during the fiscal year ended March 31, 2015, was 17,914 thousand shares. 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 the treasury stock that are deducted.

(u) Accounting for the Board Benefit Trust

From the fiscal year ended March 31, 2016, the company has been delivering its own stock through a Board Benefit Trust (BBT) to pay remuneration to the board of directors (the “Trust for Delivery of Shares to Directors”) as a share remuneration plan, in order to boost performance, increase corporate value and raise the awareness of shareholder-oriented management

The Trust for Delivery of Shares to Directors acquires the company’s own stock using money contributed by the company as the source of the Board of Directors’ remuneration, etc., and the company’s own stock will be delivered to the Board of Directors according to the degree of achievement of the earnings target, among other things.

As for the accounting for the trust, the “gross method” is applied pursuant to the PITF No. 30 of March 26, 2015.

The company’s own stock held by the trust as of March 31, 2016 was recorded as treasury stock in “Net assets” of the consolidated balance sheet, and the book value was ¥429 million (\$3,807 thousand), and the number of shares was 1,357 thousand shares.

(v) Accounting standards issued but not yet effective

Implementation Guidance on Recoverability of Deferred Tax Assets

On March 28, 2016, the Accounting Standards Board of Japan (ASBJ) issued “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26).

(1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accountants Audit Committee Report No. 66 “Audit Treatment on Determining the Recoverability of Deferred Tax Assets,” whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

(2) Scheduled date of adoption

The company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised implementation guidance

The company is currently evaluating the effect of adopting this revised implementation guidance on its consolidated financial statements.

Notes to Consolidated Financial Statements

(w) Changes in accounting policies

Application of accounting standards for business combinations, etc.

Effective from the beginning of the fiscal year ended March 31, 2016, the company has adopted the “Revised Accounting Standard for Business Combinations” ASBJ Statement No.21 of September 13, 2013; the “Business Combinations Standard”, the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 of September 13, 2013; the “Consolidated Accounting Standards”) and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of September 13, 2013; the “Business Divestiture Standard”), etc. In applying these revised accounting standards, any change in ownership interest in a subsidiary when the company retains control is recorded as capital surplus and the acquisition-related costs are recognized as expenses in the fiscal year in which the costs are incurred. In addition, for business combinations that take place from April 1, 2015, any adjustment to the provisional amounts arising from the finalization of provisional accounting treatment relating to the allocation of acquisition costs is presented separately, and the presentation method is changed to present the opening balance as amount after such adjustment. Furthermore, the method of presentation of net income was amended and the reference to “minority interests” was changed to “non-controlling interests.”

The Business Combinations Standard and others were applied in accordance with the transitional treatments stipulated in Paragraph No. 58-2(4) of the Business Combinations Standard, Paragraph No. 44-5(4) of the Consolidated Financial Statement Standard, and Paragraph 57-4(4) of the Business Divestiture Standard, and the accounting standards, etc., have been applied from April 1, 2015.

These accounting changes did not have any impact on the consolidated financial statements for the year ended March 31, 2016.

Application of Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts

The company applies “Practical Solution on Transactions of Delivering the company’s Own Stock to Employees etc. through Trusts” (PITF No.30 of March 26, 2015) as of April 1, 2014. For accounting treatment of trust contracts concluded before April 1, 2014, the company does not apply the revised Practical Solution but continues to apply the accounting treatment that was applied previously

Changes in the presentation method

(Consolidated Statement of Income)

“Gain on donation of non-current assets,” which was included in “Other” under Non-operating income for the fiscal year ended March 31, 2016, was presented separately for the fiscal year ended March 31, 2016 due to its increased significance. The change is applied retroactively, and the consolidated statement of income for the fiscal year ended March 31, 2015 was retroactively reclassified.

As a result, the amount of ¥6,297 million recorded as “Other” under Non-operating income was reclassified as “Gain on donation of non-current assets” in the amount of ¥936 million and the “Other” in the amount of ¥5,361 million in the consolidated statement of income for the year ended March 31, 2015.

3. Financial statements translation

The consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥112.68 = US\$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2016. This translation should not be construed as a representation that the amounts shown could be converted into United States dollars at such a rate. Translations of United States 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.

4. Marketable securities and investments in securities

Market value information at March 31, 2016 and 2015 is summarized as follows.

Other securities having market value are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Gross unrealized gain:			
Cost	¥ 20,279	¥ 18,800	\$ 179,969
Market value	48,603	63,455	431,336
	28,324	44,655	251,366
Gross unrealized loss:			
Cost	229,432	283,030	2,036,137
Market value	228,977	282,844	2,032,099
	(455)	(186)	(4,037)
Net unrealized gain	¥ 27,869	¥ 44,469	\$ 247,328

Other securities sold having market value in the years ended March 31, 2016 and 2015 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Proceeds	¥486	¥356	\$4,313
Gain on sale	155	296	1,375
Loss on sale	—	222	—

Breakdown of securities for which it is extremely difficult to determine the fair value at March 31, 2016 and 2015 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Held-to-maturity bonds	¥ —	¥ —	\$ —
Other securities	30,561	29,791	271,219
	¥30,561	¥29,791	\$271,219

The redemption schedule of other securities and held-to-maturity debt securities as of March 31, 2016 and 2015 is summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Bonds:			
Within 1 year	¥ 1	¥ 1	\$ 8
Over 1 year to 5 years	—	—	—
Other:			
Within 1 year	222,380	278,692	1,973,553
Over 1 year to 5 years	—	—	—
Total:			
Within 1 year	¥222,381	¥278,693	\$1,973,562
Over 1 year to 5 years	—	—	—

Notes to Consolidated Financial Statements

5. Investments in and advances to non-consolidated subsidiaries and affiliates

Investments in and advances to non-consolidated subsidiaries and affiliates at March 31, 2016 and 2015 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Investments in capital stock	¥37,709	¥33,113	\$334,655
Advances	3,752	3,648	33,297
	¥41,461	¥36,761	\$367,953

6. Short-term loans and long-term debt

Short-term loans at March 31, 2016 and 2015 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Short-term bank loans	¥ 177	¥ 200	\$ 1,570
Current portion of long-term loans	86,803	138,263	770,349
Current portion of bonds and notes	–	65,000	–
Current portion of finance lease obligations	7,801	6,566	69,231
	¥94,781	¥210,029	\$841,151

The interest rate on the above short-term loans were between 0.02% and 1.50% per annum in 2016.

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Bonds and notes:			
3.20% notes due 2017	¥ 20,000	¥ 20,000	\$ 177,493
1.97% notes due 2015	–	15,000	–
2.45% notes due 2018	10,000	10,000	88,746
1.71% notes due 2015	–	20,000	–
1.00% notes due 2016	–	30,000	–
1.22% notes due 2024	30,000	30,000	266,240
1.20% notes due 2026	15,000	15,000	133,120
0.38% notes due 2019	30,000	–	266,240
	105,000	140,000	931,842
Loans, principally from banks:			
Secured, bearing interest from 0.21% to 2.11% in 2016 and 0.21% to 3.54% in 2015, maturing in installments through 2036	339,988	360,001	3,017,287
Unsecured, bearing interest from 0.92% to 3.54% in 2016 and 0.92% to 2.23% in 2015, maturing in installments through 2025	234,987	292,665	2,085,436
	574,975	652,666	5,102,724
Finance lease obligations:			
Finance lease agreements expiring through 2026	23,734	26,965	210,631
	703,709	819,631	6,245,198
Less current portion	94,604	209,829	839,581
	¥609,105	¥609,802	\$5,405,617

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.

The following assets were pledged as collateral for short-term and long-term debt at March 31, 2016 and 2015:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Property and equipment, at net book value:			
Flight equipment	¥599,994	¥660,626	\$5,324,760
Ground property and equipment	3,997	30,480	35,472
Leased assets	20,127	13,140	178,620
Others	10,145	–	90,033
	¥634,263	¥704,246	\$5,628,887

The aggregate annual maturities of long-term debt after March 31, 2016 are as follows:

Years ending March 31	Yen (Millions)	U.S. dollars (Thousands)
2017	¥ 94,604	\$ 839,581
2018	112,493	998,340
2019	89,161	791,276
2020 and thereafter	407,451	3,616,001
	¥703,709	\$6,245,198

7. Retirement benefit plans

The company and certain consolidated subsidiaries adopt 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. 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.

The changes in the retirement benefit obligation for the years ended March 31, 2016 and 2015 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Balance at the beginning of the fiscal year	¥240,684	¥298,796	\$2,135,995
Cumulative effect of change in accounting policy	–	(5,719)	–
Restated balance at the beginning of the fiscal year	240,684	293,077	2,135,995
Service cost	9,324	9,211	82,747
Interest cost	2,169	2,252	19,249
Actuarial gain	7,042	2,240	62,495
Retirement benefits paid	(19,968)	(16,064)	(177,209)
Accrued prior service cost	–	10,690	–
Decrease due to transition to the defined contribution pension plans	(1,489)	(59,557)	(13,214)
Other	268	(1,165)	2,378
Balance at the end of the fiscal year	¥238,030	¥240,684	\$2,112,442

The changes in plan assets for the years ended March 31, 2016 and 2015 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Balance at the beginning of the fiscal year	¥80,199	¥117,740	\$711,741
Expected return on plan assets	1,445	1,462	12,823
Actuarial (loss) or gain	(3,303)	2,976	(29,313)
Employer contributions	3,036	3,213	26,943
Retirement benefits paid	(5,140)	(6,370)	(45,615)
Decrease due to transition to the defined contribution pension plans	(1,489)	(38,822)	(13,214)
Balance at the end of the fiscal year	¥74,748	¥ 80,199	\$663,365

Notes to Consolidated Financial Statements

The following table sets forth the funded status of the plans and amounts recognized in the consolidated balance sheet as of March 31, 2016 and 2015 for the company's and the consolidated subsidiaries' defined benefit plans:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Funded retirement benefit obligation	¥ 93,077	¥ 96,848	\$ 826,029
Plan assets at fair value	(74,748)	(80,199)	(663,365)
	18,329	16,649	162,664
Unfunded retirement benefit obligation	144,953	143,836	1,286,412
Net liability and asset for retirement benefits in the balance sheet	163,282	160,485	1,449,077
Liability for retirement benefits	163,351	160,562	1,449,689
Asset for retirement benefits	(69)	(77)	(612)
Net liability and asset for retirement benefits in the balance sheet	¥163,282	¥160,485	\$1,449,077

The components of retirement benefit expense for the years ended March 31, 2016 and 2015 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Service cost	¥ 9,324	¥ 9,211	\$ 82,747
Interest cost	2,169	2,252	19,249
Expected return on plan assets	(1,445)	(1,462)	(12,823)
Amortization of net transitional retirement benefit obligation	–	6,137	–
Amortization of actuarial gain	3,199	3,546	28,390
Amortization of prior service cost	380	(2,635)	3,372
Retirement benefit expense	¥13,627	¥17,049	\$120,935

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Prior service cost	¥ (380)	¥ 15,497	\$ (3,372)
Actuarial gain or (loss)	7,147	(16,618)	63,427
Net transitional retirement benefit obligation	–	(6,376)	–
Total	¥6,767	¥ (7,497)	\$60,055

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Unrecognized actuarial gain	¥35,207	¥28,061	\$312,451
Unrecognized prior service cost	10,856	11,236	96,343
Total	¥46,064	¥39,297	\$408,803

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 are as follows:

	2016	2015
Bonds	55%	55%
General accounts	12	15
Stocks	8	13
Cash on hand and in banks	0	0
Other	25	17
Total	100	100

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

The assumptions used in accounting for the above plans are as follows:

	2016	2015
Discount rates	0.1 – 1.2%	0.8 – 1.6%
Expected rates of return on plan assets	1.5 – 5.5%	1.5 – 5.5%

The contributions to the defined contribution plans of the company and its subsidiaries were ¥3,787 million (\$33,608 thousand) and ¥11,937 million for the years ended March 31, 2016 and 2015, respectively.

8. Asset retirement obligations

1. Asset retirement obligations recorded on the consolidated balance sheet

(a) Overview of asset retirement obligations

The company and its 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 for the Head Office, sales branches, airport branches and some other offices. As the company and its 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.

(b) Calculation of asset retirement obligations

The company and its subsidiaries estimate the expected period of use as 1 to 30 years and calculate 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, 2016 and 2015:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Balance at the beginning of the fiscal year	¥825	¥1,492	\$7,321
Liabilities incurred due to the acquisition of property and equipment	4	–	35
Accretion expense	14	25	124
Liabilities settled	(83)	(721)	(736)
Other	189	29	1,677
Balance at the end of the fiscal year	¥949	¥ 825	\$8,422

2. Asset retirement obligations not recorded on the consolidated balance sheet

The company and its 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 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 subsidiaries have restoration obligations when they vacate and clear such facilities. However, as the roles of the above airports are especially important in public transportation, 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 subsidiaries do not record asset retirement obligations for the related liabilities.

Notes to Consolidated Financial Statements

9. Income taxes

The company is subject to a number of taxes on income (corporation tax, inhabitants taxes and enterprise tax) which in aggregate resulted in normal statutory tax rates of 33.06% in 2016 and 35.64% in 2015.

The company is subject to the consolidated taxation system for consolidated taxation purposes, and has consolidated all qualified, wholly owned domestic subsidiaries.

The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities at March 31, 2016 and 2015 is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liabilities	¥ 50,209	¥ 51,842	\$ 445,589
Deferred loss on hedging instruments	23,583	13,107	209,291
Accrued bonuses to employees	12,786	10,070	113,471
Unrealized gain on inventories and property and equipment	11,304	11,563	100,319
Long-term unearned revenue	7,409	2,595	65,752
Tax loss carry-forward	6,817	7,539	60,498
Accrued enterprise tax and business office tax	3,230	1,704	28,665
Impairment loss	2,043	778	18,130
Other	11,591	12,602	102,866
Total gross deferred tax assets	128,972	111,800	1,144,586
Less valuation allowance	(10,899)	(12,221)	(96,725)
Total net deferred tax assets	118,073	99,579	1,047,861
Deferred tax liabilities:			
Net unrealized holding gain on securities	(8,637)	(14,478)	(76,650)
Deferred gain on hedging instruments	(1,384)	(15,794)	(12,282)
Special taxation measures law reserve	(553)	(1,009)	(4,907)
Other	(2,102)	(3,026)	(18,654)
Total gross deferred tax liabilities	(12,676)	(34,307)	(112,495)
Net deferred tax assets	¥105,397	¥ 65,272	\$ 935,365

"Impairment loss," included in "Other" under deferred tax assets as of March 31, 2015, is reported separately as of March 31, 2016 due to an increase in materiality. To reflect this change in presentation, the amount as of March 31, 2015 was reclassified.

As a result, ¥778 million (\$6,904 thousand) in "Other" under deferred tax assets as of March 31, 2015 is presented as "Impairment loss."

"Valuation loss on investments in securities" and "Depreciation of property and equipment," reported separately as of March 31, 2015, are included in "Other" as of March 31, 2016 due to a decrease in materiality. To reflect this change in presentation, the amount as of March 31, 2015 was reclassified.

As a result, ¥1,900 million (\$16,861 thousand) in "Valuation loss on investments in securities" and ¥1,874 million (\$16,631 thousand) in "Depreciation of property and equipment" as of March 31, 2015 are included in "Other."

A reconciliation of the difference between the statutory tax rate and the effective income tax rate for the years ended March 31, 2016 and 2015 is as follows:

	2016	2015
Statutory tax rate	33.06%	35.64%
Reconciliation:		
Decrease in deferred tax assets due to tax rate change	2.44	7.11
Amortization of goodwill	2.57	0.41
Entertainment expenses not qualifying for deduction	0.95	0.99
Exclusion of dividend income from gross revenue	0.27	0.44
Inhabitants tax per capita levy	0.15	0.24
Changes in valuation allowance	(0.26)	2.13
Adjustment for foreign income	-	0.60
Other	0.86	1.11
Effective income tax rate	40.04%	48.67%

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 13 of 2016) were enacted in the Japanese Diet session on March 29, 2016. As a result, the effective statutory tax rate used to measure the company’s deferred tax assets and liabilities was lowered from 32.34% to 30.86% and 30.62% for the temporary differences expected to be realized or settled in the years beginning April 1, 2016 and 2017, and for the temporary differences expected to be realized or settled from April 1, 2018, respectively.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥4,362 million (\$38,711 thousand) and increase deferred income tax expense by ¥3,216 million (\$28,541 thousand), net unrealized holding gain on securities by ¥480 million (\$4,259 thousand), deferred gain on hedging instruments by ¥(959) million (\$8,510 thousand) and remeasurements of defined benefit plans by ¥(667) million (\$5,919 thousand) as of and for the year ended March 31, 2016.

10. 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, 2016 and 2015.

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Net unrealized holding gain or (loss) on securities:			
Amount arising during the fiscal year	¥(16,863)	¥ 29,114	\$(149,653)
Reclassification adjustments for gains and losses realized	(49)	4	(434)
Amount of net unrealized holding (loss) or gain on securities before tax effect	(16,912)	29,118	(150,088)
Tax effect	5,841	(8,886)	51,837
Net unrealized holding (loss) or gain on securities	(11,071)	20,232	(98,251)
Deferred (loss) on hedging instruments:			
Amount arising during the fiscal year	(1,458)	(20,239)	(12,939)
Reclassification adjustments for gains and losses realized	(80,098)	4,854	(710,844)
Amount of deferred (loss) on hedging instruments before tax effect	(81,556)	(15,385)	(723,784)
Tax effect	25,145	5,364	223,154
Deferred (loss) on hedging instruments	(56,411)	(10,021)	(500,630)
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(160)	3,181	(1,419)
Foreign currency translation adjustments	(160)	3,181	(1,419)
Remeasurements of defined benefit plans:			
Amount arising during the fiscal year	(10,344)	(9,103)	(91,799)
Reclassification adjustments for gains and losses realized	3,577	16,600	31,744
Amount of remeasurements of defined benefit plans before tax effect	(6,767)	7,497	(60,055)
Tax effect	1,255	(4,039)	11,137
Remeasurements of defined benefit plans	(5,512)	3,458	(48,917)
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the fiscal year	(669)	379	(5,937)
Reclassification adjustments for gains and losses realized	63	(114)	559
Share of other comprehensive income of affiliates accounted for by the equity method	(606)	265	(5,378)
Accumulated other comprehensive income	¥(73,760)	¥ 17,115	\$(654,597)

Notes to Consolidated Financial Statements

11. Leases

As lessee

(a) Finance leases

Finance lease transactions other than those that are expected to transfer ownership of the assets to the lessee are accounted for as assets.

Tangible fixed lease assets include mainly aircraft, flight equipment and host computers. Intangible fixed lease assets include software. The amortization method for leased assets is described in Note 2. *Summary of significant accounting policies (m) Leased assets and amortization.*

(b) Operating leases

The rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2016 and 2015 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Current portion of operating lease obligations	¥ 44,985	¥ 37,953	\$ 399,227
Long-term operating lease obligations	201,944	162,692	1,792,190
	¥246,929	¥200,645	\$2,191,418

Note: No impairment loss was allocated to leased assets.

As lessor

(a) Operating leases

The rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2016 and 2015 are as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Current portion of operating lease obligations	¥223	¥419	\$1,979
Long-term operating lease obligations	193	415	1,712
	¥416	¥834	\$3,691

Note: No impairment loss was allocated to leased assets.

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

Supplementary information for consolidated statement of changes in net assets for the year ended March 31, 2016 consisted of the following:

(a) Type and number of outstanding shares

Type of shares	Number of shares (Thousands)			Balance at end of year
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	
Issued stock:				
Common stock	3,516,425	–	–	3,516,425
Total	3,516,425	–	–	3,516,425
Treasury stock:				
Common stock ^(*1, *2, *3)	22,069	1,510	4,352	19,227
Total	22,069	1,510	4,352	19,227

(*1) Treasury stock increased by 153 thousand shares due to the repurchase of shares less than one unit and 1,357 thousand shares due to the purchase by the Trust for Delivery of Shares to Directors.

(*2) Treasury stock decreased by 17 thousand shares due to the sale of shares less than one unit, 4,328 thousand shares due to the sale by the ESOT and 7 thousand shares due to the sale by the subsidiaries and affiliates.

(*3) Treasury stock includes 11,531 thousand shares of the company owned by the ESOT as of March 31, 2016 and 1,357 thousand shares of the company owned by the Trust for Delivery of Shares to Directors as of March 31, 2016.

(b) Dividends

(1) Dividends paid to shareholders

Date of approval	Resolution approved by	Type of shares	Yen (Millions)	U.S. dollars (Thousands)	Paid from	Yen	U.S. dollars	Shareholders' cut-off date	Effective date
			Amount	Amount		Amount per share	Amount per share		
June 29, 2015	Annual general meeting of shareholders	Common stock ^(*)	¥13,977	\$124,041	Retained earnings	¥4.00	\$0.03	March 31, 2015	June 30, 2015

(*) The ¥68 million (\$603 thousand) paid to the ESOT and the affiliates is not included in the total dividends because the company's shares owned by the ESOP Trust and the affiliates are recognized as treasury stock.

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

Date of approval	Resolution approved by	Type of shares	Yen (Millions)	U.S. dollars (Thousands)	Paid from	Yen	U.S. dollars	Shareholders' cut-off date	Effective date
			Amount	Amount		Amount per share	Amount per share		
June 28, 2016	Annual general meeting of shareholders	Common stock ^(*)	¥17,492	\$155,236	Retained earnings	¥5.00	\$0.04	March 31, 2016	June 29, 2016

(*) The ¥64 million (\$567 thousand) paid to the ESOT and the affiliates is not included in the total dividends because the company's shares owned by the ESOP Trust and the affiliates are recognized as treasury stock.

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

13. Commitments and contingent liabilities

At March 31, 2016, commitments outstanding for the acquisition or construction of property and equipment amounted to ¥1,461,085 million (\$12,966,675 thousand).

The company and its consolidated subsidiaries were contingently liable as guarantor of loans, principally to affiliates, amounting to ¥185 million (\$1,641 thousand) at March 31, 2016.

At March 31, 2015, commitments outstanding for the acquisition or construction of property and equipment amounted to ¥1,619,220 million.

The company and its consolidated subsidiaries were contingently liable as guarantors of loans, principally to affiliates, amounting to ¥191 million at March 31, 2015.

14. Financial instruments

Overview

(a) Policy for financial instruments

The company and its subsidiaries (collectively, the “group”) limit their fund management to short-term time deposits and raise funds through borrowings from financial institutions including banks. The company and its subsidiaries use derivatives for the purpose of reducing risk described below and do not enter into derivatives for speculative or trading purposes.

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

Trade receivables (accounts receivable) are exposed to credit risk in relation to customers. In accordance with the internal policies of the group for managing credit risk arising from receivables, the group monitors the credit worthiness of their main customers periodically and monitors due dates and outstanding balances by individual customer, thereby making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

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

Substantially all trade payables (accounts and notes payable) 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 a hedging instrument. Interest rate swaps that qualify for hedge accounting are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income.

For derivatives, in order to reduce the foreign currency exchange risk arising from the 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 stabilize operating profit.

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

The group, with respect to trade receivables, exercises the due date management and the outstanding balance management in accordance with internal policies. The group makes best efforts to identify and mitigate risks of bad debts from major customers with financial difficulties by periodically monitoring their creditworthiness.

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 a sound credit profile.

2) Management of Market Risks (fluctuation risks such as exchange rate and interest rate)

In order to reduce the foreign currency exchange risks, the group, in principle, utilizes forward foreign exchange contracts for receivables and payables in foreign currencies. In order to mitigate the interest rate fluctuation risks of the debts, the group utilizes interest rate swap transactions.

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 policies for derivative transactions which set forth authorization levels and a maximum upper limit on transaction volumes and the group enters into the derivative transactions in accordance with such policies. Moreover, the group reports plans and results of methods and ratios for offsetting risks at quarterly board meeting.

3) Management of Liquidity Risks Related to Financing (risks that the group cannot meet the due date of payables)

The group manages the liquidity risks by setting a financial plan in order to procure and invest funds, which are necessary for the operation of the group for a certain period of time, in accordance with the business operating plan and the 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. In addition, the notional amounts of derivatives in Note 15 are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2016 and 2015 and estimated fair value are shown in the following tables. The following tables do not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

As of March 31, 2016	Yen (Millions)		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash on hand and in banks	¥ 55,293	¥ 55,293	¥ -
Accounts receivable**	139,404	139,404	-
Marketable securities and investments in securities**	297,368	304,436	7,068
Total assets	¥492,065	¥499,133	¥ 7,068
Liabilities:			
Trade notes and accounts payable**	¥166,116	¥166,116	¥ -
Short-term bank loans	177	177	-
Bonds and notes	105,000	109,104	4,104
Long-term loans	574,975	598,823	23,848
Total liabilities	¥846,268	¥874,220	¥27,952
Derivatives*	¥ (73,359)	¥ (73,359)	¥ -

As of March 31, 2016	U.S. dollars (Thousands)		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash on hand and in banks	\$ 490,708	\$ 490,708	\$ -
Accounts receivable**	1,237,167	1,237,167	-
Marketable securities and investments in securities**	2,639,048	2,701,774	62,726
Total assets	\$4,366,924	\$4,429,650	\$ 62,726
Liabilities:			
Trade notes and accounts payable**	\$1,474,227	\$1,474,227	\$ -
Short-term bank loans	1,570	1,570	-
Bonds and notes	931,842	968,264	36,421
Long-term loans	5,102,724	5,314,368	211,643
Total liabilities	\$7,510,365	\$7,758,430	\$248,065
Derivatives*	\$ (651,038)	\$ (651,038)	\$ -

As of March 31, 2015	Yen (Millions)		
	Carrying value	Estimated fair value	Difference
Assets:			
Cash on hand and in banks	¥ 43,901	¥ 43,901	¥ -
Accounts receivable**	144,321	144,321	-
Marketable securities and investments in securities**	365,928	379,131	13,203
Total assets	¥554,150	¥567,353	¥13,203
Liabilities:			
Trade notes and accounts payable**	¥182,198	¥182,198	¥ -
Short-term bank loans	200	200	-
Bonds and notes	140,000	143,287	3,287
Long-term loans	652,666	672,524	19,858
Total liabilities	¥975,064	¥998,209	¥23,145
Derivatives*	¥ 8,195	¥ 8,195	¥ -

* The value of assets and liabilities arising from derivatives is shown at net value, with the amount in parentheses representing net liability position.

** Accounts receivable, marketable securities and investments in securities, and trade notes and accounts payable in the above tables are not reconciled to those accounts indicated in the accompanying consolidated balance sheet and notes since certain reclassifications have been made to those accounts while the above tables represent amounts that are directly compiled from the notes to consolidated financial statements prepared by the company as required by the Financial Instruments and Exchange Law of Japan.

Notes to Consolidated Financial Statements

Notes:

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

Assets

- 1) Cash on hand and in banks and 2) accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

- 3) Marketable securities and investments in securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, refer to Note 4 of the notes to the consolidated financial statements.

Liabilities

- 1) Trade notes and accounts payable and 2) short-term bank loans

Since these items are settled in a short period of time, their carrying value approximates fair value.

- 3) Bonds and notes

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

- 4) Long-term loans

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

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

As of March 31, 2016	Yen (Millions)	U.S. dollars (Thousands)
Unlisted stocks	¥30,561	\$271,219

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

3. Redemption schedule for receivables and marketable securities with maturities as of March 31, 2016 and 2015 is summarized as follows:

As of March 31, 2016	Yen (Millions)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash in banks	¥ 54,463	¥-	¥ -	¥ -
Accounts receivable	139,404	-	-	-
Held-to-maturity bonds	1	-	-	-
Other marketable securities with maturities	222,380	-	2,756	3,330
Total	¥416,248	¥-	¥2,756	¥3,330

As of March 31, 2016	U.S. dollars (Thousands)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash in banks	\$ 483,342	\$-	\$ -	\$ -
Accounts receivable	1,237,167	-	-	-
Held-to-maturity bonds	8	-	-	-
Other marketable securities with maturities	1,973,553	-	24,458	29,552
Total	\$3,694,071	\$-	\$24,458	\$29,552

As of March 31, 2015	Yen (Millions)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash in banks	¥ 42,822	¥-	¥ -	¥ -
Accounts receivable	144,321	-	-	-
Held-to-maturity bonds	1	-	-	-
Other marketable securities with maturities	278,692	-	1,510	3,430
Total	¥465,836	¥-	¥1,510	¥3,430

4. Redemption schedule for bonds, long-term debt and other interest-bearing liabilities as of March 31, 2016 and 2015 is summarized as follows:

As of March 31, 2016	Yen (Millions)			
	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 bank loans	¥ 177	¥ -	¥ -	¥ -
Bonds and notes	-	60,000	30,000	15,000
Long-term loans	86,803	291,966	157,401	38,805
Total	¥86,980	¥351,966	¥187,401	¥53,805

As of March 31, 2016	U.S. dollars (Thousands)			
	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 bank loans	\$ 1,570	\$ -	\$ -	\$ -
Bonds and notes	-	532,481	266,240	133,120
Long-term loans	770,349	2,591,107	1,396,884	344,382
Total	\$771,920	\$3,123,588	\$1,663,125	\$477,502

As of March 31, 2015	Yen (Millions)			
	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 bank loans	¥ 200	¥ -	¥ -	¥ -
Bonds and notes	65,000	30,000	30,000	15,000
Long-term loans	138,263	296,374	180,077	37,952
Total	¥203,463	¥326,374	¥210,077	¥52,952

Notes to Consolidated Financial Statements

15. Derivatives and hedging activities

The group operates internationally and is exposed to the risk of changes in foreign exchange rates, interest rates and commodity prices of fuel. In order to manage these risks, the group and its subsidiaries utilize 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 their outstanding debt. In addition, the group also enters into a variety of swaps and options in its management of risk exposure related to the commodity prices of fuel. The group and its subsidiaries do 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, have been monitored by management generally on a monthly basis. Assessment of hedge effectiveness is examined at inception and, on an ongoing basis, periodically. The consolidated subsidiaries have adopted the same procedures for hedging activities as the group.

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

Summarized below are the notional amounts and the estimated fair values of the derivative instruments outstanding as of March 31, 2016 and 2015, for which hedged accounting has been applied.

(a) Currency-related transactions

As of March 31, 2016		Yen (Millions)		
		Notional amount		Fair value
		Total	Maturing after one year	
Forward foreign exchange contracts for accounts payable, accounted for by deferral method:				
Sell:				
	USD	¥ 17	¥ -	¥ 0
	Other	-	-	-
Buy:				
	USD	650,583	390,596	11,140
	EUR	284	-	(0)
	Other	131	-	1
Currency option contracts for accounts payable, accounted for by deferral method:				
Sell:				
	USD (Put)	87,831	61,285	(1,494)
Buy:				
	USD (Call)	94,975	66,438	3,137
Currency swap contracts for accounts payable, accounted for by deferral method:				
	Receive/USD and pay/JPY	5,160	2,025	265
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:				
	USD	92	-	(*)
	EUR	31	-	(*)
	Other	-	-	(*)
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:				
	USD	2,378	-	(*)
	EUR	130	-	(*)
	Other	159	-	(*)
Total		¥841,771	¥520,344	¥13,049

As of March 31, 2016		U.S. dollars (Thousands)		
		Notional amount		Fair value
		Total	Maturing after one year	
Forward foreign exchange contracts for accounts payable, accounted for by deferral method:				
Sell:				
	USD	\$ 150	\$ -	\$ 0
	Other	-	-	-
Buy:				
	USD	5,773,722	3,466,418	98,864
	EUR	2,520	-	(0)
	Other	1,162	-	8
Currency option contracts for accounts payable, accounted for by deferral method:				
Sell:				
	USD (Put)	779,472	543,885	(13,258)
Buy:				
	USD (Call)	842,873	589,616	27,839
Currency swap contracts for accounts payable, accounted for by deferral method:				
	Receive/USD and pay/JPY	45,793	17,971	2,351
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:				
	USD	816	-	(*)
	EUR	275	-	(*)
	Other	-	-	(*)
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:				
	USD	21,104	-	(*)
	EUR	1,153	-	(*)
	Other	1,411	-	(*)
Total		\$7,470,456	\$4,617,891	\$115,805

Notes to Consolidated Financial Statements

		Yen (Millions)		
		Notional amount		Fair value
As of March 31, 2015		Total	Maturing after one year	
Forward foreign exchange contracts for accounts payable, accounted for by deferral method:				
Sell:				
	USD	¥ 557	¥ -	¥ (0)
	Other	1	-	0
Buy:				
	USD	729,965	405,512	98,695
	EUR	503	-	(27)
	Other	0	-	(0)
Currency option contracts for accounts payable, accounted for by deferral method:				
Sell:				
	USD (Put)	79,986	59,482	3,311
Buy:				
	USD (Call)	86,930	64,158	7,946
Currency swap contracts for accounts payable, accounted for by deferral method:				
	Receive/USD and pay/JPY	9,955	5,160	1,278
Forward foreign exchange contracts, accounted for as part of accounts receivable:				
Sell:				
	USD	164	-	(*)
	EUR	30	-	(*)
	Other	1	-	(*)
Forward foreign exchange contracts, accounted for as part of accounts payable:				
Buy:				
	USD	17,924	-	(*)
	EUR	442	-	(*)
	Other	16	-	(*)
Total		¥926,474	¥534,312	¥111,203

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 since the amounts in such derivative contracts accounted for as part of accounts payable are handled together with the payables denominated in foreign currencies that are subject to hedge accounting. See Note 14.

(b) Interest-related transactions

		Yen (Millions)		
		Notional amount		Fair value
As of March 31, 2016		Total	Maturing after one year	
Interest rate swap hedging long-term loans, accounted for by short-cut method:				
	Receive/floating and pay/fixed	¥230,335	¥187,685	(*)

		U.S. dollars (Thousands)		
		Notional amount		Fair value
As of March 31, 2016		Total	Maturing after one year	
Interest rate swap hedging long-term loans, accounted for by short-cut method:				
	Receive/floating and pay/fixed	\$2,044,151	\$1,665,646	(*)

		Yen (Millions)		
		Notional amount		Fair value
As of March 31, 2015		Total	Maturing after one year	
Interest rate swap hedging long-term loans, accounted for by short-cut method:				
	Receive/floating and pay/fixed	¥286,598	¥193,776	(*)

(*) The estimated fair value of interest rate swap contracts is included in the estimated fair value of long-term loans since amounts in such derivative contracts accounted for by the short-cut method are handled together with the long-term loans that are subject to hedge accounting. See Note 14.

(c) Commodity-related transactions

As of March 31, 2016		Yen (Millions)		Fair value
		Notional amount		
		Total	Maturing after one year	
Commodity (crude oil) swap contracts, accounted for by deferral method:				
Receive/floating and pay/fixed		¥149,787	¥ 34,603	¥(77,253)
Commodity (crude oil) option contracts, accounted for by deferral method:				
Sell:	Crude oil (Call)	-	-	-
	Crude oil (Put)	42,568	36,935	(6,452)
Buy:	Crude oil (Call)	54,821	46,987	(2,703)
	Crude oil (Put)	-	-	-
Total		¥247,176	¥118,525	¥(86,408)

As of March 31, 2016		U.S. dollars (Thousands)		Fair value
		Notional amount		
		Total	Maturing after one year	
Commodity (crude oil) swap contracts, accounted for by deferral method:				
Receive/floating and pay/fixed		\$1,329,313	\$ 307,090	\$(685,596)
Commodity (crude oil) option contracts, accounted for by deferral method:				
Sell:	Crude oil (Call)	-	-	-
	Crude oil (Put)	377,777	327,786	(57,259)
Buy:	Crude oil (Call)	486,519	416,995	(23,988)
	Crude oil (Put)	-	-	-
Total		\$2,193,610	\$1,051,872	\$ 766,844

As of March 31, 2015		Yen (Millions)		Fair value
		Notional amount		
		Total	Maturing after one year	
Commodity (crude oil) swap contracts, accounted for by deferral method:				
Receive/floating and pay/fixed		¥315,300	¥139,487	¥ (95,990)
Commodity (crude oil) option contracts, accounted for by deferral method:				
Sell:	Crude oil (Call)	-	-	-
	Crude oil (Put)	26,934	6,877	(5,313)
Buy:	Crude oil (Call)	31,171	8,652	(1,705)
	Crude oil (Put)	-	-	-
Total		¥373,405	¥155,016	¥(103,008)

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

16. Segment information

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

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 2.

Segment performance is evaluated based on operating income or loss. Intra-group sales are recorded at the same prices used in transactions with third parties.

Notes to Consolidated Financial Statements

Segment information for the years ended March 31, 2016 and 2015 is as follows:

As of and for the year ended March 31, 2016	Yen (Millions)				
	Reportable Segments				
	Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Revenues, profit or loss and assets by reportable segments:					
Operating revenues from external customers	¥1,458,517	¥ 48,671	¥157,558	¥115,386	¥1,780,132
Intersegment revenues and transfers	94,716	183,232	9,791	24,903	312,642
Total	1,553,233	231,903	167,349	140,289	2,092,774
Segment profit (loss)	139,757	(4,248)	4,291	5,312	145,112
Segment assets	2,016,211	131,988	58,807	58,655	2,265,661
Other items:					
Depreciation and amortization	131,999	5,554	104	994	138,651
Amortization of goodwill	1	10,055	–	114	10,170
Increase in tangible and intangible fixed assets	269,183	10,809	349	2,306	282,647

As of and for the year ended March 31, 2016	Yen (Millions)			
	Other	Total	Adjustments	Consolidated
Revenues, profit or loss and assets by reportable segments:				
Operating revenues from external customers	¥11,055	¥1,791,187	¥ –	¥1,791,187
Intersegment revenues and transfers	22,699	335,341	(335,341)	–
Total	33,754	2,126,528	(335,341)	1,791,187
Segment profit (loss)	1,659	146,771	(10,308)	136,463
Segment assets	19,929	2,285,590	(56,782)	2,228,808
Other items:				
Depreciation and amortization	179	138,830	–	138,830
Amortization of goodwill	–	10,170	–	10,170
Increase in tangible and intangible fixed assets	18	282,665	(1,249)	281,416

As of and for the year ended March 31, 2016	U.S. dollars (Thousands)				
	Reportable Segments				
	Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Revenues, profit or loss and assets by reportable segments:					
Operating revenues from external customers	\$12,943,885	\$ 431,940	\$1,398,278	\$1,024,014	\$15,798,118
Intersegment revenues and transfers	840,575	1,626,127	86,892	221,006	2,774,600
Total	13,784,460	2,058,067	1,485,170	1,245,021	18,572,719
Segment profit (loss)	1,240,299	(37,699)	38,081	47,142	1,287,823
Segment assets	17,893,246	1,171,352	521,893	520,544	20,107,037
Other items:					
Depreciation and amortization	1,171,450	49,290	922	8,821	1,230,484
Amortization of goodwill	8	89,235	–	1,011	90,255
Increase in tangible and intangible fixed assets	2,388,915	95,926	3,097	20,465	2,508,404

As of and for the year ended March 31, 2016	U.S. dollars (Thousands)			
	Other	Total	Adjustments	Consolidated
Revenues, profit or loss and assets by reportable segments:				
Operating revenues from external customers	\$ 98,109	\$15,896,228	\$ –	\$15,896,228
Intersegment revenues and transfers	201,446	2,976,047	(2,976,047)	–
Total	299,556	18,872,275	(2,976,047)	15,896,228
Segment profit (loss)	14,723	1,302,547	(91,480)	1,211,066
Segment assets	176,863	20,283,901	(503,922)	19,779,978
Other items:				
Depreciation and amortization	1,588	1,232,073	–	1,232,073
Amortization of goodwill	–	90,255	–	90,255
Increase in tangible and intangible fixed assets	159	2,508,564	(11,084)	2,497,479

As of and for the year ended March 31, 2015	Yen (Millions)				
	Reportable Segments				
	Air Transportation	Airline Related	Travel Services	Trade and Retail	Subtotal
Revenues, profit or loss and assets by reportable segments:					
Operating revenues from external customers	¥1,388,187	¥ 50,047	¥160,070	¥105,262	¥1,703,566
Intersegment revenues and transfers	96,413	173,733	9,008	21,767	300,921
Total	1,484,600	223,780	169,078	127,029	2,004,487
Segment profit (loss)	81,667	9,024	4,565	4,067	99,323
Segment assets	2,110,920	139,249	57,030	49,970	2,357,169
Other items:					
Depreciation and amortization	125,437	4,696	56	956	131,145
Amortization of goodwill	6	788	–	114	908
Increase in tangible and intangible fixed assets	267,621	7,264	365	1,823	277,073

As of and for the year ended March 31, 2015	Yen (Millions)			
	Other	Total	Adjustments	Consolidated
	Revenues, profit or loss and assets by reportable segments:			
Operating revenues from external customers	¥ 9,891	¥1,713,457	¥ –	¥1,713,457
Intersegment revenues and transfers	22,683	323,604	(323,604)	–
Total	32,574	2,037,061	(323,604)	1,713,457
Segment profit (loss)	1,624	100,947	(9,406)	91,541
Segment assets	130,901	2,488,070	(185,633)	2,302,437
Other items:				
Depreciation and amortization	184	131,329	–	131,329
Amortization of goodwill	–	908	–	908
Increase in tangible and intangible fixed assets	319	277,392	(2,690)	274,702

Geographical information

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2016 and 2015 are summarized as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
	Japan	¥1,474,234	¥1,420,276
Overseas	316,953	293,181	2,812,859
Total	¥1,791,187	¥1,713,457	\$15,896,228

Notes: 1. Overseas consists substantially of America, Europe, China, and Asia.

2. Net sales of overseas indicate sales of the company and its consolidated subsidiaries in countries or regions other than Japan.

Notes to Consolidated Financial Statements

17. Amounts per share

Amounts per share as of and for the years ended March 31, 2016 and 2015 are as follows:

	Yen		U.S. dollars
	2016	2015	2016
Net assets per share	¥225.87	¥228.45	\$2.00
Net income per share	¥ 22.36	¥ 11.24	\$0.19

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, 2016 and 2015.

2. The basis for calculating net income per share is as follows:

Years ended March 31	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Net income attributable to owners of ANA HOLDINGS INC.	¥78,169	¥39,239	\$693,725
Amount not attributable to common shareholders	–	–	–
Net income attributable to common stock	¥78,169	¥39,239	\$693,725
Average number of shares outstanding during the fiscal year (Thousands)	3,496,561	3,492,380	3,496,561

3. The basis for calculating net assets per share is as follows:

As of March 31	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Net assets	¥794,900	¥803,552	\$7,054,490
Amounts deducted from total net assets (including Non-controlling interests)	5,004 (5,004)	5,272 (5,272)	44,408 (44,408)
Net assets attributable to common stock at the end of the fiscal year	¥789,896	¥798,280	\$7,010,081
Number of shares of common stock at the end of the fiscal year used to determine net assets per share (Thousands)	3,497,198	3,494,355	3,497,198

4. The number of the company shares held by the trust account of the ANA Group Employee Stock Ownership Trust as of March 31, 2016 (13,352 thousand shares), the number of shares as of March 31, 2015 (17,914 thousand shares) and the number of shares held by the Trust for Delivery of Shares to Directors as of March 31, 2016 (1,357 thousand shares) have been deducted from "Average number of shares outstanding during the fiscal year."

The number of the company shares held by the trust account of the ANA Group Employee Stock Ownership Trust as of March 31, 2016 (11,531 thousand shares), the number of shares as of March 31, 2015 (15,859 thousand shares) and the number of shares held by the Trust for Delivery of Shares to Directors as of March 31, 2016 (1,357 thousand shares) have been deducted from "Number of shares of common stock at the end of the fiscal year used to determine net assets per share."

18. Supplementary cash flow information

A reconciliation of the difference between cash on hand and in banks stated in the consolidated balance sheet as of March 31, 2016 and 2015 and cash and cash equivalents in the consolidated statement of cash flows is as follows:

	Yen (Millions)		U.S. dollars (Thousands)
	2016	2015	2016
Cash on hand and in banks	¥ 55,293	¥ 43,901	\$ 490,708
Time deposits with maturities of more than three months	(1,250)	(956)	(11,093)
Marketable securities	222,380	278,692	1,973,553
Marketable securities with maturities of more than three months	(11,300)	(112,700)	(100,283)
Cash and cash equivalents	¥265,123	¥ 208,937	\$2,352,884

19. Impairment loss

Impairment loss of ¥4,925 million was recognized in the year ended March 31, 2016 mainly because the net book values of assets expected to be sold were written down to their recoverable amounts.

For the year ended March 31, 2016			Yen (Millions)	U.S. dollars (Thousands)
Application	Location	Category	Impairment loss	
Assets expected to be sold	Chiba	Land, building, structures, Tools, furniture, and fixtures	¥4,285	\$38,028
Idle assets and 2 others	Tokyo, etc.	Software, etc.	¥ 640	\$ 5,679
Total			¥4,925	\$43,707

Note: Company housing and dormitories were written down to their recoverable amounts, since the assets are expected to be sold. As a result, impairment loss of ¥4,285 million (\$38,028 thousand) was recognized. Details are as follows: ¥2,371 million (\$21,041 thousand) for land, ¥1,907 million (\$16,924 thousand) for building and structures and ¥5 million (\$44 thousand) for tools, furniture and fixtures.

The recoverable value of the assets is calculated by using fair value less costs to sell.

For the year ended March 31, 2015			Yen (Millions)
Application	Location	Category	Impairment loss
Idle assets	Chiba and Hiroshima	Tools, furniture and fixtures	¥ 10
		Land	101
Total			¥111

Note: The recoverable value of the assets is calculated at fair value less costs to sell. The carrying amounts of tools, furniture and fixtures were written down to their memorandum value and that of land was rationally assessed by considering the appraisal value based on fixed asset tax.

20. Supplementary information for consolidated statement of income

Inventory was valued using prices after write-downs of book value due to decreased profitability.

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

		Yen (Millions)		U.S. dollars (Thousands)
		2016	2015	2016
		¥6,198	¥282	\$55,005

21. Subsequent event

None



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Independent Auditor's Report

The Board of Directors
ANA HOLDINGS INC.

We have audited the accompanying consolidated financial statements of ANA HOLDINGS INC. (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 the Company and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 28, 2016
Tokyo, Japan

Glossary

Passenger Operation Terms

Available Seat-Kilometers (ASKs)

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

Revenue Passenger-Kilometers (RPKs)

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 revenue per revenue passenger-kilometer. Revenues / revenue passenger-kilometers.

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 Operation Terms

Available Ton-Kilometers (ATKs)

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

Revenue Ton-Kilometers (RTKs)

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.

Combination Carrier

An airline that conducts cargo operations that strategically combine the use of both freighters (dedicated cargo aircraft) and belly space (cargo space below the cabin on passenger aircraft).

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. More than 260 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 2016, 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

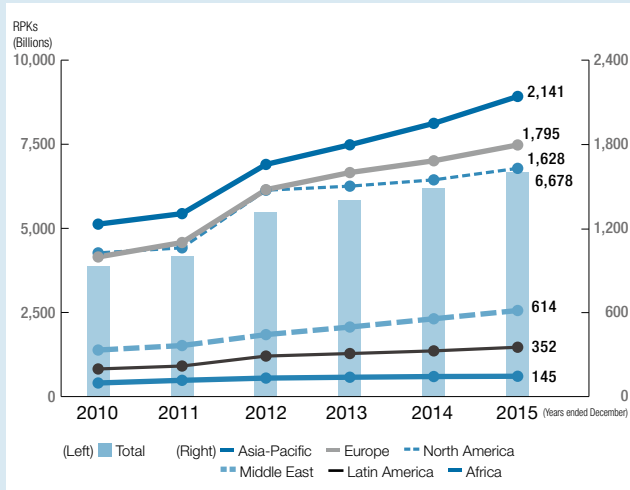
A strategy for using the two largest airports in the Tokyo metropolitan area (Haneda and Narita) for different yet complementary strategic aims and functions. At Haneda, which offers excellent access from central Tokyo, the strategy targets overall air travel demand in the Tokyo metropolitan area, including 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

For further information, Fact Book 2016 can be downloaded from the company's corporate website in PDF format.
<http://www.ana.co.jp/group/en/investors/irdata/annual/>

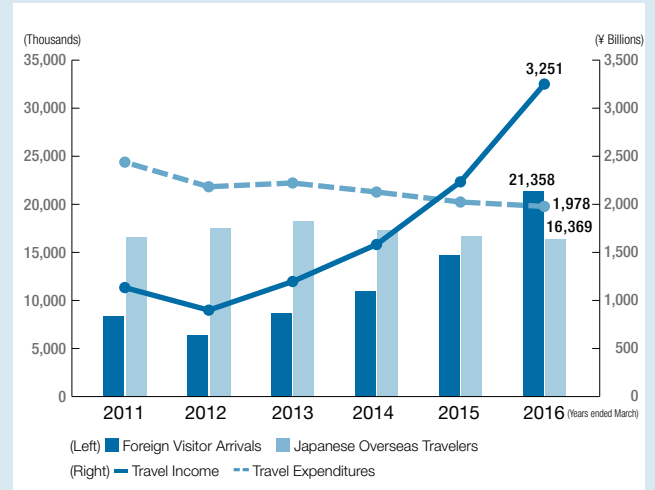
International Passenger Market

Global Air Transportation Passenger Volume by Region



Source: International Air Transport Association (ATA), 2016

Number of Japanese Overseas Travelers / Foreign Visitor Arrivals / Travel Income and Expenditures



* Travel Income and Expenditures include received and spent on accommodation, dining, etc., by foreign visitor arrivals in Japan and Japanese overseas travelers

Source: Japan National Tourism Organization (JNTO), 2015; Ministry of Finance Japan, 2016

Top 10 Countries/Regions for Japanese Overseas Travelers

2014			2013	
Ranking	Country/Region	(Thousands)	Ranking	(Thousands)
1	U.S.A.*	3,579	1	3,730
2	China	2,717	2	2,877
3	South Korea	2,280	3	2,747
4	Taiwan	1,634	6	1,421
5	Hawaii	1,510	5	1,523
6	Thailand	1,265	4	1,536
7	Hong Kong	1,078	7	1,057
8	Singapore	824	9	832
9	Guam	807	8	893
10	Viet Nam	647	12	604

* U.S.A. (excluding Hawaii and Guam)

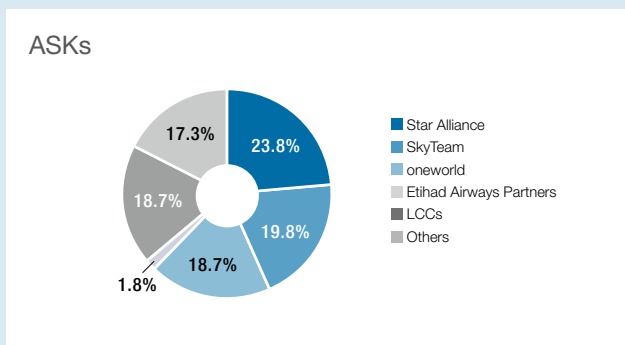
Source: UNWTO, PATA, National Tourism Offices and National Statistical Offices, 2015

Top 10 Countries/Regions for Foreign Visitor Arrivals

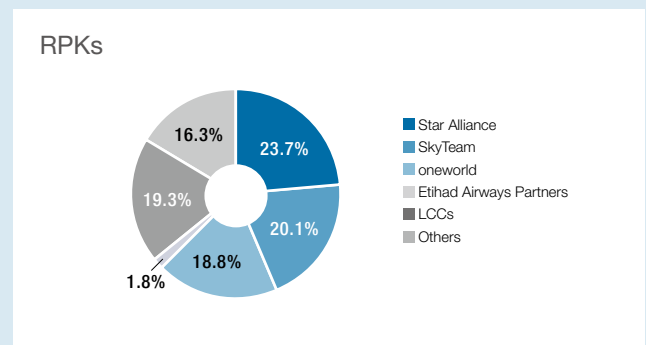
2015			2014	
Ranking	Country/Region	(Thousands)	Ranking	(Thousands)
1	China	4,993	3	2,409
2	South Korea	4,002	2	2,755
3	Taiwan	3,677	1	2,830
4	Hong Kong	1,524	4	926
5	U.S.A.	1,033	5	892
6	Thailand	796	6	658
7	Australia	376	7	303
8	Singapore	308	9	228
9	Malaysia	305	8	250
10	The Philippines	268	11	184

Source: Japan National Tourism Organization (JNTO), 2016

Shares by Alliance

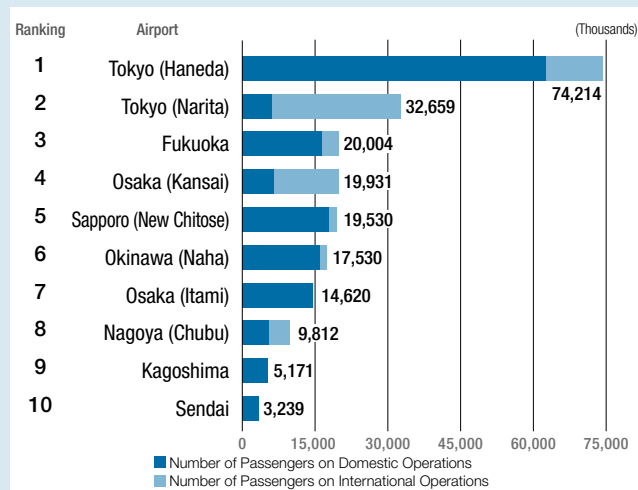


Source: Star Alliance, April 2016



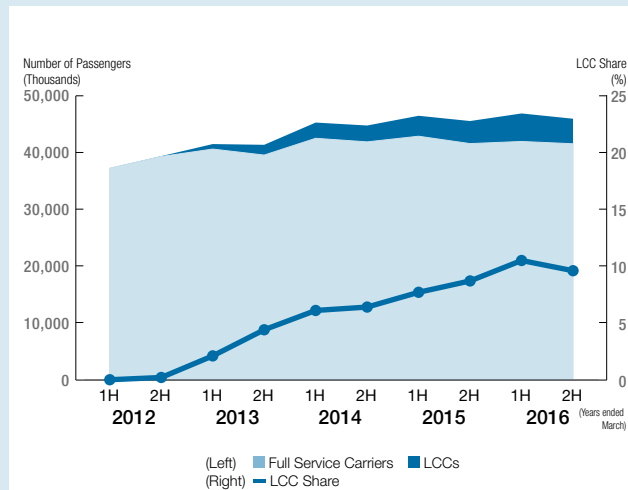
Domestic Passenger Market

The Top 10 Airports in Japan by Number of Passengers



Note: Compilation from reports on Status of Airport Operations, fiscal year ended March 2014
Source: Ministry of Land, Infrastructure, Transport and Tourism, 2015

Number of Domestic Passengers and LCC Share



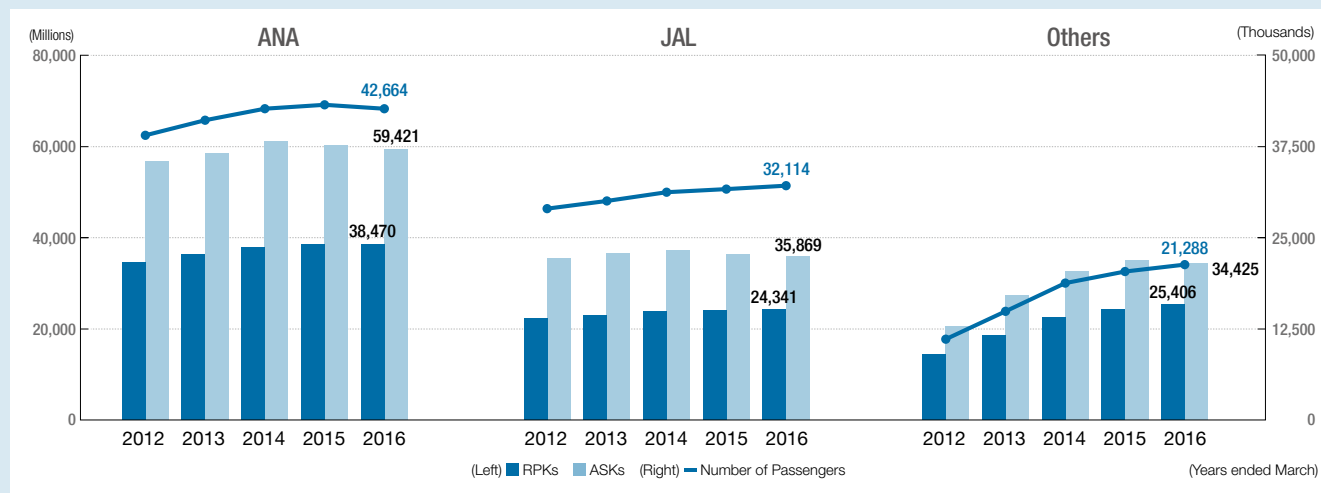
Source: Ministry of Land, Infrastructure, Transport and Tourism, fiscal year ended March 2016

The Top 5 Routes by Passengers Carried: Flight Distance and Time

Ranking	Route	Number of Passengers (Thousands)	Flight Distance (km)	(Ref.) Flight Time (Hrs)	(Ref.) Shinkansen (Bullet Train) Journey Time (Hrs)
1	Tokyo (Haneda) – Sapporo (New Chitose)	9,015 (+1.2%)	894	1:30	–
2	Tokyo (Haneda) – Fukuoka	8,158 (–0.8%)	1,041	1:45	4:55
3	Tokyo (Haneda) – Okinawa (Naha)	5,246 (+7.0%)	1,687	2:30	–
4	Tokyo (Haneda) – Osaka (Itami)	5,194 (–1.5%)	514	1:05	2:30
5	Tokyo (Haneda) – Kagoshima	2,255 (–0.4%)	1,111	1:45	6:45

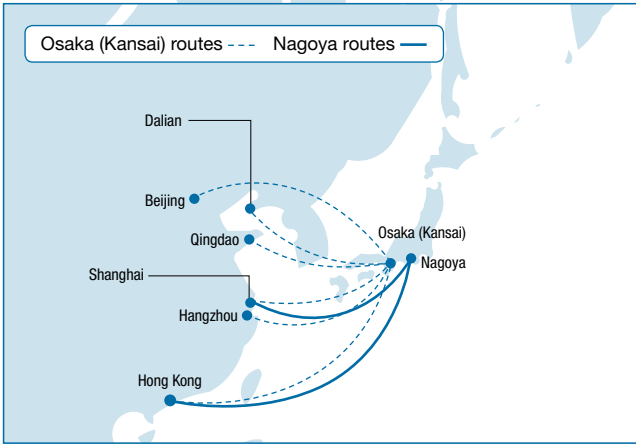
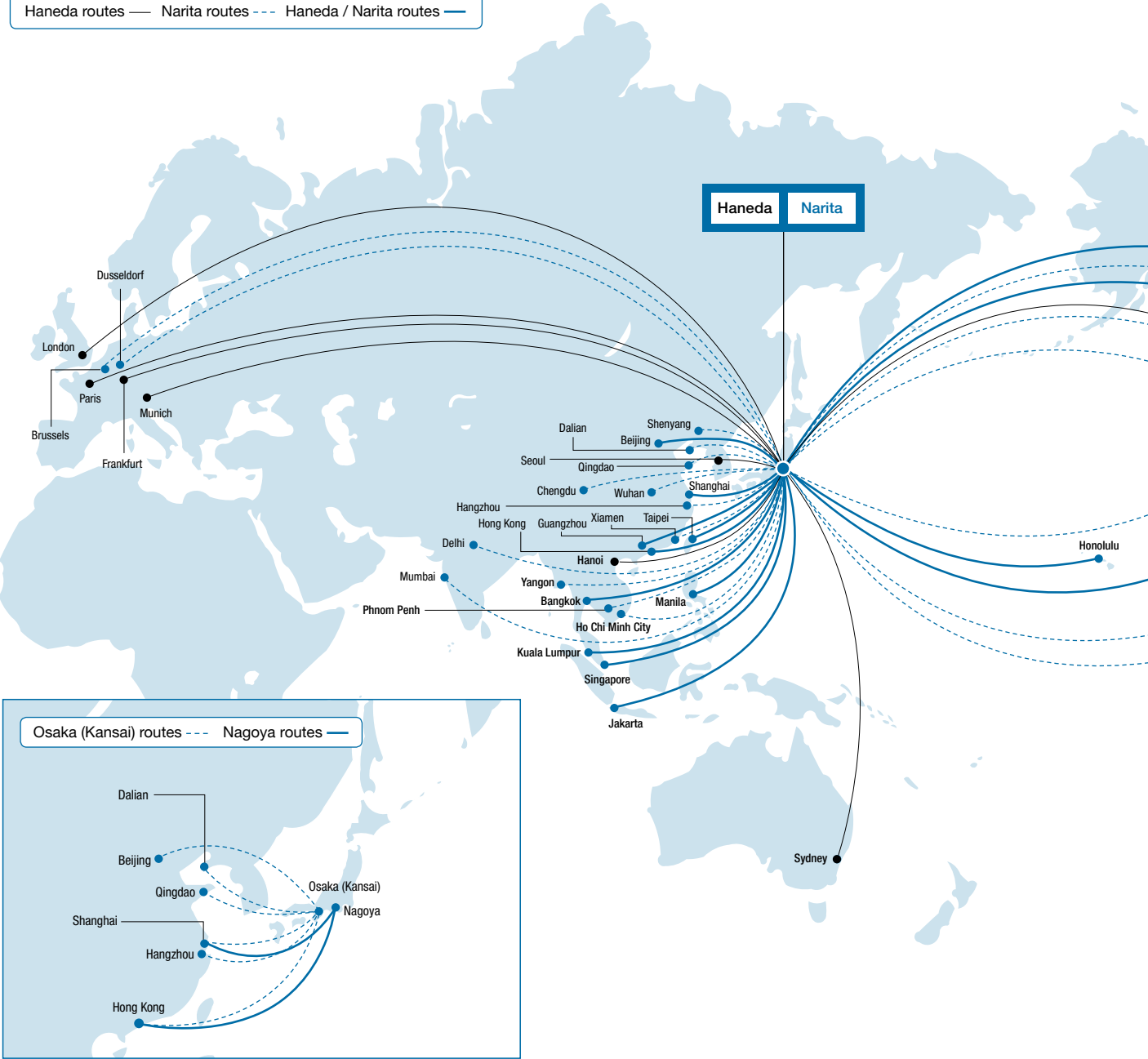
Note: Figures in parentheses represent comparisons with the previous fiscal year.
Source: Ministry of Land, Infrastructure, Transport and Tourism, a preliminary report for the fiscal year ended March 2016

Number of Passengers on Domestic Operations by Airline



Note: Figures for ANA exclude Vanilla Air Inc.
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 the fiscal year ended March 2016.

Haneda routes — Narita routes - - - Haneda / Narita routes —

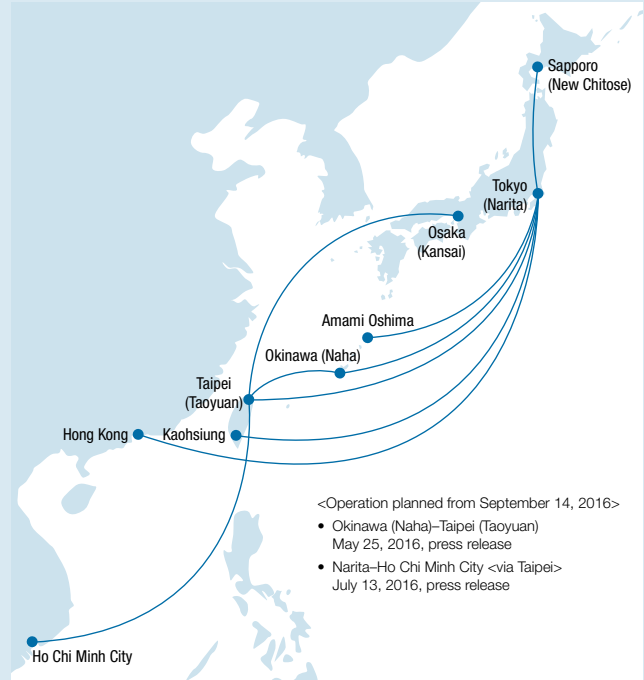


Please refer to the following links for information on flights to the destination of your choice.

[International routes] http://www.ana.co.jp/nwrm_ie/

[Domestic routes] http://www.ana.co.jp/nwrm_de/

Vanilla Air-Operated Routes



Peach Aviation-Operated Routes



Compilation by ANA HOLDINGS INC. (As of July 1, 2016)

<Operation planned from October 30, 2016>

- Haneda-New York, Chicago, Kuala Lumpur
Timely disclosure filed on June 29, 2016

<Operation planned from February 2017>

- Narita-Mexico City
Timely disclosure filed on May 12, 2016

Social Data

Human Resources Data (ANA)

	Unit	2016	2015	2014	2013
Number of employees*1	People	12,859	12,360	12,416	13,731
Number of employees hired overseas*1	People	1,387	1,341	1,334	1,455
Average age of employees*1	Years	36.0	36.0	36.0	38.8
Average years worked*1	Years	10.0	10.0	10.1	13.1
Ratio of female managers*2	%	12.2	10.9	9.8	9.8
Ratio of female directors	%	10.5	9.7	3.0	2.5
Number of employees on pregnancy or childcare leave/Men	People	581/5	590/5	466/4	477/4
Number of employees on nursing care leave	People	12	11	24	29
Ratio of employees with disabilities*3	%	2.32	2.10	2.14	2.07
Work-related accidents		66	77	66	82

*1 As of the end of each fiscal year

*2 As of April 1 of each year

*3 As of June 1 of each year

Total of ANA and qualified ANA Group companies (2016 and 2015: total of 12 companies including 1 special subsidiary; 2014: total of 11 companies including 1 special subsidiary; 2013: total of 7 companies including 2 special subsidiaries)

Flight-Related Data (Total Number of Passenger Flights on ANA International and Domestic Routes)

(Years ended March)	Unit	2016	2015	2014	2013
In-service rate	%	98.9	98.9	98.9	98.2
On-time departure rate*4	%	91.9	91.4	91.9	92.9
On-time arrival rate*4	%	88.7	87.6	88.1	89.4

*4 Delays of 16 minutes or less, excluding cancelled flights

Customer-Related Data

(Years ended March)	Unit	2016	2015	2014	2013
Number of customer feedback reports		73,688	70,472	74,982	73,213
[Breakdown by Route Type]					
Domestic	%	46.0	47.7	49.9	51.2
International	%	39.5	38.5	34.9	35.9
Other	%	14.5	13.8	15.2	12.9
[Breakdown by Report Type]					
Complaint	%	35.8	32.2	32.9	36.0
Compliment	%	21.2	20.6	21.7	21.1
Comment/Request	%	26.1	27.9	29.4	31.2
Other	%	16.9	19.3	16.0	11.7

Environmental Data

Environmental data is from the fiscal year ended March 2016 and was compiled from ANA and certain consolidated subsidiaries (those responsible for air transportation, aircraft maintenance, ground handling, vehicle maintenance, building management, etc.).

Climate Change Countermeasures

(Years ended March)	Unit	2016	2015	2014	2013
Carbon dioxide (CO₂) emissions					
Total	10,000 tons	1,074	1,031	955	919
[Breakdown]					
Aircraft		1,062	1,016	945	909
Passenger		[1,005]	[961]	[899]	[866]
Cargo		[57]	[55]	[46]	[43]
Ground equipment and vehicles		12.0	14.3	10.4	10.8
[Scope 1/2]					
Scope 1		1,065	1,021	948	911
Scope 2		8.9	9.8	10.4	10.8
Aircraft CO ₂ emissions per RTK	kg-CO ₂	1.05	1.04	1.09	1.13
Total energy consumption					
Total	Crude oil equipment: 10,000 kl	414	397	389	373
Aircraft energy consumption		408	390	383	369
Ground energy consumption		5.7	6.5	6.0	5.2
Fuel-efficient aircraft (Jet aircraft only)*					
Number of fuel-efficient aircraft	Aircraft	148	132	118	107
Ratio of fuel-efficient aircraft	%	64.9	62.0	52.2	47.1
Discharge of ozone-depleting substances					
Fluorocarbon	kg	16.4	0.0	0.0	0.0
Halon	kg	8.3	0.0	17.7	45.2

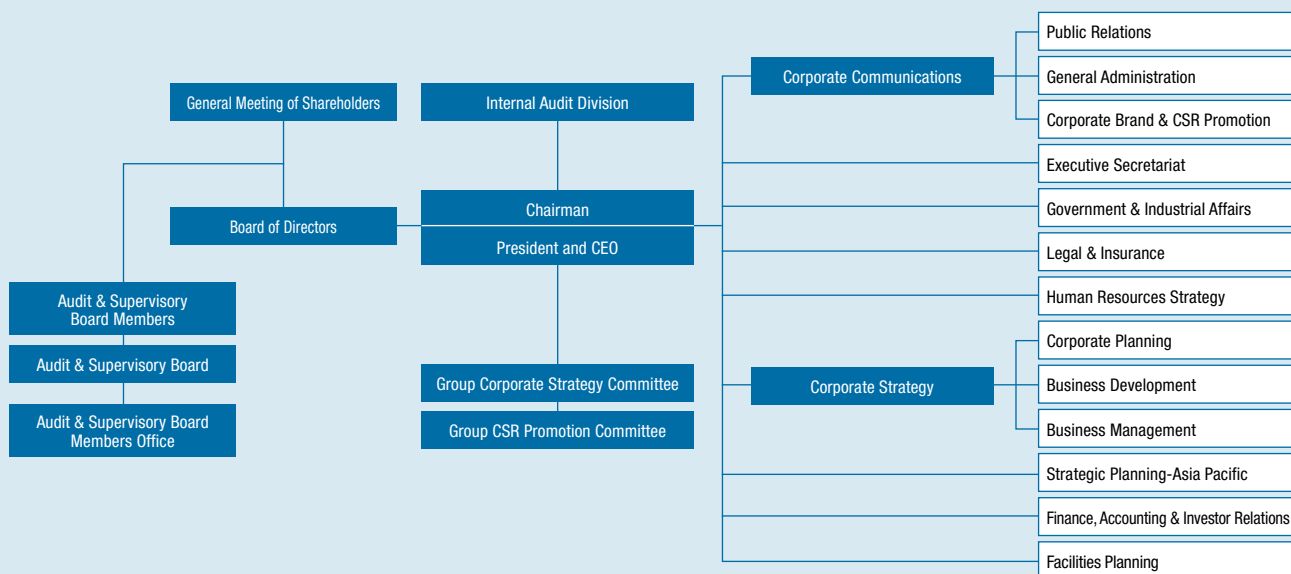
* Boeing 777-200, -200ER, -300, -300ER, 787-8, 787-9, 737-700, -700ER, and -800

Resource Savings

(Years ended March)	Unit	2016	2015	2014	2013
Waste produced					
Total	Thousand tons	28.9	28.9	22.5	23.0
[Breakdown]					
General waste (Cabin waste and sewage included)		22.4	21.8	16.4	17.8
General waste (Ground waste included)		2.9	2.6	2.8	2.7
Industrial waste		3.6	4.5	3.3	2.5
Total paper used	Thousand tons	4.7	4.7	5.0	5.4
Total water usage					
Clean water	10,000 tons	51.1	53.5	50.6	56.8
Non-potable water	10,000 tons	7.2	6.9	4.3	7.1
Total waste treatment (Buildings included)	10,000 tons	16.3	14.6	15.5	17.3

The ANA Group Profile

ANA HOLDINGS INC. Organization (As of July 1, 2016)



Number of Subsidiaries and Affiliates (As of March 31, 2016)

Operating segment	Total of subsidiaries			Total of affiliates	
		of which, consolidated	of which, equity method		of which, equity method
Air Transportation	4	4	—	4	2
Airline Related	47	35	—	6	3
Travel Services	5	5	—	3	1
Trade and Retail	52	10	—	2	—
Others	9	8	1	30	11
Total	117	62	1	45	17

Major Subsidiaries (As of March 31, 2016)

Company name	Amount of capital (¥ Millions)	Ratio of voting rights holding (%)	Principal business
Air Transportation business			
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
Airline Related business			
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 business			
ANA Sales Co., Ltd.	1,000	100.0	Planning and sales of travel packages, etc.
Trade and Retail business			
ALL NIPPON AIRWAYS TRADING Co., Ltd.	1,000	100.0	Trading and retailing

Corporate Data (As of March 31, 2016)

Trade Name	ANA HOLDINGS INC.	Administrator of Register of Shareholders	Sumitomo Mitsui Trust Bank, Limited (Stock Transfer Agency Department) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Date of Foundation	December 27, 1952	Independent Auditor	Ernst & Young ShinNihon LLC <small>* Following the closure of the 71st Ordinary General Meeting of Shareholders, the company newly appointed Deloitte Touche Tohmatsu LLC as its accounting auditor. Accordingly, future audits will be carried out by certified public accountants from Deloitte Touche Tohmatsu.</small>
Head Office	Shiodome City Center, 1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo 105-7140, Japan	American Depository Receipts	Ratio (ADR:ORD): 1:2 Exchange: OTC (Over-the-Counter) Symbol: ALNPY CUSIP: 016630303
Number of Employees	36,273 (Consolidated)	Depository:	The Bank of New York Mellon 101 Barclay Street, 22 West, New York, NY 10286, U.S.A. Tel: 1-201-680-6825 U.S. Toll Free: 1-888-269-2377 (888-BNY-ADRS) URL: http://www.adrbnymellon.com
Paid-In Capital	¥318,789 million	Number of Shares of Common Stock	
Fiscal Year-End	March 31		
	Authorized: 5,100,000,000 shares Issued: 3,516,425,257 shares		
Number of Shareholders	523,434		
Stock Listings	Tokyo and London		
Ticker Code	9202		

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, 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.

Contact

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